
MONITORING OF THE GENERAL FUND REVENUE BUDGET 2018/19

Report by the Chief Financial Officer
EXECUTIVE COMMITTEE

20 November 2018

1 PURPOSE AND SUMMARY

- 1.1 This report provides the Executive Committee with budgetary control statements for the Council's General Fund based on actual expenditure and income to 30 September 2018 and explanations of the major variances between projected outturn expenditure/income and the current approved budget.**
- 1.2 The revenue monitoring position set out in this report is based on actual income and expenditure to the 30 September 2018. At this stage in the financial year the Council is experiencing significant financial pressures, primarily in Assets & Infrastructure and Health & Social Care, attributable to increased costs and delays in the delivery of planned savings in the revenue budget. The underlying pressure in the account indicates that these pressures could result in an adverse variance at the yearend of around £3m. CMT has reviewed the position and taken action through a range of alternative measures to identify savings which, if delivered, will offset this position and deliver a balanced budget by the 31st March 2019. It is increasingly evident that the Council is finding it more and more difficult to balance the revenue budget given the sustained service demands e.g. in Adult Social Care. It is essential to ensure the financial sustainability of the council that the revenue budget is balanced and that this is achieved through the delivery of permanent savings in line with the timescales approved in the financial plan.
- 1.3 As shown in Appendix 4 as at 30 September 2018 89% (£14.63m) of the savings have been delivered within the current year. A further 11% (£1.784m) is profiled to be delivered during the remainder of 2018/19. Emphasis during 2018/19 needs to be placed on delivering the savings permanently as planned per the Financial Plan especially considering the scale of savings required during 2018/19 (£16.4m). In the current year over £7.5m savings have been delivered temporarily to compensate for delays on project delivery and revisions to savings which were envisaged in the financial plan, this position is not sustainable and must be addressed as part of the 2019/20 financial planning process on a permanent basis.
- 1.4 Full details of pressures, risks and challenges and the significant majority of areas of the Council's operation where budget plans remain on track are detailed in Appendix 1 to this report.

2 RECOMMENDATIONS

2.1 It is recommended that the Executive Committee:-

- (a) notes the projected corporate monitoring position reported at 30 September 2018, the underlying cost drivers of this position and the identified areas of financial risk including the position reflected in Appendix 1;**
- (b) approves the virements attached as Appendix 2 & 3;**
- (c) notes the progress made in achieving Financial Plan savings in Appendix 4; and**
- (d) notes the Corporate Management team directive to ensure all managers operate within revised budgets for the remainder of the financial year therefore ensuring a balanced outturn position is delivered in 2018/19.**

3 PROJECTED OUTTURN

- 3.1 The Council is experiencing significant financial pressures primarily in Assets & Infrastructure and Health & Social Care attributable to increased costs and delays in the delivery of planned savings in the revenue budget. The underlying pressure in the account indicates that these pressures could result in an adverse variance at the year end of around £3m. CMT has reviewed the position and taken action through a range of alternative measures to identify savings which, if delivered, will offset this position and deliver a balanced budget by the 31st March 2019. CMT have issued an instruction to all budget holders re-emphasising the importance of services operating within revised budgets for the remainder of the financial year. It is increasingly evident that the Council is finding it more and more difficult to balance the revenue budget given the sustained service demands e.g. in Adult Social Care. It is essential to ensure the financial sustainability of the council that the revenue budget is balanced and that this is achieved through the delivery of permanent savings in line with the timescales approved in the financial plan. The summary included in Appendix 1 is projecting a balanced outturn position at 30 September 2018 following remedial action being identified.
- 3.2 Appendix 4 sets out the progress made by the end of month 6 to deliver the savings approved in the Financial Plan in February 2018 plus prior year savings brought forward which were achieved temporarily during 2017/18. 89% (£14.63m) of the savings have been delivered within the current year (34%, (£5.626m) as per the Financial Plan, 9% (£1.420m) by alternative means on a permanent basis and 46% (£7.584m) by alternative means on a temporary basis. A further 11% (£1.784m) is profiled to be delivered during the remainder of 2018/19. As highlighted above over £7.5m savings have been delivered temporarily to compensate for delays on project delivery and revisions to savings which were envisaged in the financial plan, this position is not sustainable and must be addressed as part of the 2019/20 financial planning process on a permanent basis.
- 3.3 **Culture & Sport**
Culture and Sport are projecting a balanced position.
- 3.4 **Assets & Infrastructure**
Assets & Infrastructure is experiencing significant pressures of £1.2m primarily within the Roads and Waste Services as a result of demand pressures in the services and delays in delivery of financial plan savings. The Service has brought forward efficiency measures to partly mitigate these pressures although further budget transfer £683k from other Council Services is required to allow a balanced outturn position to be forecast as reflected in Appendix 1.
- 3.5 **Economic Development & Corporate Services**
A projected shortfall in commercial rent income of £60k is being partly offset by staff turnover savings and available budget in discretionary spend areas. The balance of income shortfall is being funded from managed underspends from elsewhere in the Council.
- 3.6 **Health & Social Care**
Health and Social Care continues to face budget pressures in Older Peoples Services and People with Physical Disabilities with a long term trend of more complex and expensive packages of home-care. Non delivery of Financial Plan savings of £422k by SB Cares in Generic Services is also contributing to the overall pressure. To support the service, budget of

£852k has been moved into Health and Social Care from other services on a non-recurring basis. In addition an action plan has been agreed by the leadership team to manage in year expenditure and deliver savings of £300k.

3.7 Children & Young People

Children & Young People is forecasting a balanced budget position and are on track to deliver all 2018/19 Financial Plan savings. As a result of active management of remaining budgets in this financial year the Service are contributing to supporting pressures within other Services to the value of £669k on a one-off basis.

3.8 Customer & Communities

Customer & Communities is forecasting a balanced position including the delivery of £250k of digital transformation savings. Members will recall that previously officers committed to undertaking a regular balance sheet review at year end to ensure the balance sheet is as accurate as possible and to identify any potential areas where accruals and provisions could be adjusted to assist with the revenue plan. The work undertaken during 2018/19 indicated that there has been an over accrual of Housing Benefit in previous years and this £593k can now be released to support the revenue plan. Work to review other areas of the balance sheet is ongoing.

3.9 Finance, IT & Procurement

A reduced borrowing requirement due to favourable interest rates allows budget to be released from Loans Charges to support corporate budget pressures. The Council continues to seek legal remedy to the additional costs incurred in previous years due to the delay in migrating sites by CAPITA. Discretionary spend savings in the service are contributing towards corporate pressures.

3.10 Human Resources

HR is projecting a balanced position with managed underspends in discretionary spend being used to support corporate pressures. Budget of £235k for ER/VS is being transferred from the Allocated Reserve to fund known commitments.

3.11 Regulatory Services

Regulatory Services are projecting a shortfall in planning fee income which is being partly offset by staff turnover savings. The balance of income shortfall is being funded from managed underspends from elsewhere in the Council.

4 IMPLICATIONS

4.1 Financial Recommendations

There are no costs attached to any of the recommendations contained in this report its content being specifically related to the performance of the revenue budget in 2018/19.

4.2 Risk and Mitigations

There is a risk that further cost pressures may emerge as the year progresses which may impact on the outturn position. Every effort must continue to be made by Service Directors to contain projected spend within budget in the remainder of the year and to consider permanent effects on the Financial Plan.

4.3 It is imperative therefore that as many savings as possible identified within the 2018/19 and previous financial plans are delivered permanently to

ensure affordability and budget sustainability.

The risks identified above are being managed and mitigated through:-

- (a) monthly reports of actual expenditure and income against approved budgets being made available to budget managers from the Council's Business World System.
- (b) review of budget variances and monitoring of management actions to control expenditure by Finance, Service staff and Service Directors and monthly reporting to CMT.
- (c) engagement with Departments and review of monthly management accounts by management teams.
- (d) supporting departmental corporate transformation projects to monitor and deliver the planned corporate transformation savings in the medium-term Financial Plan.

4.4 **Equalities**

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report.

4.5 **Acting Sustainably**

There are no significant effects on the economy, community or environment.

4.6 **Carbon Management**

No effect on carbon emissions are anticipated from the recommendation of this report.

4.7 **Rural Proofing**

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

4.8 **Changes to Scheme of Administration or Scheme of Delegation**

No changes to either the Scheme of Administration or the Scheme of Delegation is required as a result of this report.

5 CONSULTATION

- 5.1 Depute Chief Executives, Service Directors and their relevant staff have been involved in and agreed the compilation of the budgetary control statements appended.

Approved by

David Robertson
Chief Financial Officer

Signature

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Background Papers:

Previous Minute Reference:

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