
MONITORING OF THE GENERAL FUND REVENUE BUDGET 2018/19

**Report by the Chief Financial Officer
EXECUTIVE COMMITTEE**

12 February 2019

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 31 December 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 31 December 2018. At this stage in the financial year the Council continues to experience considerable financial pressures, primarily in Assets & Infrastructure and Health & Social Care, attributable both to increased costs and to delays in the delivery of planned savings required by 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 £1m unless further action is taken. CMT has reviewed the position and taken action through a range of alternative measures to identify savings which, if delivered as intended, will offset this position and deliver a balanced budget by the 31st March 2019.
- 1.3 Compounding the service pressures are costs associated with national pay agreements for 2018/19. These costs are projected to be in the region of £2m in 2018/19, over and above the costs originally budgeted for. Of this total £1.019m of this total will attract assumed funding from the Scottish Government to fund additional teacher pay costs above the original Scottish Government pay offer. The remaining costs relate to the SJC / Chief Officers pay offer and will fall to the Council. These additional costs are based on best estimates of a complicated and currently still evolving position which does not yet have the agreement of the Trade Unions. The best estimates of the costs of the pay settlement are reflected in the outturn position.
- 1.4 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 the number and costs of care packages being commissioned by Adult Social Care, and the pressures associated with pay and price inflation. 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. CMT has recognised the need to enhance the delivery of service change and savings through a revised approach, which if approved will commence in 2019/20. This will be designed to deliver savings in a more cross cutting, permanent and sustainable way in the future.

- 1.5 As shown in Appendix 4 as at 31 December 2018 100% (£16.414m) of financial plan savings have now been delivered within the current year. This is a significant achievement requiring a complicated set of management and delivery arrangements and concerted action to control cost, improve efficiency and redesign services. Inevitably, in a change programme of this size some areas are lagging behind expectation or have been subject to revision requiring revision to original plans. The original plan for £3.3m of savings delivered temporarily in 2018/19 will now be addressed on a permanent basis from new proposals as part of the 2019/20 financial planning process. These revised plans will result in permanent cost reductions and as such they have been reflected as being delivered on a permanent basis in Appendix 4. The remaining £4.650m of planned permanent savings, which were delayed in the current year and required to be offset temporary measures, will now be delivered on a permanent basis in 2019/20.
- 1.6 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 31 December 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 continue to operate within agreed budgets therefore ensuring a balanced outturn position is delivered in 2018/19.**

3 PROJECTED OUTTURN

- 3.1 The Council continues to experience considerable financial pressures, primarily in Assets & Infrastructure and Health & Social Care, attributable both to increased costs and to delays in the delivery of planned savings required by 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 £1m unless further action is taken. CMT has therefore reviewed the position and taken action through a range of alternative measures to identify savings which, if delivered as intended, will offset this position and deliver a balanced budget by the 31st March 2019. CMT has issued a further instruction to all budget holders re-emphasising the importance of services operating within revised budgets for the remainder of the financial year.
- 3.2 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 the number and costs of care packages being commissioned by Adult Social Care, and the pressures associated with pay and price inflation. 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. CMT has recognised the need to enhance the delivery of service change and savings through a revised, cross cutting organisation wide approach which if approved will commence in 2019/20. This will be designed to deliver savings in a more joined up, permanent and sustainable way in the future.
- 3.3 Compounding the service pressures highlighted above are costs associated with national pay agreements for 2018/19. Pay in 2018/19 was budgeted for as per Scottish Government pay policy of:
- 3% for all staff earning up to £36,000
 - 2% for all staff earning £36,000 to £80,000
 - £1,600 for staff earning over £80,000.

Pay negotiations now included in the Council's forecast position are:

- 3.5% increase for all SJC staff from 1st April 2018
- 3% increase for all teaching posts from 1st April 2018
- A further 2% increase for all teachers associated with grade restructuring from August 2018.

These costs are projected to be in the region of £2m in 2018/19, over and above that budgeted for, with £1.019m assumed to be met by funding (SBC share of £49m nationally) from the Scottish Government. This additional funding from Scottish Government will fund additional teacher pay costs above the original Scottish Government pay offer although SJC / Chief Officer increases require to be managed and funded by the Council. These additional costs are reflected in the outturn position along with the additional assumed income. The summary included in Appendix 1 is projecting a balanced outturn position at 31 December 2018 following remedial action being identified. Any further upward movement in pay offers for 2018/19 could result in further financial pressures for the Council.

- 3.4 Appendix 4 sets out the progress made by the end of month 9 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. 100% (£16.414m) of the savings required have been delivered within the

current year (72%, (£11.764m) either on a permanent basis, or 28% (£4.650m) by alternative means on a temporary basis. £3.3m of savings delivered temporarily in 2018/19 have been addressed on a permanent basis as part of the 2019/20 financial planning process through revised proposals and as such the management team is confident these can be reflected as being delivered on a permanent basis in Appendix 4. The remaining £4.650m of planned permanent savings, which were delayed in the current year and offset by temporary measures, will now be delivered on a permanent basis in 2019/20.

3.5 All services below have been impacted by the pay award increases highlighted.

3.6 **Culture & Sport**

Culture and Sport are projecting a balanced position. A pressure has arisen through delays in delivery of financial plan savings planned from Corporate Commissioning of £0.232m.

3.7 **Assets & Infrastructure**

Assets & Infrastructure is experiencing net pressures of £0.275m primarily within Neighbourhood Services and Catering Services as a result of demand pressures in the services. These pressures include increases in salt prices following a re-tender of the Scotland Excel salt contract which have resulted in in-year pressures of £0.107m, lower income than budgeted of £0.134m and increases in vehicle repairs and maintenance costs of £0.147m. The Service has brought forward efficiency measures to mitigate these pressures where possible, although budget transfer from other Council Services is required to allow a balanced outturn position to be forecast as reflected in Appendix 1.

3.8 **Economic Development & Corporate Services**

There has been an acceleration of revenue costs from 2019/20 relating to the Great Tapestry of Scotland project which are being funded from budget transfer from elsewhere in the Council.

3.9 **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 demand for more complex and expensive packages of home-care. Service demand pressures of £0.264m along with pay and price inflation in SBCares of £0.209m require to be funded by the Council as per the contract resulting in an overall pressure of £0.473m. Pressures reported during 2018/19 will prevent SBCares delivering an operational surplus to the Council in 2019/20 and this has been factored into financial projections. To support the service, budget has been transferred into Health and Social Care from other services on a non-recurring basis.

3.10 **Children & Young People**

Children & Young People is forecasting a minor pressure of £0.092m but have delivered all required 2018/19 Financial Plan savings. As a result of active management of remaining budgets in this financial year the Service are containing the majority of pressures within the Service.

3.11 **Customer & Communities**

Customer & Communities is forecasting an underspend position with budget being available to support pressures across the Council. Members will recall the results of a balance sheet review undertaken during 2018/19 indicated that there has been an over accrual of Housing Benefit in previous years which was partially released at month 6 to support the revenue plan.

Further work to finesse the position with respect to Housing benefit has highlighted that previous estimates of the financial performance of the service in past financial years have been too pessimistic. The service costs £36m per annum. The work undertaken has now identified the previous accrual is not required and £0.604m (equivalent to 1.68% of annual spend) can now be released to assist with budget pressures. The full review of expenditure and income associated with Housing Benefit will be concluded as part of the 2018/19 year end process. This will ensure the budget for the service more accurately reflects actual activity levels moving forward.

3.12 **Finance, IT & Procurement**

Finance IT and procurement is projecting a balanced budget. With respect to loans charges a reduced borrowing requirement due to favourable interest rates, tactical decisions to defer borrowing and reported delays in the delivery of the capital plan project allows a net £0.205m budget to be released to support corporate budget pressures.

3.13 **Human Resources**

Human Resources is projecting a balanced position with managed underspends in discretionary spend being used to support corporate pressures. Budget of £0.201m for ER/VS is being transferred from the Allocated Reserve to fund known commitments.

3.14 **Regulatory Services**

Regulatory Services are projecting a small underspend due to Planning fee income tracking strongly against the revised budget allowing available budget to be used to support pressures across 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 and their teams 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 Service Directors and their relevant staff have been involved in and agreed the compilation of the budgetary control statements appended.

Approved by

David Robertson
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Signature

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Background Papers:
Previous Minute Reference:

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