
MONITORING OF THE GENERAL FUND REVENUE BUDGET 2019/20

Report by the Chief Financial Officer EXECUTIVE COMMITTEE

20 August 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 30 June 2019 along with explanations of the major variances identified between projected outturn expenditure/income and the current approved budget.**
- 1.2 After the first quarter of 2019/20 the Council is projecting a balanced outturn position whilst acknowledging significant financial risk of over £0.7m specifically within the Joint Learning Disability Service in H&SC. The service is focusing urgent management action on containing expenditure within budget and maximising income wherever possible. An updated position will be presented to the Executive Committee with the second quarter financial reporting papers. In addition, there are a number of further areas of risk and emerging pressures that have been identified that require ongoing management.
- 1.3 The revenue monitoring process has been redeveloped over the first quarter 2019/20 in line with rolling out new reporting and forecasting functionality within Business World. The month 3 monitoring report represents the second cycle in which month-end forecasting tools were automatically emailed out to all budget managers directly from Business World. Whilst further progress has been made in engaging and training of managers, there are a number of areas where further work is still required to ensure universal ownership and engagement in the monitoring process and the robustness and accuracy of projections. Continuing to make steps forward during the second quarter will mean all managers will complete expenditure and income forecasts for their area of budget responsibility. Real time financial reporting with drill-down functionality to individual transaction level within Business World is also now available to Budget Managers. This additional financial information assists Managers with the process of effective budget management. Training and support continues to be provided by Financial Services staff.
- 1.4 As shown in Appendix 4, as at 30 June 2019 47% (£6.426m) of the savings required by the approved budget have been delivered within the current year. A further 46% (£6.156m) is profiled to be delivered during the remainder of 2019/20 and the remaining 7% (£0.982m) have temporary in-year mitigations to deliver alternative savings. Emphasis during the remainder of 2019/20 needs to be placed on delivering all outstanding savings permanently per the 2019/20 Financial Plan, including those for which only temporary solutions have been found. This is particularly important given the scale of the full year savings required (£13.564m),

including those brought forward from 2018/19 requiring permanent solutions and the requirement to deliver ambitious savings plans in future financial years within the Financial Plan.

- 1.5 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 June 2019, the pressures identified, the underlying cost drivers of this position and the identified areas of financial risk as reflected in Appendix 1;**
- (b) agrees the virements attached as Appendix 2;**
- (c) notes the progress made in achieving Financial Plan savings in Appendix 4; and**
- (d) continues to actively promote a culture of sound financial management across the Council, and that budget affordability is fully considered in service delivery decisions in order to ensure the ongoing financial sustainability of the Council.**

3 PROJECTED OUTTURN

3.1 The revenue monitoring position set out in this report and summarised in Appendix 1 is based on actual income and expenditure to the 30 June 2019.

3.2 After the first quarter of 2019/20 the Council is projecting a balanced outturn position whilst acknowledging significant financial risk of over £0.7m specifically within the Learning Disability Service in H&SC. The service is focusing urgent management action on containing expenditure within budget and maximising income wherever possible. An updated position will be presented to the Executive Committee with the second quarter financial reporting papers. In addition, there are a number of further areas of risk and emerging pressures that have been identified that require ongoing management.

3.3 Appendix 4 sets out the progress made by the end of month 3 to deliver the savings approved in the Financial Plan in February 2019 plus prior year savings achieved temporarily during 2018/19. 47% (£6.426m) of the savings required by the approved budget have been delivered within the current year, 46% (£6.156m) is profiled to be delivered during the remainder of 2019/20. A further 7% (£0.982m) have temporary in-year mitigations.

3.4 Culture & Sport

Culture and Sport are projecting a balanced position with no adverse savings issues.

3.5 Assets & Infrastructure

Service pressures have arisen in the first quarter within Waste Management Services relating to increased costs in Dry Mixed Recyclates due to changes in the composition of the material leading to additional treatment/processing costs, increased haulage and movements in the global commodities market. Pressures also existing within Facilities, with pressures in Catering Services due to increased food costs and lower than budgeted meal uptake, and within Cleaning Services through staffing pressures. The facilities team are reviewing the operation of the services to identify opportunities to make efficiencies. These pressures have been offset by available Property maintenance fund budget, Carbon Fund budget as the Council transitions to Climate Change Levy and transfer of available budget from across the Council.

3.6 Economic Development & Corporate Services

Economic Development & Corporate services are projecting balanced position. A review of Commercial Property Income is being undertaken by the Service.

3.7 Health & Social Care

The Health and Social Care function is experiencing pressures in the Joint Learning Disability budget which, if remedial action is not taken, will result in expenditure exceeding budget by £0.7m. The service has identified financial risk of £0.7m, relating to increased care costs and clients transitioning from Children's Services (£400k) and income pressures including delays in billing (£300k). The service is undertaking an urgent review of all projected costs and income including a review of the assessment and billing process with a view to mitigating these risks and ensuring the service can operate within existing budgets. A further report will be presented to Elected Members reflecting the month 6 position in

November 2019. The Corporate Management team are also aware that the care estate is an area which will require investment in the future particularly with growing demand for services. We are currently conducting a survey of all 5 care homes across the region and expect to identify work in each of them which will require to be undertaken. Any related financial implications will be reported through the routine financial monitoring processes.

3.8 Children & Young People

Currently projecting an underspend of £77k, attributable to additional Scottish Government Income for teachers' pension rate increased costs marginally above forecast cost. This budget has been re-allocated within the Council to address identified corporate pressures. A range of pressures across the directorate have been experienced during the first quarter of 2019/20. These have largely been offset by managed savings, particularly in relation to the filling of vacancies within Education and Children & Families Social Work and a reduction in the use of agency staff. A number of potential and emerging pressure beyond the reported position require close management and if required, additional efficiency actions, including areas such as the Additional Support Needs allocation to schools at the start of the new academic session, external care placements, and the management of higher than normal staff absence. In addition, a considerable number and value of Financial Plan savings require delivery over the remainder of the financial year.

3.9 Customer & Communities

The service is projecting a balanced position overall, with a small forecast underspend in Housing Benefits of £15k, offset by a forecast overspend in Non Domestic Rates Relief of £15k.

3.10 Finance & Corporate Services

The service is projecting an underspend of £74k resulting from a reduction in service charges for the delayed implementation of the Direct Customer Access (DCA) solution. Deletion of a Finance Business Partner post has enabled the service to further contribute to the Council's Fit for 2024 agenda. Within IT, the optimal funding model for the Inspire Learning programme has resulted in the transfer of budget from Loans Charges to Operating Leases in order to ensure the Council acquires iPad devices at the maximum discounted cost.

3.11 Human Resources

The Service is projecting a balanced position. The Corporate Transformation team are working on a number of projects linked to delivering existing financial plan savings and those linked to the Fit for 2024 programme of transformation. The Fit for 2024 programme has a remaining target of £790,000 in the current year and monitoring of delivery against this target is progressing.

3.12 Regulatory Services

The Service is projecting an underspend of £88k which is being transferred within the Council to address corporate pressures. The Planning service is highly dependent on fee income to achieve their budget target. The income levels achieved in the first quarter of 2019/20 are positive and are current forecasts indicate budget targets will be met in this area. Any variance from budget will be reported as the financial year progresses.

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 2019/20.

4.2 Risk and Mitigations

There is a risk that further cost pressures may emerge as the year progresses or that the savings required to compensate for non-delivery of Financial Plan savings may not be delivered as planned, both of which may impact on the outturn position. Every effort must continue to be made by Service Directors to contain projected spend in the remainder of the year and to consider permanent effects on the Financial Plan. These efforts include maintaining a focus on sound financial management, balancing the budget and delivering good value for money and ensuring these remain key aspects the culture of the council.

4.3 It is imperative therefore that as many savings as possible identified within the 2019/20 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

Author(s)

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Background Papers:

Previous Minute Reference:

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