
MONITORING OF THE GENERAL FUND REVENUE BUDGET 2019/20

Report by the Chief Financial Officer
EXECUTIVE COMMITTEE

19 November 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 September 2019 along with explanations of the major variances identified between projected outturn expenditure/income and the current approved budget.**
- 1.2 The last revenue monitoring report, approved by the Executive Committee on the 20th August, noted the significant risks associated with H&SC in delivering a balanced outturn position for 2019/20. Since the last report Corporate Management Team has assessed updated financial projections for H&SC. Information prepared with the department indicates significant underlying pressures of £2.518m in excess of budget remain. These pressures, if not contained, will result in a year end overspend for the Council. Consequently, the CMT has developed a series of budget measures designed to bring the revenue account back into balance by 31st March 2020. If these actions are not successful however, or if further unfunded issues emerge, these pressures will result in a year end overspend.
- 1.3 The measures identified include settlement of the Scottish Wide Area Network (SWAN) dispute (£0.840m), a further transfer of resources from the Integration Joint Board (IJB) (£0.925m) and a range of actions, highlighted in section 3, to deliver underspends in other services (£0.753m) to help offset adverse variances projected in Health and Social Care. Taken together these measures allow a forecast balanced outturn position at 31st March 2020 to be reported for the Council.
- 1.4 As the year progresses further pressures are likely to emerge and in anticipation the CMT has now instructed a freeze on discretionary expenditure, including managed delays in recruitment to non-frontline posts.
- 1.5 Finance staff continue to support managers in their forecasting responsibilities with month-end forecasting tools being automatically emailed out to all budget managers directly from Business World. Further progress has been made in engaging and training of managers, work continues across the Council to ensure ownership of the budget by managers, their full engagement in the monitoring process and the robustness and accuracy of projections.

- 1.6 Good progress is being made in delivery of savings in the current year as shown in Appendix 4. As at 30 September 2019 62% (£8.176m) of the savings required by the approved budget have been delivered within the current year. A further 22% (£2.827m) is profiled to be delivered during the remainder of 2019/20 with the remaining 17% (£2.260m) having 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 (£13.263m), 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.
- 1.7 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 2019, the pressures identified, the underlying cost drivers of this position and the identified areas of financial risk as reflected in Appendix 1;**
- (b) notes the balanced position projected is dependent upon £925,000 being provided by the IJB to support additional costs of care packages being experienced in the current year and instructs the Chief Officer IJB to address this matter through the Integration Joint Board;**
- (c) agrees the virements attached as Appendices 2 and 3;**
- (d) notes the progress made in achieving Financial Plan savings in Appendix 4; and**
- (e) 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 September 2019.
- 3.2 The last revenue monitoring report, approved by the Executive Committee on the 20th August, noted the significant risks associated with H&SC in delivering a balanced outturn position for 2019/20. Since the last Executive report, the Corporate Management Team has assessed updated financial projections for H&SC. Information prepared with the department indicates significant underlying pressures of £2.518m in excess of budget. These pressures, if not contained, will result in a year end overspend. Consequently, the CMT has developed a series of budget measures designed to bring the revenue account back into balance by 31st March 2020. If these actions are not successful or if further unfunded risks emerge these pressures will result in a year end overspend. Management actions are detailed in the table below:

Management action	£m
Reported H&SC pressure	(2.518)
Settlement of SWAN dispute	0.840
Assumed further transfer of resources from IJB	0.925
A range of actions to deliver underspends in services	0.753
Net reported position	0

- 3.3 The pressures in Health and Social Care arise through the non-delivery of savings, reduced income from charging and the costs of additional care packages. The financial implications of both increases in service delivery within H&SC and reductions in income will need to be addressed as part of the 2020/21 financial planning process to ensure the budget is as robust as possible. Performance against the delivery of approved savings within the integrated budget is not currently acceptable and the permanent delivery of savings remains a key requirement to ensure the Council lives within its means and operates a stable, balanced budget.

- 3.3 Appendix 4 sets out the progress made by the end of month 6 to deliver the savings approved in the Financial Plan in February 2019 plus prior year savings achieved temporarily during 2018/19. 62% (£8.176m) of the savings required by the approved budget have been delivered within the current year, 22% (£2.827m) is profiled to be delivered during the remainder of 2019/20 with the remaining 17% (£2.260m) having temporary in-year mitigations.

3.4 **Culture & Sport**

Culture and Sport are projecting a balanced position.

3.5 **Assets & Infrastructure**

The service is projecting a balanced outturn position with known pressures being addressed within the service. Changes in the delivery of the winter service are commencing, the financial implications will be monitored closely over the winter period.

3.6 **Economic Development & Corporate Services**

Economic Development & Corporate services are projecting a potential underspend position of £0.099m. In arriving at this projection, £160,000

has been released into the Economic Development budget to fund projects previously agreed. These projects have all been delivered and funded by department budgets, therefore the release of resources held on the balance sheet now reinstates the budgets as originally intended. It is now proposed to earmark £61,000 of these resources into 2020/21. Subject to the overall financial position of the Council, the £99,000 will also be carried forward in 2020/21 to support economic development activity.

3.7 **Health & Social Care**

The service is focusing management action to limit both demand pressures and income shortfalls in 19/20, however significant additional budget is still required from other Council services. It should be noted that this support is being provided on a non-recurring basis. Increased client care costs across all areas of care, including homecare, respite, Direct Payments through Self Directed Support and Residential care are all causing budget pressures. Many of the Integration Joint Board delegated services continue to be extremely volatile in nature, (i.e. Joint Learning Disability 1 single client can cause a variance in excess of £100k). The report assumes that the IJB will provide additional funding of £925,000 in response to increased care packages that are being provided by the Council to support the discharge of clients from NHS facilities. A greater focus on budgetary control, improved management of the recovery of income due from clients, and measures to ensure that additional care packages are not agreed without a source of funding being identified, is also required as a matter of urgency.

3.8 **Children & Young People**

The service is currently projecting a balanced outturn position. A range of pressures continue to be managed across the directorate during the second quarter of 2019/20. A number of potential and emerging pressure beyond the reported position require close management and if required, additional efficiency actions will be required to manage increasing costs in areas including teacher's absence levels and increased demand for transport in schools and additional support needs.

3.9 **Customer & Communities**

The service is projecting an underspend position of £91k, this underspend is being used to support budget pressures in H&SC. This net position is following a contribution of £174k to the Fit for 2024 transformation programme due to staffing reductions as a result of digital transformation developments and more efficient staffing models.

3.10 **Finance & Corporate Services**

The service is projecting a net underspend of £444k resulting from an underspend in Loans Charges as a result of tactical decisions to defer borrowing to finance the capital investment programme during the year. This underspend is being used to support budget pressures in H&SC. Further procurement savings require to be delivered during the remainder of the year with these being profiled to be delivered over the next 6 months.

3.11 **Human Resources**

The Service is projecting an underspend position of £46k due to additional income. This underspend is being used to support budget pressures in H&SC. 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.

3.12 **Regulatory Services**

The Service is projecting a balanced position with all known pressures being managed within the service. The Planning service is highly dependent on fee income to achieve their budget target. The income levels received in the 1st quarter of 2019/20 were positive; however, in the 2nd quarter income received has been less strong. This area will be monitored closely over the remainder of the year and any variance from budget will be reported as the financial year progresses.

3.13 **SWAN Settlement**

A commercial settlement has now been reached to settle the long running dispute associated with the Pathfinder South project. A commercial agreement has been jointly reached with Dumfries & Galloway Council which will provide compensation to the Council of £0.840m net of back bills. The agreement reached will see settlement in the current financial year and concludes the Council's involvement with Pathfinder South in full. Members will recall that this issue was previously highlighted as part of the monitoring process in previous financial years and the anticipated settlement was reflected as a contingent asset in the Council's 2018/19 audited accounts.

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 The Corporate Management Team have been consulted and any comments have been reflected in the report. Any comments from the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit & Risk, the Chief Officer HR, and the Clerk to the Council will be communicated at the Executive Committee meeting.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
Suzy Douglas	Financial Services Manager 01835 824000 X 5881

Background Papers:

Previous Minute Reference: Executive Committee, 20 August 2019

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the Author. Information on other language translations as well as additional copies can also be provided.