
MONITORING OF THE GENERAL FUND REVENUE BUDGET 2015/16

Report by the Chief Financial Officer

EXECUTIVE COMMITTEE

18 August 2015

1 PURPOSE AND SUMMARY

1.1 To provide the Council Executive with

- budgetary control statements for the Council's General Fund based on actual expenditure and income to 30 June 2015;
- 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 June 2015. The position reported assumes significant pressures highlighted in the remainder of this report will be managed within existing departmental budgets. Failure to manage these identified pressures would result in a significant budget shortfall in the Council.

1.3 The management team is progressing with the programme to modernise and transform the Council, has identified corrective action where budgets are diverting from plan and has confidence that pressures will be managed and that a balanced out turn will be delivered. Pressures evident at month 3 include out of area children's placements, a higher than anticipated level of placements for Older People in Residential Care, and care packages for people with Physical Disabilities Community-Based services. Action is being taken by the People department to contain these pressures.

1.4 At 30th June, 50% (£3.829m) of planned efficiency savings have been delivered as per the Financial Plan, with a further 44% (£3.406m) profiled to be delivered over the remainder of the financial year. Of the remaining 6%, £40K has been achieved by alternative, permanent measures and £158k temporarily. A further £228k remains profiled to be achieved by alternative means.

- 1.5 Paragraph 3.3 also highlights two unbudgeted pressures which have the first results from management action taken early in the year to preserve service provision to vulnerable adults, delivered through two additional care home contracts that now being provided in house following decisions outwith the Council's control by care providers to hand back these contracts. A further area of additional cost is anticipated from changes in night time support legislation. Taken together these cost pressures are anticipated to total £0.307m and they will require a tactical draw-down from reserves in year.
- 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:-

- (a) notes the projected corporate monitoring position reported at 30 June 2015, the underlying cost drivers of this position and the identified areas of financial risk;**
- (b) agrees that the Depute Chief Executives for People and Place and their Service Directors will continue to work with their management teams to ensure a balanced budget position is delivered 2015/16;**
- (c) approves the action set out in paragraph 3.4 to realign the budgeted contribution from SB contracts to the general fund;**
- (d) approves a drawdown from unallocated reserves of £0.307m to corporately fund the newly emerged pressures identified in paragraph 3.5;**
- (e) approves the budget virements set out in the appendix 1 and**
- (f) notes that the Corporate Management Team will develop proposals to permanently address budget pressures as part of the 2016/17 Financial Planning process.**

3 PROJECTED OUTTURN

- 3.1 The summary included in Appendix 1 is projecting an overall balanced position at 30 June 2015 despite pressures evident in Adult Services. Department management teams continue to work to deliver a range of measures to address pressures across their services and continue to work with Finance to enable the delivery of a balanced outturn across Chief Executive, People and Place departments. Appendix 2 sets out the progress made by the end of month 3 to deliver the savings approved in the Financial Plan in February 2015 plus prior year savings achieved by temporary means.

Chief Executive's

- 3.2 The Chief Executive's department is currently projecting a balanced position anticipating action to address a pressure of £70k attributable to an under-recovery against budget from recharges to the non-General Funds including the Pension and Loans Funds. A review of these recharges is being undertaken within Finance with a view to addressing this pressure permanently.

3.3 People

The People department continues to experience considerable pressure across its services. Within Children & Young People, remedial actions have been implemented in order to mitigate additional pressures attributable to a further increased number of children being placed out of area. 8 new placements in the first quarter of 2015/16 are forecast to cost £834k for the year. 2 existing placements have been transferred into more expensive accommodation at a forecast additional cost of £190k. These additional costs of over £1.0m are partially offset by £203k savings as a result of 6 placements being discharged earlier than previously forecast. Other remedial action proposed within the department is however enabling this pressure to be managed with no adverse impact on the outturn position projected at this stage. This will require close monitoring and continued proactive budget management during the remainder of 2015/16.

- 3.4 Within Adult Services, significant pressures are evident at month 3 but action is being taken by management to ensure these pressures will be contained at outturn. The main drivers of pressure are the continued demand for residential and home care above the levels provided for by the budget, particularly within the Older People service, together with additional high cost client care packages for People with Physical Disabilities. An action plan for delivering offsetting additional savings of £562k in-year has been developed which aims to review all high-cost care packages, meet targeted reductions in the number of homecare hours delivered each week and deliver further savings across locality teams. Further actions include a review of all non-critical commitments, vacancy controls on staff recruitment non-essential posts and planned reductions in discretionary spend. The balanced outturn anticipated is, it should be noted, dependent on £1.2m of financial plan savings being delivered during 2015/16, the majority of which is profiled and on-track at month 3.

- 3.5 Additionally, there are a number of pressures within Adult Services which were not anticipated in setting the 2015/16 revenue budget. These relate to:
- The termination of 2 major homecare contracts from the former providers Allied Healthcare and CIC has required the TUPE transfer of 62 staff. The termination of these contracts has resulted in the provision of service being transferred to SB Cares at a higher than previously incurred cost (approximate estimate £107k in 15/16).
 - Changes in employment legislation which will impact on the cost of providing Night Support sleep-in services (approximate estimate £200k in 15/16).

It is proposed that these costs be met by a draw-down of unallocated reserves of £307k in the current year.

- 3.6 There are further additional risks which may in turn further compound the pressure on the revenue budget which if unfunded would result in an overspend. These are in relation to the potential homecare rate increases required to sustain contracts with other providers and the potential harmonisation of TUPE'd staff with SB Cares home-carers which may take place during the remainder of 2015/16. These will be factored into the projected position in future monitoring reports as their timing and financial impact becomes clearer. It is anticipated that these additional costs, may also require to be funded by a draw-down of Reserves when confirmed. These recurrent pressures will require to be addressed on a permanent basis in the 2016/17 revenue budget.

3.7 **Place**

The Place department is currently projecting a breakeven position. Within the Place department the level of Projected Trading Contribution from SBc Contracts to the General Fund is currently under pressure due to a significant downturn in trading conditions. The position with SBc Contracts surplus is detailed in a report elsewhere on the Executive agenda. Action to address the projected pressure of £437k is proposed through:

- Savings of £193k identified from elsewhere in the Place department;
- An additional £1m Capital expenditure in 2015/16 on Roads which is projected to generate a surplus of £100k;
- Transfer of £144k budget from a projected saving in capital financing costs due to deferred borrowing.

Neighbourhood Services are also reliant on remedial actions within the department to support a budget pressure of around £350k within Materials, Sub-contract and Hire in the Roads service and have developed an action plan to fully address this pressure.

3.8 **Other**

Within Other, a balanced outturn position is projected at month 3. Savings are again being made in the current year due to the tactical treasury decision to defer borrowing in light of favourable interest rates. This temporary favourable position has been used to establish a treasury and financing reserve to assist the Council when interest rates increase. Commentators have recently indicated that macro-economic considerations are increasing the likelihood of a rise in interest rates by the first quarter of 2016/17 and the position is being kept under close review with the Council's Treasury advisors. Savings in the costs of capital financing resulting from favourable interest rates have been used in year to:

- contribute £1.0m to the established Treasury Reserve;
- offset the additional costs of £418k to support the 38 approved teacher applications for ERVS agreed by Council on 21st May 2015;
- resolve a net in-year budget shortfall of £120k attributable to the delayed implementation of the Culture Trust with £38k being funded from within the Service;
- Enable a virement of £144k towards reducing the general fund contribution from SBc Contracts

3.9 There are significant pressures detailed above being managed within existing budgets across the Council. Management of these savings in-year is crucial to the delivery of a balanced position in 2015/16.

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 2015/16.

4.2 **Risk and Mitigations**

There is a risk that management action does not deliver the necessary measures to balance the budget and ensure the delivery of the 2015/16 Financial Plan. There is also a risk that further cost pressures may emerge in-year which may then impact further on the bottom line, particularly within People and Place departments. 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. Within all departments, a substantial level of savings require to be delivered through actions plans during the remainder of the financial year and accordingly, every effort must also be made to ensure that this is achieved and where there is any risk of non-delivery, further mitigating actions are identified.

- 4.3 It is imperative therefore that review is undertaken across all departments of savings identified within the 2015/16 and previous financial plans that have yet to be delivered or which are currently being met by other temporary means and alternatives, where appropriate, identified to ensure permanent 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 Financial Information System.
- (b) review of budget variances and monitoring of management actions to control expenditure by Finance, Service staff and Directors and monthly reporting to CMT.
- (c) engagement with Departments and review of monthly management accounts by departmental management teams.
- (d) supporting departmental business transformation boards to monitor and deliver the planned business 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
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Signature

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