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## **MONITORING OF THE GENERAL FUND REVENUE BUDGET 2019/20**

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### **Report by the Executive Director of Finance and Regulatory Services EXECUTIVE COMMITTEE**

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**11 February 2020**

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#### **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 2019 along with explanations of the major variances identified between projected outturn expenditure/income and the current approved budget.**
- 1.2 After the third quarter of 2019/20 the Council is projecting a balanced position with significant budget pressures, primarily from delays in delivery of financial plan savings, being addressed from one-off underspends elsewhere in the Council. In total budget pressures of £1.8m are being offset from a successful Non Domestic Rates appeal generating a one-off benefit of £0.670m, an underspend in Loans Charges as a result of tactical borrowing decisions of £0.844m and a range of service underspends across the Council as a result of the CMT instruction to implement a freeze on discretionary spend. Total budget pressures within H&SC which have required support from elsewhere in the Council and additional support to from the IJB. In total the H&SC budget has required additional support of £3.1m beyond the approved budget. Members will recall that the integration Joint board overspent their budget by a similar figure in 2018/19 which was addressed through the financial planning process for 2019/20 and the level of expenditure being incurred by H&SC is unsustainable.
- 1.3 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. Whilst further progress has been made in engaging and training of managers over the last quarter, there are still 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.
- 1.4 As shown in Appendix 4, as at 31 December 2019 69% (£9.116m) of the savings required by the approved budget have been delivered permanently within the current year. A further 2% (£0.289m) is profiled to be delivered during the remainder of 2019/20, 29% (£3.858m) have temporary in-year mitigations to deliver alternative savings. Emphasis during the remainder of 2019/20 needs to be placed on ensuring these savings are delivered permanently in 2020/21. This is particularly important due to 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 31 December 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 and 3;**
- (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 31 December 2019.

3.2 After the third quarter of 2019/20 the Council is projecting a balanced position with significant budget pressures, primarily from delays in delivery of financial plan savings, being addressed from one-off underspends elsewhere in the Council. Budget pressures of £1.8m are being offset from a successful Non Domestic Rates appeal generating a one-off benefit of £0.670m, an underspend in Loans Charges as a result of tactical borrowing decisions of £0.844m, and a range of service underspends across the Council as a result of the CMT instruction to implement a freeze on discretionary spend. Total budget pressures within H&SC which have required support both from other areas of the Council and the IJB during 2019/20 now total £3.1m. Members will recall that the integration Joint board overspent their budget by a similar figure in 2018/19 which was addressed through the financial planning process for 2019/20. The failure to control expenditure within approved budget levels during 2019/20 within this service has destabilised the financial position of the Council, reducing resources to be spent on other key service areas and has hampered the ability to invest in key service developments which will modernise Council services. The continued overspending in the H&SC budget delegated from the IJB is not sustainable.

3.3 Appendix 4 sets out the progress made by the end of month 9 to deliver the savings approved in the Financial Plan in February 2019 plus prior year savings achieved temporarily during 2018/19. 69% (£9.116m) of the savings required by the approved budget have been delivered permanently within the current year, 2% (£0.289m) is profiled to be delivered during the remainder of 2019/20 with the remaining 29% (£3.858m) being delivered from temporary in-year mitigations.

3.4 Consideration of the permanent effects of both increases in service delivery of the current scale within H&SC and non-delivery of savings across the Council must be considered as part of the 2020/21 financial planning process to ensure the budget is as robust as possible. Permanent delivery of savings remains the key financial challenge facing the Council and a key requirement to ensure the Council can operate a sustainable budget.

#### **3.5 Culture & Sport**

Culture and Sport are projecting a minor underspend of £0.013m from business rates at Melrose 3G pitch. This underspend is being used to support budget pressures elsewhere in the Council.

#### **3.6 Assets & Infrastructure**

Asset and Infrastructure are forecasting a net underspend of £437k. A successful appeal of rates across the Council estate has resulted in a net saving of £670k. Savings within Waste Management Services in relation to increasing recycling have been delayed as behavioural change from the public is required. The Council launched its "Millions of Reasons to Recycle" communication campaign in Summer 2019. The campaign is based on Zero Waste Scotland campaign which has been tested through focus groups and was tailored to be specific to the Borders. The service is continuing to monitor this.

#### **3.7 Economic Development & Corporate Services**

Economic Development & Corporate services are projecting a minor

underspend of £0.021m from managed underspends in the service. This underspend is being used to support budget pressures elsewhere in the Council. A rephrasing of the Great Tapestry of Scotland budget of £0.037m requires budget to be earmarked into 2020/21.

### **3.8 Health & Social Care**

A pressure of £822k is forecast, the directorate continues to focus management action to address both demand pressures and income shortfalls in 2019/20. At the September monitoring, corporate support and funding from the IJB brought the position from a projected over spend of £2.5m to an over spend of £99k. The position in the intervening period to December has once again deteriorated to £822k as a result of a combination of £408k of 2019/20 Financial Plan savings now deemed undeliverable and other service pressures. Within both Older People's and Learning Disability services actions were put in place following the significant pressures emanating at the September monitoring position. Offsetting this adverse variance has required additional savings to be identified by other council departments. It should be noted that the position set out in this report assumes £416k of savings will be delivered during the remainder of the financial year and must remain a focus of concerted management action; finance continues to work with the service to monitor these actions.

### **3.9 Children & Young People**

The service is currently projecting an underspend of £77k. A range of pressures continue to be managed across the directorate during the third quarter of 2019/20. Projected DSM carry forward figures including Pupil Equity Fund (PEF) are being earmarked into 2020/21. The service has managed a shortfall in Probationer teacher funding from Scottish Government compared to 2018/19, as a result of lower Probationer teacher numbers placed with schools.

### **3.10 Customer & Communities**

The service is projecting an underspend position of £129k. This position is net of a contribution of £216k to the Fit for 2024 transformation programme, earmarking available Community Fund budget of £340k and earmarking £179k for the Rapid Rehousing Transition Plan for allocation/delivery in 2020/21. The under spends are due to staffing and discretionary spend savings.

### **3.11 Finance & Corporate Services**

The service is projecting a net underspend of £844k resulting from an underspend in Loans Charges as a result of tactical borrowing decisions during the year. This underspend is being used to support budget pressures elsewhere in the Council. A review of the loans fund to ensure that the statutory repayment of debt is linked more closely to the life of assets which have previously been financed through borrowing has been carried out under the Fit for 2024 programme and has delivered savings of £400k in year. This review, which will deliver permanent savings, will be included in the 20/21 budget process

### **3.12 Human Resources**

Human Resources are projecting a net favourable position of £39k. This is as a result of over recovery of income within the Employment Support Service and staff turnover savings within the service. An earmarked balance for budget into 2020/21 for Corporate Transformation and Railway Blueprint is being requested. 2019/20 Fit for 2024 savings of £850k have now been delivered in full.

### 3.13 **Regulatory Services**

Regulatory Services are forecasting a net adverse position of £490k. The Planning service is currently forecasting a £400k pressure within Planning Fee income. Income levels in quarter 1 were positive; however, since then, whilst Building Standards Fees have tracked fairly close to budget, Development Control fees have been significantly (approx. 50%) below budget and 2018/19 levels. The reported position includes the write off of costs incurred through direct action works at Jedburgh.

## **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, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit & Risk, the Chief Officer HR, and the Clerk to the Council have been consulted and any comments have been reflected in the report.

**Approved by**

**David Robertson**  
**Executive Director, Finance and Regulatory**

**Signature .....**

**Author(s)**

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**Background Papers:**

**Previous Minute Reference:**

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