
MONITORING OF THE GENERAL FUND REVENUE BUDGET 2015/16

Report by the Chief Financial Officer

EXECUTIVE COMMITTEE

17 November 2015

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 2015 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 30 September 2015. All departments are projecting a balanced outturn position with management teams confident that pressures highlighted in the remainder of this report will be managed within existing departmental budgets.
- 1.3 The management team is progressing with the programme to modernise and transform the Council. Corrective action has been identified where budgets are diverting from plan and the management team has confidence that pressures will be managed and that a balanced out turn will be delivered. Pressures evident at month 6 continue to be within out of area children's placements, higher than anticipated cost of care for Older People in Residential Care and people with Physical Disabilities and also within Neighbourhood Services for Materials, Sub-contract and Hire in the Roads service. Action is being taken by the People and Place departments to contain these pressures.
- 1.4 At 30 September, 70% (£5.482m) of planned efficiency savings have been delivered as per the Financial Plan, with a further 12% (£0.927m) profiled to be delivered over the remainder of the financial year. Of the remaining 18%, 4% (£283k) has been achieved by alternative, permanent measures and 14% (£1,084k) temporarily. A further £29k remains profiled to be achieved by alternative means. The previous Executive Committee reported position as at 30 June showed 50% (£3.829k) of planned efficiency savings having been delivered and 44% (£3.406) profiled to be delivered over the remainder of the financial year.
- 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 September 2015, the underlying cost drivers of this position, the significant pressures highlighted 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 in 2015/16;**
- (c) approves the budget virements set out in appendices 2 & 3;**
- (d) notes the progress made in achieving Financial Plan savings in appendix 4;**
- (e) notes that the Corporate Management Team will develop proposals to permanently address budget pressures as part of the 2016/17 Financial Planning process; and**
- (f) approves the draw down of reserves to address a phasing issue between the budgeted 1% pay award and the agreed 1.5% pay award for all staff in 2015/16.**

3 PROJECTED OUTTURN

3.1 The summary included in Appendix 1 is projecting an overall balanced position at 30 September 2015 despite pressures evident in Children's Services, Adult Services and Neighbourhood 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 4 sets out the progress made by the end of month 6 to deliver the savings approved in the Financial Plan in February 2015 plus prior year savings achieved by temporary means.

3.2 **Chief Executive's**

The Chief Executive's department is currently projecting a balanced position following a review of recharges to the non-General Funds including the Pension and Loans Funds. As shown in Appendix 4, the Chief Executive's department savings achieved by an alternative means on a temporary basis are linked to the Culture Trust proposals and as such will be delivered permanently on transfer.

3.3 **People**

As highlighted in the Month 3 report the People department continues to experience considerable pressure across its services. Within Children & Young People, remedial actions are being developed in the form of an action plan in order to mitigate the additional pressures previously reported totalling £0.959m due to an increase in the number of placements for children with complex needs. Actions being taken include a freeze on recruitment within the Children & Young People department (£457k), a phased introduction of new staffing structures (£315k) and discretionary spend savings in Central Children & Young People budgets (£157k). The delivery of this action plan will require close monitoring and continued proactive budget management during the remainder of 2015/16.

3.4 Within Adult Services, budget pressures continue to be evident at month 6 but action is being taken by management to ensure these pressures will be contained at outturn and that the budget is planned on a more sustainable long term basis. Following savings actions already undertaken earlier in the financial year through a range of measures including managing staffing vacancies, the main drivers of residual pressure requiring addressing are the continued demand for residential and home care above the levels provided for by the budget (£340k) and community-based services (£237k), particularly within the Older People service, additional high cost client care packages for People with Physical Disabilities (£170k) and a range of miscellaneous pressures (£200k). An action plan for delivering offsetting additional savings to cover these residual pressures totalling £947k in-year is now in place. This plan includes planned rephasing of the implementation of the new Dementia Care Team (£197k), managed recruitment and the freezing of vacant posts (£150k) and a reduction in all non-essential spend (£150k). Further management actions reviewing staff turnover and the staffing establishment, together with further reductions in discretionary spend, together with additional income from contract changes and the conversion of beds to long-stay and income generating are profiled to deliver the remainder of resources required to meet the known and emerging pressures outlined above (£450k), although this is expected to be a considerable challenge over the second half of the financial year.

3.5 There are further additional risks in external homecare provision within Adult Services which may further compound the pressure on the revenue budget which if unfunded would result in an overspend. All known recurrent pressures are being reflected in the draft Financial Plan on a permanent basis for the 2016/17 revenue budget.

3.6 **Place**

The Place department is currently projecting a breakeven position. Included within this position is a projected pressure of around £489k within Neighbourhood Services within Materials, Sub-contract and Hire in the Roads service. The department are committed to achieving a balanced year end position and therefore addressing this pressure, in the Place department as a whole, during the remainder of 2015/16. As such there are plans in place to review all discretionary spend, the materials budget, staffing costs and, where possible, maximise income.

3.7 **Other**

Within Other, a balanced outturn position is projected at month 6. The annual ER/VS budget of £1.3m has now been fully committed. An additional ER/VS budget of £2m is being established in the current year as part of this report in order to maximise opportunities for full year savings from staffing reductions to be delivered in 2016/17.

3.8 **Pay Award**

Approval is sought draw down an estimated £0.700m from reserves to fund the shortfall in funding associated with the phasing of the pay award in 2015/16. Members will recall in setting the 2015/16 budget Council approved a 1% provision for pay award in 2015/16 followed by an estimated 1.5% in 2016/17 equating to 2.5% over 2 years. This was in advance of national negotiations concluding. Negotiations led by COSLA have now been concluded with the SJC and SNCT negotiating bodies and a pay award for all staff has been agreed to pay 2.5% over a 2 year period at 1.5% in 2015/16 and 1% for 2016/17. This presents a one year phasing issue in terms of the Council's Financial Plan and a draw down from Reserves is consequently required to align budgetary provision with the negotiated settlement position. It is understood that the settlement of the pay award will be processed in November 2015 payroll backdated to the 1st April 2015. The balances represented in the Projected Balances report elsewhere on this agenda are stated before any draw down of funds for this purpose.

3.9 **Summary**

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. The Corporate Management Team, the Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer Audit & Risk, the Chief Officer HR, and the Clerk to the Council have also been consulted and any comments have been reflected in the report.

Approved by

David Robertson
Chief Financial Officer

Signature

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Background Papers:

Previous Minute Reference:

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