



**COUNCIL EXECUTIVE**

**2016/17 GENERAL FUND REVENUE BUDGET – MONTH 9 MONITORING REPORT**

**REPORT BY HEAD OF FINANCE AND PROPERTY SERVICES**

**A. PURPOSE OF REPORT**

To provide the Council Executive with a report on the financial position in relation to the General Fund Revenue Budget, following the completion of the month 9 monitoring exercise.

**B. RECOMMENDATION**

It is recommended that Council Executive agrees that Heads of Service take all management action necessary to ensure 2016/17 budgets are managed within budget, and approved budget reductions are achieved

**C. SUMMARY OF IMPLICATIONS**

<b>I Council Values</b>	Focusing on customers' needs, being honest, open and accountable, making best use of resources, working in partnership.
<b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	None.
<b>III Implications for Scheme of Delegations to Officers</b>	None.
<b>IV Impact on performance and performance indicators</b>	None.
<b>V Relevance to Single Outcome Agreement</b>	None.
<b>VI Resources – (Financial, Staffing and Property)</b>	A breakeven position against budget is forecast in 2016/17. Various pressures have been identified but these are being managed through savings elsewhere in the budget
<b>VII Consideration at PDSP</b>	Not applicable.
<b>VIII Other Consultations</b>	Depute Chief Executives and Heads of Service.

## D. TERMS OF REPORT

### D.1 Introduction

This report sets out the overall financial performance of the General Fund Revenue Budget for the period to 31 December 2016 and provides a year end financial forecast which takes account of relevant issues identified in individual service budgetary control returns. The report also considers the position regarding the delivery of approved budget reduction measures.

The budget monitoring process is undertaken in line with the council's budgetary control framework and procedures. This places particular focus on a risk based and pro-active approach to budget monitoring including the position on delivery of approved savings for the current year and future years as relevant. Increasingly constrained budgets mean it is vital that a more strategic approach to monitoring is undertaken to help ensure spend is managed within available budget resources taking account of future year assumptions.

### D.2 Month 9 Summary Financial Information for 2016/17

The table below summarises the position in relation to service expenditure and provides a forecast outturn. It should be noted that the forecast spend across services reflects agreed costs of £825,000 relating to staff severance and associated pension costs. As noted, a breakeven position is forecast for 2016/17. As part of the monitoring exercise, a number of key risks and service pressures have been identified and these are noted in the narrative for the relevant service area.

Service	2016/17 Budget £'000	Commitment at Month 9 £'000	Forecast Outturn £'000	Projected Variance Over / (Under) £'000
<b>Education, Planning, Econ Dev &amp; Regen</b>				
Education	147,527	145,811	147,167	(360)
Planning, Econ Development & Regeneration	5,869	6,184	5,869	0
<b>Education, Planning, Econ Dev &amp; Regen - Total</b>	<b>153,396</b>	<b>151,995</b>	<b>153,036</b>	<b>(360)</b>
<b>Corporate, Operational and Housing</b>				
Operational Services	55,226	51,278	55,405	179
Housing, Customer and Building Services	7,238	8,514	7,884	646
Corporate Services	12,347	9,970	12,347	0
<b>Corporate, Operational and Housing - Total</b>	<b>74,811</b>	<b>69,762</b>	<b>75,636</b>	<b>825</b>
<b>Social Policy</b>				
IJB – Adult and Elderly Services	66,758	61,828	66,758	0
Non IJB – Children's Services	28,796	23,526	28,796	0
<b>Social Policy - Total</b>	<b>95,554</b>	<b>85,354</b>	<b>95,554</b>	<b>0</b>
<b>Chief Executive, Finance and Property</b>	<b>23,374</b>	<b>24,630</b>	<b>22,909</b>	<b>(465)</b>
Joint Valuation Board	1,215	1,215	1,215	0
<b>Service Expenditure - Total</b>	<b>348,350</b>	<b>332,956</b>	<b>348,350</b>	<b>0</b>
Non Service Expenditure	36,675	36,675	36,675	0
<b>TOTAL EXPENDITURE</b>	<b>385,025</b>	<b>369,631</b>	<b>385,025</b>	<b>0</b>

## **D.3 Summary of Main Issues in Service Expenditure Budgets**

### **D.3.1 Education & Planning, Economic Development & Community Regeneration**

#### Education

The Education budget is forecast to underspend by £360,000 largely due to early delivery of approved 2017/18 budget reduction measures, relating to increased use of council nursery places in place of partner provider places and workforce planning savings achieved as chartered teachers retire.

The schools' annual census undertaken in September 2016 confirmed that the Pupil Teacher ratio has been sustained at 2014/15 levels, being 14.1 pupils to every teacher. Projected costs in relation to maternity cover in schools have increased since period 6 to £63,000. This has largely been offset by staffing related budget reductions delivered early. Schools anticipate Devolved School Management (DSM) carry forward balances will reduce from £1.058 million to approximately £844,000 across all sectors by the end of the current financial year.

In terms of West Lothian Leisure (WLL), Council Executive has approved debt rescheduling for 2016/17 to assist the financial position in the current year and, as a result, WLL is now forecasting a surplus in 2016/17. Senior council officers are continuing to liaise with the Chief Executive and senior management team of WLL on future budget planning for WLL.

#### Planning, Economic Development & Regeneration

A break-even position is forecast for Planning, Economic Development and Regeneration. Planning income is the key risk area within the budget and income received to date this year continues to indicate that there will be a shortfall against the budgeted income levels due to accelerated income received in 2015/16. This is being offset largely through staff savings and it is anticipated that income levels will improve in 2017/18 although this area will continue to be monitored closely.

### **D.3.2 Social Policy**

The Social Policy budget is forecast to breakeven. However there continues to be a number of pressure areas throughout the service due to increasing demands on care services.

Within West Lothian Integrated Joint Board (IJB) delegated services, increased numbers of older people in residential care are causing a pressure of £298,000. This reflects an increasing frail elderly population and West Lothian's growth in the over 75 age group being the highest in Scotland. Adult care for clients with learning and physical disabilities is also experiencing substantial cost pressures of £789,000, due to increased client numbers and, in particular, an increasing number of high cost complex care clients.

Within non IJB social care services, the cost of services to looked after children is currently in excess of available budget and this largely relates to external residential school placements which are forecasting a £321,000 overspend.

The pressures noted are being offset by savings elsewhere in the budget including staffing underspends in excess of the staff performance factor, due to the early delivery of 2017/18 budget savings. Work is progressing to ensure a sustainable solution to these pressures is in place for 2017/18. This includes a full review of placements made and the decision making process around the approval of care packages, particularly high cost packages for children and adults. Existing high cost placements are also subject to a full review to assess whether further investment in technology, equipment and adaptations could result in an overall decrease in the recurring cost of care packages.

### **D.3.3 Corporate, Operational and Housing Services**

#### Corporate Services

Corporate Services is forecast to breakeven in 2016/17. Budget pressures such as the Occupational Health Scheme, printing and new mobile phone contract are being met from savings elsewhere within the overall budget. Action is being progressed to manage these pressures on a sustainable basis. Savings have been achieved through staff vacancies within Legal, I.T. and Procurement.

#### Operational Services

There is a forecast overspend of £183,000 within Operational Services. Within Public Transport, a number of pressures exist. There is a one-off pressure of £100,000 in relation to bus route diversions as a result of the A71 closure. Discussions are progressing with Transport Scotland on recovery of this expenditure. In addition, costs in relation to homelessness school transport have increased recently and meetings have been arranged in conjunction within the Homelessness Unit to discuss management action that can be taken to mitigate further cost pressures. Requests for Additional Support Needs transport are being reviewed taking account of the existing budget position.

Further work is ongoing on staffing pressures within Facilities Management and Recycling and Waste Management. There continue to be risks around waste tonnages and gate fees and associated costs and saving assumptions. Recycling markets in particular are unpredictable and movements in gate fees are a major risk to future costs.

#### Housing, Customer & Building Services

An overspend of £646,000 is forecast for Housing, Customer & Building Services. The main pressure area continues to be homelessness, where an overall overspend of £347,000 is projected. Action is being taken to increase the availability of temporary accommodation, including private sector leasing options, the transfer of HRA properties to be used as temporary tenancies, and buying back properties through the open market acquisition scheme. These measures aim to reduce the requirement for bed and breakfast placements.

Although this should reduce bed and breakfast costs, additional costs will be incurred for repairs, furnishings and property storage costs, as well as responsibility for Council Tax payments. The extra properties will provide additional rental income and offset some of the additional costs. Bed and breakfast usage and costs will be closely monitored for the remainder of the financial year.

A net overspend of £316,000 is forecast for Customer & Community Services. The main pressure is staffing costs where the forecast overspend is £247,000. Whilst elements of the overspend are due to timing issues around the implementation of proposals (e.g. the completion of partnership centres in Armadale and Whitburn), there is an underlying pressure to be addressed to bring staff costs within budget. Options are currently being progressed to bring expenditure within budgeted resources for 2017/18.

### **D.3.4 Chief Executive, Finance & Estates Services**

An underspend of £465,000 is forecast. This relates largely to positive rental income forecasts, utility savings and staff vacancies across the service. The impact of welfare changes continues to be a key risk and will be closely monitored during the remainder of the year.

### **D.3.5 Staff Performance Factor**

A staff performance factor saving of £2.139 million was approved by Council as part of the 2016/17 budget. The budget position at Head of Service level taking account of the staff performance factor savings is reflected in the forecasts contained in this report.

Given the nature of this saving, progress in delivery takes account of ongoing staffing changes throughout the year. With regard to this, it is important that proposed recruitment is consistent with achieving the staff performance factor. Based on the position at month 9, all service areas are forecasting that the staff performance factor saving will be achievable through staffing underspends although this will require to be closely monitored over the remainder of the financial year.

Longer term consideration is also required across all services on the ongoing action required to achieve the staffing performance factor in 2017/18 and future years.

### **D.3.6 Joint Valuation Board**

The requisition to the Joint Valuation Board is expected to breakeven.

### **D.4 Non Service Expenditure**

The overall budget for non-service expenditure is currently forecast to breakeven. Reflecting the offsetting underspends and overspends in the Council Tax Reduction Scheme and Housing Benefit Subsidy, budget alignment has now been undertaken to balance both budget positions.

Both areas will continue to be closely monitored over the remainder of the year. In line with usual practice, any in year underspends on the council's insurance account will be transferred to the Insurance Fund at the year end and any treasury surplus arising at the year-end will be transferred to the Capital Fund.

### **D.5 Funding in 2016/17**

The council's revenue grant is forecast to be on budget. Any additional grant funding for 2016/17 announced during the year will be reported in future monitoring reports. Council tax income is forecast to breakeven for the year.

Revenue grant funding and council tax income is supplemented by non recurring funding of some activities such as employability, some local bus services and fixed term staff, and it is important that service spend commitments attached to this funding take account of the duration of funding available.

### **D.6 Approved Budget Reduction Measures**

A review of the delivery of budget reductions was completed at month 9 by Heads of Service and has demonstrated that largely satisfactory progress is being made. There are several measures where the timing of the saving being implemented has resulted in a one off pressure for 2016/17. This is taken into account in the overall monitoring position. While these savings are anticipated to be fully achieved, the one off pressures arising in 2016/17 are being met through one off savings identified. Progress towards the delivery of budget savings will be closely monitored and further information is set out below.

#### 2016/17 Budget Reduction Measures

There are budget reductions of £12.529 million to be achieved in 2016/17. Based on the latest review of delivery, £10.310 million (82%) have been categorised as green. This reflects that there is an agreed plan in place which will achieve the recurring saving

required. A further £2.219 million have been categorised as amber (18%) meaning these measures are still anticipated to be achievable and further ongoing action is being taken to ensure they are fully delivered.

#### 2017/18 Budget Reduction Measures

There are a further £8.426 million of budget reduction measures approved for 2017/18. The review of these measures has shown that 65% (£5.490 million) of the measures are classified as green and 34% (£2.840 million) classified as amber.

There are two proposals for community youth services (£60,000) and the exchange of one public holiday for annual leave (£36,000) which have been categorised as red. This will be taken account of in the 2017/18 budget report.

#### **D.7 Summarised Budget Position for 2016/17**

The month 9 monitoring indicates that a breakeven position is forecast for 2016/17. It is clear that the cumulative impact of funding constraints, significant savings targets and increasing demands in various areas are resulting in increased risks of overspends.

The report highlights a number of overspends where action is required to identify options to sustainably manage spend with budget resources available. Given the challenging budget position for 2017/18 and future years it is vital that options are identified and delivered to manage existing pressures.

#### **E. CONCLUSION**

The projected outturn at month 9 indicates a breakeven position in the budget for 2016/17, although a number of overspends have been highlighted which will require to be managed in the current year and future years.

Monitoring of delivery of the 2016/17 and 2017/18 budget reductions has demonstrated that satisfactory progress is being made although further work is required to progress measures identified as amber. It is evident that financial risks are increasing and it is important that Heads of Service pro-actively manage budgets to ensure spend is managed within available resources.

#### **F. BACKGROUND REFERENCES**

2016/17 General Fund Revenue Budget Month 6 Monitoring – Report by Head of Finance and Property Services to Council Executive on 22 November 2016

Contact Person: Patrick Welsh, Accounting Manager

[patrick.welsh@westlothian.gov.uk](mailto:patrick.welsh@westlothian.gov.uk) - Tel No. 01506 281320

**Donald Forrest**

**Head of Finance and Property Services**

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