

Report

Report to:	Executive Committee
Date of Meeting:	4 December 2019
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Revenue Budget Monitoring for Period 7 - 1 April to 11 October 2019
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ advise on the overall financial position of the Council's General Fund Revenue Account and Housing Revenue Account for the period 1 April to 11 October 2019

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the underspend of £6.643 million on the General Fund Revenue Account at 11 October 2019 as detailed in Appendix 1 of the report, and the forecast to 31 March 2020, be noted; and
- (2) that the breakeven position on the Housing Revenue Account at 11 October 2019, as detailed in Appendix 3 of the report, and the forecast to 31 March 2020 of breakeven, be noted.

3. Background

3.1. General Services Position

This is an overview report summarising the actual expenditure and income to 11 October 2019 compared with the budget for the same period. This is provided on a Resource basis in Appendix 1 and a subjective basis in Appendix 2, and summarised in Section 4.

3.2. Housing Revenue Account Position

Appendix 3 to the report shows the expenditure and income position for the Housing Revenue Account (HRA) to 11 October 2019. This is summarised in Section 5.

4. Financial Position

4.1. General Fund Revenue Account Position

As at 11 October 2019, Appendix 1 of the report details a net underspend of £6.643 million against the phased budget.

4.2. The net underspend of £6.643 million is made up of underspends in Loan Charges and Corporate Items, partially offset by overspends in Community and Enterprise and Social Work Resources. These are taken in turn below:

- 4.3. **Community and Enterprise Resources:** The Resource is currently reporting a net overspend of £0.227 million. The net overspend position for the Resource in the main reflects legal costs associated with the food safety case and the timing of efficiencies identified through the Fleet review.
- 4.4. In respect of the legal costs, the Council has now reached agreement with the other party to contribute £0.320 million towards their legal costs in respect of the food safety court case. The Resource is able to fund £0.200 million from monies carried forward in reserves from 2018/2019, however this still leaves a pressure of £0.120 million in 2019/2020.
- 4.5. **Social Work Resources:** As previously reported, the Resource has identified pressures within the Children and Families' Service, due to the number of new residential school/external placements in the first 7 months of the current year, and also in relation to kinship care. In addition, pressures are being experienced in Adult and Older People in relation to Homecare. Discussions are taking place with the Health and Social Care Partnership regarding the management of these costs. The net overspend on Social Work Resources, as at period 7 is £1.271 million. The estimated position for the full year will continue to be worked on, and will be reported later in the year.
- 4.6. **Loan Charges:** As reported previously, an underspend of £6.500 million is anticipated due to the re-phasing of the principal repayment on debt and also reflecting the actual interest rates at which borrowing was taken in 2018/2019. The Executive Committee (26 June 2019) gave approval to transfer this underspend to reserves to support the 2020/2021 Strategy.
- 4.7. It was also reported that similar to the situation last financial year, the Council have not yet had to borrow to date and instead, cash balances have been used to fund capital spend incurred.
- 4.8. Based on current estimates of cash balances, it is anticipated that we will not require to take the predicted 2019/2020 borrowing before the end of the financial year. The cash balances will be used on a temporary basis and this will generate an in-year underspend against interest costs of approximately £1.100 million. As a result, the loan charges underspend in 2019/2020 is now anticipated to be £7.600 million. This requirement not to borrow is on a temporary basis only, and borrowing will be required to replace the cash balances in the future.
- 4.9. **Auto Enrolment:** The Council is required to auto enrol employees into the pension scheme every 3 years. The budget included an assumption on costs for employees that would remain in the scheme. This year, more employees have remained in the scheme than anticipated. Based on current information, it is estimated that the costs could be £0.800 million higher than the original estimate. The position will continue to be monitored and will be reported later in the year.
- 4.10. **Corporate Items - 2020/2021 Strategy:** As reported previously, an underspend of £0.540 million is anticipated in the current year for budgets no longer required. This underspend is shown in Corporate Items. Approval was given at the Executive Committee (26 June 2019) to transfer the underspend to reserves to support the 2020/2021 Strategy.
- 4.11. **Education Resources:** As previously reported, the £7.7 million allocation of Pupil Equity Fund (PEF) is anticipated to spend in the academic year to June 2020. This academic year straddles 2 financial years, resulting in an underspend in 2019/2020

which will require to be carried forward and used in April to June 2020. An initial estimate of this underspend is £1.500 million, but this will depend on the timing of spend throughout the year.

- 4.12. The actual expected spend position for the financial year will be reported as we go through the year.
- 4.13. **Council Tax Income:** Recent information indicates that the number of properties generating Council Tax has increased. As a result, it is anticipated that there will be a net over-recovery of income in relation to Council Tax / Council Tax Reduction Scheme. This position will be confirmed as part of the annual Probable Outturn exercise.
- 4.14. **2019/2020 Forecast Outturn Summary:** At this stage in the financial year, the forecast to 31 March 2020 is now showing an underspend of £9.640 million. This is analysed below:
- ◆ Loan Charges underspend of £7.600 million (section 4.8)
 - ◆ Corporate Items (2020/2021 Strategy) of £0.540 million (section 4.10)
 - ◆ Education Resources underspend for PEF £1.500 million (section 4.11)
- 4.15. As part of the 2020/2021 Strategy refresh (Executive Committee, 26 June 2019) approval was obtained to transfer the £6.500 million underspend in Loan Charges (section 4.6) and £0.540 million in Corporate Items (section 4.10) to reserves at the end of 2019/2020. This leaves a revised underspend of £2.600 million. This £2.600 million reflects the potential PEF underspend (£1.500 million) and the additional loan charges underspend (£1.100 million). Taking into account the PEF commitment required in relation to 2020/2021, an underspend of £1.100 million is available for use. This is shown in Appendices 1 and 2.
- 4.16. The £1.100 million underspend position (section 4.15) does not reflect the Social Work pressures (section 4.5), the additional costs for Auto Enrolment (section 4.9) or the Council Tax position as reported at section 4.13. The expected final outturn for these budget areas will be confirmed and reported later in the year, as part of the annual Probable Outturn exercise.
- 4.17. **Other Funding**
Since the last report, Community and Enterprise Resources have been notified of £0.282 million from Transport Scotland for match funding for low emission heavy goods vehicles and Social Work Resources have been notified of funding from the NHS of £0.170 million for Distress Brief Intervention Training. The Transport Scotland funding will be included in the figures once the arrangements for the relevant vehicles are in place. The NHS funding is included in the figures in Appendix 1.
- 5. Housing Revenue Account Position**
- 5.1. As at 11 October 2019, Appendix 2 of the report shows a breakeven position against the phased budget on the Housing Revenue Account.
- 5.2. The forecast to 31 March 2020 on the Housing Revenue Account is a breakeven position.
- 6. Employee Implications**
- 6.1. None.

7. Financial Implications

- 7.1. As detailed within this report.

8. Other Implications (Including Environmental and Risk Issues)

- 8.1. The main risk associated with the Council's Revenue Budget is that there is an overspend. The risk has been assessed as low given the detailed budget management applied across the Resources. The risk is managed through four weekly Budget Monitoring Meetings at which any variance is analysed. In addition, the probable outturn exercise ensures early warning for corrective action to be taken where appropriate.
- 8.2. There are no implications for sustainability in terms of the information contained in this report.

9. Equality Impact Assessment and Consultation Arrangements

- 9.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and therefore no impact assessment is required.
- 9.2. There is also no requirement to undertake any consultation in terms of the information contained in this report.

Paul Manning

Executive Director (Finance and Corporate Resources)

21 October 2019

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ None

List of Background Papers

- ◆ Financial ledger and budget monitoring results to 11 October 2019

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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SOUTH LANARKSHIRE COUNCIL

Revenue Budget Monitoring Report

Period Ended 11 October 2019 (No.7)

<u>Committee</u>	Annual Budget	Annual Forecast	Annual Forecast Variance	Budget Proportion to 11/10/19	Actual to Period 7 11/10/19	Variance to 11/10/19	
	£m	£m	£m	£m	£m	£m	
Departments:							
Community and Enterprise Resources	106.341	106.341	0.000	53.786	54.013	(0.227)	over
Facilities Streets and Waste (Inc. Support)	64.395	64.395	0.000	29.915	29.807	0.108	under
Fleet, Environmental and Projects	1.255	1.255	0.000	2.264	2.662	(0.398)	over
Leisure and Culture Services	19.467	19.467	0.000	9.572	9.572	0.000	-
Planning and Economic Development	1.936	1.936	0.000	3.043	3.051	(0.008)	over
Roads	19.288	19.288	0.000	8.992	8.921	0.071	under
Education Resources	334.453	332.953	1.500	161.798	161.798	0.000	-
Finance and Corporate Resources	33.985	33.985	0.000	25.074	25.074	0.000	-
Finance Services - Strategy	2.147	2.147	0.000	1.892	1.938	(0.046)	over
Finance Services - Transactions	12.279	12.279	0.000	9.283	9.082	0.201	under
Audit and Compliance Services	0.360	0.360	0.000	0.320	0.320	0.000	-
Information Technology Services	4.848	4.848	0.000	4.432	4.482	(0.050)	over
Communications and Strategy Services	0.996	0.996	0.000	0.773	0.867	(0.094)	over
Administration and Licensing Services	4.018	4.018	0.000	3.020	3.020	0.000	-
Personnel Services	9.337	9.337	0.000	5.354	5.365	(0.011)	over
Housing and Technical Resources	16.792	16.792	0.000	10.412	10.411	0.001	under
Housing Services	8.495	8.495	0.000	5.016	4.972	0.044	under
Property Services	8.297	8.297	0.000	5.396	5.439	(0.043)	over
Social Work Resources	163.015	163.015	0.000	89.799	91.070	(1.271)	over
Performance and Support Services	7.773	7.773	0.000	3.945	3.945	0.000	-
Children and Families	32.122	32.122	0.000	17.377	18.506	(1.129)	over
Adults and Older People	121.847	121.847	0.000	67.571	67.782	(0.211)	over
Justice and Substance Misuse	1.273	1.273	0.000	0.906	0.837	0.069	under
Joint Boards	2.151	2.151	0.000	1.165	1.165	0.000	-
	656.737	655.237	1.500	342.034	343.531	(1.497)	over

<u>Committee</u>	Annual Budget	Annual Forecast	Annual Forecast Variance	Budget Proportion to 11/10/19	Actual to Period 7 11/10/19	Variance to 11/10/19	
	£m	£m	£m	£m	£m	£m	
Service Departments Total	656.737	655.237	1.500	342.034	343.531	(1.497)	over
CFCR	0.000	0.000	0.000	0.000	0.000	0.000	-
Loan Charges	54.136	46.536	7.600	54.136	46.536	7.600	under
Corporate Items	4.936	4.936	0.000	0.079	0.079	0.000	-
Corporate Items - 2020/2021 Strategy	0.540	0.000	0.540	0.540	0.000	0.540	under
Transfer to Reserves	0.000	0.000	0.000	0.000	0.000	0.000	-
Total Expenditure	716.349	706.709	9.640	396.789	390.146	6.643	under
Council Tax	152.487	152.487	0.000	76.244	76.244	0.000	-
Less: Council Tax Reduction Scheme	(20.480)	(20.480)	0.000	(10.240)	(10.240)	0.000	-
Net Council Tax	132.007	132.007	0.000	66.004	66.004	0.000	-
General Revenue Grant	220.380	220.380	0.000	110.863	110.863	0.000	-
Non Domestic Rates	341.166	341.166	0.000	183.705	183.705	0.000	-
Transfer from Reserves	22.796	22.796	0.000	22.796	22.796	0.000	-
Total Income	716.349	716.349	0.000	383.368	383.368	0.000	-
Net Expenditure / (Income)	0.000	(9.640)	9.640	13.421	6.778	6.643	under

	Annual Budget	Annual Forecast	Annual Forecast Variance
	£m	£m	£m
Net Expenditure / (Income)	0.000	(9.640)	9.640
Allocate to 2020/2021 Strategy	0.000	7.040	(7.040)
PEF Transfer to Reserves	0.000	1.500	(1.500)
Total Expenditure	0.000	(1.100)	1.100

SOUTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report
Period Ended 11 October 2019 (No.7)

Budget Category**Service Departments:****Expenditure**

	Annual Budget	Annual Forecast	Annual Forecast Variance	Budget Proportion to 11/10/19	Actual to Period 7 11/10/19	Variance to 11/10/19	
	£m	£m	£m	£m	£m	£m	
Employee Cost	503.062	503.062	0.000	256.173	256.216	(0.043)	over
Property Costs	54.186	54.186	0.000	33.782	33.935	(0.153)	over
Supplies and Services	53.973	52.473	1.500	25.524	25.414	0.110	under
Transport Costs	41.036	41.036	0.000	19.750	20.237	(0.487)	over
Administration Costs	15.707	15.707	0.000	7.467	7.758	(0.291)	over
Payments to Other Bodies	61.932	61.932	0.000	30.281	30.693	(0.412)	over
Payments to Contractors	196.194	196.194	0.000	88.472	88.510	(0.038)	over
Transfer Payments	3.446	3.446	0.000	2.852	3.004	(0.152)	over
Housing Benefits	80.358	80.358	0.000	35.999	35.830	0.169	under
Financing Charges (controllable)	1.972	1.972	0.000	1.124	1.139	(0.015)	over
Total	1,011.866	1,010.366	1.500	501.424	502.736	(1.312)	over
Service Departments Total	1,011.866	1,010.366	1.500	501.424	502.736	(1.312)	over
CFCR	0.000	0.000	0.000	0.000	0.000	0.000	-
Loan Charges	54.136	46.536	7.600	54.136	46.536	7.600	under
Corporate Items	4.936	4.936	0.000	0.079	0.079	0.000	-
Corporate Items - 2020/2021 Strategy	0.540	0.000	0.540	0.540	0.000	0.540	under
Transfer to Reserves	0.000	0.000	0.000	0.000	0.000	0.000	-
Total Expenditure	1,071.478	1,061.838	9.640	556.179	549.351	6.828	under
Income							
Housing Benefit Subsidy	75.662	75.662	0.000	32.774	32.774	0.000	-
Other Income	279.467	279.467	0.000	126.616	126.431	(0.185)	under rec
Council Tax (Net of Council Tax Reduction Scheme)	132.007	132.007	0.000	66.004	66.004	0.000	-
General Revenue Grant	220.380	220.380	0.000	110.863	110.863	0.000	-
Non Domestic Rates	341.166	341.166	0.000	183.705	183.705	0.000	-
Transfer from Reserves	22.796	22.796	0.000	22.796	22.796	0.000	-
Total Income	1,071.478	1,071.478	0.000	542.758	542.573	(0.185)	under rec
Net Expenditure / (Income)	0.000	(9.640)	9.640	13.421	6.778	6.643	under

Net Expenditure / (Income)
 Allocate to 2020/2021 Strategy
 PEF Transfer to Reserves
Total Expenditure

Annual Budget	Annual Forecast	Annual Forecast Variance
£m	£m	£m
0.000	(9.640)	9.640
0.000	7.040	(7.040)
0.000	1.500	(1.500)
0.000	(1.100)	1.100

SOUTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report
Period Ended 11 October 2019 (No.7)
Housing Revenue Account

	Annual Budget	Forecast for Year	Annual Forecast Variance	Budget Proportion to 11/10/19	Actual to Period 7 11/10/19	Variance to 11/10/19		%	Note
	£m	£m	£m	£m	£m	£m			
Employee Costs	13.675	13.675	0.000	6.896	6.622	0.274	under	4.0%	1
Property Costs	44.605	44.605	0.000	20.154	20.210	(0.056)	over	(0.3%)	2
Supplies & Services	1.654	1.654	0.000	0.583	0.580	0.003	under	0.5%	
Transport & Plant	0.195	0.195	0.000	0.077	0.077	0.000	-	0.0%	
Administration Costs	5.702	5.702	0.000	0.276	0.266	0.010	under	3.6%	
Payments to Other Bodies	3.174	3.174	0.000	0.013	0.017	(0.004)	over	(30.8%)	
Payments to Contractors	0.100	0.100	0.000	0.054	0.056	(0.002)	over	(3.7%)	
Transfer Payments	0.000	0.000	0.000	0.000	0.000	0.000	-	n/a	
Financing Charges	20.589	20.589	0.000	0.036	0.036	0.000	-	0.0%	
Total Controllable Expenditure	89.694	89.694	0.000	28.089	27.864	0.225	under	0.8%	
Total Controllable Income	(102.529)	(102.529)	0.000	(45.415)	(45.190)	(0.225)	under recovered	(0.5%)	2
Transfer to/(from) Balance Sheet	(2.845)	(2.845)	0.000	(1.532)	(1.532)	0.000	-	0.0%	
Net Controllable Expenditure	(15.680)	(15.680)	0.000	(18.858)	(18.858)	0.000	-	0.0%	
Add: Non Controllable Budgets									
Financing Charges	15.680	15.680	0.000	0.000	0.000	0.000	-	0.0%	
Total Budget	0.000	0.000	0.000	(18.858)	(18.858)	0.000	-	0.0%	

Variance Explanations

1. Employee Costs

This variance relates to vacancies which are being actively recruited or are being held whilst future service requirements are being determined.

2. Property Costs

The overspend relates to repairs and grounds maintenance works which are demand led. This is partially offset by and underspend in the bad debt provision due to the timing of the rollout of Universal Credit and better than anticipated collection rates for rental income.

3. Income

The under recovery in rental income is due to the timing of the completion of new build properties.