

Report

Report to:	Financial Resources Scrutiny Forum
Date of Meeting:	3 October 2019
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Revenue Budget Monitoring 2019/2020
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ update members of the Financial Resources Scrutiny Forum of progress on the Council's revenue budget for the period covering 1 April 2019 to 16 August 2019.

2. Recommendation(s)

2.1. The Forum is asked to note the following recommendation(s):-

- (1) that the 2019/2020 Financial Position as at period 5 (16 August 2019) and the forecast to 31 March 2020, for General Services and the Housing Revenue Account (as detailed in Appendices 1 and 2), be noted.

3. Background

3.1. The Revenue reports attached provide detail on the most recent Executive Committee report dated 25 September 2019. The reports detail the position as at 16 August 2019 for General Services (section 4) and the Housing Revenue Account (section 5), comparing actual expenditure and income to the budget for the same period.

3.2. The papers have been split into separate Appendices as shown below:

- ◆ Appendix 1 - 2019/2020 Financial Position as at Period 5 (16 August 2019) for General Services on a Service basis
- ◆ Appendix 2 - 2019/2020 Financial Position as at Period 5 (16 August 2019) for General Services on a Service basis
- ◆ Appendix 3 - 2019/2020 Financial Position as at Period 5 (16 August 2019) for Housing Revenue Account

4. Financial Position

4.1. General Fund Revenue Account Position

As at 16 August 2019, Appendix 1 of the report details a net underspend of £6.346 million against the phased budget.

4.2. The net underspend of £6.346 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 £0.088 million. This is mainly the result of an overspend in Fleet,

Environmental and Projects and reflects the timing of efficiencies being delivered during the year. The Resource will work to manage their overall spend for the year, within their budget allocation.

- 4.4. **SLLCT Utilities:** The Council has budget for utilities price increases. South Lanarkshire Leisure and Culture (SLLCT) have been allocated £0.250 million in relation to 2019/2020 price increases. This allocation is included in the figures in Appendix 1.
- 4.5. **Social Work Resources:** As previously reported, the Resource has identified pressures within Children and Families Services due to the number of new residential school/external placements in the first 5 months of the current year, and also in relation to kinship care. The net overspend as at period 5 is £0.606 million.
- 4.6. **Loan Charges:** As reported previously, an underspend of £6.500 million is anticipated in the current year 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. In addition, 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. This is on a temporary basis only, and borrowing will be required to fund the capital spend at some point in the future. Interest rates will continue to be monitored and a position on the expected outturn for the year will be provided at the next meeting of the Committee.
- 4.8. **Corporate Items:** As detailed in section 4.4, £0.250 million of utilities budget has been transferred to SLLCT to fund the 2019/2020 price increases.
- 4.9. **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.
- 4.10. **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.
- 4.11. The actual expected spend position for the financial year will be reported as we go through the year
- 4.12. **2019/2020 Forecast Outturn Summary:** At this early stage in the financial year, the forecast to 31 March 2020 is showing an underspend of £8.540 million. This is analysed below:
 - Loan Charges underspend of £6.500 million (section 4.6) and
 - Corporate Items of £0.540 million (section 4.9)
 - Education Resources underspend for PEF £1.500 million (section 4.10)

- 4.13. At the Executive Committee (26 June 2019) approval was obtained, as part of the 2020/2021 Strategy refresh, to transfer the underspends in Loan Charges and Corporate Items to reserves at the end of 2019/2020. This leaves an outturn after transfers of £1.500 million, reflecting the potential PEF underspend.
- 4.14. **Other Government Grant**
The Council has been notified by the Scottish Government of their grant allocation in respect of the Teachers' Pension Scheme. The grant totals £3.942 million. The budget included in Appendix 1 has been updated to reflect the grant award received.
- 4.15. **Other Funding**
There has been no additional funding notified since the last report.
- 5. Housing Revenue Account Position**
- 5.1. As at 16 August 2019, Appendix 3 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**
- 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)

25 September 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 16 August 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 16 August 2019 (No.5)

Committee

	Annual Budget	Annual Forecast	Annual Forecast Variance	Budget Proportion to 16/08/19	Actual to Period 5 16/08/19	Variance to 16/08/19	
	£m	£m	£m	£m	£m	£m	
Departments:							
Community and Enterprise Resources	107.314	107.314	0.000	42.530	42.618	(0.088)	over
Facilities Streets and Waste (Inc. Support)	64.236	64.236	0.000	21.972	21.914	0.058	under
Fleet, Environmental and Projects	1.155	1.155	0.000	1.825	1.875	(0.050)	over
Leisure and Culture Services	19.467	19.467	0.000	9.506	9.506	0.000	-
Planning and Economic Development	3.168	3.168	0.000	2.909	2.902	0.007	under
Roads	19.288	19.288	0.000	6.318	6.421	(0.103)	over
Education Resources	331.790	330.290	1.500	93.783	93.783	0.000	-
Finance and Corporate Resources	32.782	32.782	0.000	19.696	19.696	0.000	-
Finance Services - Strategy	2.147	2.147	0.000	1.266	1.308	(0.042)	over
Finance Services - Transactions	12.308	12.308	0.000	8.638	8.475	0.163	under
Audit and Compliance Services	0.360	0.360	0.000	0.223	0.223	0.000	-
Information Technology Services	4.848	4.848	0.000	3.566	3.649	(0.083)	over
Communications and Strategy Services	1.083	1.083	0.000	0.604	0.676	(0.072)	over
Administration and Licensing Services	4.018	4.018	0.000	2.170	2.146	0.024	under
Personnel Services	8.018	8.018	0.000	3.229	3.219	0.010	under
Housing and Technical Resources	16.209	16.209	0.000	4.219	4.219	0.000	-
Housing Services	8.357	8.357	0.000	2.280	2.280	0.000	-
Property Services	7.852	7.852	0.000	1.939	1.939	0.000	-
Social Work Resources	163.515	163.515	0.000	61.795	62.401	(0.606)	over
Performance and Support Services	7.825	7.825	0.000	2.811	2.667	0.144	under
Children and Families	32.115	32.115	0.000	12.221	12.965	(0.744)	over
Adults and Older People	122.302	122.302	0.000	46.449	46.520	(0.071)	over
Justice and Substance Misuse	1.273	1.273	0.000	0.314	0.249	0.065	under
Joint Boards	2.151	2.151	0.000	1.008	1.008	0.000	-
	653.761	652.261	1.500	223.031	223.725	(0.694)	over

Committee

	Annual Budget	Annual Forecast	Annual Forecast Variance	Budget Proportion to 16/08/19	Actual to Period 5 16/08/19	Variance to 16/08/19	
	£m	£m	£m	£m	£m	£m	
Service Departments Total	653.761	652.261	1.500	223.031	223.725	(0.694)	over
CFCR	0.000	0.000	0.000	0.000	0.000	0.000	-
Loan Charges	54.136	47.636	6.500	54.136	47.636	6.500	under
Corporate Items	4.936	4.936	0.000	0.057	0.057	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	713.373	704.833	8.540	277.764	271.418	6.346	under
Council Tax	152.487	152.487	0.000	54.460	54.460	0.000	-
Less: Council Tax Reduction Scheme	(20.480)	(20.480)	0.000	(7.314)	(7.314)	0.000	-
Net Council Tax	132.007	132.007	0.000	47.146	47.146	0.000	-
General Revenue Grant	219.671	219.671	0.000	79.188	79.188	0.000	-
Non Domestic Rates	341.166	341.166	0.000	131.218	131.218	0.000	-
Transfer from Reserves	20.529	20.529	0.000	20.529	20.529	0.000	-
Total Income	713.373	713.373	0.000	278.081	278.081	0.000	-
Net Expenditure / (Income)	0.000	(8.540)	8.540	(0.317)	(6.663)	6.346	under

	Annual Budget	Annual Forecast	Annual Forecast Variance
	£m	£m	£m
Net Expenditure / (Income)	0.000	(8.540)	8.540
Allocate to 2020/2021 Strategy	0.000	7.040	(7.040)
Total Expenditure	0.000	(1.500)	1.500

SOUTH LANARKSHIRE COUNCIL

Revenue Budget Monitoring Report

Period Ended 16 August 2019 (No.5)

<u>Budget Category</u>	Annual Budget	Annual Forecast	Annual Forecast Variance	Budget Proportion to 16/08/19	Actual to Period 5 16/08/19	Variance to 16/08/19	
	£m	£m	£m	£m	£m	£m	
Service Departments:							
Expenditure							
Employee Cost	498.009	498.009	0.000	178.497	178.183	0.314	under
Property Costs	54.768	54.768	0.000	11.105	11.192	(0.087)	over
Supplies and Services	56.787	55.287	1.500	19.209	19.363	(0.154)	over
Transport Costs	39.359	39.359	0.000	14.255	14.619	(0.364)	over
Administration Costs	15.239	15.239	0.000	5.142	5.189	(0.047)	over
Payments to Other Bodies	60.581	60.581	0.000	21.620	21.942	(0.322)	over
Payments to Contractors	196.367	196.367	0.000	63.481	63.770	(0.289)	over
Transfer Payments	3.361	3.361	0.000	2.401	2.387	0.014	under
Housing Benefits	80.387	80.387	0.000	26.025	26.000	0.025	under
Financing Charges (controllable)	1.978	1.978	0.000	0.915	0.883	0.032	under
Total	1,006.836	1,005.336	1.500	342.650	343.528	(0.878)	over
Service Departments Total	1,006.836	1,005.336	1.500	342.650	343.528	(0.878)	over
CFCR	0.000	0.000	0.000	0.000	0.000	0.000	-
Loan Charges	54.136	47.636	6.500	54.136	47.636	6.500	under
Corporate Items	4.936	4.936	0.000	0.057	0.057	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	1,066.448	1,057.908	8.540	397.383	391.221	6.162	under
Income							
Housing Benefit Subsidy	75.662	75.662	0.000	21.849	21.849	0.000	-
Other Income	277.413	277.413	0.000	97.770	97.954	0.184	over rec
Council Tax (Net of Council Tax Reduction Scheme)	132.007	132.007	0.000	47.146	47.146	0.000	-
General Revenue Grant	219.671	219.671	0.000	79.188	79.188	0.000	-
Non Domestic Rates	341.166	341.166	0.000	131.218	131.218	0.000	-
Other Government Grant	3.983	3.983	0.000	0.000	0.000	0.000	-
Transfer from Reserves	20.529	20.529	0.000	20.529	20.529	0.000	-
Total Income	1,066.448	1,066.448	0.000	397.700	397.884	0.184	over rec
Net Expenditure / (Income)	0.000	(8.540)	8.540	(0.317)	(6.663)	6.346	under

	Annual Budget	Annual Forecast	Annual Forecast Variance
	£m	£m	£m
Net Expenditure / (Income)	0.000	(8.540)	8.540
Allocate to 2020/2021 Strategy	0.000	7.040	(7.040)
Total Expenditure	0.000	(1.500)	1.500

SOUTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report
Period Ended 16 August 2019 (No.5)
Housing Revenue Account

	Annual Budget	Forecast for Year	Annual Forecast Variance	Budget Proportion to 16/08/19	Actual to Period 5 16/08/19	Variance to 16/08/19		%	Note
	£m	£m	£m	£m	£m	£m			
Employee Costs	13.676	13.676	0.000	4.744	4.635	0.109	under	2.3%	1
Property Costs	44.784	44.784	0.000	10.642	10.610	0.032	under	0.3%	
Supplies & Services	1.818	1.818	0.000	0.474	0.475	(0.001)	over	(0.2%)	
Transport & Plant	0.195	0.195	0.000	0.047	0.042	0.005	under	10.6%	
Administration Costs	5.713	5.713	0.000	0.210	0.207	0.003	under	1.4%	
Payments to Other Bodies	3.174	3.174	0.000	0.001	0.019	(0.018)	over	(1800.0%)	
Payments to Contractors	0.100	0.100	0.000	0.033	0.035	(0.002)	over	(6.1%)	
Transfer Payments	0.000	0.000	0.000	0.000	0.000	0.000	-	n/a	
Financing Charges	20.589	20.589	0.000	15.767	15.765	0.002	under	0.0%	
Total Controllable Expenditure	90.049	90.049	0.000	31.918	31.788	0.130	under	0.4%	
Total Controllable Income	(102.720)	(102.720)	0.000	(33.413)	(33.283)	(0.130)	under recovered	(0.4%)	2
Transfer to/(from) Balance Sheet	(3.009)	(3.009)	0.000	(0.792)	(0.792)	0.000	-	0.0%	
Net Controllable Expenditure	(15.680)	(15.680)	0.000	(2.287)	(2.287)	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	(2.287)	(2.287)	0.000	-	0.0%	

Variance Explanations

1. Employee Costs

This variance relates to vacancies which are actively being recruited.

2. Income

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