

# Report

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| Report to:       | <b>Financial Resources Scrutiny Forum</b>                                |
| Date of Meeting: | <b>1 July 2010</b>   |
| Report by:       | <b>Executive Director (Finance and Information Technology Resources)</b> |

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| Subject: | <b>Revenue Budget Monitoring 2009-10 Outturn</b> |
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## 1. Purpose of Report

1.1 The purpose of the report is to:-

- ◆ advise members of the Financial Resources Scrutiny Forum of the level of accumulated funds of the Council as at 31 March 2010 as detailed in Section 4 of this report;
- ◆ advise members of the Financial Resources Scrutiny Forum on the position for the year on the Housing Revenue Account (HRA), the General Fund and the revenue budget performance of each Resource as detailed in sections 5 and 6 and in Appendix 1 of the report.

## 2. Recommendation(s)

2.1 The Financial Resources Scrutiny Forum is asked to approve the following recommendation(s):-

- (1) that the position of the General Fund and HRA be noted; and
- (2) that the proposed allocations to Reserves, as detailed in section 6.4.7 of the report be noted.

## 3. Background

3.1 The Revenue reports attached provide detail on the most recent Executive Committee report dated 23 June 2010 which details the final outturn on the Council's Revenue Budget, including Trading Operations and the Housing Revenue Account.

Under existing regulations, the Council's financial accounts and annual report for the year ended 31 March 2010 require to be submitted for audit by 30 June. This target date has been achieved and the full accounts and annual report will be submitted to a further meeting of the Executive Committee.

3.2 The Council's revenue position for 2009/10 has turned out positively, with all Resources showing underspend positions at the year end. However, as has been reported to the Executive Committee through the Financial Strategy, the future outlook for local authority finances is bleak. Projections commissioned by Scottish local government have highlighted significant cuts to council grants in real and cash terms. This position would appear to have worsened in the years beyond 2010/11 as a consequence of the package of £6bn of cuts announced in May. This deteriorating position has been taken into account when allocating money to reserves at the year end, allocating funds to meet commitments, ensure flexibility and to increase the unallocated General Fund balance as protection against future, unforeseen events.

Given the extent of current and future commitments, continuous and effective control will be exercised over capital and revenue budgets. Monitoring arrangements are continually being updated to achieve this.

#### 4. **Accumulated Fund as at 31 March 2010**

##### 4.1 General Fund

The General Fund shows a surplus for the year of £2.000 million. Adding this to the surplus which was brought forward from 2008/2009 results in an accumulated surplus of £6.223 million.

##### 4.2 Housing Revenue Account

The Housing Revenue Account is held separately from the General Fund. This account shows a surplus for the year of £0.742 million. The surplus is due to additional house rent income generated as a result of the lower than anticipated council house sales. This surplus, when added to the surplus brought forward from 2008/2009, gives an accumulated surplus of £0.930 million to be carried forward and used to meet future years' business plan commitments.

#### 5. **Housing Revenue Account Performance**

5.1 The Housing Revenue Account is summarised as follows:-

|  | Budget<br>£m  | Actual<br>£m  | Variance<br>£m |                          |
|--|---------------|---------------|----------------|--------------------------|
| <b>INCOME</b>  |               |               |                |                          |
| House Rents  | 69.198        | 70.168        | 0.970          | Additional income        |
| Other Rents  | 2.596         | 2.734         | 0.138          | Additional income        |
| Housing Support Grant (Hostel)                         | 1.347         | 0.801         | (0.546)        | Reduced income           |
| Other Income   | 0.000         | 2.753         | 2.753          | Additional income        |
| <b>Total Income</b>                                    | <b>73.141</b> | <b>76.456</b> | <b>3.315</b>   | <b>Additional income</b> |
| <b>EXPENDITURE</b>                                     |               |               |                |                          |
| Repairs and Maintenance                                | 24.353        | 21.236        | 3.117          | Underspend               |
| Supervision and Management                             | 22.839        | 25.012        | (2.173)        | Extra cost               |
| Cost of Voids  | 1.422         | 1.650         | (0.228)        | Extra cost               |
| Other Expenditure                                      | 4.489         | 5.602         | (1.113)        | Extra cost               |
| Capital Financing Costs                                | 19.151        | 20.652        | (1.501)        | Extra cost               |
| Bad/Doubtful Debts                                     | 0.887         | 1.562         | (0.675)        | Extra cost               |
| <b>Total Expenditure</b>                               | <b>73.141</b> | <b>75.714</b> | <b>(2.573)</b> | <b>Extra cost</b>        |
| <b>(Deficit) / Surplus for Year</b>                    | <b>0.000</b>  | <b>0.742</b>  | <b>0.742</b>   | <b>Underspend</b>        |
| Add:   |               |               |                |                          |
| Surplus Brought Forward                                | 0.188         | 0.188         | 0.000          |                          |
| <b>Housing Revenue Account Surplus Carried Forward</b> | <b>0.188</b>  | <b>0.930</b>  | <b>0.742</b>   |                          |

#### 6. **General Fund Revenue Budget Performance**

6.1 The Executive Committee is asked to consider the service outturn compared with budgets, and the uses to which accumulated funds will be directed.

6.2 Service results are listed in Appendix 1. The controllable elements of each budget are separated from items which services are not considered to be directly responsible for, such as central support costs and financing charges.

6.3 The General Fund Revenue Account is summarised as follows:-

|   | Budget<br>£m   | Actual<br>£m   | Variance<br>£m |               |
|---|----------------|----------------|----------------|---------------|
| <b>INCOME</b>   |                |                |                |               |
| General Revenue Grant / Non Domestic Rates            | 561.589        | 561.343        | (0.246)        | Extra cost    |
| Council Tax   | 125.499        | 126.455        | 0.956          | Saving        |
| Community Charge (Poll Tax)                           | 0.000          | 0.061          | 0.061          | Saving        |
| <b>Total Income</b>                                   | <b>687.088</b> | <b>687.859</b> | <b>0.771</b>   | <b>Saving</b> |
| <b>EXPENDITURE</b>                                    |                |                |                |               |
| Total Controllable Expenditure of Front Line Services | 617.987        | 614.403        | 3.584          | Saving        |
| Total Central Support / Financing Charges             | 79.072         | 73.979         | 5.093          | Saving        |
| <b>Total of All Resource Spending</b>                 | <b>697.059</b> | <b>688.382</b> | <b>8.677</b>   | <b>Saving</b> |
| Adjust for:   |                |                |                |               |
| Capital from Current Revenue                          | 1.110          | 1.110          | 0.000          |               |
| Use of Reserve Funds                                  | (3.483)        | 4.679          | (8.162)        | Extra cost    |
| Trading Services Surplus                              | (7.598)        | (8.312)        | 0.714          | Saving        |
| <b>Sub Total : Expenditure</b>                        | <b>687.088</b> | <b>685.859</b> | <b>1.229</b>   | <b>Saving</b> |
| <b>Surplus for Year</b><br>(Income less Expenditure)  | <b>0.000</b>   | <b>2.000</b>   | <b>2.000</b>   | <b>Saving</b> |
| Add: Surplus Brought Forward                          | 4.223          | 4.223          | 0.000          |               |
| <b>General Fund Surplus Carried Forward</b>           | <b>4.223</b>   | <b>6.223</b>   | <b>2.000</b>   | <b>Saving</b> |

6.4 Each line in the above table is explained as follows:

6.4.1 General Revenue Grant / Non Domestic Rates

This represents the amount of support from central government sources. The under recovery relates to the discretionary element of Non Domestic Rates funded by the Council (£0.246 million).

6.4.2 Council Tax

The income from Council Tax is higher than anticipated due to the number of properties being added to the valuation roll being higher than originally anticipated. There is also additional unbudgeted Council Tax income received as a result of the reduction in discount applied to Second Homes. Additional expenditure on Social Housing has been incurred, funded by this income.

6.4.3 Community Charge

Although outstanding debt had previously been fully provided for, the Council has continued to collect community charge income.

6.4.4 Total Controllable Expenditure of Front Line Services

This is the total of expenditure for which Resources are directly responsible. This item shows an outturn of £614.403 million. An analysis of the variances across each service is shown in Appendix 1. The overall variance from budget represents 0.6%.

#### 6.4.5 Total Central Support / Financing Charges

In the published accounts, central services spending is allocated over all other services, but it is shown separately at this stage for monitoring purposes. The outturn shows £73.979 million including financing charges and these figures are expanded in Appendix 1. The overall variance here represents 6.4% of budget, with financing charges, accounting for most of the underspend.

#### 6.4.6 Capital from Current Revenue (CFCR)

To complete the planned funding for the General Fund Capital Programme, the base CFCR budget was augmented by additional contributions from Resources' revenue accounts. Progress on the capital programme was reported regularly throughout 2009/2010.

#### 6.4.7 Use of Reserve Funds

A probable outturn position was reported to the Executive Committee on 10 February 2010. This included proposed transfers to reserves of £4.506 million being allocated to the Winter Maintenance Fund (£1.600 million), the Insurance Fund (£2.500 million) and the Zero Waste Fund (£0.406 million).

As a result of the final outturn position, a further transfer to Reserves of £3.656 million is proposed. This includes a transfer of £2.005 million to Repairs and Renewals. This fund offers one of the few elements of flexibility open to the Council and will also assist in meeting commitments, including the Dollan Aqua Centre. Similarly, £1.651 million will be allocated to the Capital Fund, in part to fund works at Hamilton International Technology Park previously agreed by the Executive Committee. Through this route further severance costs are likely to be funded.

The total proposed contribution to Reserves is therefore £8.162 million and is analysed as follows:

| <b>Reserve</b>                     | <b>Amount<br/>£m</b> |
|------------------------------------|----------------------|
| Repairs and Renewals               | 2.005                |
| Capital Fund                       | 1.651                |
| Winter Maintenance Fund            | 1.600                |
| Insurance Fund                     | 2.500                |
| Waste Management (Zero Waste) Fund | 0.406                |
| <b>Total</b>                       | <b><u>8.162</u></b>  |

The actual movement in Reserves is therefore:

|                    |                |
|--------------------|----------------|
|                    | £m             |
| Appropriations     | 8.162          |
| Less Reserves Used | <u>(3.483)</u> |
| = Movement         | <u>4.679</u>   |

#### 6.4.8 Trading Operations

The Council currently operates five Trading Operations and Appendix 2 outlines the final position for each of them. All Trading Operations have achieved a surplus position at the end of the financial year and in total terms, the surplus in the Council's Trading Operations is higher than the original target set. However, there are variances in estimated surpluses across the Trading Operations, reasons for which are noted in Appendix 2. The results of the Trading Operations are summarised in a separate statement in the Council's published accounts.

#### 6.4.9 Surplus for the Year

In summary, the surplus of £2.000 million remains after making appropriations to Reserves from a combination of lower than anticipated loan charges and additional Council Tax income. This will be added to the balance brought forward from previous years to enhance the Council's General Fund surplus which is held as a hedge against future unforeseen events and represents 0.89% of the overall budget for the new financial year.

The Council's financial strategy proposed an increase in the unallocated General Fund balance to a range between £7.5 million and £10 million in the period to 2014, if circumstances allowed. This contribution enables a significant step to be taken towards this aim, minimising the burden on future years.

#### 6.4.10 Surplus Brought forward

The surplus at the end of the previous financial year (2008/2009) was £4.223 million.

#### 6.4.11 Surplus Carried Forward

Taking into account the position on the 2009/2010 Revenue Account, a General Fund surplus of £6.223 million will be carried forward to 2010/2011.

### **7. Employee Implications**

7.1 None

### **8. Financial Implications**

8.1 As outlined in the report.

### **9. Other Implications**

9.1 The main risk associated with the Council's Revenue Budget is failure to manage the budget resulting in a significant overspend. The risk was assessed as low given the detailed budget management applied across the Services of the Resources. The 2009/10 financial ledger is now closed and the outturn for the year is as detailed in the report.

### **10. Equality Impact Assessment and Consultation Arrangements**

10.1 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.

10.2 There is also no requirement to undertake any consultation in terms of the information contained in this report.

**Linda Hardie**

**Executive Director (Finance & Information Technology Resources)**

14 June 2010

#### **Link(s) to Council Values and Objectives**

◆ Accountable, Effective and Efficient

#### **Previous References**

◆ None

**List of Background Papers**

- ◆ Financial ledger and 2009/2010
- ◆ Accounts Working Papers 2009/2010

**Contact for Further Information**

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

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| <u>Controllable Resources Expenditure</u>                | Budget<br>£m   | Actual<br>£m   | Variance<br>£m |                   | Note |
|--|----------------|----------------|----------------|-------------------|------|
| Resource / Service                                       |                |                |                |                   |      |
| <b>Community Resources</b>                               | <b>64.507</b>  | <b>64.346</b>  | <b>0.161</b>   | <b>Saving</b>     |      |
| Land Services  | 36.691         | 37.050         | (0.359)        | Extra cost        | 1    |
| Facilities and Cultural                                  | 14.647         | 13.688         | 0.959          | Saving            | 2    |
| Environmental and Strategic Services                     | 6.020          | 5.809          | 0.211          | Saving            | 3    |
| Support Services   | (4.746)        | (3.309)        | (1.437)        | Extra cost        | 4    |
| Leisure  | 11.349         | 10.825         | 0.524          | Saving            | 5    |
| Projects   | 0.546          | 0.283          | 0.263          | Saving            | 6    |
| <b>Corporate Resources</b>                               | <b>9.850</b>   | <b>9.509</b>   | <b>0.341</b>   | <b>Saving</b>     | 7    |
| <b>Education Resources</b>                               | <b>290.634</b> | <b>289.201</b> | <b>1.433</b>   | <b>Saving</b>     | 8    |
| <b>Enterprise Resources</b>                              | <b>44.439</b>  | <b>44.083</b>  | <b>0.356</b>   | <b>Saving</b>     |      |
| Planning, Building Standards and Estates                 | 1.727          | 2.127          | (0.400)        | Extra cost        | 9    |
| Regeneration   | 5.038          | 4.616          | 0.422          | Saving            | 10   |
| Roads  | 37.674         | 37.355         | 0.319          | Saving            | 11   |
| Fairer Scotland Fund                                     | 0.000          | (0.015)        | 0.015          | Saving            |      |
| <b>Finance and IT Resources</b>                          | <b>1.473</b>   | <b>1.473</b>   | <b>0.000</b>   |                   |      |
| IT Customer Services Centre and National Infrastructure  | 1.473          | 1.473          | 0.000          |                   |      |
| <b>Housing and Technical Resources</b>                   | <b>20.333</b>  | <b>20.747</b>  | <b>(0.414)</b> | <b>Extra cost</b> |      |
| Area Services  | 9.390          | 10.613         | (1.223)        | Extra cost        | 12   |
| Supporting People  | 7.472          | 7.276          | 0.196          | Saving            | 13   |
| Property Services  | 1.137          | 1.075          | 0.062          | Saving            |      |
| Benefits, Revenues and Advice Services                   | 2.334          | 1.783          | 0.551          | Saving            | 14   |
| <b>Social Work Resources</b>                             | <b>139.260</b> | <b>137.504</b> | <b>1.756</b>   | <b>Saving</b>     |      |
| Performance and Support Services                         | 13.233         | 13.466         | (0.233)        | Extra cost        | 15   |
| Older People   | 63.225         | 61.300         | 1.925          | Saving            | 16   |
| Adults   | 38.411         | 38.432         | (0.021)        | Extra cost        |      |
| Children and Families                                    | 24.210         | 24.160         | 0.050          | Saving            |      |
| Criminal Justice   | 0.181          | 0.146          | 0.035          | Saving            |      |
| <b>Joint Boards</b>                                      | <b>47.491</b>  | <b>47.540</b>  | <b>(0.049)</b> | <b>Extra cost</b> |      |
| <b>Total Controllable Expenditure of Direct Services</b> | <b>617.987</b> | <b>614.403</b> | <b>3.584</b>   | <b>Saving</b>     |      |
| <u>Central Support Costs / Financing Charges</u>         |                |                |                |                   |      |
| <b>Corporate Resources Support</b>                       | <b>12.040</b>  | <b>12.185</b>  | <b>(0.145)</b> | <b>Extra cost</b> | 17   |
| <b>Finance &amp; IT Resources</b>                        | <b>13.331</b>  | <b>12.722</b>  | <b>0.609</b>   | <b>Saving</b>     |      |
| Finance  | 4.606          | 4.599          | 0.007          | Saving            |      |
| Information Technology Services                          | 7.377          | 6.936          | 0.441          | Saving            | 18   |
| Procurement  | 1.348          | 1.187          | 0.161          | Saving            | 19   |
| <b>Housing and Technical Resources</b>                   | <b>4.752</b>   | <b>4.133</b>   | <b>0.619</b>   | <b>Saving</b>     |      |
| Property Services  | 3.498          | 2.718          | 0.780          | Saving            | 20   |
| Revenue Services   | 1.482          | 1.455          | 0.027          | Saving            |      |
| Finance Support  | (0.228)        | (0.040)        | (0.188)        | Extra cost        | 21   |
| <b>Recharge to HRA</b>                                   | <b>(3.216)</b> | <b>(3.219)</b> | <b>0.003</b>   | <b>Saving</b>     |      |
| <b>Finance Charges</b>                                   | <b>52.165</b>  | <b>48.158</b>  | <b>4.007</b>   | <b>Saving</b>     | 22   |
| <b>Total Central Support / Financing Charges</b>         | <b>79.072</b>  | <b>73.979</b>  | <b>5.093</b>   | <b>Saving</b>     |      |
| <b>Total of All Resource Spending</b>                    | <b>697.059</b> | <b>688.382</b> | <b>8.677</b>   | <b>Saving</b>     |      |

## 2009-2010 Revenue Outturn

### Notes to Appendix 1

- Note 1 The overspend is due to additional expenditure on repairs and maintenance and an increased allocation of internal management and support. There is also an under recovery of income due to demand for domestic bins, clearance services and the crematorium being less than anticipated.
- Note 2 The underspend is the result of vacancies and also a reduction in the allocation of internal management and support. There is also an over recovery of income from sales, hires and service provision.
- Note 3 The underspend is the result of vacancies, a reduced allocation of internal management and support and less than anticipated expenditure on IT equipment and materials.
- Note 4 Support services has allocated less of a recharge for internal management and support to the other Services across the Resource. This has resulted in an under recovery of income.
- Note 5 The underspend is due to the internal management and support allocation being less than anticipated.
- Note 6 The underspend is primarily the result of vacancies and greater than anticipated European Social Fund income.
- Note 7 The net underspend is the result of vacancies within District Court, Licensing and Registration and additional income across the services.
- Note 8 The net underspend reflects an underspend in Free School Meals, school transport costs and independent schools placements, partially offset by an overspend on APT&C and Teachers' costs.
- Note 9 The overspend is primarily the result of planning and building standards income being less than anticipated, partially offset by vacancies.
- Note 10 The underspend is the result of managed vacancies, to offset the under recovery of planning income and also additional funding from the Scottish Government which is being used for Hamilton International Technology Park.
- Note 11 The underspend relates to a reduction in scheduled maintenance work as a result of increased Winter Maintenance activity.
- Note 12 The net overspend is due to expenditure on Care of Gardens for owner occupiers, partially offset by vacancies. Also included is additional expenditure on social housing which is funded by additional income from council tax discounts on second homes.
- Note 13 The underspend relates to lower than anticipated payments to external providers during the year.
- Note 14 The underspend is due to vacancies and an over recovery of benefit subsidy income and also recharges in relation to the administration of the Private Sector Scheme of Assistance.
- Note 15 The overspend is the result of additional expenditure on reactive repairs, non-recurring IT costs, the implementation of lone working arrangements and the replacement of an out of date telephone system.
- Note 16 The underspend is due to vacancies, the net cost of home care placements being less than anticipated and an over recovery of income as a result of the accounting treatment of the charge for certain residential and nursing care costs.
- Note 17 The overspend is mainly due to increased rent and service charges at Brandongate, the cost of legislative compliance works on Council properties and also additional legal costs.
- Note 18 The underspend relates mainly to a reduction achieved in PC support costs and additional income generated from the Caird Centre.

- Note 19 The underspend is due to the fact that the Procurement Service has not been in operation for the full year.
- Note 20 This underspend is mainly due to vacancies, a reduction in internal management and support allocation and additional income from recharges to other Services across the Resource.
- Note 21 The underspend is the result of a reduction in the internal management and support allocation.
- Note 22 Savings on financing charges have arisen as a result of headroom within loan charges as a result of slippage within the capital programme. This underspend reflects the position anticipated at the probable outturn.

South Lanarkshire Council  
 Revenue Budget Monitoring Report  
 Period Ended 31 March 2010  
 Trading Services

|                                    | 2009/10<br>Budget<br>Surplus | Actual<br>Surplus<br>at<br>31/03/10 | Increase /<br>(Decrease)<br>on Budget |
|------------------------------------|------------------------------|-------------------------------------|---------------------------------------|
|                                    | £m                           | £m                                  | £m                                    |
| Facilities Management <sup>1</sup> | (0.789)                      | (0.852)                             | (0.063)                               |
| Fleet Services <sup>2</sup>        | (0.253)                      | (0.457)                             | (0.204)                               |
| Grounds Maintenance <sup>3</sup>   | (0.889)                      | (0.976)                             | (0.087)                               |
| Roads <sup>4</sup>                 | (1.094)                      | (1.941)                             | (0.847)                               |
| Building Maintenance <sup>5</sup>  | (4.573)                      | (4.086)                             | 0.487                                 |
| <b>TOTAL</b>                       | <b>(7.598)</b>               | <b>(8.312)</b>                      | <b>(0.714)</b>                        |

Notes

- <sup>1</sup> The over recovery of surplus is the result of vacancies and also expenditure on leasing being less than anticipated.
- <sup>2</sup> The over recovery of surplus within Fleet is the result of income from vehicle maintenance and casual hires and a reduction in internal management and support, partially offset by additional expenditure on overtime, repairs and casual hires.
- <sup>3</sup> The over recovery of Surplus within Grounds Maintenance is the result of additional income from service requests.
- <sup>4</sup> The over recovery in the Roads Trading Operation surplus is the result of greater than anticipated additional winter maintenance works, primarily due to severe weather conditions in the final quarter of the year, and also management actions to offset the reduction in planning income.
- <sup>5</sup> The under recovery in the Building Maintenance Trading Operation relates to the financial implications of the Craft Review and also a change in year end accounting arrangements.