

Report

Report to:	Financial Resources Scrutiny Forum
Date of Meeting:	8 August 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 24 May 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 2 (24 May 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 26 June 2019. The reports detail the position as at 24 May 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 2 (24 May 2019) for General Services
- ♦ Appendix 2 - 2019/2020 Financial Position as at Period 2 (24 May 2019) for Housing Revenue Account

3.3. Appendix 1 provides the information on a service basis (Appendix 1a) and then the same information on a subjective basis (Appendix 1b).

3.4. **Change in Status of Trading Operations:** Following a review of the remaining 3 Trading Operations (Fleet, Roads and Property Services) and through reviewing the technical guidance around what constitutes a Trading Operation, a report was presented to the Executive Committee on 1 May 2019 seeking approval that they no longer be regarded as Trading Operations and thus remove the requirement to report them separately.

3.5. The Committee approved this change and it is reflected in the figures provided in Appendix 1. In order to ensure the full cost of all services are appropriately reported, there will still be internal transactions between service departments where spend is incurred in one service and recharged to another.

4. Financial Position

4.1. General Fund Revenue Account Position

As at 24 May 2019, Appendix 1 of the report details an underspend of £7.040 million (35.16%) against the phased budget.

4.2. The underspend of £7.040 million is made up of an underspend in Loan Charges and in Corporate Items. These are detailed below:

4.3. **Loan Charges:** Since setting the 2019/2020 budget, we have continued to review the Loan Charges Strategy, and in doing so have identified a principal repayment on debt that was due to be repaid in 2019/2020, totalling £5.8 million. It is proposed that we do not repay this in 2019/2020 and instead re-phase the repayment over a longer term. This allows a one-off benefit in loan charges in 2019/2020 of £5.500 million, with additional costs in future years of £0.300 million. This can be accommodated in the Budget Strategy.

4.4. In addition, a further £1.000 million underspend is expected in 2019/2020 reflecting the actual interest rates at which borrowing was taken in 2018/2019. Taking these together result in an underspend of £6.500 million in 2019/2020.

4.5. As part of the refresh of the 2020/2021 Budget Strategy, which was approved by the Executive Committee on 26 June 2019, it was proposed that this total Loan Charges underspend of £6.500 million is transferred to reserves at the end of the 2019/2020 financial year, and used to support the 2020/2021 Budget Strategy.

4.6. **Corporate Items – 2020/2021 Strategy:** As part of the refresh of the 2020/2021 Budget Strategy, budget lines were identified that would generate an underspend in 2019/2020.

4.7. These relate to underspends in the payment to Strathclyde Passenger Transport (£0.110million) to reflect the agreed level of requisition for 2019/2020 and inflation on the secondary schools modernisation contract due to the actual inflation rate incurred being lower than anticipated in the Strategy (£0.080 million).

4.8. In addition, an amount was added to the Strategy in 2019/2020 that allowed consideration of the re-instatement of payments to Third Sector Organisations, previously removed as savings in 2016/2017 (£0.350 million). This budget is now no longer required which will result in an underspend in 2019/2020.

4.9. These underspends total £0.540 million. The budgets have been transferred from Community and Enterprise and Education Resources as appropriate, and will be held in this Corporate Items – 2020/2021 budget line. As part of the 2020/2021 Budget Strategy, it is proposed that they are transferred to reserves at the end of the financial year and used to support the 2020/2021 Budget Strategy.

4.10. **Education Resources:** For 2019/2020 Education Resources have received £7.7 million of Pupil Equity Fund (PEF) which the Resource is fully committed to spend by the end of the academic year (June 2020). As schools operates in academic years (Aug-June) and not financial years, and PEF will spend over the academic year, it is likely that there will be an underspend at 31 March which will require to be carried forward and used in April to June 2020. An initial estimate of this is an underspend of £1.5 million based on the profile of spend in 2018/2019, but this will depend on the timing of spend throughout the year. The actual expected spend position for the financial year will become more certain after the start of the academic year in August.

4.11. Transfers to / from Capital

Following a review of the 2019/2020 capital programme of works, it has been identified that some of the expenditure is revenue in nature. Therefore, it is proposed that budget of £4.506 million will be transferred from Capital to Resources' Revenue budgets. Details of these projects and their relevant values are included below.

- Planned Asset Management (£3.061 million)
- Private Housing Scheme of Assistance project (£1.000 million)
- IT Productivity (£0.236 million)
- Clyde and Avon Valley Landscape Partnership (£0.128 million)
- Crawfordjohn Community Projects (£0.081 million)

4.12. The transfer for Planned Asset Management is only part of the overall budget of £4.775 million – the remainder will stay in capital at the moment. The total spend across revenue and capital remains the same. The capital spend will continue to be analysed during the year, and any further movement reported to a future meeting.

4.13. Conversely, expenditure in relation to roads carriageways is currently funded through the Roads Services' revenue budget. It is proposed that budget totalling £1.531m be transferred to the 2019/2020 Capital Programme as it is capital in nature. This was noted in the Council's Future Capital Investment Strategy (Executive Committee, 21 November 2018). The total overall budget for carriageways across capital and revenue remains unchanged.

4.14. Additional General Revenue Grant

The Council has been notified of an allocation of £0.050 million for European Union Exit preparation and also an allocation of £0.019 million to assist with the delivery of the See Hear Sensory Impairment Strategy. These amounts have been included in the budget figures in Appendices 1 and 2.

4.15. Other Funding

Education Resources have been notified of £1.964 million from the Attainment Scotland Fund Schools Programme for 2019/2020. In addition, Social Work Resources have been notified of funding from the NHS of £0.376 million for a Rapid Response Service and funding from the Scottish Government of £0.476 million in relation to the Scottish Attainment Funding for Looked After Children. These amounts have been included in the budget figures in Appendices 1 and 2.

5. Housing Revenue Account Position

5.1. As at 24 May 2019, Appendix 2 of the report shows a breakeven position against the phased budget on the Housing Revenue Account. 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)

17 July 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 24 May 2019

Contact for Further Information

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

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