

Report

Report to:	Executive Committee
Date of Meeting:	26 June 2019
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Revenue Budget Monitoring for Period 2: 1 April 2019 to 24 May 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 2019 to 24 May 2019

2. Recommendation(s)

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

- (1) that the underspend of £7.040 million on the General Fund Revenue Account at 24 May 2019 as detailed in Appendix 1 of the report, and the forecast to 31 March 2020, be noted;
- (2) that the proposal on loan charges repayment (section 4.3), be approved; and
- (3) that the breakeven position on the Housing Revenue Account at 24 August 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 24 May 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. **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.

3.3. This 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.

3.4. **Housing Revenue Account Position**

Appendix 3 to the report shows the expenditure and income position for the Housing Revenue Account (HRA) to 24 May 2019. This is summarised in Section 5.

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 is included as a separate report in these papers, it is 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 2019/20 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 3 of the report shows a breakeven position against the phased budget on the Housing Revenue Account.

5.2. The forecast to 31 March 2019 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)

3 June 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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SOUTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report
Period Ended 24 May 2019 (No.2)

<u>Committee</u>	Annual Budget	Annual Forecast	Annual Forecast Variance	Budget Proportion to 24/05/19	Actual to Period 2 24/05/19	Variance to 24/05/19	
	£m	£m	£m	£m	£m	£m	£m
Departments:							
Community and Enterprise Resources	106.221	106.221	0.000	12.738	12.738	0.000	-
Facilities Streets and Waste (Inc. Support)	64.573	64.573	0.000	5.655	5.655	0.000	-
Environmental Services (Inc. Projects)	0.470	0.470	0.000	0.099	0.101	(0.002)	over
Leisure and Culture Services	18.863	18.863	0.000	4.781	4.781	0.000	-
Planning and Economic Development	3.158	3.158	0.000	0.374	0.372	0.002	under
Roads	19.157	19.157	0.000	1.829	1.829	0.000	-
Education Resources	322.187	322.187	0.000	42.041	42.041	0.000	-
Finance and Corporate Resources	31.812	31.812	0.000	6.045	6.045	0.000	-
Finance Services - Strategy	2.286	2.286	0.000	0.429	0.453	(0.024)	over
Finance Services - Transactions	12.169	12.169	0.000	2.175	2.057	0.118	under
Audit and Compliance Services	0.360	0.360	0.000	0.081	0.081	0.000	-
Information Technology Services	3.878	3.878	0.000	0.632	0.726	(0.094)	over
Communications and Strategy Services	1.083	1.083	0.000	0.274	0.274	0.000	-
Administration and Licensing Services	4.018	4.018	0.000	1.238	1.238	0.000	-
Personnel Services	8.018	8.018	0.000	1.216	1.216	0.000	-
Housing and Technical Resources	15.665	15.665	0.000	3.367	3.367	0.000	-
Housing Services	7.889	7.889	0.000	1.012	1.012	0.000	-
Property Services	7.776	7.776	0.000	2.355	2.355	0.000	-
Social Work Resources	163.310	163.310	0.000	21.596	21.596	0.000	-
Performance and Support Services	7.769	7.769	0.000	1.041	1.007	0.034	under
Children and Families	32.076	32.076	0.000	4.372	4.409	(0.037)	over
Adults and Older People	122.192	122.192	0.000	15.814	15.834	(0.020)	over
Justice and Substance Misuse	1.273	1.273	0.000	0.369	0.346	0.023	under
Joint Boards	2.151	2.151	0.000	0.540	0.540	0.000	-
	641.346	641.346	0.000	86.327	86.327	0.000	-

<u>Committee</u>	Annual Budget	Annual Forecast	Annual Forecast Variance	Budget Proportion to 24/05/19	Actual to Period 2 24/05/19	Variance to 24/05/19	
	£m	£m	£m	£m	£m	£m	£m
Service Departments Total	641.346	641.346	0.000	86.327	86.327	0.000	-
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	6.803	6.803	0.000	0.023	0.023	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	702.825	695.785	7.040	141.026	133.986	7.040	under
Council Tax	152.487	152.487	0.000	21.784	21.784	0.000	-
Less: Council Tax Reduction Scheme	(20.480)	(20.480)	0.000	(2.926)	(2.926)	0.000	-
Net Council Tax	132.007	132.007	0.000	18.858	18.858	0.000	-
General Revenue Grant	205.957	205.957	0.000	31.675	31.675	0.000	-
Non Domestic Rates	341.166	341.166	0.000	52.487	52.487	0.000	-
Other Government Grant	5.709	5.709	0.000	0.000	0.000	0.000	-
Transfer from Reserves	17.986	17.986	0.000	17.986	17.986	0.000	-
Total Income	702.825	702.825	0.000	121.006	121.006	0.000	-
Net Expenditure / (Income)	0.000	(7.040)	7.040	20.020	12.980	7.040	under

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

SOUTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report
Period Ended 24 May 2019 (No.2)

<u>Budget Category</u>	Annual Budget	Annual Forecast	Annual Forecast Variance	Budget Proportion to 24/05/19	Actual to Period 2 24/05/19	Variance to 24/05/19	
	£m	£m	£m	£m	£m	£m	
Service Departments:							
Expenditure							
Employee Cost	486.929	486.929	0.000	63.977	63.876	0.101	under
Property Costs	53.354	53.354	0.000	5.032	5.034	(0.002)	over
Supplies and Services	57.142	57.142	0.000	7.058	7.028	0.030	under
Transport Costs	38.104	38.104	0.000	5.224	5.195	0.029	under
Administration Costs	14.461	14.461	0.000	1.924	1.941	(0.017)	over
Payments to Other Bodies	59.344	59.344	0.000	10.241	10.332	(0.091)	over
Payments to Contractors	191.575	191.575	0.000	19.548	19.670	(0.122)	over
Transfer Payments	3.062	3.062	0.000	0.311	0.322	(0.011)	over
Housing Benefits	80.387	80.387	0.000	11.569	11.516	0.053	under
Financing Charges (controllable)	1.982	1.982	0.000	0.625	0.633	(0.008)	over
Total	986.340	986.340	0.000	125.509	125.547	(0.038)	over
Service Departments Total	986.340	986.340	0.000	125.509	125.547	(0.038)	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	6.803	6.803	0.000	0.023	0.023	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	1,047.819	1,040.779	7.040	180.208	173.206	7.002	under
Income							
Housing Benefit Subsidy	75.662	75.662	0.000	10.925	10.925	0.000	-
Other Income	269.332	269.332	0.000	28.257	28.295	0.038	over rec
Council Tax (Net of Council Tax Reduction Scheme)	132.007	132.007	0.000	18.858	18.858	0.000	-
General Revenue Grant	205.957	205.957	0.000	31.675	31.675	0.000	-
Non Domestic Rates	341.166	341.166	0.000	52.487	52.487	0.000	-
Other Government Grant	5.709	5.709	0.000	0.000	0.000	0.000	-
Transfer from Reserves	17.986	17.986	0.000	17.986	17.986	0.000	-
Total Income	1,047.819	1,047.819	0.000	160.188	160.226	0.038	over rec
Net Expenditure / (Income)	0.000	(7.040)	7.040	20.020	12.980	7.040	under

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

SOUTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report
Period Ended 24 May 2019 (No.2)
Housing Revenue Account

	Annual Budget	Forecast for Year	Annual Forecast Variance	Budget Proportion to 24/05/19	Actual to Period 2 24/05/19	Variance to 24/05/19		%	Note
	£m	£m	£m	£m	£m	£m			
Employee Costs	13.467	13.467	0.000	1.742	1.691	0.051	under	2.9%	1
Property Costs	44.602	44.602	0.000	1.320	1.368	(0.048)	over	(3.6%)	2
Supplies & Services	0.820	0.820	0.000	0.067	0.067	0.000	-	0.0%	
Transport & Plant	0.195	0.195	0.000	0.015	0.019	(0.004)	over	(26.7%)	
Administration Costs	5.713	5.713	0.000	0.071	0.073	(0.002)	over	(2.8%)	
Payments to Other Bodies	3.174	3.174	0.000	0.000	0.000	0.000	-	0.0%	
Payments to Contractors	0.100	0.100	0.000	0.000	0.000	0.000	-	0.0%	
Transfer Payments	0.000	0.000	0.000	0.000	0.000	0.000	-	n/a	
Financing Charges	20.884	20.884	0.000	0.016	0.013	0.003	under	18.8%	
Total Controllable Expenditure	88.955	88.955	0.000	3.231	3.231	0.000	-	0.0%	
Total Controllable Income	(103.531)	(103.531)	0.000	(8.614)	(8.614)	0.000	-	0.0%	
Transfer to/(from) Balance Sheet	(2.059)	(2.059)	0.000	0.000	0.000	0.000	-	0.0%	
Net Controllable Expenditure	(16.635)	(16.635)	0.000	(5.383)	(5.383)	0.000	-	0.0%	
Add: Non Controllable Budgets									
Financing Charges	16.635	16.635	0.000	0.000	0.000	0.000	-	0.0%	
Total Budget	0.000	0.000	0.000	(5.383)	(5.383)	0.000	-	0.0%	

Variance Explanations

- 1. Employee Costs**
This underspend reflects the current turnover levels and vacancies across the service.
- 2. Property Costs**
This overspend reflects expenditure on repairs which are demand led.