

Report

Report to:	Financial Resources Scrutiny Forum
Date of Meeting:	8 December 2022
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Revenue Budget Monitoring 2022/2023
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise the Forum on the overall financial position of the Council's General Fund Revenue Account and Housing Revenue Account for the period 1 April 2022 to 4 November 2022.

2. Recommendation(s)

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

- (1) that the overspend of £0.039 million on the General Fund Revenue Account at 4 November 2022, being an overspend within Community and Enterprise and Social Work (Children and Families) which is partially offset by the underspend on the Adults and Older People budget delegated to the Health and Social Care Partnership (section 4 and Appendix 1), be noted; and
- (2) that the breakeven position on the Housing Revenue Account at 4 November 2022 (section 5 and Appendix 2 of the report), be noted.

3. Background

3.1. The Revenue reports attached provide detail on the most recent report considered at the Executive Committee on 30 November 2022.

3.2. General Fund Position

This overview report will summarise the actual expenditure and income to 4 November 2022 compared with the budget for the same period for both the Council's General Fund (section 4) and for the Housing Revenue Account (section 5).

4. 2022/2023 General Services Position

4.1. Summary position: General Services Current Position as at 4 November 2022

As at 4 November 2022, the position on the General Services budget is a net overspend of £0.039 million (Appendix 1), made up of variances across the Resources.

4.2. Community and Enterprise Resources are reporting an overspend position (£0.056 million) which reflects the cost pressures that they are experiencing across the Services including the costs of Electric Vehicle (EV) charging. Within Social Work Resources, Children and Families are reporting an overspend position of £1.229 million which is offset by an underspend in Performance and Support (£0.328 million), an underspend in Justice and Substance Misuse (£0.133 million) and an underspend in Adults and Older People (£0.768 million) as a result of vacancies

across Social Workers, Day Care and Residential homes. The Adults and Older People budget is part of the delegated Health and Social Care Partnership (HSCP) budget. The core Council position, without the HSCP underspend, is an overspend of £0.807 million.

4.3. **Inflationary / Budget Pressures**

4.3.1. Two budget pressures have been identified and these are detailed below.

4.3.2. **Education – Transport:** While the Resource are currently showing a breakeven position, the outcome of contract renewals with Strathclyde Passenger Transport (SPT) means that there has been a significant increase in spend on school transport. The impact of this is a year-on-year increase in spend meaning an overspend of £2.236 million. The Resource managed an overspend of £0.695 million in 2021/2022, and it is anticipated that the same would be the case this year, leaving a residual budget shortfall in SPT Transport of £1.541 million. This will be considered alongside the overall Resource position at the Probable Outturn exercise.

4.3.3. **Social Work – Children and Families:** There continues to be financial pressures within the Children and Families' budget, with spend on external placements being the main reason for the continued increase in spend. As detailed in section 4.2, this is being offset within the overall Social Work Resources' position by an underspend within Adults and Older People, a service devolved to the HSCP. Work is ongoing with the Services to establish funding solutions for the residual overspend. In 2021/2022 some core Adult and Older People budget underspend was retained by the Council to help cover the Children and Families' budget pressure, and the same approach has been proposed to the HSCP for 2022/2023.

4.3.4. The situation will continue to be monitored and any further updates brought to future meetings of the Executive Committee, as required.

4.4. **Areas of Underspend**

4.4.1. **Employee costs:** As previously reported, included within the overall position already at this point in the year there is an underspend in employee costs (£2.682 million) which reflects the impact of difficulties in recruiting staff across a number of areas.

4.4.2. Whilst significant efforts are being made to recruit, the current level of underspend in Employee Costs by the end of the financial year is expected to run to between £0.500 million and £0.600 million. This will continue to be monitored and any updated brought to future meetings. The period 8 position is a reduction of £0.165 million from period 7 with the reduction reflecting the transfer of unused budget to Corporate Items, to be held to fund the costs of the Wellbeing Day as required.

4.4.3. **Adults and Older People:** As previously reported, there are likely to be further underspends in relation to specific funding streams in Adults and Older People, where spend has not yet commenced or is not fully committed predominantly related to the recruitment challenges. Finance Services are currently in discussion with the Chief Financial Officer from the HSCP and await confirmation on the anticipated position. This outcome will be reported in the regular monitoring reports to the Corporate Management Team and Committee. As detailed in section 4.3.3, the Council has proposed to the HSCP that this underspend be used to assist in managing the pressures within Children and Families.

4.5. **Scottish Government Funding of 2022/2023 Pay Award**

4.5.1. As part of the funding for the Pay Award for 2022/2023, the Scottish Government have agreed to allocate £120 million nationally per annum (for both 2022/2023 and

2023/2024) to cover part of the additional costs. For South Lanarkshire Council, this is an allocation of £7.077 million and unusually will be paid as part of our General Capital Grant allocation. COSLA and the Scottish Government have been in discussion with councils as to how they can convert this General Capital Grant to pay for Revenue expenditure.

- 4.5.2. A review of the Council's Capital funding package has identified funding that could be transferred to the Council's Revenue Account and used to fund the pay award. These funds will then be replaced by the additional General Capital Grant. The Corporate Items Budget has been updated to reflect both the expenditure and funding budgets in respect of this and once the pay award is paid, budget will be allocated to Resources.

4.6. Investments – 2022/2023

- 4.6.1. An exercise has been undertaken to establish the current commitments and spend profile of the 2021/2022 and 2022/2023 investment funding which will incur spend across a number of financial years. As part of this exercise an uncommitted element has been identified which has been agreed can be used to manage the costs of the Warm Welcome Initiative. As a result, the budgets in Appendix 1 have been re-aligned and only £1.090 million requires to be carried forward in relation to the 2022/2023 investments compared to the £1.700 million previously reported.

5. Housing Revenue Account Position

- 5.1. As at 4 November 2022, Appendix 2 of the report shows a breakeven position against the phased budget on the Housing Revenue Account. Levels of rent collection are regularly monitored by the Housing Services team and appropriate corrective action will be taken, as required.

6. Employee Implications

- 6.1. None.

7. Financial Implications

- 7.1. As detailed in sections 4 and 5 of the report.

8. Climate Change, Sustainability and Environmental Implications

- 8.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

9. Other Implications

- 9.1. The main risk associated with the Council's Revenue Budget is that there is an overspend. As detailed in section 4, inflationary and budget pressures this year increase the risk of overspend however we have mitigated this going forwards through providing additional funds in future years budget strategy, and through the one-off use of reserves in the current year. There are also emerging underspends in employee costs (as detailed in section 4.3).
- 9.2. We will also continue to monitor the actual impact 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.

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.

Paul Manning
Executive Director (Finance and Corporate Resources)

30 November 2022

Link(s) to Council Values/Priorities/Outcomes
Accountable, effective, efficient and transparent

Previous References

- ◆ None

List of Background Papers

- ◆ Financial ledger and budget monitoring results to 4 November 2022

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 4 November 2022 (No.8)

<u>Committee</u>	Annual Budget	Annual Forecast Transfers	Annual Forecast Variance Transfers	Budget Proportion To 04/11/22	Actual to Period 8 04/11/22	Variance to 04/11/22	
Departments:	£m	£m	£m	£m	£m	£m	
Community and Enterprise Resources	124.294	124.294	0.000	66.224	66.280	(0.056)	over
Facilities, Waste and Grounds	72.260	72.260	0.000	37.971	37.478	0.493	under
Leisure and Culture Services	23.664	23.664	0.000	10.727	10.727	0.000	under
Planning and Regulatory Services	4.937	4.937	0.000	2.542	2.052	0.490	under
Enterprise and Sustainable Development	6.798	6.798	0.000	3.079	3.070	0.009	under
Roads, Transportation and Fleet	16.635	16.635	0.000	11.905	12.953	(1.048)	over
Education Resources	388.785	388.785	0.000	210.169	210.169	0.000	-
Education	388.785	388.785	0.000	210.169	210.169	0.000	-
Finance and Corporate Resources	44.019	44.019	0.000	32.613	32.596	0.017	under
Finance Services - Strategy	2.023	2.023	0.000	2.148	2.132	0.016	under
Finance Services - Transactions	20.609	20.609	0.000	13.027	12.807	0.220	under
Audit and Compliance Services	0.355	0.355	0.000	0.355	0.355	0.000	-
Information Technology Services	5.133	5.133	0.000	6.355	6.417	(0.062)	over
Communications and Strategy Services	3.167	3.167	0.000	1.776	1.857	(0.081)	over
Administration and Licensing Services	4.153	4.153	0.000	2.837	3.051	(0.214)	over
Personnel Services	8.579	8.579	0.000	6.115	5.977	0.138	under
Housing and Technical Resources	17.808	17.808	0.000	13.735	13.735	0.000	-
Housing Services	9.084	9.084	0.000	5.508	5.465	0.043	under
Property Services	8.724	8.724	0.000	8.227	8.270	(0.043)	over
Social Work Resources	211.332	211.332	0.000	126.523	126.523	0.000	under
Performance and Support Services	6.512	6.512	0.000	3.890	3.562	0.328	under
Children and Families	38.765	38.765	0.000	23.151	24.380	(1.229)	over
Adults and Older People	165.187	165.187	0.000	99.045	98.277	0.768	under
Justice and Substance Misuse	0.868	0.868	0.000	0.437	0.304	0.133	under
Joint Boards	2.152	2.152	0.000	1.227	1.227	0.000	-
	788.390	788.390	0.000	450.491	450.530	(0.039)	over

<u>Committee</u>	Annual Budget	Annual Forecast Transfers	Annual Forecast Variance Transfers	Budget Proportion To 04/11/22	Actual to Period 8 04/11/22	Variance to 04/11/22	
	£m	£m	£m	£m	£m	£m	
Service Departments Total	788.390	788.390	0.000	450.491	450.530	(0.039)	over
CFCR	0.514	0.514	0.000	0.000	0.000	0.000	-
Loan Charges	35.041	35.041	0.000	0.000	0.000	0.000	-
Corporate Items	31.095	31.095	0.000	0.056	0.056	0.000	-
Corporate Items – Strategy (Tfr to Reserves)	17.420	17.420	0.000	0.000	0.000	0.000	-
Investments – 2022/23 (Tfr to Reserves)	1.090	1.090	0.000	0.000	0.000	0.000	-
Total Expenditure	873.550	873.550	0.000	450.547	450.586	(0.039)	over
Council Tax	167.437	167.437	0.000	95.678	95.678	0.000	-
Less: Council Tax Reduction Scheme	(23.263)	(23.263)	0.000	(13.293)	(13.293)	0.000	-
Net Council Tax	144.174	144.174	0.000	82.385	82.385	0.000	-
General Revenue Grant	238.283	238.283	0.000	136.162	136.162	0.000	-
Non-Domestic Rates	422.591	422.591	0.000	241.481	241.481	0.000	-
Transfer from Reserves	68.502	68.502	0.000	68.502	68.502	0.000	-
Total Income	873.550	873.550	0.000	528.530	528.530	0.000	-
Net Expenditure / (Income)	0.000	0.000	0.000	(77.983)	(77.944)	(0.039)	over

SOUTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report
Period Ended 4 November 2022 (No.8)

<u>Budget Category</u>	Annual Budget	Annual Forecast	Annual Forecast Variance	Budget Proportion To 04/11/22	Actual to Period 8 04/11/22	Variance to 04/11/22	
	£m	£m	£m	£m	£m	£m	
Service Departments:							
<u>Expenditure</u>							
Employee Cost	585.294	585.294	0.000	325.948	323.266	2.682	under
Property Costs	57.256	57.256	0.000	40.050	40.909	(0.859)	over
Supplies and Services	63.686	63.686	0.000	33.071	31.632	1.439	under
Transport Costs	47.426	47.426	0.000	22.843	24.377	(1.534)	over
Administration Costs	16.298	16.298	0.000	9.655	9.769	(0.114)	over
Payments to Other Bodies	87.536	87.536	0.000	47.480	47.821	(0.341)	over
Payments to Contractors	233.976	233.976	0.000	118.266	118.341	(0.075)	over
Transfer Payments	6.814	6.814	0.000	4.785	4.953	(0.168)	over
Housing Benefits	65.107	65.107	0.000	34.866	34.866	0.000	-
Financing Charges (controllable)	2.291	2.291	0.000	1.642	1.704	(0.062)	over
Total	1,165.684	1,165.684	0.000	638.606	637.638	0.968	under
Service Departments Total	1,165.684	1,165.684	0.000	638.606	637.638	0.968	under
CFCR	0.514	0.514	0.000	0.000	0.000	0.000	-
Loan Charges	35.041	35.041	0.000	0.000	0.000	0.000	-
Corporate Items	31.095	31.095	0.000	0.056	0.056	0.000	-
Corporate Items – Strategy	17.420	17.420	0.000	0.000	0.000	0.000	-
22/23 Investments – T/f to Reserves	1.090	1.090	0.000	0.000	0.000	0.000	-
Total Expenditure	1,250.844	1,250.844	0.000	638.662	637.694	0.968	under
Income							
Housing Benefit Subsidy	60.158	64.158	0.000	33.101	33.101	0.000	-
Other Income	317.136	317.136	0.000	155.014	154.007	(1.007)	under rec
Council Tax (Net of Council Tax Reduction Scheme)	144.174	144.174	0.000	82.385	82.385	0.000	-
General Revenue Grant	238.283	238.283	0.000	136.162	136.162	0.000	-
Non-Domestic Rates	422.591	422.591	0.000	241.481	241.481	0.000	-
Transfer from Reserves	68.502	68.502	0.000	68.502	68.502	0.000	-
Total Income	1,250.844	1,250.844	0.000	716.645	715.638	(1.007)	under rec
Net Expenditure / (Income)	0.000	0.000	0.000	(77.983)	(77.944)	(0.039)	over

SOUTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report
Period Ended 4 November 2022 (No.8)
Housing Revenue Account

	Annual Budget	Forecast for Year	Annual Forecast Variance	Budget Proportion to 04/11/22	Actual to Period 8 04/11/22	Variance to 04/11/22		%	Note
	£m	£m	£m	£m	£m	£m			
Employee Costs	13.914	13.914	0.000	7.880	7.809	0.071	under	0.9%	1
Property Costs	46.906	46.906	0.000	30.586	30.589	(0.003)	over	0.0%	
Supplies & Services	0.609	0.609	0.000	0.268	0.246	0.022	under	8.2%	
Transport & Plant	0.195	0.195	0.000	0.100	0.066	0.034	under	34.0%	
Administration Costs	5.644	5.644	0.000	3.368	3.375	(0.007)	over	(0.2%)	
Payments to Other Bodies	3.030	3.030	0.000	1.701	1.703	(0.002)	over	(0.1%)	
Payments to Contractors	0.100	0.100	0.000	0.073	0.104	(0.031)	over	(42.5%)	
Transfer Payments	0.000	0.000	0.000	0.000	0.000	0.000	-	n/a	
Financing Charges	26.050	26.050	0.000	22.584	22.584	0.000	-	0.0%	
Total Controllable Expenditure	96.448	96.448	0.000	66.560	66.476	0.084	under	0.1%	
Total Controllable Income	(112.000)	(112.000)	0.000	(60.107)	(60.107)	0.000	-	0.0%	
Transfer to/(from) Balance Sheet	(2.773)	(2.773)	0.000	(1.848)	(1.764)	(0.084)	under recovered	(4.5%)	2
Net Controllable Expenditure	(18.325)	(18.325)	0.000	4.605	4.605	0.000	-	0.0%	
Add: Non Controllable Budgets									
Financing Charges	18.325	18.325	0.000	0.000	0.000	0.000	-	0.0%	
Total Budget	0.000	0.000	0.000	4.605	4.605	0.000	-	0.0%	

Variance Explanations
1. Employee Costs

The underspend is due to higher than anticipated staff turnover to date.

2. Income

The net combined underspend to date allows for a lower than anticipated transfer from reserves.