

# Report

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| Report to:       | <b>Financial Resources Scrutiny Forum</b>                   |
| Date of Meeting: | <b>5 September 2019</b>                                     |
| Report by:       | <b>Executive Director (Finance and Corporate Resources)</b> |

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| Subject: | <b>Revenue Budget Monitoring 2019/2020</b> |
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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 19 July 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 4 (19 July 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 28 August 2019. The reports detail the position as at 19 July 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 4 (19 July 2019) for General Services on a Service basis
- ◆ Appendix 2 - 2019/2020 Financial Position as at Period 4 (19 July 2019) for General Services on a Service basis
- ◆ Appendix 3 - 2019/2020 Financial Position as at Period 4 (19 July 2019) for Housing Revenue Account

## 4. Financial Position

### 4.1. General Fund Revenue Account Position

As at 19 July 2019, Appendix 1 of the report details a net underspend of £6.566 million (42.27%) against the phased budget.

4.2. The net underspend of £6.566 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 £0.031 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. **Social Work Resources:** The Resource has identified pressures within Children and Families Services due to the number of new residential school/external placements in the first 4 months of the current year, and in relation to kinship care. This is partially offset by an underspend within Performance and Support. The net overspend as at period 4 is £0.443 million.
- 4.5. **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. This Committee (26 June 2019) gave approval to transfer this underspend to reserves to support the 2020/2021 Strategy.
- 4.6. 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 will be provided in October on the expected outturn for the year.
- 4.7. **Corporate Items:** As part of the Budget Strategy funding is allocated to manage increases in the price of utilities, fuel and also the climate change levy. As part of the Period 4 budget monitoring, £1.165 million has been transferred to Resources in respect of the 2018/2019 utilities/fuel price increases and the anticipated impact of the climate change levy. The position will be monitored in respect of any further price increases and further allocations will be made, and reported, as required.
- 4.8. In addition, there was money included in the Budget Strategy in relation to pay. As part of the Period 4 budget monitoring, £0.502 million has been transferred to Resources.
- 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 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 4.5) 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. **Additional General Revenue Grant**  
Education Resources has been notified of an allocation of £0.141 million for Sanitary Products in Schools and £9.141 million for Teachers Pay in 2019/2020. In addition, Social Work Resources have been notified of an allocation of £0.029 million to enable them to meet their new statutory duties relating to Appropriate Adult Services.
- 4.15. In addition, Housing and Technical Resources has been notified of an allocation of £0.461 million for 2019/2020 Rapid Rehousing Transition Plans. These amounts have been included in the budget figures in Appendices 1 and 2.
- 4.16. **Other Funding**  
The Council has been notified of funding of up to £0.415 million from the Scottish Government No-One Left Behind Employability funding stream to deliver a more flexible and user-based model of employability support for people from school leaving age up to 67 years. The funding is split between Education Resources (£0.235 million) and Finance and Corporate Resources (£0.180 million).
- 4.17. In addition, the Council has been awarded £0.165 million by Transport Scotland to enable the acceleration of the procurement of Ultra Low Emission Vehicles to transition to a decarbonised fleet. This can be used to fund the finance cost when leasing a vehicle for 3 years. These amounts have been included in the budget figures in Appendices 1 and 2.
- 5. Housing Revenue Account Position**
- 5.1. As at 19 July 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)**

28 August 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 19 July 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 19 July 2019 (No.4)**

| <u>Committee</u>                            | Annual Budget  | Annual Forecast | Annual Forecast Variance | Budget Proportion to 19/07/19 | Actual to Period 4 19/07/19 | Variance to 19/07/19 |             |
|---|----------------|-----------------|--------------------------|-------------------------------|-----------------------------|----------------------|-------------|
| Departments:                                | £m             | £m              | £m                       | £m                            | £m                          | £m                   |             |
| <b>Community and Enterprise Resources</b>   | <b>107.024</b> | <b>107.024</b>  | <b>0.000</b>             | <b>29.965</b>                 | <b>29.996</b>               | <b>(0.031)</b>       | <b>over</b> |
| Facilities Streets and Waste (Inc. Support) | 64.196         | 64.196          | 0.000                    | 16.620                        | 16.568                      | 0.052                | under       |
| Fleet, Environmental and Projects           | 1.155          | 1.155           | 0.000                    | 0.136                         | 0.144                       | (0.008)              | over        |
| Leisure and Culture Services                | 19.217         | 19.217          | 0.000                    | 4.810                         | 4.810                       | 0.000                | -           |
| Planning and Economic Development           | 3.168          | 3.168           | 0.000                    | 2.579                         | 2.577                       | 0.002                | under       |
| Roads                                       | 19.288         | 19.288          | 0.000                    | 5.820                         | 5.897                       | (0.077)              | over        |
| <b>Education Resources</b>                  | <b>331.831</b> | <b>330.331</b>  | <b>1.500</b>             | <b>93.462</b>                 | <b>93.462</b>               | <b>0.000</b>         | <b>-</b>    |
| <b>Finance and Corporate Resources</b>      | <b>32.722</b>  | <b>32.722</b>   | <b>0.000</b>             | <b>11.145</b>                 | <b>11.145</b>               | <b>0.000</b>         | <b>-</b>    |
| Finance Services - Strategy                 | 2.147          | 2.147           | 0.000                    | 1.037                         | 1.075                       | (0.038)              | over        |
| Finance Services - Transactions             | 12.308         | 12.308          | 0.000                    | 1.668                         | 1.481                       | 0.187                | under       |
| Audit and Compliance Services               | 0.360          | 0.360           | 0.000                    | 0.177                         | 0.177                       | 0.000                | -           |
| Information Technology Services             | 4.788          | 4.788           | 0.000                    | 3.063                         | 3.165                       | (0.102)              | over        |
| Communications and Strategy Services        | 1.083          | 1.083           | 0.000                    | 0.729                         | 0.755                       | (0.026)              | over        |
| Administration and Licensing Services       | 4.018          | 4.018           | 0.000                    | 2.050                         | 2.071                       | (0.021)              | over        |
| Personnel Services                          | 8.018          | 8.018           | 0.000                    | 2.421                         | 2.421                       | 0.000                | -           |
| <b>Housing and Technical Resources</b>      | <b>16.209</b>  | <b>16.209</b>   | <b>0.000</b>             | <b>4.599</b>                  | <b>4.599</b>                | <b>0.000</b>         | <b>-</b>    |
| Housing Services                            | 8.357          | 8.357           | 0.000                    | 1.744                         | 1.744                       | 0.000                | -           |
| Property Services                           | 7.852          | 7.852           | 0.000                    | 2.855                         | 2.855                       | 0.000                | -           |
| <b>Social Work Resources</b>                | <b>163.515</b> | <b>163.515</b>  | <b>0.000</b>             | <b>47.260</b>                 | <b>47.703</b>               | <b>(0.443)</b>       | <b>over</b> |
| Performance and Support Services            | 7.825          | 7.825           | 0.000                    | 2.182                         | 2.054                       | 0.128                | under       |
| Children and Families                       | 32.105         | 32.105          | 0.000                    | 9.742                         | 10.319                      | (0.577)              | over        |
| Adults and Older People                     | 122.312        | 122.312         | 0.000                    | 34.959                        | 35.001                      | (0.042)              | over        |
| Justice and Substance Misuse                | 1.273          | 1.273           | 0.000                    | 0.377                         | 0.329                       | 0.048                | under       |
| <b>Joint Boards</b>                         | <b>2.151</b>   | <b>2.151</b>    | <b>0.000</b>             | <b>0.852</b>                  | <b>0.852</b>                | <b>0.000</b>         | <b>-</b>    |
|   | <b>653.452</b> | <b>651.952</b>  | <b>1.500</b>             | <b>187.283</b>                | <b>187.757</b>              | <b>(0.474)</b>       | <b>over</b> |

| <u>Committee</u>                     | Annual Budget  | Annual Forecast | Annual Forecast Variance | Budget Proportion to 19/07/19 | Actual to Period 4 19/07/19 | Variance to 19/07/19 |              |
|--------------------------------------|----------------|-----------------|--------------------------|-------------------------------|-----------------------------|----------------------|--------------|
|                                      | £m             | £m              | £m                       | £m                            | £m                          | £m                   |              |
| Service Departments Total            | 653.452        | 651.952         | 1.500                    | 187.283                       | 187.757                     | (0.474)              | 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                      | 5.186          | 5.186           | 0.000                    | 0.046                         | 0.046                       | 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                | -            |
| <b>Total Expenditure</b>             | <b>713.314</b> | <b>704.774</b>  | <b>8.540</b>             | <b>242.005</b>                | <b>235.439</b>              | <b>6.566</b>         | <b>under</b> |
| Council Tax                          | 152.487        | 152.487         | 0.000                    | 43.568                        | 43.568                      | 0.000                | -            |
| Less: Council Tax Reduction Scheme   | (20.480)       | (20.480)        | 0.000                    | (5.851)                       | (5.851)                     | 0.000                | -            |
| Net Council Tax                      | 132.007        | 132.007         | 0.000                    | 37.717                        | 37.717                      | 0.000                | -            |
| General Revenue Grant                | 215.729        | 215.729         | 0.000                    | 63.350                        | 63.350                      | 0.000                | -            |
| Non Domestic Rates                   | 341.166        | 341.166         | 0.000                    | 104.974                       | 104.974                     | 0.000                | -            |
| Other Government Grant               | 3.983          | 3.983           | 0.000                    | 0.000                         | 0.000                       | 0.000                | -            |
| Transfer from Reserves               | 20.429         | 20.429          | 0.000                    | 20.429                        | 20.429                      | 0.000                | -            |
| <b>Total Income</b>                  | <b>713.314</b> | <b>713.314</b>  | <b>0.000</b>             | <b>226.470</b>                | <b>226.470</b>              | <b>0.000</b>         | <b>-</b>     |
| <b>Net Expenditure / (Income)</b>    | <b>0.000</b>   | <b>(8.540)</b>  | <b>8.540</b>             | <b>15.535</b>                 | <b>8.969</b>                | <b>6.566</b>         | <b>under</b> |

|                                | 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)                  |
| <b>Total Expenditure</b>       | <b>0.000</b>  | <b>(1.500)</b>  | <b>1.500</b>             |

**SOUTH LANARKSHIRE COUNCIL**  
**Revenue Budget Monitoring Report**  
**Period Ended 19 July 2019 (No.4)**

**Budget Category****Service Departments:****Expenditure**

|   | Annual<br>Budget | Annual<br>Forecast | Annual<br>Forecast<br>Variance | Budget<br>Proportion<br>to 19/07/19 | Actual<br>to<br>Period 4<br>19/07/19 | Variance<br>to<br>19/07/19 |                 |
|---|------------------|--------------------|--------------------------------|-------------------------------------|--------------------------------------|----------------------------|-----------------|
|   | £m               | £m                 | £m                             | £m                                  | £m                                   | £m                         |                 |
| Employee Cost                                     | 497.741          | 497.741            | 0.000                          | 140.928                             | 140.810                              | 0.118                      | under           |
| Property Costs                                    | 54.390           | 54.390             | 0.000                          | 8.877                               | 8.933                                | (0.056)                    | over            |
| Supplies and Services                             | 56.850           | 55.350             | 1.500                          | 15.639                              | 15.725                               | (0.086)                    | over            |
| Transport Costs                                   | 39.258           | 39.258             | 0.000                          | 10.865                              | 11.093                               | (0.228)                    | over            |
| Administration Costs                              | 15.058           | 15.058             | 0.000                          | 4.224                               | 4.239                                | (0.015)                    | over            |
| Payments to Other Bodies                          | 60.681           | 60.681             | 0.000                          | 18.765                              | 19.030                               | (0.265)                    | over            |
| Payments to Contractors                           | 196.404          | 196.404            | 0.000                          | 46.262                              | 46.543                               | (0.281)                    | over            |
| Transfer Payments                                 | 3.339            | 3.339              | 0.000                          | 2.057                               | 2.148                                | (0.091)                    | over            |
| Housing Benefits                                  | 80.387           | 80.387             | 0.000                          | 20.149                              | 20.028                               | 0.121                      | under           |
| Financing Charges (controllable)                  | 1.987            | 1.987              | 0.000                          | 0.771                               | 0.767                                | 0.004                      | under           |
| <b>Total</b>                                      | <b>1,006.095</b> | <b>1,004.595</b>   | <b>1.500</b>                   | <b>268.537</b>                      | <b>269.316</b>                       | <b>(0.779)</b>             | <b>over</b>     |
| Service Departments Total                         | 1,006.095        | 1,004.595          | 1.500                          | 268.537                             | 269.316                              | (0.779)                    | 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                                   | 5.186            | 5.186              | 0.000                          | 0.046                               | 0.046                                | 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                      | -               |
| <b>Total Expenditure</b>                          | <b>1,065.957</b> | <b>1,057.417</b>   | <b>8.540</b>                   | <b>323.259</b>                      | <b>316.998</b>                       | <b>6.261</b>               | <b>under</b>    |
| <b>Income</b>                                     |                  |                    |                                |                                     |                                      |                            |                 |
| Housing Benefit Subsidy                           | 75.662           | 75.662             | 0.000                          | 21.849                              | 21.849                               | 0.000                      | -               |
| Other Income                                      | 276.981          | 276.981            | 0.000                          | 59.405                              | 59.710                               | 0.305                      | over rec        |
| Council Tax (Net of Council Tax Reduction Scheme) | 132.007          | 132.007            | 0.000                          | 37.717                              | 37.717                               | 0.000                      | -               |
| General Revenue Grant                             | 215.729          | 215.729            | 0.000                          | 63.350                              | 63.350                               | 0.000                      | -               |
| Non Domestic Rates                                | 341.166          | 341.166            | 0.000                          | 104.974                             | 104.974                              | 0.000                      | -               |
| Other Government Grant                            | 3.983            | 3.983              | 0.000                          | 0.000                               | 0.000                                | 0.000                      | -               |
| Transfer from Reserves                            | 20.429           | 20.429             | 0.000                          | 20.429                              | 20.429                               | 0.000                      | -               |
| <b>Total Income</b>                               | <b>1,065.957</b> | <b>1,065.957</b>   | <b>0.000</b>                   | <b>307.724</b>                      | <b>308.029</b>                       | <b>0.305</b>               | <b>over rec</b> |
| <b>Net Expenditure / (Income)</b>                 | <b>0.000</b>     | <b>(8.540)</b>     | <b>8.540</b>                   | <b>15.535</b>                       | <b>8.969</b>                         | <b>6.566</b>               | <b>under</b>    |

Net Expenditure / (Income)  
 Allocate to 2020/2021 Strategy  
**Total Expenditure**

| Annual<br>Budget | Annual<br>Forecast | Annual<br>Forecast<br>Variance |
|------------------|--------------------|--------------------------------|
| £m               | £m                 | £m                             |
| 0.000            | (8.540)            | 8.540                          |
| 0.000            | 7.040              | (7.040)                        |
| <b>0.000</b>     | <b>(1.500)</b>     | <b>1.500</b>                   |

**SOUTH LANARKSHIRE COUNCIL**  
**Revenue Budget Monitoring Report**  
**Period Ended 19 July 2019 (No.4)**  
**Housing Revenue Account**

|                                  | Annual<br>Budget | Forecast<br>for Year | Annual<br>Forecast<br>Variance | Budget<br>Proportion<br>to 19/07/19 | Actual<br>to Period 4<br>19/07/19 | Variance<br>to<br>19/07/19 |                   | %      | Note |
|----------------------------------|------------------|----------------------|--------------------------------|-------------------------------------|-----------------------------------|----------------------------|-------------------|--------|------|
|                                  | £m               | £m                   | £m                             | £m                                  | £m                                | £m                         |                   |        |      |
| Employee Costs                   | 13.467           | 13.467               | 0.000                          | 3.748                               | 3.663                             | 0.085                      | under             | 2.3%   | 1    |
| Property Costs                   | 44.602           | 44.602               | 0.000                          | 6.789                               | 6.885                             | (0.096)                    | over              | (1.4%) | 2    |
| Supplies & Services              | 0.820            | 0.820                | 0.000                          | 0.445                               | 0.444                             | 0.001                      | under             | 0.2%   |      |
| Transport & Plant                | 0.195            | 0.195                | 0.000                          | 0.037                               | 0.036                             | 0.001                      | under             | 2.7%   |      |
| Administration Costs             | 5.713            | 5.713                | 0.000                          | 0.168                               | 0.168                             | 0.000                      | -                 | 0.0%   |      |
| Payments to Other Bodies         | 3.174            | 3.174                | 0.000                          | 0.004                               | 0.004                             | 0.000                      | -                 | 0.0%   |      |
| Payments to Contractors          | 0.100            | 0.100                | 0.000                          | 0.035                               | 0.035                             | 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                          | 0.017                               | 0.015                             | 0.002                      | under             | 11.8%  |      |
| Total Controllable Expenditure   | 88.955           | 88.955               | 0.000                          | 11.243                              | 11.250                            | (0.007)                    | over              | (0.1%) |      |
| Total Controllable Income        | (103.531)        | (103.531)            | 0.000                          | (24.558)                            | (24.565)                          | 0.007                      | over<br>recovered | 0.0%   |      |
| Transfer to/(from) Balance Sheet | (2.059)          | (2.059)              | 0.000                          | (0.634)                             | (0.634)                           | 0.000                      | -                 | 0.0%   |      |
| Net Controllable Expenditure     | (16.635)         | (16.635)             | 0.000                          | (13.949)                            | (13.949)                          | 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                          | (13.949)                            | (13.949)                          | 0.000                      | -                 | 0.0%   |      |

**Variance Explanations**

**1. Employee Costs**

The variance in Employee Costs is due to higher than anticipated staff turnover.

**2. Property Costs**

There is a variance in Property Costs due to repairs and maintenance work which is a demand led service and is currently higher than budget.