

Report

Report to:	Executive Committee
Date of Meeting:	26 September 2018
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Revenue Budget Monitoring for Period 6 - 1 April to 17 August 2018
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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 to 17 August 2018, and a projection for the year.

2. Recommendation(s)

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

- (1) that the underspend of £3.687 million on the General Fund Revenue Account at 17 August 2018 as detailed in Appendix 1 of the report and the forecast to 31 March 2019, be noted;
- (2) that the uncommitted element of the forecast underspend (£4.000 million) be considered for use in the 2019/2020 Revenue Budget Strategy (section 4.15), be noted; and
- (3) that the breakeven position on the Housing Revenue Account at 17 August 2018 and the forecast to 31 March 2019 of breakeven (Appendix 3), be noted.

3. Background

3.1. This is an overview report summarising the General Services Monitoring Position regarding actual expenditure and income to 17 August 2018, compared with the budget for the same period (section 4). This is provided on a Resource basis in Appendix 1 to the report and a subjective basis in Appendix 2.

2017/18 General Services Monitoring Position

4. Financial Position as at 17 August 2018

4.1. As at 17 August 2018, Appendix 1 of the report details an underspend of £3.687 million (16.4%) against the phased budget.

4.2. The net underspend of £3.687 million is made up of a number of items namely £0.500 million budget for Superannuation on Overtime which is not required, an underspend on Loan Charges (£3.422 million, detailed in 4.3), an underspend of £0.232 million in Education Resources (Early Years' Service) in relation to the timing of staff recruitment and vacancies, and an overspend in Social Work Resources (£0.467 million, detailed in 4.9).

4.3. **Loan Charges:** As previously reported, the Council's Loan Charges Strategy assumed that we would borrow at the start of the financial year. However, as a result

of using cash balances to manage the Council's cash flow, no borrowing has been required in the first 6 months of the year. Moving forward, the Council will require to borrow by October 2018. This delay in the requirement to borrow has meant a temporary saving in loan charges in 2018/2019. In August we reported a £1.440 million underspend position to that point in time to the Executive Committee (reporting date 22 June 2018). The underspend to 17 August 2018 is now £3.422 million. The underspend for the year is expected to be £4.500 million. The final position will depend on the interest rate at which we borrow. This cannot be confirmed until borrowing is actually taken, and further updates will be provided to the Executive Committee as borrowing is taken.

- 4.4. **Education Resources:** As reported previously, as Pupil Equity Fund (PEF) funding operates in academic (Aug-June) years and not financial years, then 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 2019. The initial estimate of the underspend remains at £2.300 million for this financial year, based on equal spend over the school year, however this will depend on the timing of spend throughout the year.
- 4.5. The actual expected spend position for the financial year will become more certain after the start of the academic year in August. The current projection is shown against Education Resources as a forecast underspend of £2.300 million. As the year progresses, and the actual spend figure is more certain, the budget will be moved to the Transfer to Reserves budget line.
- 4.6. There are also 8 posts which have still to be recruited for Early Years. These posts will be recruited from August 2018 so it is expected that there will be an underspend of approximately £0.100 million depending on the timing of recruitment.
- 4.7. **Housing and Technical Resources:** Funding has been allocated by the Scottish Government for Temporary Accommodation within the Homeless Service. As the Resource has identified that an estimated £0.800 million of this funding may not be required in the current year as a result of implementation timescales, it is intended that the underspend will be transferred to reserves to manage future pressures in this area. Work continues to confirm the level of the underspend, which will be reported to a future meeting.
- 4.8. **Social Work Resources:** The underspends noted above are offset in part by an overspend of £0.467 million within Social Work Resources.
- 4.9. As reported previously, the Resource has identified pressures within Children and Families Services due to the number of residential school/external placements and fostering placements in the first 6 months of the current year. This was noted as approximately £0.800m of a potential pressure as at period 4. Since then, 2 more placements have been made meaning that the potential overspend for the full year has increased to £1.000 million. The period 6 position is an overspend of £0.467 million. The Resource is currently looking at these pressures in conjunction with the other services of the Resource to identify ways to minimise and manage these costs.
- 4.10. In addition, Adults and Older People Services are experiencing pressures in respect of Direct Payments. This will continue to be monitored over the coming months.
- 4.11. **Council Tax and Council Tax Reduction Scheme:** An exercise is commencing to establish any potential over recoveries of income from council tax or underspends in the Council Tax Reduction Scheme payments. Forecast information should be available early November 2018 and will be included in a future report to this meeting.

- 4.12. **Transfers to Reserves:** There have been no further transfers from Resource budgets to the Transfer to Reserves line since the £4.898 million for Teachers plus Classroom Support and Employability reported in the 15 August 2018 report.
- 4.13. **Probable Outturn – Forecast to 31 March 2019:** At this early stage in the financial year, the forecast to 31 March 2019 is showing an underspend of £6.300 million after the agreed transfer to reserves of £4.898 million previously reported in relation to Teachers plus Classroom Support and Employability for Early Years and Social Care (4.12).
- 4.14. The forecast underspend of £6.300 million reflects underspends in Superannuation on Overtime (section 4.2), Loan Charges (section 4.3) and Pupil Equity Fund (section 4.4), offset by the overspend on residential school/external placements and fostering placements (section 4.9). This figure will be updated as more information becomes available during the year.
- 4.15. Of the forecast underspend of £6.300 million, only the Pupil Equity Fund element of £2.300 million is ring-fenced. The remaining £4.000 million is uncommitted and therefore can be considered for use in the 2019/2020 Revenue Budget Strategy.
- 4.16. **Trading Operations:** Included within the breakeven position for the General Fund Revenue Account in 4.1 above are the Trading Operations. As at 17 August 2018, the actual surplus achieved by the Trading Operations total £4.314 million, representing a breakeven position against the phased budget.
- 4.17. **Additional General Revenue Grant**
Social Work Resources have been notified of additional General Revenue Grant by the Scottish Government in relation to Whole System Approach to Youth Justice – Reinvigoration and Extension Funding of £0.025 million for both 2018/2019 and 2019/2020. The £0.025 million for 2018/2019 has been added to the Social Work budget shown in Appendix 1.
- 4.18. **Other Funding**
Since the last report, Social Work Resources have been notified of £0.110 million of grant funding from the Scottish Legal Aid Board in respect of the Support for the New Mandatory Reconsideration Process introduced by the Department of Works and Pensions. This has been included in the budget figures in Appendix 1. Social Work Resources have also been notified of funding of £0.318 million from the Scottish Government for Scottish Attainment Challenge – Care Experienced Children and Young People. This will be added to the budget once the projects have been agreed.
- 5. Housing Revenue Account Position**
- 5.1. As at 17 August 2018, Appendix 3 of the report shows a breakeven position against the phased budget on the Housing Revenue Account. 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 in the 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)

27 August 2018

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 17 August 2018

Contact for Further Information

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

Lorraine O'Hagan, Finance Manager (Strategy)

Ext: 2601 (Tel: 01698 452601)

E-mail: lorraine.o'hagan@southlanarkshire.gov.uk

SOUTH LANARKSHIRE COUNCIL

Revenue Budget Monitoring Report

Period Ended 17 August 2018 (No.6)

<u>Committee</u>	Annual Budget	Forecast	Annual Forecast Variance	Budget Proportion to 17/08/18	Actual to Period 6 17/08/18	Variance to 17/08/18	
	£m	£m	£m	£m	£m	£m	
Departments:							
Community and Enterprise Resources	114.983	114.983	0.000	38.066	38.066	0.000	-
Facilities Streets and Waste (Inc. Support)	62.883	62.883	0.000	19.089	19.119	(0.030)	over
Environmental Services (Inc. Projects)	3.963	3.963	0.000	1.288	1.258	0.030	under
Leisure and Culture Services	18.905	18.905	0.000	9.004	9.004	0.000	-
Planning and Economic Development	2.920	2.920	0.000	1.030	1.030	0.000	-
Roads	26.312	26.312	0.000	7.655	7.655	0.000	-
Education Resources	308.044	305.744	2.300	102.074	101.842	0.232	under
Finance and Corporate Resources	32.890	32.890	0.000	13.809	13.809	0.000	-
Finance Services	14.974	14.974	0.000	5.200	5.061	0.139	under
Audit and Compliance Services	0.347	0.347	0.000	0.224	0.225	(0.001)	over
Information Technology Services	4.198	4.198	0.000	2.947	2.988	(0.041)	over
Communications and Strategy Services	0.977	0.977	0.000	0.519	0.598	(0.079)	over
Administration and Licensing Services	4.392	4.392	0.000	2.114	2.107	0.007	under
Personnel Services	8.002	8.002	0.000	2.805	2.830	(0.025)	over
Housing and Technical Resources	18.418	18.418	0.000	8.852	8.852	0.000	-
Housing Services	7.478	7.478	0.000	2.593	2.593	0.000	-
Property Services	10.940	10.940	0.000	6.259	6.259	0.000	-
Social Work Resources	151.390	152.390	(1.000)	62.140	62.607	(0.467)	over
Performance and Support Services	8.731	8.731	0.000	2.587	2.587	0.000	-
Children and Families	29.677	30.677	(1.000)	11.445	11.907	(0.462)	over
Adults and Older People	111.888	111.888	0.000	48.122	48.179	(0.057)	over
Justice and Substance Misuse	1.094	1.094	0.000	(0.014)	(0.066)	0.052	under
Joint Boards	2.378	2.378	0.000	0.755	0.755	0.000	-
	628.103	626.803	1.300	225.696	225.931	(0.235)	over

<u>Committee</u>	Annual Budget	Forecast	Annual Forecast Variance	Budget Proportion to 17/08/18	Actual to Period 6 17/08/18	Variance to 17/08/18	
	£m	£m	£m	£m	£m	£m	
Service Departments Total	628.103	626.803	1.300	225.696	225.931	(0.235)	over
Trading Accounts Surplus	(11.941)	(11.941)	0.000	(4.314)	(4.314)	0.000	-
CFCR	0.522	0.522	0.000	0.522	0.522	0.000	-
Loan Charges	57.780	53.280	4.500	24.763	21.341	3.422	under
Corporate Items	4.875	4.375	0.500	0.559	0.059	0.500	under
Transfer to Reserves	4.898	4.898	0.000	4.898	4.898	0.000	-
Total Expenditure	684.237	677.937	6.300	252.124	248.437	3.687	under
Council Tax	145.758	145.758	0.000	62.468	62.468	0.000	-
Less: Council Tax Reduction Scheme	(19.370)	(19.370)	0.000	(8.301)	(8.301)	0.000	-
Net Council Tax	126.388	126.388	0.000	54.167	54.167	0.000	-
General Revenue Grant	251.289	251.289	0.000	95.665	95.665	0.000	-
Non Domestic Rates	295.500	295.500	0.000	113.654	113.654	0.000	-
Transfer from Reserves	11.060	11.060	0.000	11.060	11.060	0.000	-
Total Income	684.237	684.237	0.000	274.546	274.546	0.000	-
Net Expenditure / (Surplus)	0.000	(6.300)	6.300	(22.422)	(26.109)	3.687	Under

SOUTH LANARKSHIRE COUNCIL

Revenue Budget Monitoring Report

Period Ended 17 August 2018 (No.6)

<u>Budget Category</u>	Annual Budget	Forecast for Year	Annual Forecast Variance	Budget Proportion to 17/08/18	Actual to Period 6 17/08/18	Variance to 17/08/18	
Service Departments:	£m	£m	£m	£m	£m	£m	
<u>Expenditure</u>							
Employee Cost	415.145	415.145	0.000	146.825	146.591	0.234	under
Property Costs	49.525	49.525	0.000	12.546	12.601	(0.055)	over
Supplies and Services	35.723	33.423	2.300	9.659	9.629	0.030	under
Transport Costs	21.714	21.714	0.000	8.900	8.933	(0.033)	over
Administration Costs	11.273	11.273	0.000	3.847	3.864	(0.017)	over
Payments to Other Bodies	51.062	51.562	(0.500)	19.056	19.479	(0.423)	over
Payments to Contractors	183.357	183.857	(0.500)	65.979	66.109	(0.130)	over
Transfer Payments	2.946	2.946	0.000	1.869	1.927	(0.058)	over
Housing Benefits	89.417	89.417	0.000	30.915	30.591	0.324	under
Financing Charges (controllable)	2.051	2.051	0.000	0.729	0.699	0.030	under
Total	862.213	860.913	1.300	300.325	300.423	(0.098)	over
Service Departments Total	862.213	860.913	1.300	300.325	300.423	(0.098)	over
Trading Accounts Surplus	(11.941)	(11.941)	0.000	(4.314)	(4.314)	0.000	-
CFCR	0.522	0.522	0.000	0.522	0.522	0.000	-
Loan Charges	57.780	53.280	4.500	24.763	21.341	3.422	under
Corporate Items	4.875	4.375	0.500	0.559	0.059	0.500	under
Transfer to Reserves	4.898	4.898	0.000	4.898	4.898	0.000	-
Total Expenditure	918.347	912.047	6.300	326.753	322.929	3.824	under
Income							
Housing Benefit Subsidy	84.182	84.182	0.000	30.917	30.645	(0.272)	under rec
Other Income	149.928	149.928	0.000	43.712	43.847	0.135	over rec
Council Tax (Net of Council Tax Reduction Scheme)	126.388	126.388	0.000	54.167	54.167	0.000	-
General Revenue Grant	251.289	251.289	0.000	95.665	95.665	0.000	-
Non Domestic Rates	295.500	295.500	0.000	113.654	113.654	0.000	-
Transfer from Reserves	11.060	11.060	0.000	11.060	11.060	0.000	-
Total Income	918.347	918.347	0.000	349.175	349.038	(0.137)	under rec
Net Expenditure / (Income)	0.000	(6.300)	6.300	(22.422)	(26.109)	3.687	under

SOUTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report
Period Ended 17 August 2018 (No.6)
Housing Revenue Account

	Annual Budget	Forecast for Year	Annual Forecast Variance	Budget Proportion to 17/08/18	Actual to Period 6 17/08/18	Variance to 17/08/18		%	Note
	£m	£m	£m	£m	£m	£m			
Employee Costs	12.718	12.718	0.000	4.598	4.512	0.086	under	1.9%	1
Property Costs	42.130	42.130	0.000	14.003	14.086	(0.083)	over	(0.6%)	2
Supplies & Services	0.610	0.610	0.000	0.304	0.292	0.012	under	3.9%	
Transport & Plant	0.194	0.194	0.000	0.053	0.049	0.004	under	7.5%	
Administration Costs	5.713	5.713	0.000	0.287	0.286	0.001	under	0.3%	
Payments to Other Bodies	3.555	3.555	0.000	0.042	0.042	0.000	-	0.0%	
Payments to Contractors	0.100	0.100	0.000	0.024	0.025	(0.001)	over	(4.2%)	
Transfer Payments	0.000	0.000	0.000	0.000	0.000	0.000	-	n/a	
Financing Charges	23.730	23.730	0.000	0.001	0.001	0.000	-	0.0%	
Total Controllable Expenditure	88.750	88.750	0.000	19.312	19.293	0.019	under	0.1%	
Total Controllable Income	(98.948)	(98.948)	0.000	(31.772)	(31.753)	(0.019)	under rec	(0.1%)	
Transfer to/(from) Balance Sheet	(4.603)	(4.603)	0.000	(1.770)	(1.770)	0.000	-	0.0%	
Net Controllable Expenditure	(14.801)	(14.801)	0.000	(14.230)	(14.230)	0.000	-	0.0%	
Add: Non Controllable Budgets									
Financing Charges	14.801	14.801	0.000	0.000	0.000	0.000	-	0.0%	
Total Budget	0.000	0.000	0.000	(14.230)	(14.230)	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 and will be offset by an underspend in the bad debt provision.