

# Report

Report to:	<b>Executive Committee</b>
Date of Meeting:	<b>21 November 2018</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Revenue Budget Monitoring for Period 8: 1 April 2018 to 12 October 2018</b>
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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 2018 to 12 October 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 £7.876 million on the General Fund Revenue Account at 12 October 2018 as detailed in Appendix 1 of the report and the forecast to 31 March 2019, be noted;
- (2) that the outturn underspend of £10.222 million, of which £4.000 million has been utilised in the 2019/2020 Revenue Budget Strategy, be noted; and
- (3) that the breakeven position on the Housing Revenue Account at 12 October 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 12 October 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 12 October 2018, Appendix 1 of the report details an underspend of £7.876 million (28.4%) against the phased budget.

4.2. The net underspend of £7.876 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 (£5.900 million, detailed in 4.4), an underspend of £0.620 million in Education Resources (Early Years' Service, detailed in 4.7), an underspend in Homelessness (£0.122 million, detailed in 4.8), and an overspend in Social Work Resources (£0.599 million, detailed in 4.10).

- 4.3. In addition, there is an over recovery of Council Tax Income due to additional property numbers and the collection of Council Tax arrears (£1.220 million, detailed in 4.14) and an underspend on the Council Tax Reduction Scheme (£0.113 million, detailed in 4.14).
- 4.4. **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 to this point in the year. This delay in the requirement to borrow meant that the Council was anticipating a temporary saving in loan charges in 2018/2019 of £4.500 million, as reported to this Committee in September 2018.
- 4.5. As at mid-October, current interest rates are lower than budgeted. Taking the Council's full borrowing requirement now will generate a further underspend of £1.400 million in 2018/2019. The final outturn position will depend on the actual interest rates at which we borrow and the timing of when borrowing is taken. Any update will be provided to this Committee as required.
- 4.6. **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.
- 4.7. In relation to Early Years posts, recruitment has been progressing since August 2018. To date at period 8 this underspend is £0.7 million. We will continue to update the position as we report to the end of the financial year. As specific funding has been provided for delivery of 1140 hours of Early Years then it is anticipated that an element of this underspend will be required to be transferred to reserves to meet the costs of Early Years in the future.
- 4.8. **Housing and Technical Resources:** As reported previously, the Resource identified that some of the funding allocated from the Scottish Government for Temporary Accommodation may not be required in the current year as a result of implementation timescales. The Resource has now confirmed that £0.188 million of the funding will not be required in the current year and it is intended that the underspend will be transferred to reserves to meet costs associated with Homelessness in future years. The position to date (as at period 8) is an underspend of £0.122 million.
- 4.9. **Social Work Resources:** Again, as reported previously, the underspends noted above are offset in part by an overspend of £0.599 million within Social Work Resources.
- 4.10. 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. The estimate of the potential full year pressure remains at approximately £1.000 million. The position to date (as at period 8) is an overspend of £0.599 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.

- 4.11. In addition, Adults and Older People Services are experiencing an increasing level of Direct Payments where service users choose to receive funding to pay for their own care. This will continue to be monitored over the coming months.
- 4.12. **Corporate Items:** As part of the 2018/2019 Revenue Budget Strategy, an allocation was included in the budget to account for the estimated impact of the 2018/2019 Rates Poundage increase on Council properties. The exercise to calculate the actual impact of the increase is now complete and budget totalling £0.516 million has been transferred to Resources.
- 4.13. **Council Tax and Council Tax Reduction Scheme:** As reported previously, an exercise was to be carried out to establish any potential over recoveries of income from Council Tax or underspends in the Council Tax Reduction Scheme payments. This exercise is now complete and the forecast outturn has been updated to reflect the new information. This is detailed below.
- 4.14. Following the completion of the Council Tax Base Return information in September, further properties were identified which will generate additional income of £0.527 million and beyond. In addition, a further £1.609 million of additional income has been identified mainly arising from the collection of Council Tax arrears. Finally, the Council Tax Reduction Scheme budget is anticipated to be underspent by £0.198 million, reflecting the anticipated demand for these payments in the current year.
- 4.15. Based on this, a net over recovery of £2.334 million is anticipated at the end of the financial year. The net over recovery to period 8 is £1.333 million.
- 4.16. **Transfers to Reserves:** In the 15 August 2018 report, budgets totalling £4.898 million were moved to the Transfer to Reserves line in respect of the second year of budget for the Investments and Priorities monies allocated to Teachers plus Classroom Support and Employability.
- 4.17. As noted in the Revenue Budget Strategy for 2019/2020 (Executive Committee, June 2018), an underspend is anticipated in the spend on Holiday Lunch Clubs (£0.150 million) and School Breakfast Clubs (£0.100 million). To reflect this, an additional £0.250 million has been moved to the Transfers to Reserves line, in respect of the monies previously allocated to Education Resources.
- 4.18. Appendix 1 shows the position after this additional budget has been moved from Education Resources. The commitment has also been shown to reflect the transfer that will take place at the end of the financial year. The Transfer to Reserves budget is now £5.148 million.
- 4.19. **Probable Outturn – Forecast to 31 March 2019:** At this stage in the financial year, the forecast to 31 March 2019 is showing an underspend of £10.222 million after the agreed Transfer to Reserves of £5.148 million reported in relation to Holiday Lunch Clubs and School Breakfast Clubs, Teachers plus Classroom Support and Employability for Early Years and Social Care (section 4.18). This is an increase of £3.922 million on the underspend reported last period.

- 4.20. The forecast underspend of £10.222 million reflects underspends in Superannuation on Overtime (£0.500 million, section 4.2), Loan Charges (£5.900 million, section 4.4), Pupil Equity Fund (£2.300 million, section 4.6), and Homelessness (£0.188 million, section 4.8) offset by the overspend on residential school/external placements and fostering placements (£1.000 million, section 4.10). In addition, there is an over recovery of Council Tax income (£2.136 million, section 4.14) and an underspend in the Council Tax Reduction Scheme payments (£0.198 million, section 4.14). This figure will be updated as more information becomes available during the year.
- 4.21. Of the forecast underspend of £10.222 million, the Pupil Equity Fund element of £2.300 million and the Temporary Homelessness element of £0.188 million are ring-fenced. In addition, the updated 2019/2020 Budget Strategy proposes that £4.000 million of this is used to reduce the savings requirement over the next 2 years. The remaining £3.734 million is uncommitted at this stage in the year. Any uncommitted underspends remaining at the end of the year could be considered for use in future Revenue Budget Strategies or if required to balance the budget following notification the 2019/2020 grant settlement.
- 4.22. **Trading Operations:** Included within the breakeven position for the General Fund Revenue Account in 4.1 above are the Trading Operations. As at 12 October 2018, the actual surplus achieved by the Trading Operations total £4.961 million, representing a breakeven position against the phased budget. At this point in the year, there are reductions in elements of work that were planned within the Property Services Trading Operation. This reflects some works on Primary Schools and Early Learning, and timing of works in the Housing Programme. This is likely to result in a lower surplus than planned for the year, which will in turn impact on the General Fund Revenue Account. Work is ongoing to quantify this position, which will be reported to a future Committee.
- 4.23. **Other Funding**  
Since the last report Housing and Technical Resources have been notified of additional funding of £0.043 million for 2018/2019 from the Scottish Government for a Local Heat and Energy Efficiency Strategy. This funding has been included in the Housing Revenue Account budget in Appendix 3.

## **5. Housing Revenue Account Position**

- 5.1. As at 12 October 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 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)**

22 October 2018

**Link(s) to Council Values/Ambitions/Objectives**

- ◆ Accountable, Effective, Efficient and Transparent

**Previous References**

- ◆ Executive Committee, 26 September 2018

**List of Background Papers**

- ◆ Financial ledger and budget monitoring results to 12 October 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](mailto:lorraine.o'hagan@southlanarkshire.gov.uk)

## SOUTH LANARKSHIRE COUNCIL

## Revenue Budget Monitoring Report

Period Ended 12 October 2018 (No.8)

<u>Committee</u>	Annual Budget	Forecast	Annual Forecast Variance	Budget Proportion to 12/10/18	Actual to Period 8 12/10/18	Variance to 12/10/18	
	£m	£m	£m	£m	£m	£m	
<b>Departments:</b>							
<b>Community and Enterprise Resources</b>	<b>115.379</b>	<b>115.379</b>	<b>0.000</b>	<b>56.142</b>	<b>56.142</b>	<b>0.000</b>	-
Facilities Streets and Waste (Inc. Support)	62.924	62.924	0.000	30.029	30.069	(0.040)	over
Environmental Services (Inc. Projects)	3.963	3.963	0.000	1.829	1.789	0.040	under
Leisure and Culture Services	18.905	18.905	0.000	9.043	9.043	0.000	-
Planning and Economic Development	2.940	2.940	0.000	3.626	3.626	0.000	-
Roads	26.647	26.647	0.000	11.615	11.615	0.000	-
<b>Education Resources</b>	<b>308.129</b>	<b>305.829</b>	<b>2.300</b>	<b>161.534</b>	<b>160.914</b>	<b>0.620</b>	<b>under</b>
<b>Finance and Corporate Resources</b>	<b>33.342</b>	<b>33.342</b>	<b>0.000</b>	<b>26.827</b>	<b>26.827</b>	<b>0.000</b>	-
Finance Services	15.384	15.384	0.000	14.198	14.036	0.162	under
Audit and Compliance Services	0.347	0.347	0.000	0.311	0.311	0.000	-
Information Technology Services	4.259	4.259	0.000	4.550	4.580	(0.030)	over
Communications and Strategy Services	0.957	0.957	0.000	0.729	0.885	(0.156)	over
Administration and Licensing Services	4.392	4.392	0.000	3.010	3.020	(0.010)	over
Personnel Services	8.003	8.003	0.000	4.029	3.995	0.034	under
<b>Housing and Technical Resources</b>	<b>18.306</b>	<b>18.118</b>	<b>0.188</b>	<b>12.873</b>	<b>12.751</b>	<b>0.122</b>	<b>under</b>
Housing Services	7.251	7.063	0.188	3.488	3.366	0.122	under
Property Services	11.055	11.055	0.000	9.385	9.385	0.000	-
<b>Social Work Resources</b>	<b>151.406</b>	<b>152.406</b>	<b>(1.000)</b>	<b>86.546</b>	<b>87.145</b>	<b>(0.599)</b>	<b>over</b>
Performance and Support Services	7.855	7.855	0.000	3.829	3.620	0.209	under
Children and Families	29.683	30.683	(1.000)	16.169	17.014	(0.845)	over
Adults and Older People	112.773	112.773	0.000	66.523	66.579	(0.056)	over
Justice and Substance Misuse	1.095	1.095	0.000	0.025	(0.068)	0.093	under
<b>Joint Boards</b>	<b>2.363</b>	<b>2.363</b>	<b>0.000</b>	<b>1.608</b>	<b>1.608</b>	<b>0.000</b>	-
	<b>628.925</b>	<b>627.437</b>	<b>1.488</b>	<b>345.530</b>	<b>345.387</b>	<b>0.143</b>	<b>under</b>

  

<u>Committee</u>	Annual Budget	Forecast	Annual Forecast Variance	Budget Proportion to 12/10/18	Actual to Period 8 12/10/18	Variance to 12/10/18	
	£m	£m	£m	£m	£m	£m	
Service Departments Total	628.925	627.437	1.488	345.530	345.387	0.143	under
Trading Accounts Surplus	(11.934)	(11.934)	0.000	(4.961)	(4.961)	0.000	-
CFCR	0.522	0.522	0.000	0.522	0.522	0.000	-
Loan Charges	57.780	51.880	5.900	57.780	51.880	5.900	under
Corporate Items	4.374	3.874	0.500	0.571	0.071	0.500	under
Transfer to Reserves	5.148	5.148	0.000	5.148	5.148	0.000	-
<b>Total Expenditure</b>	<b>684.815</b>	<b>676.927</b>	<b>7.888</b>	<b>404.590</b>	<b>398.047</b>	<b>6.543</b>	<b>under</b>
Council Tax	146.058	148.194	2.136	83.462	84.682	1.220	over rec
Less: Council Tax Reduction Scheme	(19.670)	(19.472)	0.198	(11.240)	(11.127)	0.113	under
Net Council Tax	126.388	128.722	2.334	72.222	73.555	1.333	over rec
General Revenue Grant	251.289	251.289	0.000	133.930	133.930	0.000	-
Non Domestic Rates	295.500	295.500	0.000	159.115	159.115	0.000	-
Transfer from Reserves	11.638	11.638	0.000	11.638	11.638	0.000	-
<b>Total Income</b>	<b>684.815</b>	<b>687.149</b>	<b>2.334</b>	<b>376.905</b>	<b>378.238</b>	<b>1.333</b>	<b>over rec</b>
<b>Net Expenditure / (Surplus)</b>	<b>0.000</b>	<b>(10.222)</b>	<b>10.222</b>	<b>27.685</b>	<b>19.809</b>	<b>7.876</b>	<b>under</b>

## SOUTH LANARKSHIRE COUNCIL

## Revenue Budget Monitoring Report

Period Ended 12 October 2018 (No.8)

<b>Budget Category</b>	<b>Annual Budget</b>	<b>Forecast for Year</b>	<b>Annual Forecast Variance</b>	<b>Budget Proportion to 12/10/18</b>	<b>Actual to Period 8 12/10/18</b>	<b>Variance to 12/10/18</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	
<b>Service Departments:</b>							
<b>Expenditure</b>							
Employee Cost	418.105	418.105	0.000	209.027	208.143	0.884	under
Property Costs	50.159	50.159	0.000	34.317	34.363	(0.046)	over
Supplies and Services	32.977	30.677	2.300	13.696	13.765	(0.069)	over
Transport Costs	21.714	21.714	0.000	11.269	11.456	(0.187)	over
Administration Costs	11.484	11.484	0.000	5.194	5.255	(0.061)	over
Payments to Other Bodies	52.596	53.096	(0.500)	27.772	28.200	(0.428)	over
Payments to Contractors	184.578	185.078	(0.500)	91.812	92.222	(0.410)	over
Transfer Payments	2.957	2.957	0.000	2.349	2.481	(0.132)	over
Housing Benefits	80.897	80.897	0.000	43.510	43.445	0.065	under
Financing Charges (controllable)	2.021	2.021	0.000	0.781	0.751	0.030	under
<b>Total</b>	<b>857.488</b>	<b>856.188</b>	<b>1.300</b>	<b>439.727</b>	<b>440.081</b>	<b>(0.354)</b>	<b>over</b>
Service Departments Total	857.488	856.188	1.300	439.727	440.081	(0.354)	over
Trading Accounts Surplus	(11.934)	(11.934)	0.000	(4.961)	(4.961)	0.000	-
CFCR	0.522	0.522	0.000	0.522	0.522	0.000	-
Loan Charges	57.780	51.880	5.900	57.780	51.880	5.900	under
Corporate Items	4.374	3.874	0.500	0.571	0.071	0.500	under
Transfer to Reserves	5.148	5.148	0.000	5.148	5.148	0.000	-
<b>Total Expenditure</b>	<b>913.378</b>	<b>905.678</b>	<b>7.700</b>	<b>498.787</b>	<b>492.741</b>	<b>6.046</b>	<b>under</b>
<b>Income</b>							
Housing Benefit Subsidy	75.435	75.435	0.000	36.798	36.775	(0.023)	under rec
Other Income	153.128	153.316	0.188	57.399	57.919	0.520	over rec
Council Tax (Net of Council Tax Reduction Scheme)	126.388	128.722	2.334	72.222	73.555	1.333	over rec
General Revenue Grant	251.289	251.289	0.000	133.930	133.930	0.000	-
Non Domestic Rates	295.500	295.500	0.000	159.115	159.115	0.000	-
Transfer from Reserves	11.638	11.638	0.000	11.638	11.638	0.000	-
<b>Total Income</b>	<b>913.378</b>	<b>915.900</b>	<b>2.522</b>	<b>471.102</b>	<b>472.932</b>	<b>1.830</b>	<b>over rec</b>
<b>Net Expenditure / (Income)</b>	<b>0.000</b>	<b>(10.222)</b>	<b>10.222</b>	<b>27.685</b>	<b>19.809</b>	<b>7.876</b>	<b>under</b>

**SOUTH LANARKSHIRE COUNCIL**  
**Revenue Budget Monitoring Report**  
**Period Ended 12 October 2018 (No.8)**  
**Housing Revenue Account**

	Annual Budget	Forecast for Year	Annual Forecast Variance	Budget Proportion to 12/10/18	Actual to Period 8 12/10/18	Variance to 12/10/18		%	Note
	£m	£m	£m	£m	£m	£m			
Employee Costs	12.718	12.718	0.000	6.554	6.405	0.149	under	2.3%	1
Property Costs	42.173	42.173	0.000	20.688	20.824	(0.136)	over	(0.7%)	2
Supplies & Services	0.610	0.610	0.000	0.381	0.330	0.051	under	13.4%	
Transport & Plant	0.194	0.194	0.000	0.086	0.074	0.012	under	14.0%	
Administration Costs	5.713	5.713	0.000	0.340	0.355	(0.015)	over	(4.4%)	
Payments to Other Bodies	3.555	3.555	0.000	0.034	0.034	0.000	-	0.0%	
Payments to Contractors	0.100	0.100	0.000	0.051	0.051	0.000	-	0.0%	
Transfer Payments	0.000	0.000	0.000	0.000	0.000	0.000	-	n/a	
Financing Charges	23.730	23.730	0.000	0.000	0.001	(0.001)	over	0.0%	
<b>Total Controllable Expenditure</b>	<b>88.793</b>	<b>88.793</b>	<b>0.000</b>	<b>28.134</b>	<b>28.074</b>	<b>0.060</b>	<b>under</b>	<b>0.2%</b>	
<b>Total Controllable Income</b>	<b>(98.991)</b>	<b>(98.991)</b>	<b>0.000</b>	<b>(47.050)</b>	<b>(46.990)</b>	<b>(0.060)</b>	<b>under recovered</b>	<b>(0.1%)</b>	<b>3</b>
Transfer to/(from) Balance Sheet	(4.603)	(4.603)	0.000	(2.479)	(2.479)	0.000	-	0.0%	
<b>Net Controllable Expenditure</b>	<b>(14.801)</b>	<b>(14.801)</b>	<b>0.000</b>	<b>(21.395)</b>	<b>(21.395)</b>	<b>0.000</b>	<b>-</b>	<b>0.0%</b>	
<b>Add: Non Controllable Budgets</b>									
Financing Charges	14.801	14.801	0.000	0.000	0.000	0.000	-	0.0%	
<b>Total Budget</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>(21.395)</b>	<b>(21.395)</b>	<b>0.000</b>	<b>-</b>	<b>0.0%</b>	

**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.

**3. Income**

This under recovery relates to rental income and reflects the timing of the completion of new build properties.