

Report

Report to:	Executive Committee
Date of Meeting:	19 December 2018
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Revenue Budget Monitoring for Period 9: 1 April 2018 to 9 November 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 2018 to 9 November 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 £8.517 million on the General Fund Revenue Account at 9 November 2018 as detailed in Appendix 1 of the report and the forecast to 31 March 2019, be noted;
- (2) that the outturn underspend of £8.822 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 9 November 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 9 November 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.

2018/2019 General Services Monitoring Position

4. Financial Position as at 9 November 2018

4.1. As at 9 November 2018, Appendix 1 of the report details an underspend of £8.517 million (13.6%) against the phased budget.

4.2. The net underspend of £8.517 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 4.5), an underspend in Community and Enterprise Resources (£0.300 million, detailed in 4.6), an underspend in Education Resources' Early Years' Service (£1.060 million, detailed in 4.10), an underspend in Homelessness (£0.165 million, detailed in 4.12) and an overspend in Social Work Resources (£0.608 million, detailed in 4.14).

4.3. In addition, there is also an under recovery against surplus against the Fleet Trading Operation (£0.300 million, detailed in 4.23).

- 4.4. Finally, there is an over recovery of Council Tax Income due to additional property numbers and the collection of Council Tax arrears (£1.373 million, detailed in 4.16) and an underspend on the Council Tax Reduction Scheme (£0.127 million, detailed in 4.16).
- 4.5. **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, borrowing had been delayed. 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. Also, as current interest rates are lower than budgeted a further underspend of £1.400 million in 2018/2019 is anticipated, resulting in a total anticipated underspend of £5.900 million. Borrowing is now being taken and we will continue to borrow over the coming weeks. 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. **Community and Enterprise Resources:** The Resource is showing an underspend of £0.300 million, mainly due to vacancies and turnover across the Facilities, Streets and Waste Services and Environmental Services, which are currently being used to manage the under recovery against the targeted surplus within the Fleet Trading Operation, resulting in a breakeven position for the total Resource.
- 4.7. **Legal Costs:** In addition, the Council has met legal costs in connection with the recent costs of a court case in relation to food safety. Following the findings of the court, the Council will be required to pay compensation and contribute towards the legal costs of the other party. At this stage the value of the compensation and costs has still to be agreed. These figures will be included in future monitoring reports.
- 4.8. **South Lanarkshire Leisure and Culture:** A report has been presented to the Board of South Lanarkshire Leisure and Culture (21 November 2018) which advises of the financial pressures experienced this year. Solutions have been proposed by SLLC to manage some of the pressures, and SLLC will continue to look for ways to reduce the expected overspend. The paper recognises that there may be a requirement for support from the Council of around £0.400 million. The Council will continue discussions with SLLC on this, however, there may be a requirement to provide additional funding of £0.400 million to SLLC. The position will continue to be monitored over the remainder of the year.
- 4.9. **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.
- 4.10. In relation to Early Years posts, recruitment has been progressing since August 2018. At period 9, this accounts for £0.715 million of the £1.060 million underspend position to date. A number of posts have been recruited however, it is anticipated that the underspend will continue to increase, depending on the profiling of recruitment across the service. 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.

- 4.11. **Housing and Technical Resources:** As reported previously, the Resource identified that £0.188 million of the funding allocated from the Scottish Government for Temporary Accommodation within the Homeless Service, will 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 meet costs associated with Homelessness in future years.
- 4.12. Since the last report, it has been identified that current levels of Bad Debts on homelessness are significantly better than expected, and therefore potentially more underspend on the specific funding may be seen this year, and transferred to reserves. The position to date (as at period 9) is an underspend of £0.165 million and will be updated in a future report as more information becomes available.
- 4.13. **Social Work Resources:** Again, as reported previously, the underspends noted above are offset in part by an overspend of £0.608 million within Social Work Resources.
- 4.14. 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 9) is an overspend of £0.608 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.
- 4.15. 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.
- 4.16. **Council Tax and Council Tax Reduction Scheme:** As reported previously, the exercise to establish any potential over recoveries of income from Council Tax or underspends in the Council Tax Reduction Scheme payments is now complete. The forecast shows that a net over recovery of £2.334 million is anticipated at the end of the financial year. The net over recovery to period 9 is £1.500 million.
- 4.17. **Transfers to Reserves:** In the 1 November 2018 report, budgets totalling £5.148 million had been 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, Employability, School Breakfast Clubs and Holiday Lunch Clubs. There have been no further transfers since the last report.
- 4.18. Appendix 1 shows the position after these transfers. The commitment has also been shown to reflect the transfer that will take place at the end of the financial year.
- 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 £8.822 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). There has been no further amendments to the agreed £5.148 million Transfers to Reserves since the last report.
- 4.20. The forecast underspend of £8.822 million reflects underspends in Superannuation on Overtime (£0.500 million, section 4.2.), Loan Charges (£5.900 million, section 4.5), Pupil Equity Fund (£2.300 million, section 4.9), and Homelessness (£0.188 million, section 4.11) offset by the overspend on residential school/external placements and

fostering placements (£1.000 million, section 4.14). In addition, there is an over recovery of Council Tax income (£2.136 million, section 4.16) and an underspend in the Council Tax Reduction Scheme payments (£0.198 million, section 4.16). Finally, there is an under recovery against the Trading Operations' Surplus (£1.400 million, section 4.25). This figure will be updated as more information becomes available during the year.

- 4.21. Of the forecast underspend of £8.822 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 £2.334 million is uncommitted at this stage in the year. This position does not take account of the expected financial implications for Legal Costs (see section 4.7) and additional contributions to SLLC (section 4.8).
- 4.22. 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.
- 4.23. **Trading Operations:** Included within the position for the General Fund Revenue Account in 4.1 above are the Trading Operations. As at 9 November 2018, the actual surplus achieved by the Trading Operations totals £5.097 million, representing an under recovery of £0.300 million against the phased budget. This relates to the Fleet Trading Operation and is offset by an underspend in the Community and Enterprise Resources' budget (section 4.6).
- 4.24. In relation to the forecast outturn position, the level of income received by the Property Trading Operation (which includes contract works and design work) can be affected by the timing of works. This year there have been some areas where income levels have been affected due to the timing of works carried out. These include Early Years, Central Heating programmes, and Growth and Capacities in schools. Additional works help balance some of the shortfall including works on new housing stock.
- 4.25. The level of surplus shortfall this year is expected to be around £1.400 million. This reflects the lower income from these jobs, offset by a reduction in variable direct costs. Work will continue to progress or accelerate any additional works which can contribute favourably to income levels.
- 4.26. **Other Funding**
Since the last report, Education Resources have been notified of additional funding of £0.324 million for 2018/2019 from the Scottish Government for Early Learning Graduates. In addition, Social Work Resources have been notified of £0.093 million of funding from the Scottish Government for the Caledonian Programme, including Violence Against Women and Girls. These additional funds have been included in the budgets in Appendix 1.

5. Housing Revenue Account Position

- 5.1. As at 9 November 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)

19 November 2018

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ Executive Committee, 21 November 2018

List of Background Papers

- ◆ Financial ledger and budget monitoring results to 9 November 2018

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 9 November 2018 (No.9)

<u>Committee</u>	Annual Budget	Forecast	Annual Forecast Variance	Budget Proportion to 09/11/18	Actual to Period 9 09/11/18	Variance to 09/11/18	
	£m	£m	£m	£m	£m	£m	
Departments:							
Community and Enterprise Resources	115.483	115.483	0.000	67.711	67.411	0.300	under
Facilities Streets and Waste (Inc. Support)	63.031	63.031	0.000	35.036	34.871	0.165	under
Environmental Services (Inc. Projects)	3.963	3.963	0.000	2.201	2.065	0.136	under
Leisure and Culture Services	18.902	18.902	0.000	13.562	13.562	0.000	-
Planning and Economic Development	2.940	2.940	0.000	4.109	4.109	0.000	-
Roads	26.647	26.647	0.000	12.803	12.804	(0.001)	over
Education Resources	308.429	306.129	2.300	177.999	176.939	1.060	under
Finance and Corporate Resources	33.342	33.342	0.000	28.051	28.051	0.000	-
Finance Services	15.384	15.384	0.000	14.874	14.663	0.211	under
Audit and Compliance Services	0.347	0.347	0.000	0.360	0.360	0.000	-
Information Technology Services	4.259	4.259	0.000	3.593	3.643	(0.050)	over
Communications and Strategy Services	0.957	0.957	0.000	0.815	0.999	(0.184)	over
Administration and Licensing Services	4.392	4.392	0.000	3.417	3.430	(0.013)	over
Personnel Services	8.003	8.003	0.000	4.992	4.956	0.036	under
Housing and Technical Resources	18.309	18.121	0.188	13.720	13.555	0.165	under
Housing Services	7.251	7.063	0.188	3.519	3.354	0.165	under
Property Services	11.058	11.058	0.000	10.201	10.201	0.000	-
Social Work Resources	151.406	152.406	(1.000)	101.067	101.675	(0.608)	over
Performance and Support Services	7.855	7.855	0.000	4.731	4.370	0.361	under
Children and Families	29.683	30.683	(1.000)	18.131	19.158	(1.027)	over
Adults and Older People	112.773	112.773	0.000	78.162	78.218	(0.056)	over
Justice and Substance Misuse	1.095	1.095	0.000	0.043	(0.071)	0.114	under
Joint Boards	2.363	2.363	0.000	1.607	1.607	0.000	-
	629.332	627.844	1.488	390.155	389.238	0.917	under

<u>Committee</u>	Annual Budget	Forecast	Annual Forecast Variance	Budget Proportion to 09/11/18	Actual to Period 9 09/11/18	Variance to 09/11/18	
	£m	£m	£m	£m	£m	£m	
Service Departments Total	629.332	627.844	1.488	390.155	389.238	0.917	under
Trading Accounts Surplus	(11.919)	(10.519)	(1.400)	(5.397)	(5.097)	(0.300)	over
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	0.582	0.082	0.500	under
Transfer to Reserves	5.148	5.148	0.000	5.148	5.148	0.000	-
Total Expenditure	685.237	678.749	6.488	448.790	441.773	7.017	under
Council Tax	146.058	148.194	2.136	93.894	95.267	1.373	over rec
Less: Council Tax Reduction Scheme	(19.670)	(19.472)	0.198	(12.645)	(12.518)	0.127	under
Net Council Tax	126.388	128.722	2.334	81.249	82.749	1.500	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	12.060	12.060	0.000	12.060	12.060	0.000	-
Total Income	685.237	687.571	2.334	386.354	387.854	1.500	over rec
Net Expenditure / (Surplus)	0.000	(8.822)	8.822	62.436	53.919	8.517	under

SOUTH LANARKSHIRE COUNCIL

Revenue Budget Monitoring Report

Period Ended 9 November 2018 (No.9)

Budget Category	Annual Budget	Forecast for Year	Annual Forecast Variance	Budget Proportion to 09/11/18	Actual to Period 9 09/11/18	Variance to 09/11/18	
Service Departments:	£m	£m	£m	£m	£m	£m	
Expenditure							
Employee Cost	418.163	418.163	0.000	241.358	239.659	1.699	under
Property Costs	50.333	50.333	0.000	36.484	36.509	(0.025)	over
Supplies and Services	32.445	30.145	2.300	15.602	15.770	(0.168)	over
Transport Costs	22.248	22.248	0.000	14.043	14.415	(0.372)	over
Administration Costs	11.538	11.538	0.000	6.481	6.542	(0.061)	over
Payments to Other Bodies	52.765	53.265	(0.500)	31.149	31.543	(0.394)	over
Payments to Contractors	184.405	184.905	(0.500)	106.902	107.495	(0.593)	over
Transfer Payments	3.071	3.071	0.000	2.552	2.689	(0.137)	over
Housing Benefits	80.897	80.897	0.000	50.002	49.914	0.088	under
Financing Charges (controllable)	2.047	2.047	0.000	1.381	1.385	(0.004)	over
Total	857.912	856.612	1.300	505.954	505.921	0.033	under
Service Departments Total	857.912	856.612	1.300	505.954	505.921	0.033	under
Trading Accounts Surplus	(11.919)	(10.519)	(1.400)	(5.397)	(5.097)	(0.300)	over
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	0.582	0.082	0.500	under
Transfer to Reserves	5.148	5.148	0.000	5.148	5.148	0.000	-
Total Expenditure	913.817	907.517	6.300	564.589	558.456	6.133	under
Income							
Housing Benefit Subsidy	75.435	75.435	0.000	43.949	43.944	(0.005)	under rec
Other Income	153.145	153.333	0.188	71.850	72.739	0.889	over rec
Council Tax (Net of Council Tax Reduction Scheme)	126.388	128.722	2.334	81.249	82.749	1.500	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	12.060	12.060	0.000	12.060	12.060	0.000	-
Total Income	913.817	916.339	2.522	502.153	504.537	2.384	over rec
Net Expenditure / (Income)	0.000	(8.822)	8.822	62.436	53.919	8.517	under

SOUTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report
Period Ended 9 November 2018 (No.9)
Housing Revenue Account

	Annual Budget	Forecast for Year	Annual Forecast Variance	Budget Proportion to 09/11/18	Actual to Period 9 09/11/18	Variance to 09/11/18		%	Note
	£m	£m	£m	£m	£m	£m			
Employee Costs	12.718	12.718	0.000	7.533	7.409	0.124	under	1.6%	1
Property Costs	42.507	42.507	0.000	26.012	26.013	(0.001)	over	(0.0%)	2,a,b
Supplies & Services	0.610	0.610	0.000	0.428	0.409	0.019	under	4.4%	
Transport & Plant	0.194	0.194	0.000	0.135	0.123	0.012	under	8.9%	
Administration Costs	5.713	5.713	0.000	0.419	0.420	(0.001)	over	(0.2%)	
Payments to Other Bodies	3.221	3.221	0.000	0.032	0.030	0.002	under	6.3%	
Payments to Contractors	0.100	0.100	0.000	0.069	0.071	(0.002)	over	(2.9%)	a
Transfer Payments	0.000	0.000	0.000	0.000	0.000	0.000	-	n/a	
Financing Charges	23.730	23.730	0.000	0.050	0.046	0.004	under	8.0%	
Total Controllable Expenditure	88.793	88.793	0.000	34.678	34.521	0.157	under	0.5%	
Total Controllable Income	(98.991)	(98.991)	0.000	(55.337)	(55.178)	(0.159)	under recovered	(0.3%)	3,b
Transfer to/(from) Balance Sheet	(4.603)	(4.603)	0.000	(2.833)	(2.835)	0.002	under	0.1%	
Net Controllable Expenditure	(14.801)	(14.801)	0.000	(23.492)	(23.492)	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	(23.492)	(23.492)	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.

3. Income

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

Budget Virements

- a. Realignment of Grounds Maintenance budgets to reflect current service delivery requirements: Net Effect £0.000m. Property Costs £0.334m and Payments to Other Bodies (£0.334m).
- b. Establish budget to reflect Scottish Government funding for Local Heat and Energy Efficiency Strategy: Net Effect £0.000m. Property Costs £0.043m and Income (£0.043m).