

Report

Report to:	Community and Enterprise Resources Committee
Date of Meeting:	6 February 2024
Report by:	Head of Finance (Strategy) Executive Director (Community and Enterprise Resources)

Subject:	Community and Enterprise Resources - Revenue Budget Monitoring 2023/2024
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide information on the actual expenditure measured against the revenue budget for the period 1 April to 1 December 2023 for Community and Enterprise Resources
- ◆ provide a forecast for the year to 31 March 2024

2. Recommendation(s)

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

- (1) that the forecast to 31 March 2024 of a breakeven position after approved transfers to reserves as detailed in Appendix A of the report, be noted;
- (2) that the breakeven position as at 1 December 2023 on Community and Enterprise Resources' revenue budget, as detailed in Appendix A of the report, be noted;
- (3) that the approach for the proposed changes to the payment of utilities by the Council on behalf of South Lanarkshire Leisure and Culture (SLLC), as detailed in section 6 of the report, to deliver a VAT saving be approved; and
- (4) that the proposed budget virements as detailed in appendices B to F be approved.

3. Background

- 3.1. This is the third revenue budget monitoring report presented to the Community and Enterprise Resources Committee for the financial year 2023/2024.
- 3.2. The Resource has completed its formal probable outturn exercise for the year identifying expected spend to the 31 March 2024. Details are outlined in section 5 below.
- 3.3. The report details the financial position for Community and Enterprise Resources in Appendix A and the individual services' reports in appendices B to F, including variance explanation.

4. Employee Implications

- 4.1. None

5. Financial Implications

- 5.1. **Probable Outturn:** Following the Council's probable outturn exercise, the Resource is reporting a breakeven position after approved transfers to reserves of £0.240 million at 31 March 2024. The Resource position is detailed in Appendix A and the transfers to reserves by service area are noted in appendices B to F where relevant.
- 5.2 The Resource is showing a breakeven position and this is due to underspends in employee costs across all services, costs within Roads, Transportation and Fleet services in relation to transport costs, depots, charging of electric vehicles, and an under recovery in parking income, the cost of bin replacement with the Waste Service, cleaning materials in Facilities, medicals and IT costs across all services, offset by a marginal over recovery of income from Planning and Building applications.
- 5.3 **Position as 1 December 2023:** The Resource position as at 1 December 2023 is a breakeven position after approved transfers to reserves. Appendix A outlines this position and the breakeven position in the main reflects underspends within employee costs and these are supporting costs within Roads, Transportation and Fleet Services in relation to transport costs and an under recovery in parking income.

Detailed variance explanations by service area are included in appendices B to F.

- 5.4 Virements are proposed to realign budgets across budget categories and with other Resources. These movements are detailed in the appendices B to F of this report.

6. SLLC Utilities Adjustment

- 6.1 An exercise has been completed to look at the payment arrangement for utility costs for Council owned, SLLC operated assets. This exercise has considered the ability of the Council to reclaim the VAT costs that are incurred on expenditure on gas and electricity.
- 6.2. The proposal is that the Council would be responsible for, contract for and pay the utility costs for SLLC properties and, as SLLC will no longer be responsible for the expenditure, the management fee payable to SLLC will reduce by the same amount. For illustration, for 2022/2023 the costs of utilities would have been £5.516 million.
- 6.3. The costs to the Council would change every year due to price and consumption changes. Therefore, an annual review of the management fee would be required to ensure there was no detriment to the Council's financial position in relation to consumption risk, as this would remain with SLLC. The net financial impact for SLLC of this move will change every year, however, it is expected to be in the region of £0.300 million.
- 6.4. The new arrangement will require changes to be made to the leases the Council holds with SLLC for the use of facilities (to specify that the obligation to pay for utilities costs will lie with South Lanarkshire Council as the landlord) and to the level of management fee payable to SLLC.
- 6.5 The change will be effective from 2024/2025 and would be reflected in the 2024/2025 budget for Community and Enterprise Resources. The Committee is asked to approve this approach.

7. Climate Change, Sustainability and Environmental Implications

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

8. Other Implications

- 8.1. The main risk associated with the Council's revenue budget is that there is an overspend. There are inflationary and budget pressures including utilities (as well as general inflation pressures) this year which increase the risk of overspend however additional funding has been provided in this year's budget strategy. There are underspends in employee costs which are also supporting increasing inflationary pressures.
- 8.2. We will also continue to monitor the actual impact through four weekly budget monitoring meetings at which any variance is analysed. In addition, the probable outturn exercise ensures early warning for corrective action to be taken where appropriate.

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.

Jackie Taylor
Head of Finance (Strategy)

David Booth
Executive Director (Community and Enterprise Resources)

15 January 2024

Link(s) to Council Values/Priorities/Outcomes

- ◆ Accountable, effective, efficient and transparent

Previous References

- ◆ None

List of Background Papers

- ◆ Financial ledger and budget monitoring results to 1 December 2023.

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

Community and Enterprise Resources: Period 9 Ended 1 December 2023 (No. 9)

Community and Enterprise Resources Summary

	Annual Budget	Forecast for Year BEFORE Transfers	Annual Forecast Variance BEFORE Transfers	Annual Forecast Variance AFTER Transfers	Budget Proportion 01/12/23	Actual BEFORE Transfers 01/12/23	Variance 01/12/23		% Variance 01/12/23	Note
	£000	£000	£000	£000	£000	£000	£000			
<u>Budget Category</u>										
Employee Costs	102,427	98,367	4,060	4,060	65,386	63,247	2,139	under	3.3%	
Property Costs	5,300	5,500	(200)	(200)	3,063	3,166	(103)	over	(3.4%)	
Supplies & Services	18,831	19,970	(1,139)	(1,179)	10,667	10,999	(332)	over	(3.1%)	
Transport & Plant	23,031	23,945	(914)	(914)	15,292	16,237	(945)	over	(6.2%)	
Administration Costs	803	1,007	(204)	(204)	529	622	(93)	over	(17.6%)	
Payments to Other Bodies	12,992	13,094	(102)	(102)	5,731	5,731	0	-	0.0%	
Payments to Contractors	47,461	50,110	(2,649)	(2,849)	30,623	31,098	(475)	over	(1.6%)	
Transfer Payments	617	617	0	0	308	308	0	-	0.0%	
Financing Charges	184	229	(45)	(45)	17	21	(4)	over	(23.5%)	
Total Controllable Exp.	211,646	212,839	(1,193)	(1,433)	131,616	131,429	187	under	0.1%	
Total Controllable Inc.	(72,367)	(73,800)	1,433	1,433	(45,479)	(45,292)	(187)	under recovered	(0.4%)	
Net Controllable Exp.	139,279	139,039	240	0	86,137	86,137	0	-	0.0%	
Transfer to Reserves (as at 01/12/23)	-	240	(240)	-	-	0	0	-	n/a	
Position After Transfers to Reserves (as at 01/12/23)	139,279	139,279	0	0	86,137	86,137	0	-	0.0%	

Variance Explanations

Detailed in appendices B to F.

Budget Virements

Budget virements are shown in appendices B to F.

Approved Transfers to Reserves

Detailed in appendices B to F

SOUTH LANARKSHIRE COUNCIL

Revenue Budget Monitoring Report

Community and Enterprise Resources: Period 9 Ended 1 December 2023 (No. 9)

Facilities, Waste and Grounds Services

Budget Category	Annual Budget £000	Forecast for Year BEFORE Transfers £000	Annual Forecast Variance BEFORE Transfers £000	Annual Forecast Variance AFTER Transfers £000	Budget Proportion 01/12/23 £000	Actual BEFORE Transfers 01/12/23 £000	Variance 01/12/23 £000		% Variance 01/12/23	Note
Employee Costs	65,604	63,743	1,860	1,860	42,103	41,186	917	under	2.2%	1,b,c,e
Property Costs	2,131	2,258	(127)	(127)	1,174	1,240	(66)	over	(5.6%)	2,a,d,e
Supplies & Services	8,897	9,531	(634)	(634)	4,819	5,083	(264)	over	(5.5%)	3,a,b,e
Transport & Plant	9,263	9,040	223	223	6,096	6,127	(31)	over	(0.5%)	a,b,e
Administration Costs	176	234	(58)	(58)	82	128	(46)	over	(56.1%)	4
Payments to Other Bodies	55	49	6	6	37	37	0	-	0.0%	
Payments to Contractors	17,587	18,368	(780)	(780)	10,957	10,968	(11)	over	(0.1%)	b,e
Transfer Payments	0	0	0	0	0	0	0	-	n/a	
Financing Charges	44	59	(15)	(15)	8	9	(1)	over	(12.5%)	
Total Controllable Exp.	103,757	103,282	475	475	65,276	64,778	498	under	0.8%	
Total Controllable Inc.	(20,557)	(20,409)	(148)	(148)	(12,809)	(12,743)	(66)	under recovered	(0.5%)	5,e
Net Controllable Exp.	83,200	82,873	327	327	52,467	52,035	432	under	0.8%	
Transfer to Reserves (as at 01/12/23)	-	-	-	-	-	0	0	-	n/a	
Position After Transfers to Reserves (as at 01/12/23)	83,200	82,873	327	327	52,467	52,035	432	under	0.8%	

Variance Explanations

- The variance is due to vacancies that are being actively recruited within all services.
- The overspend is due to higher than anticipated spend on cleaning materials within Facilities.
- The overspend is mainly due to higher than anticipated expenditure on bin purchases within Waste, along with higher than anticipated expenditure on equipment repairs and a payment for the cashless system within Facilities.
- The overspend is mainly due to an overspend on medical costs within the service along with printing costs within Facilities Management.
- The under recovery of income mainly relates to the decrease in uptake of the Care of Gardens Service with Grounds, cleaning service movements within Facilities, partially offset by an over recovery within Waste because of additional service requests from Housing and Tech.

Budget Virements

- Removal of budget in respect of Procurement savings. Net effect (£0.038m): Property (£0.004m), Supplies and Services (£0.028m), Transport and Plant (£0.006m).
- Transfer from Reserves in respect of Front Line First and Strategic Waste Fund. Net effect £0.682m: Employees £0.126m, Supplies and Services £0.100m, Transport and Plant £0.306m, Payment to Contractors £0.150m.
- Transfer of budget in relation to pay award. Net effect £4.793m: Employees £4.793m
- Transfer of budget in respect of additional rates poundage and utilities. Net effect £0.194m: Property £0.194m.
- Realignment of budget to reflect service provision within Grounds and Facilities. Net effect £0.000m: Employees £0.102m, Property (£0.006m), Supplies and Services £0.022m, Transport and Plant £0.001m, Payment to Contractors (£0.056m), Income (£0.063m).

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Revenue Budget Monitoring Report

Community and Enterprise Resources: Period 9 Ended 1 December 2023 (No. 9)

Planning and Regulatory Services

Budget Category	Annual Budget £000	Forecast for Year BEFORE Transfers £000	Annual Forecast Variance BEFORE Transfers £000	Annual Forecast Variance AFTER Transfers £000	Budget Proportion 01/12/23 £000	Actual BEFORE Transfers 01/12/23 £000	Variance 01/12/23 £000		% Variance 01/12/23	Note
Employee Costs	7,844	7,624	220	220	5,066	4,886	180	under	3.6%	1,b
Property Costs	38	33	5	5	8	7	1	under	12.5%	a
Supplies & Services	183	304	(121)	(121)	125	149	(24)	over	(19.2%)	2
Transport & Plant	126	206	(80)	(80)	77	88	(11)	over	(14.3%)	
Administration Costs	132	148	(16)	(16)	85	94	(9)	over	(10.6%)	c
Payments to Other Bodies	275	182	93	93	71	71	0	-	0.0%	c
Payments to Contractors	1,145	1,750	(605)	(605)	890	1,354	(464)	over	(52.1%)	3,c
Transfer Payments	0	0	0	0	0	0	0	-	n/a	
Financing Charges	46	62	(16)	(16)	3	3	0	-	0.0%	
Total Controllable Exp.	9,789	10,309	(520)	(520)	6,325	6,652	(327)	over	(5.2%)	
Total Controllable Inc.	(4,407)	(5,291)	884	884	(2,713)	(3,161)	448	over recovered	16.5%	4
Net Controllable Exp.	5,382	5,018	364	364	3,612	3,491	121	under	3.3%	
Transfer to Reserves (as at 01/12/23)	-	-	-	-	-	-	-	-	n/a	
Position After Transfers to Reserves (as at 01/12/23)	5,382	5,018	364	364	3,612	3,491	121	under	3.3%	

Variance Explanations

1. The variance is due to vacant posts within the services which are being recruited.
2. The variance represents greater than budgeted costs on an IT system upgrade within Planning and Building Standards.
3. The variance is mainly due to an increase in demand for clinical waste services, this is offset by an over recovery of income within Environmental Services.
4. The over recovery relates to income received for clinical waste which offsets the expenditure overspend within payment to contractors. The overall over recovery is partially offset by the lower demand for Planning and Building applications.

Budget Virements

- a. Transfer of budget in respect of utilities. Net effect (£0.003m): Property (£0.003m).
- b. Transfer of budget in relation to pay award. Net effect £0.419m: Employees £0.419m.
- c. Realignment of budget to reflect service delivery within Projects. Net effect £0.000m: Administration £0.014m, Payment to Other Bodies £0.010m, Payment to contractor (£0.024m).

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Revenue Budget Monitoring Report

Community and Enterprise Resources: Period 9 Ended 1 December 2023 (No. 9)

South Lanarkshire Leisure and Culture

Budget Category	Annual Budget	Forecast for Year BEFORE Transfers	Annual Forecast Variance BEFORE Transfers	Annual Forecast Variance AFTER Transfers	Budget Proportion 01/12/23	Actual BEFORE Transfers 01/12/23	Variance 01/12/23	% Variance 01/12/23	Note
	£000	£000	£000	£000	£000	£000	£000		
Employee Costs	4	6	(2)	(2)	4	4	0	-	0.0%
Property Costs	98	108	(10)	(10)	92	92	0	-	0.0%
Supplies & Services	0	0	0	0	0	0	0	-	n/a
Transport & Plant	0	0	0	0	0	0	0	-	n/a
Administration Costs	8	8	0	0	8	8	0	-	0.0%
Payments to Other Bodies	80	93	(13)	(13)	0	0	0	-	n/a
Payments to Contractors	23,048	22,848	200	0	16,759	16,759	0	-	0.0% a
Transfer Payments	0	0	0	0	0	0	0	-	n/a
Financing Charges	0	0	0	0	0	0	0	-	n/a
Total Controllable Exp.	23,238	23,063	175	(25)	16,863	15,863	0	-	0.0%
Total Controllable Inc.	(11)	(19)	8	8	(11)	(11)	0	-	n/a
Net Controllable Exp.	23,227	23,044	183	(17)	16,852	16,852	0	-	0.0%
Transfer to Reserves (as at 01/12/23)	-	200	(200)	-	-	-	-	-	
Position After Transfers to Reserves (as at 01/12/23)	23,227	23,244	(17)	(17)	16,852	16,852	0	-	0.0%

No significant variance explanations to report

No budget virements to report

Approved Transfers to Reserves (£0.200m):

- i. Community Led Investments (£0.200m)

SOUTH LANARKSHIRE COUNCIL

Revenue Budget Monitoring Report

Community and Enterprise Resources: Period 9 Ended 1 December 2023 (No. 9)

Enterprise and Sustainable Development

	Annual Budget	Forecast for Year BEFORE Transfers	Annual Forecast Variance BEFORE Transfers	Annual Forecast Variance AFTER Transfers	Budget Proportion 01/12/23	Actual BEFORE Transfers 01/12/23	Variance 01/12/23		% Variance 01/12/23	Note
	£000	£000	£000	£000	£000	£000	£000			
<u>Budget Category</u>										
Employee Costs	5,599	5,238	361	361	3,651	3,490	161	under	4.4%	1,a,d,e
Property Costs	1,234	1,233	1	1	548	546	2	under	0.4%	c,g
Supplies & Services	245	248	(3)	(3)	91	100	(9)	over	(9.9%)	
Transport & Plant	47	44	3	3	45	43	2	under	4.4%	
Administration Costs	89	85	4	4	25	25	0	-	0.0%	f
Payments to Other Bodies	6,707	6,710	(3)	(3)	964	964	0	-	0.0%	b,c,d,e
Payments to Contractors	369	469	(100)	(100)	9	9	0	-	0.0%	d
Transfer Payments	0	0	0	0	0	0	0	-	n/a	
Financing Charges	44	47	(3)	(3)	3	3	0	-	0.0%	
Total Controllable Exp.	14,334	14,074	260	260	5,336	5,180	156	under	2.9%	
Total Controllable Inc.	(8,361)	(8,410)	49	49	(3,627)	(3,632)	5	over recovered	0.1%	c,e
Net Controllable Exp.	5,973	5,664	309	309	1,709	1,548	161	under	9.4%	
Transfer to Reserves (as at 01/12/23)	-	-	-	-	-	-	-	-	n/a	
Position After Transfers to Reserves (as at 01/12/23)	5,973	5,664	309	309	1,709	1,548	161	under	9.4%	

Variance Explanations

- This variance is mainly due to vacant posts within the services which are being recruited.

Budget Virements

- Transfer of budget in relation to pay award. Net effect £0.305m: Employees £0.305m.
- Transfer of budget for capital funded from revenue in respect of Business Infrastructure. Net Effect (£0.026m): Payment to Other Bodies (£0.026m).
- Establish budgets in respect of Hamilton Palace Grounds, Area Regeneration, Community led Local Development, Hamilton Towers. Net effect £0.000m: Property £0.694m, Payment to Other Bodies £0.704m, Income (£1.398m).
- Transfer from reserves in respect of Social Enterprise and Support Programme, Locate in South Lanarkshire, Tourism Cooperative and Strategy, Food Strategy Support fund and Climate Change South Lanarkshire. Net Effect £0.947m: Employees £0.031m, Payment to Other Bodies £0.556m, Payment to Contractors £0.360m.
- Realignment of budget to reflect service delivery within the service. Net effect £0.000m: Employees £0.020m, Payment to Other Bodies £0.055m, Income (£0.075m).
- Removal of budget in respect of procurement savings. Net effect (£0.003m): Administration (£0.003m).
- Transfer of budget in respect of utilities. Net effect £0.019m: Property £0.019m.

SOUTH LANARKSHIRE COUNCIL

Revenue Budget Monitoring Report

Community and Enterprise Resources: Period 9 Ended 1 December 2023 (No. 9)

Roads, Transportation and Fleet Services

Budget Category	Annual Budget £000	Forecast for Year BEFORE Transfers £000	Annual Forecast Variance BEFORE Transfers £000	Annual Forecast Variance AFTER Transfers £000	Budget Proportion 01/12/23 £000	Actual BEFORE Transfers 01/12/23 £000	Variance 01/12/23 £000		% Variance 01/12/23	Note
Employee Costs	23,376	21,755	1,621	1,621	14,562	13,681	881	under	6.0%	1,a,d
Property Costs	1,799	1,868	(69)	(69)	1,241	1,281	(40)	over	(3.2%)	2,b,c,d
Supplies & Services	9,506	9,887	(381)	(421)	5,632	5,667	(35)	over	(0.6%)	3,b,c
Transport & Plant	13,595	14,655	(1,060)	(1,060)	9,074	9,979	(905)	over	(10.0%)	4,c,d
Administration Costs	398	532	(134)	(134)	329	367	(38)	over	(11.6%)	5
Payments to Other Bodies	5,875	6,060	(185)	(185)	4,659	4,659	0	-	0.0%	d
Payments to Contractors	5,312	6,676	(1,364)	(1,364)	2,008	2,008	0	-	0.0%	d,e
Transfer Payments	617	617	0	0	308	308	0	-	0.0%	
Financing Charges	50	61	(11)	(11)	3	6	(3)	over	(100.0%)	
Total Controllable Exp.	60,528	62,111	(1,583)	(1,623)	37,816	37,956	(140)	over	(0.4%)	
Total Controllable Inc.	(39,031)	(39,671)	640	640	(26,319)	(25,745)	(574)	under recovered	2.2%	6,d
Net Controllable Exp.	21,497	22,440	(943)	(983)	11,497	12,211	(714)	over	(6.2%)	
Transfer to Reserves (as at 01/12/23)	-	40	(40)	-	-	0	0		n/a	
Position After Transfers to Reserves (as at 01/12/23)	21,497	22,480	(983)	(983)	11,497	14,927	(714)	over	(6.2%)	

Variance Explanations

1. The variance relates to staff turnover and vacancies within Roads and Fleet which are being recruited.
2. The overspend is mainly due to higher than anticipated costs in the upkeep of the Roads depots.
3. The overspend is due to IT costs in respect of a system upgrade within the Fleet.
4. The variance is mainly due to the timing of efficiencies and greater than anticipated expenditure in the workshop within Fleet services.
5. The overspend is due to a greater than budgeted spend on printing & stationery, security uplift fees and medical costs.
6. The under recovery reflects less than anticipated income from maintenance works within Roads Construction and within the Parking account where actual income from Parking charges are less than budget. This is partially offset by an over recovery within Fleet for additional vehicle maintenance income.

Budget Virements

- a. Transfer of budget in relation to pay award. Net effect £1.503m: Employees £1.503m.
- b. Transfer of budget in respect of additional rates poundage and utilities. Net effect £1.085m: Property £0.175m, Supplies and Services £0.910m.
- c. Removal of budget in respect of procurement savings. Net effect (£0.008m): Transport and Plant (£0.008m).
- d. Realignment of budget to reflect service provision within Roads and Fleet. Net effect £0.000m: Employees (£0.474m), Property £0.106m, Transport and Plant £0.656m, Payment to Other Bodies £0.500m, Payment to Contractors £0.509m, Income (£1.297m)
- e. Transfer from reserves in respect of Community Resilience programme Net Effect £0.035m: Payment to Contractors £0.035m.

Approved Transfers to Reserves (£0.040m):

- ii. Fleet Sinking Fund contribution (£0.025m)
- iii. Year 3 of 4 of Electric Vehicle Payback (£0.015m)