

# Report

Report to:	<b>Executive Committee</b>
Date of Meeting:	<b>13 February 2019</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Trading Services Financial Performance for Period 11: 1 April 2018 to 4 January 2019 and Probable Outturn</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide information on the estimated surplus for each of the Council's Trading Operations,
- ◆ provide information on the actual surplus as at 4 January 2019, and
- ◆ provide an update on the projected results for the financial year 2018/2019.

## 2. Recommendation(s)

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

- (1) that the Trading Operations' outturn position, be noted;
- (2) that the surplus achieved to 4 January 2019 **before** transfers to reserves of £5.888 million, as detailed in Appendix A of the report, be noted; and
- (3) that the surplus achieved to 4 January 2019 **after** transfers to reserves of £5.848 million, as detailed in Appendix A of the report, be noted.

## 3. Background

3.1. This is an overview report which will summarise the 2018/2019 forecast spend for the Council's Trading Operations to 31 March 2019 (section 5). This is known as the Probable Outturn position. It will also provide details of the Trading Operations' Monitoring Position to 4 January 2019, compared with the budget for the same period (section 6).

3.2. When establishing the probable outturn position for the year, Resources were asked to take all known commitments into account. The report will detail the anticipated spend for the year and will propose funds to transfer to reserves for future commitments. The report will also detail the position after proposed transfers to reserves to take account of those known commitments required in the next financial year.

## 4. Trading Operations Budget

4.1. As part of the budget for 2018/2019, an estimated target for Trading Operations' surpluses was set at £11.466 million. In the period to 9 November 2018, this was revised to £11.919 million. There were no further adjustments made in the period to 4 January 2019.

4.2. Details of the financial performance of each of the individual Trading Operations is provided in Appendix A to this report.

- 4.3. This budgeted surplus sum will continue to be taken as a minimum target for achievement by the Trading Operations. Effort will be maintained to maximise results during the remainder of this financial year.

## **5. Employee Implications**

- 5.1. None

## **6. Probable Outturn Forecast to 31 March 2019**

- 6.1. Appendices A and B show the outturn position for the Council's Trading Operations.
- 6.2. As per section 3.2, the report will provide the Trading Operations' outturn position **before** any proposed transfers to reserves (Appendix A) and then the position **after** transfers to reserves (Appendix B).
- 6.3. **Trading Operations Outturn Position:** The forecast outturn position to 31 March 2019 is an **under recovery** against surplus of **£2.226 million before** any transfers to reserves.
- 6.4. This under recovery comprises an under recovery of £0.776m in the Fleet Trading Operation due to repairs, plant and equipment and the timing of the implementation of efficiencies, and a minor underspend of £0.025 million in the Roads Trading Operation. Both of these are offset by an underspend in the Community and Enterprise Resources' budget.
- 6.5. In addition, there is an under recovery of £1.425 million in the Property Trading Operation. As reported previously this reflects the timing of works carried out in respect of Early Years, Central Heating programmes, and Growth and Capacities in schools.
- 6.6. The Fleet Trading Operation is proposing a transfer to reserves of £0.040 million, included in the Revenue Budget Monitoring Report (Period 11) for consideration. The transfer is in respect of the replacement of equipment in the depots. After taking this transfer into account the outturn position **after** transfers to reserves is an under recovery against surplus of **£2.266 million**.

## **7. Financial Implications – Revenue Monitoring Position**

- 7.1. As at period 11 (4 January 2019), the actual surplus **before** transfers achieved by the Trading Operations totals £5.888 million. This represents an **under recovery of £2.007 million** against the phased budget. Of this under recovery, £1.255 million at period 11 relates to the Property Trading Operation (section 6.5 above).
- 7.2. In addition, £0.732 million relates to the Fleet Trading Operation (section 6.4 above), and is offset by an underspend in the Community and Enterprise Resources' budget, as shown in the Revenue Budget Monitoring Report for the period ended 4 January 2019.
- 7.3. The position at period 11 **after** transfers is a surplus of £5.848 million, **an under recovery of £2.047 million**.

## **8. Other Implications**

- 8.1. The main risk associated with the Trading Operations' Budgets is that there is a reduction in the surplus achieved. The risk has been assessed as low given the detailed budget management applied across the Trading Operations. 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.
- 7.2. 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)**

14 January 2019

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

- ◆ Accountable, Effective, Efficient and Transparent

## **Previous References**

- ◆ Executive Committee, 19 December 2018

## **List of Background Papers**

- ◆ Financial ledger and budget monitoring results to 4 January 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 (BEFORE Transfers)

Period Ended 4 January 2019 (No.11)

## Trading Operations

	Revenue Budget Surplus	Forecast Revenue Budget Surplus BEFORE Transfers	Forecast Variance BEFORE Transfers	Phased Budget (Surplus) at 04/01/19	Actual (Surplus) / Deficit at 04/01/19	Variance at 04/01/19	
Trading Service	£m	£m	£m	£m	£m	£m	
Fleet	(2.876)	(2.100)	(0.776)	(1.532)	(0.800)	(0.732)	under surplus
Roads	(4.639)	(4.614)	(0.025)	(3.568)	(3.548)	(0.020)	under surplus
Property Services	(4.404)	(2.979)	(1.425)	(2.795)	(1.540)	(1.255)	under surplus
<b>Total</b>	<b>(11.919)</b>	<b>(9.693)</b>	<b>(2.226)</b>	<b>(7.895)</b>	<b>(5.888)</b>	<b>(2.007)</b>	<b>under surplus</b>

## SOUTH LANARKSHIRE COUNCIL

## Revenue Budget Monitoring Report (AFTER Transfers)

Period Ended 4 January 2019 (No.11)

## Trading Operations

	Revenue Budget Surplus	Forecast Revenue Budget Surplus AFTER Transfers	Forecast Variance AFTER Transfers	Phased Budget (Surplus) at 04/01/19	Actual (Surplus) / Deficit at 04/01/19	Variance at 04/01/19	
Trading Service	£m	£m	£m	£m	£m	£m	
Fleet	(2.876)	(2.006)	(0.816)	(1.532)	(0.760)	(0.772)	under surplus
Roads	(4.639)	(4.614)	(0.025)	(3.568)	(3.548)	(0.020)	under surplus
Property Services	(4.404)	(2.979)	(1.425)	(2.795)	(1.540)	(1.255)	under surplus
<b>Total</b>	<b>(11.919)</b>	<b>(9.653)</b>	<b>(2.226)</b>	<b>(7.895)</b>	<b>(5.848)</b>	<b>(2.047)</b>	<b>under surplus</b>