

Report

Report to:	Executive Committee
Date of Meeting:	6 November 2019
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Revenue Budget Monitoring for Period 6 - 1 April to 13 September 2019
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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 2019 to 13 September 2019

2. Recommendation(s)

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

- (1) that the underspend of £7.027 million on the General Fund Revenue Account at 13 September 2019 as detailed in Appendix 1 of the report, and the forecast to 31 March 2020, be noted; and
- (2) that the breakeven position on the Housing Revenue Account at 13 September 2019, as detailed in Appendix 3 of the report, and the forecast to 31 March 2020 of breakeven, be noted.

3. Background

3.1. General Services Position

This is an overview report summarising the actual expenditure and income to 13 September 2019 compared with the budget for the same period. This is provided on a Resource basis in Appendix 1 and a subjective basis in Appendix 2, and summarised in Section 4.

3.2. Housing Revenue Account Position

Appendix 3 to the report shows the expenditure and income position for the Housing Revenue Account (HRA) to 13 September 2019. This is summarised in Section 5.

4. Financial Position

4.1. General Fund Revenue Account Position

As at 13 September 2019, Appendix 1 of the report details a net underspend of £7.027 million against the phased budget.

4.2. The net underspend of £7.027 million is made up of underspends in Loan Charges and Corporate Items, partially offset by overspends in Community and Enterprise and Social Work Resources. These are taken in turn below:

- 4.3. **Community and Enterprise Resources:** The Resource is currently reporting a net overspend of £0.170 million. The overspend position for the Resource in the main reflects the settlement of the legal costs associated with the food safety case and the timing of efficiencies identified through the Fleet review.
- 4.4. In respect of the legal costs, the Council has now reached agreement with the other party to contribute £0.320 million towards their legal costs in respect of the food safety court case. The Resource is able to fund £0.200 million from monies carried forward to reserves in 2018/2019, however this still leaves a pressure of £0.120 million for 2019/2020.
- 4.5. **Social Work Resources:** As previously reported, the Resource has identified pressures within the Children and Families' Services, due to the number of new residential school/external placements in the first 6 months of the current year, and also in relation to kinship care. The net overspend on Social Work Resources, as at period 6 is £0.943 million. The estimated position for the full year will continue to be worked on, and will be reported later in the year.
- 4.6. **Loan Charges:** As reported previously, an underspend of £6.500 million is anticipated due to the re-phasing of the principal repayment on debt and also reflecting the actual interest rates at which borrowing was taken in 2018/2019. The Executive Committee (26 June 2019) gave approval to transfer this underspend to reserves to support the 2020/2021 Strategy.
- 4.7. It was also reported that similar to the situation last financial year, the Council have not yet had to borrow to date and instead, cash balances have been used to fund capital spend incurred.
- 4.8. Based on current projections of cash balances available, it is anticipated that we will not require to take the predicted 2019/2020 borrowing before the end of the financial year. The cash balances will be used on a temporary basis as this will generate an in-year underspend against interest costs of approximately £1.100 million. As a result, it is now anticipated that the loan charges underspend in 2019/2020 will increase by the £1.100 million to £7.600 million. This requirement not to borrow is on a temporary basis only, and borrowing will be required to replace the cash balances in the future.
- 4.9. **Auto Enrolment:** The Council is required to auto enrol employees into the pension scheme every 3 years. The budget included an assumption on costs for employees that would remain in the scheme. This year, more employees have remained in the scheme than anticipated. Based on current information, it is estimated that the costs could be £0.800 million higher than the original estimate. The position will continue to be monitored and will be reported later in the year.
- 4.10. **Corporate Items - 2020/2021 Strategy:** As reported previously, an underspend of £0.540 million is anticipated in the current year for budgets no longer required. This underspend is shown in Corporate Items. Approval was given at the Executive Committee (26 June 2019) to transfer the underspend to reserves to support the 2020/2021 Strategy.
- 4.11. **Education Resources:** As previously reported, the £7.7 million allocation of Pupil Equity Fund (PEF) is anticipated to spend in the academic year to June 2020. This academic year straddles 2 financial years, resulting in an underspend in 2019/2020 which will require to be carried forward and used in April to June 2020. An initial

estimate of this underspend is £1.500 million, but this will depend on the timing of spend throughout the year.

- 4.12. The actual expected spend position for the financial year will be reported as we go through the year.
- 4.13. **Council Tax Income:** Recent information indicates that the number of properties generating Council Tax has increased. As a result, it is anticipated that there will be a net over-recovery of income in relation to Council Tax / Council Tax Reduction Scheme. This position will be confirmed as part of the annual Probable Outturn exercise.
- 4.14. **2019/2020 Forecast Outturn Summary:** At this stage in the financial year, the forecast to 31 March 2020 is now showing an underspend of £9.640 million. This is analysed below:
- ◆ Loan Charges underspend of £7.600 million (section 4.8)
 - ◆ Corporate Items (2020/2021 Strategy) of £0.540 million (section 4.10) and
 - ◆ Education Resources underspend for PEF £1.500 million (section 4.11)
- 4.15. As part of the 2020/2021 Strategy refresh (Executive Committee, 26 June 2019) approval was obtained to transfer the £6.500 million underspend in Loan Charges (section 4.6) and £0.540 million in Corporate Items (section 4.10) to reserves at the end of 2019/2020. This leaves a revised underspend of £2.600 million. This £2.600 million reflects the potential PEF underspend (£1.500 million) and the additional loan charges underspend (£1.100 million). Taking into account the PEF commitment required in relation to 2020/2021, leaves an underspend of £1.100 million available for use. This is shown in Appendices 1 and 2.
- 4.16. The £1.100 million underspend position (section 4.15) does not reflect the Social Work pressures (section 4.5), the additional costs for Auto Enrolment (section 4.9) or the Council Tax position as reported at section 4.13. The expected final outturn for these budget areas will confirmed and will be reported on later in the year as part of the annual Probable Outturn exercise.
- 4.17. **Additional General Revenue Grant**
Since the last report, Education Resources have been notified of funding of £0.709 million for Access to Counselling Through Schools. This has been included in the figures in Appendix 1.
- 4.18. **Other Funding**
There has been no additional funding notified since the last report.
- 5. Housing Revenue Account Position**
- 5.1. As at 13 September 2019, Appendix 3 of the report shows a breakeven position against the phased budget on the Housing Revenue Account.
- 5.2. The forecast to 31 March 2020 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 (Including Environmental and Risk Issues)

- 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)

23 September 2019

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 13 September 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
Period Ended 13 September 2019 (No.6)

<u>Committee</u>	Annual Budget	Annual Forecast	Annual Forecast Variance	Budget Proportion to 13/09/19	Actual to Period 6 13/09/19	Variance to 13/09/19	
Departments:	£m	£m	£m	£m	£m	£m	
Community and Enterprise Resources	107.573	107.573	0.000	45.725	45.895	(0.170)	over
Facilities Streets and Waste (Inc. Support)	64.295	64.295	0.000	24.124	23.997	0.127	under
Fleet, Environmental and Projects	1.355	1.355	0.000	0.712	1.023	(0.311)	over
Leisure and Culture Services	19.467	19.467	0.000	9.505	9.505	0.000	-
Planning and Economic Development	3.168	3.168	0.000	3.658	3.646	0.012	under
Roads	19.288	19.288	0.000	7.726	7.724	0.002	under
Education Resources	334.453	332.953	1.500	119.742	119.742	0.000	-
Finance and Corporate Resources	32.753	32.753	0.000	22.471	22.471	0.000	-
Finance Services - Strategy	2.147	2.147	0.000	1.485	1.532	(0.047)	over
Finance Services - Transactions	12.279	12.279	0.000	9.279	9.110	0.169	under
Audit and Compliance Services	0.360	0.360	0.000	0.270	0.270	0.000	-
Information Technology Services	4.848	4.848	0.000	4.265	4.328	(0.063)	over
Communications and Strategy Services	1.083	1.083	0.000	0.738	0.817	(0.079)	over
Administration and Licensing Services	4.018	4.018	0.000	2.570	2.550	0.020	under
Personnel Services	8.018	8.018	0.000	3.864	3.864	0.000	under
Housing and Technical Resources	16.292	16.292	0.000	7.792	7.792	0.000	-
Housing Services	8.466	8.466	0.000	2.981	2.981	0.000	-
Property Services	7.826	7.826	0.000	4.811	4.811	0.000	-
Social Work Resources	163.515	163.515	0.000	73.294	74.237	(0.943)	over
Performance and Support Services	7.773	7.773	0.000	3.400	3.400	0.000	-
Children and Families	32.122	32.122	0.000	14.367	15.323	(0.956)	over
Adults and Older People	122.347	122.347	0.000	54.687	54.727	(0.040)	over
Justice and Substance Misuse	1.273	1.273	0.000	0.840	0.787	0.053	under
Joint Boards	2.151	2.151	0.000	1.008	1.008	0.000	-
	656.737	655.237	1.500	270.032	271.145	(1.113)	over

<u>Committee</u>	Annual Budget	Annual Forecast	Annual Forecast Variance	Budget Proportion to 13/09/19	Actual to Period 6 13/09/19	Variance to 13/09/19	
	£m	£m	£m	£m	£m	£m	
Service Departments Total	656.737	655.237	1.500	270.032	271.145	(1.113)	over
CFCR	0.000	0.000	0.000	0.000	0.000	0.000	-
Loan Charges	54.136	46.536	7.600	54.136	46.536	7.600	under
Corporate Items	4.936	4.936	0.000	0.068	0.068	0.000	-
Corporate Items - 2020/2021 Strategy	0.540	0.000	0.540	0.540	0.000	0.540	under
Transfer to Reserves	0.000	0.000	0.000	0.000	0.000	0.000	-
Total Expenditure	716.349	706.709	9.640	324.776	317.749	7.027	under
Council Tax	152.487	152.487	0.000	65.352	65.352	0.000	-
Less: Council Tax Reduction Scheme	(20.480)	(20.480)	0.000	(8.777)	(8.777)	0.000	-
Net Council Tax	132.007	132.007	0.000	56.575	56.575	0.000	-
General Revenue Grant	220.380	220.380	0.000	95.025	95.025	0.000	-
Non Domestic Rates	341.166	341.166	0.000	157.461	157.461	0.000	-
Transfer from Reserves	22.796	22.796	0.000	22.796	22.796	0.000	-
Total Income	716.349	716.349	0.000	331.857	331.857	0.000	-
Net Expenditure / (Income)	0.000	(9.640)	9.640	(7.081)	(14.108)	7.027	under

	Annual Budget	Annual Forecast	Annual Forecast Variance
	£m	£m	£m
Net Expenditure / (Income)	0.000	(9.640)	9.640
Allocate to 2020/2021 Strategy	0.000	7.040	(7.040)
PEF Transfer to Reserves	0.000	1.500	(1.500)
Total Expenditure	0.000	(1.100)	1.100

SOUTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report
Period Ended 13 September 2019 (No.6)

Budget Category**Service Departments:****Expenditure**

	Annual Budget	Annual Forecast	Annual Forecast Variance	Budget Proportion to 13/09/19	Actual to Period 6 13/09/19	Variance to 13/09/19	
	£m	£m	£m	£m	£m	£m	
Employee Cost	503.698	503.698	0.000	217.119	216.852	0.267	under
Property Costs	54.497	54.497	0.000	13.874	13.952	(0.078)	over
Supplies and Services	54.848	53.348	1.500	21.716	21.815	(0.099)	over
Transport Costs	39.694	39.694	0.000	17.308	17.825	(0.517)	over
Administration Costs	15.503	15.503	0.000	6.345	6.553	(0.208)	over
Payments to Other Bodies	61.367	61.367	0.000	26.076	26.428	(0.352)	over
Payments to Contractors	196.221	196.221	0.000	75.101	75.540	(0.439)	over
Transfer Payments	3.373	3.373	0.000	2.494	2.638	(0.144)	over
Housing Benefits	80.358	80.358	0.000	31.339	31.195	0.144	under
Financing Charges (controllable)	1.972	1.972	0.000	1.116	1.137	(0.021)	over
Total	1,011.531	1,010.031	1.500	412.488	413.935	(1.447)	over
Service Departments Total	1,011.531	1,010.031	1.500	412.488	413.935	(1.447)	over
CFCR	0.000	0.000	0.000	0.000	0.000	0.000	-
Loan Charges	54.136	46.536	7.600	54.136	46.536	7.600	under
Corporate Items	4.936	4.936	0.000	0.068	0.068	0.000	-
Corporate Items - 2020/2021 Strategy	0.540	0.000	0.540	0.540	0.000	0.540	under
Transfer to Reserves	0.000	0.000	0.000	0.000	0.000	0.000	-
Total Expenditure	1,071.143	1,061.503	9.640	467.232	460.539	6.693	under
Income							
Housing Benefit Subsidy	75.662	75.662	0.000	27.311	27.311	0.000	-
Other Income	279.132	279.132	0.000	115.145	115.479	0.334	over rec
Council Tax (Net of Council Tax Reduction Scheme)	132.007	132.007	0.000	56.575	56.575	0.000	-
General Revenue Grant	220.380	220.380	0.000	95.025	95.025	0.000	-
Non Domestic Rates	341.166	341.166	0.000	157.461	157.461	0.000	-
Transfer from Reserves	22.796	22.796	0.000	22.796	22.796	0.000	-
Total Income	1,071.143	1,071.143	0.000	474.313	474.647	0.334	over rec
Net Expenditure / (Income)	0.000	(9.640)	9.640	(7.081)	(14.108)	7.027	under

Net Expenditure / (Income)
 Allocate to 2020/2021 Strategy
 PEF Transfer to Reserves
Total Expenditure

	Annual Budget	Annual Forecast	Annual Forecast Variance
	£m	£m	£m
Net Expenditure / (Income)	0.000	(9.640)	9.640
Allocate to 2020/2021 Strategy	0.000	7.040	(7.040)
PEF Transfer to Reserves	0.000	1.500	(1.500)
Total Expenditure	0.000	(1.100)	1.100

SOUTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report
Period Ended 13 September 2019 (No.6)
Housing Revenue Account

	Annual Budget	Forecast for Year	Annual Forecast Variance	Budget Proportion to 13/09/19	Actual to Period 6 13/09/19	Variance to 13/09/19		%	Note
	£m	£m	£m	£m	£m	£m			
Employee Costs	13.675	13.675	0.000	5.841	5.622	0.219	under	3.7%	1
Property Costs	44.605	44.605	0.000	16.345	16.380	(0.035)	over	(0.2%)	
Supplies & Services	1.654	1.654	0.000	0.533	0.521	0.012	under	2.3%	
Transport & Plant	0.195	0.195	0.000	0.065	0.066	(0.001)	over	(1.5%)	
Administration Costs	5.702	5.702	0.000	0.241	0.233	0.008	under	3.3%	
Payments to Other Bodies	3.174	3.174	0.000	0.001	0.005	(0.004)	over	(400.0%)	
Payments to Contractors	0.100	0.100	0.000	0.054	0.056	(0.002)	over	(3.7%)	
Transfer Payments	0.000	0.000	0.000	0.000	0.000	0.000	-	n/a	
Financing Charges	20.589	20.589	0.000	15.786	15.786	0.000	-	0.0%	
Total Controllable Expenditure	89.694	89.694	0.000	38.866	38.669	0.197	under	0.5%	
Total Controllable Income	(102.529)	(102.529)	0.000	(37.515)	(37.318)	(0.197)	under recovered	(0.5%)	2
Transfer to/(from) Balance Sheet	(2.845)	(2.845)	0.000	(1.351)	(1.351)	0.000	-	0.0%	
Net Controllable Expenditure	(15.680)	(15.680)	0.000	0.000	0.000	0.000	-	0.0%	
Add: Non Controllable Budgets									
Financing Charges	15.680	15.680	0.000	0.000	0.000	0.000	-	0.0%	
Total Budget	0.000	0.000	0.000	0.000	0.000	0.000	-	0.0%	

Variance Explanations

1. Employee Costs

This variance relates to vacancies which are actively being recruited.

2. Income

The under recovery in rental income is due to the timing of the completion of new build properties.