

Report

Report to:	Community and Enterprise Resources Committee
Date of Meeting:	19 March 2019
Report by:	Executive Director (Finance and Corporate Resources) Executive Director (Community and Enterprise Resources)

Subject:	Community and Enterprise Resources - Revenue Budget Monitoring 2018/2019
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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 2018 to 1 February 2019 for Community and Enterprise Resources
- ◆ provide a forecast for the year to 31 March 2019.

2. Recommendation(s)

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

- (1) that the forecast to 31 March 2019 of an underspend of £0.730m before transfers to reserves, as detailed in Appendix A of the report, and the forecast after transfers to reserves of £0.333m, be noted;
- (2) that an underspend of £1.026m as at 1 February 2019, as detailed in Appendix A of the report, and the underspend of £0.629m, after transfers to reserves, be noted;
- (3) that the use of the projected underspend to support the under recovery in the targeted surplus within the Resources' Trading Operations resulting in an overspend of £0.508 million for the Resource be noted; and
- (4) that the proposed budget virements, as detailed in appendices B to F of the report, be approved.

3. Background

- 3.1. This is the fourth revenue budget monitoring report presented to the Community and Enterprise Resources Committee for the financial year 2018/2019.
- 3.2. The Resource has completed its formal probable outturn exercise for the year. This exercise identifies the expected spend to the 31 March 2019. Details are included in section 5.
- 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 formal Probable Outturn exercise, the Resource position before any transfers to reserves is an underspend of £0.730 million.
- 5.2. The Resource is proposing transfers to reserves totalling £0.397 million. These have been approved by Executive Committee on 13 February 2019, and take the reported position **after transfers** to reserves to an underspend of £0.333 million. The underspend will be used to support the under recovery in the targeted surplus within Fleet Trading Operation of (£0.816) million and Roads Trading (£0.025) resulting in an overspend of £0.508 million for the Resource. The transfers and the overall position are detailed in Appendix A.
- 5.3. As reported at the last committee, the outturn position includes legal costs associated with compensation paid for the court case on food safety (£0.254m) and financial pressures within SLL&C (£0.400m). This will continue to be monitored over the remainder of the financial year.
- 5.4. **Position as 1 February 2019:** Appendix A shows the position as at 1 February 2019, being a £1.026 million underspend against the phased budget. This is the position **before** transfers to reserves. For detailed variance explanations of the underspend, please refer to Appendices B to F. The underspend is currently being used to support the under recovery against the targeted surplus within Fleet Trading of (£0.797) million and Roads Trading (£0.023) million.
- 5.5. The Resource position as at 1 February 2019 **after** transfers to reserves are taken into account, is an underspend of £0.629 million. The position as at 1 February does not take into account the potential financial pressure within South Lanarkshire Leisure and Culture, however this has been reflected in the Resource's outturn forecast for the year.
- 5.6. The Resource position as at 1 February 2019 as outlined in Appendix A reflects transfers to reserves, as detailed in Appendices B to F.
- 5.7. Virements are proposed to realign budgets across budget categories and with other Resources. These movements are detailed in appendices B to F of this report.

6. Other Implications

- 6.1. 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.
- 6.2. There are no implications for sustainability in terms of the information contained in this report.

7. Equality Impact Assessment and Consultation Arrangements

- 7.1. 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)

Michael McGlynn
Executive Director (Community and Enterprise Resources)

13 February 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 1 February 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

Community and Enterprise Resources: Period 12 Ended 1 February 2019 (No.12)

Community and Enterprise Resources Summary

	Annual Budget	Forecast for Year BEFORE Transfers	Annual Forecast Variance BEFORE Transfers	Annual Forecast Variance AFTER Transfers	Budget Proportion 01/02/19	Actual BEFORE Transfers 01/02/19	Variance 01/02/19		% Variance 01/02/19	Note
	£000	£000	£000	£000	£000	£000	£000			
<u>Budget Category</u>										
Employee Costs	64,889	63,536	1,353	1,353	52,018	50,656	1,362	under	2.6%	
Property Costs	4,056	4,055	1	(9)	3,279	3,330	(51)	over	(1.6%)	
Supplies & Services	8,277	9,265	(988)	(1,215)	6,170	6,998	(828)	over	(13.4%)	
Transport & Plant	7,993	8,141	(148)	(148)	6,036	6,080	(44)	over	(0.7%)	
Administration Costs	704	1,165	(461)	(461)	613	907	(294)	over	(48.0%)	
Payments to Other Bodies	8,235	8,712	(477)	(537)	7,272	7,753	(481)	over	(6.6%)	
Payments to Contractors	55,930	56,036	(106)	(206)	46,489	46,288	201	under	0.4%	
Transfer Payments	563	563	0	0	563	563	0	-	0.0%	
Financing Charges	182	158	24	24	140	111	29	under	20.7%	
Total Controllable Exp.	150,829	151,631	(802)	(1,199)	122,580	122,686	(106)	over	(0.1%)	
Total Controllable Inc.	(34,825)	(36,357)	1,532	1,532	(25,234)	(26,366)	1,132	over recovered-	4.5%	
Net Controllable Exp.	116,004	115,274	730	333	97,346	96,320	1,026	under	1.1%	
Transfer to Reserves (as at 01/02/19)					-	397	(397)	over		
Position After Transfers to Reserves (as at 01/02/19)					97,346	96,717	629	under	0.6%	

Variance Explanations

Detailed in Appendix B to F.

Budget Virements

Budget virements are shown in Appendices B to F.

Transfers to Reserves

Detailed in Appendix B to F

SOUTH LANARKSHIRE COUNCIL

Revenue Budget Monitoring Report

Community and Enterprise Resources: Period 12 Ended 1 February 2019 (No.12)

Facilities, Streets and Waste (including Support)

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 01/02/19 £000	Actual BEFORE Transfers 01/02/19 £000	Variance 01/02/19 £000		% Variance 01/02/19	Note
Employee Costs	50,427	49,692	735	735	40,477	39,809	668	under	1.7%	1,a,b,c
Property Costs	2,502	2,512	(10)	(20)	2,093	2,147	(54)	over	(2.6%)	2,a
Supplies & Services	6,412	7,342	(930)	(1,105)	4,911	5,669	(758)	over	(15.4%)	3,c
Transport & Plant	7,564	7,474	90	90	5,668	5,548	120	under	2.1%	4,a
Administration Costs	266	359	(93)	(93)	213	291	(78)	over	(36.6%)	5
Payments to Other Bodies	30	31	(1)	(1)	30	30	0	-	0.0%	
Payments to Contractors	14,393	14,637	(244)	(344)	12,634	12,766	(132)	over	(1.0%)	6,a,c
Transfer Payments	0	0	0	0	0	0	0	-	n/a	
Financing Charges	85	68	17	17	56	44	12	under	21.4%	
Total Controllable Exp.	81,679	82,115	(436)	(721)	66,082	66,304	(222)	over	(0.3%)	
Total Controllable Inc.	(17,625)	(18,166)	541	541	(15,636)	(15,931)	295	over recovered	1.9%	7,b,c
Net Controllable Exp.	64,054	63,949	105	(180)	50,446	50,373	73	under	0.1%	
Transfer to Reserves (as at 01/02/19)					-	285	(285)	over		
Position After Transfers to Reserves (as at 01/02/19)					50,446	50,658	(212)	over	(0.4%)	

Variance Explanations

- The underspend is mainly due to vacancies within the service due to turnover and timing of recruitment, partially offset by overtime costs.
- The overspend relates to rates associated with a former civic amenity site, Muttonhole Road.
- The overspend is mainly due to a higher level of bin purchases than budgeted within Waste Services and the purchase of catering and cleaning equipment within Facilities.
- The underspend relates to leasing costs being less than budget within Streets, partially offset by higher than budgeted vehicle maintenance and fuel costs within Waste, plant repairs, return conditions and fuel within Grounds..
- The overspend is mainly due to the printing of Recycling/Blue Bin Campaign Flyers and medical costs being higher than budgeted.
- The overspend is mainly due to the additional service requests which are capital in nature within Grounds. This is offset by an over recovery of Income.
- The over recovery of income relates to the sale of bins, scrap and clearances being greater than budget within Waste Services and additional service requests of a capital nature within Grounds. These over recoveries are partially offset by lower than budgeted cash income from school meals and service movements mainly within the Concierge service.

Budget Virements

- Transfer from reserves in respect of commitment for St Kentigerns (Grounds); Waste Disposal, vehicle repair (Waste) and Food Development Officer (Support). Net Effect £1,041.m: Employee Costs £0.020m, Property Costs £0.004m, Transport and Plant £0.022m, Payment to Contractor £0.995m.
- Transfer budget to Education in respect of ASN transport staffing from Support. Net Effect (£0.000m): Employee Costs (£0.069m), Income £0.069m.
- Realignment of budgets to reflect service delivery. Net effect £0.000m: Employee Costs (£0.202m), Supplies & Services (£0.028m), Payment to Contractor £0.070m, Income £0.160m.

Transfers to Reserves (£0.285m):

- New initiative in Lanark - Comfort Scheme (£0.010m)
- Provision for new catering cashless system (£0.175m)
- Crematorium Sinking Fund (£0.050m)
- New Shelter for Crematorium (£0.050m)

SOUTH LANARKSHIRE COUNCIL

Revenue Budget Monitoring Report

Community and Enterprise Resources: Period 12 Ended 1 February 2019 (No.12)

Environmental (Inc Projects)

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 01/02/19 £000	Actual BEFORE Transfers 01/02/19 £000	Variance 01/02/19 £000		% Variance 01/02/19	Note
Employee Costs	3,728	3,498	230	230	2,983	2,788	195	under	6.5%	1
Property Costs	12	17	(5)	(5)	11	14	(3)	over	(27.3%)	
Supplies & Services	239	249	(10)	(62)	166	165	1	under	0.6%	a
Transport & Plant	131	111	20	20	113	98	15	under	13.3%	
Administration Costs	66	331	(265)	(265)	62	260	(198)	over	(319.4%)	2,a
Payments to Other Bodies	218	231	(13)	(13)	178	158	20	under	11.2%	
Payments to Contractors	746	765	(19)	(19)	535	616	(81)	over	(15.1%)	3,a
Transfer Payments	0	0	0	0	0	0	0	-	n/a	
Financing Charges	24	17	7	7	18	12	6	under	33.3%	
Total Controllable Exp.	5,164	5,219	(55)	(107)	4,066	4,111	(45)	over	(1.1%)	
Total Controllable Inc.	(1,201)	(1,337)	136	136	(847)	(963)	116	over recovered	13.7%	4
Net Controllable Exp.	3,963	3,882	81	29	3,219	3,148	71	under	2.2%	
Transfer to Reserves (as at 01/02/19)					-	52	(52)	over		
Position After Transfers to Reserves (as at 01/02/19)					3,219	3,200	19	under	0.6%	

Variance Explanations

1. This underspend is mainly due to vacancies within the service and timing of recruitment.
2. This overspend is mainly due to compensation costs in respect of the food safety court case.
3. The overspend is due to the cost of clinical waste, which is demand led, offset by an over recovery of income and by an under spend within Projects for property related works.
4. The underspend is mainly due to income recovered from Housing & Technical Resources for the removal of clinical waste.

Budget Virements

- a. Realignment of budgets to reflect service delivery (Projects). Net effect £0.000m: Supplies & Services £0.039m, Administration (£0.0010m), Payment to Contractor (£0.029m).

Transfers to Reserves (£0.052m):

- i. Upgrade of Environmental Flare System (£0.052m)

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Revenue Budget Monitoring Report

Community and Enterprise Resources: Period 12 Ended 1 February 2019 (No.12)

Leisure and Culture

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 01/02/19 £000	Actual BEFORE Transfers 01/02/19 £000	Variance 01/02/19 £000		% Variance 01/02/19	Note
Employee Costs	4	5	(1)	(1)	3	4	(1)	over	(33.3%)	
Property Costs	239	200	39	39	228	188	40	under	17.5%	1
Supplies & Services	0	0	0	0	0	1	(1)	over	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	88	(8)	(8)	16	16	0	-	0.0%	
Payments to Contractors	18,571	18,970	(399)	(399)	17,869	17,869	0	-	0.0%	
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.	18,902	19,271	(369)	(369)	18,124	18,086	38	under	0.2%	
Total Controllable Inc.	0	(2)	2	2	0	(1)	1	over recovered	n/a	
Net Controllable Exp.	18,902	19,269	(367)	(367)	18,124	18,085	39	under	0.2%	
Transfer to Reserves (as at 01/02/19)					-	-	-	-		
Position After Transfers to Reserves (as at 01/02/19)					18,124	18,085	39	under	0.2%	

Variance Explanations

1. The underspend is due to lower than anticipated service charge for East Kilbride ice rink and other property costs.

Budget Virements

No budget virements.

SOUTH LANARKSHIRE COUNCIL

Revenue Budget Monitoring Report

Community and Enterprise Resources: Period 12 Ended 1 February 2019 (No.12)

Planning and Economic Development

Budget Category	Annual Budget	Forecast for Year BEFORE Transfers	Annual Forecast Variance BEFORE Transfers	Annual Forecast Variance AFTER Transfers	Budget Proportion 01/02/19	Actual BEFORE Transfers 01/02/19	Variance 01/02/19		% Variance 01/02/19	Note
	£000	£000	£000	£000	£000	£000	£000			
Employee Costs	4,753	4,760	(7)	(7)	3,794	3,765	29	under	0.8%	1
Property Costs	640	660	(20)	(20)	418	437	(19)	over	(4.5%)	2,b
Supplies & Services	81	91	(10)	(10)	75	90	(15)	over	(20.0%)	
Transport & Plant	29	37	(8)	(8)	25	32	(7)	over	(28.0%)	
Administration Costs	85	137	(52)	(52)	79	94	(15)	over	(19.0%)	c
Payments to Other Bodies	2,549	2,614	(65)	(125)	1,736	1,798	(62)	over	(3.6%)	3
Payments to Contractors	6,292	6,293	(1)	(1)	5,555	5,555	0	-	0.0%	A
Transfer Payments	0	0	0	0	0	0	0	-	n/a	
Financing Charges	33	30	3	3	27	25	2	under	7.4%	
Total Controllable Exp.	14,462	14,622	(160)	(220)	11,709	11,796	(87)	over	(0.7%)	
Total Controllable Inc.	(11,504)	(11,939)	435	435	(5,833)	(6,106)	273	over recovered	4.7%	4,a,b
Net Controllable Exp.	2,958	2,683	275	215	5,876	5,690	186	under	3.2%	
Transfer to Reserves (as at 01/02/19)					-	60	(60)	over		
Position After Transfers to Reserves (as at 01/02/19)					5,876	5,750	126	under	2.1%	

Variance Explanations

1. This underspend reflects the timing of staff recruitment and vacancies.
2. This over spend relates to bad debt write off for irrecoverable costs.
3. The over spend is mainly due to increased security costs for Christmas switch on events.
4. The over recovery reflects income from building warrants as a result of increased fees.

Budget Virements

- a. Creation of temporary budget to support restoration costs at Brokenscross and Mainhill. Net effect: £0.000m: Payment to Contractors £1.640m, Income (£1.640m)
- b. Create budget to reflect rental income and transfer of funding from Finance & Corporate Resources in relation to managed properties. Net Effect £0.000m: Property costs £0.614m, Income (£0.614m)
- c. Transfer from reserves for legal expenses. Net Effect £0.018m: Administration costs £0.018m.

Transfers to Reserves (£0.060m):

- i. East Kilbride Task Force (£0.060m)

SOUTH LANARKSHIRE COUNCIL

Revenue Budget Monitoring Report

Community and Enterprise Resources: Period 12 Ended 1 February 2019 (No.12)

Roads Total

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 01/02/19 £000	Actual BEFORE Transfers 01/02/19 £000	Variance 01/02/19 £000		% Variance 01/02/19	Note
Employee Costs	5,977	5,581	396	396	4,761	4,290	471	under	9.9%	1
Property Costs	663	666	(3)	(3)	529	544	(15)	over	(2.8%)	
Supplies & Services	1,545	1,583	(38)	(38)	1,018	1,073	(55)	over	(5.4%)	2
Transport & Plant	269	519	(250)	(250)	230	402	(172)	over	(74.8%)	3
Administration Costs	279	330	(51)	(51)	251	254	(3)	over	(1.2%)	
Payments to Other Bodies	5,358	5,748	(390)	(390)	5,312	5,751	(439)	over	(8.3%)	4
Payments to Contractors	15,928	15,371	557	557	9,896	9,482	414	under	4.2%	5, a,b,c
Transfer Payments	563	563	0	0	563	563	0	-	0.0%	
Financing Charges	40	43	(3)	(3)	39	30	9	under	23.1%	
Total Controllable Exp.	30,622	30,404	218	218	22,599	22,389	210	under	0.9%	
Total Controllable Inc.	(4,495)	(4,913)	418	418	(2,918)	(3,365)	447	over recovered	15.3%	6
Net Controllable Exp.	26,127	25,491	636	636	19,681	19,024	657	under	3.3%	
Transfer to Reserves (as at 01/02/19)					-	-	-			
Position After Transfers to Reserves (as at 01/02/19)					19,681	19,024	657	under	3.3%	

Variance Explanations

1. This under spend mainly relates to employee turnover within the service.
2. This over spend mainly relates to price increases for electrical power within street lighting.
3. The over spend is due to hire costs for gritters and is offset by an underspend in payment to contractors (see Note 5 below)
4. The over spend is mainly due to weather forecasting costs, which are partially offset by an over recovery of income.
5. The under spend is offset by an overspend in hire costs for gritters within Transport & Plant (see Note 3 above).
6. The over recovery is the net effect of greater income recovered from other Councils in respect of recovery of weather forecasting costs partially offset by reduced income from car parks.

Budget Virements

- a. Creation of temporary budget to support Carriageway Repairs funded from Roads Construction Consent income. Net Effect £0.000m: Payment to Contractors £0.600m, Income (£0.600m).
- b. Transfer from reserves to support carriageway repairs. Net Effect £0.200m: Payment to Contractors £0.200m
- c. Transfer of Street Lighting loan charges. Net Effect (£0.720m): Payment to Contractors (£0.720m).