

Report

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Report to:	Financial Resources Scrutiny Forum
Date of Meeting:	24 May 2018
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Revenue Budget Monitoring 2017/2018
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ update members of the Financial Resources Scrutiny Forum of progress on the Council's revenue budget for the period covering 1 April 2017 to 2 March 2018.

2. Recommendation(s)

2.1. The Forum is asked to note the following recommendation(s):-

- (1) that the 2017/2018 Financial Position as at period 13 (2 March 2018) and the forecast to 31 March 2018, for General Services, Housing Revenue Account and Trading Operations (as detailed in Appendices A to C), be noted.

3. Background

3.1. The Revenue reports attached provide detail on the most recent Executive Committee report dated 16 May 2018. The reports detail the position as at 2 March 2018 for General Services, Housing Revenue Account and the Council's Trading Operations.

3.2. The papers have been split into separate Appendices as shown below:

- ◆ Appendix A - 2017/2018 Financial Position as at Period 13 (2 March 2018) for General Services
- ◆ Appendix B - 2017/2018 Financial Position as at Period 13 (2 March 2018) for Housing Revenue Account
- ◆ Appendix C - 2017/2018 Financial Position as at Period 13 (2 March 2018) for the Council's Trading Operations

4. Employee Implications

4.1. None

5. Financial Implications

5.1. The financial position of the General Services Revenue Budget, Housing Revenue Account and the Council's Trading Operations are detailed in Appendices A to C attached.

5.2. **General Fund Revenue Account Position (including Trading Operations):** As at 2 March 2018, Appendix A of the report details an underspend of £1.177 million (4.6%) against the phased budget. This position reflects underspends anticipated on Education Resources as well as a number of Corporate Items (such as Utilities,

Rates and Auto Enrolment), which are partially offset by an overspend on Community and Enterprise Resources and Social Work Resources.

- 5.3. An improved position is currently being seen in Social Work, primarily due to Care Home numbers fluctuating over the winter months and additional income from clients as a result of financial assessments. This position will be monitored over the coming months. In addition, Loan Charges and Council Tax collected are expected to improve from the position reported at Probable Outturn.
- 5.4. **Winter Maintenance:** The figures included in Appendix A take us to 2 March 2018. As reported to the Executive Committee on 28 March 2018, the Bellwin Scheme had been activated and at that time, it was anticipated that the Council would be able to reclaim eligible costs, above its allocated threshold of £1.352 million, in respect of the recent inclement weather.
- 5.5. On 6 April 2018, COSLA received correspondence from the Scottish Government recognising councils' efforts in responding to the exceptional weather. The letter also recognised that councils have faced financial pressures to deal with the damage caused to the roads network, and confirmed that an additional £10 million will be shared equitably across all councils. This funding is in place of the Bellwin Scheme and no further payments will be made.
- 5.6. The Scottish Government has confirmed the Council's share of the £10 million, being £0.509 million. The funding will be provided through Transport Scotland. This funding is significantly less than the additional costs experienced this winter.
- 5.7. It is estimated that the net cost of winter this year will be approximately £7.2 million. This is £1.5 million higher than the estimate of £5.7 million included within the probable outturn position. This additional £1.5 million will be funded from a draw from the Winter Maintenance Reserve (£0.500 million), the £0.509 million allocation from the Scottish Government (5.5. above) and the balance from the overall Council position due to the improved outturn anticipated.
- 5.8. **General Revenue Grant**
The Local Government Finance (Scotland) Order was approved on 6 March 2018. The Order included an additional £2.053 million of General Revenue Grant to be received in 2017/2018. However, this relates to 2018/2019 funding which the Government paid over early. This was transferred to the Balance Sheet at the year end as prepaid grant and therefore there is no requirement to amend the 2017/2018 budget.
- 5.9. **Other Funding**
There has been no additional funding notified to Resources since the last report.
6. **2017/2018 General Services Probable Outturn**
 - 6.1. Following the probable outturn exercise, the financial forecast for year ended 31 March 2018, has been confirmed. Taking account of all known commitments, the figures in Appendix A (page 1 and 2) show an underspend position of £0.500 million on the current year budget, which will be transferred to the Uncommitted General Fund at the end of the financial year.
 - 6.2. This final outturn position includes transfers to reserves of £11.018 million from Resources and £10.852 million additional Corporate transfers.

7. Housing Revenue Account Position

7.1. As at 2 March 2018, Appendix B of the report shows a breakeven position against the phased budget on the Housing Revenue Account, after taking account of the proposed transfer to reserves of £0.029 million. The forecast to 31 March 2018 on the Housing Revenue Account is a breakeven position. This is detailed in Appendix B of the report.

8. Trading Operations

8.1. Included within the underspend position for the General Fund Revenue Account in 5.2 above are the Trading Operations. As at 2 March 2018, the actual surpluses achieved by the Trading Operations total £8.680 million, representing an under recovery of £0.145 million against the phased budget. These are detailed in Appendix C of the report.

9. Other Implications

9.1. 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.

9.2. There are no implications for sustainability in terms of the information contained in this report.

10. Equality Impact Assessment and Consultation Arrangements

10.1. 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.

10.2. 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)

16 May 2018

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 2 March 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 2 March 2018 (No.13)

<u>Committee</u>	Annual Budget	Forecast Before Transfers	Forecast After Transfers	Annual Forecast Variance (After Transfers)	Budget Proportion to 02/03/18	Actual to Period 13 02/03/18	Variance to 02/03/18	
	£m	£m	£m	£m	£m	£m	£m	
Departments:								
Community and Enterprise Resources	120.135	120.501	120.819	(0.684)	106.651	107.239	(0.588)	over
Facilities Streets and Waste (Inc. Support)	62.736	62.865	62.975	(0.239)	55.904	56.084	(0.180)	over
Environmental Services (Inc. Projects)	4.542	4.401	4.401	0.141	4.106	3.971	0.135	under
Leisure and Culture Services	18.765	18.722	18.722	0.043	18.719	18.678	0.041	under
Planning and Economic Development	4.665	4.942	5.150	(0.485)	3.224	3.331	(0.107)	over
Roads	29.427	29.571	29.571	(0.144)	24.698	25.175	(0.477)	over
Education Resources	296.372	289.832	295.730	0.642	256.542	255.916	0.626	under
Finance and Corporate Resources	33.912	33.621	33.912	0.000	39.218	39.218	0.000	-
Finance Services	16.118	15.926	15.926	0.192	21.262	21.042	0.220	under
Audit and Compliance Services	0.421	0.445	0.445	(0.024)	0.522	0.547	(0.025)	over
Information Technology Services	3.902	3.902	3.902	0.000	4.344	4.344	0.000	-
Communications and Strategy Services	1.046	1.164	1.164	(0.118)	1.213	1.408	(0.195)	over
Administration and Licensing Services	5.756	5.806	5.806	(0.050)	5.683	5.683	0.000	-
Personnel Services	6.669	6.378	6.669	0.000	6.194	6.194	0.000	-
Housing and Technical Resources	23.967	23.308	23.967	0.000	21.802	21.802	0.000	-
Housing Services	7.639	6.784	7.443	0.196	4.991	4.915	0.076	under
Property Services	16.328	16.524	16.524	(0.196)	16.811	16.887	(0.076)	over
Social Work Resources	139.279	140.203	140.203	(0.924)	119.519	119.770	(0.251)	over
Performance and Support Services	7.944	7.544	7.544	0.400	7.520	7.211	0.309	under
Children and Family	27.200	28.224	28.224	(1.024)	25.253	26.124	(0.871)	over
Adults and Older People	103.169	103.553	103.553	(0.384)	85.907	85.681	0.226	under
Justice and Substance Misuse	0.966	0.882	0.882	0.084	0.839	0.754	0.085	under
Joint Boards	2.363	2.363	2.363	0.000	2.212	2.212	0.000	-
	616.028	609.828	616.994	(0.966)	545.944	546.157	(0.213)	over
Resource Forecast Variance BEFORE Transfers		6.200						

<u>Committee</u>	Annual Budget	Forecast Before Transfers	Forecast After Transfers	Annual Forecast Variance (after Transfers)	Budget Proportion to 02/03/18	Actual to Period 13 02/03/18	Variance to 02/03/18	
	£m	£m	£m	£m	£m	£m	£m	
Service Departments Total	616.028	609.828	616.994	(0.966)	545.944	546.157	(0.213)	over
Trading Accounts Surplus	(9.907)	(9.753)	(9.753)	(0.154)	(8.825)	(8.680)	(0.145)	over
CFCR	0.707	0.271	0.271	0.436	0.707	0.271	0.436	under
Loan Charges	57.751	52.501	52.501	5.250	53.626	48.751	4.875	under
Corporate Items	7.054	3.456	4.808	2.246	6.550	4.465	2.085	under
Transfer to Reserves	0.000	0.000	10.852	(10.852)	0.000	10.077	(10.077)	over
Total Expenditure	671.633	656.303	675.673	(4.040)	598.002	601.041	(3.039)	over
Council Tax	137.458	142.218	140.718	3.260	127.640	130.667	3.027	over
Less: Council Tax Reduction Scheme	(21.370)	(19.090)	(20.090)	1.280	(19.844)	(18.655)	1.189	under
Net Council Tax	116.088	123.128	120.628	4.540	107.796	112.012	4.216	over
General Revenue Grant	254.812	254.812	254.812	0.000	236.611	236.611	0.000	-
Non Domestic Rates	287.862	287.862	287.862	0.000	267.300	267.300	0.000	-
Transfer from Reserves	12.871	12.871	12.871	0.000	11.952	11.952	0.000	-
Total Income	671.633	678.673	676.173	4.540	623.659	627.875	4.216	over
Net Expenditure / (Surplus) Before Transfers to Reserves	0.000	(22.370)	(0.500)	0.500	(25.657)	(26.834)	1.177	under

	Annual Budget	Forecast for Year	Forecast After Transfers	Annual Forecast Variance (after Transfers)
	£m	£m	£m	£m
Net Expenditure / (Surplus) Before Transfers to Reserves	0.000	(22.370)	-	-
Transfers to Specific Reserves	0.000	5.102	-	-
(Surplus) After Transfers to Specific Reserves	0.000	(17.268)	-	-
Transfer to Earmarked General Fund	0.000	16.768	-	-
Surplus for Year Transferred to Uncommitted General Fund	0.000	(0.500)	(0.500)	0.500

SOUTH LANARKSHIRE COUNCIL

Revenue Budget Monitoring Report (including Transfers to Reserves)

Period Ended 2 March 2018 (No.13)

<u>Budget Category</u>	Annual Budget	Forecast for Year	Annual Forecast Variance	Budget Proportion to 02/03/18	Actual to Period 13 02/03/18	Variance to 02/03/18	
	£m	£m	£m	£m	£m	£m	
Service Departments:							
Expenditure							
Employee Cost	405.776	404.241	1.535	363.267	361.419	1.848	under
Property Costs	55.052	54.239	0.813	47.973	47.404	0.569	under
Supplies and Services	32.077	33.175	(1.098)	22.541	23.607	(1.066)	over
Transport Costs	22.686	23.855	(1.169)	20.614	21.600	(0.986)	over
Administration Costs	12.198	12.679	(0.481)	9.379	9.773	(0.394)	over
Payments to Other Bodies	53.734	53.218	0.516	45.024	44.810	0.214	under
Payments to Contractors	178.229	179.448	(1.219)	152.943	154.224	(1.281)	over
Transfer Payments	2.656	2.715	(0.059)	2.603	2.645	(0.042)	over
Housing Benefits	89.624	89.624	0.000	78.984	78.984	0.000	-
Financing Charges (controllable)	1.615	1.510	0.105	1.521	1.452	0.069	under
Total	853.647	854.704	(1.057)	744.849	745.918	(1.069)	over
Service Departments Total	853.647	854.704	(1.057)	744.849	745.918	(1.069)	over
Trading Accounts Surplus	(9.907)	(9.753)	(0.154)	(8.825)	(8.680)	(0.145)	over
CFCR	0.707	0.271	0.436	0.707	0.271	0.436	under
Loan Charges	57.751	52.501	5.250	53.626	48.751	4.875	under
Corporate Items	7.054	4.808	2.246	6.550	4.465	2.085	under
Transfer to Reserves	0.000	10.852	(10.852)	0.000	10.077	(10.077)	over
Total Expenditure	909.252	913.383	(4.131)	796.907	800.802	(3.895)	over
Income							
Housing Benefit Subsidy	84.184	83.934	(0.250)	72.867	72.673	(0.194)	under rec
Other Income	153.435	153.776	0.341	126.038	127.088	1.050	over rec
General Revenue Grant	254.812	254.812	0.000	236.611	236.611	0.000	-
Non Domestic Rates	287.862	287.862	0.000	267.300	267.300	0.000	-
Council Tax (Net of Council Tax Reduction Scheme)	116.088	120.628	4.540	107.796	112.012	4.216	
Transfer from Reserves	12.871	12.871	0.000	11.952	11.952	0.000	
Total Income	909.252	913.883	4.631	822.564	827.636	5.072	over rec
Net Expenditure	0.000	(0.500)	0.500	(25.657)	(26.834)	1.177	under

SOUTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report
Period Ended 2 March 2018 (No.13)
Housing Revenue Account

	Annual Budget	Forecast for Year	Annual Forecast Variance	Budget Proportion to 02/03/18	Actual to Period 12 02/03/18	Variance to 02/03/18		%	Note
	£m	£m	£m	£m	£m	£m			
Employee Costs	12.639	12.197	0.442	11.373	10.991	0.382	under	3.4%	1
Property Costs	37.938	39.460	(1.522)	31.432	32.323	(0.891)	over	(2.8%)	2
Supplies & Services	0.610	0.619	(0.009)	0.520	0.516	0.004	under	0.8%	
Transport & Plant	0.216	0.176	0.040	0.183	0.145	0.038	under	20.8%	
Administration Costs	5.886	5.903	(0.017)	0.660	0.655	0.005	under	0.8%	
Payments to Other Bodies	3.490	3.232	0.258	0.063	0.076	(0.013)	over	(20.6%)	
Payments to Contractors	0.100	0.061	0.039	0.095	0.052	0.043	under	45.3%	
Transfer Payments	0.000	0.000	0.000	0.000	0.000	0.000	-	0.0%	
Financing Charges	19.520	19.513	0.007	19.587	19.574	0.013	under	0.1%	
Total Controllable Expenditure	80.399	81.161	(0.762)	63.913	64.332	(0.419)	over	(0.7%)	
Total Controllable Income	(95.401)	(95.664)	0.263	(79.732)	(79.607)	(0.125)	under rec	(0.2%)	3
Transfer to/(from) Balance Sheet	0.619	0.029	0.590	0.571	0.027	0.544	under	95.3%	4
Net Controllable Expenditure	(14.383)	(14.474)	0.091	(15.248)	(15.248)	0.000	-	0.0%	
Add: Non Controllable Budgets									
Financing Charges	14.383	14.474	(0.091)	0.000	0.000	0.000	-	0.0%	
Total Budget	0.000	0.000	0.000	(15.248)	(15.248)	0.000	-	0.0%	

Variance Explanations

1. Employee Costs

This underspend reflects the current turnover levels within the service and also underspends on overtime.

2. Property Costs

This overspend is due to repairs and grounds maintenance works which are demand led services and will be managed within the overall budget.

3. Income

The under recovery of income is the result of additional Council House sales prior to the removal of the Right to Buy Scheme and also lower than anticipated rental income from new build accommodation. There is also an under recovery of income from lock up garages.

4. Transfer to/(from) Balance Sheet

The level of funding to be transferred from the HRA Reserves to manage the current year budget is lower than anticipated. This unused funding will be carried forward in the reserve for use in future years.

SOUTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report
Period Ended 2 March 2018 (No.13)
Fleet Trading Operation

	Annual Budget	Forecast for Year	Annual Forecast Variance	Budget Proportion to 02/03/18	Actual to Period 13 02/03/18	Variance to 02/03/18		%	Note
	£m	£m	£m	£m	£m	£m			
Employee Costs	4.740	4.428	0.312	4.266	4.007	0.259	under	6.1%	1
Property Costs	0.234	0.263	(0.029)	0.218	0.245	(0.027)	over	(12.4%)	2
Supplies & Services	0.250	0.192	0.058	0.217	0.162	0.055	under	25.3%	3
Transport & Plant	13.700	13.398	0.302	12.342	12.054	0.288	under	2.3%	4
Administration Costs	0.010	0.015	(0.005)	0.008	0.015	(0.007)	over	(87.5%)	5
Pmts to Other Bodies	0.007	0.003	0.004	0.004	0.003	0.001	under	25.0%	
Pmts to Contractors	0.000	0.000	0.000	0.000	0.000	0.000	-	n/a	
Transfer Payments	0.000	0.000	0.000	0.000	0.000	0.000	-	n/a	
Financing Charges	0.056	0.060	(0.004)	0.043	0.044	(0.001)	over	(2.3%)	
Total Controllable Expenditure	18.997	18.359	0.638	17.098	16.530	0.568	under	3.3%	
Total Controllable Income	(20.954)	(20.245)	(0.709)	(18.905)	(18.270)	(0.635)	under recovered	(3.4%)	6
Net Controllable Expenditure	(1.957)	(1.886)	(0.071)	(1.807)	(1.740)	(0.067)	under surplus	(3.7%)	

Variance Explanations

1. **Employee Costs**
This underspend relates to vacancies across the Service.
2. **Property Costs**
The overspend is due to electricity costs being higher than anticipated to date.
3. **Supplies and Services**
This underspend is due to the upkeep costs for the bus fleet being lower than anticipated.
4. **Transport and Plant**
The net underspend relates to expenditure on fuel and casual hires being lower than anticipated, partially offset by additional repairs within the workshop. The underspend on fuel and casual hires is offset by an under recovery of income.
5. **Administration Costs**
The overspend relates mainly to the cost of employee medical referrals.
6. **Income**
The under recovery relates to lower than anticipated income from fuel and casual hires, offset by a reduction in expenditure (see Transport and Plant).

SOUTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report
Period Ended 2 March 2018 (No.13)
Roads Trading Operation

	Annual Budget	Forecast for Year	Annual Forecast Variance	Budget Proportion to 02/03/18	Actual to Period 13 02/03/18	Variance to 02/03/18		%	Note
	£m	£m	£m	£m	£m	£m			
Employee Costs	7.655	7.362	0.293	7.019	6.938	0.081	under	1.2%	1
Property Costs	0.188	0.192	(0.004)	0.181	0.194	(0.013)	over	(7.2%)	
Supplies & Services	8.055	8.134	(0.079)	7.947	8.147	(0.200)	over	(2.5%)	2
Transport & Plant	4.086	3.985	0.101	3.889	3.916	(0.027)	over	(0.7%)	3
Administration Costs	0.319	0.324	(0.005)	0.317	0.320	(0.003)	over	(0.9%)	
Pmts to Other Bodies	0.000	0.000	0.000	0.000	0.000	0.000	-	n/a	
Pmts to Contractors	3.793	3.700	0.093	2.956	2.706	0.250	under	8.5%	4
Transfer Payments	0.000	0.000	0.000	0.000	0.000	0.000	-	n/a	
Financing Charges	0.000	0.005	(0.005)	0.000	0.006	(0.006)	over	n/a	
Total Controllable Expenditure	24.096	23.702	0.394	22.309	22.227	0.082	under	0.4%	
Total Controllable Income	(27.916)	(27.439)	(0.477)	(25.836)	(25.676)	(0.160)	under recovered	(0.6%)	5
Net Controllable Expenditure	(3.820)	(3.737)	(0.083)	(3.527)	(3.449)	(0.078)	under surplus	(2.2%)	

Variance Explanations**1. Employee Costs**

This net underspend relates to vacancies and turnover, partially offset by additional overtime required as a result of the recent adverse weather.

2. Supplies and Services

The overspend relates to expenditure on salt as a result of the recent winter conditions and also expenditure on Information Technology licences and system support.

3. Transport and Plant

The underspend is mainly due to lower than anticipated expenditure on leasing and the external hire of plant and equipment as a result of a more efficient use of the overall fleet of vehicles.

4. Payment to Contractors

The underspend reflects a reduction in the level of sub-contractor works carried out by external contractors, offset by additional in-house delivery.

5. Income

The under recovery of income is due to the timing of income for rechargeable works

SOUTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report
Period Ended 2 March 2018 (No.13)
Property Services Trading Operation

	Annual Budget	Forecast for Year	Annual Forecast Variance	Budget Proportion to 02/03/18	Actual to Period 13 02/03/18	Variance to 02/03/18		%	Note
	£m	£m	£m	£m	£m	£m			
Employee Costs	31.872	31.778	0.094	29.178	29.068	0.110	under	0.4%	1
Property Costs	1.061	0.974	0.087	0.976	0.865	0.111	under	11.4%	1
Supplies & Services	12.838	12.933	(0.095)	10.019	10.078	(0.059)	over	(0.6%)	1
Transport & Plant	4.432	3.996	0.436	3.935	3.463	0.472	under	12.0%	1
Administration Costs	3.445	3.461	(0.016)	3.171	3.176	(0.005)	over	(0.2%)	
Pmts to Other Bodies	2.271	2.263	0.008	2.091	2.079	0.012	under	0.6%	
Pmts to Contractors	15.591	19.552	(3.961)	14.352	16.227	(1.875)	over	(13.1%)	1
Transfer Payments	0.000	0.000	0.000	0.000	0.000	0.000	-	n/a	
Financing Charges	0.106	0.099	0.007	0.096	0.090	0.006	under	6.3%	
Total Controllable Expenditure	71.616	75.056	(3.440)	63.818	65.046	(1.228)	over	(1.9%)	
Total Controllable Income	(75.746)	(79.186)	3.440	(67.309)	(68.537)	1.228	over recovered	1.8%	1
Net Controllable Expenditure	(4.130)	(4.130)	0.000	(3.491)	(3.491)	0.000	-	0.0%	

Variance Explanations

1. Income

This over recovery of income is due to the level of rechargeable work completed to date. This is largely demand led. The over recovery of income offsets underspends in Employee Costs, Property Costs, Transport and Plant and Payments to Other Bodies and overspends in Supplies and Services, Administration Costs and Payments to Contractors.