

Report

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Report to:	Executive Committee
Date of Meeting:	15 August 2018
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Revenue Budget Monitoring for Period 4: 1 April to 22 June 2018
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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 2018 to 22 June 2018, and provide a projection for the year

2. Recommendation(s)

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

- (1) that the underspend of £1.940 million on the General Fund Revenue Account at 22 June 2018 as detailed in Appendix 1 of the report and the forecast to 31 March 2019, be noted; and
- (2) that the breakeven position on the Housing Revenue Account at 22 June 2018 and the forecast to 31 March 2019 of breakeven (Appendix 3), be noted.

3. Background

3.1. This is an overview report summarising the General Services Monitoring Position regarding actual expenditure and income to 22 June 2018, compared with the budget for the same period (section 4). This is provided on a Resource basis in Appendix 1 to the report and a subjective basis in Appendix 2.

2017/2018 General Services Monitoring Position

4. Financial Position as at 22 June 2018

- 4.1. As at 22 June 2018, Appendix 1 of the report details an underspend of £1.940 million (1.6%) against the phased budget.
- 4.2. Of the underspend, £0.5 million is in relation to the budget for Superannuation on Overtime which is not required and has been removed from the budget as part of the 2019/2020 Financial Strategy reported to the Executive Committee on 27 June 2018.
- 4.3. **Loan Charges:** In addition, the Loan Charges budget is showing an underspend. The 2018/2019 Strategy assumed that we would borrow during 2018/2019, however, there has been no requirement to borrow in the first 4 months of the current year and this will result in an underspend in interest payments at the end of the year. Instead, cash balances have been used to fund capital spend. Borrowing to replace these balances will be required. As at 22 June 2018, there is an underspend of £1.4 million. Depending on the timing of borrowing, this figure may increase as the year

progresses. If this is the case, updates will be provided to future Executive Committee meetings as required.

- 4.4. **Education / Pupil Equity Funding:** In addition, there are potential underspends within Education Resources. In 2017/2018, the Education budget was underspent due to Pupil Equity Funding (PEF) and Early Years which was carried forward in reserves. In 2018/2019, Education Resources have received another £7.9 million of PEF funding which the Resource is fully committed to spending by the end of the academic year (June 2019).
- 4.5. As PEF funding operates in academic (Aug-June) years and not financial years, then it is likely that there will be an underspend at 31 March which will require to be carried forward and used in April to June 2019. An initial estimate of the underspend this financial year, based on equal spend over the school year is £2.3 million, but this will depend on the timing of spend throughout the year. The actual expected spend position for the financial year will become more certain after the start of the academic year in August.
- 4.6. There are also 8 posts which have still to be recruited for Early Years. These posts will be recruited from August 2018 so it is expected that there will be an underspend of approximately £0.100 million depending on the timing of recruitment. This will be committed when recruitment takes place.
- 4.7. Within Social Work Resources (Children and Families Services) there has been an increase in the number of residential school/external placements and external fostering placements in the first 4 months of the current year, which has put pressure on the Resource budget. An initial estimate of the potential overspend resulting from this increased demand is £0.800 million. The Resource is currently looking at these pressures in conjunction with the other services to identify ways to minimise and manage these costs. This will continue to be monitored.
- 4.8. **Funding for Investment and Priorities:** As part of the 2018/19 Revenue Budget, additional funding allowed monies to be added for Teachers plus Classroom Support and Employability for Early Years and Social Care. As the permanency of the funding could not be confirmed beyond 2019/20, budget was also included in 2018/19 to cover the costs expected in 2019/20.
- 4.9. As the budget for 2019/20 will not be required this year, the budget is shown as a Transfer to Reserves and will be carried forward for use in 2019/20. Appendix 1 shows the position after the budget is moved from the Resources (Education and Finance and Corporate) to the Transfer to Reserves line, with the required budget for 2018/19 held in the relevant Resource. The commitment has also been shown to reflect the transfer that will take place at the end of the financial year.
- 4.10. At this early stage in the financial year, the forecast for the Council's Revenue Budget to 31 March 2019 has been maintained at a breakeven position.
- 4.11. **Trading Operations:** Included within the breakeven position for the General Fund Revenue Account in 4.1 above are the Trading Operations. As at 22 June 2018, the actual surpluses achieved by the Trading Operations total £3.237 million, representing a breakeven position against the phased budget.

4.12. Additional General Revenue Grant

The Council has been notified of additional General Revenue Grant of £0.358 million in relation to Education Footwear and Clothing Grants. This has been added to the Education Resources budget shown in Appendix 1.

4.13. Other Funding

No other funding has been notified since the last report on 27 June 2018.

5. Housing Revenue Account Position

- 5.1. As at 22 June 2018, Appendix 3 of the report shows a breakeven position against the phased budget on the Housing Revenue Account. The forecast to 31 March 2019 on the Housing Revenue Account is a breakeven position.

6. Employee Implications

- 6.1. None.

7. Financial Implications

- 7.1. As detailed in the report.

8. Other Implications

- 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)

2 July 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 22 June 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 22 June 2018 (No.4)

<u>Committee</u>	Annual Budget	Forecast	Annual Forecast Variance	Budget Proportion to 22/06/18	Actual to Period 4 22/06/18	Variance to 22/06/18	
	£m	£m	£m	£m	£m	£m	
Departments:							
Community and Enterprise Resources	114.957	114.957	0.000	20.245	20.245	0.000	-
Facilities Streets and Waste (Inc. Support)	62.661	62.661	0.000	10.738	10.738	0.000	-
Environmental Services (Inc. Projects)	4.183	4.183	0.000	0.790	0.790	0.000	-
Leisure and Culture Services	18.905	18.905	0.000	4.583	4.583	0.000	-
Planning and Economic Development	2.895	2.895	0.000	0.520	0.520	0.000	-
Roads	26.313	26.313	0.000	3.614	3.614	0.000	-
Education Resources	307.824	307.824	0.000	59.268	59.268	0.000	-
Finance and Corporate Resources	32.883	32.883	0.000	10.323	10.323	0.000	-
Finance Services	14.990	14.990	0.000	4.428	4.347	0.081	under
Audit and Compliance Services	0.347	0.347	0.000	0.124	0.131	(0.007)	over
Information Technology Services	4.198	4.198	0.000	2.114	2.114	0.000	-
Communications and Strategy Services	0.953	0.953	0.000	0.332	0.377	(0.045)	over
Administration and Licensing Services	4.393	4.393	0.000	1.619	1.648	(0.029)	over
Personnel Services	8.002	8.002	0.000	1.706	1.706	0.000	-
Housing and Technical Resources	18.398	18.398	0.000	4.223	4.223	0.000	-
Housing Services	7.458	7.458	0.000	0.794	0.794	0.000	-
Property Services	10.940	10.940	0.000	3.429	3.429	0.000	-
Social Work Resources	151.369	151.369	0.000	33.040	33.040	0.000	-
Performance and Support Services	8.273	8.273	0.000	1.548	1.548	0.000	-
Children and Families	29.677	29.677	0.000	7.457	7.514	(0.057)	over
Adults and Older People	112.350	112.350	0.000	24.004	23.973	0.031	under
Justice and Substance Misuse	1.069	1.069	0.000	0.031	0.005	0.026	under
Joint Boards	2.378	2.378	0.000	0.453	0.453	0.000	-
	627.809	627.809	0.000	127.552	127.552	0.000	-

<u>Committee</u>	Annual Budget	Forecast	Annual Forecast Variance	Budget Proportion to 22/06/18	Actual to Period 4 22/06/18	Variance to 22/06/18	
	£m	£m	£m	£m	£m	£m	
Service Departments Total	627.809	627.809	0.000	127.552	127.552	0.000	-
Trading Accounts Surplus	(11.937)	(11.937)	0.000	(3.237)	(3.237)	0.000	-
CFCR	0.522	0.522	0.000	0.522	0.522	0.000	-
Loan Charges	57.780	57.780	0.000	16.509	15.069	1.440	under
Corporate Items	4.875	4.875	0.000	0.535	0.035	0.500	under
Transfer to Reserves	4.898	4.898	0.000	4.898	4.898	0.000	-
Total Expenditure	683.947	683.947	0.000	146.779	144.839	1.940	under
Council Tax	145.758	145.758	0.000	41.645	41.645	0.000	-
Less: Council Tax Reduction Scheme	(19.370)	(19.370)	0.000	(5.534)	(5.534)	0.000	-
Net Council Tax	126.388	126.388	0.000	36.111	36.111	0.000	-
General Revenue Grant	251.264	251.264	0.000	57.399	57.399	0.000	-
Non Domestic Rates	295.500	295.500	0.000	68.192	68.192	0.000	-
Transfer from Reserves	10.795	10.795	0.000	10.795	10.795	0.000	-
Total Income	683.947	683.947	0.000	172.497	172.497	0.000	-
Net Expenditure / (Surplus)	0.000	0.000	0.000	(25.718)	(27.658)	1.940	under

SOUTH LANARKSHIRE COUNCIL

Revenue Budget Monitoring Report

Period Ended 22 June 2018 (No.4)

<u>Budget Category</u>	Annual Budget	Forecast for Year	Annual Forecast Variance	Budget Proportion to 22/06/18	Actual to Period 4 22/06/18	Variance to 22/06/18	
	£m	£m	£m	£m	£m	£m	
Service Departments:							
Expenditure							
Employee Cost	411.051	411.051	0.000	84.166	84.068	0.098	under
Property Costs	49.450	49.450	0.000	6.885	6.879	0.006	under
Supplies and Services	36.810	36.810	0.000	6.750	6.742	0.008	under
Transport Costs	21.533	21.533	0.000	4.200	4.197	0.003	under
Administration Costs	11.186	11.186	0.000	2.235	2.213	0.022	under
Payments to Other Bodies	50.958	50.958	0.000	12.560	12.658	(0.098)	over
Payments to Contractors	182.720	182.720	0.000	35.206	35.252	(0.046)	over
Transfer Payments	2.896	2.896	0.000	0.616	0.624	(0.008)	over
Housing Benefits	89.417	89.417	0.000	20.066	19.832	0.234	under
Financing Charges (controllable)	1.931	1.931	0.000	0.502	0.477	0.025	under
Total	857.952	857.952	0.000	173.186	172.942	0.244	under
Service Departments Total	857.952	857.952	0.000	173.186	172.942	0.244	under
Trading Accounts Surplus	(11.937)	(11.937)	0.000	(3.237)	(3.237)	0.000	-
CFCR	0.522	0.522	0.000	0.522	0.522	0.000	-
Loan Charges	57.780	57.780	0.000	16.509	15.069	1.440	under
Corporate Items	4.875	4.875	0.000	0.535	0.035	0.500	under
Transfer to Reserves	4.898	4.898	0.000	4.898	4.898	0.000	-
Total Expenditure	914.090	914.090	0.000	192.413	190.229	2.184	under
Income							
Housing Benefit Subsidy	84.182	84.182	0.000	18.623	18.387	(0.236)	under rec
Other Income	145.961	145.961	0.000	27.011	27.003	(0.008)	under rec
Council Tax (Net of Council Tax Reduction Scheme)	126.388	126.388	0.000	36.111	36.111	0.000	-
General Revenue Grant	251.264	251.264	0.000	57.399	57.399	0.000	-
Non Domestic Rates	295.500	295.500	0.000	68.192	68.192	0.000	-
Transfer from Reserves	10.795	10.795	0.000	10.795	10.795	0.000	-
Total Income	914.090	914.090	0.000	218.131	217.887	(0.244)	under rec
Net Expenditure	0.000	0.000	0.000	(25.718)	(27.658)	1.940	under

SOUTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report
Period Ended 22 June 2018 (No.4)
Housing Revenue Account

	Annual Budget	Forecast for Year	Annual Forecast Variance	Budget Proportion to 22/06/18	Actual to Period 4 22/06/18	Variance to 22/06/18		%	Note
	£m	£m	£m	£m	£m	£m			
Employee Costs	12.718	12.718	0.000	2.639	2.600	0.039	under	1.5%	1
Property Costs	42.130	42.130	0.000	5.384	5.426	(0.042)	over	(0.8%)	2
Supplies & Services	0.610	0.610	0.000	0.272	0.274	(0.002)	over	(0.7%)	
Transport & Plant	0.194	0.194	0.000	0.036	0.035	0.001	under	2.8%	
Administration Costs	5.713	5.713	0.000	0.160	0.158	0.002	under	1.3%	
Payments to Other Bodies	3.555	3.555	0.000	0.012	0.012	0.000	-	0.0%	
Payments to Contractors	0.100	0.100	0.000	0.021	0.021	0.000	-	0.0%	
Transfer Payments	0.000	0.000	0.000	0.000	0.000	0.000	-	n/a	
Financing Charges	23.730	23.730	0.000	0.000	0.000	0.000	-	0.0%	
Total Controllable Expenditure	88.750	88.750	0.000	8.524	8.526	(0.002)	over	0.0%	
Total Controllable Income	(98.948)	(98.948)	0.000	(19.746)	(19.748)	0.002	over rec	0.0%	
Transfer to/(from) Balance Sheet	(4.603)	(4.603)	0.000	(1.062)	(1.062)	0.000	-	0.0%	
Net Controllable Expenditure	(14.801)	(14.801)	0.000	(12.284)	(12.284)	0.00	-	0.0%	
Add: Non Controllable Budgets									
Financing Charges	14.801	14.801	0.000	0.000	0.000	0.000	-	0.0%	
Total Budget	0.000	0.000	0.000	(12.284)	(12.284)	0.000	-	0.0%	

Variance Explanations

1. Employee Costs

This underspend reflects the current turnover levels across the service.

2. Property Costs

This overspend reflects expenditure on repairs which are demand led.