

Report

Report to:	Financial Resources Scrutiny Forum
Date of Meeting:	13 August 2020
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	2019/2020 Recurring Variances and 2020/2021 Outlook
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise on the recurring variances experienced in 2019/2020 and report on their outlook for 2020/2021

2. Recommendation(s)

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

- (1) that the outlook for 2020/2021, in terms of recurring budget variances experienced in 2019/2020, be noted.

3. Background

3.1. As part of the regular reports provided to the Financial Resources Scrutiny Forum, detail is provided on the trends in expenditure/income across the year and also any resultant variance. In addition, these variances are highlighted in an accompanying narrative paper which explains to members the reason for the variance.

3.2. On an annual basis, any significant recurring variance from the preceding year is highlighted to members along with the outlook on that particular budget line for the year ahead. This should provide members with a rolling picture on the Council's detailed budgets.

4. 2019/2020 Issues and Outlook for 2020/2021

4.1. The 2019/2020 recurring budget variances have been reviewed for each Resource, and alongside this, the respective Resources have provided the Forum with an update on the outlook for that spend area as anticipated in 2020/2021. Each Resource is taken in turn in Appendix 1.

4.2. It is worth noting that the projected outlook for a number of spend/income areas may be impacted on by the Coronavirus pandemic. This will be highlighted where appropriate.

5. Employee Implications

5.1. None.

6. Financial Implications

6.1. None.

7. Climate Change, Sustainability and Environmental Implications

- 7.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

8. Other Implications

- 8.1. No financial data is included in the report. However, section 4 and Appendix 1 detail recurring variances from 2019/2020 and the outlook for 2020/2021.

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 the report.

Paul Manning

Executive Director (Finance and Corporate Resources)

10 July 2020

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ None

List of Background Papers

- ◆ None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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Employee Costs (Basic and Overtime) – an underspend was experienced on basic employee costs due to vacancies through staff turnover. This was offset by overtime overspends. This is expected to reduce during 2020/21 as vacant posts are filled and turnover is reduced as a result of COVID.

Transport and Plant – variances were experienced through the year mainly due to overspends in Fleet Service Charges – Repairs, resulting from the timing of achievement of efficiencies within Fleet Services and also outside repairs being greater than anticipated. A continued pressure within transport and plant is anticipated during 2020/21 as efficiencies within Fleet are implemented and the additional vehicle related cost of COVID materialises.

Administration (Legal Expenses) – an overspend was experienced due to the cost of settling a food safety case. The costs of administration, including legal expenses, is expected to remain within budget in 2020/21.

Income (Fees and Charges General) – In Roads, less income was received than anticipated for parking reflecting lower demand. In Planning and Economic Development (PED), the level of income for planning and building warrants was over-recovered due to increased demand. The level of income for the Resource for 2020/21 will be significantly impacted by the COVID pandemic with little or no income received for services during the early part of the financial year. This will include PED income, income from parking, care of gardens, school meals and various other service income streams. The impact and scale of the loss of income will continue to be monitored through the financial year as services restart.

Education Resources

Employee Costs (Basic and on-costs) – an underspend was experienced on Non-Teachers' employee costs in relation to Early Years Posts, where the posts were being actively recruited through the year. It is anticipated that posts within Early Years will continue to be recruited as expansion continues however this will be impacted throughout the year given the delay to the 1140hrs expansion and ability to recruit staff.

An overspend in Teachers' salaries during the year related to pupil growth. It is anticipated the overspend in teachers' salaries will continue during the year as a result of pupil growth in the secondary sector. Additional costs for teachers is expected in response to the pandemic to support teacher cover due to shielding and pregnancy. The Scottish Government is providing funding to councils towards meeting the costs of additional teaching and support staff in 2020/2021 and 2021/2022.

Property Costs (Gas) – showed an underspend during the year reflecting consumption efficiencies and the timing of invoice payments. Property costs will be monitored across the year however it is not expected to underspend other than through potential reduced costs arising from the closure of schools in the lockdown period.

Supplies and Services (Pupil Equity Funding) – showed an underspend because the grant funding is provided for the academic school year rather than financial year. The underspend from 2019/2020 was transferred to reserves at the end of the year. The grant for 2020/2021 will again be aligned to the academic year. While the Government has offered flexibility in the use of PEF monies to support Education's COVID costs in 2020/2021, this has not been implemented to date. Any balance of grant remaining at the end of the financial year will be carried forward to match expenditure to the academic year to June 2021.

Transport and Plant – additional costs were experienced in the cost of transporting children with Additional Support Needs to school. As well as the mainstream school contract reflecting the volume of children requiring mainstream transport to school. It is anticipated that the cost of school transport will continue to be a pressure during 2020/21 given the increased cost of service delivery and the increase in pupil numbers. There is likely to be an impact of COVID due to the safe return to school for children and young people as a result of new requirements for hand sanitisers and PPE etc. being made available on school transport.

Payments to Other Bodies (Independent Schools): A recurring overspend was experienced in Independent School Places reflecting the increased cost of placements for pupils with additional support needs in independent schools resulting from the new pricing framework. This was partially offset by an underspend on Other Local Authorities and the over recovery of income. It is anticipated that the cost of independent schools will continue to overspend due to contract price increases and this will be managed in part via an underspend in other local authority placements and recovery of income from other local authorities similar to 2019/20.

An underspend in Payments to Other Bodies was partially due to less than anticipated expenditure in respect of Counselling funding which will be carried forward, and also Early Years expansion funding which will be transferred to reserves to meet the costs going forward. Plans are underway for support for schools through Counselling in 2020/2021 and any underspend in Early Years funding will be carried forward to meet ongoing commitments.

Finance and Corporate Resources

Employee Costs – overspend in a number of Service areas reflected lower than anticipated turnover of staff. The Resource continues to have a budgeted turnover requirement into 2020/21. This will be monitored through the year and is entirely dependent on staff moves and changes.

Within Finance (Transactions), an underspend reflected vacancies which were being considered in line with service requirements. The budget has been adjusted in respect of the 2020/21 savings approved. Any further staff turnover experienced during the year could result in underspends.

Supplies and Services – Computer Equipment Purchase showed an overspend during 2019/20 due to one off costs incurred in relation to the Benefits and Revenues system as well as a number of software upgrades required. The position improved by year end, and no issues have been identified to date for 2020/21.

In the Computer Equipment Maintenance budget line, an underspend during 2019/20 was due to less than anticipated maintenance and project support costs for the IMPROVe. By year end this budget line was overspent, however, this related to rechargeable works undertaken and was offset by additional income. No issues have been identified to date for 2020/21.

Transfer Payments (Rent Allowance / Rent Rebates) – showed an underspend in-year, relating to the demand for Housing Benefit for both private and Council tenants, and the reduced costs of overpayments. These budget lines are demand led and this could result in variances against budget in 2020/21.

Income (Other Income) – showed an under-recovery, reflecting the underspend in Transfer Payments above, as well as less than anticipated income from external printing work completed to date. These budget lines are demand led and this could result in variances against budget in 2020/21.

Housing and Technical Resources

Employee Costs (Basic and on-costs) – an underspend in APT&C employee costs related to vacancies which are actively being recruited, or being held whilst service requirements are determined. No underspend is expected in 2020/21, although this may be affected by the required response to the COVID emergency.

In Manual employee costs, an overspend reflected the requirement for overtime to meet current service demands. No overspend is expected in 2020/21, but this depends on workload and completion deadlines and may also be affected by the response to the COVID emergency.

Payment to Contractors – An underspend in Payments to Private Contractors showed an underspend which reflected the level of contractor payments. These vary depending on workload demands and the timing of works on a wide variety of capital and revenue works. No underspend is expected in 2020/21, but this depends on the level and type of workload as well as the timing of works, and is likely to be affected by the COVID emergency.

On Payments to External Contractors, an overspend reflected the requirement to purchase external professional services within the Projects team, to meet service demands. No overspend is expected in 2020/21, but this depends on workload and completion deadlines and is likely to be affected by the COVID emergency.

Income – The budget line Recovery from Capital showed an under-recovery. The level of income recovered varies depending on the current workload and the timing of a wide variety of major capital projects. Linked to the budget lines above, no under-recovery is expected in 2020/21, but this depends on workload and completion deadlines and is likely to be affected by the COVID emergency.

Recharges – Departments of the Authority – showed an over-recovery which reflected the demand for HRA revenue repairs. Again, no over-recovery is expected in 2020/21, but this depends on workload and completion deadlines and is likely to be affected by the COVID emergency.

Housing Revenue Account

Employee Costs (Basic and on-costs) – an underspend through the year mainly reflected vacancies, which were either being actively recruited or being held whilst service requirements are determined. No underspend is expected in 2020/21, although the spend levels may be affected by the COVID emergency.

Property Costs – in Repairs and Maintenance – Internal and External Contractor, an overspend was identified reflecting the level of demand for repairs. Again, no overspend is anticipated in 2020/21, but this depends on the level of demand for repairs and it could be affected by the COVID emergency.

An underspend in Rent W/O Bad Periods reflecting a reduced requirement for bad debt provision than anticipated, following the roll out of Universal Credit, as well as better than expected collection rates for rental income. No underspend is expected in 2020/21, but this depends on external factors including the timetable for roll out of Universal Credit and the potential impact of the COVID emergency.

Income – House Rents were under-recovered due to the timing of new build properties. No under-recovery is expected in 2020/21, but this depends on progress with works and completion deadlines and is very likely to be affected by COVID emergency.

Social Work Resources

Employee Costs – An overspend in the Home Care budget lines reflects recruitment for future vacancies to maintain staffing levels and also expenditure on overtime to meet service requirements. The overspend may continue into 2020/21 as this depends on demand for the service, and is also likely to be affected by the COVID emergency.

The Care Staff budget showed an underspend which was the result of vacancies which are actively being recruited. In addition, part of the underspend was also attributable to the decommissioning of Kirkton and McWhirters Care Homes. The underspend will continue into 2020/21, until the replacement facilities are commissioned. This budget line may also be affected by COVID emergency.

Payments to Other Bodies – Foster Payments showed an overspend due to demand being greater than anticipated as a result of the continuing use of external foster placements arising from permanent fostering placements for children and young people. Additional funds have been added to the budget for 2020/21 but there may be an overspend as the budget is demand led and may be affected by COVID emergency.

In relation to Adoption Allowances, an overspend was the result of the age profile of the children in these placements increasing, and the allowances paid increasing as the children become older. No variances are expected for 2020/21, however this may be affected by COVID emergency.

Payment to Contractors – Payments to Residential Schools and External Placements showed an overspend due to the demand being greater than anticipated. Additional funds have been added to the budget for 2020/21 but there may be an overspend as the budget is demand led and may be affected by COVID emergency.

Income (Fees and Charges General) – An over recovery related to non-recurring income received in respect of recovery of prior year care costs from service users. The over recovery is not expected to continue in 2020/21.
