

EAST RENFREWSHIRE COUNCIL

CABINET

16 January 2014

Report by Director of Finance

ESTIMATED REVENUE BUDGET OUT-TURN 2013/14

**PURPOSE OF REPORT**

1. To advise Cabinet of the projected revenue out-turn for 2013/14. The report provides details of expected variances together with summary cost information for each department. The projection is based on the financial position as at 8 November 2013 and this projection will be reviewed and updated as the financial year progresses.

**RECOMMENDATION**

2. It is recommended that:

- Members note the reported probable out-turn position.
- All departments currently on target to remain within budget be required to monitor and maintain this position to the year end.
- Those departments currently forecasting a year end overspend position be required to take action to bring net expenditure back within budget.
- All service departments ensure that effective control and measurement of agreed operational efficiencies are undertaken on a continuous basis.
- Departmental guidance is adhered to in respect of year end expenditure.

**BUDGET PERFORMANCE**

3. During the course of the year departments have received additional funding from the Scottish Government, external bodies and approved balances carried forward from 2012/13. These additional funds have been allocated to approved projects and are included within these budget monitoring statements.

4. As a consequence of the multi year budget setting approach adopted in recent years, departments have been actively seeking out early efficiencies with these contributing to the underspend in the current year. The Council has maintained this longer term approach to managing the difficult financial circumstances it needs to address. Many of the favourable variances reported in the appendix to this report have therefore also been incorporated into the budget proposals for the coming financial year.

5. The estimated year end position shows a net favourable variance on net expenditure of £2,084,700 based on current information. For General Fund services the projected underspend is £2,302,100. In addition, Council Tax collection has been higher than budgeted with additional income of £300,000 now anticipated, bringing the total forecast underspend on General Fund services to £2,602,100.

## VARIANCE ANALYSIS

6. All departments other than CHCP, Property & Technical Services and HRA report that expenditure will be within budget at the end of the financial year.

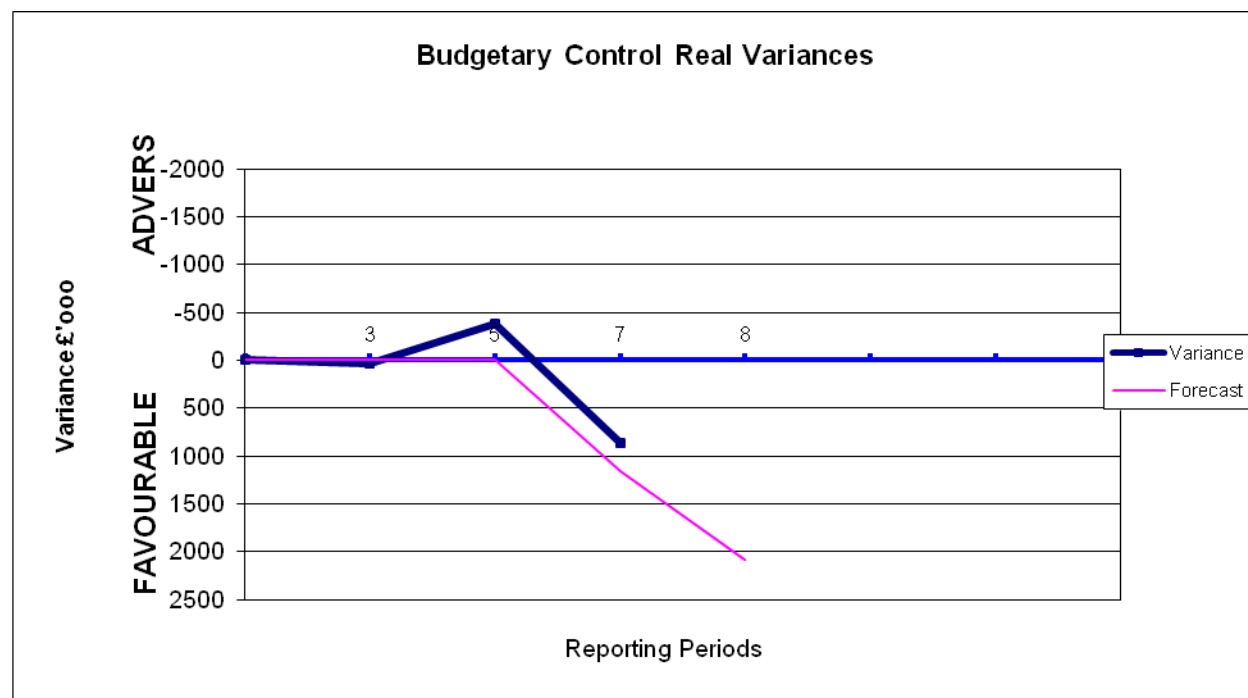
7. All departments should undertake continuous monitoring of procedures and outputs to ensure that budgetary objectives are achieved and that corrective action is implemented with regard to all adverse variances arising.

8. Projected year end net expenditure variances for all departments are identified at Appendix 1.

9. The following table lists each department's period operational variances that have been reported in the current financial year together with the projected year end out-turn position.

Department	Period Variances			Forecast	
	P3 £'000s	P5 £'000s	P7 £'000s	P7 Prob Outturn £'000	P8 Prob Outturn £'000s
Education	308	421	634	638	541
CHCP	(280)	(980)	(818)	(1,260)	(395)
Environment	(17)	3	23	44	60
Environment – Support	0	(24)	(22)	(40)	(51)
CE – Community Services	24	41	88	34	8
CE – Support	43	58	61	64	42
Finance	43	62	118	146	155
Other Expenditure/Housing	10	118	907	1,757	1,942
Housing Revenue Account	(50)	(84)	(121)	(224)	(217)
<b>Total Expenditure Variance</b>	<b>33</b>	<b>(385)</b>	<b>870</b>	<b>1,159</b>	<b>2,085</b>
<b>Total Budgeted Expenditure</b>	<b>37,303</b>	<b>70,288</b>	<b>102,033</b>	<b>212,380</b>	<b>212,380</b>
<b>% Total Variance</b>	<b>0.1%</b>	<b>(0.5%)</b>	<b>0.9%</b>	<b>0.5%</b>	<b>1.0%</b>

10. The trend graph below provides a comparison of the period (being the operational position as at a point in time during the financial year) and outturn (representing the overall forecast position at the year end) budgetary control variances for this financial year.



## **TRADING OPERATIONS**

11. As previously reported, the provisions of the Local Government in Scotland Act 2003 place a statutory requirement on significant trading operations to achieve a break even position over a rolling three year period. None of the Council's services fall within the definition of a Significant Trading Operation.

## **OPERATIONAL ISSUES**

12. It should be noted that the variances reported reflect a 1% pay award for all staff, although settlement has not yet been reached with teachers. Further, uncertainty remains as to weather conditions till the end of the financial year and winter maintenance expenditure may therefore be subject to significant variation. It should also be noted that many of the variances reported within the Education service are subject to Devolved School Management arrangements and as such may be reallocated at individual schools level. Lastly, the final outturn position has also been amended to recognise the £1 million supplementary estimate recently allocated to address CHCP demographic demand pressures.

## **MEASUREMENT OF OPERATIONAL EFFICIENCIES**

13. Given the tight nature of the Council's finances it is important that departments deliver agreed efficiency savings and remain within their budget for the financial year. Departments report that agreed operational efficiencies recorded within the corporate efficiency register are being met, or will be replaced by alternative operational efficiencies.

## **FINANCIAL YEAR END**

14. Expenditure, as we approach the end of the financial year can be relatively high. This may be attributed to the following reasons;

- resolutions of disputed accounts by the year end
- processing of all outstanding internal accounts
- departments having held back resources until the outturn position was assured.

15. Nevertheless, departments should ensure that underspends are consolidated wherever possible and that section 12.2 of the Council's Financial Regulations is adhered to (specifically, "... Directors shall not accelerate expenditure at the year-end in order to prevent budget underspends."). Where the need for excess expenditure has arisen during the year, application to the Director of Finance for virement of up to £30,000 may be made with any sums in excess of this requiring Cabinet approval.

## **CONCLUSIONS**

16. The Council's out-turn financial position is reported as an underspend of £2,084,700. While most departments expect to operate within budget, management action is required within CHCP, Property & Technical Services and HRA to address overspends against departmental budget at year end. The report also identifies operational variances across the Council that require management action to ensure that expenditure will be within budget at the end of the financial year, all underspends are consolidated wherever possible and that spending up to budget levels does not take place.

## **RECOMMENDATIONS**

17. It is recommended that:

- Members note the reported probable out-turn position.
- All departments currently on target to remain within budget be required to monitor and maintain this position to the year end.
- Those departments currently forecasting a year end overspend position be required to take action to bring net expenditure back within budget.
- All service departments ensure that effective control and measurement of agreed operational efficiencies are undertaken on a continuous basis.
- Departmental guidance is adhered to in respect of year end expenditure.

## **REPORT AUTHOR**

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**Report date 18 December 2013**

## **BACKGROUND PAPERS**

The report refers to the attached budgetary monitoring statements.

## **KEY WORDS**

Revenue budget monitoring, probable out-turn position, monitoring statements, budgetary control, efficiency targets, operational variance analysis.

**ESTIMATED REVENUE BUDGET OUTTURN 2013/14**

APPENDIX 1

**NET EXPENDITURE VARIANCES**

	UNDER / (OVER)	
	£	£
<b>EDUCATION</b>		
APT&C, Manual, Instructors & Sessionals	306,100	
Teachers	251,300	
Rates/Water Meter Charges	799,700	
Repairs & Mtce	(191,900)	
Cleaning & Other Property Costs	129,900	
Utilities	(150,700)	
Various Supplies & Services	7,400	
Transport – SEN & Other	(42,800)	
Recruitment Advertising	(44,200)	
Other Administration Costs	(121,800)	
Payments re Pre 5	140,300	
SEN Pupils outwith Authority	(254,000)	
Other Expenditure	(108,100)	
Income – Sports	(162,200)	
Income - Schools	(169,800)	
Other Income	152,000	
		<b>541,200</b>
<b>ENVIRONMENT</b>		
Employee Costs	152,500	
Parks: Woodlands Mgmt/Storm Damage	(139,500)	
Waste Management	280,200	
Cleansing : Agency staff	(90,000)	
Street Lighting & Other Contractors	2,900	
R.C.U., Contractors & Response repairs	(552,700)	
HEEPS/UHIS grant expenditure	(117,000)	
Transport Costs - Cleansing & Roads	(190,900)	
European Grant expenditure	(132,100)	
Payments to Other Bodies/Agencies incl Mixed Tenure	(266,100)	
Payments to Voluntary Organisations incl Whitelees	(100,000)	
Other Operating Costs – SPT Grants & Other Expenditure	(830,200)	
Income from Sale of Recyclables	(44,800)	
Income from Grants/Other Agencies	1,128,300	

Parks – Heritage Lottery Income	68,400	
Roads/Parks Recharges	513,700	
Contribution from Reserves/Repairs & Renewals	179,400	
Other Income	198,200	
		<b>60,300</b>

**ENVIRONMENT – SUPPORT**

Employee Costs	115,500	
Rates, Rents, Water & Other Property Costs	(145,700)	
Repairs and Minor Adaptations	(222,100)	
Agency labour/interns	(70,300)	
Administration Costs	(1,900)	
Income –Other Accounts of the Authority/R&R etc	273,900	
		<b>(50,600)</b>

**COMMUNITY HEALTH & CARE PARTNERSHIP**

Employee Costs – APT&C and Manual	(687,500)	
Property Costs	18,000	
Aids & Adaptations	(150,200)	
Various Supplies and Services	(3,600)	
Transport Costs	(17,200)	
Administration Costs	15,400	
Older People Residential Care	(1,522,000)	
Adult Residential Care (Learning,Physical and Mental Health)	(935,800)	
Children & Families Care	(671,000)	
Other Community Care payments	50,200	
Other Operating Costs	(430,000)	
Income – Change Fund	1,960,900	
Income – Interim Funding	500,000	
Sales,Fees and Charges	(177,600)	
Other Income	655,600	
Supplementary Estimate	1,000,000	
		<b>(394,800)</b>

**CHIEF EXECUTIVE’S – COMMUNITY RESOURCES**

Employee Costs – APT&C and Manual	109,300	
Repairs and Maintenance / Minor Adapts	(168,800)	
Supplies & Services	10,200	
Payments to Other Bodies – Costs offset by income	(26,500)	
Other Expenditure	2,200	

Income – Other Bodies	39,800	
Other Income	41,600	
		<b>7,800</b>

**CHIEF EXECUTIVE'S – SUPPORT SERVICES**

Employee Costs	73,200	
Property Costs	(41,100)	
Supplies & Services	(42,300)	
Transport Costs	12,300	
Events Support	(202,000)	
Administration Costs	(62,000)	
Members' Expenses & Misc Admin Costs	21,200	
Other Operating Costs	9,500	
Events income	172,100	
Other income	100,600	
		<b>41,500</b>

**FINANCE**

Employee Costs	(68,400)	
Redundancy Costs	(44,000)	
Supplies & Services	14,200	
Administration Costs	49,900	
Income from Other Accounts of The Authority	83,500	
Income from Other Agencies / Bodies	44,100	
Other Fees / Charges	19,000	
Capital Recharges – Staff Costs	56,600	
		<b>154,900</b>

**HOUSING REVENUE ACCOUNT**

Employee Costs - redundancies	(209,900)	
Employee Costs - vacancies	52,000	
Supplies – subcontractors	(121,000)	
Other – Various underspends	26,600	
Additional Income – Recharges	34,900	
		<b>(217,400)</b>

**OTHER HOUSING**

Net Housing Benefits	(35,500)	
Other Costs – Misc underspends	20,000	
Additional Income – PSHG c/f from 2012/13	140,900	
- Central funding to support Connor Rd	26,600	

Reduction in Income – Connor Rd rents	(46,600)	<b>105,400</b>
<b>OTHER EXPENDITURE</b>		
Reduction in Financing Charges	300,000	
Restructuring etc. costs	214,000	
Superannuation Additional Allowances	445,800	
Operational Contingency	576,000	
Other Expenditure	73,100	
Welfare Contingency	200,000	
Other Income	21,600	
		<b>1,830,500</b>
<b>JOINT BOARDS</b>		
Strathclyde Passenger Transport Authority		<b>5,900</b>
<b>TOTAL</b>		<b>2,084,700</b>