

## Financial Monitoring 2017/18 – General Fund Revenue – Material Variances

### Education, Communities and Economy

#### Children's Services

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Non-Residential services commissioned and provided for children with and without disabilities	Higher than anticipated levels of demand for Respite, Direct Payments and Taxi Services commissioned for children with disabilities. There is also a projected overspend on respite services commissioned for children without disabilities.	189	190	332	Movement in projected cost between Q2 and Q3 mainly relates to an increased volume of Kinship and Adoption carers allowances.
Residential and Day Education Placements	The forecast requirement for residential placements is higher than anticipated and provided for in the budget. Demand for new placements, particularly expensive secure accommodation, has been high for the first half of the financial year. Since the quarter 2 projection there has been two additional secure placement and one new residential placement.	49	110	367	This represents a 12% overspend on the Multi-Agency Resource Group budget of £3 million. It should be noted that £324k of this projected variance relates to secure placements over which the Council has very little control.  The group continues to challenge new demand to keep costs under control and has recently been successful in its work to progress children in secure placements to allow them to move to other forms of care.
<b>Gross Overspend</b>		<b>238</b>	<b>300</b>	<b>699</b>	
<i>Offset by:</i>					
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Children's Services budget.	(1)	(5)	(64)	No impact on frontline service.
<b>Net Overspend</b>		<b>237</b>	<b>295</b>	<b>635</b>	

## Communities and Economy

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Midlothian Local Development Plan	The estimate of the costs of the required public examination of the LDP by Scottish Government reporter was lower than the expected final outturn. The variable being the number and complexity of unresolved objections to the LDP.	38	43	43	One-off financial pressure associated with completing the 2014 Plan.
Charging for Section 75 Agreements	Charging for Section 75 Agreements was approved by Council when setting the 2017/18 budget. Processes to allow this to happen are still under development so the 2017/18 savings target will not be achieved in full.	20	30	30	Appointment of section 75 compliance officer in July 2017. Charging can only be implemented in new S75 agreements where the appropriate clause is included. It cannot apply retrospectively to existing agreements. Therefore income in 2017/18 will be minimal, possibly zero.
Landlord Registration Income	Landlord registrations are renewable on a 3 year cycle. Fewer registrations are due to be renewed in 2017/18 than budgeted.	19	19	6	No impact on frontline service.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Service budget.	15	18	29	No impact on frontline service.
<b>Gross Overspend</b>		<b>92</b>	<b>110</b>	<b>108</b>	
<i>Offset by:</i>					
Planning and Building Standards Income	Higher levels of income than anticipated.	0	0	(96)	An increase to Planning and Building Standards income has been included in the 2018/19 budget.
Vacancies and Performance Factor	The number of vacancies across the service exceeds the performance factor.	(64)	(105)	(72)	Some vacancies have been filled during Q3.
<b>Net Overspend / (Underspend)</b>		<b>28</b>	<b>5</b>	<b>(60)</b>	

## Education

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Schools	Schools are currently projected to underspend by £1.493 million. However, in accordance with the current Devolved School Management rules and based on current projections schools would be able to carry forward budget of £1.247 million into 2018/19.	0	328	(246)	The impact of this on the General Fund Reserve will be 2-fold. Firstly, there will be an enhancement of the non-earmarked element of the reserve of £0.246m. Secondly there will be an increase in the earmarked element of the reserve of £1.247 million.  During Q3 there was detailed scrutiny of education budgets including the movement between schools budgets and central education budgets and Scottish Government Grant for Newly Qualified Teachers.
Early Years	Significant demographic growth and the popularity of the Good time to be 2 initiative has resulted in a rise in pupil uptake within Early Years. This is offset by costs in the core Early Years budget that are chargeable to the ring-fenced Grant for Early Years Expansion.	0	328	132	Early Years budgets, particularly in light of the increase in pre-school entitled hours to 1140, have been scrutinised and this will be reflected in 2018/19.
Mini Service Reviews	In setting the 2017/18 budget Council approved savings of £150,000 which would flow from some service reviews within the Education Service.	0	150	150	Full implementation is anticipated in 2018/19.
Lifelong Learning and Employability Income	There is a projected under recovery of income as a result of lower contract values awarded and a withdrawal of funding from the Big Lottery in 2017/18.	63	42	34	There has been and will continue to be a focus on reducing expenditure throughout the service in order to minimise the impact of reduced income values.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Education Service budget.	(80)	90	213	No impact on frontline service.
<b>Gross (Underspend) / Overspend</b>		<b>(17)</b>	<b>938</b>	<b>283</b>	
<i>Offset by:</i>					
PPP Contracts	Insurance costs are lower than provided	(182)	(182)	(185)	Windfall Income. This is the consequence an annual review

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
	for in the contract which leads to a refund from the contractor.				for PPP2 (£83,000) and a 5-yearly review for PPP1 (£99,000).
	Contractual refund of funding paid to cover reparation of malicious damage that was not utilised.	(65)	(65)	(95)	Assumptions regarding performance reductions have been checked and updated during the development of the 2018/19 budget.
	The rate of inflation applied to contracts was lower than provided for in the budget. This is more than offset by the backdated impact of change notices.	(55)	(55)	63	Inflation assumptions have been reviewed during development of the 2018/19 budget.
<b>Net (Underspend) / Overspend</b>		<b>(319)</b>	<b>636</b>	<b>66</b>	

## Health and Social Care

### A provision for an additional allocation for services Delegated to Midlothian Integration Joint Board - Adult Social Care

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Community Care Resource Panel	Assessed needs are currently slightly less than budgeted. The budget amounts to around £32m, is demand led and subject to demographic pressures. Individual packages of care are sometimes in excess of £100k per annum and as a consequence projections in this area can be volatile.	792	266	(88)	<p>An overspend position at the end of the previous financial year alongside additional savings targets remain a challenge going forward. However the Realistic Care, Realistic Expectations work stream continues to monitor savings delivery. The work of the review team is having an impact on expenditure levels and progress continues to be monitored. The aim is to reduce the existing level of commitments whilst still meeting critical and substantial need. This remains challenging against a background of increasing demands, particularly going forward in relation to young people with complex needs moving into Adult services.</p> <p>Within Older People's services there is an element of unmet need within care at home which goes in some way to explain the overspend in the Home Care service.</p> <p>The implementation of two new policies, Fair Access to Care and Transport should ensure transparency and equity in this process of allocating resources.</p> <p>It has been possible this year to utilise some one-off funding to reduce in-year pressures but the budget situation going forward remains challenging in the context of future years savings targets.</p>
Home Care / Midlothian Enhanced Rapid Response and Intervention Team	Additional employee costs due to the volume of care packages being provided.	391	535	654	Due to the ongoing pressures within external services delivering care at home, the in-house Homecare and MERRIT services have been creating additional capacity which is resulting in an over spend on existing budgets.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
(MERRIT)					<p>These costs are being offset by underspends within the external provider contract budgets.</p> <p>A key action has been to establish a new framework agreement resulting in additional providers being available within Midlothian and work has begun to transfer services to these providers. This is being supported by a wider review of care at home to create a new delivery model to support more efficient, effective and sustainable service delivery.</p>
Care Homes for Older People	Overspend on staffing costs to cover gaps in the rota at Newbyres.	266	159	178	<p>There have been higher than anticipated levels of sickness absence within Newbyres Care Home and there are management actions now in place to address the situation. This is being implemented and monitored through a robust action plan, with HR support being provided to support staff return to work at the earliest opportunity. A meeting with Trades Unions has been arranged to discuss this collectively.</p> <p>The Highbank service review is underway. There has been an improved position within Highbank, resulting in less agency use which has enabled spend to be brought back in line with budget.</p>
Non-achievement of management review saving	Delays in implementing a new management structure across Health and Social Care.	55	55	55	Consultation is now completed and the final report is due to be considered at both the NHS Lothian Workforce Organisational change Group and CMT prior to implementation. Post are expected to be filled before the end of the financial year.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Adult and Social Care budget.	40	75	4	No impact on frontline service.
<b>Gross Overspend</b>		<b>1,544</b>	<b>1,090</b>	<b>803</b>	
<i>Offset by:</i>					

<b>Description of Variance</b>	<b>Reason for Variance</b>	<b>Quarter 1 £000</b>	<b>Quarter 2 £000</b>	<b>Quarter 3 £000</b>	<b>Additional information / Action taken</b>
Public Protection	Scottish Government funding provided specifically for Adult Support and Protection requirements. Some spend relevant to this funding is in the form of care packages and is met from the resource panel budget.	(159)	(136)	(177)	No impact on frontline service but the underspend offsets care and support costs related to protection issues.
Fieldwork Staffing	A number of vacancies have arisen within the team over the last few months resulting in a projected underspend against budget.	0	0	(176)	No impact on frontline service. Due to a number of changes, posts have been vacant during the year and there has been a move to avoid the use of agency staff.
Joint Equipment Store / Aids and Adaptations	Demand during 2017/18 for both areas of spend are less than budgeted.	0	0	(92)	These are demand led budgets thus spend can be volatile.
Criminal Justice	An element of the Scottish Government funding is used to fund the management and administration of this service.	(65)	(55)	(54)	No impact on frontline service.
Cherry Road, Community Access Team, Shared Lives	Underspends on running costs offset by non-achievement of planned budget savings.	(60)	(24)	8	No impact on frontline service.
<b>Net Overspend</b>		<b>1,260</b>	<b>875</b>	<b>312</b>	

## Customer and Housing Services

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Homelessness accommodation	<p>Specialist treatment required in the conversion works to reuse Pentland House have led to delays in the project with completion in September 2017. The full saving on the Bed and Breakfast budget will therefore not be made.</p> <p>During Q3 a managing agent has terminated a long standing contractual relationship for their privately rented properties. As a consequence the Council has relocated 30 households with an associated cost.</p>	208	208	290	<p>The budget provided for an average 36 B and B places per week. Average occupancy is currently 69 places.</p> <p>The funding shortfall as a consequence of Welfare Reform, particularly for young people's housing options is causing a significant pressure on the homelessness budget in general. This was detailed in the Universal Credit report to Council in December 2017.</p>
<b>Gross Overspend</b>		<b>208</b>	<b>208</b>	<b>290</b>	
<i>Offset by:</i>					
Homelessness Furniture	An increase in referrals falling under the Scottish Welfare Fund and a lower than anticipated level of demand.	0	0	(97)	No impact on frontline service.
Revenues Service Vacancies	There have been a number of vacancies and also maternity savings resulting in a projected underspend within the revenues processing team.	(74)	(37)	(19)	No impact on frontline service.
Customer Services Vacancies	Vacant posts as a consequence of the Customer Services Review.	(54)	(19)	(65)	No impact on frontline service.
Community Safety Staffing	Projected saving as a result of not backfilling maternity absence.	(27)	(33)	(38)	No impact on frontline service.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Customer and Housing Services budget.	(9)	12	10	No impact on frontline service.
<b>Net Overspend</b>		<b>44</b>	<b>131</b>	<b>81</b>	



## Resources

### Commercial Services

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Review of travel arrangements associated with the grey fleet.	A budget reduction of £150,000 in 2017/18 was approved. At this stage it is anticipated that savings will commence in 2018/19.	150	150	150	Work is underway to develop options and plans. The financial impact of these will be picked up in due course.
Rights of Way	Legal expenses have been incurred in respect of an ongoing dispute.	0	0	100	The court case is ongoing. An update will be provided in due course.
Commercial Operations Service Review	A budget reduction of £250,000 in 2017/18 was approved. The review is underway and planned savings can be met from vacancies left unfilled pending finalisation of the review.	60	48	0	It is anticipated that the full saving will be achieved in 2018/19.
Play areas	A budget reduction of £30,000 in 2017/18 was approved. This will not be fully achieved in year.	0	0	24	It is anticipated that the full saving will be achieved in 2018/19.
Midfest	The net cost to the Council of Midfest is anticipated to be about £20,000 which is unbudgeted.	0	0	20	Attendance numbers were lower than anticipated.
Trade Waste Charges	A 10% price increase was approved for 2017/18 and was expected to generate an additional £30,000 of income. Subsequently the customer base reduced and this will result in less income being generated than expected.	18	18	18	The service continues to look to attract new customers.
Review the number of Football Pitches	A budget reduction of £10,000 in 2017/18 was approved. At this stage it is projected that the review will not yield any savings in 2017/18.	10	10	10	Review work is underway and the financial impact of this will be picked up in due course.

<b>Description of Variance</b>	<b>Reason for Variance</b>	<b>Quarter 1 £000</b>	<b>Quarter 2 £000</b>	<b>Quarter 3 £000</b>	<b>Additional information / Action taken</b>
Review of financial contribution to Pentland Hills Regional Park	A budget reduction of £20,000 in 2017/18 was approved.	5	5	0	It is anticipated that the full saving will now be achieved in 2017/18.
Other non-material Variances	Miscellaneous over and underspends covering the remaining area of the Commercial Services budget	0	0	26	
<b>Gross Overspend</b>		<b>243</b>	<b>231</b>	<b>348</b>	
<i>Offset by:</i>					
Waste Disposal Charges	Tonnages to date are lower than expected.	(78)	(113)	(203)	Volume of tonnage can be volatile and are monitored routinely.
Decriminalised Parking	The implementation date has slipped into 2018/19 resulting in a saving against budget in 2017/18.	0	0	(122)	A report on Decriminalised Parking was presented to Council on 19 <sup>th</sup> December 2017. The anticipated start date is now April 2018.
Roads Services Income	Income generated from new developments and Temporary Traffic Regulation Orders is anticipated to exceed budget.	(30)	(30)	(30)	Budget will continue to be monitored and will be reviewed if sustainable in the longer term.
<b>Net Overspend / (Underspend)</b>		<b>135</b>	<b>88</b>	<b>(7)</b>	

## Finance and Integrated Service Support

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Employee Performance Factor	The performance factor for the service is £466,000. At this time predicted vacancies and other staffing variations will not fully offset this giving rise to an overspend.	135	137	87	Only essential vacancies are filled and work continues to explore opportunities to reduce this overspend.  Vacant posts since Q2 have given rise to an improvement in the position.
Central Postages and printing costs	The volume of postages and printing exceeds budget.	60	22	15	A review of activity is underway with the aim of minimising volumes and reducing reliance on paper in accordance with EWIM principles.
External Legal Fees	Continuing costs associated with residual equal pay and other staffing related cases, the continued high incidence of children's permanence cases, a rise in the costs of curators fees associated with permanence cases and occasional complex one-off cases.	30	35	34	The residual legal issues relating to Equal Pay claims have been brought in-house during Q3.  Children's permanence cases have now been brought in-house although there will be a number of legacy cases to be completed by external solicitors.  A registration scheme has been implemented to employ curators on a lower fee basis than previously charged.
Bank Charges	The shift towards electronic payments has led to increased transaction costs.	25	22	25	A review of bank charges is underway with the aim of negotiating lower rates with service providers.
Mi-Future	The costs for staff in SWITCH during the year are projected to exceed budget	0	19	55	6 months budget is moved to Switch with displaced employees. The Mi-Future team continues to work towards a satisfactory resolution for each employee in SWITCH and when compared to severance costs SWITCH remains a cost effective solution.
<b>Gross Overspend</b>		<b>250</b>	<b>235</b>	<b>216</b>	
<i>Offset by:</i>					
Digital Costs	The anticipated cost of equipment and support costs is lower than budgeted.	(109)	(105)	(105)	Future year budgets have been reviewed.
Disclosure Scotland Fees	Anticipated costs in 2017/18 are lower than budgeted.	(28)	(3)	0	Future year budgets have been reviewed.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Archiving	Anticipated costs in 2017/18 are lower than budgeted.	(25)	(28)	(33)	Costs are expected to increase in future years as the facility is used more.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Finance and Integrated Service Support budget.	(34)	(17)	0	
<b>Net Overspend</b>		<b>54</b>	<b>82</b>	<b>78</b>	

#### Properties and Facilities Management

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Energy Costs	Unit prices for gas are higher than budgeted (£34,000), an approved saving for reducing the electricity bill has not yet been achieved (£45,000) and backdated water costs associated with meter issues on one site (£63,000).	0	0	143	Opportunities to reduce ongoing assumptions continue to be explored and the latest unit price forecasts are reflected in the 2018/19 budget.
EWiM planned building closures	Evolving plans for buildings that were planned to be sold or demolished through approved EWiM projects have resulted in anticipated revenue savings not materialising.	95	95	95	Ongoing costs associated with evolving plans will presented to Council in due course.
Properties and Facilities Management Service Review	A budget reduction of £60,000 in 2017/18 was approved. The review is underway but at this stage it is not anticipated that the full saving will accrue in 2017/18.	60	60	60	It is anticipated that the full saving will be achieved in 2018/19.
Loanhead Leisure Centre	Closure for part of the year.	0	0	42	
Public Toilet Provision	A budget reduction of £40,000 in 2017/18 was approved. At Q1 it was not anticipated that the full saving would be achieved in 2017/18.	40	0	0	Council on 26 <sup>th</sup> September 2017 agreed to keep Public Toilets open but with reduced staffing levels and approved additional funding for this.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Closure of Penicuik Town Hall	A budget reduction of £30,000 in 2017/18 was approved. This has been delayed due to grant funding approvals for external refurbishment works.	30	30	30	
Review of Facilities Management Officers	A budget reduction of £40,000 in 2017/18 was approved by Council. This will be achieved in part in 2017/18.	20	20	40	It is anticipated that the full saving will be achieved in 2018/19.
<b>Gross Overspend</b>		<b>245</b>	<b>205</b>	<b>410</b>	
<i>Offset by:</i>					
Snowsports Centre income	Early projections point to a higher than budget income from chargeable activities.	0	0	(238)	
<b>Net Overspend</b>		<b>245</b>	<b>205</b>	<b>172</b>	

#### Other

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional Information / Action taken
Loan Charges	Slippage in the plan has resulted in a lower value of borrowing than planned for. In addition borrowing both on a short term and long term basis has been sourced at lower rates than expected at the time of setting the 2017/18 budget.	(146)	(42)	(47)	Movement between Q1 and Q2 is a consequence of the re-representation of the Borders Rail liability agreed with the External Auditor as part of the 2017/18 accounts finalisation process.
Transformation Savings – Integrated Service Support	A Target of £1.122 million of savings was set for 2017/18 which consisted of slippage from previous years and also an additional target for 2017/18. A large part of this target is on course to be delivered in 2017/18 but not all of it.	345	272	172	The shortfall in delivery will be achieved in 2018/19.

Transformation Savings - Procurement	A target of £0.350 million for procurement savings was set for 2017/18 which reflected slippage in targeted savings for previous years. It is projected that £0.100 million of this will be achieved.	250	152	184	Continuing inflationary pressures are such that it is challenging to secure budget reductions as contracts are being re-tendered.  Contract savings have been made or are planned for 2017/18 which impact on the Capital Account and the Housing Revenue Account.
Transformation Savings – Customer Services	A target of £0.295 million of savings was set for 2017/18 which reflected slippage in targeted savings from previous years and also an additional target for 2017/18. It is projected that £0.115 million will be achieved in 2017/18.	114	180	235	The shortfall in delivery will be delayed until 2018/19.
Transformation Savings – Tactical Reductions in contracted hours	The target of £0.150 million will not been achieved in 2017/18	150	150	150	Progress in taking forward a voluntary reduction in hours initiative and promoting flexible retirement options have been delayed.
Scottish Government Grant	The distribution of amounts withheld by the Scottish Government when the budget was set is in excess of Midlothian's expected share.	0	(500)	(750)	No additional costs are associated with the higher than anticipated distribution.
Council Tax Income	A continued growth in Band D equivalents results in a higher than budgeted Council Tax yield.	(250)	(400)	(400)	The continued growth in Band D equivalents will be factored into Council Tax income budgets for future years.