

**Financial Monitoring 2018/19 – General Fund Revenue – Material Variances****Management and Members**

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Employee Costs	One-off costs.	20	27	50	
<b>Gross Overspend</b>		<b>20</b>	<b>27</b>	<b>50</b>	

**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
Residential and Day Education Placements	The requirement for residential placements was higher than anticipated and provided for in the budget.	884	873	653	<p>This represents a 19% overspend on the Multi Agency Resource Group (MARG) budget of £3.4 million.</p> <p>Placements that go through MARG can be extremely expensive and of uncertain timing. Because of this it is likely that this forecast will change through the course of the year.</p> <p>The majority of this overspend relates to an individual case and it is hoped that a longer term and more economical solution will be in place from April.</p> <p>The MARG 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.</p>
Non-Residential services	Forecast overspend on respite, direct payments and taxi services commissioned	84	62	97	Demand outstrips budget. Overspends are being reviewed in detail.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
commissioned and provided for children with and without disabilities	for children with disabilities due to higher than anticipated levels of demand for these services.				This has been reported to Cabinet and support to 18+ is not funded.
	Forecast overspend on respite, taxi and day care services commissioned for children without disabilities.	40	12	(9)	
	Forecast overspend on rent and allowances for Throughcare and Aftercare clients.	57	130	141	
	Forecast variance on all other services commissioned for clients.	16	(36)	(6)	
<b>Gross Overspend</b>		<b>1,081</b>	<b>1,041</b>	<b>876</b>	
<i>Offset by:</i>					
Family Placements	The number of children in foster care placements has fallen since 2017/18. In addition three placements previously with expensive external agencies have moved to Midlothian Carers resulting in a significant saving. Unbudgeted income has been received for the provision of adoption placements to another local authority.	(217)	(274)	(286)	The reduction of children coming into care is as a result of a significant and successful piece of work over the past year (PACE) supported by the Scottish Government and CELCIS. Ongoing work in this area will continue and learning shared with other local authorities across Scotland. Work goes on with neighbouring local authorities regarding Foster Care recruitment and placements.
Vacancies and performance factor	There is a forecast underspend mainly resulting from maternity leave within the Early Intervention and Prevention service and vacant day-time posts in the residential units.	(76)	(212)	(209)	The service plans to recruit to vacancies created by staff returning from maternity leave on reduced hours.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Children's Services budget.	0	(36)	(90)	No impact on frontline service.
<b>Net Overspend</b>		<b>788</b>	<b>519</b>	<b>291</b>	

## Communities and Economy

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
City Deal and Borders Rail	There are ongoing commitments to large projects that exceed the approved budget.	0	75	115	Additional budget has been provided in 2019/20 for work required to progress the City Deal and the budget position for Borders Rail looking forward will be discussed by Council shortly.
Grants to External Organisations	The value of payments to external organisations exceeds budget. This was for grants to Visit Scotland and Business Commerce which were not provided for in the 18/19 budget.	63	63	63	This is offset by an underspend in Economic Development as shown below. The budget for Grants to external organisations will be considered as part of the Financial Strategy.
Approved Budget Savings	Council agreed a range of budget reductions for Communities and Economy. It is projected that there is slippage in delivery with fully delivery anticipated in 2019/20.	44	44	10	Overspends are offset in 2018/19 by vacancies elsewhere in the service as shown below.
<b>Gross Overspend</b>		<b>107</b>	<b>182</b>	<b>188</b>	
<i>Offset by:</i>					
Planning and Building Warrant Income	A significant spike in income during Q2 in addition to the £0.370 million identified in the recovery plan as a Q1 adjustment.	0	(521)	(555)	The Recovery Plan presented to Council on 2 <sup>nd</sup> October 2018 identified £0.370m of planning and building control income that was not included in Q1. Continued income levels in excess of target have been experienced and this has been reviewed during development of the 2019/20 budget.
Vacancies and Performance Factor	The number of vacancies across the service exceeds the performance factor.	(109)	(128)	(92)	There are vacancies in Economic Development, Planning and Trading Standards that are being held pending delivery of planned Service Reviews within Communities and Economy.
Planning Subscription	Annual Maintenance charges for 2018/19 that were accounted for in 2017/18.	0	(65)	(65)	One-off underspend in 2018/19.
European Social Fund Income	Income received in 2018/19 which contributes to the cost of Welfare Rights officers.	0	(35)	(35)	One-off in 2018/19.
Financial Discipline	Savings identified as part of 19/20 budget deliberations that have been achieved in 2018/19.	0	0	(72)	

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Landlord Registrations	Income exceeds budget.	0	0	(20)	Landlord registrations are renewed on a 3 yearly basis with a higher than average impact in 2018/19.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Service budget.	2	0	(6)	
<b>Net Underspend</b>		<b>0</b>	<b>(567)</b>	<b>(657)</b>	

### Education

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Charging for Music Tuition	A projected under recovery on charging to schools for SQA music tuition.	87	87	153	The reduced uptake in SQA pupils, which is 31.8% lower than school year 2017/18 has resulted in the recharge to schools for music instructors reducing from a projected £203k to £137k. This will remain as an overspend in Q4.
	Additional income generated from the new charging policy for music tuition.	20	20	(5)	The projected overspend in the earlier part of the year has been reversed and projected income now exceeds targets.
School Estate Expansion	There are revenue commitments as a consequence of capital projects that have no approved revenue budget.	101	128	130	This will be addressed as part of developing the Financial Strategy with more rigorous work to ensure that all revenue consequences of Capital Expenditure are identified when Capital Budgets are being considered.
Inclusion Review savings	Council approved savings of £0.100 million in 2017/18. £0.030 million of these have been realised.	70	70	70	Work continues to identify options for further savings and following completion of this work it is anticipated that the overspend will reduce during Q4.
Lifelong Learning and Employability Income	Based on current contract levels within Employability and Accreditation there is an anticipated under recovery of income.	43	35	39	The Employability and Accreditation service within Lifelong Learning and Employability are continually bidding for new contracts. Income levels remain steady, but lower than budgeted. Overall, the LLE service is projected to underspend mainly due to vacancies which are reflected as part of the vacancies and performance factor projection shown below and also as a consequence of strict adherence to the moratorium on non-essential spend.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Hearing Services	Communication Support Workers required in schools that were not provided for in the 2018/19 budget.	0	90	106	<p>Unbudgeted costs in 18/19 are offset by in-year savings due to vacancies and an over achievement of the performance factor within the Education service. This will be addressed as part of the ASN review in Q4 and is likely to reduce due to savings elsewhere.</p> <p>Due to the growing need for this service a budget will be provided in 2019/20 from elsewhere in the Education service.</p>
Long-Term Absence and Maternity Cover	Budget is provided for Long-Term absence and Maternity cover. To date costs of £0.743 million in 18/19 exceed budget.	0	0	61	<p>Under DSM rules cost associated with absences longer than 20 days are not incurred by schools and are funded centrally.</p> <p>In 2017/18 the full year cost was £0.811 million.</p>
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Service budget.	51	17	69	
<b>Gross Overspend</b>		<b>372</b>	<b>447</b>	<b>623</b>	
<i>Offset by:</i>					
Schools	Schools are projected to underspend by £0.533 million. Allowing for a 1% DSM carry forward of £0.384 million in accordance with current rules this leaves a net underspend of £0.149 million.	(725)	(314)	(284)	<p>The £0.149 million projected underspend represents budgets allocated to schools under the DSM scheme in excess of the allowable 1% carry forward.</p> <p>The remaining underspend relates to NQT funding from the Scottish Government that has not yet been allocated to schools.</p>
Vacancies and Performance Factor	There are a number of vacancies and part-vacancies across the Education service.	(106)	(354)	(542)	<p>The Recovery Plan presented to Council on 2<sup>nd</sup> October 2018 identified £107k of savings that could be achieved by not filling vacancies that existed for the duration of the financial year. In addition to posts identified in the recovery plan there are a number of other posts that are projected at Q3 to remain vacant.</p> <p>Management action is in place to minimise any impact on frontline service provision.</p>

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
PPP Contracts	The net impact of refunds and additional costs as a consequence of PPP contractual conditions shows a projected underspend of £0.142 million. This covers insurance arrangements, malicious damage costs, utilities costs, benchmarking of employee pay rates for PPP2 and inflationary changes.	0	(117)	(142)	The ongoing impact of contractual changes is reflected in the 2019/20 budget.
<b>Net Underspend</b>		<b>(459)</b>	<b>(338)</b>	<b>(345)</b>	

### Health and Social Care

In accordance with the Integration Scheme the Midlothian Integration Joint Board is required to put in place a recovery plan to address the projected overspend. At this time the expectation is that action by the MIJB will address the overspend so no provision has been made for an additional budget allocation for services delegated to MIJB in respect of Adult Social Care. The variances are noted below for information but are not taken into account in calculating the Council's position.

### **Midlothian Integration Joint Board – Delegated**

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Community Care Resource Panel	There are significant demands for services across all demographic profiles. There was also an underlying overspend in 2017/18 of £0.210 million. Whilst savings have been made against existing packages of care and support and good progress is being made in reviews of long-term cases, the number of young people coming through transitions with complex needs means that managing spend within budget remains challenging.	1,028	571	874	The budget amounts to around £32 million, is demand led and subject to demographic pressures. Individual packages of care are sometimes in excess of £0.100 million per annum and as a consequence projections in this area can be volatile. Projected spend on Care Home placements and Care at Home for Older People has increased. Within Learning Disabilities an increase in commitments includes the requirement to provide for costs in respect of an ordinary residence case which may now have to be paid.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
	Within this financial year it is estimated that additional costs could amount to £0.400 million with no uplift provided in the approved budget.				<p>Within the overall position there is a projected underspend within Older People's services which offsets the overspend within Home Care (as shown below).</p> <p>An element of new monies to support carers is being utilised to support respite availability.</p> <p>New fieldwork service arrangements will ensure ongoing reviews and focus on redesign of services.</p>
Home Care / Midlothian Enhanced Rapid Response and Intervention Team (MERRIT)	Additional employee costs due to the volume of care packages being provided. There is a shortage of external supplier capacity which results in continued pressure to address package of care requirements from our internal service. There is also high absence within the Complex team.	376	223	170	<p>This service supports the aspiration to shift the balance of care and support people to live in their own homes for as long as possible. The pressures on the budget are a reflection of the capacity issues within the external market, with additional demand currently being met by the internal home care service. A new model of care is being trialled with external providers to provide additional capacity.</p> <p>The IJB has agreed to non-recurring resource being allocated to pressures within home care during 2018/19 in advance of further transformational work in 2019/20 to redesign service delivery for care at home.</p>
Care Homes for Older People	Projected overspend on staffing due to the requirement to cover rotas, mainly at Newbyres Care Home.	228	186	54	This continues to show an improving position. Spend on both staffing and running costs continues to be scrutinised, and in particular, where possible, agency staff is kept to a minimum. Additional spend was incurred during the summer period due to levels of annual leave being taken. New annual leave processes are now in place to spread the impact more evenly over the year, and the locum bank is being developed to reduce agency staff spend.
<b>Gross Overspend</b>		<b>1,632</b>	<b>980</b>	<b>1,098</b>	
<i>Offset by:</i>					
Service User Income	Contributions from service users towards their care packages are higher than provided for in the budget.	(152)	(193)	(443)	Most charges are financially assessed and the level of income achieved is therefore dependant on the financial means of service users which can change over time. Projected income

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
					has increased across service user groups, an particularly in relation to care homes.
Learning and Development	Delivery of some training has slipped into 2019/20.	0	0	(73)	No impact on frontline service and offsets the cost of essential cover for front-line staff with mandatory training requirements.
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.	(72)	(58)	(57)	This underspend offsets care and support costs related to protection issues.
Criminal Justice	An element of Scottish Government Funding is used to fund the management and administration of this service.	(70)	(70)	(66)	No impact on frontline service.
Joint Equipment Store / Aids and Adaptations	Demand during 2018/19 for both areas of spend is less than budgeted.	(56)	(30)	(26)	These are demand led budgets thus spend can be volatile.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Adult Social Care budget.	(85)	(100)	(157)	No impact on frontline service.
<b>Net Overspend</b>		<b>1,197</b>	<b>529</b>	<b>276</b>	
	MIJB Recovery Plan		(529)	(276)	
<b>Adjusted Net Overspend</b>		<b>1,197</b>	<b>0</b>	<b>0</b>	

### Midlothian Integration Joint Board – Non-Delegated

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Community Safety	Posts deleted to deliver the savings target were filled until the end of June thus the full year saving has not been achieved.	49	37	42	The Community Safety retained team element has now transitioned into the redesigned Community Safety and Justice Team within Adult Social Care.
<b>Net Overspend</b>		<b>49</b>	<b>37</b>	<b>42</b>	

## Customer and Housing Services

<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>
Homelessness – Savings Target Unachieved	Proposals are proceeding to convert a property in Jarnac Court into temporary HMO accommodation and other initiatives are being investigated to reduce the requirement for Bed and Breakfast accommodation. These will not be in place this financial year resulting in a projected overspend against budget.	260	260	250	<p>Spend on Bed and Breakfast will be reduced through this approach. In addition there is provision within the HRA Capital Plan for new build temporary accommodation.</p> <p>The Tenancy Support contract for prevention and support services is being reviewed for cost effective options.</p>
Homelessness accommodation	Demand for placements exceeds budget.	246	203	169	The budget provided for an average 36 B and B places per week. Average occupancy is currently 54 places which is 6 less than Q1 and Q2. Out of area placements are no longer taking place which has reduced the projected cost. During Q3 localised work took place to reduce specific spend on B and B places.
Homelessness storage	Storage facilities provided for homeless households furniture and goods.	0	65	54	<p>This cost was previously charged to homeless clients but recovery was negligible from vulnerable households and costs are now mainstreamed into the Homeless budget. The increase in the provision of temporary housing stock has also contributed to increase in demand relative to budget.</p> <p>During Q3 work was undertaken to appoint a new supplier for storage and removal of goods in relation to temporary accommodation. The new contract will reduce costs during the remainder of 18/19 and allow costs to be contained within budget in 19/20.</p>
Housing – Savings Target unachieved	Savings proposals are being developed but will not be fully implemented in 2018/19.	57	57	57	It is planned to drive more Housing services on-line and through a range of digital services and platforms. Further transformation is required to develop and promote digital services to adopt a mobile first approach for online customers. Work to deliver this saving is likely to be part of corporate automation transformation or with regard to work around introduction of a choice-based letting model.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Revenues Service – Planned Savings	A Revenues service review is planned but will not deliver the full value of planned savings of £0.400 million in 2018/19. Additional one-off monies from DWP partially offsets this.	21	21	20	Shared Service options are being investigated. Revenues Service Review will begin in April 2019.
<b>Gross Overspend</b>		<b>633</b>	<b>643</b>	<b>550</b>	
<i>Offset by:</i>					
Customer Services Vacancies	There are still a number of posts to be filled following the recent review of the service, it is anticipated they will be filled imminently.	(80)	(68)	(58)	Management action is in place to minimise any impact on frontline service provision.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Customer and Housing Services budget.	4	(15)	(25)	
<b>Net Overspend</b>		<b>557</b>	<b>560</b>	<b>467</b>	

## Resources

### Commercial Operations

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 but only partial savings are projected.	150	115	115	The Recovery Plan presented to Council on 2 <sup>nd</sup> October 2018 indicated that the projected overspend reported at Q1 could be reduced by £40k over the remainder of 2018/19. At Q3 it is anticipated that £35k of this will be delivered.  Work continues on financial impact.
Street Lighting	Consumption and supply charges are similar to last year but distribution charges are considerably higher.	108	110	113	It is difficult to predict the impact this will have over the winter period when consumption is higher.
Land Services	A project identified on the work programme with a value of £300,000 has been delayed due to external factors.	0	0	79	The service is endeavouring to identify other works that can be accelerated.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Review of Sports Pitches	A budget reduction of £10,000 was approved in 2017/18 with a further £50,000 added in 2018/19.	60	60	30	Some savings have been achieved and consultation is ongoing.
Supplier Management	A savings target of £50,000 was approved. To date no savings have been delivered.	50	50	50	Services are exploring options to achieve this saving.
Savings Targets	Financial Discipline savings of £0.100 million were approved in setting the 2018/19 budget with £0.050 allocated to Commercial Operations. To date only a small element has been realised.	0	48	48	Projections at Q1 assumed that the target would be achieved in 2018/19. However, further examination indicated the most likely position is a marginal achievement of the target in 2018/19. Work will continue during 2018/19 to identify possible areas for further financial discipline.
Trade Waste Charges	An income generation target of £40,000 was approved for 2018/19. However, price increases have resulted in the customer base reducing and consequently less income being generated than expected.	27	29	32	The Recovery Plan presented to Council on 2 <sup>nd</sup> October 2018 identified a £10k reduction in the projected overspend at Q1 as a consequence of targeting existing and new customers to offer new and enhanced services. Projections at Q3 are based on the current customer base and they may move closer to budget over the remainder of the year if there are new customers or new charges.
Charge for Commercial Waste at Stobhill Community Recycling Centre	An income generation target of £35,000 was approved for 2018/19. Implementation has slipped but it is anticipated that charging will be in place during 2018/19 resulting in the target being partially met.	25	25	35	The Recovery Plan presented to Council on 2 <sup>nd</sup> October 2018 identified a £5k reduction in the projected overspend at Q1 as a consequence of targeting new customers. Projections at Q3 are based on current activity and they may move closer to budget over the remainder of the year.
Sales force spend to generate	An income budget of £25,000 was approved for 2018/19. To date no savings have been delivered.	25	25	25	Options are being explored and it is possible that part of the income target may be met in the latter part of the year.
Advertising on Council Vehicles	An income generation target of £15k was approved for 2018/19. There are interested parties but it is likely that this proposal will not now be implemented until 2019/20.	0	15	15	PIN notice response from advertisers being progressed for advertising on vehicles and site locations.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Commercial Services budget.	(20)	39	48	No impact on frontline service.
<b>Gross Overspend</b>		<b>425</b>	<b>516</b>	<b>590</b>	

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
<i>Offset by:</i>					
Roads Maintenance	Maintenance expenditure will be restricted to statutory repairs and those required as a consequence of a risk-based assessment.	0	(250)	(377)	The recovery plan presented to Council on 2 <sup>nd</sup> October 2018 explained that the workforce would concentrate on a statutory and risk-based approach to repairs. The current forecast reflects a best estimate of projected work subject to weather events in the latter part of the year.
Commercial Operations Service Review	A budget reduction of £250,000 was approved in 2017/18 and a further £150,000 was added in 2018/19. £229,000 has been realised to date leaving an outstanding target of £171,000. Staff vacancies have been offset against this target in the current year whilst reviews progress.	21	(124)	(109)	The Recovery Plan reported to Council on 2 <sup>nd</sup> October 2018 anticipated an improvement of £138k in the position reported at Q1 as consequence of freezing vacancies. A review at Q3 updates the impact of this to £130k.
Parking fines / parking charges	Income from parking fines and paid parking is anticipated to generate £88k more than provided for in the budget.	0	(88)	(76)	Decriminalised parking was introduced in the early part of the financial year. Projections are based on historic information and there is a risk that behavioural change may impact on income over the remainder of the year.
Waste Disposal Charges	Tonnages are lower than expected and prices associated with newly tendered contracts are lower than anticipated.	(50)	(54)	(172)	Volume of tonnage can be volatile.
<b>Net Overspend / (Underspend)</b>		<b>396</b>	<b>0</b>	<b>(144)</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 £478,000. At this time predicted vacancies and other staffing variations will not fully offset this.	253	203	129	<p>The recovery plan presented to Council on 2<sup>nd</sup> October 2018 indicated that only filling critical posts would improve the projection at Q1 by £45k. Projections at Q3 have increased this figure to £124k.</p> <p>Strict control of vacancies remains in place, with recruitment continuing to be restricted to posts identified as critical. Contraction in the overall size of the workforce makes this target more challenging to achieve but work continues to secure all opportunities for further savings that arise.</p>
Integrated Service Support Review	<p>The ISS savings to be achieved in 2018/19 total £1.127 million, £347,000 from savings targets brought forward and a further £780,000 from an increase in the savings targets agreed as part of the 2018/19 budget.</p> <p>At this point savings of £557,000 have been secured with current plans projected to achieve a further £270,000 by the end of the financial year.</p>	157	300	300	<p>The recovery plan presented to Council on 2<sup>nd</sup> October 2018 indicated that planned ISS savings for 2019/20 could be accelerated to bring the 2018/19 position back within budget. A detailed assessment was subsequently undertaken which concluded that savings for the year are projected at £0.827 million. This will result in £0.300 million of the remaining target not being delivered in 2018/19 but it can be delivered early in 2019/20. Work continues to deliver the service change and savings attached to the review.</p>
Procurement Savings	A target of £0.350 million for procurement savings was set for 2017/18 which reflected slippage in targeted savings for previous years.	108	61	100	<p>The recovery plan presented to Council on 2<sup>nd</sup> October 2018 indicated that the procurement delivery plan would be prioritised in order to maximise opportunities to secure the remaining outstanding target. Projections at Q3 reflect an updated assessment of the likely realisation of savings. Two newly awarded tenders have seen cost reductions that cannot not be yet be translated into budget reductions. In addition savings have been secured on contracts which contribute to the Integrated Joint Board recover plan.</p>

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
					Continuing inflationary pressures are such that it is challenging to secure budget reductions as contracts are being re-tendered.  Contract savings have also been made which impact on the Capital Account and the Housing Revenue Account.
Central Postages and printing costs	The volume of postages and printing exceeds budget.	69	10	(15)	The recovery plan presented to Council on 2 <sup>nd</sup> October 2018 indicated there would be a reduction of £70k from the projected spend at Q1 coming from more rigorous restrictions on staff access to printing and postage. Projections at Q3 reflect positive action and behavioural changes to support this.
Bank Charges	The shift towards electronic payments has led to increased transaction costs.	35	35	44	A review of bank charges is underway with the aim of negotiating lower rates with service providers. There has been a growth in the use of credit and debit cards, with a corresponding increase in charges.
Supplies and Services	Planned underspend on the non-staffing budget to offset shortfall in ISS Savings.	0	(100)	(38)	The recovery plan presented to Council on 2 <sup>nd</sup> October 2018 indicated a reduction in expenditure of £50k with expenditure limited to contractual obligations and critical service delivery. An assessment at Q3 concludes that the impact of this action will yield savings of £38k. Over the remainder of the year expenditure will continue to be restricted as outlined above to secure a greater underspend than that identified at Q3.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Finance and Integrated Service Support budget.	7	5	0	
<b>Gross Overspend</b>		<b>629</b>	<b>514</b>	<b>520</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	<p>Price inflation for gas and electricity purchase exceeds what was provided for in the budget. For some sites price inflation for electricity is as much as 16% and gas is 25%.</p> <p>Council approved a saving of £140,000 in February 2018 as a consequence of a new heating policy. At Q1 it was anticipated that the policy would be implemented in time to generate savings in 2018/19, the majority of which would accrue during the winter months. A consultation exercise on the new policy is now underway thus implementation will be later than expected. It is now expected that no savings related to this will be achieved in 2018/19.</p> <p>Savings proposals were approved in 2017/18 for Salix energy projects (£25k) and introduction of energy management controls (£20k). It is projected that these targets will only be partially achieved in 2018/19.</p>	0	199	344	<p>Projected consumption in 2018/19 is marginally lower than anticipated.</p> <p>Scottish Procurement are currently projecting that wholesale prices for gas and electricity may increase by 10 – 14% in 2019/20. This is reflected in the 2019/20 budget.</p>
		0	140	140	
		0	40	40	
Janitorial Services	<p>Approved savings for Janitorial Services in 2018/19 totalled £347,000 involving merging staff with Leisure Staff and sharing Janitors in Primary Schools. Current proposals will deliver a full year saving of £294,000 with a part year saving in 2018/19 of £171,000.</p>	176	120	120	<p>A delay in recruiting to the new structure resulted in a few posts being vacant during Q2 thus reducing the projected overspend further than the £18k reported in the Recovery Plan presented to Council on 2<sup>nd</sup> October 2018.</p> <p>A merged role has been created and the facilities service review will further reduce staff costs during this financial year</p>

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
					and contribute to the Recovery Plan position. This is currently being monitored to ensure the appropriate staff cover is in place for evening and weekend facility opening. In the meantime vacancies have been frozen.
Non Domestic Rates	Charges have been incurred in 2018/19 for some land and buildings that were previously exempt.	0	108	120	These are additional charges outwith the control of the Council. The appropriateness of these charges is being reviewed with any ongoing charges reflected in future years' budgets.
Reduced Lifeguard cover	Proposals are still being developed so implementation will be delayed.	100	100	100	Reduction in lifeguard cover is a limited option, although the remit of coaches during swimming lessons may partially mitigate the projected overspend.
Closure of Newbattle Pool and Mayfield Leisure Centre	A £542,000 saving was approved in respect of the closure of the facilities. This was delayed pending opening of the new Newbattle Centre.	90	122	127	Demolition is complete at both premises but there is further clarity necessary on costs for 2018/19.
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.	80	98	149	The planned disposal has not occurred as other Council services continue to operate from or plan to redevelop these buildings and as a result cannot dispose of them. Unbudgeted costs in 2018/19 relate to Dundas Buildings, Eskdaill Court and Penicuik Town Hall.  The Q2 position did not account for Non Domestic Rates at Dundas as it was expected that relief would be granted. Further work indicates this is unlikely to be the case.
Reduced Housing Voids Standards	No progress has been made in delivering this saving.	80	80	80	Costs properly chargeable to the Housing Revenue Account are being reviewed.
Concessionary Charging Policy	Council agreed to increase charges for over 60's using the Golden Years Scheme to the equivalent of the bronze rate for Tonezone. £100,000 was approved in respect of this scheme. The Golden Years pass price increase was initially implemented on a phased basis which led to a projected overspend in 2018/19.	76	25	24	Council on 2 <sup>nd</sup> October 2018 approved price increases effective from 1 <sup>st</sup> December 2018 which reduced the projected overspend shown at Q1.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Sport and Leisure income targets and group session charges.	As part of the 2018/19 budget Council approved an increase to income targets for Sport and Leisure. Based on uptake information for casual use and for group sessions it is projected there will be an under recovery of £89k in 2018/19.	62	102	89	There has been some improvement in uptake for group sessions.  Initiatives to increase income have been launched such as reduced membership joining fees to attract greater footfall during the popular period following New Year.
Energy Costs – Energy Performance Contract	Council in June approved a proposal to enter into an Energy Performance Contract with a contractor to deliver energy conservation measures and cost savings. It is not anticipated that the planned saving of £60,000 will be delivered in 2018/19.	60	60	60	The project was appraised over a ten year period and there was a marginal net impact on the revenue budget during this period. Beyond ten years there are expected to be savings of approximately £150,000 per annum.
Property and Facilities Management Service Review	A budget reduction of £60,000 was approved in 2017/18 with a further £90,000 added in 2018/19. £93,000 has been achieved to date.	57	27	57	The review is ongoing. The recovery plan presented to Council on 2 <sup>nd</sup> October indicated that part year savings of £30k may be achieved through targeted VSER. It is not now anticipated that this will be delivered in 2018/19.
Maximise use of PPP schools	Budget savings of £50,000 have been approved. To date there have been no savings delivered.	50	50	50	Additional income is expected from the recently upgraded astro surface at Dalkeith Campus but will not be calculated by the PPP service provider, BAM, until the end of the financial year.
Supplier Management	A savings target of £50,000 was approved. To date savings have only been part delivered.	50	30	50	Options are being explored to deliver the remainder of this saving.
Savings Targets	Financial Discipline savings of £0.100 million were approved in setting the 2018/19 budget with £0.050 allocated to Property and Facilities Management. To date only a small element has been realised.	0	47	47	Projections at Q1 assumed that the target would be achieved in 2018/19. However, further examination at Q2 indicates the most likely position is a marginal achievement of the target in 2018/19. Work will continue during the remainder of 2018/19 to identify possible areas for further financial discipline.
Non-school catering	Income targets are projected to under achieve with a projected deficit of £72k for community cafes and £14k for vending and office services.	0	48	86	Whilst some of the cafes are generating a surplus income is falling short of targets. One café is running at a projected deficit of £33k.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Wrap Around Care	An income proposal of £25,000 was approved for the provision of wrap around care during summer and Easter holidays. Proposals were not sufficiently developed to allow schemes to run during the summer break so this will not be achieved in 2018/19.	25	25	25	Planned implementation in 2019/20.  Holiday camps have been advertised across channels for the February school holidays to generate income during 2018/19.
Other non-material variances		0	11	(5)	
<b>Gross Overspend</b>		<b>906</b>	<b>1,432</b>	<b>1,703</b>	
Repairs and Maintenance	Non HRA repairs will be restricted to wind, water-tight and emergency repairs for the remainder of 2018/19.	0	(300)	(295)	The recovery plan presented to Council on 2 <sup>nd</sup> October 2018 explained that the workforce would concentrate on housing projects rather than non-housing repairs.
Catering Staffing	The service have experienced difficulty in recruiting to vacant posts and retaining staff within the school catering service. There is currently a projected underspend of £191k in this area.	0	(193)	(191)	
<b>Net Overspend</b>		<b>906</b>	<b>939</b>	<b>1,217</b>	

**Other**

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional Information / Action taken
Central Costs	<p>The volume of public liability insurance claims rose considerable over the winter months and have resulted in settlements to claimants early in 2018/19 in excess of budget.</p> <p>Additional audit fee from EY for phase 1 work carried out in respect of their appointment by Audit Scotland as External Auditor associated with the investigation on Roads Contract management.</p> <p>Additional audit fees above those set out in the annual audit plan as a result additional time incurred by the audit team due to additional work being required to satisfy the audit objectives given the resultant increase in the risk profiles.</p> <p>Services commissioned from EY for Phase 2 investigative work.</p> <p>Services commissioned in accordance with Standing Order 19.2 to support investigations and associated costs.</p> <p>The Council has some shared interest in Shawfair with the City of Edinburgh Council and following a review of financial arrangements is due a share of net income.</p>	267	243	250	<p>Total claims made in Q4 in 2017/18 was 110 compared to 60 in 2016/17.</p> <p>One-off.</p> <p>One-off.</p> <p>One-off.</p> <p>One-off.</p> <p>One-off income.</p>
		27	39	39	
		0	10	10	
		52	52	72	
		45	80	112	
		(152)	(152)	(152)	

Loan Charges	Revised methodology for apportioning interest costs associated with external borrowing between General Fund and HRA has resulted in a considerably reduced cost to the General Fund.	(1,131)	(1,269)	(1,269)	External advice from the Council's Treasury consultants recommended that the Council consider revising the methodology used to apportion interest costs associated with borrowing. The rationale for this was founded upon the relative certainty of the HRA Capital Plan compared to the General Services Capital Plan and longer term borrowing decisions that have made in line with this.
Savings Targets	An outstanding target from previous years of £0.177 million for the Customer Services Transformation strand was carried forward into 2018/19. At this stage it is anticipated that £0.050 million of this will be achieved.	117	117	117	Options to deliver the remaining target are being explored.
	An additional target of £0.173 million for fees and charges was agreed in setting the 2018/19 budget. Implementation of this has slipped.	142	173	173	An update on progress will be provided at Q4.
Scottish Government Grant	Additional grant to partially offset costs associated with the severe winter.	(149)	(149)	(149)	One-off funding.
Council Tax Income	A continued growth in Band D equivalents results in a higher than budgeted Council Tax yield.	(250)	(500)	(442)	The continued growth in Band D equivalents is factored into Council Tax income budgets for future years.