

Financial Monitoring 2016/17 – 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
Children's services review interim staffing position	Ongoing Children's Services Review. At the same time the service is experiencing higher than average levels of maternity leave which is adding to the requirement for temporary staff which has been met using agency workers.	267	267	314	The service is in the process of implementing its new structure. In order to move towards the new structure it has employed supernumerary staff and used high levels of agency staff. These actions have been taken in order to minimise permanent post holders being displaced by the review and to ensure the right people are in post for the new structure.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Children's Services budget.	11	11	(7)	No impact on frontline service.
Gross Overspend		278	278	307	
<i>Offset by:</i>					
Residential and Day Education Placements	The requirement for residential placements is lower than anticipated and provided for in the budget. Demand for new placements was low for the first half of the 2016 calendar year.	(912)	(1,003)	(956)	This represents a 25% underspend on the Multi Agency Resource Group budget of £3.9 million. The group continue 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.
Family Placements	Slippage in plans for the usage of additional Scottish Government Grant.	(174)	(174)	(92)	A part time team leader and two social workers have been recruited to develop the kinship care service service. Between quarter 2 and quarter 3 forecast expenditure on inter-agency adoption fees increased by £30k.
Net Underspend		(808)	(899)	(741)	

Communities and Economy

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Building Standards Income	There was an artificially high level of income received in 2015/16 as a result of changes to Building Regulations in October 2015. This created a high level of application activity before the new regulations came into force. As a result the numbers and related fee income of warrants in 2016/17 are lower than budgeted.	84	84	94	The income received for Building Warrants is highly variable and is influenced by the timings of building works.
Planning Income	Applications for planning consent are lower than budgeted.	64	64	66	The income received for planning applications is highly variable and is influenced by the timing of major developments.
Landlord Registration income	Fewer registrations are due to be renewed in 2016/17 than budgeted.	25	25	20	Registrations run in a three year cycle.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Communities and Economy budget.	17	17	13	No impact on frontline service.
Gross Overspend		190	190	193	
<i>Offset by:</i>					
Staffing Costs	Posts remaining vacant across the service for longer than planned.	0	0	(24)	
Net Overspend		190	190	169	

Education

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Lifelong Learning and Employability Income	The Skill Development Scotland Employability Fund has been reduced nationally by 40%. As a consequence Midlothian's funding was significantly reduced for 2016/17.	167	167	171	The 2017/18 budget reflects the up to date position in relation to projects.
Vacancies and Performance Factor	Non achievement of employee performance factor.	36	36	36	
Gross Overspend		203	203	207	
<i>Offset by:</i>					
PPP Contracts	Insurance costs are lower than provided for in the contract which leads to a refund from the contractor.	(67)	(67)	(83)	Windfall Income.
	Contractual refund of funding paid to cover reparation of malicious damage that was not utilised.	(17)	(17)	(38)	Deductions for PPP1 have increased between quarter 2 and quarter 3. This has been addressed in the 2017/18 budget setting process.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Education Service budget.	(9)	(9)	(9)	No impact on frontline service.
Net Overspend		110	110	77	

Health and Social Care

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 more than budgeted. The budget is £30 million, demand led and subject to demographic pressures. Individual packages of care sometimes in excess of £100k per annum and as a consequence projections in this area can be volatile.	497	1,453	1,503	An underlying over-commitment of around £900k at the start of the financial year has been partially addressed through the review of high cost packages. A review team is in place and a programme of care package reviews are now underway. The impact of this work will be seen more in 2017/18 when there will be a full year impact from the savings.
Home Care / Midlothian Enhanced Rapid Response and Intervention Team (MERRIT)	Additional employee costs due to the volume of care packages being provided.	254	274	332	The service continues to prioritise hospital discharges. There have been additional complexities associated with moving packages of care to external providers and during this transitional period the costs falling on the internal home care service have been higher.
Care Homes for Older People	Projected overspend on running costs, including cleaning materials and first aid supplies, at both Highbank and Newbyres.	108	83	82	Additional supply costs associated with increased complexity of residents. The 2017/18 budget has been reviewed to address this.
	Projected overspend on staffing costs to cover gaps in the rota.	120	144	98	Sickness absence levels at Highbank have been high particularly at the start of the financial year. Managers are working closely with HR to address this issue and improvements have been seen. The development of the Locum bureau will be taken forward to ensure that when extra staff are required this can be done in the most cost effective manner.
Gross Overspend		979	1,954	2,015	
<i>Offset by:</i>					
Service User Income	Contributions from service users towards their care packages are higher than anticipated.	0	0	(189)	Review team work has contributed to an increase in chargeable income.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
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.	(150)	(140)	(134)	No impact on frontline service but underspend offsets care and support costs related to protection issues.
Learning and Development	Spend continues to be constrained to counter pressures elsewhere in the service.	(128)	(102)	(134)	No impact on frontline service and offsets cost of essential cover for front-line staff with mandatory training requirements.
Joint Equipment Store and Aids and Adaptations	Demand is currently less than budgeted but spend level tends to vary over the course of the year.	(79)	(124)	(97)	No impact on frontline service.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Adult Social Care budget.	(44)	(100)	(53)	No impact on frontline service.
Net Overspend		578	1,488	1,408	

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	Specialist treatment required in the conversion works to re-use Pentland House has led to delays in the project, with completion now targeted for 1 st April 2017. The saving against the Bed and Breakfast budget will therefore not be made.	229	390	411	The budget provided for an average 82 B and B places per week until 1 st August 2016 and 36 spaces thereafter once Pentland House was available for use. Average occupancy is currently 85 places. The Polton Centre will be available for use from mid-January and the impact of this is reflected in the projected overspend.
Other non material variances	Miscellaneous over and underspends covering the remaining areas of the Customer and Housing Services.	13	11	50	No impact on frontline service.
Gross Overspend		242	401	461	
<i>Offset by:</i>					
Housing Benefit Subsidy	It is anticipated that income will be higher than budgeted for.	(193)	(163)	(155)	The 2016/17 budget was set based on the experience of previous years. However, in 2016/17 the subsidy receivable is now anticipated to be higher.
Customer Services Staffing	Customer Services is currently under review so current vacancies are being held until the review runs its course.	(123)	(131)	(168)	It is anticipated that vacancies will be filled once the review reaches its later stages.
Revenues Service Vacancies	Vacancies in the Revenues Processing Team that were unfilled for a period or remain unfilled in addition to some maternity savings.	(43)	(68)	(114)	No impact on frontline service. Vacant posts are being retained pending resource requirements for full service commencement of universal credit in April 2017 becoming clearer.
Net Overspend / (Underspend)		(117)	39	24	

Resources

Commercial Services

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Waste Disposal Charges	Movement in tonnage and price.	119	119	239	Market conditions in the recycling market have resulted in issues with disposing of recyclate. A report to Council on 9 th February 2016 covered this in more detail and efforts continue to resolve the situation. Whilst the longer term outcome remains uncertain there is a risk that in-year and future year projected costs may vary considerably.
Fleet Repairs	The cost of vehicle parts and repairs carried out by third parties are expected to exceed budget.	0	0	141	An element of repairs to the Councils fleet requires to be completed externally due to specialist skills.
Burials Income	Income from lairs and interments is lower than anticipated at this stage in the year.	90	71	35	The number of burials varies throughout the year.
Zero Waste	Procurement and transition costs for the Zero Waste project exceeds the remaining budget	0	33	33	An update was provided to Council on 8 th November 2016 and the 2017/18 budget was adjusted accordingly.
Taxi-cards	The taxi-card scheme was closed to new entrants in 2015/16 but usage by remaining participants is higher than budgeted.	26	26	18	
Gross Overspend		235	249	466	
<i>Offset by:</i>					
Land Services chargeable income	Income is expected to exceed budget due to additional income from work undertaken on capital projects.	0	0	(107)	One-off income in 2016/17.
Street Lighting Electricity	Spend is lower than at the same point last year.	0	(82)	(84)	Conversion to LED lighting leads to lower consumption but this is offset by growth from new Housing Developments.
Staff Vacancies	Vacancies across the service have exceeded the performance factor.	(76)	(52)	(50)	This predominantly relates to Waste Services due to changes in the service provided and delays in recruiting to new posts.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Fuel Costs	Waste Services vehicles have lower fuel usage than was anticipated when setting the budget.	(68)	(68)	(114)	This will be reflected in future years budgets.
Bus Shelter maintenance	Expenditure on bus shelter maintenance is largely reactive with lower demand to date in 2016/17.	0	0	(61)	The 2017/18 budget has been reviewed.
Other non-material variances	Miscellaneous variances covering the remaining areas of the service.	16	(6)	(44)	No impact on frontline service.
Net Overspend		107	41	6	

Finance and Integrated Service Support

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Mi-Future	The costs of staff in SWITCH during the year are projected to exceed budget.	130	133	130	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. As at 30 th November 2016 there were 16 people in SWITCH on placements, some of whom are funded by services.
Telephone costs	The council's telephone budget has been centralised and current costs exceed budget. There is also demand led pressures relating to growth in the school estate.	0	0	64	A tender process is underway which may contribute to reducing costs.
Central Postages	The volume and cost of postages exceeds budget of £122k.	49	45	40	Despite changing suppliers and securing better prices the volume and mix of postages continues to exceed budget. Work continues to address this by reducing postage volumes, avoiding all unnecessary postage costs and maximising compliance with contractual requirements.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
External Legal fees	Continuing costs associated with residual equal pay claims and a higher than anticipated incidence of children's permanence cases.	0	0	28	The residual legal issues related to Equal Pay claims are expected to be concluded in 2017/18 with no further costs anticipated.
Photocopying	Costs associated with the new centralised Council wide contract are greater than estimated due to higher than anticipated volume of use. The budget is £129k.	33	33	18	A review of activity is underway with the aim of minimising volumes and reducing reliance on paper in accordance with EWIM principles.
Bank Charges	The shift towards electronic payments has led to increased transaction costs.	24	23	24	A review of bank charges is underway with the aim of negotiating lower rates with service providers.
Occupational Health	A change to the external provider has resulted in an unexpected cost. The budget is £86k. This cost has now been mitigated.	15	13	0	The previous provider was very competitive but is no longer operating. Budgets for future years will be revised to incorporate the new terms.
Other non-material variances	Miscellaneous variances covering the remaining areas of the service.	0	0	(34)	No impact on frontline service.
Gross Overspend		251	247	270	

Properties and Facilities Management

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Property Costs for EWIM phase 2	Slippage in planned building closures and disposals resulted in unbudgeted costs.	0	0	192	Disposal of Dundas Building has been postponed pending determination of plans for the adjacent site. Eskdaill Court and Jarnac Court remain occupied pending long term decisions on Dalkeith Town Centre and conversion of Eskdaill court.
Catering – food costs	The unit cost of meals provided is increasing due to market pressures. There has also been an increase in demand.	0	0	93	Menus are reviewed regularly to maintain economy, maximise nutritional value and to minimise waste.
Energy Costs	The price mix between standing charges and for consumption has changed for electricity supply.	0	41	41	Standing charges have increased.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Loanhead Leisure Centre – loss of income	Loanhead Leisure Centre will close temporarily in January 2017 before re-opening as part of the new Loanhead Community Hub in August 2017.	34	38	50	Work is ongoing to identify alternative locations for various activities and classes currently held at the centre.
Gross Overspend		34	79	376	
<i>Offset by:</i>					
Catering Staffing	Difficulty recruiting to vacant posts.	(30)	(45)	(45)	Efforts continue to recruit to vacant posts targeting entry level applicants where appropriate.
Net Overspend		4	34	331	

Other

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional Information / Action taken
Loan Charges	The 2016/17 budget provided for planned slippage in the General Services Capital Plan. To date slippage has been less than planned.	283	283	264	
Central Costs	Insurance costs – an increase in the likely settlement costs of existing claims.	112	163	163	Detail of these claims is being reviewed and any mitigating action required will be put in place. A review of likely settlement costs since quarter 1 gave rise to increased exposure to one high value claim.
Transformation Savings - Procurement	A target of £350k for procurement savings was set for 2015/16 which mainly reflected slippage in targeted savings for previous years. It is projected that £200k of this will be achieved.	150	150	250	Procurement plans are currently being refreshed and this may identify further savings in 2016/17. Contract savings have been made or are planned for 2016/17 which impact on the Capital Account and the Housing Revenue Account.
Transformation Savings – Tactical Reductions in contracted hours	The target of £150k will not been achieved in 2016/17	150	150	150	Progress in taking forward a voluntary reduction in hours initiative and promoting flexible retirement options have been delayed because of the focus on low pay. Work in the remainder of the year is expected to deliver a part year saving.

Council Tax Income	A continued growth in Band D equivalents results in a higher than budgeted Council Tax yield.	(452)	(500)	(600)	The continued growth in Band D equivalents has been factored into Council Tax income budgets for future years.
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