

Financial Monitoring 2021/22 – General Fund Revenue – Material Variances

Place Directorate

Corporate Solutions

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Vacancies and Performance Factor	Staff turnover and vacancies.	(142)	(226)	(336)	(351)	The Corporate Solutions Management review is progressing and will be finalised during the first quarter of 2022/23. Vacancies had been held in advance of implementation of the formal service review and there was staff turnover during the year.
Housing Benefits	Higher subsidy received from DWP than budgeted.	0	0	0	(108)	Figures are reliant on completion of the year end subsidy claim.
	Overpayment recoveries have exceeded budget.	0	0	0	(90)	Due to DWP rule changes and the continued impact of universal credit the income budget in this area was reduced in 2021/22. It is expected that a continued downwards trend in recoveries will be seen in 2022/23 and beyond.
Bad Debt provision	The value of sundry debt (not rents or Council Tax) that is estimated to be uncollected has reduced from the position at 31 st March 2021.	0	0	0	(123)	The re-start of debt collection activity in 21/22 will have improved the position from the closing 2020/21 one. Figures are reliant on year end calculations.
Statutory Penalties	Income from charges made to those in late payment of Council Tax exceeds budget.	0	0	0	(74)	2021/22 figures include an element of income relating to the restart of debt collection after the initial pandemic related suspension.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Service.	62	10	0	(40)	
Net Underspend		(80)	(216)	(336)	(786)	

Place

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Building Maintenance	Issues with productivity and job management combined with difficulties in obtaining material and rising prices.	0	0	0	788	As previously highlighted in earlier financial monitoring reports it was not possible to make any meaningful projections during the year in this area due to the quality of data available. A programme of change is scheduled through a service review with proposals drafted to redesign and implement service operations which are efficient and sustainable in job management, productivity, budgeting and forecasting.
Travel & Fleet Services	Cost of vehicle repairs mainly relating to external works. Partially offset by vacancies within the service.	406	394	304	203	The budget for vehicle repairs carried out directly or by contractors is provided for as part of the overall Travel and Fleet Services gross budget of £3.1 million. The next stage of the service structure review will focus on fleet services. Budget recovery measures have been implemented with a moratorium to reduce overspend during the year.
Roads and Lighting	Staff shortages and a delay in the start of the residential streets programme have impacted on productivity.	0	0	0	192	A new structure in Roads Maintenance Services has been implemented and is currently being recruited to.
Trade Waste	The external customer base was on a downwards trend pre-covid. The pandemic has exacerbated this with fewer businesses to service.	0	0	175	166	As the longer term implications of the pandemic become clearer service provision will be reviewed for the private sector services.
Waste Disposal	Actual tonnage exceeds budgeted. One-off cost reduction relating to resolution of a contract with a previous contractor.	0	0	209 (96)	225 (96)	The 22/23 budget incorporates updated projections on waste tonnages. Over the course of the year detailed and complex work has been ongoing with the City of Edinburgh Council to agree a basis for financial forecasts. During Q3

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						work got to a place to allow this to be reported with sufficient certainty.
Winter Maintenance	Adverse weather conditions over the winter months resulted in response costs exceeding budget.	0	0	0	56	
Homelessness	Increased provision of supported temporary accommodation at Klibreck and Eastfield has resulted in increased concierge costs.	63	0	0	0	Forecast additional costs at Q1 are now offset by underspends against budget elsewhere in the service.
Gross Overspend		469	394	592	1,534	
<i>Offset by:</i>						
Housing & Homelessness	The use of Bed and Breakfast places ceased in November 2020 resulting a projected saving of £0.273m. The remaining underspend relates to fixtures, fittings and removal costs for clients.	(127)	(204)	(206)	(397)	As the year progressed spend started to stabilise, this was due to a couple of factors: (1) having a set list of essential items required for moving into a property and (2) less movement of tenants by trying to get as many onto permanent tenancies as possible.
Vacancies and Performance Factor	Staff turnover and vacancies.	151	(203)	(367)	(189)	The Place Management review, with a savings target of £0.350m, is now at implementation stage. Vacancies across the service have been held to offset this savings target in the current year. The in-year movement relates to updated projections for vacancies across the service.
Utilities	Predominantly relates to an underspend in water charges.	0	0	0	(90)	Prior year one-off credits have been received and roads drainage charges are no longer applicable.
Property Investment Income	Void rental periods were lower than budgeted resulting in an underspend against budget.	0	0	0	(66)	
Landlord Registration Income	The value of charges received exceed budget.	0	0	0	(45)	
Building Standards	Income from warrants exceeds budget.	0	0	0	(33)	Ongoing monitoring of this area will determine whether this is a long-term trend in income or a related to a backlog from the pandemic.
Community Action Team	Unbudgeted recharges made to support COP26.	0	0	0	(21)	One off.

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Travelling Peoples Site	Shared costs with East Lothian Council exceed budget due to the site being closed because of damage.	28	22	17	(14)	Arrangements with East Lothian Council at this shared site facility are being reviewed with a view to reducing ongoing costs.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Service.	24	3	(12)	(102)	
Net Overspend		545	12	24	577	

People and Partnerships Directorate

Health and Social Care - Non-Delegated Services - Sport and Leisure, Community Safety and Welfare Rights

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Management Review	There is an outstanding Management Review target. Delayed implementation has had a negative impact.	115	50	50	115	The Service Review is progressing and the remaining target will be secured for financial year 2022/23.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Service.	27	13	13	(53)	
Gross Overspend		142	63	63	62	
<i>Offset by:</i>						
Community Justice	Staffing costs underspend.	(18)	(4)	(15)	(51)	Following a review of year end carry forward requirements some budget can be released.
Welfare Rights	Staffing costs underspend	0	0	0	(5)	Vacancy in Q4.
Net Overspend		124	59	48	6	

Childrens Services, Partnerships and Communities

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Children's Services						
Residential and Day Education Placement	Over the past year there has been a slight increase in residential placements required for our younger children (5 -10) years in particular alongside some placements continuing for longer than previously forecast due to COVID restrictions. Our ethos remains that where possible and safe all children and young people shall remain in Midlothian.	77	133	88	17	<p>This continues to be a high risk and uncertain area. Individual placements can be both uncertain and expensive. As a consequence there is a risk of forecasts changing significantly as the year progresses. COVID has meant that some young people have not been able to move on to college or their own tenancy as quickly as hoped. Significant investment has been directed at supporting many children and young people via youth workers to ensure they remain at home and in education.</p> <p>Work is ongoing to consider alternative approaches for this age group but a key priority is to care for and educate young people within their own community.</p> <p>The longer term impact of Covid on children and young people has still not been fully appreciated and the need to future plan to ensure the council has sufficient resources to support those who have been adversely affected via their learning, mental health and emotional and social wellbeing cannot be underestimated.</p>
Gross Overspend		77	133	88	17	
<i>Offset by:</i>						
Family Placements	There has been a reduction in External Foster Care placements which are more expensive than our internal provision.	(181)	(275)	(242)	(231)	Costs relating to adoptions can be difficult to project due to uncertainty of court dates for hearings and granting of adoptions and also the complex nature of the work. This work has been impacted by Covid with regard to delayed court hearings. We therefore need to be mindful that

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						<p>the underspend could be consumed with a few adoption orders being granted or children needing to go to external placements.</p> <p>The recruitment of additional foster carers has been impacted by Covid. Resources are at capacity which may result in more external placements being required.</p>
Non-residential services commissioned and provided for Children with and without disabilities	<p>Taxi costs for children without disabilities.</p> <p>Residential Respite</p>	(33)	(19)	(4)	6	<p>A review of all taxi spend across Childrens Services and Education was underway pre-COVID. However, resources were subsequently realigned to other areas of critical work. Restrictions reduced taxi spend as children and young people were not able to move between schools or placements.</p> <p>Additional support packages for children or young people with a disability are a key part of their care plan and pilots have been taking place to ensure support required is provided within local communities. However, the impact on families when children are unable to have mini breaks or receive additional support from other services remains a concern and the pressure on families is very real and challenging to manage. Additional spend via the MARG budget for 1:1 support in part contributes to an overspend in MARG and an underspend in commissioned services. Budgets in this area are being re-aligned.</p> <p>Education, Children's services and CLLE have all seen an increase in the level of support requested for our children and young people who have additional support needs (ASN). This is in part due to the lack of resources open during 2 lockdowns, self-isolating issues, and the lack of continuity in being able to offer social experiences because of</p>
		(114)	(125)	(89)	(11)	

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
						restrictions. These have all had a detrimental impact on many Children and Young People across Midlothian.
Vacancies and Performance Factor	Staff turnover and vacancies.	(29)	(33)	(230)	(241)	Movement between Q2 and Q3 relates mainly to vacancies in Residential Services and at Hawthorn. An area of concern is the ability to recruit suitably experienced staff and this is being reviewed.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Service.	(74)	(34)	(5)	(31)	
Net Underspend		(354)	(353)	(482)	(491)	
Partnerships and Communities						
EU Funded Projects	The Council has withdrawn from the partnership agreements with Scottish Government for the Employability Pipeline project and Social Inclusion programme. £0.144m of grant received has been repaid.	0	144	144	144	The decision to withdraw was a consequence of an inability to agree changes to target outcomes, comply with retrospective European Social Fund rule changes and meet the 98% compliance rate in terms of participant evidence for vulnerable client groups.
Gross Overspend		0	144	144	144	
Vacancies and Performance Factor	Staff turnover and vacancies.	(50)	(75)	(113)	(115)	
CLL Running Costs	Due to some services not fully operating running costs will be lower than budgeted.	(27)	(92)	(76)	(72)	Within the Community Learning and Development strategy recovery engagement targets have been set over a 3 year period. For 21/22 these targets have been exceeded thus future spend should grow proportionately back towards budgeted levels.
Net Underspend		(77)	(23)	(45)	(43)	
Service Net Underspend		(431)	(376)	(527)	(534)	

Education

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Additional Support Needs	Additional young people with support needs were identified after the 2021/22 budget was set.	190	358	464	124	<p>The review of our ASN service is ongoing and temporary additional staff have been appointed to support this work. A report will be prepared for members which will set out the current and projected service need. This will also inform how the budget will be set going forward and what information is required to allow that to happen. The ASN review is also linked to the wider review of the DSM scheme. The overspend has provided new specialist provision for young children across 5 primary schools, additional secondary school ASN provision, an increase in therapeutic services and an increase in outdoor learning experiences for some of our most vulnerable children and young people. The overspend represents best value when compared with placing children externally and also ensures that our children are supported within their local communities.</p> <p>Due to recruitment challenges resulting in not all posts being filled the overspend reduced from the projection at Q3.</p>
Equipped for Learning Project	Costs properly chargeable to the revenue account exceed the initial assessment of cost split between the revenue account and the capital account for the project.	0	0	220	170	The initial estimated made a number of assumptions on the split between costs that would be treated as capital and those that would be revenue. The variation reflects the require accounting treatment of the services that have been procured. The overall delivery costs of Equipped for Learning remains in line with the original cost envelope.
Gross Overspend		190	358	684	294	
<i>Offset by:</i>						

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Schools	In the Primary sector actual school numbers for the current school year are 93 lower than secured in the approved budget. In addition there are underspends in school settings, after allowing for a 1% carry forward under current DSM rules.	(573)	(752)	(818)	(629)	Uptake of school places in the Primary Sector was impacted by a high level of P1 deferrals. Numbers in the secondary sector are almost exactly in line with secured budgets.
Early Learning and Childcare	Vacancies and lower than budgeted absence across settings.	0	(688)	(745)	(752)	Pupil number projections across Education are being reworked and will feed into the Medium Term Financial Strategy cost projections. Detailed work on the Early years delivery model is also ongoing and will inform financial projections. In-year projections were based on full utilisation of budget.
	Approved budget providing for 110 more pupils than attending.	0	(767)	(790)	(790)	
	Lower than budgeted spend on running costs.	0	0	0	(118)	
Home to School Transport – Primary and Secondary	Costs are lower than budgeted mainly due to restrictions in place during part of the financial year.	(238)	(60)	(76)	(157)	Detailed work will continue in 22/23 to analyse and challenge spend.
PPP Contracts	Unitary charge payments are slightly less than budget due to some applicable credits in 21/22 as defined in the PPP operating model.	0	0	0	(60)	Final figures are based on a year-end reconciliation of complex contractual charges.
Vacancies and Performance Factor	There are a number of vacancies across the Education service partially offset by higher than budgeted spend on maternity cover in schools.	(199)	(593)	(241)	(567)	Strict vacancy control is applied with management action in place to minimise any impact on frontline service provision.
Net Underspend		(820)	(2,502)	(1,986)	(2,779)	

Management and Members

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Vacancies and performance factor	Underspend due to vacancies and cost of Members.	(17)	(23)	(29)	(61)	
Net Underspend		(17)	(23)	(29)	(61)	

Other

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Council Tax Income	Increased yield due to continued demographic growth offset by an increase in the provision for bad and doubtful debts.	71	92	0	69	Council Tax income growth of £1m was reflected in the 2021/22 budget reflecting an increased Band D rate and also projected increases in chargeable dwellings in Midlothian. The increased bad debt provision is due to recent collection experience and economic circumstances.
Scottish Government Grant	The 21/22 budget was set with an estimate of the Councils share of undistributed sums. Actual distribution, most notably for the Teachers Induction Scheme, exceeds projections.	0	0	(425)	(288)	Costs associated with employing probationary teachers are covered in the Education budget.
Loan Charges	Lower than budgeted net interest costs.	0	(176)	2	(27)	
Central Costs - Insurances	The annual review of premiums due on 1 st July each year that is inherent in the Insurance contracts has resulted in a considerably higher increase than expected when the budget was set giving rise to an	196	196	196	196	The Councils appointed Insurance Broker has supported the Council to minimise increases where possible. The position reached is reflective of the position across the whole Local Authority Insurance market.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
	<p>adverse variance of £0.196m.</p> <p>During this financial year a number of potentially high value claims have been made on the Council giving rise to possible costs which are included in the Q3 projection.</p>	89	183	433	399	<p>During 2021/22 a number of potentially higher value claims were received some dating back to the 1970's and 1980's. A provision is made for settling these claims based on advice from the councils appointed Loss Adjuster. However, sums remain a provision at this point. As claims progress the loss adjusters will continually refine projected costs as information on the likelihood of settlement costs emerges.</p>
Net Overspend		356	295	206	349	