

Financial Monitoring 2015/16 – 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	Quarter 4 £000	Additional information / Action taken
Residential and day education placements	Increase in requirement for both residential and secure placements and duration of secure placements continuing longer than anticipated.	591	761	786	783	This represents a 21% overspend on the Multi Agency Resource Group Budget of £3.6 million. The group continue to challenge new demand to keep costs under control and work to progress children in secure care to allow them to move to other forms of care.
Children with Disabilities	Increased expenditure on taxis and on Direct Payments.	0	95	193	235	There are an increased number of people using the direct payment method to pay for their care. Demand for use of taxis has also increased. Work is planned to investigate if there are more efficient ways of delivering transport. An improvement in the quality of information provided by Barnardos has led to better forecasting.
Family Placements	Increase in requirements for placements.	88	35	76	21	Demand led. The team are planning to implement new working practices to minimise the length of placements through a variety of methods.
Gross Overspend		679	891	1,055	1,039	
<i>Offset by:</i>						
Vacant Posts in Midlothian Residential Services	Posts held vacant due to review of residential services.	(224)	(253)	(289)	(261)	It has been possible to hold these positions vacant due to a lower number of placements. Recruitment is underway to a new structure.
Employee Vacancies and Performance Factor	Other vacancies throughout the service.	(54)	(86)	(76)	(75)	Recruitment is underway to these vacant posts.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Other non-material variances	Miscellaneous over and undespends covering the remaining areas of the Childrens Services budget.	(17)	(2)	(75)	(8)	No impact on frontline service.
Net Overspend		384	550	615	695	

Communities and Economy

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Planning Income	Reduction in projection of Planning Fees	0	0	107	15	Volume of work in the Planning team remains constant but there is a lower cash value associated with these than previously projected. Higher than forecast levels of internal fees has significantly reduced the overspend from that projected at quarter 3.
Environmental Health and Trading Standards Shared Services	The shared service arrangement with East Lothian council came to an end on 31 st March 2015.	88	88	88	89	Cost sharing with East Lothian Council no longer takes place. The 2016/17 base budget reflects current arrangements.
Economic Development	Unbudgeted expenditure for the Leader Programme.	12	12	13	12	One-off initial set-up costs in 2015/16. From 2016/17 this programme will be funded through grant income.
Gross Overspend		150	151	220	116	
<i>Offset by:</i>						
Vacancies and Performance Factor	Vacant posts and part-year vacancies are delivering the performance factor.	(217)	(243)	(227)	(188)	Recruitment to vacant posts is ongoing and service reviews are taking place which will result in a more efficient staffing establishment.
Building Standards Income	Fee income projections exceed budget due to volume of applications.	(23)	(63)	(195)	(274)	Changes to Building Regulations in October 2015 has resulted in a higher than anticipated volume of applications that prior to changes in order to allow work to proceed under the old regulations.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Landlord Registrations	Income is projected to be higher than budget.	(19)	(25)	(13)	(15)	Demand led.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Communities and Economies service budget.	50	51	12	(37)	No impact on frontline service provision.
Net Underspend		(109)	(180)	(215)	(398)	

Education

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Devolved School Budgets	There is a lack of availability of supply teachers. This has led to staff absence being covered by school management staff resulting in underspends.	0	0	0	(194)	
PPP Contracts	Insurance costs are lower than provided for in the contract which leads to a refund from the contractor.	(67)	(67)	(67)	(67)	Windfall Income.
	Assumptions regarding the rate of inflation to be applied in 2015/16 were too cautious.	(30)	(27)	(33)	(44)	This has been reflected in the 2016/17 budget.
	The unit cost of utilities used within PPP1 and PPP2 schools was lower than anticipated in the budget.	0	0	0	(168)	Changes to the cost of utilities has been reflected in the 2016/17 budget.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
	Contractual refund of funding paid to cover reparation of malicious damage that was not utilised.	0	0	0	(58)	One-off windfall income.
Vacancies and Performance Factor	Vacant posts and part year vacancies within the service are offsetting the performance factor. The Children's Services review has resulted in part year vacancies within the Pathways service.	(33) 0	(48) (18)	(16) (13)	(33) (24)	Recruitment to vacant posts is progressing. Recruitment to posts within the Pathways service has been completed.
Home to School Transport	Demand was higher than set in the budget.	0	(12)	157	(20)	The Travel Team is working to ensure that routes to school are commissioned or delivered at the most economically advantageous cost to the Council.
Service Training Budgets	The redesign of the Scottish Qualification for Headship Scheme and slippage in other training programmes.	0	0	(40)	(45)	No impact on frontline service.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Education Service budget.	2	(6)	(66)	(43)	No impact on frontline service.
Net Underspend		(128)	(178)	(78)	(696)	

Health and Social Care

Adult Social Care

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Residential Care Homes for Older People	Overspend mainly on staffing costs at Newbyres Village (£274k) due to the requirement to use locum staff and overtime to cover gaps in the rota.	223	261	291	258	<p>The overspend this year is mainly as a result of additional staff on shift cover over and above the amount allowed for in the budgeted establishment. This includes day, night and activity staff and domestic staff and is a result of the level of needs of the residents. The cost of this is around £200k. This has been partially mitigated by changes made to staffing rotas.</p> <p>Managers continue to actively manage sickness absence levels at the home and this will be maintained to ensure a sustained reduction.</p> <p>Due to staff registration requirements 10 staff were suspended and these shifts required to be covered. Management are working with the Scottish Social Services Council to get a speedy resolution.</p> <p>The formal phase of the staffing review started in February 2016. Appropriate staffing levels will be addressed as part of this to ensure that the budget reflects the staffing requirements of the home.</p>
Community Care Resource Panel	Assessed needs are currently more than budgeted. The budget is £28 million and is demand led and subject to demographic pressures. Individual packages of care are sometimes in excess of £100k per annum and as a	(362)	252	876	180	<p>The Resource Panel will continue to allocate resources where a critical or substantial need has been identified. Scrutiny of all applications is ongoing to ensure effective spend to meet assessed needs. A review of resource panel procedures is currently underway and this will ensure that robust management information systems remain in place.</p>

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	consequence projections in this area can be volatile.					<p>Increased capacity within reablement will be used to carry out reviews of care packages.</p> <p>A change in the way that the contingency element of direct payments is accounted for has led to a one off favourable impact of £468k.</p> <p>National Minimum Wage requirements have resulted in changes to the rates that we need to pay some of our providers for overnight support which has increased expenditure by £375k. Work is ongoing to mitigate the cost of this through care package reviews.</p> <p>Two young people with learning disabilities who have complex needs require support above the normal levels that are provided in order to ensure their safety and wellbeing. Spend includes £995k for these care packages. Work is ongoing to find more sustainable solutions to these issues which will take effect from June 2016.</p>
Home Care / MERRIT	An overspend on employee costs including staff travel and overtime due to the volume of care packages being provided by the Home Care service.	207	174	190	240	The service continues to prioritise hospital discharges and will continue to maintain a track record of facilitating discharges on time. Working patterns are being reviewed to ensure that overtime and staff travel is minimised.
Non-achievement of staffing related budget	Planned budget savings from staffing reviews will be realised until either 2016/17 or 2017/18.	201	201	179	179	Timescales for reviews mean savings will not be realised as early as anticipated but are on target for 2016/17 and 2017/18.
Fieldwork Staffing	Non-achievement of performance factor and use of agency staff to cover vacancies.	109	155	98	82	There have been staffing changes within this service and also Adult Protection referrals have increased significantly. The service has faced challenges from increased demand and the implementation of Self Directed Support. Due to the demands on the service and pressures from waiting lists all posts require to be

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
						filled with agency staff being used to cover for vacancies. As this is a frontline service with essential staffing ratios the performance factor has been removed from the 2016/17 base budget.
Gross Overspend		378	1,043	1,634	939	
<i>Offset by:</i>						
Client Income	Contributions from clients towards their care packages are higher than anticipated.	(130)	(56)	(189)	(142)	No impact on frontline service.
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.	(57)	(81)	(108)	(183)	No impact on frontline service but underspend offsets care and support costs related to protection issues.
Criminal Justice	An element of the Scottish Government funding is used to fund the management and administration of this service.	(43)	0	(50)	(65)	No impact on frontline service.
Learning and Development	Spend has been constrained to counter pressures elsewhere in the service.	(36)	(102)	(99)	(145)	No impact on frontline service and offsets cost of essential cover for front-line staff with mandatory training requirements.
Cherry Road, Community Access Team and Shared Lives	Vacant Posts	68	93	(41)	(26)	<p>These are registered services and adequate staffing levels are a requirement of the Care Inspectorate. Cherry Road supports service users with complex needs and appropriate staffing levels must be maintained. A staffing review is now complete with 2015/16 a transitional year in terms of filling posts.</p> <p>As this is a frontline service with essential staffing ratios the performance factor has been removed from the 2016/17 base budget.</p>
Other non material	Miscellaneous over and	25	53	(5)	(38)	No impact on frontline service.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
variances	underspends covering the remaining areas of the Adult Social Care budget.					
Net Overspend		205	950	1,142	340	

Customer and Housing Services

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Homelessness accommodation	Refurbishment works at Pentland and Midfield House have been delayed and anticipated reuse of these properties for HMO to replace existing B&B use is expected to commence in Summer 2016. Consequently savings anticipated for 2015/16 have not been achieved.	151	209	249	323	The budget provided for an average 82 B and B places per week until 1 st August and 36 spaces thereafter once Pentland and Midfield House were available for use. Average occupancy for 2015/16 was 74 places. This is an increase of 4 places from quarter 3. Action is continually being taken to reduce this with alternative options being developed across all available tenures.
Revenues – Statutory Penalty Income	A number of prior year appeals for Non Domestic Rates have been upheld resulting in penalty income previously being anticipated not now falling due.	0	0	0	121	No Impact on frontline service.
Private Sector Leasing	Housing Benefit Shortfalls and Voids have resulted in an overspend.	0	0	60	104	This is slightly higher than last financial year and has been identified as a pressure in the 2016/17 budget. It is due to the impact of Welfare Reform on eligible costs for recovery from DWP. The PSL provider has been formally notified that the contract will not be renewed at the end of 2016 and alternative options are being pursued.
Housing Allocations	Switch Placement Costs as a result of service review.	0	0	45	53	No Impact on frontline service.
Housing Benefit	A revision to the calculation of	(53)	(53)	(133)	45	The change between q3 and q4 is wholly due to the

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Overpayment Recoveries	the bad debt provision in this area has resulted in an overspend.					change in methodology for the Bad Debt provision and has a one-off impact. An action plan is being developed to ensure that recoveries can be regularly and accurately accounted for as Welfare Reform changes are implemented.
Gross Overspend		98	156	221	646	
<i>Offset by:</i>						
Council Tax Reduction Scheme	Council Tax Benefits granted are lower than budgeted and are consistent with 2013/14 and 2014/15 positions.	(70)	(113)	(160)	(212)	Whilst the 2015/16 budget was adjusted to reflect a decreasing trend in expenditure, payments decreased further than originally anticipated. This has been reviewed further when developing the 2016/17 base budget.
Vacancies and Performance Factor	Vacant posts within the Revenues service.	0	(42)	(15)	(29)	No impact on frontline service.
Other non material variances	Miscellaneous variances covering the remaining areas of the Customer and Housing Service budget.	(3)	(17)	16	(9)	No impact on frontline service.
Net Overspend / (Underspend)		25	(16)	62	396	

Resources

Commercial Services

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Waste Disposal Charges	Movement in tonnage and price.	110	118	145	417	<p>The variance has moved significantly from that shown at quarter 3. Headline reasons for the increase include:</p> <ul style="list-style-type: none"> • Market conditions in the recycling market and unusually wet weather have combined to create issues with disposal of recyclate. A report to Council on 9th February 2016 covers this in more detail; • Improvements to the Street Cleansing service have resulted in increased waste for disposal; • Residual Household Waste tonnage has exceeded budget due to the number of new houses to be serviced.
Trade Waste	Customers are encouraged to reduce residual waste and recycle more. As recycling is charged at a lower price to customers this has led to a drop in income.	0	94	96	98	Collection costs are the same for both recyclate and residual waste.
Midfest	The festival was planned to break even but ran at a loss.	0	0	0	37	Outcomes for Midfest 2015 and proposals for 2016 were reported to Council on 17 th May 2016.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Land Services	A drop in hard landscaping income generating jobs occurred as a consequence of an inability to recruit and retain suitable staff.	30	30	35	35	A recruitment exercise has now been completed.3 seasonal staff have been retained to carry out essential health and safety work on headstones and memorials.
Gross Overspend		140	242	276	587	
<i>Offset by:</i>						
Roads Maintenance Service	Income generated exceeded budget.	0	0	0	(264)	Additional income was generated from capital and external jobs. This is one-off income.
Fuel Costs	The budget provided for an average price of £1.12 per litre. The average price per litre in 2015/16 was £0.83.	(129)	(147)	(150)	(253)	Fuel prices have been low during the recent period but are now rising again.
Staff Vacancies	Vacancies across the service exceeded the performance factor.	0	0	0	(134)	Predominantly relates to Waste Services due to changes in service provided and delays in recruiting to new posts. Partially offset by agency costs incurred.
Winter Maintenance	Whilst the winter was very cold there were fewer than normal days of severe frost or snow resulting in a saving against budget.	0	0	0	(127)	
Bus Shelters	Reactive repairs budget.	0	0	(60)	(45)	Due to the reactive nature of works spend can vary between years. This will be reviewed in detail going forward.
Street Lighting Electricity	The budget provided for an average price of 9.97 pence per kwh. The average price currently being charged is 9.09 pence per kwh.	(50)	(50)	(51)	(115)	Consumption and the prevailing price will continue to closely monitored.
Waste Vehicle Costs	Need for external hires is currently less than budget due to relatively new fleet.	0	0	(47)	(50)	Budget has been reviewed as part of 2016/17 budget development.
Other non material	Miscellaneous variances covering	0	0	0	(48)	No impact on frontline service.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
variances	the remaining areas of the service.					
Net Overspend / (Underspend)		(39)	45	(32)	(449)	

Finance and Integrated Service Support

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Mi-Future	The costs of staff in SWITCH during the year exceeded budget.	166	115	115	99	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 31 st March 2016 26 people remained in SWITCH.
Photocopying	Actual costs of the new centralised council wide contract are greater than estimated due to higher than anticipated use.	0	0	0	66	A review of activity is underway with the immediate aim of minimising photocopying in line with EWIM principles.
Archive facility - the former Hopefield Primary School	The former Hopefield Primary School was being used as an archive and also for other storage until the fire on 17 th May. Alternative permanent storage arrangements with Iron Mountain have a cost in 2015/16 which is not budgeted.	77	77	24	38	No budget was provided as it was anticipated this facility would not be in operational use. Permanent off-site storage costs are incorporated into the 2016/17 base budget.
Central Postages	The volume and cost of postages exceeds budget.	72	90	79	80	Despite changing suppliers and securing better prices the volume and mix of postages continues to exceed budget. Work continues to address this.
Protecting Vulnerable Groups and Public	The volume of disclosure checks exceeds budget.	50	50	6	6	Work is ongoing to establish the level of retrospective checks still to be undertaken.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Sector Network disclosure checks						
Employee Performance Factor	The budgeted employee performance factor is over achieved.	25	(48)	(14)	(104)	Delays in recruitment to vacant posts have resulted in a reduction to staff costs for the year.
Bank Charges	The shift towards electronic payments has led to increased transaction costs.	16	16	19	19	A review of bank charges is underway with the aim of negotiating lower rates with service providers.
Net Overspend		406	300	229	204	

Properties and Facilities Management

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Property Costs for EWIM phase 2	Slippage in building closure timings from planned have resulted in unbudgeted costs.	0	0	0	131	Disposal of Dundas Buildings has been postponed pending determination of plans for the adjacent site. Eskdail Court and Jarnac Court are not yet fully vacated.
Property Investment Account	A fire in an Industrial Unit meant relocation of the tenant which impacted on potential rental income.	0	0	(27)	36	Costs have been partially offset by lower than budgeted levels of voids.
Bonnyrigg Leisure Centre	Security and Rates costs for the former Leisure Centre.	51	25	25	25	Demolition and building works are now complete. A partial refund of rates has been received.
Property costs for former Loanhead Social Work centre	Building is now demolished. Property costs were incurred up to handover date to demolition contractor.	8	8	8	8	One-off costs.
Gross Overspend		59	33	33	200	
<i>Offset by:</i>						
Snowsports Income	Tubing party income and consequent impact on cafe.	(90)	(90)	(127)	(137)	The new slope has generated higher than expected income and as a consequence the income target for 2016/17 was increased by £70k.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional information / Action taken
Ski Matting	Use of existing stock has led to an underspend.	0	0	(51)	(50)	On-going budget requirements will be reviewed.
Sport and Leisure Supplies	Various underspends relating to supplies and services.	0	0	0	(34)	Budgets will be reviewed as part of Financial Discipline in 2016/17.
Utilities	Energy prices are lower than budgeted.	0	0	(102)	(25)	Overall energy consumption has dropped year on year. However, a cold spring impacted on consumption. Whilst the price per Kilo Watt Hour remains low, standing charges are increasing.
Catering Staffing	Difficulty recruiting to vacancies	0	0	(95)	(102)	Efforts continue to recruit to vacant posts targeting entry level applicants where appropriate.
Catering Meal costs	Meal costs are lower than budgeted as a consequence of movements in meal numbers and also suppliers prices.	0	0	(87)	(110)	Menus are reviewed regularly to maintain economy, maximise nutritional value and minimise wastage.
Repairs on Council Buildings	Lower reactive repairs costs than budgeted.	0	0	0	(74)	Benefit is being seen, particularly from continued capital investment in the school estate. The budget in this area for 2016/17 has been reduced.
Other Catering	Income from other Catering Operations, particularly Costa Coffee at Lasswade High School, has exceeded expectation.	0	0	0	(68)	Performance in this area will be reviewed to establish if it is sustainable and targets can be increased.
Other non material variances	Miscellaneous variances covering the remaining areas of the service.	0	0	0	(43)	No impact on frontline service.
Net Underspend		(31)	(57)	(456)	(443)	

Other

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000	Additional Information / Action taken
Loan Charges	<p>Since setting the 2015/16 budget the cost of borrowing to finance the General Services Capital Plan has reduced due to:</p> <ul style="list-style-type: none"> (a) Re-phasing of projects which has allowed deferral of long-term borrowing; (b) Reduction in borrowing costs through lower than forecast interest rates; (c) Increase in projected investment returns through utilisation of higher yield investment products, in accordance with investment strategy. 	(197)	(477)	(417)	(417)	Projects that have slipped will now fall into 2016/17 so borrowing costs are only delayed.
Central Costs	Insurance costs – higher than budgeted estimated settlement	110	190	92	388	There were an unusually high volume of small claims over the winter period combined with 3 new higher

	costs for existing claims. Insurance costs – there has been an increase in premiums as a consequence of claims experience and additional coverage for a certain class of property.	72	71	71	74	value employer liability claims. Detail of all claims is reviewed and any mitigating action required will be put in place. This is reflected in future years budgets.
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. £47k of this was achieved.	185	185	185	303	Procurement plans are currently being refreshed may identify further savings in 2016/17. Contract savings were made in 2015/16 which impact on the Capital Account and the Housing Revenue Account.
Transformation Savings - Maximising Attendance	The target of £155k was not achieved in 2015/16.	155	155	155	155	Work continues to generate savings through maximising attendance.
Transformation Savings – Income Maximisation	The Target of £75k was not achieved in 2015/16.	75	75	75	75	Progress towards efficiencies in this area will be consumed into the Delivering Excellence agenda.
Investment Income	Increased dividend income from the Council's shareholding in Lothian Buses.	0	0	(120)	(120)	This has been built into the 2016/17 base budget.
Council Tax and Community Charge Income	A continued growth in Band D equivalents results in a higher than budgeted Council Tax yield.	(230)	(250)	(250)	(251)	The continued growth in Band D equivalents will be factored into Council Tax income budgets for future years.