

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

Description of Variance	Reason for Variance	Quarter 1 £000	Additional information / Action taken
External Audit Fee	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.	27	One-off.
Gross Overspend		27	

Education, Communities and Economy**Children's Services**

Description of Variance	Reason for Variance	Quarter 1 £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	<p>This represents a 26% overspend on the Multi Agency Resource Group (MARG) budget of £3.4 million.</p> <p>Projections of annual costs in this area made early in the financial year are subject to considerable change throughout the course of the year due to uncertainties over timing and costs of what can be very expensive placements.</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 commissioned	Forecast overspend on respite, direct payments and taxi services commissioned for children with disabilities due to higher than	84	The causes and trends underlying this variance will be analysed and addressed in development of the Financial Strategy.

Description of Variance	Reason for Variance	Quarter 1 £000	Additional information / Action taken
and provided for children with and without disabilities	anticipated levels of demand for these services.		
	Forecast overspend on respite, taxi and day care services commissioned for children without disabilities.	40	
	Forecast overspend on rent and allowances for Throughcare and Aftercare clients.	57	
	Forecast overspend on all other services commissioned for clients.	16	
Gross Overspend		1,081	
<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.	(217)	
Vacancies and performance factor	There is a forecast underspend mainly resulting from maternity leave within the Early Intervention and Prevention service.	(76)	Management action is in place to minimise any impact on frontline service provision.
Net Overspend		788	

Communities and Economy

Description of Variance	Reason for Variance	Quarter 1 £000	Additional information / Action taken
Grants to External Organisations	The value of payments to external organisations exceeds budget.	63	This is offset by an underspend in Economic Development as shown below. The budget for Grants to external organisations will be reviewed in 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	Overspends are offset in 2018/19 by vacancies elsewhere in the service.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Service budget.	2	
Gross Overspend		109	

Description of Variance	Reason for Variance	Quarter 1 £000	Additional information / Action taken
<i>Offset by:</i>			
Vacancies and Performance Factor	The number of vacancies across the service exceeds the performance factor.	(109)	There are vacancies in Economic Development and Trading Standards that are being help pending delivery of planned Service Reviews.
Net		0	

Education

Description of Variance	Reason for Variance	Quarter 1 £000	Additional information / Action taken
Charging for Music Tuition	A projected under recovery on SQA charging to schools for music tuition.	87	More detailed projections will be available once the 2018/19 school year starts and an update will be provided at quarter 2.
	The new charging policy expected to generate additional income but is currently projected to fall short of target.	20	A report will be presented to Cabinet in Autumn 2018 to discuss this area in detail.
School Estate Expansion	There are revenue commitments as a consequence of capital projects that have no approved revenue budget.	101	This will be reviewed as part of developing the Financial Strategy.
Inclusion Review savings	Council approved savings of £0.100 million in 2017/18. £0.030 of these have been realised.	70	Work continues to identify options for further savings.
Lifelong Learning and Employability Income	Based on current contract levels within Employability and Accreditation there is an anticipated under recovery of income.	43	The Employability and Accreditation service within Lifelong Learning and Employability are continually bidding for new contracts.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Service budget.	51	
Gross Overspend		372	
<i>Offset by:</i>			
Schools	Schools are projected to underspend by £0.725 million. This takes into account a DSM carry forward 1% of £0.685 million in accordance with current rules.	(725)	Within the £0.725 million there is: <ul style="list-style-type: none"> 1) A projected underspend in budgets allocated to schools under the DSM scheme of £0.565 million. These are in excess of the allowable 1% carry forward; and 2) Budgets of £0160 million that have not yet been allocated to schools under the DSM scheme.

Description of Variance	Reason for Variance	Quarter 1 £000	Additional information / Action taken
			Projections of spend against budget for schools are in advance of the 2018/19 school session thus have potential for significant change in some areas.
Vacancies and Performance Factor	There are a number of part-vacancies across the Education service.	(106)	Management action is in place to minimise any impact on frontline service provision.
Net Underspend		(459)	

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 reserves position.

Description of Variance	Reason for Variance	Quarter 1 £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 this is not evident in the budget position. Within this financial year it is estimated that additional costs could amount to £0.400 million with no uplift provided in the approved budget.	1,028	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. Within the overall position there is a projected underspend within Older People's services which offsets the overspend within Home Care (as shown below). New fieldwork service arrangements will ensure ongoing reviews and focus on redesign of services.
Home Care / Midlothian Enhanced Rapid Response and Intervention Team	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	376	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.

Description of Variance	Reason for Variance	Quarter 1 £000	Additional information / Action taken
(MERRIT)	absence within the Complex team.		High absence within the Complex Team is now being managed in a more robust way, with a reduction over the last two months adding to service capacity.
Care Homes for Older People	Projected overspend on staffing due to the requirement to cover rotas, mainly at Newbyres Care Home.	228	Vacancies have recently been filled which should lead to a reduction in agency staff spend. In addition a range of management actions are being taken to address the projected overspend.
Gross Overspend		1,632	
<i>Offset by:</i>			
Service User Income	Contributions from service users towards their care packages are higher than provided for in the budget.	(152)	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.	(72)	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)	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)	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 and Social Care budget.	(85)	
Net Overspend		1,197	

Customer and Housing Services

Description of Variance	Reason for Variance	Quarter 1 £000	Additional information / Action taken
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	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. The Tenancy Support contract for prevention and support services is being reviewed for cost effective options.
Homelessness accommodation	Demand for placements exceeds budget.	246	The budget provided for an average 36 B and B places per week. Average occupancy is currently 60 places. Out of area placements are no longer taking place.
Housing – Savings Target unachieved	Savings proposals are being developed but will not be fully implemented in 2018/19.	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.
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	The Community Safety retained team element has now transitioned into the redesigned Community Safety and Justice Team.
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	Shared Service options are being investigated.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Customer and Housing Services budget.	4	No impact on frontline service.
Gross Overspend		637	
<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)	Management action is in place to minimise any impact on frontline service provision.
Net Overspend		557	

Resources

Commercial Services

Description of Variance	Reason for Variance	Quarter 1 £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 no savings have been made.	150	Work is underway to develop options and plans. The financial impact of these will be picked up in due course.
Street Lighting	Consumption and supply charges are similar to last year but distribution charges are considerably higher.	108	It is difficult to predict the impact this will have over the winter period when consumption is higher.
Review of Sports Pitches	A budget reduction of £10,000 was approved in 2017/18 with a further £50,000 added in 2018/19. To date no savings have been delivered.	60	Consultation is ongoing with clarity on future direction expected in Autumn 2018.
Supplier Management	A savings target of £50,000 was approved. To date no savings have been delivered.	50	Services are exploring options to achieve this saving.
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	The service continues to try to attract new customers and also to minimise waste generated across Midlothian.
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	An update on progress will be provided at Q2.
Sales force spend to generate	An income budget of £25,000 was approved for 2018/19. To date no savings have been delivered.	25	Options are currently being explored and it is possible that part of the income target may be met 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. It is anticipated that staff vacancies can contribute £150,000 this year whilst further proposals are developed.	21	Review is ongoing.
Gross Overspend		466	
<i>Offset by:</i>			
Waste Disposal	Tonnages in the early part of the year are lower than expected.	(50)	Volume of tonnage can be volatile.

Description of Variance	Reason for Variance	Quarter 1 £000	Additional information / Action taken
Charges			
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Commercial Services budget.	(20)	No impact on frontline service.
Net Overspend		396	

Finance and Integrated Service Support

Description of Variance	Reason for Variance	Quarter 1 £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	Only essential vacancies are filled. Contraction in the overall size of the workforce makes this target more challenging to achieve but work continues to explore any opportunities that arise.
Integrated Service Support Review	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. At this point savings of £557,000 have been secured with current plans projected to achieve a further £413,000 leaving a shortfall of £157,000.	157	Work continues via the ISS Board to secure the full 2018/19 savings and also to progress the further £500,000 savings for 2019/20.
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	Continuing inflationary pressures are such that it is challenging to secure budget reductions as contracts are being re-tendered. Contract savings have been made or are planned 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	A review of activity has already had an impact and continues with the aim of minimising volumes and reducing reliance with paper in accordance with EWiM principles.
Bank Charges	The shift towards electronic payments has led to increased transaction costs.	35	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.

Description of Variance	Reason for Variance	Quarter 1 £000	Additional information / Action taken
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Finance and Integrated Service Support budget.	7	No impact on frontline service.
Gross Overspend		629	

Properties and Facilities Management

Description of Variance	Reason for Variance	Quarter 1 £000	Additional information / Action taken
Janitorial Services	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.	176	Scope for further savings will be considered, particularly around the merging of staff with Leisure.
Reduced Lifeguard cover	Proposals are still being developed so implementation will be delayed.	100	An update on progress will be provided at Q2.
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	Demolition is now underway at both premises.
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	Unbudgeted costs in 2018/19 relate to Dundas Buildings, Eskdail Court and Penicuik Town Hall.
Reduction in Housing Voids Standards	No progress has been made in delivering this saving.	80	Interaction with costs chargeable to the Housing Revenue Account needs to be considered.
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 is being phased over 3 years thus underachieves targeted income.	76	After 3 years the full saving will be achieved.
Fees and Charges	A £100,000 target was approved. Based on uptake information it is anticipated this will be underachieved.	62	An update on progress will be provided at Q2.
Energy Costs	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	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

Description of Variance	Reason for Variance	Quarter 1 £000	Additional information / Action taken
	the planned saving of £60,000 will be delivered in 2018/19.		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	The review is ongoing.
Maximise use of PPP schools	Budget savings of £50,000 have been approved. To date there have been no savings delivered.	50	An update on progress will be provided at Q2.
Supplier Management	A savings target of £50,000 was approved. To date no savings have been delivered.	50	Services are exploring options to achieve this saving.
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	Planned implementation in 2019/20.
Gross Overspend		906	

Other

Description of Variance	Reason for Variance	Quarter 1 £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>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>	<p>267</p> <p>52</p> <p>65</p> <p>(152)</p>	<p>Total claims made in Q4 in 2017/18 was 110 compared to 60 in 2016/17.</p> <p>One-off income.</p>
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)	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.
Scottish Government Grant	Additional grant to partially offset costs associated with the severe winter.	(149)	One-off funding.
Savings Targets	<p>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.</p> <p>An additional target of £0.142 million was agreed in setting the 2018/19 budget. Achievement of this has slipped.</p>	<p>117</p> <p>142</p>	<p>Options to deliver the remaining target are being explored.</p> <p>An update on progress will be provided at Q2.</p>
Scottish Government Grant	Additional grant to partially offset costs associated with the severe winter.	(149)	One-off funding.
Council Tax Income	A continued growth in Band D equivalents results in a higher than budgeted Council Tax yield.	(250)	The continued growth in Band D equivalents is factored into Council Tax income budgets for future years.

