

**Glasgow City Council****Finance and Audit Scrutiny Committee****Report by Director of Financial and Business Services****Contact: Stephen Crichton Ext: 74050****Monitoring Review****Purpose of Report:**

To outline proposals for a revised monitoring framework

**Recommendations:**

The Finance and Audit Scrutiny Committee is asked to note:

- a) the proposed changes to the frequency, format, content and structure of revenue monitoring statements for the Finance and Audit Scrutiny Committee as outlined in this report; and
- b) to recommend to the City Administration Committee that they adopt similar changes to the frequency, format and structure of the revenue monitoring statements considered by that committee.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes  No consulted: Yes  No **PLEASE NOTE THE FOLLOWING:**

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## REVIEW OF REVENUE MONITORING REPORTING

### 1. Introduction

- 1.1 The purpose of financial reporting is to provide Members with appropriate information to allow them to meet their responsibilities in relation to financial management and control.
- 1.2 The current format and timetable for financial reporting was last reviewed at the outset of the previous Council in 2012 and was aligned to the requirements of the Executive Committee and Finance and Audit Scrutiny Committee (FASC).
- 1.3 In May 2018, FASC considered a report proposing an alternative monitoring framework with a revised timetable and format for revenue monitoring. The committee decided to continue the item and sought clarification on a number of issues. The committee also wished to reflect upon the forthcoming best value review and review of governance and accountability arrangements both of which were to report after the summer recess. This report provides an update on the proposed changes.

### 2. Best Value Review and Review of Governance and Accountability

- 2.1 The Best Value Review and Review of Governance and Accountability were both considered by Council on the 13 September 2018.
- 2.2 While neither of these reports referenced financial reporting specifically there are a number of comments relevant to these proposals.
- 2.3 Audit Scotland's Best Value report reflected that the Council had a "record of strong financial management"<sup>1</sup>. This was further affirmed within the annual audit report where Audit Scotland stated that "controls relating to financial systems and procedures are designed appropriately and operating effectively"<sup>2</sup>. This reflects the Council's record in controlling its expenditure within budgets and the robust framework of control that is imbedded within the operations of the council.
- 2.4 The Governance and Accountability report reflected on the progress that has been achieved since the council was established in May 2017. The report reflects that the terms of reference of both scrutiny committees are "very extensive" and that "a process of prioritisation, system scrutiny and assurance and reporting by exception is likely to be used to manage workload"<sup>3</sup>. The report also states that :

"The key role of the scrutiny committees should be to ensure that a consistent framework for financial reporting and operational performance across the council's service is in place, This could include protocols for reporting by exception and protocols for reporting major performance issues to scrutiny committees. This would allow the scrutiny committees to manage workload and provide consistent data to policy committees to inform their review and development work. This would require the scrutiny committees to review the existing reporting frameworks and protocols"<sup>4</sup>

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<sup>1</sup> Best Value Assurance report page 7 para 4

<sup>2</sup> Annual Audit report page 4 para 4

<sup>3</sup> Review of Governance and Accountability Arrangements para 3.30

<sup>4</sup> Review of Governance and Accountability Arrangements para 3.43

2.5 In light of these comments any changes to the existing reporting framework must ensure that:

- the council's history of robust financial management is not weakened
- that the Finance and Audit Scrutiny committee (FASC) is still able to perform its core scrutiny function
- by managing agendas and reports scrutiny can be enhanced and inform policy development.

2.6 At the most recent meeting of FASC in September 2018 the committee agenda which reflected the existing work programme included over 400 pages of reports covering the council's annual accounts, internal audit reports common good property reports and financial monitoring. A number of Members expressed a view that papers of this volume limited the level of scrutiny that could be performed effectively.

### **3. Frequency of Financial Reporting**

3.1 In light of the reports outlined above and views expressed by Members, it is proposed to move to a more managed approach to the production of financial information. This would include the following:

Revenue monitoring – this would move to a bi monthly cycle starting at period 4. In effect, this would result in Members receiving financial reports at periods 4, 6, 8, 10, 12 and outturn. The probable outturn position would be incorporated within the period 8 statement.

Investment Programme and ALEO reporting – these reports would remain on a quarterly cycle as now. However the timing of reports would be changed to report in line with the revenue statements i.e. reports would be presented at periods 4,8,12 and outturn.

3.2 As the committee could continue to meet on a four weekly basis this realignment of financial reporting would allow greater focus on audit reports and other aspects of the work programme not directly linked to financial monitoring in intervening periods. It also provides an opportunity for the committee to seek further detail on specific issues highlighted in the monitoring statements.

3.3 The underlying purpose of this proposal is to balance the workload of the committee, over the year and provide appropriate focus to each element of the committees remit. A revised workplan is attached at Appendix 1.

### **4. Format of Reporting**

4.1 A number of changes were proposed to the format of revenue reports. These changes were designed to simplify the content of the reports and focus attention on the material variances within the report.

4.2 In order to create a targeted report designed to highlight exceptions the following presentational changes are proposed:

- Remove the budget table from monitoring reports. This table effectively duplicates the details contained within the objective monitoring statements. The current reporting format shows the original budget as approved by council, the cumulative value of budget changes and the revised annual budget for the year.

This will again streamline reporting and simplify both the administration and presentation of reports.

- Discontinue the “period” investment programme report. Investment programme monitoring will focus on the quarterly investment programme as noted above.
- Discontinue the subjective analysis report prepared for each service. This report duplicates the information contained within the objective report and is focused on inputs and not the outputs of the service.
- Develop the use of graphics targeted at trend analysis over services and time. This will highlight movements between services and over time to support scrutiny of variances. These graphics will be incorporated within the document and can be amended over time in response to Member feedback.

4.3 In the current year these changes would be implemented in the period 8 statement and will continue to be reviewed and updated during the course of the current year. A revised summary report for period 6, reflecting these proposed changes is included at appendix 2

4.4 The report considered by FASC in May 2018 also proposed a change to the current Scheme of Delegation virement limit of the Executive Director of Finance of £100,000, proposing an increase to £500,000. This would limit the number of reported budget changes to only those of a material nature. A change to the Scheme of Delegation limit is not being proposed at this time but will instead be kept under review alongside the changes proposed above.

## 5. Conclusions

5.1 The underlying goal of these proposals is to streamline the existing process while ensuring that the current integrity of the monitoring process is sustained. In addition, by reducing the frequency of reporting the committee will be more able to manage its full remit more effectively.

5.2 The aim of changes to the format of reports is to highlight key areas of concern and target resolution. The simplification of reporting also provides an opportunity to align existing resources towards this aim.

5.3 The impact of any changes agreed by Members as part of this report will remain under review at least for the remainder of this financial year. Further changes can be considered as part of the process for agreeing the committee work programme.

## 6. Policy and Resource Implications

### Resource Implications:

*Financial:* As outlined in the report

*Legal:* None

*Personnel:* None

*Procurement:* None

**Council Strategic Plan:** A Well Governed City that Listens and Responds

**Equality and Socio-Economic Impacts:**

*Does the proposal support the Council's Equality Outcomes 2017-22* No potential equality impacts as a consequence of this report

*What are the potential equality impacts as a result of this report?* No potential equality impacts as a consequence of this report

*Please highlight if the policy/proposal will help address socio economic disadvantage.* No potential socio economic impacts as a consequence of this report

**Sustainability Impacts:**

*Environmental:* No direct impacts

*Social, including Article 19 opportunities:* No direct impacts

*Economic:* No direct impacts

**Privacy and Data Protection impacts:** No privacy or data protection impacts

**7. Recommendations**

7.1 The Finance and Audit Scrutiny Committee is asked to note:

- a) the proposed changes to the frequency and format of monitoring statements as outlined in this report and,
- b) refer the report to the City Administration Committee for approval

## Appendix 1 – Updated Workplan

### 12 September 2018

Current	Revised
P4 Revenue Monitoring Q1 Investment Monitoring ALEO Q1 Monitoring	P4 Revenue Monitoring Q1 Investment Monitoring ALEO Q1 Monitoring
Summary Audit Reports Annual Audit Report 2017-18 Audited Annual Accounts 2017-18	Management of Common Good Property Annual Audit Report 2017-18 Audited Annual Accounts 2017-18

### 3 October 2018

Current	Revised
P6 Revenue Monitoring	P6 Revenue Monitoring
Summary Audit Reports Follow-Up Audits ALEO Audit Update 2016-18 Transformation Programme Monitoring Review	Summary Audit Reports Follow-Up Audits ALEO Audit Update 2016-18 Transformation Programme Monitoring Review

### 7 November 2018

Current	Revised
P7 Revenue Monitoring Q2 Investment Monitoring ALEO Q2 Monitoring	Summary Audit Reports Follow-Up Audits Update on Annual Audit Plan
Summary Audit Reports Treasury Management Mid-Year Report 2018-19/Annual Report 2017-18 Corporate Risk Register	Treasury Management Mid-Year Report 2018-19/Annual Report 2017-18 Corporate Risk Register Gifts and Hospitality

### 5 December 2018

Current	Revised
P8 Revenue Monitoring	P8 Revenue Monitoring Q2 Investment Monitoring Q2 ALEO Monitoring
Summary Audit Reports Update on Annual Audit Plan Corporate Risk Register Sundry Trusts Annual Report Gifts & Hospitality	Sundry Trusts Annual Report

**January 2019**

Current	Revised
Summary Audit Reports Follow Up Audits  Treasury Management and Annual Investment Strategy 2019-20 Common Good Property Management Report Local Government Benchmarking Framework	Summary Audit Reports Follow Up Audits  Common Good Property Management Report Local Government Benchmarking Framework

**February 2019**

Current	Revised
P10 Revenue Monitoring Q3 Investment Monitoring ALEO Q3 Monitoring  Summary Audit Reports Follow Up Audits Common Good Budget 2019-20	P10 Revenue Monitoring   Treasury Management and Annual Investment Strategy 2019-20 Common Good Budget 2019-20

**March 2019**

Current	Revised
P11 Revenue Monitoring  Summary Audit Reports Follow Up Audits Annual Internal Audit Plan 2019-20 ALEO Audit Update Audit Scotland Audit Plan 2018-19 Annual Asset Management Plan	Summary Audit Reports Follow Up Audits Annual Internal Audit Plan 2019-20 ALEO Audit Update Audit Scotland Audit Plan 2018-19 Annual Asset Management Plan

**April 2019**

Current	Revised
P12 Revenue Monitoring  Summary Audit Reports	P12 Revenue Monitoring Q3 Investment Monitoring Q3 ALEO Monitoring

**May 2019**

Current	Revised
Summary Audit Reports Follow Up Audits	Summary Audit Reports Follow Up Audits

Corporate Risk Register Gifts & Hospitality	Corporate Risk Register Gifts & Hospitality
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**June 2019**

Current	Revised
Out-turn Report 2018-19	Out-turn Report 2018-19
Annual Governance Statement 2018-19 Unaudited Annual Accounts 2018-19	Annual Governance Statement 2018-19 Unaudited Annual Accounts 2018-19
Summary Audit Reports	Summary Audit Reports





Glasgow City Council

City Administration Committee

Report by Councillor Allan Gow, City Treasurer

Contact: Martin Booth Ext: 73837

**BUDGET MONITORING 2018-19; PERIOD 6**

**Purpose of Report:**

This report provides a summary of financial performance for the period 1 April 2018 to 31 August 2018.

**Recommendations:**

The City Administration Committee is asked to:

- i. approve the adjustments relating to the revenue budget at section 4
- ii. note that this report and all detailed service reports will be considered by the Finance and Audit Scrutiny Committee

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes  No

consulted: Yes  No

## 1. Introduction

1.1 This report provides a summary of financial performance for the period 1 April 2018 to 31 August 2018.

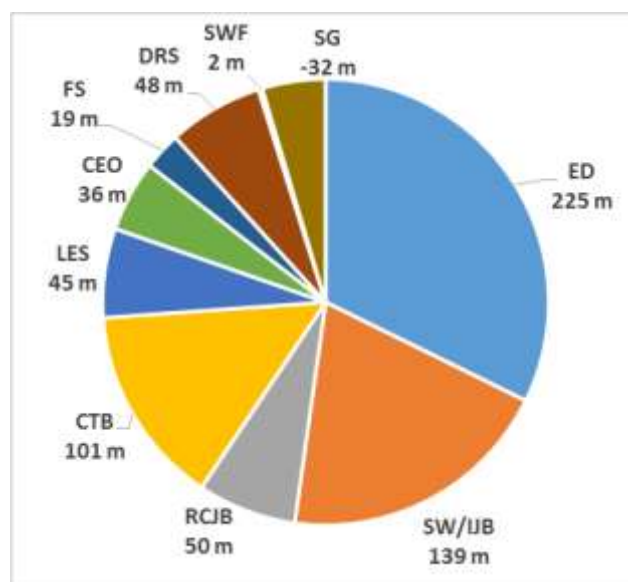
## 2. Reporting Format

2.1 This report provides a summary of the Council's financial position.

## 3. Approved Budget

3.1 The 2018-19 budget was approved by Council on 22 February 2018 and the detailed service estimates subsequently approved by the City Administration Committee on 19 April 2018. These budgets are shown as "Original Annual Budget", in the attached monitoring statements. In order to monitor financial performance accurately, budgets will be updated each period to reflect new monies, operational changes and any additional approvals.

### 3.2 Split of Service Year to Date Net Expenditure Budgets



3.3 The key changes to the original budget made up to period 6 are outlined in section 4, below.

## 4. Revenue Budget

4.1 During period 5 and 6 there has been a net budget increase of £10.1m resulting in a cumulative budget increase of £13.5m to date. Service specific budget changes are summarised in the paragraph below.

4.2 The significant budget changes since period 4 are as follows:

4.2.1 Expenditure budgets have increased within Education Services by £8.5m to reflect the drawdown of previously approved carry forwards.

4.2.2 Expenditure budgets have increased within Education Services by £1.0m in respect of additional funding from the Scottish Government in relation to school clothing grants.

- 4.2.3 Expenditure budgets have increased within Education Services by £0.5m in respect of additional funding from the Scottish Government in relation to Probationers costs.
- 4.2.4 There has been virement of £0.5m from Financial Services to Chief Executives to reflect the transfer of the budget in respect of Participatory Budgeting.
- 4.2.5 Income and expenditure budgets within Education Services have increased by £1.5m mainly in respect of additional Sports Scotland active schools funding £1.0m and additional youth music funding £0.4m.
- 4.2.6 Income and expenditure budgets within Development and Regeneration Services have increased by £0.1m mainly in respect of additional European funding for the Connecting Nature project.
- 4.2.7 Income and expenditure budgets within Development and Regeneration Services have decreased by £0.1m due to a reduction of £0.2m as a result of budget realignment of the Property and Land Services budgets partly offset by additional COSLA funding for Digital Boost £0.1m.
- 4.2.8 Income and expenditure budgets within Social Work Services have reduced by £0.7m in respect of budget realignment mainly relating to elimination of cross charging with the health board.
- 4.3 There have also been adjustments to income and expenditure budgets in line with the Executive Director of Finance's delegated powers and budget realignments between and within various service departments to reflect the transfer of responsibilities and service reconfigurations.

## **5. Summary Position**

### **Revenues**

#### **5.1 Council Tax**

- 5.1.1 At this stage of the year, actual income expected to be collected from council tax is £276.8m in line with budget.
- 5.1.2 The council tax collected to 31 August 2018 amounts to £112.4m. This represents 47.74% of the figure to be collected and is 0.53% ahead of last year's equivalent collection figure. The target rate of collection for Council Tax this year is 95.0%.

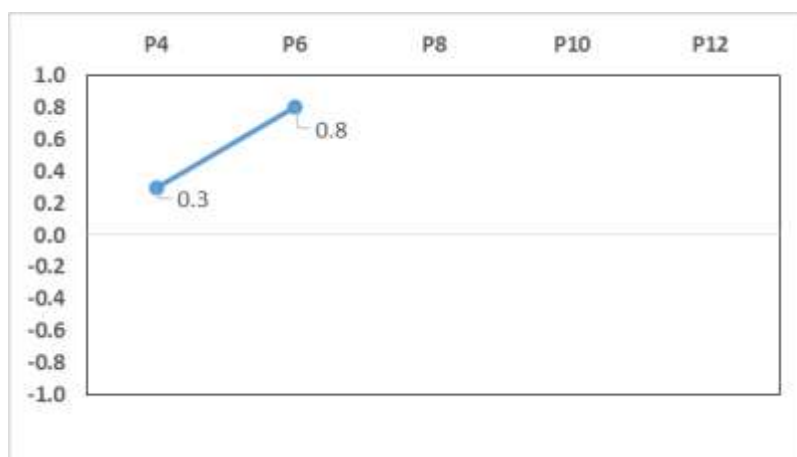
#### **5.2 Non Domestic Rates**

- 5.2.1 Non Domestic Rates income is allocated to councils as part of the local government settlement and represents a fixed percentage of the overall national pool. It therefore does not vary in relation to the actual amount of cash collected by the council.
- 5.2.2 The Non Domestic Rates collected to 31 August 2018 amount to £156.0m. This represents 41.15% of the figure to be collected and is 1.14% ahead of last year's equivalent collection figure. The target rate for collection for Non Domestic Rates for this year is 97.63%.

## 6. General Fund

6.1 Net expenditure is running at 100.2% of profile, representing an overspend of £0.8m. This reflects overspends within Education Services, Development and Regeneration Services and Land and Environmental Services offset by savings within Financial Services.

6.2 Net Expenditure Position – budget variance:



## 7. Services

### 7.1 Development and Regeneration Services £0.5m

7.1.1 This reflects an overspend in the building standards division due to additional costs incurred for emergency repairs on dangerous buildings.

### 7.2 Education Services £0.3m

7.2.1 This reflects overspends in employee costs and supplies and services offset by savings in Additional Support for Learning external placements.

### 7.3 Land and Environmental Services £0.1m

7.3.1 This reflects lower commercial refuse income offset by increased income in parks and open spaces and permits and road occupation charges and underspends from vacancy management.

### 7.4 Financial Services – Council Tax Reduction / Benefits Payments -£0.1m

7.4.1 This reflects a lower level of commitment in respect of the Council Tax Reduction scheme.

## 8. Social Work Services

8.1 The Glasgow City Integration Joint board (IJB) is now responsible for the planning and commissioning of health and social care services within the city.

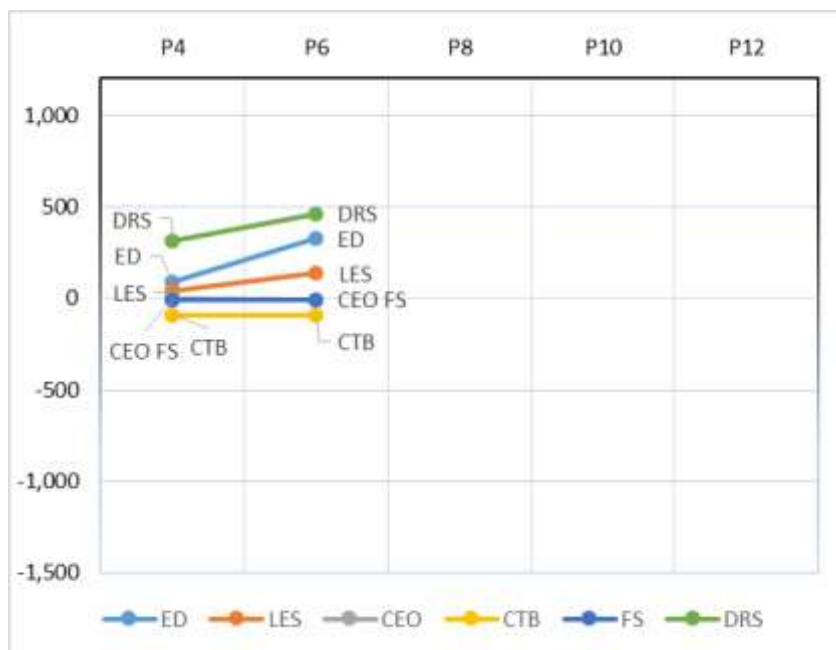
8.2 While the financial position of Social Work Services continues to be monitored through the Council's existing reporting structures the overall financial position is now

the responsibility of the IJB and is therefore reported separately from the General Fund. The Reserves policy of the IJB has resulted in the transfer of previous year underspends to IJB reserves to mitigate any ongoing or future budget pressures. The IJB uncommitted reserve balance is currently £7.4m.

8.3 At period 6 Social Work Services is showing an overspend of £0.2m mainly due to increased demand within Older Peoples Services and Adult Services for care packages and care home places. This is being offset by an underspend in Children and Families as a result of early delivery of transformation savings. This overspend will be met from IJB reserves and has no net impact on the Council's overall financial position.

## 9 Service Variance Comparison

9.1 Service financial performance across the year to date is illustrated below:



## 10. Trading Operations

10.1 Both Trading Operations are currently generating a surplus in line with budget.

10.2 It is expected that both trading operations will achieve a break-even position in 2018-19 (excluding IAS 19 employee benefits costs, which are not included in Trading Operations' charge-out rates).

## 11. Forecast

11.1 At this stage of the year the overall position is projected to be in line with budget.

11.2 This position will continue to be reviewed throughout the remainder of the year and any significant changes reported through future monitoring statements as required.

## **12. Recommendations**

12.1 The City Administration Committee is asked to:

- (I) approve the adjustments relating to the revenue budget at section 4
- (II) note that this report and all detailed service department reports will be considered by the Finance and Audit Scrutiny Committee.

LIST of Attachments:

- Key Figures
- Council Tax Income
- Non Domestic Rates Income
- General Fund Summary
- Social Work Services Summary
- Trading Operations

**GLASGOW CITY COUNCIL  
BUDGET MONITORING**

**KEY FIGURES**

**PERIOD 6 - 1 April 2018 to 31 August 2018**

<b>Measure</b>	<b>Status (Under or Over Budget Profile)</b>	<b>Period 6</b>
Council Tax Income	Ahead	
Council Tax Collection Rate	Ahead	+0.53%
Non Domestic Rates Collection Rate	Ahead	+1.14%
General Fund Net Expenditure	Over	+£1.0m

**Service Departments:**

Chief Executive's Office	On budget	
Development and Regeneration Services	Over	+£0.5m
Education Services	Over	+£0.3m
Financial Services	On budget	
Financial Services – Benefit Payments	Under	-£0.1m
Financial Services – Scottish Welfare Fund	On budget	
Land and Environmental Services	Over	+£0.1m

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+£0.8m

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Social Work Services	On budget	
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