

To: POLICY & RESOURCES (FINANCE & CUSTOMER SERVICES) SUB-COMMITTEE		Subject: REVENUE MONITORING REPORT 01.04.13 – 13.09.13 PERIOD 6 COUNCIL SUMMARY
From: HEAD OF FINANCIAL SERVICES		
Date: 15 OCTOBER 2013	Ref: AC/PH/KH	

1. Purpose of Report

1.1. This report advises Committee on the overall financial position of the General Fund Account and the Housing Revenue Account for the 2013-2014 financial year to 31 March 2014. The report consolidates the budget monitoring position of all Services, highlighting and explaining major outturn variances.

2. Summary of Financial Position

2.1. The Council have an approved General Fund Revenue budget of £747.380m. As outlined in Table 1 below, a year end surplus of £6.591m is largely achievable from a combination of the following key factors:

- Employee cost savings across all Services (£2.413m), particularly Regeneration & Environmental Services (£0.876m), Learning & Leisure Services (£0.804m) and Housing & Social Work Services (£0.632m);
- Under-recovery of Planning and Building Warrant Fee income (£0.755m);
- Anticipated savings of £1.900m in loan charges;
- Recovery of £1.500m of commercial property rental income due to the delayed creation of North Lanarkshire Properties LLP.

2.2. The Council approved a budget savings target of £62.395m for the three-years to 2015-16, of which £20.884m relates to financial year 2013-14. Based on monitoring information available for the period ending 13th September 2013, Services anticipate that £20.372m (97.5%) of approved savings are achievable, and have identified realistic replacements for the £0.512m savings gap to ensure full deliverability by the year-end.

2.3. Table 1 below illustrates an increase of £2.957m on the projected surplus position reported at period 4. This movement is largely in respect of further savings in employee costs across the council, savings in loan charges and recovery of rental income due to the delayed creation of North Lanarkshire Properties LLP.

	Annual Budget £000	Projected Outturn £000	Period 6 Variance £000	Period 4 Variance £000	Period 6 Movement £000
Expenditure					
Net Service Expenditure	747,380	740,789	6,591	3,634	2,957
Income					
Aggregate External Finance	612,688	612,688	-	-	-
Local Tax Collection	123,212	123,212	-	-	-
Use of Balances	6,500	6,500	-	-	-
Council Tax Reduction	4,980	4,980	-	-	-
Projected Variance: Surplus/(deficit) at 31 March 2014	Nil	6,591	6,591	3,634	2,957

Table 1

3. Major Variations from Budget

3.1. Table 2 below illustrates Services' provisional outturn financial positions, with additional information also available within Appendix 1.

Service	P4 Outturn £m	P6 Outturn £m	P6 Movement £m
Housing & Social Work Services	1.066 surplus	1.836 surplus	+0.770
Finance & Customer Services	0.304 surplus	0.423 surplus	+0.119
Learning & Leisure Services	0.269 surplus	1.118 surplus	+0.849
Corporate Services	0.050 surplus	0.085 surplus	+0.035
Chief Executive's Office	0.010 surplus	0.019 surplus	+0.009
PPP Contributions	- break-even	- break-even	-
Trading Operations	- break-even	- break-even	-
Joint Boards	- break-even	- break-even	-
Environmental Services	(0.315) deficit	(0.290) deficit	+0.025
Executive Services Total	1.384 surplus	3.191 surplus	+1.807
Savings in Financing Costs	1.500 surplus	1.900 surplus	+0.400
Other Budgetary Considerations	0.750 surplus	1.500 surplus	+0.750
Total	3.634 surplus	6.591 surplus	+2.957

Table 2

3.2. The key points to note regarding the provisional outturn position include:

- 3.2.1. Housing & Social Work Services is currently projecting a year-end surplus of £1.836m which is a favourable movement of £0.770m from the position reported to Committee at period 4. The surplus has risen primarily from employee vacancies (£0.632m), time related savings arising from implementing new Supported Living services (£0.474m) and current low-level demand within Residential and Secure Accommodation (£0.332m). Recognising that costs of placements in secure accommodation are significant and that this is an area subject to volatility, the latter will continue to be closely monitored.
- 3.2.2. Finance and Customer Services is projecting a year end surplus of £0.423m, a favourable movement of £0.119m from period 4. The surplus is largely due to recovery of overpayments regarding Housing Benefits (£0.280m) and employee cost savings (£0.141m).
- 3.2.3. Learning and Leisure Services is projecting that anticipated savings in energy and employee costs will realise a year-end surplus of £1.118m. This is a favourable movement of £0.849m from the position previously reported to committee which largely reflects further anticipated savings in employee costs. Members may also wish to note that a combination of Schools & Centres 21 agreed revenue contribution being achieved ahead of schedule (£0.581m), one-off energy rebates (£0.882m) and DSM resources (£0.433m) are being used to fund the roll-out of a £1.9m one-off repairs programme in various schools not included within the Schools & Centres 21 programme.

- 3.2.4. Corporate Services is currently projecting a year-end surplus of £0.085m which is mainly attributable to additional turnover savings within property services.
- 3.2.5. Chief Executive's Office is projecting a surplus of £0.019m which is due to anticipated savings in employee costs.
- 3.2.6. Regeneration & Environmental Services are projecting a year-end deficit of £0.290m. This is largely in relation to a combination of Planning and building Warrant Fee income under-recoveries (£0.755m) and additional co-mingled waste contract gate fees (£0.717m) offset by anticipated underspends in employee costs (£0.876m), contractor payments (£0.440m) and bin purchases (£0.200m).
- 3.2.7. An increased saving of £1.900m is anticipated within financing costs due to prudent management of the Council's loan stock as highlighted in the Treasury Management Activity report also available for Committee consideration.
- 3.2.8. The anticipated commencement of North Lanarkshire Properties LLP from October 2013 will result in only half of the £3m set aside by the Council to offset its loss of annual commercial rental income being utilised this financial year. However, in recognising these properties have continued to remain within Council ownership, the costs of the essential repairs being removed from Regeneration & Environmental Services as an approved efficiency (see paragraph 4.2 below). These unbudgeted repair costs (£0.109m) are more than offset by the additional income (£1.5m) arising from the commercial units.

4. 2013-2014 Budget Savings

- 4.1. Savings of £20.884m implemented as part of the 2013-2014 budget setting exercise have been applied in full to Services' annual budgets. Services' achievement of budget savings continues to be closely monitored via quarterly reports to the Corporate Management Team.
- 4.2. These reports illustrate services currently anticipate full delivery of their budgeted savings targets. In the main, Services are delivering their approved savings however Regeneration & Environmental Services, Learning & Leisure Services and Corporate Services currently have shortfalls against approved savings totalling £0.512m. All Services have confirmed their budgeted shortfalls will be achieved instead through the management of vacancies.

5. Approved Use of Earmarked and One-off Resources

- 5.1. The Council's Annual Accounts to 31st March 2013 identified a cumulative General Fund Surplus of £79.3m which included amounts earmarked to fund specific future commitments (£45.450m) and one-off support for the 2013-2014 revenue budget (£6.500m).
- 5.2. The Change Management Fund of £19.474m represents the largest single element of the Council's Earmarked Resources. During 2013-2014, Council Committees approved Change Management Fund drawdown for the purchase of Coats House (£2.623m) and costs associated with ensuring compliance with the Public Sector Network (PSN) (£0.355m). These sums are not currently reflected within the outturn position shown in paragraph 2.1. Upon reflecting these approvals, £16.496m will remain within the Change Management Fund to assist Services in meeting any one-off costs arising from implementing the challenging 2014-2015 and 2015-2016 Service & People First Programme.
- 5.3. In February 2013, the Council set aside £6.5m of the 2012-2013 revenue surplus to support, on a one-off basis, the following strategic priorities; Youth Investment Programme (£3.4m), Regeneration Investment Fund (£1m) and Commonwealth Games Promotional activity (£0.100m). Details of spend against these priorities is outlined overleaf.

- 5.4. Committee will be aware that the Council's £15m commitment to assist people into work required additional funding of £1.7m per annum for a three-year period. With the programme presently expected to exceed annual expectations by around 10%, full spend against 2013-2014 contribution of £1.7m is envisaged and has been reflected within the outturn position.
- 5.5. As at period 6, the Council has allocated £0.364m of its Regeneration Investment Fund to the three new initiatives of Town Centre Wi-Fi (£0.140m), Town Centre Business Incubator Unit (£0.153m) and NL Industries (£0.070m). The budgets associated with these initiatives will be realigned to individual Services for monitoring and reporting in due course.
- 5.6. Reflecting recent approvals by this Committee to award the maximum allowable level of Discretionary Housing Payment (DHP) and create a Second Tier Review Panel, the Council has committed just over half of the one-off Welfare Reform resource of £1m. However, following receipt of recent correspondence from the Scottish Government regards a further one-off allocation of £0.697m to North Lanarkshire to fund DHP top-ups, the Council will have to consider the future use of these resources.
- 5.7. In line with the *Development of Early Years Services* report to Learning & Leisure Services Committee earlier this year, the Council is in the process of developing a new management delivery model to link the Council's Single Outcome Agreement and Collaborative Work Streams. Recognising the model is still in the early stages, there is no spend as yet against the Council's £1m resource.
- 5.8. The Council continues to work closely with Glasgow 2014 over its hosting of two Commonwealth Games events, and anticipates full spend against the promotional budget associated with this.

6. Risk and Uncertainty

- 6.1. The Council's Risk Management Strategy, approved in September 2012 recognises that all activities are subject to risk, with the current economic climate in particular having potential to impact upon the Council's ability to provide quality services within its existing budgetary provision.
- 6.2. Risks are a combination of probability and impact of particular events which Services manage as part of their overall corporate and service planning processes. Reflecting the risk analysis matrix included within the Council's approved Risk Management Strategy, there is one area which may present a high risk to the Council's financial outturn.
- 6.3. Whilst the Council continues to seek to defend the Equal Pay Claims made against it and to minimise the potential impact these could have on its financial position, continuing uncertainties surrounding the Council's ability to achieve positive outcomes from ongoing litigation results in the Council having an increased exposure to risk.

7. Analysis of Employee Cost Budgets

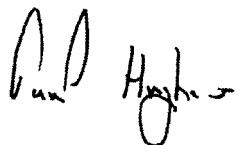
- 7.1. Services' outturn reports illustrate total budgeted turnover will be achieved. Furthermore, existing additional savings of around £3.217m in employee costs are projected, reflecting continued compliance with the Council's vacancy-monitoring and control arrangements.

8. Housing Revenue Account

8.1. A projected over-recovery of rental income combined with savings on loan charges, void rent loss and insurance costs is presently expected to realise a surplus of £1.333m by the financial year-end.

9. Recommendations

9.1. Members are asked to note the contents of this report.

A handwritten signature in black ink, appearing to read "Paul Hughes". The signature is written in a cursive style with a large initial "P" and "H".

Head of Financial Services

For further information on this report, contact Mrs. K Hassell, tel. ext. 2235

NORTH LANARKSHIRE COUNCIL
SUMMARY OF FINANCIAL REPORT FOR PERIOD ENDING 13TH SEPTEMBER 2013 (PERIOD 6)

LINE NO.	SERVICE ACCOUNT (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	VARIANCE TO DATE (4)	ANNUAL BUDGET (5)	PROJECTED OUTTURN (6)	PROJECTED VARIANCES (7)
		£	£	£	£	£	£
1.	ENVIRONMENTAL SERVICES	41,060,266	41,708,545	(648,279)	104,404,071	104,693,940	(289,869)
2	Directorate & Support	1,582,941	1,685,010	(102,069)	-	-	-
3	Land Services	21,119,804	21,421,931	(302,127)	49,619,180	49,665,018	(45,838)
4	Facility Support	(231,484)	(588,001)	356,517	291,680	291,680	-
5	Planning	1,632,003	1,955,776	(323,773)	5,053,449	5,528,275	(474,826)
6	Roads & Transportation	11,368,924	11,321,903	47,021	32,255,841	32,160,549	95,292
7	Protective Services	2,509,194	2,400,515	108,679	6,886,870	6,696,467	190,403
8	Regeneration & Infrastructure	3,078,884	3,511,411	(432,527)	10,297,051	10,351,951	(54,900)
9	LEARNING AND LEISURE	160,441,451	159,335,565	1,105,886	400,036,242	398,918,633	1,117,611
10	Early Years	7,224,986	7,097,052	127,934	16,947,004	16,947,004	-
11	Primary Schools	45,135,338	44,999,139	136,199	119,713,526	119,713,526	-
12	Secondary Schools	45,949,624	45,856,550	93,074	114,663,719	114,663,719	-
13	Special Schools	5,982,220	5,832,653	149,567	15,021,576	15,021,576	-
14	Resources	24,893,718	24,298,270	595,448	61,364,403	60,355,360	1,009,043
15	Quality Information and Development	7,432,166	7,431,192	974	22,871,602	22,763,034	108,568
16	Community Information & Learning	23,823,399	23,820,709	2,690	49,454,414	49,454,414	-
17	POLICY & RESOURCES (FINANCE)	23,377,472	22,605,053	772,419	67,224,653	66,801,231	423,422
18	Finance (including Hsg and Council tax benefits)	23,377,472	22,605,053	772,419	67,224,653	66,801,231	423,422
19	CORPORATE SERVICES	10,817,505	10,640,914	176,591	28,039,212	27,954,212	85,000
20	Central Services	1,761,999	1,754,991	7,008	3,865,171	3,856,171	9,000
21	Design & Property Services	7,362,948	7,219,329	143,619	20,842,999	20,816,999	26,000
22	Human Resources	972,685	956,413	16,272	1,721,485	1,691,485	30,000
23	Legal Services	719,873	710,181	9,692	1,609,557	1,589,557	20,000
24	HOUSING & SOCIAL WORK SERVICES	60,812,980	59,987,966	825,014	179,670,684	177,835,116	1,835,568
25	Housing - Non HRA	3,142,974	3,073,878	69,096	9,548,761	9,348,761	200,000
26	Social Work	57,670,006	56,914,088	755,918	170,121,923	168,486,355	1,635,568
27	JOINT BOARDS	6,037,073	6,037,073	-	12,579,745	12,579,745	-
28	Lanarkshire Valuation Joint Board	774,065	774,065	-	1,902,665	1,902,665	-
29	Police Emergency Planning	-	-	-	-	-	-
30	Strathclyde Partnership for Transport	2,797,734	2,797,734	-	5,595,530	5,595,530	-
31	SPT - Concessionary Travel Scheme	287,274	287,274	-	574,550	574,550	-
32	Improvement Service	2,178,000	2,178,000	-	4,507,000	4,507,000	-
33	POLICY & RESOURCES	992,845	983,661	9,184	2,603,614	2,584,614	19,000
34	Corporate and Performance	992,845	983,661	9,184	2,603,614	2,584,614	19,000
35	PPP/TRADING SURPLUSES	(154,556)	122,473	(277,029)	(2,597,138)	(2,597,138)	-
36	PPP Contributions *	(761,538)	(761,538)	-	(1,650,000)	(1,650,000)	-
37	Trading Accounts	606,982	884,011	(277,029)	(947,138)	(947,138)	-
38	GENERAL FUND SERVICES	303,385,036	301,421,250	1,963,786	791,961,083	788,770,353	3,190,732
39	FINANCING COSTS	-	-	-	1,180,784	(719,216)	1,900,000
40	Reversal of Capital Charge	-	-	-	(52,093,333)	(52,093,333)	-
41	Loan Charges	-	-	-	53,829,440	51,929,440	1,900,000
42	Transfer from Pensions Reserve (IAS19)	-	-	-	(55,323)	(55,323)	-
43	Interest on Revenue Balances	-	-	-	(500,000)	(500,000)	-
44	OTHER BUDGETARY CONSIDERATIONS	-	-	-	6,071,719	4,571,719	1,500,000
45	Removal of Gross Central Department Budgets (included within above)	-	-	-	(51,833,516)	(51,833,516)	-
44	TOTAL EXPENDITURE	303,385,036	301,421,250	1,963,786	747,380,070	740,789,340	6,590,732
45	SOURCES OF FUNDING	-	-	-	747,380,070	747,380,070	-
46	Revenue Support Grant	-	-	-	503,509,000	503,509,000	-
47	Non - Domestic Rates	-	-	-	109,179,000	109,179,000	-
48	Council Tax	-	-	-	123,212,070	123,212,070	-
49	Use of Balances	-	-	-	6,500,000	6,500,000	-
50	Council Tax Reduction	-	-	-	4,980,000	4,980,000	-
51	TOTAL SURPLUS (DEFICIT)	303,385,036	301,421,250	1,963,786	0	(6,590,730)	6,590,732
52	HOUSING REVENUE ACCOUNT	(21,072,213)	(21,706,091)	633,878	-	(1,333,062)	1,333,062