

To: POLICY & RESOURCES (FINANCE & CUSTOMER SERVICES) SUB-COMMITTEE		Subject: REVENUE MONITORING REPORT
From: HEAD OF FINANCIAL SERVICES		
Date: 31 January 2014	Ref: AC/PH/KH	01.04.13 – 03.01.14 PERIOD 10
		COUNCIL SUMMARY

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 financial year to 31 March 2014. The report consolidates the budget monitoring position of all Services, reporting variances for both year-to-date and projected outturn, with major outturn variances highlighted and explained as per the Council's approved Financial Regulations.

2. Summary of Financial Position

2.1. The Council's baseline revenue budget for 2013-14 has increased to £749.362m to reflect Scottish Government redeterminations of General Revenue Grant in respect of Teachers Induction Scheme (£1.691m) and funding for second languages (£0.291m).

2.2. As outlined in Table 1 overleaf, a year-end surplus of £11.589m is presently envisaged and is largely reflective of:

- Employee cost savings across all Services (£4.902m), particularly Housing & Social Work Services (£1.890m), Regeneration & Environmental Services (£1.126m) and Learning & Leisure Services (£1.082m).
- Under-recovery of Planning and Building Warrant Fee income (£0.326m);
- Under-spend within Supported Living Services due to a combination of time-related savings arising and a previous year-end allowance regards Provider costs not being fully required (£1.355m);
- Low level demand within Residential/Secure Accommodation and Fostering/Kinship (£0.884m);
- Savings in external interest payments (£1.900m);
- Recovery of £1.500m of commercial property rental income due to the delayed creation of North Lanarkshire Properties LLP.

2.3. The Council has an approved budget savings target of £62.395m for the three years to 2015-16, with £20.884m of this target relating to 2013-14. Services anticipate £20.277m (97.1%) of approved savings are achievable and have identified realistic replacements for the £0.594m savings gap to ensure full deliverability by the year-end.

2.4. The projected surplus represents a favourable movement of £4.998m on the projected surplus position reported at period 6. This movement is largely in respect of further anticipated savings in employee costs across the Council (£2.489m), anticipated underspends in the demand-led secure accommodation, fostering and homecare placements (£1.355m) and a review of various prior-year accruals by Housing & Social Work Services (£0.900m).

	Annual Budget £000	Projected Outturn £000	Period 10 Variance £000	Period 6 Variance £000	Period 10 Movement £000
Expenditure					
Net Service Expenditure	749,362	737,773	11,589	6,591	+4,998
Income					
Aggregate External Finance	614,670	614,670			-
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	11,589	11,589	6,591	+4,998

Table 1

3. Analysis of Significant Variations

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

Service	P6 Outturn £m	P10 Outturn £m	P10 Movement £m
Housing & Social Work Services	1.836 surplus	5.402 surplus	+3.566
Learning & Leisure Services	1.118 surplus	1.756 surplus	+0.638
Finance & Customer Services	0.423 surplus	0.490 surplus	+0.067
Corporate Services	0.085 surplus	0.229 surplus	+0.144
Regeneration & Environmental Services	(0.290) deficit	0.170 surplus	+0.460
Chief Executive's Office	0.019 surplus	0.042 surplus	+0.023
Trading Operations	- Break-even	0.100 surplus	+0.100
PPP Contributions	- break-even	- break-even	-
Joint Boards	- break-even	- break-even	-
Executive Services Total	3.191 surplus	8.189 surplus	+4.998
Savings in Financing Costs	1.900 surplus	1.900 surplus	-
Other Budgetary Considerations	1.500 surplus	1.500 surplus	-
Total	6.591 surplus	11.589 surplus	+4.998

accruals noted at paragraph 2.4. Recognising that costs of demand-led placements are subject to volatility, these continue to be closely monitored.

- 3.2.2. Further savings in employee costs, energy, demand-led additional support need placements and school transport costs, increases Learning and Leisure Services year end surplus to £1.756m. As previously advised, the outturn position further reflects the one-off repairs programme in various schools outwith the Schools & Centres 21 programme (£1.025m) and now also reflects an anticipated overspend (£0.325m) in respect of the contractual inflation indexation within the long-term schools funding model.
- 3.2.3. Finance and Customer Services is projecting a year-end surplus of £0.490m, a marginal movement of £0.067m from the reported period 6 position. The surplus continues to reflect the ongoing recovery of overpayments regarding Housing Benefits and additional employee savings. The service is also currently projecting that spend against the Scottish Welfare Fund will be £1.211m lower than existing budgetary provision. However, as this fund is project specific, this underspend is currently excluded from the overall outturn position.
- 3.2.4. The Council set aside £2.000m of recurring resources to support the potential burdens which welfare reform changes and the Council Tax Support Scheme in particular, may have on general fund services. Based on spend to date, it is currently envisaged an underspend of £1.009m could be achieved against this budget. However, reflecting guidance just received from Audit Scotland and legal opinion thereon regards financial assistance provided to housing tenants not being capable of being considered as a welfare service chargeable to the Housing Revenue Account, the underspend is excluded from the overall outturn position pending determination of the appropriate accounting treatment for the expenditure incurred during this financial year.
- 3.2.5. Corporate Services continues to anticipate that additional turnover savings will deliver an increased year-end surplus of £0.229m.
- 3.2.6. Similarly, the Chief Executive's Office envisages employee savings will result in a year-end surplus of £0.042m.
- 3.2.7. Regeneration & Environmental Services now anticipate a year-end surplus of £0.170m. This is a favourable movement of £0.460m from the period 6 position which largely reflects improved Building Warrant Fee income projections (£0.228m) and additional employee savings. The overall surplus reflects employee savings (£1.126m) and underspends to payments to Land Services contractors (£0.465m), being partially offset by Building Warrant Fee income under-recovery (£0.326m) and overspends in co-mingled waste contract gate fees (£0.832m).
- 3.2.8. Trading operations are projected to achieve an increased surplus (£0.100m) due to savings in employee costs and management of demand-led services within Building Cleaning.
- 3.2.9. As previously reported, a saving of £1.900m is anticipated within financing costs due to prudent management of the Council's loan stock.
- 3.2.10. With the commencement of North Lanarkshire Properties LLP delayed to 31st October 2013, half of the £3m set aside by the Council to offset its loss of annual commercial rental income has been utilised this financial year. The properties remained within council ownership until that date with the costs of essential repairs to them being met by Regeneration & Environmental Services despite the budgetary provision for such repairs being removed as an approved efficiency. These unbudgeted repair costs (£0.159m) were more than offset by the additional income (£1.500m) due regards the commercial units.

4. 2013-2014 Budget Savings

- 4.1. Savings of £20.884m implemented as part of the 2013-14 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, Housing & Social Work Services and Corporate Services currently have shortfalls against approved savings totalling £0.594m. 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 identify a cumulative General Fund Surplus of £79.3m which includes amounts earmarked to fund specific future commitments (£45.450m), one-off support for the 2013/2014 revenue budget (£6.500m) and an uncommitted General Fund Surplus of £15.350m.
- 5.2. Acknowledging the Policy & Resources Committee decision of 5th December 2013 to support Local Area Partnership initiatives, some £1.800m of the uncommitted General Fund surplus of £15.350m is now earmarked accordingly.
- 5.3. The Change Management Fund of £19.474m represents the largest single element of the Council's Earmarked resources. As outlined in the *Implementation of Financial Savings 2014/15* report to Policy & Resources Committee in December 2013, £13.334m currently remains within the Change Management Fund to assist services in meeting any one-off costs arising from implementing the challenging 2014/15 and 2015/16 Service & People First programme.
- 5.4. 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), Welfare Reform (£1m), Early Years Partnership (£1m) and Commonwealth Games Promotional activity (£0.100m). As outlined in previous reports, spend against these priorities is currently estimated at:
- Youth Investment Programme – Full spend envisaged.
 - Regeneration Investment Fund - £0.364m envisaged in respect of Town Centre Wi-Fi, Town Centre Business Incubator Unit and NL Industries
 - Welfare Reform - £0.285m envisaged regards Second Tier Review Panel and temporary Customer Services Officer posts.
 - Early Years Partnership - no spend presently anticipated.
 - Commonwealth Games Promotional Activity - full spend anticipated.

6. Risks 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.
- 6.4. Whilst not yet reported in the outturn figures, there is currently a potential underspend within the winter maintenance budget due to the mild weather experienced to date.

Given the winter period is still ongoing and projections are dependent on mild weather conditions continuing, the position will be closely monitored through to the year end

7. Analysis of Employee Cost Budgets

7.1. Services' outturn reports illustrate total budgeted turnover will be achieved. Furthermore, existing additional savings of around £4.902m 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, employee costs and insurance costs is expected to realise a surplus of £1.807m by the financial year-end.

9. Recommendations

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



Head of Financial Services

Members seeking further information on the contents of this report are asked to contact Mrs. Katrina Hassell, Business Support Manager on telephone number 01698 302235

NORTH LANARKSHIRE COUNCIL
SUMMARY OF FINANCIAL REPORT FOR PERIOD ENDING 3RD JANUARY 2014 (PERIOD 10)

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.	REGENERATION & ENVIRONMENTAL SERVICES	75,864,079	76,295,267	568,812	104,545,533	104,375,232	170,301
2	Directorate & Support	3,346,412	3,363,845	(17,433)	-	-	-
3	Land Services	35,258,738	35,272,344	(13,606)	49,547,789	49,571,405	(23,616)
4	Facility Support	(596,257)	(787,040)	190,783	291,680	291,680	-
5	Planning	2,930,282	2,905,785	24,497	5,053,449	5,156,965	(103,516)
6	Roads & Transportation	19,882,689	19,810,983	71,706	32,255,841	32,127,896	127,945
7	Protective Services	4,663,448	4,415,433	248,015	6,911,870	6,554,102	357,768
8	Regeneration & Infrastructure	10,378,767	10,313,917	64,850	10,484,904	10,673,184	(188,280)
9.	LEARNING AND LEISURE SERVICES	282,882,118	281,243,070	1,639,048	402,018,242	400,261,854	1,756,390
10	Early Years	12,525,501	12,521,386	4,115	17,032,137	17,032,137	-
11	Primary Schools	85,079,792	85,039,422	40,370	121,687,311	121,687,311	-
12	Secondary Schools	84,526,075	84,493,837	32,238	115,825,258	115,825,258	-
13	Special Schools	10,496,780	10,452,117	44,663	15,152,726	15,152,726	-
14	Resources	40,946,814	40,602,515	344,299	59,683,757	58,901,011	782,746
15	Quality Information and Development	14,366,561	13,069,116	1,297,445	22,977,639	22,003,995	973,644
16	Community Information & Learning	34,940,595	35,064,677	(124,082)	49,659,416	49,659,416	-
17.	POLICY & RESOURCES (FINANCE)	43,019,071	42,451,457	567,614	66,963,191	66,473,282	489,909
18	Finance (including Hsg and Council tax benefits)	43,019,071	42,451,457	567,614	66,963,191	66,473,282	489,909
19.	CORPORATE SERVICES	19,926,648	19,492,606	434,042	28,039,212	27,811,212	228,000
20	Central Services	2,982,675	2,976,520	6,155	3,865,171	3,860,671	4,500
21	Design & Property Services	14,249,652	13,926,487	323,165	20,842,999	20,743,499	99,500
22	Human Resources	1,570,248	1,529,845	40,403	1,721,485	1,676,485	45,000
23	Legal Services	1,124,073	1,059,754	64,319	1,609,557	1,530,557	79,000
24.	HOUSING & SOCIAL WORK SERVICES	117,616,847	113,440,939	4,175,908	179,740,684	174,338,232	5,402,452
25	Housing - Non HRA	5,616,296	5,385,489	230,807	9,548,761	9,271,966	276,795
26	Social Work	112,000,551	108,055,450	3,945,101	170,191,923	165,066,266	5,125,657
27.	JOINT BOARDS	9,437,777	9,437,777	-	12,579,745	12,579,745	-
28	Lanarkshire Valuation Joint Board	1,393,265	1,393,265	-	1,902,665	1,902,665	-
29	Police Emergency Planning	-	-	-	-	-	-
30	Strathclyde Partnership for Transport	4,196,601	4,196,601	-	5,595,530	5,595,530	-
31	SPT - Concessionary Travel Scheme	430,911	430,911	-	574,550	574,550	-
32	Improvement Service	3,417,000	3,417,000	-	4,507,000	4,507,000	-
33.	POLICY & RESOURCES	1,932,373	1,922,094	10,279	2,603,614	2,561,614	42,000
34	Corporate and Performance	1,932,373	1,922,094	10,279	2,603,614	2,561,614	42,000
36.	PPP/TRADING SURPLUSES	(794,418)	(917,308)	122,890	(2,597,138)	(2,697,138)	100,000
36	PPP Contributions *	(1,269,231)	(1,269,231)	-	(1,650,000)	(1,650,000)	-
37	Trading Accounts	474,813	351,923	122,890	(947,138)	(1,047,138)	100,000
38.	GENERAL FUND SERVICES	549,884,495	542,365,902	7,518,593	793,893,083	785,704,033	8,189,052
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)	-	-	-	(51,783,516)	(51,783,516)	-
44.	TOTAL EXPENDITURE	549,884,495	542,365,902	7,518,593	749,362,070	737,773,020	11,589,052
45.	SOURCES OF FUNDING	-	-	-	749,362,070	749,362,070	-
46	Revenue Support Grant	-	-	-	505,491,000	505,491,000	-
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)	549,884,495	542,365,902	7,518,593	-	(11,589,050)	11,589,052
52.	HOUSING REVENUE ACCOUNT	(34,816,531)	(36,011,317)	1,194,786	-	(1,807,304)	1,807,304