

To: POLICY & RESOURCES (FINANCE & CUSTOMER SERVICES) SUB-COMMITTEE		Subject: REVENUE MONITORING REPORT  01.04.14 – 10.10.14 PERIOD 7 COUNCIL SUMMARY
From: HEAD OF FINANCIAL SERVICES		
Date: 30 October 2014	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 2014-2015 financial year to 31 March 2015. 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's baseline revenue budget for 2014-15 has increased to £763.583m to reflect Scottish Government redeterminations of General Revenue Grant in support of the implementation of the new National Qualifications in schools (£0.360m). As outlined in appendix 1, a year-end surplus of £2.869m is envisaged and is reflective of:

- Recurring Support for Welfare / Council Tax Reduction Scheme Surplus (£1.623m);
- Savings in external interest payments (£1.120m);
- Employee cost savings within Learning and Leisure Services (£0.483m), Regeneration & Environmental Services (£0.237m) and Finance & Customer Services (£0.224m);
- Various income over-recoveries within Regeneration & Environmental Services (£0.822m);
- Housing Benefits overpayments recoveries (£0.356m);
- Low-level demand within Residential/Secure Accommodation (£0.287m);
- Commission for collection of water rates from Scottish Water (£0.275m);
- Savings from re-negotiated cross boundary agreements (£0.265m);
- No collective agreement in respect of the Core Conditions Review (£2.000m).

2.2. The Council has an approved three-year savings target of £62.395m, of which £19.618m relates to 2014-2015; year two. At this stage of the financial year, £16.615m (84.7%) is considered achievable. Services' savings account for £1.003m of this balance which will be met with separately identified solutions. No collective agreement in respect of the Core Conditions Review accounts for the residual balance of £2m.

2.3. The projected surplus represents a favourable movement of £1.383m from period 4. The key factors contributing to this movement include: further savings in financing costs, an increase in Housing Benefit overpayment income, additional Scottish Water Commission, savings from renegotiated cross boundary agreements and additional employee cost savings particularly within Learning & Leisure Services, Regeneration & Environmental Services and Finance & Customer Services. An overview of the projected outturn is attached as Appendix 1.

## 3. Major Variations from Budget

3.1. Appendix 2 illustrates Services' provisional outturn financial positions, with additional information also available within Appendix 3.

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

- 3.2.1. Finance and Customer Services is projecting a surplus of £0.888m, a favourable movement of £0.695m from period 4. The movement reflects continuation, for this year only, of the grant associated with the staff transferring in respect of the Single Fraud Investigation service (£0.204m), an increase in the anticipated recovery of Housing Benefits overpayments (£0.256m) and increased commission for collection of water rates from Scottish Water (£0.275m). The surplus also reflects additional one-off VAT recoveries from HMRC (£0.078m).
- 3.2.2. Housing & Social Work Services is currently projecting a year-end surplus of £0.450m, a favourable movement of £0.293m from period 4 which reflects savings in various Payments to Other Bodies (£0.577m) being partially offset by the additional employee costs (£0.373m) arising from the implementation of the recent legal decision on non contractual payments from August 2014. The year-end surplus is reflective of current low level demand within Residential/Secure Accommodation (£0.287m), savings from renegotiated cross boundary agreements (£0.265m) and an on-going review of service providers regarding voluntary organisations (£0.285m). These savings are partially offset by increased employee costs (£0.290m) and increased demand within the area of Family Placements (£0.137m) and supported living (£0.126m).
- 3.2.3. Corporate Services are currently projecting a surplus of £0.362m, a favourable movement of £0.224m from period 4 reflective of rationalisation of the office premise portfolio (£0.100m), employee cost savings (£0.079m), savings against the budget for carbon trading allowances (£0.038m), Children's Panel expenses (£0.033m) and civic welcome and hospitalities (£0.030m).
- 3.2.4. Learning and Leisure Services are projecting a surplus of £0.276m, a favourable movement of £0.127m from period 4, which largely reflects a combination of average salary and vacancy savings (£0.483m) and reduction in the annual charge for speech and language therapy sessions from NHS Lanarkshire (£0.087m) being partially offset by one-off costs arising from the creation of Cumbernauld Academy (£0.224m). The overall projected outturn also reflects an energy rebate from the Education 2010 PPP contract (£0.066m).
- 3.2.5. Regeneration & Environmental Services are projecting a surplus of £0.150m through a combination of additional employee cost savings (£0.237m) and income over-recoveries in respect of various Fleet Operations charges (£0.385m); bus operator grant (£0.125m); cemetery income (£0.086m) and Countryside and Landscape (£0.226m). These over-recoveries are partially offset by an under-recovery in Land Management Income (£0.158m) based on demand levels and an under-recovery in Roads design fee recharge income (£0.050m). Overspends are projected within Directorate and Support Legal Fees (£0.107m), Land Management property costs (£0.104m) and roads contractor payments due to additional works (£0.075m).
- 3.2.6. Continued prudent management of the Council's loan stock has resulted in projected savings to General Fund Services of £1.120m, a favourable movement of £0.370m from the previously reported position.
- 3.2.7. It is anticipated a contribution of £0.377m to the Council Tax Reduction Scheme, from the additional monies (£2.000m) previously approved towards the costs arising from the UK Government's Welfare Reform programme, will result in an unallocated year-end surplus of £1.623m.

## **4. 2014-2015 Budget Savings**

- 4.1 Savings of £19.618m implemented as part of the 2014-15 budget setting process have been applied in full to Services' annual budgets, with achievement of these closely monitored through service monitoring reports and via quarterly reports to the Corporate Management Team.

4.2 Whilst individual service reports illustrate budgeted savings targets are largely achievable, the Council has acknowledged there will be no collective agreement in respect of the Core Conditions Review saving (£2m) which was reflected within 2014-15 budget. Separately identified savings within Learning and Leisure Services (£0.595m), Regeneration and Environmental Services (£0.368m) and Finance and Customer Services (£0.040m) will be achieved through alternative solutions.

## **5. Approved Use of Earmarked and One-off Resources**

5.1. As previously advised, the Council's 2014/15 revenue budget includes one-off resources of £18.500m in support of the Council's strategic priorities. Spend of £7.979m is projected this financial year, with some growth items acknowledged as being utilised across more than one financial year. The current year spend is largely in respect of infrastructure works within Drumpellier and Palacerigg Country Parks, the Youth Investment Programme and implementation of Local Area Partnership projects.

5.2. Over and above the one-off growth items above, elements of Council expenditure are funded from earmarked reserves, which per the Council's Annual Accounts to 31 March 2014, presently total £38.691m. The largest single element of the Council's earmarked reserves is the Change Management Fund (£14.159m), established in 2010 to support service transformation, and currently projected to fully spend by the end of 2015/16. Appendix 4 provides further details and also illustrates significant commitments exist against the earmarked funds of Schools DMR (£2.468m), Youth Investment & CPP Programmes (£2.090m), Early Years Change Fund (£1.561m), summer works (roads) (£1.250m), Waste Management (£0.658m), and Commonwealth Games (£0.935m).

## **6. Risk and Uncertainty**

6.1. All activities undertaken by the Council are subject to risk, as recognised in the Council's Risk Management Strategy. The current economic climate, in particular, has the potential to impact upon the Council's ability to provide quality services within approved budget levels.

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. There are currently no risks considered to present a high risk to the Council's financial position.

## **7. Analysis of Employee Cost Budgets**

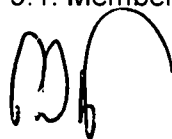
7.1. Individual Services' monitoring reports highlight that most Services' are achieving their individual turnover targets. Although Housing and Social Work Services are not currently achieving the turnover requirement, management action will ensure the service remains within budget. Upon reflecting the impact of the recent legal decision regarding non contractual payments, employee cost savings in excess of turnover are £0.719m.

## **8. Housing Revenue Account**

8.1. The Housing Revenue Account is expected to make a surplus of £1.650m, reflective of an over-recovery of rental income, savings on void rent loss and loan charges.

## **9. Recommendations**

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



### **Head of Financial Services**

*Members wishing further information on this report should contact Mrs. K Hassell, Business Support Manager on 01698 302235*

Projected Outturn

Appendix 1

	Annual Budget £000	Projected Outturn £000	Period 7 Variance £000	Period 4 Variance £000	Period 7 Movement £000
<b>Expenditure</b>					
Net Service Expenditure	763,583	760,714	2,869	1,486	+1.383
<b>Income</b>					
Aggregate External Finance	616,206	616,566	-	-	-
Local Tax Collection	123,612	123,612	-	-	-
Use of Balances	18,500	18,500	-	-	-
Council Tax Reduction	4,905	4,905	-	-	-
<b>Projected Variance:</b>					
<i>Surplus/(deficit) at 31 March 2015</i>	<i>Nil</i>	<b>2,869</b>	2,869	1,486	+1.383

## Major Variations from Budget

## Appendix 2

<b>Service</b>	<b>P4 Outturn £m</b>	<b>P7 Outturn £m</b>	<b>P7 Movement £m</b>
Finance & Customer Services	0.193 Surplus	0.888 Surplus	+0.695
Housing & Social Work Services	0.157 Surplus	0.450 Surplus	+0.293
Corporate Services	0.138 Surplus	0.362 Surplus	+0.224
Learning & Leisure Services	0.149 Surplus	0.276 Surplus	+0.127
Regeneration & Environmental Services	0.098 Surplus	0.150 Surplus	+0.052
Chief Executive's Office	- Break-even	- Break-even	-
External Trading Activity	- Break-even	- Break-even	-
Joint Boards	- Break-even	- Break-even	-
<b>Executive Services Total</b>	<b>0.736 Surplus</b>	<b>2.126 Surplus</b>	<b>+1.391</b>
Recurring Support for Welfare/Council Tax Reduction Scheme	- Break-even	1.623 Surplus	+1.623
Savings in Financing Costs	0.750 Surplus	1.120 Surplus	+0.370
<b>Sub-Total</b>	<b>1.486 Surplus</b>	<b>4.869 Surplus</b>	<b>+3.383</b>
Core Conditions Review	- Break-even	2.000 Deficit	-2.000
<b>Total</b>	<b>1.486 Surplus</b>	<b>2.869 Surplus</b>	<b>+1.383</b>

**NORTH LANARKSHIRE COUNCIL**  
**SUMMARY OF FINANCIAL REPORT FOR PERIOD ENDING 10TH OCTOBER 2014 (PERIOD 7)**

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.	<b>ENVIRONMENTAL SERVICES</b>	<b>55,671,617</b>	<b>55,174,278</b>	<b>497,339</b>	<b>107,415,590</b>	<b>107,266,043</b>	<b>149,547</b>
2	Directorate & Support	2,433,108	2,419,248	13,860	-	-	-
3	Environment & Estates	27,269,018	27,348,188	(79,170)	50,158,707	50,158,707	-
4	Facility Support	(87,623)	(336,272)	248,649	376,152	376,152	-
5	Planning & Reeneration	10,999,993	10,804,952	195,041	18,462,338	18,462,338	-
6	Roads & Transportation	11,581,593	11,516,068	65,525	31,260,932	31,260,932	-
7	Protective Services	3,475,528	3,422,094	53,434	7,157,461	7,007,914	149,547
8	<b>LEARNING AND LEISURE</b>	<b>193,656,842</b>	<b>193,418,895</b>	<b>237,947</b>	<b>404,075,573</b>	<b>403,799,776</b>	<b>275,799</b>
9	Early Years	9,035,507	9,008,769	26,738	18,693,383	18,693,383	-
10	Primary Schools	60,487,791	60,489,169	(1,378)	120,720,545	120,720,545	-
11	Secondary Schools	59,538,484	59,513,292	25,192	112,977,860	112,977,860	-
12	Special Schools	7,460,909	7,413,286	47,623	15,368,623	15,368,623	-
13	Resources	25,278,835	25,083,011	195,824	62,433,785	62,233,877	199,908
14	Standards & Inclusion	9,772,829	9,824,413	(51,584)	24,547,280	24,484,884	62,396
15	Community Information & Learning	22,082,487	22,086,955	(4,468)	49,334,099	49,320,604	13,495
16	<b>POLICY &amp; RESOURCES (FINANCE)</b>	<b>29,249,783</b>	<b>28,808,989</b>	<b>440,794</b>	<b>64,419,595</b>	<b>63,531,117</b>	<b>888,478</b>
17	Finance (including Hsg and Council tax benefits)	29,249,783	28,808,989	440,794	64,419,595	63,531,117	888,478
18	<b>CORPORATE SERVICES</b>	<b>12,332,931</b>	<b>12,054,860</b>	<b>278,071</b>	<b>26,509,090</b>	<b>26,147,090</b>	<b>362,000</b>
19	Democratic & Legal Services	2,697,276	2,579,789	117,487	5,455,787	5,280,787	175,000
20	Design & Property Services	8,382,652	8,268,986	113,666	19,297,197	19,157,197	140,000
21	Human Resources	1,253,003	1,206,085	46,918	1,756,106	1,709,106	47,000
22	<b>HOUSING &amp; SOCIAL WORK SERVICES</b>	<b>81,533,223</b>	<b>81,276,441</b>	<b>256,782</b>	<b>181,927,602</b>	<b>181,477,332</b>	<b>450,270</b>
23	Housing - Non HRA	3,685,645	3,672,923	12,722	9,454,231	9,454,231	-
24	Social Work	77,847,578	77,603,518	244,060	172,473,371	172,023,101	450,270
25	<b>JOINT BOARDS</b>	<b>6,839,093</b>	<b>6,839,093</b>	<b>-</b>	<b>14,394,745</b>	<b>14,394,745</b>	<b>-</b>
26	Lanarkshire Valuation Joint Board	936,335	936,335	-	1,917,665	1,917,665	-
27	Strathclyde Joint Police Board	-	-	-	50,000	50,000	-
28	Strathclyde Fire & Rescue	-	-	-	-	-	-
29	Strathclyde Partnership for Transport	2,797,734	2,797,734	-	5,595,530	5,595,530	-
30	SPT - Concessionary Travel Scheme	287,274	287,274	-	574,550	574,550	-
31	Improvement Service	2,817,750	2,817,750	-	6,257,000	6,257,000	-
32	<b>POLICY &amp; RESOURCES</b>	<b>1,135,500</b>	<b>1,111,993</b>	<b>23,507</b>	<b>2,210,640</b>	<b>2,210,640</b>	<b>-</b>
33	Corporate and Performance	1,135,500	1,111,993	23,507	2,210,640	2,210,640	-
34	<b>PPP/TRADING SURPLUSES</b>	<b>515,785</b>	<b>524,392</b>	<b>(8,607)</b>	<b>(1,820,071)</b>	<b>(1,820,071)</b>	<b>-</b>
35	PPP Contributions *	-	-	-	(1,650,000)	(1,650,000)	-
36	Trading Accounts	515,785	524,392	(8,607)	(170,071)	(170,071)	-
37	<b>GENERAL FUND SERVICES</b>	<b>380,934,774</b>	<b>379,208,941</b>	<b>1,725,833</b>	<b>799,132,764</b>	<b>797,006,672</b>	<b>2,126,094</b>
38	<b>FINANCING COSTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,358,643</b>	<b>2,238,643</b>	<b>1,120,000</b>
39	Reversal of Capital Charge	-	-	-	(46,446,531)	(46,446,531)	-
40	Loan Charges	-	-	-	50,360,497	49,240,497	1,120,000
41	Transfer from Pensions Reserve (IAS19)	-	-	-	(55,323)	(55,323)	-
42	Interest on Revenue Balances	-	-	-	(500,000)	(500,000)	-
43	<b>OTHER BUDGETARY ISSUES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,186,641</b>	<b>10,186,641</b>	<b>-</b>
44	Non-Service Specific	-	-	-	10,186,641	10,186,641	-
45	Transfer to Reserves - restructuring and other approved reserve movements	-	-	-	-	-	-
46	Removal of Gross Central Department Budgets (included within above)	-	-	-	(51,095,306)	(51,095,306)	-
47	Reversal of Capital Charge (included within above)	-	-	-	-	-	-
48	Welfare Reform	-	-	-	2,000,000	377,000	1,623,000
50	<b>TOTAL EXPENDITURE</b>	<b>380,934,774</b>	<b>379,208,941</b>	<b>1,725,833</b>	<b>763,582,742</b>	<b>758,713,650</b>	<b>4,869,094</b>
51	<b>SOURCES OF FUNDING</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>763,582,742</b>	<b>763,582,742</b>	<b>-</b>
52	Aggregate External Finance	-	-	-	616,566,000	616,566,000	-
53	Council Tax	-	-	-	123,611,742	123,611,742	-
54	Use of Balances	-	-	-	18,500,000	18,500,000	-
55	Council Tax Reduction	-	-	-	4,905,000	4,905,000	-
54	<b>SURPLUS (DEFICIT)</b>	<b>380,934,774</b>	<b>379,208,941</b>	<b>1,725,833</b>	<b>(0)</b>	<b>4,869,093</b>	<b>4,869,094</b>
55	Core Conditions Saving	-	-	-	-	(2,000,000)	(2,000,000)
56	<b>TOTAL SURPLUS (DEFICIT)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,869,093</b>	<b>2,869,094</b>
57	<b>HOUSING REVENUE ACCOUNT</b>	<b>(17,025,259)</b>	<b>(17,646,504)</b>	<b>621,245</b>	<b>-</b>	<b>1,650,000</b>	<b>1,650,000</b>

**Change Management Fund**

Costs of implementing 2014/15 workforce changes are presently estimated at £5.2m. However, in recognizing one-off costs of around £9m are likely to arise from implementing the indicative 2015/16 savings options, the existing change management fund of £14.2m is fully committed.

**School DMR Carry Forward/ICT Refresh Fund**

The Devolved Management of Resources scheme enables individual schools to carry their unused budgets forward to future years to fund projects deemed beneficial at an individual school level. Reflecting previous years' trends alongside current Digital Inclusion and School Bandwidth projects, it is projected this fund will be close to full spend.

**Youth Investment & CPP Programme**

Previous reports to the Corporate Management Team illustrated sums of around £4.8m are committed in respect of YIP and CPP funded projects including wage subsidies, graduate futures, youth placement and modern apprentices. As at period 6 ending 12<sup>th</sup> September 2014, around £2.1m of set aside earmarked resources are required to part-fund these existing commitments.

**Roads Summer Works**

With essential road repairs completed during the summer months, the earmarked reserve of £1.250m has been fully utilised during 2014/15.

**Waste Management Fund**

Spend of around £0.658m is envisaged against this fund during 2014/15, and reflects the Council's contribution towards the costs of developing a Clyde Valley Waste solution, as well as costs arising from "capping" the Auchinlea landfill site.

**Commonwealth Games**

Following the successful conclusion of the Triathlon in Strathclyde Country Park and Cycling Time Trial through the Northern Corridor in July and August this year, full spend is expected against the earmarked resource of £0.935m.

**Regeneration & Investment Fund**

£0.336m remaining from the £1.000m Regeneration & Investment Fund announced in February 2013 is to be rolled forward to 2015-16 to support the City Deal Initiative, as approved by the Policy & Resources (Regeneration & Infrastructure) Committee.

**Early Years Change Fund**

The recent report to Policy & Resources Committee envisages planned spend through the Early Years partnership of £1.258m. With Learning & Learning Services confirming they will fully spend their carried forward resource of £0.303m, sums of around £2.9m are presently uncommitted.