

To: POLICY AND RESOURCES (FINANCE) SUB COMMITTEE		Subject: 2004/2005 BUDGET MONITORING REPORT PERIOD: 01/04/04 – 31/03/05 PROVISIONAL OUT-TURN FINANCE DEPARTMENT
From: DIRECTOR OF FINANCE		
Date: 3 May 2005	Ref: EMCA/3	

1. Introduction

1.1 This report compares the Finance Department's provisional out-turn expenditure and income for 2004/05 against annual budget and provides explanations for the major variances.

2. Summary of Budget Variances

2.1 Provisional out-turn net expenditure shows an underspend of £282,675 or 2% of the budget. This represents a favourable movement of £141,175 from the previously reported underspend of £141,500. The reasons for the movements are as follows:-

2.2 There is a favourable movement of £122,000 across the department within staffing costs. The reasons for the movement has been due to vacancies which remained unfilled at the year-end, combined with a lower than anticipated level of overtime and a reduction in the use of agency workers.

2.3 In addition, further movements can be summarised as follows:-

- ◆ Lower than anticipated spend on professional fees
- ◆ A minor delay in the progress of the council's e-procurement development
- ◆ Additional operational efficiencies within departmental running costs in areas such as printing and postages costs

2.4 There has also been a significant favourable movement within Sheriff Officers Fees. This area will be £215,000 underspent at the year-end as a result of a reduction in the debt passed over for recovery. This is however, offset by a significant under-recovery of income from Statutory Additions totalling £333,000. This has arisen from an improved collection of local taxes which is partially reflected in the underspend in Sheriff Officer Fees.

2.5 The following table provides an analysis of the variances to date and the projected out-turn variances across the Divisions included within the Finance Department.

	Budget To date (£)	Actual To date (£)	Projected Outturn Variance (£)	%	
Division of Service Analysis					
Accounting Services	2,705,203	2,646,248	58,955	2	Underspend
Internal Audit	769,701	643,370	126,331	16	Underspend
Revenue Services	3,950,440	3,886,774	63,666	2	Underspend
Information Technology	6,605,316	6,561,101	44,215	1	Underspend
Cost of Collection of Local Taxes	1,634,595	1,645,087	(10,492)	-1	Overspend
Total	15,665,255	15,382,580	282,675	2	Underspend

3. Departmental Trend Throughout the Financial Year

- 3.1 The trends previously reported in respect of savings in employee costs have continued. A saving of £302,000 is anticipated as a result of staff vacancies and secondments to other departments. In addition, income of approximately £70,000 has been generated from the Council's treasurer's role for Strathclyde Safety Camera Partnership, with further over-recoveries in the form of agency fees from Scottish Water (£105,000) and general recoveries including increased income from advertising on payslips and re-charging for Group 4 and credit/debit card expenditure to departments (£23,000).
- 3.2 Sheriff Officers Fees are underspend by £215,000 as a result of a reduction in the debt passed to them to recover. This is however, offset by a significant under-recovery of income from Statutory Additions, totalling £333,000 due to an improved collection of local taxes, which is clearly reflected within Sheriff Officer Fees.
- 3.3 Previous reports outlined a strategy for developing e-procurement within the Council, with costs being spread out over three years and met from a variety of sources. The net costs of the project start-up were anticipated to be around £48,000 this year. These costs are not now expected to be incurred until the new financial year.
- 3.4 Property costs of £52,000, associated with the use of Cumbernauld First Stop Shop and Airdrie and Coatbridge offices, were not originally included within the Department's budget and a resulting overspend will ensue.

4. Divisional Analysis for the year

4.1 Accounting Services - £58,955 Underspend

- 4.1.1 The majority of this underspend relates to an anticipated over-recovery of income totaling £70,000. This is due to the recharge of work relating to treasurer duties carried out by North Lanarkshire Council for the Safety Camera Partnership.

4.1.2/

- 4.1.2 There have been increased operational efficiencies within the areas of postages and general administration as well as the purchase of computer software. These total £26,000 but they are offset by increased expenditure of £38,000 on computer hardware and equipment within the division which has been necessary to improve the provision of financial and management information across the council.

4.2 Internal Audit – £126,331 Underspend

- 4.2.1 Employee costs are £169,000 less than budgeted and this reflects both the levels of staff vacancies and staff secondments. This underspend is partially offset by the use of external professional staff to carry out Value for Money studies to meet the Section's operational commitments. The level of payments to external bodies for this service will be less than originally anticipated and this has resulted in a net saving of £126,000.

4.3 Revenue Services - £63,666 Underspend

- 4.3.1 An underspend of £25,000 in Employee Costs is a result of vacancies and staff turnover. The payments to agencies for staffing to cover the vacancies within the Division have in actual fact been lower than anticipated earlier in the year.
- 4.3.2 There is an underspend of £30,000 in Administration costs. This has increased by £10,000 from the previous report, due largely to further operational efficiencies in areas such as printing, postages and microfilm expenditure.
- 4.3.3 The underspend of £35,000 within Payments to Other Bodies relates to the recharging of Group 4 and debit/credit card expenditure to departments. This saving has increased from the previous report and, in addition, expenditure of £48,000 for procurement services, which was anticipated earlier in the year, will not now materialise until the new financial year.
- 4.3.4 There is an overspend of £52,000 in Property Costs. This relates to expenditure incurred from the occupancy of the First Stop Shop in Cumbernauld and the Airdrie and Coatbridge Offices.
- 4.3.5 There will be an over-recovery of income within this division of £26,000 as a result of additional paypoint commission expected by the end of the year coupled with additional income generated from payslip advertising.

4.4 Information Technology - £44,215 Underspend

- 4.4.1 There is a net underspend of £44,215 in Employee Costs due to savings from staff vacancies partly offset by the use of external contractors to meet operational requirements in the provision of the Information Technology service. This is in line with previous reports.

4.5 Cost of Local Tax Collection - £10,492 Overspend

- 4.5.1 There is a net underspend in employee related costs of £40,000 due mainly to staff vacancies. There are a significant number of vacancies still unfilled and consequently, there will be savings in this area.

- 4.5.2 Sheriff Officers Fees are underspent by £215,000 as a result of a reduction in the debt passed to them to recover. This is offset within the division by an under-recovery of income from Statutory Additions of £333,000 due to an improved collection of local taxes.
- 4.5.3 There has been additional income received from Scottish Water of £105,000 in the year. This relates to the additional commission payment as a result of the significant collection rate improvements over recent years.
- 4.5.4 A net underspend of £20,000 within general administration reflects savings in postages and telephone expenditure in the year. This is due partly to postage's being incorporated as part of the external printing contract.
- 4.5.5 The division has spent £57,000 making necessary improvements in the technology for income collection in the department. This has been funded from increased income in the year and operational efficiencies in a number of areas.

5. **SUMMARY**

- 5.1 The provisional out-turn is a budget underspend of £282,675. The majority of this underspend relates to net savings of £302,782 in Employee Costs and Professional Fees within Administration Costs. There are also net savings within running costs of £48,000 and a significant income over-recovery from the Safety Camera Partnership (£70,000), Scottish Water (£105,000) and general income (£23,000).
- 5.2 There are savings of £215,000 within Sheriff Officer Fees, which are offset by the under-recovery in Statutory Additions of £333,000.
- 5.3 These savings are partly offset by property costs for Cumbernauld First Stop Shop and Airdrie and Coatbridge Offices (£52,000), as well as the increased expenditure in technology updates (£95,000).

6. **RECOMMENDATION**

- 6.1 It is recommended that the Committee notes the contents of this report.



Director of Finance

For further information please contact Elaine McAtamney on tel. ext. 2457