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| To: POLICY & RESOURCES (FINANCE) SUB-COMMITTEE | | Subject: REVENUE MONITORING REPORT TO 16 th SEPTEMBER 2005 (PERIOD 6) COUNCIL SUMMARY |
| From: DIRECTOR OF FINANCE | | |
| Date: 7 Oct 2005 | Ref: AC/JV/PH | |

1. **Introduction**

- 1.1 The purpose of this report is to advise the Committee of the overall position on both the General Fund Account and the Housing Revenue Account for the first six periods of the financial year. The report consolidates the budget monitoring position of each Department, compares projected out-turn expenditure with budget and, provides explanations of significant variations where applicable.
- 1.2 In my previous report, covering the period to 19th August, I advised that a surplus of £0.259m was anticipated. The increasing cost of utilities amounting to £1.4m in the current financial year, were being offset by other efficiencies, such as debt management savings and improved Council Tax yield.
- 1.3 The situation has however, now changed to the extent that a deficit of £0.370m is anticipated. This is a result of a significant increase in cost pressures within the Social Work Department. Expenditure within childrens' secured accommodation and also in the area of Foster Care has risen considerably and, although this is being partially offset by management action in other areas, the department is still anticipating an overspend of £1.073m. The position is being closely monitored and Committee will be updated on future progress.
- 1.4 It should be noted that the current projections take no account of costs, which may result following completion of the job evaluation/single status exercise.

2. **General Fund Summary**

2.1 The projected position within the General Fund is summarised as follows:

| | Annual Budget £000 | Projected Outturn £000 | Variance £000 |
|--|-----------------------|------------------------------|------------------|
| <u>Expenditure</u> | | | |
| Net Departmental Expenditure | 563,010 | 563,680 | (670) |
| <u>Income</u> | | | |
| Aggregate External Finance | 451,865 | 451,865 | - |
| Local Tax Collection | 109,355 | 109,655 | 300 |
| Use of Balances | 1,790 | 1,790 | - |
| Projected variance : surplus (deficit) at 31 March 2005 | Nil | (370) | (370) |

- 2.2 Reference has previously been made to the significant increases in electricity, gas and electrical power costs with rises of an average 26% being experienced. Individual Departmental budget monitoring positions reflect an overall utility cost increase of £1.486m. While some departments have already identified funding solutions to these increases, the Departments of Community Services and Education, who are most significantly affected, are actively considering how to accommodate these major challenges. All departments are actively pursuing the energy saving measures available under the Scottish Executive's Central Efficiency Fund and are participating in the staff energy awareness programmes. Further details of the outcomes of these programmes will be brought to the Committee as the schemes are developed during the course of the year.
- 2.3 The Community Services Department is currently projecting an overspend of £0.143m directly as a consequence of the utility price increases. This is a small overall increase of £0.022m from the previous report. The original projection was based on an average increase in utility costs of 26%, but the department have now been advised that some areas will incur additional costs of over 50%, particularly within Sport. This is clearly a major challenge for the Department and has been reflected in the accounts. Management Action is ongoing to address this problem and further work is being undertaken to bring the budget into line. Progress will be advised in subsequent reports.
- 2.4 The Department of Education has taken action to largely address the increased cost of utilities. In addition, since the previous report, analysis of the anticipated uptake of free school meals has highlighted that, significant savings can be made in this area. This, coupled with fewer placements required in independent schools will result in expenditure in these areas being below the allocated budget. As a result of these issues, the overspend has reduced by £0.422m from the previous report. However, it is recognised that the cost of special needs transport and the increasing level of charges from other local authorities will exceed current budget provision. The Department will be in a better position to fully assess the impact of the problem and the subsequent management action required, to address the currently projected cost of £0.228m, after the compilation of school roll data, which is ongoing within the Department at the moment.
- 2.5 Savings are anticipated in the departments of Finance (£0.249m) and Administration (£0.136). This is a direct result of significant operational efficiencies within Information Technology as a result of the new Service Delivery Contract and additional income within the Finance Department, coupled with staff turnover savings and additional Registrar income within the Administration Department.
- 2.6 Although the Planning and Environment Department is currently forecasting a break-even position, it is worth noting that the Department has been able to utilise a combination of external income generation and the summer work carry forward to compensate for some £0.267m of additional utility costs associated with the electrical power contract for Street Lighting.
- 2.7 Housing and Property Services is now reporting an overspend of £0.120m at the year-end. In addition to the previously reported costs associated with Flemming House, there has been an increase in stair lighting costs of a further £0.102m. However, this increase has been offset by the generation of a rebate from Scottish Water in relation

to the recent pilot exercise on water charges. It is worth noting that the Department has already managed to absorb some £0.242m of utility and maintenance costs associated with the Stair and Communal Lighting arrangements.

- 2.8 The Trading Operations are projected to produce reduced surpluses of £0.079m as a result of the effect of the previously mentioned utility cost increases. This is of particular concern in firstly, the area of Sport, where, if unchecked, a potential deficit position of £0.208m could arise. However, this has been partially offset by an increase in PPP income. It is anticipated that the PPP's will generate additional income to the Council of £130,000 within the current financial year. The increase in income is in anticipation of ordinary and preferential dividend income (primarily ARNL) that NLC will receive during the course of the financial year. Although the actual dividends are not declared until February/March 2006, it would be prudent to forecast the value of these payments given that there is now a historic pattern of income received from the PPP's. This assumption is supported by the current ARNL management accounts that highlight profit levels similar to previous years.
- 2.9 The Chief Executive's Department is highlighting an overall underspend of £0.039m. This is a result of the generation of external income in relation to the administration of the Community Regeneration Fund which has offset expenditure pressures within the employee cost area due to a relatively low level of staff turnover to date.
- 2.10 As stated in paragraph 1.3, the Social Work Department are now anticipating an overall overspend of £1.073m for the year. This is a direct result of a significant increase in expenditure on childrens' secured accommodation, coupled with an increase in the cost of Foster placements. The pressures on fostering and adoption budgets are a result of increasing numbers of vulnerable children requiring to be taken into care, and, at present there are insufficient numbers of Foster Carers in North Lanarkshire to cope with demand resulting in the department requiring to purchase expensive placements from Foster Care agencies. Similarly, pressures are increasing within budgets for children's secured accommodation due to a rising number of placements. The projected additional expenditure in these two areas of £2.4m is demand led and is being partially offset by management action in other areas. The position is being closely monitored and will be adjusted to reflect future activity.
- 2.11 Current Council Tax collection forecasts would indicate that it is likely that there will be a favourable variance of around £0.300m by the year-end. This comprises some £0.220m from current yields due to growth in the property base for the 2005/06 year, plus an anticipated windfall as collection rates exceed the 95% collection levels in prior years.
- 2.12 As a result of pro-active debt management within the Council's long-term debt portfolio, the Council will be in a position to make significant debt management savings of £0.500m in the current financial year. The Council will continue to act upon any further potential debt management opportunities as they arise throughout the year.
- 2.13 An analysis of the General Fund Services performance against budget is shown in Appendix 1. The major variances can be summarised overleaf:

2.13.1 Departmental Expenditure

| | | £m |
|-------------------------------|--|----------------------------------|
| Community Services | Increased property costs as a result of increased energy prices | Projected deficit (0.143) |
| Education | Increased costs of special needs transport and school placements | Projected deficit (0.228) |
| Administration | Savings in Administration Costs and additional income | Projected surplus 0.136 |
| Finance | Operational efficiencies and additional income | Projected surplus 0.249 |
| Housing and Property Services | Additional Office Accommodation at Flemming House, increased stair lighting/maintenance costs offset by water charges rebate | Projected deficit (0.120) |
| Miscellaneous | Operational efficiencies within general supplies/procurement | Projected surplus 0.049 |
| Trading Accounts | Increased property costs as a result of increased energy prices offset by additional PPP income | Projected deficit (0.079) |
| Chief Executive | Increased income re Community Re-generation | Projected surplus 0.039 |
| Social Work | Increased expenditure in Fostering and Residential Care | Projected deficit (1.073) |
| Council Tax | Increased yield in current year | Projected surplus 0.300 |
| Loan Charges | Debt Management Savings | Projected surplus 0.500 |
| TOTAL | | Projected deficit (0.370) |

3. Scottish Executive Funded Initiatives

3.1 Outwith mainstream departmental budgets which are funded by the mechanism of the Revenue Support Grant, several initiatives are given specific resources from the Scottish Executive. These include the Community Regeneration Fund, the Changing Children's Services Fund, Youth Justice Projects, the Anti-Social Behaviour Initiatives and the Community Budgeting Pilot Project. Project commitments now total £16.498m. Approval has been sought from the Scottish Executive to carry forward the projected underspend of £0.980m into the 2006/07 financial year.

3.2 The Scottish Executive have recently confirmed that the Council will not receive the 2nd tranche of the Energy Efficiency Resources until satisfactory completion of 50% of those previously allocated in October 2004. To date, the Housing and Property Department have spent £0.085m of the initial £0.604m received. A total of 19 projects have now been approved, which will ultimately result in expenditure commitments of £0.369m, with annual revenue savings in the region of £0.126m once the payback periods have been achieved. The Department has advised the Scottish Executive that the Council will be able to draw down the 2nd tranche of resources by 31 March 2006.

4. Housing Revenue Account

4.1 It is anticipated that there will be an underspend in the Housing Revenue Account of £0.382m at the end of the financial year. This is mainly attributable to savings within void rent losses and an over-recovery of rental income, which have been partially offset by an increase in the level of liability insurance claims, energy costs and legal fees.

5. Recommendation

5.1 The Committee is asked to note the contents of the report.



Director of Finance

NORTH LANARKSHIRE COUNCIL

SUMMARY OF FINANCIAL REPORT FOR PERIOD TO 16th September 2005

| LINE NO. | DEPARTMENTAL ACCOUNT (1) | BUDGET TO - DATE (2) | ACTUAL TO - DATE (3) | VARIANCE TO - DATE (4) | ANNUAL BUDGET (5) | PROJECTED OUTTURN (6) | PROJECTED VARIANCES (7) |
|------------|---|-------------------------|-------------------------|---------------------------|----------------------|--------------------------|----------------------------|
| | | £ | £ | £ | £ | £ | £ |
| 1. | COMMUNITY SERVICES COMMITTEE | 33,058,472 | 32,993,877 | 64,595 | 77,375,757 | 77,519,224 | (143,467) |
| 2. | Directorate & Support | 1,427,104 | 1,504,093 | (76,989) | 1,674 | 239,550 | (237,876) |
| 3. | Land Services | 16,182,477 | 16,419,911 | (237,434) | 33,131,445 | 33,091,445 | 40,000 |
| 4. | Community Information and Learning | 10,255,612 | 10,109,156 | 146,456 | 20,825,266 | 20,870,857 | (45,591) |
| 5. | Cultural and Recreational | 4,331,355 | 4,229,071 | 102,284 | 21,446,013 | 21,446,013 | - |
| 6. | Facility Support Services | 861,924 | 731,646 | 130,278 | 1,971,359 | 1,871,359 | 100,000 |
| 7. | EDUCATION COMMITTEE | 121,484,975 | 121,112,141 | 372,834 | 282,124,939 | 282,352,939 | (228,000) |
| 8. | Education | 121,484,975 | 121,112,141 | 372,834 | 282,124,939 | 282,352,939 | (228,000) |
| 9. | POLICY & RESOURCES (FINANCE) | 8,342,360 | 7,902,612 | 439,748 | 28,877,978 | 28,578,778 | 299,200 |
| 10. | Finance | 6,284,530 | 5,872,836 | 411,694 | 16,515,004 | 16,266,004 | 249,000 |
| 11. | Miscellaneous Services | 2,057,830 | 2,029,776 | 28,054 | 12,362,974 | 12,312,774 | 50,200 |
| 12. | GENERAL PURPOSES COMMITTEE | 2,066,196 | 1,987,553 | 78,643 | 6,910,513 | 6,774,513 | 136,000 |
| 13. | Administration - Central Services | 1,201,125 | 1,199,468 | 1,657 | 3,711,504 | 3,680,504 | 31,000 |
| 14. | Administration - Legal Support Services | 710,473 | 677,620 | 32,853 | 2,076,339 | 2,041,339 | 35,000 |
| 15. | Administration - Legal Public Services | 2,848 | 718 | 2,130 | 587,152 | 557,152 | 30,000 |
| 16. | Registrar Births , Deaths etc. | 151,750 | 109,747 | 42,003 | 535,518 | 495,518 | 40,000 |
| 17. | HOUSING & PROPERTY COMMITTEE | 16,384,034 | 16,254,264 | 129,770 | 28,877,415 | 28,997,015 | (119,600) |
| 18. | Housing - Non HRA and Benefits | 4,692,390 | 4,580,039 | 112,351 | (110,600) | (15,600) | (95,000) |
| 19. | Property Unit | 1,108,499 | 1,086,925 | 21,574 | 3,226,662 | 3,179,462 | 47,200 |
| 20. | Non-Operational Property Unit | 762,105 | 702,829 | 59,276 | 3,759,672 | 3,615,172 | 144,500 |
| 21. | Office Accommodation | 2,596,119 | 2,666,248 | (70,129) | 4,685,419 | 4,854,719 | (169,300) |
| 22. | Energy Advice Unit | 108,596 | 105,419 | 3,177 | 181,524 | 181,524 | - |
| 23. | Design Services | 2,281,329 | 2,249,867 | 31,462 | 5,304,107 | 5,304,107 | - |
| 24. | Maintenance Unit | 713,158 | 738,998 | (25,840) | 1,736,603 | 1,783,603 | (47,000) |
| 25. | Central Repairs | 4,121,838 | 4,123,939 | (2,101) | 10,094,028 | 10,094,028 | - |
| 26. | JOINT BOARDS | 28,578,255 | 28,578,255 | - | 57,163,693 | 57,163,693 | - |
| 27. | Lands Valuation | 812,419 | 812,419 | - | 1,623,863 | 1,623,863 | - |
| 28. | Police Force | 14,749,025 | 14,749,025 | - | 29,501,000 | 29,501,000 | - |
| 29. | Fire Brigade | 7,222,055 | 7,222,055 | - | 14,447,000 | 14,447,000 | - |
| 30. | Concessionary Fares | 3,303,479 | 3,303,479 | - | 6,608,280 | 6,608,280 | - |
| 31. | Passenger Transport Executive | 2,491,277 | 2,491,277 | - | 4,983,550 | 4,983,550 | - |
| 32. | POLICY & RESOURCES(PERSONNEL) | 810,557 | 805,680 | 4,877 | 2,107,137 | 2,107,137 | - |
| 33. | Personnel Services | 810,557 | 805,680 | 4,877 | 2,107,137 | 2,107,137 | - |
| 34. | PLANNING & ENVIRONMENT COMMITTEE | 18,698,554 | 18,362,967 | 335,587 | 44,020,100 | 44,020,101 | - |
| 35. | Building Control | 105,331 | (261,596) | 366,927 | 429,937 | 285,437 | 144,500 |
| 36. | Transportation | 6,010,424 | 6,111,347 | (100,923) | 31,237,276 | 31,304,276 | (67,000) |
| 37. | Economic Development | 1,594,282 | 1,634,366 | (40,084) | 2,750,771 | 2,750,771 | - |
| 38. | Planning | 872,103 | 678,092 | 194,011 | 3,717,547 | 3,549,047 | 168,500 |
| 39. | Support Services | 7,599,797 | 7,587,571 | 12,226 | - | 126,001 | (126,000) |
| 40. | Protective Services | 2,516,617 | 2,613,187 | (96,570) | 5,884,569 | 6,004,569 | (120,000) |
| 41. | POLICY & RESOURCES COMMITTEE | 1,494,177 | 1,503,502 | (9,325) | 923,501 | 884,965 | 38,536 |
| 42. | Chief Executives | 1,494,177 | 1,503,502 | (9,325) | 923,501 | 884,965 | 38,536 |
| 43. | PPP/TRADING SURPLUSES | (965,275) | (885,264) | (80,011) | (2,394,594) | (2,315,626) | (78,968) |
| 44. | PPP Contributions * | (479,655) | (479,655) | - | (1,519,000) | (1,649,000) | 130,000 |
| 45. | Trading Accounts | (485,620) | (405,609) | (80,011) | (875,594) | (666,626) | (208,968) |
| 46. | SOCIAL WORK COMMITTEE | 50,478,546 | 49,971,574 | 506,972 | 110,947,201 | 112,020,701 | (1,073,500) |
| 47. | Social Work | 50,478,546 | 49,971,574 | 506,972 | 110,947,201 | 112,020,701 | (1,073,500) |
| 48. | FINANCING COSTS | - | - | - | (24,160,818) | (24,660,818) | 500,000 |
| 49. | Reversal of Capital Charge | - | - | - | (55,119,099) | (55,119,099) | - |
| 50. | Grant Support for Urban Programme Loan Debt | - | - | - | (318,338) | (318,338) | - |
| 51. | Loan Charges | - | - | - | 33,126,619 | 32,626,619 | 500,000 |
| 52. | Interest on Revenue Balances | - | - | - | (1,850,000) | (1,850,000) | - |
| 53. | Removal of Gross Central Department Budgets (included above) | - | - | - | (49,763,090) | (49,763,090) | - |
| 54. | TOTAL EXPENDITURE | 280,430,851 | 278,587,161 | 1,843,690 | 563,009,732 | 563,679,532 | (669,799) |

NORTH LANARKSHIRE COUNCIL

SUMMARY OF FINANCIAL REPORT FOR PERIOD TO 16th September 2005

| LINE NO. | DEPARTMENTAL ACCOUNT (1) | BUDGET TO - DATE (2) £ | ACTUAL TO - DATE (3) £ | VARIANCE TO - DATE (4) £ | ANNUAL BUDGET (5) £ | PROJECTED OUTTURN (6) £ | PROJECTED VARIANCES (7) £ |
|------------|---|------------------------------|------------------------------|--------------------------------|---------------------------|-------------------------------|---------------------------------|
| 54. | SOURCES OF FUNDING | 84,358 | 84,358 | - | 563,009,732 | 563,309,732 | 300,000 |
| 55. | Revenue Support Grant | - | - | - | 331,147,000 | 331,147,000 | - |
| 56. | Non - Domestic Rates | - | - | - | 120,717,000 | 120,717,000 | - |
| 57. | Council Tax | - | - | - | 108,855,810 | 109,155,810 | 300,000 |
| 58. | Use of Balances | - | - | - | 1,789,922 | 1,789,922 | - |
| 59. | Collection of Local Tax Arrears | 84,358 | 84,358 | - | 500,000 | 500,000 | - |
| 60. | TOTAL SURPLUS (DEFICIT) | 280,346,493 | 278,502,803 | 1,843,690 | - | 369,799 | (369,799) |
| 61. | SCOTTISH EXECUTIVE FUNDED INITIATIVE | 3,273,633 | 2,241,196 | 1,032,437 | 17,478,051 | 16,498,435 | 979,616 |
| 62. | Community Regeneration Fund | 1,428,335 | 990,486 | 437,849 | 9,847,062 | 8,867,446 | 979,616 |
| 63. | Youth Justice | 78,943 | 34,993 | 43,950 | 171,058 | 171,058 | - |
| 64. | Changing Childrens Services Fund | 911,048 | 575,980 | 335,068 | 4,574,366 | 4,574,366 | - |
| 65. | Anti Social Behaviour | 838,952 | 623,382 | 215,570 | 2,827,039 | 2,827,039 | - |
| 66. | Community Budgeting | 16,355 | 16,355 | - | 58,526 | 58,526 | - |
| 67. | HOUSING REVENUE ACCOUNT | 26,192,389 | 26,071,500 | 120,889 | - | (382,000) | 382,000 |

* Note : The PPP contribution shown excludes that element contained within individual departmental budgets as efficiency savings. The total anticipated income from the PPP's amount to £2.087m.