

To: POLICY & RESOURCES (FINANCE) SUB-COMMITTEE		Subject: REVENUE MONITORING REPORT TO 9 th DECEMBER 2005 (PERIOD 9) COUNCIL SUMMARY
From: DIRECTOR OF FINANCE		
Date: 6 Jan 2006	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 nine 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 11th November, I advised that a surplus of £0.073m was anticipated. This was the result of increased savings and efficiencies, particularly within the departments of Finance, Housing and Education.
- 1.3 All departments have been conducting detailed reviews of expenditure on essential areas as we approach the financial year-end. As a result of these initial investigations, the overall situation has improved to an anticipated surplus of £0.833m, which will be updated as this exercise continues to develop during the remainder of the year. Although the expenditure projections have been reviewed across the broad spectrum of service delivery, the most significant movement was recorded within the Social Work Department, where pro-active measures have seen a reduction of £0.346m in the projected overspend since my last report.
- 1.4 It should be noted that the current projections take no account at this stage, 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	562,477	533
<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	833	833

- 2.2 Reference has previously been made to the significant increases on electricity, gas and electrical power costs, with average price rises of 26% being experienced. Individual departmental budget monitoring positions reflect an overall utility cost increase of £1.486m. In most cases, departments have been able to absorb this increase through a reconfiguration of services and expenditure in other areas. However, it should be noted that these are one-off funding solutions and will not be sustainable beyond the current financial year. 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 a minor overspend of £0.063m which represents the residual element of the significant utility cost increases within the Department. Management Action is continuing to address these increased costs and future reports will highlight the progress towards an anticipated underspend position by the year-end.
- 2.4 Previous reports highlighted the ongoing issues of utility costs and independent school placements within the Department of Education. It is now anticipated that there will be a minor underspend of £0.005m by the year-end. Further management action is being progressed to review areas of non-essential expenditure which will feature in future reports.
- 2.5 Following a review of non-essential expenditure in the latter part of the year, the Departments of Finance (£0.441m) and Administration (£0.193m) have identified further operational efficiencies.
- 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. The Department is currently reviewing operational areas and future reports will firm up on the conclusion of these deliberations.
- 2.7 Housing and Property Services is now reporting an underspend of £0.010m at the year-end. This is a favourable movement of £0.045m from the previous report and is a result of increased income within Non-Operational Property. The Department has received unbudgeted income from ground lease rentals in Motherwell. 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 In previous reports the Trading Operations were projecting reduced surpluses due to the ongoing impact of the utility cost increases. Indeed, the Sport Trading Activity was projecting a significant deficit position. I am pleased to report that, as a direct result of cost reviews and management action, all areas of Trading Operations have returned to a surplus position. Indeed, a small favourable additional surplus of £0.024m is now anticipated across these service areas.

In addition, 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 £0.072m. 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. This is a favourable movement of £0.029m from the previous report and is a consequence of a re-assessment of expenditure on essential items throughout the department.
- 2.10 The Social Work Department is projecting an overall overspend of £0.827m for the year. This position has improved by £0.346m from the position previously reported, and is a consequence of a potential refund from the Scottish Executive for clients no longer in the care of North Lanarkshire Council, coupled with the reduction in the use of temporary staff and overtime levels. It is recognised that there remains significant cost pressures for the Department within the areas of childrens' secured accommodation and foster care. The projected additional expenditure in these areas totals £2.2m, which is demand led, but this is being partially offset by management action to reduce expenditure 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 offset by management efficiencies	Projected deficit (0.063)
Education	Reduced cost of special needs transport	Projected surplus 0.005
Administration	Savings in Administration Costs and additional income	Projected surplus 0.184
Finance	Operational efficiencies and staff turnover savings	Projected surplus 0.441
Housing and Property Services	Additional Office Accommodation at Flemming House, increased stair lighting/maintenance costs offset by water charges rebate and additional income	Projected surplus 0.009

Miscellaneous	Operational efficiencies within general supplies/procurement	Projected surplus 0.048
Trading Accounts	Increased energy prices offset by reduced costs for rates and additional PPP income	Projected surplus 0.154
Chief Executive	Increased income re Community Re-generation	Projected surplus 0.072
Personnel	Increased Income Generation – Skill-seeker Grants	Projected Surplus 0.009
Social Work	Increased expenditure in Fostering and Residential Care offset by management action	Projected deficit (0.827)
Council Tax	Increased yield in current year	Projected surplus 0.300
Loan Charges	Debt Management Savings	Projected surplus 0.500
TOTAL		Projected surplus 0.833

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, the Community Voices Initiative and the Community Budgeting Pilot Project. Project commitments now total £16.974m. Approval has now been granted from the Scottish Executive to carry forward into the 2006/07 financial year, the projected underspend of £0.980m relating to the Community Re-generation Fund. The Council is currently awaiting additional approval to carry forward the projected underspend of £0.052m from the Youth Justice Scheme.
- 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 £0.147m of the initial £0.604m received. A total of 21 projects have now been approved, which will ultimately result in expenditure commitments of £0.422m, with annual revenue savings in the region of £0.136m once the payback periods have been achieved.
- 3.3 The Scottish Executive has recently informed all local authorities that it cannot guarantee that funding will be available to cover any claims submitted after 31 March 2006 including access to the 2nd tranche of energy efficiency resources. It is therefore imperative that the Council ensures that it meets the 50% funding level of £0.302m by 31 March 2006 to access the second instalment of available resources.

3.4 The Housing and Property Department is currently reviewing the lack of physical progress and will update the Committee on the action required to utilise these resources.

4. Housing Revenue Account

4.1 It is anticipated that there will be an underspend in the Housing Revenue Account of £0.395m at the end of the financial year. This is mainly attributable to lower than anticipated 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.

A handwritten signature in black ink, appearing to read 'Alister White', with a long horizontal flourish extending to the right.

Director of Finance

NORTH LANARKSHIRE COUNCIL

SUMMARY OF FINANCIAL REPORT FOR PERIOD TO 9th December 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	46,336,555	46,175,425	161,130	77,390,757	77,453,693	(62,936)
2.	Directorate & Support	2,700,215	2,907,532	(207,317)	1,674	348,937	(347,263)
3.	Land Services	23,155,208	23,246,736	(91,528)	33,146,445	33,106,445	40,000
4.	Community Information and Learning	12,880,969	12,708,473	172,496	20,825,266	20,779,824	45,442
5.	Cultural and Recreational	6,259,811	6,089,523	170,288	21,446,013	21,347,128	98,885
6.	Facility Support Services	1,340,352	1,223,161	117,191	1,971,359	1,871,359	100,000
7.	EDUCATION COMMITTEE	187,016,015	186,882,563	133,452	282,110,799	282,105,799	5,000
8.	Education	187,016,015	186,882,563	133,452	282,110,799	282,105,799	5,000
9.	POLICY & RESOURCES (FINANCE)	12,620,317	12,012,336	607,981	28,877,978	28,388,778	489,200
10.	Finance	9,674,901	9,114,611	560,290	16,515,004	16,073,504	441,500
11.	Miscellaneous Services	2,945,416	2,897,725	47,691	12,362,974	12,315,274	47,700
12.	GENERAL PURPOSES COMMITTEE	4,286,759	4,174,564	112,195	7,004,307	6,819,807	184,500
13.	Administration - Central Services	2,684,286	2,659,571	24,715	3,805,298	3,768,298	37,000
14.	Administration - Legal Support Services	1,201,816	1,198,208	3,608	2,071,339	2,046,339	25,000
15.	Administration - Legal Public Services	186,009	144,635	41,374	592,152	515,152	77,000
16.	Registrar Births , Deaths etc.	214,648	172,150	42,498	535,518	490,018	45,500
17.	HOUSING & PROPERTY COMMITTEE	20,951,830	20,838,629	113,201	28,877,415	28,867,515	9,900
18.	Housing - Non HRA and Benefits	3,965,972	4,005,365	(39,393)	(110,600)	(10,600)	(100,000)
19.	Property Unit	1,811,885	1,793,075	18,810	3,226,662	3,184,462	42,200
20.	Non-Operational Property Unit	942,123	776,539	165,584	3,759,672	3,502,172	257,500
21.	Office Accommodation	2,975,263	3,063,295	(88,032)	4,685,419	4,853,719	(168,300)
22.	Energy Advice Unit	161,041	160,256	785	181,524	181,524	-
23.	Design Services	3,472,006	3,406,464	65,542	5,304,107	5,304,107	-
24.	Maintenance Unit	1,095,643	1,104,539	(8,896)	1,736,603	1,758,103	(21,500)
25.	Central Repairs	6,527,897	6,529,096	(1,199)	10,094,028	10,094,028	-
26.	JOINT BOARDS	39,069,807	39,069,807	-	57,163,693	57,163,693	-
27.	Lands Valuation	1,082,900	1,082,900	-	1,623,863	1,623,863	-
28.	Police Force	19,665,366	19,665,366	-	29,501,000	29,501,000	-
29.	Fire Brigade	9,629,407	9,629,407	-	14,447,000	14,447,000	-
30.	Concessionary Fares	4,955,219	4,955,219	-	6,608,280	6,608,280	-
31.	Passenger Transport Executive	3,736,915	3,736,915	-	4,983,550	4,983,550	-
32.	POLICY & RESOURCES(PERSONNEL)	1,230,299	1,210,638	19,661	2,107,137	2,098,137	9,000
33.	Personnel Services	1,230,299	1,210,638	19,661	2,107,137	2,098,137	9,000
34.	PLANNING & ENVIRONMENT COMMITTEE	27,800,191	27,479,147	321,044	44,020,100	44,020,101	-
35.	Building Control	108,732	(280,175)	388,907	429,937	91,439	338,498
36.	Transportation	9,776,487	9,893,874	(117,387)	31,237,276	31,380,276	(143,000)
37.	Economic Development	2,181,156	2,202,256	(21,100)	2,750,771	2,750,771	-
38.	Planning	1,188,859	950,319	238,540	3,717,547	3,613,047	104,500
39.	Support Services	10,952,927	11,011,579	(58,652)	-	141,000	(140,999)
40.	Protective Services	3,592,030	3,701,294	(109,264)	5,884,569	6,043,568	(158,999)
41.	POLICY & RESOURCES COMMITTEE	2,297,411	2,251,288	46,123	913,501	841,927	71,574
42.	Chief Executives	2,297,411	2,251,288	46,123	913,501	841,927	71,574
43.	PPP/TRADING SURPLUSES	(1,583,600)	(1,597,094)	13,494	(2,394,589)	(2,548,665)	154,076
44.	PPP Contributions *	(762,169)	(762,169)	-	(1,519,000)	(1,649,000)	130,000
45.	Trading Accounts	(821,431)	(834,925)	13,494	(875,589)	(899,665)	24,076
46.	SOCIAL WORK COMMITTEE	71,772,777	72,059,604	(286,827)	110,947,201	111,774,701	(827,500)
47.	Social Work	71,772,777	72,059,604	(286,827)	110,947,201	111,774,701	(827,500)
48.	FINANCING COSTS	-	-	-	(24,151,683)	(24,651,683)	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	-	-	-	33,135,754	32,635,754	500,000
52.	Interest on Revenue Balances	-	-	-	(1,850,000)	(1,850,000)	-
53.	Removal of Gross Central Department Budgets (included above)	-	-	-	(49,856,884)	(49,856,884)	-
54.	TOTAL EXPENDITURE	411,798,361	410,556,907	1,241,454	563,009,732	562,476,919	532,814

NORTH LANARKSHIRE COUNCIL

SUMMARY OF FINANCIAL REPORT FOR PERIOD TO 9th December 2005

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54.	SOURCES OF FUNDING	320,006	309,766	(10,240)	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	320,006	309,766	(10,240)	500,000	500,000	-
60.	TOTAL SURPLUS (DEFICIT)	411,478,355	410,247,141	1,231,214	-	(832,814)	832,814
61.	SCOTTISH EXECUTIVE FUNDED INITIATIVES	7,796,484	7,128,093	668,391	18,006,051	16,974,386	1,031,665
62.	Community Regeneration Fund	3,690,691	3,299,837	390,854	9,847,062	8,867,446	979,616
63.	Youth Justice	122,383	65,170	57,213	171,058	119,009	52,049
64.	Changing Childrens Services Fund	2,626,933	2,474,994	151,939	4,574,366	4,574,366	-
65.	Anti Social Behaviour	1,195,988	1,127,603	68,385	2,827,039	2,827,039	-
66.	Local Action Fund	129,444	129,444	-	348,000	348,000	-
67.	Community Voices	-	-	-	180,000	180,000	-
68.	Community Budgeting	31,045	31,045	-	58,526	58,526	-
69.	HOUSING REVENUE ACCOUNT	(18,047,712)	(18,219,387)	171,675	-	(395,000)	395,000

* 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.