

## REPORT

To: POLICY & RESOURCES (FINANCE) SUB-COMMITTEE		Subject: REVENUE MONITORING REPORT TO 3rd FEBRUARY 2006 (PERIOD 11)  COUNCIL SUMMARY
From: DIRECTOR OF FINANCE		
Date: 24 Feb 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 eleven 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 6<sup>th</sup> January I advised that a surplus of £2.559m was anticipated. This was the result of detailed reviews of expenditure on essential areas towards the end of the financial year. Departments have been requested to continue to pro-actively review their spending requirements and consequently, the overall situation has improved significantly once again, to an anticipated surplus of £4.504m. This will however, be updated as these expenditure reviews continue to develop during the remainder of the year.
- 1.3 This review process has seen contributions towards the Council's financial management arrangements from across the wide spectrum of departments. The most significant movement has been reported within the Social Work Department, where an additional £0.570m of the significant cost pressures being experienced in the service have been managed, resulting in an anticipated break-even position being achieved by the year-end.
- Other notable areas of operational efficiencies have been identified within the Housing and Property Services Department, the department of Community Services and Miscellaneous Services.
- 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 overleaf as follows:

	<b>Annual Budget £000</b>	<b>Projected Outturn £000</b>	<b>Variance £000</b>
<u>Expenditure</u>			
Net Departmental Expenditure	563,010	558,806	4,204
<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 2006	Nil	4,504	4,504

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.

In setting the Budget for 2006/07, recognition has been made of the increased utility costs. However, departments have been asked to absorb an element of these increases through effective energy management measures and initiatives.

2.3 The Community Services Department is now projecting an underspend of £0.319m. This is a substantial improvement from the previous period and is a result of pro-active management control of non-essential expenditure. The Department has absorbed significant utility cost increases, but continued effective management of vacancies, the identification of further areas of operational efficiency and the curtailment in non-essential expenditure has contributed to the favourable movement in the period.

2.4 Previous reports highlighted the ongoing issues of utility costs and independent school placements within the Department of Education. However, management action within the Department has identified savings of £1.180m for the year. This is an increase of £0.120m from the previous report and has been achieved through a number of areas. Overall, the Education Department has been able to contribute towards the sound financial management of the Council by achieving a number of operational efficiencies as well as the effective management of vacancies. Key areas have seen a reduction in teaching costs as the process of encouraging a much younger workforce progresses, as well as improved absence management and the effective management of areas with short-term recruitment problems.

2.5 Following a review of non-essential expenditure in the latter part of the year, the Departments of Finance (£0.522m) and Administration (£0.200m) have identified further operational efficiencies.

- 2.6 The Department of Planning and Environment is now forecasting an underspend of £0.220m. This is an improvement from the previous report and is a result of a significant increase in planning and building standards income. It is also 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 underspend of £0.571m at the year-end. This is a significant improvement from the previous report and is largely a result of savings within the Non-Housing Revenue Account. Efficiency savings have been realised in the Verification Framework within the Benefits Function and the delay in the disposal of Motherwell Town Centre has resulted in additional income. 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 Within Miscellaneous Services, a management review and re-assessment of the External Funding requirements for the remainder of the financial year has indicated that there will be savings approaching £0.300m.
- 2.9 The Chief Executive's Department is highlighting an overall underspend of £0.148m. 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 £0.067m 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 now projecting a year-end break-even position. This is a significant improvement of some £0.570m from the position previously reported, and is a consequence of effective management action to reduce 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' secure accommodation and foster care. The projected additional expenditure in these areas totals £2.2m, which is demand led, but this is being offset by pro-active management control to reduce expenditure in other non-essential areas. The position continues to be closely monitored and will be adjusted to reflect future activity.
- 2.11 As a direct result of cost reviews and effective management and control of "non-essential" expenditure, all areas of Trading Operations have returned to a surplus position. The Trading Operations are projected to exceed budget surpluses by £0.098m. This is a small increase from the previous period and is a result management action to comply with the Council requirement to curtail all non-essential expenditure.
- In addition, It is anticipated that the PPP's will generate additional income to the Council of £0.130m 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.
- 2.12 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.

2.13 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.

2.14 An analysis of the General Fund Services performance against budget is shown in Appendix 1. The major variances can be summarised below: -

2.14.1 Departmental Expenditure

		<b>£m</b>
Community Services	Operational Efficiencies and delayed expenditure	Projected surplus 0.319
Education	Reduction in teaching costs and pro-active management of Support Staff vacancies	Projected surplus 1.180
Administration	Operational Efficiencies in Administration Costs and additional income	Projected surplus 0.200
Finance	Operational efficiencies and staff turnover management	Projected surplus 0.522
Housing and Property Services	Operational Efficiencies within Benefits Verification and income from a delay in the disposal of Motherwell Town Centre	Projected surplus 0.571
Miscellaneous	Savings in External Funding Requirements and Operational efficiencies within general supplies/procurement	Projected surplus 0.298
Chief Executive	Increased income re Community Re-generation and delay in purchases	Projected surplus 0.148
Planning and Environment	Increased income generation	Projected surplus 0.220
Personnel	Increased Income Generation – Skill-seeker Grants	Projected Surplus 0.018
Social Work	Management action to reduce overtime and temporary staffing costs	Break-Even
Trading Accounts	Management Review of areas of non-essential expenditure and additional PPP income	Projected surplus 0.228
Council Tax	Increased yield in current year	Projected surplus 0.300
Loan Charges	Debt Management Savings	Projected surplus 0.500
<b>TOTAL</b>		<b>Projected surplus 4.504</b>

### 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 £16.980m. Approval has now been granted from the Scottish Executive to carry forward £0.980m of Community Re-generation Funding into 2006/07. Likewise, the Council is awaiting approval to carry forward £0.052m of Youth Justice Funding into 2006/07. Programmes are currently being prepared that will utilise these carry forwards in the coming year.
- 3.2 The Scottish Executive have recently confirmed that the Council will not receive the 2<sup>nd</sup> 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 £0.213m of the initial £0.604m received. A total of 21 projects have now been approved, which will ultimately result in expenditure commitments of £0.398m, with annual revenue savings in the region of £0.155m 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 2<sup>nd</sup> tranche of energy efficiency resources if the target for 2005/06 is not met. 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 continuing to review the lack of physical progress and will ensure the delivery of the targeted spend by the year-end.

### 4. Housing Revenue Account

- 4.1 It is anticipated that there will be an underspend in the Housing Revenue Account of £0.640m at the end of the financial year. This is mainly attributable to lower than anticipated void rent losses, an over-recovery of rental income and efficiency savings in the purchase of non-essential supplies and services. These are being 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 3rd February 2006

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)
		£	£	£	£	£	£
<b>1.</b>	<b>COMMUNITY SERVICES COMMITTEE</b>	<b>56,149,330</b>	<b>55,706,262</b>	<b>443,068</b>	<b>77,390,757</b>	<b>77,071,322</b>	<b>319,435</b>
<b>2.</b>	Directorate & Support	3,411,576	3,690,567	(278,991)	1,674	337,493	(335,819)
<b>3.</b>	Land Services	27,342,328	27,357,650	(15,322)	33,146,445	33,106,445	40,000
<b>4.</b>	Community Information and Learning	15,893,803	15,355,884	537,919	20,825,266	20,554,799	270,467
<b>5.</b>	Cultural and Recreational	7,775,165	7,730,351	44,814	21,446,013	21,435,226	10,787
<b>6.</b>	Facility Support Services	1,726,458	1,571,810	154,648	1,971,359	1,637,359	334,000
<b>7.</b>	<b>EDUCATION COMMITTEE</b>	<b>232,677,245</b>	<b>231,651,230</b>	<b>1,026,015</b>	<b>282,128,145</b>	<b>280,949,145</b>	<b>1,179,000</b>
<b>8.</b>	Education	232,677,245	231,651,230	1,026,015	282,128,145	280,949,145	1,179,000
<b>9.</b>	<b>POLICY &amp; RESOURCES (FINANCE)</b>	<b>15,909,830</b>	<b>14,991,414</b>	<b>918,416</b>	<b>28,877,978</b>	<b>28,057,778</b>	<b>820,200</b>
<b>10.</b>	Finance	11,950,362	11,249,259	701,103	16,515,004	15,992,504	522,500
<b>11.</b>	Miscellaneous Services	3,959,468	3,742,155	217,313	12,362,974	12,065,274	297,700
<b>12.</b>	<b>GENERAL PURPOSES COMMITTEE</b>	<b>5,222,770</b>	<b>5,104,745</b>	<b>118,025</b>	<b>7,005,355</b>	<b>6,805,355</b>	<b>200,000</b>
<b>13.</b>	Administration - Central Services	3,199,871	3,144,837	55,034	3,806,346	3,732,346	74,000
<b>14.</b>	Administration - Legal Support Services	1,496,057	1,491,605	4,452	2,071,339	2,039,339	32,000
<b>15.</b>	Administration - Legal Public Services	297,310	276,346	20,964	592,152	548,152	44,000
<b>16.</b>	Registrar Births, Deaths etc.	229,532	191,957	37,575	535,518	485,518	50,000
<b>17.</b>	<b>HOUSING &amp; PROPERTY COMMITTEE</b>	<b>21,685,686</b>	<b>21,101,526</b>	<b>584,160</b>	<b>28,877,415</b>	<b>28,306,391</b>	<b>571,024</b>
<b>18.</b>	Housing - Non HRA and Benefits	240,319	(133,311)	373,630	(110,600)	(502,724)	392,124
<b>19.</b>	Property Unit	2,238,919	2,206,581	32,338	3,226,662	3,187,462	39,200
<b>20.</b>	Non-Operational Property Unit	2,260,850	2,029,855	230,995	3,759,672	3,479,172	280,500
<b>21.</b>	Office Accommodation	3,569,030	3,688,485	(119,455)	4,685,419	4,826,219	(140,800)
<b>22.</b>	Energy Advice Unit	192,221	191,305	916	181,524	181,524	-
<b>23.</b>	Design Services	4,122,671	4,061,486	61,185	5,304,107	5,304,107	-
<b>24.</b>	Maintenance Unit	1,323,742	1,320,062	3,680	1,736,603	1,736,603	-
<b>25.</b>	Central Repairs	7,737,934	7,737,063	871	10,094,028	10,094,028	-
<b>26.</b>	<b>JOINT BOARDS</b>	<b>49,561,360</b>	<b>49,561,360</b>	<b>-</b>	<b>57,163,693</b>	<b>57,163,693</b>	<b>-</b>
<b>27.</b>	Lands Valuation	1,353,382	1,353,382	-	1,623,863	1,623,863	-
<b>28.</b>	Police Force	24,581,708	24,581,708	-	29,501,000	29,501,000	-
<b>29.</b>	Fire Brigade	12,036,758	12,036,758	-	14,447,000	14,447,000	-
<b>30.</b>	Concessionary Fares	6,606,959	6,606,959	-	6,608,280	6,608,280	-
<b>31.</b>	Passenger Transport Executive	4,982,553	4,982,553	-	4,983,550	4,983,550	-
<b>32.</b>	<b>POLICY &amp; RESOURCES (PERSONNEL)</b>	<b>1,476,799</b>	<b>1,461,253</b>	<b>15,546</b>	<b>2,107,137</b>	<b>2,089,137</b>	<b>18,000</b>
<b>33.</b>	Personnel Services	1,476,799	1,461,253	15,546	2,107,137	2,089,137	18,000
<b>34.</b>	<b>PLANNING &amp; ENVIRONMENT COMMITTEE</b>	<b>35,271,717</b>	<b>35,154,114</b>	<b>117,603</b>	<b>44,020,100</b>	<b>43,800,100</b>	<b>220,000</b>
<b>35.</b>	Building Control	97,467	(292,890)	390,357	429,937	44,938	384,999
<b>36.</b>	Transportation	12,287,887	12,558,437	(270,550)	31,237,276	31,399,276	(162,000)
<b>37.</b>	Economic Development	2,774,728	2,759,552	15,176	2,750,771	2,750,771	-
<b>38.</b>	Planning	1,429,312	1,139,317	289,995	3,717,547	3,491,047	226,500
<b>39.</b>	Support Services	14,438,885	14,561,781	(122,896)	-	143,000	(143,000)
<b>40.</b>	Protective Services	4,243,438	4,427,917	(184,479)	5,884,569	5,971,068	(86,499)
<b>41.</b>	<b>POLICY &amp; RESOURCES COMMITTEE</b>	<b>2,891,878</b>	<b>2,814,032</b>	<b>77,846</b>	<b>913,501</b>	<b>765,458</b>	<b>148,043</b>
<b>42.</b>	Chief Executives	2,891,878	2,814,032	77,846	913,501	765,458	148,043
<b>43.</b>	<b>PPP/TRADING SURPLUSES</b>	<b>(2,330,202)</b>	<b>(2,553,334)</b>	<b>223,132</b>	<b>(2,394,589)</b>	<b>(2,622,589)</b>	<b>228,000</b>
<b>44.</b>	PPP Contributions *	(1,140,585)	(1,140,585)	-	(1,519,000)	(1,649,000)	130,000
<b>45.</b>	Trading Accounts	(1,189,617)	(1,412,749)	223,132	(875,589)	(973,589)	98,000
<b>46.</b>	<b>SOCIAL WORK COMMITTEE</b>	<b>87,187,223</b>	<b>87,687,014</b>	<b>(499,791)</b>	<b>110,947,201</b>	<b>110,947,201</b>	<b>-</b>
<b>47.</b>	Social Work	87,187,223	87,687,014	(499,791)	110,947,201	110,947,201	-
<b>48.</b>	<b>FINANCING COSTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24,151,683)</b>	<b>(24,651,683)</b>	<b>500,000</b>
<b>49.</b>	Reversal of Capital Charge	-	-	-	(55,119,099)	(55,119,099)	-
<b>50.</b>	Grant Support for Urban Programme Loan Debt	-	-	-	(318,338)	(318,338)	-
<b>51.</b>	Loan Charges	-	-	-	33,135,754	32,635,754	500,000
<b>52.</b>	Interest on Revenue Balances	-	-	-	(1,850,000)	(1,850,000)	-
<b>53.</b>	Removal of Gross Central Department Budgets (included above)	-	-	-	<b>(49,875,278)</b>	<b>(49,875,278)</b>	<b>-</b>
<b>54.</b>	<b>TOTAL EXPENDITURE</b>	<b>505,703,636</b>	<b>502,679,616</b>	<b>3,024,020</b>	<b>563,009,732</b>	<b>558,806,030</b>	<b>4,203,702</b>

## NORTH LANARKSHIRE COUNCIL

## SUMMARY OF FINANCIAL REPORT FOR PERIOD TO 3rd February 2006

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.	<b>SOURCES OF FUNDING</b>	<b>350,006</b>	<b>342,179</b>	<b>(7,827 )</b>	<b>563,009,732</b>	<b>563,309,732</b>	<b>300,000</b>
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	350,006	342,179	(7,827 )	500,000	500,000	-
60.	<b>TOTAL SURPLUS (DEFICIT)</b>	<b>505,353,630</b>	<b>502,337,437</b>	<b>3,016,193</b>	<b>-</b>	<b>(4,503,703 )</b>	<b>4,503,702</b>
61.	<b>SCOTTISH EXECUTIVE FUNDED INITIATIVES</b>	<b>9,827,339</b>	<b>8,874,329</b>	<b>953,010</b>	<b>18,011,371</b>	<b>16,979,706</b>	<b>1,031,665</b>
62.	Community Regeneration Fund	5,049,410	4,428,001	621,409	9,852,382	8,872,766	979,616
63.	Youth Justice	149,455	77,186	72,269	171,058	119,009	52,049
64.	Changing Childrens Services Fund	2,928,055	2,770,235	157,820	4,574,366	4,574,366	-
65.	Anti Social Behaviour	1,533,897	1,433,298	100,599	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	37,078	36,165	913	58,526	58,526	-
69.	<b>HOUSING REVENUE ACCOUNT</b>	<b>(21,349,351 )</b>	<b>(21,984,178 )</b>	<b>634,827</b>	<b>-</b>	<b>(639,500 )</b>	<b>639,500</b>

\* 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.