

REPORT

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| To: POLICY & RESOURCES (FINANCE) SUB-COMMITTEE | | Subject: REVENUE MONITORING REPORT TO 15 SEPTEMBER 2006 (PERIOD 6) COUNCIL SUMMARY |
| From: DIRECTOR OF FINANCE | | |
| Date: 5 October 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 six months 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 As previously reported provision has been made for equal pay compensation claims estimated at £23.552m with a funding package agreed by Council and spread over the years 2005/06 to 2007/08 in the amounts of £8m, £12.5m and £3m respectively. These sums are reflected in the appropriate years' revenue estimates. Of the £23.552m set side, it is noted that payments of £8.619m have been made to date. Arrangements have recently been made to release £1.290m as the first of the agreed 2 staged payments to the Inland Revenue in respect of Tax and National Insurance Contributions.
- 1.3 While the Council has recently progressed the issues surrounding the implementation of Job Evaluation, the actual delivery mechanism has still to be clarified. Until these issues are resolved by the target implementation date of 6 November 2006, the accrued resources for this purpose will remain un-allocated pending confirmation of the indicative costs for the 2006/07 year.
- 1.4 The review of all areas of "non-essential" expenditure instigated during the latter half of the previous financial year continues during the current year, and updates on the implications of this will crystallise in future reports.
- 1.5 The current forecast indicated that a projected surplus of £2.444m is anticipated by the end of the financial year. This represents a minor increase of some £0.410m since my last report and this is largely accounted for by the following:
- The Department of Education has identified a number of operational efficiencies particularly within the provision of Early Years Services as well within teachers salaries as a consequence of falling school rolls and the continued emphasis on absence management.
 - Continuing savings across all departments as a result of staff turnover efficiencies in specific areas to manage unforeseen expenditure pressures.
 - While the level of savings anticipated in insurance costs are estimated to be £0.900, an amount of £0.100m relates directly to the Housing Revenue Account, thereby reducing the amount available to the General Fund to £0.800m.

Details of the anticipated year end surplus of £2.444m are contained below:

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 | 584,054 | 582,164 | 1,890 |
| <u>Income</u> | | | |
| Aggregate External Finance | 465,262 | 465,816 | 554 |
| Local Tax Collection | 114,057 | 114,057 | - |
| PPP Grant Support | 3,780 | 3,780 | - |
| Use of Balances | 955 | 955 | |
| Projected variance : surplus (deficit) at 31 March 2007 | Nil | 2,444 | 2,444 |

- 2.2 Savings are anticipated in the Department of Finance (£0.484m) as a direct result of a review of IT/E-Government Services. Opportunities have been identified to further improve the cost effectiveness of the Division. The development of new generation Enterprise Computing facilities presents the Council with further cost savings in hardware and software facilities. The major changes planned for the new financial year will allow the current leasing arrangements to be terminated which will result in the release of significant revenue savings.
- 2.3 Housing and Property Services are now currently anticipating an underspend of £0.035m at the year-end. This is a favourable movement of £0.019m from the previous report and is a consequence of additional staff turnover savings within the Benefits function (£0.049m) being offset by a reduction in the over-recovery of Non-Operational Income as a consequence of additional costs arising from the opening of Airdrie Business Centre
- 2.4 The Administration Department is currently anticipating an underspend of £0.111m, an increase of £0.020m, and this is a consequence of staff turnover savings coupled with additional income within Registrars.
- 2.5 The Personnel Division is also now reporting a small underspend of £0.014m at the year-end as a consequence of staff turnover savings across the department.
- 2.6 The Department of Community Services is reporting an underspend of £0.132m at the year-end. This is a direct consequence of additional income anticipated in relation to maintenance work with the Land Services Division, coupled with increased staff turnover savings.

- 2.7 The Departments of Social Work and Planning & Environment are forecasting that net expenditure will be in line with their respective budgets at this early stage of the year, however, this situation will be closely monitored as the financial year progresses.
- 2.8 The Education Department is now projecting an underspend of £0.116m at the year-end. This is a favourable movement of £0.346m from the overspend projected in previous reports. The Department is now in a position to fully assess the impact of increasing budgetary pressures and have identified a number of areas where savings can be made. The pressures being experienced as a result of increasing utility costs, are being offset by underspends within the Early Years Service as a result of the re-configuration of expenditure patterns and back office support functions. In addition, it is anticipated that there will be savings within teachers salaries arising from a combination of falling school rolls, the continuing emphasis on absence management and the impact on average salary costs of attracting new teachers into the profession. The Department will continue to be pro-active in managing areas of the budget to achieve savings to offset against any anticipated overspends and to ensure that the Department meets it's targets for the year.
- 2.9 The Trading Operations are projected to be £0.027m above budget. This is a result of an adverse variance within the Catering Trading Account due to the Healthier Eating Initiative and the consequential falling school meals uptake.
- 2.10 The anticipated saving in the Insurance Fund for the year has now been confirmed at £0.900m, of which £0.800m relates to General Services, with the balance attributable to the Housing Revenue Account. The Council's insurance policies expired on 31 March 2006 and a tendering process was conducted with a view to providing all classes of insurance commencing on 1 April 2006. The insurance market has become more stable of late and premium rates have declined. This general reduction in premiums, together with the risk management activity undertaken by the Council to improve it's claims experience have resulted in the significant savings anticipated in this area.
- 2.11 The Policy & Resources (Finance) Sub-Committee of 6 September 2005 gave approval to enter into a competitive tendering exercise for all data and voice telephony services. The improved pricing as a result of the tendering exercise will result in savings of £0.198m for the year and this is reported within Miscellaneous Services.
- 2.12 Revenue Support Grant will be £0.554m greater than anticipated for the year, primarily as a consequence of a higher than anticipated level of Grant for Police. The Scottish Executive has remitted additional funding in relation to Police Common Services for which Strathclyde Police have informed the Council there will be no requirement for this to be included within this year's precept payments.
- 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 |
|-------------------------------|---|--------------------------------|
| Administration | Staff Turnover Savings and additional income | Projected surplus 0.111 |
| Finance | Efficiencies and Service Improvements within IT Services | Projected surplus 0.484 |
| Insurance Fund | Service Efficiencies | Projected surplus 0.800 |
| Miscellaneous Services | Telephony Procurement Services and staff Turnover Savings | Projected surplus 0.215 |
| Revenue Support Grant | Additional Police Grant | Projected surplus 0.554 |
| Personnel | Staff Turnover Savings | Projected Surplus 0.014 |
| Education | Increased Utility Costs | Projected Surplus 0.116 |
| Trading Accounts | Reduced School Meals Income | Projected Deficit 0.027 |
| Chief Executive | Staff Turnover Savings | Projected Surplus 0.010 |
| Community Services | Increased Income from Maintenance Work | Projected surplus 0.132 |
| Housing and Property Services | Increased income from Housing Benefit Subsidy offsetting increased property costs | Projected surplus 0.035 |
| TOTAL | | Projected surplus 2.444 |

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 initiatives are generally outcome driven with a highly localised focus and include such areas as the Community Regeneration Fund, the Changing Children's Services Fund, Youth Justice Projects, the Anti-Social Behaviour Initiatives and the Financial Inclusion Fund. Project commitments now total £21.754m. However, the Council has identified £0.689m of un-allocated resources at present. Proposals are being collated to identify suitable programmes, with permission being sought to carry forward a residual balance.

4. Housing Revenue Account

- 4.1 It is anticipated that expenditure in the Housing Revenue Account will be £1.051m less than budget at the financial year-end. This is an adverse movement of £0.335m from the previous report and is attributable to increased expenditure within Capital Financing Costs due to

additional borrowing in the year 2005/06. This is a result of less than anticipated Capital Receipts, along with the associated rise in interest charges. However, overall, the department continues to report a favourable position, largely as a result of the success of the void property initiative, together with the changing pattern in the sale of housing stock.

5. Recommendation

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

A handwritten signature in black ink, appearing to read 'John A. ...', written in a cursive style.

Director of Finance

NORTH LANARKSHIRE COUNCIL
SUMMARY OF FINANCIAL REPORT FOR PERIOD TO 15th September 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) |
|------------|---|-------------------------|-------------------------|---------------------------|----------------------|--------------------------|----------------------------|
| | | £ | £ | £ | £ | £ | £ |
| 1. | COMMUNITY SERVICES COMMITTEE | 30,344,206 | 30,130,268 | 213,938 | 79,231,310 | 79,099,762 | 131,548 |
| 2. | Directorate & Support | 769,784 | 862,965 | (93,181) | (9,475) | - | (9,475) |
| 3. | Land Services | 15,250,421 | 15,190,274 | 60,147 | 34,610,216 | 34,594,677 | 15,539 |
| 4. | Community Information and Learning | 8,804,443 | 8,680,946 | 123,497 | 21,120,289 | 21,074,097 | 46,192 |
| 5. | Cultural and Recreational | 4,894,535 | 4,860,354 | 34,181 | 21,503,409 | 21,456,831 | 46,578 |
| 6. | Facility Support Services | 625,023 | 535,729 | 89,294 | 2,006,871 | 1,974,157 | 32,714 |
| 7. | EDUCATION COMMITTEE | 113,193,580 | 113,025,465 | 168,115 | 289,246,243 | 289,130,052 | 116,191 |
| 8. | Education | 113,193,580 | 113,025,465 | 168,115 | 289,246,243 | 289,130,052 | 116,191 |
| 9. | POLICY & RESOURCES (FINANCE) | 8,150,732 | 7,884,305 | 266,427 | 28,860,143 | 28,160,820 | 699,323 |
| 10. | Finance | 6,632,902 | 6,383,728 | 249,174 | 17,626,979 | 17,142,979 | 484,000 |
| 11. | Miscellaneous Services | 1,517,830 | 1,500,577 | 17,253 | 11,233,164 | 11,017,841 | 215,323 |
| 12. | GENERAL PURPOSES COMMITTEE | 1,954,726 | 1,887,838 | 66,888 | 7,051,441 | 6,940,441 | 111,000 |
| 13. | Administration - Central Services | 1,176,393 | 1,152,523 | 23,870 | 3,871,349 | 3,818,349 | 53,000 |
| 14. | Administration - Legal Support Services | 729,406 | 724,867 | 4,539 | 2,091,187 | 2,080,187 | 11,000 |
| 15. | Administration - Legal Public Services | (18,853) | (17,619) | (1,234) | 576,347 | 559,347 | 17,000 |
| 16. | Registrar Births , Deaths etc. | 67,780 | 28,067 | 39,713 | 512,558 | 482,558 | 30,000 |
| 17. | HOUSING & PROPERTY COMMITTEE | 9,223,094 | 9,034,103 | 188,991 | 28,109,497 | 28,074,557 | 34,940 |
| 18. | Housing - Non HRA and Benefits | (345,644) | (496,042) | 150,398 | (6,026) | (98,847) | 92,821 |
| 19. | Property Unit | 1,096,171 | 1,085,436 | 10,735 | 3,177,208 | 3,149,208 | 28,000 |
| 20. | Non-Operational Property Unit | (1,374,873) | (1,389,175) | 14,302 | 3,434,792 | 3,404,292 | 30,500 |
| 21. | Office Accommodation | 3,561,670 | 3,661,350 | (99,680) | 6,761,886 | 6,983,267 | (221,381) |
| 22. | Energy Advice Unit | 103,588 | 102,345 | 1,243 | 182,740 | 182,740 | - |
| 23. | Design Services | 2,190,847 | 2,126,293 | 64,554 | 5,441,060 | 5,441,060 | - |
| 24. | Maintenance Unit | 709,739 | 660,843 | 48,896 | 1,783,032 | 1,678,032 | 105,000 |
| 25. | Central Repairs | 3,281,596 | 3,283,053 | (1,457) | 7,334,805 | 7,334,805 | - |
| 26. | JOINT BOARDS | 26,514,498 | 26,514,498 | - | 53,067,157 | 53,067,157 | - |
| 27. | Lands Valuation | 808,319 | 808,319 | - | 1,656,630 | 1,656,630 | - |
| 28. | Police Force | 15,506,620 | 15,506,620 | - | 31,012,000 | 31,012,000 | - |
| 29. | Fire Brigade | 7,369,795 | 7,369,795 | - | 14,739,000 | 14,739,000 | - |
| 30. | Concessionary Fares | 266,000 | 266,000 | - | 532,000 | 532,000 | - |
| 31. | Passenger Transport Executive | 2,563,764 | 2,563,764 | - | 5,127,527 | 5,127,527 | - |
| 32. | POLICY & RESOURCES(PERSONNEL) | 749,703 | 731,468 | 18,235 | 1,978,915 | 1,964,915 | 14,000 |
| 33. | Personnel Services | 749,703 | 731,468 | 18,235 | 1,978,915 | 1,964,915 | 14,000 |
| 34. | PLANNING & ENVIRONMENT COMMITTEE | 12,260,663 | 12,158,479 | 102,184 | 45,023,136 | 45,023,136 | - |
| 35. | Planning and Development | 817,408 | 761,834 | 55,574 | 3,956,473 | 3,961,973 | (5,500) |
| 36. | Transportation | 6,375,765 | 6,324,635 | 51,130 | 31,917,844 | 31,858,844 | 59,000 |
| 37. | Economic Development | 622,006 | 591,523 | 30,483 | 2,910,841 | 2,900,841 | 10,000 |
| 39. | NLC and Externally Funded Projects | (660,113) | (660,113) | - | - | - | - |
| 40. | Support Services | 2,517,209 | 2,560,749 | (43,540) | - | 32,000 | (32,000) |
| 41. | Protective Services | 2,588,388 | 2,579,851 | 8,537 | 6,237,978 | 6,269,478 | (31,500) |
| 42. | POLICY & RESOURCES COMMITTEE | 946,235 | 925,553 | 20,682 | 2,135,287 | 2,125,287 | 10,000 |
| 43. | Chief Executives | 946,235 | 925,553 | 20,682 | 2,135,287 | 2,125,287 | 10,000 |
| 44. | PPP/TRADING SURPLUSES | (561,680) | (413,917) | (147,763) | (2,561,590) | (2,534,388) | (27,202) |
| 45. | PPP Contributions * | (400,864) | (400,864) | - | (1,519,000) | (1,519,000) | - |
| 46. | Trading Accounts | (160,816) | (13,053) | (147,763) | (1,042,590) | (1,015,388) | (27,202) |
| 47. | SOCIAL WORK COMMITTEE | 49,474,303 | 47,512,074 | 1,962,229 | 116,570,733 | 116,570,733 | - |
| 48. | Social Work | 49,474,303 | 47,512,074 | 1,962,229 | 116,570,733 | 116,570,733 | - |
| 49. | FINANCING COSTS | - | - | - | (29,227,839) | (29,227,839) | - |
| 50. | Reversal of Capital Charge | - | - | - | (59,157,412) | (59,157,412) | - |
| 51. | Grant Support for Urban Programme Loan Debt | - | - | - | (324,719) | (324,719) | - |
| 52. | Loan Charges | - | - | - | 33,226,292 | 33,226,292 | - |
| 53. | Transfer from Pensions Reserve (FRS17) | - | - | - | (1,097,000) | (1,097,000) | - |
| 54. | Interest on Revenue Balances | - | - | - | (1,875,000) | (1,875,000) | - |
| 55. | OTHER BUDGETARY ISSUES | - | - | - | 16,289,878 | 15,489,878 | 800,000 |
| 56. | Equal Pay Issues | - | - | - | 16,289,878 | 16,289,878 | - |
| | Savings on Insurance Procurement | - | - | - | - | (800,000) | 800,000 |
| 57. | Removal of Gross Central Department Budgets (Included above) | - | - | - | (51,720,057) | (51,720,057) | - |
| 58. | TOTAL EXPENDITURE | 252,250,060 | 249,390,134 | 2,859,926 | 584,054,254 | 582,164,454 | 1,889,800 |

NORTH LANARKSHIRE COUNCIL
SUMMARY OF FINANCIAL REPORT FOR PERIOD TO 15th September 2006

| LINE NO. | DEPARTMENTAL ACCOUNT (1) | BUDGET TO - DATE | ACTUAL TO - DATE | VARIANCE TO - DATE | ANNUAL BUDGET | PROJECTED OUTTURN | PROJECTED VARIANCES |
|----------|--|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|
| | | (2) | (3) | (4) | (5) | (6) | (7) |
| | | £ | £ | £ | £ | £ | £ |
| 59. | SOURCES OF FUNDING | 84,358 | 84,358 | - | 584,054,254 | 584,608,254 | (554,000) |
| 60. | Revenue Support Grant | - | - | - | 345,527,000 | 346,081,000 | (554,000) |
| 61. | Non - Domestic Rates | - | - | - | 119,735,000 | 119,735,000 | - |
| 62. | Council Tax | - | - | - | 113,057,254 | 113,057,254 | - |
| 63. | PPP Grant Support | - | - | - | 3,780,000 | 3,780,000 | - |
| 64. | Use of Balances | - | - | - | 955,000 | 955,000 | - |
| 65. | Collection of Local Tax Arrears | 84,358 | 84,358 | - | 1,000,000 | 1,000,000 | - |
| 66. | TOTAL SURPLUS (DEFICIT) | 252,165,702 | 249,305,776 | 2,859,926 | - | (2,443,800) | 2,443,800 |
| 67. | SCOTTISH EXECUTIVE FUNDED INITIATIVES | 4,396,607 | 3,945,598 | 451,009 | 22,443,868 | 21,754,423 | 689,445 |
| 68. | Community Regeneration Fund | 2,476,957 | 2,300,738 | 176,219 | 13,445,616 | 12,900,171 | 545,445 |
| 69. | Youth Justice | 16,993 | 13,559 | 3,434 | 67,868 | 67,868 | - |
| 70. | Changing Childrens Services Fund | 862,029 | 712,931 | 149,098 | 4,444,561 | 4,444,561 | - |
| 71. | Anti Social Behaviour | 845,276 | 787,676 | 57,600 | 2,701,572 | 2,701,572 | - |
| 72. | New Futures Fund | 36,538 | 36,538 | - | 277,000 | 277,000 | - |
| 73. | Financial Inclusion Fund | 28,415 | 16,500 | 11,915 | 500,000 | 356,000 | 144,000 |
| 74. | Local Action Fund | 26,000 | 16,052 | 9,948 | 384,000 | 384,000 | - |
| 75. | Community Safety Partnership | 64,693 | 21,898 | 42,795 | 343,545 | 343,545 | - |
| 76. | Community Voices | 20,000 | 20,000 | - | 260,000 | 260,000 | - |
| 77. | Community Budgeting | 19,706 | 19,706 | - | 19,706 | 19,706 | - |
| 78. | HOUSING REVENUE ACCOUNT | 1,950,308 | 1,664,410 | 285,898 | - | (1,051,500) | 1,051,500 |

* 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 £2.522m.