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|--|---------------|------------------------------------|
| To: POLICY & RESOURCES (FINANCE & CUSTOMER SERVICES) SUB-COMMITTEE |               | Subject: REVENUE MONITORING REPORT |
| From: HEAD OF FINANCIAL SERVICES                                   |               | 01.04.14 – 27.02.15<br>PERIOD 12   |
| Date: 23 March 2015  | Ref: AC/PH/KH | COUNCIL SUMMARY                    |

## 1. Purpose of Report

1.1. This report advises Committee on the overall financial position for the General Fund Account and the Housing Revenue Account for the financial year to 31 March 2015. The report consolidates the budget monitoring position of all Services, highlighting and explaining major variances as per the Council's approved Financial Regulations.

## 2. Summary of Financial Position

2.1. The Council's baseline revenue budget has increased to £769.019m as a result of Scottish Government redeterminations in respect of teachers' pay (£0.141m) and residual funding from the Police transfer (£0.025m). As outlined in Appendix 1, a surplus of £11.990m is presently envisaged and is reflective of:

- Employee cost savings within Learning and Leisure Services (£2.732m), Corporate Services (£0.531m), Regeneration & Environmental Services (£0.628m) and Finance & Customer Services (£0.408m);
- Savings in external interest payments and Schools & Centres 21 financing costs (£3.400m);
- Recurring Support for Welfare / Council Tax Reduction Scheme Surplus (£2.000m);
- Housing Benefits overpayments recoveries (£0.320m);
- Low-level demand within Residential/Secure Accommodation (£0.686m) and Care Homes (£0.244m);
- Savings from re-negotiated cross boundary agreements (£0.321m);
- Commission for collection of water rates from Scottish Water (£0.275m);
- Overspend in equipment and adaptations due to demand levels (£0.354m);
- Overspend in supported living due to an increase in demand for self-directed support (£0.499m);
- No collective agreement in respect of the Core Conditions Review (£2.003m).

2.2. The projected surplus represents a favourable movement of £6.766m from the reported period 10 position. The key factors contributing to this movement are: the anticipated Schools & Centres 21 capital financing saving (£2.000m) outlined in the Revenue Budget 2015-16 report; further employee cost savings within Learning & Leisure Services and Corporate Services; lesser demand for pre-educational care for 2 year olds and freezing of non-essential expenditure.

2.3. The total projected surplus of £11.990m requires to reflect the impact of previous decisions taken by the Council. Committed sums to assist in funding the one-off costs of Equal Pay amount to £5.365m. In addition £2m from the Schools and Centres 21 resources were approved to balance the budget in 2015/16. The remaining balance of £4.625m will be required to re-establish a change management fund for the period ahead.

2.4. Whilst not reflected within the outturn position of £11.990m, further underspends of approximately £14.8m are anticipated this financial year. These reflect the Council's decision (12th February 2014) to carry forward unutilised one-off resources to 2015-16 (£11.738m), and the envisaged underspend against the current year Early Years Change Fund budget (£3.100m) noted in Appendix 4.

2.5. Of the Council's three-year savings target totalling £62.395m, £19.618m relates to year two (2014-15). As previously reported, approved savings totalling £16.633m (84.8%) are considered achievable. Services will deliver alternative solutions totalling £0.982m, leaving a balance of £2.003m in respect of no collective agreement regarding the Core Conditions Review.

### **3. Major Variations from Budget**

3.1. Appendices 2 and 3 illustrate Services' provisional outturn financial positions. The key points to note regarding the provisional outturn position include:

3.1.1. Learning and Leisure Services are projecting a surplus of £3.964m; a favourable movement of £1.949m from period 10 mainly as a result of additional savings in employee costs and lower than anticipated demand for childcare provision for 2 year olds. The surplus also reflects lesser demand for external placements for pupils with additional support needs and savings within school transport provision. These underspends are partially offset by overspends in property costs due to essential repairs and the reconfiguration of offices and classrooms within Cumbernauld High to accommodate increased pupil and teacher numbers pending the creation of Cumbernauld Academy.

3.1.2. Housing & Social Work Services are currently projecting a year-end surplus of £1.247m, a favourable movement of £0.984m from period 10 due to recoveries in income with regards delayed discharge from Health (£0.293m), a decrease in the overspend within employee costs (£0.249m), a reduction in the previously reported family placements overspend (£0.191m) and further savings from voluntary organisation service provider reviews (£0.123m). The surplus continues to reflect changes to re-ablement resulting in current low-level demand within Residential/Secure Accommodation (£0.686m) and care homes (£0.244m) as well as savings from renegotiated cross boundary agreements (£0.321m). These savings are partially offset by overspends within equipment and adaptations due to increased demand (£0.354m) and Supported Living (£0.499m) due to an increase in demand for Self-Directed Support.

3.1.3. Finance and Customer Services is projecting a year-end surplus of £1.215m. As previously reported, the surplus reflects employee cost savings (£0.408m), increased commission for collection of water rates from Scottish Water (£0.275m), anticipated recovery of Housing Benefits overpayments (£0.320m), and various one-off savings including VAT recoveries from HMRC (£0.078m).

3.1.4. A surplus of £1.180m is envisaged within Corporate Services, a favourable movement of £0.718m which largely reflects accelerated employee related efficiency savings and rates savings with regards Buchanan House. The surplus is also reflective of savings against the office premise portfolio (£0.100m) and various income over-recoveries (£0.170m).

3.1.5. Regeneration & Environmental Services non-trading are reporting a surplus of £0.805m; a favourable movement of £0.765m from period 10 mainly due to savings in fuel and a freeze on non-essential spend being partially offset by a reduction in employee cost savings. The surplus also reflects various income over-recoveries and overspends in tipping fees and property costs.

3.1.6. The external trading account is projecting a surplus of £0.101m due to additional vacancy savings within Building Cleaning and Waste Management, movement of janitorial income from non-trading and gate fee savings within Waste

Management. These are partially offset by reduced income from trade waste uplifts.

- 3.1.7. Continued prudent management of the Council's loan stock alongside anticipated delays in the Schools & Centres 21 projects sees projected savings within General Fund financing costs increasing from £1.400m to £3.400m.
- 3.1.8. Additional monies of £2.000m were previously approved towards the costs arising from the UK Government's Welfare Reform Programme. In recognising the level of funding available to support Welfare Reform, and Discretionary Housing Payments in particular, there is now no current requirement for the Council to call upon this £2.000m resource this financial year.
- 3.1.9. As previously reported, works channelled through the Repairs and Maintenance contract with Mears Scotland LLP are expected to exceed the minimum level (£26.3m) required to achieve the budgeted PPP income of £1.650m. Further income totalling £0.120m is presently expected from this contract.

#### **4. Approved Use of Earmarked and One-off Resources**

- 4.1. Members are aware of the one-off resources of £18.500m contained within the Council's 2014-15 revenue budget. As at period 12 ending 27<sup>th</sup> February 2015, spend of £6.762m (36.6%) is anticipated for 2014-15, and is largely in respect of: Country Parks infrastructure works (£1.370m); the Youth Investment Programme (£1.700m) and implementation of Local Area Partnership projects (£0.729m). In accordance with the Council's approvals of 12<sup>th</sup> February 2015, £11.738m of unutilised one-off resources will be carried forward to 2015-16 to further mitigate against the challenges facing the community.
- 4.2. Per the Council's Annual Accounts to 31 March 2014, general fund earmarked reserves total £38.691m. Appendix 2 illustrates significant commitments made against earmarked funds.

#### **5. Risks and Uncertainty**

- 5.1. All activities undertaken by the Council are subject to risk, and services manage these as part of their overall corporate and service planning processes. Whilst there are currently no service specific risks considered to present a high risk to the Council's financial outcome, recognition of the agreement in respect of Equal Pay will have to be reflected within the Annual Accounts.

#### **6. Analysis of Employee Cost Budgets**

- 6.1. Individual Services' monitoring reports highlight that most Services' are achieving their individual turnover targets, with savings in excess of turnover of £4.188m presently anticipated across Council services. Housing and Social Work Services and Chief Executive's Service are not currently achieving their turnover requirements but have taken management action to ensure they remain within budget.

#### **7. Housing Revenue Account**

- 7.1. The Housing Revenue Account is projecting a surplus of £1.564m due to increased rental from temporary accommodation, reduced loan charges, void rent loss and apportioned expenses savings. The above surpluses are partially offset by the projected impact on repairs of the BVES variation and increased "holiday pay" and job evaluation outcome employee costs. Members should note that the projected over-recovery of rental income (£1.188m) will be earmarked to mitigate the adverse impact of welfare reform, in line with the current budget strategy.

## **8. Recommendations**

8.1. Members are asked to note the contents of this report.

A handwritten signature in black ink, consisting of a large, stylized 'M' with a vertical line through it, and a smaller 'H' to its left.

### **Head of Financial Services**

*Members wishing further information on this report should contact Mrs. K Hassell, Business Support Manager on 01698 302235*

Projected Outturn

Appendix 1

|   | Annual Budget<br>£000 | Projected Outturn<br>£000 | Period 12<br>Variance<br>£000 | Period 10<br>Variance<br>£000 | Period 12<br>Movement<br>£000 |
|---|-----------------------|---------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Expenditure</b>  |                       |                           |                               |                               |                               |
| Net Service Expenditure   | 769,019               | 756,990                   | 12,029                        | 5,263                         | +6,766                        |
| <b>Income</b>   |                       |                           |                               |                               |                               |
| Aggregate External Finance  | 622,002               | 622,002                   | -                             | -                             | -                             |
| Local Tax Collection  | 123,612               | 123,612                   | -                             | -                             | -                             |
| Use of Balances   | 18,500                | 18,500                    | -                             | -                             | -                             |
| Council Tax Reduction (20%)                                       | 4,905                 | 4,866                     | -0,039                        | -0,039                        | -                             |
| <b>Projected Variance:<br/>Surplus/(deficit) at 31 March 2015</b> | <b>Nil</b>            | <b>11,990</b>             | <b>11,990</b>                 | <b>5,224</b>                  | <b>+6,766</b>                 |

## Major Variations from Budget

## Appendix 2

| <b>Service</b>  | <b>P10 Outturn</b><br>£m |                | <b>P12 Outturn</b><br>£m |                | <b>P12 Movement</b><br>£m |
|---|--------------------------|----------------|--------------------------|----------------|---------------------------|
| Learning & Leisure Services                                 | 2.015                    | Surplus        | 3.964                    | Surplus        | +1.949                    |
| Housing & Social Work Services                              | 0.263                    | Surplus        | 1.247                    | Surplus        | +0.984                    |
| Finance & Customer Services                                 | 1.063                    | Surplus        | 1.215                    | Surplus        | +0.152                    |
| Corporate Services  | 0.462                    | Surplus        | 1.180                    | Surplus        | +0.718                    |
| Regeneration & Environmental Services                       | 0.040                    | Surplus        | 0.805                    | Surplus        | +0.765                    |
| External Trading Activity                                   | 0.080                    | Surplus        | 0.101                    | Surplus        | +0.021                    |
| Chief Executive's Office                                    | -                        | Break-even     | -                        | Break-even     | -                         |
| Joint Boards  | -                        | Break-even     | -                        | Break-even     | -                         |
| <b>Executive Services Total</b>                             | <b>3.923</b>             | <b>Surplus</b> | <b>8.512</b>             | <b>Surplus</b> | <b>+4.589</b>             |
| Recurring Support for Welfare /Council Tax Reduction Scheme | 1.823                    | Surplus        | 2.000                    | Surplus        | +0.177                    |
| Savings in Financing Costs                                  | 1.400                    | Surplus        | 3.400                    | Surplus        | +2.000                    |
| Strategic PPP arrangements                                  | 0.120                    | Surplus        | 0.120                    | Surplus        | -                         |
| Core Conditions Review                                      | 2.003                    | Deficit        | 2.003                    | Deficit        | -                         |
| Final 20% Funding CTRS                                      | 0.039                    | Deficit        | 0.039                    | Deficit        | -                         |
| <b>Total</b>  | <b>5.224</b>             | <b>Surplus</b> | <b>11.990</b>            | <b>Surplus</b> | <b>+6.766</b>             |

**NORTH LANARKSHIRE COUNCIL**  
**SUMMARY OF FINANCIAL REPORT FOR PERIOD ENDING 27TH FEBRUARY 2015 (PERIOD 12)**

| LINE NO. | SERVICE ACCOUNT<br>(1)  | BUDGET TO DATE      | ACTUAL TO DATE      | VARIANCE TO DATE | ANNUAL BUDGET      | PROJECTED OUTTURN  | PROJECTED VARIANCES |
|----------|---|---------------------|---------------------|------------------|--------------------|--------------------|---------------------|
|          |   | (2)                 | (3)                 | (4)              | (5)                | (6)                | (7)                 |
|          |   | £                   | £                   | £                | £                  | £                  | £                   |
| 1.       | <b>ENVIRONMENTAL SERVICES</b>   | <b>88,207,585</b>   | <b>87,833,390</b>   | <b>374,195</b>   | <b>107,335,723</b> | <b>106,530,357</b> | <b>805,366</b>      |
| 2        | Directorate & Support   | 3,934,637           | 3,983,843           | (49,206)         | -                  | -                  | -                   |
| 3        | Environment & Estates   | 43,357,147          | 43,488,831          | (131,684)        | 49,989,942         | 49,604,678         | 385,264             |
| 4        | Facility Support  | (1,690,485)         | (1,987,118)         | 296,633          | 167,255            | (102,880)          | 270,135             |
| 5        | Planning & Reeneration  | 14,868,367          | 14,539,005          | 329,362          | 18,846,890         | 18,791,203         | 55,687              |
| 6        | Roads & Transportation  | 22,145,566          | 22,268,082          | (122,516)        | 31,276,020         | 31,292,486         | (16,466)            |
| 7        | Protective Services   | 5,592,353           | 5,540,747           | 51,606           | 7,055,616          | 6,944,870          | 110,746             |
| 8        | <b>LEARNING AND LEISURE</b>   | <b>340,245,765</b>  | <b>337,924,079</b>  | <b>2,321,686</b> | <b>408,209,743</b> | <b>404,245,928</b> | <b>3,963,817</b>    |
| 9        | Early Years   | 16,619,685          | 16,619,686          | (1)              | 19,017,179         | 19,017,179         | -                   |
| 10       | Primary Schools   | 108,269,370         | 108,269,369         | 1                | 123,585,124        | 123,585,124        | -                   |
| 11       | Secondary Schools   | 103,254,817         | 103,254,817         | -                | 115,567,430        | 115,567,430        | -                   |
| 12       | Special Schools   | 13,742,568          | 13,742,567          | 1                | 15,892,375         | 15,892,375         | -                   |
| 13       | Resources   | 40,375,082          | 39,498,561          | 876,521          | 61,014,144         | 58,967,376         | 2,046,768           |
| 14       | Standards & Inclusion   | 19,858,953          | 18,566,303          | 1,292,650        | 23,800,394         | 22,113,285         | 1,687,109           |
| 15       | Community Information & Learning  | 38,125,290          | 37,972,776          | 152,514          | 49,333,099         | 49,103,159         | 229,940             |
| 16       | <b>POLICY &amp; RESOURCES (FINANCE)</b>                                   | <b>49,072,605</b>   | <b>47,680,864</b>   | <b>1,391,741</b> | <b>66,959,144</b>  | <b>65,744,017</b>  | <b>1,215,127</b>    |
| 17       | Finance (including Hsg and Council tax benefits)                          | 49,072,605          | 47,680,864          | 1,391,741        | 66,959,144         | 65,744,017         | 1,215,127           |
| 18       | <b>CORPORATE SERVICES</b>   | <b>21,263,368</b>   | <b>19,698,453</b>   | <b>1,564,915</b> | <b>25,777,250</b>  | <b>24,597,253</b>  | <b>1,179,997</b>    |
| 19       | Democratic & Legal Services   | 4,664,356           | 4,160,937           | 503,419          | 5,455,787          | 4,929,787          | 526,000             |
| 20       | Corporate Property & Procurement  | 14,484,753          | 13,491,012          | 993,741          | 18,565,357         | 17,972,359         | 592,998             |
| 21       | Human Resources   | 2,114,259           | 2,046,504           | 67,755           | 1,756,106          | 1,695,107          | 60,999              |
| 22       | <b>HOUSING &amp; SOCIAL WORK SERVICES</b>                                 | <b>155,815,444</b>  | <b>154,630,465</b>  | <b>1,184,979</b> | <b>182,187,602</b> | <b>180,940,428</b> | <b>1,247,174</b>    |
| 23       | Housing - Non HRA   | 7,960,656           | 7,711,158           | 249,498          | 9,714,231          | 9,480,389          | 233,842             |
| 24       | Social Work   | 147,854,788         | 146,919,307         | 935,481          | 172,473,371        | 171,460,039        | 1,013,332           |
| 25       | <b>JOINT BOARDS</b>   | <b>14,292,626</b>   | <b>14,292,626</b>   | <b>-</b>         | <b>14,569,745</b>  | <b>14,569,745</b>  | <b>-</b>            |
| 26       | Lanarkshire Valuation Joint Board   | 1,716,610           | 1,716,610           | -                | 1,917,665          | 1,917,665          | -                   |
| 27       | Strathclyde Joint Police Board  | -                   | -                   | -                | 75,000             | 75,000             | -                   |
| 28       | Strathclyde Fire & Rescue   | -                   | -                   | -                | -                  | -                  | -                   |
| 29       | Strathclyde Partnership for Transport                                     | 5,595,466           | 5,595,466           | -                | 5,595,530          | 5,595,530          | -                   |
| 30       | SPT - Concessionary Travel Scheme   | 574,550             | 574,550             | -                | 574,550            | 574,550            | -                   |
| 31       | Improvement Service   | 6,406,000           | 6,406,000           | -                | 6,407,000          | 6,407,000          | -                   |
| 32       | <b>POLICY &amp; RESOURCES</b>   | <b>1,957,451</b>    | <b>1,887,319</b>    | <b>70,132</b>    | <b>2,210,640</b>   | <b>2,210,640</b>   | <b>-</b>            |
| 33       | Corporate and Performance   | 1,957,451           | 1,887,319           | 70,132           | 2,210,640          | 2,210,640          | -                   |
| 34       | <b>PPP/TRADING SURPLUSES</b>  | <b>(658,664)</b>    | <b>(713,656)</b>    | <b>54,992</b>    | <b>(1,740,204)</b> | <b>(1,960,782)</b> | <b>220,578</b>      |
| 35       | PPP Contributions *   | -                   | -                   | -                | (1,650,000)        | (1,770,000)        | 120,000             |
| 36       | Trading Accounts  | (658,664)           | (713,656)           | 54,992           | (90,204)           | (190,782)          | 100,578             |
| 37       | <b>GENERAL FUND SERVICES</b>  | <b>670,196,180</b>  | <b>663,233,540</b>  | <b>6,962,640</b> | <b>805,509,643</b> | <b>796,877,586</b> | <b>8,632,059</b>    |
| 38       | <b>FINANCING COSTS</b>  | <b>-</b>            | <b>-</b>            | <b>-</b>         | <b>3,358,643</b>   | <b>(41,357)</b>    | <b>3,400,000</b>    |
| 39       | Reversal of Capital Charge  | -                   | -                   | -                | (46,446,531)       | (46,446,531)       | -                   |
| 40       | Loan Charges  | -                   | -                   | -                | 50,360,497         | 47,060,497         | 3,300,000           |
| 41       | Transfer from Pensions Reserve (IAS19)                                    | -                   | -                   | -                | (55,323)           | (55,323)           | -                   |
| 42       | Interest on Revenue Balances  | -                   | -                   | -                | (500,000)          | (600,000)          | 100,000             |
| 43       | <b>OTHER BUDGETARY ISSUES</b>   | <b>-</b>            | <b>-</b>            | <b>-</b>         | <b>8,183,641</b>   | <b>10,186,641</b>  | <b>(2,003,000)</b>  |
| 44       | Non-Service Specific  | -                   | -                   | -                | 8,183,641          | 10,186,641         | (2,003,000)         |
| 45       | Transfer to Reserves - restructuring and other approved reserve movements | -                   | -                   | -                | -                  | -                  | -                   |
| 46       | Removal of Gross Central Department Budgets (included within above)       | -                   | -                   | -                | (50,032,490)       | (50,032,490)       | -                   |
| 47       | Reversal of Capital Charge (included within above)                        | -                   | -                   | -                | -                  | -                  | -                   |
| 48       | Welfare Reform  | -                   | -                   | -                | 2,000,000          | -                  | 2,000,000           |
| 49       | <b>TOTAL EXPENDITURE</b>  | <b>670,196,180</b>  | <b>663,233,540</b>  | <b>6,962,640</b> | <b>769,019,437</b> | <b>756,990,380</b> | <b>12,029,059</b>   |
| 50       | <b>SOURCES OF FUNDING</b>   | <b>-</b>            | <b>-</b>            | <b>-</b>         | <b>769,019,437</b> | <b>768,980,437</b> | <b>39,000</b>       |
| 51       | Aggregate External Finance  | -                   | -                   | -                | 622,002,695        | 622,002,695        | -                   |
| 52       | Council Tax   | -                   | -                   | -                | 123,611,742        | 123,611,742        | -                   |
| 53       | Use of Balances   | -                   | -                   | -                | 18,500,000         | 18,500,000         | -                   |
| 54       | Council Tax Reduction   | -                   | -                   | -                | 4,905,000          | 4,866,000          | 39,000              |
| 55       | <b>SURPLUS (DEFICIT)</b>  | <b>670,196,180</b>  | <b>663,233,540</b>  | <b>6,962,640</b> | <b>(0)</b>         | <b>11,990,059</b>  | <b>11,990,059</b>   |
| 56       | <b>HOUSING REVENUE ACCOUNT</b>  | <b>(31,041,226)</b> | <b>(31,920,270)</b> | <b>879,044</b>   | <b>-</b>           | <b>(1,564,444)</b> | <b>1,564,444</b>    |

**Change Management Fund**

Costs of implementing 2014-15 workforce changes are estimated at £5.2m. However, in recognizing one-off costs of around £9m are likely to arise from implementing 2015/16 savings options and transformations, the existing change management fund of £14.2m is fully committed.

**School DMR Carry Forward/ICT Refresh Fund**

The Devolved Management of Resources scheme enables individual schools to carry their unused budgets forward to future years to fund projects deemed beneficial at an individual school level. Reflecting previous years' trends alongside current Digital Inclusion and School Bandwidth projects, it is projected this fund will be close to full spend with utilisation of £2.468m expected.

**Youth Investment & CPP Programme**

Previous reports to the Corporate Management Team illustrated sums of around £4.8m are committed in respect of YIP and CPP funded projects including wage subsidies, graduate futures, youth placement and modern apprentices. Presently around £3m of set aside earmarked resources are required to part-fund these existing commitments.

**Roads Summer Works**

With essential road repairs completed during the summer months, the earmarked reserve of £1.250m has been fully utilised during 2014-15.

**Waste Management Fund**

Spend of around £0.658m is envisaged against this fund during 2014-15, and reflects the Council's contribution towards the costs of developing a Clyde Valley Waste solution, as well as costs arising from "capping" the Auchinlea landfill site. In addition, the recent Regeneration and Environmental Committee approved spend of £2m which will materialise early in 2015-16 as part of the longer term waste management strategy.

**Commonwealth Games**

Following the successful conclusion of the Triathlon in Strathclyde Country Park and Cycling Time Trial through the Northern Corridor in July and August 2014, the earmarked resource of £0.935m is fully spent.

**Regeneration & Investment Fund**

£0.336m remaining from the £1.000m Regeneration & Investment Fund announced in February 2013 has been approved to be rolled forward to 2015-16 to support the City Deal Initiative.

**Early Years Change Fund**

The report to Policy & Resources Committee on 19<sup>th</sup> March 2015 confirmed that spend of £1.125m is approved for the Early Years partnership this financial year. In recognizing £4.184m was carried forward from earlier years, sums of around £3.1m remain uncommitted. The current year budget of £3.1m is also illustrated as uncommitted within the March 2015 report, but is not currently reflected within the Council's overall projected surplus.

**Welfare Reform Fund**

The "Scottish Welfare Fund report" to Policy & Resources (Finance & Customer Services) sub-committee indicated sums of up to £0.214m may be required to fund the revised Scottish Welfare Fund staffing and administration structure needed to support the increased demand.