

To: POLICY & RESOURCES (FINANCE & CUSTOMER SERVICES) SUB-COMMITTEE		Subject: REVENUE MONITORING REPORT 01.04.15 – 16.10.15 PERIOD 7
From: HEAD OF FINANCIAL SERVICES		
Date: 13 November 2015	Ref: AC/PH/KH	COUNCIL SUMMARY

1. Purpose of Report

1.1. This report advises committee of the overall financial position for the General Fund Account and the Housing Revenue Account for the financial year to 31 March 2016. 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 has an approved revenue budget for 2015-16 of £758.333m. As at period 7 ending 16 October 2015, a year-end surplus of £5.216m is envisaged, and is largely reflective of:

- Underspends in employee costs (£5.931m);
- Expiry of grant conditions in respect of former skillseekers and Employability programme funding (£1.211m);
- Underspends within Office Accommodation (£0.290m);
- Anticipated savings in external interest payments (£0.469m);
- Overspends related to Equipment and Adaptations (£0.925m);
- Overspends within Supported Living (£1.220m);
- One-off budget funding as approved in March 2015 (£1.400m).

2.2. The projected surplus represents a favourable movement of £4.912m from period 4 mainly due to lower than forecast demand for 2 year olds early years education, employee cost savings and a release of balance sheet funding following the continued assessment of these balances.

2.3. Though not currently reflected within the outturn position, Housing & Social Work Services are currently liaising with NHS Lanarkshire to secure increased contributions of potentially £1.900m in respect of demand for equipment and adaptations in people's homes.

2.4. The final year of the Council's approved-three year savings package incorporates savings of around £14.1m. Services anticipate £13.8m (97.7%) of approved proposals are achievable. Section 4 below provides further details regards savings deliverability.

3. Analysis of Significant Variations

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

3.1.1. Learning and Leisure Services anticipate a year-end surplus of £3.395m, a favourable movement from period 4 of £3.188m mainly due to lower than forecast demand for 2 year olds early years education and savings in teachers average salaries. Provision of early years' service above the statutory entitlement also contributes to the year-end surplus, which is partially offset by continued high demand for ASN assistants and increased demand for external education provision.

3.1.2. Regeneration and Environmental Services is reporting a year end surplus of

£1.082m, a favourable movement of £0.356m from period 4 primarily due to savings against catering food costs and employee costs. As previously reported, the overall surplus reflects implementation of a freeze on recruitment and non essential spend, delays in seasonal recruitment and contract efficiencies within waste disposal costs.

- 3.1.3. Finance and Customer Services is projecting a year-end surplus of £1.043m will arise, representing a favourable movement of £0.311m from the reported period 4 position mainly due to additional staff turnover savings. The surplus significantly reflects savings of a one-off nature (£0.902m) in areas such as DWP income, staffing and Scottish Water collection commission.
- 3.1.4. Corporate Services is reporting a favourable movement of £0.553m from period 4 following assessment of the impact which the current freeze on recruitment has on employee costs; this movement results in a projected surplus totalling £1.040m. In addition to vacancy savings, the anticipated surplus largely arises from reductions in rent and utility costs within Office Accommodation (£0.290m), energy efficiency measures reducing the Carbon Reduction payment (£0.092m), reduced print charges (£0.046m) and increased licensing fee income (£0.095m).
- 3.1.5. Housing and Social Work Services is projecting a deficit of £1.574m, a favourable movement of £0.374m from period 4 largely due to reduced spend against care home budgets. As reported at period 4, increased demand for home support (£0.736m), Supported Living Services (£1.220m) and Equipment and Adaptations (£0.925m) is placing significant pressure on the social work budget. Whilst these overspends are offset by the care home underspend (£0.457m) and resource transfer inflationary uplift income over-recoveries (£0.636m), it is anticipated per paragraph 2.3 above that additional NHS Lanarkshire resources will enable the service to deliver a year-end balanced budget position.
- 3.1.6. In completing the audit of the Council's 2014-2015 accounts, an amount of £0.838m held within the balance sheet to repay former skillseekers funding per grant conditions was assessed as no longer being required for that purpose. Similarly, approximately £0.373m of resources held within reserves to offset potential ERDF payback in respect of previous employability programmes has also been assessed as being no longer required for those purposes. These sums can now be included within the overall general fund surplus.
- 3.1.7. In recognising the potential savings highlighted within the separate Treasury Management report on this agenda, General Fund loan charge savings have increased to £0.469m, a favourable movement of £0.369m since the last report to Committee
- 3.1.8. Reflecting a decision taken at Policy & Resources Committee on 17 September 2015, the Council contributed £0.050m of the current year surplus to the St. Andrew's Hospice (Lanarkshire) Refurbishment Appeal.
- 3.1.9. In accordance with the recommendations noted within the *Revenue Budget 2015-2016: Alternative Savings* report to Policy & Resources Committee on 19 March 2015, £1.400m of the current year General Fund surplus is required to fund the shortfall arising from implementing the revised Local Government Finance Circular of 5 February 2015.

4. 2015-2016 Budget Savings

- 4.1. Services' monitoring reports reflect 2015-2016 budget savings of £14.103m. At this stage of the financial year, services continue to anticipate full delivery of budgeted savings targets, with £13.789m (97.7%) of approved savings considered achievable. Realistic alternatives have been identified by Services to bridge the £0.314m savings gap; these remain unchanged from that reported to committee at period 4.

5. Approved Use of Earmarked and One-off Resources

- 5.1. As previously reported, the Council's draft accounts to 31 March 2015 include earmarked resources (£28.904m), an approved contingency reserve (£12.000m), unutilised one-off support to communities (£11.999m) and the 2014-2015 year-end outturn (£11.399m).
- 5.2. Appendix 4 illustrates services anticipate that £11.304m (94.2%) of the one-off resources brought forward to mitigate against challenges facing communities (£11.999m) will be utilised in this financial year.
- 5.3. As stated above, general fund earmarked reserves total £28.904m. Appendix 5 illustrates significant commitments anticipated against earmarked funds this financial year.

6. Risks and Uncertainty

- 6.1. All activities undertaken by the Council are subject to risk, and in acknowledging the Council's approved Risk Management Strategy (September 2012), Services manage these as part of their overall corporate and service planning processes. The current economic climate, in particular, has the potential to impact upon the Council's ability to provide quality services within approved budget levels.
- 6.2. Reflecting the risk analysis matrix included within the Risk Management Strategy, there are currently no activities considered to present a high risk to the Council's financial outcome.

7. Analysis of Employee Cost Budgets

- 7.1. Housing & Social Work Services, the Trading Operation and the Chief Executive's Service are currently not achieving individual turnover targets. Despite this, employee costs across the Council are projected to underspend by £5.931m.

8. Housing Revenue Account

- 8.1. The Housing Revenue Account projects over-recoveries of rental income and savings in loan charges and void rent loss will produce a year-end surplus of £1.492m. This is an adverse movement of £0.048m from the previously reported position, reflecting the unbudgeted element of the recently approved pay award.
- 8.2. In accordance with the current budget strategy, the projected over-recovery in temporary accommodation rental income (£0.890m) is expected to be earmarked to mitigate against the impact of Welfare Reform.

9. Recommendations

- 9.1. Members are asked to note the contents of this report.



Head of Financial Services

Revenue Budget Summary – 2015-2016
Projected Outturn – Period 7 ending 16 October 2015

Appendix 1

	Annual Budget £000	Projected Outturn £000	Period 7 Variance £000	Period 4 Variance £000	Movement £000
Expenditure					
Net Service Expenditure	758,333	753,117	5,216	304	+4,912
Income					
Aggregate External Finance	628,207	628,207	-	-	-
Local Tax Collection	124,013	124,013	-	-	-
Use of Balances	5,400	5,400	-	-	-
Teachers Funding	713	713	-	-	-
Projected Variance: Surplus/(deficit) at 31 March 2016	Nil	5,216	5,216	304	+4,912

Revenue Budget Summary – 2015-2016
Projected Outturn – Period 7 ending 16 October 2015

Appendix 2

Service	P4 Outturn £m	P7 Outturn £m	Movement £m
Learning & Leisure Services	0.207 Surplus	3.395 Surplus	+3.188
Finance & Customer Services	0.732 Surplus	1.043 Surplus	+0.311
Corporate Services	0.487 Surplus	1.040 Surplus	+0.553
Regeneration & Environmental Services	0.726 Surplus	1.082 Surplus	+0.356
Housing & Social Work Services	1.948 Deficit	1.574 Deficit	+0.374
Chief Executive's Office	- Break-even	- Break-even	-
External Trading Activity	- Break-even	- Break-even	-
Joint Boards	- Break-even	- Break-even	-
Executive Services Total	0.204 Surplus	4.986 Surplus	+4.782
Savings in Financing Costs	0.100 Surplus	0.469 Surplus	+0.369
Balance Sheet Review	- Break-even	1.211 Surplus	+1.208
St Andrew's Hospice Contribution	- Break-even	0.050 Deficit	-0.050
Support for 2015/16 Cost Pressures	-	-1.400 Deficit	-1.400
Total	0.304 Surplus	5.216 Surplus	+4.912

NORTH LANARKSHIRE COUNCIL
SUMMARY OF FINANCIAL REPORT FOR PERIOD ENDING 16TH OCTOBER 2015 (PERIOD 7)

LINE NO.	SERVICE ACCOUNT (1)	BUDGET TO DATE (2) £	ACTUAL TO DATE (3) £	VARIANCE TO DATE (4) £	ANNUAL BUDGET (5) £	PROJECTED OUTTURN (6) £	PROJECTED VARIANCES (7) £
1.	ENVIRONMENTAL SERVICES	45,358,970	43,698,100	1,660,870	106,090,847	105,008,648	1,082,299
2	Directorate & Support	2,271,298	2,248,937	22,361	-	(100,127)	100,127
3	Environment & Estates	24,761,852	24,425,398	336,454	49,555,596	49,464,177	91,419
4	Facility Support	(626,450)	(1,533,429)	906,979	1,157,655	358,974	798,681
5	Planning & Regeneration	7,471,038	7,258,463	212,575	17,331,573	17,221,166	110,407
6	Roads & Transportation	8,431,028	8,254,080	176,948	31,423,293	31,566,363	(143,070)
7	Protective Services	3,050,204	3,044,651	5,553	6,622,730	6,497,995	124,735
8	LEARNING AND LEISURE	181,755,354	179,971,376	1,783,978	410,197,705	406,802,331	3,395,374
9	Early Years	10,034,766	10,034,766	-	19,563,380	19,563,380	-
10	Primary Schools	62,520,988	62,520,988	-	123,925,455	123,925,455	-
11	Secondary Schools	58,736,894	58,736,894	-	113,677,699	113,677,699	-
12	Special Schools	7,673,066	7,673,067	(1)	15,876,617	15,876,617	-
13	Resources	12,599,992	11,963,470	636,522	63,013,884	61,755,901	1,257,983
14	Standards & Inclusion	10,988,487	9,876,787	1,111,700	25,139,863	23,087,456	2,052,407
15	Skills & Lifelong Learning	19,201,161	19,165,404	35,757	49,000,807	48,915,823	84,984
16	POLICY & RESOURCES (FINANCE)	27,582,735	26,539,123	1,043,612	65,669,380	64,626,148	1,043,232
17	Finance (including Hsg and Council tax benefits)	27,582,735	26,539,123	1,043,612	65,669,380	64,626,148	1,043,232
18	CORPORATE SERVICES	12,315,633	11,436,644	878,989	25,031,462	23,991,461	1,040,001
19	Democratic & Legal Services	2,812,602	2,410,616	401,986	5,400,105	4,837,105	563,000
20	Corporate Property & Procurement	8,669,421	8,216,028	453,393	17,998,641	17,537,640	461,001
21	Human Resources	833,510	809,900	23,610	1,632,716	1,616,716	16,000
22	HOUSING & SOCIAL WORK SERVICES	85,364,853	86,213,785	(848,932)	188,253,420	189,827,322	(1,573,902)
23	Housing - Non HRA	5,483,749	5,448,805	34,944	10,248,948	10,188,948	60,000
24	Social Work	79,881,104	80,764,980	(883,876)	178,004,472	179,638,374	(1,633,902)
25	JOINT BOARDS	10,405,847	10,405,847	-	14,494,745	14,494,745	-
26	Lanarkshire Valuation Joint Board	936,335	936,335	-	1,917,665	1,917,665	-
27	Strathclyde Joint Police Board	-	-	-	-	-	-
28	Strathclyde Fire & Rescue	-	-	-	-	-	-
29	Strathclyde Partnership for Transport	4,196,601	4,196,601	-	5,595,530	5,595,530	-
30	SPT - Concessionary Travel Scheme	430,911	430,911	-	574,550	574,550	-
31	Improvement Service	4,842,000	4,842,000	-	6,407,000	6,407,000	-
32	POLICY & RESOURCES	1,047,628	1,002,142	45,486	2,196,460	2,196,460	-
33	Corporate and Performance	1,047,628	1,002,142	45,486	2,196,460	2,196,460	-
34	PPP/TRADING SURPLUSES	(452,878)	(477,112)	24,234	(1,796,277)	(1,796,277)	-
35	PPP Contributions *	-	-	-	(1,650,000)	(1,650,000)	-
36	Trading Accounts	(452,878)	(477,112)	24,234	(146,277)	(146,277)	-
37	GENERAL FUND SERVICES	363,378,042	358,789,805	4,588,237	810,137,742	805,160,738	4,987,004
38	FINANCING COSTS	-	-	-	(5,424,520)	(5,893,520)	469,000
39	Reversal of Capital Charge	-	-	-	(48,804,066)	(48,804,066)	-
40	Loan Charges	-	-	-	43,934,869	43,465,869	469,000
41	Transfer from Pensions Reserve (IAS19)	-	-	-	(55,323)	(55,323)	-
42	Interest on Revenue Balances	-	-	-	(500,000)	(500,000)	-
43	OTHER BUDGETARY ISSUES	-	-	-	1,300,000	1,539,000	(239,000)
44	Non-Service Specific	-	-	-	-	(1,161,000)	1,161,000
45	Transfer to Reserves - restructuring and other approved reserve movements	-	-	-	1,300,000	1,300,000	-
46	Restatement of balances - 15-16 budget gap	-	-	-	-	1,400,000	(1,400,000)
47	Removal of Gross Central Department Budgets (included within above)	-	-	-	(47,680,710)	(47,680,710)	-
48	Reversal of Capital Charge (included within above)	-	-	-	-	-	-
49	TOTAL EXPENDITURE	363,378,042	358,789,805	4,588,237	758,332,512	753,115,608	5,217,004
50	SOURCES OF FUNDING	-	-	-	758,332,512	758,332,512	-
51	Aggregate External Finance	-	-	-	628,207,000	628,207,000	-
51	Council Tax	-	-	-	124,012,512	124,012,512	-
52	Use of Balances	-	-	-	5,400,000	5,400,000	-
53	Teacher Funding	-	-	-	713,000	713,000	-
54	SURPLUS (DEFICIT)	363,378,042	358,789,805	4,588,237	(0)	5,217,006	5,217,004
55	HOUSING REVENUE ACCOUNT	(17,230,497)	(17,844,282)	613,785	-	(1,492,000)	1,492,000

North Lanarkshire Council
Use of Earmarked Resources – Former One-Off Growth Items Carried Forward

Appendix 4

	Total Growth	YTD Spend	Projected Spend	Presently Unutilised
	£000	£000	£000	£000
1. Health & Wellbeing	1,722	744	1,372	350
Food Poverty	722	40	372	350
Parks and Sports Pitches	1,000	704	1,000	0
2. Regeneration	4,606	2,551	4,261	345
Improving Community Access	835	335	835	0
Street Lighting Programme	150	0	150	0
Unemployed Young People	1,700	1,597	1,700	0
Local Area Partnerships	1,411	609	1,306	105
Reduce Carbon Footprint and Fuel Poverty	260	10	260	0
Air Quality Traffic Management	250	0	10	240
3. Service and People First	5,671	626	5,671	0
Change Management Fund	5,671	626	5,671	0
Totals	11,999	3,921	11,304	695

North Lanarkshire Council
Anticipated Commitments – Earmarked Reserves

Appendix 5

	<u>Reserve Total</u>	<u>Projected Spend</u>
<u>Change Management Fund</u>	£8.355m	£8.355m
<p>The change management fund of £8.355m is fully committed, but will be enhanced by the value of the 2014-15 surplus (£11.399m) and thereafter directed to support costs arising from the implementation of 2016-17 to 2017-18 savings plans.</p>		
<u>Youth Investment & CPP Programme</u>	£3.388m	£3.015m
<p>Spend of £0.731m is expected through the CPP funded wage subsidy project, with a further £2.284m representing year 3 commitments to youth employment programmes. As outlined in paragraph 3.1.6 above, £0.373m of these reserve resources are now assessed as being no longer required for the originally intended purposes</p>		
<u>School DMR Carry Forward/ICT Refresh Fund</u>	£3.330m	£3.228m
<p>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. It is projected this fund will be close to full spend.</p>		
<u>Waste Management Fund</u>	£3.086m	£2.824m
<p>During 2015-16, spend of approximately £2.824m is envisaged against the fund reflecting on-going maintenance at Auchinlea landfill site, recycling initiatives and contributions towards the Clyde Valley Residual Waste Project</p>		
<u>Winter & Summer Maintenance Works</u>	£2.500m	£1.250m
<p>Spend on essential carriageway/footway resurfacing and lighting works to help achieve steady state road investment will result in full spend of the Summer Maintenance reserve (£1.250m). As yet there are no commitments against the Winter reserve.</p>		
<u>Regeneration Programmes</u>	£1.003m	£1.003m
<p>Approved contributions towards City Deal, CCEC and the Work Programme are currently anticipated to fully spend this financial year.</p>		
<u>Dilapidations</u>	£0.750m	£0.610m
<p>Dilapidations may be required to properties such as the contact centre, Emma Jay Road and King Street, Wishaw before the end of this financial year.</p>		
<u>Welfare Reform</u>	£0.774m	£0.724m
<p>Per the <i>DHP: Update</i> report to Policy & Resources (Finance & Customer Services) sub-committee of September 2015, £0.437m of this reserve has been approved to support the shortfall in respect of DHP awards which are outwith the bedroom tax. When combined with the continued funding of Scottish Welfare Fund posts to March 2016 (£0.287m), unused resources total £0.050m</p>		