

**NORTH LANARKSHIRE COUNCIL
REPORT**

To: POLICY & RESOURCES (FINANCE & CUSTOMER SERVICES) SUB-COMMITTEE		Subject: REVENUE MONITORING REPORT 01.04.15 – 08.01.16 PERIOD 10 COUNCIL SUMMARY
From: HEAD OF FINANCIAL SERVICES		
Date: 3 FEBRUARY 2016	Ref: AC/PH/KH	

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's revenue budget for 2015-16 has increased to £760.080m to reflect Scottish Government redeterminations regarding Free School Meals (£0.061m), Developing the Young Workforce (£0.352m) and the teacher induction scheme (£1.334m). As at period 10 ending 8 January 2016, a year-end surplus of £10.414m is envisaged, and is largely reflective of:

- Underspends in employee costs (£9.580m);
- Balance sheet review of former skillseekers and Community Planning Partnership funding (£0.982m);
- Underspends within Office Accommodation (£0.356m);
- Anticipated savings in external interest payments (£0.665m);
- Underspends within care homes (£0.942m);
- Overspends related to Equipment and Adaptations (£0.925m);
- Overspends within Supported Living (£0.243m);
- Non-receipt of Scottish Government teacher numbers redetermination (£0.713m);
- One-off budget funding as approved in March 2015 (£1.400m)

2.2. The projected surplus represents a favourable movement of £5.198m from period 7. This primarily reflects additional employee cost savings across the Council, additional resources from NHS Lanarkshire noted below and an anticipated increase in the level of income generated from works placed through the Council's strategic partnerships.

2.3. As previously reported, Housing & Social Work Services were liaising with NHS Lanarkshire to secure additional support for cost pressures. As at period 10, £2.233m of NHS Lanarkshire funding has been provided to offset cost pressures within home support, equipment and adaptations and Self Directed Support. However, the NHS package includes an agreed contribution of £0.700m towards capitalised equipment overspends. In order to accommodate this requirement, Housing & Social Work Services Committee of 4 February 2016 approved a non-recurring virement request, which is reflected within these reported figures.

2.4. The final year of the Council's approved-three year savings package incorporates savings of around £14.1m. Services anticipate £13.825m (97.7%) of approved proposals are achievable. Realistic alternatives have been identified by Services to bridge the £0.314m savings gap.

3. Analysis of Significant Variations

3.1. Appendices 2 and 3 illustrate Services' projected year-end financial positions. The key points to note regards service outturns include:

- 3.1.1. Learning and Leisure Services is reporting a surplus of £5.109m due to savings arising within the area of employee costs – primarily lower than anticipated demand for 2 year old early education provision combined with a reduction in average teacher salaries - provision of early years' service above the statutory entitlement and reduced catering costs.
- 3.1.2. Regeneration and Environmental Services is reporting a year end surplus of £1.957m, primarily due to vacancy savings across the Service, transport/travel cost savings and food costs within Facility Support. This surplus largely arises from a freeze on recruitment and non essential spend, delays in seasonal recruitment and contract efficiencies within waste disposal costs. An anticipated under-recovery within roads design fee overheads partially offsets the overall surplus.
- 3.1.3. Corporate Services is projecting a combination of employee cost savings (£0.689m), increased licensing fee income (£0.117m), reductions in Office Accommodation rent and utility costs (£0.356m) and energy efficiency measures/Carbon Reduction payment (£0.092m) will lead to a year-end surplus of £1.359m.
- 3.1.4. Finance and Customer Services is projecting a year-end surplus of £1.213m will arise from additional staff turnover savings and a variety of non-recurring savings, including DWP income, Scottish Water collection commission and net recovery of £0.112m within Housing Benefits overpayments.
- 3.1.5. Housing and Social Work Services is projecting a surplus of £0.710m, a favourable movement of £2.284m from period 7 which largely reflects management action combined with additional NHS Lanarkshire contributions towards home support, equipment and adaptations and Self Directed Support cost pressures. The overall surplus also reflects anticipated care homes underspends (£0.942m) and income over-recoveries in respect of resource transfer inflationary uplift (£0.523m) being partially offset by increased demand for Supported Living Services (£0.243m), Equipment and Adaptations (£0.925m) and agency fees incurred from covering vacancies in essential technical design posts.
- 3.1.6. Due to an underspend in materials within Fleet Operations, the Trading Account is projecting a year-end surplus of £0.032m.
- 3.1.7. Continued prudent management of the Council's Treasury Activities results in a projected year end surplus of £0.665m.
- 3.1.8. As previously advised, amounts held within the balance sheet and reserves for skillseekers (£0.609m) and ERDF payback (£0.373m) respectively are assessed as no longer being required for those purposes and have thus been included within the overall general fund surplus.
- 3.1.9. As outlined in previous reports, the year-end surplus recognises the Policy & Resources Committee decision (17 September 2015) to contribute £0.050m to the St. Andrew's Hospice (Lanarkshire) Refurbishment Appeal.

3.1.10. Works of around £35m are currently projected for delivery through the Repairs and Maintenance contract with Mears Scotland LLP by March 2016. With the Council receiving partnership income equivalent to 6.28% of turnover, and a minimum turnover of £26.5m required to deliver budgeted income, additional returns of £0.550m are currently expected from this contract.

3.1.11. 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.

3.1.12. The Scottish Government Draft Budget announcement of December 2015 confirmed councils who did not maintain numbers or the teacher pupil ratio will not receive a share of the additional £10m previously announced for this purpose. Due to a level of teacher vacancies on the day of the census the Council (like 9 other Councils in Scotland) was unable to fully reflect teacher numbers on that day. As a consequence the Council did not receive the anticipated funding of £0.713m.

4. Approved Use of Earmarked and One-off Resources

4.1. 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).

4.2. Appendix 4 illustrates services anticipate that £10.226m (85.2%) of the one-off resources brought forward to mitigate against challenges facing communities (£11.999m) will be utilised in this financial year. The most significant area of unused funding sits within ICT investment, which is currently envisaged will complete by July 2016, next financial year.

4.3. As stated above, general fund earmarked reserves total £28.904m. Appendix 5 illustrates £25.712m of commitments are anticipated against earmarked funds this financial year.

5. Risks and Uncertainty

5.1. 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.

5.2. Reflecting the risk analysis matrix included within the Risk Management Strategy, scope exists for conclusion of the agreed Equal Pay assessment process currently underway to have an impact of the Council's 2015-2016 financial outcome.

6. Analysis of Employee Cost Budgets

6.1. 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 £9.580m, a favourable movement of £3.282m from the previously reported period 7 position. This largely reflects the increased savings within Learning and Leisure Services and Housing and Social Work Services referenced earlier.

7. Housing Revenue Account

7.1. A reduction in capital programme operational costs decreased the level of capital funded from current revenue to largely produce a favourable movement of £0.386m from the reported period 7 position. The overall year end-surplus of £1.878m also reflects over-recoveries of rental income, savings in void rent loss and a reduction in loans fund interest rates.

7.2. In accordance with the current budget strategy, the projected over-recovery in temporary accommodation rental income (£0.890m) will be earmarked to mitigate against the impact of Welfare Reform.

8. Recommendations

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

A handwritten signature in black ink, appearing to be 'BM' with a large flourish.

Head of Financial Services

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

Revenue Budget Summary - 2015-16
Projected Outturn – Period 10 – ending 8 January 2016

Appendix 1

	Annual Budget £000	Projected Outturn £000	Period 10 Variance £000	Period 7 Variance £000	Movement £000
Expenditure					
Net Service Expenditure	760,080	748,953	11,127	5,216	+5,911
Income					
Aggregate External Finance	629,955	629,955	-	-	-
Local Tax Collection	124,013	124,013	-	-	-
Use of Balances	5,400	5,400	-	-	-
Teacher Funding	713	-	-713	-	-
Projected Variance: Surplus/(deficit) at 31 March 2016	<i>Nil</i>	10,414	10,414	5,216	+5,198

Revenue Budget Summary – 2015-16
Projected Outturn – Period 10 – ending 8 January 2016

Appendix 2

Service	P7 Outturn		P10 Outturn		Movement
	<i>£m</i>		<i>£m</i>		
Learning & Leisure Services	3.395	Surplus	5.109	Surplus	+1.714
Regeneration & Environmental Services	1.082	Surplus	1.957	Surplus	+0.875
Corporate Services	1.040	Surplus	1.359	Surplus	+0.319
Finance & Customer Services	1.043	Surplus	1.213	Surplus	+0.170
Housing & Social Work Services	1.574	Deficit	0.710	Surplus	+2.284
External Trading Activity	-	Break-even	0.032	Surplus	+0.032
Chief Executive's Office	-	Break-even	-	Break-even	-
Joint Boards	-	Break-even	-	Break-even	-
Executive Services Total	4.986	Surplus	10.380	Surplus	+5.394
Savings in Financing Costs	0.469	Surplus	0.665	Surplus	+0.196
Balance Sheet Review	1.211	Surplus	0.982	Surplus	-0.229
Strategic Partnerships	-	Break-even	0.550	Surplus	+0.550
St Andrew's Hospice Contribution	0.050	Deficit	0.050	Deficit	-
2015/16 Budget Shortfall	1.400	Deficit	1.400	Deficit	-
Additional Teacher Numbers Grant	-		0.713	Less	-0.713
Total	5.216	Surplus	10.414	Surplus	+5.198

NORTH LANARKSHIRE COUNCIL
SUMMARY OF FINANCIAL REPORT FOR PERIOD ENDING 8TH JANUARY 2016 (PERIOD 10)

LINE NO.	SERVICE ACCOUNT (1)	BUDGET TO DATE	ACTUAL TO DATE	VARIANCE TO DATE	ANNUAL BUDGET	PROJECTED OUTTURN	PROJECTED VARIANCES
		(2)	(3)	(4)	(5)	(6)	(7)
		£	£	£	£	£	£
1.	ENVIRONMENTAL SERVICES	68,266,472	65,219,277	3,047,195	106,090,847	104,133,586	1,957,261
2	Directorate & Support	3,384,774	3,289,862	94,912	-	(92,434)	92,434
3	Environment & Estates	35,587,214	34,364,783	1,222,431	49,555,596	49,121,662	433,934
4	Facility Support	139,194	(1,445,904)	1,585,098	1,157,655	182,645	975,010
5	Planning & Regeneration	10,811,358	10,494,540	316,818	17,331,573	17,127,322	204,251
6	Roads & Transportation	13,894,955	14,063,256	(168,301)	31,423,293	31,331,256	92,037
7	Protective Services	4,448,977	4,452,740	(3,763)	6,622,730	6,463,135	159,595
8	LEARNING AND LEISURE	287,828,629	283,354,665	4,473,964	411,845,658	406,837,057	5,108,601
9	Early Years	14,612,490	14,612,490	-	19,854,458	19,854,458	-
10	Primary Schools	90,368,280	90,368,280	-	125,677,413	125,677,413	-
11	Secondary Schools	83,498,973	83,498,973	-	114,396,608	114,396,608	-
12	Special Schools	11,397,739	11,397,739	-	16,133,932	16,133,932	-
13	Resources	37,701,727	36,142,226	1,559,501	62,288,605	60,197,400	2,091,205
14	Standards & Inclusion	16,269,785	13,489,241	2,780,544	24,548,237	21,728,557	2,819,680
15	Skills & Lifelong Learning	33,979,635	33,845,716	133,919	49,046,405	48,848,689	197,716
16	POLICY & RESOURCES (FINANCE)	40,501,407	39,242,078	1,259,329	65,739,267	64,526,506	1,212,761
17	Finance (including Hsg and Council tax benefits)	40,501,407	39,242,078	1,259,329	65,739,267	64,526,506	1,212,761
18	CORPORATE SERVICES	17,529,524	16,152,373	1,377,151	25,057,418	23,698,418	1,359,000
19	Democratic & Legal Services	4,172,330	3,589,138	583,192	5,411,440	4,706,440	705,000
20	Corporate Property & Procurement	12,298,328	11,432,549	865,779	18,007,934	17,455,934	552,000
21	Human Resources	1,058,866	1,130,686	(71,820)	1,638,044	1,536,044	102,000
22	HOUSING & SOCIAL WORK SERVICES	130,947,258	129,780,066	1,167,192	188,703,631	187,993,243	710,388
23	Housing - Non HRA	8,348,928	8,074,170	274,758	10,266,379	10,014,379	252,000
24	Social Work	122,598,330	121,705,896	892,434	178,437,252	177,978,864	458,388
25	JOINT BOARDS	10,717,957	10,588,152	129,805	14,494,745	14,494,745	-
26	Lanarkshire Valuation Joint Board	1,248,445	1,118,640	129,805	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	1,612,609	1,531,747	80,862	2,196,460	2,196,460	-
33	Corporate and Performance	1,612,609	1,531,747	80,862	2,196,460	2,196,460	-
34	PPP/TRADING SURPLUSES	(770,970)	(840,462)	69,492	(1,796,277)	(2,378,423)	582,146
35	PPP Contributions *	-	-	-	(1,650,000)	(2,200,000)	550,000
36	Trading Accounts	(770,970)	(840,462)	69,492	(146,277)	(178,423)	32,146
37	GENERAL FUND SERVICES	556,632,886	545,027,896	11,604,990	812,431,749	801,501,592	10,930,157
38	FINANCING COSTS	-	-	-	(5,424,520)	(6,089,520)	665,000
39	Reversal of Capital Charge	-	-	-	(48,804,066)	(48,804,066)	-
40	Loan Charges	-	-	-	43,934,869	43,269,869	665,000
41	Transfer from Pensions Reserve (IAS19)	-	-	-	(55,323)	(55,323)	-
42	Interest on Revenue Balances	-	-	-	(500,000)	(500,000)	-
43	OTHER BUDGETARY ISSUES	-	-	-	784,541	1,252,541	(468,000)
44	Non-Service Specific	-	-	-	-	(932,000)	932,000
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	Pay Award	-	-	-	(515,459)	(515,459)	-
48	Removal of Gross Central Department Budgets (included within above)	-	-	-	(47,711,305)	(47,711,305)	-
49	Reversal of Capital Charge (included within above)	-	-	-	-	-	-
50	TOTAL EXPENDITURE	556,632,886	545,027,896	11,604,990	760,080,465	748,953,308	11,127,157
51	SOURCES OF FUNDING	-	-	-	760,080,465	759,367,465	713,000
52	Aggregate External Finance	-	-	-	629,954,953	629,954,953	-
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)	556,632,886	545,027,896	11,604,990	(0)	10,414,159	10,414,157
55	HOUSING REVENUE ACCOUNT	(30,179,131)	(30,789,443)	610,312	-	(1,878,927)	1,878,927

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	1,072	1,372	350
Food Poverty	722	72	372	350
Parks and Sports Pitches	1,000	1000	1,000	0
2. Regeneration	4,606	3,083	4,275	331
Improving Community Access	835	488	835	0
Street Lighting Programme	150	0	150	0
Unemployed Young People	1,700	1,700	1,700	0
Local Area Partnerships	1,411	820	1,320	91
Reduce Carbon Footprint and Fuel Poverty	260	75	260	0
Air Quality Traffic Management	250	0	10	240
3. Service and People First	5,671	1,043	4,579	1,092
Change Management Fund	5,671	1,043	4,579	1092
Totals	11,999	5,198	10,226	1,773

North Lanarkshire Council
Anticipated Commitments – Earmarked Reserves

Appendix 5

	<u>Approved Reserve Total</u>	<u>Projected Spend</u>
<u>Change Management Fund</u>	£8.355m	£8.355m
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.		
<u>Community Planning Partnership</u>	£1.103m	£0.730m
Covers a range of programmes including European funded elements such as wage subsidy project which have significant grant conditions. These programmes are kept under ongoing review with £0.373m identified as being no longer required.		
<u>School DMR Carry Forward/ICT Refresh Fund</u>	£3.330m	£3.228m
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.		
<u>Waste Management Fund</u>	£2.686m	£2.367m
During 2015-16, spend of approximately £2.367m is envisaged against the earmarked fund reflecting on-going maintenance at Auchinlea landfill site, recycling initiatives and contributions towards the Clyde Valley Residual Waste Project. Approximately £0.400m of this reserve was identified as being no longer required for the originally intended purpose and was therefore re-allocated to fund works at Fleming House.		
<u>Winter & Summer Maintenance Works</u>	£2.500m	£1.250m
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.		
<u>Approved c/f of SC21 Balances</u>	£2.000m	£2.000m
Approved as one-off assistance to the revenue budget for 2015/16.		
<u>Youth Investment Programme</u>	£2.284m	£2.284m
Carry forward of cumulative underspends on the Council's increased investment in youth employment. Full balance is required to complete the programmes currently in place.		
<u>Welfare Reform</u>	£0.774m	£0.724m
Per 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.		
<u>Other</u>	£5.872m	£4.774m
Includes support for Early Years, City Deal, excess insurance costs in respect of St Dominic's Primary School in Airdrie, dilapidations, late grant redeterminations for 1+2 Languages and Developing the Young Workforce and the fund transfer in respect of works at Fleming House noted above.		