

**NORTH LANARKSHIRE COUNCIL
REPORT**

To: POLICY & RESOURCES (FINANCE & CUSTOMER SERVICES) SUB-COMMITTEE		Subject: REVENUE MONITORING REPORT
From: HEAD OF BUSINESS FOR FINANCIAL SOLUTIONS		01.04.15 – 04.03.16 PERIOD 12
Date: 15 APRIL 2016	Ref: 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's revenue budget for 2015-16 has increased to £760.637m reflecting Scottish Government redeterminations of £0.557m. As at period 12 ending 4 March 2016, a year-end surplus of £13.959m is envisaged, and is largely reflective of:

- Underspends in employee costs (£10.220m);
- Underspends within care homes (£0.997m);
- Balance sheet review of former skillseekers and Community Planning Partnership funding (£0.932m);
- Over-recovery of resource transfer inflationary uplift (£0.712m);
- Anticipated savings in external interest payments (£0.665m);
- Additional returns from the Repairs and Maintenance Contract (£0.550m);
- Anticipated savings within Sectional Payments budget (£0.430m);
- Underspends within Office Accommodation (£0.243m);
- One-off budget funding as approved in March 2015 (£1.400m)
- Non-receipt of Scottish Government teacher numbers redetermination (£0.713m) and;
- Overspends related to Equipment and Adaptations (£0.491m).

2.2. The projected surplus represents a favourable movement of £3.545m from period 10. This primarily reflects additional resources from NHS Lanarkshire noted below, further savings within Housing and Social Work's payment to other bodies and additional employee cost savings across the Council.

2.3. The projected outturn position of £13.959m fully reflects NHS Lanarkshire support (£2.233m) previously reported in respect of social work revenue and capital cost pressures. This report does not however include any provision for costs which may arise following the conclusion of the Equal Pay assessment process currently underway.

2.4. The final year of the Council's approved-three year savings package incorporates savings of around £14.1m. Services anticipate £13.825m (97.8%) 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 £5.362m. The major area of under-spend rests within the area of employee costs, and primarily reflects lower than anticipated staff costs to support demand for 2-year old education provision and further staff savings linked to a reduction in average teacher salaries, additional support for the probationer scheme and vacancies in non-school posts. Further savings are also expected from the base budget review of catering services (£0.5m). However, these savings are partially offset by continued high demand for ASN assistants, ASN transport and Primary 5/Play scheme transport costs.
- 3.1.2. Housing and Social Work Services is projecting a surplus of £3.531m, a favourable movement of £2.821m from period 10 primarily due to positive movements in payments to other bodies (predominately Independent Care Homes, Sectional Payments, Private Sector Housing Grants and Self-Directed Support/Direct Payments), employee costs, transport costs, and an over-recovery of income. The overall surplus reflects a number of anticipated underspends within employee costs (£1.001m), transport costs (£0.411m), care homes (£0.997m), sectional payments (£0.430m), independent home care (£0.269m) and Direct Payments (£0.184m). These underspends alongside projected over-recovery of resource transfer inflationary uplift (£0.712m) are partially offset by increased demand for Equipment and Adaptations and Community Alarms (£0.491m), Private Sector Housing Grants (£0.452m) and agency fees incurred from covering vacancies in essential technical design posts.
- 3.1.3. Regeneration and Environmental Services is reporting a year end surplus of £2.350m, largely arising from vacancy savings across the Service following a freeze on recruitment and delays in seasonal recruitment, transport/travel cost savings and food costs within Facility Support. Anticipated under-recoveries within roads design fees and fleet charges partially offset the overall surplus.
- 3.1.4. Corporate Services is projecting a combination of employee cost savings (£0.971m), reductions in Office Accommodation rent and utility costs (£0.243m) and energy efficiency measures/Carbon Reduction payment (£0.092m) will lead to a year-end surplus of £1.260m.
- 3.1.5. Finance and Customer Services is projecting a year-end surplus of £1.218m will arise from additional staff turnover savings and a variety of non-recurring savings, including DWP income and Scottish Water collection commission.
- 3.1.6. The Trading Account is projecting a combination of under spends in Fleet Operations materials, Waste Management transport and gate fees and increased income for the uplift of trade waste will result in a year-end surplus of £0.151m.
- 3.1.7. The Chief Executive's Office is reporting a surplus of £0.053m as a result of savings in employee costs and an over-recovery of income from the Scottish Government to fund a seconded post.
- 3.1.8. Members will note the Council previously approved utilisation of up to £0.250m of its Welfare Reform reserve to support Discretionary Housing Payment non-spare room subsidy awards, currently totalling £0.358m.
- 3.1.9. Amounts held within the balance sheet and reserves for skillseekers (£0.609m) and ERDF payback (£0.373m) respectively were assessed as no longer being

required for those purposes and have thus been included within the overall general fund surplus.

3.1.10. Continued prudent management of the Council's Treasury Activities results in a projected year end surplus of £0.665m.

3.1.11. The year-end surplus continues to recognise the Policy & Resources Committee decision (17 September 2015) to contribute £0.050m to the St. Andrew's Hospice (Lanarkshire) Refurbishment Appeal.

3.1.12. As previously reported, estimated works totalling £35m are expected to generate additional returns of £0.550m from the Repairs and Maintenance contract with Mears Scotland LLP.

3.1.13. 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.

3.1.14. As outlined in the last report to committee in March, the Council did not maintain numbers or the teacher pupil ratio, and therefore did not receive the anticipated Scottish Government funding of £0.713m in 2015/16.

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 £8.662m (72.2%) 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 programmed to complete by December 2016. The remaining funding of £2.596m is therefore requested for carry forward into 2017/18 to enable completion of all planned projects.

4.3. As stated above, general fund earmarked reserves total £28.904m. Appendix 5 illustrates £22.320m of commitments are currently anticipated against earmarked funds this financial year. At its meeting of 25th February 2016, the Council decided that the £1.250m Winter Maintenance reserve and £0.662m from the £12m contingency reserve be used to support the 2016-17 budget position. Any underspends arising during 2016-2017 will therefore be earmarked in the first instance towards replenishment of the approved contingency reserve.

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. All services are currently achieving individual turnover targets, with employee costs across the Council projected to under spend by £10.220m, a favourable movement of £0.640m from period 10 which primarily reflects increased savings in Housing and Social Work Services as detailed in section 3.

7. Housing Revenue Account

7.1. The Housing Revenue account is projected to achieve an overall year end-surplus of £2.770m, a favourable movement of £0.892m from period 10 as a result of savings within housing repairs, reductions in void rent loss and increased over-recovery of temporary accommodation rental income. The surplus also reflects a reduction in loans fund interest rates and a reduced requirement for CFCR as a result of reduced capital programme operational costs.

7.2. In accordance with the current budget strategy, the projected over-recovery in temporary accommodation rental income (£1.210m) will be earmarked to mitigate against the impact of Welfare Reform.

8. Recommendations

8.1. Members are asked to:

- a. note the contents of this report;
- b. earmark the unused ICT investment funding of £2.596m detailed in paragraph 4.2 above.



HEAD OF BUSINESS FOR FINANCIAL SOLUTIONS

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 12 – ending 4 March 2016

Appendix 1

	Annual Budget £000	Projected Outturn £000	Period 12 Variance £000	Period 10 Variance £000	Period 10 Movement £000
Expenditure					
Net Service Expenditure	760,637	745,965	14,672	11,127	+3,545
Income					
Aggregate External Finance	630,512	630,512	-	-	-
Local Tax Collection	124,012	124,012	-	-	-
Use of Balances	5,400	5,400	-	-	-
Teacher Funding	713	-	-713	-713	-
Projected Variance: Surplus/(deficit) at 31 March 2016	<i>Nil</i>	13,959	13,959	10,414	+3,545

Revenue Budget Summary – 2015-16
Projected Outturn – Period 12 – ending 4 March 2016

Appendix 2

Service	P10 Outturn £m		P12 Outturn £m		P10 Movement (£m)
Learning & Leisure Services	5.109	Surplus	5.362	Surplus	+0.253
Housing & Social Work Services	0.710	Surplus	3.531	Surplus	+2.821
Regeneration & Environmental Services	1.957	Surplus	2.350	Surplus	+0.393
Corporate Services	1.359	Surplus	1.260	Surplus	-0.099
Finance & Customer Services	1.213	Surplus	1.218	Surplus	+0.005
External Trading Activity	0.032	Surplus	0.151	Surplus	+0.119
Chief Executive's Office	-	Break-even	0.053	Surplus	+0.053
Joint Boards	-	Break-even	-	Break-even	-
Executive Services Total	10.380	Surplus	13.925	Surplus	+3.545
Savings in Financing Costs	0.665	Surplus	0.665	Surplus	-
Balance Sheet Review	0.982	Surplus	0.982	Surplus	-
Strategic Partnerships	0.550	Surplus	0.550	Surplus	-
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	Less	-
Total	10.414	Surplus	13.959	Surplus	+3.545

NORTH LANARKSHIRE COUNCIL
SUMMARY OF FINANCIAL REPORT FOR PERIOD ENDING 4TH MARCH 2016 (PERIOD 12)

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	91,424,684	87,731,596	3,693,088	105,200,593	102,850,303	2,350,290
2	Directorate & Support	3,424,297	3,330,164	94,133	-	(136,826)	136,826
3	Environment & Estates	43,208,873	42,223,305	985,568	49,447,415	49,095,797	351,618
4	Facility Support	(1,198,519)	(2,468,801)	1,270,282	256,163	(1,000,112)	1,256,275
5	Planning & Reeneration	12,891,759	12,780,170	111,589	17,080,301	16,670,310	409,991
6	Roads & Transportation	27,926,747	26,635,175	1,291,572	31,586,119	31,553,614	32,505
7	Protective Services	5,171,527	5,231,583	(60,056)	6,830,595	6,667,520	163,075
8	LEARNING AND LEISURE	349,411,805	345,542,545	3,869,260	412,737,365	407,375,220	5,362,145
9	Early Years	17,920,915	17,920,915	-	20,021,726	20,021,726	-
10	Primary Schools	111,933,266	111,933,266	-	127,353,544	127,353,544	-
11	Secondary Schools	101,744,789	101,744,789	-	114,965,516	114,965,516	-
12	Special Schools	14,055,484	14,055,484	-	16,195,410	16,195,410	-
13	Resources	43,551,674	42,754,231	797,443	60,966,586	58,894,818	2,071,768
14	Standards & Inclusion	19,744,888	16,557,654	3,187,234	24,237,043	20,797,879	3,439,164
15	Skills & Lifelong Learning	40,460,789	40,576,206	(115,417)	48,997,540	49,146,327	(148,787)
16	POLICY & RESOURCES (FINANCE)	51,610,434	49,974,489	1,635,945	66,296,267	65,078,628	1,217,639
17	Finance (including Hsg and Council tax benefits)	51,610,434	49,974,489	1,635,945	66,296,267	65,078,628	1,217,639
18	CORPORATE SERVICES	20,659,592	19,161,168	1,498,424	25,072,588	23,811,921	1,260,667
19	Democratic & Legal Services	4,836,662	4,128,356	708,306	5,408,516	4,713,914	694,602
20	Corporate Property & Procurement	14,378,457	13,698,486	679,971	18,026,028	17,563,339	462,689
21	Human Resources	1,444,473	1,334,326	110,147	1,638,044	1,534,668	103,376
22	HOUSING & SOCIAL WORK SERVICES	163,604,322	160,278,201	3,326,121	188,787,624	185,256,547	3,530,977
23	Housing - Non HRA	10,198,193	9,762,996	435,197	10,276,530	9,872,530	404,000
24	Social Work	153,406,129	150,515,205	2,890,924	178,510,994	175,384,017	3,126,977
25	JOINT BOARDS	14,292,626	14,292,626	-	14,494,745	14,494,745	-
26	Lanarkshire Valuation Joint Board	1,716,610	1,716,610	-	1,917,665	1,917,665	-
27	Strathclyde Joint Police Board	-	-	-	-	-	-
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	POLICY & RESOURCES	1,917,321	1,856,707	60,614	2,196,460	2,143,609	52,851
33	Corporate and Performance	1,917,321	1,856,707	60,614	2,196,460	2,143,609	52,851
34	PPP/TRADING SURPLUSES	(714,430)	(974,566)	260,136	(1,796,793)	(2,497,618)	700,825
35	PPP Contributions *	-	-	-	(1,650,000)	(2,200,000)	550,000
36	Trading Accounts	(714,430)	(974,566)	260,136	(146,793)	(297,618)	150,825
37	GENERAL FUND SERVICES	692,206,354	677,862,766	14,343,588	812,988,749	798,513,355	14,475,394
38	FINANCING COSTS	-	-	-	(5,424,520)	(6,089,520)	666,000
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)	-	-	-	-	-	-
60	TOTAL EXPENDITURE	692,206,354	677,862,766	14,343,588	760,637,465	745,965,071	14,672,394
61	SOURCES OF FUNDING	-	-	-	760,637,465	759,924,465	713,000
62	Aggregate External Finance	-	-	-	630,511,953	630,511,953	-
61	Council Tax	-	-	-	124,012,512	124,012,512	-
62	Use of Balances	-	-	-	5,400,000	5,400,000	-
63	Teacher Funding	-	-	-	713,000	-	713,000
54	SURPLUS (DEFICIT)	692,206,354	677,862,766	14,343,588	(0)	13,959,396	13,959,394
55	HOUSING REVENUE ACCOUNT	(31,945,748)	(33,133,657)	1,187,909	-	(2,769,927)	2,769,927

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	1,244	1,372	350
Food Poverty	722	244	372	350
Parks and Sports Pitches	1,000	1000	1,000	0
2. Regeneration	4,606	3,589	4,215	391
Improving Community Access	835	688	775	60
Street Lighting Programme	150	150	150	0
Unemployed Young People	1,700	1,700	1,700	0
Local Area Partnerships	1,411	936	1,320	91
Reduce Carbon Footprint and Fuel Poverty	260	115	260	0
Air Quality Traffic Management	250	0	10	240
3. Service and People First	5,671	1,135	3,075	2,596
Change Management Fund	1,660	0	1,660	0
ICT Investment	4,011	1,135	1,415	2,596
Totals	11,999	5,968	8,662	3,337

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 existing change management fund of £8.355m is fully committed, but will be enhanced by the value of the 2014-15 surplus (£11.399m). As previously approved, this will be directed to support costs arising from the implementation of 2016-17 and beyond savings plans.		
<u>Community Planning Partnership</u>	£1.103m	£0.000m
This reserve operates in addition to recurring service funding in respect of European Funded and wage subsidy programmes. It is available to fund potential programme overspends and claw back of previously received grant funding. A recent review of services' existing commitments against recurring revenue resources indicates a low likelihood of reserve balances being required this financial year. Services may therefore request these sums be carried forward to address any uncertainties or challenges in the year ahead.		
<u>School DMR Carry Forward/ICT Refresh Fund</u>	£3.330m	£3.188m
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). With no commitments against the Winter maintenance reserve at Period 11, the Council meeting of 25th February 2016 approved this be used to support overall 2016/17 budget pressures.		
<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	£0.783m
As with CPP above, a recent review of existing commitments against recurring revenue resources and reserve sums carried forward indicates £0.783m of reserve balances will be required this financial year. Services may therefore request these sums be carried forward to address any uncertainties or challenges in the year ahead.		
<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	£3.653m
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.		