

**NORTH LANARKSHIRE COUNCIL
REPORT**

To: POLICY & RESOURCES (FINANCE & CUSTOMER SERVICES) SUB-COMMITTEE		Subject: REVENUE MONITORING REPORT
From: HEAD OF BUSINESS FOR FINANCIAL SOLUTIONS		01.04.16 – 06.01.17 PERIOD 10
Date: 6 FEBRUARY 2016	Ref: PH/EK/FC	COUNCIL SUMMARY

1. Purpose of Report

1.1. This report updates Committee on the overall financial position for the General Fund Account and the Housing Revenue Account for the financial year to 31 March 2017. 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 General Fund revenue budget of £732.927m, with the current budget increased to £740.992m as a result of Scottish Government redeterminations of £2.665m and the reflection of approval to increase the contribution to the Joint Integration Board by £5.400m as discussed in paragraph 3.2 below. As outlined in appendix one, a year-end surplus of £8.463m is currently envisaged and is largely reflective of:

- Reduced employee costs (£2.423m)
- Property cost underspends within the school estate (£1.734m)
- Scottish Government Redeterminations (£1.020m)
- Underspends within educational development budgets (£0.807m)
- Reduced loans charges (£0.780m)
- Additional DWP income (£0.506m)
- Carbon Trading Allowances (£0.377m)
- Non-achievement of non-service specific savings (£1.152m)

2.2. The outturn represents a movement of £5.018m from that reported at Period 7, primarily as a result of savings in employee costs, curtailment of non-essential expenditure, reduced utility costs, synergies with grant funded activity and Scottish Government redeterminations.

2.3. The Council approved a one-year savings target of £31.886m on the 25th February 2016. Services currently anticipate £26.466m (83.0%) are achievable with further detail contained in appendix 4 attached. Management action to identify alternative savings is underway and it is envisaged that £4.269m (78.8%) of the unachievable savings will be met with replacement savings. The residual savings balance of £1.152m is unlikely to be achieved.

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:

- Education, Youth and Communities is reporting a year-end surplus of £5.260m, a movement of £3.342m from that reported at period 7. This movement is primarily attributable to further curtailment of non-essential expenditure (£0.866m), lower than anticipated demand for 2 year old childcare (£0.730m), further vacancy and average salary underspends (£0.700m), synergies with

grant funded activity (£0.700m) and utilities underspends (£0.454m). As previously reported, the Service surplus also represents an underspend in employee costs of £1.996m mainly in relation to the above, and £1.734m underspend within property costs (£0.988m at P7) and an underspend of £0.808m in administration costs, again as a result of the curtailment of non-essential expenditure.

- Infrastructure is currently reporting an underspend of £1.125m primarily as a result of vacancy savings (£1.076m), carbon trading allowances (£0.377m), supplies and services (£0.330m) and utilities costs (£0.240m), offset by overspends in overtime (£0.907m). The projection represents a movement of £0.245m from period 7 as a result of further vacancy savings and increased underspends in utilities.
 - The Chief Executive's Service report an underspend of £1.133m, a movement of £0.394m from that reported at Period 7 with the movement primarily being in relation to a change in the employee cost projection to a £0.118m underspend from a £0.058m overspend reported at Period 7. In addition, further income from DWP of £0.085m to alleviate cost pressures and the ongoing impact of welfare reform, and additional grant and other income of £0.135m. The overall position includes total additional DWP funding (£0.506m), an over-recovery of housing benefit overpayments (£0.150m) and other income (£0.146m), and savings on miscellaneous costs (£0.100m).
 - Enterprise and Housing Resources are projecting an underspend of £0.279m mainly due to savings in Private Sector Housing programme and other Payments to Other Bodies (£0.131m) and employee cost savings (£0.253m) primarily in relation to Design technical post vacancies, which are offset by an overspend in administration costs (£0.150m) due to professional fees.
 - The Council's Trading Account continues to report a small underspend (£0.017m) as a result of a reduction in transport and plant costs.
 - Continued prudent management of the Council's borrowing has resulted in a projected year end surplus of £0.780m within loan charges.
 - As previously reported, savings of a corporate nature are considered unlikely to be achieved in the areas of procurement (£0.533m), debt advice (£0.170m) and transformation (£0.449m).
 - Various redeterminations were awarded by the Scottish Government within Finance Circular 9/2016, however Services are not anticipating to reflect the associated spending requirements this financial year. As a consequence £1.020m is available to contribute to the overall Council underspend.
- 3.2. As previously reported, the Policy and Resources (Finance and Customer Services) subcommittee at its meeting on 30th November 2016, approved the allocation of in-year costs of £5.400m from the Council's change management fund on a one off basis for the year 2016/17 to mitigate the impact of regrading of Home Support Workers. This has now been reflected in the budgets shown in Appendix 3.
- 3.3. The Joint Integration Board is now projecting a broadly break even position for 2016/17. There are ongoing cost pressures within home care as a result of increased demand combined with equal pay and living wage pressures. However the JIB has identified one off resources including additional Integrated Care Funding to more than offset these costs this year.

4. Approved Use of Earmarked and One-off Resources

- 4.1. The Council's annual accounts to 31 March 2016 include earmarked resources of £51.664m. This total is inclusive of carried forward one-off support to communities of £4.729m. The largest single element of earmarked resources relates to the Council's Change Management Fund (£25.123m), with significant commitments existing against funds in respect of the schools carry forward (£3.323m) and the Youth Investment

Programme (£2.011m). At this stage of the financial year it is anticipated that £40.693m (78.8%) of reserves will be utilised during 2016/17. Further details are provided in appendix 4.

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 approved Risk Management Strategy, scope exists for conclusion of the agreed Equal Pay assessment process currently underway to have an impact on the Council's 2016/17 financial outcome.

6. Analysis of Employee Cost Budgets

- 6.1. All services currently project to achieve their turnover savings, with overall Council employee costs are projected to underspend by £2.423m primarily as a result of underspends within Education, Youth and Communities (£1.996m), Enterprise and Housing Resources (£0.253m), and Chief Executive's (£0.118m) with minor over and underspends in the remaining services.

7. Housing Revenue Account

- 7.1. The Housing Revenue Account is projecting a year-end surplus of £2.130m an over-recovery of temporary accommodation rental income (£1.520m) and savings in void rent loss (£0.310m) as well as savings in the bad debt provision (£0.450m) and the loans fund rate (£0.220m), partially offset by a reduction in mainstream rental income (£0.320m) as a result of increased Right to Buy applications in advance of the abolition of these sales.
- 7.2. In accordance with the current budget strategy, the projected over-recovery in rental income (£1.520m) 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.



Head of Business for Financial Solutions

Members wishing further information on this report should contact Paul Hughes, on telephone 01698 302235

Revenue Budget Summary - 2016-17
Projected Outturn – Period 10 – ending 6 January 2017

Appendix 1

	Annual Budget £000	Projected Outturn £000	Period 10 Variance £000	Period 7 Variance £000	Period 7 - 10 Movement £000
Expenditure					
Net Service Expenditure	740,992	732,529	8,463	3,445	+5,018
Income					
Aggregate External Finance	607,527	607,527	-	-	-
Local Tax Collection	126,153	126,153	-	-	-
Use of Balances	7,312	7,312	-	-	-
Provisional Outturn: Surplus/(deficit) at 31 March 2016	<i>Nil</i>	8,463	8,463	3,445	+5,018

Revenue Budget Summary - 2016-17
Projected Outturn – Period 10 – ending 6 January 2017

Appendix 2

Service	P7 Outturn £m		P10 Outturn £m		P7 – P10 Movement (£m)
Education Youth and Communities	1.918	Surplus	5.260	Surplus	+3.342
Infrastructure	0.880*	Surplus	1.125	Surplus	+0.245
Chief Executive's Office	0.739	Surplus	1.133	Surplus	+0.394
Enterprise and Housing Resources	0.262	Surplus	0.279	Surplus	+0.017
External Trading Activity	0.017	Surplus	0.017	Surplus	-
Social Work (Non-Integrated)	-	Break-even	-	Break-even	-
Joint Boards	-	Break-even	-	Break-even	-
Executive Services Total	3.817	Surplus	7.814	Surplus	+3.998
Loans Charges	0.780	Surplus	0.780	Surplus	-
Non-Service Specific Savings	(1.152)*	Deficit	(1.152)	Deficit	-
Redeterminations	-	-	1.020	Surplus	+1.020
Total	3.445	Surplus	8.463	Surplus	+5.018

* Note: P7 figures amended per verbal update to CMT to reflect savings of a corporate nature achieved through Infrastructure

Revenue Budget Summary - 2016-17
Projected Outturn – Period 10 – ending 6 January 2017

Appendix 3

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	Education, Youth and Communities	289,331,243	286,085,178	3,246,065	411,265,752	406,006,197	5,259,555
2	Early Years	15,419,603	15,419,603	-	20,997,219	20,997,219	-
3	Primary Schools	94,332,533	94,332,533	-	130,148,914	130,148,914	-
4	Secondary Schools	86,607,319	86,607,319	-	116,377,286	116,377,286	-
5	Special Schools	11,961,969	11,961,969	-	16,880,929	16,880,929	-
6	Skills, Lifelong Learning & Youth Employment	30,632,094	30,618,598	13,496	47,964,771	47,964,771	-
7	Standards & Inclusion	15,562,148	14,128,432	1,433,716	21,530,495	19,692,778	1,837,717
8	Resources	34,815,577	33,016,724	1,798,853	57,366,138	53,944,300	3,421,838
9	Early Years Change Fund	228,341	228,341	-	1,100,000	1,100,000	-
10	Infrastructure	89,291,671	85,343,095	3,948,576	117,041,086	115,915,927	1,125,159
11	Directorate & Support	3,570,277	3,550,078	20,199	4,828,158	4,815,007	13,151
12	Environmental Assets	49,105,960	47,552,800	1,553,160	65,097,382	64,469,683	627,699
13	Regulatory Services and Waste Solutions	22,943,464	22,809,439	134,025	30,576,341	30,179,931	396,410
14	Corporate Property and Procurement	13,671,970	11,430,778	2,241,192	16,539,205	16,451,306	87,899
15	Chief Executive	43,818,382	43,484,323	334,059	69,157,434	68,024,239	1,133,195
16	Directorate & Support	893,169	853,244	39,925	1,244,029	1,142,675	101,354
17	Chief Executives Office	1,647,352	1,699,521	(52,169)	2,350,018	2,279,494	70,524
18	Corporate Communications	660,551	723,840	(63,289)	922,124	957,744	(35,620)
19	Legal & Democratic Solutions	2,588,848	2,348,516	240,332	4,590,375	4,482,668	107,707
20	Organisational & People Solutions	720,484	660,437	60,047	1,351,826	1,213,739	138,087
21	Financial Solutions	1,536,028	1,455,093	80,935	2,154,776	1,943,208	211,568
22	Revenue & E-Government Solutions	32,925,675	32,998,234	(72,559)	46,468,245	46,100,747	367,498
23	Miscellaneous Services	2,846,275	2,745,438	100,837	10,076,041	9,903,964	172,077
24	Enterprise & Housing Resources	14,468,300	14,115,217	353,083	17,592,835	17,313,517	279,318
25	Housing Solutions	5,464,762	5,246,990	217,772	9,105,857	8,938,412	167,445
26	Housing Property	3,883,198	3,775,240	107,958	1,625,168	1,557,544	67,624
27	Planning & Regeneration	5,120,340	5,092,987	27,353	6,861,810	6,817,561	44,249
28	Social Work (non Integrated)	8,139,466	8,134,966	4,500	10,661,804	10,661,804	-
29	Integration Joint Board	106,200,421	106,119,752	80,669	164,342,963	164,342,963	-
30	JOINT BOARDS	9,426,598	9,426,598	-	12,564,850	12,564,850	-
31	Lanarkshire Valuation Joint Board	1,382,085	1,382,085	-	1,887,770	1,887,770	-
32	Strathclyde Partnership for Transport	4,196,599	4,196,599	-	5,595,530	5,595,530	-
33	SPT - Concessionary Travel Scheme	430,914	430,914	-	574,550	574,550	-
34	Improvement Service	3,417,000	3,417,000	-	4,507,000	4,507,000	-
24	PPP/TRADING SURPLUSES	(1,757,546)	(1,822,860)	65,314	(1,909,009)	(1,925,850)	16,841
25	PPP Contributions *	(1,269,231)	(1,269,231)	-	(1,650,000)	(1,650,000)	-
26	Trading Accounts	(488,315)	(553,629)	65,314	(259,009)	(275,850)	16,841
27	GENERAL FUND SERVICES	559,146,876	551,114,610	8,032,266	801,817,715	794,003,647	7,814,068
28	FINANCING COSTS	(13,522,563)	(14,122,563)	600,000	(17,579,331)	(18,359,331)	780,000
29	Reversal of Capital Charge	(46,469,822)	(46,469,822)	-	(60,410,768)	(60,410,768)	-
30	Loan Charges	33,374,431	32,774,431	600,000	43,386,760	42,606,760	780,000
31	Transfer from Pensions Reserve (IAS19)	(42,556)	(42,556)	-	(55,323)	(55,323)	-
32	Interest on Revenue Balances	(384,615)	(384,615)	-	(500,000)	(500,000)	-
33	OTHER BUDGETARY ISSUES	(769,653)	-	(769,653)	(131,549)	-	(131,549)
34	Non-Service Specific	(769,653)	-	(769,653)	(1,151,549)	-	(1,151,549)
35	Excess Redeterminations	784,615	-	784,615	1,020,000	-	1,020,000
36	Removal of Gross Central Department Budgets (included within above)	(33,165,258)	(33,165,258)	-	(43,114,835)	(43,114,835)	-
48	TOTAL EXPENDITURE	511,689,403	503,826,790	7,862,613	740,992,000	732,529,481	8,462,519
49	SOURCES OF FUNDING	-	-	-	740,992,000	740,992,000	-
50	Aggregate External Finance	-	-	-	607,527,000	607,527,000	-
51	Council Tax	-	-	-	126,153,000	126,153,000	-
52	Use of Balances	-	-	-	7,312,000	7,312,000	-
53		-	-	-	-	-	-
55	SURPLUS (DEFICIT)	511,689,403	503,826,790	7,862,613	-	8,462,519	8,462,519
56	HOUSING REVENUE ACCOUNT	(31,873,264)	(33,589,419)	1,716,155	-	(2,130,115)	2,130,115

North Lanarkshire Council
Anticipated Commitments – Earmarked Reserves

Appendix 4

	<u>Approved Reserve Total</u>	<u>Projected Spend</u>
<u>Change Management Fund</u>	£25.123m	£22.272m
<p>The Change Management fund has been updated to include the values of the 2014/15 and 2015/16 surplus (£20.389m). It is projected £17.459m will be utilised this financial year, with the remaining balance to support future commitments. Included within the projected spend is £5.400m in relation to the regrading of home support workers as noted in paragraph 3.2 above, along with the one off costs of £4.813m contained within the recent Workforce Changes report.</p>		
<u>School DMR Carry Forward/ICT Investment Fund</u>	£4.407m	£4.327m
<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.</p>		
<u>Former Growth</u>	£4.729m	£2.819m
<p>Represents carry forward originally approved for use in 2014/15 to support key priorities. Unutilised spend in year relates to Air Quality due to delays in land acquisition and future funding to support the Change Management Fund.</p>		
<u>Winter & Summer Maintenance Works</u>	£2.133m	£1.750m
<p>£1.250m of funding has been approved by Council in February 2016 to support overall 2016/17 budget pressures. The remainder of funding is for summer roads works to support essential investment in carriageways, footways and lighting to achieve steady state investment for roads.</p>		
<u>Youth Investment Programme</u>	£2.011m	£2.011m
<p>The Council has an ambitious Youth Employment initiative which has spanned a number of financial years. Spend in 2015/16 totaled £0.273m, resulting in a carry forward of £2.011m to 2016/17.</p>		
<u>Welfare Reform</u>	£0.890m	£0.494m
<p>Full spend anticipated with regards 2016/17 support for the Scottish Welfare Fund and DHP contribution, with unutilised element representing 2017/18 DHP contribution.</p>		
<u>Other</u>	£12.371m	£7.020m
<p>Includes support for Early Years, City Deal, Business Gateway, excess insurance costs in respect of St Dominic's Primary School in Airdrie and dilapidations.</p>		