

North Lanarkshire Council Report

Finance and Resources Committee

approval noting

Ref PH/FC

Date 27 February 2019

Revenue Monitoring Report Council Summary 1 April to 1 February 2019 (Period 11)

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Executive Summary

This report updates Committee on the overall position for the General Fund Account and the Housing Revenue Account for the financial year to 31 March 2019. The report consolidates the budget monitoring position of all Services, highlighting and explaining major variances as per the Council's approved Financial Regulations.

The Council approved its General Fund Revenue Budget of £756.720m on 23 February 2018. Included within this position were assumptions on a number of items of undistributed funding. Revised assumptions along with additional funding following the issue of Local Government Finance Circulars 4/2018 in March 2018 and 8/2018 in December 2018, bring the reported budget to £740.765m. The Council is currently projecting a surplus of £7.980m against this budget.

In addition, the 2018/19 budget incorporates £20.017m of savings. It is currently anticipated that £15.810m of savings (79%) will be delivered by the financial year-end, with a further £3.035m (15%) in place for the beginning of 2019/20. Alternative measures are in place to deliver the full remaining balance as set out in paragraph 2.5.2.

Recommendations

It is recommended that Committee:

- i. note the financial position of the 2018/19 revenue budget;
- ii. note the contents of this report.

Supporting Documents

Appendix 1	Summary by Division
Appendix 2	Anticipated Commitments – Earmarked Reserves
Appendix 3	Availability of One Off Funds – Change Management Fund

1. Background

1.1. The Council's approved Financial Regulations require Assistant Chief Executives to remain within their approved budgetary provision, and to report all significant deviations - defined as the higher of £100,000 or 5% - within their budget monitoring reports. Where significant deviations are identified, Assistant Chief Executives must provide explanatory commentary, outline the action required to rectify such deviations and where relevant, must also highlight the impact this has on other budget headings.

2. Report

2.1. Summary of Financial Position

2.1.1 The Council approved the Majority Group proposed General Fund Revenue Budget of £756.720m on 23 February 2018. Included within this position is £18.505m of ring fenced funding which is shown within Service Net Expenditure. In addition, the approved budget included assumptions on a number of items of undistributed funding. Following the issue of Local Government Finance Circular 4/2018 in March 2018, these assumptions have been further updated, resulting in a revised opening budget of £738.332m. The opening budget has been increased by £2.433m in respect of additional funding from the Scottish Government as contained in Local Government Finance Circular 8/2018 along with an adjustment to the level of funding in relation to Teachers Induction Scheme, bringing the reported budget to £740.765m. Revisions to assumptions along with further distribution in relation to Early Years Expansion result in a revised total of £18.736m ring fenced funding now being included within the reported budget.

2.1.2 The Council approved a one-year savings target of £2.608m on 23 February 2018. In addition to this, action already identified totalling £17.409m supports the overall position, resulting in total savings for the year of £20.017m. Services currently anticipate £15.810m (79%) of the approved savings are achievable in the current financial year. Section 2.5 provides further detail of the plans to deliver the remaining balance of savings on a recurring basis.

2.1.3 Table 1 below illustrates that a surplus of £7.980m is envisaged at this stage of the financial year.

	Annual Budget £m	Projected Outturn £m	Period 11 Variance £m	Period 7 Variance £m	Period 11 Movement £m
Expenditure					
Net Service Expenditure	740.765	732.998	7.767	5.160	+2.607
Income					
Aggregate External Finance	602.763	602.763	-	-	-
Local Tax Collection	135.500	135.713	0.213	0.161	+0.052
Use of Balances	2.502	2.502	-	-	-
Projected variance : surplus/(deficit) at 31 March 2019	Nil	7.980	7.980	5.321	+2.659

Table 1

2.2. Analysis of Significant Variations

2.2.1 Table 2 below illustrates Services' projected outturn financial positions, with additional information also available within Appendix 1.

Service	P7 Outturn (£m)	P11 Outturn (£m)	P11 Movement (£m)
Education, Youth and Communities	1.430 Surplus	2.179 Surplus	+0.749
Chief Executives & Other Corporate Services	0.698 Surplus	1.283 Surplus	+0.585
Enterprise and Housing Resources	0.040 Surplus	0.042 Surplus	+0.002
Infrastructure	- On Budget	- On Budget	-
Social Work (Non-Integrated)	- On Budget	- On Budget	-
External Trading Activity	- On Budget	- On Budget	-
Executive Services Total	2.168 Surplus	3.504 Surplus	+1.336
Loan Charges	2.029 Surplus	2.029 Surplus	-
Pension Auto-enrolment	0.963 Surplus	0.963 Surplus	-
Redeterminations	- -	1.271 Surplus	+1.271
Council Tax Income	0.161 Surplus	0.213 Surplus	+0.052
Total	5.321 Surplus	7.980 Surplus	+2.659

Table 2

2.2.1 The Council is currently anticipating an underspend of £7.980m. Variances are discussed below where they are considered to be significant.

2.2.2 Education, Youth and Communities (EYC) is projecting an underspend of £2.179m at financial year end, equivalent to 0.5% of the Service's annual budget. Employee cost savings of £2.951m primarily due to unallocated Early Years grant are partially offset by overspends in transport and plant of £1.146m in relation to the provision of demand led ASN transport and consortium travel of secondary pupils. The projected outturn represents a favourable movement of £0.749m from that reported at Period 7 primarily due to increased employee cost savings and reduced agency fees in relation to curriculum delivery.

2.2.3 Chief Executive & Other Corporate Services is projecting a year-end underspend of £1.283m, primarily due to increased income in relation to NLP loan guarantee fees, interest and PPP income, along with one off savings from un-presented cheques, underspends in other miscellaneous costs and turnover savings. The favourable movement of £0.585m from

Period 7 is primarily in relation to increased PPP income, a projected underspend in other miscellaneous costs and increased turnover savings.

- 2.2.4 Enterprise and Housing Resources (EHR) is projecting a year-end underspend of £0.042m, which is 0.1% of the EHR annual budget. Within this overall position, underspends are projected employee costs of £1.746m due to high levels of vacancies, particularly within the Housing Property and Projects division, and in Private Sector Housing grants of £0.409m due to reduced demand. These are offset by the increased cost of agency staff (£0.335m) as a result of the vacancies and reduced recharge income from the HRA capital programme of (£1.407m).
- 2.2.5 Infrastructure are projecting a number of overspends in relation to licence and maintenance costs linked to ongoing ICT revenue costs (£1.131m), savings which will not be achieved in the current year within ICT (£0.830m) and delays in achieving transport savings in respect of lease costs and fleet reductions (£0.460m). These are offset by underspends within Land Management due to the early implementation of the new Streetscene structure (£1.002m). Management action has been taken to reduce payments to roads contractors (£0.797m) and reschedule expenditure within the central repairs programme (£0.773m) to ensure that overall the Service is projecting on budget.
- 2.2.6 Prudent management of the Council's borrowing is expected to result in a year end surplus of £2.029m within loan charges.
- 2.2.7 The auto enrolment of employees into the pension scheme has been delayed with a revised date for implementation of 1 July 2019, generating savings within the current financial year of £1.542m. £0.580m has been used to fund other cost pressures, with the remaining £0.963m contributing to the Council's overall underspend.
- 2.2.8 Local Government Finance Circular 8/2018 which was released in December 2018 provided revised funding levels for 2018/19 by way of £2.405m of redeterminations. In addition, funding for Teachers Induction Scheme has been confirmed by Scottish Government and will be included as a redetermination within the next circular due early March. It is anticipated that responsibilities associated with £1.271m of this funding can be met within existing budgets with the redeterminations contributing to the overall Council surplus.
- 2.2.9 Additional Council Tax income of £0.213m is anticipated for the year. This is the net position of the Council Tax product which also includes factors such as household numbers and collections rates in addition to the expected overspend position on Council Tax Reduction Scheme (CTRS).

2.3 Earmarked and One-off Resources

- 2.3.1 The Council's audited accounts highlight a General Fund reserve balance of £45.102m. This balance is represented by £8m for the revised Contingency Reserve Level and a total of £37.103m earmarked for specific future commitments including £2.502m to support the overall revenue position.
- 2.3.2 Earmarked elements of the General Fund reserves are anticipated to be underutilised in year by £4.739m, however this balance is likely to be required in future years. Details of the most significant approved Earmarked Reserves are shown in Appendix 2. These will continue to be closely monitored and reported to future meetings of Committee.

2.4 Change Management Fund

- 2.4.1 Within the closure of the 2017/2018 Annual Accounts a total of £14.103m was allocated to the Change Management fund to support future emerging issues. This balance has since reduced to £12.603m after agreement to allocate an additional £1.5m to the earmarked fund for Waste Management and Clyde Valley Residual Waste Fund.
- 2.4.2 In addition, agreement has been reached to settle a claim linked to historic fees for Sheriff Officers (£1.1m) and this has been accounted for within the Change Management Fund.
- 2.4.3 Recognising the current forecast underspend of £7.980m together with other commitments, it is anticipated that by the end of the financial year this balance will reach £4.418m. The detail of this balance is shown at Appendix 3.

2.5 2018/19 Budget Savings

- 2.5.1 The approved 2018/19 budget includes savings of £20.017m as detailed in paragraph 2.1.2 above, with progress on implementation of these included in the relevant Services' monitoring report. It is anticipated that £15.810m (79%) of these will be achieved in the current financial year, leaving an in-year savings gap of £4.207m. Management have identified action to fully address this shortfall in-year including control of vacancies, divisional underspends elsewhere and curtailment of spend in other budget lines.
- 2.5.2 It is expected that £3.035m of the savings identified as not achievable in the current year will be in place for the beginning of the new financial year. A balance of £1.172m (6%) remains which is planned to be fully delivered during 2019/20 including £0.600m through the review of revenue and benefits section as well as a further £0.280m incorporated within the digitisation transition costs.

2.6 Risks and Uncertainty

- 2.6.1 All activities undertaken by the Council are subject to risk, and in acknowledging the Council's approved Risk Management Strategy (June 2018), 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.

2.7 Integration Joint Board

- 2.7.1 The Council's provision of service to the Integration Joint Board (IJB) is currently anticipating an overspend of £2.520m mainly due to employee cost overspends of £1.916m in relation to voluntary severance costs and delay in achieving savings associated with the closure of intermediate care facilities and an overspend in payments to other bodies of £2.833m primarily in relation to independent care homes, independent homecare and family placements. These are partially offset by a one-off underspend in relation to the implementation of the Carers Act (£0.923m) and an anticipated surplus in the Community Justice grant administration subsidy of £0.490m in addition to an over recovery of income associated with additional recoveries from NHS Lanarkshire, staffing recharges and income from other local authorities for individual care plans.

2.7.2 It is important however, to consider the overspend on Council provision in the context of the overall Health and Social Care Partnership. The overspend is mirrored by the year to date underspend within delegated Health functions of £3.307m, with the overall expenditure of the Partnership projected to be within budget.

2.8 Housing Revenue Account

2.8.1 The Housing Revenue Account is projecting a year-end surplus of £0.992m due to savings within loan charges, void rent loss, employee costs, coupled with projected over-recoveries of mainstream and temporary accommodation rental income, and interest on revenue balances, partially offset by increased furniture replacement costs within temporary accommodation.

3. Equality and Diversity

3.1 Fairer Scotland

3.1.1 There is no specific impact in relation to Fairer Scotland.

3.2 Equality Impact Assessment

3.2.1 There is no specific Equality Impact Assessments required.

4. Implications

4.1 Financial Impact

4.1.1 There is no financial impact resulting from the contents of this report.

4.2 HR/Policy/Legislative Impact

4.2.1 There are no HR Policy or Legislative impact resulting from the contents of this report.

4.3 Environmental Impact

4.3.1 There is no environmental impact linked to this report.

4.4 Risk Impact

4.4.1 There is no risk impact linked to this report.

5. Measures of success

5.1. The Council continues to operate within approved budgeted resources.



Paul Hughes
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NORTH LANARKSHIRE COUNCIL
SUMMARY OF FINANCIAL REPORT FOR PERIOD ENDING 01 February 2019 (PERIOD 11)

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	Education, Youth and Communities	288,268,520	286,581,020	1,687,500	413,127,854	410,949,053	2,178,801
2	Early Years	18,308,279	18,308,279	-	21,398,705	21,398,705	-
3	Primary Schools	104,414,509	104,414,509	-	128,882,316	128,882,316	-
4	Secondary Schools	98,441,916	98,441,916	-	119,134,160	119,134,160	-
5	Special Schools	13,975,186	13,975,186	-	17,946,840	17,946,840	-
6	Business Planning Proj & Comm	20,275,173	19,483,492	791,681	68,766,547	67,747,190	1,019,357
7	Curriculum Leadership Implementation	18,454,503	18,308,562	145,941	33,233,307	33,076,764	156,543
8	Intervention Incl & C Learning	12,293,650	11,465,567	828,083	20,001,562	18,807,651	1,193,911
9	Comms & Digital Learning	2,105,304	2,183,509	(78,205)	3,764,417	3,955,427	(191,010)
10	Infrastructure	95,873,753	99,757,265	(3,883,512)	137,974,494	137,974,494	-
11	Support & Solutions	3,152,807	3,367,318	(214,511)	4,065,656	4,104,509	(38,853)
12	Environmental Assets	38,311,123	38,559,402	(248,279)	49,443,330	47,382,490	2,060,840
13	Assets & Procurement	13,621,033	11,225,215	2,395,818	16,009,887	15,555,339	454,548
14	Regulatory Services & Waste Solutions	22,578,225	26,567,100	(3,988,875)	29,283,556	30,535,291	(1,251,735)
15	Revenues & E-Government Solutions	18,210,565	20,038,230	(1,827,665)	39,172,065	40,396,865	(1,224,800)
16	Trading Accounts	(1,676,544)	(764,369)	(912,175)	(376,816)	(376,816)	-
17	Chief Executives & Other Corporate Services	19,757,622	18,767,163	990,459	31,832,032	30,549,417	1,282,615
18	Chief Executive	622,177	600,934	21,243	849,363	826,809	22,554
19	Legal & Democratic Solutions	2,275,984	2,423,281	(147,297)	4,248,210	4,378,972	(130,762)
20	Audit & Inspection	498,201	457,233	40,968	635,318	592,998	42,320
21	Financial Solutions	3,462,309	3,293,559	168,750	4,376,344	4,172,024	204,320
22	Other Corporate Services	3,677,998	2,771,203	906,795	7,938,197	6,794,014	1,144,183
23	Joint Boards	9,220,953	9,220,953	-	13,784,600	13,784,600	-
24	Enterprise & Housing Resources	21,024,950	21,021,306	3,644	31,228,352	31,186,294	42,058
25	Business, Housing Property & Projects	5,815,905	5,633,897	182,008	1,674,355	1,674,355	-
26	Housing Solutions	4,946,286	5,339,092	(392,806)	8,289,439	8,345,196	(55,757)
27	Enterprise & Place	4,429,386	4,075,783	353,603	11,969,494	11,595,396	374,098
28	Business Organisation & People Solutions	5,190,753	5,347,474	(156,721)	7,526,694	7,840,606	(313,912)
29	Business Intelligence & Policy	458,391	457,998	393	716,302	757,685	(41,383)
30	Central Support	184,229	167,062	17,167	1,052,068	973,056	79,012
31	Social Work (non Integrated)	7,948,041	7,948,041	-	10,597,388	10,597,388	-
32	Contribution to Integration Joint Board	153,331,657	155,464,330	(2,132,673)	168,631,119	168,631,119	-
33	GENERAL FUND SERVICES	584,527,999	588,774,756	(4,246,757)	793,014,423	789,510,949	3,503,474
34	FINANCING COSTS	(3,880,547)	(5,597,637)	1,717,090	(4,564,933)	(6,594,221)	2,029,288
35	Reversal of Capital Charge	(43,168,560)	(43,168,560)	-	(51,017,389)	(51,017,389)	-
36	Loan Charges	39,288,013	37,570,923	1,717,090	46,431,288	44,402,000	2,029,288
37	Transfer from Pensions Reserve (IAS19)	-	-	-	(55,323)	(55,323)	-
38	Assumptions not yet Realised	-	-	-	76,491	76,491	-
38	OTHER BUDGETARY ISSUES	-	-	-	1,270,997	(963,124)	2,234,121
39	Auto enrolment in Pension Scheme	-	-	-	-	(963,124)	963,124
40	Redeterminations	-	-	-	1,270,997	-	1,270,997
41	Removal of Gross Central Department Budgets (included within above)	(41,424,242)	(41,424,242)	-	(48,955,922)	(48,955,922)	-
42	TOTAL EXPENDITURE	539,223,210	541,752,877	(2,529,667)	740,764,565	732,997,682	7,766,883
43	SOURCES OF FUNDING	-	-	-	740,764,565	740,977,565	(213,000)
44	Aggregate External Finance	-	-	-	602,762,565	602,762,565	-
45	Council Tax	-	-	-	135,500,000	135,713,000	(213,000)
46	Use of Balances	-	-	-	2,502,000	2,502,000	-
47	SURPLUS (DEFICIT)	539,223,210	541,752,877	(2,529,667)	-	7,979,883	7,979,883
46	HOUSING REVENUE ACCOUNT	(38,261,031)	(38,546,934)	285,903	-	(992,000)	992,000

NORTH LANARKSHIRE COUNCIL
ANTICIPATED COMMITMENT AGAINST EARMARKED RESERVES AS AT 1 FEBRUARY 2019

	Approved Reserve £000	Projected Spend £000	Anticipated Year End £000	Comment
Change Management Fund	12,603	-	12,603	Approved reserve reduced by £1.5m due to a previously approved transfer to earmarked reserve for Waste Management and Clyde Valley Residual Waste Fund
Earmarked & One Off Resources				
2018/19 Revenue Budget Support	2,502	2,502	-	
Schools Carry Forward / ICT Refresh	5,090	3,635	1,455	Anticipated that funding no longer fully required
Pupil Equity Fund	3,229	3,229	-	
Youth Employment and Apprentices	698	367	331	Multi-year programmes, monies required for future years
Capital - Transformation Fund	1,378	1,378	-	
City Deal	1,585	1,585	-	
Decriminalised Parking Enforcement	131	131	-	
HSMS Development	62	0	62	Funding no longer required
Flagship Events & Promotions	257	257	-	
Digitisation	750	750	-	
Dilapidations	750	-	750	Funding required in 2019/20
Scottish Attainment Challenge	138	138	-	
Waste Management Fund	1,580	1,580	-	
Clyde Valley Residual Waste fund	264	86	178	Reserves required in 2019/20
Other Approved Carry Forwards	6,086	4,123	1,963	Relates primarily to ESF match funding required for future years
Earmarked & One Off Resources Total	24,500	19,761	4,739	
Total Earmarked Reserves	37,103	19,761	17,342	

Appendix 3

**NORTH LANARKSHIRE COUNCIL
AVAILABILITY OF ONE-OFF FUNDS AS AT 1 FEBRUARY 2019 (PERIOD 11)**

Change Management Fund	£000	£000
Unallocated balance from 2017/18		14,103
Add:		
2018/19 drawdown from Capital Fund	2,965	
Balance Sheet Review	3,885	
Insurance Fund Review	300	
Prudential Borrowing no Longer Required	1,365	
Period 11 reported underspend	7,980	16,495
Less:		
Balance of One-off Costs of 2018/19 Savings	(1,109)	
Scottish Government Grant Rec'd 2017/18	(2,202)	
Waste Management	(1,500)	
Increased Cost of 2018/19 Pay Award Offer	(1,356)	
Best Value Preparation (9 months)	(120)	
Restructure Costs (including CNL/NLL)	(2,000)	
City Deal Abortive Costs	(264)	
Sheriff Officer Fees	(1,100)	
Digitisation	Estimated (9,300)	
One-off Costs to Support Implementation of Budget Savings	Estimated (2,500)	
2019/20 Budget Support	(4,729)	(26,180)
Total Unallocated Change Management Fund 2018/19		4,418
Planned 2019/20 Drawdown from Capital Fund		4,000
Transfer from TCA		600
Anticipated One-Off Change Management Fund for use in 2019/20		9,018