

North Lanarkshire Council Report

Finance and Resources Committee

approval noting

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Revenue Provisional Outturn Report Council Summary 1 April to 31 March 2019

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Executive Summary

This report updates Committee on the overall provisional outturn 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, 8/2018 in December 2018, and 2/2019 in March 2019 bring the reported budget to £740.781m. The Council is currently projecting a surplus of £10.349m against this budget.

In addition, the 2018/19 budget incorporates £20.017m of savings. It is provisionally estimated that £15.586m of savings (78%) have been delivered within the financial year, with a further £3.236m (16%) in place for 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 note:

- i. the financial position of the 2018/19 revenue budget;
- ii. 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 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 £2.449m in respect of additional funding from the Scottish Government as contained in Local Government Finance Circulars 8/2018 and 2/2019 along with an adjustment to the level of funding in relation to Teachers Induction Scheme, bringing the reported budget to £740.781m. 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 £15.586m (78%) 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 a surplus of £10.349m is provisionally envisaged for the financial year. This surplus does not reflect a number of decisions still required to finalise the accounts, including consideration pending legal cases, assessment of appropriate provisions and use of reserves. Therefore the overall surplus may change.

	Annual Budget £m	Provisional Outturn £m	Provisional Outturn Variance £m	Period 11 Variance £m	Period 11- 13 Movement £m
Expenditure					
Net Service Expenditure	740.781	730.878	9.903	7.767	+2.136
Income					
Aggregate External Finance	602.779	602.779	-	-	-
Local Tax Collection	135.500	135.946	0.446	0.213	+0.233
Use of Balances	2.502	2.502	-	-	-
Projected variance : surplus/(deficit) at 31 March 2019	Nil	10.349	10.349	7.980	+2.369

Table 1

2.2. Analysis of Significant Variations

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

Service	P11 Outturn (£m)		Provisional Outturn (£m)		P11-13 Movement (£m)
Education, Youth and Communities	2.179	Surplus	2.988	Surplus	+0.809
Chief Executives & Other Corporate Services	1.283	Surplus	1.673	Surplus	+0.390
Enterprise and Housing Resources	0.042	Surplus	0.641	Surplus	+0.599
Infrastructure	-	On Budget	0.009	Surplus	+0.009
Social Work (Non-Integrated)	-	On Budget	-	On Budget	-
External Trading Activity	-	On Budget	-	On Budget	-
Executive Services Total	3.504	Surplus	5.311	Surplus	+1.807
Loan Charges	2.029	Surplus	2.342	Surplus	+0.313
Pension Auto-enrolment	0.963	Surplus	0.963	Surplus	-
Redeterminations	1.271	Surplus	1.287	Surplus	+0.016
Council Tax Income	0.213	Surplus	0.446	Surplus	+0.233
Total	7.980	Surplus	10.349	Surplus	+2.369

Table 2

2.2.2 Significant variances contributing to the provisional outturn surplus of £10.349m are discussed below;

2.2.3 Education, Youth and Communities (EYC) is provisionally reporting an underspend of £2.988m (equivalent to 0.7% of the Service's annual budget), due to employee cost savings of £3.485m primarily as a result of unallocated Early Years grant, an over recovery in income of £0.700m mainly from increased chargeable activity to grant programmes. These underspends are partially offset by overspends in transport and plant of £1.614m in relation to the provision of demand led ASN transport and consortium travel of secondary pupils. The favourable movement from period 11 is primarily due to increased grant income as highlighted above.

2.2.4 Chief Executive & Other Corporate Services is reporting a provisional underspend of £1.673m, arising from increased income in relation to NLP loan guarantee fees, increased PPP income and bank interest receivable, along with one off savings from unrepresented cheques, underspends in other miscellaneous costs and turnover savings. The favourable movement from that shown at period 11 is as a result of increased income in relation to PPP

volume discount and SLA income, partly offset by a reduction in bank interest receivable.

- 2.2.5 Enterprise and Housing Resources (EHR) is reporting a provisional year-end underspend of £0.641m. Vacancies, particularly within the Housing Property and Projects division, have resulted in an underspend of £1.632m in employee costs with a further £0.631m underspend due to the reduced uptake of private sector improvement grants. These are partially offset by an overspend of £0.670m in administration costs following increased use of agency staff to ensure investment plans across the housing stock were not adversely affected, and an under recovery in recharges to HRA capital of £0.796m, as a result of the vacancies outlined above. The projected outturn is a favourable movement from that projected at period 11, as a result of a reduced under recovery in recharge to capital, increased fees and charges, reduced IT overspend and increased underspend in private sector improvement grants, partially offset by increased employee and agency staff costs.
- 2.2.6 Infrastructure are projecting a minor surplus overall. However there are a number of overspends reported including licence and maintenance costs in relation to ongoing ICT revenue costs of £0.980m, savings which will not be achieved in the current year within ICT of £0.830m, and delays in achieving transport savings in respect of lease costs and fleet reductions of £0.555m. These are offset by underspends within Land Management due to the early implementation of the new Streetscene structure, which resulted in an underspend of £1.006m, and a winter maintenance underspend of £0.519m. Additional management action to ensure the Service remained within budget overall has resulted in reduce payments to roads contractors of £0.234m and rescheduled expenditure within the central repairs programme resulting in an underspend of £0.907m.
- 2.2.7 Prudent management of the Council's borrowing is expected to result in a year end surplus of £2.342m within loan charges.
- 2.2.8 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, with £0.580m used to fund other cost pressures, and the remaining £0.963m contributing to the Council's overall underspend.
- 2.2.9 Local Government Finance Circulars released in December 2018 (08/2018) and March 2019 (2/2019) provided increased funding of £4.601m for 2018/19 by way of redeterminations. Some responsibilities associated with this funding has been met within existing budgets therefore £1.271m of the redeterminations have contributed to the overall Council surplus.
- 2.2.10 Council Tax income is projected to be £0.446m greater than budget 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 2017/18 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 budget position.

2.3.2 Earmarked elements of the General Fund reserves are provisionally anticipated to be underutilised in year by £5.550m, with £4.045m reported to be required in future years, which will be reviewed as part of the year end process. Details of the most significant approved Earmarked Reserves are shown in Appendix 2. These will continue to be closely monitored and reported to future Committees.

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 of £1.1m, which has been accounted for within the Change Management Fund.

2.4.3 Recognising the provisional underspend of £10.349m together with other commitments, there is a provisional year-end unallocated balance of £5.403m. 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 provisionally estimated that £15.586m (78%) of these have been achieved in the 2018/19 financial year, leaving an in-year savings gap of £4.431m. 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 £3.236m 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 £1.195m (6%) remains which is planned to be fully delivered during 2019/20.

2.6 **Risks and Uncertainty**

2.6.1 All activities undertaken by the Council are subject to risk, and as previously reported, 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 ongoing 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 provisionally reporting an overspend of £2.069m mainly due to employee cost overspends of £2.833m in relation to voluntary severance costs, a delay in achieving savings associated with the closure of intermediate care facilities and an overspend in payments to other bodies of £1.821m primarily in relation to independent care homes and family placements. These are partially offset by a one-off underspend in relation to the implementation of the Carers Act of £1.100m, and an anticipated surplus in the Community Justice grant administration subsidy of £0.490m. In addition there was 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 The provisional outturn position above of £2.069m reflects an overspend of £2.467 within Social Work services, partially offset by an underspend of £0.398m within Housing-related services. The March 2019 Integration Joint Board approved the use of contingency reserves to fund the £2.467m overspend position within Social Work.

2.8 **Housing Revenue Account**

2.8.1 The Housing Revenue Account is reporting a provisional year-end surplus of £2.323m which relates to savings within loan charges and void rent loss, coupled with projected over-recoveries of mainstream and temporary accommodation rental income. This is a favourable movement of £1.331m from the previously reported position at period 11, with the movement largely attributable to the profile of capital investment, employee turnover savings, energy costs, further savings within loan charges and an over-recovery within temporary accommodation rental income, partially offset by overspends within housing repairs, tenant related anti-social behaviour and costs associated with the Ambition programme.

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.



Elaine Kemp
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NORTH LANARKSHIRE COUNCIL
SUMMARY OF FINANCIAL REPORT FOR PERIOD ENDING 31 March 2019 (PERIOD 13)

LINE NO.	SERVICE ACCOUNT (1)	ANNUAL BUDGET (5) £	PROVISIONAL OUTTURN (6) £	PROVISIONAL VARIANCES (7) £
1	Education, Youth and Communities	413,200,726	410,213,048	2,987,678
2	Early Years	23,049,864	23,049,864	-
3	Primary Schools	130,452,763	130,452,764	(1)
4	Secondary Schools	122,810,452	122,810,453	(1)
5	Special Schools	18,064,139	18,064,139	-
6	Business Planning Proj & Comm	64,606,467	63,405,816	1,200,651
7	Curriculum Leadership Implementation	33,061,695	32,893,524	168,171
8	Intervention Incl & C Learning	17,390,929	15,800,580	1,590,349
9	Comms & Digital Learning	3,764,417	3,735,908	28,509
10	Infrastructure	137,896,213	137,886,855	9,358
11	Support & Solutions	4,065,656	4,184,340	(118,684)
12	Environmental Assets	49,453,623	47,727,534	1,726,089
13	Assets & Procurement	15,974,462	15,814,373	160,089
14	Regulatory Services & Waste Solutions	29,230,407	30,114,854	(884,447)
15	Revenues & E-Government Solutions	39,172,065	40,045,754	(873,689)
16	Trading Accounts	(371,452)	(371,453)	1
17	Chief Executives & Other Corporate Services	31,832,372	30,159,328	1,673,044
18	Chief Executive	849,363	819,574	29,789
19	Legal & Democratic Solutions	4,248,550	4,376,522	(127,972)
20	Audit & Inspection	635,318	591,668	43,650
21	Financial Solutions	4,376,344	4,057,369	318,975
22	Other Corporate Services	7,938,197	6,529,596	1,408,601
23	Joint Boards	13,784,600	13,784,599	1
24	Enterprise & Housing Resources	29,937,951	29,297,203	640,748
25	Business, Housing Property & Projects	1,674,344	1,571,176	103,168
26	Housing Solutions	7,838,959	7,795,477	43,482
27	Enterprise & Place	10,775,104	10,118,292	656,812
28	Business Organisation & People Solutions	7,526,694	7,727,760	(201,066)
29	Business Intelligence & Policy	716,302	762,685	(46,383)
30	Central Support	1,406,548	1,321,813	84,735
31	Social Work (non Integrated)	10,597,388	10,597,388	-
32	Contribution to Integration Joint Board	168,631,119	168,631,119	-
33	GENERAL FUND SERVICES	791,724,317	786,413,488	5,310,829
34	FINANCING COSTS	(4,564,933)	(6,906,759)	2,341,826
35	Reversal of Capital Charge	(51,017,389)	(51,017,389)	-
36	Loan Charges	46,431,288	44,089,462	2,341,826
37	Transfer from Pensions Reserve (IAS19)	(55,323)	(55,323)	-
38	Assumptions not yet Realised	76,491	76,491	-
38	OTHER BUDGETARY ISSUES	1,286,997	(963,124)	2,250,121
39	Auto enrolment in Pension Scheme	-	(963,124)	963,124
40	Redeterminations	1,286,997	-	1,286,997
41	Removal of Gross Central Department Budgets (included within above)	(47,665,816)	(47,665,816)	-
42	TOTAL EXPENDITURE	740,780,565	730,877,789	9,902,776
43	SOURCES OF FUNDING	740,780,565	741,226,565	(446,000)
44	Aggregate External Finance	602,778,565	602,778,565	-
45	Council Tax	135,500,000	135,946,000	(446,000)
46	Use of Balances	2,502,000	2,502,000	-
47	SURPLUS (DEFICIT)	-	10,348,776	10,348,776
46	HOUSING REVENUE ACCOUNT	-	(2,322,823)	2,322,823

NORTH LANARKSHIRE COUNCIL

PROVISIONAL OUTTURN SPEND AGAINST EARMARKED RESERVES AS AT 31 MARCH 2019

	Approved Reserve £000	Provisional Outturn Spend £000	Anticipated Balance £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	3,647	1,443	Anticipated that funding no longer fully required
Pupil Equity Fund	3,229	3,229	-	
Youth Employment and Apprentices	698	383	315	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	-	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	3,284	2,802	Relates primarily to ESF match funding required for future years
Earmarked & One Off Resources Total	24,500	18,950	5,550	
Total Earmarked Reserves	37,103	18,950	18,153	

Appendix 3

NORTH LANARKSHIRE COUNCIL
AVAILABILITY OF ONE-OFF FUNDS AS AT 31 MARCH 2019 (PROVISIONAL OUTTURN)

Change Management Fund	£000	£000
Unallocated balance from 2017/18		14,103
Add:		
2018/19 drawdown from Capital Fund	2,965	
Balance Sheet Review	3,910	
Prudential Borrowing no Longer Required	1,365	
Period 12 reported underspend	10,349	18,589
Less:		
Balance of One-off Costs of 2018/19 Savings	(1,566)	
Scottish Government Grant Rec'd 2017/18	(2,202)	
Waste Management	(1,500)	
Increased Cost of 2018/19 Pay Award Offer	(1,306)	
Best Value Preparation (9 months)	(86)	
Restructure Costs (including CNL/NLL)	(2,000)	
Sheriff Officer Fees	(1,100)	
Club 365	(1,000)	
Digitisation	Estimated (9,300)	
One-off Costs to Support Implementation of Budget Savings	Estimated (2,500)	
2019/20 Budget Support	(4,729)	(27,289)
Total Unallocated Change Management Fund 2018/19		5,403
Planned 2019/20 Drawdown from Capital Fund		4,000
Transfer from TCA		600
Anticipated One-Off Change Management Fund for use in 2019/20		10,003