

Lanarkshire Council

Report

Communities and Housing Committee

approval noting

Ref RS/GT/JMcG

Date 11/09/19

Enterprise & Communities – Revenue Monitoring Report (Non-Trading)

From Robert Steenson, Executive Director (Enterprise & Communities)

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Executive Summary

This report provides a summary of the financial performance of the Enterprise and Communities Service for the period 1 April 2019 to 19 July 2019 (Period 4). The report illustrates the projected outturn as at 31 March 2019, with major outturn variances highlighted and explained as per the Council's approved Financial Regulations.

In summary, Enterprise and Communities is forecasting a year-end balanced budget position based on performance to Period 4. The Service has identified a number of financial pressures across each division which are being fully offset by planned management action. Further information on these matters is included in the main report and attached appendices.

Recommendations

It is recommended that Committee:

- (1) Notes the financial position of the 2019/20 Enterprise and Communities revenue budget.

The Plan for North Lanarkshire

Priority Improve economic opportunities and outcomes

Ambition statement (25) Ensure intelligent use of data and information to support fully evidence based decision making and future planning

1. Background

- 1.1 The Council's approved Financial Regulations require Executive Directors 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, Executive Directors 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.
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2. Report

2.1 Summary of Financial Position

2.1.1. The Council approved its General Fund Revenue Budget on 21 February 2019, of which £106.441m (14.21%) represented the approved Net Revenue Budget for Enterprise and Communities (Non-trading) Services. Subsequent realignments of service budgets has resulted in a revised Enterprise and Communities Net Revenue Budget of £106.299m; a decrease of £0.142m. Enterprise and Communities is also responsible for the Council's Trading Account, which is included within a separate budget monitoring report.

2.1.2. Enterprise and Communities is forecasting a year-end balanced budget position. There are a number of cost pressures, for example the timing of savings delivery, which are being offset by management actions across all divisions to achieve this overall balanced budget position. Section 2.2 provides commentary on the financial performance within each division. In addition, Appendices 1 to 5 of this report provide further explanation of the significant budget variations contributing to this outturn position.

2.1.3 The 2019/20 Enterprise and Communities budget incorporates £7.356m of savings previously approved by Council on 21 February 2019 and £6.515m of savings (88%) are anticipated to be delivered within the current financial year. Further information regarding particularly challenging savings is noted in paragraph 2.4 below.

2.2 Analysis of Significant Variations

2.2.1 Environmental Assets (balanced budget)

Within Environmental Assets, the Land Management division anticipates employee cost underspends associated with staff vacancies. These are fully offset by a number of cost pressures across all divisions including grass cutting in general (£0.120m) and within cemeteries (£0.077m) in response to adverse public feedback following the implementation of savings, additional Amey contract costs (£0.158m) and delays in achievement of staffing related savings within Greenspace and Environmental Facilities (£0.109m).

2.2.2 Regulatory Services & Waste Solutions (balanced budget)

Within Fleet operations there is a timing delay in achievement of current year transport savings in respect of lease costs and fleet reductions (£0.414m). This is partially offset by a forecast underspend due to a newer fleet profile (£0.100m). Protective Services is forecasting a net under recovery in pest control income (£0.111m). These burdens

are being offset by management action reflecting trends for lower demand for private sector housing grants (£0.300m) and also anticipated increased income within Waste Solutions (£0.200m).

2.2.3 Asset & Procurement Solutions (balanced budget)

Within Assets & Procurement there are timing delays the achievement of asset management and procurement savings (£0.186m and £0.100m respectively) which are being offset by management action to control repairs spend (£0.198m) and other minor budgets. Plans are in place to ensure the asset management saving will be achieved in full in future years. The procurement savings are under review to ensure they are delivered.

2.2.4 Planning & Regeneration (balanced budget)

Within Planning & Regeneration there is an anticipated overspend in employee costs due to an estimated shortfall in turnover (£0.175m). This is being offset by reduced administration costs (£0.070) and an anticipated over-recovery of planning income (£0.200m).

2.2.5 There are no significant variances to report at this time in the other divisions.

2.2.6 Payments to other bodies are detailed in Appendix 3. This expenditure category accounts for £18.240m of the annual budget and is projected to have an underspend of £0.067m mainly due to trends reflecting lower demand for private sector housing grants, partially off-set by Amey contract payments.

2.3 Earmarked and One-off Resources

2.3.1 Enterprise and Communities Non-Trading has been given approval to earmark £5.857m of resources. It is anticipated that £3.425m of these reserve balances will be utilised in 2019/20, with the remaining funding likely to be required in future years.

2.4 2019/20 Budget Savings

2.4.1 The Service uses a variety of information, records and processes to monitor achievement of its approved budget savings of £7.356m. As at Period 4, it is anticipated that £6.515m (88%) of its approved savings will be achieved during the year.

2.4.2 The main reason for the partial achievement of the savings is linked to timing and process delays in staff restructures and procurement of vehicles. Whilst there are in year timing delays in the full achievement of vehicle savings, the Service will have confirmed a complete programme by the end of the financial year. Following the implementation of Streetscene and Cemetery savings for 2019/20, the service has temporarily increased costs to combat significant adverse local feedback. The longer term impact is yet to be fully understood. Procurement savings continue to be under review to ensure they are fully delivered.

2.4.3 The Service aims to address the £0.841m savings gap in 2019/20 by undertaking management action in a number of areas. This includes only undertaking essential expenditure across all divisions and ongoing vacancy management in relation to filling posts. Appendix 5 provides further commentary regarding these challenging savings and the actions taken to address the budget gaps that arose.

2.5 Management Actions

- 2.5.1 The Service has taken a range of corrective management action to ensure it maintains a balanced budget position whilst delivering key operational targets. The Service will continue to monitor the financial position throughout the financial year and further updates will be provided to future committees.

2.6 Change Management

- 2.6.1 The Service anticipates a requirement to utilise £1.267m of the Council's Change Management Fund to support voluntary severance costs (£0.442m) and litter bins and materials (£0.385m) related to 2019/20 savings, and rental payments and legal fees regarding a historical contract dispute (£0.440m). These costs are not included in the Service outturn position as stated in section 2.1.2.

3. Equality and Diversity

3.1 Fairer Scotland Duty

There are no actions required per the Fairer Scotland duties included in this report.

3.2 Equality Impact Assessment

There are no specific Equality Impact Assessments required per the content of this report.

4. Implications

4.1 Financial Impact

- 4.1.1 The Service has addressed identified financial burdens through taking management action.

4.2 HR/Policy/Legislative Impact

- 4.2.1 There are no HR/Policy/Legislative impacts linked to the content of this report.

4.3 Environmental Impact

- 4.3.1 There are no specific environmental impacts linked to the content of this report.

4.4 Risk Impact

- 4.4.1 All activities undertaken by the Council are subject to risk, and in acknowledging the Council's approved Risk Management Strategy, 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.

- 4.4.2 Reflecting the risk analysis matrix included within the Risk Management Strategy, the Service have been advised of a potential contractor claim linked to the quality of recycling materials currently being processed. This position will continue to be monitored and actioned in accordance with finance/legal advice.

- 4.4.3 To reduce financial risks this report was prepared by service based Financial Solutions personnel in consultation with budget managers, in accordance with the Financial Regulations.

5. Measures of success

5.1 The Service continue to operate within approved budget resources.

6. Supporting documents

- 6.1 Appendix 1: Objective Analysis
- 6.2 Appendix 2: Subjective Analysis
- 6.3 Appendix 3: Payments to Other Bodies
- 6.4 Appendix 4: Earmarked Reserves
- 6.5 Appendix 5: Challenging Savings

A handwritten signature in black ink, appearing to read 'Robert Steenson', written in a cursive style.

Robert Steenson
Executive Director (Enterprise & Communities)

Enterprise & Communities
Revenue Budget Monitoring Report - Objective Analysis
1st April 2019 - 19th July 2019 (PERIOD 4)

DIVISION OF SERVICE (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	YEAR TO DATE VARIANCE (4)	ANNUAL BUDGET (5)	PROJECTED OUTTURN (6)	PROJECTED OUTTURN VARIANCE (7)	PERIOD MOVEMENT (9)	ANALYSIS (10)
	£	£	£	£	£	£		
ENVIRONMENTAL ASSETS	11,091,472	11,865,298	(773,826) ADV	43,768,406	43,768,406	0	0	Vacancies and management action to reduce non essential spend on Service developments are offset by delays in VRS process and additional expenditure relating to grass cutting in problem areas and cemeteries, and additional Amey contract costs.
REGULATORY SERVICES AND WASTE SOLUTIONS	6,782,852	9,557,623	(2,774,772) ADV	27,646,815	27,646,815	0	0	Under recovery of pest control income, timing delay in lease and fleet review savings partially offset by reduced vehicle costs resulting from a newer fleet, increased waste income and underspend on private sector housing grants.
ASSETS & PROCUREMENT	2,826,297	8,384,061	(5,557,764) ADV	11,824,632	11,824,632	0	0	Timing delay in procurement and Asset Management savings offset by additional income and reduced spend on repairs.
PLANNING & REGENERATION	1,640,161	2,162,424	(522,263) ADV	8,564,187	8,564,187	0	0	Overspends within employee costs offset by additional planning income and management action to reduce admin costs.
COMMUNITIES	2,230,058	4,133,535	(1,903,477) ADV	7,016,656	7,016,656	0	0	No significant variances to report
HOUSING SOLUTIONS	1,638,343	1,772,795	(134,452) ADV	4,747,107	4,747,107	0	0	No significant variances to report
DIRECTORATE & SUPPORT	358,402	488,790	(130,388) ADV	1,818,669	1,818,669	0	0	No significant variances to report
BUSINESS, HOUSING PROPERTY & PROJECTS	478,728	486,900	(8,172) ADV	912,649	912,649	0	0	No significant variances to report
NET EXPENDITURE	27,046,311	38,851,425	(11,805,113) ADV	106,299,121	106,299,121	0	0	

Enterprise & Communities
Revenue Budget Monitoring Report - Subjective Analysis
1st April 2019 - 19th July 2019 (PERIOD 4)

CATEGORY (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	YEAR TO DATE VARIANCE (4)	ANNUAL BUDGET (5)	PROJECTED OUTTURN (6)	PROJECTED OUTTURN VARIANCE (7)	PERIOD MOVEMENT (9)	PERIOD MOVEMENT (9)	ANALYSIS (10)
	£	£	£	£	£	£			
EMPLOYEE COSTS	25,200,647	24,551,184	649,463 FAV	87,784,223	87,593,923	190,300 FAV	444,849	0	Vacancy savings offset by timing delay in VRS process.
PROPERTY COSTS	4,368,850	5,885,255	(1,516,405) ADV	28,323,316	28,341,715	(18,399) ADV	(146,389)	0	Minor variance
SUPPLIES & SERVICES	3,693,540	5,163,406	(1,469,866) ADV	15,240,214	15,644,625	(404,411) ADV	(123,419)	0	Overspends in Catering food costs (offset by income) and delays in procurement and lease savings partially offset by an underspend in Service Developments.
TRANSPORT & PLANT	2,912,741	2,607,166	305,575 FAV	12,812,322	12,899,618	(87,296) ADV	(27,919)	0	Overspend in vehicle contract hires are offset with an underspend in materials.
ADMINISTRATION COSTS	570,637	299,627	271,010 FAV	4,482,048	4,533,082	(51,034) ADV	(10,291)	0	Overspend mainly within professional fees.
PAYMENTS TO OTHER BODIES (See Overleaf Appendix 3)	3,908,398	2,961,334	947,064 FAV	18,240,101	18,172,939	67,162 FAV	(135,611)	0	Underspend in private sector grants reflecting previous trend for demand on housing grants partly offset by overspend on Amey allocation.
CAPITAL FINANCING COSTS	4,229,472	4,079,203	150,269 FAV	18,502,095	18,502,095	0	0	0	Balanced budget
REVENUE FINANCING COSTS	949	0	949 FAV	10,293	7,205	3,088 FAV	0	0	Minor variance
OTHER EXPENDITURE	2,016,848	1,275,195	741,653 FAV	6,415,113	6,418,242	(3,129) ADV	(6,498)	0	Minor variance
TOTAL EXPENDITURE	46,902,082	46,822,370	79,712 FAV	191,809,725	192,113,443	(303,718) ADV	(5,278)	0	
INCOME	19,855,770	7,970,945	(11,884,825) ADV	85,510,604	85,814,320	303,716 FAV	5,278	0	Additional Planning, Waste and school meal income offset with under recovery of capital projects and cemetery income.
NET EXPENDITURE	27,046,311	38,851,425	(11,805,113) ADV	106,299,121	106,299,121	0	0	0	

Enterprise & Communities
Revenue Budget Monitoring Report - Payments to Other Bodies Analysis
1st April 2019 - 19th July 2019 (PERIOD 4)

DESCRIPTION (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	YEAR TO DATE VARIANCE (4)		ANNUAL BUDGET (5)	PROJECTED OUTTURN (6)	PROJECTED OUTTURN VARIANCE (7)		% (8)	PERIOD MOVEMENT (9)	PERIOD MOVEMENT (9)	TYPICAL AREA OF EXPENDITURE/ANALYSIS OF VARIATIONS (10)
	£	£	£		£	£	£	%				
Public Analyst Fees	58,812	58,812	0		235,886	235,886	0			0	0	
OLA's General	243,502	0	243,502		243,502	243,502	0			0	0	
APS Roads Contractor	1,782,829	1,941,493	(158,664)	ADV	9,908,896	10,067,560	(158,664)	ADV	-1.6%	(158,664)	0	Projected overspend on amey allocation
Private Roads Contractor	109,018	113,400	(4,382)	ADV	831,005	831,264	(259)	ADV	0.0%	(259)	0	Minor variance
Medical Fees	27,583	33,396	(5,813)	ADV	110,161	110,161	0		0.0%	0	0	
Agency Fees	51,535	3,886	47,649	FAV	202,904	202,904	0		0.0%	0	0	
Support Fees	43,752	53,072	(9,320)	ADV	1,115,560	1,115,560	0		0.0%	0	0	
Grants to Organisations	499,414	719,123	(219,709)	ADV	1,560,361	1,560,361	0		0.0%	0	0	
Other	779,944	16,064	763,880	FAV	3,017,826	3,091,741	(73,915)	ADV	-2.4%	23,312	0	Mainly Pest Control sub contractor overspend based on demand levels
Private Sector Grants	312,009	22,088	289,921	FAV	1,014,000	714,000	300,000	FAV	29.6%	0	0	Reflecting previous trend for demand on private sector housing grants
TOTAL EXPENDITURE	3,908,398	2,961,334	947,064	FAV	18,240,101	18,172,939	67,162	FAV	0.4%	(135,611)	0	

Enterprise & Communities
 Status of Earmarked Resources
 1 April 2019 - 19 July 2019
 Period 4

Description of Earmarked Resource	Total Earmarked Reserve	2019/20								Commentary regards usage
		Initial 19/20 Allocation	Adjustments in Year	19/20 Approved Reserve Total	Spend to Date	Projected Spend, 2019/20		Reserves No Longer Required in 19/20	Reserves Required for 2020/21	
						Value	%			
Service Specific Earmarked Reserves:										
Rapid rehousing	51	51	0	51	7	51	100.00%	0	0	Temporary staffing
Dilapidations	750	430	0	430	0	430	100.00%	0	321	Costs associated with leased in property disinvestment
Enterprise Contract	205	0	0	0	0	0	0.00%	0	205	Set up costs for Enterprise Contract
Facility Support Services - Janitorial Review	420	420	0	420	2	420	100.00%	0	0	One off costs associated with the Janitorial Review
Clyde Valley Residual Waste	178	72	0	72	72	72	100.00%	0	106	NLC contribution to Contract Management Costs
Business Gateway Contract	1,222	332	0	332	0	332	100.00%	0	890	Match funding commitments
Business Gateway management	46	46	0	46	0	46	100.00%	0	0	NLC contribution to management costs
North Lanarkshire Development Plan	299	299	0	299	0	299	100.00%	0	0	Set up costs associated with developing the Plan
Wishaw Shop Fronts	31	31	0	31	0	31	100.00%	0	0	Final year commitments for business improvements
Kitchner Street	170	70	0	70	0	70	100.00%	0	100	Costs associated with upgraded windows due to road noise.
Growth Team	123	123	0	123	164	123	100.00%	0	0	Revenue Ambition staff costs
VDLF	32	32	0	32	3	32	100.00%	0	0	VDLF contribution to capital for Staff costs.
City Deal Team	744	744	0	744	134	744	100.00%	0	0	Running costs of City Deal Team
City Deal Project Management Office	592	244	0	244	0	244	100.00%	0	348	NLC contribution to PMO costs
Working Matters Successor Programme	47	47	0	47	0	47	100.00%	0	0	Match funding for DWP backed employability projects
ESF Match funding - Pipeline	697	235	0	235	0	235	100.00%	0	462	Match Funding for ESF projects
Youth Investment Programme	200	200	0	200	0	200	100.00%	0	0	Running costs for the YIP programme
Local Development Plan	50	50	0	50	0	50	100.00%	0	0	Community Engagement project
Environmental Taskforce	245	0	245	245	0	245	100.00%	0	0	Costs for additional temporary staff
Total	6,102	3,425	245	3,670	381	3,670	100.00%	0	2,432	

Infrastructure
Revenue Budget Monitoring Report - Challenging Savings
1st April 2019 - 19th July 2019 (PERIOD 4)

Reference / Descriptions	APPROVED SAVINGS			Reason for Savings Gap	REPLACEMENT SAVING / FUNDING		Revised Savings Gap	Any additional information
	Target Value	Value Deliverable	Saving Gap		Description	Value		
	£000	£000	£000			£000	£000	
Base Budget Adjustments 2019/20								
IN032 Procurement activity to be identified from Service Procurement plans	100	0	100	Timing delay of Procurement savings	Management action to reduce non essential spend	100	0	
IN071 Fleet review	190	20	170	Timing delay in fleet review	Management action to reduce non essential spend	170	0	
INF50 Lease reductions	206	0	206	Timing Delays in procuring new vehicles	Management action to reduce non essential spend	206	0	
2018/19 Savings (Second Year Impact)								
INF045 Review of Street lighting service	304	221	83	Timing delays due to VRS process	Management action to reduce non essential spend	83	0	
INF040 Review of Streetscene specification	637	517	120	Additional expenditure incurred to address grass cutting in problem areas	Management action to reduce non essential spend	120	0	The Service has temporarily increased costs to combat adverse local feedback. The longer term impact us yet to be fully understood.
Service Reviews								
Greenspace & Countryside review	237	152	85	Delays due to VRS process	Management action to reduce non essential spend	85	0	
Budget Savings 19/20 (Approved as at February 2019)								
IN011 Reduce burial service subsidy	175	98	77	Additional expenditure incurred for grass cutting in Cemeteries	Management action to reduce non essential spend	77	0	The Service has temporarily increased costs to combat adverse local feedback. The longer term impact us yet to be fully understood.
Totals	1,849	1,008	841			841	0	