

North Lanarkshire Council Report

Communities and Housing Committee

approval noting

Ref RS/GT/JMcG

Date 20/11/19

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

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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 11 October 2019 (Period 7). The report illustrates the projected outturn as at 31 March 2020, 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 7. 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 have resulted in a revised Enterprise and Communities Net Revenue Budget of £106.415m; a decrease of £0.025m. 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 currently 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 £6.445m 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 and Design, Technical and Transport sections anticipate employee cost underspends associated with staff vacancies (£1.111m). These are fully offset by a number of cost pressures across all sections including projected design fee under recoveries linked to staff vacancies (£0.251m); grass cutting in general (£0.180m) and within cemeteries (£0.077m) in response to adverse public feedback following the implementation of savings; delays in achievement of staffing related savings within Greenspace and Environmental Facilities (£0.059m) and a forecast under recovery of Cemetery income (£0.127m).

2.2.2 Regulatory Services & Waste Solutions (£0.479m overspend)

Within Fleet Operations there is a timing delay in achievement of current year transport savings in respect of lease costs and fleet reductions (£0.516m). This is partially offset by a forecast underspend on materials due to a newer fleet profile (£0.100m).

Protective Services is forecasting a net under recovery in pest control income linked to demand for the service (£0.118m).

Recruitment delays, the cost of absence cover and an under-recovery of income for recycled material contributing to a projected overspend within Waste Solutions. These are partially offset by reduced gate fees (£0.133m) and reduced fleet costs (£0.128m).

These burdens are being offset by management action reflecting trends for lower demand for private sector housing grants (£0.300m) and increased income for Building Standards work (£0.200m).

2.2.3 Asset & Procurement Solutions (£0.321m underspend)

Within Assets & Procurement reduced repairs expenditure (£0.198m), a non-recurring reduction in costs associated with the Carbon Reduction levy (£0.185m) and an over-recovery of income from capital (£0.145m) are partially offset by timing delays in the achievement of asset management and procurement savings (£0.207m and £0.100m respectively). 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 Housing Property & Projects (£0.150m underspend)

Within Housing Property and Projects, there is an underspend of £0.150m forecast as a result of realigning charges for the housing repairs related activity to the Housing Revenue Account.

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

2.2.7 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 a minor underspend of £0.167m mainly due to trends reflecting lower demand for private sector housing grants, partially off-set by increased pest control costs.

2.3 Earmarked and One-off Resources

2.3.1 Enterprise and Communities Non-Trading has been given approval to earmark £6.102m of resources. It is anticipated that £3.571m of these reserve balances will be utilised in 2019/20, with the remaining funding likely to be required in future years. Appendix 4 details the individual Earmarked Reserves.

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 7, it is anticipated that £6.445m (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. Procurement savings continue to be under review to ensure they are fully delivered.

2.4.3 The Service is addressing the £0.911m savings gap in 2019/20 by implementing 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 and utilising increased Building Standards income. 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 £2.065m of the Council's Change Management Fund to support voluntary severance costs (£1.206m), litter bins and materials (£0.418m) 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

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| 6.1 | Appendix 1 | Objective Analysis |
| | Appendix 2 | Subjective Analysis |
| | Appendix 3 | Payments to Other Bodies Analysis |
| | Appendix 4 | Status of Earmarked Resources |
| | Appendix 5 | Challenging Savings |



Robert Steenson
Executive Director (Enterprise & Communities)

Enterprise & Communities
Revenue Budget Monitoring Report - Objective Analysis
1st April 2019 - 11th October 2019 (PERIOD 7)

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)	% (8)	ANALYSIS (10)
	£	£	£	£	£	£	%	
ENVIRONMENTAL ASSETS	19,010,358	19,069,152	(58,794) ADV	43,770,230	43,770,230	0	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.
REGULATORY SERVICES AND WASTE SOLUTIONS	15,052,961	15,314,977	(262,016) ADV	27,789,272	28,268,385	(479,113) ADV	-1.7%	Under recovery of pest control income, timing delay in lease and fleet review savings and increased waste overtime are partially offset by reduced vehicle costs resulting from a newer fleet, reduced gate fees, increased income and underspend on private sector housing grants.
ASSET & PROCUREMENT SOLUTIONS	13,953,457	13,781,800	171,657 FAV	7,405,807	7,084,858	320,949 FAV	4.3%	Timing delay in procurement and Asset Management savings, release of accrual of Carbon Reduction levy and reduced spend on repairs.
PLANNING & REGENERATION	2,773,856	2,749,116	24,739 FAV	8,564,187	8,608,916	(44,729) ADV	-0.5%	Overspends within employee costs offset by additional planning income and management action to reduce admin costs.
COMMUNITIES	4,884,352	4,943,490	(59,138) ADV	7,016,656	6,963,764	52,892 FAV	0.8%	No significant variances to report
HOUSING SOLUTIONS	3,377,046	3,374,919	2,127 FAV	4,718,894	4,718,894	0	0.0%	No significant variances to report
DIRECTORATE & SUPPORT	914,062	915,604	(1,542) ADV	1,818,669	1,818,669	0	0	No significant variances to report
HOUSING PROPERTY & PROJECTS	3,414,006	3,380,782	33,223 FAV	5,331,474	5,181,474	150,000 FAV	2.8%	No significant variances to report
NET EXPENDITURE	63,380,098	63,529,841	(149,743) ADV	106,415,189	106,415,189	0	0.0%	

Enterprise & Communities
Revenue Budget Monitoring Report - Subjective Analysis
1st April 2019 - 11th October 2019 (PERIOD 7)

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)	% (8)	ANALYSIS (10)
	£	£	£	£	£	£	%	
EMPLOYEE COSTS	45,088,360	44,939,688	148,672 FAV	88,673,285	89,349,492	(676,207) ADV	-0.8%	Timing delay in VRS process partly offset by vacancy savings.
PROPERTY COSTS	17,306,865	17,468,415	(161,550) ADV	28,534,280	28,372,743	161,537 FAV	0.6%	Reduced repairs are partly offset by delays in asset management savings.
SUPPLIES & SERVICES	7,698,919	8,003,558	(304,639) ADV	15,292,891	16,079,683	(786,792) ADV	-5.1%	Delays in procurement and lease savings.
TRANSPORT & PLANT	5,416,463	5,139,863	276,601 FAV	12,713,070	12,759,300	(46,230) ADV	-0.4%	Overspend in vehicle contract hires partly offset by an underspend on additional work.
ADMINISTRATION COSTS	1,110,028	1,251,759	(141,731) ADV	4,301,890	4,539,415	(237,525) ADV	-5.5%	Overspend due to additional design costs (fully offset by additional income).
PAYMENTS TO OTHER BODIES (See Overleaf Appendix 3)	6,887,613	6,728,966	158,647 FAV	18,240,101	18,072,709	167,392 FAV	0.9%	Underspend in private sector grants reflecting previous trend for demand on housing grants.
CAPITAL FINANCING COSTS	4,977,620	4,856,454	121,166 FAV	18,502,095	18,502,095	0	0.0%	Balanced budget
REVENUE FINANCING COSTS	0	0	0	10,293	7,205	3,088 FAV	30.0%	Minor variance
OTHER EXPENDITURE	3,314,953	3,141,337	173,617 FAV	6,465,113	6,318,297	146,816 FAV	2.3%	Underspend in Carbon Trading Allowance
TOTAL EXPENDITURE	91,800,822	91,530,039	270,783 FAV	192,733,018	194,000,938	(1,267,920) ADV	-0.7%	
INCOME	28,420,725	28,000,198	(420,526) ADV	86,317,829	87,585,750	1,267,921 FAV	1.5%	Additional School meal and other Catering income, Design income is partly offset with under recovery of capital projects (Roads), Waste recycling income (paper/card), cemetery income, Building & Cleaning income and fleet charges.
NET EXPENDITURE	63,380,098	63,529,841	(149,743) ADV	106,415,189	106,415,189	0	0.0%	

Enterprise & Communities

Revenue Budget Monitoring Report - Payments to Other Bodies Analysis

1st April 2019 - 11th October 2019 (PERIOD 7)

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)	TYPICAL AREA OF EXPENDITURE/ANALYSIS OF VARIATIONS (10)
	£	£	£	£	£	£	%	
Public Analyst Fees	117,944	117,624	321 FAV	235,886	235,886	0		
OLA's General	243,502	239,754	3,748 FAV	243,502	239,754	3,748 FAV		Minor variance
APS Roads Contractor	3,679,967	3,679,967	0	9,908,896	9,908,896	0	0.0%	
Private Roads Contractor	249,088	308,117	(59,030) ADV	831,005	850,848	(19,843) ADV	-2.4%	Minor variance
Medical Fees	83,998	84,055	(57) ADV	110,161	110,161	0	0.0%	
Agency Fees	7,738	7,840	(101) ADV	202,904	202,904	0	0.0%	
Support Fees	313,851	313,851	0	1,115,560	1,115,560	0	0.0%	
Grants to Organisations	1,054,310	1,057,679	(3,369) ADV	1,560,361	1,570,361	(10,000) ADV	-0.6%	Minor variance
Other	857,297	748,327	108,970 FAV	3,017,826	3,124,339	(106,513) ADV	-3.5%	Mainly Pest Control sub contractor overspend based on demand levels
Private Sector Grants	331,019	171,754	159,265 FAV	1,014,000	714,000	300,000 FAV	29.6%	Reflecting previous trend for demand on private sector housing grants
TOTAL EXPENDITURE	6,938,713	6,728,966	209,747 FAV	18,240,101	18,072,709	167,392 FAV	0.9%	

Enterprise & Communities
 Status of Earmarked Resources
 1 April 2019 - 11 October 2019
 Period 7

Description of Earmarked Resource	Total Earmarked Reserve	Initial 19/20 Allocation	Adjustments in Year	19/20 Approved Reserve Total	Spend to Date	2019/20		Reserves No Longer Required in 19/20	Reserves Required for 2020/21 Onwards	Commentary regards usage
						Projected Spend, 2019/20				
						Value	%			
Service Specific Earmarked Reserves:										
Rapid rehousing	51	51	0	51	1	51	100.00%	0	0	Temporary staffing
Dilapidations	750	560	0	560	100	560	100.00%	0	191	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 & Management	1,268	378	0	378	0	378	100.00%	0	890	Match funding commitments
North Lanarkshire Development Plan / Town Centre Obligations	500	400	0	400	13	400	100.00%	0	100	Set up costs associated with developing the Plan
Growth Team	123	123	0	123	286	84	68.19%	39	39	Revenue Ambition staff costs
VDLF	32	32	0	32	4	32	100.00%	0	0	VDLF contribution to capital for Staff costs.
City Deal Team & Project Management Office	1,336	988	0	988	229	798	80.80%	190	538	Running costs of City Deal Team
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	245	0	245	0	245	100.00%	0	0	Costs for additional temporary staff
Total	6,102	3,800	0	3,800	706	3,571	93.98%	229	2,531	

Infrastructure
Revenue Budget Monitoring Report - Challenging Savings
1st April 2019 - 11th October 2019 (PERIOD 7)

Appendix 5

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	10	180	Timing delay in fleet review	Management action to reduce non essential spend	180	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	457	180	Additional expenditure incurred to address grass cutting in problem areas	Management action to reduce non essential spend	180	0	The Service has temporarily increased costs to combat adverse local feedback. The longer term impact is 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 is yet to be fully understood.
Totals	1,849	938	911			911	0	