

North Lanarkshire Council Report

Finance and Resources Committee

approval noting

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Revenue Monitoring Report Council Summary 1 April to 19 July 2019 (Period 4)

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Executive Summary

This report updates Committee on the overall position for the General Fund Account, Housing Revenue Account and Adult Social Care for the financial year to 31 March 2020. 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 on 21 February 2019. Revised assumptions following the issue of Local Government Finance Circular 2/2019 in March 2019 gives an opening reported budget of £748.926m. The Council is currently projecting a deficit of £0.727m against this budget.

The 2019/20 budget incorporates £27.666m of savings. It is projected that £25.498m of savings (92%) will be delivered within the financial year, with replacement savings of £1.234m identified to date leaving a shortfall of £0.934m.

Recommendations

It is recommended that Committee:

- (1) Note the financial position of the 2019/20 revenue budget;
- (2) Note the contents of this report.

The Plan for North Lanarkshire

Priority All priorities

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 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 General Fund Financial Position

- 2.1.1. The Council approved the proposed General Fund Revenue Budget of £780.729m on 21 February 2019 which included spend which is offset by ring fenced grants of £33.501m resulting in a Net Service Expenditure of £747.228m. The approved budget also included assumptions on a number of items of undistributed funding. Following the issue of Local Government Finance Circular 2/2019 in March 2019, these assumptions have been further updated, resulting in a revised opening budget of £748.926m.
- 2.1.2. The Council approved a savings target of £13.830m on 21 February 2019. In addition to this, action already identified savings totalling £13.836m supports the overall position, resulting in total savings for the year of £27.666m. Services currently anticipate £25.498m (92%) of the approved savings are achievable in the current financial year. Further detail can be found in Section 2.4 below.
- 2.1.3. Table 1 below summarises the projected income and expenditure position, which illustrates a deficit of £0.727m currently envisaged for the financial year.

	Annual Budget £m	Projected Outturn £m	Period 4 Variance £m
Expenditure			
Net Service Expenditure	748.926	749.653	(0.727)
Income			
Aggregate External Finance	601.902	601.902	-
Local Tax Collection	142.295	142.295	-
Use of Balances	4.729	4.729	-
Total Income	748.926	748.926	
Projected variance : surplus/(deficit) at 31 March 2020	-	(0.727)	(0.727)

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 and paragraph 2.2.2 below.

Service	P4 Outturn (£m)	
Education and Families	(1.177)	Overspend
Enterprise and Communities	-	On Budget
Social Work (Non-Integrated)	-	On Budget
Chief Executives and Other Corporate Services	-	On Budget
External Trading Activity	-	On Budget
Executive Services Total	(1.177)	Overspend
Loan Charges	0.600	Underspend
Interest on Revenue Balances	(0.150)	Under-recovery
Total	(0.727)	Overspend

Table 2

2.2.2. Education and Families are projecting an overspend of £1.177m as a result of increased transport costs of £1.110m primarily due to increased costs for the provision of demand led ASN transport and consortium travel for secondary pupils and overspends of £0.766m within Payments to Other Bodies due to increased demand for fostering and kinship payments partially offset by reduced demand for external ASN placements. These overspends are partially offset by an anticipated employee cost net underspend of £0.469m, key contributors to which include; the phasing of grant awards and linked activity in areas such as 2 year old nursery provision offset by increased demand for ASN staff, costs associated with maintaining the Modern Apprentice programme at previous years' levels, and timing delays in implementing staffing savings.

2.2.3. Prudent management of the Council's borrowing is expected to result in a year end surplus of £0.450m. Within this position are savings on loan charges of £0.600m which is partially offset by an under-recovery in interest on revenue balances of £0.150m as a result of the reduced loans pool rate.

2.3. Earmarked Reserves and Change Management Fund

2.3.1. The Council's unaudited accounts highlight a General Fund reserve balance of £44.372m. This balance includes £8m for the Contingency Reserve and a total of £31.008m earmarked for specific future commitments including £4.729m to support the overall 2019/20 revenue budget position. The remaining £5.364m was allocated to the Change Management Fund (CMF) to support future emerging issues. To date, £0.685m of this has been earmarked from CMF including £0.440m to address an

outstanding legal dispute and £0.245m to fund the 2019/20 costs of an Environmental Improvement Taskforce. These allocations result in revised Earmarked Reserves and Change Management Fund balances of £31.693m and £4.679m respectively.

2.3.2. A summary position is shown in appendix 2 which includes use of reserves across a number of years, with £20.734m profiled for use in 2019/20 and the balance of £10.959 profiled for future years. Projected use of reserves in 2019/20 equates to £20.459m which leaves £0.275m required for future years. These will continue to be closely monitored and reported to future meetings of the Committee.

2.3.3. Recognising the current forecast overspend of £0.727m together with other anticipated movements including £4.506m drawdown from the capital fund, it is expected that by the end of the financial year the balance on the Change Management Fund will reach £9.058m. The detail of this balance is shown at Appendix 3.

2.4. 2019/20 Budget Savings

2.4.1. The approved 2019/20 budget includes savings of £27.666m 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 £25.498m (92%) of these will be achieved in the current financial year, leaving an in-year savings gap of £2.168m. Replacement savings of £1.234m have been identified leaving a revised gap of £0.934m which is not considered achievable in the current financial year. This balance includes £0.856m within Education and Families which has arisen as a result of temporary timing delays in implementing new staffing structures and phased introduction of savings to reflect the school academic calendar.

2.5. Risks and Uncertainty

2.5.1. 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.

2.6. Housing Revenue Account

2.6.1. The Housing Revenue Account is projecting a year-end surplus of £0.050m due to savings within void rent loss as the Service continues to minimise time taken to re-let empty properties. Further information regarding the financial performance is reported to Communities and Housing Committee.

2.7. Adult Health and Social Care

2.7.1. Council Adult Health and Social Care provision to the Integration Joint Board (IJB) is currently anticipating a full year overspend of £4.606m. This Service is facing demand pressure across key functions such as Self Directed Support (SDS), £2.491m placements in Independent Care homes, £3.485m, partially offset by underspends currently projected within administration costs of £1.744m. There has also been increased demand for homecare which has had to be met through local authority staffing provision, £1.821m which is partially offset by reduced payments to independent homecare providers, £1.528m.

2.7.2. The Adult Social Care management team will continue to review and implement management action and initiatives, with the aim of reducing the projected overspend. This action will include vacancy management, curtailment of non-essential expenditure, maximising income/grant. In conjunction with partners there will be further assessment of options to mitigate demand led pressure.

3. Equality and Diversity

3.1. Fairer Scotland Duty

There is no specific impact in relation to Fairer Scotland.

3.2. Equality Impact Assessment

There is no specific Equality Impact Assessment required.

4. Implications

4.1. Financial Impact

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

4.2. HR/Policy/Legislative Impact

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

4.3. Environmental Impact

There is no environmental impact linked to this report.

4.4. Risk Impact

There is no risk impact linked to this report.

5. Measures of success

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

6. Supporting documents

Appendix 1 Summary by Division

Appendix 2 Anticipated Commitments – Earmarked Reserves

Appendix 3 Availability of One Off Funds – Change Management Fund



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NORTH LANARKSHIRE COUNCIL
SUMMARY OF FINANCIAL REPORT FOR PERIOD ENDING 19 July 2019 (PERIOD 4)

LINE NO.	SERVICE ACCOUNT (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	VARIANCE TO DATE (4)	ANNUAL BUDGET (5)	PROVISIONAL OUTTURN (6)	PROVISIONAL VARIANCES (7)
		£	£	£	£	£	£
1	Education and Families	50,061,639	50,260,353	(198,714)	414,857,563	416,034,301	(1,176,738)
2	Early Years	4,269,638	4,269,638	-	22,730,913	22,730,913	-
3	Primary Schools	15,869,124	15,869,124	-	131,730,931	131,730,931	-
4	Secondary Schools	19,890,731	19,890,731	-	124,164,271	124,164,271	-
5	Special Schools	2,795,099	2,795,099	-	19,628,383	19,628,383	-
6	Education & Families Service Delivery	3,129,701	3,129,701	-	97,393,809	97,754,630	(360,821)
7	Childrens Services Social Work	4,107,346	4,306,060	(198,714)	19,152,487	20,119,629	(967,142)
8	Justice Services	-	-	-	56,769	(94,456)	151,225
9	Enterprise & Communities	27,046,313	38,851,426	(11,805,113)	106,299,121	106,299,121	-
10	Environmental Assets	11,091,472	11,865,298	(773,826)	43,768,406	43,768,406	-
11	Regulatory Services & Waste Solutions	6,782,852	9,557,623	(2,774,771)	27,646,815	27,646,815	-
12	Assets & Procurement	2,826,297	8,384,061	(5,557,764)	11,824,632	11,824,632	-
13	Planning & Regeneration	1,640,161	2,162,424	(522,263)	8,564,187	8,564,187	-
14	Communities	2,230,058	4,133,535	(1,903,477)	7,016,656	7,016,656	-
15	Housing Solutions	1,638,343	1,772,795	(134,452)	4,747,107	4,747,107	-
16	Directorate & Support	358,402	488,790	(130,388)	1,818,669	1,818,669	-
17	Business, Housing Property & Projects	478,728	486,900	(8,172)	912,649	912,649	-
18	Trading Accounts	(1,598,923)	(711,401)	(887,522)	(533,664)	(533,664)	-
19	Chief Executives & Other Corporate Services	18,629,839	18,816,225	(186,386)	70,641,969	70,641,969	-
20	Chief Executive	207,509	204,464	3,045	837,507	837,507	-
21	Legal & Democratic Solutions	579,984	603,395	(23,411)	1,944,105	1,944,105	-
22	Audit & Inspection	146,545	146,545	-	507,601	507,601	-
23	Financial Solutions	5,278,556	5,242,631	35,925	36,461,384	36,461,384	-
24	Business Solutions	3,494,735	3,547,913	(53,178)	7,500,490	7,500,490	-
25	People & Organisational Development	1,914,788	2,055,924	(141,136)	6,729,199	6,729,199	-
26	Strategic Communication	317,848	325,479	(7,631)	769,659	769,659	-
27	Other Corporate Services	670,711	670,711	-	3,293,978	3,293,978	-
28	Joint Boards	6,019,163	6,019,163	-	12,598,046	12,598,046	-
29	Social Work (non Integrated)	159,072,197	159,072,197	-	161,018,415	161,018,415	-
30	GENERAL FUND SERVICES	253,211,065	266,288,800	(13,077,735)	752,283,404	753,460,142	(1,176,738)
31	FINANCING COSTS	(3,741,232)	(3,879,693)	188,615	(3,357,169)	(3,807,169)	450,000
32	Reversal of Capital Charge	(16,457,749)	(16,457,749)	-	(53,487,684)	(53,487,684)	-
33	Loan Charges	12,947,286	12,762,671	184,615	42,078,681	41,478,681	600,000
34	Intrest on Revenue Balances	(230,769)	(184,615)	-	(750,000)	(600,000)	(150,000)
35	Transfer from Pensions Reserve (IAS19)	-	-	-	-	-	-
36	Assumptions not yet Realised	-	-	-	8,801,834	8,801,834	-
37	OTHER BUDGETARY ISSUES	-	-	-	-	-	-
38	Auto enrolment in Pension Scheme	-	-	-	-	-	-
39	Redeterminations	-	-	-	-	-	-
40	Removal of Gross Central Department Budgets (included within above)	-	-	-	-	-	-
41	TOTAL EXPENDITURE	249,469,833	262,409,107	(12,893,120)	748,926,235	749,652,973	(726,738)
42	SOURCES OF FUNDING	-	-	-	748,926,235	748,926,235	-
43	Aggregate External Finance	-	-	-	601,901,882	601,901,882	-
44	Council Tax	-	-	-	142,295,000	142,295,000	-
45	Use of Balances	-	-	-	4,729,353	4,729,353	-
46	SURPLUS (DEFICIT)	249,469,833	262,409,107	(12,893,120)	-	(726,738)	(726,738)
47	HOUSING REVENUE ACCOUNT	(13,393,657)	(13,451,901)	58,244	-	(50,000)	50,000
48	ADULT HEALTH AND SOCIAL CARE	47,477,444	48,894,545	(1,417,101)	-	4,605,588	(4,605,588)

Appendix 3

NORTH LANARKSHIRE COUNCIL
AVAILABILITY OF ONE-OFF FUNDS AS AT 19 JULY 2019 (PERIOD 4)

	£000	£000
Change Management Fund		
Unallocated balance from 2018/19		5,364
Less:		
Legal Dispute	(440)	
Environmental Task Force	<u>(245)</u>	(685)
Current unallocated balance		4,679
Add:		
2019/20 drawdown from Capital Fund	4,506	
Transfer from TCA	<u>600</u>	5,106
Less:		
Period 4 reported overspend	<u>(727)</u>	<u>(727)</u>
Total Unallocated Change Management Fund 2019/20		9,058
Planned 2020/21 Drawdown from Capital Fund		<u>4,525</u>
Anticipated One-Off Change Management Fund for use in 2020/21		<u><u>13,583</u></u>