

North Lanarkshire Council

Report

Finance and Resources Committee

approval noting

Ref EK/KS/VS/FC

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Revenue Monitoring Report Council Summary 1 April to 11 October 2019 (Period 7)

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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 and notification from Scottish Government of additional funding gives a revised budget of £762.942m. The Council is currently projecting a deficit of £0.351m against this budget.

The 2019/20 budget incorporates £27.666m of savings. It is projected that £25.070m of savings (91%) will be delivered within the financial year, with replacement savings of £2.424m identified to date leaving a shortfall of £0.172m.

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, which have been updated following the issue of Local Government Finance Circular 2/2019 in March 2019, resulting in a revised opening budget of £748.926m. The Scottish Government made a commitment to fund an element of the negotiated teachers' pay agreement. However due to the uncertainty over the level of funding the Council only budgeted its share of the costs. The Scottish Government funding has now been announced at £13.966m, which is required to meet the increased salary costs being incurred. This along with additional funding in relation to Brexit preparations, brings the revised budget to £762.942m.
- 2.1.2. The Council approved a savings target of £13.830m on 21 February 2019. In addition to this, previously approved action identified savings totalling £13.836m to support the overall position, resulting in total savings for the year of £27.666m. Services currently anticipate £25.070m (91%) 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 £0.351m currently envisaged for the financial year.

	Annual Budget £m	Projected Outturn £m	Period 7 Variance £m	Period 4 Variance £m	Period 7 Movement £m
Expenditure					
Net Service Expenditure	762.942	763.293	(0.351)	(0.727)	+0.376
Income					
Aggregate External Finance	615.918	615.918	-	-	-
Local Tax Collection	142.295	142.295	-	-	-
Use of Balances	4.729	4.729	-	-	-
Total Income	762.942	762.942			
Projected variance : surplus/(deficit) at 31 March 2020	-	(0.351)	(0.351)	(0.727)	+0.376

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	P7 Outturn (£m)		P4 Outturn (£m)		P7 Movement (£m)
Education and Families	(0.901)	Overspend	(1.177)	Overspend	+0.276
Enterprise and Communities	-	On Budget	-	On Budget	-
Social Work (Non-Integrated)	-	On Budget	-	On Budget	-
Chief Executives and Other Corporate Services	-	On Budget	-	On Budget	-
External Trading Activity	-	On Budget	-	On Budget	-
Executive Services Total	(0.901)	Overspend	(1.177)	Overspend	+0.276
Loan Charges	0.700	Underspend	0.600	Underspend	+0.100
Interest on Revenue Balances	(0.150)	Under-recovery	(0.150)	Under-recovery	-
Total	(0.351)	Overspend	(0.727)	Overspend	+0.376

Table 2

2.2.2. Education and Families are projecting an overall overspend of £0.901m, which is a movement of £0.276m from the reported position at period 4. The movement is primarily as a result of increased employee cost underspends (£1.209m), partially offset by an increased overspend in Payments to Other Bodies (£0.826m). The projected outturn variance mainly reflects an anticipated overspend of £1.290m within Transport Costs arising from the increased cost of providing demand led ASN transport and consortium travel for secondary pupils. In addition, the demand for fostering and kinship payments has increased coupled with ongoing demand pressure for external pupil placements resulting in a net overspend within Payments to other Bodies of £1.592m. Both these overspends have been partially offset by an anticipated employee cost net underspend of £1.678m, expected from lower than anticipated uptake of 2 year old nursery provision and synergies associated with grant funded programmes. Within this overall position, there are £1.454m of unachieved savings which have predominantly arisen as a result of temporary timing delays in implementing new staffing structures and phased implementation of savings to reflect the academic year. The Service management team has implemented a range of management initiatives to mitigate the current financial position and the impact of these actions will be incorporated within future reports.

2.2.3. Enterprise and Communities are currently projecting on budget, however within this position there are a number of compensating over and underspends. Within employee costs there is a net overspend of £0.676m as a result of a delay in the VRS process partially offset by vacancy savings. In addition, there are timing delays in the achievement of asset management and procurement savings within Asset and Procurement Solutions (£0.207m and £0.100m), and a delay in achieving savings in respect of lease costs and fleet reductions has resulted in increased transport costs within Fleet of £0.516m. These overspends are offset by lower demand for private sector housing grants (£0.300m), management action including the reduction of repairs spend, and increased income of £1.268m across the service.

2.2.4. Chief Executives and Other Corporate Services is reporting on budget. However there is currently an anticipated overspend within employee costs of £0.412m primarily due to a delay in the achievement of savings and further structure review costs which are partially offset by increased turnover savings. The Service has also incurred additional ICT licencing and maintenance costs of £0.508m, mainly arising from one off costs in relation to the iTrent contract. These overspends are currently being managed within the Service through increased PPP volume discount income of £0.338m and reduced insurance costs of £0.750m. The reduced insurance costs will result in a recurring saving going forward.

2.2.5. Prudent management of the Council's borrowing is expected to result in a year end surplus of £0.550m. Within this position are savings on loan charges of £0.700m, 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 annual 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, £0.743m of this has been earmarked from CMF including £0.440m to address an outstanding legal dispute, £0.245m to fund the 2019/20 costs of an Environmental Improvement Taskforce and £0.058m to continue support for Best Value posts within Business Solutions. These allocations result in revised Earmarked Reserves and Change Management Fund balances of £31.751m and £4.621m respectively.

2.3.2. A summary position is shown in appendix 2 which includes use of reserves across a number of years. A total of £23.553m has been profiled for use in 2019/20 and the balance of £8.198 profiled for future years. As at period 7, projected use of reserves in 2019/20 is £23.324m, with the remaining £0.229m required for use in future years. All earmarked reserve balances will continue to be closely monitored and reported to future meetings of the Committee.

2.3.3. Recognising the current forecast overspend of £0.351m, 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 £9.376m. 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 within the relevant Services' monitoring report. It is anticipated that £25.070m (91%) of these will be achieved in the current financial year, leaving an in-year savings gap of £2.596m. Replacement savings of £2.424m have been identified leaving a revised gap of £0.172m which is not considered achievable in the current financial year.

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 £0.121m primarily due to savings within capital financing costs of £0.500m and void rent loss of £0.050m, which are partially offset by an overspend in housing repair call charges of £0.346m and an under recovery in garage rental income of £0.083m. 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 £4.004m. The Service is facing demand pressure across key functions such as Self Directed Support (SDS) and placements in Independent Care homes (£2.378m and £3.239m respectively), which are partially offset by underspends currently projected within administration costs of £1.983m in relation to these areas. There has also been increased demand for homecare met through local authority staffing provision, resulting in an overspend in employee costs of £0.874m, which is partially offset by reduced payments to independent homecare providers of £0.269m. The outturn represents a favourable movement of £0.602m from that reported at Period 4, primarily as a result of recently agreed contributions from NHS Lanarkshire in relation to an SDS care package, reduced employee cost overspend, and increased administration cost underspend partially offset by increased SDS overspend.

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

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

Elaine Kemp
Head of Financial Solutions

NORTH LANARKSHIRE COUNCIL
SUMMARY OF FINANCIAL REPORT FOR PERIOD ENDING 11 October 2019 (PERIOD 7)

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	195,999,036	196,772,721	(773,685)	434,600,412	435,501,343	(900,931)
2	Early Years	11,462,134	11,462,134	-	23,862,333	23,862,333	-
3	Primary Schools	72,652,879	72,652,879	-	139,480,659	139,480,659	-
4	Secondary Schools	70,125,830	70,125,830	-	134,149,691	134,149,691	-
5	Special Schools	10,186,416	10,186,416	-	20,809,366	20,809,366	-
6	Education & Families Service Delivery	21,530,431	21,170,673	359,758	97,089,107	96,119,608	969,499
7	Childrens Services Social Work	9,769,746	10,957,390	(1,187,644)	19,152,487	21,166,694	(2,014,207)
8	Justice Services	271,600	217,399	54,201	56,769	(87,008)	143,777
9	Enterprise & Communities	63,380,098	63,529,840	(149,742)	106,415,189	106,415,190	-
10	Environmental Assets	19,010,358	19,069,152	(58,794)	43,770,230	43,770,230	-
11	Regulatory Services & Waste Solutions	15,052,961	15,314,977	(262,016)	27,789,272	28,268,385	(479,112)
12	Assets & Procurement	13,953,457	13,781,800	171,657	7,405,807	7,084,858	320,949
13	Planning & Regeneration	2,773,856	2,749,116	24,740	8,564,187	8,608,916	(44,729)
14	Communities	4,884,352	4,943,490	(59,138)	7,016,656	6,963,764	52,892
15	Housing Solutions	3,377,046	3,374,919	2,127	4,718,894	4,718,894	-
16	Directorate & Support	914,062	915,604	(1,542)	1,818,669	1,818,669	-
17	Business, Housing Property & Projects	3,414,006	3,380,782	33,224	5,331,474	5,181,474	150,000
18	Trading Accounts	(795,547)	(1,330,250)	534,703	(626,121)	(626,121)	-
19	Chief Executives & Other Corporate Services	27,808,219	28,072,758	(264,538)	70,670,182	70,670,182	-
20	Chief Executive	397,281	397,604	(324)	837,507	827,476	10,031
21	Legal & Democratic Solutions	1,006,313	1,127,650	(121,337)	1,944,105	2,176,809	(232,704)
22	Audit & Inspection	282,650	268,270	14,380	507,601	492,024	15,577
23	Financial Solutions	7,048,385	6,467,028	581,357	36,489,597	35,606,777	882,820
24	Business Solutions	6,141,586	6,282,991	(141,405)	7,500,490	7,500,490	-
25	People & Organisational Development	3,652,941	4,195,135	(542,194)	6,729,199	7,582,279	(853,080)
26	Strategic Communication	502,592	573,981	(71,388)	769,659	967,307	(197,648)
27	Other Corporate Services	1,199,453	1,183,081	16,372	3,293,978	2,918,974	375,004
28	Joint Boards	7,577,018	7,577,018	-	12,598,046	12,598,046	-
29	Social Work (non Integrated)	159,720,937	159,720,937	-	161,018,415	161,018,415	-
30	GENERAL FUND SERVICES	446,112,743	446,766,006	(653,262)	772,078,077	772,979,009	(900,931)
31	FINANCING COSTS	(6,547,155)	(6,843,309)	376,923	(9,135,842)	(9,685,842)	550,000
32	Reversal of Capital Charge	(28,801,061)	(28,801,061)	-	(53,487,684)	(53,487,684)	-
33	Loan Charges	22,657,751	22,280,828	376,923	42,078,681	41,378,681	700,000
34	Intrest on Revenue Balances	(403,846)	(323,077)	-	(750,000)	(600,000)	(150,000)
35	Assumptions not yet Realised	-	-	-	3,023,161	3,023,161	-
36	TOTAL EXPENDITURE	439,565,588	439,922,697	(276,339)	762,942,235	763,293,167	(350,931)
37	SOURCES OF FUNDING	-	-	-	762,942,235	762,942,235	-
38	Aggregate External Finance	-	-	-	615,917,882	615,917,882	-
39	Council Tax	-	-	-	142,295,000	142,295,000	-
40	Use of Balances	-	-	-	4,729,353	4,729,353	-
41	SURPLUS (DEFICIT)	439,565,588	439,922,697	(276,339)	-	(350,932)	(350,931)
42	HOUSING REVENUE ACCOUNT	(21,705,953)	(21,666,561)	(39,392)	-	(121,000)	121,000 -
43	ADULT HEALTH AND SOCIAL CARE	72,469,563	74,625,351	(2,155,788)	-	4,003,610	(4,003,610) -

Appendix 3

**NORTH LANARKSHIRE COUNCIL
AVAILABILITY OF ONE-OFF FUNDS AS AT 11 October 2019 (PERIOD 7)**

	£000	£000
Change Management Fund		
Unallocated balance from 2018/19		5,364
Less:		
Legal Dispute	(440)	
Environmental Task Force	(245)	
Business Solutions Additional Posts	<u>(58)</u>	(743)
Current unallocated balance		4,621
Add:		
2019/20 drawdown from Capital Fund	4,506	
Transfer from TCA	<u>600</u>	5,106
Less:		
Period 7 reported overspend	<u>(351)</u>	(351)
Total Unallocated Change Management Fund 2019/20		9,376
Planned 2020/21 Drawdown from Capital Fund		<u>930</u>
Anticipated One-Off Change Management Fund for use in 2020/21		<u><u>10,306</u></u>