

North Lanarkshire Council Report

Finance & Resources Committee

approval noting

Ref VR/RM

Date 12/03/20

Revenue Budget Monitoring Report; Chief Executives & Other Corporate Services 01.04.19 – 31.01.20 (Period 11)

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Executive Summary

This report provides a summary of the Chief Executive & Other Corporate Services financial performance for the period 1 April 2019 to 31 January 2020 (Period 11). The report illustrates the projected outturn as at 31 March 2020, with major outturn variances highlighted and explained per the Council's approved Financial Regulations.

The Council approved its General Fund Revenue Budget on 21 February 2019, of which £71.662m currently represents the Net Revenue Budget for the Chief Executive & Other Corporate Services. The Service is currently projecting a surplus of £0.477 for the financial year. In addition, the 2019/20 budget incorporates £1.957m of savings previously approved by the Council. It is currently anticipated that £1.719m of savings (88%) will be delivered by the financial year-end.

Recommendations

It is recommended that the Finance & Resources Committee:

- (1) note the financial position of the 2019/20 Chief Executive & Other Corporate Services revenue budget.

The Plan for North Lanarkshire

Priority Improve North Lanarkshire's resource base

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 the Chief Executive to remain within the approved budgetary provision, and to report all significant deviations - defined as the higher of £100,000 or 5% - within budget monitoring reports. Where significant deviations are identified, the Chief Executive 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 its General Fund Revenue Budget on 21 February 2019, of which £69.845m (9.32%) represented the approved Revenue Budget for the Chief Executive & Other Corporate Services. Subsequent realignments of service budgets has resulted in a revised budget of £71.662m; an increase of £1.817m primarily due to realignment of bank interest income of £0.750m within loan charges which are reported corporately as part of the Revenue Monitoring Council Summary report and additional funding provided from Scottish Government for passport funds, to be transferred to the Improvement Service of £0.964m.
- 2.1.2 The Service is currently projecting an under spend of £0.477m for the financial year. Section 2.2 below and appendices one to five of this report further explain any significant budget variations contributing to this outturn position.
- 2.1.3 The movement in outturn from previously reported is an increased underspend of £0.477m, primarily in relation to savings within employee costs of £0.123m and insurance costs of £0.050m, decreased expenditure in supplies & services and administration costs of £0.106m, underspends in other miscellaneous costs of £0.194m, and increased income recoveries of £0.115m, partly offset by increased costs relating to the apprenticeship levy of (£0.127m).
- 2.1.3 The 2019/20 budget incorporates £1.957m of savings previously approved by the Council on 23 February 2019. It is presently anticipated that £1.719m of savings (88%) will be delivered by the financial year-end. Further information regarding particularly challenging savings is included in Appendix 5.

2.2 Analysis of Significant Variances

- 2.2.1 Employee costs are anticipated to be overspent by £0.288m primarily due to a delay in achievement of savings targets and additional structure review costs, both of which are partly offset by increased turnover savings. This overspend is currently being managed on a one off basis across the Service however, there is an underlying budget issue, mainly in relation to People and Organisational Development. The Service continues to consider options to address this on a permanent basis.
- 2.2.2 Supplies & Services are anticipated to be overspent by £0.422m primarily due to increased ICT licencing and maintenance costs in Business Solutions (of £0.136m) due to legacy transformation contracts and People & Organisational Solutions (of £0.298m) as a result of the iTrent contract renewal.
- 2.2.3 Administration and Property costs are anticipated to be underspent by £0.620m primarily due to an underspend in insurance charges of £0.815m and bad debt provisions of £0.050m, which is partly offset by increased expenditure of £0.140m on

legacy IT transformation project resources, legal fees of £0.042m and printing of £0.052m which is offset by increased income recovery.

- 2.2.4 Other costs are anticipated to be underspent by £0.052m due to savings in other miscellaneous costs of £0.184m, partly offset by increased apprenticeship levy costs of £0.127m.
- 2.2.5 Income is projected to be over-recovered by £0.490m, primarily due to increased PPP income of £0.397m, capital recharges of £0.100m, unrepresented cheques £0.060m, recovery on housing benefits overpayments of £0.050m, other Government grant funding of £0.027m, ICT recharges of £0.038m within Business Solutions, and printing recharges of £0.054m within Strategic Communications. These increases are partly offset by reduced fees & charges income of £0.296m primarily due to, Strategic Communications advertising income under-recovery of £0.200m and under-recovery of registration and legal recharges in Legal & Democratic Solutions of £0.050m.
- 2.2.6 Payments to other bodies are detailed in appendix 3. These account for £15.533m of the Chief Executive & Other Corporate Services annual budget. A minor overspend is currently anticipated primarily due to increased COSLA and Audit fees and medical costs, partly offset by underspends in election costs and agency fees.

2.3 **Earmarked and One-Off Resources**

- 2.3.1 In finalising the Council's draft accounts to 31 March 2019, the service was given approval to earmark £10.638m of resources to fund key projects and initiatives. It is anticipated that £5.070m of these reserves balances will be utilised in 2019/20, with the remaining balance required for future years. A total of £5.426m of the remaining balance will be required for future years.
- 2.3.2 Committee should note that in 2019/20 the costs in relation to Digitisation are anticipated to be £4.802m. This reflects increased expenditure of £1.400m in relation to ICT Service Delivery licence, support and maintenance contracts. This cost pressure will be addressed by the benefits realised from the Digital NL programme as indicated in the approved business case. Until the savings are realised, these costs will be offset by earmarked reserves. In addition, it is envisaged that £3.402m of the Digital NL reserve will be utilised in 19/20 for resourcing the Digital NL project team, and forecast delivery of the initial phases of the project within the financial year.
- 2.3.3 Details of the Service's earmarked funds are provided in appendix 4.
- 2.3.4 In addition the Service has an anticipated requirement to utilise £1.017m of the corporate earmarked funds to support VRS costs related to 2019/20 savings / restructures (£0.846m) and 2020/21 savings (£0.171m). These costs are not included in the Service outturn position as stated in paragraph 2.1.2.

2.4 **2019/20 Budget Savings**

- 2.4.1 The Council approved total savings of £1.957m which relates to the Chief Executive & Other Corporate Services. As at period 11 the Service anticipates £1.719m (88%) of its approved savings will be delivered by the financial year-end.
- 2.4.2 The unachievable savings of £0.238m has predominantly arisen as a result of delays in implementation. It is envisaged that £0.113m of these savings will be fully achieved from 2020/21, with a potential recurring savings gap of £0.125m identified. This is in relation to non-achievement of Advertising income in Strategic Communications, and delays in implementation of workforce changes in Legal & Democratic Solutions.

2.4.3 Appendix 5 provides further commentary regarding the challenging savings and the actions being taken to address the funding gap which has arisen.

2.5 **Management Actions**

2.5.1 The Service will take a range of corrective management actions to ensure it contains expenditure within its approved 2019/20 budget provision, including the close management of vacant posts and curtailment of non-essential expenditure.

3. **Equality and Diversity**

3.1 **Fairer Scotland Duty**

There are no specific impacts to note.

3.2 **Equality Impact Assessment**

There are no specific impacts to note.

4. **Implications**

4.1 **Financial Impact**

Known burdens and pressures continue to be managed to ensure the service remains within the approved budget.

4.2 **HR/Policy/Legislative Impact**

There are no HR/Policy/Legislative impacts linked to this report.

4.3 **Environmental Impact**

There are no environmental impacts linked to this report.

4.4 **Risk Impact**

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.

Reflecting the risk analysis matrix included within the Risk Management Strategy, the Service considers delays or amendments to savings proposals could present an ongoing risk to the financial outturn for 2019/20.

To minimise risk this report has been prepared by service based Financial Solutions personnel in consultation with budget managers, in accordance with the Financial Regulations. There are no significant financial risks which have been identified at this stage in the financial year, however this will continue to be closely monitored.

5. **Measures of success**

5.1 The Service continues to operate within approved budget resources.

6. Supporting documents

- 6.1 Appendix 1 Objective Summary
- Appendix 2 Subjective Summary
- Appendix 3 Payments to Other Bodies
- Appendix 4 Earmarked Reserves
- Appendix 5 Budget Savings

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

Elaine Kemp
Head of Financial Solutions

Chief Executive & Other Corporate Services
Revenue Budget Monitoring Report - Objective Analysis
1 April 2019 - 31 January 2020
Period 11

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)	PERIOD MOVEMENT (9)	ANALYSIS (10)
CHIEF EXECUTIVE	636,764	638,731	(1,967)	ADV	837,507	825,501	12,006 FAV	1.4%	1,975	
LEGAL & DEMOCRATIC SOLUTIONS	1,535,367	1,807,144	(271,777)	ADV	1,945,320	2,217,662	(272,342) ADV	(14.0%)	(39,638)	Primarily due to non-achievement and delay in achievement of approved savings, shortfall in turnover savings target, and additional costs being incurred across service.
AUDIT & INSPECTION	453,423	430,498	22,925	FAV	507,601	477,641	29,960 FAV	5.9%	14,383	Increased turnover savings, and minor underspends ICT and mileage costs
FINANCIAL SOLUTIONS	10,532,024	9,935,701	596,324	FAV	36,489,597	35,358,792	1,130,805 FAV	3.1%	247,985	Increased turnover savings, underspend in overtime costs, bad debt provision and over-recovery of housing benefits income, partly offset by one-off costs associated with structure review. Underspend in Insurance Fund costs due to review of insurance requirements.
BUSINESS SOLUTIONS	9,726,405	9,683,973	42,432	FAV	7,500,490	7,500,490	0	0.0%	(0)	
PEOPLE & ORGANISATIONAL DEVELOPMENT	5,853,810	6,460,616	(606,806)	ADV	6,755,572	7,580,715	(825,143) ADV	(12.2%)	27,937	Shortfall in turnover savings target, additional costs due to delay in implementation of savings targets and increased ICT licence costs
STRATEGIC COMMUNICATIONS	719,954	919,815	(199,862)	ADV	769,659	996,618	(226,959) ADV	(29.5%)	(29,311)	Primarily under-recovery of advertising income, and shortfall in turnover savings target
OTHER CORPORATE SERVICES	2,106,957	2,018,117	88,839	FAV	3,293,978	2,665,630	628,348 FAV	19.1%	253,344	Primarily increased PPP and unrepresented cheques income and underspends in employee costs, members costs, legal fees, subscriptions and other miscellaneous costs offset by anticipated overspend in modern apprenticeship levy.
JOINT BOARDS	12,129,191	12,129,192	(1)	ADV	13,562,046	13,562,046	0	0.0%	0	
TOTAL NET EXPENDITURE	43,693,894	44,023,786	(329,892)	ADV	71,661,770	71,185,095	476,675 FAV	0.7%	476,675	

FAV = Favourable variation, underspend etc

ADV = Adverse variation, overspend etc

Chief Executive & Other Corporate Services
Revenue Budget Monitoring Report - Subjective Analysis
1 April 2019 - 31 January 2020
Period 11

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)	PERIOD MOVEMENT (9)	ANALYSIS (10)
EMPLOYEE COSTS	22,674,414	22,819,598	(145,184) ADV	28,268,684	28,557,171	(288,487) ADV	(1.0%)	123,428	Primarily additional costs being managed across service (£0.478m), unfunded posts (£0.107m), one-off costs associated with structure reviews (£0.115m) and increased pension costs (£0.051m) partly offset by increased turnover savings £0.409m and underspend on overtime £0.051m
PROPERTY COSTS	1,745,094	1,622,668	122,426 FAV	2,546,359	2,279,234	267,125 FAV	10.5%	38,095	Primarily underspend in property insurance costs of £0.300m partly offset by increased expenditure on utilities of £0.015m and members surgeries £0.013m
SUPPLIES & SERVICES	4,590,443	4,882,769	(292,326) ADV	5,986,100	6,407,671	(421,571) ADV	(7.0%)	94,805	Increased expenditure on ICT licensing and maintenance costs £0.485m (primarily iTrent licences and maintenance of £0.298m and legacy transformation IT contracts £0.136m), partly offset by reduced expenditure across service of £0.064m
TRANSPORT & PLANT	138,106	124,107	13,998 FAV	229,916	216,294	13,622 FAV	5.9%	13,655	Decreased expenditure on internal fleet recharges and mileage/travel expenses
ADMINISTRATION COSTS	5,974,963	5,857,569	117,394 FAV	8,206,960	7,854,006	352,955 FAV	4.3%	11,640	Primarily underspend in Insurance Fund of £0.515m, bad debt provision £0.050m, Members costs £0.036m, Advertising £0.016m, offset by increased expenditure on legacy IT project resources of £0.140m, Legal fees £0.043m, Members alarms £0.023m and Printing £0.052m (offset by increased income recovery below)
PAYMENTS TO OTHER BODIES	12,320,468	12,330,543	(10,074) ADV	15,533,216	15,533,483	(267) ADV	(0.0%)	6,530	Primarily decreased expenditure on election costs and agency fees, offset by increased expenditure on audit fees and medical fees
TRANSFER PAYMENTS	74,135,781	74,135,781	0	119,241,711	119,241,711	0	0.0%	0	
CAPITAL FINANCING COSTS	1,027,414	1,015,995	11,418 FAV	1,249,283	1,237,865	11,418 FAV	0.9%	11,418	Increased recovery of loan guarantee income
OTHER EXPENDITURE	3,176,068	3,194,470	(18,401) ADV	3,944,954	3,893,007	51,947 FAV	1.3%	62,403	Primarily underspends on other corporate costs £0.184m, offset by increased expenditure on Modern Apprentice levy £0.127m
TOTAL EXPENDITURE	125,782,751	125,983,501	(200,749) ADV	185,207,183	185,220,442	(13,258) ADV	(0.0%)	361,974	
INCOME	82,088,857	81,959,715	(129,142) ADV	113,545,413	114,035,345	489,932 FAV	0.4%	114,704	Primarily increased PPP income £0.397m, capital recharges £0.100m, unrepresented cheques £0.060m, housing benefits over-payments £0.050m, other grant funding of £0.027m, ICT recharges of £0.038m and printing recharges £0.054m, partly offset by reduced fees and charges income £0.296m (advertising £0.200m, registration fees £0.020m, legal recharges £0.030m and support recharges £0.046m).
NET EXPENDITURE	43,693,894	44,023,786	(329,892) ADV	71,661,770	71,185,095	476,674 FAV	0.7%	476,678	

FAV = Favourable variation, underspend etc

ADV = Adverse variation, overspend, income under-recovery etc

Chief Executive & Other Corporate Services
Revenue Budget Monitoring Report - PTOB Analysis
1 April 2019 - 31 January 2020
Period 11

DESCRIPTION (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	YEAR TO DATE VARIANCES (4)	ANNUAL BUDGET (5)	PROJECTED OUTTURN (6)	PROJECTED OUTTURN VARIANCE (7)	% (8)	PERIOD MOVEMENT (9)	TYPICAL AREAS OF EXPENDITURE/ANALYSIS OF VARIATIONS (10)
Medical Fees	1,337	13,765	(12,428) ADV	8,359	16,073	(7,714) ADV	(92.3%)	(2,936)	Increased medical costs
PTOB General	549	118	432 FAV	730	118	613 FAV	84.0%	731	minor variance
Agency Fees	44,295	41,260	3,035 FAV	84,468	65,055	19,413 FAV	23.0%	14,578	Primarily reduced expenditure on agency costs and underspend to offset Disputes/Settlements costs
Town Twinning	5,271	4,790	481 FAV	9,033	8,531	502 FAV	5.6%	481	
Childrens Panel	21,940	22,462	(522) ADV	25,035	25,035	0	0.0%	0	
COSLA Annual Levy	186,586	188,393	(1,807) ADV	186,586	188,393	(1,807) ADV	(1.0%)	0	COSLA actual costs higher than budgeted
Community Council Grants	21,859	21,859	0	25,000	25,000	0	0.0%	0	
External Audit Fee	0	0	0	501,900	526,870	(24,970) ADV	(5.0%)	(20,970)	Increased Audit costs
Election Provision	83,039	79,213	3,826 FAV	96,000	79,213	16,787 FAV	17.5%	12,848	Underspend in by-election costs
Tourism - Visit North Lanarkshire	0	0	0	37,000	37,000	0	0.0%	0	
Disputes / Settlements	0	3,090	(3,090) ADV	0	3,090	(3,090) ADV	0.0%	1,800	Previous years settlement costs
CCG Invoices/Paypoint/Cash	1,459,786	1,459,786	0	1,835,051	1,835,051	0	0.0%	0	
Crisis Invoices/Paypoint/Cash	0	0	0	781,139	781,139	0	0.0%	0	
Sub-contractor Payments	0	0	0	1,869	1,869	0	0.0%	0	
Local Tax Paypoint Commission	22,616	22,616	0	35,000	35,000	0	0.0%	0	
COSLA Migration Scotland	150,000	150,000	0	150,000	150,000	0	0.0%	0	
Lands Valuation Contribution	1,634,555	1,634,555	0	2,103,410	2,103,410	0	0.0%	0	
SPT Contribution	5,421,275	5,421,275	0	5,421,275	5,421,275	0	0.0%	0	
SPT Concessionary Fares Contribution	567,361	567,361	0	567,361	567,361	0	0.0%	0	
Customer First Contribution	2,700,000	2,700,000	0	3,664,000	3,664,000	0	0.0%	0	
TOTAL EXPENDITURE	12,320,468	12,330,543	(10,073) ADV	15,533,216	15,533,483	(267) ADV	(0.0%)	6,532	

FAV = Favourable variation, underspend etc

ADV = Adverse variation, overspend, income under-recovery etc

Chief Executive & Other Corporate Services

Status of Earmarked Resources

1 April 2019 - 31 January 2020

Period 11

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 Future Years	Commentary regards usage
						Projected Spend, 2019/20				
						Value	%			
Service Specific Earmarked Reserves:										
Chip and Pin Equipment	46	46	0	46	37	46	100.00%	0	0	
Flagship Events & Promotions	200	200	0	200	0	0	0.00%	200	0	
Family Firm (4 Years)	492	164	0	164	100	164	100.00%	0	328	
Digitisation	9,900	0	4,802	4,802	4,467	4,802	100.00%	0	5,098	£1.4m overspend in relation to Service Delivery ICT Licence, Support and Maintenance Contracts and £3.402m estimated spend regarding DNL Project.
Best Value Team	0	0	58	58	53	58	100.19%	0	0	
Total	10,638	410	4,860	5,270	4,658	5,070	96.21%	200	5,426	

**Chief Executive & Other Corporate Services
Challenging Budget Savings Monitoring Report
Period 11**

Description/Reference	APPROVED SAVINGS			REPLACEMENT SAVING/FUNDING		Revised Savings Gap	Any Additional Information
	Target Value	Value Deliverable	Gap in Approved Savings	Description	Value		
	£000	£000	£000		£000	£000	
Approved Savings (February 2019)							
Rationalisation of Print and Mail Operations	53	21	32		0	32	Non achievement in implementation of savings. Service currently investigating alternative saving options.
Recognition of National Statutory Marriage Fee Increases	27	0	27		0	27	Non achievement due to increase in fees effective from April 2020. Will be achieved in full for 2020/21
Advertising	100	0	100		0	100	Non achievement due to delays in feasibility studies (this may remain unachievable after feasibility is complete).
Review of the Administration and Members' Support staff	36	27	9		0	9	Delay in achievement due to delays in staff leaving posts. Will be achieved in full for 2020/21
Review of Financial Solutions/Revenues & Benefits	233	174	59	Delay in Creditors Manger Leaving anticipated leaving date Dec 2019, 1 SWF Processing Officer post deduction not realised YTD. Gap covered by reduction in SWF processing hours worked and saving in overtime budget	59	0	
Reduction in Staff within People & Organisational Development	90	79	11		0	11	Delay in achievement due to delays staff leaving posts. Will be achieved in full for 2020/21
Total Chief Executive Savings	539	301	238		59	179	
Total Savings	1,957	1,719	238		59	179	