

North Lanarkshire Council Report

Finance and Resources Committee

approval noting

Ref EK/KS/FC

Date 12/03/20

Revenue Monitoring Report Council Summary 1 April 2019 to 31 January 2020 (Period 11)

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Executive Summary

This report updates Committee on the overall position for the General Fund Account, Housing Revenue Account and Adult Health and 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. Updated assumptions following the issue of Local Government Finance Circular 1/2020 in February gives a revised budget of £766.478m. The Council is currently projecting a surplus of £4.825m against this budget.

The 2019/20 budget incorporates £27.666m of savings. It is projected that £24.859m of the savings (90%) will be delivered within the financial year, with replacement savings of £2.628m identified to date leaving a shortfall of £0.179m.

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 included assumptions on some undistributed funding, which have since been updated following the issue of Local Government Finance Circular 2/2019 in March 2019, resulting in a revised opening budget of £748.926m. Additional funding announced throughout the year, and confirmed within Local Government Finance Circular 1/2020 in February has resulted in a further increase of £17.552m bringing the revised budget to £766.478m.

- 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 £24.859m (90%) 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 surplus of £4.825m currently envisaged for the financial year.

	Annual Budget £m	Projected Outturn £m	Period 11 Variance £m	Period 7 Variance £m	Period 11 Movement £m
Expenditure					
Net Service Expenditure	766.478	761.653	4.825	(0.351)	+5.176
Income					
Aggregate External Finance	619.454	619.454	-	-	-
Local Tax Collection	142.295	142.295	-	-	-
Use of Balances	4.729	4.729	-	-	-
Total Income	766.478	766.478			
Projected variance : surplus/(deficit) at 31 March 2020	-	4.825	4.825	(0.351)	+5.176

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 to 2.2.6 below.

Service	P11 Outturn (£m)		P7 Outturn (£m)		P11 Movement (£m)
Education and Families	0.360	Underspend	(0.901)	Overspend	+1.261
Enterprise and Communities	0.552	Underspend	-	On Budget	+0.552
Social Work (Non-Integrated)	-	On Budget	-	On Budget	-
Chief Executives and Other Corporate Services	0.477	Underspend	-	On Budget	+0.477
External Trading Activity	-0.028	Overspend	-	On Budget	-0.028
Executive Services Total	1.361	Underspend	(0.901)	Overspend	+2.262
Loan Charges	0.700	Underspend	0.700	Underspend	-
Interest on Revenue Balances	(0.150)	Under-recovery	(0.150)	Under-recovery	-
Assumptions not yet Realised	1.614	Underspend	-	On Budget	+1.614
Non Domestic Rates Revaluation Refund	1.300	Underspend	-	On Budget	+1.300
Total	4.825	Underspend	(0.351)	Underspend	+5.176

Table 2

2.2.2. Education and Families are projecting an overall underspend of £0.360m. Within the overall position, there is an net underspend in employee costs of £2.167m expected from lower than anticipated uptake of 2 year old nursery provision and synergies associated with grant funded programmes, partially offset by increased demand for ASN staff, and timing delays in implementing staffing savings. There are also further underspends due to curtailment of non-essential expenditure (£0.250m), additional subsidy within the Community Justice Grant (£0.162m) and transfer payments (£0.345m). These underspends are partially offset by an overspend in Payments to Other Bodies of £1.330m due to increased demand for fostering and kinship payments coupled with ongoing demand pressure for external pupil placements, and an overspend in transport costs of £1.338m arising from the increased cost of providing demand led ASN transport and consortium travel for secondary pupils. The position represents a movement of £1.261m from that reported at period 7 primarily as a result of additional grant funding received for Additional Support for Learning of £1.044m.

2.2.3. Enterprise and Communities are projecting an underspend of £0.552m. This position is primarily due to net employee costs underspends of £1.431m as a result of vacancy savings partly offset by overtime and the unbudgeted cost arising from a delay in the VRS process, a non-recurring reduction in costs associated with the Carbon Reduction

levy of £0.178m, and increased income across the service of £0.359m. These underspends are partially offset by increased transport costs within Fleet of £0.566m due to a delay in achieving savings in respect of lease costs and fleet reductions, and increased property costs of £0.600m as a result of timing delays in the achievement of asset management and procurement savings along with overspends in energy costs and waste disposal gate fees, partially offset by reduced repairs.

- 2.2.4. Chief Executives and Other Corporate Services is reporting an underspend of £0.477m. Key variances relate to increased PPP volume discount income of £0.397m and reduced insurance costs of £0.815m, which are partially offset by additional ICT licencing and maintenance costs of £0.434m, due to legacy transformation contracts and the iTrent contract renewal, and an anticipated overspend in employee costs of £0.288m primarily due to a delay in the achievement of savings and further structure review costs, which are partially offset by increased turnover savings.
- 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.
- 2.2.6. There is also a one-off underspend of £1.614m within the budget for assumptions about the level of resources available to the Council which were not yet realised. When setting the 2019/20 budget, a number of assumptions were made about the level of resources available to the Council. Taking account of the most up to date information from Scottish Government/COSLA, these assumptions have been reviewed and as a result a total of £0.901m can be released as not required this financial year. In addition, a funding contribution has been received from the Scottish Government in relation to the 2018/19 Teachers Pay award, the cost of which was already incurred within the last financial year, which, combined with assumptions made in relation to teachers pay which have now been revised, has resulted in a further underspend of £0.713m.
- 2.2.7. Following a review undertaken by the Lanarkshire Valuation Joint Board, the rateable values of a number of properties has been revised, with the revised value effective from 2015/16. This has resulted in a refund being due on NDR already paid, totalling £1.300m.

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. A summary position is shown in appendix 2 which includes use of reserves across a number of years.
- 2.3.2. To date, £2.099m of the CMF has been allocated to earmarked reserves which includes £0.440m to address an outstanding legal dispute, £0.245m to fund the 2019/20 costs of an Environmental Improvement Taskforce, an additional £1.356m towards one-off costs of implementing savings, and £0.058m to continue support for Best Value posts within Business Solutions. This results in revised balances in CMF and earmarked reserves of £3.265m and £33.107m respectively.
- 2.3.3. A total of £25.261m of earmarked reserves have been profiled for use in 2019/20 with the balance of £7.846m profiled for future years. As at period 11, projected use of reserves in 2019/20 is £23.760m, with £0.939m required for use in future years and

the remaining £0.562m no longer required. Furthermore, it is anticipated that £0.711m of reserves profiled for future years will no longer be required. All earmarked reserve balances will continue to be closely monitored in line with the approved Reserve Policy.

- 2.3.4. Recognising the current forecast underspend for 2019/20 of £4.825m, together with other anticipated movements including £4.506m drawdown from the capital fund and £3.674m drawdown from Insurance Fund, it is expected that by the end of the financial year the balance on the Change Management Fund will reach £18.223m. The detail of this balance is shown at Appendix 3. However it must be noted that change management costs arising from approved savings will significantly reduce this balance during 2020/21.

2.4. **2019/20 Budget Savings**

- 2.4.1. The approved 2019/20 budget includes savings of £27.666m are outlined in paragraph 2.1.2 above, with progress on implementation of these included within the relevant Services' monitoring report. It is anticipated that £24.859m (90%) of these will be achieved in the current financial year, leaving an in-year savings gap of £2.807m. Replacement savings of £2.628m have been identified, leaving a revised gap of £0.179m 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 £1.554m mainly as a result of anticipated ambition funding carry forward into future years of £1.000m, savings within loan charges of £0.900m along with improvements in the rate of turnover of void properties of £0.300m, which are partially offset by overspends in administration costs of £0.563m and an under recovery in housing rental income of £0.101m. The position represents a favourable movement from that reported at Period 7 of £1.433m primarily as a result of the carry forward of ambition funding along with increased savings in loan charges. 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 £0.998m. Payments to Other Bodies is overspent by £4.115m primarily in relation to demand pressure across key functions such as Self Directed Support (SDS) and placements in Independent Care homes (£3.280m and £1.910m respectively). These are partially offset by underspends currently projected within administration costs of £2.294m in relation to these areas. Income is expected to over recover by £1.294m predominantly as a result of additional one-off income received from another local authority following the resolution of an ordinary residence case in the Councils favour, along with agreed contributions from NHS Lanarkshire in relation to SDS care packages involving significant medical care elements. The outturn represents a favourable movement of £3.006m from that reported at Period 7, primarily as a result of income in relation to the ordinary residence case and NHS contributions along with reduced employee costs.

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



Elaine Kemp
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NORTH LANARKSHIRE COUNCIL
SUMMARY OF FINANCIAL REPORT FOR PERIOD ENDING 31 January 2020 (PERIOD 11)

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	293,094,883	292,802,649	292,234	405,968,874	405,608,477	360,397
2	Early Years	18,554,171	18,554,171	-	23,796,400	23,796,400	-
3	Primary Schools	112,096,844	112,096,844	-	137,032,700	137,032,700	-
4	Secondary Schools	101,955,298	101,955,298	-	129,546,221	129,546,221	-
5	Special Schools	15,971,676	15,971,676	-	20,624,815	20,624,815	-
6	Education & Families Service Delivery	27,521,553	26,089,191	1,432,362	73,946,651	72,114,765	1,831,886
7	Childrens Services Social Work	16,969,130	18,305,496	(1,336,366)	20,965,318	22,673,731	(1,708,413)
8	Justice Services	26,211	(170,027)	196,238	56,769	(180,155)	236,924
9	Enterprise & Communities	118,442,013	118,904,926	(462,913)	140,805,630	140,253,848	551,782
10	Environmental Assets	29,923,582	29,941,707	(18,124)	43,600,952	43,338,178	262,774
11	Regulatory Services & Waste Solutions	23,585,545	24,358,132	(772,587)	27,961,319	28,649,057	(687,738)
12	Assets & Procurement	20,923,873	20,997,209	(73,336)	7,433,477	7,138,918	294,559
13	Planning & Regeneration	4,615,701	4,519,964	95,737	8,560,102	8,503,734	56,368
14	Communities	28,808,263	28,522,279	285,984	40,637,136	40,452,125	185,011
15	Housing Solutions	4,282,114	4,317,316	(35,202)	5,100,579	5,081,169	19,410
16	Directorate & Support	1,396,180	1,439,498	(43,318)	1,818,669	1,815,888	2,781
17	Business, Housing Property & Projects	4,906,754	4,808,821	97,933	5,693,396	5,274,779	418,617
18	Trading Accounts	(1,114,765)	(1,000,744)	(114,021)	(643,924)	(616,266)	(27,658)
19	Chief Executives & Other Corporate Services	48,571,506	48,697,867	(126,361)	71,661,770	71,185,095	476,675
20	Chief Executive	576,994	576,629	365	837,507	825,501	12,006
21	Legal & Democratic Solutions	1,502,683	1,681,927	(179,244)	1,945,320	2,217,662	(272,342)
22	Audit & Inspection	411,744	390,978	20,766	507,601	477,641	29,960
23	Financial Solutions	19,350,683	18,730,343	620,340	36,489,597	35,358,792	1,130,805
24	Business Solutions	9,090,655	9,029,390	61,265	7,500,490	7,500,490	-
25	People & Organisational Development	5,383,532	5,927,330	(543,798)	6,755,572	7,580,715	(825,143)
26	Strategic Communication	654,412	816,229	(161,817)	769,659	996,618	(226,959)
27	Other Corporate Services	2,214,056	2,158,293	55,763	3,293,978	2,665,630	628,348
28	Joint Boards	9,386,748	9,386,748	-	13,562,046	13,562,046	-
29	Social Work (non Integrated)	158,692,097	158,692,097	-	159,210,211	159,210,211	-
30	GENERAL FUND SERVICES	617,685,734	618,096,795	(411,061)	777,002,561	775,641,365	1,361,196
31	FINANCING COSTS	(10,288,387)	(10,753,772)	592,308	(10,524,208)	(13,988,046)	3,463,838
32	Reversal of Capital Charge	(45,258,810)	(45,258,810)	-	(53,487,684)	(53,487,684)	-
33	Loan Charges	35,605,038	35,012,730	592,308	42,078,681	41,378,681	700,000
34	Intrest on Revenue Balances	(634,615)	(507,692)	-	(750,000)	(600,000)	(150,000)
35	Assumptions not yet Realised	-	-	-	1,634,795	20,634	1,614,161
36	NDR Revaluation Refund	-	-	-	-	(1,299,677)	1,299,677
37	TOTAL EXPENDITURE	607,397,347	607,343,023	181,247	766,478,353	761,653,319	4,825,034
38	SOURCES OF FUNDING	-	-	-	766,478,353	766,478,353	-
39	Aggregate External Finance	-	-	-	619,454,000	619,454,000	-
40	Council Tax	-	-	-	142,295,000	142,295,000	-
41	Use of Balances	-	-	-	4,729,353	4,729,353	-
42	SURPLUS / (DEFICIT)	(607,397,347)	(607,343,023)	(181,247)	-	4,825,034	4,825,034
43	HOUSING REVENUE ACCOUNT SURPLUS / (DEFICIT)	(29,415,998)	(31,153,181)	1,737,183	-	1,554,000	(1,554,000)
44	ADULT HEALTH AND SOCIAL CARE SURPLUS / (DEFICIT)	120,670,256	121,514,581	(844,325)	-	997,839	(997,839)

Appendix 3

**NORTH LANARKSHIRE COUNCIL
AVAILABILITY OF ONE-OFF FUNDS AS AT 31 JANUARY 2020 (PERIOD 11)**

Change Management Fund	£000	£000
Unallocated balance from 2018/19		5,364
Less:		
Legal Dispute	(440)	
Environmental Task Force	(245)	
One-off costs of implementing savings	(1,356)	
Business Solutions Additional Posts	(58)	(2,099)
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Current unallocated balance		3,265
Add:		
Drawdown from Insurance Fund	3,674	
2019/20 drawdown from Capital Fund	4,506	
Review of Balances	1,267	
Payment received on written off debt	80	
Transfer from TCA	600	10,133
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Less:		
Period 11 reported underspend	4,825	4,825
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Total Unallocated Change Management Fund 2019/20		18,223
Planned 2020/21 Drawdown from Capital Fund		1,482
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Anticipated One-Off Change Management Fund for use in 2020/21		19,705
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