

North Lanarkshire Council Report

Housing and Regeneration Committee

approval noting

Ref RS/GT/JMcG

Date 19/02/20

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 3 January 2020 (Period 10). 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 currently forecasting a £0.345m underspend for 2019/20 based on performance to Period 10. 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. Community Learning and Development and the ALEO management fees have now also transferred to this Service along with their £33.629m budget. Other subsequent realignments of service budgets totalling a decrease of £0.020m have resulted in a revised Enterprise and Communities Net Revenue Budget of £140.050m. 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 underspend of £0.345m. 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 underspend 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 £9.740m of savings previously approved by Council on 21 February 2019 and £8.404m of savings (86%) 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 (£0.151m underspend)

Within Environmental Assets, and underspend within employee costs associated with staff vacancies is forecast (£0.714m). This is partially offset by a number of cost pressures across all sections including grass cutting in general (£0.180m) and within cemeteries (£0.077m) in response to adverse public feedback following the implementation of savings; overspend in waste disposal costs (£0.211m); delays in achievement of staffing related savings within Greenspace and Environmental Facilities (£0.059m) and a forecast under recovery of Cemetery income (£0.111m).

2.2.2 Regulatory Services & Waste Solutions (£0.577m overspend)

Within Fleet Operations there is a timing delay in achievement of current year transport savings in respect of lease costs and fleet reductions (£0.584m). This is partially offset by a forecast underspend on materials due to a newer fleet profile (£0.100m) and additional grant income.

Protective Services is forecasting a net under recovery in pest control income linked to demand for the service (£0.131m).

Within Waste Solutions recruitment delays, the cost of absence cover and an under-recovery of income for recycled material are contributing to a projected overspend. These are largely offset by reduced gate fees and reduced fleet costs .

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 (£0.413m underspend)

Within Assets & Procurement reduced repairs expenditure (£0.182m), a non-recurring reduction in costs associated with the Carbon Reduction levy (£0.178m) additional one off property income (£0.107m) and employee vacancies (£0.181m) 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 (£0.377m underspend)

Within Housing Property and Projects, there is a net underspend of £0.377m forecast, being mainly as a result of realigning charges for housing repairs related activity to the Housing Revenue Account.

2.2.5 There are 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 £18.333m of the annual budget and is projected to have a minor underspend of £0.068m mainly due to lower demand for private sector housing grants, partly off-set by decriminalised parking cost, pest control sub contractors and medical fees.

2.3 Earmarked and One-off Resources

2.3.1 Enterprise and Communities Non-Trading has been given approval to earmark £6.145m of resources. It is anticipated that £3.196m 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 £9.740m. As at Period 10, it is anticipated that £8.404m (86%) 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 £1.336m 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. 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 £3.080m of the Council's Change Management Fund to support voluntary severance costs (£2.224m), litter bins and materials (£0.238m) related to 2019/20 savings, Palacerigg re-instatement of land costs (£0.184m) related to 2018/19 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.
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5. Measures of success

- 5.1 The Service continue to operate within approved budget resources.
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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 - 3rd January 2020 (PERIOD 10)

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)
	£	£	£	£	£	£	%		
ENVIRONMENTAL ASSETS	26,910,837	26,334,355	576,481 FAV	43,770,230	43,618,455	151,775 FAV	0.3%	151,775	Vacancies and management action to reduce non essential spend on Service developments are offset by delays in VRS process, overtime, waste disposal costs and additional expenditure relating to grass cutting in problem areas and cemeteries.
REGULATORY SERVICES AND WASTE SOLUTIONS	20,569,022	20,860,192	(291,169) ADV	27,801,934	28,379,241	(577,307) ADV	-2.1%	(98,194)	Timing delay in lease and fleet review savings, under recovery of pest control income, increased waste overtime and reduced recycling income are partially offset by reduced vehicle costs resulting from a newer fleet, reduced gate fees, other increased income and underspend on private sector housing grants based on previous years trends.
ASSETS & PROCUREMENT	19,253,438	18,773,653	479,785 FAV	7,414,809	7,001,767	413,042 FAV	5.6%	92,093	Non-recurring reduction in costs associated with the Carbon Reduction levy, vacancies, reduced spend on repairs and one off property income are partially offset by timing delays in procurement and Asset Management savings
PLANNING & REGENERATION	4,042,080	3,970,677	71,403 FAV	8,564,187	8,582,192	(18,005) ADV	-0.2%	26,724	No significant variances to report
COMMUNITIES	24,425,690	24,314,684	111,007 FAV	40,637,136	40,638,156	(1,020) ADV	0.0%	(53,912)	No significant variances to report
HOUSING SOLUTIONS	3,875,783	3,776,023	99,760 FAV	4,711,579	4,711,579	0	0.0%	0	Balanced budget
DIRECTORATE & SUPPORT	1,272,687	1,302,086	(29,400) ADV	1,818,669	1,818,669	0	0	0	Balanced budget
HOUSING PROPERTY & PROJECTS	6,761,305	6,647,525	113,780 FAV	5,331,474	4,954,857	376,617 FAV	7.1%	226,617	Projected underspend is a result of realigning charges for the housing repairs related activity to the Housing Revenue Account.
NET EXPENDITURE	107,110,842	105,979,196	1,131,646 FAV	140,050,018	139,704,916	345,102 FAV	0.2%	345,102	

Enterprise & Communities
Revenue Budget Monitoring Report - Subjective Analysis
1st April 2019 - 3rd January 2020 (PERIOD 10)

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	70,727,911	69,531,085	1,196,825 FAV	95,733,609	94,507,453	1,226,156 FAV	1.3%	1,273,872	Vacancy savings partially offset by timing delay in VRS process and overtime.
PROPERTY COSTS	21,951,877	22,224,406	(272,529) ADV	28,906,182	28,958,562	(52,380) ADV	-0.2%	(213,918)	Timing delays in asset management savings are partially offset by reduced repairs and underspend in property rates.
SUPPLIES & SERVICES	22,475,102	22,847,491	(372,389) ADV	34,678,599	35,123,572	(444,973) ADV	-1.3%	24,397	Timing delays in lease savings and an overspend in other supplies and services are partially offset by an underspend in catering purchases.
TRANSPORT & PLANT	8,201,781	7,817,702	384,079 FAV	12,854,965	13,051,642	(196,677) ADV	-1.5%	(194,349)	Overspend in vehicle contract hires partially offset by an underspend on vehicle maintenance costs.
ADMINISTRATION COSTS	1,577,263	1,473,222	104,041 FAV	4,479,209	4,718,481	(239,272) ADV	-5.3%	(1,747)	Overspend mainly due to additional design costs (fully offset by additional income).
PAYMENTS TO OTHER BODIES (See Overleaf Appendix 3)	11,390,074	10,923,873	466,201 FAV	18,333,202	18,265,481	67,721 FAV	0.4%	(99,672)	Underspend in private sector grants reflecting previous trend for demand on housing grants partially offset by overspends on decriminalised parking costs and Pest Control sub contractor.
CAPITAL FINANCING COSTS	6,232,406	6,283,769	(51,363) ADV	26,615,086	26,615,086	0	0.0%	0	Balanced budget
REVENUE FINANCING COSTS	0	0	0	10,293	7,205	3,088 FAV	30.0%	0	Minor variance
OTHER EXPENDITURE	5,036,908	4,798,921	237,987 FAV	6,690,789	6,485,695	205,094 FAV	3.1%	58,278	Non-recurring underspends associated with carbon reduction levy.
TOTAL EXPENDITURE	147,593,322	145,900,471	1,692,852 FAV	228,301,934	227,733,177	568,757 FAV	0.2%	846,862	
INCOME	40,482,481	39,921,275	(561,206) ADV	88,251,916	88,028,261	(223,655) ADV	-0.3%	(501,761)	Under recovery of Waste recycling income (paper/card), Building Cleaning income, Catering and cemetery income is partially offset with an over recovery re transfer charge for Contact Centre to HRA, Building Standards income based on demand.
NET EXPENDITURE	107,110,842	105,979,196	1,131,646 FAV	140,050,018	139,704,916	345,102 FAV	0.2%	345,102	

Enterprise & Communities
Revenue Budget Monitoring Report - Payments to Other Bodies Analysis
1st April 2019 - 3rd January 2020 (PERIOD 10)

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)	PERIOD MOVEMENT (9)	TYPICAL AREA OF EXPENDITURE/ANALYSIS OF VARIATIONS (10)
	£	£	£	£	£	£	%		
Public Analyst Fees	176,916	176,435	481 FAV	235,886	235,247	639 FAV	0.3%	639	Minor variance
OLA's General	243,502	239,754	3,748 FAV	243,502	239,754	3,748 FAV	1.5%	0	Minor variance
APS Roads Contractor	5,915,593	5,915,593	0	9,908,896	9,908,896	0	0.0%	0	Balanced budget
Private Roads Contractor	458,630	558,739	(100,109) ADV	831,005	849,962	(18,957) ADV	-2.3%	885	Minor variance
Medical Fees	109,994	118,746	(8,752) ADV	110,161	169,055	(58,894) ADV	-53.5%	(58,894)	Overspend on occupational therapy costs
Agency Fees	212,051	212,478	(427) ADV	215,435	227,708	(12,273) ADV	-5.7%	(12,273)	Minor variance
Support Fees	627,934	576,570	51,364 FAV	1,115,560	1,130,560	(15,000) ADV	-1.3%	(15,000)	Minor variance
Grants to Organisations	1,422,819	1,458,154	(35,335) ADV	1,589,652	1,589,953	(301) ADV	0.0%	9,699	Minor variance
Other	1,442,562	1,325,217	117,345 FAV	3,069,105	3,200,749	(131,644) ADV	-4.3%	(25,131)	Mainly decriminalised parking costs and Pest Control sub contractor overspend based on demand levels.
Private Sector Grants	780,073	342,189	437,884 FAV	1,014,000	713,597	300,403 FAV	29.6%	403	Reflecting previous trend for demand on private sector housing grants
TOTAL EXPENDITURE	11,390,074	10,923,873	466,201 FAV	18,333,202	18,265,481	67,721 FAV	0.4%	(100,714)	

Enterprise & Communities
 Status of Earmarked Resources
 1 April 2019 - 3 January 2020
 Period 10

Description of Earmarked Resource	Total Earmarked Reserve	2019/20								Commentary regards usage
		Initial 19/20 Allocation	Adjustments in Year	19/20 Approved Reserve Total	Spend to Date	Projected Spend, 2019/20		Reserves No Longer Required in 19/20	Reserves Required for 2020/21 Onwards	
						Value	%			
Service Specific Earmarked Reserves:										
Rapid rehousing	51	51	0	51	1	51	100.00%	0	0	Temporary staffing
Dilapidations	750	560	0	560	101	560	100.00%	0	191	Costs associated with leased in property disinvestment
Enterprise Contract	205	157	0	157	45	157	100.00%	0	48	Set up costs for Enterprise Contract
Facility Support Services - Janitorial Review	420	420	0	420	420	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	46	12.17%	332	1,222	Match funding commitments
North Lanarkshire Development Plan / Town Centre Obligations	500	400	0	400	13	111	27.75%	289	389	Set up costs associated with developing the Plan
Growth Team	123	123	0	123	53	81	65.94%	42	42	Revenue Ambition staff costs
VDLF	32	32	0	32	5	32	100.00%	0	0	VDLF contribution to capital for Staff costs.
City Deal Team & Project Management Office	1,336	988	0	988	510	847	85.72%	141	489	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
Muirfield Revenue - Culture NL	43	43	0	43	0	43	100.00%	0	0	Muirfield Community Centre lease payment
Local Development Plan	50	50	0	50	0	50	100.00%	0	0	Community Engagement project
Environmental Taskforce	245	245	0	245	61	245	100.00%	0	0	Costs for additional temporary staff
Total	6,145	4,000	0	4,000	1,281	3,196	79.90%	804	2,949	

Enterprise and Communities
Revenue Budget Monitoring Report - Challenging Savings
1st April 2019 - 3rd January 2020 (PERIOD 10)

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	178	59	Delays due to VRS process	Management action to reduce non essential spend	59	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.
Transformation Savings Target 2019/20								
Redesign of CLD	934	483	451	Delay in implementation of revised structure	Management Action has been taken in relation to other vacancies.	451	0	
Totals	2,783	1,447	1,336			1,336	0	