

North Lanarkshire Council Report

Housing and Regeneration Committee

approval noting

Ref RS/GT/JMcG

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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 2020 to 24 July 2020 (Period 4). The report illustrates the projected outturn as at 31 March 2021, with major outturn variances highlighted and explained as per the Council's approved Financial Regulations.

The overall projected outturn position for the Enterprise and Communities Service is £6.677m overspend, this includes forecast net additional costs as a result of the COVID-19 pandemic of £9.857m as detailed in Appendix 6. Therefore the underlying position of the Service excluding the impact of the pandemic is a forecast underspend of £3.180m. This includes a number of management actions taken by the Service to mitigate against COVID-19 costs including curtailment of non-essential expenditure.

The COVID 19 costs shown in Appendix 6 are included within the Council's overall return to Scottish Government to COSLA on the net additional costs as a result of COVID-19.

Recommendations

It is recommended that Committee:

- (1) Notes the financial position of the 2020/21 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.
 - 1.2 Given the extreme circumstances presented by the COVID-19 health crisis and its impact on Council operations, financial planning to support the deficit position is being considered on a corporate basis with Executive Directors expected to do all they can to mitigate cost pressures within their own Service area.
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2. Report

2.1 Summary of Financial Position

- 2.1.1 The Council approved its General Fund Revenue Budget on 24 February 2020, of which £139.724m (17.91%) represented the approved Net Revenue Budget for Enterprise and Communities (Non-Trading) Services. The budget has since been increased due to a realignment of the Janitorial recharge budget to the Education and Families service reflecting the impact of on budgets of the previously approved saving (£1.266m) and inclusion of a COVID-19 Food Fund budget (£0.177m). These adjustments result in a revised overall Net Revenue Budget of £141.167m. 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 currently projects an overspend of £6.677m, which includes net additional costs as a result of the COVID-19 pandemic of £9.857m as detailed in Appendix 6. The underlying position of the Service excluding the impact of the pandemic is therefore a forecast underspend of £3.180m. Included within this projected outturn there are a number of cost pressures, for example the timing of savings delivery, which are anticipated to be partially offset by management actions across all divisions. Section 2.2 provides commentary on the financial performance of the Service. 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 2020/21 Enterprise and Communities budget incorporates £10.128m of savings previously approved by Council on 21 February 2019 and £9.184m of savings (91%) 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 In response to the COVID-19 pandemic the Service is forecasting additional burdens of £9.857m across the mobilisation and recovery phases. An element of the Scottish Government's Food Fund has been allocated to the service (£0.177m) which has reduced the projected overspend to £9.680m.
- 2.2.2 The most significant COVID-19 financial impact for Enterprise and Communities is linked to significant under-recoveries of income associated with the Scottish Government's lockdown restrictions. These total £4.866m and include reduced Planning and Building Standards income, reduced school meal income following the

closures of schools (only partially offset by reduced costs), reduced income for North Lanarkshire Industries (partially offset by reduced material costs), reduced special uplift/scrap, letting, rental and parking income. There continues to be risks associated with demand for some of these services as lockdown easing progresses which will require to be monitored throughout the remainder of the financial year.

2.2.3 The Service anticipated a number of increased costs, the most significant of which are as follows:

- Supplier relief for Roads and Property partners (£1.276m), however it is projected that these will be fully offset by reduced road and property repairs given the significant lockdown period. Financial support was provided to key partners in line with Scottish Government guidance to support their cash flow, protect employment and ensure key strategic partners could continue to deliver services following the end of COVID-19 restrictions;
- Increased cleaning supplies to ensure appropriate hygiene measures are in place across the Council's estate (£0.973m);
- Increased staffing requirements (£1.981m) within areas such as fleet (to support social distancing measures for the waste collection service), additional cleaning hours within schools, staffing implications for providing community hubs throughout lockdown and over the summer holiday period (cleaning and catering) and supports provided at temporary accommodation units;
- Additional fleet costs to continue to ensure social distancing measures for waste collection (£0.337m);
- Recovery of grass cutting services, including the hire of grass cutting equipment (£0.610m);
- Delays in staff savings (£0.342m) directly as a result of COVID-19 response;
- Additional asset management costs including security costs and social distancing measures (£0.531m);
- Additional General Fund costs associated with the use of HRA staff to support the community assistance helpline (£0.198m).

2.2.4 These costs have been partially offset by anticipated grant income from the Coronavirus Job Retention Scheme (£0.548m) and reduced costs reduced food costs for school meals (£0.801m) and reduced NLI material costs (£0.373m).

2.2.5 Further management action to freeze vacancies across the service have resulted in a projected additional employee cost saving (net of overtime requirements and turnover) of £1.986m.

2.2.6 These are also contributing to offsetting service burdens for reduced pest control income and delays in the achievement of asset management savings.

2.2.7 Payments to other bodies are detailed in Appendix 3. This expenditure category accounts for £17.004m of the annual budget and it has a projected underspend of £0.126m in relation to reduced roads contractor spend which is offset by an under recovery in efficiency rebate income.

2.3 Earmarked and One-off Resources

2.3.1 Enterprise and Communities Non-Trading were given approval to earmark £5.108m of resources. In 2020/21 it is anticipated that £2.921m of these reserve balances will be utilised with the remaining funding required for the original purpose in future years. Appendix 4 details the individual Earmarked Reserves. These earmarked reserves will continue to be kept under review and prioritised as the Council considers options to manage the anticipated in-year deficit position.

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 £10.128m. As at Period 4 £9.184m (91%) of its approved savings are forecast to be achieved during the year.
- 2.4.2 The main reasons for the partial achievement of the savings is timing and process delays in staff restructures (£0.232m) and changes to Building Cleaning (£0.216m), lower than anticipated School Meal Catering income (£0.311m) and reduced demand for the special uplift service and trade waste (£0.157m). Whilst there are in-year timing delays in the full achievement of vehicle savings, the Service anticipate having a complete programme next financial year.
- 2.4.3 The Service plans to address the £1.102m savings gap in 2020/21 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 are taking a range of corrective management actions to ensure it maintained a balanced budget position where possible and mitigates the costs of COVID 19 whilst delivering key operational targets.

2.6 Change Management

- 2.6.1 The Service are forecasting to use £2.445m of the Council's Change Management Fund largely to support voluntary severance costs / buy outs costs. 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 plans to address identified financial burdens through taking a range of corrective management action. The Council will be required to consider further measures to ensure the Council operates within the available budget in 2020/21.

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

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
Appendix 6	COVID 19 Costs



Robert Steenson
Executive Director (Enterprise & Communities)

Enterprise & Communities
Revenue Budget Monitoring Report - Objective Analysis
1st April 2020 - 24th July 2020 (PERIOD 4)

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)	ANALYSIS (10)
	£	£	£	£	£	£		%	
ENVIRONMENTAL ASSETS	12,032,118	11,526,184	505,934 FAV	43,192,832	44,464,225	(1,271,393) ADV		-2.9%	Additional COVID-19 related costs including supplier relief for APS, costs to recover grass cutting services, additional hygiene measures and loss of income. These are partially offset underspends in employee costs due to vacancies
REGULATORY SERVICES AND WASTE SOLUTIONS	8,018,415	9,796,293	(1,777,878) ADV	29,114,109	30,540,493	(1,426,384) ADV		-4.9%	Additional COVID-19 related costs in relation to overtime and additional fleet costs to maintain waste collection services and social distancing measures throughout lockdown and into the recovery phase; additional costs associated with the reopening of HWRC sites; and under-recoveries of income associated with special uplifts, scrap, and building standards. These are partially offset by staff vacancies across the division.
ASSETS & PROCUREMENT	8,695,628	10,087,761	(1,392,132) ADV	7,465,397	10,289,224	(2,823,827) ADV		-37.8%	Additional COVID-19 related costs in the provision of catering and cleaning for the community hub programme, additional cleaning to support the reopening of schools, the additional costs of hygiene measures for staff, additional property costs for security and adaptations. The division also has COVID-19 related delays in the achievement of savings linked to school crossing patrollers, school cleaning and asset management. Costs have been partially offset by reduced spend on repairs and vacancies across the service.
PLANNING & REGENERATION	1,803,343	1,751,030	52,313 FAV	7,238,512	7,732,032	(493,520) ADV		-6.8%	Anticipated reduction in planning fee income as a result of COVID-19, partially offset by vacancies.
COMMUNITIES	9,678,990	10,547,890	(868,900) ADV	42,615,286	42,552,594	62,692 FAV		0.1%	Series of offsetting variances including risks associated with receipt of European income for Employability given the change in activity patterns throughout lockdown.
HOUSING SOLUTIONS	1,758,341	1,425,620	332,722 FAV	4,213,885	4,846,409	(632,524) ADV		-15.0%	Additional costs associated with the COVID-19 Community Assistance helpline, additional cleaning requirements for temporary accommodation and homeless arrangements. These are partially offset by recovery from the Coronavirus Job Retention Scheme.
DIRECTORATE & SUPPORT	405,900	419,473	(13,574) ADV	1,795,143	1,777,571	17,572 FAV		0	Minor Variance
HOUSING PROPERTY & PROJECTS	813,800	1,011,453	(197,653) ADV	5,531,945	5,641,722	(109,777) ADV		-2.0%	Overspends associated with supplier relief arrangements for Mears which have been partially offset by reduced costs within repairs over the lockdown period.
NET EXPENDITURE	43,206,535	46,565,702	(3,359,167) ADV	141,167,109	147,844,270	(6,677,161) ADV		-4.7%	

Enterprise & Communities
Revenue Budget Monitoring Report - Subjective Analysis
1st April 2020 - 24th July 2020 (PERIOD 4)

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)	ANALYSIS (10)
	£	£	£	£	£	£	%	
EMPLOYEE COSTS	26,082,835	26,051,288	31,547 FAV	92,456,359	92,536,823	(80,464) ADV	-0.1%	Additional COVID-19 related costs associated with overtime, additional hours and delays in achievement of staffing related savings. These are partially offset by vacancy savings.
PROPERTY COSTS	5,374,653	5,615,131	(240,477) ADV	29,898,672	31,576,894	(1,678,222) ADV	-5.6%	Additional COVID-19 related costs associated with cleaning supplies, security and changing building arrangements. IN addition, there are non-COVID-19 related costs linked to delayed asset management savings, increased utility costs and service charges. These are partially offset by underspends within repairs expenditure.
SUPPLIES & SERVICES	7,289,565	7,617,604	(328,038) ADV	32,812,259	32,704,045	108,214 FAV	0.3%	Reduced food costs in schools linked to the COVID-19 closures partially offset by additional contractor costs to support COVID-19 response and recovery in areas such as waste collection / fleet and in grass cutting, additional lease costs and additional costs linked to temporary accommodation.
TRANSPORT & PLANT	2,705,296	1,800,111	905,185 FAV	12,544,572	11,894,522	650,050 FAV	5.2%	Reduced expenditure in areas such as fuel and fleet repairs and maintenance linked to the COVID-19 lockdown. These have been partially offset by overspend in external hires to continue to support social distancing measures in waste collection.
ADMINISTRATION COSTS	689,952	368,356	321,597 FAV	5,046,080	4,752,082	293,998 FAV	5.8%	Reduced costs associated with grant funded programmes (fully offset by reduced income).
PAYMENTS TO OTHER BODIES (See Overleaf Appendix 3)	2,242,306	2,754,008	(511,702) ADV	17,003,679	16,877,667	126,012 FAV	0.7%	Reduced roads contractor costs as a result of lower activity during the COVID-19 lockdown (this will be offset by reduced efficiency rebate income).
TRANSFER PAYMENTS	0	0	0	72,007	72,007	0	0.0%	Balanced budget
CAPITAL FINANCING COSTS	5,023,589	4,606,972	416,617 FAV	30,530,192	30,530,192	0	0.0%	Balanced budget
REVENUE FINANCING COSTS	949	0	949 FAV	10,293	7,205	3,088 FAV	30.0%	Minor Variance
OTHER EXPENDITURE	918,372	942,055	(23,683) ADV	6,743,984	6,578,097	165,887 FAV	2.5%	Reduced expenditure linked to the Council's agreement to curtail non-essential expenditure.
TOTAL EXPENDITURE	50,327,518	49,755,525	571,993 FAV	227,118,097	227,529,534	(411,437) ADV	-0.2%	
INCOME	7,120,984	3,189,823	(3,931,161) ADV	85,950,988	79,685,265	(6,265,723) ADV	-7.3%	Significant COVID-19 related under-recovery of income in areas such as school meals, planning fees, building control fees, North Lanarkshire Industries, special uplifts, scrap, land rentals and parking. A number of income streams under-recoveries are offset by reduced costs highlighted above including grant programmes and fleet recharges.
NET EXPENDITURE	43,206,535	46,565,702	(3,359,167) ADV	141,167,109	147,844,270	(6,677,161) ADV	-4.7%	

Enterprise & Communities
 Revenue Budget Monitoring Report - Payments to Other Bodies Analysis
 1st April 2020 - 24th July 2020 (PERIOD 4)

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)	TYPICAL AREA OF EXPENDITURE/ANALYSIS OF VARIATIONS (10)
	£	£	£	£	£	£	%	
Public Analyst Fees	58,972	62,622	(3,650) ADV	235,886	235,886	0	0.0%	
OLA's General	0	0	0	235,830	235,830	0	0.0%	
APS Roads Contractor	583,351	1,354,804	(771,453) ADV	9,096,338	8,921,338	175,000 FAV	1.9%	Offset by reduced efficiency rebate due to volume of works
Private Roads Contractor	111,557	70,068	41,489 FAV	828,813	823,057	5,756 FAV	0.7%	Minor Variance
Medical Fees	31,272	31,240	32 FAV	110,031	110,971	(940) ADV	-0.9%	Minor Variance
Agency Fees	4,444	1,075	3,369 FAV	202,904	212,561	(9,657) ADV	-4.8%	Minor Variance
Support Fees	270,212	131,497	138,715 FAV	1,115,560	1,132,878	(17,318) ADV	-1.6%	Minor Variance
Grants to Organisations	536,202	698,278	(162,076) ADV	1,496,058	1,461,389	34,669 FAV	2.3%	Minor Variance
Other	539,689	297,817	241,872 FAV	3,220,353	3,281,851	(61,498) ADV	-1.9%	Minor Variance
Private Sector Grants	106,608	106,608	0	461,906	461,906	0	0.0%	
TOTAL EXPENDITURE	2,242,306	2,754,008	(511,702) ADV	17,003,679	16,877,667	126,012 FAV	0.7%	

Enterprise & Communities
 Status of Earmarked Resources
 1 April 2020 - 24 July 2020
 Period 4

Description of Earmarked Resource	Total Earmarked Reserve £000	Initial 20/21 Allocation	Adjustments in Year	20/21 Approved Reserve Total	Spend to Date	2020/21		Reserves No Longer Required in 20/21	Reserves Required for 2021/22 Onwards	Commentary regards usage
						Projected Spend, 2020/21				
						Value	%			
Service Specific Earmarked Reserves:										
Rapid rehousing	435	435	0	435	0	435	100.00%	0	0	Temporary staffing
Dilapidations	619	311	0	311	0	311	100.00%	0	308	Costs associated with leased in property disinvestment
Enterprise Contract	106	106	0	106	0	106	100.00%	0	0	Set up costs for the Enterprise contract
Waste Restructure	136	136	0	136	42	136	100.00%	0	0	Staff costs
Private Sector Grants	462	462	0	462	32	462	100.00%	0	0	Funding for grant commitments in place
Business Gateway Contract & Mgmt	1,510	0	0	0	0	0	0.00%	0	1,510	Business gateway contract
Local Development Plan	299	200	0	200	0	200	100.00%	0	99	Set up costs to produce the LDP
Growth Team Staff costs	96	96	0	96	24	96	100.00%	0	0	Running costs of Growth Team
VDLF Staff Costs	19	19	0	19	0	19	100.00%	0	0	Staff costs unable to be capitalised
City Deal	777	777	0	777	58	777	100.00%	0	0	Running costs of City Deal Team & PMO
Working Matters Successor Programme	10	10	0	10	10	10	100.00%	0	0	Match funding for DWP backed employability projects
ESF Match funding - Pipeline	540	270	0	270	61	270	100.00%	0	270	Match funding for ESF projects
Payments to VANL	100	100	0	100	0	100	100.00%	0	0	Funding for Shopmobility
								0	0	
Total	5,108	2,921	0	2,921	228	2,921		0	2,187	

Enterprise and Communities
Revenue Budget Monitoring Report - Challenging Savings
1st April 2020 - 24th July 2020 (PERIOD 4)

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								
EC37 Review of staffing within Business Intelligence and Strategic Resourcing team	50	24	26	Delays in identifying 1 post - will be considered as part of a Council wide review of support services	Reduced non essential spend	26	0	
EC29 Staffing restructure within the Enterprise team	50	40	10	Delays in VRS process.	Vacancy savings	0 10	0	
EC10 (Part 1) Asset Management Rationalisation/Office Dis-investment.	295	267	28	Rates charges will apply to Kings House until it is demolished (September 2020)	Reduce reparis spend	28	0	
EC09 Introduce charges for Duty of Care	40	33	7	Reduction in applicable trade waste customers	Vacancy savings	7	0	
EC06 Centralisation of Waste Service	136	118	18	Delays in VRS process.	Vacancy savings	18	0	
EC02 Restructure of Built Environment	15	11	4	Delays in VRS process.	Minor expenditure savings	4	0	
						0		
Savings 2020/21								
EC08A Increase charging for Special Uplift to £35.	150	0	150	Lower demand for the Service since recovery process has commened (1m distancing rules / impact of price	Vacancy savings	150	0	
EC11B Reduction of lunchtime School Crossing patrollers SCP (Autumn 2020)	248	124	124	Impact of COVID / Delays in VRS process.	Vacancy savings	124	0	
EC12C Full Cost Recovery for School Meals in Year 1	1,400	1,089	311	No school meal income during COVID 19	Vacancy savings	311	0	
EC13 Efficiencies in school cleaning service	122	0	122	Delays in implementing changes as key staff involved in COVID 19 activities	Vacancy saivngs	122	0	
EC19 Closure of staffed visitor facilities at Palacerigg Country Park	104	90	14	Delays in VRS process.	Minor expenditure savings	14	0	
EC40 Greenspace Service Provision	72	36	36	Delays in VRS process.	Vacancy savings	36	0	
Review of catering/building cleaning service to schools	95	0	95	Delays to changes due to Impact of COVID	Vacancy savings	95	0	
Totals	2,776	1,832	944			944	0	

