

North Lanarkshire Council Report

Finance and Resources Committee

approval noting

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Revenue Provisional Outturn Report Council Summary 1 April 2019 to 31 March 2020

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Executive Summary

This report updates Committee on the overall provisional outturn 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 2/2019 in March 2019 and notification from Scottish Government of additional funding gives a revised budget of £766.478m. The Council is currently projecting a surplus of £2.416m against this budget. This includes net additional costs as a result of the COVID-19 pandemic of £1.060m. Therefore an underlying surplus of £3.476m excluding the impact of the pandemic is reported.

The 2019/20 budget incorporates £27.666m of savings. It is provisionally reported that £24.932m of the savings (90%) were delivered within the financial year, with replacement savings of £2.555m identified 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. In addition, the Scottish Government made a commitment to fund an element of the negotiated teachers' pay agreement and the cost of changes to the Teacher's pension scheme was expected to be funded by the UK government, via Scottish Government. However due to the uncertainty over the value of the funding, the Council only budgeted for its estimated share of the costs. The additional funding to meet the increased salary costs has now been confirmed at £14.658m. This along with additional funding in relation to Brexit preparations (£0.050m), Additional Support Needs (£1.044m) and further net funding received through redeterminations announced as part of the Scottish Draft Budget in February of £1.800m, brings 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 £24.932m (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 £2.416m currently envisaged for the financial year.

	Annual Budget £m	Projected Outturn £m	Provisional Outturn Variance £m	Period 11 Variance £m	Period 11 to 13 Movement £m
Expenditure					
Net Service Expenditure	766.478	764.062	2.416	4.825	-2.409
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	-	-	-
Provisional Outturn variance : surplus/(deficit) at 31 March 2020	-	2.416	2.416	4.825	-2.409

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 2.2.7 below.

Service	Provisional Outturn (£m)		P11 Outturn (£m)		P11 to P13 Movement (£m)
Education and Families	-0.529	Overspend	0.360	Underspend	-0.889
Enterprise and Communities	0.047	Underspend	0.552	Underspend	-0.505
Social Work (Non-Integrated)	-	On Budget	-	On Budget	-
Chief Executives and Other Corporate Services	0.800	Underspend	0.477	Underspend	+0.323
External Trading Activity	0.020	Underspend	-0.028	Overspend	+0.048
Executive Services Total	0.338	Underspend	1.361	Underspend	-1.023
Loan Charges	0.543	Underspend	0.700	Underspend	-0.157
Interest on Revenue Balances	0.045	Over-recovery	(0.150)	Under-recovery	+0.195
Assumptions not yet Realised	0.190	Underspend	1.614	Underspend	-1.424
Non Domestic Rates Revaluation Refund	1.300	Underspend	1.300	Underspend	-
Total	2.416	Underspend	4.825	Underspend	-2.409

Table 2

2.2.2. Education and Families are provisionally reporting an overall overspend of £0.529m. Within this position, there is an overspend in Payments to Other Bodies of £1.947m due to increased demand for fostering and kinship payments coupled with ongoing demand pressure for external pupil placements and additional costs arising from the introduction of FSM voucher scheme as a response to Covid-19. There is an overspend within Property Costs of £0.478m along with an overspend in transport costs of £1.975m arising from the increased cost of providing demand led ASN transport and consortium travel for secondary pupils. These overspends are partially offset by a net underspend in employee costs of £2.274m 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 (£0.362m), additional subsidy within the Community Justice Grant (£0.162m) and transfer payments (£0.460m) and an over recovery of income of £0.161m primarily from external sales of Education material packs. The position represents a movement of £0.889m from that reported at period 11 primarily as a result of additional expenditure in relation to Covid-19 Free School Meal voucher scheme of £0.609m.

- 2.2.3. Enterprise and Communities are reporting a provisional outturn underspend of £0.047m. This position is primarily due to net employee costs underspends of £0.794m as a result of vacancy savings partly offset by overtime and the unbudgeted cost arising from a delay in the VRS process, an underspend within Housing Property and Projects of £0.420m as a result of realigning charges for housing repairs related activity to HRA, and increased income across the service of £1.307m. These underspends are partially offset by increased transport costs within Fleet of £0.608m due to a delay in achieving savings in respect of lease costs and fleet reductions, increased gate fees of £0.531m as a result of changes in the paper/card recycling costs, an overspend in administration costs of £0.458m due to additional design costs and planning admin costs, timing delays in the achievement of asset management and procurement savings of £0.307m, overspends in roads winter works of £0.309m and Private Sector Housing Grants of £0.278m. The provisional outturn represents an adverse movement of £0.505m from that reported at period 11, primarily as a result of costs in relation to the COVID-19 pandemic of £0.444m.
- 2.2.4. Chief Executives and Other Corporate Services is reporting an overall underspend of £0.800m. Key variances relate to increased PPP volume discount income of £0.632m, reduced insurance costs of £0.752m, and a favourable movement in expected credit losses of £0.936m, which are partially offset by additional ICT licencing and maintenance costs of £0.810m due to legacy transformation contracts and the iTrent contract renewal, and a net shortfall in Housing Benefits of £0.783m, which is predominantly off-set by part of the reduction in provision for expected credit losses noted above. The provisional outturn represents a favourable movement of £0.323m from that reported at period 11, primarily due to increased income recoveries mainly from PPP volume discount.
- 2.2.5. Prudent management of the Council's borrowing has resulted in a year end surplus of £0.588m. Within this position are savings on loan charges of £0.543m and an over-recovery in interest on revenue balances of £0.045m.
- 2.2.6. Overall there is a saving of £0.190m attributable to budget assumptions made for 2019/20. Funding received from the Scottish Government for the Teachers Pay Award incurred during 2018/19 and a revision to the assumptions for Teachers Pay requirement for 2019/20, resulting in an underspend of £0.713m. This is partly offset by a shortfall of £0.523m in the budget assumptions made when setting the 2019/20 budget, which fully recognises the impact of revised assumptions surrounding funding including Early Years, based on the most up to date Local Government Finance Circular and information from Scottish Government/COSLA.
- 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. **Financial Impact of COVID-19**

- 2.3.1. Committee should note the Council's overall outturn position of £2.416m surplus, includes net additional costs as a result of responding to the COVID-19 pandemic of £1.060m as detailed in appendix 4. Therefore the underlying position excluding cost of COVID-19 is an outturn of £3.476m surplus.
- 2.3.2. The Council reports the net additional costs as a result of the COVID-19 pandemic to COSLA on a fortnightly basis, with the first return made on 24th April 2020. These returns are currently based on anticipated net costs to 30 June 2020. However this will be refined as the timescales and duration become clearer.

2.3.3. The Scottish Government has announced a number of additional funding streams to address elements of the Council's additional costs as a result of the pandemic, which will partially offset the costs highlighted in appendix 4. However this funding will be reflected within the Council's Revenue Support Grant within 2020/21, therefore the additional costs incurred within the 2019/20 financial year require to be met from reserves in the short term.

2.4. **Earmarked Reserves and Change Management Fund**

2.4.1. 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.

2.4.2. During the year, £2.933m of the CMF was allocated to earmarked reserves which consists of £0.440m to address an outstanding legal dispute, £0.245m to fund the 2019/20 costs of an Environmental Improvement Taskforce, an additional £2.190m 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 £2.431m and £33.941m respectively.

2.4.3. A total of £25.313m of earmarked reserves were profiled for use in 2019/20 with the balance of £8.628m profiled for future years. It is provisionally reported that the use of reserves in 2019/20 was £21.972m, with £2.673m required for use in future years and the remaining £0.668m no longer required. Furthermore, it is anticipated that £0.769m of reserves profiled for future years will no longer be required. All earmarked reserve balances are closely monitored in line with the approved Reserve Policy and considered as part of the year end process.

2.4.4. Recognising the current provisional outturn underspend for 2019/20 of £2.416m, 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 £15.144m. 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.

2.5. **2019/20 Budget Savings**

2.5.1. The approved 2019/20 budget includes savings of £27.666m are outlined in paragraph 2.1.2 above, with information on implementation of these included within the relevant Services' monitoring report. It is provisionally reported that £24.932m (90%) of these were achieved in the 2019/20 financial year, leaving an in-year savings gap of £2.734m. Replacement savings of £2.555m were identified, leaving a revised gap of £0.179m which was not achievable in the year.

2.6. **Risks and Uncertainty**

2.6.1. 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 and other external factors, have the potential to impact upon the Council's ability to provide quality services within approved budget levels.

2.6.2. The current challenges the Council is facing in responding to the COVID-19 pandemic are unprecedented, which is putting significant additional financial pressure on the Council. As indicated above the Council is recording the financial burden arising from the response to the crisis, and engaging with COSLA in seeking Scottish Government funding to offset this unanticipated financial pressure. Further information regarding this position will be reported to a future committee.

2.7 Housing Revenue Account

2.7.1. The Housing Revenue Account is projecting a year-end surplus of £2.581m mainly as a result of anticipated ambition funding carry forward into future years of £2.384m, turnover savings of £2.188m, savings within loan charges of £0.933m along with reduced property costs of £0.976 in relation to improvements in the rate of turnover of void properties and housing repairs. These underspends are partially offset by overspends in administration costs of £1.801m, apportioned expenses of £1.007m, under recoveries in housing rental and fees and charges income, of £0.516m and £0.426m respectively. The position represents a favourable movement from that reported at Period 11 of £1.027m primarily as a result of turnover savings, reduced property costs and the increased carry forward of ambition funding partially offset by increased administration costs. Further information regarding the financial performance is reported to Communities and Housing Committee.

2.8 Adult Health and Social Care

2.8.1. Council Adult Health and Social Care provision to the Integration Joint Board (IJB) is provisionally reporting a breakeven position. Payments to Other Bodies is overspent by £3.556m primarily in relation to demand pressure across key functions such as Self Directed Support (SDS) and placements in Independent Care homes (£3.800m and £1.616m respectively). These are offset by underspends within administration costs of £2.522m in relation to these areas. Income over recovered by £1.124m 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. Income also includes a drawdown from IJB reserves of £0.436m. The outturn represents a favourable movement of £0.998m from that reported at Period 11, primarily as a result of reduced SDS payments along with reduced employee costs.

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
Appendix 4 COVID-19 Costs



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NORTH LANARKSHIRE COUNCIL
SUMMARY OF FINANCIAL REPORT FOR PERIOD ENDING 31 March 2020 (PERIOD 13)

LINE NO.	SERVICE ACCOUNT (1)	ANNUAL BUDGET (5)	PROVISIONAL OUTTURN (6)	PROVISIONAL VARIANCES (7)
		£	£	£
1	Education and Families	407,393,073	407,921,606	(528,533)
2	Early Years	24,899,121	24,899,121	-
3	Primary Schools	139,186,430	139,186,295	135
4	Secondary Schools	129,732,879	129,706,798	26,081
5	Special Schools	20,326,160	20,326,160	-
6	Education & Families Service Delivery	72,226,396	71,087,926	1,138,470
7	Childrens Services Social Work	20,965,318	22,760,611	(1,795,293)
8	Justice Services	56,769	(45,305)	102,074
9	Enterprise & Communities	140,805,631	140,758,414	47,217
10	Environmental Assets	43,574,646	43,054,448	520,198
11	Regulatory Services & Waste Solutions	27,987,624	29,349,365	(1,361,741)
12	Assets & Procurement	7,433,477	7,810,946	(377,469)
13	Planning & Regeneration	8,560,102	7,943,663	616,439
14	Communities	40,637,137	40,389,558	247,579
15	Housing Solutions	5,100,580	5,094,757	5,823
16	Directorate & Support	1,818,669	1,842,323	(23,654)
17	Business, Housing Property & Projects	5,693,396	5,273,354	420,042
18	Trading Accounts	(643,924)	(663,970)	20,046
19	Chief Executives & Other Corporate Services	71,681,770	70,882,437	799,333
20	Chief Executive	837,507	799,410	38,097
21	Legal & Democratic Solutions	1,945,320	2,209,368	(264,048)
22	Audit & Inspection	507,601	475,870	31,731
23	Financial Solutions	36,478,935	35,572,515	906,420
24	Business Solutions	7,511,152	7,511,152	-
25	People & Organisational Development	6,755,572	7,383,997	(628,425)
26	Strategic Communication	769,659	933,156	(163,497)
27	Other Corporate Services	3,293,978	2,414,923	879,055
28	Joint Boards	13,582,046	13,582,046	-
29	Social Work (non Integrated)	159,210,211	159,210,211	-
30	GENERAL FUND SERVICES	778,446,761	778,108,698	338,063
31	FINANCING COSTS	(11,968,408)	(14,046,823)	2,078,415
32	Reversal of Capital Charge	(53,487,684)	(53,487,684)	-
33	Loan Charges	42,078,681	41,535,415	543,266
34	Intrest on Revenue Balances	(750,000)	(794,877)	44,877
35	Assumptions not yet Realised	190,595	-	190,595
36	NDR Revaluation Refund	-	(1,299,677)	1,299,677
37	TOTAL EXPENDITURE	766,478,353	764,061,875	2,416,478
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)	-	2,416,478	2,416,478
43	HOUSING REVENUE ACCOUNT SURPLUS / (DEFICIT)	-	(2,581,300)	2,581,300
44	ADULT HEALTH AND SOCIAL CARE SURPLUS / (DEFICIT)	-	-	-

NORTH LANARKSHIRE COUNCIL
AVAILABILITY OF ONE-OFF FUNDS AS AT 31 MARCH 2020 (PROVISIONAL OUTTURN)

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	(2,190)	
Business Solutions Additional Posts	(58)	(2,933)
Current unallocated balance		2,431
Add:		
Drawdown from Insurance Fund	3,674	
2019/20 drawdown from Capital Fund	4,506	
Review of Balances	1,437	
Payment received on written off debt	80	
Transfer from TCA	600	10,297
Provisional Outturn reported underspend	2,416	2,416
Total Unallocated Change Management Fund 2019/20		15,144
Planned 2020/21 Drawdown from Capital Fund		1,482
Anticipated One-Off Change Management Fund for use in 2020/21		16,626

NORTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report - COVID19 Costs
1st April 2019 - 31 March 2020 (Provisional Outturn)

Area	Projected Outturn			Mar-20
	Recurring	One-off	Total	
	£'000	£'000	£'000	£'000
Service Specific				
CEX COVID19 Costs	-	6	6	-
E&C COVID19 Costs	-	-	-	-
E&F COVID19 Costs	284	1	285	284
Service Specific Total	284	7	291	284
Project Costs				
Food Fund	325	-	325	325
Shielding	-	-	-	-
Other	444	-	444	444
Project Costs Total	769	-	769	769
TOTAL NET COST	1,053	7	1,060	
HRA COVID19 Costs	10	-	10	10
ASC COVID19 Costs	112	-	112	112