

North Lanarkshire Council Report

Finance and Resources Committee

approval noting

Ref VR/RM

Date 03/09/20

Revenue Budget Monitoring Report; Chief Executives & Other Corporate Services 01.04.20 – 24.07.20 (Period 4)

From Elaine Kemp, Head of Financial Solutions

Email kempe@northlan.gov.uk

Telephone 07939 280 601

Executive Summary

This report provides a summary of the Chief Executive & Other Corporate Services financial performance for the period 1 April 2020 to 24 July 2020 (Period 4). The report illustrates the provisional 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 24 February 2020, of which £77.567m currently represents the Net Revenue Budget for the Chief Executive & Other Corporate Services. The Service is currently projecting an overspend of £0.514m for the financial year which includes net additional costs as a result of the COVID-19 pandemic of £0.584m, therefore there is an underlying anticipated surplus of £0.070m as a result of management actions. In addition, the 2020/21 budget incorporates £2.226m of savings previously approved by the Council. It is currently anticipated that £1.230m of savings (55%) will be delivered by the financial year-end.

Recommendations

It is recommended that the Finance and Resources Committee:

- (1) note the financial position of the 2020/21 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 24 February 2020, of which £75.545m (9.68%) represented the approved Revenue Budget for the Chief Executive & Other Corporate Services. Subsequent realignments of service budgets has resulted in a revised budget of £77.567m; an increase of £2.022m due to additional funding in relation to Covid-19 impacts on Scottish Welfare Fund (SWF) of £1.744m and Discretionary Housing Payments (DHP) of £0.279m.
- 2.1.2 It is projected that that the Service will incur additional costs of £2.607m as a result of the COVID-19 pandemic as shown in Appendix 6. This is partly offset by additional funding provided to the Council of £2.023m relating to SWF and DHP as per 2.1.1 above resulting in net additional costs in the Service of £0.584m. The costs shown in Appendix 6 will be included within the Council's overall return to Scottish Government via COSLA on the additional costs as a result of COVID-19 and the overall 20/2021 Financial Forecast reported to this Committee.
- 2.1.3 The overall outturn position of the Service is a deficit of £0.514m, which includes net additional costs as a result of the COVID-19 pandemic of £0.584m. The underlying position of the Service excluding the impact of the pandemic is therefore a positive outturn of £0.070m, which reflects the net impact of management action to mitigate the impact of COVID-19. Section 2.2 below and appendices one to five of this report further explain any significant budget variations contributing to this outturn position.
- 2.1.4 In light of the significant impact which COVID-19 has had on the Council's financial position, CMT issued clear instructions to Services to implement mitigating actions in order to address as far as possible the envisaged overall Council budget gap for 2020/21. The mitigating action undertaken by Chief Executive Service is estimated to reduce expenditure by £1.350m, which reflects the impact of a Council wide recruitment freeze and the curtailment of non-essential expenditure, totalling £0.806m and £0.544 respectively. However this has been partly offset by the non-achievement savings of £0.996m primarily in relation to digitalNL savings of £0.943m, and 'business as usual' variances of £0.286m primarily due to increased IT costs and reduced income recoveries.
- 2.1.5 The 2020/21 budget incorporates £2.226m of savings previously approved by the Council on 24 February 2020. It is presently anticipated that £1.230m of savings (55%) 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 underspent by £0.081m primarily due to recruitment freeze savings and other employee cost savings, offset by non-achievement of Digital NL savings, COVID-19 costs and additional costs being managed across the service.

- 2.2.2 Supplies & Services are anticipated to be overspent by £0.167m primarily due to increased ICT hardware and licencing costs due to COVID-19 impacts on staff working arrangements and legacy IT costs, partly offset by savings from curtailment of non-essential expenditure across the service.
- 2.2.3 Administration and Transport costs are anticipated to be underspent by £0.354m primarily due to savings from curtailment of non-essential expenditure across the service, which are partly offset by decreased income recovery.
- 2.2.4 Income is projected to be under-recovered by £0.900m, primarily due to decreased income relating to COVID-19 impacts within Licensing, Registration and Strategic Communications of £0.345m, reduced service recharges of £0.268m resulting from curtailment of expenditure including Modern Apprentices, under-recovery on housing benefits overpayments of £0.400m and reduced service recharge income of £0.035m in Strategic Communications. These decreases are partly offset by over-recovery in support recharges £0.066m and external income £0.074m relating to secondment recharges from Social Work and Police Scotland.
- 2.2.5 Payments to other bodies are detailed in appendix 3. These account for £16.564m of the Chief Executive & Other Corporate Services annual budget. A minor underspend is currently anticipated primarily due to an underspend in Town Twinning costs.

2.3 Earmarked and One-Off Resources

- 2.3.1 In finalising the Council's draft accounts to 31 March 2020, the service was given approval to earmark £6.185m of resources to fund key projects and initiatives. It is anticipated that £5.990m of these reserves balances will be utilised in 2020/21. A total of £0.195m of the remaining balance will be required for future years.
- 2.3.2 Committee should note it is envisaged that the £5.759m Digital NL reserve will be utilised in 2020/21 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 The Service has not yet incurred any VRS costs relating to 2020/21 savings/restructures. There is therefore no requirement to utilise any of the Corporate Change Management fund at this time. Costs arising from 2020/21 savings/restructures will be reported in future reports as they are incurred.

2.4 2020/21 Budget Savings

- 2.4.1 The Council approved total savings of £2.226m which relates to the Chief Executive & Other Corporate Services. As at period 4 the Service anticipates £1.230m (55%) of its approved savings will be delivered by the financial year-end.
- 2.4.2 The unachievable savings of £0.995m has predominantly arisen as a result of delays in implementation primarily in relation to delays in implementation of Digital NL savings of £0.943m. It is envisaged that all £0.995m savings will be fully achieved from 2021/22.
- 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 COVID-19 Costs

- 2.5.1 As a direct response to the COVID-19 pandemic the Council has introduced a number of initiatives in accordance with guidance issued by the Scottish Government, UK Government and COSLA.
- 2.5.2 The costs of £2.607m shown in Appendix 6 are the COVID-19 costs incurred by the Service, including increased expenditure of £2.023m relating to Scottish Welfare Fund and DHP and the loss of Registrars and Licensing income of £0.330m. In addition the Service has incurred additional expenditure relating to the administration of the distribution of Business Grants and mobilisation costs including overtime for registrars and facilitating staff homeworking. These costs are included within the Council's overall return to Scottish Government via COSLA on the net additional costs as a result of COVID-19 and the overall 20/2021 Council Financial Forecast to this committee.

2.6 Management Actions

- 2.6.1 The Service will take a range of corrective management actions to ensure it contains expenditure within its approved 2020/21 budget provision, including continuing with the freeze on recruitment 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 2020/21.

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
- Appendix 6 COVID-19 Costs



Elaine Kemp
Head of Financial Solutions

Chief Executive & Other Corporate Services
Revenue Budget Monitoring Report - Objective Analysis
1 April 2020 - 24 July 2020
Period 4

DIVISION OF SERVICE (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	YEAR TO DATE VARIANCE (4)		ANNUAL BUDGET (5)	PROVISIONAL OUTTURN (6)	PROVISIONAL OUTTURN VARIANCE (7)		% (8)	ANALYSIS (10)
CHIEF EXECUTIVE	179,525	392,646	(213,121)	ADV	857,027	955,734	(98,707)	ADV	(11.5%)	Primarily due to increased costs in relation to COVID-19 of £0.115m on employee and IT costs, partly offset by underspend in employee costs of £0.016m across the
LEGAL & DEMOCRATIC SOLUTIONS	510,892	673,454	(162,562)	ADV	2,166,362	2,439,438	(273,076)	ADV	(12.6%)	Decreased income in licensing, registration fees and service recharges. Increased employee costs due to delays in achievement of savings and unfunded posts, offset by decreased expenditure in office equipment, supplies & services, postages, promotions/advertising, civic hospitality and photocopying/printing expenditure.
AUDIT & RISK	149,849	141,464	8,385	FAV	524,427	489,298	35,129	FAV	6.7%	Underspend due to increased turnover savings, and decreased expenditure due to management actions of recruitment freeze and curtailment of non-essential expenditure
FINANCIAL SOLUTIONS	1,833,166	1,582,573	250,593	FAV	39,877,332	39,737,340	139,992	FAV	0.4%	Underspend primarily due to management actions of recruitment freeze and curtailment of non-essential expenditure, partly offset by reduced housing benefits over-recovery of income and increased expenditure relating to Covid response
BUSINESS SOLUTIONS	2,787,170	3,648,072	(860,902)	ADV	9,332,981	10,215,775	(882,794)	ADV	(9.5%)	Primarily due to delay in DigitalNL savings of £0.943m, £0.165m settlement of legacy ICT contract dispute offset by £0.139m underspend in employee costs and £0.065m curtailment of non-essential spend
PEOPLE & ORGANISATIONAL DEVELOPMENT	2,353,002	2,317,496	35,506	FAV	7,667,477	7,184,889	482,588	FAV	6.3%	Underspend due to increased turnover savings due to recruitment freeze, savings in other employee costs, and employee costs and training costs savings in relation to the MA Programme, partly offset by under-recovery of related SDS income
STRATEGIC COMMUNICATIONS	312,303	307,838	4,464	FAV	1,003,373	1,058,437	(55,064)	ADV	(5.5%)	Reduced internal & external income and non-achievement of turnover savings offset by savings in multi-media supplies/equipment and reduced project campaign expenditure
OTHER CORPORATE SERVICES	1,262,727	1,260,330	2,397	FAV	3,481,072	3,343,252	137,820	FAV	4.0%	Primarily underspend due to management actions of curtailment of non-essential expenditure in Members costs of £0.035m and Events £0.100m
JOINT BOARDS	6,049,015	6,049,015	0		12,657,225	12,657,225	0		0.0%	
TOTAL NET EXPENDITURE	15,437,648	16,372,888	(935,240)	ADV	77,567,276	78,081,387	(514,111)	ADV	(0.7%)	

FAV = Favourable variation, underspend etc

ADV = Adverse variation, overspend etc

Chief Executive & Other Corporate Services
 Revenue Budget Monitoring Report - Subjective Analysis
 1 April 2020 - 24 July 2020
 Period 4

CATEGORY (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	YEAR TO DATE VARIANCE (4)	ANNUAL BUDGET (5)	PROVISIONAL OUTTURN (6)	PROVISIONAL OUTTURN VARIANCE (7)	% (8)	ANALYSIS (10)
EMPLOYEE COSTS	6,974,083	7,550,568	(576,485) ADV	28,925,521	28,844,502	81,018 FAV	0.3%	<p>Primarily increased savings of £0.806m due to recruitment freeze management actions, under-utilisation of budgets for future cost pressures of £0.380m and other underspends of £0.309m, partly offset by unachievable savings (£0.943m), Covid costs (£0.074m) and additional costs being managed across service (£0.390m)</p> <p>Increased expenditure on ICT costs £0.264m (primarily Covid 19 hardware/licences £0.169m and legacy IT costs £0.165m), partly offset by curtailment of non-essential expenditure of £0.107m across the Service</p> <p>Primarily decreased expenditure due to management action on non-essential expenditure</p> <p>Primarily decreased expenditure due to management action on non essential expenditure of £0.316m across the Service in training, office supplies, Members, advertising, printing, professional fees and other admin costs partly offset by reduced income below.</p> <p>Primarily decreased expenditure due to management action on non-essential expenditure of £0.108m in flagship events</p>
PROPERTY COSTS	513,428	514,947	(1,519) ADV	2,297,325	2,293,001	4,324 FAV	0.2%	
SUPPLIES & SERVICES	2,939,207	3,140,545	(201,338) ADV	7,902,201	8,069,128	(166,928) ADV	(2.1%)	
TRANSPORT & PLANT	15,873	7,546	8,327 FAV	229,354	202,655	26,699 FAV	11.6%	
ADMINISTRATION COSTS	1,558,276	1,514,992	43,284 FAV	9,125,477	8,798,397	327,080 FAV	3.6%	
PAYMENTS TO OTHER BODIES	5,752,637	5,748,350	4,288 FAV	16,564,158	16,559,068	5,090 FAV	0.0%	
TRANSFER PAYMENTS	25,192,461	25,192,461	0	109,129,130	109,129,130	0	0.0%	
CAPITAL FINANCING COSTS	0	0	0	1,858,403	1,858,403	0	0.0%	
OTHER EXPENDITURE	1,369,638	1,369,638	0	3,826,776	3,718,502	108,274 FAV	2.8%	
TOTAL EXPENDITURE	44,315,603	45,039,046	(723,443) ADV	179,858,344	179,472,787	385,557 FAV	0.2%	
INCOME	28,877,955	28,666,158	(211,797) ADV	102,291,068	101,391,400	(899,668) ADV	(0.9%)	<p>Primarily reduced income due to Covid of £0.345m (Registration and Licensing £0.330m and Strategic Comms £0.015m), and reduced service recharge income due to management action of £0.268m (MA income from SDS £0.147m, HRA recharges £0.041m and income recoveries from printing/postages recharges £0.80m)</p> <p>In addition, decreased housing benefits over-payments £0.400m, reduced service recharge income £0.035m, partly offset by increased support recharges £0.066m and external income £0.074m relating to secondment recharges from Social Work and Police Scotland</p>
NET EXPENDITURE	15,437,648	16,372,888	(935,240) ADV	77,567,276	78,081,387	(514,111) ADV	(0.7%)	

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 2020 - 24 July 2020
 Period 4

DESCRIPTION (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	YEAR TO DATE VARIANCES (4)	ANNUAL BUDGET (5)	PROVISIONAL OUTTURN (6)	PROVISIONAL OUTTURN VARIANCE (7)	% (8)	TYPICAL AREAS OF EXPENDITURE/ANALYSIS OF VARIATIONS (10)
Medical Fees	362	640	(277) ADV	8,359	8,769	(410) ADV	(4.9%)	
PTOB General	0	0	0	730	730	0	0.0%	
Agency Fees	14,056	14,056	0	52,686	52,686	0	0.0%	
Town Twinning	2,781	0	2,781 FAV	9,033	3,533	5,500 FAV	60.9%	
Childrens Panel	3,301	3,301	0	25,035	25,035	0	0.0%	
COSLA Annual Levy	190,277	190,277	0	190,277	190,277	0	0.0%	
Community Council Grants	2,300	2,300	0	25,000	25,000	0	0.0%	
External Audit Fee	1,500	0	1,500 FAV	529,389	529,389	0	0.0%	
Election Provision	7,816	7,816	0	96,000	96,000	0	0.0%	
Tourism - Visit North Lanarkshire	0	0	0	37,000	37,000	0	0.0%	
Scottish Welfare Fund	299,431	299,431	0	4,558,555	4,558,555	0	0.0%	
Sub-contractor Payments	0	(284)	284 FAV	1,869	1,869	0	0.0%	
Local Tax Paypoint Commission	9,798	9,798	0	29,000	29,000	0	0.0%	
COSLA Migration Scotland	150,000	150,000	0	150,000	150,000	0	0.0%	
Lands Valuation Contribution	731,640	731,640	0	2,172,410	2,172,410	0	0.0%	
SPT Contribution	2,705,393	2,705,393	0	5,411,454	5,411,454	0	0.0%	
SPT Concessionary Fares Contribution	283,982	283,982	0	567,361	567,361	0	0.0%	
Customer First Contribution	1,350,000	1,350,000	0	2,700,000	2,700,000	0	0.0%	
TOTAL EXPENDITURE	5,752,637	5,748,350	4,288 FAV	16,564,158	16,559,068	5,090 FAV	0.0%	

FAV = Favourable variation, underspend etc

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

Chief Executive & Other Corporate Services

Status of Earmarked Resources

1 April 2020 - 24 July 2020

Period 4

Description of Earmarked Resource	Total Earmarked Reserve	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 Future Years	Commentary regards usage
						Projected Spend, 2020/21				
						Value	%			
Service Specific Earmarked Reserves:										
Chip and Pin Equipment	23	23	0	23	0	23	100.00%	0	0	
Family Firm (4 Years)	365	170	0	170	41	170	100.00%	0	195	
Document Management System	38	38	0	38	0	38	100.00%	0	0	
Digitisation	5,759	5,759	0	5,759	904	5,759	100.00%	0	0	£5.759m estimated spend regarding DNL Project.
Total	6,185	5,990	0	5,990	945	5,990	100.00%	0	195	

**Chief Executive & Other Corporate Services
Challenging Budget Savings Monitoring Report
Period 4**

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							
DigitalNL	1,143	200	943		0	943	Delay in achievement due to delays due to COVID-19 . Will be achieved in full for 2021/22
Review of working practices	116	63	53		0	53	Delay in achievement due to delays in staff leaving posts. Will be achieved in full for 2021/22
Total Chief Executive Savings	1,259	263	996		0	996	
Total Savings	2,226	1,230	996		0	996	

