

North Lanarkshire Council Report

Finance and Resources Committee

Does this report require to be approved? Yes No

Ref EK/KS/FC/DC Date 17/10/24

Revenue Monitoring Report Council Summary 1 April 2024 to 13 September 2024

From Elaine Kemp, Chief Officer (Finance)

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Executive Summary

This report updates on the overall financial position for the General Fund Account, Housing Revenue Account and Adult Health and Social Care, for the financial year to 31 March 2025. 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 15 February 2024. Following notification from Scottish Government of further funding made available to local authorities the overall budget is now £1,010.984m. A Surplus of £3.595m is currently projected, largely due to a net over recovery on loan charges and interest earned on revenue balances. This surplus is to support future budget challenges in accordance with the approved reserves policy, and any budget smoothing strategy recommended by the S95 Officer.

The 2024/25 budget incorporates £21.667m of net savings. It is projected that £20.245m of the savings (93%) will be delivered within the financial year, with replacement savings of £1.422m identified to fully address the shortfall.

Recommendations

It is recommended that the Finance and Resource Committee:

- (1) Acknowledge the financial position of the 2024/25 revenue budget; and
- (2) Otherwise endorse 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
Programme of Work	Statutory / corporate / service requirement

1. Background

- 1.1 The Council's approved Financial Regulations require services 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, services 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 At its meeting of 15 February 2024, the Council approved a General Fund Revenue Budget of £1,016.750m including expenditure budgets which will be offset by ring fenced grant resources of £15.290m, resulting in a net expenditure position for monitoring purposes of £1,001.460m. Additional funding has since been confirmed as part of the Scottish Government budget setting, resulting in an overall total budget of £1,010.984m.
- 2.2 Following the budget setting in February the Council has an approved savings target of £21.667m for 2024/25. Further detail can be found in Section 2.8 below.
- 2.3 Table 1 below summarises the projected income and expenditure position, which illustrates a projected surplus of £3.595m, which will be available to support future budget challenges in accordance with the approved reserves policy, and any budget smoothing strategy recommended by the S95 Officer.

	Annual Budget (£m)	Projected Outturn (£m)	P6 Variance (£m)	P4 Variance (£m)	P4 to P6 Movement (£m)
Expenditure					
Total Expenditure	1,010.984	1,007.389	3.595	-	3.595
Income					
Aggregate External Finance	836.439	836.439	-	-	-
Local Tax Collection	168.999	168.999	-	-	-
Use of Balance	5.546	5.546	-	-	-
Total Income	1,010.984	1,010.984	-	-	-
Forecast Surplus/ (Deficit): to support future budgets	-	3.595	3.595	-	3.595

Table 1

Analysis of Significant Variations

- 2.4 Table 2 below illustrates the projected outturn financial position of services:

Service	P6 Outturn (£m)		P4 Outturn (£m)		P4 to P6 Movement (£m)
Education, Children and Families	-	On Budget	-	On Budget	-
Enterprise and Communities	-	On Budget	-	On Budget	-
Chief Executives and Other Corporate Services	0.595	Underspend	-	Underspend	0.595
Social Work (Non-Integrated)	-	On Budget	-	On Budget	-
Executive Services Total	0.595	Underspend	-	On Budget	0.595
Financing Costs	3.000	Over recovery	-	On Budget	3.000
Forecast Surplus/ (deficit): to support future budgets	3.595	Underspend	-	On Budget	3.595

Table 2

- 2.4 Education, Children and Families are reporting an overall breakeven position. However, it should be noted that there are a number of compensating variances within this position. Underspends are projected within employee costs of £0.644m reflecting actual and projected vacancies, along with the roll out of finalised HQ, cluster, and school staffing structures. An underspend of £0.176m is forecast in relation to payments to other bodies reflecting the demand for family placement and external ASN placements, and £0.195m in other expenditure linked to external grant synergies aligned to music. These underspends are offset by a forecast under-recovery in income of £0.501m in relation to reduced cross-boundary ASN placements within NLC settings, an overspend within property costs of £0.257m due to increased utility costs within the education estate, and an overspend in transport costs of £0.253m in relation to 'Home to School' transport pressures as the service transitions to the new arrangements.
- 2.5 Enterprise and Communities continue to report a projected breakeven position, with a number of compensatory variances contributing to this overall position. Employee costs are forecast to underspend by £2.155m as a result of vacancy savings, together with underspend of £0.379m in administration costs due to grant income received in advance of need, partially offset by increased external advisor costs. This is offset by an under-recovery in income of £1.585m in relation to membership fees and site admissions within the Active and Creative Communities estate, transport & plant overspend of £0.385m due to additional costs of work being outsourced prior to completion of a new depot facility, and forecast overspend of £0.494m on payments to other bodies in relation to pest control sub-contractors and increased penalty charge notice rates.
- 2.6 Chief Executives and Other Corporate Services is reporting a projected underspend of £0.595m, which is a favourable movement from previously reported breakeven position at P5. This position is primarily as a result of employee vacancy savings across the service of £0.352m, and an underspend of £0.517m within supplies and services in respect of ICT contracts. These underspends are partially offset by an overspend of £0.136m in administration costs due to legal fees and projected insurance premium increases, and a net under recovery of income mainly in relation to photocopying and registers fees, partially offset by an over recovery in rent allowances.
- 2.7 In respect of loan charges and interest earned on revenue balances members were previously advised that due to significant uncertainty and volatility within market conditions, and other variables, there is a risk of movement in the level of net financing costs expected in the current financial year. Following further consideration and updating of a number of factors, including latest projections on profiled capital expenditure, further refining of interest on revenue balances modelling and interest rates observed, £3.000m of the overall forecast net over recovery on budget is reported. Members should note that some of the factors contributing to the overall financing costs position are purely timing, therefore, it is prudent to ensure the funding to manage these elements is earmarked in line with the overall longer term funding strategy for loan charges and interest on revenue balances. The final position in this respect will be kept under review and reported as part of the year end process.
- 2.8 Members are also advised that the budget for both council tax income and council tax reduction (CTR) are monitored on an ongoing basis. This includes consideration of council tax collection, CTR uptake and household numbers. In addition, an assessment of Expected Credit losses will be required. An update on this position will be reported further into the financial year.

- 2.9 Negotiations are ongoing in relation to the 2024/25 non-Teachers pay award. However COSLA has agreed to make payments to employees based on the current offer on the table of a 3.6% uplift or £0.67 per hour, whichever is greater. The inflationary uplift in relation to Teachers pay for 2024/25 has been agreed at 4.27%. The full implications of these, including any shortfall in expected funding will be incorporated into the monitoring position in due course.
- 2.10 Members should note that Scottish Government has indicated that £53m of their funding towards local government pay will be made through capital funding for 2024/25. Local Government Finance Circular 9/2024 provides a temporary amendment to the statutory accounting requirements for capital grant which will allow authorities a number of flexibilities in accounting for the capital grant in such a way that it can be used to offset the revenue pressures linked to pay award. In line with recent years, it is expected that the Council will be asked to absorb a proportion of the £53m capital funding in lieu of revenue funding, which may have an impact on the net budget illustrated in appendix 1 as a result of applying the flexibilities. An update will be provided to members once confirmed.

2023/24 Budget Savings

- 2.11 As outlined in paragraph 2.2 above, the Council has approved net savings of £21.667m for 2024/25. Each Service reports on the achievement of their savings within the relevant service monitoring report. It is projected that £20.245m of savings (93%) will be achieved in the current year, with the in-year gap of £1.422m being fully mitigated by replacement savings.

Earmarked Reserves and Change Management Fund

- 2.12 The Council's audited annual accounts highlight a General Fund reserve balance of £283.893m. This balance includes £8.000m for the Contingency Fund, with a further £245.690m earmarked for specific future commitments including £19.358m allocated to the Change Management Fund to support one off costs of approved. The remaining £30.203m of funds represent balances that were not earmarked as at 31 March 2024 and have therefore been set aside to support future budget strategies.
- 2.13 A total of £155.348m of earmarked reserves is profiled for use in 2024/25 with a further £90.342m profiled for use in future years. It is currently projected that £61.795m will be spent during this financial year with £183.868m anticipated to be required in future years, and £0.027m no longer required. A summary position is shown in Appendix 2. Taking into account the projected forecast surplus of £3.595m, and the drawdown of historic balances from the Capital Fund of £2.951m, it is expected that at the end of the financial year the General Fund will include non-earmarked balances of £36.776m as detailed in Appendix 3. These balances are to support future budget challenges in accordance with the approved reserves policy, and any budget smoothing strategy recommended by the S95 Officer.

Risks and Uncertainty

- 2.14 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 pay and non-pay inflation continuing at historically high levels, are some of the key factors that have the potential to impact upon the Council's ability to provide quality services within approved budget levels.

Housing Revenue Account

- 2.15 The Housing Revenue Account is currently projecting an underspend of £1.500m for the financial year, mainly in relation to repairs and administration costs. The service anticipates that £1.165m of savings (100%) will be delivered by year end.

Adult Health and Social Care

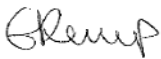
- 2.16 Council Adult Health and Social Care provision to the Integration Joint Board (IJB) is projecting an underspend of £0.477m. This position is due to a projected net underspend in employee costs of £5.461m primarily as a result of a non-recurring temporary reduction in employer's superannuation costs coupled with slippage in recruitment, and an underspend of £0.071m in supplies and services. These underspends are partly offset by a projected overspend of £4.517m in payments to other bodies and transfer payments primarily in relation to the care at home sector who provide services to individuals via the SDS commissioning framework, higher than anticipated transport and plant costs of £0.573m mainly in relation to internal transport charges and staff mileage costs. However, it should be noted that the reduction in pension cost is part of the delivery plan solution to manage an overall recurring cost pressure of £11.4m over 2024/25 and 2025/26.
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3. Measures of success

- 3.1 The Council continues to operate within approved budgeted resources.
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4. Supporting documentation

- Appendix 1 Summary by Division
Appendix 2 Anticipated Commitments – Earmarked Reserves
Appendix 3 Availability of One-Off Funds – Change Management Fund



Elaine Kemp
Chief Officer (Finance)

5. Impacts

5.1 Public Sector Equality Duty and Fairer Scotland Duty Does the report contain information that has an impact as a result of the Public Sector Equality Duty and/or Fairer Scotland Duty? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact? If Yes, has an assessment been carried out and published on the council's website? https://www.northlanarkshire.gov.uk/your-community/equalities/equality-and-fairer-scotland-duty-impact-assessments Yes <input type="checkbox"/> No <input type="checkbox"/>
5.2 Financial impact Does the report contain any financial impacts? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, have all relevant financial impacts been discussed and agreed with Finance? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact?
5.3 HR policy impact Does the report contain any HR policy or procedure impacts? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, have all relevant HR impacts been discussed and agreed with People Resources? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact?
5.4 Legal impact Does the report contain any legal impacts (such as general legal matters, statutory considerations (including employment law considerations), or new legislation)? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, have all relevant legal impacts been discussed and agreed with Legal and Democratic? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact?
5.5 Data protection impact Does the report / project / practice contain or involve the processing of personal data? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, is the processing of this personal data likely to result in a high risk to the data subject? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, has a Data Protection Impact Assessment (DPIA) been carried out and e-mailed to dataprotection@northlan.gov.uk Yes <input type="checkbox"/> No <input type="checkbox"/>
5.6 Technology / Digital impact Does the report contain information that has an impact on either technology, digital transformation, service redesign / business change processes, data management, or connectivity / broadband / Wi-Fi? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact?

Where the impact identifies a requirement for significant technology change, has an assessment been carried out (or is scheduled to be carried out) by the Enterprise Architecture Governance Group (EAGG)?

Yes No

5.7 Environmental / Carbon impact

Does the report / project / practice contain information that has an impact on any environmental or carbon matters?

Yes No

If Yes, please provide a brief summary of the impact?

5.8 Communications impact

Does the report contain any information that has an impact on the council's communications activities?

Yes No

If Yes, please provide a brief summary of the impact?

5.9 Risk impact

Is there a risk impact?

Yes No

If Yes, please provide a brief summary of the key risks and potential impacts, highlighting where the risk(s) are assessed and recorded (e.g. Corporate or Service or Project Risk Registers), and how they are managed?

5.10 Armed Forces Covenant Duty

Does the report require to take due regard of the Armed Forces Covenant Duty (i.e. does it relate to healthcare, housing, or education services for in-Service or ex-Service personnel, or their families, or widow(er)s)?

Yes No

If Yes, please provide a brief summary of the provision which has been made to ensure there has been appropriate consideration of the particular needs of the Armed Forces community to make sure that they do not face disadvantage compared to other citizens in the provision of public services.

5.11 Children's rights and wellbeing impact

Does the report contain any information regarding any council activity, service delivery, policy, or plan that has an impact on children and young people up to the age of 18, or on a specific group of these?

Yes No

If Yes, please provide a brief summary of the impact and the provision that has been made to ensure there has been appropriate consideration of the relevant Articles from the United Nations Convention on the Rights of the Child (UNCRC).

If Yes, has a Children's Rights and Wellbeing Impact Assessment (CRWIA) been carried out?

Yes No

NORTH LANARKSHIRE COUNCIL
SUMMARY BY DIVISION FOR PERIOD ENDING 13 September 2024 (PERIOD 6)

LINE NO.	SERVICE ACCOUNT (1)	ANNUAL BUDGET (2)	PROVISIONAL OUTTURN (3)	PROVISIONAL VARIANCES (4)
		£	£	£
1	Education, Children & Families	513,355,887	513,355,887	-
2	Early Years	33,841,264	33,841,264	-
3	Primary Schools	156,200,787	156,200,787	-
4	Secondary Schools	146,348,721	146,348,721	-
5	Special Schools	25,674,788	25,674,788	-
6	Education & Families Service Delivery	101,587,567	101,766,076	(178,509)
7	Childrens Services Social Work	39,681,963	40,104,682	(422,719)
8	Justice Services	91,690	(36,561)	128,251
10	Employability	2,861,086	2,631,046	230,040
11	Community Learning	5,142,950	5,004,038	138,912
12	Tackling Poverty	1,925,071	1,821,046	104,025
13	Enterprise & Communities	201,922,346	201,922,346	-
14	Assets & Procurement	37,569,400	37,569,400	-
15	Trading Accounts	(462,202)	(143,778)	(318,424)
16	Community Operations	148,054,060	148,499,212	(445,152)
17	Housing Management	5,613,776	5,519,518	94,258
18	Housing Property Services	-	-	-
9	Active and Creative Communities	-	-	-
19	Place	11,147,312	10,477,994	669,318
20	Chief Executives & Other Corporate Services	104,751,925	104,157,157	594,768
21	Directorate & Support	514,437	549,484	(35,047)
22	Finance	45,111,074	44,997,486	113,588
23	Audit & Risk	577,028	569,655	7,373
24	Legal & Democratic	2,448,234	2,418,374	29,860
25	Business & Digital	23,102,277	22,707,849	394,428
26	People Resources	8,533,063	8,533,063	-
27	Strategic Communication and Engagement	5,126,925	5,126,925	-
28	Other Corporate Services	5,784,817	5,700,251	84,566
29	Joint Boards	13,554,070	13,554,070	-
30	Social Work (non Integrated)	210,733,816	210,733,816	-
31	GENERAL FUND SERVICES	1,030,763,974	1,030,169,206	594,768
32	FINANCING COSTS	(36,205,584)	(39,205,584)	3,000,000
33	Reversal of Capital Charge	(87,964,980)	(87,964,980)	-
34	Loan Charges and Interest on Revenue Balances	51,759,396	48,759,396	3,000,000
35	OTHER BUDGETARY ISSUES	16,425,863	16,425,863	-
36	Assumptions not yet Realised	16,425,863	16,425,863	-
37	Transfer from capital grant (Pay Award)	-	-	-
38	TOTAL EXPENDITURE	1,010,984,253	1,007,389,485	3,594,768
39	SOURCES OF FUNDING	1,010,984,253	1,010,984,253	-
40	Aggregate External Finance	836,438,788	836,438,788	-
41	Council Tax	168,999,465	168,999,465	-
42	Use of balances	5,546,000	5,546,000	-
43	FORECAST (SURPLUS)/DEFICIT: TO SUPPORT FUTURE BUDGETS	-	(3,594,768)	3,594,768
44	HOUSING REVENUE ACCOUNT (SURPLUS) / DEFICIT	-	(1,500,000)	1,500,000
45	ADULT HEALTH AND SOCIAL CARE (SURPLUS) /DEFICIT	-	(477,241)	477,241

NORTH LANARKSHIRE COUNCIL
AVAILABILITY OF GENERAL FUND BALANCES AS AT 13 September 2024 (PERIOD 6)

	Change Management Fund	Non-Earmarked General Fund
	£000	£000
Total Balance B/f per 2023/24 Annual Accounts	19,358	30,203
Period 4 reported variance		3,595
Earmarked Reserves no longer required		27
Total Balance 2024/25 before commitments	19,358	33,825
Revised one - off costs of approved savings	(2,645)	
Draw down from Capital Fund		2,951
Total Balance 2024/25; to support future budget challenges	16,713	36,776
Known Commitments :- Revised one - off costs of approved savings	(2,774)	
Forecast Balance; to support future budget challenges	13,939	36,776