

## The Highland Council

### Finance, Housing and Resources Committee – 28 August 2013

Agenda Item	6
Report No	FHR/91/13

#### Corporate Revenue Monitoring to 30 June 2013

#### Report by Director of Finance

##### Summary

The purpose of this report is to present the revenue budget expenditure position for the period to 30 June and the projected year end position.

#### 1. Introduction

- 1.1 This report sets out the overall revenue budget monitoring position for the Council for the financial year 2013/14 as at June 2013. Appendix 1 shows the estimated year end position for each Service and the Council's overall predicted year end over or underspend, and sources of budget funding.
- 1.2 The purpose of this report is to advise members of the anticipated financial position of the Council at the end of financial year 2013/14 and to report on any variances.
- 1.3 This report is produced in support of the Council's corporate governance process, which in turn is designed to support the Council's corporate delivery of its obligations in terms of the Single Outcome Agreement.

#### 2. Overview

- 2.1 A corporate monitoring statement is attached at Appendix 1. The statement shows that the General Fund has a total annual budget allocated to Services of £560.888m year to date actual of £94.363m and an estimated year end position of £561.431m giving an estimated year end overspend of £0.543m (0.17%).
- 2.2 The net budget has decreased by £0.056m from that reported to the June meeting of the committee. The movement in the budget is made up of additions to the ECS budget from previously earmarked balances in respect of Learning and Teaching projects (£0.277m) and grant match funding (£0.100m) and a reduction in the Chief Executive's service budget of £0.823m following a transfer to earmarked balances in order to make funding available in future years for the Pathfinder project. Also the decision of the Council on 27 June to meet the cost of the part write-off of debt in relation to the Nairn Common Good Fund (Sandown), has led to an increase in the corporate budget of £0.390m following a transfer from General Fund balances.

These movements are summarised in the table below:

	£m
Additions to ECS from earmarked balances	
- Learning & Teaching Projects	0.277
- grant match funding	0.100
CEX – transfer to earmarked balances	(0.823)
Transfer from General Fund – Sandown	0.390
Net Movement	(0.056)

- 2.3 The following table shows the position of the Council's non earmarked General Fund following the change referred to in 2.2 above:

	£m
Balance as at 1 April 2013 (unaudited)	18.167
Use of balances: Sandown	(0.390)
Balance available as at 30 June 2013	17.777

The Council, at its meeting in June 2013, reaffirmed the policy of retaining a minimum General Fund balance of 3% of the Total Revenue Budget. The available balance of £17.777m is still slightly above this figure.

- 2.4 The report also analyses the General Fund position by staff costs, other costs, grant income and other income.
- 2.5 The budget on the unallocated corporate pressures line is £3.769m. Funding will be transferred to Service budgets from this budget line when the various expenditure pressures are fully confirmed and quantified. Budget pressures currently unallocated are: the e-mail platform in ECS; the National Care Home Contract in Health and Social Care; Street lighting pressures in TECS; and Corporate pressures for Energy, the Carbon Reduction Commitment, Pension scheme auto enrolment and NDR changes to empty property relief.

### 3. Variances

- 3.1 The Education, Culture and Sport Service shows a projected year end overspend of £0.268m. This is mainly a result of budget pressures in the Additional Support Needs budget arising from an increasing level of need and pressures in the Catering, Cleaning and Facilities Management budget arising from increasing food and compliance costs and lower than budgeted income. Budget pressures are only partially offset by proposed management action in relation to the management of staff vacancies and non-essential spend.
- 3.2 Over the last two months a review of the Health and Social Care Budget has been undertaken, considering previous years' trends and the current year forecast. There are clearly significant pressures within the budget, particularly with regards to Out of Authority placements and Foster Care. Whilst the Service continues to address the service delivery challenges it is acknowledged that these pressures will remain and will require to be

managed within the overall budget. Every attempt is being made to minimise the impact on services through the management of vacancies and acknowledging that new service arrangements will not require full year budgeted expenditure. Whilst this work is continuing it is not considered appropriate to consider short term budget virements which may then fail to highlight the service issues for members.

- 3.3 The Other Housing and Property Service shows a projected year end overspend of £0.190m due to pressures in the Supporting People budget, however Service management are working towards reducing this variance to zero by the year end.
- 3.4 The position for the Transport Environmental and Community Services budget shows a projected overspend of £0.288m due to pressures arising from the re-tendering of bus contracts in January 2012 which are only partially offset by an increase in the 2013/14 budget due to planning gains. Members should also be aware that detailed work has commenced to review the TECS budget. To date the focus has been on the reasons for the significant overspend in 2012/13 and the actions that require to be taken in the current year to ensure that this is not repeated. The actions include a review of how budgets are allocated and managed at a local level, and work is due to start shortly to identify key outcome measures and review how the Service is structured to deliver these services.
- 3.5 The Chief Executive's Service is projecting a net year end underspend of £0.022m after taking into consideration budget pressures in the Service Point Network which are more than offset by savings arising from staff vacancy management and reduced spend in various discretionary budgets.
- 3.6 A year end overspend of £0.413m is projected in the Finance Service due to a shortfall in the budgeted Business Support savings as a result of delays in changing underlying processes to allow savings to be realised. The Finance Service is examining all areas of expenditure over which it has responsibility to find compensating savings. To date the Service believes that, due to action taken late last financial year to secure additional capital grant, and proactive management of borrowing it can deliver £600,000 of savings in loan charges as referred to in 3.6 below. In order to maintain scrutiny over this budget pressure no budget virement from loan charges budget is proposed; however the statement at Appendix 1 shows the forecast offsetting saving.
- 3.7 The loan charges budget is expected to realise a year end underspend of £0.600m due to lower than expected borrowing in the previous year and continuing favourable interest rates.

#### **4. Budget Increase**

- 4.1 Members should note that in the Chief Executive's Service Revenue Monitoring report, presented to this committee, that there has been a request for additional funding of £0.016m from balances to meet the costs of the by-election in Caithness Landward Ward.

## **5. Housing Revenue Account**

- 5.1 The report also shows the Council's Housing Revenue Account (HRA). Although the net budget is zero the annual expenditure budget totals £46.166m to be met principally from Council House rents.
- 5.2 At this stage of the financial year it is expected that the HRA will be on budget at the year end.

## **6. Implications**

- 6.1 Resource implications are noted in this report.
- 6.2 There are no risk, legal, equality or climate change/Carbon Clever implications arising as a direct result of this report.

## **7. Recommendations:**

Members are invited to:-

- Approve the Revenue Expenditure Monitoring Statement for the financial year 2013/14 which shows a predicted net overspend of £0.543m, and note the management response to the predicted overspend.
- Note the request to transfer £0.016m from balances to Chief Executive's budget for the costs of the Caithness Landward by-election.

Designation: Director of Finance

Date: 19 August 2013

Author: Margaret Grigor

Background Papers: Service revenue budget monitoring statements

## Revenue Expenditure Monitoring Report - Service Summary

1 April 2013 to 30 June 2013

	£000 Actual Year to Date	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
<b>SERVICE</b>				
Education Culture & Sport - DSM	28,093	128,115	128,115	0
Education Culture & Sport	18,627	107,553	107,821	268
Health & Social Care	15,215	135,546	135,546	0
Other Housing & Property (Non HRA) & PSHG	5,325	10,043	10,233	190
Building Maintenance DLO	3,557	0	0	0
Planning & Development	847	7,514	7,514	0
Transport Environmental & Community Services	14,566	58,608	58,896	288
Chief Executive's Service	1,984	20,622	20,600	(22)
Members Expenses	359	2,146	2,152	6
Finance Service	4,058	11,645	12,058	413
Housing Benefit	216	371	371	0
Council Tax Reduction Scheme	0	12,990	12,990	0
Social Welfare Fund Grants	29	801	801	0
Sandown	390	390	390	0
<b>Service Total</b>	<b>93,266</b>	<b>496,344</b>	<b>497,487</b>	<b>1,143</b>
Valuation Joint Board	397	2,380	2,380	0
Non Domestic Rates reliefs	700	606	606	0
Loan Charges	0	55,510	54,910	(600)
Interest on Revenue Balances	0	(180)	(180)	0
<b>Total General Fund</b>	<b>94,363</b>	<b>554,660</b>	<b>555,203</b>	<b>543</b>
Unallocated Budget	0	3,769	3,769	0
Unallocated Corporate Savings	0	(141)	(141)	0
Affordable Housing Contribution	0	2,600	2,600	0
<b>Total Revenue Expenditure</b>	<b>94,363</b>	<b>560,888</b>	<b>561,431</b>	<b>543</b>
<b>BY SUBJECTIVE</b>				
Staff Costs	74,133	313,766	312,268	(1,498)
Other Costs	64,324	477,178	478,919	1,741
<b>Gross Expenditure</b>	<b>138,457</b>	<b>790,944</b>	<b>791,187</b>	<b>243</b>
Grants	(15,117)	(60,526)	(60,510)	16
Other Income	(28,977)	(169,530)	(169,246)	284
<b>Total Income</b>	<b>(44,094)</b>	<b>(230,056)</b>	<b>(229,756)</b>	<b>300</b>
	<b>94,363</b>	<b>560,888</b>	<b>561,431</b>	<b>543</b>
<b>% of Annual Expenditure</b>				
<b>This year</b>	17%			
<b>Last year</b>	20%			
<b>Budget Financed By:</b>		£m		
AEF as notified		435,696		
Council Tax		110,740		
Use of General Fund non earmarked Balances		2,000		
<b>Total Financing Agreed at Council February 2013</b>		<b>548,436</b>		
Additional funding as reported to FHR June 2013		12,508		
Reduction in funding per paragraph 2.2		(56)		
<b>Total Budget at June 2013</b>		<b>560,888</b>		
<b>Housing Revenue Account</b>	<b>(8,146)</b>	<b>0</b>	<b>0</b>	<b>0</b>