

The Highland Council

Finance, Housing and Resources Committee – 9 October 2013

Agenda Item	7
Report No	FHR/120/13

Corporate Revenue Monitoring

Report by Director of Finance

Summary

The purpose of this report is to present the revenue budget expenditure position for the period to 31 August and the projected year end position.

1. Background

- 1.1 This report sets out the overall revenue budget monitoring position for the Council for the financial year 2013/14 as at August 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 £562.184m year to date actual of £159.938m and an estimated year end position of £562.508m giving an estimated year end overspend of £0.324m (0.06%). This is a slight improvement on the position reported to the last Committee in August when a year end overspend of £0.543m was advised.
- 2.2 The net budget has increased by £1.296m from that reported to the August meeting of the committee. The movement in the budget is made up of additions to budgets from the Strategic Change and Development Fund of £1.098m; additional funds to the ECS budget of £0.182m received from the Scottish Government for foreign language learning; and as agreed at the August meeting of the committee, an increase of £0.016m in the Chief Executive's budget for the cost of the election in the Caithness Landward ward from General Fund balances.

These movements are summarised in the table below:

	£m
Additions from earmarked balances	
- Housing and Property: property reviews	0.064
- TECS: road maintenance	1.000
- ECS: School office review post	0.034
ECS additional AEF for foreign language learning	0.182
Transfer from balances – CE, Elections	0.016
Net Movement	1.296

- 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)
Local Govt Elections	(0.016)
Balance available as at 31 August 2013	17.761

The Council, at its meeting in June 2013, reaffirmed the policy of retaining a minimum General Fund balance of at least 3% of the Total Revenue Budget. The available balance of £17.761m complies with the policy.

- 2.4 The report also analyses the General Fund position by staff costs, other costs, grant income and other income.
- 2.5 An allocation of £0.460m has been made to the Health and Social Care budget for the national inflationary uplift in the cost of the Care Home contracts from the unallocated corporate pressures budget line. This reduces the balance held centrally for corporate pressures to £3.309m. The remainder of this 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; 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 budget shows an expected year end over spend of £0.856m. Three main pressures contribute to this overspend. A pressure of £0.921m is projected against the Additional Support Needs (ASN) budget as an increased number of pupils with identified needs has required additional staffing resource to be deployed in accordance with the pre-determined assessment criteria. An overspend of £0.456m is forecast against the transport budget: this pressure is attributable to the increased cost of the

public service transport routes. A pressure of £0.363m is forecast against the Catering, Cleaning and Facilities Management area of the service. The principal causes of this relate to the catering service which is struggling with the impact of increased food costs, compliance with environmental health regulations and challenging income budget targets.

The service has identified a number of actions to partially mitigate these pressures including a freeze on non-essential expenditure, delaying the filling of vacant posts and only undertaking repairs and maintenance of a health and safety nature. Further management actions, especially in the areas of budget pressures detailed above, are being explored.

- 3.2 An overspend of £0.072m is forecast against the Health and Social Care budget. The most significant pressure on this budget continues to be out of authority placements but this pressure is largely mitigated by an underspend on staffing. The staffing underspend is primarily as a result of the new preventative measures being implemented part way through the financial year.
- 3.3 The Other Housing & Property (Non HRA) budget shows an estimated outturn position of £0.009m under spend, which is the position after managing various pressures within the Service.
- 3.4 The Planning and Development Service expects a year end underspend of £0.684m. However following the PED Committee on 18 September a request has been made to earmark £0.400m of the 2013/14 employability budget to be used in 2014/15 to sustain employability activity during the period when there is no match funding remaining from the 2007-2014 European Social Fund. This earmarking will reduce the predicted year end under spend to £0.284m which is largely due to savings from the management of vacancies and an increase in planning and building warrant fee income.
- 3.5 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. A detailed review of the TECS budget is under way. 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. The Service expects to be able to report to the next Service committee the management actions to be taken to resolve the projected over spend
- 3.6 Although having to manage pressures on some budget heads in the Service, a small year-end under spend of £0.012m is currently projected in the Chief Executive's budget, resulting from carefully managing costs across the service.
- 3.7 As reported to the August meeting of the committee, 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 3.8 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.

- 3.8 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. Housing Revenue Account

- 4.1 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.

- 4.2 At this stage of the financial year it is expected that the HRA will be on budget at the year end.

5. Implications

- 5.1 Resource implications are noted in this report.
- 5.2 If the committee agrees to the request from PED Committee to earmark £0.400m of the 2013/14 employability budget to be used in 2014/15 (ref paragraph 3.3) then the Council's year end forecast overspend will increase from £0.324m to £0.724m.
- 5.3 Grant funding for the Council Tax Reduction Scheme is subject to a review once the actual figures are known across Scotland for 2012/13. At this stage the grant allocation is based on the actual cost relating to 2011/12 and there is a risk that any change arising from a recalculation of grant funding will have a material impact on this budget.
- 5.4 There are no legal, equality or climate change/Carbon Clever implications arising as a direct result of this report.

Recommendation

Members are invited to:-

- Approve the Revenue Expenditure Monitoring Statement for the financial year 2013/14 which shows a predicted net overspend of £0.324m, and note the management response to the predicted overspend.
- Agree to earmark £0.400m in respect of the employability underspend from the 2013/14 PED budget for use in 2014/15

Designation:	Director of Finance
Date:	27 September 2013
Author:	Margaret Grigor
Background Papers:	Service monitoring statements

Revenue Expenditure Monitoring Report - Service Summary

1 April 2013 to 31 August 2013

SERVICE	£000 Actual Year to Date	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
Education Culture & Sport - DSM	53,440	128,882	128,882	0
Education Culture & Sport	35,215	106,456	107,312	856
Health & Social Care	24,952	135,762	135,834	72
Other Housing & Property (Non HRA) & PSHG	3,735	9,978	9,969	(9)
Building Maintenance DLO	4,002	0	0	0
Planning & Development	1,896	7,386	6,702	(684)
Transport Environmental & Community Services	23,935	59,598	59,886	288
Chief Executive's Service	3,819	20,908	20,896	(12)
Members Expenses	698	2,159	2,159	0
Finance Service	6,436	11,710	12,123	413
Housing Benefit	(119)	371	371	0
Council Tax Reduction Scheme	0	12,990	12,990	0
Social Welfare Fund Grants	52	801	801	0
Sandown	390	390	390	0
Service Total	158,451	497,391	498,315	924
Valuation Joint Board	793	2,380	2,380	0
Non Domestic Rates reliefs	694	606	606	0
Loan Charges	0	55,510	54,910	(600)
Interest on Revenue Balances	0	(180)	(180)	0
Total General Fund	159,938	555,707	556,031	324
Unallocated Budget	0	3,309	3,309	0
Unallocated Corporate Savings	0	568	568	0
Affordable Housing Contribution	0	2,600	2,600	0
Total Revenue Expenditure	159,938	562,184	562,508	324
BY SUBJECTIVE				
Staff Costs	125,226	314,712	313,040	(1,672)
Other Costs	107,466	478,250	479,552	1,302
Gross Expenditure	232,692	792,962	792,592	(370)
Grants	(15,956)	(8,434)	(8,436)	(2)
Other Income	(56,798)	(222,344)	(221,648)	696
Total Income	(72,754)	(230,778)	(230,084)	694
	159,938	562,184	562,508	324
% of Annual Expenditure				
This year	28%			
Last year	38%			
Budget Financed By:		£m		
AEF as notified		435,696		
Council Tax		110,740		
Use of General Fund non earmarked Balances		2,000		
Total Financing Agreed at Council February 2013		548,436		
Additional funding reported to FHR June 2013		12,508		
Reduced funding reported to FHR August 2013		(56)		
Additional funding as per paragraph 2.2		1,296		
Total Budget at August 2013		562,184		
Housing Revenue Account	(13,243)	0	0	0