

The Highland Council

Finance, Housing and Resources Committee – 27 November 2013

Agenda Item	6
Report No	FHR/ 150/13

Corporate Revenue Monitoring to 30 September 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 September 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 September 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 £562.257m, year to date actual of £212.338m and an estimated year end position of £562.144m, giving an estimated year end underspend of £0.113m (0.02%). There has been a positive movement of £0.437m on the position reported to the last Committee in October when a year end overspend of £0.324m was anticipated.
- 2.2 The net budget has increased by £0.072m from that reported to the October meeting of the committee. The movement in the budget is made up of additions to budgets from the Strategic Change and Development Fund of £0.062m: additional funds being added to the Chief Executive's budget for the costs relating to the staff incentive scheme (£0.005m) and relating to Customer Services resource transfer (£0.057m); also £0.010m from the Future Change Implementation earmarked fund has been made available for Customer Services excess mileage (£0.010m).

These movements are summarised in the table below:

	£m
Additions from earmarked balances	
- CE Customer Services review	0.067
- Staff incentive scheme	0.005
Net Movement	0.072

- 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	18.167
Use of balances: Sandown	(0.390)
Local Govt Elections	(0.016)
Carbon Clever Highlands	(0.160)
Balance available as at 30 September 2013	17.601

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 £17.601m 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 Following adjustments to the Services' budgets for Carbon Reduction Commitment (or 'carbon tax') there has been an increase of £0.056m in the balance held centrally for unallocated corporate pressures, consequently the overall balance in this budget is now £3.365m. This funding will be transferred to Service budgets when the various expenditure pressures agreed in February 2013 are fully confirmed and quantified. Budget pressures currently unallocated include: the standard e-mail platform for ECS; inflationary uplift on care contracts in children's services; street lighting pressures in TECS; corporate pressures for energy, 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 overspend of £0.738m. Three main pressures contribute to this overspend. A pressure of £0.946m 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 £0.446m is forecast against the transport budget: this pressure is attributable to the increased cost of the public service transport routes. A pressure of £0.440m 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. It is also anticipated that the level of funding to be received from the Scottish Government for probationer teachers will be in excess of the net additional cost of employing those staff and that the surplus funding will be made available to the Service. Further management actions, especially in the areas of budget pressures detailed above, are being explored.

- 3.2 An overspend of £0.039m 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. Discussions have commenced with NHS officials on actions required to mitigate overspends currently predicted on the Adult Social Care budget.
- 3.3 The Other Housing & Property (Non HRA) budget shows an estimated outturn position of £0.004m 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 £0.674m. However following the last meeting of this committee in October there has been agreement 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 £0.274m 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 Service's budget shows a projected overspend of £0.105m 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 on-going with budget adjustments in Roads and Community Works reported to the Service committee. The focus remains on the significant overspend in 2012/13 and the actions required to ensure that this is not repeated.
- 3.6 After managing pressures on some budget heads in the Service, a year-end under spend of £0.059m is currently projected in the Chief Executive's budget, resulting from carefully managing costs across the Service.
- 3.7 In line with the position reported to the October meeting of the committee, a year end overspend of £0.343m is projected in the Finance Service. This is the net result of a shortfall in the budgeted Business Support savings

(£0.443m) due to IT technical issues resulting in delays in changing underlying processes to allow savings to be realized; and savings from staff turnover (£0.100m) in other aspects of the Service.

- 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 £46.116m 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 There are no risk, 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 underspend of £0.113m.

Designation: Director of Finance

Date: 12 November 2013

Author: Margaret Grigor

Background Papers: Service monitoring statements

Revenue Expenditure Monitoring Report - Service Summary

1 April 2013 to 30 September 2013

SERVICE	£000 Actual Year to Date	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
Education Culture & Sport - DSM	62,896	129,207	129,207	0
Education Culture & Sport	46,413	106,669	107,407	738
Health & Social Care	44,396	135,737	135,776	39
Other Housing & Property (Non HRA) & PSHG	6,221	9,974	9,970	(4)
Building Maintenance DLO	3,198	0	0	0
Planning & Development	2,232	7,386	6,712	(674)
Transport Environmental & Community Services	29,460	59,591	59,696	105
Chief Executive's Service	6,893	20,978	20,919	(59)
Members Expenses	870	2,159	2,158	(1)
Finance Service	7,701	11,709	12,052	343
Housing Benefit	(179)	371	371	0
Council Tax Reduction Scheme	0	12,990	12,990	0
Social Welfare Fund Grants	163	801	801	0
Sandown	390	390	390	0
Service Total	210,654	497,962	498,449	487
Valuation Joint Board	991	2,380	2,380	0
Non Domestic Rates reliefs	693	606	606	0
Loan Charges	0	55,510	54,910	(600)
Interest on Revenue Balances	0	(180)	(180)	0
Total General Fund	212,338	556,278	556,165	(113)
Unallocated Budget	0	3,365	3,365	0
Unallocated Corporate Savings	0	14	14	0
Affordable Housing Contribution	0	2,600	2,600	0
Total Revenue Expenditure	212,338	562,257	562,144	(113)
BY SUBJECTIVE				
Staff Costs	149,833	314,849	312,577	(2,271)
Other Costs	152,923	479,386	482,384	2,998
Gross Expenditure	302,756	794,235	794,961	727
Grants	(18,570)	(8,783)	(9,035)	(252)
Other Income	(71,848)	(223,195)	(223,782)	(587)
Total Income	(90,418)	(231,978)	(232,817)	(839)
	212,338	562,257	562,144	(113)
% of Annual Expenditure				
This year	38%			
Last year	45%			
Budget Financed By:				
AEF as notified		£m		
Council Tax		435,696		
Use of General Fund non earmarked Balances		110,740		
Total Financing Agreed at Council February 2013		2,000		
		548,436		
Additional funding reported to FHR June 2013		12,508		
Reduced funding reported to FHR August 2013		(56)		
Additional funding reported to FHR October 2013		1,296		
Additional funding as per paragraph 2.2		73		
Total Budget at September 2013		562,257		
Housing Revenue Account	(10,486)	0	0	0