

The Highland Council
Resources Committee - 28 May 2014

Agenda Item	5
Report No	RES/ 03/14

Corporate Revenue Monitoring to 31 March 2014 (Near Final)

Report by Director of Finance

Summary

The purpose of this report is to present the revenue budget expenditure position for the period to 31 March and comment on the near final position for financial year 2013/14.

1. Background

- 1.1 The figures reported here is the near final position for 2013/14. Although no further changes are anticipated at this stage the figures reported cannot be regarded as final until the accounts close down process is complete. The final position will be reported to the Council meeting on 26 June and detailed out-turn statements at Service level will be presented to the next round of Service Committees
- 1.2 This report sets out the overall revenue budget monitoring position for the Council Services for the financial year 2013/14 as at 31 March 2014. Appendix 1 shows the near final year end position for each Service, the overall predicted year end underspend, and sources of budget funding supporting this expenditure.
- 1.3 The report also advises members of the near final financial position for the Council overall at the end of financial year 2013/14 and reports on the significant variances.
- 1.4 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 and Council Programme.

2. Overview of Budgets

- 2.1 A corporate monitoring statement is attached at Appendix 1. The statement shows that the General Fund has had a total annual budget allocated to Services of £566.327m; in year expenditure of £560.937m, giving a year end underspend of £5.390m (0.95%) on the Services Revenue Budget.

There has been a movement of £2.603m on the position reported to the Committee in February when a year-end underspend of £2.787m was anticipated, the reasons for the main variances contributing to the movement in the outturn are provided later in the report.

- 2.2 The net budget for Services has increased by £2.488m from that reported to the February meeting of the committee. The budget has increased from the following sources: additional Scottish Government funding (£0.646m); use of non-earmarked funds (£1.364m); use of earmarked funds (£0.054m); use of developer contributions (£0.421m) and £0.003m from other reserves.
- 2.3 Other aspects of the overall Council budget have a combined net expenditure outturn position of £6.361m. Consequently the position on the non-earmarked General Fund for financial year 2013/14 is a reduction of £0.971m to the balance held at March 2013 (see table below). The reported surplus on the General Fund in the year is £2.511m after accounting for transfers from earmarked reserves.
- 2.4 The following table shows the current position of the Council's non earmarked General Fund balance:

	£m	£m
Balance as at 1 April 2013		18.167
Agreed use of General Fund Balances not yet allocated to Services	(8.615)	
Agreed use of other funds	0.363	
Increase in Council Tax income	1.891	(6.361)
Variances on Service Budgets		5.390
Balance available as at 31 March 2014		17.196

The Council, at its meeting on the 13th March 2014 agreed the policy of retaining a minimum General Fund balance of at least 2.5% of the Total Revenue Budget amounting to £14.433m; the balance at 31 March 2014 is therefore £2.763m in excess of the policy target.

- 2.5 The report also analyses the General Fund position by staff costs, other costs, grant income and other income.

3. Service Budget Variances

- 3.1 The 2013-14 year-end outturn position for the Education, Culture and Sport service shows an outturn position of £0.079m underspend. The service faced significant pressures in the year. Additional Support Needs was £0.955m overspent due to an increased number of pupils with identified needs requiring additional staffing resource. The pressure on school transport (£0.287m overspent) was due to the increased cost of public transport routes. Catering, Cleaning and Facilities Management (CCFM) (£0.284m overspent) faced pressures as a result of increased food costs and difficulties in meeting challenging income targets. The actual pressures in Transport and CCFM were lower than had been forecast previously as a result of certain transport contracts coming to an end, an increase in the level of school meals income generated in the final quarter of the year and lower than anticipated food costs.

The overspent areas were mitigated by a number of factors; principally the funding received in respect of probationer teachers was greater than required to ensure all probationers were placed in posts (a number of probationers are placed in vacant posts in schools' funded establishments). Significant underspends also occurred in the Learning and Teaching and Resources areas as a result of management actions taken by the Service around prioritising non-essential expenditure and reviewing recruitment to vacant posts.

- 3.2 The Health and Social Care budget shows a year end overspend of £0.049m but this broadly balanced position reflects a significant area of budget pressure and mitigating underspends. The outturn position for out of authority placements showed an overspend of £1.500m. This overspend was mitigated by staffing underspends, principally as a result of new preventative measures being implemented part way through the financial year.

In accordance with the agreement between the Council and NHS Highland the unspent element of the funding received from NHS Highland for Commissioned Children's Services has been carried forward into 2014-15. The sum identified in respect of this is £0.188m and this sum will be considered by the Partnership as part of the final agreement of the 2014-15 budget.

- 3.3 The position in The Planning and Development Service is an under spend of £0.373m. This mainly attributable to savings from the management of vacancies and an increase in planning and building warrant fee income.
- 3.4 The position for the Transport, Environmental and Community Service's budget is an underspend of £0.837m. The mild winter has led to an underspend of £0.726m; the main factor in this is an underspend of £0.740m on the salt budget.

Waste management reduced the level of the overspend as previously reported by £0.268m, however this was offset by further transport pressures on car park income, repairs to the Corran ferry and public bus contracts. The margin on fuel sales for the year achieved a gross margin of 1.6% against a target of 2.6% which equates to £0.150m pressure, however this was offset by increased income in the Project Design Unit generated from additional work on the capital

- 3.5 A year-end underspend of £0.133m is currently projected in the Chief Executive's budget and is largely attributable to staff vacancies.
- 3.6 The Finance Service has a year end overspend of £0.318m which is an improved position on the projected overspend of £0.405m previously reported. This is the net result of a shortfall of £0.705m in budgeted Business Support savings due to IT technical issues resulting in delays in changing underlying processes to allow savings to be realized offset by savings in the other areas of the Service budget mainly relating to vacancy management.

Unused balances in the 2013/14 budgets for Council Tax Reduction Scheme (£0.197m) and Social Welfare Fund Grants (£0.150m) have been earmarked to ensure these funds are available for use in 2014/15, consequently the

budget lines are showing as being on budget at the year end.

- 3.7 The Housing Benefit budget has an underspend in year of £0.167m as a result of retaining more subsidy for homelessness accommodation than in previous years. In line with the earmarking referred to in paragraph 3.6, the unspent balance of £0.820m on the Discretionary Housing Payments included in this budget line has also been earmarked to be available for the same purpose in 2014/15.
- 3.8 The loan charges budget has underspent in the year by £2.438m due to lower than expected borrowing in the previous year; continuing favourable short term interest rates; the underspend on the capital programme (which is reported separately to this committee); and changes to the borrowing profile.

4. Housing Revenue Account (HRA)

- 4.1 The HRA shows a surplus at the year-end of £0.525m mainly as a result of lower than expected loan charges from continuing favourable short term interest rates and changes to the capital funding arrangements for the HRA capital programme.

5. Implications

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

Recommendation

Members are invited to:-

- Approve the Revenue Expenditure Monitoring Statement as at 31 March 2014 which shows a near final position of £5.390m underspend
- Note the near final General Fund surplus in 2013/14 of £2.511m

Designation: Director of Finance
Date: 20 May 2014
Author: Margaret Grigor
Background Papers: Service monitoring statements

Revenue Expenditure Monitoring Report - Service Summary

1 April 2013 to 31 March 2014 Near Final

	£000	£000	£000	£000
	Actual Year to Date	Annual Budget	Year End Estimate	Year End Variance
SERVICE				
Education Culture & Sport - DSM	130,348	130,267	130,348	81
Education Culture & Sport	107,779	107,939	107,779	(160)
Health & Social Care	137,182	137,133	137,182	49
Other Housing & Property (Non HRA) & PSHG	9,593	9,641	9,593	(48)
Building Maintenance DLO	(66)	0	(66)	(66)
Planning & Development	6,130	6,503	6,130	(373)
Transport Environmental & Community Services	60,573	61,410	60,573	(837)
Chief Executive's Service	19,873	20,006	19,873	(133)
Members Expenses	2,170	2,178	2,170	(8)
Finance Service	12,205	11,887	12,205	318
Housing Benefit	850	1,017	850	(167)
Council Tax Reduction Scheme	12,680	12,680	12,680	0
Social Welfare Fund Grants	651	651	651	0
Sandown	390	390	390	0
Service Total	500,358	501,702	500,358	(1,344)
Valuation Joint Board	2,345	2,380	2,345	(35)
Police Requisition	2,100	2,100	2,100	0
Fire Requisition	33	0	33	33
Non Domestic Rates reliefs	695	606	695	89
Loan Charges	53,072	55,510	53,072	(2,438)
Interest on Revenue Balances	(385)	(180)	(385)	(205)
Total General Fund	558,218	562,118	558,218	(3,900)
Unallocated Budget	0	1,509	0	(1,509)
Unallocated Corporate Savings	0	100	0	(100)
Affordable Housing Contribution	2,719	2,600	2,719	119
Total Revenue Expenditure	560,937	566,327	560,937	(5,390)
BY SUBJECTIVE				
Staff Costs	313,305	314,128	313,305	(823)
Other Costs	486,727	479,714	486,727	7,013
Gross Expenditure	800,032	793,842	800,032	6,190
Grants	(60,886)	(61,006)	(60,886)	120
Other Income	(178,209)	(166,509)	(178,209)	(11,700)
Total Income	(239,095)	(227,515)	(239,095)	(11,580)
	560,937	566,327	560,937	(5,390)
% of Annual Expenditure				
This year	99.0%			
Last year	99.7%			
Housing Revenue Account	(525)	0	(525)	(525)