

The Highland Council
Community Services Committee
15 May 2014

Agenda Item	7
Report No	COM/ 04/14

2014/2015 Revenue Budget Report

Report by Director of Community Services

Summary

This report invites Members to note the revenue budget position for the 2014/2015 financial year, and approve the actions to manage the budget.

1. Background

- 1.1 This report is produced in support of the Council's corporate governance process, which in turn is designed to support/augment the Council's overall/corporate delivery of all of its obligations in terms of the Single Outcome Agreement.
- 1.2 As Members are aware, Community Services is comprised of the majority of activities of the former Transport, Environmental and Community Services (TECS), the Non-Housing Revenue Account (non-HRA) and Housing Revenue Account (HRA).
- 1.3 The 2013/14 financial year closedown is ongoing and Final Accounts will be presented to the Council meeting on 26 June 2014. However, Near Final summary figures will be reported to the Resources Committee on 28 May 2014, and the detail for the former TECS, Non-HRA and HRA will be reported to the next meeting of this Committee.
- 1.4 Early indications show that the Non-HRA, as predicted, will be slightly overspent, with the HRA showing a balanced budget. The overall former TECS budget, previously predicted to be balanced will be underspent by at least £0.500m (winter salt underspend), mainly due to the mild winter.
- 1.5 However, as reported to the former TECS Committee, there were various pressures and unachieved savings, which were met by a combination of underspends and one-off savings. The overspends were mainly in the areas of waste management (£0.865m), transport (£0.456m) and piers and harbours (£0.423m).
- 1.6 Reduction in contract costs for waste treatment through reductions in waste arisings was identified as one of the waste management savings, both in 2013/14 and 2014/15. The saving (£0.400m in 2013/14, with a further saving of £0.400m in 2014/15) was based on the reducing trend of overall waste arisings and waste going to landfill. The long term trend has flattened out and waste arisings have increased in 2013/14. Therefore, the unachieved saving was £0.400m,

compounded by a pressure of £0.429m for disposing of the increase in tonnages going to landfill.

- 1.7 The subsidies and concessionary fares budget is estimated to be overspent this financial year. There is a budget shortfall of £0.406m, and a budget pressure of £0.050m due to price changes as a result of retendering some of the public service bus contracts.
- 1.8 Piers and Harbours did not achieve their targeted surplus. The reduced surplus is due to the reduction in the margin achieved on marine fuel sales, from a target of 2.5% to an actual of 0.5%, and an over-optimistic harbour dues target. A one percentage point change in the margin equates to in excess of £0.150m.
- 1.9 One-off underspends on Roads Maintenance, Environmental Health, Lighting and Project Design Unit (now part of the Development and Infrastructure Service) were used to offset the pressures and unachieved savings highlighted in 1.5 above.
- 1.10 Contained within the roads maintenance underspend is a contingency of £0.600m held back to lessen the effect of bad weather over the winter months.

2. Current Position

- 2.1 The overall budget for Community Services in financial year 2014/15 is £61.281m. The Director of Community Services is required to deliver a balanced budget by the end of the financial year.
- 2.2 Within the budget is a sum of £1.250m for a "Roads Innovation Fund", approved by Highland Council at its meeting on 13 March 2014 (see separate report to this committee). A further request for an additional £0.500m will be made to the meeting of Highland Council on 26 June 2014. The request is on the basis of the mild winter in 2013/14 and the consequential underspend of £0.500m in the 2013/14 salt budget. This sum is already factored into the Area allocation for road maintenance.
- 2.3 Some of the pressures and unachieved savings, both 2013/14 and 2014/15 will have an impact on the 2014/15 budget. The combined waste management pressure, due to the continued increase in waste arisings, is of the order of £1.510m (2013/14 £0.865m and 2014/15 £0.681m), and the pressure on the public bus contract is of the order of £0.456m. The waste pressure is compounded by the unachieved saving of £0.400m for 2014/15 and the pressure of £0.281m for disposing of the increase in tonnages going to landfill.
- 2.4 The total combined pressure for 2014/15 is £1.966m. This sum has been deducted from the roads maintenance budget, as this is the main part of uncommitted spend in the overall budget.
- 2.5 The drop in road maintenance expenditure of £1.966m is largely mitigated by the Roads Innovation Fund (£1.250m), and the request for an additional £0.500m for surface dressing work funded from the winter salt underspend (the area allocations are shown in a separate report to this Committee).

2.6 Community Services face additional pressures of the order of £0.800m, particularly around piers and harbours, waste management, car park income and income at the Corran Ferry. The Service has requested the respective Heads of Service to manage these pressures down, by a combination of identifying new savings, holding vacant posts or curtailing unnecessary expenditure.

3. Year-End Projection

3.1 Managers will review their respective parts of the Service to identify where costs can be reduced without affecting service delivery, with a view to managing overspends, or approved savings measures that may not be fully achieved.

3.2 Budgets will be closely managed and any underspends will be used to offset overspends and pressures within the overall Community Services budget.

3.3 Members will note that based on the above information, and actions proposed for the current financial year, it is predicted, that at the end of the financial year the budget as a whole will be balanced.

4. Implications

4.1 Resource implications are discussed in the report.

4.2 Risk implications to the budget position, and budget assumptions, will be kept under regular review and any risks identified reported to future Committees.

4.3 There are no known legal, climate change, carbon clever, Gaelic or equality implications arising as a direct result of this report.

5. Recommendation

5.1 Members are invited to note the revenue budget position for the 2014/2015 financial year, and approve the actions to manage the budget.

Designation: Director of Transport, Environmental and Community Services

Date: 7 May 2014

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Background Papers: Monitoring Statement 28/02/14, Budget 2014/15 and Highland Council Financial Ledger