

**The Highland Council**  
**Community Services Committee**  
**21 August 2014**

Agenda Item	6 i
Report No	COM/12/14

**Revenue Budget – Final Outturn 2013/14**

**Report by Director of Community Services**

**Summary**

This report sets out the Revenue Budget outturn position for the former Transport, Environmental and Community Services (TECS) and the Housing and Property Service (HPS) for the year ended 31 March 2014 and refers to the Council's 'Significant Trading Operations' in light of the Trading Operations Review Group's recommendation that any statutory control over trading operations should only be applied to external trading situations.

**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.

**2. TECS Final Outturn 2013/14**

2.1 TECS returned an underspend of £0.842m (1.4%) for the year ended 31 March 2014 out of a net budget of £61.320m. The predicted outturn, based on the February statement, was a balanced budget. The main reason for the movement was an underspend on the winter maintenance budget due to the mild winter.

2.2 The Service summary statements, which show the final position for the year ended 31 March 2014, are contained in **Appendix A**.

**4. Notes on Variances**

4.1 Overall the road maintenance, including winter maintenance, underspent by £1.6m. Almost half of the underspend is due to the mild winter and the consequential underspend of £0.740m in the salt budget. This sum was approved at the Highland Council meeting on 26 June 2014 to be spent on surface dressing works. Again, due to the mild winter, resources were redeployed to grounds maintenance activities over the latter part of the financial year reducing the underspend by a further £0.352m.

4.2 A saving attributable to a reduction in contract costs for waste treatment through reductions in waste arisings did not materialise. The saving 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. The saving

to be generated through establishing a green waste composting facility at Longman, Inverness is no longer a viable option due to the requirement of increased capital investment. As a result of the unachieved savings, compounded by the costs for disposing of the increase in tonnages going to landfill, the waste disposal was overspent by £1.645m. Increased income from refuse collection, scrap metal and Government grants, and underspends elsewhere within waste management reduced the overspend to £1.054m.

- 4.3 Subsidies and concessionary fares budget overspent by £0.295m. 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. One-off planning gain monies were due to offset bus contract costs in 2012/13, however these monies were utilised in 2013/14 thus reducing the overspend. Delays in implementing new charging structures at the Corran ferry and Council car parks in Inverness and Fort William resulted in both activities not meeting their income targets.
- 4.4 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.
- 4.5 The 'Trading Operations Review Group' was established by the Scottish Government in 2008 to consider the implementation of the Local Government in Scotland Act 2003, particularly in respect of the requirements relating to 'Significant Trading Operations' and the requirement to achieve Best Value. The Group agreed that any statutory control over trading operations should only be applied to external trading situations. In light of the recommendation, the Council reviewed its trading operations, consequently reducing the number from 6 to 1. The Council now has 1 trading operation, Fishery, Piers and Harbours, which operates in a commercial environment. In accordance with the Local Government (Scotland) Act 2003 the significant trading operation is required to break even over a rolling three year period. The trading account has achieved at least its statutory obligations.
- 4.6 For operational reasons, and to continue to demonstrate best value, trading accounts are maintained for roads and community works, waste management, vehicle maintenance, project design unit and building maintenance. It is therefore recommended to Members to approve the discontinuance of the foregoing 'Significant Trading Operations' and to continue to maintain the trading accounts to satisfy best value outcomes.

## 5. Housing Revenue Account Final Outturn 2013/14

- 5.1 HRA returned an underspend of £0.525m (1.1%) for the year ended 31 March 2014 out of a gross budget of £46.116m. The predicted outturn, based on the February statement, was an underspend of £0.559m.
- 5.2 The HRA summary statement, which shows the final position for the year ended 31 March 2014, is contained in **Appendix B**.

## **6. Notes on Variances**

- 6.1 As a result of staff vacancies, and a reduction in standby costs, staff costs were underspent for the year.
- 6.2 Repairs and maintenance overspent due to increased level of response repairs, and the introduction of the living wage directly affecting the wage costs of apprentices.
- 6.3 Central support charges were higher than budgeted leading to an overspend. Part of the central support charge is included under supervision and management. For 2014/15 all central support charges are included as one line in the monitoring statement. This will highlight the true cost of support charges levied on the HRA. The support charges are currently under review to ensure HRA is achieving best value.
- 6.4 Loan charges were under budget due to favourable interest rates throughout the year.
- 6.5 Overall income was higher than budgeted, mainly due to variations between projected and actual housing stock levels, and increased invoicing for former tenant arrears and rechargeable repairs.

## **7. Building Maintenance Final Outturn 2013/14**

- 7.1 Building maintenance returned an underspend of £0.066m (0.4%) for the year ended 31 March 2014 out of a gross budget of £14.804m. The predicted outturn, based on the February statement, was an underspend of £0.123m. The main reason for the movement was an overspend in direct costs, however this was partially covered by increased income and a reduction in overheads.
- 7.2 The building maintenance financial target is to break-even. Previously, any surplus or deficit was credited/debited to the Council's General Fund. From 2013/14 onwards, any surplus or deficit will be credited/debited to HRA. This is done on the basis that HRA work accounts for more than 95% of building maintenance turnover.
- 7.3 The building maintenance summary statement, which shows the final position for the year ended 31 March 2014, is contained in **Appendix C**.

## **8. Notes on Variances**

- 8.1 All income headings exceeded their budget plan, reflecting the increased level of activity required by Housing.
- 8.2 Due to the increased level of activity, both subcontractors and materials overspent their budgets. The increase in turnover almost matches the increase in direct costs.
- 8.3 Overheads collectively underspent their budget, and account for the overall surplus achieved by building maintenance.

## **9. Non-Housing Revenue Account Final Outturn 2013/14**

- 9.1 The Non-HRA returned an underspend of £0.048m (0.5%) for the year ended 31 March 2014 out of a net budget of £9.641m. The predicted outturn, based on the February statement, was an underspend of £0.188m. The main reason for the movement was an overspend on the revenue maintenance budget due to increased costs in service contracts. The overspend was reduced by increased productivity by both employed staff and use of consultants resulting in higher fee income.
- 9.2 The Non-HRA summary statement, which shows the final position for the year ended 31 March 2014, is contained in **Appendix D**.

## **10. Notes on Variances**

- 10.1 There has been a reduction in the spend on homelessness, in particular the use of spot purchase rooms, resulting in a net underspend for the year.
- 10.2 Following rent reviews, income for estates and investment properties has increased, and exceeded their budgeted target.
- 10.3 Due to the delay in implementing the Asset Management IT System, increase in rechargeable income, and a reduction in the strain on the pension fund, underspends were achieved on the Accommodation Account and Administration budgets, part of which were used to cover the increase in bad debt provision for rent arrears.
- 10.4 The overspend in the revenue maintenance budget is attributed to increased costs in service contracts.
- 10.4 A more robust monitoring system of marine fuel sales margins is now in place for Piers and Harbours.
- 10.5 Budgets will be closely managed and any underspends will be used to offset overspends and pressures within the overall TEC Services budget.

## **11. Implications**

- 11.1 Resource implications are discussed in the report.
- 11.2 There are no legal, equalities, climate change/carbon clever, risk, Gaelic and rural implications arising as a direct result of this report.

## **12. Recommendations**

- 12.1 Members are invited to approve the Capital Expenditure outturn position for the former Transport, Environmental and Community Services (TECS) and the Housing and Property Service (HPS) for the year ended 31 March 2014.
- 12.2 Members are invited to approve the discontinuance of the 'Significant Trading Operations' for roads and community works, waste management, vehicle maintenance, project design unit and building maintenance, and to continue to maintain the trading accounts for the same activities to satisfy best value outcomes.

Designation: Director of Community Services

Date: 7 August 2014

Author: Mike Mitchell, Service Finance Manager

Background Papers: Monitoring Statements 31/03/14 and the Highland Council Financial Ledger

<b>TRANSPORT, ENVIRONMENTAL AND COMMUNITY SERVICES</b>
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<b>Revenue Expenditure Monitoring Statement</b>
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<b>1 April 2013 to 31 March 2014</b>
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<b>Service Summary</b>
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	£000 Actual Year To Date	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
<b>BY ACTIVITY</b>				
Roads and Community Works	22,525	23,969	22,525	(1,444)
Environmental Health	1,786	1,919	1,786	(133)
Trading Standards	789	776	789	13
Emergency Planning & Oil Pollution	163	164	163	(1)
Waste Management	29,960	28,906	29,960	1,054
Transport and Infrastructure	9,431	9,040	9,431	391
Administration	1,583	1,652	1,583	(69)
<b>CLIENT SERVICES TOTAL</b>	<b>66,237</b>	<b>66,426</b>	<b>66,237</b>	<b>(189)</b>
<b>TRADING OPERATIONS</b>				
Roads & Community Works	(829)	(367)	(829)	(462)
Waste Management	(2,884)	(2,424)	(2,884)	(460)
Vehicle Maintenance	(303)	(253)	(303)	(50)
Piers & Harbours	(1,021)	(1,590)	(1,021)	569
Project Design Unit	(722)	(472)	(722)	(250)
<b>SERVICE TOTAL</b>	<b>60,478</b>	<b>61,320</b>	<b>60,478</b>	<b>(842)</b>
<b>BY SUBJECTIVE</b>				
Staff Costs	68,239	70,121	68,239	(1,882)
Other Costs	94,137	91,928	94,137	2,209
Gross Expenditure	162,376	162,049	162,376	327
Grants	(624)	(206)	(624)	(418)
Other Income	(101,274)	(100,523)	(101,274)	(751)
Total Income	(101,898)	(100,729)	(101,898)	(1,169)
	<b>60,478</b>	<b>61,320</b>	<b>60,478</b>	<b>(842)</b>

**% of Budget Spent**

This Year	99%
Last Year	107%
2011/12	103%

<b>Housing Revenue Account - Revenue Expenditure Monitoring Report</b>
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<b>1 April 2013 to 31 March 2014</b>
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<b>Summary</b>
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	£000 Actual Year To Date	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
<b>BY ACTIVITY</b>				
<b>Expenditure:-</b>				
Supervision & Management	6,630	6,624	6,630	5
Tenant Participation	182	203	182	(21)
Sheltered Housing	719	721	719	(2)
Homelessness	409	411	409	(1)
Repairs & Maintenance	15,917	15,359	15,917	558
Central Support	2,992	2,843	2,992	149
Loan Charges	14,751	15,629	14,751	(878)
CFCR	4,325	4,325	4,325	0
<b>Gross Expenditure</b>	<b>45,926</b>	<b>46,116</b>	<b>45,926</b>	<b>(190)</b>
<b>Income:-</b>				
House Rents	(45,344)	(45,307)	(45,344)	(38)
House Rent Voids	721	593	721	128
Other Rents	(1,392)	(1,219)	(1,392)	(173)
Other Rent Voids	258	134	258	125
Other Income	(643)	(266)	(643)	(377)
Interest on Revenue Balances	(51)	(50)	(51)	(1)
<b>Gross Income</b>	<b>(46,450)</b>	<b>(46,116)</b>	<b>(46,450)</b>	<b>(335)</b>
	<b>(525)</b>	<b>0</b>	<b>(525)</b>	<b>(525)</b>

	£000 Actual Year To Date	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
<b>BY SUBJECTIVE</b>				
Staff Costs	5,073	5,200	5,073	(127)
Other Costs	40,852	40,916	40,852	(63)
<b>Gross Expenditure</b>	<b>45,926</b>	<b>46,116</b>	<b>45,926</b>	<b>(190)</b>
Grants	0	0	0	0
Other Income	(46,450)	(46,116)	(46,450)	(335)
<b>Gross Income</b>	<b>(46,450)</b>	<b>(46,116)</b>	<b>(46,450)</b>	<b>(335)</b>
	<b>(525)</b>	<b>0</b>	<b>(525)</b>	<b>(525)</b>

**HIGHLAND COUNCIL**  
**BUILDING MAINTENANCE**

**FINANCIAL MONITORING STATEMENT PERIOD 1 APRIL 2013 - 31 MARCH 2014**

<b><u>SUMMARY</u></b>	<b>ANNUAL PLAN</b>	<b>ACTUAL TO DATE</b>	<b>YEAR END VARIANCE</b>
	£	£	£
<b>INCOME</b>			
HOUSING REPAIRS	(11,360,200)	(12,036,946)	(676,746)
HOUSING CAPITAL	(2,572,612)	(4,209,066)	(1,636,454)
NON HOUSING	(620,941)	(901,081)	(280,140)
ADDITIONAL INCOME	(250,000)	(344,458)	(94,458)
	<u>(14,803,753)</u>	<u>(17,491,551)</u>	<u>(2,687,798)</u>
<b>DIRECT COSTS</b>			
LABOUR COSTS	3,848,248	3,804,115	(44,133)
SUB CONTRACTORS	6,469,103	9,028,572	2,559,469
MATERIALS	1,338,361	1,548,691	210,330
TRANSPORT & PLANT	798,328	800,332	2,004
OTHER SUPPLIES & SERVICES	344,134	310,671	(33,463)
	<u>12,798,174</u>	<u>15,492,381</u>	<u>2,694,207</u>
<b>OVERHEADS</b>			
MANAGEMENT COSTS	874,223	830,497	(43,726)
APPORTIONED COSTS	289,229	230,596	(58,633)
SUPPORT COSTS	822,127	864,602	42,475
INTEREST ON REVENUE BALANCES	20,000	7,420	(12,580)
	<u>2,005,579</u>	<u>1,933,115</u>	<u>(72,464)</u>
<b>TOTAL COSTS</b>	<u>14,803,753</u>	<u>17,425,496</u>	<u>2,621,743</u>
<b>(SURPLUS) / DEFICIT</b>	<u>0</u>	<u>(66,055)</u>	<u>(66,055)</u>

<b>Non-Housing Revenue Account - Revenue Expenditure Monitoring Report</b>
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<b>1 April 2013 to 31 March 2014</b>
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<b>Summary</b>
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	£000 Actual Year To Date	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
<b>BY ACTIVITY</b>				
<b>Expenditure</b>				
Housing Development Unit	230	230	230	(0)
Private Sector Housing Grant	1,579	1,579	1,579	0
Gypsy Traveller Sites	115	108	115	7
Homelessness/Leasing	5,321	6,087	5,321	(766)
Supporting People	1,906	1,905	1,906	1
Anti Social Behaviour	305	327	305	(22)
Misc Costs	604	457	604	147
Accommodation Account	3,187	3,388	3,187	(201)
Asset Management	638	628	638	10
Property Management	1,956	1,847	1,956	109
Energy & Sustainability	352	319	352	33
Consultancy	5,280	4,980	5,280	300
Revenue Maintenance	5,642	4,931	5,642	711
Estates & Investment Properties	827	773	827	53
Administration	902	1,044	902	(142)
<b>Gross Expenditure</b>	<b>28,844</b>	<b>28,603</b>	<b>28,844</b>	<b>241</b>
<b>Income</b>				
Housing Development Unit	(120)	(120)	(120)	0
Gypsy Traveller Sites	(143)	(169)	(143)	26
Homelessness/Leasing	(4,293)	(4,963)	(4,293)	670
House Loans	(1)	(2)	(1)	1
Misc Income	(99)	(69)	(99)	(30)
Accommodation Account	(99)	(99)	(99)	(0)
Asset Management	(44)	(57)	(44)	13
Property Management	(679)	(743)	(679)	64
Energy & Sustainability	(761)	(914)	(761)	153
Consultancy	(9,685)	(8,954)	(9,685)	(730)
Estates & Investment Properties	(3,021)	(2,753)	(3,021)	(267)
Administration	(306)	(117)	(306)	(189)
<b>Gross Income</b>	<b>(19,251)</b>	<b>(18,961)</b>	<b>(19,251)</b>	<b>(290)</b>
	<b>9,593</b>	<b>9,641</b>	<b>9,593</b>	<b>(48)</b>
<b>BY SUBJECTIVE</b>				
Staff Costs	6,736	7,147	6,736	(411)
Other Costs	22,107	21,455	22,108	652
<b>Gross Expenditure</b>	<b>28,844</b>	<b>28,603</b>	<b>28,844</b>	<b>241</b>
Grants	0	0	0	0
Other Income	(19,251)	(18,961)	(19,251)	(290)
<b>Gross Income</b>	<b>(19,251)</b>	<b>(18,961)</b>	<b>(19,251)</b>	<b>(290)</b>
	<b>9,593</b>	<b>9,641</b>	<b>9,593</b>	<b>(48)</b>