

**The Highland Council**  
**Resources Committee – 27 August 2014**

Agenda Item	<b>8</b>
Report No	<b>RES/ 29/14</b>

**Corporate Revenue Monitoring to 30 June 2014**

**Report by Director of Finance**

**Summary**

This report presents the financial position of the revenue budgets of the General Fund and HRA as at 30 June 2014 and the projected year end position.

**1. Background**

- 1.1 This report sets out the overall revenue budget monitoring position for the General Fund and Housing Revenue Account (HRA) of the Council for the financial year 2014/15 as at 30 June 2014. Appendix 1 shows the estimated year end position for each service with the overall predicted year end overspend of the Council.
- 1.2 This report advises members of the anticipated financial position of the Council at the end of the financial year and reports 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 £572.953m, year to date actual of £103.140m and an estimated year end position of £574.275m resulting in an estimated year end overspend of £1.322m (0.23%). At June 2013 the predicted service overspend was £1.143m.
- 2.2 Appendix 1 also analyses the position by staff costs, other costs, grant income and other income.
- 2.3 The unallocated budget line represents corporate pressures and unallocated funding totalling £1.608m. Funding will be transferred to service budgets from this line when the relevant pressures are quantified or funding allocated.
- 2.4 The budget on the unallocated corporate savings line is £1.246m. Funding will be transferred from service budgets to reduce this when savings are fully identified and quantified. Budget savings currently unallocated include schools

business support £0.353m, corporate management £0.350m, customer contact transformation £0.155m, procurement £0.166m, transport £0.100m, income generation £0.134m and public information notices £0.003m. Asset management savings achieved of £0.013m have been offset against these.

- 2.5 The revenue budget for 2014/15 has increased by £9.256m from the amount agreed at the meeting of the Highland Council on 19 December 2013. This is explained as follows:

	£m	£m
Agreed 2014/15 budget at 19/12/13		563.697
Additional Government funding :		
DHP	1.082	
CTRS	(0.315)	
Teachers induction scheme	0.469	
1+2 Languages policy	0.226	
Hostels grant	0.116	
Other	0.220	
		<u>1.798</u>
Ring fenced grants	(0.951)	
Use of Repairs & Renewals fund	0.002	
Transfers from earmarked balances	8.407	
		<u>9.256</u>
Budget at 30 June 2014		<u><u>572.953</u></u>

- 2.6 A total of £8.407m has been added to service budgets from previously earmarked balances as follows:

	£m	£m
Care and Learning		
NHS Commissioned services	3.500	
Additional support needs	1.000	
Sensory Impairment	0.042	
		<u>4.542</u>
Chief Executive's Service		
Carbon CLEVER		0.083
Corporate Development		
ICT	1.200	
Customer services	0.010	
		<u>1.210</u>

Community Services		
Roads Innovation Fund	1.250	
Roads Maintenance	<u>0.740</u>	1.990
Development and Infrastructure		
Dingwall Office Rationalisation	0.347	
E-Planning system	0.150	
Tweeddale feasibility study	<u>0.010</u>	0.507
Finance		
Procurement posts		<u>0.075</u>
		<u><u>8.407</u></u>

## 2.7 General Fund

The balance of the General Fund is as follows:

	Earmarked balances £m	Non- earmarked balance £m	General Fund Total £m
Balance as at 31 March 2014 (accounts subject to audit)	23.206	17.182	40.388
Transfers from earmarked balances to non-earmarked balances			
Roads maintenance	(0.740)	0.740	-
Winter maintenance	(1.000)	1.000	-
Strategic Change and Development Fund	<u>(1.010)</u>	1.010	-
Available balance at 30 June 2014	<u>20.456</u>	<u>19.932</u>	<u>40.388</u>

2.8 Earmarked balances include an amount of £1.300m representing income which the Council expected to receive for financial year 2012/13 under the Business Rates Incentivisation Scheme (BRIS). Following the finalisation of targets, confirmation has now been received from the Scottish Government that this amount can be retained by Council. The amount remains in earmarked balances pending consideration by the Council of its strategy for this income.

2.9 A new corporate financial system has been procured and over the life of the contract is expected to generate significant savings for the Council. A budget increase for the Finance Service from the Strategic Change and Development

Fund (SCDF) of £0.384m is requested to meet the costs of implementation: including upfront payments to suppliers, double running over the financial year end and backfilling of posts for the project team. The current overall balance on SCDF is £5.029m. Within this an amount of £1.291m is set aside for Implementing Future Change & Transformation and it would be appropriate for this part to fund the required £0.384m. From 2016/17 onwards there will be annual savings for the Council of approximately £0.260m each financial year.

### **3. General Fund variances**

- 3.1 The Care and Learning budget is currently forecast to be overspent at year-end by £1.682m due to significant overspends in two service areas. In Children's Services a pressure of £1.144m is forecast, arising from costs associated with looked after children. Work is ongoing within the service to reduce this pressure by bringing some children currently 'out of authority' back into Council-provided settings.

In the Service Management and Resources area an overspend of £1.378m is forecast. This overspend is due to pressures anticipated in Catering, Cleaning and Facilities Management (CCFM) and School Transport. In CCFM the pressure is caused by increased food costs, challenging income targets and additional costs associated with the new facilities management model. In school transport a recurring pressure from 2013-14 has been compounded by an approved budget saving in relation to transport consolidation which is not anticipated to be delivered in the current year.

The Service is identifying those actions necessary to reduce the current budget pressures and address the overspend position. At this early stage in the year, the financial detail and extent of areas of underspend is not easy to project, but they are likely to include savings as a result of the new care homes in Tain and Muir of Ord, as well as efficiencies in Education and Additional Support Needs, and vacancy management across the Service.

- 3.2 The Chief Executive's Office predicts a year end underspend of £0.070m due to the management of staff vacancies.
- 3.3 The Corporate Development Service anticipates a year end overspend of £0.127m. This arises due to a shortfall in licensing income which is partially offset by savings from vacancy management.
- 3.4 Community Services is anticipating a balanced budget at the year end although there are waste and transport pressures which are being managed through savings in the road maintenance budget. A detailed report on the steps the Service is taking to manage the budget was submitted to the Community Services committee in May.
- 3.5 The Development and Infrastructure Service predicts a net year end underspend of £0.055m which is the net position after cost pressures are offset by increased Planning and Building warrant fee income and savings from the management of staff vacancies.

3.6 At this stage in the year the Finance Service expects a year end underspend of £0.025m due to a net position of savings from staff turnover more than compensating for a budget pressure of £0.098m in the Revenues and Business Support heading of the Service budget.

3.7 The position of the Loans Fund budget is a predicted year end underspend of £0.200m at this time. However as spend on Council's capital programme progresses and interest rate movement is assessed this figure will be reviewed and a revised figure presented to future meetings of this committee.

#### **4. Housing Revenue Account**

4.1 Appendix 1 also shows the position on the HRA. Although the net budget is zero, the annual expenditure budget totals £48.908m equal to income arising 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 legal, equalities, climate change/Carbon Clever, risk, Gaelic or rural implications arising as a direct result of this report.

#### **Recommendations**

The Committee is asked to:-

1. Approve the financial position of the General Fund and HRA revenue budgets as at 30 June 2014, to note the predicted year end net overspend of £1.322m and the management response to this.
2. Approve the request to transfer £0.384m Strategic Change Development Fund to the Finance budget to meet the upfront costs of implementing the replacement corporate financial system with a view to securing long term savings to the revenue budget.

Designation: Director of Finance

Date: 18 August 2014

Author: Margaret Grigor, Service Finance Manager

Background Papers: Service revenue budget monitoring reports

## Revenue Expenditure Monitoring Report - Service Summary

1 April to 30 June 2014

	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
<b>BY SERVICE</b>				
Care and Learning	74,781	381,175	382,857	1,682
Chief Executive's Office	1,931	6,765	6,695	(70)
Corporate Development	1,530	18,646	18,773	127
Community Services	17,941	62,363	62,363	0
Development and Infrastructure	6,109	12,821	12,766	(55)
Finance Service	3,876	11,300	11,275	(25)
Housing Benefit	30	121	121	0
Discretionary Housing Payments	172	1,082	1,082	0
Council Tax Reduction Scheme	3,085	12,680	12,341	(339)
Social Welfare Fund Grants	301	801	1,003	202
Advice Services	404	1,696	1,696	0
<b>Service Total</b>	<b>110,160</b>	<b>509,450</b>	<b>510,972</b>	<b>1,522</b>
Valuation Joint Board	397	2,380	2,380	0
Non Domestic Rates reliefs	710	606	606	0
Loan Charges	0	57,735	57,535	(200)
Interest on Revenue Balances	0	(180)	(180)	0
Unallocated Budget	0	1,608	1,608	0
Unallocated Corporate Savings	0	(1,246)	(1,246)	0
Affordable Housing Contribution	0	2,600	2,600	0
<b>Total General Fund</b>	<b>111,267</b>	<b>572,953</b>	<b>574,275</b>	<b>1,322</b>
<b>Housing Revenue Account</b>	<b>(8,127)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Revenue Expenditure</b>	<b>103,140</b>	<b>572,953</b>	<b>574,275</b>	<b>1,322</b>

<b>BY SUBJECTIVE</b>				
Staff Costs	75,366	318,613	318,111	(502)
Other Costs	77,071	489,769	490,830	1,061
<b>Gross Expenditure</b>	<b>152,437</b>	<b>808,382</b>	<b>808,941</b>	<b>559</b>
Grants	(16,101)	(61,627)	(61,610)	17
Other Income	(33,196)	(173,802)	(173,056)	746
<b>Total Income</b>	<b>(49,297)</b>	<b>(235,429)</b>	<b>(234,666)</b>	<b>763</b>
<b>Total Revenue Expenditure</b>	<b>103,140</b>	<b>572,953</b>	<b>574,275</b>	<b>1,322</b>

## % of Annual Expenditure

<b>This year</b>	18%
<b>Last year</b>	17%