

The Highland Council
Resources Committee – 25 November 2015

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| Agenda Item | 4(a) |
| Report No | RES/89/15 |

Corporate Revenue Monitoring to 30 September 2015

Report by Director of Finance

Summary

The purpose of this report is to present the financial position of the revenue budgets of the General Fund and Housing Revenue Account (HRA) for the period from 1 April to 30 September 2015 and the estimated position for the 2015/16 financial year.

1. Background

- 1.1 This report presents the overall revenue budget monitoring position for the General Fund and HRA of the Council for the financial year 2015/16 as at 30 September 2015. The figures presented are the annual net budget, net expenditure to date and the estimated outturn for the financial year.
- 1.2 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 a total annual budget allocated to Services of £577.303m, year to date actual expenditure of £243.851m and an estimated year end position of £576.013m, giving a predicted year end underspend of £1.290m (0.22%).
- 2.2 Appendix 1 also provides a subjective analysis of the corporate revenue budget.
- 2.3 The financing of the General Fund budget is shown at the foot of Appendix 1 and it is predicted that £0.932m additional Council Tax will be collected in 2015/16.
- 2.4 The General Fund revenue budget for 2015/16 has increased by £6.365m from the amount agreed at the meeting of the Highland Council on 18 December 2014. The movements are detailed in Appendix 3.
- 2.5 A summary of the HRA revenue monitoring is shown at Appendix 2.
- 2.6 Detail on the unallocated budget line representing corporate pressures is shown in Appendix 4 Table A.

- 2.7 Appendix 4 Table B shows the unallocated corporate savings. Funding will be transferred from Service budgets to reduce the amount unallocated when savings are identified and quantified. The report on Transformational savings recommends the delay in some 2015/16 savings until future years and when combined with additional savings identified for 2015/16 means the programme will be £0.165m short of its target in this financial year
- 2.8 Appendix 5 sets out the current position for General Fund Balances. The current non-earmarked balance prediction is equal to 3.0% of the revenue budget for the year which is in excess of the 2.5% considered adequate for contingencies in light of identified and potential risks.

3. Service Budget Variances

- 3.1 A minor underspend of £0.013m is currently forecast for the Care and Learning year end outturn. The Service continues to experience budget pressures brought forward from 2014/15 in relation to out of authority placements, repairs and servicing contracts, facilities management and special schools. Further pressures have arisen from 2015/16 approved budget savings rated as red or amber, principally those relating to PPP and teacher numbers. The most significant underspends which are offsetting these pressures relate to the management of vacant posts across the Service and a lower than anticipated take up in nursery education from eligible two year olds. The biggest risk to the outturn position rests within out of authority placements, each individual placement has a very significant cost and any changes in placements between now and year end could substantially alter the year end position.
- 3.2 A minor year end underspend of £0.015m is estimated in the Chief Executive's Office from the management of staff vacancies and other costs.
- 3.3 In the Corporate Development Service a small overspend from income not matching budgeted amounts is more than compensated for by savings from vacancy management giving an overall estimated underspend of £0.099m.
- 3.4 An overspend of £0.381m is currently forecast for Community Services. Income targets for both Car Parks and Harbours will not be achieved, and coupled with pressure on the homelessness budget will result in an overspend. Staff vacancies and increased income in respect of road condition consents have reduced the overspend. The Service will endeavour to manage the overspend down, however this will be dependent on the weather over the winter months
- 3.5 A balanced budget is predicted for Development and Infrastructure, however there are overspends for property maintenance, expenditure on dangerous buildings, costs associated with Public Local Inquiries and computer costs. The increase in planning and building warrant income is currently sufficient to meet the predicted overspends

- 3.6 In the Finance Service, additional unbudgeted expenditure on software and server upgrades and penetration testing on the new Financial Management Information System are more than offset by staffing related savings and a net underspend of £0.125m is anticipated for the year.
- 3.7 It is estimated that the Council Tax Reduction (CTR) Scheme will be underspent by £0.602m at the year end due to changes introduced by the Department for Work and Pensions which reduce the qualifying amounts on which CTR is calculated.
- 3.8 A predicted year end underspend of £1.000m on Loan Charges is due to continued favourable interest rates and the tactic of using short-term borrowing to finance the capital programme.
- 3.9 At a meeting of the Resources Committee on 26 August 2015 Members were advised of an internal audit investigation which advised that the Council had not met the standard of administration expected in relation to the management of the leasehold interest at Grant Street Park, Inverness on behalf of the Inverness Common Good Fund. Members agreed to make restitution of £0.018m to the Inverness Common Good Fund from the General Fund.
- 3.10 There is an estimated year end surplus on council tax income of £0.932m as a result of prior years' debt collections being better than anticipated.
- 3.11 Pressures which have crystallised after the monitoring period closed are the additional 0.5% pay award made to staff at an estimated cost of £1.547m and increases to the Living Wage at an estimated cost of £0.170m. These costs will be included in future reports.

4. Housing Revenue Account (HRA)

- 4.1 It is anticipated that the HRA will be on budget at the year end. Although the net budget is zero, the annual expenditure budget matches the income arising principally from Council House Rents.

5. Implications

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

Recommendations

Members are invited to consider the financial position of the General Fund and HRA revenue budgets at 30 September 2015 and to note the estimated year end net underspend of £1.290m and additional anticipated income from Council Tax of £0.932m making a total surplus of £2.222m.

Members are asked to note that pressures in respect of the Pay Award and the Living Wage totalling £1.717m which settled after the closure of the monitoring period will be included in future monitoring reports and will impact on the underspends above. Assuming no other changes this will reduce the overall surplus to £0.505m.

Designation: Director of Finance

Date: 12 November 2015

Author: Fiona Wood, Finance Manager (Accounts and Central Services)

Background Papers: Service monitoring statements

Revenue Expenditure Monitoring Report -General Fund Summary

1 April to 30 September 2015

| | Actual Year to Date £000 | Annual Budget £000 | Year End Estimate £000 | Year End Variance £000 |
|----------------------------------|--------------------------------|--------------------------|------------------------------|------------------------------|
| Table A: By Service | | | | |
| Care and Learning | 167,421 | 390,845 | 390,832 | (13) |
| Chief Executive's Office | 2,943 | 6,389 | 6,374 | (15) |
| Corporate Development | 6,410 | 18,174 | 18,075 | (99) |
| Community Services | 30,787 | 59,635 | 60,016 | 381 |
| Development and Infrastructure | 12,148 | 12,132 | 12,132 | 0 |
| Finance Service | 7,428 | 12,245 | 12,120 | (125) |
| Housing Benefit | 1,162 | 121 | 121 | 0 |
| Discretionary Housing Payments | 622 | 198 | 198 | 0 |
| Council Tax Reduction Scheme | 11,685 | 12,287 | 11,685 | (602) |
| Social Welfare Fund Grants | 373 | 801 | 801 | 0 |
| Advice Services | 1,056 | 1,813 | 1,813 | 0 |
| Service Total | 242,035 | 514,640 | 514,167 | (473) |
| Valuation Joint Board | 1,135 | 2,380 | 2,380 | 0 |
| Non Domestic Rates reliefs | 681 | 701 | 701 | 0 |
| Loan Charges | 0 | 57,060 | 56,060 | (1,000) |
| Interest on Revenue Balances | 0 | (180) | (180) | 0 |
| Inverness Common Good Fund | 0 | 0 | 18 | 18 |
| Unallocated Budget | 0 | 1,777 | 1,777 | 0 |
| Unallocated Corporate Savings | 0 | (1,675) | (1,510) | 165 |
| Affordable Housing Contribution | 0 | 2,600 | 2,600 | 0 |
| Total General Fund Budget | 243,851 | 577,303 | 576,013 | (1,290) |

Table B: By Subjective

| | | | | |
|----------------------------------|-----------------|------------------|------------------|----------------|
| Staff Costs | 151,874 | 320,590 | 318,390 | (2,200) |
| Other Costs | 172,890 | 480,717 | 481,198 | 481 |
| Gross Expenditure | 324,764 | 801,307 | 799,588 | (1,719) |
| Grants | (31,131) | (60,052) | (59,939) | 113 |
| Other Income | (49,782) | (163,952) | (163,636) | 316 |
| Total Income | (80,913) | (224,004) | (223,575) | 429 |
| Total Revenue Expenditure | 243,851 | 577,303 | 576,013 | (1,290) |

Financed By:

| | | | | |
|--|----------------|----------------|----------------|------------|
| Aggregate External Finance as notified | 161,125 | 455,428 | 455,428 | 0 |
| Additional resources | 745 | 745 | 745 | 0 |
| Council Tax | 75,047 | 114,196 | 115,128 | 932 |
| Use of earmarked balances | 2,395 | 2,395 | 2,395 | 0 |
| Use of General Fund | 4,539 | 4,539 | 4,539 | 0 |
| Total General Fund Budget | 243,851 | 577,303 | 578,235 | 932 |

Actual expenditure to date as % of annual budget

| | |
|-----------|-----|
| This year | 42% |
| Last year | 37% |

Revenue Expenditure Monitoring Report - Housing Revenue Account Summary

1 April to 30 September 2015

| | Actual Year to Date £000 | Annual Budget £000 | Year End Estimate £000 | Year End Variance £000 |
|------------------------------|--------------------------------|--------------------------|------------------------------|------------------------------|
| Staff Costs | 2,076 | 4,918 | 4,918 | 0 |
| Other Costs | 5,850 | 26,790 | 26,790 | 0 |
| Loan charges and interest | 0 | 17,920 | 17,920 | 0 |
| Gross Expenditure | 7,926 | 49,628 | 49,628 | 0 |
| House Rents | (23,811) | (47,905) | (47,905) | 0 |
| Other rents | (784) | (1,288) | (1,288) | 0 |
| Other income | (485) | (355) | (355) | 0 |
| Interest on Revenue Balances | 0 | (80) | (80) | 0 |
| Gross Income | (25,080) | (49,628) | (49,628) | 0 |
| Total HRA | (17,154) | 0 | 0 | 0 |

Actual expenditure to date as % of annual budget

| | |
|-----------|-----|
| This year | 16% |
| Last year | 19% |

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| Revenue Expenditure Monitoring Report - General Fund Budget |
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|------------------------------|
| 1 April to 30 September 2015 |
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| | £m | £m |
|---|--------------|-----------------------|
| Budget as agreed by Highland Council on 18 Dec 2014 | | 570.938 |
| Less ring-fenced grant (Gaelic) | | (0.951) |
| Increase in Council Tax income target | | 0.479 |
| Grant funding redeterminations | | 0.452 |
| Agreed use of non-earmarked balances | | |
| Roads Maintenance | 2.360 | |
| Teachers Pensions | 1.259 | |
| Winter Maintenance | <u>0.120</u> | |
| | | 3.739 |
| Use of/(contribution to) earmarked balances | | |
| ICT Investment Funds | | |
| ICT Reprovision | 1.032 | |
| Unified Comms | 0.200 | |
| Pathfinder/SWAN | 0.167 | |
| Carbon Clever | 0.055 | |
| Strategic Change and Development Fund | | |
| Highland City Deal Consultancy | 0.010 | |
| Customer Services Excess Mileage | 0.004 | |
| FMIS | 0.164 | |
| Relocation of Inverness Service Point | 0.222 | |
| C&L Transformational Change Projects | 0.114 | |
| Implementation of saving WCG/6 | (0.050) | |
| Invergordon SW Office Move (SCDF-TSP) | 0.086 | |
| Commonwealth Games Legacy | 0.125 | |
| Welfare Fund | 0.508 | |
| Princess St Thurso | 0.195 | |
| Developing the Young Workforce | (0.323) | |
| Developers Contributions | <u>0.137</u> | |
| | | 2.646 |
| Total General Fund Budget at 30 Sep 2015 | | <u><u>577.303</u></u> |

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| Revenue Expenditure Monitoring Report - General Fund Budget |
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|------------------------------|
| 1 April to 30 September 2015 |
|------------------------------|

Table A Unallocated Budget

| | £m | £m |
|---|--------------|---------------------|
| 2015/16 Inflationary pressures not yet allocated including National Care Home Contract and Energy | | 1.531 |
| Other Unallocated Amounts | | |
| Hostels Grant | 0.020 | |
| Reduction in provision for pensions increase (non-teaching) | <u>0.226</u> | 0.246 |
| Unallocated Budget at 30 Sep 2015 | | <u><u>1.777</u></u> |

Table B Unallocated Corporate Savings

| | £m | £m |
|--|--------------|---------------------|
| Transformation Savings | 1.325 | |
| Corporate Management Savings | <u>0.350</u> | |
| Unallocated Corporate Savings at 30 Sep 2015 | | <u><u>1.675</u></u> |

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| Revenue Expenditure Monitoring Report - General Fund Balance |
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|------------------------------|
| 1 April to 30 September 2015 |
|------------------------------|

General Fund Balance

| | Earmarked balances £m | Non- earmarked balances £m | Total £m |
|---|-----------------------------|-------------------------------------|-------------|
| Balance at 31 March 2015 | 22.041 | 20.199 | 42.240 |
| Use of balances included in budget as agreed by Highland Council on 18 Dec 2014 | (0.050) | (0.500) | (0.550) |
| Use of balances per Appendix 3 | (2.646) | (3.739) | (6.385) |
| Transfer to Strategic Change and Development Fund as agreed by Highland Council on 25 June 2015 | 0.300 | (0.300) | 0.000 |
| | (2.396) | (4.539) | (6.935) |
| Estimated net service underspend | 0.000 | 1.290 | 1.290 |
| Additional financing | 0.000 | 0.932 | 0.932 |
| Balance at 30 September 2015 | 19.645 | 17.882 | 37.527 |