

**The Highland Council**  
**Community Services Committee**  
**4 February 2016**

Agenda Item	<b>4</b>
Report No	<b>COM 1/16</b>

**Revenue Budget Monitoring Report – 1 April 2015 to 31 December 2015**

**Report by Director of Community Services**

**Summary**

This report invites Members to approve the revenue budget monitoring position for the period from 1 April 2015 to 31 December 2015.

**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. Current Position**

2.1 The revenue expenditure monitoring statements, appended to this report, show the financial position to 31 December 2015. In total, the expenditure is estimated to be £0.259m (0.4%) overspent at the end of the financial year.

2.2 There has been a net decrease in the budget of £0.061m from that reported at 30 September 2015 of £59.635m to £59.574m. The budget was increased by £0.315m for the agreed pay award for 2015/16, and by £0.012m transferred from Care & Learning for additional housing support. The budget was reduced in respect of £0.383m for the transfer of the road safety unit and remainder of transport planning function to Development & Infrastructure; and £0.005m for reductions in the corporate mobile telephone and ICT contracts.

2.3 As reported to the November Community Services Committee there continues to be budget pressures in respect of piers and harbours, car park income and homelessness. However, due to a 4% increase in waste tonnages going to landfill in this financial year, the waste management budget is again under pressure.

**3. Year-End Projection**

3.1 The year to date actual figures represent the transactions for the nine months ended 31 December 2015, and are generally in line with management expectations.

3.2 Members will note that based on the financial performance to date, it is predicted, that at the end of the financial year the budget as a whole will be overspent. The Service will continue to manage all outputs with the aim being to recover this position by the year end.

## **4. Major Issues and Variances**

### **4.1 Roads and Transport**

- 4.1.1 Due to the mild weather, over the monitoring period, the winter maintenance budget is showing a spend to date of £0.731m against an annual budget of £4.982m. At present the Service is cautious and is predicting the budget will be fully utilised by the end of the financial year.
- 4.1.2 A combination of staff vacancies and increased income in respect of road consents will result in an underspend in engineering services.
- 4.1.3 At present no further expenditure is committed against the coast protection and flood alleviation budgets, however if there are any further weather events that warrant expenditure from these budget lines then the anticipated underspend will be reduced accordingly.
- 4.1.4 Although car park income is up on the previous year, the target set will not be achieved this financial year. At present the estimated shortfall is £0.250m.

### **4.2 Environmental and Regulatory Services**

- 4.2.1 Reduction in contract costs for waste treatment through reductions in waste arisings was identified as one of the waste management savings in recent years. The saving was based on the reducing trend of overall waste arisings and waste going to landfill. As previously reported this trend flattened out, and is now showing an increase. The increase for this financial year is 4%. It is likely to continue for the remainder of the year, and will continue to be a pressure for future years, unless there is a marked improvement in the reduction of waste going to landfill.
- 4.2.2 Staff vacancies accounts for the Environmental Health underspend.

### **4.3 Non-Housing Revenue Account**

- 4.3.1 Lack of availability of permanent housing leading to households spending longer in temporary accommodation will result in the Homelessness budget overspending this financial year.

### **4.4 Trading Operations**

- 4.4.1 Both Roads and Community Works and Waste Management trading accounts are estimated to be underspent at the end of the financial year due to vacant posts arising routinely and the subsequent delay in the recruitment process. The fall in fuel prices is also contributing to the underspend.
- 4.4.2 The targeted surplus for piers and harbours will not be achieved. However, the estimated shortfall of £0.173m is an improvement on the position reported (£0.250m) at the November Community Services Committee. The falling oil price

and the downturn in the fishing industry continue to impact on the piers and harbours trading position.

4.4.3 Building Maintenance is currently showing net costs of the order of £3.713m. This is due to a combination of timing delays and in running processes. The majority of the costs relate to repairs and maintenance on the Council's housing stock.

4.5 Overall Budget Comment

4.5.1 All of the above variances are generally out with the control of the Service, however the Service will endeavour to mitigate the impact as far as feasible.

4.5.2 The Service should be able to deliver a balanced budget by the end of the financial year, but this depends to a large extent on the vagaries of the weather.

## **5. Actions Proposed**

5.1 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.

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

## **6. Housing Revenue Account**

6.1 Supervision and management is anticipated to overspend, mainly due to an increase in bad debt provision. The provision has been increased to take account of non-payment of former tenants arrears reflected by increased other income.

6.2 As in previous years, an increase in the level of response repairs will result in an overspend in the repairs and maintenance budget. However this will be met by an increase in rechargeable repairs income.

6.3 House rents are not expected to achieve their budgeted target. The shortfall is due to the number of new builds not achieving the assumption built into the rent model.

6.4 At this stage of the year no further major variations are predicted against the main budget headings.

## **7. Implications**

7.1 Resource implications are discussed in the report.

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

7.3 There are no legal, equalities, climate change/carbon clever, Gaelic and rural implications arising as a direct result of this report.

## **8. Recommendations**

- 8.1 Members are invited to approve the report and the attached monitoring statements which show the revenue position for the period 1 April 2015 to 31 December 2015, and the actions which have been put in place to manage the budget over the remainder of the financial year.

Designation: Director of Community Services

Date: 26 January 2016

Author: Mike Mitchell, Service Finance Manager

Background Papers: Monitoring Statements 31/12/15 and the Highland Council Financial Ledger

<b>COMMUNITY SERVICES</b>
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<b>Revenue Expenditure Monitoring Statement</b>
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<b>1 April 2015 to 31 December 2015</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 Transport	15,921	2.1	29,340		29,235	(105)
Environmental and Regulatory Services	15,801	2.2	31,496		32,106	610
Non-Housing Revenue Account	3,543	2.3	3,338		3,453	115
Trading Operations	5,105	2.4	(8,082)		(8,403)	(321)
Administration	5,982	2.5	3,482		3,442	(40)
<b>SERVICE TOTAL</b>	<b>46,352</b>		<b>59,574</b>		<b>59,833</b>	<b>259</b>
<b>BY SUBJECTIVE</b>						
Staff Costs	43,973		67,642		67,212	(430)
Other Costs	51,249		102,319		102,628	309
Gross Expenditure	95,222		169,961		169,840	(121)
Grants	(607)		(164)		(164)	0
Other Income	(48,263)		(110,223)		(109,843)	380
Total Income	(48,870)		(110,387)		(110,007)	380
	<b>46,352</b>		<b>59,574</b>		<b>59,833</b>	<b>259</b>
<b>BY ACTIVITY</b>						
Housing Revenue Account	<b>(24,043)</b>	2.6	<b>0</b>		<b>0</b>	<b>0</b>
<b>BY SUBJECTIVE</b>						
Staff Costs	3,135		4,918		4,898	(20)
Other Costs	10,402		44,710		45,275	565
Gross Expenditure	13,537		49,628		50,173	545
Grants	0		0		0	0
Other Income	(37,580)		(49,628)		(50,173)	(545)
Total Income	(37,580)		(49,628)		(50,173)	(545)
	<b>(24,043)</b>		<b>0</b>		<b>0</b>	<b>0</b>
<b>% of Budget Spent</b>						
This Year			78%			
Last Year			76%			

<b>COMMUNITY SERVICES</b>
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<b>Revenue Expenditure Monitoring Statement</b>
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<b>1 April 2015 to 31 December 2015</b>
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<b>Financial Detail</b>
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	£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
<b>2.1 Roads and Transport</b>				
Winter Maintenance	731	4,982	4,982	0
Roads Innovation Fund	9	0	0	0
Roads Maintenance	3,978	9,864	9,864	0
Public Conveniences	734	1,230	1,202	(28)
Burials and Cremations	(21)	152	152	0
Grounds Maintenance	2,155	2,494	2,478	(16)
Engineering Services	411	836	721	(115)
Community Works Services	1,480	2,234	2,198	(36)
Coast Protection	0	57	0	(57)
Flood Alleviation	11	157	27	(130)
Lighting Services	1,018	4,014	4,036	22
Integrated Transport Services	542	637	637	0
Subsidies and Concessionary Fares	5,188	3,597	3,597	0
Car Parks and Airstrips	(464)	(1,104)	(854)	250
Emergency Planning and Oil Pollution	149	190	195	5
	<b>15,921</b>	<b>29,340</b>	<b>29,235</b>	<b>(105)</b>
<b>2.2 Environmental and Regulatory Services</b>				
Refuse Collection	(76)	3,384	3,384	0
Waste Disposal	7,433	12,996	13,696	700
Recycling	5,291	9,995	9,995	0
Street Cleaning	1,536	2,871	2,871	0
Environmental Health	1,617	2,250	2,160	(90)
	<b>15,801</b>	<b>31,496</b>	<b>32,106</b>	<b>610</b>
<b>2.3 Non-Housing Revenue Account</b>				
Homelessness	1,803	1,295	1,398	103
Supporting People	1,496	1,708	1,708	0
Anti Social Behaviour	268	336	350	14
Gypsy Traveller Sites	(24)	(1)	(3)	(2)
	<b>3,543</b>	<b>3,338</b>	<b>3,453</b>	<b>115</b>
<b>2.4 Trading Operations</b>				
Roads and Community Works	1,466	(2,120)	(2,275)	(155)
Waste Management	437	(3,972)	(4,347)	(375)
Harbours and Ferries	(2,553)	(1,602)	(1,429)	173
Vehicle Maintenance	2,042	(388)	(352)	36
Building Maintenance	3,713	0	0	0
	<b>5,105</b>	<b>(8,082)</b>	<b>(8,403)</b>	<b>(321)</b>
<b>2.5 Administration</b>				
Management Overheads	4,497	1,571	1,556	(15)
Stores and Depots	1,485	1,911	1,886	(25)
	<b>5,982</b>	<b>3,482</b>	<b>3,442</b>	<b>(40)</b>
<b>SERVICE TOTAL</b>	<b>46,352</b>	<b>59,574</b>	<b>59,833</b>	<b>259</b>

<b>COMMUNITY SERVICES</b>
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<b>Revenue Expenditure Monitoring Statement</b>
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<b>1 April 2015 to 31 December 2015</b>
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<b>Financial Detail</b>
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**2.6 Housing Revenue Account**
**Expenditure:-**

	£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
Supervision and Management	3,668	6,213	6,287	74
Tenant Participation	142	206	191	(15)
Sheltered Housing	474	659	641	(18)
Homelessness	272	553	521	(32)
Repairs and Maintenance	8,288	15,577	15,692	115
House Rent Voids	498	711	711	0
Other Rent Voids	190	268	268	0
Central Support	5	3,671	3,671	0
Loan Charges	0	18,000	18,000	0
Capital Funded from Current Revenue	0	3,770	3,770	0
<b>Gross Expenditure</b>	<b>13,537</b>	<b>49,628</b>	<b>49,752</b>	<b>124</b>

**Income:-**

House Rents	(35,737)	(47,905)	(47,730)	175
Other Rents	(1,170)	(1,288)	(1,333)	(45)
Other Income	(673)	(355)	(609)	(254)
Interest on Revenue Balances	0	(80)	(80)	0
<b>Gross Income</b>	<b>(37,580)</b>	<b>(49,628)</b>	<b>(49,752)</b>	<b>(124)</b>

**HRA TOTAL**

<b>(24,043)</b>	<b>0</b>	<b>0</b>	<b>0</b>
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