

The Highland Council
Resources Committee – 24 February 2016

Agenda Item	4(a)
Report No	RES/01/16

Corporate Revenue Monitoring to 31 December 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 31 December 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 31 December 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 Table A. The statement shows that the General Fund has a total annual budget allocated to Services of £580.955m, year to date actual expenditure of £367.138m and an estimated year end position of £578.939m, giving a predicted year end underspend of £2.016m (0.35%).
- 2.2 Appendix 1 Table B 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 Table C 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 £10.017m 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 Corporate management savings achieved in the year within Service budgets but still held as an unallocated saving have been offset by a reduction in the unallocated budget. Detail of the remaining unallocated budget is shown in Appendix 4 Table A. No further allocations out of this budget line are anticipated in the year allowing a contribution to the underspend of £1.421m.

Appendix 4 Table B shows the unallocated corporate savings. As the year has progressed savings have been allocated to Service budgets from the list of Transformational Savings. The current unallocated amount is £1.310m and is shown as a potential overspend at December. The process of allocating savings will continue through to the year end and in fact in January a further £0.145m was allocated. Savings not allocated by the financial year end will be carried forward to future years.

- 2.7 Appendix 5 sets out the current position for General Fund Balances. The current non-earmarked balance prediction is equal to 2.9% 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. Earmarked balances of £20.222m remain and will be reviewed as part of the budget setting process for 2016/17.

- 2.8 This monitoring report covers the period to 31 December 2015 prior to the general introduction of a recruitment freeze to all but a small number of key posts. It is likely that further reductions in staff expenditure over the remaining 3 months of the year will take effect as Services implement the freeze and prepare for the introduction of significant budget reductions in 2016/17. As a result the forecast underspend is expected to increase from the current projection.

3. Service Budget Variances

- 3.1 A year end underspend of £0.539m is currently forecast against the Care and Learning budget. Underspends across the Service from the management of vacant posts continue to offset budget pressures and further underspends may emerge in the remainder of the year as early action to deliver 2016/17 budget savings takes effect. The Service still faces a number of budget pressures, those in out of authority placements, repairs and servicing contracts, facilities management and special schools continuing from financial year 2014/15. Further pressures have arisen in 2015/16 as a result of red or amber rated savings, principally in relation to PPP and teacher numbers.
- 3.2 A minor year end underspend of £0.028m 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 £0.044m.
- 3.4 An overspend of £0.259m is currently forecast for Community Services.

Income targets for both car parks and marine fuel sales will not be achieved and coupled with pressure on both the homelessness budget and waste disposal budget will result in an overspend. The overspend on the waste disposal budget is due to an increase in waste going to landfill. Staff vacancies, uncommitted spend on both the coast protection and flood alleviation budgets, 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 remaining months of the financial year.

- 3.5 A minor year end underspend of £0.013m is predicted for Development and Infrastructure. Overspends on property maintenance, expenditure on dangerous buildings, costs associated with Public Local Inquiries, and a shortfall in the Renewable Heat Incentive income target are predicted. The increase in planning and building warrant income, and staff vacancies are currently sufficient to meet these pressures
- 3.6 In the Finance Service, additional unbudgeted expenditure on software, server upgrades for the Payroll system and penetration testing on the new Financial Management Information System are more than offset by staffing related savings and a net underspend of £0.053m is anticipated for the year.
- 3.7 It is estimated that the Council Tax Reduction (CTR) Scheme will be underspent by £0.622m 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 The Valuation Joint Board is predicting a year-end overspend mainly due to a shortfall in grant income and increased costs due to the introduction of Individual Electoral Registration.
- 3.9 A predicted year end underspend of £1.000m on Loan Charges is due to continued favourable interest rates, the tactic of using short-term borrowing to finance the capital programme and programme slippage.
- 3.10 An estimated year end surplus on council tax income of £0.932m as a result of prior years' debt collections being better than anticipated.

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, equalities, climate change/carbon clever, Gor rural implications arising as a direct result of this report.

Recommendations

1. To consider the financial position of the General Fund and HRA revenue budgets at 31 December 2015.
2. To note that the combined estimated year end net services underspend of £2.016m and additional anticipated income from Council Tax of £0.932m will result in a total surplus on the General Fund of £2.948m.
3. To note that the HRA is estimated to be on budget by the year-end.

Designation: Director of Finance

Date: 9 February 2016

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

Background Papers: Service monitoring statements

Revenue Expenditure Monitoring Report -General Fund Summary

1 April to 31 December 2015

	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
Table A: By Service				
Care and Learning	261,568	393,790	393,251	(539)
Chief Executive's Office	4,381	5,693	5,665	(28)
Corporate Development	10,349	18,955	18,911	(44)
Community Services	46,352	59,574	59,833	259
Development and Infrastructure	15,141	12,600	12,587	(13)
Finance Service	11,541	12,431	12,378	(53)
Housing Benefit	1,169	121	121	0
Discretionary Housing Payments	279	198	198	0
Council Tax Reduction Scheme	11,664	12,287	11,665	(622)
Social Welfare Fund Grants	477	801	801	0
Advice Services	1,394	1,815	1,815	0
Service Total	364,315	518,265	517,225	(1,040)
Valuation Joint Board	2,126	2,380	2,515	135
Non Domestic Rates reliefs	679	701	701	0
Loan Charges	0	57,060	56,060	(1,000)
Interest on Revenue Balances	0	(180)	(180)	0
ICG - Clach Park	18	18	18	0
Unallocated Budget	0	1,421	0	(1,421)
Unallocated Corporate Savings	0	(1,310)	0	1,310
Affordable Housing Contribution	0	2,600	2,600	0
Total General Fund Budget	367,138	580,955	578,939	(2,016)

Table B: By Subjective

Staff Costs	232,856	324,556	321,300	(3,257)
Other Costs	261,220	480,452	482,052	1,601
Gross Expenditure	494,076	805,008	803,352	(1,656)
Grants	(47,474)	(60,369)	(60,300)	69
Other Income	(79,464)	(163,684)	(164,113)	(429)
Total Income	(126,938)	(224,053)	(224,413)	(360)
Total Revenue Expenditure	367,138	580,955	578,939	(2,016)

Table C: Financed By:

Aggregate External Finance as notified	242,493	455,428	455,428	0
Additional resources	3,257	3,257	3,257	0
Council Tax	113,314	114,196	115,128	932
Use of earmarked balances	1,819	1,819	1,819	0
Use of General Fund	6,255	6,255	6,255	0
Total General Fund Budget	367,138	580,955	581,887	932

Actual expenditure to date as % of annual budget

This year	63%
Last year	58%

Revenue Expenditure Monitoring Report - Housing Revenue Account Summary

1 April to 31 December 2015

	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
Staff Costs	3,135	4,918	4,918	0
Other Costs	10,402	26,790	26,790	0
Loan charges and interest	0	17,920	17,920	0
Gross Expenditure	13,537	49,628	49,628	0
House Rents	(35,737)	(47,905)	(47,905)	0
Other rents	(1,170)	(1,288)	(1,288)	0
Other income	(673)	(355)	(355)	0
Interest on Revenue Balances	0	(80)	(80)	0
Gross Income	(37,580)	(49,628)	(49,628)	0
Total HRA	(24,043)	0	0	0

Actual expenditure to date as % of annual budget

This year	27%
Last year	26%

Revenue Expenditure Monitoring Report - General Fund Budget

1 April - 31 December 2015

	£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		2.965
Agreed use of non-earmarked balances		
Roads Maintenance	2.360	
Teachers Pensions	1.259	
Winter Maintenance	0.120	
Inverness Common Good Fund (Clach Rent)	0.018	
Pay Award (0.5% in addition to 1% already provided in budget)	<u>1.698</u>	
		5.455
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	0.012	
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	
Unallocated funding redeterminations	(0.641)	
Commonwealth Games Legacy	0.125	
Welfare Fund	0.508	
Princess St Thurso	0.195	
Developing the Young Workforce	(0.323)	
Sensory Impairment	0.062	
Developers Contributions	<u>0.137</u>	
		2.069
Total General Fund Budget at 31 Dec 2015		<u><u>580.955</u></u>

Revenue Expenditure Monitoring Report - General Fund Budget

1 April - 31 December 2015

Table A Unallocated Budget

	£m	£m
2015/16 Inflation Pressures not yet allocated		
Energy		1.181
Other Unallocated Amounts		
Hostels Grant	0.020	
Free School Meals Grant	0.024	
Reduction in provision for pensions increase (non-teaching)	0.196	
		0.240
Unallocated Budget at 31 Dec 2015		<u><u>1.421</u></u>

Table B Unallocated Corporate Savings

	£m	£m
Transformation Savings	<u>1.310</u>	
Unallocated Corporate Savings at 31 Dec 2015		<u><u>1.310</u></u>

Revenue Expenditure Monitoring Report - General Fund Balance

1 April - 31 December 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	(2.069)	(5.455)	(7.524)
Transfer to Strategic Change and Development Fund as agreed by Highland Council on 25 June 2015	0.300	(0.300)	-
Movement in balances per Appendix 1	(1.819)	(6.255)	(8.074)
Estimated net service underspend per Appendix 1	-	2.016	2.016
Additional financing	-	0.932	0.932
Balance at 31 December 2015	20.222	16.892	37.114