

The Highland Council
Resources Committee – 24 February 2016

Agenda Item	6
Report No	RES/05/16

Finance Service Revenue Monitoring to 31 December 2015

Report by Director of Finance

Summary

This report comments on the Revenue Monitoring position for the Finance Service for the period to 31 December 2015.

1. Finance Revenue Budget 2015/16

1.1 **Appendix 1** is the monitoring statement showing actual expenditure and the year end estimate against the annual budget to 31 December 2015.

1.2 **Appendix 1** shows that the Service projects an outturn of £12.378m against an annual budget of £12.430m which represents an underspend of £0.052m.

2. Variances

2.1 As reported in November, essential expenditure on the duplicate payment software of £0.015m used by the Creditors team and a critical server upgrade for the Payroll system of £0.047m represents pressures on the Payroll, Pensions and Creditors budget. In addition the discontinued use of the Council's payroll system by the Police and Fire Services will reduce re-charge income by £0.026m. This was a short term measure pending the full establishment of the national Police and Fire Services, and the work carried out by the Council was only required until the establishment of their own systems which are now in place.

2.2 The implementation of the Council's new Financial Management Information System (FMIS) has created unanticipated pressures of approximately £0.081m as follows -

- the development of pre-processors which allow information transfer from feeder systems before interfaces are fully developed and thus allow early implementation of the new system;
- as part of PSN there is a requirement for penetration (PEN) testing to be carried out to ensure the safety of the Council's network;
- the development of a new archive product which will allow access to historical financial data on Integra, the new FMIS was considered a better long term solution than continuing with a product based on the old Oracle system.

- 2.3 Whilst the budgets originally set were considered sufficient to provide some flexibility, work required and undertaken by the Council's ICT provider was more than anticipated and therefore reduced our ability to deal with these unexpected charges.
- 2.4 An HMRC compliance visit added a pressure of £0.037m as we took professional advice to assist in challenging the initial estimate cost for non-compliance of £2.5m and paid an small element of back tax in respect of a delay in changing the status of a couple of our sub-contractors. In addition, costs relating to a strain on the pension fund are likely to be higher than anticipated by approximately £0.024m. Cost estimates anticipated a reduction in the 2015/16 charge however the up to date estimates from the pension section have confirmed a higher charge.
- 2.5 The additional costs detailed in paragraph 2.1 will be offset by staffing and related savings which are estimated to be realised across budget heads as follows: Revenues and Business Support (£0.066m); Corporate Finance (£0.063m); Procurement (£0.070m); Internal Audit and Risk Management (£0.018m) and Payroll, Pensions and Creditors (£0.065m).
- 2.6 The Service is managing the successful operation of the Finance Service through developing new ways of working that are delivering efficiency savings. Whilst there are undoubtedly some pressure points, holding posts vacant is a necessary step in helping to meet the significant savings target for 2016/17 when the service will have to operate with fewer staff, whilst ensuring the proper safeguards and controls remain in place.

3. Implications

- 3.1 Resource implications are noted in this report.
- 3.2 There are no Legal, Equalities, Climate Change/Carbon Clever, Rural, Gaelic or Risk implications arising as a direct result of this report.

Recommendations

It is recommended that the Committee :

- **Agree** the monitoring report to the end of December 2015.

Designation: Director of Finance

Date: 3 February 2016

Author: Vicki MacDonald, Accountant

Background Papers: None

FINANCE SERVICES Revenue Expenditure Monitoring Report

01 April 2015 to 31 Dec 2015

Finance Service

	£000 Actual Year To Date	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
BY ACTIVITY				
Directorate	341	363	387	24
Procurement	540	520	450	(70)
Revenues and Business Support	7,164	8,209	8,143	(66)
Corporate Finance	1,851	2,153	2,208	55
Internal Audit & Risk Management	426	525	507	(18)
Payroll, Pensions & Creditors	1,219	660	683	23
	11,541	12,430	12,378	(52)
BY SUBJECTIVE				
Staff Costs	11,984	16,582	16,312	(270)
Other Costs	2,118	2,182	2,374	192
Gross Expenditure	14,102	18,764	18,686	(78)
Grants	(956)	(1,167)	(1,167)	0
Other Income	(1,605)	(5,167)	(5,141)	26
Total Income	(2,561)	(6,334)	(6,308)	26
	11,541	12,430	12,378	(52)