

**The Highland Council**  
**Resources Committee - 25 May 2016**

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|-------------|-----------|
| Agenda Item | 6         |
| Report No   | RES 22/16 |

**Corporate Revenue Near Final Monitoring Report for 2015/16**

**Report by Director of Finance**

**Summary**

The purpose of this report, as the accounts closedown process continues, is to present a near final revenue budget expenditure position for the financial year 2015/16.

**1. Background**

- 1.1 The figures in this report represent the near final position for 2015/16. The figures reported cannot be regarded as final until the accounts close down and audit process is complete. The final unaudited position will be reported to the Council meeting on 29 June and detailed outturn statements at Service level will be presented to the next round of Service Committees.
- 1.2 The report advises Members of the near final financial position for the Council overall at the end of financial year 2015/16 and provides a high level commentary on the significant 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 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 had a total annual budget allocated to Services of £594.057m and expenditure in the year of £589.597m giving a year end underspend of £4.460m (0.75%).
- 2.2 The financing of the General Fund budget is shown in **Appendix 1**, Table C. This shows that the Council received income £2.047m in excess of the level budgeted, primarily as a result of prior years' Council Tax debt collections being better than anticipated.
- 2.3 The combined income and expenditure variances equate to an overall £6.507m underspend on the General Fund for 2015/16.
- 2.4 Committee is asked to note that all Services have achieved significant savings on staff costs. As previously indicated to this Committee, Services took action throughout the year to prepare for the budget challenge facing the Council in

2016/17. In order to allow a smooth transition to reduced budgets, Services did attempt to hold posts vacant wherever possible. A significant year end underspend was therefore anticipated and reported to Members throughout the year.

### **3. Service Budget Variances**

- 3.1 The near final outturn position for the Care and Learning budget is an underspend of £1.247m, an increase of £0.709m from the position reported to the previous Resources Committee. Underspends in staffing budgets across the Service, primarily as a direct result of vacant posts and the subsequent vacancy freeze, have offset budget pressures in out of authority placements, repairs and servicing contracts, facilities management, PPP and special schools.
- 3.2 The Chief Executive's Office shows a small underspend of £0.063m due to vacancy management and underspends in discretionary budgets.
- 3.3 The Corporate Development Service shows an underspend of £0.471m due mainly to vacancy management and underspends on ICT services.
- 3.4 Community Services has a net underspend of £0.144m. This is an improvement of £0.404m on the figures reported for the period to 31 December 2015. An improved trading position for harbours and ferries was the principal reason for the improvement. Car park income did not achieve its target, and pressure on the homelessness budget and public bus contract expenditure relating to the previous financial year all resulted in overspends. Staff vacancies, uncommitted spend on both the coast protection and flood alleviation budgets, and increased income in respect of road condition consents and burial ground income have contributed to the underspend position.
- 3.5 The Development and Infrastructure Service has a net overspend of £0.575m. The main reason for the overspend is a shortfall against budget in the Renewable Heat Incentive and Feed-in Tariff income streams (£0.404m) and insufficient budget to pay for one-off and ongoing maintenance of the new boilers installed in Council properties (£0.200m). Expenditure on dangerous buildings (£0.124m), and costs associated with Public Local Inquiries (£0.138m) have resulted in further overspends. An increase in building warrant income and staff vacancies have partially offset these overspends.
- 3.6 In the Finance Service overspends on software upgrades have been offset by underspends from vacancy management.
- 3.7 The Council Tax Reduction Scheme shows an underspend of £0.612m, reflecting changes introduced by the Department for Work and Pensions reducing the qualifying amounts on which CTR is calculated.
- 3.8 The loan charges budget has underspent in the year by £1.765m due to continuing favourable interest rates and a delayed need for borrowing.

#### 4. **Housing Revenue Account (HRA)**

4.1 As shown in **Appendix 2** the Housing Revenue Account (HRA) achieved a balanced budget. Underspends on loan charges, homelessness, central support and an increase in non-housing rental income allowed an increase in the capital expenditure funded from revenue.

#### 5. **General Fund balances**

5.1 **Appendix 5** shows the movement in the General Fund earmarked and non-earmarked balances during the year. Those balances have reduced by £14.54m after the 2015/16 underspend has been taken into account.

5.2 Use of balances equated to £21.045m as detailed in **Appendix 3**. The largest use of balances was the £13.4m for payments associated with the Voluntary Redundancy Scheme.

5.3 The current non-earmarked balance of £12.311m equates to 2.2% of the 2016/17 revenue budget. This is the lowest level of balance held over the last ten year period.

5.4 The unaudited accounts will be presented to Council at the end of June. At that point Members will be asked to consider the level of General Fund balances in the context of the longer term financial challenges facing the Council.

#### 6. **Implications**

6.1 Resource implications are noted in this report.

6.2 There are no risk, legal, equality, rural, climate change/Carbon Clever or Gaelic implications arising as a direct result of this report.

#### **Recommendation**

Members are invited to:-

- Consider the Revenue Expenditure Monitoring Statement as at 31 March 2016 which shows a near final position of £6.507m General Fund underspend and note that the final position will be reported to the Council in June

Designation: Director of Finance

Date: 20 May 2016

Author: Edward Foster, Head of Corporate Finance

Background Papers: Service monitoring statements

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| <b>Revenue Expenditure Monitoring Report -General Fund Summary</b> |
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| <b>1 April 2015 to 31 March 2016 (Near Final)</b> |
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|  | Annual<br>Budget<br>£000 | Year End<br>Actual<br>£000 | Year End<br>Variance<br>£000 |
|--|--------------------------|----------------------------|------------------------------|
| <b>Table A: By Service</b>                 |                          |                            |                              |
| Care and Learning                          | 395,899                  | 394,652                    | (1,247)                      |
| Chief Executive's Office                   | 6,253                    | 6,190                      | (63)                         |
| Corporate Development                      | 20,444                   | 19,973                     | (471)                        |
| Community Services                         | 63,265                   | 63,121                     | (144)                        |
| Development and Infrastructure             | 14,454                   | 15,029                     | 575                          |
| Finance Service                            | 15,455                   | 15,452                     | (3)                          |
| Housing Benefit                            | 121                      | 27                         | (94)                         |
| Discretionary Housing Payments             | 360                      | 360                        | 0                            |
| Council Tax Reduction Scheme               | 12,287                   | 11,675                     | (612)                        |
| Social Welfare Fund Grants                 | 801                      | 792                        | (9)                          |
| Advice Services                            | 1,792                    | 1,746                      | (46)                         |
| <b>Service Total</b>                       | <b>531,131</b>           | <b>529,017</b>             | <b>(2,114)</b>               |
| Valuation Joint Board                      | 2,380                    | 2,329                      | (51)                         |
| HITRANS                                    | 91                       | 91                         | 0                            |
| Non Domestic Rates reliefs                 | 701                      | 690                        | (11)                         |
| Loan Charges                               | 57,060                   | 55,295                     | (1,765)                      |
| Interest on Revenue Balances               | (180)                    | (388)                      | (208)                        |
| ICG - Clach Park                           | 18                       | 18                         | 0                            |
| Unallocated Budget (Appendix 4)            | 1,421                    | 0                          | (1,421)                      |
| Unallocated Corporate Savings (Appendix 4) | (1,165)                  | 0                          | 1,165                        |
| Affordable Housing Contribution            | 2,600                    | 2,545                      | (55)                         |
| <b>Total General Fund Budget</b>           | <b>594,057</b>           | <b>589,597</b>             | <b>(4,460)</b>               |

**Table B: By Subjective**

|                                  |                  |                  |                |
|----------------------------------|------------------|------------------|----------------|
| Staff Costs                      | 331,008          | 324,930          | (6,078)        |
| Other Costs                      | 470,317          | 473,731          | 3,414          |
| <b>Gross Expenditure</b>         | <b>801,325</b>   | <b>798,661</b>   | <b>(2,664)</b> |
| Grants                           | (59,532)         | (64,499)         | (4,967)        |
| Other Income                     | (147,736)        | (144,565)        | 3,171          |
| <b>Total Income</b>              | <b>(207,268)</b> | <b>(209,064)</b> | <b>(1,796)</b> |
| <b>Total Revenue Expenditure</b> | <b>594,057</b>   | <b>589,597</b>   | <b>(4,460)</b> |

**Table C: Financed By:**

|  |                |                |              |
|--|----------------|----------------|--------------|
| Aggregate External Finance as notified | 455,427        | 455,637        | (210)        |
| Additional resources                   | 3,263          | 3,263          | 0            |
| Council Tax                            | 114,196        | 116,033        | (1,837)      |
| Use of earmarked balances              | 6,914          | 6,914          | 0            |
| Use of General Fund                    | 14,131         | 7,624          | 6,507        |
| Use of other reserves                  | 126            | 126            | 0            |
| <b>Total General Fund Budget</b>       | <b>594,057</b> | <b>589,471</b> | <b>4,460</b> |

Total Variance on the net budget

**(6,507)****Actual expenditure to date as % of annual budget**

This year  
Last year

99%  
99%

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| <b>Revenue Expenditure Monitoring Report - Housing Revenue Account Summary</b> |
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| <b>1 April 2015 to 31 March 2016 (Near Final)</b> |
|---|

|                              | Annual<br>Budget<br>£000 | Year End<br>Actual<br>£000 | Year End<br>Variance<br>£000 |
|------------------------------|--------------------------|----------------------------|------------------------------|
| Staff Costs                  | 10,654                   | 9,734                      | (920)                        |
| Other Costs                  | 21,504                   | 23,146                     | 1,642                        |
| Loan charges and interest    | 18,000                   | 17,546                     | (454)                        |
| <b>Gross Expenditure</b>     | <b>50,158</b>            | <b>50,426</b>              | <b>268</b>                   |
| House Rents                  | (47,905)                 | (47,620)                   | 285                          |
| Other rents                  | (1,288)                  | (1,458)                    | (170)                        |
| Other income                 | (885)                    | (1,286)                    | (401)                        |
| Interest on Revenue Balances | (80)                     | (62)                       | 18                           |
| <b>Gross Income</b>          | <b>(50,158)</b>          | <b>(50,426)</b>            | <b>(268)</b>                 |
| <b>Total HRA</b>             | <b>0</b>                 | <b>0</b>                   | <b>0</b>                     |

**Actual expenditure to date as % of annual budget**

|           |      |
|-----------|------|
| This year | 101% |
| Last year | 101% |

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| <b>Revenue Expenditure Monitoring Report - General Fund Budget</b> |
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| <b>1 April 2015 to 31 March 2016 (Near Final)</b> |
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|   | £m      | £m      |
|---|---------|---------|
| <b>Budget as agreed by Highland Council on 18 Dec 2014</b>    |         | 570.938 |
| Less ring-fenced grant (Gaelic)                               |         | (0.951) |
| Increase in Council Tax income target                         |         | 0.479   |
| Grant funding redeterminations                                |         | 2.970   |
| <b>Agreed use of non-earmarked balances</b>                   |         |         |
| Voluntary Severance   | 7.623   |         |
| Roads Maintenance   | 2.360   |         |
| Pay Award (0.5% in addition to 1% already provided in budget) | 1.698   |         |
| Teachers Pensions   | 1.259   |         |
| Winter Maintenance  | 0.120   |         |
| Inverness Common Good Fund (Clach Rent)                       | 0.018   |         |
|   |         | 13.078  |
| <b>Use of/(contribution to) earmarked balances</b>            |         |         |
| Voluntary Severance   | 5.797   |         |
| ICT Investment Funds  | 0.943   |         |
| Welfare Fund  | 0.484   |         |
| Pathfinder/SWAN   | 0.444   |         |
| Central Energy Efficiency Fund                                | 0.315   |         |
| Princess St Thurso  | 0.195   |         |
| Strategic Change and Development Fund                         | 0.164   |         |
| Discretionary Housing Payments Fund                           | 0.162   |         |
| Commonwealth Games Legacy                                     | 0.125   |         |
| BRIS (Decriminalised Parking Enforcement)                     | 0.123   |         |
| Developers Contributions                                      | 0.107   |         |
| Sensory Impairment  | 0.062   |         |
| Carbon Clever   | 0.055   |         |
| Community Challenge Fund                                      | 0.044   |         |
| Developing the Young Workforce                                | (0.033) |         |
| Community Justice   | (0.050) |         |
| DSM Balances  | (1.520) |         |
|   |         | 7.417   |
| <b>Use of Other Reserves</b>                                  |         |         |
| Repairs & Renewals  | 0.048   |         |
| Insurance Fund  | 0.078   |         |
|   |         | 0.126   |
| <b>Total General Fund Budget at 31 March 2016</b>             |         | 594.057 |

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| <b>Revenue Expenditure Monitoring Report - General Fund Budget</b> |
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| <b>1 April 2015 to 31 March 2016 (Near Final)</b> |
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**Table A Unallocated Budget**

|   | £m             | £m                         |
|---|----------------|----------------------------|
| 2015/16 Inflation Pressures not yet allocated               |                |                            |
| National Care Home Contract                                 | 1.068          |                            |
| Energy  | <u>0.113</u>   |                            |
|   |                | 1.181                      |
| Other Unallocated Amounts                                   |                |                            |
| Hostels Grant   | 0.020          |                            |
| Free School Meals Grant                                     | 0.024          |                            |
| Reduction in provision for pensions increase (non-teaching) | 0.226          |                            |
| Less : Transfer to Corporate Communications budget          | <u>(0.030)</u> |                            |
|   |                | <u>0.240</u>               |
| Unallocated Budget at 31 March 2016                         |                | <u><u><b>1.421</b></u></u> |

**Table B Unallocated Corporate Savings**

|  | £m | £m                         |
|--|----|----------------------------|
| Transformation Savings                         |    | 1.165                      |
| Unallocated Corporate Savings at 31 March 2016 |    | <u><u><b>1.165</b></u></u> |

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| <b>Revenue Expenditure Monitoring Report - General Fund Balance</b> |
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|---|
| <b>1 April 2015 to 31 March 2016 (Near Final)</b> |
|---|

**General Fund Balance**

|   | Earmarked<br>balances<br>£m | Non-<br>earmarked<br>balances<br>£m | Total<br>£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  | (7.417)                     | (13.078)                            | (20.495)    |
| Transfer to Strategic Change and Development Fund as agreed by Highland Council on 25 June 2015 | 0.300                       | (0.300)                             | -           |
| Earmarking for Council Redesign   | 0.150                       | (0.150)                             | -           |
| Earmarking for CAB Transitional Funding   | 0.102                       | (0.102)                             | -           |
| Movement in balances per Appendix 1   | (6.915)                     | (14.130)                            | (21.045)    |
| Net service underspend per Appendix 1   | -                           | 4.460                               | 4.460       |
| Additional financing  | -                           | 2.047                               | 2.047       |
| Transfers from unearmarked to earmarked balances  | 0.265                       | (0.265)                             | 0.000       |
| Balance at 31 March 2016  | 15.391                      | 12.311                              | 27.702      |