

Agenda Item	7
Report Number	RES/73/16

**CORPORATE DEVELOPMENT REVENUE EXPENDITURE MONITORING TO
SEPTEMBER 2016**

Report by the Depute Chief Executive and Director of Corporate Development

SUMMARY

This report provides information on the revenue monitoring position for the Corporate Development Service revenue budget for the period 1 April 2016 to 30 September 2016.

1. Introduction

- 1.1 The attached appendices show: (i) the revenue monitoring position for the Corporate Development Service 2016/17 revenue budget for the period to 30 September 2016; and the status of (ii) Service specific savings; and (iii) corporate and transformational savings for the second quarter of the 2016/17 financial year.

2. 2016/17 Revenue Monitoring

- 2.1 **Appendix 1** shows the Revenue Monitoring position for 2016/17 for year to 30 September 2016. The Corporate Development Service annual net revenue budget is £16.976m. Actual expenditure incurred in the period is £8.531m which equates to 48% of the total budget at the halfway point in the year.

3. Budget Variances

- 3.1 At the current time the ICT budget is estimating a revenue underspend of approximately £0.1m. However this is subject to significant change, as the Council will need to undertake extensive reconciliation of accounts with Fujitsu for both the end of the year and also the end of the contract and as such it is anticipated that any underspend will be used to meet any reconciliation required and also to offset any 'in year' pressures elsewhere in the Service budget. The annual/contract reconciliation with Fujitsu is a complex process and the final position will only become fully understood at the end of the contract in March 2017.
- 3.2 The pressure on the Licensing budget is due to the under-achievement of income. This includes an income target of £0.092m that was incorrectly attributed to the licensing budget but which cannot be taken because licensing costs are set nationally, through legislation. This figure is consequently shown 'below the line' in the monitoring statement to differentiate it from the core budget. The saving will be removed from the 2017/18 roll forward budget.

- 3.3 The Elections budget is showing a pressure of £0.019m due to costs arising from the by-election for Ward 18, Culloden and Ardersier. Previous practice has been to seek approval for a budget feed to cover the costs of elections as and when they occur, rather than carry funds in the annual budget that may or may not be used. Consequently, whilst the Service will endeavor to absorb the costs of the by-election by using underspends elsewhere in the Service budget, members' approval is sought for a budget feed should this not prove to be possible by the end of the financial year.
- 3.4 At the present time, the Customer Services revenue services budget is estimating a £0.09m pressure due to a number of factors including accommodation pressures, job evaluation reviews, reduction in Registration income and Corporate Transformation savings. Significant work is ongoing to try to reduce the pressure.
- 3.5 The Workforce Planning, Learning and Development line is currently predicting a pressure of £0.075m. This is primarily as a consequence of shortfalls in the income target as there has been a reduction in the level of training that can be recharged to Services following a number of training staff leaving under VR. There has also been a reduction in all council staff attending in-house courses due to all Services spending less on training as they manage within reduced budgets.

4. **Budget Movements**

- 4.1 The net Service budget has increased from £15.624m for the period up to 30 June 2016 to £16.976m for the period ending 30 September 2016. This increase has been caused by a series of budget movements, the biggest of which was an additional £0.634m for the transfer of the Trading Standards Services from the Development and Infrastructure Service to Corporate Development Service.
- 4.2 There has also been a planned drawdown of £0.564m from earmarked ICT funds and a range of smaller adjustments relating to cross-service virements for ICT. There have been a number of separate ICT reports to Resources Committee which have provided detailed information about the financial arrangements for the current contract and re-procurement exercise and there is a further report later on today's agenda.

5. **Budget Savings**

- 5.1 All of the savings, both Service specific, and corporate and transformational, have been reflected in the Corporate Development 2016/17 budget, and have been allocated across all parts of the Service, where appropriate.
- 5.2 An updated Red/Amber/Green (RAG) analysis of Service specific budget savings for the current financial year is set out on **Appendix 2**. This statement reflects the position for the second quarter of the financial year. The majority of the individual Service savings, ragged green, have already been achieved and removed from the Service budget. Two measures, relating to the savings arising from ICT/telephony, have been ragged amber. The first is ragged amber to reflect a 3 month delay in the implementation of the new Managed Print Service (MPS). The second saving is amber because of delays in the implementation of SWAN, partly offset by savings achieved in the reprocurement of mobile/telephony. There is a detailed report on the SWAN project later on the Resources Committee agenda.

5.3 **Appendix 3** sets out the corporate and transformational savings for the current financial year, and reflects the position for the second quarter of the financial year.

6. **Predicted End of Year Position 2016/17**

6.1 The Corporate Development Service is projecting a net year-end overspend of £0.116m. There are pressures across a number of budgets due in part to an under-achievement of income and also the un-budgeted pressure arising from the recent by-election. In addition, there is the pressure arising from the misallocation of £0.092m additional income to the Licensing budget. Whilst this is shown 'below the line' in the Service budget, it is included in the total budget line reported in the Corporate Revenue Monitoring report, which reports a total pressure of £0.208m against the Corporate Development Service. The Service will continue to maximise all income generation opportunities to reduce these pressures as much as possible. In addition, all vacancies will be reviewed and expenditure managed across all budgets to help to offset any remaining pressures in order to achieve a balanced budget by the end of financial year.

7. **Implications**

7.1 Resources - There are no resource implications other than those already set out.

7.2 Legal - there are no legal implications for The Highland Council.

7.3 Equalities and Climate Change - there are no negative equality or climate change implications arising from this report.

7.4 Risk, Gaelic and Rural - there are no risk, Gaelic or rural implications to The Highland Council.

8. **Recommendation**

Members are invited to:

- (i) consider the revenue monitoring report for the period 1 April 2016 to 30 September 2016; and
- (ii) approve a budget feed of £0.019m to cover the cost of the Ward 18 by-election if the Service is unable to offset this pressure by the end of the financial year 2016/17.

Signature: Michelle Morris

Designation: Depute Chief Executive and Director of Corporate Development

Report Author: Kate Lackie, Business Manager

Date: 8 November 2016

CORPORATE DEVELOPMENT SERVICE Revenue Expenditure Monitoring Report

1 April 2016 to 31 October 2016

	£000 Actual Year To Date	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
BY ACTIVITY				
Depute Chief Executive	130	(2,085)	(2,085)	-
Corporate Improvement Team	421	548	548	-
Corporate Governance:				
Legal Services	403	327	307	(20)
Licensing	(690)	(788)	(706)	82
Democratic Services	355	625	625	-
Elections	77	105	124	19
Trading Standards	311	634	634	-
Digital Transformation:				
ICT Services	5,285	13,885	13,785	(100)
Customer Services	1,261	2,004	2,094	90
People & Performance:				
HR Services	489	887	867	(20)
Workforce Planning, Learning & Development	194	240	315	75
Health, Safety & Wellbeing	295	594	584	(10)
Total Corporate Development	8,531	16,976	17,092	116
CIT savings (income generation)			92	92
Note 2				208

BY SUBJECTIVE

Staff Costs	5,069	8,080	8,012	(68)
Other Costs	8,086	14,268	14,277	9
Gross Expenditure	13,155	22,348	22,289	(59)
Grants	(96)	-	-	-
Other Income	(4,528)	(5,372)	(5,197)	175
Total Income	(4,624)	(5,372)	(5,197)	175
	8,531	16,976	17,092	116
CIT savings (income generation)			92	92
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Notes

- %age of Annual Expenditure

Oct-17	50%
Oct-16	48%
- Misallocation of CIT income generation target

2016/17 - 2018/19 Savings

Service	Saving owner	Activity Heading	Saving category	Savings Proposal	Savings				Saving RAYG (enter R, A, Y, or G)	Projected saving- red amber yellow
					2016/17 £m	2017/18 £m	2018/19 £m	3 Year Total £m		
CD	MM	ICT	Efficiencies	Reduction in costs targeted from the new ICT Contract due to be awarded in July 2016 with commencement of delivery of service from early 2017. Savings for 2016/17 will be achieved by moving to the new Managed Print Service early.	0.250	0.170	0.170	0.590	A	The Council will move to the new MPS Contract on 1 January 2017 and so only part year savings can be achieved.
CD	MM	ICT	Efficiencies	Re-procurement of mobile/landline telephony and SWAN savings	0.300			0.300	A	SWAN saving RED due to delays in the implementation; Telephony saving is green hence total saving being Amber
CD	MM	Management and staffing savings	Management and staffing savings	Reduction in staffing across all Services including management positions. Will be achieved through re-structuring and targeted use of Early Retirement and Voluntary Severance.	0.380			0.380	G	
CD	MM	Management and staffing savings	Management and staffing savings	Reduction in staffing across Corporate Development Service	0.143	0.143	0.143	0.429	G	
CD	MM	Trading Standards	Management and staffing savings	Re-structure to support development	0.130			0.130	G	
CD	MM	Performance	Management and staffing savings	25% reduction in Performance Team	0.040			0.040	G	

2016/17 - 2018/19 Corporate & Transformation Savings

Ref.	Activity Heading	Savings Proposal	16/17 Allocation Comments	2016/17						2016/17 Service Allocations CD £m	Saving RAYG (enter R, A, Y, or G)
				2016/17 Agreed HC 18/12/14 & HC 25/02/16 £m	2016/17 Reprofitting & Other Adjustments £m	Add : Cfwd from 2015/16 £m	2016/17 after Adjustment s & Cfwd	2016/17 Service Allocations £m	2016/17 Service Allocations £m		
Corp 5	Voluntary Severance	Voluntary Severance	Allocation agreed 30/05/16 (includes £300k for ASN)	5.900			5.900	-5.900	-0.459	G	
Corp 6	Recruitment Freeze	Recruitment freeze for non-exempt posts	Allocation agreed 30/05/16	0.575			0.575	-0.575	-0.033	G	
Corp 4, TSP Proc 1 & 3, TSP WPP4-SS.IV9	Procurement	Procurement Shared Service & Collaborative Spend	Allocation agreed 30/05/16	0.653		0.047	0.700	-0.700	-0.062	A	
Corp 2	Fees & Charges	10% increase on all fees and charges that are not nationally set, or a different amount has already been agreed	Allocation already included within HC 25/02/16 Service budgets; Based on actual % increases for individual fees & charges budgets	0.487			0.487	-0.487	-0.069	A	
PIM1 & PIM20	Entitlements & Digital Services	Simplifying & streamlining entitlements applications processes Channel shift activity - increase the number of services accessible on-line, via the Council's website and via the Council's Service Centre Reduced consumption, pricing & behavioural change	Allocation agreed 30/05/16	0.340		0.095	0.435	-0.466	-0.093	A	
Corp 3	Energy		Allocation agreed 30/05/16	0.250			0.250	-0.250	-0.001	A	
TN008	Information Management		Allocation agreed 30/05/16	0.200	0.232		0.232	-0.250	-0.114	G	
Corp 1	ICT Salary Sacrifice	Develop ICT architecture & related efficiencies Savings from salary sacrifice schemes	Allocate against ICT budget Allocate proportionate to take up of schemes in year to date	0.200			0.200	-0.200	-0.200	A	
Corp 7	Management and staffing savings	Agency Staff	Allocation agreed 30/05/16	0.168			0.168	-0.168	-0.010	G	
PIM2	Attendance Management	Reduction in sickness absence by continuing to adopt a robust and consistent approach to attendance management	Allocation agreed 30/05/16	0.148		-0.001	0.147	-0.147	-0.005	G	
PIM2A	Travel, Subsistence and Overtime	Reduction in the costs of staff travel, subsistence and overtime through management action and greater use of technology	Allocation agreed 30/05/16	0.124			0.124	-0.124	-0.004	G	
Total				13.164	-0.285	1.165	14.044	-12.439	-1.058		