

The Highland Council
Community Services Committee

15 February 2017

Agenda Item	4
Report No	COM 1/17

Revenue Budget Monitoring Report – 1 April 2016 to 31 December 2016

Report by Director of Community Services

Summary

This report invites Members to approve the revenue budget monitoring position for the period from 1 April 2016 to 31 December 2016.

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 (**Appendix 1**), show the financial position to 31 December 2016. In total, the expenditure is currently in line with the budget outturn target.

2.2 There has been a net increase in the budget of £0.014m from that reported at 30 September 2016 of £54.420m to £54.434m. The budget increase was in respect of a developer's contribution to the play area at the Angus Centre in Upper Achintore.

2.3 A summary of the disaggregated budgets to the eight Local Committees is shown in **Appendix 2**. The monitoring statement highlights, for both revenue and capital expenditure, for both roads and amenity services and the HRA, the financial position for the period to 31 December 2016. The position overall for roads and amenity services is showing a balanced budget. It is critical the £27m disaggregated in this way returns a balanced budget as this element of flexibility no longer exists to help balance the overall Service budget. The position overall for HRA is an underspend of £5.270m. The majority of the underspend is due to slippage in the mainstream housing capital programme. The reasons are contained in the capital monitoring report to this Committee.

3. Budget Savings

3.1 All of the savings, both Service specific, and corporate and transformational, have been reflected in the Community Services 2016/17 budget, and have been allocated across all parts of the Service, where appropriate. The only saving not allocated relates to the transformational saving on procurement of £0.249m. Given the point in the financial year, the saving is "red" on the basis there is very

little time left in the year to achieve this saving. At present the overall Service budget can accommodate this.

- 3.2 An updated Red/Amber/Green (RAG) analysis of Service-specific agreed budget savings for the current financial year is set out on **Appendix 3**. This statement reflects the position for the third quarter of the financial year.
- 3.3 **Appendix 4** sets out the corporate and transformational savings for the current financial year and reflects the position for the third quarter of the financial year. The RAG status is based on achieving the saving based on the proposal ie fuel procurement aligned to saving on the amount of fuel consumption directly linked to a reduction in the fuel budgets. The saving of £0.249m marked “red” is shown as an overspend in the management overheads, and is covered by underspends across the Service.

4. Year-End Projection

- 4.1 The year to date actual figures represent the transactions for the nine months ended 31 December 2016, and is generally in line with management expectations. The Service continues to work hard to deliver a balanced budget but this represents a significant challenge.
- 4.2 Members will note that based on the financial performance to date, and the actions already taken, it is predicted, that at the end of the financial year the budget as a whole will be balanced, however this depends to a large extent on the vagaries of the weather.

5. Major Issues and Variances

5.1 Roads and Transport

- 5.1.1 Due to the mild weather, over the monitoring period, the winter maintenance budget is showing a spend to date of £1.214m 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.
- 5.1.2 A combination of staff vacancies and increased income in respect of road consents will result in underspends in both engineering and community works services.
- 5.1.3 At present no further expenditure is committed against the flood alleviation budget, however if there are any weather events that warrant expenditure from this budget line then the anticipated underspend will be reduced accordingly.
- 5.1.4 Currently there is one major overspend relating to street lighting electricity costs. The reason for the overspend is linked to the capital investment for sodium lantern replacement with LED lanterns. Officers have reviewed the profile for the deliverability of the saving, however given the nature of the roll-out of the programme, the savings are expected in later years ie years 3 and 4. Consequently there is a cumulative pressure of £0.305m for the current financial

year. Any increase in the unit cost of electricity will impact on any saving achievable. Street Lighting is currently the subject of a Review as part of the Council's Redesign process.

5.1.5 The Service received £0.250m to cover the pressure in the car parking budget arising in previous years due to a shortfall in the income target. There remains a continuing pressure of the order of £0.080m, which accounts for more than half the estimated outturn position. The remainder of the overspend relates to the loss of income as a result of selling the top deck at the Inverness multi-storey car park.

5.1.6 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, however prices are now on the increase.

5.2 Environmental and Amenity Services

5.2.1 There is a shortage of burial fee income, particularly in Caithness and Ross & Cromarty, resulting in an overspend in the burials and cremations budget.

5.2.2 Staff vacancies accounts for the environmental health underspend.

5.3 Administration

5.3.1 As highlighted at paragraph 3.3 above, the overspend on management overheads is due to an unachievable procurement saving allocated as part of the corporate and transformational savings.

6. Actions Proposed

6.1 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.

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

7. Housing Revenue Account

7.1 The HRA anticipates a balanced budget at year end. Underspends on loan charges, repairs and maintenance, staff vacancies, and an increase in non-housing rental income will allow an increase in the capital expenditure funded from revenue and cover a shortfall in Council house rental income.

8. Implications

8.1 Resource implications are discussed in the report.

8.2 Risk implications to the budget position, and budget assumptions, will be kept

under regular review.

- 8.3 There are no legal, equality, climate change/carbon clever, Gaelic or rural implications arising as a direct result of this report.

Recommendations

Members are invited to approve the report and the attached monitoring statements which show the revenue position for the period 1 April 2016 to 31 December 2016 (including the £27m that is disaggregated), 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: 31 January 2017

Author: Mike Mitchell, Service Finance Manager

Background Papers: Monitoring Statements 31/12/16 and the Highland Council Financial Ledger

COMMUNITY SERVICES

Revenue Expenditure Monitoring Statement

1 April 2016 to 31 December 2016

Service Summary

	£000 Actual Year To Date		£000 Annual Budget		£000 Year End Estimate	£000 Year End Variance
BY ACTIVITY						
Roads and Transport	17,374	2.1	19,961		19,990	29
Environmental and Regulatory Services	21,038	2.2	29,174		28,908	(266)
Non-Housing Revenue Account	2,935	2.3	3,359		3,359	0
Trading Operations	(1,701)	2.4	(1,652)		(1,652)	0
Administration	2,994	2.5	3,592		3,829	237
SERVICE TOTAL	42,640		54,434		54,434	0
BY SUBJECTIVE						
Staff Costs	41,666		61,918		61,668	(250)
Other Costs	59,683		83,070		83,274	204
Gross Expenditure	101,349		144,988		144,942	(46)
Grants	(289)		(170)		(170)	0
Other Income	(58,420)		(90,384)		(90,338)	46
Total Income	(58,709)		(90,554)		(90,508)	46
	42,640		54,434		54,434	0
BY ACTIVITY						
Housing Revenue Account	(21,857)	2.6	0		0	0
BY SUBJECTIVE						
Staff Costs	3,193		4,806		4,691	(115)
Other Costs	13,337		46,013		46,516	503
Gross Expenditure	16,530		50,819		51,207	388
Grants	0		0		0	0
Other Income	(38,387)		(50,819)		(51,207)	(388)
Total Income	(38,387)		(50,819)		(51,207)	(388)
	(21,857)		0		0	0

COMMUNITY SERVICES

Revenue Expenditure Monitoring Statement

1 April 2016 to 31 December 2016

Financial Detail

	£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
2.1 Roads and Transport				
Winter Maintenance	1,214	4,982	4,982	0
Roads Maintenance	5,143	6,748	6,748	0
Engineering Services	729	1,346	1,199	(147)
Community Works Services	1,025	1,462	1,387	(75)
Flood Alleviation	40	157	57	(100)
Lighting Services	1,897	3,476	3,781	305
Integrated Transport Services	460	657	636	(21)
Subsidies and Concessionary Fares	4,793	3,412	3,412	0
Car Parks	(233)	(1,301)	(1,151)	150
Roads and Community Works Trading Account	2,306	(978)	(1,061)	(83)
	17,374	19,961	19,990	29
2.2 Environmental and Amenity Services				
Refuse Collection	1,875	3,468	3,443	(25)
Waste Disposal	8,126	13,026	12,990	(36)
Recycling	7,437	10,532	10,494	(38)
Street Cleaning	2,221	3,029	3,029	0
Public Conveniences	785	986	981	(5)
Burials and Cremations	(262)	(625)	(531)	94
Grounds Maintenance	2,480	1,998	1,968	(30)
Environmental Health	1,424	2,055	1,977	(78)
Waste Management Trading Account	(3,048)	(5,295)	(5,443)	(148)
	21,038	29,174	28,908	(266)
2.3 Non-Housing Revenue Account				
Homelessness	1,301	1,467	1,467	0
Supporting People	1,432	1,764	1,764	0
Anti Social Behaviour	221	164	164	0
Gypsy Traveller Sites	(19)	(36)	(36)	0
	2,935	3,359	3,359	0
2.4 Trading Operations				
Harbours and Ferries	(1,701)	(1,652)	(1,652)	0
	(1,701)	(1,652)	(1,652)	0
2.5 Administration				
Management Overheads	1,685	1,963	2,212	249
Stores and Depots	1,584	1,963	1,951	(12)
Vehicle Maintenance Trading Account	(275)	(334)	(334)	0
	2,994	3,592	3,829	237
SERVICE TOTAL	42,640	54,434	54,434	0

COMMUNITY SERVICES

Revenue Expenditure Monitoring Statement

1 April 2016 to 31 December 2016

Financial Detail

2.6 Housing Revenue Account
Expenditure:-

	£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
Supervision and Management	3,759	6,021	5,762	(259)
Tenant Participation	140	210	197	(13)
Sheltered Housing	505	682	706	24
Homelessness	357	476	622	146
Repairs and Maintenance	11,127	15,730	15,656	(74)
House Rent Voids	431	722	575	(147)
Other Rent Voids	211	278	283	5
Central Support	0	3,610	3,610	0
Loan Charges	0	20,300	18,986	(1,314)
Capital Funded from Current Revenue	0	2,790	4,810	2,020

Gross Expenditure

16,530	50,819	51,207	388
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Income:-

House Rents	(36,365)	(48,769)	(48,487)	282
Other Rents	(1,339)	(1,649)	(1,763)	(114)
Other Income	(683)	(356)	(912)	(556)
Interest on Revenue Balances	0	(45)	(45)	0

Gross Income

(38,387)	(50,819)	(51,207)	(388)
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HRA TOTAL

(21,857)	0	0	0
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COMMUNITY SERVICES - Summary

DISAGGREGATED AREA BUDGETS 2016/17

REAL CASH BUDGETS ONLY

Monitoring Statement for the period to 31 December 2016

FUNCTION/ACTIVITY

Roads and Amenity Services

Area	Total Budget £	Actual 31/12/2016 £	Budget Left £	Estimated Outturn £	(Under)/ Over £
Badenoch & Strathspey	1,655,640	918,370	737,270	1,655,640	-
Caithness	3,213,102	1,840,374	1,372,728	3,213,102	-
Inverness	5,188,369	3,417,996	1,770,373	5,188,369	-
Lochaber	2,737,997	2,019,375	718,622	2,737,997	-
Nairn	1,039,960	748,062	291,898	1,039,960	-
Ross & Cromarty	6,666,651	3,478,487	3,188,164	6,666,651	-
Skye	2,399,679	1,475,208	924,471	2,399,679	-
Sutherland	4,207,299	2,807,259	1,400,040	4,207,299	-
Total	27,108,697	16,705,131	10,403,566	27,108,697	-

FUNCTION/ACTIVITY

Housing Revenue Account

Area	Total Budget £	Actual 31/12/2016 £	Budget Left £	Estimated Outturn £	(Under)/ Over £
Badenoch & Strathspey	1,197,719	712,075	485,644	432,859	(764,860)
Caithness	5,310,671	2,437,271	2,873,400	4,806,386	(504,285)
Inverness	9,732,555	5,439,885	4,292,670	8,824,829	(907,726)
Lochaber	2,980,395	1,905,996	1,074,399	2,405,756	(574,639)
Nairn	1,593,427	741,472	851,955	1,495,216	(98,211)
Ross & Cromarty	8,698,904	4,431,064	4,267,840	7,232,059	(1,466,845)
Skye	1,247,189	632,305	614,884	628,696	(618,493)
Sutherland	2,443,091	1,115,805	1,327,286	2,108,096	(334,995)
Total	33,203,951	17,415,873	15,788,078	27,933,897	(5,270,054)

Service	Saving owner	Activity Heading	Saving category	Savings Proposal	Savings		
					2016/17 £m	Saving RAYG (enter R, A, Y, or G)	
CS	WG	Car Parking	Income generation	Weekend charging for the use of HQ car park	0.020	A	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year.
CS	WG	Burials and Cremations	Income generation	Accelerate agreed increase (increase agreed HC 18/12/14)	0.633	A	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year.
TSP	WG	Transport Programme	Efficiencies	Seeking contract variation opportunities for school and public bus services provision; home-to-school transport efficiencies; future services provision re-tendering	0.625	A	Several routes being retendered and will be reported to special CS Committee on 7 December
CS	WG	Lighting	Efficiencies	Street lighting - energy, LEDs, timings, spacings, controls	0.128	A	Seeking to deliver this saving in a shorter timeframe but risks with staffing and delivery
CS	WG	Burials and Cremations	Income generation	Increase interment charges by 10% pa for 4 years	0.091	A	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year.
CS	WG	Burials and Cremations	Income generation	Increase lair purchase charges by 12% in year 1 and 10% pa for the next 3 years	0.087	A	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year.

2016/17 Savings

APPENDIX 3

Service	Saving owner	Activity Heading	Saving category	Savings Proposal	Savings		
					2016/17 £m	Saving RAYG (enter R, A, Y, or G)	
CS	WG	Burials and Cremations	Income generation	Increase cremation charges by 10% pa for 4 years	0.064	A	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year.
CS	WG	Burials and Cremations	Income generation	Increase interment charges to equal cremation charges in year 1 (+15%) and add 5% pa thereafter. This is additional to 7a.	0.046	A	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year.
CS	WG	Management and staffing savings	Management and staffing savings	Review layers of management throughout Service	0.300	G	
CS	WG	Public Conveniences	Service reviews	Review of provision of public conveniences	0.250	G	
CS	WG	Horticulture (growing and planting)	Cessation/reduction of service	Cease growing flowers and building/providing floral decorations. Close Council nurseries; Wick, Thurso and Inverness. Cease planting of annual flowers.	0.217	G	
TSP	WG	Fuel Procurement	Efficiencies	Rationalise arrangements for fuel procurement	0.210	G	
CS	WG	Waste Disposal	Third parties	Negotiate to remove all funding from Social Enterprises	0.200	G	
CS	WG	Anti-Social Behaviour	Service reviews	Review of Anti-Social Behaviourous Services including partial transfer to HRA	0.162	G	
TSP	WG	Reduction in Light Vehicles and Plant	Efficiencies	3 year programme to reduce the number of items of light vehicles and plant utilised full-time by the Council	0.150	G	
CS	WG	Contaminated Land	Cessation/reduction of service	Reduction in Contaminated Land work	0.089	G	
CS	WG	Standby	Service reviews	Review of duty officer	0.087	G	
CS	WG	Recycling	Service reviews	Review the hours of opening at recycling centres during weekdays	0.081	A	Negotiations with staff and unions ongoing to enable delivery

2016/17 Savings

APPENDIX 3

Service	Saving owner	Activity Heading	Saving category	Savings Proposal	Savings		
					2016/17 £m	Saving RAYG (enter R, A, Y, or G)	Projected saving- red amber yellow
CS	WG	Grounds Maintenance	Cessation/reduction of service	Reduced contractor costs from a review of maintained areas	0.063	G	
CS	WG	Coast Protection	Cessation/reduction of service	Delete the coast protection budget	0.057	G	
CS	WG	Waste Disposal	Third parties	Reduce payments to Social Enterprises	0.050	G	
CS	WG	Interments	Cessation/reduction of service	Interments to take place within 7 days unless there are traditional or religious reasons for not doing so	0.044	G	
CS	WG	Community Transport	Third parties	Review funding to community groups	0.040	G	
CS	WG	Recycling	Efficiencies	Cut in the waste awareness budget	0.040	G	
TSP	WG	Centralise Stores	Service reviews	Centralise stores under one management structure and use suppliers	0.030	G	
CS	WG	Out of Hours	Efficiencies	Move service to Aberdeen City	0.015	G	
CS	WG	Increase Income	Income generation	Increase income from applications and inspections - roads inspectors	0.010	G	
CS	WG	Street Cleansing	Cessation/reduction of service	Stop buying dog bags for public	0.010	G	

2016/17 Corporate & Transformation Savings

APPENDIX 4

2016/17					
Ref.	Activity Heading	Savings Proposal	16/17 Allocation Comments	2016/17 Service Allocations CS £m	Saving RAYG (enter R, A, Y, or G)
Corp 5	Voluntary Severance	Voluntary Severance	Allocation agreed 30/05/16 (includes £300k for ASN)	-1.290	G
Corp 6	Recruitment Freeze	Recruitment freeze for non-exempt posts	Allocation agreed 30/05/16	-0.120	G
PIM8	Fuel Procurement	Rationalise arrangements for fuel procurement	Agreed to allocate 30/05/16; WG to confirm sums per service	-0.192	G
Corp 1	Salary Sacrifice	Savings from salary sacrifice schemes	Allocate proportionate to take up of schemes in year to date	-0.021	G
Corp 7	Management and staffing savings	Agency Staff	Allocation agreed 30/05/16	-0.059	G
PIM27	Reduction in Light Vehicles and Plant	3 year programme to reduce the number of items of light vehicles and plant utilised full-time by the Council	Allocation agreed 30/05/16	-0.094	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	-0.017	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	-0.053	G
PIM5	Centralise Stores	Centralise stores under one management structure and use suppliers	Allocated in full to CS budget	-0.030	G
PIM16	Transport Programme	Seeking contract variation opportunities for school and public bus services provision; home-to-school transport efficiencies; future services provision re-tendering	Allocation agreed 30/05/16	-0.119	A

2016/17 Corporate & Transformation Savings

APPENDIX 4

2016/17					
Ref.	Activity Heading	Savings Proposal	16/17 Allocation Comments	2016/17 Service Allocations CS £m	Saving RAYG (enter R, A, Y, or G)
Corp 4, TSP Proc 1 & 3, TSP WPP4-SSJV9	Procurement	Procurement Shared Service & Collaborative Spend	Allocation agreed 30/05/16	-0.249	R
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	-0.226	A
Corp 3	Energy	Reduced consumption, pricing & behavioural change	Allocation agreed 30/05/16	-0.056	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	Allocation agreed 30/05/16	-0.027	G
PIM22	Mobile Technology	Roll out of processes developed for Housing in support of mobile working, scheduling and appointments	Allocation agreed 30/05/16	-0.284	G
	Information Management		Allocation agreed 30/05/16	-0.019	G
Total				-2.856	