

Agenda Item	16
Report No	PLA 14/17

HIGHLAND COUNCIL

Committee: Places Committee

Date: 15 June 2017

Report Title: Revenue Budget – Final Outturn 2016/17

Report By: Director of Community Services

1. Purpose/Executive Summary

- 1.1 This report invites Members to approve the revenue budget outturn position for the year ended 31 March 2017.

2. Recommendations

- 2.1 Members are invited to approve the revenue budget outturn position for the year ended 31 March 2017.

3. Background

3.1 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.

4. Final Outturn 2016/17

4.1 The Service returned an overspend of £0.643m (1.1%) for the year ended 31 March 2017 out of a net budget of £58.301m. The predicted outturn, previously reported to Committee, was a balanced budget.

4.2 The Service summary statements, which show the final position for the year ended 31 March 2017, are contained in **Appendix 1**.

4.3 There has been a net increase in the budget of £3.867m from that reported at 31 December 2016 of £54.434m to £58.301m. The budget was increased by £3.930m to take account of voluntary severance costs (£0.171m); costs incurred so far for the introduction of decriminalised parking enforcement (£0.377m); purchase of allowances for carbon reduction commitment scheme (£0.173m); budget feed for developers contributions (£0.163m); a budget transfer from the Care & learning Service to cover school transport contracts paid by Community services (£2.850m); and to meet the cost of early retirements (£0.196m). The budget was reduced by £0.063m in respect of: transferring the Bught Nursery to High Life Highland (£0.055m); allowance for equal pay provision (£0.006m); and a reduction for ICT contracts (£0.002m).

4.4 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 March 2017. The position overall for roads and amenity services is showing an underspend of £0.326m. 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 £8.136m. 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.

5. Budget Savings

5.1 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.

5.2 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 financial year.

5.3 **Appendix 4** sets out the corporate and transformational savings for the current financial year and reflects the position for 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 savings marked "amber" totalling £0.368m, will not be achieved in the way they were originally intended. Underspends across the Service have been sufficient to

allow the monetary value of the saving to be met.

6. Notes on Variances

6.1 The following is a summary of the movement on variances between 31 December 2016 figures as reported to the February Committee and the outturn at 31 March 2017:

Activity	December £'000	March £'000	Movement £'000
Roads and Transport	29	907	878
Environmental and Regulatory Services	(266)	(469)	(203)
Non-Housing Revenue Account	0	190	190
Trading Operations	0	(39)	(39)
Administration	237	54	(183)
Total	0	643	643

6.2 Roads and Transport

6.2.1 Due to the relative mild weather in some areas, the salt budget and associated movement of salt between depots resulted in an underspend on the winter maintenance budget.

6.2.2 The roads and winter maintenance budgets are inextricably linked, consequently the winter maintenance budget underspend was utilised on road maintenance activities.

6.2.3 The movement on the roads and transport budget in the final three months of the financial year is due to a combination of overspends on the subsidies and concessionary fares and car parks budget and the transfer of community works services, now amenity services, to environmental and amenity services.

6.2.4 The overspend on subsidies and concessionary fares is made up of an assumption that the retendering of the new school and public bus contracts would achieve a saving in 2016/17. The budget was reduced to reflect this. However, in reality the savings would occur in 2017/18. Also, as highlighted in paragraph 4.3 above, the sum transferred from Care & Learning should have been of the order of £0.300m higher. The award of bus contracts is ostensibly now complete, and officers are currently assessing the true level of savings achieved as a result of the retendering exercise.

6.2.5 As previously reported 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 £0.300m, which accounts for the majority of the 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.

6.3 Environmental and Regulatory Services

6.3.1 Staff vacancies account for 65% of the underspend on environmental health. The remainder is attributable to increases in income for the issuing of fish export certificates and air quality monitoring.

6.3.2 The remainder of the movement on the environmental and amenity services budget in the final quarter of the year is due to the transfer of community works services, now amenity services, from roads and transport.

6.4 Non-Housing Revenue Account

The homelessness overspend is attributable to increasing the bad debt provision on income raised in previous years. Recognition must be taken of whether income is actually realisable at the point of issue of an invoice. A review is to be undertaken in 2017/18, in conjunction with Finance, in respect of all income streams for the Non-HRA.

6.5 Administration

The improvement in the final three months of the year is due to the fleet management account delivering an underspend of £0.150m through a combination of curtailing expenditure and one-off income for the trialling of electric vehicles.

7. **Housing Revenue Account Final Outturn 2016/17**

7.1 The Housing Revenue Account (HRA) achieved a balanced budget, and this was consistently reported to Committees throughout the year.

7.2 The HRA summary statement, which shows the final position for the year ended 31 March 2017, is contained in **Appendix 1**.

8 **Notes on Variances**

8.1 The supervision and management overspend is attributable to increasing the bad debt provision on income, other than tenant rents, raised in previous years. A review is to be undertaken in 2017/18, in conjunction with Finance, in respect of all income streams for both HRA and Non-HRA, apart from tenant rents.

8.2 Reduced operating costs in Building Maintenance, costs of planned maintenance and non-gas servicing contracts resulted in the repairs and maintenance budget underspending.

8.3 The underspend on voids arose due to reduced letting times and the use of more HRA mainstream properties as temporary accommodation for homeless households.

8.4 Loan charges were under budget due to favourable interest rates throughout the year and the slippage in the mainstream Housing Capital Programme.

8.5 House rents did not achieve their income targets. The shortfall is due to the number of new builds and one bedroom builds not achieving the assumption built into the rent model, and an increase in the “right to buy” sales.

8.6 Other income was higher than budgeted, mainly due to increased invoicing for former tenant arrears, rechargeable repairs, insurance claims and a one-off receipt for land access.

8.7 As a result of these variations the capital funded from current revenue was £2.038m higher than budgeted, reducing the requirement for new borrowing in the year.

6. **Implications**

6.1 Resource – implications are discussed in the report.

6.2 Risk – implications to the budget position, and budget assumptions, will be kept under regular review and any risks identified report to future Committees.

6.3 Community (Equality, Poverty and Rural), Legal, Risk, Climate Change / Carbon
Clever, Gaelic – There are no implications arising as a direct result of this report.

Designation: Director of Community Services

Date: 6 June 2017

Author: Mike Mitchell, Service Finance Manager

Background Papers: Outturn 31/3/17 and the Highland Council Financial Ledger

COMMUNITY SERVICES

Revenue Expenditure Monitoring Statement

1 April 2016 to 31 March 2017

Service Summary

	£000 Actual Year To Date		£000 Annual Budget		£000 Year End Estimate	£000 Year End Variance
BY ACTIVITY						
Roads and Transport	23,190	2.1	22,283		23,190	907
Environmental and Amenity Services	29,921	2.2	30,390		29,921	(469)
Non-Housing Revenue Account	3,548	2.3	3,358		3,548	190
Trading Operations	(1,691)	2.4	(1,652)		(1,691)	(39)
Administration	3,976	2.5	3,922		3,976	54
SERVICE TOTAL	58,944		58,301		58,944	643
BY SUBJECTIVE						
Staff Costs	58,315		62,279		58,315	(3,964)
Other Costs	84,286		83,592		84,286	694
Gross Expenditure	142,601		145,871		142,601	(3,270)
Grants	(339)		(170)		(339)	(169)
Other Income	(83,318)		(87,400)		(83,318)	4,082
Total Income	(83,657)		(87,570)		(83,657)	3,913
	58,944		58,301		58,944	643
BY ACTIVITY						
Housing Revenue Account	0	2.6	0		0	0
BY SUBJECTIVE						
Staff Costs	4,795		5,002		4,795	(207)
Other Costs	46,682		45,817		46,682	865
Gross Expenditure	51,477		50,819		51,477	658
Grants	0		0		0	0
Other Income	(51,477)		(50,819)		(51,477)	(658)
Total Income	(51,477)		(50,819)		(51,477)	(658)
	0		0		0	0

COMMUNITY SERVICES

Revenue Expenditure Monitoring Statement

1 April 2016 to 31 March 2017

Financial Detail

	£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
2.1 Roads and Transport				
Winter Maintenance	4,098	4,737	4,098	(639)
Roads Maintenance	7,243	6,615	7,243	628
Engineering Services	993	1,146	993	(153)
Flood Alleviation	67	157	67	(90)
Lighting Services	3,865	3,586	3,865	279
Integrated Transport Services	615	657	615	(42)
Subsidies and Concessionary Fares	6,823	6,282	6,823	541
Car Parks	(514)	(897)	(514)	383
	23,190	22,283	23,190	907
2.2 Environmental and Amenity Services				
Refuse Collection	1,717	1,824	1,717	(107)
Waste Disposal	12,483	12,541	12,483	(58)
Recycling	8,605	8,688	8,605	(83)
Street Cleaning	2,191	2,226	2,191	(35)
Public Conveniences	1,069	986	1,069	83
Burials and Cremations	(823)	(846)	(823)	23
Grounds Maintenance	1,491	1,506	1,491	(15)
Amenity Services	1,320	1,411	1,320	(91)
Environmental Health	1,868	2,054	1,868	(186)
	29,921	30,390	29,921	(469)
2.3 Non-Housing Revenue Account				
Homelessness	1,820	1,570	1,820	250
Supporting People	1,602	1,661	1,602	(59)
Anti Social Behaviour	148	163	148	(15)
Gypsy Traveller Sites	(22)	(36)	(22)	14
	3,548	3,358	3,548	190
2.4 Trading Operations				
Harbours and Ferries	(1,691)	(1,652)	(1,691)	(39)
	(1,691)	(1,652)	(1,691)	(39)
2.5 Administration				
Management Overheads	2,367	2,293	2,367	74
Stores and Depots	1,953	1,963	1,953	(10)
Vehicle Maintenance Trading Account	(344)	(334)	(344)	(10)
	3,976	3,922	3,976	54
SERVICE TOTAL	58,944	58,301	58,944	643

COMMUNITY SERVICES

Revenue Expenditure Monitoring Statement

1 April 2016 to 31 March 2017

Financial Detail

2.6 Housing Revenue Account
Expenditure:-

Supervision and Management
 Tenant Participation
 Sheltered Housing
 Homelessness
 Repairs and Maintenance
 House Rent Voids
 Other Rent Voids
 Central Support
 Loan Charges
 Capital Funded from Current Revenue

Gross Expenditure
Income:-

House Rents
 Other Rents
 Other Income
 Interest on Revenue Balances

Gross Income
HRA TOTAL

£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
6,386	6,021	6,386	365
177	210	177	(33)
693	682	693	11
544	476	544	68
15,456	15,730	15,456	(274)
581	722	581	(141)
277	278	277	(1)
3,556	3,610	3,556	(54)
18,979	20,300	18,979	(1,321)
4,828	2,790	4,828	2,038
51,477	50,819	51,477	658
(48,479)	(48,769)	(48,479)	290
(1,721)	(1,649)	(1,721)	(72)
(1,221)	(356)	(1,221)	(865)
(56)	(45)	(56)	(11)
(51,477)	(50,819)	(51,477)	(658)
0	0	0	0

COMMUNITY SERVICES - Summary

DISAGGREGATED AREA BUDGETS 2016/17

REAL CASH BUDGETS ONLY

Monitoring Statement for the year ended 31 March 2017

FUNCTION/ACTIVITY

Roads and Amenity Services

Area	Total Budget £	Actual 31/03/2017 £	Budget Left £	Estimated Outturn £	(Under)/ Over £
Badenoch & Strathspey	1,655,742	1,560,084	95,658	1,560,084	(95,658)
Caithness	3,213,102	2,869,115	343,987	2,869,115	(343,987)
Inverness	5,193,660	5,230,990	(37,330)	5,230,990	37,330
Lochaber	2,737,997	2,687,774	50,223	2,687,774	(50,223)
Nairn	1,039,960	1,258,486	(218,526)	1,258,486	218,526
Ross & Cromarty	6,666,955	5,810,384	856,571	5,810,384	(856,571)
Skye	2,399,679	2,678,050	(278,371)	2,678,050	278,371
Sutherland	4,207,299	4,693,829	(486,530)	4,693,829	486,530
Total	27,114,394	26,788,712	325,682	26,788,712	(325,682)

FUNCTION/ACTIVITY

Housing Revenue Account

Area	Total Budget £	Actual 31/03/2017 £	Budget Left £	Estimated Outturn £	(Under)/ Over £
Badenoch & Strathspey	1,197,719	849,968	347,751	849,968	(347,751)
Caithness	5,310,671	3,596,312	1,714,359	3,596,312	(1,714,359)
Inverness	9,732,555	8,707,476	1,025,079	8,707,476	(1,025,079)
Lochaber	2,980,395	2,038,254	942,141	2,038,254	(942,141)
Nairn	1,593,427	1,099,334	494,093	1,099,334	(494,093)
Ross & Cromarty	8,698,904	6,234,437	2,464,467	6,234,437	(2,464,467)
Skye	1,247,189	941,258	305,931	941,258	(305,931)
Sutherland	2,443,091	1,600,539	842,552	1,600,539	(842,552)
Total	33,203,951	25,067,578	8,136,373	25,067,578	(8,136,373)

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	Car Parking	Income generation	Weekend charging for the use of HQ car park	0.020	A	Charging implemented from 23/2/17, £6k income generated to 31/3/17, therefore shortfall of £14k.
CS	WG	Burials and Cremations	Income generation	Accelerate agreed increase (increase agreed HC 18/12/14)	0.633	G	£600k was achieved, however shortfall of £33k.
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	The bulk of the saving was not achieved in 16/17 due to the late award of contracts. The saving is to be reprofiled, however there is an estimated shortfall of circa £700k overall.
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	G	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	£50k saving achieved, however the number of lairs sold were down on the previous 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)	Projected saving- red amber yellow
CS	WG	Burials and Cremations	Income generation	Increase cremation charges by 10% pa for 4 years	0.064	G	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	A	No facilities have been closed. Budget reduced by £250k, however overspend only £83k.
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 Behaviour 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	

2016/17 Savings

APPENDIX 3

Service	Saving owner	Activity Heading	Saving category	Savings Proposal	Savings		Projected saving- red amber yellow
					2016/17 £m	Saving RAYG (enter R, A, Y, or G)	
CS	WG	Recycling	Service reviews	Review the hours of opening at recycling centres during weekdays	0.081	G	Negotiations with staff and unions ongoing to enable delivery. To be included in the wider redesign for Waste.
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	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	-0.226	G	
Corp 3	Energy	Reduced consumption, pricing & behavioural change	Allocation agreed 30/05/16	-0.056	G	
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		