

Agenda Item	5
Report No	RES/32/17

HIGHLAND COUNCIL

Committee: Resources Committee

Date: 30 August 2017

Report Title: Corporate Revenue Monitoring Report to 30 June 2017

Report By: Director of Finance

1. Purpose/Executive Summary

- 1.1 This report provides a summary of the actual spend in the first quarter of financial year 2017/18 together with a forecast year end outturn position.
- 1.2 Net spend on services in the first quarter of financial year 2017/18 totalled £103.654m.
- 1.3 Based on present expenditure trends a year end overspend of £2.678m is forecast. Service Directors have committed to take the necessary action required to ensure a balanced budget is delivered by year end.
- 1.4 The report also provides a summary of the delivery of the approved budget savings required to deliver a balanced budget in 2017-18 along with an explanation of the position of the Council's key reserves at the year end.

2. Recommendations

2.1 Members are asked to:

- consider the financial position of the General Fund and HRA revenue budgets as at 30 June 2017 and note the estimated year end forecast
- note the status of budgeted savings in the year

3. Service budget variances

- 3.1 **Appendix 1** provides the usual monitoring statement format with **Table A** providing variance detail by service and other significant budget heads. Details of individual service positions have been reported to the respective strategic committees. Overall the Council is reporting a net overspend of £2.678m against service budgets.
- 3.2 The 'Financed By' section of **Table B** provides information on the Council's key sources of external funding. Council tax income is currently forecast to be £0.013m short of budgeted levels.
- 3.3 As previously requested by the committee **Appendix 2** provides a summary of forecast variances by service and expenditure and income type. Forecast overspends mainly relate to non-staffing expenditure and income shortfalls with some mitigation from underspends against staffing budgets.
- 3.4 The Care and Learning Service is projecting a year end overspend of £0.897m which arises mainly from ongoing pressures on looked after children, unallocated savings, property repairs and servicing. The effect of these pressures is mitigated in part by vacancy management across the service.
- 3.5 Community Services are reporting a potential financial year end overspend of £1.242m with the most significant pressures in street lighting, car park income, homelessness and public convenience cleaning.
- 3.6 A balanced position is currently reported against the loans charges budget. This position will be reviewed during quarter 2, most particularly to reflect the principal element of loans charges repayments in respect of capital expenditure during financial year 2016/17. Preliminary work suggests that the asset life of those assets requiring to be financed by loans charges is longer than modelled which may lead to an underspend against this budget.

4. Housing Revenue Account

- 4.1 As shown in **Appendix 3** the Housing Revenue Account (HRA) is forecast to deliver a balanced budget.
- 4.2 Should the HRA deliver a year end underspend that will afford the opportunity for capital expenditure to be funded directly from revenue funds. Funding of capital expenditure from revenue funds would reduce the overall HRA borrowing requirement and make consequential savings in future years' borrowing costs.

5. Reserves and Balances

- 5.1 **Appendix 6** summarises the movements on the Council's earmarked and non-earmarked balances during the course of the year. The principal movement relates to an earmarking of funds previously agreed by this committee.
- 5.2 At this relatively early stage of the financial year there remains the opportunity to recover the current forecast position, however any year end overspend would require to be funded from the Council's non-earmarked general fund

reserve. That reserve is already below 2% of annual revenue budget, the minimum level suggested by Audit Scotland.

6. Budget savings

- 6.1 In order to deliver a balanced budget for the year budget savings of £16.368m are required to be delivered. A summary of the delivery of those savings can be seen at **Appendix 7**. Savings ranked as green are expected to be delivered in full, those as amber have risks that the full value of the saving will not be delivered, and those as red are not expected to be delivered.
- 6.2 As part of this month's committee cycle services have been reporting the detail of the delivery of their savings. The full delivery of all approved budget savings is essential given the continuing squeeze on the Council's revenue budget.
- 6.3 A handful of corporate savings targets have not yet been allocated to service budgets, details of these savings can be seen at **Appendix 5**. A residual balance of £0.409m relates to a requirement for alternative savings to be found to replace savings approved for removal from the transformational savings programme at the previous meeting of this committee. Pending the identification of such savings this element has been rated as red.

7. Implications

- 7.1 Resource implications are as noted in this report.
- 7.2 There are no Legal, Community (Equality, Poverty and Rural), Climate Change/Carbon Clever, Gaelic implications arising as a direct result of this report.

Designation: Director of Finance

Date: 21 August 2017

Author: Edward Foster, Head of Corporate Finance

Background Papers:

http://www.highland.gov.uk/download/meetings/id/72337/item_9_care_and_learning_revenue_budget_monitoring_201718

http://www.highland.gov.uk/download/meetings/id/72315/item_7_development_and_infrastructure_service_revenue_budget_monitoring_to_30_june_2017

http://www.highland.gov.uk/download/meetings/id/72326/item_18_community_services_revenue_budget_201718_-_monitoring_to_30_june_2017

http://www.highland.gov.uk/download/meetings/id/72335/item_5_housing_revenue_budget_monitoring_report_-_1_april_to_30_june_2017

Revenue Expenditure Monitoring Report - General Fund Summary

1 April to 30 June 2017

	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
Table A: By Service				
Care and Learning	62,326	363,039	363,936	897
Chief Executive's Office	1,025	4,474	4,474	0
Corporate Development	4,763	17,443	17,701	258
Community Services	10,753	63,827	65,069	1,242
Development and Infrastructure	6,333	21,326	21,326	0
Finance Service	3,604	11,539	11,496	(43)
Welfare Services	13,759	17,400	17,336	(64)
Service Total	102,563	499,048	501,338	2,290
Valuation Joint Board	426	2,550	2,550	0
Non Domestic Rates reliefs	665	701	680	(21)
Loan Charges	0	58,604	58,604	0
Interest on Revenue Balances	0	(330)	(330)	0
Unallocated Budget	0	1,853	1,853	0
Unallocated Corporate Savings	0	(4,080)	(3,671)	409
Affordable Housing Contribution	0	2,600	2,600	0
Total General Fund Budget	103,654	560,946	563,624	2,678

Table B: By Subjective				
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Staff Costs	75,167	322,457	321,557	(900)
Other Costs	71,403	450,698	453,470	2,772
Gross Expenditure	146,570	773,155	775,027	1,872
Grants	(12,579)	(60,995)	(61,059)	(64)
Other Income	(30,337)	(151,214)	(150,344)	870
Total Income	(42,916)	(212,209)	(211,403)	806
Total Revenue Expenditure	103,654	560,946	563,624	2,678

Financed By:				
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Aggregate External Finance as notified	60,154	430,796	430,796	0
Additional resources	1,317	1,317	1,317	0
Council Tax	40,788	127,438	127,425	(13)
Use of earmarked balances	1,706	1,706	1,706	0
Use of non earmarked balances	(1,694)	(1,694)	997	2,691
Other reserves	1,383	1,383	1,383	0
Total General Fund Budget	103,654	560,946	563,624	2,678

Revenue Expenditure Monitoring Report - General Fund Summary

1 April to 30 June 2017

	Staff Costs Variance £000	Other Costs Variance £000	Grants Variance £000	Other Income Variance £000	Total Variance £000
Table A: By Service					
Care and Learning	(660)	1,158	16	383	897
Chief Executive's Office	13	(10)	0	(3)	0
Corporate Development	91	67	0	100	258
Community Services	0	842	0	400	1,242
Development and Infrastructure	0	0	0	0	0
Finance Service	(344)	311	0	(10)	(43)
Welfare Services	0	16	(80)	0	(64)
Valuation Joint Board	0	0	0	0	0
Non Domestic Rates reliefs	0	(21)	0	0	(21)
Loan Charges	0	0	0	0	0
Interest on Revenue Balances	0	0	0	0	0
Unallocated Budget	0	0	0	0	0
Unallocated Corporate Savings	0	409	0	0	409
Affordable Housing Contribution	0	0	0	0	0
Total General Fund Budget	(900)	2,772	(64)	870	2,678

Revenue Expenditure Monitoring Report - Housing Revenue Account Summary
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1 April to 30 June 2017

	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
Staff Costs	1,276	5,292	5,292	0
Other Costs	4,836	26,999	26,999	0
Loan charges and interest	0	18,943	18,943	0
Gross Expenditure	6,112	51,234	51,234	0
House Rents	(10,273)	(48,863)	(48,863)	0
Other rents	(508)	(1,954)	(1,954)	0
Other income	(261)	(356)	(356)	0
Interest on Revenue Balances	0	(61)	(61)	0
Gross Income	(11,042)	(51,234)	(51,234)	0
Total HRA	(4,930)	0	0	0

Revenue Expenditure Monitoring Report - General Fund Budget
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1 April to 30 June 2017

	£m	£m
Budget as agreed by Highland Council on 16 Feb 2017		568.639
Less : Ring-fenced grants (Gaelic, Criminal Justice, Attainment Funding)		(7.705)
Grant Funding Redeterminations		0.000
Agreed use of non-earmarked balances		
Council Redesign	0.050	
ICT Contract	1.644	
	-----	1.694
Use of/(contribution to) earmarked balances		
Council Redesign	(0.050)	
ICT Contract	(1.644)	
Developer Contributions	0.012	
	-----	(1.682)
Use of Other Reserves		
	-----	0.000
Total General Fund Budget at 30th June 2017		<u><u>560.946</u></u>

Revenue Expenditure Monitoring Report - General Fund Budget
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1 April to 30 June 2017

Table A Unallocated Budget

	£m
Provision for Holiday Pay	0.400
Additional property costs associated with capital investment	0.214
Pension strain costs	0.353
Provision for pay award in excess of 1%	0.752
Grant funding - 1+2 Languages	0.134
Unallocated Budget at 30th June 2017	<u><u>1.853</u></u>

Table B Unallocated Corporate Savings

	£m	Delivery RAG
Income Generation	0.165	G
Centralise Stores	0.060	G
Transport Programme	0.767	G
Reduction in Light Vehicles and Plant	0.133	G
Entitlements & Digital Services	0.209	G
Mobile Technology	0.128	G
Procurement	1.352	A
Energy	0.281	G
Service Redesign	0.500	G
Property Asset Management	0.076	G
Alternatives to deleted savings WCG/1 and reduced savings PIM/16	0.409	R
Unallocated Corporate Savings at 30th June 2017	<u><u>4.080</u></u>	

Revenue Expenditure Monitoring Report - General Fund Balance

1 April to 30 June 2017

General Fund Balance

	Earmarked balances £m	Non- earmarked balances £m	Total £m
Balance at 1 April 2017 (Unaudited)	14.665	11.820	26.485
Use of balances included in budget as agreed by Highland Council on 16 Feb 2017	0.000	0.000	0.000
Use of balances per Appendix 4	1.682	(1.694)	(0.012)
Movement in balances per Appendix 1	1.682	(1.694)	(0.012)
Net service overspend per Appendix 1	0.000	(2.678)	(2.678)
Appropriations to Other Reserves	0.000	0.000	0.000
Additional financing	0.000	(0.013)	(0.013)
General Fund Balance at 30st June 2017	<u>16.347</u>	<u>7.435</u>	<u>23.782</u>

Analysis of all service budget savings by RAYG ranking

Table 1

	Total			Total
	Green	Amber	Red	
Care and Learning	2.728	0.824	0.049	3.601
Chief Executive's Service	0.309	0.078	0.000	0.387
Community Services	2.499	0.276	0.172	2.947
Corporate Development	1.036	0.000	0.000	1.036
Development and Infrastructure	1.534	0.784	0.050	2.368
Finance	1.949	0.000	0.000	1.949
Unallocated Savings	2.319	1.352	0.409	4.080
Total	12.374	3.314	0.680	16.368