

Agenda Item	5.
Report No	RES/02/18

HIGHLAND COUNCIL

Committee: Corporate Resources Committee

Date: 28 February 2018

Report Title: Corporate Revenue Monitoring Report to 31 December 2017

Report By: Director of Corporate Resources

1. Purpose/Executive Summary

- 1.1 This report provides a summary of the actual spend to the end of the third quarter of financial year 2017/18 together with a forecast year end outturn position.
- 1.2 Net spend on services to the end of the third quarter of financial year 2017/18 totalled £357.013m.
- 1.3 Based on present expenditure trends a year end overspend of £3.630m is forecast. At this late stage in the year it is looking increasingly unlikely that a balanced position will be attained at year end. Any overspend will need to be funded from the Council's non-earmarked general fund reserve.
- 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 31 December 2017 and note the estimated year end forecast and ensuing impact on balances
- 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 Q3 positions have been reported to the respective strategic committees. Overall the Council is reporting a net overspend of £3.630m against service budgets.
- 3.2 This overall position represents a significant deterioration from quarter two when a year end overspend of £1.439m was forecast. The paragraphs below will outline the significant movements in forecast arising during the third quarter of the year.
- 3.3 For context, at the end of Q3 in the financial year 2016/17 an overspend of £1.517m was forecast. By year end this position turned into an underspend of £1.912m. Due to closer control and review of certain budgets such an improvement in the overall position is not anticipated this year. Continuing service budget pressures may even see a further worsening of the reported position.
- 3.4 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.
- 3.5 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 with some mitigation from underspends against staffing budgets.
- 3.6 The Care and Learning Service is projecting a year end overspend of £2.992m which compares to a forecast overspend of £2.469m in Q2. During the third quarter the forecast overspend on looked after children has further increased due to continued rises in the number of independent residential and fostering placements requiring to be funded by this budget. This year has seen a 10% increase in the number of looked after children, after several years of static numbers. A report on this issue, titled 'Corporate Parenting' was presented to the People committee in December 2017- a link to that report is provided in the background papers section.

There are 46 spot-purchased placements for looked after children from 8 to 17 years of age, not including those commissioned under contract. A business plan is being developed through the Redesign Board, seeking to provide a comprehensive, new approach to the way that placement services are commissioned and bring spend back in line with budget.

Other pressures on the C&L budget arise from unallocated savings but the effect of these pressures is mitigated in part by vacancy management across the service.

- 3.7 Community Services are reporting a potential financial year end overspend of £2.259m with the most significant pressures as a result of winter weather, street lighting and public convenience cleaning. The overall pressure has

increased from £0.969m in Q2 as a result of a forecast £2m overspend on winter maintenance. A separate report on that subject was presented to the EDI committee on the 1st February- a link to that report is provided in the background papers section.

A combination of the weather conditions experienced and the timing of the most severe episodes is causing the pressure on the winter maintenance budget. Some of the worst weather conditions have fallen over week-ends and the Christmas bank holiday periods which has resulted in more overtime being authorised. In addition there has been increased usage of salt.

3.8 Within the Welfare budget an underspend of £0.690m is predicted due to delays in the roll-out of Universal Credit (all Job Centres in Highland are now full service). The underspend also arises from work undertaken by officers at a national level which has contributed to a greater proportion of national funding coming to Highland for Homelessness for Universal Credit customers, previously paid through the Housing Benefit scheme funded by the Department for Work and Pensions.

3.9 An underspend of £1.382m is forecast against the loans charges budget. There are three main elements contributing to this underspend. Capital spend in 2016/17 was lower than assumed when setting the loans charges budget for 2017/18. A lower than expected level of capital spend results in a lower principal element of the loans charge. The 2016/17 assets requiring to be financed through loans charges have a longer asset life than was anticipated when setting the budget. A longer asset life means the principal element of the loans can be written down over a longer period of time resulting in a lower annual principal repayment. Finally a capital accounting adjustment identified through the year end process has a non-recurring impact of reducing this year's loans charge.

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 Any year end overspend would require to be funded from the Council's non-earmarked general fund reserve. If the current forecast overspend comes to pass that reserve would reduce to £6.483m. At that level the reserve is around 1.15% of annual revenue budget; the minimum level recommended by Audit Scotland is 2%

6. Budget savings

- 6.1 A summary of the delivery of this year's budget 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 the current 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 fully allocated to service budgets, details of these savings can be seen at **Appendix 5**. A pressure of £1.411m is included in the overall forecast position reflecting assumed non-delivery or partial delivery of these items.

7. Implications

- 7.1 Resource implications are as noted in this report.
- 7.2 There are no risk, legal, equality, climate change/Carbon Clever, rural or Gaelic implications arising as a direct result of this report.

Designation: Director of Corporate Resources

Date: 16 February 2018

Author: Edward Foster, Head of Corporate Finance & Commercialism

Background Papers:

https://www.highland.gov.uk/download/meetings/id/72757/item_6_corporate_revenue_monitoring_report_to_30_september_2017

https://www.highland.gov.uk/download/meetings/id/73038/item_9_care_and_learning_revenue_budget

https://www.highland.gov.uk/download/meetings/id/73087/item_4_development_and_infrastructure_service_revenue_budget_-_monitoring_to_31_december_2017

https://www.highland.gov.uk/download/meetings/id/73096/item_12_community_services_revenue_budget_201718_%E2%80%93_monitoring_to_31_december_2017

https://www.highland.gov.uk/download/meetings/id/73099/item_15_winter_maintenance

https://www.highland.gov.uk/download/meetings/id/72897/item_13_corporate_parenting

Revenue Expenditure Monitoring Report - General Fund Summary

1 April to 31 December 2017

	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
Table A: By Service				
Care and Learning	226,922	335,848	338,840	2,992
Chief Executive's Office	4,547	5,625	5,539	(86)
Corporate Resources	24,347	27,892	27,929	37
Community Services	46,798	63,498	65,757	2,259
Development and Infrastructure	36,496	49,528	49,501	(27)
Welfare Services	15,321	17,382	16,628	(754)
Service Total	354,431	499,773	504,194	4,421
Valuation Joint Board	1,917	2,550	2,550	0
Non Domestic Rates reliefs	665	701	680	(21)
Loan Charges	0	56,744	55,362	(1,382)
Interest on Revenue Balances	0	(330)	(330)	0
Unallocated Budget	0	1,786	987	(799)
Unallocated Corporate Savings	0	(1,892)	(481)	1,411
Affordable Housing Contribution	0	2,600	2,600	0
Total General Fund Budget	357,013	561,932	565,562	3,630

Table B: By Subjective

Staff Costs	238,072	315,850	314,862	(988)
Other Costs	266,069	455,357	461,566	6,209
Gross Expenditure	504,141	771,207	776,428	5,221
Grants	(46,141)	(62,935)	(64,005)	(1,070)
Other Income	(100,987)	(146,340)	(146,861)	(521)
Total Income	(147,128)	(209,275)	(210,866)	(1,591)
Total Revenue Expenditure	357,013	561,932	565,562	3,630

Financed By:

Aggregate External Finance as notified	231,287	430,796	430,796	0
Additional resources	2,299	2,299	2,299	0
Council Tax	122,028	127,438	127,425	(13)
Use of earmarked balances	(1,678)	(1,678)	(1,678)	0
Use of non earmarked balances	1,694	1,694	5,337	3,643
Other reserves	1,383	1,383	1,383	0
Total General Fund Budget	357,013	561,932	565,562	3,630

Revenue Expenditure Monitoring Report - General Fund Summary

1 April to 31 December 2017

Staff Costs Variance £000	Other Costs Variance £000	Grants Variance £000	Other Income Variance £000	Total Variance £000
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Table A: By Service

Care and Learning	(1,267)	4,315	(227)	170	2,991
Chief Executive's Office	(15)	(7)	0	(64)	(86)
Corporate Resources	(240)	387	0	(110)	37
Community Services	432	2,099	0	(271)	2,260
Development and Infrastructure	102	190	(73)	(246)	(27)
Welfare Services	0	16	(770)	0	(754)
Valuation Joint Board	0	0	0	0	0
Non Domestic Rates reliefs	0	(21)	0	0	(21)
Loan Charges	0	(1,382)	0	0	(1,382)
Interest on Revenue Balances	0	0	0	0	0
Unallocated Budget	0	(799)	0	0	(799)
Unallocated Corporate Savings	0	1,411	0	0	1,411
Affordable Housing Contribution	0	0	0	0	0
Total General Fund Budget	(988)	6,209	(1,070)	(521)	3,630

Revenue Expenditure Monitoring Report - Housing Revenue Account Summary
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1 April to 31 December 2017

	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
Staff Costs	3,794	5,402	5,441	39
Other Costs	16,523	26,889	29,035	2,146
Loan charges and interest	0	18,943	17,579	(1,364)
Gross Expenditure	20,317	51,234	52,055	821
House Rents	(35,773)	(48,842)	(49,058)	(216)
Other rents	(1,863)	(1,956)	(2,062)	(106)
Other income	(476)	(375)	(874)	(499)
Interest on Revenue Balances	0	(61)	(61)	0
Gross Income	(38,112)	(51,234)	(52,055)	(821)
Total HRA	(17,795)	0	0	0

Revenue Expenditure Monitoring Report - General Fund Budget
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1 April to 31 December 2017

	£m	£m
Budget as agreed by Highland Council on 16 Feb 2017		568.639
Less : Ring-fenced grant (Gaelic, Criminal Justice, Attainment Funding)		(7.705)
Grant Funding Redeterminations:		
Planning Fee Income	(0.070)	
DHP Admin Funding	0.036	
CTRS	0.716	
CTRS Admin	0.008	
Building Warrant Fees	(0.002)	
Sensory Impairment	0.014	
Teachers Pay	0.280	0.982
Agreed use of non-earmarked balances		
Council Redesign	0.050	
ICT Contract	1.644	
	1.694	1.694
Use of/(contribution to) earmarked balances		
Council Redesign	(0.050)	
ICT Contract	(1.644)	
Developer Contributions	0.012	
Dilapidations	0.005	
Community Justice	0.013	
Sensory Impairment	(0.014)	
	(1.678)	(1.678)
Use of Other Reserves		
	0.000	0.000
Total General Fund Budget at 31st December 2017		561.932

Revenue Expenditure Monitoring Report - General Fund Budget
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1 April to 31 December 2017

Table A Unallocated Budget

	£m
Provision for Holiday Pay	0.400
Additional property costs associated with capital investment	0.214
Pension strain costs	0.373
Uncommitted Unallocated Budget	0.799
Unallocated Budget at 31st December 2017	1.786

Table B Unallocated Corporate Savings

	£m	Delivery RAG
Income Generation	0.085	A
Procurement	1.066	A
Energy	0.281	G
Service Redesign	0.384	A
Property Asset Management	0.076	A
Unallocated Corporate Savings at 31st December 2017	1.892	

Revenue Expenditure Monitoring Report - General Fund Balance

1 April to 31 December 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	1.678	(1.694)	(0.016)
Movement in balances per Appendix 1	1.678	(1.694)	(0.016)
Net service overspend per Appendix 1	0.000	(3.630)	(3.630)
Appropriations to Other Reserves	0.000	0.000	0.000
Additional financing	0.000	(0.013)	(0.013)
General Fund Balance at 31st December 2017	16.343	6.483	22.826

Analysis of all service budget savings by RAYG ranking

Appendix 7

Table 1

	Total			Total
	Green	Amber	Red	
Care and Learning	2.472	0.974	0.249	3.695
Chief Executive's Service	0.371	0.078	0.000	0.449
Corporate Resources	3.117	0.000	0.090	3.207
Community Services	4.049	0.184	0.172	4.405
Development and Infrastructure	2.359	0.000	0.050	2.409
Unallocated Savings	0.281	1.611	0.000	1.892
Total	12.649	2.847	0.561	16.057