

Agenda Item	<b>5</b>
Report No	<b>EDI/17/18</b>

## **HIGHLAND COUNCIL**

**Committee:** Environment, Development and Infrastructure

**Date:** 17 May 2018

**Report Title:** Development and Infrastructure Service Revenue Budget – Near Final Outturn 2017/18

**Report By:** Director of Development and Infrastructure

### **1. Purpose/Executive Summary**

- 1.1 This report invites Members to approve the revenue budget near final outturn position for the Development and Infrastructure Service for the year ended 31 March 2018.

### **2. Recommendations**

- 2.1 Members are invited to approve the revenue budget near final outturn position for the year ended 31 March 2018.

### 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 2017/18

- 4.1 The Service returned an underspend of £0.107m (0.2%) for the year ended 31 March 2018 out of a net budget of £49.281m. The predicted outturn, previously reported to Committee, was an underspend of £0.027m.
- 4.2 The Service summary statement, shows the final position for the year ended 31 March 2018, is contained in **Appendix 1**.
- 4.3 There has been a net decrease in the budget of £0.247m from that reported at 31 December 2017 of £49.528m to £49.281m. The budget was increased by £0.944m to take account of developers' contributions (£0.741m); budget feed for central energy efficiency fund (£0.105m); budget feed for property office rationalisation projects (£0.075m); and to meet the cost of early retirements (£0.018m). The budget was reduced by £1.191m in respect of transferring the budget for purchase of allowances for carbon reduction commitment scheme (£0.704m) to Care and Learning and Community Services; increasing the renewable heat incentive income target (£0.281m); transfer of the countryside rangers service to Highlife Highland (£0.183m); and transferring central support services to Corporate Resources (£0.023m).

### 5. Budget Savings

- 5.1 All of the savings, both Service specific and corporate and transformational, have been reflected in the Development and Infrastructure 2017/18 budget, and have been allocated across all parts of the Service, where appropriate.
- 5.2 An updated Red/Amber/Green (RAG) analysis of agreed budget savings for the current financial year is set out on **Appendix 2**. This statement reflects the position for the financial year.
- 5.3 The RAG status is based on achieving the saving based on the proposal i.e. capital investment in renewable projects aligned to generating electricity and selling to the market directly linked to a budget income target. The two savings measures marked "red" totalling £0.300m, will not be achieved in the way they were originally intended. No additional income was generated through the Scottish Energy Efficiency Income Scheme. The target was over-ambitious. Given the change to subsidy arrangements, the saving of £0.050m, (£0.234m was unachieved in 2016/17) attributed to supporting Council renewable projects was not achieved. Budget provision has been allowed for in the Economy and Regeneration budget.

## 6. Notes on Variances

6.1 The following is a summary of the movement on variances between 31 December 2017 figures as reported to the February Committee and the outturn at 31 March 2018:

<b>Activity</b>	December £000	March £000	Movement £000
Directorate	35	(38)	(73)
Planning and Building Standards	84	218	134
Infrastructure	(75)	(7)	68
Environment and Economic Development	(111)	(114)	(3)
Property and Facilities Management	165	723	558
Planning Fee and Building Warrant Income	(125)	(889)	(764)
<b>Total</b>	<b>(27)</b>	<b>(107)</b>	<b>(80)</b>

6.2 Planning and Building Standards

6.2.1 Part of the overspend (£0.135m) is attributable to costs associated with Public Local Inquiries. The budget is set at the same level each year, £0.050m. However given the nature of the unpredictability of the costs incurred, this line may overspend.

6.2.2 The bulk of the remaining overspend is due to costs incurred in making dangerous buildings safe. These costs are recoverable, however to be prudent no income has been recognised until invoices have physically been paid.

6.3 Property and Facilities Management

6.3.1 The overspend in energy and sustainability is due to the Feed-in-Tariff failing to achieve its target. The budget shortfall has been rectified in the 2018/19 budget by increasing the renewable heat incentive income target.

6.3.2 A reduction in property costs, increase in rechargeable income and vacant posts resulted in property asset management underspending.

6.3.3 The revenue maintenance budget overspend is due to a combination of the property element and the former element previously reported under Care and Learning, both overspending. The property element is as a result of a budget pressure due to compliance and service contracts. A budget feed has been received for 2018/19, however this pressure is likely to continue to rise year on year. The Care and Learning property element transferred to this Service midway through the year, and has inherent budgetary issues. £0.666m of the overspend relate to these issues, and can be summarised as follows:

- Estates team underfunded
- Insufficient budget for feasibility work
- Schools snow clearing (2017/18 winter overspend £0.202m)
- Service contracts

There is ongoing dialogue between the Services to resolve the budgetary issues, and will be accounted for in the 2018/19 budget.

6.3.4 The underspend on Wick SFT is due to a reduction in the unitary payments and a rates provision which was not required.

- 6.3.5 The catering, cleaning and facilities management overspend is due to a shortfall in income as a result of the reduction in secondary school week to 4.5 days. A budget feed has been received for 2018/19, however there remains a concern going forward. A number of initiatives are being considered to address the income gap.
- 6.3.6 Increased rental income and rechargeable income resulted in both investment properties and housing development to return larger underspends than expected.
- 6.3.7 After a review of the charges for the technical, design and projects team this section returned a much improved bottom line. The charges review will allow a more robust budget to be set for 2018/19 and future years.
- 6.4 Income
- 6.4.1 Income from planning fees and building warrants were far better than expected. The increase can be attributed to a combination of increased charges, a more buoyant economy, increased tourism, increase in affordable housing and general increase in both the construction industry and housing market.

## **7. Implications**

- 7.1 Resource - Resource implications are discussed in the report.
- 7.2 Risk - Risk implications to the budget position, and budget assumptions, will be kept under regular review and any risks identified reported to future Committees.
- 7.3 Community (Equality, Poverty and Rural), Climate change/ Carbon Clever, Legal, Gaelic – there are no implications arising as a direct result of this report.

Designation: Director of Development and Infrastructure

Date: 8 May 2018

Author: Mike Mitchell, Service Finance Manager

Background Papers: Near Final Monitoring Statement 31/3/18 and the Highland Council Financial Ledger

<b>DEVELOPMENT AND INFRASTRUCTURE Revenue Expenditure Monitoring Report</b>
---

<b>1 APRIL 2017 - 31 MARCH 2018</b>
-------------------------------------

<b>Summary</b>
----------------

	£000 Actual Year To Date	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
<b>BY ACTIVITY</b>				
<b>Directorate</b>				
Director & Business Team	1,696	1,734	1,696	(38)
<b>Planning &amp; Building Standards</b>	4,776	4,558	4,776	218
<b>Infrastructure</b>				
Project Design Unit	(670)	(640)	(670)	(30)
Flood Risk Assessment	187	164	187	23
<b>Environment &amp; Economic Development</b>				
Environment	1,177	1,228	1,177	(51)
Economy & Regeneration	1,877	1,940	1,877	(63)
<b>Property</b>				
Energy & Sustainability	(1,740)	(1,838)	(1,740)	98
Property Asset Management	2,319	2,459	2,319	(140)
Revenue Maintenance	7,235	5,896	7,235	1,339
PPP and Wick SFT	26,566	26,899	26,566	(333)
Catering, Cleaning & Facilities Management	15,376	15,064	15,376	312
Housing Development & Private Sector Housing Grant	1,559	1,679	1,559	(120)
Investment Properties	(2,379)	(2,120)	(2,379)	(259)
Technical, Design & Projects	(3,242)	(3,068)	(3,242)	(174)
<b>Income</b>				
Planning Fee Income	(3,140)	(2,696)	(3,140)	(444)
Building Warrant Fee Income	(2,423)	(1,978)	(2,423)	(445)
	<b>49,174</b>	<b>49,281</b>	<b>49,174</b>	<b>(107)</b>

<b>BY SUBJECTIVE</b>				
Staff Costs	36,835	36,001	36,835	834
Other Costs	55,623	53,415	55,623	2,208
<b>Gross Expenditure</b>	<b>92,458</b>	<b>89,416</b>	<b>92,457</b>	<b>3,042</b>
Grants	(8,645)	(7,970)	(8,645)	(675)
Other Income	(34,639)	(32,165)	(34,639)	(2,474)
<b>Total Income</b>	<b>(43,284)</b>	<b>(40,135)</b>	<b>(43,284)</b>	<b>(3,149)</b>
	<b>49,174</b>	<b>49,281</b>	<b>49,174</b>	<b>(107)</b>

## Notes

1. Percentage of annual budget	Expenditure	Income
This year	<u>103%</u>	<u>108%</u>
<b>2. Appeals, Public Local Inquiries and Court Cases (included above in Planning &amp; Building Standards)</b>	Actual Year to Date	
	£000	
PLIs General	97	
Druim Ba Wind Farm	27	
Glenmorie Wind Farm	1	
Cnoc an Eas Wind Farm	18	
West Garty Wind Farm	13	
Caplich Wind Farm	9	
Culachy Wind Farm	17	
Golticlay Wind Farm	2	
Limekiln 2 / Drum Hollistan	42	
TOTAL	<u>226</u>	

Service	Saving Owner	Agreed Date	Ref.	Activity Heading	Saving Category	Savings Proposal	2017/18 £m	Saving RAYG (enter R, A, Y or G)	Projected Saving - Red, Amber, Yellow £m
D&I	SB	18/12/14	3	Planning & Building Standards	Income generation	Increased Planning & Building Standards Fees	0.025	G	
D&I	SB	18/12/14	4	Project Design Unit	Service reviews	Increased in-house professional staffing to reduce need of consultancy support to deliver capital programme	0.010	G	
D&I	SB	18/12/14	5	Property	Service reviews	Increased in-house professional staffing to reduce need of consultancy support to deliver capital programme <i>Savings reduced HC 16/02/17</i>	0.035	G	
D&I	SB	18/12/14	6	Housing Development	Income generation	Increased Industrial Development Charges	0.027	G	
D&I	SB	16/02/17	1	Environment		Reduction in countryside rangers service and Access team and restructuring of Environmental Projects team	0.371	G	
D&I	SB	16/02/17	2	Economy & Regeneration		Revise European, Business Gateway and Tourism Services	0.305	G	
D&I	SB	16/02/17	3	Employability Service		Reduction in employability team and grants to third parties	0.331	G	
D&I	SB	16/02/17	4	Energy & Sustainability		Generate additional Scottish Energy Efficiency Income (SEEPS) by coordinating Highland-wide programmes of work	0.250	R	
D&I	SB	16/02/17	5	Property Asset Management		Reduce the number of Property Assets held on the Property Office Accommodation Account <i>Included as Corporate saving for allocation across Services</i>			
D&I	SB	16/02/17	6	Flood Risk Management		Reduce the revenue budget for flood risk management	0.100	A	Achieved £0.077
D&I	SB	16/02/17	7	Service-wide		P & B S Income - increase charges : £100k Property Principal PM(HC10) : £53k Property Efficiencies : £145k Director /Business Team : £131k <i>Deletion of vacant posts across the service : £240k</i>	0.669	G	
Corp	SB	16/02/17	D&I/5	Property Asset Management		Reduce the number of Property Assets held on the Property Office Accommodation Account <i>Original agreed savings of £0.150m less £0.035m shown separately as 2017/18 TSP savings for Inverness Property Rationalisation</i>	0.115	G	
TSP	SB	18/12/14	CIP IG /7	Income Generation	Income generation	Opportunities to be identified	0.180	G	Increase in planning & building warrant fees
TSP	SB	18/12/14	IG10	Support for Council Renewable Projects	New initiatives	Capital investment in wind farms, solar panels and exploitation of methane gas from Longman landfill site to generate electricity	0.050	R	Nil achieved 16/17 - no permanent alternative, so £234k budget pressure 17/18; Position likely to remain for 17/18 saving as well
TSP	SB		Agreed HC 13/03/14	Fort William Office Review	Efficiencies	Savings as included in HC report 13 March 2014, based on report to 27 November 2013 FHR Committee		G	