

Agenda Item	20
Report No	EDI/32/18

HIGHLAND COUNCIL

Committee: Environment, Development and Infrastructure

Date: 17 May 2018

Report Title: Revenue Budget – Near Final Outturn 2017/18

Report By: Director of Community Services

1. Purpose/Executive Summary

- 1.1 This report invites Members to approve the revenue budget near final outturn position 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 overspend of £1.415m (2.4%) for the year ended 31 March 2018 out of a net budget of £59.938m. The predicted outturn, previously reported to Committee, was an overspend of £2.273m.

4.2 The Service summary statements, which show the final position for the year ended 31 March 2018, are contained in **Appendix 1**.

4.3 There has been a net increase in the budget of £0.048m from that reported at 31 December 2017 of £59.890m to £59.938m. The budget was increased by £0.364m to purchase of allowances for carbon reduction commitment scheme (£0.164m); a budget transfer from the Corporate Resources for the transfer of the Council's travel desk (£0.026m); and to meet the cost of early retirements (£0.174m). The budget was reduced by £0.316m in respect of transferring Invergordon Toilets to the community (£0.004m); a net budget reduction for capital schemes for developers contributions (£0.300m); and a reduction for procurement savings (£0.012m).

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, the financial position for the period to 31 March 2018. The position overall for roads and amenity services is showing an overspend of £1.626m. The comparative figures as shown in the Services revenue and capital statements are shown in table 2 in **Appendix 2**.

5. Budget Savings

5.1 All of the savings, both Service specific and corporate and transformational, have been reflected in the Community Services 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 3**. This statement reflects the position for the financial year.

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:

Activity	December £'000	March £'000	Movement £'000
Roads and Transport	2,122	1,071	(1,051)
Environmental and Regulatory Services	419	366	(53)
Trading Operations	(300)	(650)	(350)
Administration	32	628	596
Total	2,273	1,415	(858)

6.2 Roads and Transport

6.2.1 As Members will be aware from previous reports, the Council sets a budget for winter maintenance based on assumptions around an “average” winter. It is however reported to Council each year that this remains one of the most significant financial risks that the Council carries. Whilst in recent years this level of funding has been adequate, the prolonged adverse winter weather during 2017/18 has resulted in additional expenditure on both gritting and repairs to the roads network.

As with previous practice, the Council will meet this overspend from reserves and this will be reported in subsequent reports to both Corporate Resources Committee and Highland Council.

The Council has received financial support of £0.940m from the Scottish Government to meet part of the additional costs. This will reduce the call on reserves from £2.627m to £1.687m, but is still a substantial overspend in the context of the Council’s wider financial position.

6.2.2 The roads and winter maintenance budgets are inextricably linked, consequently the roads maintenance budget underspend was as a result of the workforce and associated resources utilised on winter maintenance activities. To mitigate the overspend on roads maintenance, revenue budget structural works were charged to the capital roads programme.

6.2.3 Following a review of the road construction consent charges, a shortfall has arisen in the income target. This shortfall has resulted in an overspend in engineering services. A budget feed in 2018/19 has rectified the position going forward.

6.3 Environmental and Regulatory Services

6.3.1 The overspend on recycling has arisen due to paying compensation payments and associated legal costs incurred on the transfer of a contract, and also the late receipt of a March invoice relating to 2016/17.

6.3.2 The overspend on waste disposal has arisen due to the late receipt of a March invoice relating to 2016/17.

6.3.3 The £0.495m overspend on public conveniences is due to the insourcing of the function from a private sector contractor. The Service has received a budget feed of £0.200m for 2018/19, with £0.263m to be achieved as part of the agreed savings agreed by Council in February 2018. The remaining pressure of £0.032m will have to be accommodated from within the Service’s overall budget.

6.3.4 The underspends on both burial grounds and grounds maintenance are due to increased income. For the former, an increase in burial fees and cremations, and the latter, an increase in income from the Housing Revenue Account for carrying out pest control services.

6.3.5 Staff vacancies account for the bulk of the underspend on environmental health. The remainder is attributable to an increase in income for the issuing of fish export certificates.

6.4 Trading Operations

6.4.1 The favourable position on harbours has arisen due to the late receipt of income relating to the 2016/17 financial year. Harbours achieved their break-even position in

2016/17, however after reviewing the previous year's position, a budget error was identified. This has now been rectified.

6.5 Administration

6.5.1 The management overheads variance comprises an unachieved corporate saving on digital services and entitlements of £0.085m, and the remainder is attributable to the Service not making insurance claims to the Council's insurance fund.

6.5.2 The shortfall in the vehicle maintenance target is due to a combination of higher overtime incurred as a consequence of the prolonged winter weather; increased costs in workshop infrastructure; lower than average "extra/over" work for vehicle damage repairs; and lower productivity. Part of the lower productivity is due to employing apprentice mechanics with their training requirements heavier in the earlier years.

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: 8 May 2018

Author: Mike Mitchell, Service Finance Manager

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

COMMUNITY SERVICES

Revenue Expenditure Monitoring Statement

1 April 2017 to 31 March 2018

Financial Detail

BY ACTIVITY**Roads and Transport**

	£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
Winter Maintenance	6,269	4,582	6,269	1,687
Roads Maintenance	5,332	5,898	5,332	(566)
Engineering Services	1,830	1,632	1,830	198
Flood Alleviation	24	57	24	(33)
Lighting Services	3,375	3,366	3,375	9
Integrated Transport Services	651	697	651	(46)
Subsidies and Concessionary Fares	7,352	7,356	7,352	(4)
School Transport	8,610	8,610	8,610	0
Car Parks	(870)	(829)	(870)	(41)
	32,573	31,369	32,573	1,204

Environmental and Amenity Services

Refuse Collection	779	702	779	77
Waste Disposal	12,850	12,743	12,850	107
Recycling	9,583	9,304	9,583	279
Street Cleaning	1,868	1,915	1,868	(47)
Public Conveniences	1,300	805	1,300	495
Burials and Cremations	(1,139)	(979)	(1,139)	(160)
Grounds Maintenance	1,573	1,685	1,573	(112)
Amenity Services	828	867	828	(39)
Environmental Health	1,919	2,153	1,919	(234)
	29,561	29,195	29,561	366

Trading Operations

Harbours and Ferries	(3,474)	(2,824)	(3,474)	(650)
	(3,474)	(2,824)	(3,474)	(650)

Administration

Management Overheads	854	718	854	136
Stores and Depots	1,907	1,847	1,907	60
Vehicle Maintenance Trading Account	(68)	(367)	(68)	299
	2,693	2,198	2,693	495

SERVICE TOTAL

61,353	59,938	61,353	1,415
---------------	---------------	---------------	--------------

BY SUBJECTIVE

Staff Costs	60,988	61,201	60,988	(213)
Other Costs	87,317	85,408	87,317	1,909
Gross Expenditure	148,305	146,609	148,305	1,696
Grants	(1,107)	(156)	(1,107)	(951)
Other Income	(85,845)	(86,515)	(85,845)	670
Total Income	(86,952)	(86,671)	(86,952)	(281)

61,353	59,938	61,353	1,415
---------------	---------------	---------------	--------------

COMMUNITY SERVICES - Summary

DISAGGREGATED AREA BUDGETS 2017/18

REAL CASH BUDGETS ONLY

Monitoring Statement for the year ended 31 March 2018

FUNCTION/ACTIVITY

Roads and Amenity Services

Area	Total Budget £	Actual 31/03/2018 £	Budget Left £	Estimated Outturn £	(Under)/ Over £
Badenoch & Strathspey	1,666,604	1,672,192	- 5,588	1,672,192	5,588
Caithness	3,290,856	3,263,054	27,802	3,263,054	- 27,802
Inverness	5,044,452	5,396,986	- 352,534	5,396,986	352,534
Lochaber	2,697,430	2,939,288	- 241,858	2,939,288	241,858
Nairn	1,108,178	1,111,759	- 3,581	1,111,759	3,581
Ross & Cromarty	5,833,116	6,226,665	- 393,549	6,226,665	393,549
Skye	2,812,691	3,137,559	- 324,868	3,137,559	324,868
Sutherland	4,449,087	4,780,986	- 331,899	4,780,986	331,899
Total	26,902,414	28,528,489	- 1,626,075	28,528,489	1,626,075

Table 2

Reconciliation with Revenue and Capital Monitoring Statements

Activity	Overspend £
Winter Maintenance	1,687,000
Roads Maintenance Revenue	- 566,000
Less: Sconser Quarry surplus	144,000
Roads Structural Capital	645,000
Surface Dressing Capital	- 468,000
Street Cleaning	- 47,000
Public Conveniences	495,000
Burials	- 160,000
Grounds Maintenance	- 112,000
Total	1,618,000

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
CS	WG	18/12/14	4	Increase Income	Income generation	Increase income from applications and inspections - roads inspectors	0.010	G	
CS	WG	18/12/14	12	Revision of Working Hours	Efficiencies	Reduction in overtime in 2015/16 with wider review including consideration of annualised; overtime; shift; and enhanced hours provision going forward - this will require a 2 year lead in period	0.100	G	
CS	WG	18/12/14	37	Recycling	Service reviews	Review of Recycling Centres Opening Hours	0.024	G	
CS	WG	18/12/14	2	Grounds Maintenance	Cessation/reduction of service	Reduced contractor costs from a review of maintained areas	0.040	G	
CS	WG	18/12/14	23 (PROC 7(b))	Lighting	Efficiencies	Street lighting - energy, LEDs, timings, spacings, controls <i>Savings increased HC 16/02/17</i>	0.184	G	
CS	WG	18/12/14	7A	Burials and Cremations <i>See also HC 25/02/16 Ref 28</i>	Income generation	Increase interment charges by 10% pa for 4 years	0.100	G	
CS	WG	18/12/14	7B	Burials and Cremations <i>See also HC 25/02/16 Ref 28</i>	Income generation	Increase interment charges to equal cremation charges in year 1 (+15%) and add 5% pa thereafter. <i>This is additional to 7a.</i>	0.050	G	
CS	WG	18/12/14	7C	Burials and Cremations <i>See also HC 25/02/16 Ref 28</i>	Income generation	Increase cremation charges by 10% pa for 4 years	0.070	G	
CS	WG	18/12/14	7D	Burials and Cremations <i>See also HC 25/02/16 Ref 28</i>	Income generation	Increase lair purchase charges by 12% in year 1 and 10% pa for the next 3 years	0.096	G	
CS	WG	25/02/16	2	Public Conveniences	Service reviews	Review of provision of public conveniences <i>Savings reduced HC 16/02/17</i>	0.172	R	
CS	WG	25/02/16	12	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	25/02/16	28	Burials and Cremations	Income generation	Accelerate agreed increase (increase agreed HC 18/12/14)	-0.252	G	
CS	WG	16/02/17	1	Street Cleaning		Reduction in street cleaning resources	0.220	G	
CS	WG	16/02/17	2	Grounds Maintenance		5% reduction in grass cutting	0.115	G	
CS	WG	16/02/17	3	Stores and Depots		Rationalisation of stores and depots	0.035	G	
CS	WG	16/02/17	5	Harbours and Ferries		Increase in harbour dues	0.042	G	
CS	WG	16/02/17	6	Harbours and Ferries		Increase margin on marine fuel sales	0.240	G	
CS	WG	16/02/17	8	Stores and Depots		Income generation through carrying out work with third parties and partners	0.060	G	
CS	WG	16/02/17	9	Stores and Depots		Increase fees for the work of the Bio-Hazard team by 10%	0.008	G	
CS	WG	16/02/17	10	Recycling		Introduction of £30 charge per participating household for garden waste collection	0.660	G	
CS	WG	16/02/17	11	Refuse Collection		Increased charges associated with commercial waste collections	0.260	G	
CS	WG	16/02/17	13	Flood Alleviation		Reduction in Flood Alleviation budget	0.100	G	
CS	WG	16/02/17	14	Fleet		Reduction in vehicle idling to save fuel costs	0.050	G	
CS	WG	16/02/17	15	Environmental & Amenity Services		Alternative medium term arrangements for the treatment of residual waste	0.096	G	
CS	WG	16/02/17	16	Environmental & Amenity Services		Introduction of charges for providing wheeled bins at residential properties	0.033	G	
CS	WG	16/02/17	17	Environmental & Amenity Services		Introduction of new and increase in existing charges for Environmental Health Services	0.093	G	
CS	WG	16/02/17	21	Transport		Reduction in support for concessionary rail fares	0.120	G	

TSP	WG	18/12/14	PIM16	Transport Programme	Efficiencies	Seeking contract variation opportunities for school and public bus services provision; home-to-school transport efficiencies; future services provision re-tendering	0.767	G	
TSP	WG	18/12/14	PIM27	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	0.133	G	
TSP	WG	18/12/14	PIM5	Centralise Stores	Service reviews	Centralise stores under one management structure and use suppliers	0.060	G	