

Agenda Item	5
Report No	EDI 21/19

## HIGHLAND COUNCIL

**Committee:** Environment, Development and Infrastructure

**Date:** 16 May 2019

**Report Title:** Revenue Budget – Near Final Outturn 2018/19

**Report By:** Director of Development & 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 2019.

### 2. Recommendations

- 2.1 Members are invited to approve the revenue budget near final outturn position for the year ended 31 March 2019.

### 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.

### 4. Final Outturn 2018/19

- 4.1 The Service returned an underspend of £0.762m for the year ended 31 March 2019 out of a net budget of £49.224m. The predicted outturn, previously reported to Committee, was an underspend of £0.771m.
- 4.2 The Service summary statement, shows the final position for the year ended 31 March 2019, is contained in **Appendix 1**.
- 4.3 There has been a net increase in the budget of £0.481m from that reported at 31 December 2018 of £49.743m to £49.224m. The budget was increased by £1.709m to take account of developer contributions (£0.520m); to reflect the pay award (£0.958); a budget transfer from Care & Learning for staffing and equipment relating to catering and facilities management (£0.174m); and to meet the cost of early retirements (£0.057m). The budget was reduced by £1.228m in respect of transferring the budget for purchase of allowances for carbon reduction commitment scheme (£0.713m) to Care & Learning and Community Services; rental income adjustment for the new Bridge Street property (£0.369m); a budget saving a salary sacrifice saving adjustment (£0.012m); budget adjustment for property office rationalisation projects (£0.044m); ICT charges (£0.012m); procurement savings (£0.003m); and transferring central support services to Corporate Resources (£0.075m).

### 5. Budget Savings

- 5.1 All of the savings, both Service specific and corporate, have been reflected in the Development and Infrastructure 2018/19 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.

### 6. Notes on Variances

- 6.1 The following is a summary of the movement on variances between 31 December 2018 figures as reported to the February Committee and the outturn at 31 March 2019:

Activity	December £000	March £000	Movement £000
Directorate	53	64	11
Planning & Building Standards	156	291	135
Infrastructure	(12)	207	219
Environment & Economic Development	(394)	(396)	(2)
Property & Facilities Management	127	661	534
Planning Fee & Building Warrant Income	(701)	(1,589)	(888)
<b>Total</b>	<b>(771)</b>	<b>(762)</b>	<b>9</b>

## 6.2 Planning and Building Standards

6.2.1 Part of the overspend (£0.073m) 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 Building standards account for the remainder of the overspend. The bulk of this 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. Increased staff costs were incurred, however this is reflected in the increase in building warrant income.

## 6.3 Infrastructure

6.3.1 The under-recovery of income in the project design unit is due to staff vacancies.

## 6.4 Environment & Economic Development

6.4.1 The underspend is a combination of staff vacancies, Castle Viewing Tower income and reduced payments to external organisations.

## 6.5 Property & Facilities Management

6.5.1 Energy and sustainability were given an income target of £0.250m in 2017/18, to be achieved through grant funding under the Scottish Energy Efficiency Programme, however this was not achieved. The target was rolled forward to 2018/19, however this was not achieved, and it is now recognised the target will never be achieved. To rectify this a budget feed has been allowed for in the 2019/20 budget. Due to the very mild winter weather the renewable heat incentive income target fell short by £0.172m. A staffing overspend in the energy unit and a deficit in rechargeable works account for the remainder of the overspend.

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

6.5.3 The revenue maintenance budget overspend is due to the property element transferred in 2017/18 from Care & Learning. Although a budget feed was received for 2018/19, this was insufficient to cover increased costs. The overspend can be summarised as follows:

- School houses, mainly relating to council tax on empty properties
- Insufficient budget for feasibility work
- Schools snow clearing
- Service contracts

The overspend will be managed from within the overall revenue maintenance budget in 2019/20.

6.5.4 The underspend on PPP and Wick SFT is due to a combination of grant income and utility pressures.

6.5.5 The catering, cleaning & 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 was received for 2018/19, however this was insufficient to cover the shortfall. A number of initiatives are being considered to address the income gap.

6.5.6 Increased rental income and rechargeable income resulted in both investment properties and housing development to return larger underspends than expected.

6.5.7 The under-recovery of income in technical, design & projects teams is due to staff

vacancies.

## 6.6 Income

6.6.1 Income from planning fees and building warrants were far better than expected. The increase can be attributed to a combination of increased charges, a 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: 9 May 2019

Author: Mike Mitchell, Services Finance Manager

Background Papers: Near Final Monitoring Statement 31/3/19 and the Highland Council Financial Ledger

<b>DEVELOPMENT AND INFRASTRUCTURE Revenue Expenditure Monitoring Report</b>
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<b>1 APRIL 2018 - 31 MARCH 2019</b>
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<b>Summary</b>
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	£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	1,762	1,698	1,762	64
<b>Planning &amp; Building Standards</b>	4,903	4,612	4,903	291
<b>Infrastructure</b>				
Project Design Unit	(744)	(976)	(744)	232
Flood Risk Assessment	29	54	29	(25)
<b>Environment &amp; Economic Development</b>				
Environment	923	1,006	923	(83)
Economy & Regeneration	1,653	1,966	1,653	(313)
<b>Property</b>				
Energy & Sustainability	(2,195)	(2,751)	(2,195)	556
Property Asset Management	1,866	2,068	1,866	(202)
Revenue Maintenance	7,613	6,920	7,613	693
PPP and Wick SFT	27,076	27,269	27,076	(193)
Catering, Cleaning & Facilities Management	15,975	15,862	15,975	113
Housing Development & Private Sector Housing Grant	1,571	1,683	1,571	(112)
Investment Properties	(2,990)	(2,553)	(2,990)	(437)
Technical, Design & Projects	(2,536)	(2,779)	(2,536)	243
<b>Income</b>				
Planning Fee Income	(3,338)	(2,749)	(3,338)	(589)
Building Warrant Fee Income	(3,106)	(2,106)	(3,106)	(1,000)
	<b>48,462</b>	<b>49,224</b>	<b>48,462</b>	<b>(762)</b>

<b>BY SUBJECTIVE</b>				
Staff Costs	37,331	37,468	37,331	(137)
Other Costs	58,558	54,415	58,558	4,143
<b>Gross Expenditure</b>	<b>95,889</b>	<b>91,883</b>	<b>95,888</b>	<b>4,006</b>
Grants	(13,422)	(11,335)	(13,422)	(2,087)
Other Income	(34,005)	(31,324)	(34,005)	(2,681)
<b>Total Income</b>	<b>(47,427)</b>	<b>(42,659)</b>	<b>(47,427)</b>	<b>(4,768)</b>
	<b>48,462</b>	<b>49,224</b>	<b>48,462</b>	<b>(762)</b>

## Notes

**1. Percentage of annual budget**

Expenditure

Income

This year

104%111%**2. Appeals, Public Local Inquiries and Court Cases  
(included above in Planning & Building Standards)**Actual Year  
to Date

£000

PLIs General

96

Tain

2

Glenmorrie Wind Farm

(17)

Golticlay Wind Farm

42

TOTAL

123

**2018/19 Savings Proposals  
Development & Infrastructure**

APPENDIX 2

<b>Date Agreed</b>	<b>Ref.</b>	<b>Budget Heading</b>	<b>Name of Savings Proposal</b>	<b>Agreed Savings £m</b>	<b>Category R A G</b>	<b>Comments</b>
HC 18/12/14	3	Planning & Building Standards	Increased Planning & Building Standards Fees	0.025	<b>G</b>	
HC 18/12/14	4	Project Design Unit	Increased in-house professional staffing to reduce need of consultancy support to deliver capital programme	0.005	<b>G</b>	
HC 18/12/14 Amended HC 16/02/17	5	Property	Increased in-house professional staffing to reduce need of consultancy support to deliver capital programme	0.035	<b>G</b>	
HC 18/12/14	6	Housing Development	Increased Industrial Development Charges	0.027	<b>G</b>	
HC 16/02/17	2	Economy & Regeneration	Revise European, Business Gateway and Tourism Services	0.135	<b>G</b>	
HC 16/02/17	3	Employability Service	Reduction in employability team and grants to third parties	0.270	<b>G</b>	
HC 15/02/18	DI1	Service-wide	Efficiencies	0.068	<b>G</b>	
HC 15/02/18	DI3	Flood Risk Assessment	Reduce revenue budget for flood risk management	0.140	<b>G</b>	
HC 15/02/18	DI5	Planning & Building Standards	Uplift Current Fees & Charges - Planning Fees Advertising 10%	0.015	<b>G</b>	
HC 15/02/18	DI6	Property Estates	Uplift Current Fees & Charges - Rents 2%	0.075	<b>G</b>	

HC 15/02/18	DI8	Property Asset Management	Reduce Council property assets			Transferred to corporate savings - any individual Service allocations to be categorised by appropriate Service
HC 15/02/18	DI9	Service-wide	Uplift Current Fees & Charges - Photocopies Sale 10%	0.003	G	
HC 15/02/18	DI11	Energy & Sustainability	Increase in Renewable Heat Incentive budget to reflect current income and new projects	0.400	A	Achieved £0.228m in year. Shortfall due to mild weather over the winter period.
HC 15/02/18	DI12	Service-wide	Deletion of vacant posts and vacancy management	0.338	G	
HC 15/02/18	DI13	Planning & Building Standards	Planning and building standards- fee income	0.150	G	
HC 15/02/18	DI14	Property Asset Management	Redesign of property services	0.192	G	
HC 15/02/18	CL13	PPP Contracts	Negotiate savings from contracts with regard to service standards and access times	0.100	G	
<b>Total</b>				<b>1.978</b>		

#### Allocation of TSP & Corporate Savings

Date Agreed	Ref.	Description	Total Savings (inc 17/18 c/fwd) £m	D&I Allocations to Date £m	Category R A G	Comments
HC 15/02/18		Redesign	2.290	0.000		
HC 15/02/18	CR9	Insurance	0.311	-0.001	G	Net insurance savings overall but budget increase for D&I

HC 15/02/18	CS31	Travel Desk	0.060	0.008	G	
HC 15/02/18	DI8	Property Asset Management (including £0.076m c/fwd from 2017/18)	0.226	0.000	G	
		Procurement (c/fwd from 2017/18)	1.126	0.017	G	
<b>Total</b>			<b>4.013</b>	<b>0.024</b>		