

Agenda Item	16
Report No	EDI 32/19

HIGHLAND COUNCIL

Committee: Environment, Development and Infrastructure

Date: 16 May 2019

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

Report By: Director of 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 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 **£0.427m** for the year ended 31 March 2019 out of a net budget of £63.509m. The predicted outturn, previously reported to Committee, was an overspend of £0.362m.
- 4.2 The Service summary statements, which show the final position for the year ended 31 March 2019, are contained in **Appendix 1**.
- 4.3 There has been a net increase in the budget of £0.962m from that reported at 31 December 2018 of £59.069m to £60.031m. The budget was increased by £1.475m to reflect the pay award (£1.139m); purchase of allowances for carbon reduction commitment scheme (£0.133m); a budget transfer from Development & Infrastructure to part fund a post to support school transport (0.014m); a salary sacrifice saving adjustment (£0.007m); and to meet the cost of early retirements (£0.182m). The budget was reduced by £0.513m in respect of budget reductions for capital schemes for developer contributions (£0.448m); ICT charges (£0.029m); and procurement savings (£0.036m).
- 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 year to 31 March 2019. The position overall for roads and amenity services is showing an underspend of £0.329m. 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, have been reflected in the Community Services 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 in **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 2018 figures as reported to the January Committee and the outturn at 31 March 2019:

Activity	December £'000	March £'000	Movement £'000
Roads and Transport	572	393	(179)
Environmental and Amenity Services	36	(540)	(576)
Non-Housing Revenue Account	0	(484)	(484)
Trading Operations	(226)	137	363
Administration	(20)	67	87
Total	362	(427)	(789)

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. The winter maintenance budget is rolled forward at the same level each year, however as a result of increased fuel and salt costs this budget is no longer adequate to cope with an average winter. The pressure is of the order of £0.5m, and will have to be contained from within the wider roads maintenance budgets.

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 and roads structural capital works. Also to mitigate the overspend on roads maintenance budget and income shortfall on the car parking budget, structural works were charged to the capital roads programme.

6.2.3 Following a review of the road construction consent charges in 2017/18, a shortfall arose in the income target; consequently a budget feed of £0.250m was received for 2018/19. However the shortfall (£0.245m) was much higher than originally thought, and coupled with legal fees and increased staff costs, this resulted in an overspend in engineering services.

6.2.4 The underspend on lighting services can be attributed to savings of £0.101m on the street lighting electricity budget due to the roll out of the LED programme. The remainder of the underspend is a combination of staff vacancies and the workforce giving priority to capital works on the LED project.

6.2.5 The underspend on integrated transport services is attributable to the delay in filling vacant posts. Two of these posts are now being filled as there is a direct dependency on them to deliver the level of savings planned for 2019/20.

6.2.6 The overspend on subsidies and concessionary fares is due to the retendering of public bus contracts in the Lochaber area as a consequence of Stagecoach ceasing operations in Fort William.

6.2.7 Lower than expected income; delays in implementing some new services; delays in rolling out charging to new car parks in-year; income assumptions; changes in driver behaviour; additional free parking agreed in-year; and tariff reviews, have led to a shortfall in the car parking budget of £1.115m. As part of the 2019/20 budget approval a feed of £0.7m has reduced the pressure, however this still leaves an anticipated shortfall of £0.4m. As part of the Council’s Change Programme, an Income Generation Board has been established with car parking income as part of the Board’s remit.

6.3 Environmental and Amenity Services

6.3.1 The underspend on refuse collection is attributable to increased income from collecting garden waste augmented by a VAT refund of £0.351m on the garden waste income collected to date. The refund is now confirmed and was previously reported to Committee at £0.292m.

6.3.2 Increased fuel costs has resulted in an overspend on the recycling budget.

- 6.3.3 The overspend on public conveniences is due to repeated delays in implementing the rationalisation programme, however this shows a slight improvement in the figure of £0.631m reported to the January Committee. The rationalisation that is now complete, together with the new mobile teams that are now on site and increased charging at new locations, will see this pressure reduced by some 50% in 2019/20 but will still present a financial challenge.
- 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 by way of developer contributions.
- 6.3.5 Staff vacancies account for the bulk of the underspend in Environmental Health. The remainder is attributable to an increase in income from, for example, the issuing of fish export certificates.
- 6.4 **Non-Housing Revenue Account**
- 6.4.1 The underspend on the homelessness budget is due to a combination of raising invoices for ex-tenant's arrears and a reduction in the amount of bad debt write offs.
- 6.5 **Trading Operations**
- 6.5.1 The previously reported surplus was on the optimistic side on the basis that the margin on fuel sales achieved would be in line with 2017/18 i.e. 10%. The margin achieved was 7.3%, which in the current climate is very good. Also the assumption of increased harbour dues, did not allow for the impact of Brexit. However, the target was better than budget.

7. **Implications**

- 7.1 Resource – implications are discussed in the report.
- 7.2 Risk – implications to the budget position, and budget assumptions, will be kept under regular review and any risks identified will be reported to future Committees.
- 7.3 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 2019

Author: Mike Mitchell, Services Finance Manager

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

COMMUNITY SERVICES

Revenue Expenditure Monitoring Statement

1 April 2018 to 31 March 2019

Service Summary

	£000 Actual Year To Date		£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
BY ACTIVITY					
Roads and Transport	31,295	2.1	30,902	31,295	393
Environmental and Amenity Services	28,651	2.2	29,191	28,651	(540)
Non-Housing Revenue Account	2,994	2.3	3,478	2,994	(484)
Trading Operations	(2,967)	2.4	(3,104)	(2,967)	137
Administration	3,109	2.5	3,042	3,109	67
SERVICE TOTAL	63,082		63,509	63,082	(427)
BY SUBJECTIVE					
Staff Costs	61,735		65,590	61,735	(3,855)
Other Costs	93,576		92,305	93,576	1,271
Gross Expenditure	155,311		157,895	155,311	(2,584)
Grants	(494)		(78)	(494)	(416)
Other Income	(91,735)		(94,308)	(91,735)	2,573
Total Income	(92,229)		(94,386)	(92,229)	2,157
	63,082		63,509	63,082	(427)

COMMUNITY SERVICES

Revenue Expenditure Monitoring Statement

1 April 2018 to 31 March 2019

Financial Detail

	£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
2.1 Roads and Transport				
Winter Maintenance	4,894	4,986	4,894	(92)
Roads Maintenance	4,748	5,472	4,748	(724)
Engineering Services	2,264	1,988	2,264	276
Flood Alleviation	26	30	26	(4)
Lighting Services	3,485	3,659	3,485	(174)
Integrated Transport Services	803	906	803	(103)
Subsidies and Concessionary Fares	7,639	7,540	7,639	99
School Transport	8,602	8,602	8,602	0
Car Parks	(1,166)	(2,281)	(1,166)	1,115
	31,295	30,902	31,295	393
2.2 Environmental and Amenity Services				
Refuse Collection	36	594	36	(558)
Waste Disposal	12,817	12,888	12,817	(71)
Recycling	9,217	9,103	9,217	114
Street Cleaning	1,919	1,891	1,919	28
Public Conveniences	1,170	562	1,170	608
Burials and Cremations	(1,019)	(884)	(1,019)	(135)
Grounds Maintenance	1,730	1,847	1,730	(117)
Amenity Services	893	966	893	(73)
Environmental Health	1,888	2,224	1,888	(336)
	28,651	29,191	28,651	(540)
2.3 Non-Housing Revenue Account				
Homelessness	1,508	1,964	1,508	(456)
Supporting People	1,472	1,544	1,472	(72)
Gypsy Traveller Sites	14	(30)	14	44
	2,994	3,478	2,994	(484)
2.4 Trading Operations				
Harbours and Ferries	(2,967)	(3,104)	(2,967)	137
	(2,967)	(3,104)	(2,967)	137
2.5 Administration				
Management Overheads	1,384	1,415	1,384	(31)
Stores and Depots	1,913	1,879	1,913	34
Vehicle Maintenance Trading Account	(188)	(252)	(188)	64
	3,109	3,042	3,109	67
SERVICE TOTAL	63,082	63,509	63,082	(427)

COMMUNITY SERVICES - Summary

DISAGGREGATED AREA BUDGETS 2017/18

REAL CASH BUDGETS ONLY

Monitoring Statement for the year ended 31 March 2019

FUNCTION/ACTIVITY

Roads and Amenity Services

Area	Total Budget £	Actual 31/03/2018 £	Budget Left £	Estimated Outturn £	(Under)/ Over £
Badenoch & Strathspey	1,819,987	1,605,347	214,640	1,605,347	(214,640)
Caithness	3,384,019	2,705,071	678,948	2,705,071	(678,948)
Inverness	5,291,009	5,328,533	(37,524)	5,328,533	37,524
Lochaber	2,888,137	2,744,968	143,169	2,744,968	(143,169)
Nairn	1,216,441	1,297,323	(80,882)	1,297,323	80,882
Ross & Cromarty	6,274,144	6,612,849	(338,705)	6,612,849	338,705
Skye	2,969,153	3,036,257	(67,104)	3,036,257	67,104
Sutherland	4,582,234	4,765,508	(183,274)	4,765,508	183,274
Total	28,425,124	28,095,856	329,268	28,095,856	(329,268)

Table 2

Reconciliation with Revenue and Capital Monitoring Statements

Activity	Underspend £
Winter Maintenance	(92,000)
Roads Maintenance Revenue	(724,000)
Less: Sconser Quarry surplus	157,000
Roads Structural Capital	996,000
Surface Dressing Capital	(1,028,000)
Street Cleaning	28,000
Public Conveniences	608,000
Burials	(135,000)
Grounds Maintenance	(117,000)
Total	(307,000)

**2018/19 Savings Proposals
Community Services**

APPENDIX 3

Date Agreed	Ref.	Budget Heading	Name of Savings Proposal	Agreed Savings £m	Category R A G	Comments
HC 18/12/14	2	Grounds Maintenance	Reduced contractor costs from a review of maintained areas	0.040	G	
HC 18/12/14	4	Increase Income	Increase income from applications and inspections - roads inspectors	0.010	R	Income shortfall £0.245m
HC 18/02/14 & HC 25/02/16 Amended HC 15/02/18	7 & 28	Burials & Cremations	Inflationary increases	0.019	G	
HC 18/12/14	12	Revision of Working Hours	Reduction in overtime in 2015/16 with wider review including consideration of annualised; overtime; shift; and enhanced hours provision going forward	0.100	G	
HC 15/02/18	CS1	Amenity Services	Review all play areas	0.212	G	
HC 15/02/18	CS2	Anti Social Behaviour	Anti social behaviour budget reductions	0.162	G	
HC 15/02/18	CS5	Car Parks	Charging for parking and services	1.407	R	£1.115m income shortfall
HC 15/02/18	CS9	Environmental Health	Uplift current environmental health Fees & Charges by 10%	0.046	G	
HC 15/02/18	CS12	Harbours and Ferries	Uplift current fees & charges - Ferry Dues 3.9% (RPI as at Sep 17)	0.174	G	

HC 15/02/18	CS13	Harbours and Ferries	Uplift current fees and charges – Pier/Harbour dues, Hire of Plant and other Sales Materials	0.073	G	
HC 15/02/18	CS15	Integrated Transport Services	New Charges - Establish a MOT test centre	0.010	R	Due to staffing shortages, this was not achieved
HC 15/02/18	CS16	Lighting Services	Communities to provide their own Christmas Lights'	0.035	G	
HC 15/02/18	CS17	Public Conveniences	Review of public conveniences	0.301	R	£0.608m overspend
HC 15/02/18	CS18	Refuse Collection	Uplift Current Fees & Charges within Waste Services	0.233	G	
HC 15/02/18	CS19	Refuse Collection	Introduction of Waste Collection Charges to Previously Exempt Premises	0.025	G	
HC 15/02/18	CS20	Refuse Collection	Improved controls for waste currently received at our Household Waste Recycling Centres that is classified as Commercial/Industrial	0.006	G	
HC 15/02/18	CS22	Refuse Collection	Waste collection service changes	0.090	G	
HC 15/02/18	CS23	Refuse Collection	Reduction in awareness and education budget for Waste Services	0.040	G	
HC 15/02/18	CS25	Service-wide	Uplift current Fees & Charges - Various miscellaneous fees & charges	0.145	G	
HC 15/02/18	CS29	Supporting People	Reduce tenancy support services for homelessness	0.057	G	
HC 15/02/18	CS30	Waste Disposal	Uplift current Fees & Charges by 10% - Waste tipping fees, cardboard recycling and scrap metal	0.012	G	

HC 15/02/18	CS31	Travel Desk	Travel & subsistence savings			Transferred to corporate savings - individual Service allocations to be categorised by appropriate Service
HC 15/02/18	CS32	Flood Alleviation	Reduce flood alleviation budget	0.027	G	
Total				3.224		

Allocation of TSP & Corporate Savings

Date Agreed	Ref.	Description	Total Savings (inc 17/18 c/fwd) £m	CS 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	0.117	G	
HC 15/02/18	CS31	Travel Desk	0.060	0.007	G	
HC 15/02/18	DI8	Property Asset Management (including £0.076m c/fwd from 2017/18)	0.226	0.000		
		Procurement (c/fwd from 2017/18)	1.126	0.032	G	
Total			4.013	0.156		