

Agenda Item	<b>21</b>
Report No	<b>EDI 56/19</b>

## HIGHLAND COUNCIL

**Committee:** Environment, Development and Infrastructure

**Date:** 15 August 2019

**Report Title:** Revenue Budget Monitoring Report - 1 April 2019 to 30 June 2019

**Report By:** Interim Chief Officer Resources (Community Services)

### 1. Purpose/Executive Summary

- 1.1 This report invites Members to approve the revenue budget monitoring report for the period 1 April 2018 to 31 December 2018.

### 2. Recommendations

- 2.1 Members are asked to approve the revenue budget monitoring report for 1 April 2019 to 30 June 2019.

### 3. Implications

- 3.1 Resource – implications are as discussed in the report. The Service will continue to exert management controls to achieve a balanced position at the year end. However the impact of winter is an unknown factor in achieving this.
- 3.2 Legal - there are no implications arising as a direct result of this report.
- 3.3 Community (Equality, Poverty and Rural) - there are no implications arising as a direct result of this report.
- 3.4 Climate Change / Carbon Clever - there are no implications arising as a direct result of this report.
- 3.5 Risk - implications to the budget position, and budget assumptions, will be kept under regular review and any risks identified reported to future committees.
- 3.6 Gaelic - there are no implications arising as a direct result of this report.

#### **4. Background**

- 4.1 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.

#### **5. Current Position**

- 5.1 The revenue expenditure monitoring statements, appended to this report (**Appendix 1**), show the financial position to 30 June 2019.
- 5.2 The Service is identifying pressures against engineering services, car parks and public conveniences.
- 5.3 A summary of the disaggregated budgets to the eight Local Committees is shown in **Appendix 2**. The monitoring statement highlights revenue and capital expenditure, for both roads and amenity services and the financial position for the period 1 April to 30 June 2019.

#### **6. Budget Savings**

- 6.1 All of the savings, both Service specific and corporate and transformational, have been reflected in the Community Services 2019/20 budget, and have been allocated across all parts of the Service, where appropriate.
- 6.2 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.

#### **7. Major Issues and Variances**

##### **7.1 Engineering Services**

An overspend of £190,000 is due to road condition consent income shortfall. This will be identified as a budget pressure for future years.

##### **7.2 Lighting Services**

7.2.1 Work is continuing as per the replacement programme and at the end of June 59% of street lighting units was LED.

7.2.2 Energy consumption for Q1 to end of June 2019 (1 April 2019 to 30 June 2019) was 2,103,912kWh representing a reduction of 13 % over the same period in 2018 (2,404,726kWh). Due to increases in the unit cost of electricity, this reduction in energy consumption equated to a 5% cost saving in Q1 2019 (£298,738) compared to the same period in 2018 (£284,029).

7.2.3 While reporting no significant pressures at this time in the year, Members are reminded that savings will be delivered in future years and that any increase to the unit cost of electricity may well create a pressure.

##### **7.3 Car Parks**

The shortfall in the car parking budget was £1.1m in 2018/19. As part of the 2019/20 budget approval a feed of £700,000 has reduced the pressure, however this still leaves an anticipated shortfall of £400,000. As part of the Council's Change Programme, an Income Generation Board (IGB) has been established with car parking income as part

of the Board's remit. However, lower than expected income and delays in implementing some new services continue to create a pressure on this budget. As part of the IGB regular monthly car park income information is presented and discussed, and any revision of the shortfall will be reported to this Committee.

#### **7.4 Public Conveniences**

7.4.1 The current budget pressure as at Quarter 1 in 2019/20 is £485,000. By progressing the workforce changes from 1 August 2019, and maximising income generation, reductions in expenditure of at least £100,000 are anticipated in 2019/20. A full year saving is expected for 2020/21.

7.4.2 The Service continues to work with communities to encourage asset transfer and sale of facilities, which if successful this year, will reduce the anticipated over spend further.

#### **7.5 Harbours**

7.5.1 Harbours had a relatively strong first trading quarter in both dues and gas oil sales, which resulted in the budget surplus target being met.

7.5.2 Falling world oil prices resulted in HC Harbours sales margins for gas oil being squeezed to remain competitive with other ports, however overall sales by volume increased by 755,000 litres compared to last year, which has helped offset reduced margins. Overall the budget surplus target for fuel sales has been set very high this year (6 pence per litre margin) and it is anticipated that a significant shortfall of between £500,000 - £1m may be experienced by the end of the financial year.

7.5.3 The collection of Harbour Dues in the first quarter was on target with the income figure being boosted by the issue of annual dues invoices.

7.5.4 There are possible significant additional budget pressures on the horizon:

- the loss of the European fishing vessels at Lochinver following Brexit in October 2019; and
- reduction in ferry dues paid by Calmac for the use of Uig pier following an imminent Transport Scotland assessment of how the Highland Council is spending the dues.

#### **7.6 Administration**

The variance in management overheads is due to redundancy costs. The variance in depots is related to repairs and the hired equipment to action the repairs.

### **8. Actions Proposed**

8.1 Given the Council's overall financial position the Service will continue to reduce expenditure, where possible, in all areas of the budget and will continue to maintain this until the end of the financial year. This will include continuing to hold some vacant posts.

8.2 A change to the way the Service administers the hiring of plant and equipment is ongoing and indications are that savings are being achieved. We will be in a better position to report the impact of this to the next committee.

8.3 New mitigation in Q2 will include undertaking a review of posts currently filled by agency staff (posts filled to sustain service delivery) and to review all non-staffing expenditure and in particular to identify savings from procurement.

8.4 Any budget underspends will be used to offset overspends and pressures within the overall Community Services budget.

Designation: Interim Chief Officer Resources (Community Services)

Date: 7 August 2019

Author: Mike Mitchell, Services Finance Manager  
Caroline Campbell, Head of Performance and Resources

<b>COMMUNITY SERVICES</b>
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<b>Revenue Expenditure Monitoring Statement</b>
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<b>1 April 2019 to 30 June 2019</b>
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<b>Financial Detail</b>
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**BY ACTIVITY****Roads and Transport**

	£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
Winter Maintenance	407	4,775	4,775	0
Roads Maintenance	1,994	7,540	7,350	(190)
Engineering Services	600	2,194	2,384	190
Flood Alleviation	2	30	30	0
Lighting Services	(731)	3,602	3,502	(100)
Integrated Transport Services	161	941	941	0
Subsidies and Concessionary Fares	801	7,573	7,573	0
School Transport	1,460	8,822	8,822	0
Car Parks	(326)	(1,562)	(1,162)	400
	<b>4,368</b>	<b>33,915</b>	<b>34,215</b>	<b>300</b>

**Environmental and Amenity Services**

Refuse Collection	(641)	37	10	(27)
Waste Disposal	1,622	13,401	13,401	0
Recycling	1,891	8,869	8,869	0
Street Cleaning	464	1,996	1,996	0
Public Conveniences	190	457	842	385
Burials and Cremations	(262)	(926)	(926)	0
Grounds Maintenance	891	1,706	1,706	0
Amenity Services	190	866	866	0
Environmental Health	594	2,295	2,212	(83)
	<b>4,939</b>	<b>28,701</b>	<b>28,976</b>	<b>275</b>

**Trading Operations**

Harbours and Ferries	35	(3,215)	(3,215)	0
	<b>35</b>	<b>(3,215)</b>	<b>(3,215)</b>	<b>0</b>

**Administration**

Management Overheads	775	1,434	1,521	87
Stores and Depots	348	1,737	1,834	97
Vehicle Maintenance Trading Account	(43)	(222)	(222)	0
	<b>1,080</b>	<b>2,949</b>	<b>3,133</b>	<b>184</b>

**SERVICE TOTAL**

<b>10,422</b>	<b>62,350</b>	<b>63,109</b>	<b>759</b>
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**BY SUBJECTIVE**

Staff Costs	13,311	64,675	64,574	(101)
Other Costs	18,382	86,255	86,632	377
Gross Expenditure	31,693	150,930	151,206	276
Grants	(96)	(81)	(81)	0
Other Income	(21,175)	(88,499)	(88,016)	483
Total Income	(21,271)	(88,580)	(88,097)	483
	<b>10,422</b>	<b>62,350</b>	<b>63,109</b>	<b>759</b>

## COMMUNITY SERVICES - Summary

## DISAGGREGATED AREA BUDGETS 2019/20

## REAL CASH BUDGETS ONLY

Monitoring Statement for the period ended 30 June 2019

## FUNCTION/ACTIVITY

## Roads and Amenity Services

Area	Total Budget £	Actual 30/06/2019 £	Budget Left £	Estimated Outturn £	(Under)/ Over £
Badenoch & Strathspey	1,674	313	1,361	1,674	-
Caithness	2,942	494	2,448	2,942	-
Inverness	4,991	982	4,009	4,991	-
Lochaber	2,482	508	1,974	2,482	-
Nairn	1,092	205	887	1,092	-
Ross & Cromarty	5,540	1,083	4,457	5,540	-
Skye	2,531	562	1,969	2,531	-
Sutherland	4,598	702	3,896	4,598	-
<b>Total</b>	<b>25,850</b>	<b>4,849</b>	<b>21,001</b>	<b>25,850</b>	<b>-</b>

**Savings Proposals 2019/20 - 2021/22**

**Red-** significant challenges in delivery of saving  
**Amber-** some challenges to full delivery of saving  
**Green-** full delivery of saving expected

Service	Responsible Officer	Service Ref	Theme Ref	Budget Area	(Brief description - should clearly state how savings will be generated) Savings Description	Savings
						2019/20 £m
CS	Carron McDiarmid	CS/23	2.9	Community Services Increase all other charges	Graduated % increases in fees and charges within the CS service	0.771
CS	Carron McDiarmid	CS/21	2.21	Waste Management - Restrictions on construction and demolition waste accepted at Household Waste Recycling Centres (HWRC).	Restrictions in place at HWRCs to prohibit vans, trailers and other large vehicles from using HC centres. Plus introduction of a charge to take some such goods at our HWRCs.	0.150
CS	Carron McDiarmid	CS/28	2.5	Income from targeting commercial waste customers	Development of business case to maximise income generation opportunities	0.150
CS	Andy Summers	CS/9	1.10	Street Cleaning	Building on the LEAN review, modernisation of service to ensure increased efficiency and reduction in specification mitigated by development of litter strategy	0.100
CS	Carron McDiarmid	CS/15	1.1	Transport - Review Subsidies	Reduce the cost of the public bus services tender per annum	0.075
CS	Andy Summers	CS/10	1.19	Grass Cutting	Reduced specification, increased productivity and efficiency, promotion of biodiversity and removal of shrub beds	0.075
CS	Carron McDiarmid	CS/22	1.24	Waste Haulage/Processing Contracts	To be reviewed from Sept 19. Potential to bring some of this back in-house.	0.075
CS	Carron McDiarmid	CS/25a	2.19	Involvement in Waste Management - Newstart	Removal of grant funding	0.075
CS	Carron McDiarmid	CS/25b	2.20	Involvement in Waste Management - Blythswood	Removal of grant funding	0.075
CS	David Goldie	CS/26	1.16	Homelessness: Temporary Accommodation	Reduce the volume of private sector temporary accommodation to homeless households through increased use of HRA properties	0.050
CS	Carron McDiarmid	CS/14	3.15	Transport - Home/ School Provision	Review provision - better route planning; introduce collections hubs for children and renegotiate with individual operators for revised pricing	0.050
CS	Carron McDiarmid	CS/20	1.9	Waste Management - Route Optimisation	Full implementation of Route Optimisation based on reducing the fleet by one vehicle and crew in each of years 2 and 3	0.040
CS	Andy Summers	CS/29	1.21	Recycling Centres - Opening Hours	Review of opening hours	0.020
CS	Caroline Campbell	CS/27	1.8	Fleet	Fuel savings from a reduction in excessive idling	0.020
CS	Tracey Urry	CS/7	2.3	Electric Vehicle Charging	Charging the public for access to EV points to cover energy charges which have been provided free until now	0.020
CS	Tracey Urry	CS/12	2.10	Radio Masts - Increase Income	Increase income from radio masts and recover costs from third party works	0.010
CS	Tracey Urry	CS/5	1.15	Street Lighting - Dimming	Reduce brightness by an additional 20% on all new LED street lights by dimming street lights between 12 and 6am	0.005
CS	Carron McDiarmid	CS/16	3.9	Transport - Lean Review	Lean Review of transport processes	0.005

Service	Responsible Officer	Service Ref	Theme Ref	Budget Area	<i>(Brief description - should clearly state how savings will be generated)</i> Savings Description	Savings
						2019/20 £m
CS	Carron McDiarmid	CS/18	1.18	Waste Management - Increase Recycling	Reduce waste arising from internal practices (especially schools, harbours, workshops)	0.000
CS	Tracey Urry	CS/6	2.22	Street Lighting - Review team post LED implementation	Review numbers of staff needed post LED implementation OR offer services to others as income generator. Year 3 saving only.	0.000

1.766