

Agenda Item	6
Report No	ECI/2/22

HIGHLAND COUNCIL

Committee: Economy and Infrastructure

Date: 2 February 2022

Report Title: Revenue Monitoring Quarter 3 to 31 December 2021

Report By: Executive Chief Officer Infrastructure, Environment & Economy

1 Purpose/Executive Summary

- 1.1 This report comments on the Quarter 3 Revenue Monitoring position for the period to 31 December 2021.
- 1.2 The report covers the Infrastructure, Environment and Economy Budgets, and comments on the main budget variances for which the service has direct responsibility.
- 1.3 The Quarter 3 budget monitoring report contains information on income and expenditure, showing both gross and net budgets. Annual gross income totals £60.050m and annual budgeted expenditure totals £93.115m, providing a net annual budget of £33.065m. There has been a net increase in the budget of £0.258m from that reported at 30 September 2021 of £32.807m to £33.065m. The £0.258m additional budget is in respect holiday pay backpay.
- 1.4 At the end of Quarter 3 2021/22, income of £101.819m was generated and £124.515m was spent, providing a net spend on services totaling £22.696m. Covid-19 Business Grants payments totaling £55.669m have been paid through this Service and payments are fully funded by Scottish Government grant.
- 1.5 At the end of Quarter 3, a budget gap of £1.738m is forecast, mainly due to lost income and Covid-19 related costs. This position may change depending on progress made with income recovery and ongoing expenditure controls.

2 Recommendations

- 2.1 Members are asked to note:-
 - i. the more detailed reporting of gross income and gross expenditure to improve scrutiny of net budgets as set out in the Appendices;

- ii. the revenue monitoring position for the period to 31 December 2021;
- iii. net spend at the end of Quarter 3, totaled £22.696m;
- iv. based on the best available information to date, a service budget gap of £1.738m is forecast to end of 2021/22;
- v. many areas of the Service rely on income to pay for services, and this continues to be affected in 2021/22 because of Covid-19 impacts. A loss of income and Covid-19 related costs is the key driver of the Service's budget gap;
- vi. the budget gap may change positively or negatively depending on applying expenditure and recruitment controls, aligning services to meet budget savings agreed and income recovery in 2021/22; and
- vii. further adjustments will be made in future quarterly reporting to reflect the updated apportionment of costs and savings across the new structure.

3 Implications

- 3.1 **Resource** - The Covid-19 pandemic severely impacted the Service's budget in 2020/21, largely through a loss of key income streams and Covid-19 related costs, and although we are now in a period where restrictions have been lifted the impact will further influence the 2021/22 budget. Whilst the vaccination process is leading to a better outlook in 2021/22, there are likely to be issues continuing in the year ahead for the Service in restoring the previously achieved income levels.
- 3.2 **Risk** - Risk implications to the budget position, and budget assumptions, will be kept under regular review and any risks identified reported to future Committees.
- 3.3 **Community (Equality, Poverty and Rural), Climate change/ Carbon Clever, Legal, and Gaelic** - There are no implications arising as a direct result of this report.

4 Infrastructure, Environment and Economy Revenue Budget 2021/22

- 4.1 **Appendix 1** is the monitoring statement showing actual expenditure and the estimated year-end outturn against the budget at 31 December 2021. The Service is showing an outturn of £34.803m against a net annual budget of £33.065m, representing an overspend of £1.738m.
- 4.2 **Appendix 2** provides more information on the net budget by showing the service areas in more detail along with the gross income and gross expenditure positions. The main issues and variances are explained at section 5 of this report.

5 Main Issues and Variances

5.1 Directorate

- 5.1.1 Directorate & Business Team includes all of the Service's unallocated efficiency savings from previous years which are yet to be allocated permanently to other budget headings in the Service.

5.2 Economic Development

- 5.2.1 Investment Properties income is on target for the period to 31 December 2021. Therefore, the year-end estimate shows a balanced position, the small overspend relates to staffing costs.

5.2.2 Economy and Regeneration forecasts an underspend of £0.032m, due to staff vacancies in business development, regeneration, and employability.

5.2.3 Business Development and Employability forecasts an underspend of £0.111m, due to reduced numbers of trainees in Quarter 3. The remaining projects are projecting an overspend of £0.018m at the year end.

5.3 **Housing Development**

5.3.1 Housing Development and Private Sector Housing Grant (PSHG) forecasts an underspend of £0.022m, due to increased projected recharge income.

5.4 **Planning, Environment and Building Standards**

5.4.1 Planning, Environment and Building Standards forecast an overall underspend of £0.032m, mainly due to acting up arrangements and staff vacancies. Contained within the overall underspend there is an overspend projected on planning appeals and inquiries of £0.109m. The annual budget is set at £0.050m and has remained at this level for a number of years.

5.4.2 Planning fee income is above target and building warrant fee income is slightly ahead of target for the period to 31 December 2021. However, it should be noted that the income target for 2021/22 currently includes a one-off budget pressure allocation of £0.850m (split between planning and building warrant fee income) to reflect the impact of Covid-19 on the wider economy. Therefore, the year-end estimate shows an additional £0.500m planning fee income based on the number and scale of applications continuing at present rates. However, the year-end estimate will be kept under review and will have to inform the budget target for 2022/23. Advertising income is currently ahead of target and assumed to have a balanced position at the year end.

5.5 **Infrastructure**

5.5.1 Project Design Unit (PDU) forecasts an under recovery of income of £0.119m, due to existing vacancies. Analysis of income to date and projected income levels based on existing staffing levels show an under recovery on the budgeted income. Efforts have been made to recruit to Engineer posts that will help with efforts to increase efficiency and income target achievement.

5.6 **Energy and Sustainability**

5.6.1 Energy and Sustainability forecasts a minor overspend of £0.021m.

5.7 **Roads and Transport**

5.7.1 **Winter Maintenance:** Forecasts an overspend of £0.373m due to a substantial increase in salt price from the single supplier on the Scotland wide framework contract. This forecast overspend makes assumptions on the required salt deliveries and that Q4 winter treatment costs aligns with the budget provision, recognising that the treatment levels and associated costs and salt usage are dictated by the actual weather conditions experienced.

- 5.7.2 **Roads Maintenance:** Forecasts an overspend of £0.170m. A review of the Winter Maintenance Policy and driver legislation (which has recently been clarified) has necessitated the recruitment of temporary staff to augment the permanent internal staff. Significant increases in hired plant, fuel and material costs, and ongoing covid mitigation measures have led to an increased overspend from that reported in Q2.
- 5.7.3 **Engineering Services:** Forecasts an overspend of £0.151m, this due to increased staff costs and a shortfall in the income target largely associated with changes in road construction consent recovery mechanisms following challenge. However, there has been a reduction in the overspend position reported at Q2 due to an improvement in the estimated income position.
- 5.7.4 **Lighting Services:** Forecasts an underspend of £0.145m. Following the continuation of Capital LED works, there continues to be a saving on Energy Costs. However, the year-end estimate will be kept under review.
- 5.7.5 **Integrated Transport Services:** Forecasts an overspend of £0.082m, in respect of staffing and additional vehicles. The year-end position has increased from that shown in Q2, due to additional vehicle costs. The vehicles are minibuses used to deliver school transport either on routes where Highland Council are providing drivers or on routes where Community Transport Associations are providing the drivers.

In either case the costs associated with these will be met from the School Transport budget or if a combined service, the school, public and community transport budgets and these will be adjusted in Q4.

- 5.7.6 **School Transport:** An overspend of £0.863m is predicted, due to additional back-to-school costs as a result of Covid-19, however this has been partially offset by an underspend on Subsidies and Concessionary Fares. The year-end position has increased slightly from that shown in Q2, due to contract price increases and this will continue to be closely monitored. Both budget lines should be taken together as they are inextricably linked.
- 5.7.7 **Car Parks:** An overall underspend of £0.007m is predicted. The year-end position improved from that shown in Q2, due to an increase better than forecast in income from tourist related sites and the continued rollout of Invitation to Pay sites. There has been a reduction in the overspend position reported at Q2 due to an improvement in the estimated income position.
- 5.7.8 **Corran Ferry:** There has been a reduction in the overspend position reported at Q2 due to an improvement in the estimated income position attributable to increased visitor numbers.

6 Budget Savings

- 6.1 All of the savings, both service specific and corporate, have been reflected in the Infrastructure, Environment and Economy 2021/22 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 Mitigation

7.1 As reported to the Corporate Resources Committee in November 2021, the impact of Covid-19 on the Council's budget and operations and the actions being taken to mitigate them are still ongoing. The ongoing impact of Covid-19 on the Council's budget is expected to continue during 2021/22 and beyond. As the financial year has progressed a greater understanding of that impact has emerged and is reflected in this report.

7.2 Mitigation includes:-

- reducing expenditure across all possible areas;
- compliance with recruitment controls;
- reviewing budget savings potential; and
- meeting budget savings agreed.

Designation: Executive Chief Officer Infrastructure, Environment & Economy

Date: 21 January 2022

Author: Ailsa Mackay, Business Manager

Background Papers: Monitoring Statement to 31 December 2021

	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Directorate	634	(111)	1,284	650
Economic Development	(821)	551	(942)	(121)
Housing Development	1,476	1,502	1,454	(22)
Planning, Environment & Building Standards	593	408	60	(533)
Infrastructure	(875)	(113)	(756)	119
Energy & Sustainability	(51)	(374)	(30)	21
Roads & Transport	35,737	23,416	37,064	1,327
Trading Operations	(3,628)	(2,583)	(3,331)	297
TOTAL	33,065	22,696	34,803	1,738
BY SUBJECTIVE				
Staff Costs	39,187	27,657	36,760	(2,427)
Other Expenditure	53,928	96,858	112,281	58,353
Gross Expenditure	93,115	124,515	149,041	55,926
Grant Income	(2,471)	(59,675)	(59,321)	(56,850)
Other Income	(57,579)	(42,144)	(54,917)	2,662
Total Income	(60,050)	(101,819)	(114,238)	(54,188)
NET TOTAL	33,065	22,696	34,803	1,738

INFRASTRUCTURE & ENVIRONMENT AND ECONOMY SERVICES BUDGET 2021/22 - DECEMBER MONITORING

Appendix 2

	GROSS EXPENDITURE				GROSS INCOME				NET TOTAL			
	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY												
Directorate												
Director & Business Team	751	57	1,507	756	(117)	(168)	(223)	(106)	634	(111)	1,284	650
Economic Development												
Investment Properties	717	550	751	34	(3,572)	(3,558)	(3,602)	(30)	(2,855)	(3,008)	(2,851)	4
Economy & Regeneration	1,585	1,600	2,028	443	(163)	(1,138)	(638)	(475)	1,422	462	1,390	(32)
Business Development & Employability	1,362	1,788	2,264	902	(919)	959	(1,932)	(1,013)	443	2,747	332	(111)
Projects E & E	599	844	221	(378)	(430)	(985)	(34)	396	169	(141)	187	18
COVID Grants	49	55,669	55,633	55,584	(49)	(55,178)	(55,633)	(55,584)	0	491	0	0
Housing Development												
Housing Development & PSHG	2,371	2,086	2,399	28	(895)	(584)	(945)	(50)	1,476	1,502	1,454	(22)
Planning, Environment & Building Standards												
Management	28	92	132	104	0	0	0	0	28	92	132	104
Building Standards	1,478	1,271	1,639	161	(14)	(193)	(115)	(101)	1,464	1,078	1,524	60
Development Plans	691	480	634	(57)	(1)	0	(1)	0	690	480	633	(57)
Area Planning	2,311	1,653	2,204	(107)	0	0	0	0	2,311	1,653	2,204	(107)
Planning Appeals & Inquiries	50	110	159	109	0	0	0	0	50	110	159	109
Transport Planning	828	343	763	(65)	(296)	(35)	(296)	0	532	308	467	(65)
Environment	1,300	1,468	1,208	(92)	(186)	(176)	(170)	16	1,114	1,292	1,038	(76)
Projects P&BS	0	0	0	0	0	0	0	0	0	0	0	0
Planning Fee Income	0	160	139	139	(2,901)	(2,663)	(3,540)	(639)	(2,901)	(2,503)	(3,401)	(500)
Planning Fees Advertising	70	30	70	0	(178)	(156)	(178)	0	(108)	(126)	(108)	0
Building Warrant Fee Income	0	23	21	21	(2,587)	(1,999)	(2,609)	(22)	(2,587)	(1,976)	(2,588)	(1)
Infrastructure												
Project Design Unit	5,937	3,506	4,913	(1,024)	(6,839)	(3,644)	(5,701)	1,138	(902)	(138)	(788)	114
Flood Risk Assessment	31	25	32	1	(4)	0	0	4	27	25	32	5
Energy & Sustainability												
Energy & Sustainability	566	2,402	635	69	(617)	(2,776)	(665)	(48)	(51)	(374)	(30)	21
Roads & Transport												
Winter Maintenance	5,040	1,595	5,413	373	0	0	0	0	5,040	1,595	5,413	373
Roads Maintenance	22,844	15,385	20,666	(2,178)	(16,570)	(9,773)	(14,222)	2,348	6,274	5,612	6,444	170
Engineering Services	2,826	2,332	2,993	167	(343)	(259)	(359)	(16)	2,483	2,073	2,634	151
Flood Alleviation	30	17	29	(1)	0	0	0	0	30	17	29	(1)
Lighting Services	6,430	4,098	5,799	(631)	(3,290)	(2,987)	(2,804)	486	3,140	1,111	2,995	(145)
Integrated Transport Services	937	801	1,113	176	(87)	(346)	(181)	(94)	850	455	932	82
Subsidies & Concessionary Fares	8,628	6,286	8,479	(149)	0	(10)	(10)	(10)	8,628	6,276	8,469	(159)
School Transport	10,433	7,343	11,256	823	(51)	(15)	(11)	40	10,382	7,328	11,245	863
Car Parks	2,279	1,467	2,084	(195)	(3,369)	(2,518)	(3,181)	188	(1,090)	(1,051)	(1,097)	(7)
Trading Operations												
Harbours & Ferries	12,944	11,034	13,857	913	(16,572)	(13,617)	(17,188)	(616)	(3,628)	(2,583)	(3,331)	297
TOTAL	93,115	124,515	149,041	55,926	(60,050)	(101,819)	(114,238)	(54,188)	33,065	22,696	34,803	1,738

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Appendix 3

Service	Date	Ref	Theme Ref	Responsible Officer	Budget Area	Savings Description	Budget before Savings £m	2021/22 Savings £m	2022/23 Savings £m	2023/24 Savings £m	Total Savings £m	Action Required	Timeline	Progress	Status R A G	Date of Last Update	Updated By :
I&E&E	HC 14/02/19	CS/12	2.10		Radio Masts - Increase Income	Increase income from radio masts and recover costs from third party works		0.010			0.010				G	17/01/22	Tracey Urry
I&E&E	HC 14/02/19	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			0.060		0.060						
I&E&E	HC 14/02/19	CS/15	1.01		Transport - Review Subsidies	Reduce the cost of the public bus services tender per annum			0.114		0.114						
I&E&E	HC 14/02/19	CS/16	3.09		Transport - Lean Review	Lean Review of transport processes			0.015		0.015						
I&E&E	HC 14/02/19	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			0.005				G	17/01/22	Tracey Urry
I&E&E	HC 14/02/19	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.		0.060			0.060				G	17/01/22	Tracey Urry
I&E&E	HC 14/02/19	D&I/4	2.17		Planning & Environment	Planning & Building Warrant Fee Income - Increase income target			0.240		0.240						
I&E&E	HC 14/02/19	D&I/5	2.08		Planning & Environment	Environment - Increase Environment Advice & Consultancy Team income target		0.010			0.010				G	17/01/22	Tracey Urry
I&E&E	HC 14/02/19	D&I/8	3.05		Development & Regeneration	Housing Development - Identify efficiencies in delivery of affordable homes. Efficiencies in services for home adaptations for older people and disabled people by making changes to the delivery team.		0.030			0.030				G	17/01/22	Allan Maquire
I&E&E	HC 05/03/20	CS/14	2.16		Car Parks	Roll out of car parking charges	-1.846		0.411		0.411						
I&E&E	HC 05/03/20	CS/19a	1.14		Transport Section	Review of school transport contracts and arrangements - nursery, primary, secondary and special schools	8.815		0.175		0.175						
I&E&E	HC 05/03/20	CS/19c	1.14		Transport Section	Review of school transport contracts and arrangements - Gaelic medium	8.815		0.245		0.245						
I&E&E	HC 05/03/20	D&I/1	2.10		Planning & Environment	New fees for new services - Medium-Scale Pre-application Advice & Satisfaction of Conditions	5.639	0.025	0.030		0.055				G	17/01/22	Tracey Urry
I&E&E	HC 05/03/20	D&I/2	2.15		Planning & Environment	Planning & Building Warrant Fee Income - Increase income target	5.639		0.300		0.300						
I&E&E	HC 04/03/21	I&E&E/1	3.17		Roads & Transport	Existing Vacancies	4.486	0.102			0.102				G	12/01/22	Ailsa Mackay
I&E&E	HC 04/03/21	I&E&E/2	3.18		Planning & Environment	Existing Vacancies	6.740	0.259			0.259				G	12/01/22	Ailsa Mackay
I&E&E	HC 04/03/21	I&E&E/3	3.19		Development & Regeneration	Existing Vacancies	1.589	0.040			0.040				G	12/01/22	Ailsa Mackay
I&E&E	HC 04/03/21	I&E&E/4	1.14		Roads & Transport	Cromarty - Nigg Ferry Contract (Non Statutory Tourist Service)	0.070	0.010			0.010				G	17/01/22	Tracey Urry
I&E&E	HC 04/03/21	I&E&E/6	3.20		Planning & Environment	Remove £20k from the Access budget for works	0.245	0.020			0.020				G	12/01/22	Ailsa Mackay
I&E&E	HC 04/03/21	I&E&E/7	3.21		Planning & Environment	Remove 0.012m from consultancy budget (0.052m used for feasibility work, support for economic development etc)	0.052	0.012			0.012				G	12/01/22	Ailsa Mackay
I&E&E	HC 04/03/21	I&E&E/9	1.15		Development & Regeneration	Private Sector Housing Grant - Reduction in Grant	1.589	0.050			0.050				G	17/01/22	Allan Maquire
I&E&E	HC 04/03/21	I&E&E/10	2.17		Roads & Transport	Corran Ferry - Fares Income (see template for detail 3 options - potential savings 0.42m to 0.100m)	1.500	0.100			0.100				A	17/01/22	Tracey Urry