

HIGHLAND COUNCIL

Committee: Economy and Infrastructure

Date: 2 September 2020

Report Title: Revenue Monitoring to 30 June 2020

Report By: Executive Chief Officer - Infrastructure and Environment

1. Purpose/Executive Summary

- 1.1 This report comments on the Quarter 1 Revenue monitoring position for the period to 30 June 2020.
- 1.2 The report covers the Infrastructure, Environment and Economy Budgets, and comments on the main budget variances for which these Services have direct responsibility.
- 1.3 The budget monitoring report contains information on income and expenditure, showing both gross and net budgets. Annual gross income totals £62.664m and annual budgeted expenditure totals £91.156m, providing a net annual budget of £28.492m.
- 1.4 At the end of quarter 1, 2020/21, income of £69.796m was generated and £85.672m was spent, providing a net spend on services totaling £15.876m. It should be noted that although fully funded, Covid Business Grants totaling £68.103m have been paid through this service and are included in the figures reported.
- 1.5 At the end of quarter 1, a budget gap of £10.916m is forecast, largely due to lost income. This position may change depending on progress made with income recovery and ongoing expenditure controls.
- 1.6 A number of refinements to the budget reporting are still to be made for the new service budget. Any changes will be reported in future monitoring reports. New opportunities for savings and income potential are also being explored.

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 30 June 2020;

- iii. net spend at the end of quarter 1, totaled £15.876m;
- iv. based on the best available information to date, a service budget gap of £10.916m is forecast to end 2020/21;
- v. many areas of the service rely on income to pay for services and this was significantly disrupted this year because of covid impacts. A loss of income 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; income recovery in 2020/21; 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 - Resource implications are discussed in the report.
- 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 2020/21

- 4.1 **Appendix 1** is the monitoring statement showing actual expenditure and the estimated year-end outturn against the budget at 30 June 2020. The Service is showing an outturn of £39.408m against a net annual budget of £28.492m, representing an overspend of £10.916m. The majority of this overspend relates to Covid related income shortfalls in planning fees and building warrant income, car parking income, harbour and ferry income, investment property income, roads consents income and quarry income, and the pressure on the school transport contracts.
- 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.
- 4.3 From the 1 April 2020, the Service has taken steps to achieve the 2020/21 savings through vacant posts and spending controls, however due to COVID this year has become very uncertain and pressures have arisen as a result that were not foreseen. The Service remains focused on minimizing expenditure through vacancy controls and by minimizing discretionary expenditure where possible in order to help with the pressures from COVID and also to achieve the budget savings allocated where possible.

5. Main Issues and Variances

- 5.1 The Directorate Section 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 Investment Properties forecasts a reduction in income of £0.668m, due to the impact of Covid 19 as many retail units and other tenants have not paid rent during the

lockdown period. Staff are working with tenants to agree repayment plans some backlog rent may not be paid until next financial year.

- 5.3 Economy and Regeneration forecasts an underspend of £0.282m mainly due to staff vacancies and restricted activity during the lockdown period.
- 5.4 Housing Development and Private Sector Housing Grant forecasts an underspend of £0.121m, due to staff vacancies and restricted construction and PSHG activity during the lockdown period.
- 5.5 Planning and Environment forecast an underspend of £0.424m, due to acting up arrangements, staff vacancies and the current restrictions on expenditure. The underspend assumes continued implementation of the above restrictions.
- 5.6 Planning and building warrant fee income
 - 5.6.1 Planning and building warrant fee income is below target for the period to 30 June 2020 due to a reduction in the number of applications received. Therefore, the year-end estimate shows a shortfall of £1.722m, based on the number and scale of applications continuing at present rates. However, the year-end estimate will be revised at Q2 to reflect any improvement in number of applications received.
 - 5.6.2 Planning Fees: Q1 has seen a 39% reduction (£461k) against a target of (£761k) in fees. Planning has seen a slight improvement in fees in July from previous month and with the prospect of a number of new renewables applications, based on discussion with the industry over the financial year there is scope to recoup the loss of income and close the gap. It is too soon to anticipate how the sector will recover but will review on a quarterly basis. Currently forecasting an overall reduction of 29% against planning fees to the end of the financial year.
 - 5.6.3 Building Warrant Fees: Q1 has seen a 31% reduction (£514k), against a target of (£746k) in fees. Currently we do not anticipate recouping this loss in income but will review on a quarterly basis. It is too soon to anticipate how the construction sector will recover. Currently forecasting an overall reduction of 29% against building warrant fees to the end of the financial year.
- 5.7 Project Design Unit forecasts an under recovery of income of £0.034m, due to staff vacancies and initial disruption to staff associated with the move to home working. The materials laboratory has also seen a significant downturn in work associated with the restrictions placed on the construction industry during the pandemic.
- 5.8 Energy and Sustainability forecasts additional income of £0.076m.
- 5.9 Roads Maintenance:
 - 5.9.1 On 6 April 2020 The Scottish Government stated that only essential construction work should be undertaken as a result of COVID-19. This included 'the repair and maintenance of critical Infrastructure' such as roads. Following a review of its operations by the Roads and Transport Service, the following restricted duties were deemed to be eligible in order to comply with the above. These works included:-
 - Emergency Out of Hours response;
 - Winter maintenance (ending 14 April 2020);
 - Road Safety Inspections with priority given to the strategic network;

- Structures Inspections;
- Category 1 & 2 Road Safety Defect Repairs with priority to the Strategic Network
- Ditching and drainage works only where there is a risk of flooding or it has occurred;

- 5.9.2 The restrictions significantly impacted on the cyclical maintenance and surface dressing operations that would normally be undertaken in Q1, but with the easing of lock-down restrictions it is assumed that revenue works for the remainder of the year will be broadly in line with the same period as last year. The restrictions significantly impacted on the productivity and operation of Sconser Quarry and an income shortfall is predicted for this area of activity and accounts for the bulk of the overspend.
- 5.10 Engineering Services: Due to the lack of construction activity in Q1, there has been a reduction in Road Construction Consent fees, and an income shortfall is predicted for most areas.
- 5.11 Lighting services: Following the resumption of Capital LED works, there should be an underspend on maintenance works, albeit not as great an underspend as last year due to the amount of non-productive time in Q1. This is also the case for savings on Energy Costs.
- 5.12 School Transport: An overspend in School Transport is predicted due to the impact of Contract Price increases and Social Distancing requirements.
- 5.13 Car Parks: There is an Income shortfall arising from the impact of COVID-19 Lockdown and travel restrictions.
- 5.14 Harbours & Ferries: There is an income shortfall for Harbour dues and Corran Ferry ticket fares arising from the impact of COVID-19 Lock-down and travel restriction. In respect of Harbours, there is also continued uncertainty over the impact of BREXIT.

6. Mitigation

- 6.1 As reported to the Corporate Resources Committee in August 2020, the impact of covid on the Council's budget and operations and the actions being taken to mitigate it are still very much emergent. Certain aspects of the response are still to be determined and the figures reported here reflect the best information we have at the time of writing this report.
- 6.2 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 and Environment

Date: 12 August 2020

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Background Papers: Monitoring Statement 30/06/2020

INFRASTRUCTURE & ENVIRONMENT AND ECONOMY BUDGETS 2020/21 - JUNE MONITORING

	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Directorate	(39)	142	937	976
Economic Development	(1,208)	10,043	(834)	374
Housing Development	1,589	435	1,468	(121)
Planning, Environment & Building Standards	65	631	1,367	1,302
Infrastructure	(815)	315	(778)	37
Energy & Sustainability	(1,638)	(721)	(1,714)	(76)
Roads & Transport	34,106	6,141	39,496	5,390
Trading Operations	(3,568)	(1,110)	(534)	3,034
TOTAL	28,492	15,876	39,408	10,916

BY SUBJECTIVE				
Staff Costs	39,536	8,224	36,854	(2,682)
Other Expenditure	51,620	77,448	119,680	68,060
Gross Expenditure	91,156	85,672	156,534	65,378
Grant Income	(4,008)	(59,401)	(72,498)	(68,490)
Other Income	(58,656)	(10,395)	(44,628)	14,028
Total Income	(62,664)	(69,796)	(117,126)	(54,462)
NET TOTAL	28,492	15,876	39,408	10,916

INFRASTRUCTURE & ENVIRONMENT AND ECONOMY SERVICES BUDGET 2020/21 - JUNE 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	78	148	965	887	(117)	(6)	(28)	89	(39)	142	937	976
Economic Development												
Investment Properties	741	176	718	(23)	(3,875)	(784)	(3,184)	691	(3,134)	(608)	(2,466)	668
Economy & Regeneration	1,843	358	1,480	(363)	(363)	(1,167)	(282)	81	1,480	(809)	1,198	(282)
Employability	1,200	184	1,179	(21)	(850)	2,183	(829)	21	350	2,367	350	0
Projects E & E	494	698	495	1	(398)	(886)	(411)	(13)	96	(188)	84	(12)
COVID Grants	0	68,103	68,103	68,103	0	(58,822)	(68,103)	(68,103)	0	9,281	0	0
Housing Development												
Housing Development & PSHG	2,484	727	2,363	(121)	(895)	(292)	(895)	0	1,589	435	1,468	(121)
Planning, Environment & Building Standards												
Management	(133)	31	126	259	0	0	0	0	(133)	31	126	259
Building Standards	1,623	357	1,489	(134)	(14)	0	0	14	1,609	357	1,489	(120)
Development Plans	745	150	610	(135)	(1)	0	(3)	(2)	744	150	607	(137)
Area Planning	2,212	516	2,089	(123)	0	0	(2)	(2)	2,212	516	2,087	(125)
Planning Appeals & Inquiries	50	5	45	(5)	0	(1)	(1)	(1)	50	4	44	(6)
Transport Planning	776	208	663	(113)	(297)	121	(166)	131	479	329	497	18
Environment	1,406	265	1,058	(348)	(165)	(20)	(130)	35	1,241	245	928	(313)
Projects P&BS	0	0	0	0	0	0	0	0	0	0	0	0
Planning Fee Income	0	19	81	81	(3,045)	(480)	(2,256)	789	(3,045)	(461)	(2,175)	870
Planning Fees Advertising	70	11	71	1	(178)	(37)	(175)	3	(108)	(26)	(104)	4
Building Warrant Fee Income	0	7	16	16	(2,984)	(521)	(2,148)	836	(2,984)	(514)	(2,132)	852
Infrastructure												
Project Design Unit	6,166	951	4,683	(1,483)	(7,009)	(644)	(5,492)	1,517	(843)	307	(809)	34
Flood Risk Assessment	32	8	31	(1)	(4)	0	0	4	28	8	31	3
Energy & Sustainability												
Energy & Sustainability	468	127	1,092	624	(2,106)	(848)	(2,806)	(700)	(1,638)	(721)	(1,714)	(76)
Roads & Transport												
Winter Maintenance	5,040	265	5,040	0	0	0	0	0	5,040	265	5,040	0
Roads Maintenance	23,983	4,162	22,346	(1,637)	(16,571)	(2,560)	(13,931)	2,640	7,412	1,602	8,415	1,003
Engineering Services	2,730	704	2,910	180	(516)	(118)	(357)	159	2,214	586	2,553	339
Flood Alleviation	30	3	32	2	0	0	0	0	30	3	32	2
Lighting Services	6,700	1,209	6,100	(600)	(3,260)	(1,470)	(2,983)	277	3,440	(261)	3,117	(323)
Integrated Transport Services	1,061	228	1,067	6	(83)	(30)	(52)	31	978	198	1,015	37
Subsidies & Concessionary Fares	7,581	1,670	7,581	0	0	0	0	0	7,581	1,670	7,581	0
School Transport	9,461	1,923	11,293	1,832	(51)	(3)	(51)	0	9,410	1,920	11,242	1,832
Car Parks	1,370	190	1,224	(146)	(3,369)	(32)	(723)	2,646	(1,999)	158	501	2,500
Trading Operations												
Harbours & Ferries	12,945	2,269	11,584	(1,361)	(16,513)	(3,379)	(12,118)	4,395	(3,568)	(1,110)	(534)	3,034
TOTAL	91,156	85,672	156,534	65,378	(62,664)	(69,796)	(117,126)	(54,462)	28,492	15,876	39,408	10,916