

Agenda Item	3
Report No	CP/1/22

THE HIGHLAND COUNCIL

Committee: Communities and Place

Date: 23 February 2022

Report Title: Q3 revenue budget monitoring

Report By: Interim Executive Chief Officer, Communities and Place

1. Purpose/Executive Summary

- 1.1 This report provides Members with the Quarter 3 (Q3) revenue budget monitoring and the forecast out-turn to year end. The out-turn forecast has improved from Q2, with the over-spend of £414k reported then, now reduced to £288k. Mitigation will continue to enable a balanced budget by year end, focusing on income achievement, control of expenditure and the full draw down of appropriate Covid grants.
- 1.2 Savings this year of £505k will be delivered, with £62k of new income targets at risk of achievement, and these are factored into the out-turn position forecast.

2. Recommendations

- 2.1 Members are asked to note:
- i. the Q3 position as shown on Appendices 1 and 2 and that the forecasted outturn position is a pressure of £288k;
 - ii. that savings forecasted to be delivered this year amount to £505k against a target of £567k, with £62k at risk of delivery and are factored into the outturn position;
 - iii. in addition to the underachievement of income remaining a risk for the Service, a review of various budget headings is taking place to help inform targets and other budgets at a subjective level, all within the overall Service budget target into 22/23.

3. Implications

- 3.1 **Resource implications:** these are described throughout the report in discussing the latest budget position and forecasted outturns.

- 3.2 **Legal implications:** the service runs many statutory services across all teams. Fee and grant income are permitted for some of these services. The Service also continues to respond to Covid as part of our statutory resilience response.
- 3.3 **Community (Equality, Poverty, Rural and Island) implications:** support in response to Covid continues including for vaccination programmes and community testing. Services are continuing to adjust to the relaxation of restrictions to provide responsive services for the community and to assist with recovery.
- 3.4 **Climate Change implications:** business miles in grey fleet and car club continue to be lower than in pre-Covid periods with positive impacts on carbon emissions; however fleet use has increased during 21/22 associated with the need for additional vehicles for social distancing and in the use of our mobile units supporting vaccination and community testing programmes. Members are reminded that the additional vehicles used for the driver + 1 service delivery method ended on 23 August 21. Where possible electric vehicles for light fleet continue to be used to avoid any increase in carbon emissions.
- 3.5 **Risk implications:** a risk to the revenue budget remains the reliance on approximately £11m of external income to balance the budget. Work is taking place reviewing such income including reviewing targets within the overall service income target.
- 3.6 **Gaelic implications:** there are no Gaelic implications arising from this report.

4. Overview of revenue budget and savings 2021/22

- 4.1 The service budget as at Q3 is shown in **Appendix 1** for the net position and **Appendix 2** for the gross position. The out-turn forecast has improved from Q2, with the overspend of £414k reported then, now reduced to £288k.
- 4.2 The outturn forecast includes the delivery of £505k savings against an approved savings target of £567k, thus £62k of savings are at risk. The savings that are at risk are; 1) the £45k new income target in the Registrar service is not expected to be achieved as the fee set by the National Records of Scotland (NRS) has not been increased as expected and 2) the sale of wheelie bins at £17k.
- 4.3 **Appendix 1** reports the net position. The current forecast for year end is for overspends in bereavement services, stores and fleet and some administration budgets which can be partially offset by underspends forecast for waste, community spaces and community support, contact & engagement.
- 4.4 The gross position at **Appendix 2** provides further information including an income pressure forecasted to year end of £1.025m. A review of external income continues including a review of targets and this will also help to inform the budget loaded onto our financial system, Integra, for 22/23.
- 4.5 The fleet budget income is in excess of £3m and is generated from fleet services provided to support the housing service (HRA funded), the community justice team (ring-fenced Government funding) schools (DSM budgets), our external leasing company for mechanic work, refunds on roads fund licenses and grants for electric vehicles.

5. Budget variances

- 5.1 Overall, the waste budget is forecasted to deliver an underspend. The waste collections budget is under pressure with the growth in households associated with new housebuilding of around 1000 houses each year as well as the targeted growth in commercial customers. Income projections overall are improving although there are pressures arising from fuel price increases.
- 5.2 In public health and bereavement services an overspend of £340k is forecasted. The principal pressures arise from the forecasted underachievement of income including reductions in the sale of export health certificates, advance purchase of burial lairs and for work on lair foundations. Members have considered reports previously in relation to the advance purchase of burial lairs and the constrained capacity in around 30 burial grounds which means we cannot sell lairs in advance. There is an ongoing project on burial ground extensions and progress will be reported to Area Committees later in 2022. The public conveniences budget is also forecast to be £65k under the income target set.
- 5.3 The community spaces budget is currently forecast an underspend. Staff costs are under profile for the entire year as we have not been able to recruit to all the seasonal posts this year because of a lack of applicants. The Service is working closely with HR colleagues to take all possible steps to improve recruitment success including advertising of such posts. Staff underspends combined with an increase in fuel prices and a forecasted underachievement of income result in a small, forecasted underspend of £45k.
- 5.4 The various budgets associated with ward management, community support, service points and registrars are forecast to underspend by 281k, largely due to unfilled vacancies and the time taken to recruit to vacant posts. Delivery against income targets remain a pressure particularly within Registration Services although as the recovery from COVID continues, forecasted income is increasing too albeit remaining short of pre-COVID levels.
- 5.5 For Stores and Logistics, an overspend of £455k is forecasted. As well as forecasted income being less than target, there are cost pressures related to spare part prices and contractors. A member of staff from the Transformation Team has begun working with the Head of Community Operations and Logistics from February to undertake a critical review of the budget, expenditure and income. As well as supporting the monitoring process during 22/23, it is anticipated that this work can, in part, help to inform the budget loaded onto the financial system for 22/23 including income targets.
- 5.6 The pressure of £70k in the service leadership and administration budget relates to assumed surcharges from non-payment or late payment of invoices across the service. The actual target is £109k but it has never been achieved. This income target is found across Service budgets and will need to be reviewed corporately. Our work on reviewing all Service income targets may identify a solution for the £70k pressure.
- 5.7 The service leadership and administration budget reports a forecasted overspend of £47k. This includes budget associated with previous service structures and the accountancy team expects to have realigned budgets in place for 22/23 reflecting the new council structures.
- 5.8 Mitigation will continue across the service and will continue to focus on income achievement, control of expenditure and full draw down of appropriate Covid grants.

6. Resource Management

- 6.1 In addition to the work outlined at 5.6 pertaining to Fleet, work is also underway reviewing many resourcing aspects across the Service such as staffing / vacancies, overtime, agency, income, absence management, flexible retirement and an overall review of the (number of) cost centres we have across the Service to support the management of the budget and performance management / financial management.
- 6.2 This work will include critical analysis as appropriate – also referred as a “line by line analysis” – of budgets which can offer many benefits including supporting Workforce Planning and help some of the budgets, at a subjective level, more accurately reflect forecasted estimates into 22/23.

Designation: Interim Executive Chief Officer - Communities and Place

Date: 4 February 2022

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COMMUNITIES AND PLACE SERVICES BUDGET 2021/22 - DECEMBER MONITORING
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	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Waste Management Services	22,847	14,559	22,619	(228)
Public Health & Bereavement Services	2,196	1,860	2,536	340
Community Spaces	2,059	2,608	2,014	(45)
Community Support, Contact & Engagement	5,816	3,631	5,535	(281)
Stores & Logistics	6,672	7,702	7,127	455
Administration	787	328	834	47
TOTAL	40,377	30,688	40,665	288
BY SUBJECTIVE				
Staff Costs	32,882	24,766	30,914	(1,968)
Other Expenditure	30,317	21,784	31,548	1,231
Gross Expenditure	63,199	46,550	62,462	(737)
Grant Income	(343)	(396)	(368)	(25)
Other Income	(22,479)	(15,466)	(21,429)	1,050
Total Income	(22,822)	(15,862)	(21,797)	1,025
NET TOTAL	40,377	30,688	40,665	288

COMMUNITIES AND PLACE SERVICES BUDGET 2021/22 - DECEMBER MONITORING

	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												
Waste Management Services												
Kerbside Refuse Collections	8,419	6,960	9,258	839	(4,577)	(4,281)	(4,978)	(401)	3,842	2,679	4,280	438
Waste Disposal (Transfer, Haulage & Landfill)	13,385	8,069	13,106	(279)	(559)	(358)	(478)	81	12,826	7,711	12,628	(198)
Recycling Centres, Transfer & Treatment	4,679	3,154	4,303	(376)	(249)	(208)	(283)	(34)	4,430	2,946	4,020	(410)
Street Cleaning	1,799	1,271	1,742	(57)	(50)	(48)	(51)	(1)	1,749	1,223	1,691	(58)
Public Health and Bereavement Services												
Environmental Health & Regulation	3,229	2,280	3,130	(99)	(887)	(563)	(817)	70	2,342	1,717	2,313	(29)
Bereavement Services, Burials & Cremations	4,748	3,441	4,680	(68)	(5,804)	(3,996)	(5,444)	360	(1,056)	(555)	(764)	292
Public Conveniences	1,112	811	1,124	12	(202)	(113)	(137)	65	910	698	987	77
Community Spaces												
Grounds Maintenance & Play Areas	7,604	5,928	7,151	(453)	(5,545)	(3,320)	(5,137)	408	2,059	2,608	2,014	(45)
Community Support, Contact and Engagement												
Ward & City Management	626	638	580	(46)	0	(51)	(22)	(22)	626	587	558	(68)
Ward Discretionary Grant	3,113	752	3,113	0	0	0	0	0	3,113	752	3,113	0
Policy & Community Support Co-ordination	842	856	814	(28)	12	(51)	(18)	(30)	854	805	796	(58)
Customer Contact (Service Points, Service Centre & Registrars)	1,901	1,886	1,556	(345)	(678)	(399)	(488)	190	1,223	1,487	1,068	(155)
Stores and Logistics												
Fleet & Plant	9,165	8,714	9,245	80	(3,073)	(1,446)	(2,700)	373	6,092	7,268	6,545	453
Stores	1,247	1,118	1,420	173	(880)	(809)	(1,010)	(130)	367	309	410	43
Travel Desk	213	125	172	(41)	0	0	0	0	213	125	172	(41)
Administration												
Service Leadership	1,117	547	1,068	(49)	(330)	(219)	(234)	96	787	328	834	47
TOTAL	63,199	46,550	62,462	(737)	(22,822)	(15,862)	(21,797)	1,025	40,377	30,688	40,665	288