

Agenda Item	7
Report No	ECI/33/2021

## HIGHLAND COUNCIL

**Committee:** Economy and Infrastructure

**Date:** 1 September 2021

**Report Title:** Revenue Monitoring Final Outturn 2021 and Quarter 1 to 30 June 2021

**Report By:** Executive Chief Officer Infrastructure, Environment & Economy

### 1 Purpose/Executive Summary

- 1.1 This report comments on the Final Outturn 2021 and Quarter 1 Revenue Monitoring position for the period to 30 June 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 Final Outturn budget monitoring report contains information on income and expenditure, showing both gross and net budgets. Annual gross income totals £64.172m and annual budgeted expenditure totals £96.498m, providing a net annual budget of £32.326m.
- 1.4 The Quarter 1 budget monitoring report contains information on income and expenditure, showing both gross and net budgets. Annual gross income totals £59.081m and annual budgeted expenditure totals £92.692M, providing a net annual budget of £33.611m.
- 1.5 At the end of Quarter 1 2021/22, income of £67.654m was generated and £75.318m was spent, providing a net spend on services totaling £7.664m. Covid-19 Business Grants payments totaling £54.263m have been paid through this Service and payments are fully funded by Scottish Government grant.
- 1.6 At the end of Quarter 1, a budget gap of £1.678m 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 budget final outturn position for the year ended 31 March 2021;
- iii. the revenue monitoring position for the period to 30 June 2021;
- iv. net spend at the end of Quarter 1, totaled £7.664m;
- v. based on the best available information to date, a service budget gap of £1.678m is forecast to end of 2021/22
- vi. 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;
- vii. 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
- viii. 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 entering a period where restrictions are being 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 – Final Outturn 2020/21

- 4.1 The Service summary statement showing the final position for the year ended 31 March 2021 is contained in **Appendix 1**.
- 4.2 There has been a net increase in the budget of £2.950m from that reported on 31 December 2020 of £29,376m to £32,326m. The budget was increased due to adjustment to Directorate of £0.934m, Economic Development, Covid Grants of £1,956m allocated from redetermination of Government Grant, adjustments to Energy & Sustainability £0.571m and Roads & Transport (£0.488m). Also, minor adjustments to Planning, Environment, Building Standards and Trading Operations.
- 4.3 **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 The following is a summary of the movement on variances between 31 December 2020 figures as reported to the February 2021 Committee and the outturn at 31 March 2021:-

Activity	December £000	March £000	Movement £000
Directorate	831	1,225	394

Economic Development	152	(216)	(368)
Housing Development	(75)	(293)	(218)
Planning, Environment & Building Standards	1,558	436	(1,122)
Infrastructure	97	186	89
Energy & Sustainability	(35)	15	50
Roads & Transport	4,446	4,863	417
Trading Operations	1,967	1,330	(637)
<b>Total</b>	<b>8,941</b>	<b>7,546</b>	<b>(1,395)</b>

- 5.2 A year-end overspend of £7.546m is reported which is an improvement of £1.395m on that previously reported of £8.941m. The overall variance is attributable to overspends in three areas of actively namely the directorate, roads and transport and trading operations.
- 5.2.1 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, some of which will be addressed as part of the ongoing Council redesign. Also, there was a significant movement on bad debts due to the new combined service and the write off of the balance of the Inverness Airport Business Park Loan.
- 5.2.2 The Roads and Transport overspend of £4.863m is due to three areas of activity. There was a £1.423m overspend on the winter maintenance budget due to the severe winter weather experienced in the last quarter of the financial year. Also, there was an overspend of £1.422m in relation to school and public transport contracts, a proportion of which relates to the additional costs related to schools' return. The final position on the loss of car park income was a shortfall of £1.713m.
- 5.2.3 Trading Operations comprise the Piers and Harbours and Corran Ferry Budgets. Income for both activities improved throughout the year, however there was still a shortfall of £1.330m. Brexit has had an effect on harbours income; however, it was not as significant as previously predicted.
- 5.3 The improvement in the year end position is due to increased income in respect of planning fees, building warrants, investment properties and trading operations. The level of cost relating to the schools' return is lower than previously anticipated and has therefore further improved the position along with a general control in expenditure.

## 6 Infrastructure, Environment and Economy Revenue Budget 2021/22

- 6.1 **Appendix 3** is the monitoring statement showing actual expenditure and the estimated year-end outturn against the budget at 30 June 2021. The Service is showing an outturn of £35.289m against a net annual budget of £33.611m, representing an overspend of £1.678m.
- 6.2 **Appendix 4** 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 7 of this report.

## 7 Main Issues and Variances

### 7.1 Directorate

- 7.1.1 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.

## 7.2 Economic Development

- 7.2.1 Investment Properties income is on target for the period to 30 June 2021. Therefore, the year- end estimate shows a balanced position, the small underspend relates to staffing costs.
- 7.2.2 Economy and Regeneration forecasts an underspend of £0.062m, due to staff vacancies in business development, regeneration and employability.
- 7.2.3 Business Development and Employability forecasts an underspend of £0.052m, due to reduced numbers of trainees in Quarter 1. The remaining projects are assumed to have full spend.

## 7.3 Housing Development

- 7.3.1 Housing Development and Private Sector Housing Grant (PSHG) forecasts an underspend of £0.048m, due to increased projected recharge income.

## 7.4 Planning, Environment and Building Standards

- 7.4.1 Planning, Environment and Building Standards forecast an overall underspend of £0.095m, mainly due to acting up arrangements and staff vacancies. Overspend projected on planning appeals and inquiries of £0.051m.
- 7.4.2 Planning and building warrant fee income is slightly above target for the period to 30 June 2021. Therefore, the year-end estimate shows a balanced position based on the number and scale of applications continuing at present rates. However, the year-end estimate will be kept under review. Advertising income ahead of target and also assumed to have a balanced position at the year end.

## 7.5 Infrastructure

- 7.5.1 Project Design Unit (PDU) forecasts an under recovery of income of £0.112m, 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.

## 7.6 Energy and Sustainability

- 7.6.1 Energy and Sustainability forecasts a minor overspend of £0.014m.

## 7.7 Roads and Transport

- 7.7.1 **Roads Maintenance:** Forecasts an underspend of £0.171m, it is expected that this underspend will compensate for the overspends in the Engineering budgets. This should be achievable due to the volume of Capital works being carried out this year.
- 7.7.2 **Engineering Services:** Forecasts an overspend of £0.172m, due to increased staff costs and a shortfall in the income target.
- 7.7.3 **Lighting Services:** Forecasts an underspend of £0.057m. 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.

7.7.4 **Integrated Transport Services:** Forecasts an overspend of £0.065m, in respect of staffing and additional vehicles.

7.7.5 **School Transport:** An overspend of £0.686m 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. Both budget lines should be taken together as they are inextricably linked.

7.7.6 **Car Parks:** An overspend of £0.280m is predicted, due to continuing shortfall in income as a result of Covid-19.

7.7.7 **Corran Ferry:** An overspend of £0.428m is predicted, due to staffing and repairs and overhaul of vessels and equipment purchase for new ticketing machine. Also, continuing income shortfall as a result of Covid-19.

## 8 Budget Savings

8.1 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.

8.2 An updated Red/Amber/Green (RAG) analysis of agreed budget savings for the current financial year is set out on **Appendix 5**. This statement reflects the position for the financial year.

## 9 Mitigation

9.1 As reported to the Corporate Resources Committee in June 2021, the impact of Covid-19 and Brexit on the Council's budget and operations and the actions being taken to mitigate them are still ongoing. The impact of Covid-19 on the Council's budget has been and is expected to continue to be significant 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.

9.2 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: 6 August 2021

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Background Papers: Monitoring Statement from 31/03/2021 to 30/06/2021

## Appendix 1

<b>INFRASTRUCTURE &amp; ENVIRONMENT AND ECONOMY BUDGET OUTTURN 2020/21</b>
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	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance
<b>BY ACTIVITY</b>				
Directorate	(847)	378	378	1,225
Economic Development	742	526	526	(216)
Housing Development	1,588	1,295	1,295	(293)
Planning, Environment & Building Standards	69	505	505	436
Infrastructure	(815)	(629)	(629)	186
Energy & Sustainability	414	429	429	15
Roads & Transport	34,755	39,618	39,618	4,863
Trading Operations	(3,580)	(2,250)	(2,250)	1,330
<b>TOTAL</b>	<b>32,326</b>	<b>39,872</b>	<b>39,872</b>	<b>7,546</b>
<b>BY SUBJECTIVE</b>				
Staff Costs	39,657	37,130	37,130	(2,527)
Other Expenditure	56,841	62,960	62,960	6,119
<b>Gross Expenditure</b>	<b>96,498</b>	<b>100,090</b>	<b>100,090</b>	<b>3,592</b>
Grant Income	(5,481)	(11,549)	(11,549)	(6,068)
Other Income	(58,691)	(48,669)	(48,669)	10,022
<b>Total Income</b>	<b>(64,172)</b>	<b>(60,218)</b>	<b>(60,218)</b>	<b>3,954</b>
<b>NET TOTAL</b>	<b>32,326</b>	<b>39,872</b>	<b>39,872</b>	<b>7,546</b>

## INFRASTRUCTURE &amp; ENVIRONMENT AND ECONOMY SERVICES BUDGET OUTTURN 2020/21

BY ACTIVITY	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
<b>Directorate</b>												
Director & Business Team	759	2,290	2,290	1,531	(1,606)	(1,912)	(1,912)	(306)	(847)	378	378	1,225
<b>Economic Development</b>												
Investment Properties	741	743	743	1	(3,881)	(3,599)	(3,599)	281	(3,140)	(2,857)	(2,857)	283
Economy & Regeneration	1,585	2,602	2,602	1,016	(188)	(1,444)	(1,444)	(1,255)	1,397	1,158	1,158	(239)
Business Development & Employability	1,454	1,749	1,749	295	(1,022)	(1,507)	(1,507)	(485)	432	242	242	(190)
Projects E & E	494	3,020	3,020	2,526	(398)	(2,994)	(2,994)	(2,596)	96	26	26	(70)
COVID Grants	1,956	1,956	1,956	0	0	0	0	0	1,956	1,956	1,956	0
<b>Housing Development</b>												
Housing Development & PSHG	2,483	2,410	2,410	(73)	(895)	(1,115)	(1,115)	(220)	1,588	1,295	1,295	(293)
<b>Planning, Environment &amp; Building Standards</b>												
Management	(133)	123	123	256	0	(0)	(0)	(0)	(133)	123	123	256
Building Standards	1,623	1,689	1,689	66	(14)	(25)	(25)	(11)	1,609	1,664	1,664	55
Development Plans	745	623	623	(122)	(1)	0	0	1	744	623	623	(121)
Area Planning	2,211	2,121	2,121	(90)	0	0	0	0	2,211	2,121	2,121	(90)
Planning Appeals & Inquiries	50	133	133	83	0	(2)	(2)	(2)	50	131	131	81
Transport Planning	684	908	908	223	(296)	(426)	(426)	(129)	388	482	482	94
Environment	1,469	1,155	1,155	(315)	(165)	(176)	(176)	(10)	1,304	979	979	(325)
Projects P&BS	0	0	0	0	0	0	0	0	0	0	0	0
Planning Fee Income	33	163	163	131	(3,045)	(3,151)	(3,151)	(106)	(3,012)	(2,988)	(2,988)	25
Planning Fees Advertising	70	95	95	25	(178)	(182)	(182)	(4)	(108)	(87)	(87)	21
Building Warrant Fee Income	0	46	46	46	(2,984)	(2,589)	(2,589)	395	(2,984)	(2,543)	(2,543)	441
<b>Infrastructure</b>												
Project Design Unit	6,166	4,703	4,703	(1,462)	(7,009)	(5,362)	(5,362)	1,646	(843)	(659)	(659)	184
Flood Risk Assessment	32	30	30	(1)	(4)	0	0	4	28	30	30	3
<b>Energy &amp; Sustainability</b>												
Energy & Sustainability	2,038	3,635	3,635	1,597	(1,625)	(3,207)	(3,207)	(1,582)	414	429	429	15
<b>Roads &amp; Transport</b>												
Winter Maintenance	5,040	6,492	6,492	1,453	0	(30)	(30)	(30)	5,040	6,462	6,462	1,423
Roads Maintenance	24,961	22,313	22,313	(2,648)	(17,039)	(13,981)	(13,981)	3,058	7,922	8,332	8,332	410
Engineering Services	2,841	2,954	2,954	113	(516)	(461)	(461)	55	2,325	2,493	2,493	169
Flood Alleviation	30	17	17	(13)	0	0	0	0	30	17	17	(13)
Lighting Services	6,701	5,870	5,870	(831)	(3,261)	(2,626)	(2,626)	635	3,441	3,244	3,244	(196)
Integrated Transport Services	1,062	1,025	1,025	(37)	(113)	(140)	(140)	(27)	949	884	884	(64)
Subsidies & Concessionary Fares	7,634	7,861	7,861	227	0	0	0	0	7,634	7,861	7,861	227
School Transport	9,462	10,638	10,638	1,176	(51)	(32)	(32)	19	9,410	10,606	10,606	1,195
Car Parks	1,373	1,338	1,338	(35)	(3,369)	(1,620)	(1,620)	1,748	(1,995)	(282)	(282)	1,713
<b>Trading Operations</b>												
Harbours & Ferries	12,933	11,387	11,387	(1,546)	(16,513)	(13,637)	(13,637)	2,876	(3,580)	(2,250)	(2,250)	1,330
<b>TOTAL</b>	<b>96,498</b>	<b>100,090</b>	<b>100,090</b>	<b>3,592</b>	<b>(64,173)</b>	<b>(60,218)</b>	<b>(60,218)</b>	<b>3,955</b>	<b>32,325</b>	<b>39,872</b>	<b>39,872</b>	<b>7,546</b>

<b>INFRASTRUCTURE &amp; ENVIRONMENT AND ECONOMY BUDGETS 2021/22 - JUNE MONITORING</b>
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	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance
<b>BY ACTIVITY</b>				
Directorate	623	(544)	1,164	541
Economic Development	(768)	1,798	(897)	(129)
Housing Development	1,476	746	1,428	(48)
Planning, Environment & Building Standards	536	(178)	441	(95)
Infrastructure	(888)	354	(776)	112
Energy & Sustainability	(194)	(536)	(180)	14
Roads & Transport	35,552	6,077	36,407	855
Trading Operations	(2,726)	(53)	(2,298)	428
<b>TOTAL</b>	<b>33,611</b>	<b>7,664</b>	<b>35,289</b>	<b>1,678</b>
<b>BY SUBJECTIVE</b>				
Staff Costs	38,866	8,327	36,440	(2,426)
Other Expenditure	53,826	66,991	108,016	54,190
<b>Gross Expenditure</b>	<b>92,692</b>	<b>75,318</b>	<b>144,456</b>	<b>51,764</b>
Grant Income	(2,471)	(53,928)	(55,886)	(53,415)
Other Income	(56,610)	(13,726)	(53,281)	3,329
<b>Total Income</b>	<b>(59,081)</b>	<b>(67,654)</b>	<b>(109,167)</b>	<b>(50,086)</b>
<b>NET TOTAL</b>	<b>33,611</b>	<b>7,664</b>	<b>35,289</b>	<b>1,678</b>



## INFRASTRUCTURE &amp; ENVIRONMENT AND ECONOMY SERVICES BUDGET 2021/22 - JUNE MONITORING

BY ACTIVITY	GROSS EXPENDITURE				GROSS INCOME				NET TOTAL			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Annual Budget	Actual YTD	Year End Estimate	Year End Variance	Annual Budget	Actual YTD	Year End Estimate	Year End Variance	Annual Budget	Actual YTD	Year End Estimate	Year End Variance
<b>Directorate</b>												
Director & Business Team	740	(528)	1,281	541	(117)	(16)	(117)	0	623	(544)	1,164	541
<b>Economic Development</b>												
Investment Properties	732	155	697	(35)	(3,572)	(875)	(3,550)	22	(2,840)	(720)	(2,853)	(13)
Economy & Regeneration	1,585	653	1,514	(71)	(163)	(809)	(154)	9	1,422	(156)	1,360	(62)
Business Development & Employability	1,511	425	1,065	(446)	(968)	959	(574)	394	543	1,384	491	(52)
Projects E & E	537	273	132	(405)	(430)	49	(27)	403	107	322	105	(2)
COVID Grants	0	54,263	54,263	54,263	0	(53,295)	(54,263)	(54,263)	0	968	0	0
<b>Housing Development</b>												
Housing Development & PSHG	2,371	746	2,373	2	(895)	0	(945)	(50)	1,476	746	1,428	(48)
<b>Planning, Environment &amp; Building Standards</b>												
Management	28	30	132	104	0	0	0	0	28	30	132	104
Building Standards	1,479	381	1,520	41	(14)	(194)	(116)	(102)	1,465	187	1,404	(61)
Development Plans	690	153	623	(67)	(1)	0	(1)	0	689	153	622	(67)
Area Planning	2,302	530	2,199	(103)	0	0	0	0	2,302	530	2,199	(103)
Planning Appeals & Inquiries	50	51	101	51	0	0	0	0	50	51	101	51
Transport Planning	689	131	735	46	(296)	(24)	(296)	0	393	107	439	46
Environment	1,381	405	1,274	(107)	(186)	(135)	(143)	43	1,195	270	1,131	(64)
Projects P&BS	0	0	0	0	0	0	0	0	0	0	0	0
Planning Fee Income	0	31	297	297	(2,891)	(818)	(3,188)	(297)	(2,891)	(787)	(2,891)	0
Planning Fees Advertising	70	11	70	0	(178)	(53)	(178)	0	(108)	(42)	(108)	0
Building Warrant Fee Income	0	6	6	6	(2,587)	(683)	(2,594)	(7)	(2,587)	(677)	(2,588)	(1)
<b>Infrastructure</b>												
Project Design Unit	5,923	1,006	4,737	(1,186)	(6,839)	(660)	(5,544)	1,295	(916)	346	(807)	109
Flood Risk Assessment	32	8	31	(1)	(4)	0	0	4	28	8	31	3
<b>Energy &amp; Sustainability</b>												
Energy & Sustainability	422	268	402	(20)	(616)	(804)	(582)	34	(194)	(536)	(180)	14
<b>Roads &amp; Transport</b>												
Winter Maintenance	5,040	393	5,040	0	0	0	0	0	5,040	393	5,040	0
Roads Maintenance	22,770	4,809	21,051	(1,719)	(16,571)	(3,478)	(15,023)	1,548	6,199	1,331	6,028	(171)
Engineering Services	2,745	752	2,871	126	(343)	(73)	(297)	46	2,402	679	2,574	172
Flood Alleviation	30	3	30	0	0	0	0	0	30	3	30	0
Lighting Services	6,403	1,248	5,904	(499)	(3,290)	(1,847)	(2,848)	442	3,113	(599)	3,056	(57)
Integrated Transport Services	935	250	1,070	135	(87)	(216)	(157)	(70)	848	34	913	65
Subsidies & Concessionary Fares	8,628	1,850	8,508	(120)	0	0	0	0	8,628	1,850	8,508	(120)
School Transport	10,433	2,493	11,075	642	(51)	(2)	(7)	44	10,382	2,491	11,068	686
Car Parks	2,279	395	1,935	(344)	(3,369)	(500)	(2,745)	624	(1,090)	(105)	(810)	280
<b>Trading Operations</b>												
Harbours & Ferries	12,887	4,127	13,520	633	(15,613)	(4,180)	(15,818)	(205)	(2,726)	(53)	(2,298)	428
<b>TOTAL</b>	<b>92,692</b>	<b>75,318</b>	<b>144,456</b>	<b>51,764</b>	<b>(59,081)</b>	<b>(67,654)</b>	<b>(109,167)</b>	<b>(50,086)</b>	<b>33,611</b>	<b>7,664</b>	<b>35,289</b>	<b>1,678</b>