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| Agenda Item | 4.a |
| Report No | RES/24/22 |

THE HIGHLAND COUNCIL

Committee: Corporate Resources Committee

Date: 01st December 2022

Report Title: Corporate Revenue Monitoring report to 30th September 2022

Report By: Head of Corporate Finance

1. Purpose/Executive Summary

- 1.1 This report provides a summary of the actual spend in the second quarter of financial year 2022/23 together with a forecast year end outturn position.
- 1.2 Net spend on services in the first half of financial year 2022/23 totalled £265.0m.
- 1.3 Based on present expenditure trends a year end overspend of £8.947m is forecast. A significant element of the forecast overspend relates to the increased cost of the staff pay award in excess of the budgeted level of 2%. It should be noted that whilst agreement on the 2022/23 pay award has been reached with the SJC unions, the pay award for teachers and nursing staff has not yet been concluded. Other significant overspends relate to the increase in school transport contracts, continued increases in fuel and utility prices, rising inflationary costs seen across service budgets and income shortfalls in specific service areas.
- 1.4 The Council continues to face a number of financial risks in relation to contractual inflationary increases, increasing demand for services, utilities cost and consumption, and the conclusion of the outstanding pay awards. Whilst budget provision was made for these items wider macroeconomic circumstances suggest that all factors may be more significant than the budgeted level. The crystallisation of any of these risks will have an adverse impact on the forecast position currently reported for 2022/23.
- 1.5 It is important to note that nearly all of the cost pressures seen in the current year will recur into 2023/24 and in all likelihood costs will increase further. Both of these factors will contribute to the budget gap for 2023/24 which is currently estimated to be in the region of £40.9m, far in excess of those seen in more normal times. Work on meeting this budget gap is ongoing and will be subject to an update report to Council later this month.

- 1.6 The forecast year end overspend of £8.947m will require to be funded from the Council's general fund non earmarked reserve. At 2022/23 year end after funding the forecast overspend this reserve is forecast to sit at £7.087m. A reserve at this level is just over 1% of the Council's annual revenue budget and below the medium-term target level for this reserve of 3% of the annual revenue budget. Services are endeavouring to mitigate all in year overspends by the end of the financial year to help ease some of the pressures going forward and bring the reserves back to a suitable level.
- 1.7 The report also provides a summary of the delivery of the approved budget savings required to deliver a balanced budget in 2022/23 along with an explanation of the forecast position of the Council's key reserves at the year end.

2. Recommendations

- 2.1 Members are asked to:
- i. Consider the financial position of the General Fund and HRA revenue budgets as at 30th September 2022;
 - ii. Note the estimated year end forecast overspend of £8.947m; and
 - iii. Note the status of budgeted savings in the year as set out in Appendix 6.

3. Implications

- 3.1 Resource implications are as noted in this report. If an overspend position is reported at year end this will need to be funded from the Council's reserves. Section 7 of this report provides more information on the Council's reserves position.
- 3.2 At this stage in the year there remains a risk that unforeseen events may occur which carry an additional cost burden. Services that are demand-led, such as social care or winter maintenance may see significant moves in cost forecast over the year from that currently forecast. Other risks relating to unexpected items, such as adverse weather, may emerge during the year for which no specific contingencies are held.

There are three key areas of financial risk which the Council faces in relation to staff pay awards, non-staffing cost inflation and rising utility costs.

Firstly, the teaching and nursing staff pay awards for 2022/23 have not been agreed. Discussions with these staffing groups to reach a conclusion on the pay award are continuing but it is uncertain when agreement will be reached. The forecast outturn position included in this report reflects an overall award to these staff groups to the value of 5%. The current offer has been rejected by the unions and any award with an overall cost in excess of 5% will increase the pressure forecast for the current year.

The second specific risk relates to Utility costs. A budget pressure of £3m was built into the budget workings for 2022/23 but this sum does not appear to be sufficient to meet the increased costs being incurred. Forecast overspends in relation to utility costs are included in the outturn position for relevant services and against the unallocated budget. The overall position in relation to utility costs is being reviewed by the energy team and an updated position will be reported in the quarter 3 committee reports. Total utilities spend for the year will also depend on consumption levels which will be influenced by the weather over the winter.

The third specific risk relates to non-staffing cost inflation. Inflation continues to remain high with no sign of any decrease soon. Many contracts that have been reprocured over the last few months have experienced considerable cost rises due to inflation. Any further contracts required to be reprocured in the current year, are likely to be at risk of significant cost increases.

A number of the risks referenced above were specifically considered when identifying budget pressures and setting a target level for reserves in March 2022 as part of the budget process. In relation to any of these risks it is important to note that whilst there may be a financial impact in the current financial year which would need to be managed through the use of reserves there could also be an ongoing impact on the baseline budget with the budget gap for future years widening by an equivalent or higher amount. That ongoing impact will need to be managed by finding additional revenue budget savings. The high inflationary environment is also likely to mean the Council faces further significant pay and non-pay cost increases in 2023/24 and beyond.

- 3.3 Legal- The contents of this report and the annual accounts aim to satisfy the requirement of Sections 6 and 7 of the CIPFA Financial Management Code: 'Monitoring financial performance' and 'External financial reporting'.
- 3.4 There are no specific equality, climate change/Carbon Clever, rural or Gaelic implications arising as a direct result of this report.

4. Overall position 2022/23

- 4.1 The table below provides a summary of the figures in **Appendix 1** to give an overall forecast position for the 2022/23 year-end outturn.

| | Annual Budget £m | Year-end forecast £m | Year-end variance £m |
|--|---------------------|-------------------------|-------------------------|
| Expenditure | | | |
| Service budgets (Appendix 1, Table A- top half) | £595.9m | £600.1m | £4.2m |
| Other budgets (Appendix 1, Table A- bottom half) | £71.7m | £77.1m | £5.4m |
| Contribution to investment funds and other reserves (Appendix 1, Table C) | £3.9m | £3.9m | £0m |
| Total (X) | £671.5m | £681.1m | £9.6m |
| | | | |
| Income (Table D- top part) | | | |
| Government income | £516.3m | £516.3m | £0m |
| Budgeted Council tax income | £135.9m | £136.6 m | £0.7m |
| Confirmed use of earmarked reserves | £16.1m | £16.1m | £0m |
| Total (Y) | £668.3m | £669.0m | £0.7m |
| | | | |
| Difference between expenditure and income to be funded from non-earmarked reserves- 'Budget (surplus)/deficit' (=X-Y) | £3.2m | £12.1m | £8.9m |

- 4.2 The bottom line of the table above shows that the current forecast for the overall year end position is for a deficit (or net overspend) of £8.9m which will need to be funded from the Council's non-earmarked reserve. In addition to the in-year overspend Members agreed at the September meeting of full Council to provide £3.2m of cost of living support to be funded from non-earmarked reserves. These two factors combined will see non-earmarked reserves reduce by £12.1m at year end. The paragraphs below, and subsequent sections of this report, provide an explanation of the elements making up the forecast in year deficit.
- 4.3 As shown in the top row of the table at 4.1, net service expenditure is forecast to be overspent by £4.2m with variances across a number of service areas. Section 5 of this report provides more details of the forecast service budget variances.
- 4.4 The second row of the table comprises a number of other budget lines and shows a pressure of £5.4m. This pressure has four main elements:
- A net pay pressure of £4m that reflects the unbudgeted cost of the current pay offer to staff
 - A pressure of £1.1m in relation to unbudgeted utility cost increases, in particular relating to increases in the cost of the contract for biomass
 - A pressure of £0.6m from a delay in delivering savings relating to asset management
 - A benefit of £0.3m from budget pressure funding provided in the 2022/23 budget but not required for its identified purpose in 2022/23
- 4.5 The third row of the table shows contributions to investment funds and other reserves. By far the largest element of this (£3.3m) reflects income from second homes Council Tax payable into the Landbanking fund to be used to support the delivery of affordable housing. A break even position has been forecast.
- 4.6 The first row in the income section of the table at 4.1 reflects the funding the Council receives from government. The budget for this row reflects the confirmed level of funding that the Council will receive from the Scottish Government for financial year 2022/23.
- 4.7 A surplus against budget of £0.7m for Council Tax income is forecast on the second row of the income table. This surplus reflects increasingly positive collection rates of current and prior year Council Tax and a higher than anticipated rate of growth in the Council Tax base.
- 4.8 The third row of the income section of the table shows the confirmed use of £16.1m of earmarked reserves to support in-year expenditure. Of this total sum £5.7m reflects reserve funding agreed in March to meet the continuing impact of Covid on the Council's income and expenditure budgets and balance the revenue budget for 2022/23. **Appendix 8** to the report shows the detail of the movements in the Council's earmarked reserves in the year to date and illustrates other earmarked reserves where funding has been drawn down for its intended purpose.
- 4.9 Overall, the combined impact of the net service overspend plus other budget pressures less excess corporate income gives a forecast £8.9m overspend for the year. This overspend will need to be funded from the Council's non-earmarked general fund reserve. **Appendix 5** and section 7 of this report provide more detail on the Council's reserves position.

5. Service budget variances

- 5.1 **Appendix 1** provides the usual monitoring statement format with **Table A** providing variance detail by service and other significant budget heads. Details of individual service positions are reported to the respective strategic committees. Overall the Council is reporting a net overspend of £4.237m against service budgets.
- 5.2 **Appendix 2** provides a summary of forecast variances by Service and expenditure and income type. Forecast overspends mainly relate to non-staffing expenditure and fee and charge income shortfalls. Whilst Service budgets are all generally showing underspends against staffing budgets this is more than offset by the forecast cost of the staff pay award leading to a small net overspend being forecast against staffing costs. Mitigation will continue to be taken to manage all budgets as tightly as possible as the year progresses.
- 5.3 The Communities and Place budget is forecasting an overspend of £1.150m, an improvement of £0.075m from Q1. The current forecast outturn includes overspends in Kerbside Refuse collections, Public Conveniences, Waste Management Services, Community Spaces, Fleet & Plant and Administration. This is in the main due to fuel and parts including vehicle components, spares and tyres and unachieved income. Although fuel prices have remained fairly static between Qtr. 1 and 2 this is still a significant cost rise on a key commodity required to deliver critical services. These are partially offset by underspends in waste disposal and recycling and customer contact.
- 5.4 An underspend of £0.067m is forecast for the Depute Chief Executive Service which covers the Council's ICT and Transformation functions, this is mainly due to staff vacancies.
- 5.5 The Education and Learning service is showing a £0.050m forecast underspend. The main areas of overspend are in relation to school hostels, crossing patrollers and school escorts and special schools, which is offset by underspends in all other areas within Education and Learning.
- 5.6 The Health and Social Care budget is forecasting a £0.899m underspend. The major component of that underspend relates to a forecast below budget spend against the Covid pressure funding for out of area placements for looked after children. The budget realignment work referred to in the quarter 1 report has commenced, areas still to be completed are Looked after Children, Family teams and some other Children's Services, this will be concluded by the end of quarter 3.
- 5.7 The Infrastructure, Environment and Economy service is forecasting an overspend of £2.729m which is due to increases in the new bus contracts which take effect from January 2023, forecast income shortfalls and a deficit related to the Corran Ferry. It should be noted that the pressure in relation to bus contracts is a part-year only effect with the full year impact of this item contributing to the 2023/24 forecast budget gap.
- 5.8 The Performance and Governance Service is forecasting an underspend of £0.145m, primarily due to forecast underspends in staffing due to vacant posts.
- 5.9 The Property and Housing Service is forecasting a £1.563m overspend, the largest elements of which are attributable to repairs and maintenance where labour and materials costs remain high, homelessness and other rent void losses, utilities and staff vacancies which has a direct impact on the Service meeting its income targets.

- 5.10 The Resources and Finance Service is forecasting a year end underspend of £0.346m, primarily in relation to staffing vacancies mainly due to the time lag in recruiting to new and vacant posts.
- 5.11 The Welfare budget is forecasting a near breakeven position when offset with the Council Tax Reduction Scheme. Given the rising cost of living it is expected that this service will face increasing demands over the remainder of the year.
- 5.12 At this mid-point of the year no variance is being forecast against the non-domestic rates relief, Loans Charges or Valuation Joint Board budgets.
- 5.13 The unallocated budget line is showing a £4.8m variance. This is due to the additional, unbudgeted cost of the latest pay offers and increases in energy costs.

Overall a budget pressure of just over £4m is included in this line of the monitoring statement in relation to the cost of the 2022/23 pay award. The budget set in March 2022 made allowance for a 2% pay award. An agreement on the 2022/23 pay award has been reached with the SJC trade unions however discussions with both the teaching and nursing unions remains ongoing. The budget pressure here reflects the cost of the agreed SJC award and the latest offers made to both the teaching and nursing staffing groups, net of additional funding confirmed from the Scottish Government. The cost of this pay award has been partly offset by a saving relating to the reversal of the National Insurance increase from November onwards.

An additional £1m cost pressure is forecast in relation to the increase in energy costs. A £3m budget provision for wider energy cost increases was allocated in the original budget however that funding does not appear to be sufficient to meet the level of cost now anticipated. As mentioned previously in this report the latest forecasts in respect of these costs are being reviewed by the Energy Team and will be included in the quarter 3 committee reports.

The two pressures reported above are marginally mitigated by a benefit of £0.3m from budget pressure funding provided in the 2022/23 budget but not required for its identified purpose in-year.

- 5.14 The pressure showing on the unallocated savings line reflects the budget saving in relation to Property Asset Management. Whilst a clear plan for asset management is developing the in-year realisation of the savings target of £0.813m for 2022/23 is looking increasingly unlikely.

6. Housing Revenue Account

- 6.1 As shown in **Appendix 3** the Housing Revenue Account (HRA) is forecast to deliver a net overspend of £3.055m. Overspends are currently projected on housing repairs, homelessness, and other rent void loss. As agreed at the Housing and Property Committee, action is being taken by suspending non-essential repairs in order to reduce the net overspend and return a balanced budget by year end.

7. Reserves and Balances

- 7.1 **Appendix 5** summarises the movements on the Council's earmarked and non-earmarked balances during the course of the year and the impact of the forecast revenue budget outturn position on reserves.

- 7.2 At this stage of year there does remain the opportunity to recover the current forecast position and Services are endeavouring to mitigate any in year overspends to help recover the reserves levels back to that at the start of the year. Any year end overspend will however require to be funded from the Council's non-earmarked balances.
- 7.3 The Council's non-earmarked general fund reserve is expected to sit at £7.087m at 2022/23 year end if the Q2 forecast of a £8.947m overspend transpires. A reserve of this level equates to just over 1% of the Council's revenue budget and is below the medium-term target level for this reserve of 3% of the Council's revenue budget.
- 7.4 Given the short-term uncertainties around pay awards, other financial risks and the medium to long term financial outlook Members will note that a reserve at the current level may be very quickly depleted if in-year risks crystallise and sustainable revenue budgets for future years cannot be agreed.
- 7.5 Earmarked reserves, which are reserves held for specific, already committed, spend currently sit at £83.842m. **Appendix 8** provides details of those reserves and illustrates that a further drawdown of £35.125m is forecast to be required at financial year end to match expenditure incurred in the year across a number of areas, principally Phases 1, 2, 3 and 4 investment, Covid response funding, and delivering change and other investment. The remainder of that earmarked sum will be used to meet existing expenditure commitments that extend into 2023/24 and beyond. Given the challenging financial outlook the Council, where possible, may need to reprioritise some of the individual reserve items.

8. Budget savings

- 8.1 In order to deliver a balanced budget for the year savings of £17.728m need to be delivered. A summary of the delivery of those savings can be seen at **Appendix 6**. Savings ranked as Green are expected to be delivered in full, those as Amber have some challenges to the full delivery of the saving, and those as Red have substantial challenges and are not expected to be fully delivered. **Appendix 7** provides the detail of the specific savings rated as Amber or Red.
- 8.2 As part of the current committee cycle Services will be reporting the detail of the delivery of their savings. The full delivery of all approved budget savings is essential given the continuing squeeze on the Council's revenue budget.

Designation: Head of Corporate Finance

Date: 18th November 2022

Author: Edward Foster, Head of Corporate Finance; Carolyn Moir, Service Finance Manager

Background Papers:

https://www.highland.gov.uk/download/meetings/id/80723/item_6_revenue_and_performance_monitoring_-_quarter_2_to_30_september_2022

https://www.highland.gov.uk/download/meetings/id/80753/item_5_revenue_budget_monitoring_report_202223_quarter_2

https://www.highland.gov.uk/download/meetings/id/80801/item_10_revenue_budget_monitoring_%E2%80%93_quarter_2_forecast_for_202223

https://www.highland.gov.uk/download/meetings/id/80758/6_-_revenue_budget_monitoring_%E2%80%93_november_2022

https://www.highland.gov.uk/download/meetings/id/80779/item_6_property_and_facilities_management_services_revenue_monitoring_report_to_30_september_2022

https://www.highland.gov.uk/download/meetings/id/80777/item_4_housing_revenue_account_hra_and_non-hra_budget_monitoring_statement_to_30_september_2022

Revenue Expenditure Monitoring Report -General Fund Summary

1 April to 30 September 2022

| | Actual Year to Date £000 | Annual Budget £000 | Year End Estimate £000 | Year End Variance £000 |
|--|--------------------------------|--------------------------|------------------------------|------------------------------|
| Table A: By Service | | | | |
| Communities & Place | 20,998 | 36,734 | 37,884 | 1,150 |
| Depute Chief Executive | 8,394 | 12,200 | 12,133 | (67) |
| Education & Learning | 87,541 | 228,568 | 228,518 | (50) |
| Health, Wellbeing & Social Care | 76,864 | 179,655 | 178,756 | (899) |
| Infrastructure & Environment and Economy | 12,208 | 35,141 | 37,870 | 2,729 |
| Performance & Governance | 3,010 | 5,616 | 5,471 | (145) |
| Property & Housing | 39,958 | 69,904 | 71,467 | 1,563 |
| Resources & Finance | 6,507 | 13,163 | 12,817 | (346) |
| Welfare Services | 9,581 | 14,894 | 15,196 | 302 |
| Service Total | 265,061 | 595,875 | 600,112 | 4,237 |
| Valuation Joint Board | 1,711 | 3,140 | 3,140 | 0 |
| Non Domestic Rates reliefs | 653 | 671 | 671 | 0 |
| Loan Charges | 0 | 58,295 | 58,295 | 0 |
| Unallocated Budget | 0 | 11,571 | 16,403 | 4,832 |
| Unallocated Corporate Savings | 0 | (1,949) | (1,386) | 563 |
| Total General Fund Budget | 267,425 | 667,603 | 677,235 | 9,632 |

Table B: By Subjective

| | | | | |
|----------------------------------|------------------|------------------|------------------|-----------------|
| Staff Costs | 185,400 | 380,824 | 381,113 | 289 |
| Other Costs | 205,593 | 490,094 | 513,405 | 23,311 |
| Gross Expenditure | 390,993 | 870,918 | 894,518 | 23,600 |
| Grant Income | (67,318) | (91,089) | (105,606) | (14,517) |
| Other Income | (56,250) | (112,226) | (111,677) | 549 |
| Total Income | (123,568) | (203,315) | (217,283) | (13,968) |
| Total Revenue Expenditure | 267,425 | 667,603 | 677,235 | 9,632 |

Table C: Appropriations to Reserves

| | | | | |
|--|----------|--------------|--------------|----------|
| Contribution to earmarked balances | 0 | 633 | 633 | 0 |
| Contribution to non-earmarked balances | 0 | 0 | 0 | 0 |
| Affordable housing contribution from 2nd homes council tax | 0 | 3,296 | 3,296 | 0 |
| Contribution to Other reserves | 0 | 19 | 19 | 0 |
| Total Contributions to Balances | 0 | 3,948 | 3,948 | 0 |

Table D: Financed By

| | | | | |
|--|----------------|----------------|----------------|--------------|
| Aggregate External Finance as notified | 189,887 | 514,084 | 514,084 | 0 |
| Additional resources | 0 | 2,204 | 2,204 | 0 |
| Council Tax | 77,538 | 135,941 | 136,626 | 685 |
| Use of earmarked balances | 0 | 16,099 | 16,099 | 0 |
| Use of non earmarked balances | 0 | 3,223 | 12,170 | 8,947 |
| Use of other reserves | 0 | 0 | 0 | 0 |
| Total General Fund Budget | 267,425 | 671,551 | 681,183 | 9,632 |

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| Revenue Expenditure Monitoring Report - General Fund Summary |
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| 1 April to 30 September 2022 |
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| Staff Costs Variance £000 | Other Costs Variance £000 | Grant Income Variance £000 | Other Income Variance £000 | Total Variance £000 |
|---------------------------------|---------------------------------|----------------------------------|----------------------------------|---------------------------|
|---------------------------------|---------------------------------|----------------------------------|----------------------------------|---------------------------|

Table A: By Service

| | | | | | |
|---------------------------------------|------------|---------------|-----------------|------------|--------------|
| Communities & Place | (1,875) | 2,113 | (128) | 1,040 | 1,150 |
| Depute Chief Executive | (683) | 1,336 | 0 | (720) | (67) |
| Education & Learning | (594) | 426 | (44) | 162 | (50) |
| Health & Social Care | 0 | (899) | 0 | 0 | (899) |
| Infrastructure, Environment & Economy | (374) | 6,234 | (1,868) | (1,263) | 2,729 |
| Performance & Governance | (243) | 69 | (24) | 53 | (145) |
| Property & Housing | 219 | 297 | (203) | 1,250 | 1,563 |
| Resources & Finance | (213) | (133) | (17) | 17 | (346) |
| Welfare | 0 | 12,525 | (12,233) | 10 | 302 |
| Valuation Joint Board | 0 | 0 | 0 | 0 | 0 |
| Non Domestic Rates reliefs | 0 | 0 | 0 | 0 | 0 |
| Loan Charges | 0 | 0 | 0 | 0 | 0 |
| Unallocated Budget | 4,052 | 780 | 0 | 0 | 4,832 |
| Unallocated Corporate Savings | 0 | 563 | 0 | 0 | 563 |
| Total General Fund Budget | 289 | 23,311 | (14,517) | 549 | 9,632 |

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| Revenue Expenditure Monitoring Report - Housing Revenue Account Summary |
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| 1 April to 30 September 2022 |
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| | Actual Year to Date £000 | Annual Budget £000 | Year End Estimate £000 | Year End Variance £000 |
|------------------------------|--------------------------------|--------------------------|------------------------------|------------------------------|
| Staff Costs | 5,874 | 13,701 | 13,476 | (225) |
| Other Costs | 11,651 | 22,846 | 25,762 | 2,916 |
| Loan charges and interest | 0 | 23,441 | 23,441 | 0 |
| Gross Expenditure | 17,525 | 59,988 | 62,679 | 2,691 |
| House Rents | (26,608) | (56,093) | (56,010) | 83 |
| Other rents | (1,583) | (3,497) | (3,252) | 245 |
| Other income | (207) | (337) | (301) | 36 |
| Interest on Revenue Balances | 0 | (61) | (61) | 0 |
| Gross Income | (28,398) | (59,988) | (59,624) | 364 |
| Total HRA | (10,873) | 0 | 3,055 | 3,055 |

| Revenue Expenditure Monitoring Report - General Fund Budget | | |
|---|----------------|-----------------------|
| 1 April to 30 September 2022 | | |
| | £m | £m |
| Budget as Agreed by Highland Council on 3 March 2022 * | | 675.046 |
| Less : Contributions to Reserves included in Agreed Budget | | |
| Contribution to earmarked balances (Elections Fund) | (0.085) | |
| Contribution to earmarked balances (SALIX) | (0.210) | |
| Contribution to other reserves | (0.007) | |
| Affordable housing contribution from 2nd homes council tax | <u>(3.296)</u> | (3.598) |
| Less : Ring-fenced Grants (Gaelic, Criminal Justice, PEF Attainment Funding, Early Years) | | (32.673) |
| Grant Funding Redeterminations | | |
| Discretionary Housing Payments 80% | 0.661 | |
| Scottish Child Payment Bridging Payments | 1.517 | |
| Removal of Curriculum Charges | 0.145 | |
| Removal of Music Tuition Charges | 0.453 | |
| FSM expansion P4/P5 and special schools | 0.603 | |
| FSM school holidays | 0.014 | |
| Additional Investment in Health & Social Care (January SDG) | 8.941 | |
| Additional In Year Funding | 0.000 | |
| Social Work Capacity in Adult Services | 0.978 | |
| Covid : Test & Protect Funds - Self-Isolation Assistance - April 2022 | 0.033 | |
| Estimated Funding for FYE of 2021/22 Teachers Pay Award | 1.492 | |
| Supporting Information Requests - Adult Disability Payment | 0.134 | |
| Support for Ferries (RF Grant) | 0.207 | |
| Summer Holiday Provision | 0.465 | |
| Easter Study Support | 0.128 | |
| SCNT Pay | (0.048) | |
| Pupil Equity Funding (RF Grant) | <u>0.344</u> | |
| | 16.067 | |
| Less : Redeterminations of Ring-fenced Grants | <u>(0.551)</u> | 15.516 |
| Use of Non-earmarked Balances | | |
| Cost of Living Support | 2.523 | |
| Welfare Support | <u>0.700</u> | 3.223 |
| Use of Earmarked Balances | | |
| DSM Balances - Counselling | 0.706 | |
| Additional Teachers & Support Staff (First 100 Days) | 1.632 | |
| Summer of Hope 21/22 | 0.480 | |
| Developing the Young Workforce | 0.035 | |
| Whole Family Welfare Fund | 0.105 | |
| Salix Management Fee | 0.054 | |
| <i>Phase 2 Investment Fund</i> | | |
| Corran Ferry | 0.043 | |
| <i>Phase 4 Investment Fund</i> | | |
| Innovation in Education | 0.240 | |
| <i>Covid-19 Earmarked Balance</i> | | |
| Support for Schools - Additional Staff | 1.086 | |
| Additional Education - Digital inclusion | 0.562 | |
| Additional Education - Home Learning Support Fund | 0.400 | |
| Education Recovery | 0.878 | |
| Children and young people's mental health | 0.570 | |
| Business Grants | 0.002 | |
| LACER | 3.429 | |
| Covid Test and Protect | 0.029 | |
| Level 4 Community Support | <u>0.187</u> | 10.437 |
| Use of Other Reserves | | 0.000 |
| Contribution to Non earmarked Balances | | 0.000 |
| Contribution to Earmarked Balances | | |
| Salix Recycling Fund | (0.338) | (0.338) |
| Contribution to Other Reserves | | |
| Hydro Ness Maintenance | <u>(0.010)</u> | (0.010) |
| Presentational Adjustments | | 0.000 |
| Total General Fund Budget at 30 September 2022 | | <u>667.603</u> |

* Agreed budget includes £5.662m use of earmarked balances for 2022/23 non-recurring pressures

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| Revenue Expenditure Monitoring Report - General Fund Budget |
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| 1 April to 30 September 2022 |
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General Fund Balance

| | Earmarked balances £m | Non- earmarked balances £m | Total £m |
|--|-----------------------------|-------------------------------------|---------------|
| General Fund Balance at 1 April 2022 (unaudited) | 99.548 | 19.257 | 118.805 |
| (Use of)/contribution to balances included in budget as agreed by Highland Council on 3 March 2022 | (5.367) | 0.000 | (5.367) |
| Use of balances per Appendix 4 | (10.437) | (3.223) | (13.660) |
| Contribution to balances per Appendix 4 | 0.338 | 0.000 | 0.338 |
| Movement in balance per Appendix 1 | (15.466) | (3.223) | (18.689) |
| Net service Overspend per Appendix 1 | 0.000 | (9.632) | (9.632) |
| Appropriations to other reserves | 0.000 | 0.000 | 0.000 |
| Additional resources | 0.000 | 0.000 | 0.000 |
| Council tax | 0.000 | 0.685 | 0.685 |
| General Fund Balance at 30 September 2022 | <u>84.082</u> | <u>7.087</u> | <u>91.169</u> |

Delivery of Agreed Savings 2022/23- RAG analysis

Appendix 6

| Service | Total Approved Savings 2022/23 £m | Green £m | Amber £m | Red £m |
|---|-----------------------------------|---------------|--------------|--------------|
| Communities & Place | 1.219 | 1.219 | 0.000 | 0.000 |
| Education & Learning | 4.915 | 4.815 | 0.100 | 0.000 |
| Health & Social Care | 1.824 | 0.755 | 1.069 | 0.000 |
| Infrastructure, Environment & Economy | 2.675 | 2.330 | 0.000 | 0.345 |
| Performance & Governance | 0.272 | 0.272 | 0.000 | 0.000 |
| Property & Housing | 1.811 | 1.661 | 0.150 | 0.000 |
| Resources & Finance (including Welfare) | 0.953 | 0.953 | 0.000 | 0.000 |
| Transformation | 2.110 | 2.110 | 0.000 | 0.000 |
| Service Savings Total | 15.779 | 14.115 | 1.319 | 0.345 |
| Add : Corporate Savings | 1.949 | 1.136 | 0.813 | 0.000 |
| Total | 17.728 | 15.251 | 2.132 | 0.345 |

Detail of Savings Ranked as Red and Amber

Appendix 7

| Service | Service Ref | Budget Area | Savings Description | 2022/23 £m | Saving RAG |
|-----------|---------------------------|-------------------------------|---|---------------|---------------|
| I&E&E | CS/19c | Transport Section | Review of school transport contracts and arrangements - Gaelic medium | 0.245 | R |
| I&E&E | I&E&E/2 | Roads & Transport | Fares and Other Charges Increase | 0.100 | R |
| Corporate | P&H/14 | Asset Management | Further asset management saving in addition to the £0.25m saving already agreed in March 2021 | 0.250 | A |
| Corporate | Corp/9 | Asset Management | Property Asset Management - Further review the occupation of all operational assets (both leased and owned) including offices, schools and HLH premises to establish where effective rationalisation can be deployed to allow us to reduce the number of operational buildings across the Council estate. | 0.250 | A |
| Corporate | Asset Mgt c/fwd | Asset Management | Balance of asset management saving brought forward from 2021/22 | 0.313 | A |
| H&SC | H&SC/2 | Third Sector Contracts | Review of priorities and delivery and reduction in payment subject to negotiation and member agreement | 0.150 | A |
| H&SC | Corp/21 - H&SC Allocation | Corporate- staffing | Staff alignment, agility and redesign | 0.519 | A |
| H&SC | Corp/22 - H&SC Allocation | Corporate- staffing | Reduction in overtime | 0.006 | A |
| H&SC | Corp/23 - H&SC Allocation | Corporate- staffing | Recruitment timelines- removal of budget to reflect recruitment process timelines | 0.354 | A |
| H&SC | Corp/24 - H&SC Allocation | Corporate- non staffing | A review of non-staffing spend has identified opportunities for savings across services from improved contract management, stopping/reducing demand, alternative delivery, and actions relating to suppliers, specification, productivity, process, negotiation, contracts and analysis | 0.040 | A |
| E&L | Corp/26 - Allocation | Corporate- full cost recovery | Full cost recovery and commercialisation | 0.100 | A |
| P&H | P&H/13 | Cleaning & FM Services | Review of Lets | 0.150 | A |

2.477

Earmarked Balances

Appendix 8

| Description | Service | Earmarked Balance in Accounts Note | 2022/23 Opening Balance £ | 2022/23 New Earmarking to Date £ | 2022/23 Drawdowns to Date £ | Updated Balance £ | Forecast of drawdowns by end of 2022/23 | Forecast year-end balance for 2022/23 £ |
|---|-----------|------------------------------------|---------------------------|----------------------------------|-----------------------------|-------------------|---|---|
| Covid19 Funding | | | | | | | | |
| Business Grants (B-14) | I&E&E | Covid-19 | 3,093,758 | | -2,000 | 3,091,758 | -2,000 | 3,091,758 |
| <i>Schools & Learning</i> | | | | | | | | |
| Additional Education - Teachers (R-35) | E&L | Covid-19 | 1,086,000 | | -1,086,000 | 0 | -1,086,000 | 0 |
| Additional Education - Digital inclusion (R-36) | E&L | Covid-19 | 562,000 | | -562,000 | 0 | -562,000 | 0 |
| Additional Education - Home Learning Support Fund (R-37) | E&L | Covid-19 | 400,000 | | -400,000 | 0 | -400,000 | 0 |
| Education Recovery (R-47) | E&L | Covid-19 | 878,061 | | -878,061 | 0 | -878,061 | 0 |
| <i>Welfare</i> | | | | | | | | |
| Additional Free School Meals Easter (R-19) | Welfare | Covid-19 | 88,582 | | | 88,582 | -88,582 | 0 |
| Spring Hardship £100 payments - Admin (R-44b) | Welfare | Covid-19 | 13,000 | | | 13,000 | -13,000 | 0 |
| Test and Protect Funds - Support for People (R-23) | C&P | Covid-19 | 23,099 | | | 23,099 | 0 | 23,099 |
| Test and Protect Funds - Local Self-Isolation Assistance (R-24) | C&P | Covid-19 | 98,000 | | -29,043 | 68,957 | -29,043 | 68,957 |
| Test & Protect Expansion (R-49) | C&P | Covid-19 | 86,000 | | | 86,000 | 0 | 86,000 |
| Test and Protect Funds - Local Self-Isolation Assistance (R-55, R-69, R-73, R-78) | C&P | Covid-19 | 331,552 | | | 331,552 | 0 | 331,552 |
| Flexible Fund to Support People Impacted by Restrictions (R-31) | C&P | Covid-19 | 909,415 | | -187,211 | 722,204 | -636,517 | 272,898 |
| <i>LACER</i> | | | | | | | | |
| Environmental Health & Trading Standards (R-81) | C&P | Covid-19 | 210,000 | | | 210,000 | -210,000 | 0 |
| Support for Low Income Families (R-81) | Welfare | Covid-19 | 3,429,000 | | -3,429,000 | 0 | -3,429,000 | 0 |
| <i>Other</i> | | | | | | | | |
| Environmental Health Officers (R-22) | C&P | Covid-19 | 67,629 | | | 67,629 | 0 | 0 |
| Mental Health (R-26 & R-27) | E&L | Covid-19 | 569,766 | | -569,766 | 0 | -569,766 | 0 |
| PESF Boost (R-52) | I&E&E | Covid-19 | 191,000 | | | 191,000 | 0 | 191,000 |
| Ward Discretionary Funds (Covid-19) | C&P | Covid-19 | 265,454 | | | 265,454 | -265,454 | 0 |
| CO2 Monitors | P&H | Covid-19 | 140,000 | | | 140,000 | -140,000 | 0 |
| Covid-19 Funding Sub-total | | | 12,442,316 | 0 | -7,143,081 | 5,299,235 | -8,377,052 | 4,065,264 |
| Phase 1 Investment Fund (HC 04/03/21) | | | | | | | | |
| Economic Prosperity Fund (£6m) | I&E&E/E&L | Phase 1 Investment Fund | 5,533,281 | | | 5,533,281 | -2,500,000 | 3,033,281 |
| Place-Based Investment (£2.1m) | C&P | Phase 1 Investment Fund | 1,380,915 | | | 1,380,915 | -1,380,915 | 0 |
| Visitor Management Strategy (Phase 1) (£1.5m) | C&P/I&E&E | Phase 1 Investment Fund | 435,342 | | | 435,342 | -435,342 | 0 |
| Ward Discretionary Funds (Phase 1 Investment) (£0.210m) | C&P | Phase 1 Investment Fund | 73,430 | | | 73,430 | -73,430 | 0 |
| Phase 1 Investment Fund Sub-total | | | 7,422,968 | 0 | 0 | 7,422,968 | -4,389,687 | 3,033,281 |
| Phase 2 Investment Fund (HC 24/06/21) | | | | | | | | |
| Corran Ferry (£1.6m) | I&E&E | Phase 2 Investment Fund | 1,600,000 | | -42,785 | 1,557,215 | -300,000 | 1,300,000 |
| Environment/Climate Change - Renewables (£0.1m) | P&G | Phase 2 Investment Fund | 100,000 | | | 100,000 | -100,000 | 0 |
| Roads Investment (£5.5m) | I&E&E | Phase 2 Investment Fund | 2,876,915 | | | 2,876,915 | -2,876,915 | 0 |
| Burials & Cremations (£0.4m) | C&P | Phase 2 Investment Fund | 388,805 | | | 388,805 | -388,805 | 0 |
| Supporting Safe & Effective working (ICT) (£0.8m) | H&P | Phase 2 Investment Fund | 800,000 | | -500,000 | 300,000 | -600,000 | 200,000 |
| Phase 2 Investment Fund Sub-total | | | 5,765,720 | 0 | -542,785 | 5,222,935 | -4,265,720 | 1,500,000 |

| Phase 3 Investment Fund (HC 09/09/21) | | | | | | | | |
|--|-----------------|--|-------------------|------------------|--------------------|-------------------|--------------------|-------------------|
| Green Energy Hub (£2.8m) | C&P | Phase 3 Investment Fund | 2,799,872 | | | 2,799,872 | -780,000 | 2,019,872 |
| Visitor Management Strategy (Phase 3) (£1.5m) | C&P/I&E&E | Phase 3 Investment Fund | 1,500,000 | | | 1,500,000 | -750,000 | 750,000 |
| Community Loans Fund (£1m) | I&E&E | Phase 3 Investment Fund | 1,000,000 | | | 1,000,000 | -500,000 | 500,000 |
| Phase 3 Investment Fund Sub-total | | | 5,299,872 | 0 | 0 | 5,299,872 | -2,030,000 | 3,269,872 |
| Phase 4 Investment Fund (HC 03/03/22) | | | | | | | | |
| Roads (£3.5m) | I&E&E | Phase 4 Investment Fund | 3,500,000 | | | 3,500,000 | -3,500,000 | 0 |
| Climate Action, Green Energy and Jobs (£2m) | Corporate | Phase 4 Investment Fund | 2,000,000 | | | 2,000,000 | -500,000 | 1,500,000 |
| Families First (£1m) | HW&SC | Phase 4 Investment Fund | 1,000,000 | | | 1,000,000 | -200,000 | 800,000 |
| Innovation in Education (£1m) | E&L | Phase 4 Investment Fund | 1,000,000 | | -239,729 | 760,271 | -239,729 | 760,271 |
| Rural Transport (£0.5m) | I&E&E | Phase 4 Investment Fund | 500,000 | | | 500,000 | -500,000 | 0 |
| Phase 4 Investment Fund Sub-total | | | 8,000,000 | 0 | -239,729 | 7,760,271 | -4,939,729 | 3,060,271 |
| Other Funds | | | | | | | | |
| NHS Highland - Covid Response Fund & Investment Fund | HW&SC | NHS Highland - Covid Response Fund & Investment Fund | 16,396,000 | | | 16,396,000 | -11,000,000 | 5,396,000 |
| Developing the Young Workforce | E&L | Developing the Young Workforce | 35,000 | | -35,000 | 0 | -35,000 | 0 |
| Elections | P&G | Elections | 840,000 | 85,000 | | 925,000 | -728,000 | 197,000 |
| Grants & Match Funding | | | | | | | | |
| Brexit | P&G | Grant & Match Funding | 21,455 | | | 21,455 | -21,455 | 0 |
| Community Justice | HW&SC | Grant & Match Funding | 23,697 | | | 23,697 | 0 | 23,697 |
| Learning & Teaching (1+2 Languages) | E&L | Grant & Match Funding | 122,616 | | | 122,616 | -100,000 | 22,616 |
| Deprived Areas Projects | I&E&E | Grant & Match Funding | 67,117 | | | 67,117 | 0 | 67,117 |
| K2 System | P&H | Grant & Match Funding | 209,857 | | | 209,857 | 0 | 209,857 |
| RRTP Homelessness | P&H | Grant & Match Funding | 652,456 | | | 652,456 | -300,000 | 352,456 |
| Whole Family Wellbeing | HW&SC | Grant & Match Funding | 105,000 | | -105,000 | 0 | -105,000 | 0 |
| National Trauma Training | HW&SC | Grant & Match Funding | 50,000 | | | 50,000 | 0 | 50,000 |
| Mental Health Officers | HW&SC | Grant & Match Funding | 139,000 | | -139,000 | 0 | -139,000 | 0 |
| Summer of Hope | E&L | Grant & Match Funding | 479,591 | | -479,591 | 0 | -479,591 | 0 |
| Period Poverty | C&P | Grant & Match Funding | 109,000 | | | 109,000 | -109,000 | 0 |
| FWES Employability | I&E&E | Grant & Match Funding | 2,082,256 | | | 2,082,256 | -500,000 | 1,582,256 |
| Additional Teachers & Support Staff (First 100 Days) | E&L | Grant & Match Funding | 1,632,280 | | -1,632,280 | 0 | -1,632,280 | 0 |
| Regional Economic Partnership Fund (Western Isles) | I&E&E | Grant & Match Funding | 107,000 | | | 107,000 | 0 | 107,000 |
| Highlife Highland | E&L | Highlife Highland | 1,000,000 | 400,000 | | 1,400,000 | -1,400,000 | 0 |
| IT Investment Fund | Trans-formation | IT Investment Fund | 1,078,383 | | | 1,078,383 | 0 | 1,078,383 |
| Lease Premium | I&E&E | Lease Premium Windfall | 265,000 | | | 265,000 | 0 | 265,000 |
| SALIX Recycling Fund | P&H | Salix Recycling Fund | 241,685 | 548,178 | -104,074 | 685,789 | -104,074 | 685,789 |
| SALIX Recycling Fund - Management Fees | P&H | Salix Recycling Fund | 58,246 | 104,074 | -54,250 | 108,070 | -54,250 | 108,070 |
| Staffing Conditions and Development Fund | | | 3,402,829 | | | 3,402,829 | -1,026,255 | 2,376,574 |
| Scottish Crown Estate | I&E&E | Scottish Crown Estate | 5,412,661 | | | 5,412,661 | -1,500,000 | 3,912,661 |
| Skye Airstrip | I&E&E | Skye Airstrip | 187,000 | | | 187,000 | 0 | 187,000 |
| Walks to Water | I&E&E | Walks to Water | 75,544 | | | 75,544 | 0 | 75,544 |
| DSM Balances | E&L | Devolved School Management | 3,870,324 | | | 3,870,324 | 0 | 3,870,324 |
| DSM Balances - Counselling | E&L | Devolved School Management | 705,606 | | -705,606 | 0 | -705,606 | 0 |
| Badaguish Outdoor Centre | E&L | Badaguish Outdoor Centre | 459,692 | | | 459,692 | 0 | 459,692 |
| Change Fund | | | 3,244,268 | | | 3,244,268 | -1,000,000 | 2,244,268 |
| Commercial Investment Fund | Corporate | Commercial Investment Fund | 74,000 | | | 74,000 | 0 | 74,000 |
| Welfare Issues | | | 613,246 | | | 613,246 | -613,246 | 0 |
| Property (health & safety) (HC 04/03/21 one-off budget uplift) | P&H | Property (Health & Safety Issues etc) | 2,400,000 | | | 2,400,000 | -750,000 | 1,650,000 |
| Funding for 2022/23 Non-recurring Budget Pressures | Corporate | Funding for 2022/23 Non-recurring Budget Pressures | 5,662,000 | | -5,662,000 | 0 | -5,662,000 | 0 |
| Developers' Contributions | Corporate | Developers' Contributions | 8,793,918 | | | 8,793,918 | 0 | 8,793,918 |
| Other Funds Sub-total | | | 60,616,727 | 1,137,252 | -8,916,801 | 52,837,178 | -27,964,757 | 33,789,222 |
| GRAND TOTAL | | | 99,547,603 | 1,137,252 | -16,842,396 | 83,842,459 | -51,966,945 | 48,717,910 |