

The Highland Council
Finance, Housing and Resources Committee –
26 February 2014

Agenda Item	5
Report No	FHR/27/14

Corporate Revenue Monitoring to 31 December 2013

Report by Director of Finance

Summary

The purpose of this report is to present the revenue budget expenditure position for the period to 31 December and the projected 2013/14 year end position.

1. Background

- 1.1 This report sets out the overall revenue budget monitoring position for the Council for the financial year 2013/14 as at 31 December 2013. Appendix 1 shows the estimated year end position for each Service and the Council's overall predicted year end over or underspend, and sources of budget funding.
- 1.2 The purpose of this report is to advise members of the anticipated financial position of the Council at the end of financial year 2013/14 and to report on projected variances.
- 1.3 This report is produced in support of the Council's corporate governance process, which in turn is designed to support the Council's corporate delivery of its obligations in terms of the Single Outcome Agreement and Council Programme.

2. Overview

- 2.1 A corporate monitoring statement is attached at Appendix 1. The statement shows that the General Fund has a total annual budget allocated to Services of £563.839m; year to date actual of £325.498m and an estimated year end position of £561.052m, giving an estimated year end underspend of £2.787m (0.5%).

There has been a movement of £0.202m on the position reported to the last Committee in January when a year end underspend of £0.904m was anticipated. This provides a revised total underspend of £1.137m in service expenditure. In addition it is now anticipated that £1.65m of the unallocated budget will not be required this year, providing a temporary increase in balances to the Council (ref para 2.5).

- 2.2 The net budget has increased by £1.653m from that reported to the January meeting of the committee. The increase is due to confirmation of the funding allocation in ECS for the Teacher Induction Scheme (£1.478m) and resource materials (£0.051m) and in H&SC for the National Care Home contract (£0.112m). Funding was removed in respect of the Council Tax Reduction Scheme following receipt of finalised grant funding figures (£0.113m). In addition funds were transferred from earmarked balances to the Finance service in respect of the Corporate Arrears (CARS) project (£0.083m) and

from the capital fund to TECS in respect of developers' contributions (£0.042m).

These movements are summarised in the table below:

	£m
Additional funding received/(removed)	
- ECS Teachers Induction Scheme	1.478
- ECS Resource materials	0.051
- H&SC National Care Home Contract	0.112
- FIN Council Tax Reduction Scheme holdback	(0.113)
Additions from earmarked balances	
- FIN Corporate Arrears Recovery project	0.083
Use of Capital Fund	
- TECS developers contributions	0.042
Net Movement	1.653

- 2.3 The following table shows the current position of the Council's non earmarked General Fund:

	£m
Balance as at 1 April 2013	18.167
Use of balances: Sandown	(0.390)
Local Govt Elections	(0.016)
Carbon Clever Highlands	(0.160)
Balance available as at 31 December 2013	17.601

The Council, at its meeting in June 2013, reaffirmed the policy of retaining a minimum General Fund balance of at least 3% of the Total Revenue Budget. The available balance of £17.601m complies with the policy.

- 2.4 The report also analyses the General Fund position by staff costs, other costs, grant income and other income.
- 2.5 The balance held centrally for unallocated corporate pressures is £3.313m. Appendix 2 details the balances held, many of which were agreed as part of the 2013/14 budget in February 2013, along with details of expected drawdown. These amounts are fully committed, and any unspent element in 2013/14 is required in 2014/15. However any amount not drawdown in the current year will add to the forecast outturn position and provide a one-off temporary addition to Council balances.

3. Variances

- 3.1 The Education, Culture and Sport budget shows an expected year end overspend of £0.603m. Three main pressures contribute to this overspend. A pressure of £0.878m is projected against the Additional Support Needs budget as an increased number of pupils with identified needs has required additional staffing resource to be deployed in accordance with the pre-determined assessment criteria. An overspend of £0.423m is forecast against the transport budget: this pressure is attributable to the increased cost of the public service transport routes. A pressure of £0.497m is forecast against the Catering, Cleaning and Facilities Management area of the Service. The principal causes of this relate to the catering service which is struggling with the impact of increased food costs, compliance with environmental health regulations and challenging income budget targets.

The Service has identified a number of actions to partially mitigate these pressures including a freeze on non-essential expenditure, delaying the filling of vacant posts and only undertaking repairs and maintenance of a health and safety nature. As anticipated and reported at the previous committee, the level of funding received from the Scottish Government for probationer teachers is in excess of the net additional cost of employing those staff and the surplus funding will be made available to the Service. Further management actions, especially in the areas of budget pressures detailed above, are being explored.

- 3.2 An underspend of £0.238m is forecast against the Health and Social Care budget. The most significant pressure on this budget continues to be out of authority placements. The pressures on the Health and Social Care budget are fully mitigated by staffing underspends across the service, primarily as a result of the new preventative measures being implemented part way through the financial year.

Although a year end nil variance is currently reported for Commissioned Adult Services; discussions have commenced with NHS officials on actions required to deal with underlying pressures currently predicted on the Adult Social Care budget.

- 3.3 The Planning and Development Service expects a year end underspend of £0.225m which is mainly attributable to savings from the management of vacancies and an increase in planning and building warrant fee income.
- 3.4 The position for the Transport, Environmental and Community Service's budget shows a balanced budget. However, as a result of the recent storms, including those before Christmas, estimated costs are of the order of £0.450m. At present the majority of these costs have not been incurred, however designs are under development to rectify damage to the Council's infrastructure. The major element of this cost is repairs to the coastal road at Glenuig which will be met from the Capital Budget.

At the end of January 50% (£2.8m) of the winter maintenance budget was spent. If the mild weather is to continue, the cyclical road maintenance budget may overspend, however other roads activity budgets, including winter maintenance, will underspend to compensate for the overspend. This report

assumes that the full budget will be spent. Should this not be the case then options for additional investment in 2014/15 may be considered.

- 3.5 A year-end underspend of £0.052m is currently projected in the Chief Executive's budget and is largely attributable to staff vacancies.
- 3.6 A year end overspend of £0.405m is projected in the Finance Service. This is the net result of a shortfall of £0.583m in budgeted Business Support savings due to IT technical issues resulting in delays in changing underlying processes to allow savings to be realized; an overspend of £0.028m in Payroll in respect of ICT data charges arising from new legislative requirements; mitigated by additional savings from staff turnover amounting to £0.206m in other areas of the Service.

The Council is currently in discussion, through COSLA, with the Scottish Government and DWP regarding the cost of administering the various benefits funds. Whilst some of these funds are currently showing an underspend against budget, administration budgets do not reflect the true cost of the increasing workload and are expected to be reduced further by DWP. The Finance Service are currently reviewing all aspects of the budget in order to consider a realignment of budgets for 2014/15 and thereafter. It is expected that this can be achieved within the overall total budget.

The Council is trying to ensure that all funds that relate to Welfare Reform are fully spent, and this report assumes this will be achieved. Should any element not be spent, then the balance can be carried forward into the new financial year.

- 3.7 The loan charges budget is currently expected to realise a year end underspend of £1.400m due to lower than expected borrowing in the previous year and continuing favourable short term interest rates.

4. Housing Revenue Account

- 4.1 The report also shows the Council's Housing Revenue Account (HRA). Although the net budget is zero the annual expenditure budget totals £46.116m to be met principally from Council House rents.
- 4.2 At this stage of the financial year it is expected that the HRA will show a small surplus budget at the year end.

5. Implications

- 5.1 Resource implications are noted in this report.
- 5.2 There are no risk, legal, equality or climate change/Carbon Clever implications arising as a direct result of this report.

Recommendation

Members are invited to:-

- Approve the Revenue Expenditure Monitoring Statement as at 31 December 2013 which shows a predicted net underspend of £2.787m.

Designation: Director of Finance

Date: 13 February 2014

Author: Margaret Grigor

Background Papers: Service monitoring statements

Revenue Expenditure Monitoring Report - Service Summary

1 April 2013 to 31 December 2013

SERVICE	£000 Actual Year to Date	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
Education Culture & Sport - DSM	93,504	127,559	127,559	0
Education Culture & Sport	73,610	109,876	110,479	603
Health & Social Care	76,007	135,969	135,731	(238)
Other Housing & Property (Non HRA) & PSHG	7,740	9,944	9,944	(0)
Building Maintenance DLO	3,634	0	0	0
Planning & Development	3,591	7,011	6,786	(225)
Transport Environmental & Community Services	43,706	59,677	59,677	0
Chief Executive's Service	11,761	21,120	21,068	(52)
Members Expenses	1,409	2,158	2,158	0
Finance Service	7,434	11,840	12,245	405
Housing Benefit	152	370	370	0
Council Tax Reduction Scheme	0	12,877	12,647	(230)
Scottish Welfare Fund Grants	279	801	801	0
Sandown	390	390	390	0
Service Total	323,217	499,592	499,854	263
Valuation Joint Board	1,586	2,380	2,380	0
Non Domestic Rates reliefs	695	606	606	0
Loan Charges	0	55,510	54,110	(1,400)
Interest on Revenue Balances	0	(180)	(180)	0
Total General Fund	325,498	557,908	556,770	(1,137)
Unallocated Budget	0	3,313	1,663	(1,650)
Unallocated Corporate Savings	0	18	18	0
Affordable Housing Contribution	0	2,600	2,600	0
Total Revenue Expenditure	325,498	563,839	561,052	(2,787)

BY SUBJECTIVE

Staff Costs	227,551	316,127	313,240	(2,887)
Other Costs	265,247	480,259	483,150	2,891
Gross Expenditure	492,798	796,386	796,390	4
Grants	(52,030)	(60,997)	(61,923)	(926)
Other Income	(115,270)	(171,550)	(173,415)	(1,865)
Total Income	(167,300)	(232,547)	(235,338)	(2,791)
	325,498	563,839	561,052	(2,787)

% of Annual Expenditure

This year	58%
Last year	69%

Budget Financed By:

AEF as notified	£m 435,696
Council Tax	110,740
Use of General Fund non earmarked Balances	2,000
Total Financing Agreed at Council February 2013	548,436
Additional funding reported to FHR Jun 2013	12,508
Reduced funding reported to FHR Aug 2013	(56)
Additional funding reported to FHR Oct 2013	1,296
Additional funding reported to FHR Nov 2013	72
Reduced funding reported to FHR Jan 2014	(70)
Additional funding as per paragraph 2.2	1,653
Total Budget at November 2013	563,839

Housing Revenue Account	(22,654)	0	(685)	(685)
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Annex - Unallocated Budget

The unallocated budget represents agreed sums set aside for budget pressures, many of which were agreed as part of the 2013/14 budget in February 2013. They are held centrally, as not yet allocated against Service budgets for a variety of reasons e.g. delay in the cost pressure arising from when the original sum was set aside.

The sums are in the main fully committed, and will in due course be utilised as shown.

Amount Currently Held £000	Item / Description	Expected Drawdown 13/14 £000	Expected Drawdown 14/15 £000	Uncommitted £000
768	<u>Unallocated Budget C/fwd from 2012/13</u> Dec 2013 Council agreed use to close the budget gap for 2014/15.	-	768	-
300	<u>ECS – Standard Email Platform Pressure</u> ECS progressing implementation. £300k expected to be drawn down over Feb/March 2014.	300	-	-
650	<u>TECS – Street Lighting Pressure</u> Full amount allocated to TECS in January 2014 to meet pressures. In 2014/15 £250k will be available and December 13 Council agreed use to close 14/15 budget gap.	650	-	-
640	<u>Corporate – Energy Pressure</u> Not yet allocated pending assessment of need and review of winter 13/14 energy bills. Will be required going forward into 2014/15 given upward trend in energy prices.	Tbc	640	-
95	<u>Corporate – CRC (carbon 'tax')</u> £10k one-off surplus in 2013/14. Remaining £85k already used in setting the base budget for 2014/15.	-	85	10 (one-off)
400	<u>Corporate – Pensions Auto Enrolment</u> Allocated to Services in January 2014 budget targets	400	-	-
70	<u>Corporate – Non Domestic Rates</u> December 2013 Council agreed use for 14/15 budget gap	-	70	-
150	<u>HSC – National Care Home Contract increase</u> £550k provided as a pressure for contract cost increases, and £400k of this already provided to NHSH for adult services. Further £73k to be added into the Adult Services budget quantum. Remaining £77k uncommitted at this time, and held as a contingency.	73	-	77
240	<u>Corporate – HSC Budget Pressure</u> Required to build into the HSC adult services budget to provide NHSH with the 'flat cash' budget quantum.	240	-	-
3,313		1,663	1,563	87