

The Highland Council
Planning, Development and Infrastructure Committee
17 August 2016

Agenda Item	5
Report No	PDI 39/16

Revenue Budget – Final Outturn 2015/16 and Monitoring 2016/17

Report by Director of Development and Infrastructure

Summary

This report invites Members to approve the revenue budget outturn position for the year ended 31 March 2016, and the revenue monitoring position for the period 1 April 2016 to 30 June 2016.

1. Background

1.1 This report is produced in support of the Council's corporate governance process, which in turn is designed to support/augment the Council's overall/corporate delivery of all of its obligations in terms of the Single Outcome agreement.

2. Final Outturn 2015/16

2.1 The Service returned an overspend of £0.575m (4.0%) for the year ended 31 March 2016 out of a net budget of £14.454m. The predicted outturn, previously reported to Committee, was an underspend of £0.013m.

2.2 The Service summary statements, which show the final position for the year ended 31 March 2016, are contained in **Appendix 1**.

2.3 There has been a net increase in the budget of £1.854m from that reported at 31 December 2015 of £12.600m to £14.454m. The budget was increased by £2.813m to take account of voluntary severance costs (£2.480m); budget feed for central energy efficiency fund (£0.315m); and to meet the cost of early retirements (£0.018m). The budget was reduced by £0.959m in respect of transferring the budget for purchase of allowances for carbon reduction commitment scheme (£0.720m) to Care & Learning and Community Services; earmarking of funds for specific projects (£0.082m); inclusion of a budget for developers' contributions received (£0.152m); and a reduction for ICT contracts (£0.005m).

3. Notes on Variances

3.1 The following is a summary of the movement on variances between 31 December 2015 figures as reported to the February Committee and the outturn at 31 March 2016:

Activity	December £000	March £000	Movement £000
Directorate	18	(1)	(19)
Planning & Building Standards	147	281	134
Infrastructure	(42)	(18)	24
Environment & Economic Development	37	(68)	(105)
Property	239	459	220
Planning Fee & Building Warrant Income	(412)	(78)	334
Total	(13)	575	588

3.2 Planning and Building Standards

3.2.1 The overspend is attributable to increased expenditure on dangerous buildings (£0.124m), and costs associated with Public Local Inquiries (£0.138m). Both budgets are set at the same level each year, however given the nature of the unpredictability of the costs incurred, these lines may overspend.

3.3 Environment and Economic Development

3.3.1 Staff vacancies accounted for the bulk of the Environment underspend.

3.3.2 Legacy costs incurred after the transfer of the Glen Nevis Centre to High Life Highland resulted in an overspend on Economy and Regeneration.

3.4 Property

3.4.1 As previously reported, Energy and Sustainability would not achieve their targeted surplus. Income shortfalls on both Renewable Heat Incentive (£0.348m) and Feed-in-Tariff (£0.056m) account for two-thirds of the overspend. The remaining one-third are in respect of costs incurred in rectifying issues with the biomass boilers and also the removal of the wind turbines at schools.

3.4.2 Vacant posts in the Asset Management account section account for the bulk of the underspend. There were also savings on utility charges across various Council properties.

3.4.3 Pressure on the revenue maintenance budget was consistently highlighted throughout the year. The estimated overspend reported to the February Committee was £0.168m. The position improved, the final overspend for the year was £0.081m.

3.4.4 Due to the renegotiation of a number of leases, the targeted surplus for the Council's investment properties was exceeded by £0.261m.

3.4.5 Due to the number of vacancies within Technical, Design and Projects section there was insufficient works carried out in the year to generate the level of income required to meet the budgeted surplus.

3.5 Income

3.5.1 Planning fee income was anticipated to exceed its target, based on the December income received (75%). This did not transpire. A fall in activity in the last quarter of the financial year resulted in a budget shortfall.

3.5.2 Building warrant income was consistently reported throughout the year of exceeding its target.

4. Revenue Monitoring (1 April 2016 to 30 June 2016)

4.1 The overall budget for Development and Infrastructure in financial year 2016/17 is £8.377m. The revenue expenditure monitoring statements, appended to this report (**Appendix 2**), show the financial position to 30 June 2016. In total, the expenditure is currently in line with the budget outturn target.

5. Budget Savings

5.1 All of the savings, both Service specific and corporate and transformational, have been reflected in the Development and Infrastructure 2016/17 budget, and have been allocated across all parts of the Service, where appropriate.

5.2 An updated Red/Amber/Yellow/Green (RAYG) analysis of Service specific agreed budget savings for the current financial year is set out on **Appendix 3**. This statement reflects the position for the first quarter of the financial year.

5.3 **Appendix 4** sets out the corporate and transformational savings for the current financial year and reflects the position for the first quarter of the financial year. The RAYG status is based on achieving the saving based on the proposal i.e. capital investment in renewable projects aligned to generating electricity and selling to the market directly linked to a budget income target. The savings marked "red" totalling £0.482m, will not be achieved in the way they were originally intended. Discussions are ongoing within the Service to identify where these savings are to come from.

6. Year-End Projection

6.1 The year to date actual figures represent the transactions for the three months ended 30 June 2016, and are generally in line with management expectations. To deliver a balanced budget will be a challenge.

6.2 Members will note that based on the financial performance to date, and the actions already taken, it is predicted, that at the end of the financial year the budget as a whole will be balanced.

7. Major Issues and Variances

7.1 At present there are no major issues or variances to be highlighted. However, all income streams have been increased, some considerably, and they will be closely monitored on a month-by-month basis to ensure the targets are achievable.

8. Actions Proposed

- 8.1 Managers will review their respective parts of the Service to identify where costs can be reduced without affecting service delivery, with a view to managing overspends, or approved savings measures that may not be fully achieved.
- 8.2 Budgets will be closely managed and any underspends will be used to offset overspends and pressures within the overall Development and Infrastructure budget.

9. Implications

- 9.1 Resource implications are discussed in the report.
- 9.2 Risk implications to the budget position, and budget assumptions, will be kept under regular review and any risks identified reported to future Committees.
- 9.3 There are no legal, equality, climate change/carbon clever, risk, Gaelic and rural implications arising as a direct result of this report.

Recommendations

Members are invited to approve:

- the revenue budget final outturn position for the year ended 31 March 2016; and
- the report and attached monitoring statements which show the revenue position for the period 1 April 2016 to 30 June 2016, and the actions which have been put in place to manage the budget over the remainder of the financial year.

Designation: Director of Development and Infrastructure

Date: 5 August 2016

Author: Mike Mitchell, Service Finance Manager

Background Papers: Final Outturn 31/03/16 and Monitoring Statements 30/06/16 and the Highland Council Financial Ledger

DEVELOPMENT AND INFRASTRUCTURE Revenue Expenditure Monitoring Report
1 APRIL 2015 - 31 MARCH 2016
Summary

	£000 Actual Year To Date	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
BY ACTIVITY				
Directorate				
Director & Business Team	3,531	3,532	3,531	(1)
Planning & Building Standards	5,359	5,078	5,359	281
Infrastructure				
Project Design Unit	(1,267)	(1,210)	(1,267)	(57)
Flood Risk Assessment	307	268	307	39
Environment & Economic Development				
Management	83	82	83	1
Environment	2,040	2,151	2,040	(111)
Economy & Regeneration	2,375	2,294	2,375	81
Trading Standards	829	829	829	0
Employability Service	1,722	1,761	1,722	(39)
Property				
Energy & Sustainability	(245)	(854)	(245)	609
Property asset management	3,402	3,545	3,402	(143)
Revenue Maintenance	5,055	4,974	5,055	81
Housing Development & Private Sector Housing Grant	1,788	1,793	1,788	(5)
Investment Properties	(2,498)	(2,237)	(2,498)	(261)
Technical, Design & Projects	(3,051)	(3,229)	(3,051)	178
Income				
Planning Fee Income	(2,236)	(2,444)	(2,236)	208
Building Warrant Fee Income	(2,165)	(1,879)	(2,165)	(286)
	15,029	14,454	15,029	575
BY SUBJECTIVE				
Staff Costs	22,666	23,225	22,666	(559)
Other Costs	24,330	17,689	24,330	6,641
Gross Expenditure	46,996	40,914	46,995	6,082
Grants	(5,591)	(913)	(5,591)	(4,678)
Other Income	(26,376)	(25,547)	(26,376)	(829)
Total Income	(31,967)	(26,460)	(31,967)	(5,507)
	15,029	14,454	15,029	575

Notes

1. Percentage of annual budget	Expenditure	Income
This year	<u>115%</u>	<u>121%</u>
Last year	<u>114%</u>	<u>122%</u>
2. Appeals, Public Local Inquiries and Court Cases (included above in Planning & Building Standards)	Actual Year to Date	
	£000	
PLIs General	31	
Invergordon Incinerator	(18)	
THC v Alexander Brodie	14	
Glenmorrie Wind Farm (PLI)	26	
Carn Gorm Wind Farm	25	
Strathy South Wind Farm	21	
Braemore Wind Farm	20	
Cairn Duhie Wind Farm	4	
Millenium Wind Farm	28	
Tesco Ness Side	37	
TOTAL	<u>188</u>	

DEVELOPMENT AND INFRASTRUCTURE Revenue Expenditure Monitoring Report

1 APRIL 2016 - 30 JUNE 2016

Summary

	£000 Actual Year To Date	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
BY ACTIVITY				
Directorate				
Director & Business Team	368	1,160	1,160	0
Planning & Building Standards	1,386	4,655	4,655	0
Infrastructure				
Project Design Unit	220	(1,172)	(1,172)	0
Flood Risk Assessment	59	271	271	0
Environment & Economic Development				
Management	9	1	1	0
Environment	381	1,628	1,628	0
Economy & Regeneration	137	1,586	1,586	0
Trading Standards	140	623	623	0
Employability Service	126	1,781	1,781	0
Property				
Energy & Sustainability	1,017	(1,636)	(1,636)	0
Property asset management	410	2,907	2,907	0
Revenue Maintenance	748	4,378	4,378	0
Housing Development & Private Sector Housing Grant	705	1,671	1,671	0
Investment Properties	(630)	(2,085)	(2,085)	0
Technical, Design & Projects	285	(2,912)	(2,912)	0
Income				
Planning Fee Income	(633)	(2,564)	(2,564)	0
Building Warrant Fee Income	(479)	(1,915)	(1,915)	0
	4,249	8,377	8,377	0
BY SUBJECTIVE				
Staff Costs	4,542	19,298	19,298	0
Other Costs	4,890	15,383	15,383	0
Gross Expenditure	9,432	34,681	34,680	0
Grants	(1,283)	(1,617)	(1,617)	0
Other Income	(3,900)	(24,687)	(24,687)	0
Total Income	(5,183)	(26,304)	(26,304)	0
	4,249	8,377	8,377	0

Notes		
1. Percentage of annual budget	Expenditure	Income
This year	<u>27%</u>	<u>20%</u>
Last year	<u>25%</u>	<u>11%</u>
2. Appeals, Public Local Inquiries and Court Cases (included above in Planning & Building Standards)	Actual Year to Date	
	£000	
PLIs General	4	
Cairn Duhie Wind Farm	14	
Tesco Ness Side	3	
TOTAL	<u>21</u>	

2016/17 Savings

APPENDIX 3

Service	Saving owner	Activity Heading	Saving category	Savings Proposal	Savings		
					2016/17 £m	Saving RAYG (enter R, A, Y, or G)	Projected saving- red amber yellow
TSP	SB	Support for Council Renewable Projects	New initiatives	Capital investment in wind farms, solar panels and exploitation of methane gas from Longman landfill site to generate electricity	0.234	R	Timescale in achieving and change to subsidy requirements
TSP	SB	Employability	New initiatives	Social Impact Bonds	0.150	R	Difficult to implement.
D&I	SB	Housing Development	Income generation	Increased Industrial Development Charges	0.026	A	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year.
D&I	SB	Planning & Building Standards	Income generation	Planning & Building Standards Fees	0.050	A	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year.
D&I	SB	Industrial & Investment	Income generation	Industrial Property Rental Income	0.050	A	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year.
D&I	SB	Environmental Studies	Service reviews	Provision of Advice in-house (consultancy cost saving)	0.050	A	Assumed level of work will generate the saving, however there has been a delay in implementation
D&I	SB	Planning & Building Standards	Income generation	Increased Planning & Building Standards Fees	0.025	A	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year.

2016/17 Savings

APPENDIX 3

Service	Saving owner	Activity Heading	Saving category	Savings Proposal	Savings		
					2016/17 £m	Saving RAYG (enter R, A, Y, or G)	
D&I	SB	Housing Development	Income generation	Housing Development Charges	0.025	A	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year.
D&I	SB	Review Work for Common Good	Service reviews	Review Charges Common Good	0.020	A	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year.
D&I	SB	Planning & Building Standards	Income generation	Permitted Development Enquiries Fee Income	0.010	A	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year.
TSP	SB	Fort William Office Review	Efficiencies	Savings as included in HC report 13 March 2014, based on report to 27 November 2013 FHR Committee	0.105	Y	
TSP	SB	Income Generation - Planning	Income generation	Introduce charge for local pre-application advice packs	0.045	Y	
D&I	SB	Access/ Rangers	Service reviews	Review of countryside provision for 16/17	0.381	G	
TSP	SB	Income Generation	Income generation	Opportunities to be identified	0.180	G	
D&I	SB	Management and staffing savings	Management and staffing savings	Management Savings - 1 post at HC12 ; 1 post at HC13	0.145	G	
TSP	SB	Inverness Service Point Relocation	Efficiencies	Inverness Service Point Relocation	0.138	G	
D&I	SB	Property	Service reviews	Reduction in use of consultants	0.100	G	
D&I	SB	HOL/Business Gateway	Service reviews	Review of activity	0.100	G	
D&I	SB	Management and staffing savings	Management and staffing savings	Vacancy Management	0.100	G	
D&I	SB	Coastal & Aquaculture	Service reviews	Review of Function/Activity	0.095	G	

2016/17 Savings

APPENDIX 3

Service	Saving owner	Activity Heading	Saving category	Savings Proposal	Savings		Projected saving- red amber yellow
					2016/17 £m	Saving RAYG (enter R, A, Y, or G)	
D&I	SB	Property	Service reviews	Increased in-house professional staffing to reduce need of consultancy support to deliver capital programme	0.070	G	
D&I	SB	Management and staffing savings	Management and staffing savings	Management Review	0.060	G	
D&I	SB	Employability	Efficiencies	Efficiency from Employability Service Budget by utilising EU funding to replace direct Council support	0.050	G	
TSP	SB	Invergordon SW Office Relocation	Efficiencies	Invergordon SW Office Relocation	0.050	G	
D&I	SB	Film & Tourism	Service reviews		0.050	G	
TSP	SB	Planning & Development Services	Income generation	Levy a fee for accelerating the delivery of discharge of conditions for large scale projects (generally renewables) within specified timescales	0.040	G	
D&I	SB	Property	Efficiencies	Reduction of K2/IT Development Budget	0.040	G	
D&I	SB	Visit Scotland	Third parties	Reduce contribution	0.035	G	
D&I	SB	Biodiversity	Management and staffing savings	Reduction in Biodiversity	0.030	G	
D&I	SB	Project Design Unit	Service reviews	Increased in-house professional staffing to reduce need of consultancy support to deliver capital programme	0.010	G	

2016/17 Corporate & Transformation Savings

2016/17					
Ref.	Activity Heading	Savings Proposal	16/17 Allocation Comments	2016/17 Service Allocations D&I £m	Saving RAYG (enter R, A, Y, or G)
Corp 5	Voluntary Severance	Voluntary Severance	Allocation agreed 30/05/16 (includes £300k for ASN)	-1.417	G
Corp 6	Recruitment Freeze	Recruitment freeze for non-exempt posts	Allocation agreed 30/05/16	-0.066	G
Corp 4, TSP Proc 1 & 3, TSP WPP4-SSJV9	Procurement	Procurement Shared Service & Collaborative Spend	Allocation agreed 30/05/16	-0.071	R
Corp 2	Fees & Charges	10% increase on all fees and charges that are not nationally set, or a different amount has already been agreed	Allocation already included within HC 25/02/16 Service budgets; Based on actual % increases for individual fees & charges budgets	-0.013	A
PIM1 & PIM20	Entitlements & Digital Services	Simplifying & streamlining entitlements applications processes Channel shift activity - increase the number of services accessible on-line, via the Council's website, and via the Council's Service Centre	Allocation agreed 30/05/16	-0.014	R

2016/17 Corporate & Transformation Savings

2016/17					
Ref.	Activity Heading	Savings Proposal	16/17 Allocation Comments	2016/17 Service Allocations D&I £m	Saving RAYG (enter R, A, Y, or G)
PIM22	Mobile Technology	Roll out of processes developed for Housing in support of mobile working, scheduling and appointments	Allocation agreed 30/05/16	-0.100	A
Corp 3	Energy	Reduced consumption, pricing & behavioural change	Allocation agreed 30/05/16	-0.027	G
IG10	Support for Council Renewable Projects	Capital investment in wind farms, solar panels and exploitation of methane gas from Longman landfill site to generate electricity	Allocated in full to D&I budget	-0.234	R
	Information Management		Allocation agreed 30/05/16	-0.013	R
PIM8	Fuel Procurement	Rationalise arrangements for fuel procurement	Agreed to allocate 30/05/16; WG to confirm sums per service	-0.005	G
Corp 1	Salary Sacrifice	Savings from salary sacrifice schemes	Allocate proportionate to take up of schemes in year to date	-0.027	G
Corp 7	Management and staffing savings	Agency Staff	Allocation agreed 30/05/16	-0.041	G
PIM27	Reduction in Light Vehicles and Plant	3 year programme to reduce the number of items of light vehicles and plant utilised full-time by the Council	Allocation agreed 30/05/16	-0.019	G
WCG6	Employability	Social Impact Bonds	Allocated in full to D&I budget	-0.150	R
PIM2	Attendance Management	Reduction in sickness absence by continuing to adopt a robust and consistent approach to attendance management	Allocation agreed 30/05/16	-0.009	A
PIM2A	Travel, Subsistence and Overtime	Reduction in the costs of staff travel, subsistence and overtime through management action and greater use of technology	Allocation agreed 30/05/16	-0.011	G
Agreed Resources 26/05/15	Inverness Service Point Relocation	Inverness Service Point Relocation	Allocated in full to D&I budget	-0.138	G

2016/17 Corporate & Transformation Savings

				2016/17	
Ref.	Activity Heading	Savings Proposal	16/17 Allocation Comments	2016/17 Service Allocations D&I £m	Saving RAYG (enter R, A, Y, or G)
Agreed HC 13/03/14	Fort William Office Review	Savings as included in HC report 13 March 2014, based on report to 27 November 2013 FHR Committee	Allocated in full to D&I budget	-0.105	Y
IG4	Income Generation - Planning	Introduce charge for local pre-application advice packs	Allocated in full to D&I budget	-0.045	A
PIM17	Planning & Development Services	Levy a fee for accelerating the delivery of discharge of conditions for large scale projects (generally renewables) within specified timescales	Allocated in full to D&I budget	-0.040	A
Total				-2.545	