

The Highland Council
Resources Committee – 24 August 2016

Agenda Item	5
Report No	RES/40/16

Corporate Revenue Monitoring to 30 June 2016

Report by Director of Finance

Summary

The purpose of this report is to present the financial position of the revenue budgets of the General Fund and Housing Revenue Account (HRA) for the period from 1 April to 30 June 2016 and the estimated position for the 2016/17 financial year. It also presents an update on the status of savings removed from the budget in the year.

1. Background

- 1.1 This report presents the overall revenue budget monitoring position for the General Fund and HRA of the Council for the financial year 2016/17 as at 30 June 2016.
- 1.2 The annual net budget of £554.9m incorporates £34.9m of budget savings approved by Council in February 2016 and December 2014. These savings were required as a result of the significantly reduced grant settlement from the Scottish Government as well as a number of unavoidable cost pressures.

2. Overview of Budgets

- 2.1 A corporate monitoring statement is attached at **Appendix 1**. The statement shows a forecast year end overspend of £1.953m (0.35%) against the Services Revenue Budget.
- 2.2 This overspend will be partially mitigated by a forecast £0.918m of Council tax income that will be received in excess of the budgeted level. This excess has primarily arisen as a result of increased collection rates of prior year debts.
- 2.3 The combination of the two figures above means that at year end £1.035m would need to be drawn down from the non-earmarked general fund balance to match annual income to expenditure. As per **Appendix 5** this would reduce the non-earmarked general fund balance to £11.42m or just over 2% of the annual revenue budget.
- 2.4 The Council's Executive Leadership Team have committed to take all necessary action to ensure that by year end a balanced budget position is reported so that no draw down from general fund balances will be required.

3. Detail of Budgets

- 3.1 The unallocated budget line represents corporate pressures as detailed in **Appendix 4**. Both of these pressures relate to the Council's requirement to comply with employment legislation. Funding will be transferred to service budgets from this line when the relevant pressures are quantified and funding allocated.
- 3.2 The budget on the unallocated corporate savings line is shown in **Appendix 4**. Funding will be transferred from service budgets to reduce this when savings are identified and quantified. More detail on approved budget savings is included in section 6 of this report.
- 3.3 The revenue budget for 2016/17 has increased by £0.094m from the amount agreed at the meeting of the Highland Council on 25 February 2016, due to a drawdown from earmarked balances. As the ring-fenced Gaelic grant of £0.940m is netted against the Care & Learning budget for monitoring purposes, rather than included within funding, the revised General Fund budget as at 30 June 2016 is £554.885m, as set out in **Appendix 3**.

4. Budget Variances

- 4.1 At this early stage in the financial year services are anticipating some variance from budget at the year-end as detailed below. More detailed reports on service budgets will be presented to the relevant service committees. As the year progresses additional pressures and areas of underspend may emerge which will be reflected in future monitoring reports. All services face potential budget pressures if approved budget savings are not fully delivered.
- 4.2 The Care and Learning Service is projecting a year end overspend of £1.461m which arises mainly from overspends on looked after children, school transport, property repairs and servicing and IT costs. The majority of these pressures have recurred from 2015/16. As part of the 2017/18 budget setting process consideration will need to be given to providing extra funds to offset these pressures to ensure all budgets are on a sustainable footing.
- 4.3 The Chief Executive's office anticipates a small year-end underspend of £0.021m arising from savings on non-staff costs in the Policy and Reform budget.
- 4.4 The Corporate Development service anticipates a year end overspend of £0.176m. This is mainly due to pressures caused by a shortfall in licensing income and a reduction in training income. There is no scope to increase income from statutory licensing fees as the Council does not have the authority to alter these fees. These pressures are partly mitigated by savings from vacancy management.

- 4.5 At this early stage of the year both Community Services and the Development and Infrastructure service anticipate a balanced budget position at the year end. However, it should be noted that both services anticipate challenges in meeting the income budgets for the year.
- 4.6 The Finance Service anticipates an underspend of £0.462m arising from the management of staff vacancies (£0.362m); and increased income (£0.100m) from penalties on outstanding council tax and NDR debt, and a one off payment from the Department of Work and Pensions (DWP) to cover the work undertaken on benefit changes.
- 4.7 A small underspend of £0.030m is anticipated in school clothing grants which is reflected in the Welfare Services line of the monitoring statement.
- 4.8 A saving of £0.500m is anticipated in loan charges due to continued favourable interest rates. The achievement of this underspend will depend on the pace of delivery of the capital programme and the budgeted level of slippage being achieved. This issue is covered in more detail in the report on capital monitoring on this committee agenda.
- 4.9 Given the uncertainty around the delivery of certain corporate savings targets in 2016/17 it is considered prudent to show a budget pressure of £1.3m on the unallocated corporate savings line. These savings have not yet been taken off service budgets and that will only be done once there is more clarity on the delivery of these savings. More detail on these, and other budget savings, is included in section 6 of this report.

5. Housing Revenue Account (HRA)

- 5.1 At this stage in the financial year it is expected that the HRA will be on budget at the year end. Although the net budget is zero, the annual expenditure budget matches the income as shown in **Appendix 2**.

6. Budget Savings

- 6.1 Approved budget savings of £34.9m are required to be delivered in-year in order to achieve a balanced budget. These budget savings were approved by Council in February 2016 and December 2014.
- 6.2 Some of the budget savings reflect specific proposals put forward by services whereas other savings reflect corporate and transformational activities which may affect a number of different service budgets.
- 6.3 All corporate and transformation savings need to be taken off service budgets to ensure a balanced budget is delivered and spend reduced accordingly- any savings targets that are held corporately will result in a budget pressure.
- 6.4 All budget savings have been ranked as Green, Yellow, Amber or Red by the service director responsible for their delivery. This ranking reflects directors' assessments of whether the budget saving is being delivered, in full, in the

intended manner.

- 6.5 Any saving that is not being delivered in full will be factored into the service variances reported above as a budget pressure.
- 6.6 A summary of savings by category can be seen at **Appendix 6**. Table 1 gives the total figures by service and category for all savings, £25.71m of savings sit in the green and yellow categories and £9.18m sit in the red and amber categories. Tables 2 and 3 split the total savings figures between those included in service specific proposals and those approved as part of the transformational or corporate savings process respectively.
- 6.7 For any savings ranked as red it is unlikely that any element of the saving will be delivered in 2016/17. Those ranked as amber are ones where a significant risk to the delivery of the full value of the saving has been identified. In practice it is anticipated that a proportion of the total value of the amber savings will be delivered.
- 6.8 Rankings of all individual savings have been reported to the relevant service committees. **Appendix 7** provides details of any service-specific savings proposals ranked as red.
- 6.9 **Appendix 8** provides a consolidated analysis of the total values of any red or amber corporate and transformational savings. These savings targets impact on all service budgets and each saving has a dedicated owner tasked to work with services to help deliver the saving. If these savings are not delivered in the intended way it is anticipated that service directors will identify alternative means of delivering the required level of saving.
- 6.10 As detailed in 4.9, three of the savings shown in appendix 8 have not been allocated to services. Those are:
- Schools Energy Incentives- £0.531m
 - Attendance Management- £0.500m
 - Savings to be identified- £0.237m
- 6.11 Whilst action is ongoing by officers to attempt to deliver these savings it is recognised that full delivery in financial year 2016/17 will be challenging. Rather than allocate these savings to services and ask them to bear the risk of finding alternative savings in the event of non-delivery the Executive Leadership Team agreed that these savings would remain unallocated for 2016/17. Any elements of these savings that are delivered will be taken from service budgets later in the year. Any elements not achieved in 2016/17 can be offset by the underspends in loans charges and excess Council tax income received.
- 6.12 The work that is currently ongoing will determine whether all savings are achievable in full on a recurring basis in 2017/18 and beyond. Any savings or elements of savings that are not achievable may need to be factored into the budget gap as part of the 2017/18 budget workings.

- 6.13 The work being done in respect of the absence management saving is covered by a separate report on this agenda. Similarly work to identify additional savings is reported as part of the transformational savings programme update.
- 6.14 An Energy Efficiency Working Group has been set up to help deliver the saving in relation to schools energy. This group includes expertise from the Council's property division and energy user representation from HighLife Highland, school head teachers and janitorial staff. The initial meeting of this group focussed on the themes of incentivisation and potential benefits, information sharing, training, behavioural change, a potential focus on ICT equipment, and the efficacy of insulation and other simple measures of energy efficiency. The group is focusing on producing an action plan to deliver this saving.

7. Implications

- 7.1 Resource implications are noted in this report. The forecast outturn position would require a draw down from balances of £1.035m at year end to deliver a balanced budget position.
- 7.2 There are no risk, legal, equality, climate change/Carbon Clever or Gaelic implications arising as a direct result of this report.

Recommendation

Members are invited to consider the financial position of the General Fund and HRA revenue budgets at 30 June 2016 and to note the estimated year end forecast.

Members are asked to note the status of budgeted savings in the year.

Designation: Director of Finance

Date: 12 August 2016

Author: Edward Foster, Head of Corporate Finance

Background Papers: Service monitoring statements

Revenue Expenditure Monitoring Report -General Fund Summary

1 April to 30 June 2016

	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
Table A: By Service				
Care and Learning	67,322	388,017	389,478	1,461
Chief Executive's Office	1,272	4,740	4,719	(21)
Corporate Development	1,802	15,623	15,799	176
Community Services	12,417	53,505	53,505	0
Development and Infrastructure	4,249	8,377	8,377	0
Finance Service	3,670	11,961	11,499	(462)
Welfare Services	13,746	13,979	13,949	(30)
Service Total	104,478	496,202	497,326	1,124
Valuation Joint Board	426	2,550	2,550	0
Non Domestic Rates reliefs	727	701	730	29
Loan Charges	0	56,288	55,788	(500)
Interest on Revenue Balances	0	(180)	(180)	0
Unallocated Budget	0	1,150	1,150	0
Unallocated Corporate Savings	0	(1,826)	(526)	1,300
Total General Fund Budget	105,631	554,885	556,838	1,953

Table B: By Subjective

Staff Costs	73,514	314,507	312,171	(2,336)
Other Costs	69,632	447,808	451,314	3,506
Gross Expenditure	143,146	762,315	763,485	1,170
Grants	(15,786)	(60,344)	(60,021)	323
Other Income	(21,729)	(147,086)	(146,626)	460
Total Income	(37,515)	(207,430)	(206,647)	783
Total Revenue Expenditure	105,631	554,885	556,838	1,953

Financed By:

Aggregate External Finance as notified	63,901	435,652	435,652	0
Additional resources	2,812	2,812	2,812	0
Council Tax	38,824	116,327	117,245	918
Use of earmarked balances	94	94	94	0
Use of General Fund non-earmarked balance	0	0	1,035	1,035
Total General Fund Budget	105,631	554,885	556,838	1,953

Actual expenditure to date as % of annual budget

This year	19%
Last year	20%

Revenue Expenditure Monitoring Report - Housing Revenue Account Summary

1 April to 30 June 2016

	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
Staff Costs	2,090	4,806	4,806	0
Other Costs	3,494	25,713	25,713	0
Loan charges and interest	0	20,300	20,300	0
Gross Expenditure	5,584	50,819	50,819	0
House Rents	(11,120)	(48,769)	(48,769)	0
Other rents	(466)	(1,649)	(1,649)	0
Other income	(64)	(356)	(356)	0
Interest on Revenue Balances	0	(45)	(45)	0
Gross Income	(11,650)	(50,819)	(50,819)	0
Total HRA	(6,066)	0	0	0

Actual expenditure to date as % of annual budget

This year	11%
Last year	5%

Revenue Expenditure Monitoring Report - General Fund Budget
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1 April to 30 June 2016

	£m	£m
Budget as agreed by Highland Council on 25 Feb 2016		555.731
Less : Ring-fenced grant (Gaelic)		(0.940)
Agreed use of non-earmarked balances		
	_____	0.000
Use of/(contribution to) earmarked balances		
Children's Services Investment	0.094	
	_____	0.094
Use of Other Reserves		
	_____	0.000
Total General Fund Budget at 30 June 2016		<u><u>554.885</u></u>

Revenue Expenditure Monitoring Report - General Fund Budget
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1 April to 30 June 2016

Table A Unallocated Budget

	£m
Provision for Auto-enrolment	0.750
Provision for Holiday Pay	0.400
Unallocated Budget at 30 June 2016	<u><u>1.150</u></u>

Table B Unallocated Corporate Savings

	£m
Schools Energy Incentives	0.531
Attendance Management	0.500
Transformation Savings	0.795
Unallocated Corporate Savings at 30 June 2016	<u><u>1.826</u></u>

Revenue Expenditure Monitoring Report - General Fund Balance

1 April to 30 June 2016

General Fund Balance

	Earmarked balances £m	Non- earmarked balances £m	Total £m
Balance at 1 April 2016 (Unaudited)	15.391	12.455	27.846
Use of balances included in budget as agreed by Highland Council on 25 Feb 2016	0.000	0.000	0.000
Use of balances per Appendix 3	(0.094)	0.000	(0.094)
Movement in balances per Appendix 1	(0.094)	0.000	(0.094)
Net service overspend per Appendix 1	0.000	(1.953)	(1.953)
Additional financing	0.000	0.918	0.918
Balance at 30 June 2016	15.297	11.420	26.717

Table 1

	Total				Total
	Green	Yellow	Amber	Red	
Care and Learning	11.669	0.000	3.058	0.552	15.279
Chief Executive's Service	0.966	0.000	0.109	0.004	1.079
Community Services	3.400	0.000	1.719	0.330	5.449
Corporate Development	1.326	0.000	0.882	0.093	2.301
Development and Infrastructure	3.017	0.105	0.534	0.411	4.067
Finance	4.680	0.033	0.157	0.031	4.901
Unallocated Savings	0.415	0.100	1.063	0.237	1.815
Total	25.473	0.238	7.522	1.658	34.891

Table 2

	Service specific proposals				Total
	Green	Yellow	Amber	Red	
Care and Learning	9.222	0.000	1.869	0.130	11.221
Chief Executive's Service	0.911	0.000	0.095	0.000	1.006
Community Services	1.715	0.000	1.069	0.000	2.784
Corporate Development	0.693	0.000	0.550	0.000	1.243
Development and Infrastructure	1.266	0.000	0.256	0.000	1.522
Finance	3.076	0.000	0.000	0.000	3.076
Total	16.883	0.000	3.839	0.130	20.852

Table 3

	Corporate and transformation				Total
	Green	Yellow	Amber	Red	
Care and Learning	2.447	0.000	1.189	0.422	4.058
Chief Executive's Service	0.055	0.000	0.014	0.004	0.073
Community Services	1.685	0.000	0.650	0.330	2.665
Corporate Development	0.633	0.000	0.332	0.093	1.058
Development and Infrastructure	1.751	0.105	0.278	0.411	2.545
Finance	1.604	0.033	0.157	0.031	1.825
Unallocated Savings	0.415	0.100	1.063	0.237	1.815
Total	8.590	0.238	3.683	1.528	14.039

Service specific savings rated 'red'

Appendix 7

Service	Activity Heading	Savings Proposal	2016/17 £m	Saving RAYG
C&L	Secondary Education	Introduce a standard timetabling structure across Highland secondary schools, based on 33 periods, which is the optimal staffing and timetabling model	0.075	R
C&L	Transfer of Residential Properties	Saving of the maintenance budget following the planned transfer of former ECS residential properties to Community Services	0.030	R
C&L	Management of Secondary School Facilities	Transfer of management of secondary school community use to HLH	0.025	R
			0.130	

Corporate and transformation savings with red or amber rated elements

Appendix 8

Ref.	Activity Heading	Savings Proposal	Total saving value	Element Amber	Element Red
Corp - Schools Energy	Energy	Schools Energy Incentives	0.531	0.531	
Corp 1	Salary Sacrifice	Savings from salary sacrifice schemes	0.204	0.113	
Corp 2	Fees & Charges	10% increase on all fees and charges that are not nationally set, or a different amount has already been agreed	0.487	0.308	
Corp 3	Energy	Reduced consumption, pricing & behavioural change	0.250	0.223	
Corp 4, TSP Proc 1 & 3, TSP WPP4-SSJV9	Procurement	Procurement Shared Service & Collaborative Spend	0.700	0.700	
Corp 6	Recruitment Freeze	Recruitment freeze for non-exempt posts	0.575	0.008	
Corp 7	Management and staffing savings	Agency Staff	0.168	0.004	0.054
Corp 8	Attendance Management		0.500	0.500	
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	0.234		0.234
IG4	Income Generation - Planning	Introduce charge for local pre-application advice packs	0.045	0.045	
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	0.435	0.140	0.326
PIM16	Transport Programme	Seeking contract variation opportunities for school and public bus services provision; home-to-school transport efficiencies; future services provision re-tendering	0.625	0.625	
PIM17	Planning & Development Services	Levy a fee for accelerating the delivery of discharge of conditions for large scale projects (generally renewables) within specified timescales	0.040	0.040	
PIM2	Attendance Management	Reduction in sickness absence by continuing to adopt a robust and consistent approach to attendance management	0.147	0.009	0.107
PIM22	Mobile Technology	Roll out of processes developed for Housing in support of mobile working, scheduling and appointments	0.384	0.100	0.284
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	0.150	0.054	

PIM2A	Travel, Subsistence and Overtime	Reduction in the costs of staff travel, subsistence and overtime through management action and greater use of technology	0.124	0.051	
TN008	ICT	Develop ICT architecture & related efficiencies	0.200	0.200	
WCG6	Employability	Social Impact Bonds	0.150		0.150
WPP4-SSJV4	Shared Services - Care Performance & Contracting	Opportunity to generate efficiency savings through a Shared Service model	0.032	0.032	
	Information Management		0.232		0.136
	Savings to be Identified		0.237		0.237
Total			6.450	3.683	1.528