

The Highland Council
Community Services Committee

3 November 2016

Agenda Item	4
Report No	COM 39/16

Revenue Budget Monitoring Report – 1 April 2016 to 30 September 2016

Report by Director of Community Services

Summary

This report invites Members to approve the revenue budget monitoring position for the period from 1 April 2016 to 30 September 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. Current Position

2.1 The revenue expenditure monitoring statements, appended to this report (**Appendix 1**), show the financial position to 30 September 2016. In total, the expenditure is currently in line with the budget outturn target.

2.2 There has been a net increase in the budget of £0.915m from that reported at 30 June 2016 of £53.505m to £54.420m. The budget was increased by £1.179m to meet the cost of the strain on the pension fund as a result of voluntary severance; £0.076m for auto enrolment of staff into the pension fund; and an adjustment of £0.007m to the Service's salary budget. The budget was reduced by £0.154m in respect of the transfer of Emergency Planning function to Chief Executive's Service; £0.192m for Community Services share of the corporate fuel saving; and £0.001m for a reduction in the ICT contract.

2.3 A summary of the disaggregated budgets to the eight Local Committees is shown in **Appendix 2**. The monitoring statement highlights, for both revenue and capital expenditure, for both roads and amenity services and the HRA, the financial position for the period to 30 September 2016. The position overall is showing a balanced budget. The details will be reported to the next respective Local Committees. It is critical the £27m disaggregated in this way returns a balanced budget as this element of flexibility no longer exists to help balance the overall Service budget.

3. Budget Savings

3.1 All of the savings, both Service-specific, and corporate and transformational, have been reflected in the Community Services 2016/17 budget, and have been allocated across all parts of the Service, where appropriate. The only saving not allocated relates to the transformational saving on procurement of £0.249m. At this juncture in the year, the saving is "amber" on the basis there is a degree of certainty the saving will be achieved. Any saving will be allocated to the relevant

budget code as it materialises throughout the year.

3.2 An updated Red/Amber/Green (RAG) 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 second quarter of the financial year.

3.3 **Appendix 4** sets out the corporate and transformational savings for the current financial year, and reflects the position for the second quarter of the financial year. The RAG status is based on achieving the saving based on the proposal i.e. fuel procurement aligned to saving on the amount of fuel consumption directly linked to a reduction in the fuel budgets. The savings marked “red” totalling £0.330m, will not be achieved in the way they were originally intended. All fuel budgets across the Service have been allocated a share of this sum to allow the monetary value of the saving to be met.

4. Year-End Projection

4.1 The year to date actual figures represents the transactions for the six months ended 30 September 2016, and is generally in line with management expectations. The Service continues to work hard to deliver a balanced budget but this represents a significant challenge.

4.2 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.

5. Major Issues and Variances

5.1 Currently there is one major overspend relating to street lighting electricity costs. The reason for the overspend is linked to the capital investment for sodium lantern replacement with LED lanterns. Officers have reviewed the profile for the deliverability of the saving, however given the nature of the roll-out of the programme, the savings are expected in later years i.e. years 3 and 4. Consequently there is a cumulative pressure of £0.305m for the current financial year. Any increase in the unit cost of electricity will impact on any saving achievable. Street Lighting is currently the subject of a Review as part of the Council’s Redesign process

5.2 Staff vacancies totalling £0.250m across the Service are reducing the impact of the lighting overspend.

5.3 At present no further expenditure is committed against the flood alleviation budget, however if there are any weather events that warrant expenditure from this budget line then the anticipated underspend will be reduced accordingly.

5.4 As in previous years, at this point of the financial year, and as in previous years, both winter maintenance and roads maintenance budgets are assumed to be fully spent by the year end.

6. Actions Proposed

6.1 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.

6.2 Budgets will be closely managed and any underspends will be used to offset overspends and pressures within the overall Community Services budget.

7. Housing Revenue Account

7.1 The overspend on the homelessness budget is due to the amount of void repairs.

7.2 House rents are not expected to achieve their income targets. The shortfall is due to the number of new builds and one bedroom builds not achieving the assumption built into the rent model.

7.3 Rent from both shops and garages are expected to exceed their targets.

7.4 Legal fees recovery and insurance claims are the predominant reason for other income exceeding its target.

7.5 At this stage of the year no further major variations are predicted against the main budget headings.

8. Implications

8.1 Resource implications are discussed in the report.

8.2 Risk implications to the budget position, and budget assumptions, will be kept under regular review and any risks identified reported to future Committees.

8.3 There are no legal, equality, climate change/carbon clever, Gaelic or rural implications arising as a direct result of this report.

Recommendations

Members are invited to approve the report and the attached monitoring statements which show the revenue position for the period 1 April 2016 to 30 September 2016 (including the £27m that is disaggregated), and the actions which have been put in place to manage the budget over the remainder of the financial year.

Designation: Director of Community Services

Date: 20 October 2016

Author: Mike Mitchell, Service Finance Manager

Background Papers: Monitoring Statements 30/09/16 and the Highland Council Financial Ledger

COMMUNITY SERVICES

Revenue Expenditure Monitoring Statement

1 April 2016 to 30 September 2016
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Service Summary

	£000 Actual Year To Date		£000 Annual Budget		£000 Year End Estimate	£000 Year End Variance
BY ACTIVITY						
Roads and Transport	10,920	2.1	20,000		20,043	43
Environmental and Amenity Services	13,338	2.2	29,015		28,984	(31)
Non-Housing Revenue Account	2,281	2.3	3,359		3,359	0
Trading Operations	(1,702)	2.4	(1,652)		(1,652)	0
Administration	2,749	2.5	3,698		3,686	(12)
SERVICE TOTAL	27,586		54,420		54,420	0
BY SUBJECTIVE						
Staff Costs	27,026		61,992		61,742	(250)
Other Costs	33,755		83,020		83,224	204
Gross Expenditure	60,781		145,012		144,966	(46)
Grants	(164)		(166)		(166)	0
Other Income	(33,031)		(90,426)		(90,380)	46
Total Income	(33,195)		(90,592)		(90,546)	46
	27,586		54,420		54,420	0
BY ACTIVITY						
Housing Revenue Account	(13,463)	2.6	0		0	0
BY SUBJECTIVE						
Staff Costs	2,129		4,806		4,771	(35)
Other Costs	8,966		46,013		46,139	126
Gross Expenditure	11,095		50,819		50,910	91
Grants	0		0		0	0
Other Income	(24,558)		(50,819)		(50,910)	(91)
Total Income	(24,558)		(50,819)		(50,910)	(91)
	(13,463)		0		0	0

% of Budget Spent

This Year	51%
Last Year	52%

COMMUNITY SERVICES

Revenue Expenditure Monitoring Statement

1 April 2016 to 30 September 2016
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Financial Detail

	£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
2.1 Roads and Transport				
Winter Maintenance	89	4,982	4,982	0
Roads Maintenance	2,936	6,748	6,748	0
Engineering Services	524	1,346	1,299	(47)
Community Works Services	674	1,463	1,388	(75)
Flood Alleviation	22	157	57	(100)
Lighting Services	775	3,378	3,683	305
Integrated Transport Services	290	657	634	(23)
Subsidies and Concessionary Fares	3,002	3,412	3,412	0
Car Parks	(197)	(1,301)	(1,301)	0
Roads and Community Works Trading Account	2,805	(842)	(859)	(17)
	10,920	20,000	20,043	43
2.2 Environmental and Amenity Services				
Refuse Collection	(224)	3,458	3,458	0
Waste Disposal	4,526	13,035	13,035	0
Recycling	3,503	10,523	10,523	0
Street Cleaning	1,001	3,029	3,029	0
Public Conveniences	525	986	981	(5)
Burials and Cremations	(305)	(625)	(563)	62
Grounds Maintenance	1,660	1,985	1,955	(30)
Environmental Health	1,169	2,054	2,016	(38)
Waste Management Trading Account	1,483	(5,430)	(5,450)	(20)
	13,338	29,015	28,984	(31)
2.3 Non-Housing Revenue Account				
Homelessness	1,343	1,467	1,467	0
Supporting People	827	1,764	1,764	0
Anti Social Behaviour	130	164	164	0
Gypsy Traveller Sites	(19)	(36)	(36)	0
	2,281	3,359	3,359	0
2.4 Trading Operations				
Harbours and Ferries	(1,702)	(1,652)	(1,652)	0
	(1,702)	(1,652)	(1,652)	0
2.5 Administration				
Management Overheads	1,797	2,060	2,060	0
Stores and Depots	1,171	1,972	1,960	(12)
Vehicle Maintenance Trading Account	(219)	(334)	(334)	0
	2,749	3,698	3,686	(12)
SERVICE TOTAL	27,586	54,420	54,420	0

COMMUNITY SERVICES

Revenue Expenditure Monitoring Statement

1 April 2016 to 30 September 2016
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Financial Detail

2.6 Housing Revenue Account
Expenditure:-

Supervision and Management	2,573	6,021	6,021	0
Tenant Participation	88	210	194	(16)
Sheltered Housing	317	682	662	(20)
Homelessness	243	476	628	152
Repairs and Maintenance	7,450	15,730	15,654	(76)
House Rent Voids	280	722	684	(38)
Other Rent Voids	143	278	302	24
Central Support	0	3,610	3,610	0
Loan Charges	0	20,300	20,300	0
Capital Funded from Current Revenue	0	2,790	2,855	65

Gross Expenditure

11,094	50,819	50,910	91
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Income:-

House Rents	(23,234)	(48,769)	(48,489)	280
Other Rents	(864)	(1,649)	(1,822)	(173)
Other Income	(459)	(356)	(554)	(198)
Interest on Revenue Balances	0	(45)	(45)	0

Gross Income

(24,557)	(50,819)	(50,910)	(91)
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HRA TOTAL

(13,463)	0	0	0
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COMMUNITY SERVICES - Summary

DISAGGREGATED AREA BUDGETS 2016/17

REAL CASH BUDGETS ONLY

Monitoring Statement for the period to 30 September 2016

FUNCTION/ACTIVITY

Roads and Amenity Services

Area	Total Budget £	Actual 30/09/2016 £	Budget Left £	Estimated Outturn £	(Under)/ Over £
Badenoch & Strathspey	1,655,640	589,066	1,066,574	1,655,640	-
Caithness	3,644,102	1,363,191	2,280,911	3,644,102	-
Inverness	5,219,557	2,205,290	3,014,267	5,219,557	-
Lochaber	2,725,100	1,360,370	1,364,730	2,725,100	-
Nairn	1,039,960	460,997	578,963	1,039,960	-
Ross & Cromarty	6,672,030	2,101,255	4,570,775	6,672,030	-
Skye	2,393,700	979,362	1,414,338	2,393,700	-
Sutherland	3,776,200	1,520,224	2,255,976	3,776,200	-
Total	27,126,289	10,579,755	16,546,534	27,126,289	-

FUNCTION/ACTIVITY

Housing Revenue Account

Area	Total Budget £	Actual 30/09/2016 £	Budget Left £	Estimated Outturn £	(Under)/ Over £
Badenoch & Strathspey	1,197,719	330,953	866,766	1,197,719	-
Caithness	5,310,671	1,346,430	3,964,241	5,310,671	-
Inverness	9,732,555	3,542,927	6,189,628	9,732,555	-
Lochaber	2,980,395	1,240,103	1,740,292	2,980,395	-
Nairn	1,593,427	337,834	1,255,593	1,593,427	-
Ross & Cromarty	8,698,904	2,887,260	5,811,644	8,698,904	-
Skye	1,247,189	416,790	830,399	1,247,189	-
Sutherland	2,443,091	795,880	1,647,211	2,443,091	-
Total	33,203,951	10,898,177	22,305,774	33,203,951	-

Service	Saving owner	Activity Heading	Saving category	Savings Proposal	Savings		
					2016/17 £m	Saving RAYG (enter R, A, Y, or G)	
CS	WG	Car Parking	Income generation	Weekend charging for the use of HQ car park	0.020	A	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year.
CS	WG	Burials and Cremations	Income generation	Accelerate agreed increase (increase agreed HC 18/12/14)	0.633	A	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year.
TSP	WG	Transport Programme	Efficiencies	Seeking contract variation opportunities for school and public bus services provision; home-to-school transport efficiencies; future services provision re-tendering	0.625	A	Several routes being retendered and will be reported to special CS Committee on 7 December
CS	WG	Lighting	Efficiencies	Street lighting - energy, LEDs, timings, spacings, controls	0.128	A	Seeking to deliver this saving in a shorter timeframe but risks with staffing and delivery
CS	WG	Burials and Cremations	Income generation	Increase interment charges by 10% pa for 4 years	0.091	A	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year.
CS	WG	Burials and Cremations	Income generation	Increase lair purchase charges by 12% in year 1 and 10% pa for the next 3 years	0.087	A	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year.

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
CS	WG	Burials and Cremations	Income generation	Increase cremation charges by 10% pa for 4 years	0.064	A	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year.
CS	WG	Burials and Cremations	Income generation	Increase interment charges to equal cremation charges in year 1 (+15%) and add 5% pa thereafter. This is additional to 7a.	0.046	A	Assumed increase in charges will achieve their target, however not guaranteed at this point in the year.
CS	WG	Management and staffing savings	Management and staffing savings	Review layers of management throughout Service	0.300	G	
CS	WG	Public Conveniences	Service reviews	Review of provision of public conveniences	0.250	G	
CS	WG	Horticulture (growing and planting)	Cessation/reduction of service	Cease growing flowers and building/providing floral decorations. Close Council nurseries; Wick, Thurso and Inverness. Cease planting of annual flowers.	0.217	G	
TSP	WG	Fuel Procurement	Efficiencies	Rationalise arrangements for fuel procurement	0.210	G	
CS	WG	Waste Disposal	Third parties	Negotiate to remove all funding from Social Enterprises	0.200	G	
CS	WG	Anti-Social Behaviour	Service reviews	Review of Anti-Social Behaviourous Services including partial transfer to HRA	0.162	G	
TSP	WG	Reduction in Light Vehicles and Plant	Efficiencies	3 year programme to reduce the number of items of light vehicles and plant utilised full-time by the Council	0.150	G	
CS	WG	Contaminated Land	Cessation/reduction of service	Reduction in Contaminated Land work	0.089	G	
CS	WG	Standby	Service reviews	Review of duty officer	0.087	G	
CS	WG	Recycling	Service reviews	Review the hours of opening at recycling centres during weekdays	0.081	A	Negotiations with staff and unions ongoing to enable delivery

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
CS	WG	Grounds Maintenance	Cessation/reduction of service	Reduced contractor costs from a review of maintained areas	0.063	G	
CS	WG	Coast Protection	Cessation/reduction of service	Delete the coast protection budget	0.057	G	
CS	WG	Waste Disposal	Third parties	Reduce payments to Social Enterprises	0.050	G	
CS	WG	Interments	Cessation/reduction of service	Interments to take place within 7 days unless there are traditional or religious reasons for not doing so	0.044	G	
CS	WG	Community Transport	Third parties	Review funding to community groups	0.040	G	
CS	WG	Recycling	Efficiencies	Cut in the waste awareness budget	0.040	G	
TSP	WG	Centralise Stores	Service reviews	Centralise stores under one management structure and use suppliers	0.030	G	
CS	WG	Out of Hours	Efficiencies	Move service to Aberdeen City	0.015	G	
CS	WG	Increase Income	Income generation	Increase income from applications and inspections - roads inspectors	0.010	G	
CS	WG	Street Cleansing	Cessation/reduction of service	Stop buying dog bags for public	0.010	G	

2016/17 Corporate & Transformation Savings

APPENDIX 4

2016/17					
Ref.	Activity Heading	Savings Proposal	16/17 Allocation Comments	2016/17 Service Allocations CS £m	Saving RAYG (enter R, A, Y, or G)
Corp 5	Voluntary Severance	Voluntary Severance	Allocation agreed 30/05/16 (includes £300k for ASN)	-1.290	G
Corp 6	Recruitment Freeze	Recruitment freeze for non-exempt posts	Allocation agreed 30/05/16	-0.120	G
PIM8	Fuel Procurement	Rationalise arrangements for fuel procurement	Agreed to allocate 30/05/16; WG to confirm sums per service	-0.192	G
Corp 1	Salary Sacrifice	Savings from salary sacrifice schemes	Allocate proportionate to take up of schemes in year to date	-0.021	G
Corp 7	Management and staffing savings	Agency Staff	Allocation agreed 30/05/16	-0.059	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	-0.094	G
PIM2	Attendance Management	Reduction in sickness absence by continuing to adopt a robust and consistent approach to attendance management	Allocation agreed 30/05/16	-0.017	G
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	-0.053	G
PIM5	Centralise Stores	Centralise stores under one management structure and use suppliers	Allocated in full to CS budget	-0.030	G
PIM16	Transport Programme	Seeking contract variation opportunities for school and public bus services provision; home-to-school transport efficiencies; future services provision re-tendering	Allocation agreed 30/05/16	-0.119	A

2016/17 Corporate & Transformation Savings

APPENDIX 4

2016/17					
Ref.	Activity Heading	Savings Proposal	16/17 Allocation Comments	2016/17 Service Allocations CS £m	Saving RAYG (enter R, A, Y, or G)
Corp 4, TSP Proc 1 & 3, TSP WPP4-SSJV9	Procurement	Procurement Shared Service & Collaborative Spend	Allocation agreed 30/05/16	-0.249	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	-0.226	A
Corp 3	Energy	Reduced consumption, pricing & behavioural change	Allocation agreed 30/05/16	-0.056	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	-0.027	R
PIM22	Mobile Technology	Roll out of processes developed for Housing in support of mobile working, scheduling and appointments	Allocation agreed 30/05/16	-0.284	R
	Information Management		Allocation agreed 30/05/16	-0.019	R
Total				-2.856	