

Agenda Item	<b>12</b>
Report No	<b>EDI/09/18</b>

## HIGHLAND COUNCIL

**Committee:** Environment, Development and Infrastructure Committee

**Date:** 1 February 2018

**Report Title:** Revenue Budget Monitoring Report  
1 April 2017 to 31 December 2017

**Report By:** Director of Community Services

### **1. Purpose/Executive Summary**

1.1 This report invites Members to approve the revenue budget monitoring position for the period from 1 April 2017 to 31 December 2017.

### **2. Recommendations**

2.1 Members are invited to approve the revenue budget position for 1 April 2017 to 31 December 2017.

### **3 Background**

3.1 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.

### **4. Current Position**

4.1 The revenue expenditure monitoring statements, appended to this report (**Appendix 1**), show the financial position to 31 December 2017.

4.2 Following a prolonged period of winter weather prior to and after Christmas with frequent freeze-thaw-freeze conditions, the Service is reporting a year end overspend in the region of £2m. This assumes a continuation of winter conditions for the remainder of this winter similar to last year. A report on the winter weather is subject to a separate report to this committee.

4.3 Other key pressures have been identified against public conveniences and lighting services. These are detailed at section 7.

4.4 A summary of the disaggregated budgets to the eight Local Committees is shown in **Appendix 2**. The monitoring statement highlights revenue and capital expenditure, for both roads and amenity services and the financial position for the period to 31 December 2017. The winter end of year variance of £2m is also reflected in these figures.

### **5. Budget Savings**

5.1 All of the savings, both Service specific, and corporate and transformational, have been reflected in the Community Services 2017/18 budget, and have been allocated across all parts of the Service, where appropriate.

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

5.3 **Appendix 3** also sets out the corporate and transformational savings for the current financial year and reflects the position for the third quarter of the financial year. The RAG status is based on achieving the saving based on the proposal.

### **6. Year-End Projection**

6.1 The year to date actual figures represents the transactions for the third quarter of 2017/18. The additional £2m pressure associated with winter makes it almost impossible for the Service to deliver a balanced budget without Corporate support. The Director of Finance is aware of the situation. The Service will continue to work at balancing the rest of the budget.

### **7. Major Issues and Variances**

7.1 Public Conveniences

7.1.1 The performance and value for money provided by the previous service provider, VPS, had been under review since the end of 2016. Both issues had been identified as unsatisfactory by officers and elected Members prior to this. In addition, VPS had indicated that they would be seeking an uplift of 31% in their contract costs from 1 May

2017 onwards.

7.1.2 As a result of this, the service was in-sourced on 3 July 2017. The aim of this was to reduce the budget pressure to a one off figure of £177,000 for 2017/18, and improve operational performance. This pressure was reported to EDI in November 2017. This was based on the information supplied by the contractor, VPS, at the time of transfer of the service back into the Council

7.1.3 Unfortunately, since the transfer of service in July, we have identified that the information provided relating to employees' working hours was either inaccurate or incomplete. The information originally provided had been used to establish the cost of providing the service from July 2017 to March 2018, and was also used for preparing the previous Budget Monitoring Report. Since November, further work has been carried out in confirming the terms and conditions of the former VPS employees, which has identified the additional expenditure required to maintain the current level of service provision until the end of March. We are therefore reporting an adjusted pressure of £463,000.

## 7.2 Street Lighting

7.2.1 Accelerated spend on the replacement project of sodium lanterns with LED lanterns, linked to the capital investment, is contributing to a pressure of £200,000. The programme has reduced the pressure from £365,000 in quarter 2. Savings will be delivered in future years but any further increases to the unit cost of electricity will increase this pressure.

7.2.2 During October to December 2017 (Q3) energy consumption has been reduced by 12% against the same period in 2016 (5.92 M Kwh to 5.23 M Kwh). The previously approved increases in resources are expected to increase the energy consumption savings for 2017/18 to above 10%. In 2016/17 energy consumption was reduced by 8.5%. Ongoing above inflation increases in energy and energy distribution costs are impacting the savings secured.

7.2.3 Further options to reduce energy consumption are currently being assessed.

7.3 The Service will work with the Council's Finance Service to identify how these budget pressures can be met over the remainder of this Financial Year.

## 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 Community (Equality, Poverty and Rural), Legal, Climate Change/Carbon Clever, Gaelic: There are no known implications arising as a direct result of this report.

Designation: Director of Community Services

Date: 22 January 2018

Authors: Caroline Campbell, Head of Performance and Resources  
Mike Mitchell, Finance Manager

Background Papers: Monitoring Statements 31/12/17 and the Highland Council  
Financial Ledger

<b>COMMUNITY SERVICES</b>
---------------------------

<b>Revenue Expenditure Monitoring Statement</b>
---

<b>1 April 2017 to 31 December 2017</b>
---

<b>Financial Detail</b>
-------------------------

**BY ACTIVITY****Roads and Transport**

	£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
Winter Maintenance	2,725	4,582	6,582	2,000
Roads Maintenance	6,682	6,037	6,037	0
Engineering Services	1,218	1,632	1,602	(30)
Flood Alleviation	11	57	30	(27)
Lighting Services	1,551	3,285	3,485	200
Integrated Transport Services	509	697	676	(21)
Subsidies and Concessionary Fares	4,644	5,998	5,998	0
School Transport	5,647	9,082	9,082	0
Car Parks	(747)	(835)	(835)	0
	<b>22,237</b>	<b>30,534</b>	<b>32,656</b>	<b>2,122</b>

**Environmental and Amenity Services**

Refuse Collection	177	702	627	(75)
Waste Disposal	8,736	12,743	12,796	53
Recycling	7,228	8,729	8,863	134
Street Cleaning	1,594	2,240	2,191	(49)
Public Conveniences	993	809	1,272	463
Burials and Cremations	(757)	(777)	(782)	(5)
Grounds Maintenance	2,094	1,881	1,894	13
Amenity Services	652	867	827	(40)
Environmental Health	1,503	2,153	2,078	(75)
	<b>22,220</b>	<b>29,348</b>	<b>29,767</b>	<b>419</b>

**Trading Operations**

Harbours and Ferries	(2,292)	(2,097)	(2,397)	(300)
	<b>(2,292)</b>	<b>(2,097)</b>	<b>(2,397)</b>	<b>(300)</b>

**Administration**

Management Overheads	700	626	641	15
Stores and Depots	1,629	1,847	1,854	7
Vehicle Maintenance Trading Account	(117)	(367)	(358)	9
	<b>2,212</b>	<b>2,105</b>	<b>2,137</b>	<b>32</b>

**SERVICE TOTAL**

<b>44,377</b>	<b>59,890</b>	<b>62,163</b>	<b>2,273</b>
---------------	---------------	---------------	--------------

**BY SUBJECTIVE**

Staff Costs	43,818	61,001	61,565	564
Other Costs	62,565	85,729	87,709	1,980
Gross Expenditure	106,383	146,730	149,274	2,544
Grants	(28)	(156)	(156)	0
Other Income	(61,979)	(86,684)	(86,955)	(271)
Total Income	(62,006)	(86,840)	(87,111)	(271)

<b>44,377</b>	<b>59,890</b>	<b>62,163</b>	<b>2,273</b>
---------------	---------------	---------------	--------------

## COMMUNITY SERVICES - Summary

## DISAGGREGATED AREA BUDGETS 2017/18

## REAL CASH BUDGETS ONLY

Monitoring Statement for the 9 months ended 31 December 2017

## FUNCTION/ACTIVITY

## Roads and Amenity Services

Area	Total Budget £	Actual 31/12/2017 £	Budget Left £	Estimated Outturn £	(Under)/ Over £
Badenoch & Strathspey	1,666,604	989,697	676,907	1,799,929	133,325
Caithness	3,290,856	2,106,225	1,184,631	3,520,977	230,121
Inverness	5,044,452	3,726,544	1,317,908	5,357,862	313,410
Lochaber	2,697,430	1,722,159	975,271	2,835,826	138,396
Nairn	1,108,178	692,405	415,773	1,180,578	72,400
Ross & Cromarty	5,833,116	3,732,823	2,100,293	6,344,420	511,304
Skye	2,812,691	1,748,299	1,064,392	3,015,591	202,900
Sutherland	4,449,087	2,766,300	1,682,787	4,847,231	398,144
<b>Total</b>	<b>26,902,414</b>	<b>17,484,451</b>	<b>9,417,963</b>	<b>28,902,414</b>	<b>2,000,000</b>

2017/18 - 2018/19 Savings

Service	Saving Owner	Agreed Date	Ref.	Activity Heading	Saving Category	Savings Proposal	2017/18 £m	Saving RAYG (enter R, A, Y or G)	Projected Saving - Red, Amber, Yellow £m
CS	WG	18/12/14	4	Increase Income	Income generation	Increase income from applications and inspections - roads inspectors	0.010	G	
CS	WG	18/12/14	12	Revision of Working Hours	Efficiencies	Reduction in overtime in 2015/16 with wider review including consideration of annualised; overtime; shift; and enhanced hours provision going forward - this will require a 2 year lead in period	0.100	G	
CS	WG	18/12/14	37	Recycling	Service reviews	Review of Recycling Centres Opening Hours	0.024	G	
CS	WG	18/12/14	2	Grounds Maintenance	Cessation/reduction of service	Reduced contractor costs from a review of maintained areas	0.040	G	
CS	WG	18/12/14	23 (PROC 7(b))	Lighting	Efficiencies	Street lighting - energy, LEDs, timings, spacings, controls <i>Savings increased HC 16/02/17</i>	0.184	A	
CS	WG	18/12/14	7A	Burials and Cremations <i>See also HC 25/02/16 Ref 28</i>	Income generation	Increase interment charges by 10% pa for 4 years	0.100	G	
CS	WG	18/12/14	7B	Burials and Cremations <i>See also HC 25/02/16 Ref 28</i>	Income generation	Increase interment charges to equal cremation charges in year 1 (+15%) and add 5% pa thereafter. <i>This is additional to 7a.</i>	0.050	G	
CS	WG	18/12/14	7C	Burials and Cremations <i>See also HC 25/02/16 Ref 28</i>	Income generation	Increase cremation charges by 10% pa for 4 years	0.070	G	
CS	WG	18/12/14	7D	Burials and Cremations <i>See also HC 25/02/16 Ref 28</i>	Income generation	Increase lair purchase charges by 12% in year 1 and 10% pa for the next 3 years	0.096	G	
CS	WG	25/02/16	2	Public Conveniences	Service reviews	Review of provision of public conveniences <i>Savings reduced HC 16/02/17</i>	0.172	R	
CS	WG	25/02/16	12	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	25/02/16	28	Burials and Cremations	Income generation	Accelerate agreed increase (increase agreed HC 18/12/14)	-0.252	G	
CS	WG	16/02/17	1	Street Cleaning		Reduction in street cleaning resources	0.220	G	
CS	WG	16/02/17	2	Grounds Maintenance		5% reduction in grass cutting	0.115	G	
CS	WG	16/02/17	3	Stores and Depots		Rationalisation of stores and depots	0.035	G	
CS	WG	16/02/17	5	Harbours and Ferries		Increase in harbour dues	0.042	G	
CS	WG	16/02/17	6	Harbours and Ferries		Increase margin on marine fuel sales	0.240	G	
CS	WG	16/02/17	8	Stores and Depots		Income generation through carrying out work with third parties and partners	0.060	G	
CS	WG	16/02/17	9	Stores and Depots		Increase fees for the work of the Bio-Hazard team by 10%	0.008	G	
CS	WG	16/02/17	10	Recycling		Introduction of £30 charge per participating household for garden waste collection	0.660	G	
CS	WG	16/02/17	11	Refuse Collection		Increased charges associated with commercial waste collections	0.260	G	
CS	WG	16/02/17	13	Flood Alleviation		Reduction in Flood Alleviation budget	0.100	G	
CS	WG	16/02/17	14	Fleet		Reduction in vehicle idling to save fuel costs	0.050	G	
CS	WG	16/02/17	15	Environmental & Amenity Services		Alternative medium term arrangements for the treatment of residual waste	0.096	G	
CS	WG	16/02/17	16	Environmental & Amenity Services		Introduction of charges for providing wheeled bins at residential properties	0.033	G	
CS	WG	16/02/17	17	Environmental & Amenity Services		Introduction of new and increase in existing charges for Environmental Health Services	0.093	G	
CS	WG	16/02/17	21	Transport		Reduction in support for concessionary rail fares	0.120	G	

TSP	WG	18/12/14	PIM16	Transport Programme	Efficiencies	Seeking contract variation opportunities for school and public bus services provision; home-to-school transport efficiencies; future services provision re-tendering	0.767	G	
TSP	WG	18/12/14	PIM27	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	0.133	G	
TSP	WG	18/12/14	PIM5	Centralise Stores	Service reviews	Centralise stores under one management structure and use suppliers	0.060	G	