

Agenda item	5.
Report no	RES/20/18

HIGHLAND COUNCIL

Committee: Corporate Resources Committee

Date: 24 May 2018

Report Title: Corporate Revenue Near Final Monitoring Report for 2017/18

Report By: Director of Corporate Resources/ Deputy Chief Executive

1. Purpose/Executive Summary

- 1.1 This report provides a summary of the near final revenue budget spend for financial year 2017/18. The position is described 'near final' pending the completion of the year-end accounts and audit process.
- 1.2 Net spend on services for the year totalled £550.619m against a budget of £549.093m. This represents a net overspend on services of £1.526m, a significant improvement from the forecast position reported at quarter 3.
- 1.3 Due to decisions taken in the year and other legislative requirements the Council transferred £5.022m into its earmarked balances and other specific reserves during the year. These transfers were £0.354m above the budgeted level.
- 1.4 On the funding side the Council received government funding and Council Tax £0.837m in excess of budget, with income of £552.839m against a budget of £552.002m.
- 1.5 Overall the difference between total expenditure of £555.641m and total income of £552.839m was £2.802m. That sum reflects the amount of excess expenditure which requires to be funded from the Council's non-earmarked general fund reserve. Of this £1.759m was planned with the balance of £1.043m being the unplanned deficit recorded at year end.
- 1.6 Over the course of the year the Council's general fund non-earmarked balance has reduced from £11.363m to £8.561m. The year-end balance represents 1.56% of the annual revenue budget.

2.

Recommendations

2.1 Members are asked to:

- consider the near final financial position of the General Fund and HRA revenue budgets for 2017/18 and note the ensuing impact on balances
- note the status of budgeted savings in the year

3. **Service budget variances**

3.1 **Appendix 1** provides the usual monitoring statement format with **Table A** providing variance detail by service and other significant budget heads. Details of individual service positions have, or will be reported to the respective strategic committees. Overall the Council is reporting a net overspend of £1.526m against service budgets.

3.2 This overall position represents a significant improvement from quarter three when a year-end overspend of £3.630m was forecast. The paragraphs below will outline the significant movements in forecast arising during the final quarter of the year.

3.3 The Care and Learning Service is reporting a year end overspend of £3.142m which compares to a forecast overspend of £2.992m in Q3. The most significant overspend in the Care and Learning budget relates to looked after children with an overspend of £3.411m in line with previous forecasts. Spend on this budget has increased by £3.554m from financial year 2016/17.

Other pressures on the C&L budget arise from unallocated savings and utility cost pressures in schools and leisure properties likely arising from the cold winter but the effect of these pressures is mitigated in part by vacancy management across the service.

3.4 Community Services have reported a year end overspend of £1.406m with the most significant pressures as a result of winter weather, costs associated with the transfer of a recycling contract and public convenience cleaning. The overall pressure has reduced from £0.853m in Q3 primarily as a result of the Scottish government allocating additional funding to local authorities to deal with the significant costs associated with winter. The Council received additional funding of £0.940m.

The overall pressure on the winter maintenance budget is £1.687m which takes into account the extra funding received from government. The pressure as a result of winter accounts for more than the total net overspend reported against the Community Services budget.

3.5 An underspend of £0.368m is reported against the Chief Executive's budget. This underspend has arisen as a result of vacant posts, early achievement of 2018/19 approved budget savings, and income in excess of previously forecast levels.

3.6 An underspend of £0.295m is showing against the Corporate Resources budget. The underspend is as a result of vacancy management activity and various income streams being above their budgeted level.

- 3.7 The Development and Infrastructure service is showing an underspend of £0.133m. Significant pressures exist in respect of property revenue maintenance, schools snow clearing and a shortfall in school catering income. These pressures have been mitigated by underspends elsewhere within the service, most particularly with income from planning fees and building warrants substantially exceeding their targets.
- 3.8 Within the Welfare budget an underspend of £0.725m is due to delays in the roll-out of Universal Credit (all Job Centres in Highland are now full service). The underspend also arises from work undertaken by officers at a national level which has contributed to a greater proportion of national funding coming to Highland for Homelessness for Universal Credit customers, previously paid through the Housing Benefit scheme funded by the Department for Work and Pensions.
- 3.9 An underspend of £1.791m is reported against the loans charges budget. As previously reported to this committee three main elements contribute to this underspend. Capital spend in 2016/17 was lower than assumed when setting the budget resulting in a lower principal element of the loans charge. The 2016/17 assets requiring to be financed through loans charges have a longer asset life than was anticipated when setting the budget. Finally, capital accounting adjustments identified through the 2016/17 and 2017/18 year end processes have a non-recurring impact of reducing this year's loans charge.
- 3.10 During the course of the year a zero variance had been reported against the requisition to the Valuation Joint Board. At year end an underspend of £0.180m has been returned to the Council from the Valuation Joint Board.
- 3.11 A summary of the delivery of this year's budget savings can be seen at **Appendix 7**. Savings ranked as green have been delivered in full, those as amber have been partially delivered, and those as red have not been delivered.
- 3.12 A handful of corporate savings targets were not fully allocated to service budgets during the year, details of these savings can be seen at **Appendix 5**. A pressure of £1.306m reflects the elements of these savings that were not deliverable.

4. Transfers to Reserves

- 4.1 **Table C in Appendix 1** summarises the funding transferred into earmarked or other statutory reserves during the course of the year.
- 4.2 **Appendix 4** provides the detail of the net £1.834m contribution to earmarked balances and highlights that over the course of the year £2.272m of funding was drawn down from specific earmarked balances with £4.106m added to other earmarked balances.
- 4.3 The most significant element causing the increase in earmarked balances relates to Government funding identified as part of the 2018/19 funding package actually being paid to the Council in financial year 2017/18. In order to have this available to support the 2018/19 budget the funding of £1.626m has been earmarked.

- 4.4 The other significant element of the increase in earmarked reserves relates to this committee's approval, at the start of the financial year, of funding of £1.644m being set aside from the non-earmarked reserve specifically to address transitional costs associated with the new ICT contract.
- 4.5 The contribution to other reserves referred to in **Table C** in **Appendix 1** primarily relates to the transfer of income from Council Tax on second homes into the Landbanking Fund.

5. Financing the Revenue budget

- 5.1 **Table D** in **Appendix 1** summarises how the Council financed its expenditure in 2017/18. The first two lines in the table relate to funding received from the Scottish Government and in total the Council received income of £437.363m from this source. The excess income above that anticipated relates to BRIS (Business Rates Incentivisation Scheme) income notified at the end of the financial year.
- 5.2 Council Tax, net of Council Tax Reduction Scheme (CTRS) costs, provided income of £115.476m in the year. This figure was £0.238m more than budgeted.
- 5.3 The balancing of income and expenditure occurred through the use of the Council's reserves. £2.802m of the non-earmarked general fund reserve was needed to bring the budget into balance, £1.759m of this related to planned use of reserves during the year. The remaining £1.043m use of reserves reflects the net overall deficit resulting from service overspends that required to be funded.

6. Reserves and Balances

- 6.1 **Appendix 6** summarises the movements on the Council's earmarked and non-earmarked balances during the course of the year.
- 6.2 Earmarked balances have increased from £14.666m at the start of the year to £16.500m at year end. The movement on these balances is detailed in **Appendix 4** with further information provided in section 4 of this report. Without the early receipt of 2018/19 Government funding the level of earmarked balances would have remained relatively constant over the course of the year.
- 6.3 The Council's non-earmarked general fund reserve has reduced from £11.363m to £8.561m over the course of the year. Whilst the year-end balance is higher than had been forecast earlier in the year it still represents around 1.56% of annual revenue budget, below the minimum level recommended by Audit Scotland of 2%.

7. Housing Revenue Account

- 7.1 As shown in **Appendix 3** the Housing Revenue Account (HRA) has delivered a balanced budget at year end.

- 7.2 Underspends against the loans charges budget and excess income received have afforded the opportunity for capital expenditure to be funded directly from revenue funds. Funding capital expenditure from revenue funds reduces the overall HRA borrowing requirement and makes consequential savings in future years' borrowing costs.

8. Implications

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

Designation: Director of Corporate Resources/Deputy Chief Executive

Date: 17th May 2018

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Background Papers:

[https://www.highland.gov.uk/download/meetings/id/73599/item_5 -
_development_and_infrastructure_service_revenue_budget_%E2%80%93_near_final_outturn_201718](https://www.highland.gov.uk/download/meetings/id/73599/item_5_-_development_and_infrastructure_service_revenue_budget_%E2%80%93_near_final_outturn_201718)

[https://www.highland.gov.uk/download/meetings/id/73614/item_20 -
_community_services_revenue_budget_201718_%E2%80%93_near_final_outturn_2017](https://www.highland.gov.uk/download/meetings/id/73614/item_20_-_community_services_revenue_budget_201718_%E2%80%93_near_final_outturn_201718)

Revenue Expenditure Monitoring Report - General Fund Summary

1 April to 31 March 2018

	Actual Near Final £000	Annual Budget £000	Year End Variance £000
Table A: By Service			
Care and Learning	342,224	339,082	3,142
Chief Executive's Office	5,433	5,801	(368)
Corporate Resources	26,752	27,047	(295)
Community Services	64,948	63,542	1,406
Development and Infrastructure	49,057	49,190	(133)
Welfare Services	4,457	5,182	(725)
Service Total	492,871	489,844	3,027
Valuation Joint Board	2,370	2,550	(180)
HiTrans Requisition	91	91	0
Non Domestic Rates reliefs	667	701	(34)
Loan Charges	54,953	56,744	(1,791)
Interest on Revenue Balances	(333)	(330)	(3)
Unallocated Budget	0	799	(799)
Unallocated Corporate Savings	0	(1,306)	1,306
Total General Fund Budget	550,619	549,093	1,526

Table B: By Subjective			
Staff Costs	325,165	324,222	943
Other Costs	444,117	434,042	10,075
Gross Expenditure	769,282	758,264	11,018
Grants	(63,610)	(60,325)	(3,285)
Other Income	(155,053)	(148,846)	(6,207)
Total Income	(218,663)	(209,171)	(9,492)
Total Revenue Expenditure	550,619	549,093	1,526

Table C: Appropriations to Reserves			
Contribution to earmarked balances	1,834	1,834	0
Contribution to Other reserves	3,188	2,834	354
Total Contributions to Balances	5,022	4,668	354

Table D: Financed By			
Aggregate External Finance as notified	431,395	430,796	599
Additional resources	5,968	5,968	0
Council Tax	115,476	115,238	238
Use of non earmarked balances	2,802	1,759	1,043
Total General Fund Budget	555,641	553,761	1,880

Revenue Expenditure Monitoring Report - General Fund Summary

1 April to 31 March 2018

	Staff Costs Variance £000	Other Costs Variance £000	Grants Variance £000	Other Income Variance £000	Total Variance £000
Table A: By Service					
Care and Learning	489	7,807	(4,284)	(870)	3,142
Chief Executive's Office	119	126	(334)	(279)	(368)
Corporate Resources	(276)	2,800	(34)	(2,785)	(295)
Community Services	(223)	2,089	(1,030)	570	1,406
Development and Infrastructure	834	2,235	(675)	(2,527)	(133)
Welfare Services	0	(3,484)	3,072	(313)	(725)
Valuation Joint Board	0	(180)	0	0	(180)
HiTrans Requisition	0	0	0	0	0
Non Domestic Rates reliefs	0	(34)	0	0	(34)
Loan Charges	0	(1,791)	0	0	(1,791)
Interest on Revenue Balances	0	0	0	(3)	(3)
Unallocated Budget	0	(799)	0	0	(799)
Unallocated Corporate Savings	0	1,306	0	0	1,306
Total General Fund Budget	943	10,075	(3,285)	(6,207)	1,526

Revenue Expenditure Monitoring Report - Housing Revenue Account Summary
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1 April to 31 March 2018

	Actual Near Final £000	Annual Budget £000	Year End Variance £000
Staff Costs	5,533	5,393	140
Other Costs	30,525	26,898	3,627
Loan charges and interest	17,584	18,943	(1,359)
Gross Expenditure	53,642	51,234	2,408
House Rents	(49,035)	(48,863)	(172)
Other rents	(1,946)	(1,954)	8
Other income	(2,624)	(355)	(2,269)
Interest on Revenue Balances	(37)	(62)	25
Gross Income	(53,642)	(51,234)	(2,408)
Total HRA	0	0	0

Revenue Expenditure Monitoring Report - General Fund Budget
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1 April to 31 March 2018

	£m	£m
Budget as agreed by Highland Council on 16 Feb 2017		568.639
Less : Ring-fenced grant (Gaelic, Criminal Justice, Attainment Funding)		(7.705)
Grant Funding Redeterminations:		
Teachers Induction Scheme	2.043	
2018-19 Government Funding received in 2017-18	1.626	
CTRS	0.716	
Teachers Pay	0.280	
DHP Admin Funding	0.036	
Sensory Impairment	0.014	
CTRS Admin	0.008	
Building Warrant Fees	(0.002)	
Planning Fee Income	<u>(0.070)</u>	4.651
Agreed use of non-earmarked balances		
ICT Contract	1.644	
Interest on Earmarked Reserves	0.065	
Council Redesign	<u>0.050</u>	1.759
Use of earmarked balances		
Tweeddale	0.841	
ICT Investment Funds	0.500	
DSM SS&M Posts	0.353	
CEEF	0.105	
Take Pride Take Part	0.094	
Social Inclusion	0.082	
Redesign	0.078	
Accommodation Account	0.075	
Developing the Young Workforce	0.064	
DSM Balances	0.054	
Community Justice	0.013	
1+2 Languages	0.009	
Dilapidations	<u>0.005</u>	2.272
Contribution to earmarked balances		
2018-19 Government Funding received in 2017-18	(1.626)	
ICT Contract	(1.644)	
Holiday Pay	(0.400)	
CRC	(0.209)	
Developer Contributions	(0.163)	
Council Redesign	(0.050)	
Sensory Impairment	<u>(0.014)</u>	(4.106)
Use of Other Reserves		
Tweeddale	(0.841)	
Insurance Fund	(0.765)	
Interest on Reserves	(0.007)	
Traffic Light Repairs & Renewal	<u>(0.004)</u>	(1.617)
Year end Presentational Adjustments		
Offset CTRS expenditure budget against Council Tax Income budget	(12.200)	
Affordable Housing contribution included in Reserves section of report	<u>(2.600)</u>	(14.800)
Total General Fund Budget at 31st March 2018		<u><u>549.093</u></u>

Revenue Expenditure Monitoring Report - General Fund Budget
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1 April to 31 March 2018

Table A Unallocated Budget

	£m
Uncommitted Unallocated Budget	0.799
Unallocated Budget at 31st March 2018	<u>0.799</u>

Table B Unallocated Corporate Savings

	£m	Delivery RAG
Income Generation	0.085	A
Procurement	0.761	A
Service Redesign	0.384	A
Property Asset Management	0.076	A
Unallocated Corporate Savings at 31st March 2018	<u>1.306</u>	

Revenue Expenditure Monitoring Report - General Fund Balance

1 April to 31 March 2018

General Fund Balance

	Earmarked balances £m	Non- earmarked balances £m	Total £m
Balance at 1 April 2017	14.666	11.363	26.029
Use of balances included in budget as agreed by Highland Council on 16 Feb 2017	0.000	0.000	0.000
Use of balances per Appendix 4	(2.272)	(1.759)	(4.031)
Contribution to balances per Appendix 4	4.106	0.000	4.106
Movement in balances per Appendix 1	1.834	(1.759)	0.075
Net service overspend per Appendix 1	0.000	(1.526)	(1.526)
Appropriations to Other Reserves	0.000	(0.354)	(0.354)
Additional financing	0.000	0.837	0.837
General Fund Balance at 31st March 2018	16.500	8.561	25.061

Analysis of all service budget savings by RAYG ranking

Appendix 7

Table 1

	Total			Total
	Green	Amber	Red	
Care and Learning	2.426	1.022	0.249	3.697
Chief Executive's Service	0.371	0.078	0.000	0.449
Corporate Resources	3.399	0.098	0.000	3.497
Community Services	4.246	0.000	0.172	4.418
Development and Infrastructure	2.290	0.100	0.300	2.690
Unallocated Savings	0.000	1.306	0.000	1.306
Total	12.732	2.604	0.721	16.057