

Agenda Item	17
Report No	EDI/79/19

HIGHLAND COUNCIL

Committee: Environment, Development and Infrastructure

Date: 7 November 2019

Report Title: Revenue Budget Monitoring Report - 1 April 2019 to 30 September 2019

Report By: Executive Chief Officer Customer and Communities

1. Purpose/Executive Summary

- 1.1 This report confirms the budget position to Quarter 2 and the projected out-turn to the end of year. The over-spend projected in the last report to Committee based on Quarter 1 monitoring has increased by £354k to £1.113m. Unachievable budget savings/income targets continue to create pressure along with cost increases for fuel and some contracts and the need to undertake repairs and maintenance in depots. These are described in the report. Mitigation and enhanced management action are proposed. Further risks to the budget are also described.

2. Recommendations

- 2.1 Members are asked to:
- i. note the projected pressures and risks in the budget;
 - ii. note the mitigation proposed as set out in section 7 of the report; and
 - iii. approve the revenue budget monitoring report for 1 April 2019 to 30 September 2019.

3. Implications

- 3.1 Resource – The over-spend projected arises from the underachievement of income targets and savings as well as from expenditure on goods and services bought. Controls on recruitment and vacancies are contributing to an under-spend on staffing projected to be around £1m. The Service will step up its management controls to reduce the projected over-spend. Further proposals for increasing income and reducing expenditure in public conveniences are under development.
- 3.2 Legal - there are no implications arising as a direct result of this report.
- 3.3 Community (Equality, Poverty and Rural) – enhanced budget management may lead to restrictions in some service delivery.

- 3.4 Climate Change / Carbon Clever – one of our budget controls relates to reduced travel and associated carbon emissions. Reducing corporate travel and use of grey fleet is achieving planned savings.
- 3.5 Risk - implications to the budget position, and budget assumptions, will be kept under monthly review and any risks identified reported to future committees. Given the current lack of budget contingency for a cold winter, this brings further risk to achieving a balanced budget. Risks to the budget are described in section 8 of the report.
- 3.6 Gaelic - there are no implications arising as a direct result of this report.

4. Background

- 4.1 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.

5. Current position and description of the pressures

- 5.1 The revenue expenditure monitoring statement, appended to this report (**Appendix 1**), shows the financial position to 30 September 2019. The projected over-spend has increased from £759k reported in Quarter 1 by £354k to £1.113m in Quarter 2.
- 5.2 In keeping with Quarter 1 monitoring, budget pressures continue where previously agreed savings or income targets are not achievable in relation to car parking, public conveniences and engineering services. Changed projections for these budgets are described below.
 - 5.2.1 The car parking pressure has increased from the £400k previously reported to £500k. This reflects a change to how the income target is reported. Previously the service target was £400k and the corporate income project target was £300k but these are now combined and reflected as a £700k service income target. At this time £200k income is now expected against this target, leaving a shortfall of £500k. Following the decision made at the special EDI Committee on 24 October 2019, this pressure should not continue in 2020/21. It will be a delayed, rather than an unachievable, savings target going forward.
 - 5.2.2 Income for engineering services (roads consents) is still expected to be under target, although at a lower level than previously reported at £131k and in keeping with previous practice this will be mitigated by reducing the roads budget.
 - 5.2.3 The unachievable savings and income target for public conveniences was previously reported to be £385k; however, this has risen by £131k to £516k to reflect staff redundancy costs in the last Quarter and more realistic assumptions about income by the end of the year. Mitigation proposed is described later in this report.
- 5.3 New areas of budget concern are now identified for all areas of waste (collection, disposal and recycling). Together these amount to a projected overspend of £624k. These have arisen from increased fuel costs and an anticipated increase in contract costs in Quarter 4. These market forces are largely out with our control, but it should be noted that resilience to such price fluctuation is significantly eroded when savings and increased income targets continue to be made for this function.
 - 5.3.1 In 2019/20 the waste budget was reduced by £598k and £367k of additional income

was built into the budget. Significant understaffing in the team expected to deliver savings and increase income has had an impact on our ability to achieve these savings and income; however, this is now being remedied. This means some of the savings agreed this year will be delayed into 2020/21.

5.3.2 Other environmental and amenities budgets are expected to underspend by £607k, largely through not filling vacant posts, but this is insufficient to off-set the overspend in public conveniences and waste.

5.4 Other new pressures are now expected in our depots with an overspend of £134k projected. It should be noted that there is no revenue budget provision for the repair and maintenance of our depots, so where work is required for health and safety reasons we must undertake it. Further work to understand our depot conditions and options has been instigated with the support of the ECO Resources and the Head of Property Services. These pressures are partially off-set by increased income for the vehicle maintenance trading account now expected to show a £47k surplus.

5.5 Members will note that considerable underspend is projected for staff costs (£1.01m). Recruitment to vacant posts is scrutinised in the service and at the Resources Governance Board. One of the recent changes agreed has been to replace agency staff with Council employees where:

- the service is essential;
- we need to ensure compliance with health and safety requirements (e.g. HGV drivers); and
- we can reduce costs.

5.6 The overspend projected arises from the goods and services we buy and a shortfall in income. The service continues to work with the shared procurement service to manage down procurement costs.

5.7 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 1 April to 30 September 2019.

6. Budget Savings

6.1 All the savings, both Service specific and corporate and transformational, have been reflected in the Community Services 2019/20 budget, and have been allocated across all parts of the Service, where appropriate. Budgets are adjusted at the beginning of the year to reflect new savings and income expected. Risks to achieving these are found where plans have not been put in place to adequately resource service redesign.

6.2 An updated Red/Amber/Green (RAG) analysis of agreed budget savings for the current financial year is set out on **Appendix 3**. This statement reflects the position for the financial year and takes into account the current projection of delivering against the waste savings and income.

7. Mitigation proposed

7.1 The service management team will continue to work with the finance team to identify how to mitigate the growing over-spend projected. This will include:

- identifying what expenditure on goods and services can be re-profiled;

- identifying which contracts can be re-procured or re-negotiated at a lower cost. Current examples include reviewing the way marine fuel is purchased with a rebate opportunity by switching to purchase cards. A new recycling contract is expected toward the end of Q3 and a new bottled gas contract will go live in December 2019 delivering savings on the current contract price;
- scrutinising and providing peer challenge on monthly expenditure in each team;
- monitoring the impact of new plant hire processes designed to reduce costs. In 2018/19 the over-spend on plant hire was £894k, spread across different teams and budgets; however, the over-spend at Q2 has fallen to £224k. There will be some winter related hire costs to be accounted for in Q3 but the introduction of the new process and monthly monitoring will support improved compliance and continue the reduction in the overspend;
- recommending the filling posts where these will reduce costs or help achieve savings; and
- reviewing whether any of the potential budget savings for future years can be implemented this year.

7.2 With a growing overspend projected for public conveniences, several proposals are under development. These are in keeping with earlier Council and Committee decisions and include:

- reviewing the business case for installing equipment to enable us to charge for the use of toilets in more locations and where usage is high. It is proposed to engage with Ward members in the areas affected and where appropriate seek approval for investment on a spend to save basis at an appropriate Committee;
- checking accurate billing for energy use in all public conveniences and identifying where energy efficiency can be improved and supported through corporate change projects including LED lighting replacements. The budget this year is £93k and savings should be possible this year with these actions;
- marketing closed public conveniences for sale where no interest has been made by other bodies or Council services, subject to local Member consultation;
- negotiating with private developers and community groups with an interest in sustaining the service, subject to local Member consultation; and
- developing proposals for Area Committees for reviewing some comfort schemes from 1.4.20 in keeping with the Scheme of Delegation.

8. Further potential budget impacts

8.1 Other changes to the budget could occur and these could increase pressures this year. Those of concern are listed below:

8.1.1 Winter weather

A cold winter will increase costs in the roads winter maintenance budget. There is no contingency budget to cover these costs. Close monitoring of spending will take place throughout the winter months.

8.1.2 Lighting Services

Work is continuing as per the replacement programme and at the end of June 59% of street lighting units was LED. The programme is reducing energy use, with a 13% reduction in energy use since quarter 2 last year. However, energy prices have risen and for July and August this year our bill was 4% higher than the same period last year. Increases in the unit cost of electricity may well create a pressure and this will be monitored monthly.

8.1.3 Depot Conditions

While it is noted above that the overspend in depots arises from repairs, some repairs relating to the health and safety can be capitalised. The condition of many of our assets remain a concern and it is likely that this pressure will increase throughout the year.

8.1.4 Income at Harbours

The budget surplus target has been set high this year for marine gas oil; however, fluctuations of 4.5p per litre have been seen already this year. If prices fall further a significant shortfall could occur. Other budget pressures may arise from the loss of European fishing vessels at Lochinver arising from Brexit.

Designation: Executive Chief Officer Customer and Communities

Date: 30 October 2019

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

COMMUNITY SERVICES

Revenue Expenditure Monitoring Statement

1 April 2019 to 30 September 2019
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Financial Detail

BY ACTIVITY**Roads and Transport**

	£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
Winter Maintenance	784	4,775	4,775	0
Roads Maintenance	4,377	7,532	7,401	(131)
Engineering Services	1,110	2,271	2,402	131
Flood Alleviation	4	30	30	0
Lighting Services	71	3,525	3,426	(99)
Integrated Transport Services	393	945	913	(32)
Subsidies and Concessionary Fares	3,167	7,608	7,608	0
School Transport	3,153	8,815	8,815	0
Car Parks	(885)	(1,845)	(1,345)	500
	12,174	33,656	34,025	369

Environmental and Amenity Services

Refuse Collection	(643)	41	312	271
Waste Disposal	4,662	13,333	13,343	10
Recycling	4,324	8,765	9,108	343
Street Cleaning	989	1,999	1,985	(14)
Public Conveniences	539	412	928	516
Burials and Cremations	(446)	(968)	(968)	0
Grounds Maintenance	2,056	1,714	1,324	(390)
Amenity Services	375	862	725	(137)
Environmental Health	1,182	2,247	2,181	(66)
	13,038	28,405	28,938	533

Trading Operations

Harbours and Ferries	(1,427)	(3,405)	(3,368)	37
	(1,427)	(3,405)	(3,368)	37

Administration

Management Overheads	597	1,246	1,333	87
Stores and Depots	820	1,244	1,378	134
Vehicle Maintenance Trading Account	(325)	(224)	(271)	(47)
	1,092	2,266	2,440	174

SERVICE TOTAL

24,877	60,922	62,035	1,113
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BY SUBJECTIVE

Staff Costs	28,446	64,674	63,664	(1,010)
Other Costs	39,289	84,899	86,612	1,713
Gross Expenditure	67,735	149,573	150,276	703
Grants	(124)	(153)	(148)	5
Other Income	(42,734)	(88,498)	(88,093)	405
Total Income	(42,858)	(88,651)	(88,241)	410
	24,877	60,922	62,035	1,113

COMMUNITY SERVICES - Summary

DISAGGREGATED AREA BUDGETS 2019/20

REAL CASH BUDGETS ONLY

Monitoring Statement for the period ended 30 September 2019

FUNCTION/ACTIVITY

Roads and Amenity Services

Area	Total Budget £	Actual 30/09/2019 £	Budget Left £	Estimated Outturn £	(Under)/ Over £
Badenoch & Strathspey	1,674	598	1,076	1,645	(29)
Caithness	2,925	1,008	1,917	2,807	(118)
Inverness	4,986	2,351	2,635	4,972	(14)
Lochaber	2,472	1,006	1,466	2,439	(33)
Nairn	1,085	424	661	1,064	(21)
Ross & Cromarty	5,537	2,523	3,014	5,422	(115)
Skye	2,531	1,388	1,143	2,530	(1)
Sutherland	4,598	1,503	3,095	4,525	(73)
Total	25,808	10,801	15,007	25,404	(404)

APPENDIX 3

Savings Proposals 2019/20 - 2021/22

Red-	significant challenges in delivery of saving
Amber-	some challenges to full delivery of saving
Green-	full delivery of saving expected

Service	Responsible Officer	Service Ref	Theme Ref	Budget Area	(Brief description - should clearly state how savings will be generated) Savings Description	Savings	
						2019/20 £m	Service RAG
CS	Carron McDiarmid	CS/23	2.9	Community Services Increase all other	Graduated % increases in fees and charges within the CS service	0.771	A
CS	Carron McDiarmid	CS/21	2.21	Waste Management - Restrictions on construction and demolition waste accepted at Household Waste Recycling Centres	Restrictions in place at HWRCs to prohibit vans, trailers and other large vehicles from using HC centres. Plus introduction of a charge to take some such goods at our HWRCs.	0.150	A
CS	Carron McDiarmid	CS/28	2.5	Income from targeting commercial waste customers	Development of business case to maximise income generation opportunities	0.150	R
CS	Andy Summers	CS/9	1.10	Street Cleaning	Building on the LEAN review, modernisation of service to ensure increased efficiency and reduction in specification mitigated by development of litter strategy	0.100	G
CS	Carron McDiarmid	CS/15	1.1	Transport - Review Subsidies	Reduce the cost of the public bus services tender per annum	0.075	G
CS	Andy Summers	CS/10	1.19	Grass Cutting	Reduced specification, increased productivity and efficiency, promotion of biodiversity and removal of shrub beds	0.075	G
CS	Carron McDiarmid	CS/22	1.24	Waste Haulage/Processing Contracts	To be reviewed from Sept 19. Potential to bring some of this back in-house.	0.075	G
CS	Carron McDiarmid	CS/25a	2.19	Involvement in Waste Management -	Removal of grant funding	0.075	A
CS	Carron McDiarmid	CS/25b	2.20	Involvement in Waste Management - Blythswood	Removal of grant funding	0.075	G
CS	David Goldie	CS/26	1.16	Homelessness: Temporary Accommodation	Reduce the volume of private sector temporary accommodation to homeless households through increased use of HRA properties	0.050	G
CS	Carron McDiarmid	CS/14	3.15	Transport - Home/School Provision	Review provision - better route planning; introduce collections hubs for children and renegotiate with individual operators for revised pricing	0.050	G
CS	Carron McDiarmid	CS/20	1.9	Waste Management - Route Optimisation	Full implementation of Route Optimisation based on reducing the fleet by one vehicle and crew in each of years 2 and 3	0.040	R
CS	Andy Summers	CS/29	1.21	Recycling Centres - Opening Hours	Review of opening hours	0.020	R
CS	Caroline Campbell	CS/27	1.8	Fleet	Fuel savings from a reduction in excessive idling	0.020	G
CS	Tracey Urry	CS/7	2.3	Electric Vehicle Charging	Charging the public for access to EV points to cover energy charges which have been provided free until now	0.020	A
CS	Tracey Urry	CS/12	2.10	Radio Masts - Increase Income	Increase income from radio masts and recover costs from third party works	0.010	G
CS	Tracey Urry	CS/5	1.15	Street Lighting - Dimming	Reduce brightness by an additional 20% on all new LED street lights by dimming street lights between 12 and 6am	0.005	G
CS	Carron McDiarmid	CS/16	3.9	Transport - Lean	Lean Review of transport processes	0.005	G
CS	Carron McDiarmid	CS/18	1.18	Waste Management - Increase Recycling	Reduce waste arising from internal practices (especially schools, harbours, workshops)	0.000	G
CS	Tracey Urry	CS/6	2.22	Street Lighting - Review team post LED implementation	Review numbers of staff needed post LED implementation OR offer services to others as income generator. Year 3 saving only.	0.000	G

1.766