

Agenda Item	3.
Report No	RES/09/20

THE HIGHLAND COUNCIL

Committee: Corporate Resources Committee

Date: 3rd June 2020

Report Title: Near Final Corporate Revenue Monitoring Report 2019/20

Report By: Executive Chief Officer- Finance and Resources

1. Purpose/Executive Summary

- 1.1 This report provides a summary of the near final revenue budget spend for financial year 2019/20. 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 £561.726m. This sum was less than the budget available by £6.036m. This position reflects a substantial improvement from that forecasted at the end of quarter 3 when an underspend of £0.452m was forecast.
- 1.3 Net income received from Council tax was £0.248m in excess of budget. In addition the Council has benefitted from unbudgeted Business Rates Incentivisation Scheme (BRIS) income of £1.323m.
- 1.4 The Council's non-earmarked general fund reserve, which acts as a general contingency against unforeseen events or to meet unbudgeted costs, stands at £15.451m at 31 March 2020. The value of this reserve has increased by £7.526m over the year due to the in-year budget surplus and other use of this fund. At this level the reserve represents 2.7% (2018/19 – 1.4%) of the 2019/20 net revenue budget.
- 1.5 As at 31 March 2020 the Council's total general fund reserves stand at £35.706m. Of these £20.255m are earmarked (i.e. held for specific purposes), with the balance of £15.451m not earmarked.

2. Recommendations

2.1 Members are asked to:

- i. Consider the near final financial position of the General Fund and HRA revenue budgets for 2019/20; and
- ii. Note the ensuing impact on reserves

3. Implications

3.1 Resource implications are as noted in this report.

3.2 The position reported reflects the near final revenue position for 2019/20 and these figures will form part of the Council's unaudited annual accounts. There remains a risk that something will be identified as part of the audit of those accounts that will affect the reported position.

3.3 There are no legal, equality, climate change/Carbon Clever, rural or Gaelic implications arising as a direct result of this report.

4. Overall position

4.1 **Appendix 1** provides the usual monitoring statement format with **Table A** providing variance detail by service and other significant budget heads. Overall the Council is reporting a net underspend of £6.036m against service budgets. This report will summarise the key movements in service outturn forecasts over the last quarter.

4.2 The 'Financed By' section of Table D provides information on the Council's key sources of external funding. Council tax income (net of Council Tax Reduction) was £0.248m in excess of budget for the year. Additional resources were also in excess of budget by £1.323m.

4.3 The surplus income on the 'Additional resources' line reflects £1.323m income from the Business Rates Incentivisation Scheme (BRIS). This income relates to the collection of non-domestic rates in 2017-18 and represents a 50 per cent share of the additional rates income generated with the other 50 per cent retained by the Scottish Government. The Scheme incentivises the growth of the local tax base within a local authority area and directly reflects the factors impacting growth that are within the local authority's control and not adversely influenced by factors completely outwith their ability to influence. By exceeding its local target the Council has benefitted from a share of surplus income generated.

This monitoring statement also includes £1.095m of accrued BRIS income in relation to financial year 2018-19. That sum has been put into earmarked balances as shown in **Appendix 4** and is required to be received from Government in financial year 2020-21 in order to deliver a balanced budget.

5. Service budget variances

- 5.1 **Appendix 2** provides a summary of forecast variances by service and expenditure and income type. Forecast overspends mainly relate to non-staffing expenditure with mitigation from underspends against staffing budgets and income in excess of target levels.
- 5.2 The Care and Learning Service is showing a year end net underspend of £5.982m. As previously reported the service continues to face significant pressures in the Looked After Children and ASN budgets. These overspends have been more than offset from underspends elsewhere in the Care and Learning budget.

Overall the Care and Learning position has improved by £3.561m from the position reported at Q3. The key drivers behind the movement are further reductions in the ASN overspend as a result of active management of those budgets, and robust management of the Early Learning and Childcare budgets. Rigorous approaches to financial governance are improving compliance and adherence to policy linked to budget spend across the service whilst removing excessive use of ad-hoc allocations to schools.

- 5.3 Community Services are showing a net overspend of £0.120m, an improvement from the £1.283m overspend forecast at Q3. The main contributory factors to the improvement are the capitalisation of road patching works – to meet overspends on winter maintenance, engineering services and other transport services; increased underspend on street lighting maintenance due to resources diverted to the roll-out of the Council's LED programme and reduced electricity costs; reduction in the cost of waste contracts through reduced tonnage; receipt of developers' contributions towards grounds maintenance costs; a reduction in Non-HRA costs particularly around bad debt provision on homelessness and reduced expenditure on Housing Support services through improved case management and a reduction in service in the last 2 months due to COVID-19. In addition, vacancies have not been filled across a range of functions. The improved position also met increased overspends in respect of increased leasing charges on the Council's vehicle fleet and vehicle maintenance costs; further reduction in car parking income; and a significant drop in the Council's harbours operating surplus, as reported to the Harbours Management Board.
- 5.4 The Development and Infrastructure Service is reporting a year end underspend of £0.199m, an improvement from the £0.860m overspend forecast at Q3. The main contributory factors to the movement are increased income from planning fees and building warrants; reductions in unitary charges and NDR appeals for the PPP schools; and reduced revenue maintenance works which was also affected by the COVID-19 outbreak.
- 5.5 The Corporate Resources service is showing an underspend of £1.638m, a £0.386m increase from the position reported at Q3. The overall position reflects underspends across all significant service areas. Underspends arise primarily against staffing budgets and through careful management of various third party contracts and increases in these underspends have effected the overall improvement in the Corporate Resources position.
- 5.6 An underspend of £0.315m is reported against the budget for the Chief Executive's Office with underspends being reported across the majority of service areas and has not changed significantly from the position reported at Q3.

- 5.7 Spending on welfare is underspent by £0.138m, which is a slight increase on that reported for Q3. The underspend is in respect of housing benefit which has also offset a small overspend in clothing grants.
- 5.8 At year end the pressure of unachieved savings of £2.704m has crystallised in relation to certain corporate savings that were not allocated to service budgets. Those savings can be seen at **Appendix 5**. This position has improved by £1.361m on that reported at Q3 through the allocation to Service budgets. The bulk of the unachieved savings, apart from savings in respect of procurement and some of the property asset management have been addressed as budget pressures in the 2020/21 budget approved in March 2020.
- 5.9 The unallocated savings pressure is partially mitigated by a one off saving of £0.638m sitting within the unallocated budget line. This saving reflects money set aside to pay for the increased teachers' employer pension contribution rate which is not fully required this year due to implementation being effective from September rather than April as well as other budgets which are not expected to be fully allocated.

6. Housing Revenue Account

- 6.1 As shown in **Appendix 3** the Housing Revenue Account (HRA) has delivered a balanced budget. This overall position is unchanged from that reported at Q3.
- 6.2 The HRA has seen overspends in certain areas including an increase in staff costs; repairs costs in excess of budget due to increased day to day repairs, gas servicing and repairs to empty homes; and loans charges coming in above the budgeted level. In addition income from house rents was below the budgeted level due to delays in the completion of new build properties.
- 6.3 These pressures have been managed by spending less on funding capital from current revenue which will give a consequential impact on the overall HRA borrowing requirement going forward.

7. Reserves and Balances

- 7.1 **Appendix 6** summarises the movements on the Council's earmarked and non-earmarked balances during the course of the year.
- 7.2 Overall the general fund balance has increased by £15.4m over the course of the year to stand at £35.699m at 31 March 2020.
- 7.3 Detail of the movements in earmarked reserves can be seen in **Appendix 4**. These movements reflect funding being drawn down for spend on its intended purpose, and funding being set aside for spend on specific items in 2020/21. Overall, earmarked balances have increased from £12.374m to £20.255m over the course of the year.
- 7.4 The movement in the non-earmarked balance reflects the overall budget surplus £7.526m recorded in 2019/20.
- 7.5 At 31 March 2020 the Council's non-earmarked general fund reserve sits at £15.451m, which is now above the minimum level suggested by Audit Scotland for this reserve of 2% of annual revenue budget. At 2.7% of the 2019/20 net annual revenue budget, this reserve is just below the Council's own target level of 3%.

7.6 Although this reserve has now increased to more normal levels the risk of not having enough funding to invest in transformational change or address any cost pressures that might arise during 2020/21 as a result of the impact of the COVID-19 pandemic remains significant. The impact of COVID-19 on the Council's financial position is the subject of a subsequent report on this committee's agenda.

8. Budget savings

8.1 In order to deliver a balanced budget for the year budget savings of £24.581m were approved in February 2019. A summary of the delivery of those savings can be seen at **Appendix 7**. Savings ranked as Category 1 were delivered in full, those as Category 2 have been partially delivered, and those as Category 3 remain undelivered.

Designation: Executive Chief Officer- Finance and Resources

Date: 20th May 2020

Author: Mike Mitchell, Services Finance Manager

Background Papers:

https://www.highland.gov.uk/download/meetings/id/76369/item_6_corporate_revenue_monitoring_report_to_31_december_2019

Revenue Expenditure Monitoring Report - General Fund Summary

1 April to 31 March 2020

	Actual Near Final £000	Annual Budget £000	Year End Variance £000
Table A: By Service			
Care and Learning	347,281	353,263	(5,982)
Chief Executive's Office	6,680	6,995	(315)
Corporate Resources	24,106	25,744	(1,638)
Community Services	64,574	64,454	120
Development and Infrastructure	53,506	53,705	(199)
Welfare Services	5,306	5,444	(138)
Service Total	501,453	509,605	(8,152)
Valuation Joint Board	2,694	2,704	(10)
HiTrans Requisition	91	91	0
Non Domestic Rates reliefs	670	671	(1)
Loan Charges	56,818	56,757	61
Unallocated Budget	0	638	(638)
Unallocated Corporate Savings	0	(2,704)	2,704
Total General Fund Budget	561,726	567,762	(6,036)

Table B: By Subjective

Staff Costs	342,748	354,241	(11,493)
Other Costs	448,094	431,303	16,791
Gross Expenditure	790,842	785,544	5,298
Grants	(82,510)	(75,068)	(7,442)
Other Income	(146,606)	(142,714)	(3,892)
Total Income	(229,116)	(217,782)	(11,334)
Total Revenue Expenditure	561,726	567,762	(6,036)

Table C: Appropriations to Reserves

Contribution to earmarked balances	12,299	12,299	0
Contribution to Other reserves	0	0	0
Total Contributions to Balances	12,299	12,299	0

Table D: Financed By

Aggregate External Finance as notified	436,780	436,780	0
Additional resources	15,062	13,739	1,323
Council Tax	124,870	124,622	248
Use of earmarked balances	4,418	4,418	0
Use of non earmarked balances	(7,526)	81	(7,607)
Use of Other reserves	421	421	0
Total General Fund Budget	574,025	580,061	(6,036)

Revenue Expenditure Monitoring Report - General Fund Summary

1 April to 31 March 2020

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	(6,592)	4,176	(243)	(3,323)	(5,982)
Chief Executive's Office	412	93	(346)	(474)	(315)
Corporate Resources	(1,265)	1,873	(75)	(2,171)	(1,638)
Community Services	(3,219)	(408)	(272)	4,019	120
Development and Infrastructure	(829)	7,224	(5,149)	(1,445)	(199)
Welfare Services	0	1,209	(1,357)	10	(138)
Valuation Joint Board	0	(10)	0	0	(10)
HiTrans Requisition	0	0	0	0	0
Non Domestic Rates reliefs	0	(1)	0	0	(1)
Loan Charges	0	569	0	(508)	61
Unallocated Budget	0	(638)	0	0	(638)
Unallocated Corporate Savings	0	2,704	0	0	2,704
	0	0	0	0	
Total General Fund Budget	(11,493)	16,791	(7,442)	(3,892)	(6,036)

Revenue Expenditure Monitoring Report - Housing Revenue Account Summary
--

1 April to 31 March 2020

	Actual Near Final £000	Annual Budget £000	Year End Variance £000
Staff Costs	5,968	5,848	120
Other Costs	28,321	28,736	(415)
Loan charges and interest	20,146	19,445	701
Gross Expenditure	54,435	54,029	406
House Rents	(50,848)	(51,136)	288
Other rents	(2,700)	(2,455)	(245)
Other income	(792)	(376)	(416)
Interest on Revenue Balances	(95)	(62)	(33)
Gross Income	(54,435)	(54,029)	(406)
Total HRA	0	0	0

Revenue Expenditure Monitoring Report - General Fund Budget
--

1 April to 31 March 2020

	£m	£m
Budget as Agreed by Highland Council on 14 February 2019		581.325
Less : Contribution to earmarked balances included in agreed budget (Elections Fund, Change Fund)		(2.585)
Less : Ring-fenced grant (Gaelic, Criminal Justice, Attainment Funding, Early Years)		(21.328)
Grant Funding Redeterminations		
Discretionary Housing Payments	0.052	
Scottish Assessors Barclay Implementation	0.134	
Free Personal Care for under 65s	1.221	
Carers Act Extension (increase)	0.022	
Teachers 2018/19 & 2019/20 pay awards (estimate)	6.592	
Teachers 2019/20 pension increase (from Sep 2019) (estimate)	2.921	
Teachers Pensions Adjustment	(0.079)	
Appropriate Adults	0.022	
Free Sanitary Products Adjustment	0.009	
Brexit Funding	0.050	
Scottish Crown Estate	1.292	
Counselling in Schools	0.754	
Operational Contingency Fund	0.111	
Personal Licence Holder Renewal	0.010	
Rapid Rehousing Transition Plans (RRTPs)	0.280	
Teacher Induction Scheme	1.243	
Barclay Implementation	0.020	
Additional Support for Learning	0.667	
Seatbelts on School Transport	0.023	
Brexit Operational Contingency funding	(0.066)	
Scottish Crown Estate	(1.292)	
BRIS	1.095	15.081
Agreed Use of Non-earmarked Balances		
IORB	0.081	0.081
Agreed Use of Other Reserves		
Insurance Fund	0.212	0.212
Use of Earmarked Balances		
Welfare Fund	0.125	
Change Fund	1.183	
Redesign	0.012	
Investment Fund APSE Commercialisation Workshop	0.011	
Brexit Co-ordination	0.011	
HOL Pension Liability	0.222	
Community Justice	0.051	
Take Pride Take Part	0.008	
1 + 2 Lanuages	0.001	
ESF Poverty & Social Inclusion	0.150	
Transformational Projects	0.384	
Salix	0.630	
DSM	0.174	
Developer Contributions	1.458	4.418
Contribution to Earmarked Balances		
Scottish Crown Estate	(1.292)	
Counselling in Schools	(0.754)	
Brexit Funding	(0.050)	
Additional Support for Learning	(0.667)	
Salix	(2.000)	
Skye Airstrip	(0.187)	
Sanitary Products	(0.054)	
Sanitary Products in Public Places	(0.131)	
BRIS	(1.095)	
Rapid Rehousing Transition Plans (RRTPs)	(0.275)	
Welfare Fund	(0.084)	
Developer Contributions	(3.125)	(9.714)
Contribution to Other Reserves		0.000
Presentational Adjustments		
CTR budget reduction offset against redesign savings target	0.272	0.272
Total General Fund Budget at 31 March 2020		567.762

Revenue Expenditure Monitoring Report - General Fund Budget
--

1 April to 31 March 2020

Table A : Unallocated Budget

	£m
Teachers pension rate increase	0.301
Auto-enrolment	0.202
Revenue consequences of capital - flooding	0.050
Grant Funding - Access to Sanitary Products - Schools	0.009
Grant Funding - Seatbelts on School Transport	0.023
Grant Funding - Personal Licence Holder Renewal	0.010
Rates	0.043
Unallocated Budget at 31 March 2020	<u><u>0.638</u></u>

Table B : Unallocated Corporate Savings

	£m	Category
Service Redesign	0.660	3
Procurement	0.590	3
Service Income	0.378	3
Property Asset Management	0.511	2/3
Energy	0.205	3
Commercial Activity	0.185	3
Reduction in Printing/Paper Costs	0.075	3
Lean Reviews	0.100	3
Unallocated Corporate Savings at 31 March 2020	<u><u>2.704</u></u>	

Revenue Expenditure Monitoring Report - General Fund Budget
--

1 April to 31 March 2020

General Fund Balance

	Earmarked balances £m	Non- earmarked balances £m	Total £m
General Fund Balance at 1 April 2019	12.374	7.925	20.299
(Use of)/contribution to balances included in budget as agreed by Highland Council on 14 February 2019	2.585	0.000	2.585
Removal of earmarked balances	0.000	0.000	0.000
Use of balances per Appendix 4	(4.418)	(0.081)	(4.499)
Contribution to balances per Appendix 4	9.714	0.000	9.714
Movement in balance per Appendix 1	7.881	(0.081)	7.800
Net service underspend per Appendix 1	0.000	6.036	6.036
Appropriations to other reserves	0.000	0.000	0.000
Additional financing	0.000	1.571	1.571
General Fund Balance at 31 March 2020	<u>20.255</u>	<u>15.451</u>	<u>35.706</u>

Revenue Expenditure Monitoring Report - General Fund Budget
--

1 April to 31 March 2020

Analysis of Budget Savings by Category 1, 2 and 3

	Category 1 £m	Category 2 £m	Category 3 £m	Total £m
Care & Learning	10.796	0.944	0.000	11.740
Chief Executive's Service	0.000	0.000	0.000	0.000
Corporate Resources	3.021	0.000	0.000	3.021
Community Services	0.655	1.111	0.000	1.766
Development & Infrastructure	1.604	0.400	0.401	2.405
Allocated Corporate Savings	1.658	1.287	0.000	2.945
Unallocated Corporate Savings	0.000	0.111	2.593	2.704
	<u>17.734</u>	<u>3.853</u>	<u>2.994</u>	<u>24.581</u>