

Agenda Item	<b>4.</b>
Report No	<b>RES/15/20</b>

## **THE HIGHLAND COUNCIL**

**Committee:** Corporate Resources Committee

**Date:** 12<sup>th</sup> August 2020

**Report Title:** Corporate Revenue Monitoring report to 30<sup>th</sup> June 2020

**Report By:** Executive Chief Officer- Resources and Finance

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

- 1.1 This report provides a summary of the actual spend in the first quarter of financial year 2020/21 together with a forecast year end outturn position.
- 1.2 Net spend on services in the first quarter of financial year 2020/21 totalled £110.204m.
- 1.3 As has been previously reported to this committee and the Highland Council the negative impact of Covid 19 on the Council's budget has been and is expected to continue to be significant during 2020/21.
- 1.4 In an 'ordinary' year the assumptions made as part of the quarter 1 monitoring around activity and income for the remainder of the year are often subject to a fair degree of variability. This year in particular, due to the unprecedented nature of the Covid crisis, forecasts for the remainder of the year are even more open to change. In light of the risks involved and potential variability of the outturn position two appendices are provided outlining potential scenarios that reflect external risk factors that could impact positively or negatively on the central scenario supported by the detailed Q1 monitoring
- 1.5 In the 'central case' scenario reported here a net year end overspend of £28.259m is forecast. This position reflects the financial impact of Covid 19, offset by confirmed additional government funding receivable, and any other budget pressures and underspends. An overspend of this level exceeds the Council's non-earmarked general fund reserve by £5.010m.
- 1.6 A range of alternative scenarios are also presented which contain different assumptions for the key factors driving the reported variance. The figures associated with these scenarios are high-level estimates only but demonstrate that in a more positive scenario with no further lockdown a balanced budget could be deliverable. For a 'pessimistic' second lockdown scenario a potential budget gap of £63m could arise if the cost and income positions worsen and no further funding is received from Government.

## 2. Recommendations

### 2.1 Members are asked to:

- i. Consider the financial position of the General Fund and HRA revenue budgets as at 30 June 2020 and note the central case of the estimated year end forecast, along with the range of potential positions subject to external variables;
- ii. note a further report will be provided to the Highland Council in September with further options to mitigate the budget gap.

## 3. Implications

3.1 Resource implications are as noted in this report. If an overspend position is reported at year end this will need to be funded from the Council's reserves. At present the level of forecast overspend exceeds the Council's non-earmarked general fund reserves.

3.2 At this relatively early stage in the year there is a substantial risk that unforeseen events occur which carry an additional cost burden. Services that are demand-led, such as looked after children or winter maintenance may see significant moves in cost forecast over the year from that currently forecast. Other risks relating to unexpected items, such as adverse weather or suppliers seeking additional financial support, may emerge during the year for which no specific contingencies are held. The impact of further Covid-related issues could also be significant.

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

## 4. Background

4.1 Members have received a number of reports in the year to date on the potential financial impact of Covid 19 on the Council's budget. Links to these reports can be found in the background papers section of this report. The most recent report to Council on the 30<sup>th</sup> July showed a net budget gap of £35.734m as per the table below:

	£m
Gross budget gap per COSLA return	£47.697m
Less: Additional confirmed government funding	-£11.963m
<b>Net budget gap</b>	<b>£35.734m</b>

This report provides an updated assessment of the budget gap based on the quarter 1 monitoring- the forecast year end overspend reflects the latest budget gap figure.

4.2 The budget gap identified was categorised across 5 key areas:

- Mobilisation costs- principally the costs of the initial response activity
- Lost income- budgeted income from fees, charges and recharges not expected to be delivered
- Challenges in delivering approved savings- planned savings activity not expected to be delivered due to Covid 19
- Recovery costs- additional costs associated with the return to 'normal' activity over the remainder of the financial year

- Reduced costs- costs saved in specific areas as a result of lockdown

- 4.3 The format of this report follows that of the usual quarterly monitoring statements and is therefore shown on a service basis. Each reported service position will reflect all of the 5 factors listed above as well as any other non-Covid pressures or underspends. As section 5 below demonstrates the impact of Covid 19 is more significant in certain services than others. Those services with significant levels of fee and charges income, as well as the education service are most impacted by Covid 19.
- 4.4 Members will note that the format of **Appendix 1** reflects the new service structure now in place in the Council. The exercise to realign all budgets in this new format would be challenging in the best of times and some realignment to the budget allocations across services is likely to be required over the remainder of the year to ensure that budgets exactly match the areas of responsibility of each Executive Chief Officer.
- 4.5 Detailed service monitoring statements will be taken to subsequent strategic committee meetings to allow respective committee Members to better understand the service financial positions.
- 4.6 The impact of Covid 19 on the Council's budget and operations and the actions being taken to mitigate it are still very much emergent. Certain aspects of the response are still to be determined and the figures reported here reflect the best information we have at the time of writing this report. It is quite feasible that in the time between this report being written and the committee taking place certain operational changes may have been made. Of particular significance is the planned schools return and the costs associated with that which will be subject to Government guidance issued on the 31<sup>st</sup> July. In light of the uncertainty a range of potential year end scenarios and illustration of the impact of changes in key variables is described in section 10 of this report.

## 5. Overall position 2020/21

- 5.1 The table below provides a summary of the figures in **Appendix 1** to give an overall forecast position for the 2020/21 year-end outturn in the central scenario.

	Annual Budget £m	Year-end forecast £m	Year-end variance £m
<b>Expenditure</b>			
Planned net spend on services (Appendix 1, Table A)	£597.3m	£622.9m	£25.6m
Planned contribution to investment funds (Appendix 1, Table C)	£12.4m	£12.4m	£0m
<b>Total (X)</b>	<b>£609.7m</b>	<b>£635.3m</b>	<b>£25.6m</b>
<b>Income (Table D)</b>			
Government income	£474.0m	£474.0m	£0m
Budgeted Council tax income	£131.7m	£129.1 m	-£2.6m
Planned use of earmarked reserves	£4.0m	£4.0m	£0m
<b>Total (Y)</b>	<b>£609.7m</b>	<b>£607.1m</b>	<b>-£2.6m</b>
<b>Difference between expenditure and income- 'Budget gap' (=X-Y)</b>	<b>£0</b>	<b>£28.2m</b>	<b>£28.2m</b>

- 5.2 In summary, the Council's 2020/21 budget approved in March was balanced, namely that net service expenditure and the creation of investment funds would match corporate income plus the planned use of reserves.
- 5.3 The position now reported is that net service expenditure is forecast to be overspent as the impact of Covid 19 requires unplanned expenditure and has led to significantly reduced service income. Net expenditure is now forecast to be £25.6m above the budgeted level.
- 5.4 In addition, Covid 19 is expected to have an adverse impact on one of the Council's corporate income streams, Council Tax income. A £2.6m shortfall in Council Tax income is forecast.
- 5.5 Overall, the combined impact of the net service overspend plus corporate income underspend gives a forecast budget gap of £28.2m for the year. Ordinarily any such gap would be met from the Council's general reserves but the size of the budget gap currently outweighs those reserves. Section 9 of this report provides a summary of further actions that can be taken to close the budget gap.

## 6. Service budget variances

- 6.1 **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 will be reported to the respective strategic committees. Overall the Council is reporting a net overspend of £25.596m against service budgets.
- 6.2 The 'Financed By' section of **Table D** provides information on the Council's key sources of external funding. The wider economic impact of Covid 19 is expected to have an adverse impact on Council Tax income. The Council anticipates having to make a higher level of provision for outstanding Council Tax debt and the growth in the Council tax base is expected to be lower than that assumed when the revenue budget was set in March.

As a result of Covid 19 there are expected to be additional costs in respect of the Council Tax Reduction Scheme. When the budget was set the Council had not anticipated that it would fully use all the CTRS funding allocated by government. All that funding is now expected to be needed for CTRS which will create a budget pressure. Any costs over the original funding level are expected to be funded by additional government funding.

Due to these factors a shortfall of £2.6m in Council Tax income is forecast.

- 6.3 **Appendix 2** provides a summary of forecast variances by service and expenditure and income type. Forecast overspends mainly relate to the impact of Covid 19 on non-staffing expenditure and fee and charge income with considerable mitigation from underspends against staffing budgets. It should be noted that the business grant payments and income are reflected on the Infrastructure and Environment line in this appendix. As these payments and income were unbudgeted they show as variances however the two variances effectively net each other off in the overall position for the service.
- 6.4 For the Communities and Place service a year end overspend of £4.840m is forecast. This overall variance is almost entirely accounted for by shortfalls in budgeted income due to Covid 19, most particularly in waste management services and grounds

maintenance recharges, but with impacts across all budget areas. Some unbudgeted mobilisation and recovery costs are reflected across the service but these are offset by reductions in expenditure across a variety of budget headings.

- 6.5 For the Education and Learning service a year end overspend of £12.924m is forecast. This figure includes an estimated £11.333m related to the schools return which includes additional school transport, cleaning, facilities management, catering, ICT, staffing cover, PPE and probationer costs. A report on this subject was taken to the Education Committee on the 2<sup>nd</sup> July. The costs associated with the schools return are only indicative at this stage as guidance from government continues to reflect a developing approach.

The other significant element of the forecast overspend relates to additional payments expected to be required to support HighLife Highland and Eden Court totalling £3.65m.

Finally, the overall position is partially mitigated by a net underspend forecast against the Early Years budget. A pause in the full roll out of 1140 hours early years provision as agreed at Education Committee on the 2<sup>nd</sup> July will deliver a significant budget underspend. This underspend will fully mitigate the costs of keyworker childcare provision as well as provide some support to offset some of the costs associated with the schools return.

- 6.6 For the Health and Social Care service a year end overspend of £2.251m is forecast. The overspend reflects additional costs seen in the year to date and anticipated in the remainder of the year in response to Covid, chiefly around looked after children. A number of vacancies across this service mitigate the forecast overspend to some extent.
- 6.7 For the Infrastructure, Environment and Economy service a year end overspend of £10.916m is forecast. The majority of this overspend relates to Covid related income shortfalls in planning fees and building warrant income (£1.7m), car parking income (£2.6m), harbour and ferry income (£3m), investment property income (£0.7m), roads consents income (£0.3m) and quarry income (£0.7m).

In addition to this income shortfall a further significant pressure is forecast in relation to school and public transport contracts which was reported to Highland Council on 30<sup>th</sup> July in a confidential paper.

- 6.8 For the Performance and Governance service a year end overspend of £0.490m is forecast. An income shortfall of £0.741m, chiefly in licencing income, is partly offset by underspend across other service areas.
- 6.9 For the Property and Housing service a year end overspend of £3.078m is forecast. This overspend reflects water safety costs associated with non-school buildings recommissioning of £1.5m together with wider property return costs of £0.8m. Additionally the service anticipates income shortfalls, principally in school meals income and in staff recharges to the capital programme.
- 6.10 For the Resources and Finance service a year end overspend of £0.579m is forecast. Again this position chiefly reflects lost income, in this case in relation to warrant income and late payment surcharges. Additional ICT costs of £0.133m incurred in relation to the Covid response are also included in this overall position.

- 6.11 For the Transformation service a balanced budget is forecast. The Transformation budget includes the 2020/21 Change Fund which at this stage is anticipated to be fully spent as any uncommitted funds at year end will be added to the Change Fund earmarked balance as happened in 2019/20.
- 6.12 For the Welfare service a year end overspend of £1.199m is reported. This pressure relates to Food Fund spend and is offset by the food fund income shown on the unallocated budget line- a budget virement will take place in quarter 2 to offset these items and show Food Fund spend as on budget.
- 6.13 A balanced position is showing against the Valuation Joint Board budget heading and the non-domestic rates relief heading. The Loans Charges budget is also currently forecast to be balanced at year end- in line with performance in 2019/20.
- 6.14 **Appendix 5** provides details of the unallocated budgets and savings. Of the £14.501m unallocated budget £11.381m is expected to be available to offset service overspends detailed above- consequently this figure shows as an underspend here. The outturn position reported here assumes that the roads investment funding will be fully spent.

The majority of approved budget savings have been allocated to service budgets and just a small handful remains unallocated to services. Of these it is forecast that £0.701m will struggle to be delivered in-year although work continues to try to deliver a larger proportion.

## **7. Housing Revenue Account**

- 7.1 As shown in **Appendix 3** the Housing Revenue Account (HRA) is forecast to deliver a balanced budget. Underspends on staffing are forecast to offset non-staffing cost pressures and income shortfalls. Further details on the HRA position will be reported to the Housing and Property Committee in due course.

## **8. Reserves and Balances**

- 8.1 **Appendix 6** summarises the movements on the Council's earmarked and non-earmarked balances during the course of the year.
- 8.2 Earmarked balances have reduced by a net £2.299m over the year so far. That reduction reflects the removal of DSM balances and transfer to non-earmarked balances as agreed by Council in June, the planned use of BRIS funding to balance the 2020/21 budget as approved in March, and the creation of investment funds as approved in March.
- 8.3 Non-earmarked balances currently stand at £23.249m. That position reflects the 2019/20 year end position of £15.451m, plus the approved increase in reserves of £4.909m agreed in March, plus the DSM balance transferred into general reserves to meet the 2020/21 budget deficit as agreed by Council in June.
- 8.4 At this relatively early stage of the financial year there remains the opportunity to recover part of the current forecast position and potential mitigations are covered in section 9 of this report. Any year end overspend will however require to be funded from the Council's non-earmarked balances.

8.5 If the current forecast overspend of £28.259m as described in section 5 comes to pass with no further mitigations it would not be possible to fund this from non-earmarked reserves. A residual deficit of £5.010m would require to be funded.

## 9. Mitigating actions

- 9.1 This report does not at this point propose any further actions as to how any budget gap may be managed but the options open to the Council to mitigate the budget gap include:
- Curtailment of spend through management action
  - Use of additional government funding
  - Repurposing of budgeted investment funds
  - Not rebuilding reserves as budgeted
  - Repurposing of ring-fenced funding
  - Lobbying government for additional funding or increased flexibility
  - Use of Reserves

A report will be provided to Council in September that will provide any relevant updates to the assessment of the budget gap along with specific proposals to close the gap.

## 10. Scenario planning

- 10.1 At the meeting of the Highland Council on the 30<sup>th</sup> July Members intimated a desire to see further scenario modelling of the 2020/21 outturn position given the number of variables at play. **Appendices 7 and 8** provide a high-level assessment of the potential variances in the key risk areas that underpin the current forecasts, most of which are Covid related. Figures have also been ascribed to risk elements associated with winter and Brexit.
- 10.2 None of the scenarios presented has been modelled in great detail as the substantial body of work has gone into modelling the central forecast assumptions. The figures provided are not intended to provide specific outturn forecasts but merely are intended to convey the exceptional levels of risk and uncertainty that currently face the Council.
- 10.3 The situation that actually transpires at year end may reflect a combination of a factors from a number of the different scenarios presented so the actual year end position may be within the overall range indicated. It is possible however that a year end position that is better than the most optimistic scenario, or worse than the most pessimistic one, actually comes to pass.
- 10.4 The figures reported in **Appendix 1** reflect the 'central scenario'. In this scenario a continued progression out of lockdown restrictions is assumed. This scenario contains many cost assumptions already provided to Members, such as those related to the schools return, and includes the mitigating impact of already confirmed additional government funding streams. In this central scenario a residual budget gap of £28.259m is forecast.
- 10.5 A more optimistic, and a more pessimistic, assessment of this central scenario are provided in **Appendix 7**. In both of these scenarios there is no reversion to a second lockdown. The more optimistic scenario is positive about the potential further funding streams that could be received from government along with the impact of management controls and actions put in place. This optimistic scenario sees the potential for a balanced budget to be returned at year end. In the more pessimistic scenario the already felt impacts of Covid become amplified throughout the remainder of the year and no

further government funding is assumed. In this more pessimistic scenario the budget gap increases to £43.68m.

- 10.6 A scenario where there is no second lockdown may incorporate elements of both the optimistic and pessimistic scenarios. There are positive signs that additional government funding may be forthcoming which would be of benefit to the overall position, however certain aspects of the pessimistic position may also occur.
- 10.7 Two scenarios of a second lockdown are presented in **Appendix 8**, one optimistic and one pessimistic. Again, the provision of additional government funding reflects the most significant difference between these two scenarios. The more pessimistic scenario also includes a more magnified impact of already experienced additional costs and income loss.
- 10.8 The range of the two second lockdown scenarios spans a budget gap of £4.26m in the optimistic scenario to a gap of £63.0m in the more pessimistic one. In the optimistic scenario the majority of additional costs/response activities are either contained within existing resources or met by additional government funding (such as further income losses being offset by government income recompense scheme). The more pessimistic scenario suggests that we are not yet through the worst of the crisis and that the full magnitude of its impacts are still to be revealed. It is likely that elements of both the positive and negative scenarios may transpire in any second lockdown scenario.

Designation: Executive Chief Officer- Resources and Finance

Date: 4<sup>th</sup> August 2020

Author: Edward Foster, Head of Corporate Finance

Background Papers:

[https://www.highland.gov.uk/download/meetings/id/76798/item\\_13\\_budget\\_impact\\_of\\_covid-19\\_%E2%80%93\\_understanding\\_the\\_gap](https://www.highland.gov.uk/download/meetings/id/76798/item_13_budget_impact_of_covid-19_%E2%80%93_understanding_the_gap)

[https://www.highland.gov.uk/download/meetings/id/76701/item\\_6\\_annual\\_accounts\\_2019\\_2020\\_and\\_revenue\\_budget\\_2021](https://www.highland.gov.uk/download/meetings/id/76701/item_6_annual_accounts_2019_2020_and_revenue_budget_2021)

[https://www.highland.gov.uk/download/meetings/id/76661/item\\_5\\_covid-19\\_financial\\_resilience](https://www.highland.gov.uk/download/meetings/id/76661/item_5_covid-19_financial_resilience)

[https://www.highland.gov.uk/download/meetings/id/76543/item\\_3\\_revenue\\_budget\\_2021\\_to\\_2023](https://www.highland.gov.uk/download/meetings/id/76543/item_3_revenue_budget_2021_to_2023)



<b>Revenue Expenditure Monitoring Report -General Fund Summary</b>
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<b>1 April to 30 June 2020</b>
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	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
<b>Table A: By Service</b>				
Communities & People/Place	9,389	33,179	38,019	4,840
Education & Learning	47,521	209,941	222,865	12,924
Health, Wellbeing & Social Care	12,290	148,510	150,761	2,251
Infrastructure & Environment and Economy	15,876	28,492	39,408	10,916
Performance & Governance	1,177	4,378	4,868	490
Property & Housing	11,013	66,876	69,954	3,078
Resources & Finance	7,115	24,002	24,581	579
Transformation	563	2,770	2,770	0
Welfare Services	4,354	6,362	7,561	1,199
<b>Service Total</b>	<b>109,298</b>	<b>524,510</b>	<b>560,787</b>	<b>36,277</b>
Valuation Joint Board	244	2,984	2,984	0
Non Domestic Rates reliefs	662	671	671	0
Loan Charges	0	55,795	55,795	0
Unallocated Budget	0	14,501	3,120	(11,381)
Unallocated Corporate Savings	0	(1,146)	(445)	701
<b>Total General Fund Budget</b>	<b>110,204</b>	<b>597,315</b>	<b>622,912</b>	<b>25,597</b>

<b>Table B: By Subjective</b>				
Staff Costs	85,918	366,106	348,612	(17,494)
Other Costs	117,616	454,631	535,763	81,132
<b>Gross Expenditure</b>	<b>203,534</b>	<b>820,736</b>	<b>884,375</b>	<b>63,638</b>
Grants	(72,511)	(87,340)	(156,021)	(68,681)
Other Income	(20,819)	(136,081)	(105,442)	30,639
<b>Total Income</b>	<b>(93,331)</b>	<b>(223,421)</b>	<b>(261,463)</b>	<b>(38,042)</b>
<b>Total Revenue Expenditure</b>	<b>110,204</b>	<b>597,315</b>	<b>622,912</b>	<b>25,597</b>

<b>Table C: Appropriations to Reserves</b>				
Contribution to earmarked balances	0	1,685	1,685	0
Contribution to non-earmarked balances	0	7,798	7,798	0
Affordable housing contribution from 2nd homes council tax	0	2,900	2,900	0
Contribution to Other reserves	0	0	0	0
<b>Total Contributions to Balances</b>	<b>0</b>	<b>12,383</b>	<b>12,383</b>	<b>0</b>

<b>Table D: Financed By</b>				
Aggregate External Finance as notified	80,952	473,999	473,999	0
Additional resources	0	0	0	0
Council Tax	29,252	131,715	129,053	(2,662)
Use of earmarked balances	0	3,984	3,984	0
Use of non earmarked balances	0	0	23,249	23,249
Budget deficit requiring funding	0	0	5,010	5,010
Use of other reserves	0	0	0	0
<b>Total General Fund Budget</b>	<b>110,204</b>	<b>609,698</b>	<b>635,295</b>	<b>25,597</b>

<b>Revenue Expenditure Monitoring Report -General Fund Summary</b>
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<b>1 April to 30 June 2020</b>
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Staff Costs Variance £000	Other Costs Variance £000	Grants Variance £000	Other Income Variance £000	Total Variance £000
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**Table A: By Service**

Communities & Place	(3,921)	654	(50)	8,157	4,840
Education & Learning	(3,117)	16,140	(179)	80	12,924
Health & Social Care	(3,111)	2,107	(41)	3,296	2,251
Infrastructure & Environment	(4,230)	69,607	(68,489)	14,028	10,916
Performance & Governance	(98)	(73)	12	649	490
Property & Housing	(2,963)	2,381	100	3,560	3,078
Resources & Finance	(54)	(270)	34	869	579
Transformation & Economy	0	0	0	0	0
Welfare Services	0	1,267	(68)	0	1,199
Valuation Joint Board	0	0	0	0	0
Non Domestic Rates reliefs	0	0	0	0	0
Loan Charges	0	0	0	0	0
Unallocated Budget	0	(11,381)	0	0	(11,381)
Unallocated Corporate Savings	0	701	0	0	701
<b>Total General Fund Budget</b>	<b>(17,494)</b>	<b>81,132</b>	<b>(68,681)</b>	<b>30,639</b>	<b>25,597</b>

<b>Revenue Expenditure Monitoring Report - Housing Revenue Account Summary</b>
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<b>1 April to 30 June 2020</b>
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	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
Staff Costs	2,448	12,431	11,011	(1,420)
Other Costs	8,426	22,994	23,980	986
Loan charges and interest	0	20,997	20,997	0
<b>Gross Expenditure</b>	<b>10,874</b>	<b>56,422</b>	<b>55,988</b>	<b>(434)</b>
House Rents	(12,047)	(52,998)	(52,766)	232
Other rents	(762)	(2,987)	(2,934)	53
Other income	304	(375)	(226)	149
Interest on Revenue Balances	0	(62)	(62)	0
<b>Gross Income</b>	<b>(12,505)</b>	<b>(56,422)</b>	<b>(55,988)</b>	<b>434</b>
<b>Total HRA</b>	<b>(1,631)</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Revenue Expenditure Monitoring Report - General Fund Budget</b>
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<b>1 April to 30 June 2020</b>
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	£m	£m
<b>Budget as Agreed by Highland Council on 5 March</b>		<b>625.834</b>
Less : Contributions to Reserves included in Agreed Budget		
Contribution to non-earmarked balances	(4.909)	
Contribution to earmarked balances (Elections Fund, Highland Deal for Sustainable Future, Rural Transport Projects, Play Parks)	(1.685)	
Affordable housing contribution from 2nd homes council tax	<u>(2.900)</u>	(9.494)
Less : Ring-fenced Grants (Gaelic, Criminal Justice, Attainment Funding, Early Years)		(30.718)
<b>Grant Funding Redeterminations</b>		
Criminal Justice Social Work (ring-fenced grant)	(0.017)	
Covid19 - Additional Funding Support	7.357	
Covid19 - Hardship Fund	2.373	
Covid19 - Food Fund	1.199	
Covid19 - Scottish Welfare Fund Increase	0.738	
Covid19 - Death Registration Service	<u>0.026</u>	
	11.676	
Less : Redeterminations of Ring-fenced Grants	<u>0.017</u>	11.693
<b>Use of Non-earmarked Balances</b>		
		<u>0.000</u>
<b>Use of Earmarked Balances</b>		
BRIS	1.095	
		<u>1.095</u>
<b>Use of Other Reserves</b>		
		<u>0.000</u>
<b>Contribution to Earmarked Balances</b>		
		<u>0.000</u>
<b>Contribution to Other Reserves</b>		
		<u>0.000</u>
<b>Presentational Adjustments</b>		
Offset BRIS income budget against 2019/20 earmarked BRIS	(1.095)	
		<u>(1.095)</u>
<b>Total General Fund Budget at 30 June 2020</b>		<u><u><b>597.315</b></u></u>

<b>Revenue Expenditure Monitoring Report - General Fund Budget</b>
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<b>1 April to 30 June 2020</b>
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**Table A : Unallocated Budget**

	£m
Roads investment	2.293
Energy	0.309
Rates	0.230
Demographics (increasing school rolls)	0.175
Fuel	0.153
Budget to offset potential shortfall in service income	0.096
Revenue consequences of capital - flooding	0.050
Grant Funding - 1 + 2 Languages	0.132
Grant Funding - Access to Sanitary Products - Public Bodies	0.109
Grant Funding - Covid19 - Additional Funding Support	7.357
Grant Funding - Covid19 - Hardship Fund	2.373
Grant Funding - Covid19 - Food Fund	1.199
Grant Funding - Covid19 - Death Registration Service	0.026
Roundings	(0.001)
Unallocated Budget at 30 June 2020	<b>14.501</b>

**Table B : Unallocated Corporate Savings**

	£m
Procurement	(0.725)
Property Asset Management	(0.326)
Full costs recovery on events and festivals	(0.050)
HR/recruitment/workforce planning	(0.025)
ICT corporatisation	(0.020)
Unallocated Corporate Savings at 30 June 2020	<b>(1.146)</b>

<b>Revenue Expenditure Monitoring Report - General Fund Budget</b>
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<b>1 April to 30 June 2020</b>
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**General Fund Balance**

	Earmarked balances £m	Non- earmarked balances £m	Total £m
General Fund Balance at 1 April 2020 (unaudited)	20.255	15.451	35.706
(Use of)/contribution to balances included in budget as agreed by Highland Council on 5 March 2020	1.685	4.909	6.594
Removal of earmarking (DSM)	(2.889)	2.889	0.000
Use of balances per Appendix 4	(1.095)	0.000	(1.095)
Contribution to balances per Appendix 4	0.000	0.000	0.000
Movement in balance per Appendix 1	(2.299)	7.798	5.499
Net service overspend per Appendix 1	0.000	(25.597)	(25.597)
Appropriations to other reserves	0.000	0.000	0.000
Council tax shortfall	0.000	(2.662)	(2.662)
General Fund Balance at 30 June 2020	<u>17.956</u>	<u>(5.010)</u>	<u>12.946</u>

Factor	Central case	No second lockdown- optimistic		No second lockdown- pessimistic	
	Assumptions	Assumptions	Impact £m	Assumptions	Impact £m
Staffing costs	Current overall staffing levels maintained	Current recruitment controls remain in place all year. Only critical recruitment happens for posts which for the most part are filled internally. Some staff who retire or leave are not replaced resulting in further workforce reductions.	-1.50	Some degree of additional recruitment is required to ensure the safe provision of key Council services	2.00
Contract costs	Full year pressures on known transport contracts reflected. No allowance for unknown contractual pressures	Transport contractual pressures reduce as alternative delivery models identified. No further pressures emerge.	-1.00	Transport contractual pressures cannot be mitigated. Further pressures emerge across external contracts generally with particular pressure on re-letting those that expire during the course of the year..	3.00
NHS Highland- Adult Social Care	Any additional adult social care costs (which may come from demand increases as well as increasing contractual costs) are fully funded by additional government funding direct to NHS Highland as intimated by Health Secretary.	As current case.	0.00	Insufficient government funding to meet additional social care costs leaves NHS seeking additional funding contribution from Council (£2m reflects 2% of total annual ASC payment)	2.00
Savings delivery	Non-delivery of certain savings, principally those related to income generation, reflected in service positions and in unallocated savings line.	Improved delivery of both corporate and service specific savings however no improvement in income-related savings	-0.75	Some savings previously assessed as green not fully delivered	1.00
Impact of management controls (non-staffing)	Below budget spend forecast across a wide variety of budget heads.	Management controls restricting all but essential spend further reduce non-staffing spend from currently forecast levels.	-4.00	As current case.	0.00
BRIS funding (Business Rate Incentivisation Scheme)	Assumed that all BRIS funding due will be received	As current case, BRIS income fully received in 2020/21	0.00	Government changes to BRIS scheme due to low business rates recovery in 20/21 means income not forthcoming	1.10
Schools return	£11.626m of additional costs forecast, in line with position reported to Education Committee on 2nd July	Additional transport costs reduce as distancing on school and public buses relaxes and more cost effective methods identified. (Potential additional government funding included on line below)	-2.32	Prioritisation of schools return may require 'whatever it takes approach' seeing additional cost requirements across transport, cleaning, absence cover and other headings. 20% increase on current cost estimates	2.32
Government funding	Only funding streams where formal confirmation of funding has been received are reflected in the position. This totals £11.963m as reported to Council on 31st July.	Additional funding from government from income recompense scheme (£12m), funding to cover some schools return costs (£1m), assumed share of £49m Barnett consequentials (£2.25m).	-15.25	As current case.	0.00
Children's social care	Current expenditure trends continue with further increases in numbers of children looked after.	Number of placements at peak level currently with graduated reduction over remainder of year.	-1.00	Increase in number of children looked after increases at higher rate than anticipated as economic and societal impacts of Covid hit home	1.00
Recovery costs (excluding specific items, schools return and children's social care, detailed individually above)	Support for HLH and Eden Court of over £3m reflected in Education service monitoring position. Non schools water safety and property return costs of £2.3m included in Housing and Property position.	HLH and EC's most positive modelled positions come to pass with some reductions in non-schools return costs	-2.50	Continued restrictions, particularly in leisure sector, mean recovery in this area is slower than current scenario	1.00
Second lockdown- mobilisation costs and impact on income	Assumption of no second lockdown and continued gradual progression out of first lockdown.	N/A		N/A	
Severe winter	Normal winter forecast with spend on budget	Normal winter forecast with spend on budget	0.00	Worse than average winter (based on 18-19 overspend)	1.00
Brexit	No Brexit impact on 20/21 outturn	No negative impact of Brexit	0.00	Brexit begins to impact across certain expenditure heads and income streams (impact relatively limited due to timing in year)	1.00
<b>TOTAL</b>			<b>-28.32</b>		<b>15.42</b>
Current budget gap			28.26		28.26
Updated gap if scenario transpires			-0.06		43.68

	Central case	Second lockdown- optimistic		Second lockdown- pessimistic	
Factor	Assumptions	Assumptions	Impact £m	Assumptions	Impact £m
Staffing costs	Current overall staffing levels maintained	Current recruitment controls remain in place all year. Only critical recruitment happens for posts which for the most part are filled internally. Some staff who retire or leave are not replaced resulting in further workforce reductions.	-1.50	Some degree of additional recruitment is required to ensure the safe provision of key Council services	2.00
Contract costs	Full year pressures on known transport contracts reflected. No allowance for unknown contractual pressures	Transport contractual pressures reduce as alternative delivery models identified. No further pressures emerge.	-1.00	Transport contractual pressures cannot be mitigated. Further pressures emerge across external contracts generally with particular pressure on re-letting those that expire during the course of the year. Pressures heightened due to second lockdown	5.00
NHS Highland- Adult Social Care	Any additional adult social care costs (which may come from demand increases as well as increasing contractual costs) are fully funded by additional government funding direct to NHS Highland as intimated by Health Secretary.	As current case.	0.00	Insufficient government funding to meet additional social care costs leaves NHS seeking additional funding contribution from Council. Worsened position due to second lockdown (£4m reflects 4% of total annual ASC payment)	4.00
Savings delivery	Non-delivery of certain savings, principally those related to income generation, reflected in service positions and in unallocated savings line.	Improved delivery of both corporate and service specific savings however no improvement in income-related savings	-0.75	Some savings previously assessed as green not fully delivered	1.00
Impact of management controls (non-staffing)	Below budget spend forecast across a wide variety of budget heads.	Management controls restricting all but essential spend further reduce non-staffing spend from currently forecast levels.	-4.00	As current case.	0.00
BRIS funding (Business Rate Incentivisation Scheme)	Assumed that all BRIS funding due will be received	As current case, BRIS income fully received in 2020/21	0.00	Government changes to BRIS scheme due to low business rates recovery in 20/21 means income not forthcoming	1.10
Schools return	£11.626m of additional costs forecast, in line with position reported to Education Committee on 2nd July	Second lockdown leads to school closures or operation with reduced numbers and blended learning. No further additional costs over those included in current scenario	0.00	Prioritisation of schools return may require 'whatever it takes approach' seeing additional cost requirements across transport, cleaning, absence cover and other headings. 40% increase on current cost estimates	4.64
Government funding	Only funding streams where formal confirmation of funding has been received are reflected in the position. This totals £11.963m as reported to Council on 31st July.	Income recompense scheme in place (£12m) and extended (£7m) to cover full year losses, including those from second lockdown. Further government funding received for schools return (£1m) and other general Covid response funding (£3.25m)	-23.25	As current case.	0.00
Children's social care	Current expenditure trends continue with further increases in numbers of children looked after.	As current case	0.00	Second lockdown accelerates breakdown of existing care arrangements requiring new placements	2.00
Recovery costs (excluding specific items, schools return and children's social care, detailed individually above)	Support for HLH and Eden Court of over £3m reflected in Education service monitoring position. Non schools water safety and property return costs of £2.3m included in Housing and Property position.	As current case. Extension of furlough scheme provides additional support.	0.00	Particular pressure felt by partners as furlough scheme ends but income does not recover. Some, but limited, adverse impact on HC property costs.	3.00
Second lockdown- mobilisation costs and impact on income	Assumption of no second lockdown and continued gradual progression out of first lockdown.	Further reduction of fee and charge income (£5m). Mobilisation costs incurred in relation to food, childcare, homelessness (£1.5m) but mitigated by redeploying existing resources and additional government funding	6.50	Further reduction of fee and charge income (£7.5m). Mobilisation costs incurred in relation to food, childcare, homelessness (£2.5m)	10.00
Severe winter	Normal winter forecast with spend on budget	Normal winter forecast with spend on budget	0.00	Worse than average winter (based on 18-19 overspend)	1.00
Brexit	No Brexit impact on 20/21 outturn	No negative impact of Brexit	0.00	Brexit begins to impact across certain expenditure heads and income streams (impact relatively limited due to timing in year)	1.00
<b>TOTAL</b>			<b>-24.00</b>		<b>34.74</b>

Current budget gap	28.26	28.26
<b>Updated gap if scenario transpires</b>	<b>4.26</b>	<b>63.00</b>