

Agenda Item	10.
Report No	CP/20/20

THE HIGHLAND COUNCIL

Committee: Communities and Place Committee

Date: 25th November 2020

Report Title: Communities and Place Revenue Monitoring Report to 30th September 2020

Report By: ECO Communities and Place

1. Purpose/Executive Summary

- 1.1 This report details the revenue budget monitoring for Q2. It shows income and expenditure budgets and the forecast out-turn for 2020/21. It also describes progress being made with the savings agreed for the service this year.
- 1.2 Covid disruption to expenditure, income and savings continues to be seen in Q2 monitoring. Expenditure is below profile at £35.441m. Income is even further below profile at £16.586m. The revised budget gap by year end has reduced from £4.84m reported in Q1 to £3.272m as at the end of September.
- 1.3 Work continues to apportion budgets and savings to the new service structure. An income project has begun in the service to clarify income sources and targets and to develop a monthly profile to improve income forecasting and to enable mitigation where risks are found. Expenditure controls will continue, income will continue to be pursued and all potential Government grant funding will be claimed to try and reduce the budget gap further.

2. Recommendations

- 2.1 Members are asked to note:
 - i. the improved outturn forecast from Q1 with the budget gap forecast to reduce from £4.84m to £3.272m;
 - ii. that the budget gap reported is associated mainly with shortfalls in income, disrupted by Covid;
 - iii. the achievement of savings is hampered by covid impacts, although £646k are achieved, a further £330k partially achieved so far and only £71k not achievable this year. Work continues to apportion all savings agreed to the new service structure;

- iv. expenditure controls, including for recruitment, are helping to reduce the budget gap;
- v. on-going mitigation will include expenditure controls, income recovery and claiming all potential Government grant; and
- vi. an income project to clarify, manage and forecast income better is underway in the service to help reduce risks to the overall budget.

3. Implications

3.1 Resource

This report describes the revenue budget position, the revised budget gap and the management action underway to try and mitigate the gap further. Covid disruption is significant and not all income budgeted is expected to be recovered this year.

3.2 Legal

The service runs many statutory services across all teams. Fee and grant income are permitted for some of these services. The service continues to respond to Covid as part of our statutory resilience approach. There are new duties falling to the Environmental Health Team and to some extent the registrar team arising from Brexit. These also affect the service resources.

3.3 Community (Equality, Poverty, Rural and Island)

Developing our humanitarian response to covid and aligning it to welfare benefits and rights continues to evolve. A separate item on this agenda considers how further devolution of budget and priorities could take place for play parks.

3.4 Climate Change / Carbon Clever

Q2 staff travel remains lower than the same period last year due to Covid restrictions. This will mean carbon emissions associated with staff travel will be lower this year. This will be reported corporately.

3.5 Risk

The biggest risk to the C&P service budget is the reliance on income to off-set costs. Although the budget gap is reducing from Q1, it is not likely that all income budgeted will be recovered. The income project described in the report will help us to plan income better going forward and to take mitigating action earlier. There are still new risks that may arise to the budget from any new Covid restrictions and EU Exit impacts. Ongoing mitigation described in the report should reduce the risk of the budget gap growing.

3.6 Gaelic

There are no risks associated with Gaelic arising from this report.

4. Background to Quarter 2 service position

4.1 The position at the end of Quarter 2 is shown on Appendix 1 for the net budget. Further detail on income and expenditure is provided at Appendix 2.

4.2 The key points are:

- with gross expenditure at £35.441m at Q2, expenditure is £7.6m under profile halfway through the year. This has arisen from a combination of service disruption during lockdown and effective controls in both staffing and other costs;
- income is nearly £10m below target at £16.5m due to Covid disruption. Income is not expected to be recovered in full by the end of the financial year. An overall shortfall by end of March 2021 of £3.742m is forecast at Q2;

- the net budget position reported at mid-year is £18.855m against an annual net budget of £33.735m;
- the out-turn forecast is improved from Q1 monitoring with the budget gap now forecast at £3.2m, down from £4.84m; and
- the budget gap affects all areas of service as reported and this is because all areas rely on income to balance the budget.

4.3 There are some changes to annual budgets compared to Q1 monitoring. This includes the £536k additional funding allocated for Covid Ward Discretionary Budgets now shown in the service budget. It was previously unallocated during Q1.

4.4 Work is still underway to complete the apportionment of budgets to the new ECO structure. For Quarter 2 insurance costs have been apportioned and explains the small adjustments to the annual waste budgets. Some further staff moves are confirmed and accounts for the changes in the Customer Contact Team budget, with the team changes reported to the last meeting of the Committee, and the Travel Desk budget. Further refinements will be made through the rest of the year and reported in future monitoring as work continues to confirm and align budgets to the new service structure.

5. Service budget variances

5.1 The greatest risk to the Communities and Place budget is the underachievement of income. A project is now underway in the Service and working with the Finance Team:

- to show clearly the source of all income expected. Income is external from other public bodies, Government grant, business, household and individual customers. It is also internal from other services (gathered by re-charge or set out in Trading Accounts);
- to set out the income targets budgeted for each team and for each line in the budget;
- to develop a monthly profile of income expected, based on historic trends over 3 years; and
- to develop a risk profile for each income source linked to the monthly profile above to create an early warning system that flags when income is not on track so we can take mitigating action and highlight a potential budget pressure.

5.2 This project will not only help us to manage and forecast income better but also inform a wider corporate review of the practice of internal service re-charging and the requirement for trading accounts to be used.

5.3 The waste budgets comprise 74% of the net service budget. Income generated is normally expected to cover collection costs from commercial and household waste. Despite the late start to the garden waste collection this year, income of £1.168m was recovered by Q2 and is now at £1.207m; £137k below target. There is some concern that ongoing increases in charges beyond 2020/21 may result in a loss of income as to date 2900 fewer permits have been sold in the current year (falling from 29800 customers in 2019/20 to 26800 customers in this year to date). These issues will be taken into account in future budget setting.

5.4 The team has worked hard to recover other commercial waste income also disrupted through Covid and lockdown. By Q2, £2.3m (77%) was on target to be recovered and this has since increased to £2.4m (80%). Original plans to grow income further are on hold while income recovery is being pursued.

- 5.5 Over £10m of annual expenditure is required for 17 seventeen separate processing and haulage contracts with the private sector. This year contract re-negotiation has been undertaken for 6 key contracts. The Council approved £603k additional budget for 2020/21 to deal with inflationary and other contract price increases. The new prices agreed were within these limits. This along with an expected reduction in waste arisings is leading to a forecast underspend on waste transfer, haulage and landfill of £659k. As previously reported our budget for landfill tax payments this year is £7.8m. A separate report on progress with developing new waste transfer stations agreed is provided for this Committee meeting. These would require capital investment but would bring future revenue benefits.
- 5.6 All three public health and bereavement services budgets have forecast budget pressures.
- 5.7 In Environmental Health (EH) unplanned expenditure on an animal welfare case is contributing to this pressure. Covid expenditure also has an impact with the costs associated with additional deaths planning (temporary mortuaries). Income from export health certificates was lost during lockdown.
- 5.8 The EH team also has new workload which will impact on the budget from Q3. This relates to:
- supporting business to comply with Covid requirements. Government grant of £110k has been confirmed to assist and four temporary compliance officers are being recruited to support this activity. This will show in future monitoring statements;
 - supporting public health around Test and Protect. No additional Government funding is available for this EH work. Given the need to respond to cases identified over weekends and over the Christmas period, a standby rota is being developed to ensure cover in a managed way. This will bring a further budget pressure from Q3 onwards;
 - in supporting exporting business to be ready for EU Exit. This includes engagement with fishing vessels prior to 31.12.20 and continuing to process export health certificates (EHCs). Government funding has been approved to support fishing vessel inspection and cost recovery may be around £10k and will be claimed in Q4. The demand for EU EHCs is uncertain but could reach 11000 in a year. A charge can be made for EHCs and this is being reviewed and is subject to a separate report at this committee. Government funding support for environmental health EU preparation work has not been confirmed but is being discussed between UK and Scottish Governments.
- 5.9 In bereavement services the income target associated with the sale of lairs is unlikely to be achieved this year and is creating a budget pressure. This is affected by the restrictions on sales where we have insufficient burial ground capacity. This was reported to the last meeting of the Committee. An additional income target of £21k from lairs is provisionally set for 2021/22 but will need to be re-visited.
- 5.10 The grounds maintenance budget has pressures associated with £864k of unachievable income. This is related to the lockdown period and the reduction in seasonal workforce experienced this year.
- 5.11 Ward and policy budgets are not expected to overspend. Government grant of £651k has been claimed but not yet awarded for costs associated with humanitarian assistance. This grant should show in Q3 monitoring.

- 5.12 Customer service budgets show a pressure from underachieved income in the Registrar Service relating to service disruption during lockdown. The Customer Services Team is currently involved in making outbound calls to support people required to self-isolate through the Test and Protect programme. The Government has indicated funding support for this telephony service, but details are to be confirmed. This grant income may not show until Q4.
- 5.13 In the stores and logistics budget a significant pressure of £825k is forecast to the end of year for fleet. This is mostly an issue with re-charging other services. During lockdown leased vehicles not in use still had to be paid for. Fleet savings in other service budgets will be found, but the lease cost sits with the Communities and Place budget. There are additional fleet costs for the service this year relating to additional small vehicles used to support social distancing among waste collection and amenities staff and for food distribution. Income of at least £150k will be shown in future monitoring to cover the latter costs, drawing on the grant identified in paragraph 5.11.
- 5.14 Given the reduction in business travel this year as more office-based work is done from home, a reduction in the contract for the car club is being negotiated. During October 16 car club vehicles were off hired. Work is ongoing to review the high grey fleet users and to allocate them a dedicated car club or pool car to reduce the cost of miles claimed. The fleet team is working with the H&S team to finalise Covid risk assessments that will enable more widespread use of the car club vehicles. Further reports on fleet operations are provided separately for this Committee meeting.
- 5.15 The budget for service leadership and administration is currently forecasting a pressure of £115k. This budget still has to have managerial and administrative costs apportioned from the former Community Services. This should be completed for Q3 monitoring.

6. Savings

- 6.1 Savings agreed for the service for 2020/21 are shown at Appendix 3. Savings have been 'ragged' to identify:
- those on track for delivery or already delivered (green). These savings total £646k;
 - those where there is a delay or only partial savings are possible (amber). These total £330k and underachievement relates to Covid disruption to some income targets; and
 - those where the saving will not be achieved (red). These total £71k. Two of these savings relate to Covid impacts on identifying new income savings and another relates to the suspension of capital spend due to Covid impacts, with the permission to procure waste compactors provided at Council in October. That procurement is now underway, and this latter saving will be met in full next year
- 6.2 Some of the savings are still being checked for correct apportionment across the new Service structure. These are shown on the appendix and are not yet 'ragged'. They amount to £428k. All savings and income targets are included in the budget setting at the start of the year, so these savings are accounted for in service budgets and where they are not being achieved, they are included in budget pressures reported. It may be that some further movement to different budgets is required and this will be completed during Q3. Any remaining within the C&P service will be 'ragged' in future reporting. Members will note that £75k of savings identified will move to other services in future budget reporting.

7. On-going mitigation

7.1 To try and reduce the budget gap even further, within the Service we are:

- continuing to try to recover internal and external income;
- continuing to control expenditure, including on recruitment;
- claiming all appropriate Government grants;
- pursuing savings where possible; and
- undertaking the income project described above.

7.2 There are ongoing risks in the budget, and these include any further disruption that may arise from our response to Covid and EU exit impacts, particularly in relation to income for the Environmental Health team.

Designation: ECO Communities and Place

Date: 6.11.20

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Communities and Place Service Net Budget 2020/21 – September Monitoring

	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Waste Management Services	24,998	7,878	25,688	690
Public Health & Bereavement Services	2,240	1,135	2,730	490
Community Spaces	2,235	1,793	2,983	748
Community Support, Contact & Engagement	2,961	2,229	3,059	98
Stores & Logistics	533	5,132	1,346	813
Leadership & Administration	768	688	1,201	433
TOTAL	33,735	18,855	37,007	3,272
BY SUBJECTIVE				
Staff Costs	45,794	20,366	43,863	(1,931)
Other Expenditure	40,305	15,075	41,766	1,461
Gross Expenditure	86,099	35,441	85,629	(470)
Grant Income	(248)	36	(280)	(32)
Other Income	(52,116)	(16,622)	(48,342)	3,774
Total Income	(52,364)	(16,586)	(48,622)	3,742
NET TOTAL	33,735	18,855	37,007	3,272

Communities and Place Service Budget (income and expenditure) 2020/21 – September Monitoring

	GROSS EXPENDITURE				GROSS INCOME				NET TOTAL			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Annual Budget	Actual YTD	Year End Estimate	Year End Variance	Annual Budget	Actual YTD	Year End Estimate	Year End Variance	Annual Budget	Actual YTD	Year End Estimate	Year End Variance
BY ACTIVITY												
Waste Management Services												
Kerbside Refuse Collections	11,780	4,907	11,786	6	(11,814)	(5,260)	(10,251)	1,563	(34)	(353)	1,535	1,569
Waste Disposal (Transfer, Haulage & Landfill)	16,667	5,476	15,650	(1,017)	(2,979)	(1,173)	(2,621)	358	13,688	4,303	13,029	(659)
Recycling Centres, Transfer & Treatment	17,725	6,815	17,601	(124)	(8,455)	(3,434)	(8,321)	134	9,270	3,381	9,280	10
Street Cleaning	4,959	1,725	4,936	(23)	(2,885)	(1,178)	(3,092)	(207)	2,074	547	1,844	(230)
Public Health and Bereavement Services												
Environmental Health & Regulation	3,098	1,392	3,138	40	(804)	(95)	(614)	190	2,294	1,297	2,524	230
Bereavement Services, Burials & Cremations	4,696	2,041	4,687	(9)	(5,728)	(2,550)	(5,531)	197	(1,032)	(509)	(844)	188
Public Conveniences	1,180	397	1,121	(59)	(202)	(50)	(71)	131	978	347	1,050	72
Community Spaces												
Grounds Maintenance & Play Areas	7,693	3,271	7,577	(116)	(5,458)	(1,478)	(4,594)	864	2,235	1,793	2,983	748
Community Support, Contact and Engagement												
Ward & City Management	627	448	577	(50)	0	(71)	(17)	(17)	627	377	560	(67)
Ward Discretionary Grant	872	257	872	0	0	0	0	0	872	257	872	0
Policy & Community Support Co-ordination	372	251	322	(50)	12	273	(19)	(31)	384	524	303	(81)
Customer Contact (Service Points, Service Centre & Registrars)	1,695	1,226	1,556	(139)	(617)	(155)	(232)	385	1,078	1,071	1,324	246
Stores and Logistics												
Fleet & Plant	11,915	5,434	12,618	703	(12,095)	(875)	(11,973)	122	(180)	4,559	645	825
Stores	1,329	820	1,493	164	(882)	(351)	(1,014)	(132)	447	469	479	32
Travel Desk	266	104	222	(44)	0	0	0	0	266	104	222	(44)
Administration												
Service Leadership	1,225	582	1,155	(70)	(457)	(189)	(272)	185	768	393	883	115
COVID-19	0	295	318	318	0	0	0	0	0	295	318	318
TOTAL	86,099	35,441	85,629	(470)	(52,364)	(16,586)	(48,622)	3,742	33,735	18,855	37,007	3,272

Service savings 2020/21: progress against target

Appendix 3

Service Ref (24/12/19 Version)	Theme Ref	Service - New Structure	Saving Owner	Budget Area	Savings Description	2020/21 Savings £m	Service Ragging Nov 2020
CS/23 (HC140219)	2.9 (HC140219)			Community Services Increase all other charges	Graduated % increases in fees and charges within the CS service £636,000		
	2.9 (a)	C&P	Alan McKinnie	Waste Management Services	Commercial waste collection, bulky uplifts, garden waste, scrap metal and sale of wheelie bins	0.233	
	2.9 (b)	C&P	Alan Yates	Public Health & Bereavement Services	Burial and cremation fees, sale of lairs and foundations and fish export licenses	0.097	
	2.9 (d)	To be confirmed	Various		Miscellaneous income	0.146	
CS/4	1.11			Community Services - Service wide	Review of several contracts and services £263,000		
	1.11 (a)	C&P	Alan Yates	Public Health & Bereavement Services	Pest Control & kennel charges	0.006	
	1.11(b)	C&P	Caroline Campbell	Amenity Services	Garden & horticultural supplies	0.009	
	1.11 (e)	To be confirmed	Various		Tools, materials, water coolers, PPE and postages & printing	0.168	
CS/8	3.8	C&P	Caroline Campbell	Amenities	Review of amenities and grounds maintenance functions	0.200	
CS/21 (HC140219)	2.21 (HC140219)	C&P	Alan McKinnie	Waste Management - Restrictions on accepted waste	Restrictions in place at Household Waste Recycling Centres (HWRCs) to prohibit vans, trailers and other large vehicles from using HC centres.	0.150	
CS/7	3.10	C&P	Caroline Campbell	Stores	Review of stores function	0.100	
CS/22 (HC140219)	1.24 (HC140219)	C&P	Alan McKinnie	Waste Haulage/Processing Contracts	To be reviewed from Sept 19. Potential to bring some of this back in-house.	0.075	
CS/20 (HC140219)	1.9 (HC140219)	C&P	Alan McKinnie	Waste Management - Route Optimisation	Full implementation of Route Optimisation	0.050	Budget Feed approved 2020/21
CS/6	3.4	C&P - to be apportioned	Caroline Campbell	Fleet	White fleet review	0.064	
CR/7	3.2	C&P - to be moved to R&F	Caroline Campbell	Online Forms Review	Support for online forms	0.025	
CR/8	3.3	C&P - to be confirmed	Caroline Campbell	Service points	Review of customer service provision	0.050	
CS/2	2.8	C&P	Alan McKinnie	Waste Management	Renegotiated glass recycling contract	0.035	
CS/35	3.1	C&P	Alan McKinnie	Compactors for waste	Compact waste to reduce contract cost	0.026	
CR/19	2.4	C&P	Caroline Campbell	Registrars	Marriage, Civil Ceremonies and Re-naming registration review	0.025	
CS/28 (HC140219)	2.5 (HC140219)	C&P	Alan McKinnie	Income from targeting commercial waste customers	Development of business case to maximise income generation opportunities	0.020	
CS/18 (HC140219)	1.18 (HC140219)	C&P	Alan McKinnie	Waste Management - Increase Recycling	Reduce waste arising from internal practices (especially schools, harbours, workshops)	0.015	
CEO/17	4.3	C&P	Alison Clark	Policy	Reduce interpreter's fees budget	0.005	
CEO/11	4.3	C&P - to be moved to P&G	Kate Lackie	Policy/CLS	Restructure following ECO appointments	0.050	