

Agenda Item	8
Report No	CP/38/21

THE HIGHLAND COUNCIL

Committee: Communities and Place

Date: 10 November 2021

Report Title: Revenue Monitoring Report: 2021/22 Quarter 2

Report By: Executive Chief Officer, Communities and Place

1. Purpose/Executive Summary

- 1.1 This report provides Members with the Quarter 2 (Q2) revenue budget monitoring and the forecast out-turn for end March 2022. The out-turn forecast has improved from Q1, with the over-spend of £792k reported then, now reduced to £414k. This continues to be a cautious forecast and mitigation will continue to enable a balanced budget by year end, focusing on income achievement, control of expenditure and the full draw down of appropriate Covid grants.
- 1.2 Savings this year of £485k will be delivered, with £82k of new income targets at risk of achievement, and these are factored into the out-turn position forecast. The greatest risk to the C&P budget overall is the underachievement of income.
- 1.3 Work continues to develop an external income dashboard for the service, remove any unnecessary internal re-charge and create a new performance framework for the Communities and Place Service with early actions described in the report.

2. Recommendations

2.1 Members are asked to Note:

- i. the Q2 position as shown on Appendices 1 and 2 and that the forecast out-turn position has improved since Q1, with a pressure of £414k reported;
- ii. that 14 of 16 savings will be delivered this year amounting to £485k as shown on Appendix 3, with £82k at risk of delivery but factored into the out-turn position;
- iii. that the greatest risk to the Service budget remains the under achievement of income, with work underway to create a dashboard to improve external income monitoring and interventions and to re-set income targets within the overall Service

- target and to remove unnecessary internal recharge, focusing next on the waste and street cleaning budgets;
- iv. that the requirement for a further budget feed for visitor management expenditure was noted at the Tourism Committee and to be sought through the Corporate Resources Committee from within the overall funding agreed by the Council for visitor management;
 - v. that mitigation will continue to enable a balanced budget by year end focusing on income achievement, expenditure controls and full draw down of relevant Covid grants; and
 - vi. that good progress is being made to develop a performance framework for the C&P Service to enable improved scrutiny by Members.

3. Implications

- 3.1 Resource implications: this report describes the revenue budget at Q2 and the forecast out-turn by end March 2022. As the performance framework for the Service develops, Members will be able to scrutinise performance in the context of Service resources.
- 3.2 Legal implications: 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 response.
- 3.3 Community (Equality, Poverty, Rural and Island) implications: support in response to Covid continues for self-isolation, business advice, vaccination programmes and community testing. Services are continuing to adjust to the relaxation of restrictions to provide responsive services for the community and to assist with recovery. Area Committees are considering how to invest their place-based funds and by mid-October over £400k is identified to support play parks across many Wards. Ongoing resilience support is also being provided.
- 3.4 Climate Change implications: business miles in grey fleet and car club continue to be lower than in pre-Covid periods with positive impacts on carbon emissions; however fleet use has increased in Q1 and 2, associated with the need for additional vehicles for social distancing and in the use of our mobile units supporting vaccination and community testing programmes. The additional vehicles used for the driver + 1 service delivery method ended on the 23rd of August 2021. Where possible electric vehicles for light fleet have been used to avoid any increase in carbon emissions.
- 3.5 Risk implications: the greatest risk to the revenue budget remains the reliance on approximately £11m of external income to balance the budget. The work underway to improve income management and re-set income targets within the overall service income target will help to mitigate this risk.
- 3.6 Gaelic implications: there are no Gaelic implications arising from this report.

4. Overview of revenue budget and savings 2021/22

- 4.1 The service budget as at Q2 is shown in Appendix 1 for the net position and Appendix 2 for the gross position. Progress with savings to be delivered this year is shown in Appendix 3. All savings are already factored into the budget and included in our forecast out-turn by the year end, including the two savings shown not expected to deliver in full. The out-turn forecast has improved from Q1, with the over-spend of £792k reported then, now reduced to £414k. This continues to be a cautious forecast and mitigation will continue to enable a balanced budget by year end.

- 4.2 The net position reported on **Appendix 1** shows that expenditure and income are both under profile six months into the year. Looking ahead, the current forecast for year end is for overspends in bereavement services, maintenance of community spaces, stores and fleet and some administration budgets which can only partially be offset by underspends forecast for waste, community support, contact and engagement. Staff costs are forecast to be under profile by year end, along with income achieved and other expenditure is forecast to be slightly over profile.
- 4.3 The gross position at **Appendix 2** provides further information. The biggest risk to the C&P service budget is around the under achievement of income. Although the total gross income is reported as £43.025m, around £11m of this is income generated externally. Work continues to develop a profile of external income to enable the senior team to understand risk and intervene. This work is being supported by a temporary post working alongside the accountancy team.
- 4.4 This work has clarified the range of income in the fleet budget totalling £3m. This is generated from fleet services provided to support the housing service (HRA funded), the community justice team (ring-fenced Government funding) schools (DSM budgets), our external leasing company for mechanic work, refunds on roads fund licenses and grants for electric vehicles.
- 4.5 The remaining income of nearly £30m will be reviewed as this is a result of internal re-charge and trading accounts, and for which there is balancing expenditure. As this work progresses the budget will be adjusted and easier to manage and report. Now that the fleet budget has been re-set from this review, the next budget area to be reviewed is waste and street cleaning and this should be reported in Q3 monitoring.
- 4.6 The service savings shown as Appendix 3 detail that 14 out of 16 savings are delivered or are on track for delivery, amounting to £485k. The first waste saving listed relates to higher income targets across a range of waste services amounting to £168k of new income. Of that amount only £37k is at risk and this is an improved position from Q1. The over achievement of income in other waste services will compensate for this shortfall in 2021/22. The £45k new income target in the Registrar service is not expected to be achieved as the fee set by the National Records of Scotland (NRS) has not been increased as expected. Where savings are not expected to be achieved, they are to be covered by reduced expenditure elsewhere.

5. Budget variances and mitigation

- 5.1 Overall, the waste budget is forecast to deliver an underspend. In the waste budgets, the review of internal re-charge will more accurately record the budget assigned to waste collections and street cleaning, which will even out the variances shown in Appendix 2. The waste collections budget is under pressure with the growth in households associated with new housebuilding of around 1000 houses each year as well as the targeted growth in commercial customers. The route optimisation project showcased to Members in advance of the Committee meeting highlights the work underway to accommodate new household and commercial customers within the current resources for workforce and vehicles, providing greater efficiency.
- 5.2 In public health and bereavement services all pressures arise from underachievement of income. The forecast out-turn includes:
- £46,764 below the income target from reductions in the sale of export health certificates;

- £135,800 below the income target for the advance purchase of burial lairs. Members have considered reports previously about the constrained capacity in around 30 burial grounds which means we cannot sell lairs in advance. There is a project on burial ground extensions underway and progress is being reported Area Committees; and
 - £11,700 below income target for work on lair foundations.
- 5.3 The public conveniences budget is also forecast to be £67k under the income target set. However, it is forecast to be on target by year end, supported by the funding agreed through the Visitor Management Plan (VMP) and Naturescot for increasing comfort scheme provision. It also assumes that the additional VMP funding required especially for the Storr toilets operation will be secured as considered by the Tourism Committee at its last meeting, and subject to a decision at the Corporate Resources Committee.
- 5.4 The community spaces budget is currently forecast to underachieve income and work is underway to ensure all income budgeted is achieved. Staff costs are under profile for the entire year as we have not been able to recruit to all the seasonal posts this year because of a lack of applicants. The out-turn figure of £98k over-spend assumes that the advance purchase of play bark will be re-charged to area committee budgets where required as the budget for that is devolved to Area Committees. Advance purchase of play bark was undertaken to avoid prolonged delays associated with play equipment removal and play park closure for health and safety reasons. This is reported in the separate report to this Committee on investing in play parks and reported to the Redesign Board in the update on the amenities review.
- 5.5 The various budgets associated with ward management, community support, service points and registrars are forecast to underspend, largely due to unfilled vacancies and the time taken to recruit to vacant posts.
- 5.6 As reported to the Committee in August, the Council agreed one-off investment in 2021/22 in the investment strategy for health and prosperity. For the Communities and Place Service the one-off phase 1 funding comprises of £2.310m for place-based investment, enabling an additional £10k per ward for the Ward Discretionary grants and £100k per Ward to alleviate the four harms of Covid. These are shown in the budget in Appendix 2.
- 5.7 The Place Based Investment funding is flexible and can be committed up until the end of the current financial year. By the end of Q2:
- 15 wards had committed and agreed spend against their Place Based Investment Fund.
 - £1,121,000 has been committed to date representing just over half of the total fund of £2.1m.
 - Further proposals will be considered by Members in the November/December cycle of area committees and an update provided to the February meeting of this committee.
 - As noted at report 13 on the agenda, over £400,000 of the funds committed so far represent funds to support play areas.
- 5.8 During the course of last year, Wards received additional covid resilience funding of £36,000 per ward to support community groups and organisations with resilience activity. It was agreed at the meeting of the Council in January 2021 that these funds could be carried forward into this year and also that they could be redirected to support other covid related impacts, if agreed at Committee. The total fund was £776,000 (£36k per ward

plus £20k for two specific communities). To date, £377,767 has been spent against this fund.

- 5.9 For the fleet and plant budget work is underway to understand why not all the income expected (£3m) will be achieved this year from the sources now clarified (as listed in paragraph 4.4), and a shortfall of £314k is forecast. This will be clarified or amended for Q3 monitoring and supported by the wider project underway in the service to examine all external income streams and targets.
- 5.10 This wider project will help us to build an income dashboard to enable monthly scrutiny and targeted interventions across the Service and to adjust income targets to reflect market conditions and within the overall target set for the service.
- 5.11 The pressure in the stores budget arises because we are holding 3 months of Covid supplies, valued at around £60k which will be recharged to services as they draw it down. We expect to report an improved position at Q3.
- 5.12 The pressure of £70k in the service leadership and administration budget relates to assumed surcharges from non-payment or late payment of invoices across the service. The actual target is £109k but it has never been achieved. This income target is found across Service budgets and will need to be reviewed corporately. Our work on reviewing all Service income targets may identify a solution for the £70k pressure.
- 5.13 The service leadership and administration budget includes budget associated with previous service structures and the accountancy team expects to have realigned budgets to the new structures for Q3. This should mean a reduced budget reported for these activities in the service.
- 5.14 Mitigation will continue across the service and will continue to focus on income achievement, control of expenditure and full draw down of appropriate Covid grants.

6. Performance

- 6.1 As reported in the Q1 monitoring work is underway in the service to develop a performance framework for the Service. This is currently focussing on:
 - a calendar of external inspection and regulation, which will help the timetabling of reports to Committee for Member scrutiny;
 - gathering information about all the Government and regulator data returns submitted by teams across the Service, to identify how these returns can provide Member assurance and further opportunity for scrutiny;
 - piloting the Council's approach to robust self-evaluation, using the Public Service Improvement Framework; and
 - developing a health and safety dashboard of performance to identify management interventions required and to support our reporting to the Central Safety Committee.

Updates on the emerging performance framework will be reported to Members.

Designation: ECO Communities and Place

Date: 22.10.21

Author: Carron McDiarmid, ECO C&P, appendices provided by Finance Business Partners

COMMUNITIES AND PLACE SERVICES BUDGET 2021/22 - SEPTEMBER MONITORING

	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Waste Management Services	22,707	7,600	22,538	(169)
Public Health & Bereavement Services	2,174	1,160	2,380	206
Community Spaces	2,006	2,310	2,104	98
Community Support, Contact & Engagement	5,548	2,493	5,420	(128)
Stores & Logistics	6,704	5,268	7,041	337
Leadership and Administration	772	139	842	70
TOTAL	39,911	18,970	40,325	414
BY SUBJECTIVE				
Staff Costs	45,115	21,694	42,070	(3,045)
Other Expenditure	37,821	16,277	37,994	173
Gross Expenditure	82,936	37,971	80,064	(2,872)
Grant Income	(343)	51	(353)	(10)
Other Income	(42,682)	(19,052)	(39,386)	3,296
Total Income	(43,025)	(19,001)	(39,739)	3,286
NET TOTAL	39,911	18,970	40,325	414

COMMUNITIES AND PLACE SERVICES BUDGET 2021/22 - SEPTEMBER MONITORING

Appendix 2

	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	10,928	5,225	10,662	(266)	(11,454)	(6,364)	(10,983)	471	(526)	(1,139)	(321)	205
Waste Disposal (Transfer, Haulage & Landfill)	16,284	5,654	15,901	(383)	(2,971)	(1,273)	(2,605)	366	13,313	4,381	13,296	(17)
Recycling Centres, Transfer & Treatment	16,526	7,231	15,799	(727)	(8,339)	(3,579)	(7,598)	741	8,187	3,652	8,201	14
Street Cleaning	4,608	1,922	3,924	(684)	(2,875)	(1,216)	(2,562)	313	1,733	706	1,362	(371)
Public Health and Bereavement Services												
Environmental Health & Regulation	3,228	1,496	3,098	(130)	(887)	(150)	(806)	81	2,341	1,346	2,292	(49)
Bereavement Services, Burials & Cremations	4,727	2,200	4,577	(150)	(5,803)	(2,796)	(5,398)	405	(1,076)	(596)	(821)	255
Public Conveniences	1,111	489	1,044	(67)	(202)	(79)	(135)	67	909	410	909	0
Community Spaces												
Grounds Maintenance & Play Areas	7,551	4,091	7,301	(250)	(5,545)	(1,781)	(5,197)	348	2,006	2,310	2,104	98
Community Support, Contact and Engagement												
Ward & City Management	624	413	589	(35)	0	(22)	(17)	(17)	624	391	572	(52)
Ward Discretionary Grant	3,113	303	3,113	0	0	0	0	0	3,113	303	3,113	0
Policy & Community Support Co-ordination	650	543	618	(32)	12	310	(18)	(30)	662	853	600	(62)
Customer Contact (Service Points, Service Centre & Registrars)	1,827	1,241	1,593	(234)	(678)	(295)	(458)	220	1,149	946	1,135	(14)
Stores and Logistics												
Fleet & Plant	9,134	6,041	9,136	2	(3,003)	(1,016)	(2,689)	314	6,131	5,025	6,447	316
Stores	1,240	688	1,361	121	(880)	(538)	(943)	(63)	360	150	418	58
Travel Desk	213	93	176	(37)	0	0	0	0	213	93	176	(37)
Administration												
Service Leadership & Administration	1,172	341	1,172	0	(400)	(202)	(330)	70	772	139	842	70
TOTAL	82,936	37,971	80,064	(2,872)	(43,025)	(19,001)	(39,739)	3,286	39,911	18,970	40,325	414

C&P Service Savings 2021/22 - deliverability

Ref	Theme Ref	Budget Area	Savings Description	2021/22 Savings £m	Status R A G
CS/23a	2.09a	Waste Management Services - Increase all other charges and income targets	Garden waste (£35k), commercial waste collection (£93k), bulky uplifts (£3k), scrap metal (£20k) and sale of wheelie bins (£17k).	0.168	A £37k at risk
CS/35	3.01	Compactors for waste	Compact waste to reduce contract cost	0.019	G
C&P/1	3.01	Service leadership review	Delete vacant management post (net saving following JE of remaining posts)	0.050	G
C&P/3	2.01	Environmental Health	Bereavement services - develop a wider range of services for remembrance	0.012	G
C&P/5	2.02	Environmental Health	New cost recovery for EH licensing	0.003	G
C&P/7	2.03	Community support	Review administrative funding to NHS to co-ordinate and organisation statutory and non-statutory health and wellbeing training programmes for Council staff	0.020	G
C&P/9	2.04	Waste Management	Additional Saving from Compaction within HWRC's, saving on haulage and contractor costs	0.025	G
C&P/10	1.01	Waste Management	HWRC - maintain current adjusted opening hours and return to pre-covid staffing levels	0.032	G
C&P/11	3.04	Waste Management	Review of sites and management of the skip servicing vehicle	0.020	G
C&P/15	1.02	Waste Management	Delete 3 vacant operational posts 2 x HC3 & 1 X HC4	0.080	G
C&P/17	2.07	Registrar service	Income: Increase fee charge (income) from Statutory Fees set by NRS. However, NRS has not increased the fee.	0.045	R
C&P/18	2.07	Registrar service	Income: Increase fee charge (income) HC Discretionary Fees	0.011	G
C&P/19	2.07	Registrar service	Income: New charges	0.005	G
C&P/20	2.10	Grounds maintenance	Income: Work with Services to reduce external spend on arbor work, carry out work using internal team	0.030	G
C&P/22	2.11	Logistics and fleet	Reduce contract requirements for plant hire	0.022	G
C&P/24	1.04	Logistics and fleet	Reduce car club administration	0.025	G
		Total		0.567	