

Agenda Item	<b>3.</b>
Report No	<b>RES/01/21</b>

## **THE HIGHLAND COUNCIL**

**Committee:** **Corporate Resources Committee**

**Date:** **26<sup>th</sup> January 2022**

**Report Title:** **Corporate Revenue and Capital Monitoring report to 31<sup>st</sup> December 2021**

**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 three quarters of financial year 2021/22 together with a forecast year end outturn position.
- 1.2 Net revenue spend on services to the end of quarter 3 of financial year 2021/22 totalled £232.6m. Net capital investment to the end of quarter 3 totalled £65.184m.
- 1.3 Based on present expenditure trends a year end revenue budget overspend of £0.179m is forecast. A significant factor underlying the overall position relates to High Life Highland, with the forecast deficit due to the impact of Covid-19 on their business being anticipated and planned for in the March Council budget. The Council did set aside reserves to address this and other budget risks, but with these held corporately and only to be drawn down at year end if required the deficit translates to an overspend against the Council's annual budget. Section 5 of the report provides an explanation of this and all other significant variances. With the exception of the pressure in relation to High Life Highland, which was expected, the Council would be reporting an overall underspend of £2.221m.
- 1.4 The Council faces a number of financial risks in relation to teaching staff pay increases, inflationary cost increases, the requirement to deliver additional services as defined by the Scottish Government as well as more general risks in incurring additional costs in respect of Covid response and recovery. The crystallisation of any of these risks will have an adverse impact on the position reported.
- 1.5 The report also provides a summary of the delivery of the approved budget savings required to deliver a balanced budget in 2021/22 along with an explanation of the forecast position of the Council's key reserves at the year end.

## **2. Recommendations**

### **2.1 Members are asked to:**

- i. Consider the financial position of the General Fund and HRA revenue and capital budgets as at 31st December 2021 and note the estimated year end forecasts;
- ii. Note the status of budgeted savings in the year.

## **3. Implications**

3.1 Resource implications are as noted in this report. If a revenue budget overspend position is reported at year end this will need to be funded from the Council's reserves. Section 7 of this report provides more information on the Council's reserves position.

3.2 There is a risk that unforeseen events occur which carry an additional cost burden. The later these risks crystallise in the financial year the more limited their financial impact is likely to be. In particular, services that are demand-led, such as looked after children or winter maintenance may see significant moves in cost forecast, either up or down, from that currently forecast. The impact of inflation may also begin to be felt in the current year. Whilst many contracts have fixed prices and annual inflationary uplifts have already been applied any purchases not at fixed contractual prices may see upwards pressure. Other risks relating to unexpected items, such as adverse weather, may emerge during the year for which no specific contingencies are held.

The ongoing impact of Covid may also affect the Council in ways previously unidentified or have a greater or lesser impact in certain areas than currently forecast. The outlook with regard to the Omicron variant appears to be increasingly positive however impacts from staff isolating may continue to be felt.

At this stage of the year there are two specific risks which may have a significant impact on the forecast outturn position. Firstly, the teaching staff pay award for 2021/22 has not yet been agreed. The reported monitoring position reflects the agreed pay award for non-teaching staff and the latest offer made to teaching staff. Discussions with the teaching unions continue however it is looking increasingly unlikely that the current pay offer will be accepted. Any further increase in the pay offer would create a budget pressure unless additional government funding is received.

The second specific risk relates to commitments made by the Scottish Government as part of their 'First 100 days' pledge- a number of aspects of which will need to be implemented by local authorities. Many of these commitments will likely have a financial impact and at this stage it remains unclear whether sufficient additional funding will be received from Government to offset that impact. Most particularly the overall quantum made available to offset the impact of removing instrumental music tuition fees does not suggest that Highland will receive enough to offset the local financial impact. For other commitments made by the Government in areas such as Free School Meals, Early Years, clothing and food grants there is a higher degree of confidence that sufficient funding will be received.

A number of the risks referenced above were specifically considered when setting a target level for reserves in March 2021 as part of the budget process. In relation to any

of these risks, but the pay award one specifically, it is important to note that whilst there may be a financial impact in the current financial year which will likely need to be managed through the use of reserves there could also be an ongoing impact on the baseline budget with the budget gap for future years widening by an equivalent amount. That ongoing impact will need to be managed by finding additional revenue budget savings.

- 3.3 Legal- The contents of this report aim to satisfy the requirement of Sections 6 and 7 of the CIPFA Financial Management Code- 'Monitoring financial performance' and 'External financial reporting'.
- 3.4 There are no specific equality, climate change/Carbon Clever, rural or Gaelic implications arising as a direct result of this report.

#### 4. Overall position 2021/22

- 4.1 The table below provides a summary of the figures in **Appendix 1** to give an overall forecast position for the 2021/22 year-end outturn.

	Annual Budget £m	Year-end forecast £m	Year-end variance £m
<b>Expenditure</b>			
Service budgets (Appendix 1, Table A- top half)	£567.9m	£571.1m	£3.2m
Other budgets (Appendix 1, Table A- bottom half)	£72.5m	£70.4m	-£2.1m
Contribution to investment funds and other reserves (Appendix 1, Table C)	£21.4m	£21.6m	£0.2m
<b>Total (X)</b>	<b>£661.8m</b>	<b>£663.1m</b>	<b>£1.3m</b>
<b>Income (Table D)</b>			
Government income	£500.1m	£500.7m	£0.6m
Budgeted Council tax income	£130.7m	£131.2 m	£0.5m
Confirmed use of earmarked reserves	£13.9m	£13.9m	£0m
Confirmed use of non-earmarked funds (creation of phase 2 and 3 investment funds and fuel support fund)	£17.1m	£17.1m	£0m
<b>Total (Y)</b>	<b>£661.8m</b>	<b>£662.9m</b>	<b>£1.1m</b>
<b>Difference between expenditure and income- 'Budget (surplus)/deficit' (=X-Y)</b>	<b>£0</b>	<b>£0.2m</b>	<b>£0.2m</b>

- 4.2 The bottom line of the table above shows that the current forecast for the overall year end position is for a deficit (or net overspend) of £0.2m which will need to be funded from the Council's non-earmarked reserve. The paragraphs below, and subsequent sections of this report, will provide an explanation of the elements making up that deficit.
- 4.3 As shown in the top row of the table at 5.1, net service expenditure is forecast to be overspent by £3.2m with variances across a number of service areas. Section 5 of this report provides more details of the forecast service budget variances.
- 4.4 The second row of the table comprises a number of other budget lines and shows a forecast £2.1m underspend. This underspend principally reflects additional funding received from government to address the overall financial impact of Covid (as opposed to funding provided for specific response activity) which was confirmed after the Council had set its budget. This additional income has not been allocated to any specific service budget and sits as an 'unallocated budget' which offsets some of the service budget pressures from the line above.

- 4.5 The third row of the table shows contributions to investment funds (including the Phase 2 and 3 investment funds) and other reserves. A variance of £0.2m is showing against this line as the income forecast from second homes Council Tax is higher than the budgeted level and will require to be paid into Landbanking Fund for investment in affordable housing.
- 4.6 The first row in the income section of the table above reflects the funding the Council receives from government. The budget for this row reflects the confirmed level of funding that the Council will receive from the Scottish Government for financial year 2021/22. The excess income forecast on this line reflects the Council's claim to government under the Bellwin scheme in relation to the impact of winter weather in late 2020 and early 2021 as well as some anticipated additional income for the administration of Covid grants.
- 4.7 An increased surplus against budget of £0.5m for Council Tax income is forecast. This surplus reflects increasingly positive collection rates of current and prior year Council Tax and a higher than anticipated rate of growth in the Council Tax base, albeit the budget reflects a slightly lower overall collection rate and base growth than pre-Covid levels.
- 4.8 The third and fourth rows of the income section of the table show the confirmed use of earmarked and non-earmarked reserves to support in-year expenditure and the creation of the phase 2 and 3 investment funds and the fuel support fund. As this is a planned use of reserves no variance is shown. **Appendix 4** to the report shows the detail of the movements in the Council's reserves in the year to date.
- 4.9 Overall, the combined impact of the net service overspend plus excess corporate income gives a forecast budget deficit of £0.2m for the year.

## **5. Service budget variances**

- 5.1 **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 £3.223m against service budgets, an improvement of £1.153m from the quarter 2 position
- 5.2 **Appendix 2** provides a summary of forecast variances by service and expenditure and income type. Forecast overspends mainly relate to non-staffing expenditure and income shortfalls with some mitigation from underspends against staffing budgets.
- 5.3 The Communities and Place budget is forecasting an overspend of £0.288m, an improvement from the previously reported position of a £0.414m overspend. The current forecast reflects overspends in bereavement services, stores, fleet, and some administration budgets which can only partially be offset by underspends forecast for waste, community support, contact and engagement.
- 5.4 The Education and Learning service is showing a £2.293m forecast overspend, an improvement from the £2.529m overspend forecast at quarter 2. Contained within the overall position is a forecast £2.4m pressure in relation to the impact of Covid on HighLife Highland (HLH). As part of the budget agreed in March Members were warned of a substantial financial risk in respect of HLH with the following narrative:

*'A risk of £3.4m has been identified in relation to Highlife Highland, whose business model has been severely impacted by the Covid pandemic. HighLife continue to actively manage their budget to mitigate the financial impacts of Covid but are expecting substantially reduced levels of income in financial year 2021/22 due to lockdown restrictions. The Council is committed to supporting HighLife during the coming year and will look to underwrite any year-end deficit the charity may return, providing the charity with a letter of comfort to that effect if required. Based on current forecasts HighLife are projecting a £3.4m reasonable worst-case deficit which will be closely monitored over the course of the year ahead.'*

HLH continue to work to reduce this deficit which has reduced by £0.3m from the £2.7m reported at quarter 2 but it is likely that the Council will need to provide some additional funding to HLH this year. This need was recognised when agreeing the Council's reserves strategy with an element of the non-earmarked reserve anticipated to be required for this purpose.

- 5.5 A forecast underspend of £1.618m is showing against the Health and Social Care budget- compared to a forecast £1.403m underspend at quarter 2. This overall position is supported by £2.6m of pressure funding added to the budget at the start of the year to reflect the ongoing impact of Covid on the Health and Social Care budget, including an increase in Out of Authority (OOA) placements and Fostering and Adoption.
- 5.6 The Infrastructure, Environment and Economy service is forecasting an overspend of £1.738m with a number of factors underpinning that position. The largest areas of pressure are seen in the roads and transport section with Covid related and inflationary pressures existing in relation to school transport costs. An overspend is also forecast against the roads and winter budget, in part due to inflationary pressures increasing the cost of salt. Smaller pressures exist in the Infrastructure and Engineering budget headings with some mitigation from planning fee income above budget levels.
- 5.7 The Performance and Governance service is forecasting an underspend of £0.367m, primarily due to forecast underspends in the Members budget and underspends arising from the time-lag in recruiting to new and vacant posts.
- 5.8 The Property and Housing service is forecasting a £1.143m overspend, an improvement from the £1.553m overspend forecast at quarter 2. The largest element of the overspend is attributable to income across a number of headings being lower than budget. These income shortfalls encompass recharge income, RHI income and catering income. An expenditure pressure is forecast in respect of property running costs for leisure and cultural properties.
- 5.9 The Resources and Finance service is forecasting a year end underspend of £0.531m, primarily in relation to staffing vacancies. The time lag in recruiting to new and vacant posts also contributes to a £0.158m underspend in the Transformation service.
- 5.10 The Welfare budget is forecasting an overspend of £0.435m. The largest element of this variance relates to a forecast £0.3m overspend as a result of the volume of applications to the scheme set up to help alleviate fuel poverty arising as a result of the Covid pandemic in the early part of 2021.
- 5.11 At this mid-point of the year no variance is being forecast against the non-domestic rates relief or Loans charges budgets with a small underspend being forecast against the budget for the Valuation Joint Board.

- 5.12 The unallocated budget line is showing a forecast underspend of £2.507m. This is almost entirely due to two elements of the local government funding settlement from Government which were determined after the Council had set its budget. Firstly the Council received a higher than budgeted share of a national £259m allocated to local authorities in 21/22 on a one off basis to help alleviate pressures arising as a result of Covid. Secondly a late amendment to the local government settlement saw the addition of £40m to the overall settlement sum described as 'Funding for Pressures'. Highland's share of this £40m is £1.860m. The 2022/23 budget settlement has confirmed that both of these funding streams are one-off for 2021/22 and not baselined into the overall settlement for 2022/23.

Part of this additional funding will be used to address the excess cost of the holiday pay backpay, the cost of which was £0.137m greater than the funds earmarked for this purpose with a further £0.332m anticipated to be required to meet the cost of staff pay awards for 2021/22. As referenced in the risk section of this paper the teacher pay award has not yet been agreed and further funding may be required. A further £0.4m of this government funding will be used to supplement the adult social care budget. As reported to the Health and Social Care Committee the Council will be funding £2m of the £8m additional funding secured for adult social care in 2021/22, with £1.6m of that amount already set aside as an earmarked fund and available for draw down.

- 5.13 The pressure showing on the unallocated savings line reflects the budget savings in relation to Property Asset Management and procurement. Whilst a clear plan for asset rationalisation is developing the realisation of any significant element of saving in 2021/22 is looking increasingly unlikely. A shortfall of £0.109m is forecast against the residual procurement savings target of £0.737m although work continues to reduce that shortfall.

## **6. Housing Revenue Account**

- 6.1 As shown in **Appendix 3** the Housing Revenue Account (HRA) is forecast to deliver a net overspend of £1.167m. This overspend will, as agreed by the Housing and Property Committee, be funded by the HRA reserve which is sitting at an increased level due to Covid impacts in 2020/21. That increased reserve is being used to fund 'catch up repairs' and other work that could not be undertaken as planned in 2020/21. Details of the HRA position were reported to the Property and Housing Committee in December.

## **7. Reserves and Balances**

- 7.1 **Appendix 5** summarises the movements on the Council's earmarked and non-earmarked balances during the course of the year and the impact of the forecast revenue budget outturn position on reserves.
- 7.2 At this stage of year there does remain the opportunity to recover the current forecast position. Any year end overspend will however require to be funded from the Council's non-earmarked balances.
- 7.3 The Council's non-earmarked general fund reserve is expected to sit at £26.167m at 2021/22 year end if the Q3 forecast of a £0.179m overspend transpires. A reserve of this level equates to 4% of the Council's 2021/22 revenue budget and is in excess of the £24.7m minimum level for this reserve agreed by Council as part of the March budget.

- 7.4 Given the short-term uncertainties around pay awards, other financial risks, the Government funding settlement for 2022/23 and the medium to long term financial outlook Members will note that even a reserve at the current level may be very quickly depleted if in-year risks crystallise and sustainable revenue budgets for future years cannot be agreed. More context on these matters was included in the Medium Term Financial Plan update report to Council in late October and will be provided as part of the Council's budget setting deliberations in March.
- 7.5 Earmarked reserves, which are reserves held for specific, already committed, spend currently sit at £55.313m although are expected to reduce to £34.571m by year end as funds are drawn down at financial year end to match expenditure incurred in the year across a number of areas, principally Phases 1, 2 and 3 investment, Covid business grants and other Covid response funding, and delivering change and other investment. The remainder of that earmarked sum will be used to meet existing expenditure commitments that extend into 2022/23 and beyond. Full details of all earmarked funds can be seen at **Appendix 8**.

## **8. Budget savings**

- 8.1 In order to deliver a balanced budget for the year budget savings of £10.781m were approved in March 2021. A summary of the delivery of those savings can be seen at **Appendix 6**. Savings ranked as Green are expected to be delivered in full, those as Amber have some challenges to the full delivery of the saving, and those as Red have substantial challenges and are not expected to be fully delivered. **Appendix 7** provides the detail of the specific savings rated as Amber or Red.
- 8.2 As part of the current committee cycle services will be reporting the detail of the delivery of their savings. The full delivery of all approved budget savings is essential given the continuing squeeze on the Council's revenue budget.

## **9. Capital budget monitoring**

- 9.1 **Appendix 9** provides a summary of the reprofiled current year budgets, spend and income to 31<sup>st</sup> December 2021. The reprofiled budget was approved at Highland Council in January 2021, amended to include the five school projects approved at September 2021 Council. At the Council meeting in December 2021 Members agreed a supplementary capital programme which commences in financial year 2022/23.
- 9.2 The year-to-date actual figures provided reflect the net project expenditure, i.e. project costs incurred less project-specific income received. The reprofiled budget for 2021/22 is £117.903m against which there has been a net expenditure of £65.184m for the 9 months to 30th December 2021. The total budget has increased from the £116.293m included in the December capital report as it now reflects three additional funding streams which will be added to the Council's General Capital Grant for 2021/22. Those three new funding streams are:
- Local Bridge Maintenance Fund- £1.118m
  - Nature Restoration Fund- £0.258m
  - Play Park Renewal- £0.234m
- 9.3 The net overall year to date spend reflects that £98.263m of gross expenditure has been incurred. The gross expenditure is offset by project specific income of £33.095m received



in the year to date. Of the project income received the largest element relates to early years funding. Other funding streams relate to active travel, timber transport, European funding, City-Region deal funding, town centre funding, regeneration funding and vacant and derelict land funding. These funding streams are offset against specific project costs as they are incurred.

- 9.4 The estimated outturn position is in line with the quarter 2 forecasts and shows a net expenditure of £105.975m which reflects a forecast year end slippage of £11.928m. This sum is funded from the general capital grant (including flood scheme funding and specific items referenced in section 9.2) receivable by the Council of £24.854m with the shortfall made up from borrowing and a small amount from capital receipts.
- 9.5 The HRA capital programme summary is included in **Appendix 10**. It shows expenditure to 31<sup>st</sup> December 2021 of £43.616m. The projected outturn for expenditure is £63.405m leading to a variance of £14.723m. The net variance is due to slippage in the mainstream housing capital programme and the new build programme and is a direct consequence of the ongoing Covid pandemic. The lower than budgeted expenditure will see a consequential decrease in borrowing required for the year.
- 9.6 As can be seen from the bottom sections of **Appendices 9 and 10**, significant levels of borrowing are required to support the capital expenditure planned to be incurred this year. The other primary funding source for capital investment is Government capital grant funding.
- 9.7 For the general fund expenditure over £80m of borrowing is expected to be required and for the Housing Revenue Account just under £46m is expected to be needed. This additional borrowing will increase the Council's overall debt position and, whilst interest rates are at a historically low level, will still accrue substantial interest charges. As part of the approval of the respective capital programmes the overall cost of borrowing for the programmes has been deemed affordable.
- 9.8 A consequence of financing this capital investment through borrowing is that it creates a revenue budget commitment for the anticipated life of the asset invested in as the borrowing, and associated interest costs, is repaid. As such this year's capital investment will be committing the Council to revenue expenditure for up to the next 60 years.
- 9.9 Individual project spend will form the basis of the capital reports to Strategic Committees and will include any changes to forecast outturns since this report was drafted. Work is in progress to review the format of the capital monitoring reports presented to strategic committees to encapsulate full project life reporting. As agreed at December Council a report will come to the next meeting of the full Council which will set out enhanced governance arrangements for the Capital Programme, including the role of Council and its strategic committees.

Designation: Executive Chief Officer- Finance and Resources

Date: 19<sup>th</sup> January 2022

Author: Edward Foster, Head of Corporate Finance

Background Papers:

[https://www.highland.gov.uk/download/meetings/id/78408/9i\\_medium\\_term\\_financial\\_planning\\_and\\_health\\_and\\_prosperity\\_strategy\\_investment](https://www.highland.gov.uk/download/meetings/id/78408/9i_medium_term_financial_planning_and_health_and_prosperity_strategy_investment)

[https://www.highland.gov.uk/download/meetings/id/78893/9\\_medium\\_term\\_financial\\_plan - update revised](https://www.highland.gov.uk/download/meetings/id/78893/9_medium_term_financial_plan_-_update_revised)

[https://www.highland.gov.uk/download/meetings/id/78409/9ii\\_annual\\_accounts\\_202021 and revenue and capital budget out-turn figures](https://www.highland.gov.uk/download/meetings/id/78409/9ii_annual_accounts_202021_and_revenue_and_capital_budget_out-turn_figures)

[https://www.highland.gov.uk/download/meetings/id/77933/14\\_revenue\\_budget\\_202122 to 202324 - update](https://www.highland.gov.uk/download/meetings/id/77933/14_revenue_budget_202122_to_202324_-_update)

[https://www.highland.gov.uk/download/meetings/id/77862/item\\_4\\_revenue\\_budget\\_202122 to 202324](https://www.highland.gov.uk/download/meetings/id/77862/item_4_revenue_budget_202122_to_202324)

[https://www.highland.gov.uk/download/meetings/id/79122/4\\_corporate\\_revenue\\_monitoring\\_report to 30 september 2021](https://www.highland.gov.uk/download/meetings/id/79122/4_corporate_revenue_monitoring_report_to_30_september_2021)

<b>Revenue Expenditure Monitoring Report -General Fund Summary</b>
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<b>1 April to 31 December 2021</b>
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**Table A: By Service**

	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
Communities & Place	30,688	40,377	40,665	288
Education & Learning	134,398	216,139	218,432	2,293
Health & Social Care	101,290	158,823	157,205	(1,618)
Infrastructure, Environment & Economy	22,696	33,065	34,803	1,738
Performance & Governance	4,078	5,357	4,990	(367)
Property & Housing	51,794	72,316	73,459	1,143
Resources & Finance	13,265	13,706	13,175	(531)
Transformation	11,070	13,668	13,510	(158)
Welfare Services	12,140	14,408	14,843	435
<b>Service Total</b>	<b>381,419</b>	<b>567,859</b>	<b>571,082</b>	<b>3,223</b>
Valuation Joint Board	2,308	3,091	3,000	(91)
Non Domestic Rates reliefs	646	671	671	0
Loan Charges	0	58,130	58,130	0
Unallocated Budget	0	12,241	9,734	(2,507)
Unallocated Corporate Savings	0	(1,610)	(1,178)	432
<b>Total General Fund Budget</b>	<b>384,373</b>	<b>640,382</b>	<b>641,439</b>	<b>1,057</b>

**Table B: By Subjective**

Staff Costs	271,009	364,440	357,651	(6,789)
Other Costs	317,582	475,907	535,910	60,003
<b>Gross Expenditure</b>	<b>588,591</b>	<b>840,347</b>	<b>893,561</b>	<b>53,214</b>
Grant Income	(130,573)	(94,208)	(151,406)	(57,198)
Other Income	(73,645)	(105,757)	(100,716)	5,041
<b>Total Income</b>	<b>(204,218)</b>	<b>(199,965)</b>	<b>(252,122)</b>	<b>(52,157)</b>
<b>Total Revenue Expenditure</b>	<b>384,373</b>	<b>640,382</b>	<b>641,439</b>	<b>1,057</b>

**Table C: Appropriations to Reserves**

Contribution to earmarked balances	0	15,642	15,642	0
Contribution to non-earmarked balances	0	0	0	0
Affordable housing contribution from 2nd homes council tax	0	3,000	3,200	200
Contribution to Other reserves	0	2,716	2,716	0
<b>Total Contributions to Balances</b>	<b>0</b>	<b>21,358</b>	<b>21,558</b>	<b>200</b>

**Table D: Financed By**

Aggregate External Finance as notified	258,458	484,702	484,702	0
Additional resources	0	15,432	15,962	530
Council Tax	125,915	130,654	131,202	548
Use of earmarked balances	0	13,891	13,891	0
Use of non earmarked balances- creation of Phase 2 & 3 investment fund and fuel support fund	0	17,061	17,061	0
Use of non earmarked balances	0	0	179	179
Use of other reserves	0	0	0	0
<b>Total General Fund Budget</b>	<b>384,373</b>	<b>661,740</b>	<b>662,997</b>	<b>1,257</b>

<b>Revenue Expenditure Monitoring Report - General Fund Summary</b>
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<b>1 April to 31 December 2021</b>
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	Staff Costs Variance £000	Other Costs Variance £000	Grant Income Variance £000	Other Income Variance £000	Total Variance £000
<b>Table A: By Service</b>					
Communities & Place	(1,968)	1,231	(25)	1,050	288
Education & Learning	(784)	3,043	(42)	76	2,293
Health & Social Care	(792)	(839)	5	8	(1,618)
Infrastructure, Environment & Economy	(2,427)	58,354	(56,850)	2,661	1,738
Performance & Governance	(145)	(39)	(24)	(159)	(367)
Property & Housing	(254)	(429)	227	1,599	1,143
Resources & Finance	(310)	(272)	3	48	(531)
Transformation	(109)	(49)	0	0	(158)
Welfare	0	1,169	(492)	(242)	435
Valuation Joint Board	0	(91)	0	0	(91)
Non Domestic Rates reliefs	0	0	0	0	0
Loan Charges	0	0	0	0	0
Unallocated Budget	0	(2,507)	0	0	(2,507)
Unallocated Corporate Savings	0	432	0	0	432
<b>Total General Fund Budget</b>	<b>(6,789)</b>	<b>60,003</b>	<b>(57,198)</b>	<b>5,041</b>	<b>1,057</b>

<b>Revenue Expenditure Monitoring Report - Housing Revenue Account Summary</b>
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<b>1 April to 31 December 2021</b>
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	Actual Year to Date £000	Annual Budget £000	Year End Estimate £000	Year End Variance £000
Staff Costs	8,748	12,724	11,835	(889)
Other Costs	15,929	22,032	24,642	2,610
Loan charges and interest	0	23,375	22,800	(575)
<b>Gross Expenditure</b>	<b>24,677</b>	<b>58,131</b>	<b>59,277</b>	<b>1,146</b>
House Rents	(40,600)	(54,416)	(54,253)	163
Other rents	(2,529)	(3,286)	(3,397)	(111)
Other income	(116)	(367)	(398)	(31)
Interest on Revenue Balances	0	(62)	(62)	0
<b>Gross Income</b>	<b>(43,245)</b>	<b>(58,131)</b>	<b>(58,110)</b>	<b>21</b>
<b>Total HRA</b>	<b>(18,568)</b>	<b>0</b>	<b>1,167</b>	<b>1,167</b>

Revenue Expenditure Monitoring Report - General Fund Budget		
1 April to 31 December 2021		
	£m	£m
<b>Budget as Agreed by Highland Council on 5 March</b>		<b>647.965</b>
Less : Contributions to Reserves included in Agreed Budget		
Contribution to earmarked balances (Elections Fund)	(0.085)	
Contribution to other reserves	(2.709)	
Affordable housing contribution from 2nd homes council tax	<u>(3.000)</u>	(5.794)
Less : Ring-fenced Grants (Gaelic, Criminal Justice, PEF Attainment Funding, Early Years)		(33.620)
<b>Grant Funding Redeterminations</b>		
Additional funding for pressures	1.860	
Covid-19 : Consequential funding in excess of estimate	1.432	
Covid-19 : Test and Protect - Local Self-Isolation Assistance	0.098	
Covid-19 : Get into Summer	0.721	
Covid-19 : Education Recovery	2.608	
Covid-19 : Family Pandemic Payments	0.747	
Covid-19 : Low Income Pandemic Payments	2.428	
Free School Meals - School Holidays	0.722	
Free School Meals - P4 & P5	1.255	
Music Tuition in Schools	0.146	
First 100 days - teacher/Pupil support assistant commitment	2.306	
R-71a (Grants)	0.794	
R-71b (Admin)	0.013	
Covid-19 Tenant Grant Fund	0.312	
Local Self Isolation Assistance Service - R69	0.098	
Local Self Isolation Assistance Service-R73	0.098	
National Trauma Training and Trauma Informed Practice	0.050	
School Core Curriculum Charges	0.176	
Mental Health Officer Capacity Funding	0.139	
R-78 Local Self Isolation Assistance Service	0.098	
Winter Fuel Support Scheme	1.019	
	<u>17.120</u>	
Less : Redeterminations of Ring-fenced Grants		<u>17.120</u>
<b>Use of Non-earmarked Balances</b>		
<i>Transfer to earmarked balances</i>		
Phase 2 Investment - approved by Highland Council June 2021	10.000	
Phase 3 Investment - approved by Highland Council June 2021	5.300	
<i>Transfer to 2021/22 service budgets</i>		
Winter Fuel Support Scheme	<u>1.761</u>	
		<u>17.061</u>
<b>Use of Earmarked Balances</b>		
NHS Highland Adult Services	4.000	
Additional Support for Learning	1.000	
Counselling in Schools	0.731	
Covid-19 : Children and young people's mental health	0.163	
Covid-19 : Tackling financial insecurity	0.764	
Covid-19 : Ward budgets	0.467	
Change Fund	1.318	
Phase 1 Investment - Ward Discretionary Budgets	0.210	
Phase 1 Investment - Place-based Investment	2.100	
World Heritage Centre	0.076	
Core Paths Network	0.062	
R-11 - Recovery Funding Drawdown	1.176	
Brexit Co-ordination	0.014	
Developer Contributions	0.127	
Phase 2 Investment - Eden Court	0.050	
Backdated Holiday Pay	0.609	
Scottish Welfare Fund	0.708	
Commercial Investment Fund	0.015	
Winter Fuel Support Scheme	0.200	
Free School Meals – Christmas Holidays	<u>0.100</u>	
		<u>13.891</u>
<b>Use of Other Reserves</b>		
		<u>0.000</u>
<b>Contribution to Non earmarked Balances</b>		
		<u>0.000</u>
<b>Contribution to Earmarked Balances</b>		
Salix	(0.210)	
Phase 2 Investment - approved by Highland Council June 2021	(10.000)	
Phase 3 Investment - approved by Highland Council June 2021	(5.300)	
1 + 2 Languages	<u>(0.047)</u>	
		<u>(15.557)</u>
<b>Contribution to Other Reserves</b>		
Repairs and Renewal Fund	(0.007)	
		<u>(0.007)</u>
<b>Presentational Adjustments</b>		
Additional CTR funding offset against council tax budget	(0.676)	
		<u>(0.676)</u>
<b>Total General Fund Budget at 31 December 2021</b>		<b><u>640.382</u></b>

<b>Revenue Expenditure Monitoring Report - General Fund Budget</b>
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<b>1 April to 31 December 2021</b>
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**General Fund Balance**

	Earmarked balances £m	Non- earmarked balances £m	Total £m
General Fund Balance at 1 April 2021	53.562	43.407	96.969
(Use of)/contribution to balances included in budget as agreed by Highland Council on 4 March 2021	0.085	0.000	0.085
Use of balances per Appendix 4	(13.891)	(17.061)	(30.952)
Contribution to balances per Appendix 4	15.557	0.000	15.557
Movement in balance per Appendix 1	1.751	(17.061)	(15.310)
Net service Overspend per Appendix 1	0.000	(1.057)	(1.057)
Appropriations to other reserves	0.000	(0.200)	(0.200)
Additional resources	0.000	0.530	0.530
Council tax	0.000	0.548	0.548
Anticipated drawdown of earmarked reserves during 2021/22 per Appendix 8	(20.742)	-	(20.742)
Forecast General Fund Balance at 31 March 2022	34.571	26.167	60.738

## Delivery of Agreed Savings 2021/22- RAG analysis

## Appendix 6

Service	Total approved savings 2021/22 £m
Communities & Place	0.567
Education & Learning	5.498
Health & Social Care	0.816
Infrastructure, Environment & Economy	0.733
Performance & Governance	0.128
Property & Housing	0.314
Resources & Finance (including Welfare)	0.448
Transformation	0.438
<b>Service Savings Total</b>	<b>8.942</b>
Add : Corporate Savings	1.839
<b>Total</b>	<b>10.781</b>

Green £m	Amber £m	Red £m
0.354	0.168	0.045
5.498	0.000	0.000
0.756	0.060	0.000
0.633	0.100	0.000
0.128	0.000	0.000
0.221	0.000	0.093
0.448	0.000	0.000
0.438	0.000	0.000
<b>8.476</b>	<b>0.328</b>	<b>0.138</b>
0.784	1.055	0.000
<b>9.260</b>	<b>1.383</b>	<b>0.138</b>



## Detail of savings ranked as Red and Amber- Q3

## Appendix 7

Service	Savings Description	2021/22 Approved Saving £m	Update	Status R A G
C&P	Waste Management Services - Increase charges including commercial waste, garden waste, bulky uplifts, scrap metal and wheelie bin sales	0.168	Garden waste (£35k), commercial waste collection (£93k), bulky uplifts (£3k), scrap metal (£20k) and sale of wheelie bins (£17k).	<b>A</b> <b>£37k at risk</b>
H&SC	Infant feeding support	0.060	Delay in delivery of saving- full delivery in 22/23	<b>A</b>
I&E&E	Corran Ferry - Fares Income	0.100	Fares income will continue to be monitored throughout the remainder of the year	<b>A</b>
P&H	HLH - Reduce energy costs	0.093	Utility consumption targets to be reviewed with HLH	<b>R</b>
Corporate	Property Asset Management - Further review the occupation of all operational assets (both leased and owned) including offices, schools and HLH premises to establish where effective rationalisation can be deployed to allow us to reduce the number of operational buildings across the Council estate.	0.313	Work ongoing in relation to property rationalisation and new ways of working with plans for office staff to return in a hybrid working pattern.	<b>A</b>
Corporate	Procurement savings	0.742	Potential shortfall in saving of around £100k possible	<b>A</b>
C&P	Registrar Service Income Increase fee charge (income) Statutory Fees (set by NRS)	0.045	NRS are not increasing the statutory fees until Dec/Jan at the earliest	<b>R</b>

## Earmarked Balances

## Appendix 8

Description	2021/22 Opening Balance £	2021/22 Increases to Date £	2021/22 Drawdowns to Date £	Balance as at 31/12/21 £	Expected Further Drawdowns during Remainder of 2021/22 £	FORECAST 2021/22 Closing Balance £	Service
<b>Covid19 Funding</b>							
Business Grants (B-14)	3,536,620			3,536,620	-3,536,620	0	I&E&E
<i>Schools &amp; Learning</i>							
Additional Education - Teachers (R-35)	1,086,000			1,086,000	-1,086,000	0	E&L
Additional Education - Digital inclusion (R-36)	562,000			562,000	-150,000	412,000	E&L
Additional Education - Home Learning Support Fund (R-37)	400,000			400,000	0	400,000	E&L
Additional Teachers & Support Staff (funding for 2021/22) (R-11)	1,176,000		-1,176,000	0	0	0	E&L
Support for Schools - Additional Staff (funding for 2021/22) (R-38)	1,086,000			1,086,000	-1,086,000	0	E&L
<i>Welfare</i>							
Additional Funding for Free School Meals to 26 Feb 2021 (R-40)	9,064			9,064	-9,064	0	Welfare
Additional Free School Meals Easter (R-19)	140,000			140,000	-140,000	0	Welfare
Spring Hardship £100 payments - admin (R-44b)	13,000			13,000	-13,000	0	Welfare
Test and Protect Funds - Support for People (R-23)	23,099			23,099	-23,099	0	C&P
Test and Protect Funds - Local Self-Isolation Assistance (R-24)	98,000			98,000	-98,000	0	C&P
Test & Protect Expansion (R-49)	86,000			86,000	-86,000	0	C&P
Tackling Financial Security over Winter (R-20)	64,104		-64,104	0		0	Welfare
Tackling Financial Security over Winter - Increase (R-43)	700,000		-700,000	0		0	Welfare
Flexible Fund to Support People Impacted by Restrictions (R-31)	1,424,000			1,424,000	-1,100,000	324,000	C&P
<i>Other</i>							
Environmental Health Officers (R-22)	67,629			67,629	-17,629	50,000	C&P
Mental Health (R-26 & R-27)	697,249		-163,249	534,000	0	534,000	E&L
PESF Boost (R-52)	191,000			191,000	0	191,000	I&E&E
Covid19 Funding - Overpaid Amount to be Repaid (R-18)	255,000			255,000	-255,000	0	Corporate
Covid19 Response	185,368			185,368	0	185,368	Corporate
NHS Highland Adult Services	5,600,000		-4,000,000	1,600,000	-1,600,000	0	HW&SC
Ward Discretionary Funds	466,933		-466,933	0	0	0	C&P
<b>Sub-total</b>	<b>17,867,066</b>	<b>0</b>	<b>-6,570,286</b>	<b>11,296,780</b>	<b>-9,200,412</b>	<b>2,096,368</b>	
<b>Phase 1 Investment Fund (HC 04/03/21)</b>							
Economic Prosperity Fund	6,000,000			6,000,000	-2,000,000	4,000,000	I&E&E
Place-Based Investment	2,100,000		-2,100,000	0	0	0	C&P
Visitor Management Strategy	1,500,000			1,500,000	-1,500,000	0	C&P/I&E&E
Ward Discretionary Funds	210,000		-210,000	0	0	0	C&P
<b>Sub-total</b>	<b>9,810,000</b>	<b>0</b>	<b>-2,310,000</b>	<b>7,500,000</b>	<b>-3,500,000</b>	<b>4,000,000</b>	

<b>Phase 2 Investment Fund (HC 24/06/21)</b>							
Corran Ferry		1,600,000		1,600,000	-300,000	1,300,000	I&E&E
Eden Court		50,000	-50,000	0		0	E&L
Environment/Climate Change - Renewables		100,000		100,000	0	100,000	I&E&E
Environment/Climate Change - Salix Match Funding		1,250,000		1,250,000	-400,000	850,000	H&P
Roads Investment		5,500,000		5,500,000	-1,600,000	3,900,000	I&E&E
Burials & Cremations		400,000		400,000	-130,000	270,000	C&P
Poverty Strategy		300,000	-300,000	0		0	Welfare
Supporting Safe & Effective working (ICT)		800,000		800,000	-700,000	100,000	H&P
<b>Sub-total</b>	<b>0</b>	<b>10,000,000</b>	<b>-350,000</b>	<b>9,650,000</b>	<b>-3,130,000</b>	<b>6,520,000</b>	
<b>Phase 3 Investment Fund (HC 09/09/21)</b>							
Green Energy Hub		2,800,000		2,800,000	-100,000	2,700,000	C&P
Visitor Management Strategy		1,500,000		1,500,000	0	1,500,000	C&P/I&E&E
Community Loans Fund		1,000,000		1,000,000	-1,000,000	0	I&E&E
<b>Sub-total</b>	<b>0</b>	<b>5,300,000</b>	<b>0</b>	<b>5,300,000</b>	<b>-1,100,000</b>	<b>4,200,000</b>	
<b>Other Funds</b>							
Developing the Young Workforce	70,000			70,000	-35,000	35,000	E&L
Elections	755,000	85,000		840,000	0	840,000	P&G
Grants & Match Funding	2,129,769	46,663	-1,076,207	1,100,225	-250,000	850,225	Various
IT Investment Fund	1,244,462			1,244,462	-425,000	819,462	Transformation
SALIX Recycling Fund	894,848	210,199		1,105,047	0	1,105,047	Corporate
Staffing Conditions and Development Fund	3,452,091		-609,262	2,842,829	-1,801,255	1,041,574	Various
Scottish Crown Estate	3,034,704			3,034,704	-500,000	2,534,704	I&E&E
Skye Airstrip	187,000			187,000	0	187,000	I&E&E
Walks to Water	75,544		-75,544	0		0	I&E&E
DSM Balances	3,119,024		-731,164	2,387,860	-250,000	2,137,860	E&L
Badaguish Outdoor Centre	459,692			459,692	0	459,692	E&L
Change Fund	2,420,655		-1,317,437	1,103,218	-450,000	653,218	Corporate
Commercial Investment Fund	89,000		-15,000	74,000	0	74,000	Corporate
Welfare Issues	930,739		-708,293	222,446	-100,000	122,446	Various
Developers' Contributions	7,022,025		-127,538	6,894,487	0	6,894,487	Corporate
<b>GRAND TOTAL</b>	<b>53,561,619</b>	<b>15,641,862</b>	<b>-13,890,731</b>	<b>55,312,750</b>	<b>-20,741,667</b>	<b>34,571,083</b>	

## MONITORING OF CAPITAL EXPENDITURE - 1ST APRIL 2021 TO 31 DECEMBER 2021

## SERVICE: GENERAL FUND

Project Description	Actual Net Year to Date £000	2021/22 Reprofiled Budget £000	2021/22 Actual Expenditure £000	2021/22 Actual Income £000	2021/22 Estimated Outturn £000	2021/22 Acceleration / (Slippage) £000	2021/22 Overspend / (Underspend) £000
COMMUNITY AND LEISURE FACILITIES	159	678	159	0	678	0	0
SCHOOLS	21,796	45,681	37,426	(15,630)	37,681	(8,000)	0
HEALTH & SOCIAL CARE PROGRAMME	327	3,237	412	(85)	837	(2,400)	0
ICT	2,858	1,258	2,858	0	2,858	1,600	0
ROADS AND BRIDGES	16,903	26,521	17,562	(659)	26,200	(321)	0
ACTIVE TRAVEL	3,525	51	4,847	(1,322)	51	0	0
LIGHTING	1,318	2,807	1,318	0	2,307	(500)	0
FLOOD PREVENTION	6,096	7,769	6,340	(244)	7,775	6	0
WASTE MANAGEMENT	6,006	11,976	6,006	0	11,976	0	0
FERRIES AND HARBOURS	392	1,191	395	(3)	1,191	0	0
COMMUNITY WORKS	99	805	99	0	805	0	0
LEISURE FACILITIES	53	204	327	(274)	204	0	0
COMMUNITY SPACES	(65)	234	32	(97)	234	0	0
STRATEGIC ASSET MANAGEMENT	2,930	7,603	2,933	(19)	5,296	(2,307)	0
VEHICLES & PLANT	2,421	3,106	2,459	(38)	3,106	0	0
PLANNING & DEVELOPMENT	(3,883)	1,616	7,191	(11,074)	1,610	(6)	0
CAPITAL CONTRIBUTIONS	1,700	800	670	1,030	800	0	0
SELF FUNDING PROJECTS	1,729	(293)	6,106	(4,377)	(293)	0	0
HOUSING (NON HRA)	820	2,659	1,123	(303)	2,659	0	0
OVERALL TOTAL	65,184	117,903	98,263	(33,095)	105,975	(11,928)	0

## Funding

General Capital Grant
Capital Receipts
Borrowing
<b>TOTAL FUNDING</b>

Actual Net Year to Date £000	2021/22 Reprofiled Budget £000
16,056	24,854
364	750
50,091	92,299
<b>66,511</b>	<b>117,903</b>

2021/22 Estimated Outturn £000	2021/22 Acceleration / (Slippage) £000	2021/22 Overspend / (Underspend) £000
24,854	0	0
750	0	0
80,371	(11,928)	0
<b>105,975</b>	<b>(11,928)</b>	<b>0</b>

<b>Capital Expenditure Monitoring Report - HRA Summary</b>
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<b>1 April - 31st December 2021</b>
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<b>Housing Revenue Account</b>	<b>Actual Year to Date £000</b>	<b>Annual Budget £000</b>	<b>Year End Estimated Net Outturn £000</b>	<b>Year End Variance £000</b>
Gross Expenditure Budget	43,616	78,128	63,405	(14,723)
<b>Funding</b>				
Sale of Council House Receipts	0	0	0	0
Government Grant Income	6,969	14,000	13,000	(1,000)
RHI Income	246	150	437	287
Sale of LIFT Properties	74	540	540	0
CFCR	0	0	0	0
Landbank Contribution	3,570	2,000	3,570	1,570
Borrowing	32,757	61,438	45,858	(15,580)
<b>Total HRA</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>