

<b>Agenda Item</b>	<b>8</b>
<b>Report No</b>	<b>ECI/43/2021</b>

## **HIGHLAND COUNCIL**

**Committee:** **Economy and Infrastructure**

**Date:** **2 December 2021**

**Report Title:** **Revenue Monitoring Quarter 2 to 30 September 2021**

**Report By:** **Executive Chief Officer Infrastructure, Environment & Economy**

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

- 1.1 This report comments on the Quarter 2 Revenue Monitoring position for the period to 30 September 2021.
- 1.2 The report covers the Infrastructure, Environment and Economy Budgets and comments on the main budget variances for which the service has direct responsibility.
- 1.3 The Quarter 2 budget monitoring report contains information on income and expenditure, showing both gross and net budgets. Annual gross income totals £60.050m and annual budgeted expenditure totals £92.857m, providing a net annual budget of £32.807m. There has been a net decrease in the budget of £0.804m from that reported at 30 June 2021 of £33.611m to £32.807m. The £0.959m additional income budget is in respect of the recovery of loan charges in relation to infrastructure improvements at Uig Pier. Also, minor adjustments to Economy & Regeneration, Planning, Environment and Building Standards budget totaling £0.155m.
- 1.4 At the end of Quarter 2 2021/22, income of £85.030m was generated and £96.544m was spent, providing a net spend on services totaling £11.514m. Covid-19 Business Grants payments totaling £55.603m have been paid through this Service and payments are fully funded by Scottish Government grant.
- 1.5 At the end of Quarter 2, a budget gap of £1.618m is forecast, mainly due to lost income and Covid-19 related costs. This position may change depending on progress made with income recovery and ongoing expenditure controls.

### **2 Recommendations**

- 2.1 Members are asked to note:-
  - i. the more detailed reporting of gross income and gross expenditure to improve scrutiny of net budgets as set out in the Appendices;
  - ii. the revenue monitoring position for the period to 30 September 2021;

- iii. net spend at the end of Quarter 2, totaled £11.514m;
- iv. based on the best available information to date, a service budget gap of £1.618m is forecast to end of 2021/22
- v. many areas of the Service rely on income to pay for services, and this continues to be affected in 2021/22 because of Covid-19 impacts. A loss of income and Covid-19 related costs is the key driver of the Service's budget gap;
- vi. the budget gap may change positively or negatively depending on applying expenditure and recruitment controls, aligning services to meet budget savings agreed and income recovery in 2021/22; and
- vii. further adjustments will be made in future quarterly reporting to reflect the updated apportionment of costs and savings across the new structure.

### **3 Implications**

- 3.1 **Resource** - The Covid-19 pandemic severely impacted the Service's budget in 2020/21, largely through a loss of key income streams and Covid-19 related costs, and although we are now in a period where restrictions have been lifted the impact will further influence the 2021/22 budget. Whilst the vaccination process is leading to a better outlook in 2021/22, there are likely to be issues continuing in the year ahead for the Service in restoring the previously achieved income levels.
- 3.2 **Risk** - Risk implications to the budget position, and budget assumptions, will be kept under regular review and any risks identified reported to future Committees.
- 3.3 **Community (Equality, Poverty and Rural), Climate change/ Carbon Clever, Legal, and Gaelic** - There are no implications arising as a direct result of this report.

### **4 Infrastructure, Environment and Economy Revenue Budget 2021/22**

- 4.1 **Appendix 1** is the monitoring statement showing actual expenditure and the estimated year-end outturn against the budget at 30 September 2021. The Service is showing an outturn of £34.425m against a net annual budget of £32.807m, representing an overspend of £1.618m.
- 4.2 **Appendix 2** provides more information on the net budget by showing the service areas in more detail along with the gross income and gross expenditure positions. The main issues and variances are explained at section 5 of this report.

### **5 Main Issues and Variances**

#### **5.1 Directorate**

- 5.1.1 Directorate & Business Team includes all of the Service's unallocated efficiency savings from previous years which are yet to be allocated permanently to other budget headings in the Service.

#### **5.2 Economic Development**

- 5.2.1 Investment Properties income is on target for the period to 30 September 2021. Therefore, the year-end estimate shows a balanced position, the small underspend relates to staffing costs.

- 5.2.2 Economy and Regeneration forecasts an underspend of £0.056m, due to staff vacancies in business development, regeneration, and employability.
- 5.2.3 Business Development and Employability forecasts an underspend of £0.116m, due to reduced numbers of trainees in Quarter 2. The remaining projects are assumed to have full spend.

### 5.3 **Housing Development**

- 5.3.1 Housing Development and Private Sector Housing Grant (PSHG) forecasts an underspend of £0.048m, due to increased projected recharge income.

### 5.4 **Planning, Environment and Building Standards**

- 5.4.1 Planning, Environment and Building Standards forecast an overall underspend of £0.054m, mainly due to acting up arrangements and staff vacancies. Contained within the overall underspend there is an overspend projected on planning appeals and inquiries of £0.100m. The annual budget is set at £0.050m and has remained at this level for a number of years.
- 5.4.2 Planning fee income is slightly above target and building warrant fee income is on target for the period to 30 September 2021. However, it should be noted that the income target for 2021/22 currently includes a one-off budget pressure allocation of £0.850m to reflect the impact of Covid-19 on the wider economy. Therefore, the year-end estimate shows a balanced position based on the number and scale of applications continuing at present rates. However, the year-end estimate will be kept under review and will have to inform the budget target for 2022/23. Advertising income is currently ahead of target and also assumed to have a balanced position at the year end.

### 5.5 **Infrastructure**

- 5.5.1 Project Design Unit (PDU) forecasts an under recovery of income of £0.125m, due to existing vacancies. Analysis of income to date and projected income levels based on existing staffing levels show an under recovery on the budgeted income. Efforts have been made to recruit to Engineer posts that will help with efforts to increase efficiency and income target achievement.

### 5.6 **Energy and Sustainability**

- 5.6.1 Energy and Sustainability forecasts a minor overspend of £0.018m.

### 5.7 **Roads and Transport**

- 5.7.1 **Roads Maintenance:** Forecasts an underspend of £0.204m. It is expected that this underspend will compensate for the overspends in the Engineering budgets. This should be achievable due to the volume of Capital works being carried out this year.
- 5.7.2 **Engineering Services:** Forecasts an overspend of £0.204m, due to increased staff costs and a shortfall in the income target.
- 5.7.3 **Lighting Services:** Forecasts an underspend of £0.061m. Following the continuation of Capital LED works, there continues to be a saving on Energy Costs. However, the year-end estimate will be kept under review.

- 5.7.4 **Integrated Transport Services:** Forecasts an overspend of £0.045m, in respect of staffing and additional vehicles.
- 5.7.5 **School Transport:** An overspend of £0.949m is predicted, due to additional back-to-school costs as a result of Covid-19, however this has been partially offset by an underspend on Subsidies and Concessionary Fares. The year-end position has increased from that shown in Q1, due to contract price increases and this will continue to be closely monitored. Both budget lines should be taken together as they are inextricably linked.
- 5.7.6 **Car Parks:** An overspend of £0.062m is predicted, due to continuing shortfall in income as a result of Covid-19. The year-end position improved from that shown in Q1, due to an increase better than forecast in income from tourist related sites and the continued rollout of Invitation to Pay sites.
- 5.7.7 **Corran Ferry:** There has been a reduction in the overspend position reported at Q1 due to an improvement in the estimated income position attributable to increased visitor numbers over the summer months.

## 6 Budget Savings

- 6.1 All of the savings, both Service specific and corporate, have been reflected in the Infrastructure, Environment and Economy 2021/22 budget, and have been allocated across all parts of the Service, where appropriate.
- 6.2 An updated Red/Amber/Green (RAG) analysis of agreed budget savings for the current financial year is set out on **Appendix 3**. This statement reflects the position for the financial year.

## 7 Mitigation

- 7.1 As reported to the Corporate Resources Committee in August 2021, the impact of Covid-19 on the Council's budget and operations and the actions being taken to mitigate them are still ongoing. The ongoing impact of Covid-19 on the Council's budget is expected to continue during 2021/22 and beyond. As the financial year has progressed a greater understanding of that impact has emerged and is reflected in this report.

- 7.2 Mitigation includes:-

- reducing expenditure across all possible areas;
- compliance with recruitment controls;
- reviewing budget savings potential; and
- meeting budget savings agreed

Designation: Executive Chief Officer Infrastructure, Environment & Economy

Date: 9 November 2021

Author: Ailsa Mackay, Business Manager

Background Papers: Monitoring Statement to 30 September 2021

**INFRASTRUCTURE & ENVIRONMENT AND ECONOMY BUDGETS 2021/22 - SEPTEMBER MONITORING**

**Appendix 1**

	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance
<b>BY ACTIVITY</b>				
Directorate	688	(1,629)	1,261	573
Economic Development	(806)	498	(972)	(166)
Housing Development	1,476	1,001	1,428	(48)
Planning, Environment & Building Standards	521	216	467	(54)
Infrastructure	(889)	235	(764)	125
Energy & Sustainability	(50)	240	(32)	18
Roads & Transport	35,552	11,932	36,336	784
Trading Operations	(3,685)	(979)	(3,299)	386
<b>TOTAL</b>	<b>32,807</b>	<b>11,514</b>	<b>34,425</b>	<b>1,618</b>
<b>BY SUBJECTIVE</b>				
Staff Costs	38,804	17,078	36,690	(2,114)
Other Expenditure	54,053	79,466	110,847	56,794
<b>Gross Expenditure</b>	<b>92,857</b>	<b>96,544</b>	<b>147,537</b>	<b>54,680</b>
Grant Income	(2,471)	(57,337)	(57,633)	(55,162)
Other Income	(57,579)	(27,693)	(55,479)	2,100
<b>Total Income</b>	<b>(60,050)</b>	<b>(85,030)</b>	<b>(113,112)</b>	<b>(53,062)</b>
<b>NET TOTAL</b>	<b>32,807</b>	<b>11,514</b>	<b>34,425</b>	<b>1,618</b>

**INFRASTRUCTURE & ENVIRONMENT AND ECONOMY 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
<b>BY ACTIVITY</b>												
<b>Directorate</b>												
Director & Business Team	805	(1,475)	1,484	679	(117)	(154)	(223)	(106)	688	(1,629)	1,261	573
<b>Economic Development</b>												
Investment Properties	732	324	721	(11)	(3,572)	(2,041)	(3,569)	3	(2,840)	(1,717)	(2,848)	(8)
Economy & Regeneration	1,585	1,033	1,507	(78)	(163)	(1,013)	(141)	22	1,422	20	1,366	(56)
Business Development & Employability	1,411	1,090	1,545	134	(968)	959	(1,218)	(250)	443	2,049	327	(116)
Projects E & E	599	436	210	(389)	(430)	(809)	(27)	403	169	(373)	183	14
COVID Grants	0	55,603	55,603	55,603	0	(55,084)	(55,603)	(55,603)	0	519	0	0
<b>Housing Development</b>												
Housing Development & PSHG	2,371	1,293	2,373	2	(895)	(292)	(945)	(50)	1,476	1,001	1,428	(48)
<b>Planning, Environment &amp; Building Standards</b>												
Management	28	61	132	104	0	0	0	0	28	61	132	104
Building Standards	1,479	845	1,608	129	(14)	(193)	(115)	(101)	1,465	652	1,493	28
Development Plans	690	313	635	(55)	(1)	0	(1)	0	689	313	634	(55)
Area Planning	2,302	1,059	2,178	(124)	0	0	0	0	2,302	1,059	2,178	(124)
Planning Appeals & Inquiries	50	96	150	100	0	0	0	0	50	96	150	100
Transport Planning	780	235	791	11	(296)	(25)	(296)	0	484	210	495	11
Environment	1,285	934	1,151	(134)	(186)	(140)	(170)	16	1,099	794	981	(118)
Projects P&BS	0	0	0	0	0	0	0	0	0	0	0	0
Planning Fee Income	0	105	107	107	(2,901)	(1,716)	(3,008)	(107)	(2,901)	(1,611)	(2,901)	0
Planning Fees Advertising	70	21	70	0	(178)	(99)	(178)	0	(108)	(78)	(108)	0
Building Warrant Fee Income	0	15	11	11	(2,587)	(1,295)	(2,598)	(11)	(2,587)	(1,280)	(2,587)	0
<b>Infrastructure</b>												
Project Design Unit	5,923	2,076	4,906	(1,017)	(6,839)	(1,857)	(5,701)	1,138	(916)	219	(795)	121
Flood Risk Assessment	31	16	31	0	(4)	0	0	4	27	16	31	4
<b>Energy &amp; Sustainability</b>												
Energy & Sustainability	567	1,287	633	66	(617)	(1,047)	(665)	(48)	(50)	240	(32)	18
<b>Roads &amp; Transport</b>												
Winter Maintenance	5,040	499	5,040	0	0	0	0	0	5,040	499	5,040	0
Roads Maintenance	22,770	9,857	21,378	(1,392)	(16,571)	(6,752)	(15,383)	1,188	6,199	3,105	5,995	(204)
Engineering Services	2,744	1,524	2,889	145	(343)	(184)	(284)	59	2,401	1,340	2,605	204
Flood Alleviation	30	12	30	0	0	0	0	0	30	12	30	0
Lighting Services	6,403	2,381	5,939	(464)	(3,290)	(2,370)	(2,887)	403	3,113	11	3,052	(61)
Integrated Transport Services	935	511	1,079	144	(87)	(265)	(186)	(99)	848	246	893	45
Subsidies & Concessionary Fares	8,628	3,546	8,417	(211)	0	0	0	0	8,628	3,546	8,417	(211)
School Transport	10,433	3,840	11,338	905	(51)	(4)	(7)	44	10,382	3,836	11,331	949
Car Parks	2,279	947	1,910	(369)	(3,368)	(1,610)	(2,937)	431	(1,089)	(663)	(1,027)	62
<b>Trading Operations</b>												
Harbours & Ferries	12,887	8,060	13,671	784	(16,572)	(9,039)	(16,970)	(398)	(3,685)	(979)	(3,299)	386
<b>TOTAL</b>	<b>92,857</b>	<b>96,544</b>	<b>147,537</b>	<b>54,680</b>	<b>(60,050)</b>	<b>(85,030)</b>	<b>(113,112)</b>	<b>(53,062)</b>	<b>32,807</b>	<b>11,514</b>	<b>34,425</b>	<b>1,618</b>

ATTEMPT TO RE-SORT THIS SPREADSHEET. INSTEAD USE THE FILTERS SPECIFIC SERVICE, BUDGET AREA OR RESPONSIBLE OFFICER SAVINGS.

ONLY ENTER G, A or R

Appendix 3

Date	Ref	Theme Ref	Responsible Officer	Budget Area	Savings Description	Budget before Savings £m	2021/22 Savings £m	2022/23 Savings £m	2023/24 Savings £m	Total Savings £m	Action Required	Timeline	Progress	Status R A G	Date of Last Update	Updated By :
HC 14/02/19	CS/12	2.10		Radio Masts - Increase Income	Increase income from radio masts and recover costs from third party works		0.010			0.010				G	26/11/21	Tracey Urry
HC 14/02/19	CS/14	3.15		Transport - Home/ School Provision	Review provision - better route planning; introduce collections hubs for children and renegotiate with individual operators for revised pricing			0.060		0.060						
HC 14/02/19	CS/15	1.01		Transport - Review Subsidies	Reduce the cost of the public bus services tender per annum			0.114		0.114						
HC 14/02/19	CS/16	3.09		Transport - Lean Review	Lean Review of transport processes			0.015		0.015						
HC 14/02/19	CS/5	1.15		Street Lighting - Dimming	Reduce brightness by an additional 20% on all new LED street lights by dimming street lights between 12 and 6am		0.005			0.005				G	26/11/21	Tracey Urry
HC 14/02/19	CS/6	2.22		Street Lighting - Review team post LED implementation	Review numbers of staff needed post LED implementation OR offer services to others as income generator. Year 3 saving only.		0.060			0.060				G	26/11/21	Tracey Urry
HC 14/02/19	D&I/4	2.17		Planning & Environment	Planning & Building Warrant Fee Income - Increase income target			0.240		0.240						
HC 14/02/19	D&I/5	2.08		Planning & Environment	Environment - Increase Environment Advice & Consultancy Team income target		0.010			0.010				G	26/11/21	Tracey Urry
HC 14/02/19	D&I/8	3.05		Development & Regeneration	Housing Development - Identify efficiencies in delivery of affordable homes. Efficiencies in services for home adaptations for older people and disabled people by making changes to the delivery team		0.030			0.030				G	26/11/21	Allan Maquire
HC 05/03/20	CS/14	2.16		Car Parks	Roll out of car parking charges	-1.846		0.411		0.411						
HC 05/03/20	CS/19a	1.14		Transport Section	Review of school transport contracts and arrangements - nursery, primary, secondary and special schools	8.815		0.175		0.175						
HC 05/03/20	CS/19c	1.14		Transport Section	Review of school transport contracts and arrangements - Gaelic medium	8.815		0.245		0.245						
HC 05/03/20	D&I/1	2.10		Planning & Environment	New fees for new services - Medium-Scale Pre-application Advice & Satisfaction of Conditions	5.639	0.025	0.030		0.055				G	26/11/21	Tracey Urry
HC 05/03/20	D&I/2	2.15		Planning & Environment	Planning & Building Warrant Fee Income - Increase income target	5.639		0.300		0.300						
HC 04/03/21	I&E&E/1	3.17		Roads & Transport	Existing Vacancies	4.486	0.102			0.102				G	26/11/21	Ailsa Mackay
HC 04/03/21	I&E&E/2	3.18		Planning & Environment	Existing Vacancies	6.740	0.259			0.259				G	26/11/21	Ailsa Mackay
HC 04/03/21	I&E&E/3	3.19		Development & Regeneration	Existing Vacancies	1.589	0.040			0.040				G	26/11/21	Ailsa Mackay
HC 04/03/21	I&E&E/4	1.14		Roads & Transport	Cromarty - Nigg Ferry Contract (Non Statutory Tourist Service)	0.070	0.010			0.010				G	26/11/21	Tracey Urry
HC 04/03/21	I&E&E/6	3.20		Planning & Environment	Remove £20k from the Access budget for works	0.245	0.020			0.020				G	26/11/21	Ailsa Mackay
HC 04/03/21	I&E&E/7	3.21		Planning & Environment	Remove 0.012m from consultancy budget (0.052m used for feasibility work, support for economic development etc)	0.052	0.012			0.012				G	26/11/21	Ailsa Mackay
HC 04/03/21	I&E&E/9	1.15		Development & Regeneration	Private Sector Housing Grant - Reduction in Grant	1.589	0.050			0.050				G	26/11/21	Allan Maquire
HC 04/03/21	I&E&E/10	2.17		Roads & Transport	Corran Ferry - Fares Income (see template for detail 3 options - potential savings 0.42m to 0.100m)	1.500	0.100			0.100				A	26/11/21	