

Agenda Item	6
Report No	ECI/27/22

HIGHLAND COUNCIL

Committee: Economy and Infrastructure

Date: 10 November 2022

Report Title: Revenue and Performance Monitoring Quarter 2 to 30 September 2022

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 2022.
- 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 £65.281m and annual budgeted expenditure totals £100.422m, providing a net annual budget of £35.141m.
- 1.4 At the end of Quarter 2 2022/23, income of £36.306m was generated and £48.514m was spent, providing a net spend on services totaling £12.208m.
- 1.5 At the end of Quarter 2, a budget gap of £2.729m is forecast, mainly due to lost income and unallocated corporate and efficiency savings which have yet to be allocated to other budget headings in the Service. This position may change depending on progress made with income recovery and ongoing expenditure controls.
- 1.6 The report details relevant performance data and contextual information as outlined in the Directorate Service Plan. Bringing together revenue and performance into a single monitoring report supports financial governance, informs decision making, and enables improvement actions to be identified. This approach is intended to strengthen Member scrutiny and improve accessibility for a wider audience including the public.

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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 2022;
- iii. net spend at the end of Quarter 2, totaled £12.208m;
- iv. based on the best available information to date, a service budget gap of £2.729m is forecast to end of 2022/23;
- v. many areas of the Service rely on income to pay for services, and this continues to improve;
- vi. the budget gap may change positively or negatively depending on applying expenditure and recruitment controls, aligning services to meet budget savings agreed and continuing income recovery in 2022/23;
- vii. further adjustments will be made in future quarterly reporting to reflect the updated apportionment of costs and savings across the new structure; and
- viii. scrutinise the Directorate's performance information.

3 Implications

3.1 **Resource** - Resource implications are as noted in this report.

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 2022/23

4.1 **Appendix 1** is the monitoring statement showing actual expenditure and the estimated year-end outturn against the budget at 30 September 2022. The Service is showing an outturn of £37.870m against a net annual budget of £35.141m, representing an overspend of £2.729m.

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

Directorate and Business Team includes all of the Service's unallocated corporate and efficiency savings which are yet to be allocated permanently to other budget headings in the Service. Staffing costs also require to be realigned and allocated to other budget headings in the Service.

5.2 Economic Development

Investment Properties the small underspend relates to staffing costs.

5.3 **Planning, Environment and Building Standards**

Planning, Environment and Building Standards forecast an overall underspend of £0.351m mainly due to staff vacancies.

Planning and building warrant fee income is slightly above target and building warrant fee income is on target for the period to 30 September 2022. Therefore, the year-end estimate shows an improved position from Quarter 1 based on the number and scale of applications continuing at present rates. However, the year-end estimate will be kept under review.

5.4 **Infrastructure**

Project Design Unit (PDU) forecasts an under recovery of income of £0.171m, 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.

5.5 **Roads and Transport**

5.5.1 Lighting Services - Forecasts an underspend of £0.153m. 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.

5.5.2 Integrated Transport Services - A slight underspend of £0.022m is predicted.

5.5.3 Subsidies and Concessionary Fares - An overspend of £0.267m is predicted owing to increased costs associated with the new contracts from January 2023.

5.5.4 School Transport - An overspend of £1.518m is predicted owing to increased costs associated with the new contracts from January 2023.

Most of the Council's public transport contracts include home to school transport and the Committee agreed on 2 December 2021 that future budget reporting should identify the element of public transport costs which are attributable to school transport.

A sum of £5.357m has therefore been moved from the public transport budget to the school transport budget, reflecting the larger size of buses and on some routes duplicate buses or extra mileage required to fulfil the school transport needs. The formula used to calculate this is the same as previously used to recharge the former Care and Learning Service when they held the school transport budget.

The figure now reported for public transport more accurately reflects the cost of providing public transport without being inflated by school transport needs, while retaining the efficiencies that result from the integrated approach to provision.

5.5.5 Car Parks - A slight increase in income of £0.019m is predicted.

5.5.6 Harbours and Ferries - Harbours income is projected to be on target partly due to the reduced length of closure of Uig in this financial year and also the return of cruise liners. However, a deficit of £0.365m is predicted for Corran Ferry due to income over the summer period being lower than anticipated and also increased costs for repairs/overhauls, fuel and staff costs mean that the overall projection for Quarter 2 is an overspend of £0.365m, compared with £0.213m reported at Quarter 1.

6 Budget Savings

- 6.1 All of the savings, both Service specific and corporate, have been reflected in the Infrastructure, Environment and Economy 2022/23 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 September 2022, the Service is forecasting an overspend which is mainly due to forecast income shortfalls. One particular area of risk in relates to the retendering of bus contracts which will take effect from January 2023 - where there is potential for significant cost increases.
- 7.2 Mitigation includes:-
- reducing expenditure across all possible areas;
 - compliance with recruitment controls;
 - reviewing budget savings potential; and
 - meeting budget savings agreed

8 Performance Information

- 8.1 As described in section 1 of this report, a single report containing both revenue and performance information has several benefits. The following diagram at 8.2 provides the quarterly performance information for the Directorate as outlined in the Draft Directorate Service Plan approved by Committee on 25 August 2022.

8.2 *Infrastructure, Environment and Economy Quarterly Actions in Service Plan FY 2022-23*

PIs/Actions in the Corporate Plan	Target Date	Period	Data	Period	Data	Period	Data
Deliver Active Travel infrastructure	due to complete Q4 22/23	Q4 21/22		Q1 22/23	On Target	Q2 22/23	On Target
Achieve member approval for consultation on Transport Strategy	due to complete Q3 22/23	Q4 21/22		Q1 22/23	On Target	Q2 22/23	On Target
Transport Strategy: BSIP document approved	due to complete Q4 22/23	Q4 21/22		Q1 22/23	On Target	Q2 22/23	On Target

- 8.3 With the support and guidance of the Corporate Performance Team, use of the Performance and Risk Management System (PRMS) and Power BI to report quarterly on service performance. We will identify and develop visualisation tools used in current systems to improve the display of information through Power BI.

Designation: Executive Chief Officer, Infrastructure, Environment & Economy

Date: 19 October 2022

Author: Ailsa Mackay, Business Manager

Background Papers: Monitoring Statement from 01/04/22 to 30/09/2022

	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Directorate	(726)	3	254	980
Economic Development	(900)	1,632	(927)	(27)
Housing Development	1,437	525	1,437	0
Planning, Environment & Building Standards	(432)	(294)	(783)	(351)
Infrastructure	(892)	363	(721)	171
Roads & Transport	41,183	12,566	42,774	1,591
Trading Operations	(4,529)	(2,587)	(4,164)	365
TOTAL	35,141	12,208	37,870	2,729
BY SUBJECTIVE				
Staff Costs	40,142	18,985	39,768	(374)
Other Expenditure	60,280	29,529	66,514	6,234
Gross Expenditure	100,422	48,514	106,282	5,860
Grant Income	(4,330)	(1,809)	(6,198)	(1,868)
Other Income	(60,951)	(34,497)	(62,214)	(1,263)
Total Income	(65,281)	(36,306)	(68,412)	(3,131)
NET TOTAL	35,141	12,208	37,870	2,729

INFRASTRUCTURE & ENVIRONMENT AND ECONOMY SERVICES BUDGET SEPTEMBER 2022/23

Appendix 2

	GROSS EXPENDITURE				EXPENDITURE VARIANCE		GROSS INCOME				NET TOTAL			
	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance	£'000 Staffing	£'000 Other	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY														
Directorate														
Director & Business Team	391	566	1,334	943	380	563	(1,117)	(563)	(1,080)	37	(726)	3	254	980
Economic Development														
Investment Properties	783	343	816	33	(27)	60	(3,882)	(1,892)	(3,944)	(62)	(3,099)	(1,549)	(3,128)	(29)
Economy & Regeneration	1,610	1,641	2,186	576	(24)	600	(163)	(2,047)	(722)	(559)	1,447	(406)	1,464	17
Business Development & Employability	1,337	1,668	2,862	1,525	102	1,423	(962)	2,774	(2,504)	(1,542)	375	4,442	358	(17)
Projects E & E	805	495	382	(423)	(375)	(48)	(430)	(1,038)	(5)	425	375	(543)	377	2
COVID Grants	2	(20)	2	0	0	0	0	(292)	0	0	2	(312)	2	0
Housing Development														
Housing Development & PSHG	2,376	817	2,379	3	0	3	(939)	(292)	(942)	(3)	1,437	525	1,437	0
Planning, Environment & Building Standards														
Management	10	6	10	0	0	0	0	0	0	0	10	6	10	0
Building Standards	1,648	800	1,583	(65)	(93)	28	(14)	(17)	(81)	(67)	1,634	783	1,502	(132)
Development Plans	711	329	701	(10)	(13)	3	(1)	0	(1)	0	710	329	700	(10)
Area Planning	2,362	1,146	2,320	(42)	(52)	10	0	0	0	0	2,362	1,146	2,320	(42)
Planning Appeals & Inquiries	50	46	50	0	0	0	0	0	0	0	50	46	50	0
Transport Planning	790	342	855	65	64	1	(296)	14	(296)	0	494	356	559	65
Environment	1,260	960	1,257	(3)	(102)	99	(186)	(430)	(314)	(128)	1,074	530	943	(131)
Planning Fee Income	70	148	199	129	0	129	(3,714)	(2,216)	(3,943)	(229)	(3,644)	(2,068)	(3,744)	(100)
Building Warrant Fee Income	0	10	10	10	0	10	(3,122)	(1,432)	(3,133)	(11)	(3,122)	(1,422)	(3,123)	(1)
Infrastructure														
Project Design Unit	6,389	2,325	5,420	(969)	(645)	(324)	(7,309)	(1,978)	(6,169)	1,140	(920)	347	(749)	171
Flood Risk Assessment	32	16	32	0	0	0	(4)	0	(4)	0	28	16	28	0
Roads & Transport														
Winter Maintenance	5,611	476	5,611	0	0	0	0	1	0	0	5,611	477	5,611	0
Roads Maintenance	26,851	11,285	24,050	(2,801)	59	(2,860)	(18,025)	(7,190)	(15,224)	2,801	8,826	4,095	8,826	0
Engineering Services	2,721	1,870	3,069	348	408	(60)	(333)	(393)	(681)	(348)	2,388	1,477	2,388	0
Flood Alleviation	30	15	30	0	(9)	9	0	0	0	0	30	15	30	0
Lighting Services	6,701	2,377	6,136	(565)	(196)	(369)	(3,479)	(2,893)	(3,067)	412	3,222	(516)	3,069	(153)
Integrated Transport Services	1,011	487	1,103	92	(113)	205	(87)	(373)	(201)	(114)	924	114	902	(22)
Subsidies & Concessionary Fares	4,468	4,093	4,735	267	(4)	271	0	0	0	0	4,468	4,093	4,735	267
School Transport	17,249	3,939	18,761	1,512	0	1,512	(51)	(30)	(45)	6	17,198	3,909	18,716	1,518
Car Parks	2,114	1,234	2,401	287	250	37	(3,598)	(2,332)	(3,904)	(306)	(1,484)	(1,098)	(1,503)	(19)
Trading Operations														
Harbours & Ferries	13,040	11,100	17,988	4,948	16	4,932	(17,569)	(13,687)	(22,152)	(4,583)	(4,529)	(2,587)	(4,164)	365
TOTAL	100,422	48,514	106,282	5,860	(374)	6,234	(65,281)	(36,306)	(68,412)	(3,131)	35,141	12,208	37,870	2,729

Original Savings Agreement	Service	Service Ref	Budget Area	Savings Description	2022/23 £m	2023/24 £m	2024/25 £m	Total £m	Updated By:	Saving RAG	Date of last update
HC 14/02/19	I&E&E	CS/16	Transport - Lean Review	Lean Review of transport processes	0.015			0.015	Tracey Urry	G	19/10/2022
HC 14/02/19	I&E&E	D&I/4	Planning & Environment	Planning Fee Income - Increase income target	0.240			0.240	Tracey Urry	G	19/10/2022
HC 05/03/20	I&E&E	CS/14	Car Parks	Roll out of car parking charges	0.411			0.411	Tracey Urry	G	19/10/2022
HC 05/03/20	I&E&E	CS/19c	Transport Section	Review of school transport contracts and arrangements - Gaelic medium	0.245			0.245	Tracey Urry	R	19/10/2022
HC 05/03/20	I&E&E	D&I/1	Planning & Environment	New fees for new services - Medium-Scale Pre-application Advice & Satisfaction of Conditions	0.030			0.030	Tracey Urry	G	19/10/2022
HC 05/03/20	I&E&E	D&I/2	Planning & Environment	Planning & Building Warrant Fee Income - Increase income target	0.050	0.250		0.300	Tracey Urry	G	19/10/2022
HC 28/10/21	I&E&E	I&E&E/1	Roads & Transport	Street Lighting - due to the reduction in energy consumption	0.140			0.140	Tracey Urry	G	19/10/2022
HC 28/10/21	I&E&E	I&E&E/2	Roads & Transport	Fares and Other Charges Increase	0.100			0.100	Tracey Urry	R	00/01/1900
HC 28/10/21	I&E&E	I&E&E/5	Development & Regeneration	Improved efficiencies in the delivery of the Council's Affordable Housing Programme	0.044			0.044	Allan Maguire	G	19/10/2022
HC 28/10/21	I&E&E	I&E&E/6	Development & Regeneration	Investment Properties- additional income to be delivered through proactive commercial rent reviews, lease extensions and unlocking any land to create new leases	0.085			0.085	Allan Maguire	G	19/10/2022
HC 03/03/22	I&E&E	I&E&E/7	Development & Regeneration	Improved Partnership Working in the delivery of Employability Services	0.070			0.070	Allan Maguire	G	19/10/2022
HC 03/03/22	I&E&E	I&E&E/9	Roads & Transport	Review of non-statutory Public Transport routes	0.121			0.121	Tracey Urry	G	19/10/2022
HC 03/03/22	I&E&E	Corp/2 - Allocation	Managed Print Service (MPS)	Reductions in printing Printing/Photocopying and reduce Multi-Function Devices (MFDs) in offices and schools	0.007			0.007	ECO - I&E&E	G	19/10/2022
HC 03/03/22	I&E&E	Corp/21 - Allocation	Corporate- staffing	Staff alignment, agility and redesign	0.389			0.389	ECO - I&E&E	G	19/10/2022
HC 03/03/22	I&E&E	Corp/22 - Allocation	Corporate- staffing	Reduction in overtime	0.036			0.036	ECO - I&E&E	G	19/10/2022
HC 03/03/22	I&E&E	Corp/23 - Allocation	Corporate- staffing	Recruitment timelines- removal of budget to reflect recruitment process timelines	0.120			0.120	ECO - I&E&E	G	19/10/2022
HC 03/03/22	I&E&E	Corp/24 - Allocation	Corporate- non staffing	A review of non-staffing spend has identified opportunities for savings across services from improved contract management, stopping/reducing demand, alternative delivery, and actions relating to suppliers, specification, productivity, process, negotiation, contracts and analysis	0.150			0.150	ECO - I&E&E	G	19/10/2022
HC 03/03/22	I&E&E	Corp/26 - Allocation	Corporate- full cost recovery	Full cost recovery and commercialisation	0.326			0.326	ECO - I&E&E	G	19/10/2022