

## The Highland Council

### Transport, Environmental and Community Services Committee 7 November 2013

Agenda Item	<b>14</b>
Report No	<b>TEC 86/13</b>

#### Revenue Budget Monitoring Report – 1 April 2013 to 30 September 2013

#### Report by Director of Transport, Environmental and Community Services

##### Summary

This report invites Members to approve the revenue budget monitoring position for the period 1 April 2013 to 30 September 2013.

### 1. Current Position

- 1.1 The revenue expenditure monitoring statements, appended to this report, show the financial position to 30 September 2013. In total, the expenditure is estimated to be £0.105m (0.2%) overspent at the end of the financial year. This position is an improvement on the last monitoring statement (to 31 July 2013) which showed a predicted overspend of £0.288m.
- 1.2 This report is produced in support of the Council's corporate governance process, which in turn is designed to support/augment the Council's overall/corporate delivery of all of its obligations in terms of the Single Outcome agreement.
- 1.3 There has been an increase in budget of £0.990m from that reported on September 2013. This is in respect of £1m for additional roads maintenance work from the Strategic Change and Development Fund, less small budgetary adjustments for carbon reduction commitment, travel and subsistence savings and a budget transfer for cleaning at Kinlochbervie Harbour.

### 2. Year-End Projection

- 2.1 The year to date actual figures represent the transactions for the six months ended 30 September 2013, and are generally in line with management expectations. The Service is aware of some anomalies that will distort the financial position for the current financial year, and these are highlighted under major issues and variances.
- 2.2 Members will note that based on the financial performance to date, it is predicted, that at the end of the financial year the budget as a whole will be overspent, however managers are currently looking for compensatory savings to reduce any overspend.

### 3. Major Issues and Variances

#### 3.1 Roads and Community Works

- 3.1.1 As previously reported a review is currently underway on the Roads and

Community Works function, both trading account and activity budgets. Area Managers are working closely with the Finance Service to profile the more variable costs, including overtime, hired plant, materials and contractors. The Areas have also developed an improved system for budget planning, in consultation with Finance, and has been used to identify the budget allocations between activities and to monitor expenditure.

- 3.1.2 The Roads and Community Works budget shown at **Appendix A** (2.1) has been adjusted to reflect the exercise highlighted above. Allowance has been made for an average winter resulting in an increase in the winter maintenance budget. To meet the increase, budget has been diverted from the cyclical maintenance, grounds and burial ground maintenance activities.
- 3.1.3 The additional £1m from the Strategic Change and Development Fund for road maintenance is included in the increase in the structural maintenance budget.
- 3.1.4 A combination of savings arising from the recruitment process to fill vacant posts and increased income in respect of road consents, will result in an underspend in engineering services.
- 3.1.5 The budget for community works services has been reduced for procurement savings on the award of contracts for liquid bitumen, road signage and the cleaning of public conveniences. These sums were previously held under management overheads, hence the increase in this budget heading. The budget will be overspent this financial year due to employing agency staff and students over the summer months to assist with updating the roads asset management database.

### 3.2 Environmental Health

- 3.2.1 The bulk of the savings come from staffing savings, including a number of staff on maternity leave.

### 3.3 Waste Management

- 3.3.1 Refuse collection income has fallen due to a combination of the change in pricing structure, as a consequence of introducing the alternate weekly collection service, and a loss of commercial customers.
- 3.3.2 Reduction in contract costs for waste treatment through reductions in waste arisings was identified as one of the waste management savings. The saving was based on the reducing trend of overall waste arisings and waste going to landfill. The long term trend has flattened out in the first quarter 2013/14, and waste arisings increased in the second quarter. There is concern that this trend will continue leading to a budget pressure. The position will be closely monitored.
- 3.3.3 £0.100m saving was to be generated through establishing a green waste composting facility at Longman, Inverness. The initial estimate for this facility was £600k, however following detailed design work and consultation with SEPA the estimate has increased to £1.2million which cannot be justified in terms of the resultant savings. There are also concerns in relation to odour problems, as

recently demonstrated by the closure of a similar facility operated by Scottish Water following enforcement action by SEPA.

- 3.3.4 By transferring residual waste from Ross & Cromarty to the Council's Seater landfill site in Caithness a saving of £0.100m was identified, however due to complex contractual delays there is concern that the full saving may not be achieved in this financial year. Other proposals to achieve the same outcome are being pursued, but there will be delays in implementing the saving.

### 3.4 Transport and Infrastructure

- 3.4.1 Members will recall energy costs for Street Lighting exceeded the 2012/13 budget by £0.825m. Following pressure from COSLA the charge levied for 2013/14 by the Electricity Distribution Network Operator has been reduced by 32% (0.186m). As part of the budget setting process a sum of £0.582m was set aside for the street lighting energy increase. The resultant underspend has been utilised to cover pressures elsewhere in the TECS budget.
- 3.4.2 Integrated transport services is estimated to be overspent at the end of the financial year due to the costs associated with covering for a long term staff absence.
- 3.4.3 The subsidies and concessionary fares budget is estimated to be overspent this financial year. There is a budget shortfall of £0.390m, and a budget pressure of £0.050m due to price changes as a result of retendering some of the public service bus contracts. Planning gain monies of the order of £0.152m were due to offset bus contract costs in 2012/13. These monies were not fed into the subsidies and concessionary fares budget in 2012/13, however the 2013/14 will be adjusted to reflect these sums. Procurement savings were achieved on the award of the ferry contract for Knoydart Ferry which may further reduce the budget pressure to £0.228m.
- 3.4.4 Implementation of a new fares structure for the Corran Ferry was estimated to generate increased income of £0.100m. However the new fares structure was only introduced on 1 November, thus reducing the increased level of income in the current year. Emergency works to the Ardgour slipway and increased refit charges for the ferries are increasing the estimated overspend.
- 3.4.5 The car parks income budget has been increased to reflect an increase in permit parking income agreed as part of the 2013/14 budget setting process. This sum was previously held under management overheads, hence the increase in this budget heading.

### 3.5 Business Support

- 3.5.1 The management overheads budget has been increased due to applying procurement savings and car parking permits increase as highlighted above.
- 3.5.2 As part of the budget setting process for 2013/14 various savings were identified to allow the Service to deliver a balanced budget. A saving of £0.272m is expected to

come from vacancy and absence management across the Service. Some of the anticipated vacancies have not so far materialised, and have resulted in slight overspends in Trading Standards and Emergency Planning. The Service is currently reviewing options for other staff savings.

### 3.6 Trading Operations

- 3.6.1 The Roads and Community Works trading account is estimated to be underspent at the end of the financial year due to savings arising from the recruitment process to fill vacant posts.
- 3.6.2 Waste management trading account is estimated to be underspent at the end of the financial year due to vacant posts arising routinely and the subsequent delay in the recruit process.
- 3.6.3 There are a number of vacant mechanic posts in the Council's workshops resulting in a staff budget underspend. Part of the underspend is required to pay for additional contractor payments to allow the continued maintenance of the Council's fleet of vehicles. The vehicle maintenance trading account will exceed its targeted surplus.

## 4. **Actions Taken / Proposed**

- 4.1 Managers are currently reviewing their respective parts of the Service to identify where costs can be reduced without affecting service delivery, with a view to managing overspends, or approved savings measures that may not be fully achieved.
- 4.2 Budgets will be closely managed and any underspends will be used to offset overspends and pressures within the overall TEC Services budget.

## 5. **Implications**

- 5.1 Resource implications are discussed in the report.
- 5.2 There are no legal implications arising as a direct result of this report.
- 5.3 There are no equality implications arising as a direct result of this report.
- 5.4 There are no climate change implications arising as a direct result of this report.
- 5.5 There are no risk implications arising as a direct result of this report.

**6. Recommendation**

- 6.1 Members are invited to approve the report and the attached monitoring statements which show the revenue position for the period 1 April 2013 to 30 September 2013, and the actions which have been put in place to manage the budget over the remainder of the financial year.

Designation: Director of Transport, Environmental and Community Services

Date: 25 October 2013

Author: Mike Mitchell, Service Finance Manager

Background Papers: Monitoring Statement 30/09/13 and Highland Council Financial Ledger

<b>TRANSPORT, ENVIRONMENTAL AND COMMUNITY SERVICES</b>
--

<b>Revenue Expenditure Monitoring Statement</b>
---

<b>1 April 2013 to 30 September 2013</b>
--

<b>Service Summary</b>
------------------------

	£000 Actual Year To Date	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
<b>BY ACTIVITY</b>				
Roads and Community Works	11,176	24,742	24,727	(15)
Environmental Health	754	1,919	1,869	(50)
Trading Standards	402	776	791	15
Emergency Planning & Oil Pollution	83	164	180	16
Waste Management	13,633	29,408	30,025	617
Transport and Infrastructure	4,044	7,662	7,764	102
Administration	(276)	827	827	0
<b>CLIENT SERVICES TOTAL</b>	<b>29,816</b>	<b>65,498</b>	<b>66,183</b>	<b>685</b>
<b>TRADING OPERATIONS</b>				
Roads & Community Works	622	(717)	(967)	(250)
Waste Management	(662)	(2,803)	(3,103)	(300)
Vehicle Maintenance	(331)	(325)	(355)	(30)
Piers & Harbours	151	(1,590)	(1,590)	0
Project Design Unit	(136)	(472)	(472)	0
<b>SERVICE TOTAL</b>	<b>29,460</b>	<b>59,591</b>	<b>59,696</b>	<b>105</b>
<b>BY SUBJECTIVE</b>				
Staff Costs	32,158	71,103	70,558	(545)
Other Costs	45,008	92,336	93,109	773
Gross Expenditure	77,166	163,439	163,667	228
Grants	(62)	(206)	(206)	0
Other Income	(47,644)	(103,642)	(103,765)	(123)
Total Income	(47,706)	(103,848)	(103,971)	(123)
	<b>29,460</b>	<b>59,591</b>	<b>59,696</b>	<b>105</b>

**% of Budget Spent**

This Year	49%
Last Year	51%
2011/12	47%

<b>TRANSPORT, ENVIRONMENTAL AND COMMUNITY SERVICES</b>
--

<b>Revenue Expenditure Monitoring Statement</b>
---

<b>1 April 2013 to 30 September 2013</b>
--

<b>Financial Detail</b>
-------------------------

**Client Services**
**2.1 Roads & Community Works**

	£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
Winter Maintenance	255	5,574	5,574	0
Structural Maintenance	646	3,544	3,544	0
Surface Dressing	1,672	1,895	1,895	0
Watercourse Maintenance	105	665	665	0
Cyclical Maintenance	3,660	5,554	5,554	0
Public Conveniences	468	1,258	1,258	0
Burials and Cremations	395	1,049	1,049	0
Grounds Maintenance	1,573	2,545	2,545	0
Engineering Services	347	1,246	1,176	(70)
Community Works Services	1,553	1,173	1,228	55
Coast Protection	429	57	57	0
Flood Alleviator	73	182	182	0
	11,176	24,742	24,727	(15)

**2.2 Waste Management**

Refuse Collector	1,311	4,594	4,644	50
Waste Disposal	5,890	11,496	12,096	600
Recycling	4,670	9,593	9,568	(25)
Street Cleaning	1,645	3,438	3,460	22
Pest Control	117	287	257	(30)
	13,633	29,408	30,025	617

**2.3 Transport & Infrastructure**

Lighting Services	500	3,513	3,116	(397)
Integrated Transport Services	452	1,015	1,064	49
Subsidies and Concessionary Fares	3,241	3,430	3,658	228
Flood Risk Management	144	255	255	0
Ferries	(148)	29	254	225
Airstrips	8	13	10	(3)
Car Parks	(153)	(593)	(593)	0
	4,044	7,662	7,764	102

**2.4 Business Support**

Management Overheads	(136)	935	935	0
Fleet Management	(140)	(108)	(108)	0
	(276)	827	827	0

**Trading Operations**
**2.5 Roads and Community Works**

	£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
Income - Council	(9,642)	(22,000)	(22,000)	0
Income - Other	(107)	(524)	(524)	0
	(9,749)	(22,524)	(22,524)	0
Direct Costs				
Labour	5,857	11,999	11,749	(250)
Materials & Other	545	810	810	0
Plant	2,984	7,028	7,028	0
	9,386	19,837	19,587	(250)
Indirect				
Management Costs	537	1,073	1,073	0
Apportioned Costs	448	896	896	0
	985	1,970	1,970	0
(Surplus)/Deficit before Depreciation	622	(717)	(967)	(250)
Depreciator	408	815	815	0
(Surplus)/Deficit after Depreciator	1,030	98	(152)	(250)

<b>TRANSPORT, ENVIRONMENTAL AND COMMUNITY SERVICES</b>
--

<b>Revenue Expenditure Monitoring Statement</b>
---

<b>1 April 2013 to 30 September 2013</b>
--

<b>Financial Detail</b>
-------------------------

**Trading Operations**
**2.6 Waste Management**

	£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
Income - Council	(9,737)	(21,070)	(21,070)	0
Income - Other	(3)	(19)	(19)	0
	(9,740)	(21,089)	(21,089)	0
<b>Direct Costs</b>				
Labour	5,187	11,517	11,217	(300)
Materials & Other	48	107	107	0
Plant	2,632	4,242	4,242	0
	7,867	15,866	15,566	(300)
<b>Indirect</b>				
Management Costs	462	923	923	0
Apportioned Costs	749	1,498	1,498	0
	1,211	2,421	2,421	0
(Surplus)/Deficit before Depreciation	(662)	(2,803)	(3,103)	(300)
Depreciation	660	1,319	1,319	0
(Surplus)/Deficit after Depreciation	(2)	(1,484)	(1,784)	(300)

**2.7 Vehicle Maintenance**

	£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
Income - Council	(1,971)	(4,100)	(4,100)	0
Income - Other	(2)	(2)	(2)	0
	(1,973)	(4,102)	(4,102)	0
<b>Direct Costs</b>				
Labour	562	1,444	1,294	(150)
Materials	639	1,346	1,346	0
Plant & Other	406	916	1,036	120
	1,607	3,706	3,676	(30)
<b>Indirect</b>				
Management Costs	6	12	12	0
Apportioned Costs	29	58	58	0
	35	71	71	0
(Surplus)/Deficit before Depreciation	(331)	(325)	(355)	(30)
Depreciation	10	20	20	0
(Surplus)/Deficit after Depreciation	(321)	(305)	(335)	(30)



<b>TRANSPORT, ENVIRONMENTAL AND COMMUNITY SERVICES</b>
--

<b>Revenue Expenditure Monitoring Statement</b>
---

<b>1 April 2013 to 30 September 2013</b>
--

<b>Financial Detail</b>
-------------------------

**Trading Operations**
**2.8 Piers and Harbours**

Income - Sale of Materials  
Income - Other

**Direct Costs**

Labour  
Materials  
Plant & Other

**Indirect**

Management Costs  
Apportioned Costs

(Surplus)/Deficit before Depreciation

Depreciation

(Surplus)/Deficit after Depreciation

£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
(6,627)	(15,131)	(15,084)	47
(1,353)	(3,148)	(3,148)	0
(7,980)	(18,279)	(18,232)	47
415	882	872	(10)
7,112	14,736	14,736	0
525	913	876	(37)
8,052	16,531	16,484	(47)
35	70	70	0
44	88	88	0
79	158	158	0
151	(1,590)	(1,590)	0
325	650	650	0
476	(940)	(940)	0

**2.9 Project Design Unit**

Income - Council  
Income - Other

**Direct Costs**

Labour  
Supplies  
Plant

**Indirect**

Management Costs  
Apportioned Costs

(Surplus)/Deficit before Depreciation

Depreciation

(Surplus)/Deficit after Depreciation

£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
(2,262)	(4,500)	(4,800)	(300)
(44)	(294)	(294)	0
(2,306)	(4,794)	(5,094)	(300)
1,809	3,868	4,018	150
207	151	301	150
60	116	116	0
2,076	4,135	4,435	300
55	110	110	0
39	77	77	0
94	187	187	0
(136)	(472)	(472)	0
0	0	0	0
(136)	(472)	(472)	0