

The Highland Council

Transport, Environmental and Community Services Committee 6 February 2014

Agenda Item	16
Report No	TEC 14/14

Revenue Budget Monitoring Report – 1 April 2013 to 31 December 2013

Report by Service Finance Manager

Summary

This report invites Members to approve the revenue budget monitoring position for the period 1 April 2013 to 31 December 2013.

1. Current Position

- 1.1 The revenue expenditure monitoring statements, appended to this report, show the financial position to 31 December 2013. In total, the expenditure is currently in line with the budget out-turn target. This position is an improvement on the last monitoring statement (to 30 September 2013) which showed a predicted overspend of £0.105m. However, as a result of the recent storms before Christmas, costs incurred, with further costs to be incurred are estimated to be of the order of £0.450m. At present these costs have not been reflected in the monitoring statement.
- 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 £0.086m from that reported on November 2013. This is in respect of £0.021m to cover early retirement costs, £0.042m for developer's contributions at Muir of Ord, a budget transfer of £0.028m from Adult and Children's Services to meet the costs of replenishing grit bins with salt, less a small budget reduction of £0.005m for computer costs.

2. Year-End Projection

- 2.1 The year to date actual figures represent the transactions for the nine months ended 31 December 2013, and are generally in line with management expectations. The Service is aware of some anomalies that may 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 balanced.

3. Major Issues and Variances

3.1 Roads and Community Works

- 3.1.1 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.
- 3.1.2 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 and third quarters. 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 the Small Isles which have further reduced 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 Car park income is in line with previous years, however income in Inverness and Fort William will not achieve their budget target, and will result in car parks overspending.

3.5 Trading Operations

- 3.5.1 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.
- 3.5.2 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 recruitment process.
- 3.5.3 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 continue to review 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 31 December 2013, and the actions which have been put in place to manage the budget over the remainder of the financial year.

Designation: Service Finance Manager

Date: 24 January 2014

Author: Mike Mitchell, Service Finance Manager

Background Papers: Monitoring Statement 31/12/13 and Highland Council Financial Ledger

TRANSPORT, ENVIRONMENTAL AND COMMUNITY SERVICES
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Revenue Expenditure Monitoring Statement

1 April 2013 to 31 December 2013

Service Summary

	£000 Actual Year To Date	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
BY ACTIVITY				
Roads and Community Works	16,303	24,806	24,771	(35)
Environmental Health	1,322	1,919	1,769	(150)
Trading Standards	581	776	791	15
Emergency Planning & Oil Pollution	121	164	180	16
Waste Management	21,031	29,408	30,025	617
Transport and Infrastructure	7,487	7,668	7,785	117
Administration	(951)	1,203	1,203	0
CLIENT SERVICES TOTAL	45,894	65,944	66,524	580
TRADING OPERATIONS				
Roads & Community Works	607	(1,077)	(1,327)	(250)
Waste Management	(1,031)	(2,803)	(3,103)	(300)
Vehicle Maintenance	(334)	(325)	(355)	(30)
Piers & Harbours	(1,311)	(1,590)	(1,590)	0
Project Design Unit	(119)	(472)	(472)	0
SERVICE TOTAL	43,706	59,677	59,677	0
BY SUBJECTIVE				
Staff Costs	49,156	71,070	70,455	(615)
Other Costs	67,871	92,535	93,408	873
Gross Expenditure	117,027	163,605	163,863	258
Grants	(447)	(206)	(206)	0
Other Income	(72,874)	(103,722)	(103,980)	(258)
Total Income	(73,321)	(103,928)	(104,186)	(258)
	43,706	59,677	59,677	0

% of Budget Spent

This Year	73%
Last Year	75%
2011/12	71%

TRANSPORT, ENVIRONMENTAL AND COMMUNITY SERVICES
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Revenue Expenditure Monitoring Statement

1 April 2013 to 31 December 2013

Financial Detail

Client Services
2.1 Roads & Community Works

	£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
Winter Maintenance	1,460	5,602	5,602	0
Structural Maintenance	1,513	3,588	3,588	0
Surface Dressing	1,445	1,791	1,791	0
Watercourse Maintenance	255	665	665	0
Cyclical Maintenance	4,590	5,540	5,540	0
Public Conveniences	756	1,167	1,167	0
Burials and Cremations	855	989	989	0
Grounds Maintenance	2,991	2,581	2,581	0
Engineering Services	622	1,241	1,151	(90)
Community Works Services	1,371	1,403	1,458	55
Coast Protection	311	57	57	0
Flood Alleviation	134	182	182	0
	16,303	24,806	24,771	(35)

2.2 Waste Management

Refuse Collection	2,311	4,594	4,644	50
Waste Disposal	9,131	11,496	12,096	600
Recycling	6,925	9,593	9,568	(25)
Street Cleaning	2,483	3,438	3,460	22
Pest Control	181	287	257	(30)
	21,031	29,408	30,025	617

2.3 Transport & Infrastructure

Lighting Services	1,878	3,513	3,116	(397)
Integrated Transport Services	654	1,015	1,044	29
Subsidies and Concessionary Fares	4,973	3,430	3,658	228
Flood Risk Management	200	255	255	0
Ferries	81	35	260	225
Airstrips	8	13	10	(3)
Car Parks	(307)	(593)	(558)	35
	7,487	7,668	7,785	117

2.4 Business Support

Management Overheads	(284)	1,311	1,311	0
Fleet Management	(667)	(108)	(108)	0
	(951)	1,203	1,203	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	(14,788)	(22,000)	(22,000)	0
Income - Other	(446)	(524)	(524)	0
	(15,234)	(22,524)	(22,524)	0
Direct Costs				
Labour	8,929	11,990	11,740	(250)
Materials & Other	769	810	810	0
Plant	4,666	6,677	6,677	0
	14,364	19,477	19,227	(250)
Indirect				
Management Costs	805	1,073	1,073	0
Apportioned Costs	672	896	896	0
	1,477	1,970	1,970	0
(Surplus)/Deficit before Depreciation	607	(1,077)	(1,327)	(250)
Depreciation	611	815	815	0
(Surplus)/Deficit after Depreciation	1,218	(262)	(512)	(250)

TRANSPORT, ENVIRONMENTAL AND COMMUNITY SERVICES
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Revenue Expenditure Monitoring Statement

1 April 2013 to 31 December 2013

Financial Detail

Trading Operations
2.6 Waste Management

Income - Council	(14,803)	(21,070)	(21,070)	0
Income - Other	(6)	(19)	(19)	0
	(14,809)	(21,089)	(21,089)	0
Direct Costs				
Labour	7,938	11,517	11,217	(300)
Materials & Other	130	107	107	0
Plant	3,895	4,242	4,242	0
	11,963	15,866	15,566	(300)
Indirect				
Management Costs	692	923	923	0
Apportioned Costs	1,123	1,498	1,498	0
	1,815	2,421	2,421	0
(Surplus)/Deficit before Depreciation	(1,031)	(2,803)	(3,103)	(300)
Depreciation	989	1,319	1,319	0
(Surplus)/Deficit after Depreciation	(42)	(1,484)	(1,784)	(300)

	£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
Income - Council	(14,803)	(21,070)	(21,070)	0
Income - Other	(6)	(19)	(19)	0
	(14,809)	(21,089)	(21,089)	0
Direct Costs				
Labour	7,938	11,517	11,217	(300)
Materials & Other	130	107	107	0
Plant	3,895	4,242	4,242	0
	11,963	15,866	15,566	(300)
Indirect				
Management Costs	692	923	923	0
Apportioned Costs	1,123	1,498	1,498	0
	1,815	2,421	2,421	0
(Surplus)/Deficit before Depreciation	(1,031)	(2,803)	(3,103)	(300)
Depreciation	989	1,319	1,319	0
(Surplus)/Deficit after Depreciation	(42)	(1,484)	(1,784)	(300)

2.7 Vehicle Maintenance

Income - Council	(2,937)	(4,100)	(4,100)	0
Income - Other	(3)	(2)	(2)	0
	(2,940)	(4,102)	(4,102)	0
Direct Costs				
Labour	841	1,444	1,294	(150)
Materials	995	1,346	1,346	0
Plant & Other	717	916	1,036	120
	2,553	3,706	3,676	(30)
Indirect				
Management Costs	9	12	12	0
Apportioned Costs	44	58	58	0
	53	71	71	0
(Surplus)/Deficit before Depreciation	(334)	(325)	(355)	(30)
Depreciation	15	20	20	0
(Surplus)/Deficit after Depreciation	(319)	(305)	(335)	(30)

	£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
Income - Council	(2,937)	(4,100)	(4,100)	0
Income - Other	(3)	(2)	(2)	0
	(2,940)	(4,102)	(4,102)	0
Direct Costs				
Labour	841	1,444	1,294	(150)
Materials	995	1,346	1,346	0
Plant & Other	717	916	1,036	120
	2,553	3,706	3,676	(30)
Indirect				
Management Costs	9	12	12	0
Apportioned Costs	44	58	58	0
	53	71	71	0
(Surplus)/Deficit before Depreciation	(334)	(325)	(355)	(30)
Depreciation	15	20	20	0
(Surplus)/Deficit after Depreciation	(319)	(305)	(335)	(30)

TRANSPORT, ENVIRONMENTAL AND COMMUNITY SERVICES
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Revenue Expenditure Monitoring Statement

1 April 2013 to 31 December 2013

Financial Detail

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
(10,402)	(15,131)	(15,084)	47
(2,072)	(3,148)	(3,248)	(100)
(12,474)	(18,279)	(18,332)	(53)
643	882	872	(10)
9,611	14,736	14,936	200
791	913	776	(137)
11,045	16,531	16,584	53
52	70	70	0
66	88	88	0
118	158	158	0
(1,311)	(1,590)	(1,590)	0
487	650	650	0
(824)	(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
(3,275)	(4,500)	(4,800)	(300)
(111)	(294)	(294)	0
(3,386)	(4,794)	(5,094)	(300)
2,722	3,868	4,018	150
312	151	301	150
93	116	116	0
3,127	4,135	4,435	300
82	110	110	0
58	77	77	0
140	187	187	0
(119)	(472)	(472)	0
0	0	0	0
(119)	(472)	(472)	0