

To: ENVIRONMENTAL SERVICES COMMITTEE		Subject: REVENUE MONITORING REPORT 01.04.16 TO 24.06.16 (PERIOD 3)
From: ASSISTANT CHIEF EXECUTIVE (INFRASTRUCTURE)		
Date: 16 August 2016	Ref: PH/RC/JM/P3	
		INFRASTRUCTURE

1. Purpose of Report

1.1. This report provides a summary of Infrastructure’s financial performance for the period 1 April 2016 to 24 June 2016 (Period 3). The report illustrates the projected outturn as at 31 March 2017, with major outturn variances highlighted and explained as per the Council's approved Financial Regulations.

2. Background

2.1 The Council’s approved Financial Regulations require Assistant Chief Executives to remain within their approved budgetary provision, and to report all significant deviations – defined as the higher of £25,000 or 5% - within their budget monitoring reports. Where significant deviations are identified, Assistant Chief Executives must provide explanatory commentary, outline the action required to rectify such deviations and where relevant, must also highlight the impact this has on other budget headings.

3. Summary of Financial Position

3.1. The Council approved its General Fund Revenue Budget on 25 February 2016, of which £150.050m (13%) represents the approved Gross Revenue Budget for Infrastructure. Infrastructure is also responsible for elements of Council Trading Accounts, which are included within a separate budget monitoring report.

3.2. Infrastructure are currently projecting the non-trading services will deliver a year end surplus of £0.602m. This consists of underspends within Environmental Assets £0.480m and Regulatory Services and Waste Solutions £0.320m, mainly as a result of vacancy savings, increased cemetery income and fuel savings £0.447m. This is partly offset by an overspend in Corporate Property and Procurement £0.100m and Directorate and Support of £0.098m as a result of non achievement of savings related to vacating properties, the new payroll and HR system and temporary HR posts. Paragraph 4 below and Appendices 1 to 5 of this report further explain the significant budget variations contributing to this outturn position.

3.3. Infrastructure 2016-17 budget incorporates £5.339m of budget savings previously approved by the Council on 25 February 2016. It is presently anticipated that £4.711m of savings (85%) will be delivered by the financial year-end. Further information regarding particularly challenging savings is noted in paragraph 6 below.

4. Analysis of Significant Variations

4.1. Infrastructure operate with an establishment of 1,477.66 FTE and a budgeted turnover requirement of £2.042m (66.61 FTE). As at period 3, the service has 135.2 FTE vacant posts, equating to a potential full year saving of £3.016m. The overall service is currently achieving its turnover requirement as employee costs are forecast to be £0.274m underspent. Within this projection, after taking account of the turnover requirements, delays in deleting posts / reconfiguring Services and the non achievement

of vacancy savings linked to the new payroll and HR system, temporary HR posts and supernumerary posts within Procurement the actual vacancy savings projected for this financial year equate to £0.481m. This underspend is partly off-set by increased overtime £0.162m mainly as a result of overtime within Land Management to cover vacancies and other employee costs of £0.039m. £0.263m of these employee savings are also directly linked to design overhead income and have a corresponding under-recovery in income.

- 4.2. As described in paragraph 3.2 Directorate and Support are currently forecasting a £0.098m overspend mainly as a result of non achievement of savings related to the new payroll and HR system and temporary HR posts for the implementation of savings across the former Regeneration and Environmental Services.
- 4.3. Within Environmental assets the main points to note are that Visitors Services and Greenspace are forecasting an overspend of £0.106m mainly as a result of delays in achieving employee savings. This overspend is being managed by a forecast over recovery of cemetery income within Land Management £0.276m. Other significant variances within Land Management are an overspend in waste disposal costs £0.139m and an underspend on fuel £0.166m based on the previous years outturn. These budgets will be realigned once the outcome of the tender for the externalisation of large street sweepers is known, this was a saving for 2016/17 and 2017/18 and requires budgets to be realigned based on the commencement date of the new contract. Within Roads there is a £0.071m underspend forecast on electrical power due to savings in energy costs this will continue to be monitored throughout the year based on up to date energy bills and also the impact of any energy savings related to the installation of L.E.D. lighting.
- 4.4. Within Regulatory Services and Waste Solutions the main point to note is that within Waste Management there are on-going negotiations with a contractor over quality issues and market conditions for the disposal of recycling material. This may impact on the accounts throughout this financial year. At this early stage in the financial year £0.105m underspend is forecast on residual waste disposal costs. The budget for this cost was based on the previous year's waste arising which suggested growth, however this is currently being reviewed and compared to industry information. There is also a £0.07m underspend forecast on advertising costs due to delays in changes to the recycling schemes as a result of a government Waste Management Charter, which is designed to unify recycling methods and practices across Scotland.
- 4.5. Within Corporate Property and Procurement the main point to note is the non achievement of a £0.335m saving due to supernumerary posts and delays in vacating five properties in Coatbridge. Management are still finalising details of the revised programme of moves and are projecting that £0.04m of the saving can be achieved in the latter part of this financial year. This overspend is partially off-set by underspends in carbon reduction cost payments £0.044m, central repair work £0.055m and vacancy savings £0.052m.
- 4.6. Payments to other bodies are detailed in Appendix 3. These account for £14.436m of Infrastructure's annual budget and are currently expected to outturn with a minor overspend of £0.033m (0.2%) for medical fees which is based on last year's demand.

5. Earmarked and One-off Resources

- 5.1. In finalising the Council's draft accounts to 31 March 2016, Infrastructure was given approval to earmark £4.069m of resources. Within Waste Management these resources are for landfill site maintenance, contribution to the Clyde Valley project management team and recycling initiatives at flatted properties. Within Environmental Assets the resources are for support for the 2018 European games, additional spend on carriageways and footway resurfacing, L.E.D. investment in street lighting, air quality improvements road works and decriminalised parking enforcement. Within Corporate Property these resources are for development of a replacement I.T. system and to fund dilapidations on vacated properties. Since spend against these resources is met from balance sheets funds, the totals shown within Appendix 4 are excluded from the outturn position of £0.602m.

6. 2016/17 Budget Savings

- 6.1. Infrastructure uses a variety of information, records and processes to monitor achievement of its approved budget savings of £5.339m. As at period 3, it anticipates £4.711m (85%) of its approved savings will be delivered by the financial year-end.
- 6.2. Delays in deleting posts / reconfiguring services / vacating premises primarily explain the anticipated savings gap of £0.628m. Infrastructure plan to address £0.413m of this savings gap from forecast increased cemetery income, delaying filling vacant posts and reduced carbon reduction cost payments to ensure it remains within its overall budgetary provision. The remaining gap of £0.215m in Directorate and Support and Corporate Property and Procurement is being off-set by overall savings within the Service due to curtailment of non-essential spend. Appendix 5 provides further commentary regarding these challenging savings and the actions being taken to address the budget gaps arising thereon.

7. Management Actions

- 7.1. The Service is taking a range of corrective management action to ensure it contains expenditure within its approved 2016-17 budget provision. These measures include delays in recruiting seasonal and non-essential staff, and curtailment of non-essential expenditure.

8. Risks and Uncertainty

- 8.1. All activities undertaken by the Council are subject to risk, and in acknowledging the Council's approved Risk Management Strategy (September 2012), Services manage these as part of their overall corporate and service planning processes. The current economic climate, in particular, has the potential to impact upon the Council's ability to provide quality services within approved budget levels.
- 8.2. Reflecting the risk analysis matrix included within the Risk Management Strategy, Infrastructure consider a notable risk to be associated with one partnership LLP organisation. The Council is currently assessing this risk however it may impact on the financial outcome of the Service.

9. Financial Concurrence

- 9.1. This report has been prepared by service based Financial Solutions personnel in consultation with budget managers, in accordance with the Financial Regulations.

10. Recommendations

- 10.1. It is recommended that the contents of this report be noted.



ROBERT STEENSON
ASSISTANT CHIEF EXECUTIVE

Local Government Access to Information Act: for further information about this report, please contact Robert Colquhoun, Business Service Manager, Finance & Technology Solutions 01236 632444

Infrastructure
Revenue Budget Monitoring Report - Objective Analysis
1 April 2016 - 24 June 2016 (PERIOD 03)

Appendix 1

DIVISION OF SERVICE (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	YEAR TO DATE VARIANCE (4)	ANNUAL BUDGET (5)	PROJECTED OUTTURN (6)	PROJECTED OUTTURN VARIANCE (7)	% (8)	ANALYSIS (9)
	£	£	£	£	£	£	%	
DIRECTORATE & SUPPORT	606,382	634,438	(28,056) ADV	4,828,158	4,926,029	(97,871) ADV	-2.03%	Overspend due to non achievement of savings in relation to implementation of new payroll and HR system and over established posts within HR.
ENVIRONMENTAL ASSETS	6,596,223	9,119,907	(2,523,684) ADV	65,120,519	64,640,419	480,100 FAV	0.7%	Underspends in employees due to vacancies £0.564m partly offset by overspends in overtime £0.162m and other employee costs £0.046m. Underspends in electrical power £0.071m, fuel £0.173m, overspends in tipping fees £0.139m, metered water £0.028m, external hires £0.034m. Over recovery of cemetery income £0.276m and booking office charges £0.027m; under-recovery in Roads Design income £0.263m.
REGULATORY SERVICES AND WASTE SOLUTIONS	5,568,269	5,601,421	(33,152) ADV	30,710,452	30,390,295	320,157 FAV	1.0%	Underspends on residual waste disposal fees £0.105m, other supplies and services £0.025m, fuel £0.036m, advertising £0.070m. Over recovery of gas royalties £0.025m.
CORPORATE PROPERTY AND PROCUREMENT	3,242,818	2,496,926	745,892 FAV	18,266,410	18,366,167	(99,757) ADV	-0.5%	Overspends on property rates £0.107m, contract cleaning £0.072m, and utilities £0.059m represent the majority of the non-achievement of £0.295m of the Smarter Working saving (AM01). This is partly offset by underspends in central repairs £0.055m, employees due to vacancies £0.046m, and carbon trading allowances £0.044m.
NET EXPENDITURE	16,013,693	17,852,692	(1,838,999) ADV	118,925,539	118,322,910	602,629 FAV	0.5%	

Infrastructure
Revenue Budget Monitoring Report - Subjective Analysis
1 April 2016 - 24 June 2016 (PERIOD 03)

Appendix 2

CATEGORY (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	YEAR TO DATE VARIANCE (4)	ANNUAL BUDGET (5)	PROJECTED OUTTURN (6)	PROJECTED OUTTURN VARIANCE (7)	% (8)	ANALYSIS (9)
	£	£	£	£	£	£	%	
EMPLOYEE COSTS	9,710,957	9,809,558	(98,601) ADV	45,999,137	45,725,173	273,964 FAV	0.6%	Vacancy savings of £0.481m, partly offset by overspends in overtime £0.156m and other employee costs £0.051m.
PROPERTY COSTS	5,209,665	4,451,907	757,758 FAV	28,066,262	28,198,398	(132,136) ADV	-0.5%	Overspends in property rates £0.107m, waste disposal fees £0.033m, metered water £0.039m, contract cleaning £0.66m. Partly offset by underspends on health and safety £0.072m and central repairs £0.055m.
SUPPLIES & SERVICES	1,444,339	1,541,602	(97,263) ADV	8,785,192	8,711,608	73,584 FAV	0.8%	Underspends in electrical power £0.071m and furniture and fittings £0.055m partly offset by overspends in sub contractors £0.115m
TRANSPORT & PLANT	2,210,467	2,041,260	169,207 FAV	13,455,356	13,226,247	229,109 FAV	1.7%	Underspends in fuel £0.207m partly offset by an overspend on external hires £0.036m.
ADMINISTRATION COSTS	481,325	533,978	(52,653) ADV	11,150,528	11,066,440	84,088 FAV	0.8%	Underspends in advertising £0.070m and professional fees £0.040m partly offset by overspends in legal fees £0.046m.
PAYMENTS TO OTHER BODIES (See Overleaf Appendix 3)	1,703,516	1,669,052	34,464 FAV	14,436,182	14,469,267	(33,085) ADV	-0.2%	Overspend in medical fees £0.033m based on previous year demand.
CAPITAL FINANCING COSTS	130,383	130,383	0	26,395,812	26,410,924	(15,112) ADV	-0.1%	Minor variance.
REVENUE FINANCING COSTS	0	0	0	3,088	0	3,088 FAV	0.0%	Minor variance.
OTHER EXPENDITURE	37,205	24,741	12,464 FAV	1,758,679	1,724,669	34,010 FAV	1.9%	Underspend on carbon trading allowances £0.044m.
TOTAL EXPENDITURE	20,927,857	20,202,481	725,376 FAV	150,050,236	149,532,728	517,508 FAV	0.3%	
INCOME	4,914,165	2,349,789	(2,564,375) ADV	31,124,697	31,209,818	85,121 FAV	0.3%	Under recovery on Roads design fees £0.263m offset by over recovery of cemetery income £0.276m, gas royalties based on previous year £0.025m, booking office charges £0.027m.
NET EXPENDITURE	16,013,693	17,852,692	(1,838,999) ADV	118,925,539	118,322,910	602,629 FAV	0.5%	

Infrastructure
Revenue Budget Monitoring Report - Payments to Other Bodies Analysis
1 April 2016 - 24 June 2016 (PERIOD 03)

DESCRIPTION (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	YEAR TO DATE VARIANCE (4)	ANNUAL BUDGET (5)	PROJECTED OUTTURN (6)	PROJECTED OUTTURN VARIANCE (7)	% (8)	TYPICAL AREA OF EXPENDITURE/ANALYSIS OF VARIATIONS (9)
	£	£	£	£	£	£	%	
PUBLIC ANALYST FEES	58,920	58,920	0	235,886	235,886	0	0.0%	Based on previous years demand
VOLUNTARY ORGANISATIONS	126,928	126,928	0	509,343	509,343	0	0.0%	
AMEY PUBLIC SERVICES	1,237,810	1,237,810	0	11,483,484	11,483,484	0 FAV	0.0%	
PAYMENTS TO CONTRACTORS - ROADS	205,488	205,488	0	1,556,500	1,556,500	0	0.0%	
TOWN CENTRE INITIATIVES	0	0	0	120,000	120,000	0	0.0%	
MEDICAL FEES	16,878	12,766	4,112 FAV	109,739	143,254	(33,515) ADV	-30.5%	
OTHER	57,492	27,140	30,352 FAV	421,230	420,801	429 FAV	0.1%	
TOTAL EXPENDITURE	1,703,516	1,669,052	34,464 FAV	14,436,182	14,469,267	(33,085) ADV	-0.2%	

Infrastructure

Appendix 4

Revenue Budget Monitoring Report - Ear marked Reserves / Balance Sheet Provision
1 April 2016 - 24 June 2016 (PERIOD 03)

EAR MARKED RESERVES /BALANCE SHEET PROVISION DESCRIPTION (1)	EAR MARKED RESERVE BUDGET (5)	PROJECTED OUTTURN (6)	CARRY FORWARD (7)	% (8)	Commentary Regards Usage (10)
	£	£	£		
WASTE MANAGEMENT	1,554,733	714,243	840,490	54.1%	Ongoing maintenance at Landfill site / Contribution towards Clyde Valley Residual Waste Project / Recycling initiatives.
2018 EUROPEAN GAMES	400,000	388,736	11,264	2.8%	Finishing Tower and water quality
ROADS - SUMMER WORKS	883,000	883,000	0	0.0%	Additional spend on essential carriageway and footway resurfacing and lighting works to help achieve a steady state investment for roads as a result of delays in obtaining LED material £500k and an underspend on 2015/16 winter activities £383k.
FORMER GROWTH - AIR QUALITY	250,000	0	250,000	0.0%	Delays in land acquisition at Chapelhall
DECRIMINALISED PARKING ENFORCEMENT	131,000	131,000	0	0.0%	Set up costs and equipment
HSMS DEVELOPMENT	100,000	100,000	0	0.0%	To fund software development work to ensure Atrium, the replacement system for HSMS meets the needs of Corporate Services.
DELAPIDATIONS FUND	750,000	750,000	0	0.0%	To fund Dilapidations on vacated properties.
TOTAL EXPENDITURE	4,068,733	2,966,979	1,101,754	27.1%	

Infrastructure
Revenue Budget Monitoring Report - Savings
1 April 2016 - 24 June 2016 (PERIOD 03)

Description/Reference	APPROVED SAVINGS			REPLACEMENT SAVING/FUNDING		Budget Gap	Commentary
	Target Value	Value Deliverable	Saving Gap	Description	Value		
	£000	£000	£000		£000	£000	
RES16: Visitor Services Review	272	145	127	Forecast increased Land Management cemetery income	127	0	
RES14: Restructure Greenspace team	64	49	15	Forecast increased Land Management cemetery income	15	0	
A9: Graffiti Removal	59	0	59	Other Employee vacancies	59	0	
A10: Reduce community event support	50	33	17	Employee vacancies	17	0	
HR and Payroll system project	86	0	86	Overall Infrastructure underspend	86	0	
AM01: Smarter Working	335	40	295	Reduced central repairs costs £0.055m, employee vacancies £0.52m, reduced carbon trading costs £0.044m and reduced payments to other bodies £0.015m. Balance of £129k offset by overall Infrastructure underspend	295	0	
CS05 Staff Restructure and Utility Management in the Office	1,260	1,231	29	Reduced overtime and other minor employee costs.	29	0	
Totals	2,126	1,498	628		628	0	