

To: ENVIRONMENTAL SERVICES COMMITTEE		Subject: REVENUE MONITORING REPORT  01.04.16 TO 9.12.16 (PERIOD 9)  INFRASTRUCTURE
From: ASSISTANT CHIEF EXECUTIVE (INFRASTRUCTURE)		
Date: 15 December 2016	Ref: PH/RC/JM/P9	

### 1. Purpose of Report

1.1. This report provides a summary of Infrastructure's financial performance for the period 1 April 2016 to 9 December 2016 (Period 9). 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 £150.05m (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. Following finalisation of the budget, grant income totalling £0.552m has been confirmed, £0.440m from Smarter Choices / Roads Safety, £0.109m for the Local Air Quality Management fund / Air Quality action plan and £0.003m for Food Standards within Roads and Protective Services respectively. There have also been a number of budget realignments for employee, property, and overhead costs within Corporate Property & Procurement totalling £0.274m. These are partially offset by fleet budget reductions of £0.680m due to the realignment of budgets across Services. These adjustments have resulted in a revised Gross Revenue Budget of £150.196m as at period 9.
- 3.3. Infrastructure are currently projecting the non-trading services will deliver a year-end surplus of £1.099m. This consists of underspends within Environmental Assets £0.562m, Regulatory Services and Waste Solutions £0.524m, and Support Services £0.013m mainly as a result of vacancy savings, reduced carbon reduction payments, fuel savings and increased cemetery income. This is an increase of £0.075m from the underspend previously reported to Committee at period 6, and is mainly as a result of further vacancy savings and increased underspends in fuel. Paragraph 4 below and Appendices 1 to 5 of this report further explain the significant budget variations contributing to this outturn position.

3.4. Infrastructure 2016-17 budget incorporates £5.339m of budget savings previously approved by the Council on 25 February 2016. It is presently anticipated that £4.621m of savings (87%) 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 operates with an establishment of 1,464.66 full time equivalents (F.T.E) and a budgeted turnover requirement of £2.042m (66.08 F.T.E). As at period 9, the service has 145.16 F.T.E. vacant posts, equating to a potential full year saving of £3.287m. The overall service is currently achieving its turnover requirement, as employee costs are forecast to be £0.139m underspent. However, as a result of the level of vacancies, and the temporary nature of them, overtime is forecast to be overspent by £0.876m, mainly within Waste Management (£0.455m), Land Management (£0.286m) and Fleet (£0.110m). Overtime is required within these frontline services to cover public holidays, training, vacancies, absence and adhoc work requirements and management action is currently underway to address the levels of overtime for the new financial year. Within this projection, after taking account of the turnover requirements, delays in deleting posts/reconfiguring Services, the non-achievement of vacancy savings linked to the new payroll and HR system and temporary HR posts, the actual vacancy savings projected for this financial year equate to £1.080m. £0.214m of these employee savings are also directly linked to roads design overhead income and have a corresponding under-recovery in income. These savings are partially offset by overspends in other pay items of £0.064m.
- 4.2. Within Environmental Assets, there are underspends in Land Management on fuel of £0.182m and vehicle and plant hires of £0.075m due to fluctuations in fuel prices and the number of vacancies being carried by the service. These savings are partially offset by an overspend in waste disposal costs of £0.160m, a budget virement is requested to resolve this overspend situation. There is also an over recovery in cemetery income of £0.122m forecast. Within Roads & Transportation, there is a £0.091m underspend forecast on electrical power due to savings in energy costs.
- 4.3. Within Regulatory Services and Waste Solutions waste disposal costs are forecast to be £0.209m underspent, which is mainly due to reduced costs for co-mingled waste. There is increased income from internal recharges £0.103m, underspends in transport and plant requirements £0.108m mainly due to reduced fuel and additional work costs, and a £0.07m underspend forecast on advertising, due to a delay in changes to the recycling schemes. There are also currently ongoing discussions with a contractor over the quality of recycling materials being disposed. This will continue to be monitored and reported accordingly.
- 4.4. Within Corporate Property and Procurement, there are underspends in carbon reduction payments of £0.377m and central repair costs £0.090m. These are offset by an under-recovery in design income of £0.311m.
- 4.5. 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 an underspend of £0.106m (0.73%), primarily due to underspends in payments to voluntary organisations and fleet end of lease charges, partly reduced by overspends in medical fees and payments to Roads private contractors.

#### **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 residual waste project management team and recycling initiatives at flatted properties. Within Environmental Assets, the resources are being used to support the 2018 European games, additional spend on carriageways and footway resurfacing, L.E.D. investment in street lighting, air quality improvements and decriminalised parking enforcement. Within Corporate Property, these resources are for software upgrades to the repairs 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 not included in the outturn position of £1.099m.

## **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 9, it anticipates £4.621m (87%) of its approved savings will be delivered by the financial year-end.
- 6.2. Delays in deleting posts, reconfiguring services and vacating premises primarily explain the anticipated savings gap of £0.719m. Infrastructure plan to address £0.633m of this savings gap from forecast increased cemetery income, delays in filling vacant posts, reduced carbon reduction cost payments and underspends in utility costs and rents payable to ensure it remains within its overall budgetary provision. The remaining gap of £0.086m in Directorate and Support is being off-set by overall savings within the Service due to curtailment of non-essential spend. These savings will be fully achieved in the new financial year. 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 and review of overtime requirements.

## **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. There is currently a potential claim pending concerning retrospective payments for winter maintenance activities and this will be monitored and will be detailed if the claim is substantiated and progressed.

## **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.
- 10.2. It is requested that Committee approve the budget virement within Land Management from Transport and Plant costs to Property costs for £0.160m as per paragraph 4.2.



**Robert Steenson**  
**Assistant Chief Executive (Infrastructure)**

Local Government Access to Information Act: for further information about this report, please contact Robert Colquhoun, Business Service Manager, Finance & Technology Solutions 01236 63244

Infrastructure  
Revenue Budget Monitoring Report - Objective Analysis  
1 April 2016 - 9 December 2016 (PERIOD 09)

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)	PERIOD MOVEMENT (9)	ANALYSIS (10)
	£	£	£	£	£	£	%		
DIRECTORATE & SUPPORT	3,232,349	3,169,830	62,519 FAV	4,828,158	4,815,008	13,150 FAV	0.27%	(1)	Minor Variance
ENVIRONMENTAL ASSETS	44,661,661	43,460,148	1,201,513 FAV	65,097,382	64,535,313	562,069 FAV	0.9%	90,238	Underspends in fuel, materials, hires and tyres partly offset by an overspend in outside contractors; electrical power and sub-contractor costs; vacancy savings are partly offset by overtime and other payroll costs. Overspends in tipping fees partly offset by electricity costs; Road maintenance contractors offset by fleet sub-contractor payments. Under recovery of income mainly due to fleet recharges, roads design fee income, grounds maintenance recharges and sales fees charges partly offset by over recovery of Insurance claim income, cemetery income and other grants.
REGULATORY SERVICES AND WASTE SOLUTIONS	21,440,838	21,218,594	222,244 FAV	30,727,341	30,203,129	524,212 FAV	1.7%	124,001	Underspends in tipping fees and other property costs; payments to voluntary organisations; other supplies and consumable materials; additional work and fuel offset by an overspend in hires; advertising; Over recovery of income mainly due to uplift of internal waste and staff working on capital projects offset by an under recovery in miscellaneous income. This is also partly offset by an overspend in employee costs as vacancy savings are offset by overspends in overtime and other payroll costs.
CORPORATE PROPERTY AND PROCUREMENT	12,632,849	12,508,249	124,599 FAV	16,539,205	16,539,205	0	0.0%	0 (139,689)	
NET EXPENDITURE	81,967,696	80,356,820	1,610,875 FAV	117,192,086	116,092,655	1,099,431 FAV	0.9%	74,549	

Infrastructure  
Revenue Budget Monitoring Report - Subjective Analysis  
1 April 2016 - 9 December 2016 (PERIOD 09)

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)	PERIOD MOVEMENT (9)	ANALYSIS (10)
	£	£	£	£	£	£	%		
EMPLOYEE COSTS	30,810,569	30,915,505	(104,936) ADV	45,664,575	45,525,337	139,239 FAV	0.3%	305,503	Vacancy savings are offset by overspends in overtime and other employee costs.
PROPERTY COSTS	19,782,939	19,007,757	775,182 FAV	28,071,512	27,977,213	94,299 FAV	0.3%	22,452	Underspends in CRA costs, rents, health & safety, other property costs, tip fees and utilities are partly offset by overspends in property rates and contract cleaning.
SUPPLIES & SERVICES	5,598,038	5,502,793	95,245 FAV	9,327,198	9,064,965	262,233 FAV	2.8%	(6,619)	Underspends in electrical power, hygiene units, furniture and fittings, and other supplies and services.
TRANSPORT & PLANT	8,468,448	8,072,726	395,721 FAV	12,951,686	12,216,463	735,223 FAV	5.7%	113,999	Underspends in fuel, materials, hires, tyres, additional work and mileage are partly offset by an overspend in sub contractors.
ADMINISTRATION COSTS	7,162,519	7,319,053	(156,534) ADV	11,587,868	11,548,427	39,441 FAV	0.3%	(11,703)	Underspends in advertising and professional fees are offset by an overspend in legal fees.
PAYMENTS TO OTHER BODIES ( See Overleaf Appendix 3)	9,487,878	9,551,369	(63,491) ADV	14,436,182	14,330,346	105,836 FAV	0.7%	155,499	Underspends in payments to voluntary organisations and sub contractors are offset by overspends in road maintenance contractors and medical fees.
CAPITAL FINANCING COSTS	18,587,541	18,725,335	(137,794) ADV	26,395,812	26,395,812	0	0.0%	0	
REVENUE FINANCING COSTS	0	0	0	3,088	0	3,088 FAV	0.0%	0	Minor variance
OTHER EXPENDITURE	91,511	36,427	55,084 FAV	1,758,679	1,393,318	365,361 FAV	20.8%	(672)	Underspend on carbon reduction payments.
<b>TOTAL EXPENDITURE</b>	<b>99,989,444</b>	<b>99,130,966</b>	<b>858,478 FAV</b>	<b>150,196,601</b>	<b>148,451,881</b>	<b>1,744,720 FAV</b>	<b>1.2%</b>	<b>578,459</b>	
<b>INCOME</b>	<b>18,021,749</b>	<b>18,774,146</b>	<b>752,398 FAV</b>	<b>33,004,514</b>	<b>32,359,226</b>	<b>(645,288) ADV</b>	<b>-2.0%</b>	<b>(503,910)</b>	Under recoveries of recharge of fleet recharges, recovery from capital projects, roads design fees, miscellaneous income, grounds maintenance and street cleaning and sales fees charges general offset by over recoveries of insurance claim income, cemetery income, uplift of internal waste, rental income, staff working capital projects and other grants.
<b>NET EXPENDITURE</b>	<b>81,967,696</b>	<b>80,356,820</b>	<b>1,610,875 FAV</b>	<b>117,192,086</b>	<b>116,092,655</b>	<b>1,099,431 FAV</b>	<b>0.9%</b>	<b>74,549</b>	

Infrastructure

Revenue Budget Monitoring Report - Payments to Other Bodies Analysis

1 April 2016 - 9 December 2016 (PERIOD 09)

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)	PERIOD MOVEMENT (9)	TYPICAL AREA OF EXPENDITURE/ANALYSIS OF VARIATIONS (10)
	£	£	£	£	£	£	%		
PUBLIC ANALYST FEES	206,773	206,773	0	235,886	235,886	0	0.0%	0	
VOLUNTARY ORGANISATIONS	383,468	383,468	0	509,343	385,343	124,000 FAV	24.3%	124,000	Payment to Citizens Advice Bureau
AMEY PUBLIC SERVICES	7,541,849	7,541,849	0	11,483,484	11,483,484	0	0.0%	(17)	
PAYMENTS TO CONTRACTORS - ROADS	945,910	958,320	(12,410) ADV	1,556,500	1,596,500	(40,000) ADV	-2.6%	(40,000)	Traffic signal repairs
TOWN CENTRE INITIATIVES	90,000	90,000	0	120,000	120,000	0	0.0%	0	
MEDICAL FEES	90,981	90,898	83 FAV	109,739	143,254	(33,515) ADV	-30.5%	0	Overspend due to increased staffing within the Service.
OTHER	228,897	280,061	(51,163) ADV	421,230	365,879	55,351 FAV	13.1%	71,516	Fleet end of lease charges
TOTAL EXPENDITURE	9,487,878	9,551,369	(63,491) ADV	14,436,182	14,330,346	105,836 FAV	0.7%	155,499	

Infrastructure  
Revenue Budget Monitoring Report - Ear marked Reserves / Balance Sheet Provision  
1 April 2016 - 9 December 2016 (PERIOD 09)

EAR MARKED RESERVES /BALANCE SHEET PROVISION DESCRIPTION (1)	EAR MARKED RESERVE BUDGET (5)	PROJECTED OUTTURN (6)	CARRY FORWARD (7)	% (8)	PERIOD MOVEMENT (9)	Analysis (10)
	£	£	£			
WASTE MANAGEMENT	1,554,733	315,461	1,239,272	79.7%		Ongoing maintenance at Landfill site / Contribution towards Clyde Valley Residual Waste Project / Recycling initiatives.
SUPPORT FOR EUROPEAN GAMES	400,000	368,000	32,000	8.0%		Finishing tower and water quality. £0.032m carried forward for contingencies.
ROADS - SUMMER WORKS	883,000	500,000	383,000	43.4%		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 £0.500m, and an underspend on 2015/16 winter activities £0.383m.
FORMER GROWTH - AIR QUALITY	250,000	0	250,000	100.0%		No spend anticipated in 2016-17 due to delays in land acquisition.
DECRIMINALISED PARKING ENFORCEMENT	131,000	91,000	40,000	30.5%		Set up costs and equipment
HSMS DEVELOPMENT	100,000	10,000	90,000	90.0%		Development of I.T. system
DELAPIDATIONS FUND	750,000	0	750,000	100.0%		To fund dilapidations on vacated properties. Currently unlikely that any leased premises will be vacated in 2016-17.
TOTAL EXPENDITURE	4,068,733	1,284,461	2,784,272	68.4%		

Infrastructure  
Revenue Budget Monitoring Report - Challenging Savings  
1 April 2016 - 9 December 2016 (PERIOD 09)

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	181	91	Forecast increased cemetery income	91	0	Delays in VRS process
RES14: Restructure Greenspace team	64	49	15	Forecast increased cemetery income	15	0	Arbor subcontractors budget still required this year
A14: Land Management Support Staff	40	18	22	Other Employee vacancies	22	0	Delays in identifying posts
A10: Reduce community event support	50	33	17	Employee vacancies	17	0	Timing of saving - events already agreed for 16/17 therefore could not charge event organisers at this late stage.
HR and Payroll system project	86	0	86	Overall Infrastructure underspend	86	0	Delays in identifying posts
AM01: Smarter Working	335	40	295	Reduced carbon reduction payments, rents payable and utility costs	295	0	Delays in vacating 5 premises
CS05: Staff Restructure and Utility Management in the Office	1,260	1,081	179	Reduced carbon reduction payments	179	0	Delays in VRS and Asset Management Plan processes
IG08: Introduction of charging for pest control	204	191	14	Minor Supplies and Services savings	14	0	Less demand than anticipated
<b>Totals</b>	<b>2,311</b>	<b>1,593</b>	<b>719</b>		<b>719</b>	<b>0</b>	