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**REPORT TO: ECONOMIC DEVELOPMENT AND INFRASTRUCTURE  
SERVICES COMMITTEE ON 2 MAY 2023**

**SUBJECT: ENVIRONMENTAL AND COMMERCIAL SERVICES AND  
ECONOMIC GROWTH AND DEVELOPMENT  
SERVICES (ECONOMIC DEVELOPMENT) CAPITAL AND  
REVENUE BUDGET MONITORING TO 31 DECEMBER 2022**

**BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND  
FINANCE)**

**1. REASON FOR REPORT**

- 1.1 To inform the Committee of the current position regarding Environmental and Commercial Services and Economic Growth and Development Services (Economic Development) Capital and Revenue Budgets.
- 1.2 This report is submitted to Committee in terms of Section III (A) (2) of the Council's Scheme of Administration relating to the consideration of Capital and Revenue Budgets and long term financial plans.

**2. RECOMMENDATION**

- 2.1 **It is recommended that Committee considers and notes the budget monitoring report for the period to 31 December 2022.**

**3. BACKGROUND**

- 3.1 The Performance Management Framework 2020 (page 27) requires that progress against Capital and Revenue Expenditure and the Capital Plan is reported to the relevant Service Committee every Committee cycle. Expenditure is reported in the first instance to Corporate Committee (formerly Policy and Resources) quarterly.
- 3.2 The Capital Plan for 2022/23 was approved by a meeting of Moray Council on 22 February 2022 (para 4 of the minute refers). Amendments (largely carry forwards from 2021/22) approved by the Council at its meeting on 23 February 2022 (paragraph 7 of the Minute refers) and 29 June 2022 (paragraph 17 of the minute refers), by the meeting of Corporate Committee on 30 August 2022 (paragraph 9 of the minute refers) and by the Council at its meeting in 7 December (paragraph 11 of the minute refers) have been incorporated to give a current approved 2022/23 capital plan for Environmental and Commercial services of £28,036,000. The current projected expenditure is an estimate that should be treated with caution due

to volatile conditions within the Construction Industry and in supply chains of materials.

- 3.3 Policy and Resources Committee on 10 May 2016 agreed to amendments to the information provided in response to the Audit Scotland report “Major Capital Investment in Councils” (paragraph 7 of the Minute refers). Accordingly this report includes a separate **APPENDIX 4** giving details of expenditure on projects which span more than one financial year.
- 3.4 The Council recognises five principal drivers for capital expenditure: Legislative requirements, efficiencies or spend to save projects, maintenance of assets and operations at current approved levels, service developments, council priorities. Capital expenditure is funded from three sources: capital grants from Scottish Government and other sources; capital receipts from the sale of assets or from developer obligations; and borrowing. When the Council borrows for capital expenditure, the capital financing charges incurred are met from the revenue budget. Therefore the Capital Plan has a direct impact on the revenue budget and the two are considered jointly at the same budget-setting meeting of Council. The Revenue budget was approved at a meeting of the Council on 22 February 2022 (para 4 of the minute refers). The Council has agreed savings of £1.576 million in 2022/23. The current total Revenue budget for Environmental and Commercial Services is £27.977 million in 2022/23. Any further amendments to the Capital and Revenue budgets are first approved by Corporate Committee or Full Council, depending on the timing of meetings.

#### **4. ENVIRONMENTAL AND COMMERCIAL SERVICES REVENUE BUDGET**

- 4.1 **APPENDIX 1** details the Environmental and Commercial Services Revenue Budget position to 31 December 2022.

#### **4.2 REVENUE BUDGET POSITION 31 DECEMBER 2022**

<b>Annual Budget</b>	<b>Budget Year to Date</b>	<b>Actual &amp; Committed Year to Date</b>	<b>Variance Year to Date</b>
<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
27,977	18,708	18,606	102

- 4.3 Environmental and Commercial Services actual and committed budget has an overall Underspend to budget, of £102,000 for the period to 31 Dec 2022. The position is shown in **APPENDIX 1**. The 3 key variances are as follows: Fleet Services £112,000 underspend, Engineering Design £125,000 overspend, Building Cleaning and Catering £189,000 underspend. Underspends or Overspends are against budgets for the period only. All variances will be monitored closely and reported to Committee as the year progresses.
- 4.4 An overspend of £125,000 on Engineering Design arises from the timing of work carried out and expenditure is forecast to be on budget by the year end.

- 4.5 Catering had a net underspend to budget of £189,000 at 31<sup>st</sup> December 2022. This was mainly due to an underspend of £243,000 on food and supplies. The Catering food budget has previously been increased for new nutritional standards, provision of nursery meals, universal free school meals for p4-5s and for above inflation price rises and these have all impacted on the overall cost of food. On the income side, income from paid meals and functions was under achieved by £70,000 and this reduction in uptake has also contributed to the food budget underspend.
- 4.6 Overspends of £120,00 on spare parts and £112,000 on vehicle hires are more than compensated for by additional charges service users, resulting in an underspend against budget to date of £111,000. The year end position is anticipated to be closer to budget (£37,000 underspend).
- 4.7 Revenue budget monitoring for QTR 3 was previously reported to a special meeting of Moray Council on 8 March 2023 (Agenda item 5 refers)

## **5. ECONOMIC GROWTH AND DEVELOPMENT SERVICES (ECONOMIC DEVELOPMENT) REVENUE BUDGET**

### **5.1 REVENUE BUDGET POSITION 31 DECEMBER 2022**

<b>Annual Budget 2022/23 £000s</b>	<b>Budget Year to Date £000s</b>	<b>Actual &amp; Committed Year to Date £000s</b>	<b>Variance Year to Date £000s</b>
1,642	834	833	1

- 5.2 Development Services - Economic Development, the variance to projection is an underspend of £1,000.

## **6. ENVIRONMENTAL AND COMMERCIAL SERVICES CAPITAL BUDGET TO 31 DECEMBER 2022.**

- 6.1 **APPENDIX 2** details the Environmental and Commercial Services Capital Budget position to 30 December 2022 (QTR 3). The total Capital Plan budget of £28.864 million has an actual spend at the end of December 2022 of £5.977 million and a projected spend at end of March 2023 of £29.864 million.
- 6.2 **APPENDIX 3** shows the projects within the Capital Budget with a summary of the ratings estimated by budget managers.
- 6.3 Environmental and Commercial Services Capital Budget position to 31 December 2022 (QTR 3) and proposed amendments to the capital plan were reported to a special meeting of Moray Council on 8 March 2023 (Agenda item 7 refers)
- 6.4 Two bridge projects are currently predicting a status of red (Bridge of Slateford and Principal Bridge Inspections). Current construction industry inflation, along with a lack of internal resources to progress tenders has resulted in delays to these projects. Issues around consent has meant that the project at the Meikle Cantlay Landslip has been delayed and will now be completed over two financial years.

- 6.5 Lack of resources within the Roads Service means that a programme of works kerb edge replacements and replacement street light columns and lights has seen delays.
- 6.6 The timing of the commissioning stages of the Energy from Waste project is impacting on the timing of capital payments for the relevant milestones of this project.

## **7. RISK AND EMERGING ISSUES**

- 7.1 Budget managers have been requested to identify any specific areas of risk for the projects in the Capital Plan for which they are responsible.
- 7.2 As reported to Economic Growth, Housing and Environmental Sustainability Committee on 24 August 2021 (paragraph 7 of the minute refers) a risk to the capital plan is an increase in the cost of materials and scarcity of many materials which are key for the construction industry. Scotland Excel have informed the Council of unavoidable increases to costs on four of their frameworks and some key materials such as concrete, wood and steel are currently difficult to source and costlier if they are available. This is partly a world-wide reaction to the pandemic, and partly due to Brexit, and the war in Ukraine is also having an impact. The construction industry is also over-heated and some recent procurement exercises have stalled. The Strategic Territory Partnering Board are also monitoring market volatility.
- 7.3 There is a risk that contract inflation might increase the eventual cost of projects in future years of the capital plan and a risk that any deferment of projects relating to asset condition might result in element failure, potentially incurring unbudgeted costs. The figures in the 10 year plan are based on current costs and are likely to increase by the time the project is undertaken.
- 7.4 The main risk for the vehicle replacement programme is manufacturers failing to deliver to agreed timescales and this risk is heightened at this time due to the world-wide shortage of semi-conductors.
- 7.5 Lack of staff resources and staff turnover can impact on project timescales and other emerging work priorities can impact in scheduled works and this is reflected in delays where work planned to be out-sourced is being brought inhouse as a result of poor response to tender requests. Poor responses to tender requests are an increasing phenomenon and work is on-going with organisations such as Hubco to attempt to improve market engagement, as well as support from the Procurement team to engage local suppliers and contractors. Lack of staff resources is a more intractable problem and current recruitment difficulties, coupled with additional funding streams with short time envelopes for spend, which adds pressure to staff workloads, is creating difficulties and therefore slippage in many areas of the capital programme.
- 7.6 There is a risk that time-limited funding is not spent within time-frame and that the Council therefore loses the opportunity to improve or create assets at no or reduced cost to the Council.

- 7.7 Projects can be subject to risks which are out with the direct control of the Council, such as poor weather conditions and some assets such as harbours are particularly vulnerable to bad weather events.
- 7.8 No other project risks have been specifically identified by budget managers.

## **8. SUMMARY OF IMPLICATIONS**

**(a) Corporate Plan and 10 Year Plan, (Local Outcomes Improvement Plan (LOIP))**

Effective budget management is an essential component of delivery of Council priorities. The capital plan is one of the vehicles through which the Council's priorities can be delivered. The approved capital plan for 2022/23 and the outline ten year plan incorporates measures designed to address the LOIP priorities of building a better future for our children and young people, empowering and connecting communities and developing a diverse, inclusive and sustainable economy

**(b) Policy and Legal**

There are no policy or legal implications arising directly from this report

**(c) Financial implications**

The financial implications are highlighted within the report and detailed in **APPENDICES 1 – 4**.

Environmental and Commercial Services revenue spend to 31 December 2022 is £18.606 million against a budget to end December of £18.708 million giving an underspend of £102,000. The annual revenue budget for 2022/2023 is currently £27.977 million.

Economic Growth and Development Services – (Economic Development) Revenue spend to 31 December 2022 is £833,000 against a budget year to date of £834,000 giving an underspend variance of £1,000.

Environmental and Commercial Services - Capital spend is £5.977 million to 31 December 2022.

**(d) Risk Implications**

Budget managers are aware of their responsibilities for managing budget allocations and approval for variance will be sought from Committee in line with the Financial Regulations.

**(e) Staffing Implications**

There are no staffing implications arising from this report.

**(f) Property**

There are no Property implications arising from this report.

**(g) Equalities/Socio Economic Impact**

There are no equalities implications arising from this report because the report informs the Committee on budget monitoring.

**(h) Climate Change and Biodiversity Impacts**

There are no climate change or Biodiversity impacts arising from this report,

**(i) Consultations**

This report has been prepared in consultation with Depute Chief Executive (Economy, Environment & Finance), Head of Environmental and Commercial Services, Head of Economic Growth and Development Services, Chief Financial Officer, Legal Services Manager, Committee Service Officer (Lissa Rowan) and Environmental and Commercial Services Management Team and Budget Managers. Any comments have been taken into consideration.

**9. CONCLUSION**

**9.1 This report sets out the budget monitoring position and comments on variances for the Environmental and Commercial Services and Economic Growth and Development Services (Economic Development) Capital and Revenue Budgets for the period to 31 December 2022.**

Author of Report: Nichola Urquhart, Quality Management Systems Officer

Background Papers:

Ref: SPMAN-524642768-874