



**REPORT TO: ECONOMIC DEVELOPMENT AND INFRASTRUCTURE
SERVICES COMMITTEE ON 4 DECEMBER 2018.**

**SUBJECT: DIRECT SERVICES AND DEVELOPMENT
SERVICES (ECONOMIC DEVELOPMENT) CAPITAL AND
REVENUE BUDGET MONITORING TO 30 SEPTEMBER 2018**

**BY: CORPORATE DIRECTOR (ECONOMIC DEVELOPMENT,
PLANNING AND INFRASTRUCTURE)**

1. REASON FOR REPORT

- 1.1 To inform the Committee of the current position regarding Direct Services 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 30 September 2018.**

3. BACKGROUND

- 3.1 The Revised Performance Management Framework February 2013 agreed by The Moray Council on 22 May 2013 (paragraph 8 (iii) of the Minute refers) 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 Policy and Resources Committee quarterly.
- 3.2 The Capital Plan for 2018/19 was approved by a meeting of Moray Council on 14 February 2018 (para 6 of the minute refers). Financial Regulations approved by Moray Council on 28 February 2018 allow for the review of the Capital Plan when half year estimates are being considered. Amendments approved by Council and by Policy and Resources Committee since this date has been incorporated into this report.
- 3.3 The Capital Plan reflects the Council's priorities and is developed adhering to the Council's Capital Strategy. Regular monitoring reports are provided to Policy and Resources Committee and this Committee. 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” (para 7 of the minute refers). Accordingly, this report will give details of expenditure on projects which span more than one financial year, as set out in **APPENDIX IV**.

- 3.4 The Revenue budget was approved at a meeting of the Council on 14 February 2018 (para 10 of the minute refers). The current total Revenue budget for Direct Services is £23,363 million in 2018/19.

4. DIRECT SERVICES REVENUE BUDGET

- 4.1 **APPENDIX I** details the Direct Services Revenue Budget position to 30 September 2018.

4.2 REVENUE BUDGET POSITION 30 SEPTEMBER 2018

Annual Budget	Budget Year to Date	Actual & Committed Year to Date	Variance Year to Date
£000s	£000s	£000s	£000s
23,363	11,587	11,752	-165

- 4.3 Direct Services actual and committed budget has an overall overspend to budget, of £165,000 for the period to 30 September 2018. The position is summarised in the table below and major variances described in para 4.4 - 4.7 of this report. Underspends or overspends are against projected budgets for the period only. It is expected that Direct Services will be overspent by £500,000 by the end of this financial year. Variances are further explained in this report but the main reasons can be summarised as £250k vacancy target, £130K drop in recycling revenue, £84K Meals on wheels income, (service now ceased), £51k increase in fuel costs, £50k Leachate treatment costs (cell will be capped next year so costs expected to reduce), £50K redundancy costs. All variances will be monitored closely and reported to Committee as the year progresses.

Current Position at 30 September 2018

<u>Service</u>	Ref Para	Overspend	Underspend
		£000s	£000s
Building Cleaning & Catering	4.4	- (74)	
Waste Management	4.5	-(208)	
Fleet Services	4.6		53
Traffic & Transportation Mgt	4.7		55

Explanation of variances 30 September 2018:

4.4 **Major Variance – Building Cleaning & Catering** has an overall overspend of £74,000. The main variances are:-

- **Catering Overspends:** £38,000 on meals and wheels income (service now to cease) Minor variance on the facilities service due to evening work and call outs which is not budgeted for, - Loss of void house income is offset by underspend in staff costs.
- **Underspends:** £64,000 on food and supplies (relates to the reduction in meals) Staff underspend offset in part by reduced income from School lets and redundancies from Town Hall Closures.
- **Income Shortfall:** £91,000 on school meals income. This is currently being reviewed following the implementation of the new I –Pay online payments system. Income has also decreased following the closure of secondary schools at lunchtime on Fridays – both are being reviewed and will be quantified for Quarter 3. Income is expected to be £76,000 under achieved by the end of the financial year as the Meals on Wheels Budget pressure will be removed.

4.5 **Major Variance – Waste Management** has an overall overspend of £208,000. The main variances are:-

- **Underspends:** Green Waste £34,000, Gas Utilisation contract at Dallachy £21,000.
- **Overspends:** Redundancy costs (due to restructure) £50,000, Leachate treatment £50,000, fuel costs £54,000, repairs to Moycroft (fire damage – an insurance claim has been submitted to cover this cost) £13,000 and an £82,000 reduction in recycling income due to fluctuations in market prices for recyclates.

4.6 **Major Variance – Fleet Services**

Underspend is mainly due to Fleet recharges to other departments.

4.7 **Major Variance - Traffic and Transportation Management** has a total underspend of £55,000 which is mainly made up of the following.

- **Income Surplus:** Car parks income surplus £25,000. Car park income continues to perform significantly better than budget. A small downturn this period compared to August, which will reflect the seasonal patterns of income.
Harbours income £25,000 and is on track to deliver the £50k 'better than budget' for income for inclusion in 19/20 full year budget.

5. **DEVELOPMENT SERVICES (ECONOMIC DEVELOPMENT) REVENUE BUDGET**

5.1 REVENUE BUDGET POSITION 30 SEPTEMBER 2018

Annual Budget	Budget Year to Date	Actual & Committed Year to Date	Variance Year to Date
£000s	£000s	£000s	£000s
761	485	480	5

5.2 Development Services - Economic Development, the variance to projection is a minor underspend of £5,000.

6. **DIRECT SERVICES CAPITAL BUDGET TO 30 SEPTEMBER 2018**

6.1 **APPENDIX II** details the Direct Services Capital Budget position to 30 September 2018. The total Capital Plan budget of £18.959M has an actual spend at the end of September 2018 of £3,971 million.

6.2 **APPENDIX III** shows the projects within the Capital Budget with a summary of the ratings estimated by budget managers.

6.3 Projects are marked red / amber / green. This column represents an assessment of projected expenditure at end of year - with green being a high confidence level of expenditure close to projected expenditure for the total of the year, medium confidence as amber and low confidence as red. A summary of the ratings is given in the table below.

6.3.1

Risk status	RAG	No. of projects	Projected expenditure 2018/19 £000s
High confidence of spend to estimate	G	37	10,184
Medium confidence spend to estimate	A	8	3,464
Low confidence spend to estimate	R	4	1,450
		49	15,098

The following projects are rated as **Red**:

Project	Reason for rating	Para ref	£000s
Road Safety Barriers	Budget review	6.6.3	158
Drainage Works	Tender pricing & winter weather	6.6.5	760
Elgin Trnsprt Stratgy	Timing of schemes	6.6.7	477
P'gordon FRM	Project feasibility	6.6.8	55

The following projects are rated as Amber:

Project	Reason for rating	Para ref	£000s
Moycroft Waste Fac.	Timing of project	6.5.2	674
Recycling Facilities	Timing of project	6.5.4	91
Cloddach Bridge	Timing of project	6.6.6	10
Lossie Seatown FRM	Timing of expenditure	6.6.8	190
Flood Allev.Schemes	Potential compensation	6.6.8	228
Portknockie Landslip	Timing and cost of project	6.6.9	1,745
Buckie Harbour Imp.	Funding confirmation	6.6.11	526

6.3.2 A summary of the projected variances at September 2018 from the current approved capital programme, as detailed in **APPENDIX 1**, is set out below:

Description	Para ref	Underspend (Overspend) £000
Land & Buildings		
Recycling Centres Upgrades	6.5.4	270
Infrastructure		
Roads resurfacing	6.6.4	(32)
Footways	6.6.4	32
Glenlivet Bridge	6.6.6	145
Elgin Transport Strategy	6.6.7	2,023
Portgordon Flood Risk Mgt	6.6.8	100
Lossie Seatown Flood Risk Mgt	6.6.8	34
Dallas Flood Alleviation Scheme	6.6.8	(24)
Buckie Harbour replace life expired items	6.6.10-11	201
Burghead Harbour replace life expired items	6.6.10	5
Plant & Equipment		
Vehicle Replacement Programme	6.4.1	1,100
Electric Bus	6.4.1	7
Total		3,861

A number of the variances identified above and detailed in the following paragraphs are as a result of expenditure being delayed deliberately from

2018/19 to 2019/20. The effect of this is to reduce the projected cost of loan charges for 2018/19.

6.4 Vehicles, Plant and Equipment

Expenditure on vehicles, plant and equipment to 30 September totals £1,596,000. The major items of expenditure are £522,000 on the vehicle replacement programme; £283,000 on the purchase of an electric bus, funded through G-PaTRA and the Green Bus Fund; £148,000 on car parking machines

- 6.4.1 Vehicle & Plant Replacement Programme** - Due to the timing of orders from departments across the Council, it is possible to reduce the expenditure in this financial year to £1,939,000, which represents an underspend of £1,100,000 from the budget of £3,039,000. Policy and Resources Committee on 27 November 2018 were requested to approve the deferment of budget of £1,100,000 from 2018/19 to 2019/20. Purchase of the electric bus incurred expenditure of £283,000, resulting in a small budget underspend of £7,000. It is expected that the Council will receive grant funding from the Hi-Trans Green Bus Fund for the full cost of the vehicle.

6.5 Lands and Buildings

- 6.5.1** Expenditure on Land and Buildings to 30 September totals £60,000.
- 6.5.2 Integrated Waste Facility Moycroft** - This project is to redevelop and consolidate waste facilities at Moycroft in Elgin and has an approved budget of £3,532,000 over a number of years. Contract works are currently out to tender and it is anticipated that works on-site will now start in January 2019 with anticipated expenditure of £674,000 in this financial year, as budgeted.
- 6.5.3 NESS Energy** – The interauthority agreement with Aberdeen City Council and Aberdeenshire Council relating to the NESS energy from waste project is projected to spend to the budget of £514,000. This expenditure includes the Council's share of the cost of acquisition of the site of the proposed facility.
- 6.5.4 Upgrade Facilities at Recycling Centres** – This project to upgrade facilities at Gollachy Buckie and Waterford Forres has been partly deferred as a result of the current financial position of the Council and is anticipated to incur expenditure of £91,000 from the current budget of £361,000. Policy and Resource Committee on the 27 November were requested to approve the deferment of budget of £270,000 from 2018/19 to 2019/20.

6.6 Infrastructure

- 6.6.1** Expenditure on infrastructure assets to 30 September totals £2,890,000. The major items of expenditure are £918,000 on carriageway resurfacing/reconstruction, £285,000 on timber traffic routes, £266,000 on bridges infrastructure, £200,000 on Elgin Transport Strategy and £829,000 for street lighting (including £457,000 on new LED lighting).
- 6.6.2** The majority of infrastructure projects are estimated to be on time and on budget during 2018/19.

- 6.6.3 **Road Safety Barrier Provision** – This project is on hold pending a review by the Traffic section and budget arrangements for 2019/20, therefore the budget of £158,000 is rated as red to indicate a low confidence of achieving the projected spend in this financial year.
- 6.6.4 **Carriageway resurfacing/surface dressing and Footways** – Carriageway resurfacing is projected to spend £32,000 above the budget allocation of £2,042,000 but this is offset by footways projecting to spend £32,000 below the budget allocation of £300,000.
- 6.6.5 **Drainage & Other Works** – This budget includes an allocation of £300,000 for landslip remedial works at South Lodge on the A940. Final design costs of the proposed works are awaited, however it is the intention to carry out the works during 2018/19. This budget is rated as red in terms of achieving the projected expenditure of £760,000 due to the unpredictable winter weather which could affect works.
- 6.6.6 **Bridges – strengthening and replacement** –B9136 Glenlivet Bridge budgeted at £150,000 has now been deferred to 2019/20 with only preliminary expenditure of £5,000 anticipated in 2018/19. The project at Cloddach Bridge, budgeted at £10,000, is rated as amber as progress is on hold pending a review of the bridges 10-year plan.
- 6.6.7 **Elgin Transport Strategy** – The Elgin Transport Strategy report was approved by Council on 9 August 2017 (para 3 of minute refers). Expenditure of £200,000 has been incurred to date. £62,000 relates to refreshing the traffic model data for Elgin (para 6 of the minute of Moray Council on 14 February 2018 refers). £138,000 relates to works carried out at South Street/Hay Street Junction funded by the use of developer contributions of £16,000, with the balance funded by the Council. The timings of schemes are currently uncertain due to scheme interdependencies and scheme funding, therefore this project is marked as red for certainty of achieving projected spend. Policy and Resources Committee on 27 November 2018 were requested to approve the deferment of budget of £2,023,000 and also of related funding of £2,023,000 from 2018/19 to future years.
- 6.6.8 **Flood Alleviation Schemes** – The initial study works for the Flood Risk Management project for Portgordon is near completion with the solution likely to be a drainage only solution that will reduce the frequency of flooding. Full details of this proposal will be reported to a future meeting of this Committee. The project is estimated to incur expenditure of £55,000 in 2018/19 but is rated as red for confidence of achieving this projected figure.

The initial study works for the Flood Risk Management project at Lossiemouth Seatown is near completion and the findings support a flood protection scheme for this area. Full details of the proposals for this area will be reported to a future meeting of this Committee. The project is anticipated to spend £190,000 but this estimate is currently rated as amber.

Final costs for Dallas flood alleviation scheme of £24,000 have been incurred, When added to the overspend of £39,000 reported to a special meeting of Moray Council on 28 June 2018, this results in a total overspend of £63,000 from the original budget of £300,000 (paragraph 9 of the minute refers). The

overspend is due to additional material processing required on site because of the quantity of large stones found during embankment works and land compensation costs higher than anticipated.

Potential land compensation payments remain as the principal outstanding issue for the flood alleviation schemes in Newmill, Elgin, and Forres (River Findhorn & Pilmuir). Approved capital budget is held in current and future years for potential payments and the total projected expenditure for each scheme remains within the original budget allocations.

6.6.9 Portknockie Landslip – This project will shortly go out to tender, with the possibility of works starting on site early in 2019, however the timing and final costs of this project are not yet fixed, therefore this project is rated as amber in terms of the certainty of achieving the projected spend of £1,745,000 in this financial year.

6.6.10 Harbours – Life expired items and upgrades – There is a rolling programme of works to replace life expired items and upgrade facilities at harbours in Moray. Following completion of the tendering process, the current estimated cost for works at Buckie Harbour is £500,000. There is potential for costs to rise due to the nature of work and environment. A small underspend of £5,000 is currently estimated for works at Burghead Harbour.

On October 27 a number of the harbours in Moray sustained storm damage due to wave action. To reduce the risk of escalating repair costs it is proposed that work is undertaken to repair this damage as early as possible. The funding required to pay for this work will be taken from the existing allocation for harbours works in the capital plan. The cost of this work is not yet known but will be reported in the first instance to Policy and Resource Committee.

6.6.11 Buckie Harbour Improvements – The project to provide ice plant and fuel tank facilities at Buckie are rated as amber, with spend being dependent on the successful application for external funding, which is currently in progress. If successful the expenditure must be incurred within the current financial year. At this stage it is unknown when any award will be confirmed and if there is potential for the deadline to be extended beyond March 2019 .

6.7 Proposed budget deferments to 2019/20 – This report includes details of projects which have slipped or been deferred and therefore it is proposed to defer budget from 2018/19 to 2019/20 to reflect this fact.

A summary of the proposed budget deferments from 2018/19 to 2019/20 is listed below

	Para ref	£000s
Vehicle Replacement Programme	6.4.	1,100
Recycling Facilities	6.5.4	270
Bridges – Glenlivet	6.6.6	145
Elgin Transport Strategy	6.6.7	2,023
Total		3,538

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 The main risk for the vehicle replacement programme is manufacturers failing to deliver to agreed timescales.
- 7.3 Land compensation claims remain a risk for the major flood alleviation scheme at Forres.
- 7.4 Poor weather conditions can impact project timescales, as identified for Roads Drainage works and harbours renovation works.
- 7.5 Lack of staff resources and staff turnover can impact on project timescales.
- 7.6 Other emerging work priorities can impact on scheduled works.
- 7.7 Some projects have been deferred in response to the council's financial situation. There is a risk that contract inflation might increase the eventual cost of these projects and a risk that any deferment of projects relating to asset condition might result in element failure.

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. This report was informed by Moray 10 Year plan and provides support to enable the following priorities to be delivered : Growing diverse and sustainable economy, Building a better future for our children and young people in Moray, Empowering and connecting communities and working towards a financially stable council that provides valued services to our communities

(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 I – IV**.

Direct Services Revenue spend to 30 September 2018 is £11,752,000 against a projection of £11,587,000 giving an overspend of £165,000. Development Services - Economic Development revenue spend to 30 September 2018 is £480,000 against a budget to date of £485,000 giving a minor underspend of £5,000.

Direct Services capital spend is £3,971 million to 30 September 2018 .

(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) Consultations

This report has been prepared in consultation with Paul Connor, Principal Accountant, Head of Direct Services, Head of Development Services, Legal Service Manager (Property and Contracts), Lissa Rowan, Committee Service Officer and Direct 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 Direct Services and Development Services (Economic Development) Capital and Revenue Budget for the period to 30 September 2018.

Author of Report: Nichola Urquhart, Quality Management Systems Officer

Background Papers:

Ref: