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**REPORT TO: ECONOMIC DEVELOPMENT AND INFRASTRUCTURE  
SERVICES COMMITTEE ON 19 FEBRUARY 2019.**

**SUBJECT: DIRECT SERVICES AND DEVELOPMENT SERVICES  
(ECONOMIC DEVELOPMENT) CAPITAL AND REVENUE  
BUDGET MONITORING TO 31 DECEMBER 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 31 December 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 have 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 £23,440 million in 2018/19.

#### **4. DIRECT SERVICES REVENUE BUDGET**

- 4.1 **APPENDIX I** details the Direct Services Revenue Budget position to 31 December 2018.

#### **4.2 REVENUE BUDGET POSITION 31 DECEMBER 2018**

<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>
23,440	16,645	16,748	-103

- 4.3 Direct Services actual and committed budget has an overall overspend to budget, of £103,000 for the period to 31 December 2018. The position is shown in Appendix 1 and summarised in the table below with major variances described in para 4.4 - 4.7 of this report. Underspends or overspends are against projected budgets for the period only. Variances are further explained in this report and all variances will be monitored closely and reported to Committee as the year progresses.

#### **Position at 31 December 2018**

<b><u>Service</u></b>	<b>Ref Para</b>	<b>Overspend</b>	<b>Underspend</b>
		<b>£000s</b>	<b>£000s</b>
<b>Waste management</b>	<b>4.4</b>	-302	
<b>Lands and Parks/ Countryside Amenities Access</b>	<b>4.5</b>	-86	
<b>Fleet Services</b>	<b>4.6</b>		153
<b>Traffic &amp; Transportation Mgt</b>	<b>4.7</b>		125
<b>Building Catering and Cleaning</b>			7

**Estimate at end of financial year 31 March 2019.**

<b>Revised Budget</b>	<b>Estimated Outturn 2018</b>	<b>Anticipated variance</b>	<b>Variance against base budget</b>
£000	£000	£000	
23,440	23,951	(511)	-2.2%

**Explanation of variances 31 December 2018:**

- 4.4 **Major Variance – Waste Management** has an overall overspend of £302,000. Main variances are:-  
**Income shortfall of £175,000** comprising £29,000 of under achieved income from trade waste customers partly due to a reduction in customer numbers and also a reduction of collection frequencies (fortnightly to 3 weekly). Prices will be reviewed over the next financial year to see how we can become more competitive in the market. Income from recycling contracts was also under achieved by £142,000. This was partly due to ongoing fluctuations in market prices for recyclates and also due to a baler machine breakdown in September. A third party is now bailing our cardboard resulting in a reduction in income and a cost of £4,000.  
**Expenditure Overspend of £182,000.** This is broken down by the following overspends which will continue to be monitored; £58,000 leachate which is wholly dependent on climatic conditions and has to be dealt with to comply with the Landfill permit. £64,000 on vehicle running costs - £57,000 of which is due to an inflationary price increase on fuel of 9%, £50,000 one-off redundancy costs following a recent management restructure, £5,000 maintenance and £5,000 non-domestic rates costs for closed public conveniences.  
**Additional Income £51,000** comprising of £8,000 tipping income and £20,000 insurance recovery income for fire damage at Moycroft (this offsets an overspend on repairs last year). The gas utilisation contract at Dallachy is £23,000 favourable to budget.as despite the gas turbine being out of use for a period the performance is good.  
**Expenditure underspends of £5,000** as a result of recycling contracts expenditure.
- 4.5 **Major Variance – Lands and Parks/Countryside Amenities Access** has an overall overspend of £86,000. This is due to underachieving our income by £158,000 due to less than anticipated sale of lairs and burials and recharges and a £72,000 underspend on expenditure due to deferred spend on materials and tools and various other minor underspends.
- 4.6 **Major Variance – Fleet Services**  
Underspend of £153,000 is mainly due to additional electric vehicle grants which have not been budgeted for, reduced external vehicle hire and transport and plant costs.
- 4.7 **Major Variance - Traffic and Transportation Management**  
Transportation is performing better than budget by £125,000, which is principally for the following reasons:

**Income surplus:** Car park income is £40,000 better than budget, continuing the performance since the introduction of new charges. Harbours income is £65,000 better than budget, and this reflects the improved commercial operation of the harbours and will be incorporated into the 2019/20 budgeted income line. Transportation £15,000 income relates to income from road closures and also income from reinstatement fees for utilities such as BT and Scottish Gas.

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

### 5.1 **REVENUE BUDGET                      POSITION 31 DECEMBER 2018**

<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>
773	612	609	3

5.2 Development Services - Economic Development, the variance to budget is a minor underspend of £3,000.

## 6. **DIRECT SERVICES CAPITAL BUDGET TO 31 DECEMBER 2018**

6.1 **APPENDIX II** details the Direct Services Capital Budget position to 31 December 2018. The total Capital Plan budget of £15.371 million has an actual spend at the end of December 2018 of £ 6,477 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

<b>Risk status</b>	<b>RAG</b>	<b>No. of projects</b>	<b>Projected expenditure 2018/19 £000s</b>
High confidence of spend to estimate	G	42	9,272
Medium confidence spend to estimate	A	5	2,171
Low confidence spend to estimate	R	2	937
		<b>49</b>	<b>12,380</b>

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

<b>Project</b>	<b>Reason for rating</b>	<b>Para ref</b>	<b>Projected expenditure £000s</b>
Drainage Works	Tender pricing & winter weather	6.7.5	460
Elgin Trnsprt Stratgy	Timing of schemes	6.7.7	477

The following projects are rated as Amber:

<b>Project</b>	<b>Reason for rating</b>	<b>Para ref</b>	<b>£000s</b>
Moycroft Waste Fac.	Timing of project	6.6.3	674
Upgrade Recycling Facilities	Timing of project	6.6.6	91
Flood Allev.Schemes	Timing of expenditure	6.7.8	380
Portknockie Landslip	Timing and cost of project	6.7.9	500
Buckie Harbour Imp.	Funding confirmation	6.7.11	526

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

<b>Description</b>	<b>Para ref</b>	<b>Underspend (Overspend) £000</b>
<b>Land &amp; Buildings</b>		
Dallachy Landfill Site	6.6.2	230
Multi-storey car parks waterproofing	6.6.4	114
Depot Maintenance Upgrades	6.6.6	110
<b>Infrastructure</b>		
Drainage and Other Works	6.7.5	300
Arthurs Bridge and Cloddach Bridge	6.7.6	90
Remote Footbridges	6.7.6	28
Portgordon Flood Risk Mgt	6.7.8	115
Lossie Seatown Flood Risk Mgt	6.7.8	134
Dallas Flood Alleviation Scheme	6.7.8	(24)
Newmill Flood Alleviation Scheme	6.7.8	78
Portknockie Landslip	6.7.9	1,245
Buckie Harbour replace life expired items	6.7.11	251
Burghead Harbour replace life expired items	6.7.10	250
Findochty Harbour replace life expired items	6.7.10	16
<b>Plant &amp; Equipment</b>		
Vehicle Replacement Programme	6.5.2	151
Electric Bus	6.5.1	7
Upgrade containers at recycling centres	6.6.6	6

Description	Para ref	Underspend (Overspend) £000
<b>Total</b>		<b>3,238</b>

## 6.5 Vehicles, Plant and Equipment

6.5.1 Expenditure on vehicles, plant and equipment to 31 December totals £1,380,000. The major items of expenditure are £866,000 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 and £35,000 was spent on domestic and trade waste bins.

6.5.2 **Vehicle & Plant Replacement Programme** - Policy and Resources Committee on 27 November 2018 approved the deferment of budget of £1,100,000 from 2018/19 to 2019/20. (para 14 of the draft minute refers). The purchase of the electric bus incurred expenditure of £283,000, resulting in a small budget underspend of £7,000. The Council will receive grant funding for the full cost of the vehicle.

## 6.6 Lands and Buildings

6.6.1 Expenditure on Lands and Buildings to 31 December totals £121,000.

6.6.2 **Dallachy Landfill Site** – This project at Dallachy Landfill Site to construct and cap landfill cells and reinstatement is projected to spend £148,000 from the budget of £378,000. Due to inclement weather, it is likely that expenditure of £230,000 on capping will be delayed until 2019/20, with deferral of £230,000 from 2018/19 to 2019/20 required.

6.6.3 **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. Following the tender process it is now expected that the project will show a budget saving of £500,000. Works on-site have now started with anticipated expenditure of £674,000 in this financial year, however the project is rated as amber to reflect uncertainty about the exact timing of expenditure over the life of the project.

6.6.4 **Car Parks Waterproofing** – Works to replace waterproofing and expansion joints at multi storey car parks in Elgin have now been postponed from 2018/19 to 2019/20 as these works cannot be carried out in winter weather, with deferral of £114,000 from 2018/19 to 2019/20 required to reflect the updated works schedule.

6.6.5 **NESS Energy** – The inter authority agreement with Aberdeen City 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.

6.6.6 **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 this financial year. Policy and Resource Committee

on the 27 November 2018, (para 13 of the draft minute refers) approved deferment of budget of £270,000 from 2018/19 to 2019/20.

## **6.7 Infrastructure**

- 6.7.1 Expenditure on infrastructure assets to 31 December totals £4,976,000. The major items of expenditure are £1,748,000 on carriageway resurfacing/reconstruction, £542,000 on timber traffic routes, £266,000 on bridges infrastructure, £235,000 on Elgin Transport Strategy, £382,000 on Buckie harbour upgrades and £1,264,000 for street lighting (including £689,000 on new LED lighting).
- 6.7.2 The majority of infrastructure projects are estimated to be on time and on budget during 2018/19.
- 6.7.3 **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.
- 6.7.4 **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.
- 6.7.5 **Drainage & Other Works** – This budget includes an allocation of £300,000 for landslip remedial works at South Lodge on the A940. These works have now been deferred to 2019/20. It is expected that Policy and Resources Committee on 12 February 2019 will be requested to approve budget deferral of £300,000 from 2018/19 to 2019/20. Planned works within this budget heading can also be affected by winter weather, therefore this budget is rated as red in terms of achieving the projected expenditure of £460,000.
- 6.7.6 **Bridges – strengthening and replacement** –The project to install traffic lights at Arthurs Bridge has been delayed due to electricity supply issues with projected expenditure in 2018/19 of only £34,000 from the budget allocation of £114,000. It is expected that Policy and Resources Committee on 12 February 2019 will approve budget deferral of £80,000 from 2018/19 to 2019/20. The project at Cloddach Bridge budgeted at £10,000 is now projected to spend nil, but with the bridge weight limits continuing to be monitored. It is expected that Policy and Resources Committee on 12 February 2019 will be requested to approve a budget reduction of £10,000. The remote footbridges budget of £55,000 is now anticipated to spend £27,000 in this financial year with work on Findochty Bridge delayed into the next financial year. It is expected that Policy and Resources Committee on 12 February will be requested to approve budget deferral of £28,000 from 2018/19 to 2019/20 to allow for the works at Findochty Bridge.
- 6.7.7 **Elgin Transport Strategy** – The Elgin Transport Strategy report was approved by Council on 9 August 2017 (paragraph 3 of minute refers). Expenditure of £235,000 has been incurred to date. £97,000 relates to refreshing the traffic model data for Elgin (Moray Council on 14 February 2018, para 9 of the minute 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.

- 6.7.8 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 £40,000 in 2018/19 but is rated as amber for confidence of achieving this projected figure.

The initial study works and business case for the Flood Risk Management project at Lossiemouth Seatown have been completed. Full details of the proposals for this area will be reported to a future meeting of this Committee. The project is anticipated to spend £90,000 this financial year with the project expected to be progressed in 2022. I

Final costs for Dallas flood alleviation scheme of £24,000 have been incurred. When added to the overspend of £39,000 reported to Moray Council on 28 June 2018, this results in a total overspend of £63,000 from the original budget of £300,000. 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 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. Newmill Flood Alleviation Scheme is projected to spend nil, giving a budget saving of £78,000, with any compensation claims for this scheme now time barred.

- 6.7.9 Portknockie Landslip** – the contract for this project will be awarded on the 29 January 2019, with the possibility of works starting on site early in 2019. It is expected that £500,000 will be spent this financial year with £1 million expected to be carried forward to 2019-20 subject to approval by Policy and Resources Committee on 12 February 2019, giving an expected total project budget of £1.5m.

- 6.7.10 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 £700,000. £450,000 is expected to be spent in 2018/19 and the remaining £250,000 in 2019/20. Due to a temporary reduction in staff resources, the previously proposed work at Burghead Harbour is now planned for 2019/20. On 27 October a number of the harbours in Moray sustained storm damage due to wave action. To reduce the risk of escalating repair costs work was undertaken to repair this damage as early as possible and the funding required to pay for this work was taken from the existing allocation for harbours works in the capital plan. The work is now complete at a cost of £45,000.



**6.7.11 Buckie Harbour Improvements** – The project to provide ice plant facilities and fuel tank facilities at Buckie is 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.

**6.8** Policy and Resources on the 27 November 2018 agreed deferment of budget from 2018/19 to 2019/20 and a summary is listed below (para 13 of draft minute refers).

	£000s
Recycling Facilities	270
Bridges – Glenlivet	145
Elgin Transport Strategy	2,023
Vehicle Replacement Programme	1,100
<b>Total</b>	<b>3,538</b>

**6.9 Additional proposed budget deferments to 2019/20**

It is expected that Policy and Resources Committee on 12 February will be requested to defer budgets and a summary of the proposed budget deferments from 2018/19 to 2019/20 is listed below:

Dallachy Landfill Site	6.6.2	230
Car Parks Waterproofing	6.6.4	114
Drainage & Other Works	6.7.5	300
Bridges	6.7.6	108
Flood Alleviation Schemes	6.7.8	249
Portknockie Landslip	6.7.9	1,000
Harbours	6.7.10-11	501
Vehicle Replacement Programme	6.5.2	151
<b>Total</b>		<b>2,653</b>

**Proposed budget savings in 2018/19 –**

It is expected that Policy and Resources Committee on 12 February will give details of projects where budget savings have been identified. A summary of the proposed budget savings in 2018/19 is listed below:

Depot Upgrades	6.6	110
Bridges	6.7.6	10
Flood Alleviation Schemes	6.7.8	78
Portknockie Landslip	6.7.9	245
Recycling Containers	6.6.6	6
<b>Total</b>		<b>449</b>

## **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 31 December 2018 is £16,748,000 against a projection of £16,645,000 giving an overspend of £103,000.

Development Services - Economic Development revenue spend to 31 December 2018 is £609,000 against a budget to date of £612,000 giving a minor underspend variance of £3,000.

Direct Services capital spend is £6,477 million to 31 December 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, 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 31 December 2018.**

Author of Report: Nichola Urquhart, Quality Management Systems Officer

Background Papers:

Ref: