

THE HIGHLAND COUNCIL

TRANSPORT, ENVIRONMENTAL AND COMMUNITY SERVICES COMMITTEE – 18 March 2010

Agenda Item	
Report No	

Revenue Budget Monitoring Report – 1 April 2009 to 31 January 2010

Report by the Director of Transport, Environmental and Community Services

SUMMARY

This report sets out the revenue monitoring position for the period 1 April 2009 to 31 January 2010 and the projected year end position.

1. Current Position

- 1.1 This report is produced in support of the Council's corporate governance process, which in turn is designed to support/augment the Council's overall/corporate delivery of all of its obligations in terms of the Single Outcome agreement.
- 1.2 The revenue expenditure monitoring statements, appended to this report, show the financial position to 31 January 2010. In total the expenditure is estimated to be £1.497m (2.2%) overspent at the end of the financial year.
- 1.3 There has been an increase in budget of £0.118m from that reported on January 2010. This is in respect of transferring local transport officers from Education, Culture and Sport into a fully integrated transportation co-ordination unit within TEC Services.
- 1.4 Since the monitoring position to the end of January was prepared, the prolonged cold weather has continued, with frequent and heavy snowfalls. There is no guarantee that further periods of cold weather will not occur before the end of the financial year, however the weather forecast is not predicting further high accumulations of snow. As a direct consequence of the prolonged cold weather and heavy snowfalls, the winter maintenance budget will be overspent by the end of the financial year. A call on the Winter Maintenance Reserve Fund, currently standing at £1.415m, is now inevitable and will be used to help to mitigate the overspend. At the time of writing this report, officers are collating the data to ascertain the estimated overspend. A verbal update on winter maintenance expenditure will be given at the Committee.

2. Year-End Projection

- 2.1 The year to date actual figures represent the transactions for the ten months ended 31 January 2010 and are generally in line with management expectations. The Service is aware of some anomalies that will distort the financial position for the current financial year, and these are highlighted under major issues and variances.

- 2.2 As reported to the TECS Committee in January, the Service estimated it would not be able to contain the projected overspend of £0.457m, as previously reported, due to the extreme winter weather. However, had it not been for the corrective actions reported to both the November and January TECS Committees, the estimated overspend of £1.457m would have been significantly higher. Through good financial budget management the level of overspend has been restricted to the projected year end position.
- 2.3 Members will note that based on the financial performance to date, it is predicted that at the end of the financial year the budget as a whole will be overspent.

3. Major Issues and Variances

3.1 Roads and Community Works

- 3.1.1 As a direct consequence of the prolonged period of extreme winter weather, the winter maintenance budget will be overspent by the end of the financial year. The estimated position at the end of the financial year has allowed for further modest winter activity that may occur in March.
- 3.1.2 Due to the deployment of labour resources to winter maintenance, works on the majority of other Roads and Community Works activities have been restricted, resulting in underspends, which will help to offset the winter maintenance overspend.
- 3.1.3 As reported to TECS Committee in November 2009, the cyclical maintenance budget is coming under pressure due to the earlier weather events, including landslips and flooding.
- 3.1.4 There is a direct correlation with the labour resources required for winter maintenance and cyclical maintenance. Workforce numbers across all Areas are determined by the winter maintenance policy. Over the last few years, the winter and cyclical maintenance budgets have been coming under increasing pressure, and this is likely to continue.
- 3.1.5 The increase in the cost of fuel and oil based materials, such as road surfacing materials, is having a detrimental impact on service delivery. While every effort will be made to manage these cost increases within the overall budget there will be an impact on Service outputs, for example less road surfacing for the approved budget.

3.2 Environmental Health and Trading Standards

- 3.2.1 As part of the Service's savings measures for the current year a trading standards officer's post was put forward as a saving. The intention for the saving to be achieved was through natural wastage. However it is now clear this will not be achieved in this financial year, but will be for next year.
- 3.2.2 To compensate for the shortfall, a vacant post in Environmental Health has been identified and will remain vacant for the remainder of the financial year.

3.3 Waste Management

- 3.3.1 The Council introduced charging for bulky uplifts from 1 April 2009. This was estimated to bring in additional income of £0.260m. As previously reported to TEC Services Committee, the levels of bulky uplift requests have fallen significantly on previous years, resulting in an estimated shortfall in income of £0.175m.
- 3.3.2 To reduce the impact of the shortfall in income from bulky collections, the vacant post of Waste Operations Manager (North) will remain unfilled for the remainder of the financial year. A reduction in landfill site operational costs will also help to alleviate part of the shortfall. As a result of the Council's continued improvement in recycling it is estimated there will be a saving of £0.200m in the waste disposal contracts this financial year. This amount will be used to offset the new waste disposal contract costs for the forthcoming year.
- 3.3.3 Under the Waste Electrical and Electronic Equipment (WEEE) Directive the Council has collected and disposed off electrical items, and under the new legislation is entitled to recompense of costs incurred. As a result, a one-off receipt has been received, consequently the recycling budget is expected to underspend at the end of the financial year.

3.4 Transport and Infrastructure

- 3.4.1 At the TECS Committee on 13 August 2009 final outturns were reported for 2008/09, including an overspend of £0.538m on subsidies and concessionary fares. Previously through the ring-fenced grant system HITRANS, the Regional Transport Partnership, received a bus route development grant for the Inverness to Dalcross Airport bus service. With the removal of ring-fencing, the grant was rolled up into the Highland Council overall grant settlement. However, due to lack of clarity in the grant breakdown this element was not identified. In summary, £0.613m was omitted from the TECS budget at the setting of the 2008/09 budget. The estimated overspend for 2009/10 is £0.457m, reducing to £0.075m for 2010/11 when the subsidy stops. The Service is unable to accommodate this cost without affecting service delivery.
- 3.4.2 The withdrawal of Royal Mail Postbus Services was reported to the TECS Committee in March and May 2009. It was noted that the costs of the interim transport services will create a pressure on the overall Transport Budget, and may not be sustainable in the longer term, and that the Service will be seeking to identify compensatory savings over the course of the year. A further report was presented to the September TEC Services Committee seeking approval for local consultation to be carried out in relation to the options for replacing the postbus services which were withdrawn in Wester Ross and North West Sutherland. Staff vacancies within the transport section have met the pressure of £0.075m in this financial year. A further report will go to a future TEC Services Committee on the subject.
- 3.4.3 The cost of the annual refit to the reserve ferry boat, Maid of Glencoul, is higher than budgeted, resulting in an estimated overspend on the ferry budget of

£0.050m. The coast protection budget will underspend this financial year, and will be used to offset the ferry overspend.

3.5 Business Support

- 3.5.1 Vacant posts have been identified within management overheads, and they will remain vacant for the remainder of the year. The underspend will help mitigate the loss of bulky collection income.

3.6 Trading Operations

- 3.6.1 After ten months, all of the trading accounts, apart from Roads and Community Works, are expected to achieve their budgeted targets by the end of the financial year.
- 3.6.2 At the end of January there was insufficient monies remaining in the Roads and Community Works activity budget, and there will be an estimated shortfall in the budgeted target of £0.446m.

4. **Actions Taken / Proposed**

- 4.1 Managers are currently reviewing their respective parts of the Service to identify where costs can be curtailed without affecting service delivery, with a view to utilising any savings to mitigate the overall overspend.
- 4.2 The effect of increased costs for fuel and oil based materials will be closely monitored for the remainder of the financial year.
- 4.3 Service budget-holders have been instructed to stop all non-essential spending and, as a result of this measure, any underspends accruing will be used to offset overspends and pressures within the overall TEC Services budget.
- 4.4 The Service budget will continue to be closely monitored for the remainder of the financial year, and from mid-January Roads and Community Works budgets have been monitored on a weekly basis.

5. **RECOMMENDATION**

- 5.1 Members are invited to note the report and the attached monitoring statements which show the revenue position for the period 1 April 2009 to 31 January 2010, and the actions which have been put in place to manage the budget overspend and pressures over the remainder of the financial year.

Signature:

Designation: Director of Transport, Environmental and Community Services

Date: 8 March 2010

Author: Mike Mitchell, TEC Finance Manager/Formal Jan Monitoring

Background Papers: Monitoring Statement 31/01/10 and the Highland Council
Financial Ledger

TRANSPORT, ENVIRONMENTAL AND COMMUNITY SERVICES

Revenue Expenditure Monitoring Statement

1 April 2009 to 31 January 2010

Service Summary

	£000 Actual Year To Date	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
BY ACTIVITY				
Roads and Community Works	25,382	30,458	31,476	1,018
Environmental Health	1,666	1,828	1,783	(45)
Trading Standards	725	860	885	25
Emergency Planning & Oil Pollution	199	245	245	0
Waste Management	19,710	25,592	25,313	(279)
Transport and Infrastructure	6,693	8,403	8,880	477
Administration	4,620	3,458	3,388	(70)
CLIENT SERVICES TOTAL	58,995	70,844	71,970	1,126
TRADING OPERATIONS				
Roads & Community Works	(359)	(1,552)	(1,106)	446
Waste Management	(524)	(1,473)	(1,473)	0
Vehicle Maintenance	(386)	(200)	(275)	(75)
Piers & Harbours	(1,199)	(659)	(659)	0
Project Design Unit	635	(234)	(234)	0
SERVICE TOTAL	57,162	66,726	68,223	1,497
BY SUBJECTIVE				
Staff Costs	59,731	74,517	74,039	(478)
Other Costs	79,241	95,873	96,784	911
Gross Expenditure	138,972	170,390	170,823	433
Grants	(282)	(519)	(519)	0
Other Income	(81,528)	(103,145)	(102,081)	1,064
Total Income	(81,810)	(103,664)	(102,600)	1,064
	57,162	66,726	68,223	1,497

% of Budget Spent

This Year	86%
Last Year	82%

TRANSPORT, ENVIRONMENTAL AND COMMUNITY SERVICES

Revenue Expenditure Monitoring Statement

1 April 2009 to 31 January 2010

Financial Detail

Client Services

2.1 Roads & Community Works

	£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
Winter Maintenance	4,478	4,904	7,180	2,276
Structural Maintenance	1,749	2,662	2,262	(400)
Surface Dressing	2,075	2,246	2,096	(150)
Watercourse Maintenance	300	715	465	(250)
Cyclical Maintenance	5,134	5,957	6,098	141
Street Cleaning	3,047	3,710	3,560	(150)
Public Conveniences	1,321	1,585	1,591	6
Burials and Cremations	974	1,151	1,076	(75)
Grounds Maintenance	3,459	4,175	3,825	(350)
Engineering Services	1,229	1,520	1,520	0
Community Works Services	1,499	1,579	1,599	20
Coast Protection	1	67	17	(50)
Flood Alleviation	116	187	187	0
	25,382	30,458	31,476	1,018

2.2 Waste Management

Refuse Collection	4,451	5,967	6,142	175
Waste Disposal	9,433	11,969	11,639	(330)
Recycling	5,826	7,656	7,532	(124)
	19,710	25,592	25,313	(279)

2.3 Transport & Infrastructure

Lighting Services	2,567	3,699	3,691	(8)
Integrated Transport Services	795	1,046	971	(75)
Subsidies and Concessionary Fares	3,665	3,899	4,431	532
Ferries	103	198	248	50
Airstrips	16	26	19	(7)
Car Parks	(453)	(465)	(480)	(15)
	6,693	8,403	8,880	477

2.4 Business Support

Management Overheads	3,259	3,461	3,391	(70)
Fleet Management	1,361	(3)	(3)	0
	4,620	3,458	3,388	(70)

Trading Operations

2.5 Roads and Community Works

	£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
Income - Council	(22,274)	(27,843)	(27,004)	839
Income - Other	(524)	(538)	(538)	0
	(22,798)	(28,381)	(27,542)	839
Direct Costs				
Labour	13,998	17,116	16,723	(393)
Materials & Other	561	690	690	0
Plant	6,421	7,272	7,272	0
	20,980	25,078	24,685	(393)
Indirect				
Management Costs	991	1,189	1,189	0
Apportioned Costs	468	562	562	0
	1,459	1,751	1,751	0
(Surplus)/Deficit before Depreciation	(359)	(1,552)	(1,106)	446
Depreciation	92	110	110	0
(Surplus)/Deficit after Depreciation	(267)	(1,442)	(996)	446

TRANSPORT, ENVIRONMENTAL AND COMMUNITY SERVICES

Revenue Expenditure Monitoring Statement

1 April 2009 to 31 January 2010

Financial Detail

Trading Operations

2.6 Waste Management

Income - Council
Income - Other

Direct Costs
Labour
Materials & Other
Plant

Indirect
Management Costs
Apportioned Costs

(Surplus)/Deficit before Depreciation
Depreciation
(Surplus)/Deficit after Depreciation

£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
(13,310)	(17,507)	(16,702)	805
(32)	(14)	(34)	(20)
(13,342)	(17,521)	(16,736)	785
7,058	9,267	8,517	(750)
81	108	108	0
4,253	4,962	4,927	(35)
11,392	14,337	13,552	(785)
1,034	1,241	1,241	0
392	470	470	0
1,426	1,711	1,711	0
(524)	(1,473)	(1,473)	0
5	6	6	0
(519)	(1,467)	(1,467)	0

2.7 Vehicle Maintenance

Income - Council
Income - Other

Direct Costs
Labour
Materials
Plant & Other

Indirect
Management Costs
Apportioned Costs

(Surplus)/Deficit before Depreciation
Depreciation
(Surplus)/Deficit after Depreciation

£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
(3,227)	(4,051)	(3,926)	125
(13)	(13)	(13)	0
(3,240)	(4,064)	(3,939)	125
898	1,470	1,070	(400)
869	1,232	1,232	0
626	609	809	200
2,393	3,311	3,111	(200)
359	431	431	0
102	122	122	0
461	553	553	0
(386)	(200)	(275)	(75)
29	35	35	0
(357)	(165)	(240)	(75)

TRANSPORT, ENVIRONMENTAL AND COMMUNITY SERVICES

Revenue Expenditure Monitoring Statement

1 April 2009 to 31 January 2010

Financial Detail

Trading Operations

2.8 Piers and Harbours

Income - Sale of Materials
Income - Other

Direct Costs

Labour
Materials
Plant & Other

Indirect

Management Costs
Apportioned Costs

(Surplus)/Deficit before Depreciation
Depreciation
(Surplus)/Deficit after Depreciation

£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
(10,167)	(14,867)	(12,867)	2,000
(2,122)	(2,376)	(2,376)	0
(12,289)	(17,243)	(15,243)	2,000
745	864	889	25
9,329	14,412	12,412	(2,000)
928	1,203	1,178	(25)
11,002	16,479	14,479	(2,000)
88	105	105	0
0	0	0	0
88	105	105	0
(1,199)	(659)	(659)	0
533	640	640	0
(666)	(19)	(19)	0

2.9 Project Design Unit

Income - Council
Income - Other

Direct Costs

Labour
Supplies
Plant

Indirect

Management Costs
Apportioned Costs

(Surplus)/Deficit before Depreciation
Depreciation
(Surplus)/Deficit after Depreciation

£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
(2,290)	(3,255)	(3,255)	0
(295)	(450)	(720)	(270)
(2,585)	(3,705)	(3,975)	(270)
2,535	3,085	2,940	(145)
389	123	453	330
173	115	200	85
3,097	3,323	3,593	270
81	97	97	0
42	51	51	0
123	148	148	0
635	(234)	(234)	0
0	0	0	0
635	(234)	(234)	0