

**Environment & Transport Committee****30 January 2014****Management Accounts for Environment & Transport Committee:  
2013/14 – Projected Outturn at Quarter 3****F-002-F****Report Presented by Executive Manager -  
Finance****Corporate Services****1. Summary**

- 1.1 The purpose of this report is to enable the Environment & Transport Committee to monitor the financial performance of services within its remit to ensure that expenditure incurred and income generated will be delivered within the approved budget. This report is on the projected outturn position for the year as at the end of the third quarter for revenue, capital and trading accounts.
- 1.2 The projected outturn position for Infrastructure Services is an underspend of £118k on revenue, a reduction in surplus of £25k on the trading accounts and an underspend of £166k on capital.

**2. Decision Required**

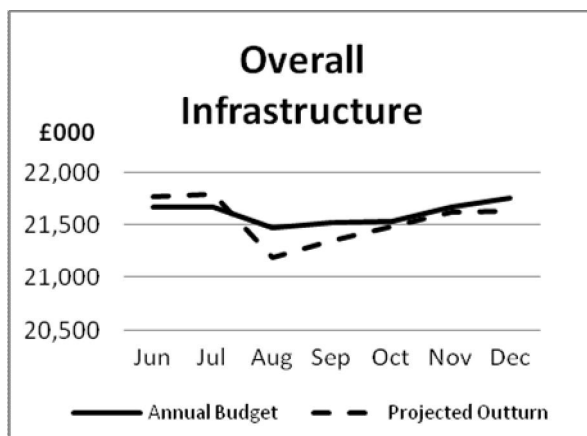
- 2.1 The Environment & Transport Committee is asked to RESOLVE to:
- review the Management Accounts showing the projected outturn position at Quarter 3;
  - instruct the Director of Infrastructure to ensure that the approved budget is achieved by the end of the year.

**3. Detail**

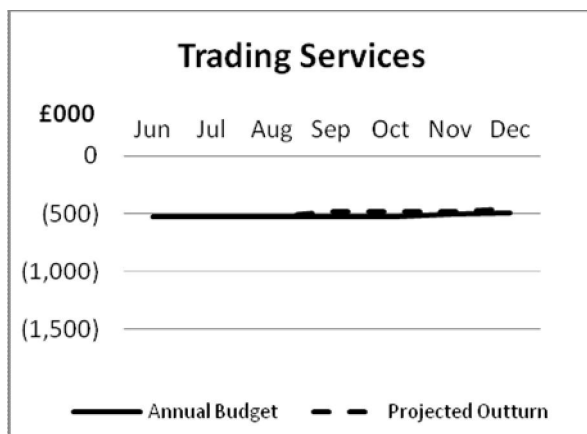
- 3.1 On 20 February 2013 (SIC Min Ref: 9/13) the Council approved the 2013/14 revenue and capital budgets for the Council (including the General Fund, Harbour Account, Housing Revenue Account, Trading Accounts and Spend to Save) requiring a draw from reserves of £27.768m. This is still at an

unsustainably high level and will need to be reduced to ensure that the Council's reserves are not depleted further in the short term.

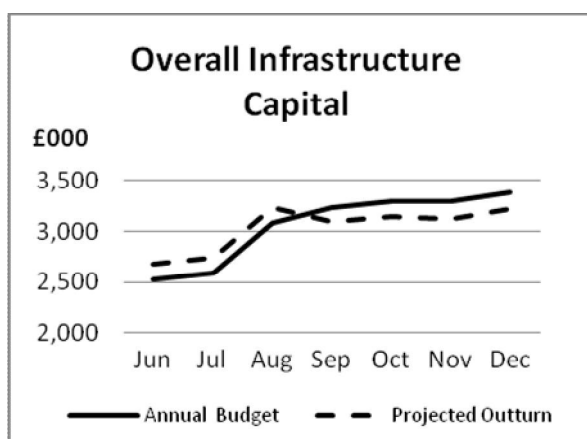
- 3.2 All charts in this report show a scale range of £1.5m which increases in increments of £500k; therefore they show variances for each service at the same scale, regardless of the size of budget, and the "at a glance" variance position can be compared between charts.
- 3.3 The projected revenue outturn position for Infrastructure Services is an underspend of £118k (1%), shown on the following chart, and explained in further detail in Appendix 1 attached:



- 3.4 The projected outturn position on the Infrastructure Services trading accounts is a reduction in surplus income of £25k (5%), shown on the following chart, and explained in further detail in Appendix 1 attached:



- 3.5 The projected outturn position on Infrastructure Services' capital project expenditure is an underspend of £166k (5%), shown on the following chart, and explained in further detail in Appendix 2 attached:



## 4. Implications

### Strategic

#### 4.1 Delivery On Corporate Priorities

There is a specific objective within the Corporate Plan to ensure that the Council is “living within our means” with a range of measures which will enable the Council to achieve financial sustainability over the next four years, and line up spending with priorities and continue to have significant reserves.

The Medium Term Financial Plan also includes a stated objective to achieve financial sustainability over the lifetime of the Council.

#### 4.2 Community /Stakeholder Issues – None.

#### 4.3 Policy And/Or Delegated Authority

Section 2.1.2(3) of the Council's Scheme of Administration and Delegations states that the Committee may exercise and perform all powers and duties of the Council in relation to any function, matter, service or undertaking delegated to it by the Council. The Council approved both revenue and capital budgets for the 2013/14 financial year. This report provides information to enable the Committee to ensure that the services within its remit are operating within the approved budgets.

#### 4.4 Risk Management

There is a risk that revenue services and capital projects will not be delivered within the approved 2013/14 budget resulting in an additional draw on reserves, which is unsustainable. Failure to deliver the 2013/14 budgets may result in the Council failing to deliver its Corporate Plan and Medium Term Financial Plan.

#### 4.5 Equalities, Health And Human Rights – None.

#### 4.6 Environmental – None.

## Resources

### 4.7 Financial

- 4.7.1 At present the Council's level of expenditure is not sustainable and, if left unchecked, will result in reserves continuing to decrease further, eventually becoming fully depleted.
- 4.7.2 Any instances whereby a budget is overspent, savings targets are not being achieved, or there is growth in a budget, will have a direct impact on the Council's reserves. It is therefore vital to the future economic wellbeing of the Council that its budget is delivered in full with no further growth.
- 4.7.3 The projected outturn revenue position for Infrastructure Services is an underspend of £118k, relating mainly to increased income from higher volumes of waste, staff vacancies across Infrastructure Services and no large applications for private sector housing grants, offset by a reduction in ferry fare income and additional essential maintenance work for Tingwall Airport.
- 4.7.4 The trading accounts are projecting a decreased surplus of £25k due to challenging market conditions relating to materials supply and sub-contractor costs.
- 4.7.5 The projected outturn for Infrastructure Services' capital projects is a £166k underspend, relating to the Landfill Capping project which has come in under contract tender estimate and two bridge projects which have been re-profiled to next year.
- 4.7.6 The Infrastructure Management Team are closely monitoring the position and are committed to continued downward pressure on spending throughout the rest of the year to ensure that spend remains within budget.

4.8 Legal – None.

4.9 Human Resources – None.

4.10 Assets And Property – None.

## **5. Conclusions**

- 5.1 The projected outturn position for the services under the remit of the Environment & Transport Committee is an underspend of £118k on revenue, a reduced surplus of £25k on the trading accounts, and an underspend of £166k on capital projects.

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List of Appendices

Appendix 1 - Infrastructure Services – Projected Revenue Outturn Position 2013/14

Appendix 2 – Infrastructure Services – Projected Capital Outturn Position 2013/14

Background documents:

[Approved Budget Report, SIC 20 February 2013](#)

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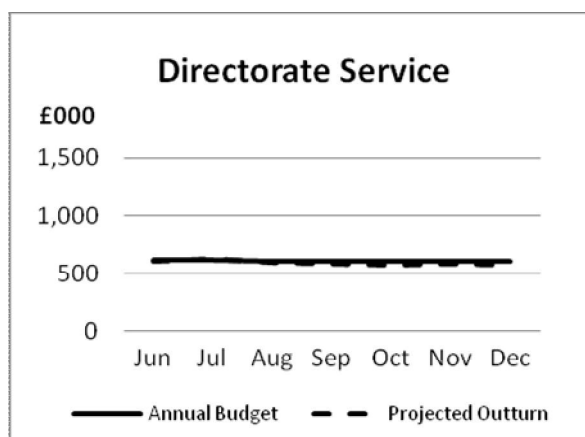
**Infrastructure Services****Projected Revenue Outturn Position 2013/14**

Description	Annual Budget 2013/14 £000	Projected Outturn 2013/14 £000	Budget v Proj. Outturn Variance (Adv)/ Pos £000
Directorate	606	574	32
Environmental Services	4,566	4,249	317
Ferry Operations	10,495	10,794	(299)
Roads Service	5,295	5,300	(5)
Building & Transport Operations	792	719	73
<b>Total Controllable Costs</b>	<b>21,754</b>	<b>21,636</b>	<b>118</b>

Building Services Trading Account	(45)	(20)	(25)
Roads Service Trading Account	(446)	(446)	0
<b>Trading Account Surplus</b>	<b>(491)</b>	<b>(466)</b>	<b>(25)</b>

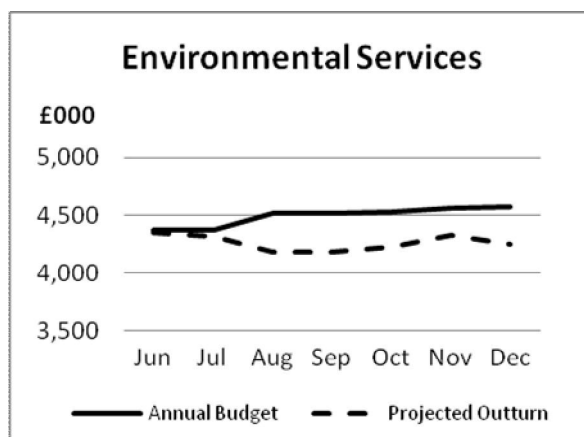
**Explanation of Projected Revenue Outturn Position:**

- **Directorate** - £32k (5%) projected outturn underspend – this relates to staff vacancies and other minor underspends.

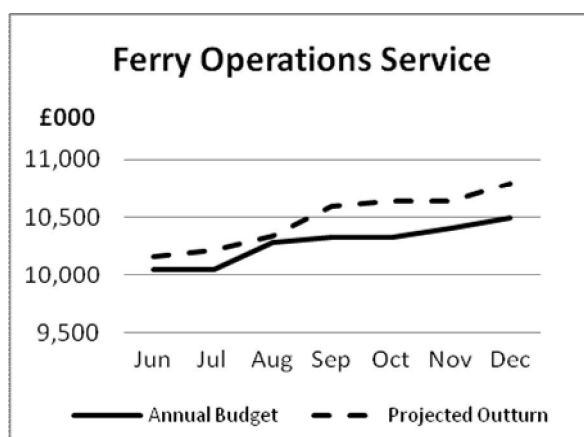


- **Environmental Services** - £317k (7%) projected outturn underspend – this relates to increased income from higher volumes of waste at the Landfill Site and Energy Recovery Plant (£290k), a reduction in Private Sector Housing Grant spend for large projects (£160k) and staff vacancies across the service (£215k),

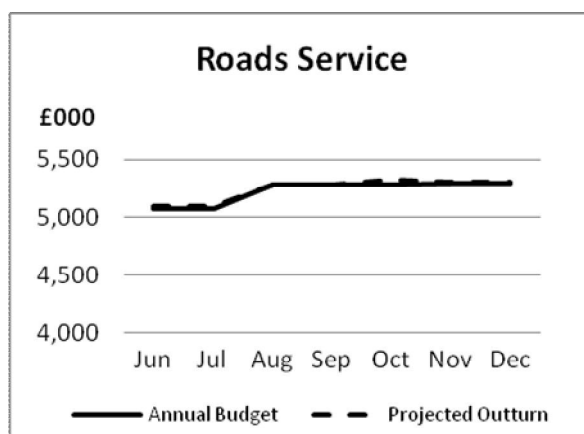
offset by additional expenditure on essential maintenance at Tingwall Airport (£244k).



- **Ferry Operations** - £299k (3%) projected outturn overspend – this projection relates to underachievement of ferry fare income (£290k), additional costs for the delay in implementing the new timetable (£100k), offset by underspending on terminal repair and maintenance (£122k).

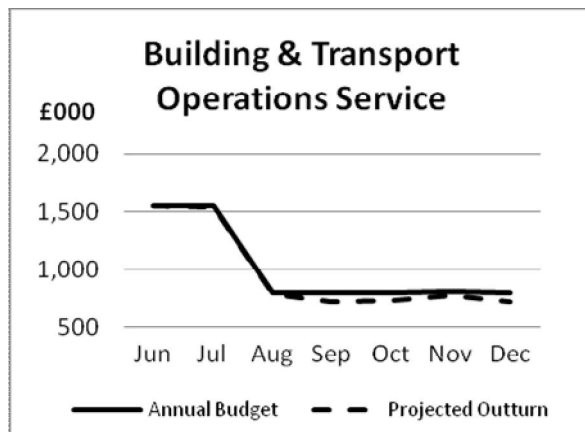


- **Roads Service** - £5k (0.1%) projected outturn overspend.

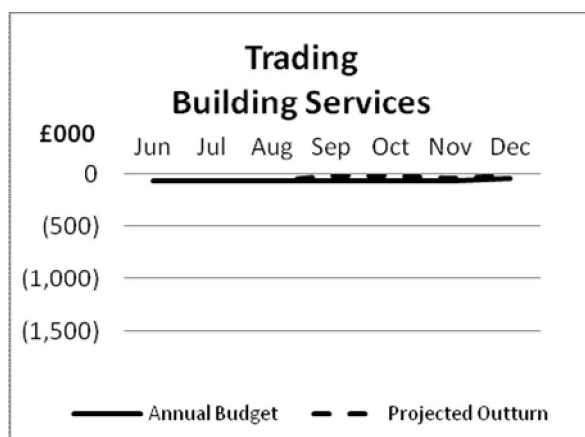


- **Building & Transport Operations** – £73k (9%) projected outturn underspend – this relates to general underspending across the service area. The step change

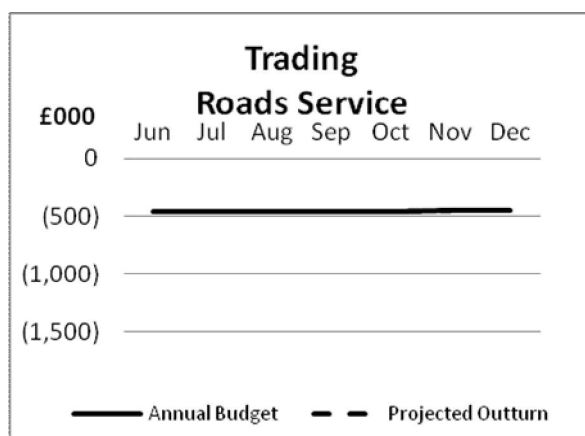
in this overall budget relates to a change in the accounting treatment of fleet maintenance budgets, they are now accounted for as controllable within each service area throughout the Council and have been removed from this service budget.



- **Building Services Trading Account** – £25k (56%) projected reduction in surplus due to challenging market conditions relating to materials supply and sub-contractor costs..



- **Roads Service Trading Account** – projected outturn on target.



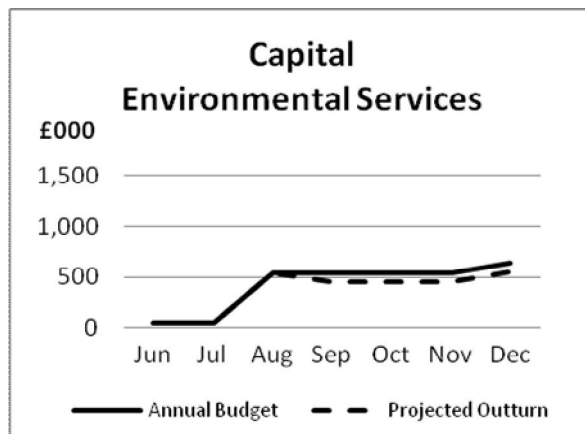


**Infrastructure Services****Projected Capital Outturn Position 2013/14**

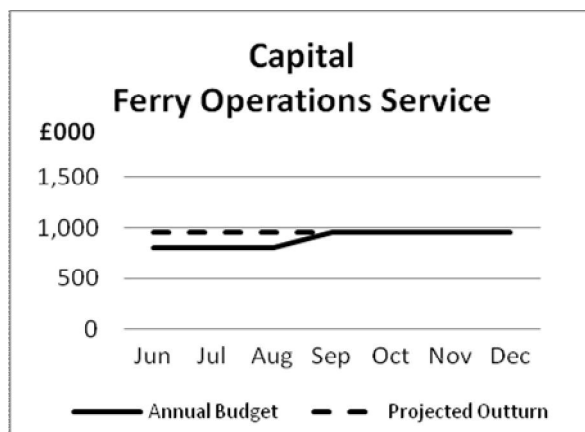
	£000	£000	(Adv)/ Pos £000
Environmental Services	635	547	88
Ferry Operations	955	955	0
Roads Service	1,053	975	78
Building & Transport Operations	742	742	0
<b>Total Costs</b>	<b>3,385</b>	<b>3,219</b>	<b>166</b>

**Explanation of Projected Capital Outturn Position:**

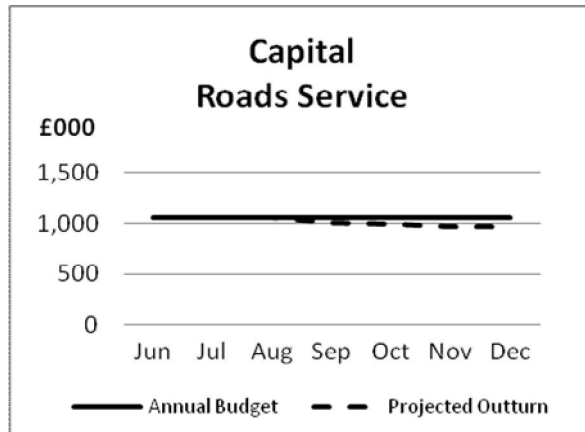
- **Environmental Services** - £88k (14%) projected outturn underspend – this relates to the Landfill Capping project coming in under contract tender estimate. The step change in this budget is due to this project being approved during the second quarter of the year.



- **Ferry Operations** – projected outturn on target.



- **Roads Service** - £78k (7%) projected outturn underspend – this relates to the slippage of two bridge projects into 2014/15 (£40k), underspend on Bixter to Aith phase 2 (£20k) and no spend on the Strandloch Bridge project, which is not going ahead (£15k).



- **Building & Transport Operations** - projected outturn on target.

