

**Development Committee****24 November 2014****Management Accounts for Development Committee:
2014/15 – Projected Outturn at Quarter 2****F-063-F****Report Presented by Executive Manager -
Finance****Corporate Services****1. Summary**

- 1.1 The purpose of this report is to enable the Development Committee to monitor the financial performance of services within its remit to ensure that Members are aware of the forecast income and expenditure and the impact that this will have with regard to delivering the approved budget. This allows the Committee the opportunity to provide early instruction to officers to address any forecast overspends in order that the budget is delivered by the year-end.
- 1.2 This report is on the projected outturn position for the 2014-15 year as at the end of the second quarter for revenue and capital. The forecasts have been determined by Finance Services after consultation with the relevant Budget Responsible Officers for the services in this Committee area.
- 1.3 The projected outturn position for the services in this Committee area is an underspend of £419k on revenue and an overspend of £91k on capital.

2. Decision Required

- 2.1 That the Development Committee RESOLVE to review the Management Accounts showing the projected outturn position at Quarter 2.

3. Detail

- 3.1 On 11 December 2013 (SIC Min Ref: 109/13) the Council approved the 2014/15 revenue and capital budgets for the Council (including the General Fund, Harbour Account, Housing Revenue Account and Spend to Save) requiring a draw from reserves of £14.793m. This is still at an unsustainably

high level and therefore it is vital to the economic wellbeing of the organisation that the budget is delivered, as any overspends will result in a further draw on reserves.

Revenue – Overall Forecast: Well on track

G

- 3.2 The projected revenue outturn position for Development Committee is an underspend of £419k (7.4%) which means the services in this Committee area are collectively on course to spend less than their Council approved budget.

Capital – Overall Forecast: Risk of failing to deliver

A

- 3.3 The projected outturn position on Development Committee capital project expenditure is an overspend of £91k (24.5%), which means the services in this Committee area are collectively on course to spend more than their Council approved budget.

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 2014/15 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 2014/15 budget resulting in an additional draw on reserves, which is unsustainable. Failure to deliver the 2014/15 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

The 2014-15 Council budget is not sustainable because it requires a draw on reserves in excess of the returns that the fund managers can make on average in a year.

For every £1m of reserves spent (in excess of a sustainable level) it will mean that the Council will have to make additional savings of £50,000 each year in the future as a result of not being able to invest that £1m with fund managers to make a return.

It is therefore vital that the Council delivers its 2014-15 budget, as any overspend will result in a further unsustainable draw on reserves which will have the long term consequences as explained above.

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 Development Committee is an underspend of £419k on revenue, and an overspend of £91k on capital.

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List of Appendices

Appendix 1 – Development Committee – Projected Revenue Outturn Position 2014/15

Appendix 2 – Development Committee – Projected Capital Outturn Position 2014/15

Background documents:

SIC Budget Book 2014-15, SIC 11 December 2013

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=15444>

Development Committee**1.0 - Projected Revenue Outturn Position 2014/15**

Description	Annual Budget 2014/15 £000	Projected Outturn 2014/15 £000	Budget v Proj. Outturn Variance (Adv)/ Pos £000
Director of Development	930	978	(48)
Economic Development	3,529	3,050	479
Planning	1,202	1,214	(12)
Total Controllable Costs	5,661	5,243	419

An explanation for the main variances by service is set out below.

1.1 - Directorate – projected outturn overspend £48k (0.85%)**A**

This service is projecting an overspend in relation to costs related to the STERT Review, £48k.

1.2 – Economic Development - projected outturn underspend £479k (8.46%)**G**

This service is projecting an underspend of £479k mainly in relation to grant schemes, £297k. This is due to delay in European schemes to which we provide match funding and delayed drawdown of grant funding. Shetland Telecom is expected to generate additional income from the wholesale of broadband capacity, £140k. Some administration posts are currently vacant as a restructuring of administrative services across the whole directorate takes place, resulting in savings of £51k on employee costs.

1.3 – Planning - projected outturn overspend £12k (0.21%)**A**

This service is projecting a small overspend of £12k due to a VAT correction of £22k, offset by increased income from licence fees of £12k.

Development Committee**1.0 - Projected Capital Outturn Position 2014/15**

Description	Budget 2014/15 £000	Outturn 2014/15 £000	Proj. Outturn Variance (Adv)/ Pos £000
Economic Development	372	463	(91)
Total Costs	372	463	(91)

An explanation for the main variances by service is set out below.

1.1 – Economic Development – projected outturn overspend £91k**A**

This project relates to the Fibre Optic Cable which is projecting an overspend of £91k. This project is now complete, however final bills are yet to be received. It is anticipated that the outturn provision is sufficient to cover all costs.

**Development Committee****24 November 2014****2015-16 Budget and Charging Proposals
Development Committee****F-066-F****Report Presented by Executive Manager –
Finance****Corporate Services****1.0 Summary**

- 1.1 The purpose of this report is to enable the Development Committee to consider the controllable budget proposals for services within the Committee's remit, which will in turn contribute towards ensuring that the Development directorate meets their Target Operating Budget, as set out in the Medium Term Financial Plan.
- 1.2 The summary budget proposals for services under the remit of Development Committee are £4.852m, split by service area as follows:

Service	2015-16 Proposed Budget £000
Director of Development	812
Economic Development	2,800
Planning	1,240
TOTAL	4,852

2.0 Decision Required

- 2.1 The Development Committee RECOMMEND to Policy and Resources and Council that it:
- approve the budget proposals for 2015-16 included within this report and set out in detail in the Budget Activity Sheet (Appendix 2) and Charging Sheet (Appendix 3).

3.0 Background

- 3.1 The Council agreed its Medium Term Financial Plan on 2 July 2014 (min ref 49/14), which sets out an integrated budgeting and reserves strategy for the period 2014-2019.
- 3.2 As part of the budgeting strategy, each of the Council's directorates was provided with a Target Operating Budget. Each Director has subsequently developed their directorate budget proposals within these targets for 2015-16. The proposals in this report show how this will be delivered.
- 3.3 The Target Operating Budget for 2015-16 was set as follows:

Directorate	Original Target 2015-16 £000	Budget Transfers £000	Cost Pressures £000	Revised Target 2015-16 £000
Development	12,725	712	500	13,937

- 3.4 By adhering to these Target Operating Budgets, Members will ensure that the organisation is now achieving a financially sustainable budget for 2015-16 with the use of reserves at a sustainable level.
- 3.5 Appendix 1 contains a reconciliation of how the budget proposals for the services within Directorates are aligned to the remit of this Committee.
- 3.6 The approach taken to develop these budget proposals was incremental budgeting, which means that the costs of each service were built up using existing budgets as the base-line. At all times ensuring activities are to be carried out in the most efficient way.
- 3.7 The Council undertook a series of 6 public meetings across Shetland in July and August 2014 in order to gauge the Public's views on where the 2015-16 budget savings should be made. The meetings were attended by a total of 77 members of the public, which represents less than 0.5% of the Shetland electorate.
- 3.8 The table below sets out the average reduction in directorate budgets for 2015-16 that came out from the public meetings exercise:

Directorate	Average % reduction 2015-16 from BB participants
Chief Executive & Corporate	3.6
Children's Services	4.4
Community Care Services	0.9
Development Services	3.4
Infrastructure Services	2.5

- 3.9 The Director has reviewed the results of the public meetings and has implemented savings of 5.2% against the 2014/15 budget in Development Services, which is above the average reduction proposed at the public meetings, mainly due to a reduction of Economic Development Projects budget and a reduction of Architectural Heritage budget.
- 3.10 The results of this detailed budget work have been captured in a detailed Budget Activity Sheet - Appendix 2.
- 3.11 The proposed charging structure included in the budget proposals for the Development Directorate is attached as Appendix 3.
- 3.12 The next section of this report summarises the key budgetary changes which are detailed in the Budget Activity Sheet.

4.0 2015-16 Budget Proposals

The following section describes the major changes proposed in the budget for 2015/16 which has been adjusted for cost pressures and service transfers.

- 4.1 Reduction in grant budgets within the Economic Development Service.
- 4.2 Final reduction in Museum and Archives, and Architectural Heritage Grants – As per three year agreement.
- 4.3 NAFC £200k Core Grant reduction – Grant of £971k will be met from SDT surplus and 2014/15 budget carry forward.
- 4.4 Re-configuration of Planning Services to put more resource to Development Management, to process applications.

5.0 Implications

Strategic

- 5.1 Delivery On Corporate Priorities
The budget has been produced to deliver the Directorate Plan which will contribute to meeting the Corporate Plan. The budget has also been produced bearing in mind the Corporate Plan's objectives of financial sustainability and balance across all sectors with efficient and responsive public services and a reduced reliance on the public sector.
- 5.2 Community /Stakeholder Issues – Proposed reductions have been discussed and agreed with Stakeholders for Grants budgets, and the budget is underspent in 2014/15.
- 5.3 Policy And/Or Delegated Authority
The Development Committee has delegated authority to advise the Council in the development of service, objectives, policies and plans concerned with service delivery. The Council approved the Medium Term Financial Plan on 2 July 2014. This set the parameters for the 2015-16 revenue budget and allocated the available resources amongst directorates. Approval of the revenue budget requires a decision of the Policy and Resources Committee, and the Council, in terms of Section 2.1.3 of the Council's Scheme of Delegations.

- 5.4 Risk Management
A failure to meet the challenging reductions in overall budget spending levels will result in the Council utilising all of its reserves.
- 5.5 Equalities, Health And Human Rights – None.
- 5.6 Environmental – None.

Resources

- 5.7 Financial - This report presents budget proposals that are consistent with the budget strategy included within the Medium Term Financial Plan. Any decision to recommend changes to the proposals in this report will result in an increased or decreased draw on reserves, and may result in not meeting the targets in the Medium Term Financial Plan. This will require a formal amendment and be fully quantified in the Committee decision.
- 5.8 Legal – None.
- 5.9 Human Resources – None.
- 5.10 Assets And Property – A risk based approach will be taken for the management of property assets to minimise the deterioration and potential failure of assets over the life of the Medium Term Financial Plan.

Where possible unused assets will be disposed of to reduce ongoing revenue costs and maximise capital receipts for the Council.

6.0 Conclusions

- 6.1 The proposals contained within this report meet the Target Operating Budgets as set out in the Medium Term Financial Plan for services under the remit of the Development Committee.
- 6.2 These proposals will enable the Development Directorate to deliver its Directorate Plan as well as to move towards meeting the requirements of the Medium Term Financial Plan in future years within the term of this Council.

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List of Appendices

Appendix 1- 2015-16 Reconciliation of Directorates Proposed Budgets to

Committees

Appendix 2 - 2015-16 Services within the remit of Development Committee Budget
Activity Sheet

Appendix 3 - 2015-16 Services within the remit of Development Committee Schedule
of Charges

END

2015-16 Reconciliation of Directorates Proposed Budgets to Committees

Directorate	Development Committee £000	Social Services Committee £000	Education & Families Committee £000	Environment & Transport Committee £000	Policy & Resources Committee £000	Total £000
Executive & Corporate Services					9,611	9,611
Children's Services		1,296	38,127			39,423
Community Care		19,743				19,743
Development	4,852	2,532	674	5,369	174	13,601
Infrastructure				20,551		20,551
TOTAL	4,852	23,571	38,801	25,920	9,785	102,929

2015-16 Services within the remit of the Development Committee Budget Activity Sheet

Service	Activity	FTE	Proposed Budget £	Red Amber Green	Proposed Service Level
Development Directorate	Directorate	1	811,631	G	No change, College & NAFC lease and maintenance budgets transferred from Corporate
Economic Development	Economic Development Projects	4.59	797,750	A	Grant budgets reduced
Economic Development	Museum and Archives	0.00	995,669	A	Final funding reduction as per three year agreement
Economic Development	Business Gateway	1.72	172,577	G	No change, SLA with Scot Gov
Economic Development	LEADER	1.57	69,443	G	No change.
Economic Development	European Function	0.68	35,924	G	No change
Economic Development	Democratic & Coporate	2.17	111,884	G	No change
Economic Development	NAFC	0.07	5,858	A	£200k reduction in core funding, to £971,370, provided from SDT surplus and carry forward. Further transitional year to agree and implement Tertiary review outcomes.
Economic Development	Promotional Activities	0.08	398,995	G	Year 2 of 3 year contract
Economic Development	Shetland Telecommunications	2.08	-131,281	G	Increase in income from trading
Economic Development	Investments	2.34	7,990	G	Investments budget retained. The MTFP includes provision for investing £3m of Council Reserves in Economic Development Loans.
Economic Development	Industry Support	0.17	228,643	G	Support to industry bodies such as SSMO, SSQC (Animal health scheme budgets transferred to Infrastructure.
Economic Development	Architectural Heritage	0.01	0	A	Final funding reduction as per three year agreement
Economic Development	Pensioners	0.00	27,935	G	No change
Economic Development	Research	1.53	106,176	G	No change

Planning	Coastal Zone Management	4.56	156,615	G	No change
Planning	Building Standards	17.41	535,341	G	No change
Planning	Development Management	1.39	-79640	G	No change
Planning	Natural Heritage	0.00	29,387	G	No change
Planning	Flooding	0.10	8,571	G	No change
Planning	Development Plans	12.17	565,104	G	No change
Planning	Secretariat to KIMO	0.00	-33,713	G	No change
Planning	Outdoor Access	0.00	57,373	G	No change
Planning	Nuclear Policy	0	1,300	G	No change

2015/16 Development Committee Schedule of Charges

F-066 Appendix 3

Activity	Charge	Unit	2014/15 Charge £	2015/16 Charge £	Variance %	Vat: SR = Standard Rated (Vat code 1) NB = Non Business (VAT code 3)
Search of Records	First 15 minutes free, charge thereafter per hour or part thereof		90.00	95.00	5.6	NB
Planning adverts	Charge		145.00	150.00	3.4	NB
Building Warrant	Building Warrant		Set by Central Government	Set by Central Government		NB
A0 Copy Costs - Map Extract Scheme	A0 Copy Costs - Map Extract Scheme		Set by Central Government	Set by Central Government		Standard rated unless it is not possible to obtain the information from any other source. Where the information is only available from the Council it is likely to be non-business.
Street Naming & Numbering			90.00	95.00	5.6	SR unless erection of directional signs, acting as a highways authority and complying with SI 1994/1519, in which case NB.