

THE AYRSHIRE SHARED SERVICE JOINT COMMITTEE

2nd SEPTEMBER 2022

AYRSHIRE ROADS ALLIANCE REVENUE FINANCIAL MONITORING REPORT

Report by Head of Finance and ICT

PURPOSE OF REPORT

- 1 The purpose of this Report is to update the Joint Committee on the revenue budget monitoring position for the year to 31 March 2022, for the Ayrshire Roads Alliance and also the budget for 2022-23.
- 2 It is recommended that the Joint Committee
 - (i) Note the financial management position of the Ayrshire Roads Alliance for 2021-22.
 - (ii) Notes detail of the 2022-23 Ayrshire Roads Alliance revenue budget
 - (iii) Requests a further financial update at the next meeting of the Joint Committee.
 - (iv) Otherwise, notes the content of this Report

REVIEW OF FUNDING MECHANISM

- 3 The Joint Committee approved a Report on 23 May 2014 describing the budget monitoring arrangements for the Ayrshire Roads Alliance.
- 4 As part of the Detailed Business Case the service budget is split between strategic service delivery and local service delivery. This separates out the core/recurring costs of service delivery from the local service costs at a single Council level. This ensures that decisions on the level of local spend remain with local Members, and ensures that the local Members retain control of their local roads budgets. Appendix 1 provides a breakdown of this split.
- 5 At its meeting of 19th February 2016, Committee agreed a change to how Strategic Service Delivery would be allocated between the two Councils. A smaller group of core Strategic Delivery staff have been identified and their costs continue to be split equally. The remaining Strategic Delivery costs would be apportioned in line with Local Delivery budget inputs plus actual capital expenditure in-year.

BUDGET MONITORING POSITION

- 6 The overall outturn for 2021-22 is £1.656m less than budget.
- 7 Strategic Delivery out-turn is £0.994m less than budget.

Strategic Service Delivery	Combined (£m)
Budget	4.231
Outturn	3.237
Variance	(0.994)

- 8 East Ayrshire Local Delivery out-turn is £0.466m less than budget and South Ayrshire Local Delivery £0.196m less than budget.

IMPACT OF COVID

- 9 Covid 19 has had a significant impact on Ayrshire Roads Alliance. Parking income was £1.726m less than budget (£1.003m in East Ayrshire, £0.723m in South Ayrshire). Within East Ayrshire £1.061m of lost income and additional expenditure was removed from the service and offset by covid funding and balances. The shortfall within South Ayrshire is netted against surpluses achieved in previous years.
- 10 Summary information is provided in the table below. A full budget monitoring statement, including reasons for major variances is attached at Appendix 2.

Service Division	Annual Estimate 2021/22 £m	Projected Actual to 31/3/22 £m	Variance (Favourable) / Adverse £m
STRATEGIC DELIVERY	4.231	3.237	(0.994)
LOCAL DELIVERY - EAST AYRSHIRE	5.063	4.597	(0.466)
LOCAL DELIVERY - SOUTH AYRSHIRE	4.057	3.861	(0.196)
TOTAL	13.351	11.695	(1.656)

- 11 The position for each Council is shown below:

	EAC (£m)	SAC (£m)	TOTAL (£m)
Strategic Delivery	(0.500)	(0.494)	(0.994)
Local Delivery	(0.466)	(0.196)	(0.662)
2020-21 Variance	(0.966)	(0.690)	(1.656)

TIMBER TRANSPORT

- 12 At the meeting of the Joint Committee on 23rd June 2017, further information was requested in relation to timber transport funding. The undernoted table provides an analysis of relevant project and Timber Transport contributions for 2021-22.

	2021-22 Actual to date (£m)
East Ayrshire	
Expenditure on Projects	£0.429
Timber Transport Contribution	£0.214

	2021-22 Actual to date (£m)
South Ayrshire	
Expenditure on Projects	£0.701
Timber Transport Contribution	£0.490

BUDGET REALIGNMENT

- 13 In June 2017 South Ayrshire Council Internal Audit issued a report – ***“Ayrshire Roads Alliance: Review of South Ayrshire Council Monitoring Procedures”***.
- 14 The report contains a recommendation *“Executive Director (Economy, Neighbourhood and Environment) to request ARA management to present a budget statement showing any adjustments made between subjective budget headings to the ASSJC for information”*.
- 15 This relates to the setting of 2022-23 ARA budgets. The budget is created by adding inflation and savings targets to a base budget (the base budget being the 2021-22 budget). The budget is then discussed with ARA management who have the opportunity to move funds based on the anticipated spend in the forthcoming year. In order to facilitate this exercise ARA management also considered 2021-22 outturn figures. No changes were made to Strategic, Local Delivery – East or Local Delivery – South net expenditure budget allocations.
- 16 An analysis of budget movement between 2021-22 and 2022-23 budget allocations along with an explanation of those movements is provided at Appendix 3.

FINANCIAL IMPLICATIONS

- 17 The final revenue budget for the Ayrshire Roads Alliance for 2021-22 was £13.351m, inclusive of one-off covid funding totalling £1.243m. Actual expenditure was £11.695m. Ayrshire Roads Alliance budget for 2022-23 is £12.547. The budget will continue to be monitored and reported to the Joint Committee.

LEGAL IMPLICATIONS

- 18 The work of the Ayrshire Roads Alliance is undertaken in accordance with relevant legislation.

HUMAN RESOURCES IMPLICATIONS

- 19 The establishment of the Ayrshire Roads Alliance is dependent on the available budget. Available budget and human resource requirements will be reviewed as part of budget monitoring.

COMMUNITY / COUNCIL PLAN IMPLICATIONS

- 20 The work undertaken by the Ayrshire Roads Alliance aligns with the Community Plan for East Ayrshire Council; and the Council Plan for South Ayrshire Council.

RISK MANAGEMENT IMPLICATIONS

- 21 Appropriate financial monitoring arrangements are in place to mitigate risk. This is included in the Ayrshire Roads Alliance Risk Register. Regular meetings are held between relevant finance staff and the Ayrshire Roads Alliance.

LIST OF APPENDICES

Appendix One - Split between Strategic and Local Service Delivery
Appendix Two - Financial Monitoring Report
Appendix Three – Analysis of Movements in Budgets 2021-22 to 2022-23

BACKGROUND PAPERS

None

For further information on this report, please contact Kevin Braidwood, Head of Roads - Ayrshire Roads Alliance on 01563 503164

Implementation Officer: Kevin Braidwood, Head of Roads - Ayrshire Roads Alliance on 01563 503164

Appendix 1 – Split Between Strategic and Local Service Delivery	
Strategic Service Delivery	Local Service Delivery
Transportation, Development Control and Road Safety Local Transport Strategy; Transportation Policy; Road Safety Plan; Travel Planning, Cycling Strategy; Planning Applications; Road Construction Consents; Development Planning, Council/Partner Liaison, Section 75 Agreements; Road Safety Schemes; Road Safety Audits; School Travel Plans; School Crossing Patrol; Road Safety Education.	Transportation, Development Control and Road Safety Maintenance of Bus Shelters; Split Cycle Offset Optimisation Technique (SCOOT) systems (an adaptive control system for controlled road crossings); Development Control; Bus Shelter Advertising; Shopmobility; Construction of Road Safety Schemes.
Asset, Traffic and Parking Asset Management Plan; Roads Improvement Plan; Infrastructure Surveys; Inventory Management; Scottish Roadworks Register; Issue of Permits; Performance Monitoring; Accident Investigation and Prevention; Traffic Orders; Traffic Counts; and Parking Strategy.	Asset, Traffic and Parking Maintenance of Traffic signals, traffic signs, Car Park Maintenance and Parking Enforcement.
Design and Environment Flood Risk Management Strategy; Flood Risk Management Plans; Watercourses; Flood Mitigation; Coastal Protection; Inspection of Piers & Harbours; Bridge Inspections and Maintenance; Structural Assessments; Technical Approval; Abnormal Load Routing; and Design of Major and Minor Road Schemes and Improvements.	Design and Environment Maintenance of Watercourses, Bridges, Retaining Walls, Piers and Harbours.
Operations Carriageway Inspections; Winter Service Planning; Programming of Proactive, Reactive and Cyclic Maintenance; Street Lighting Design and Management; and Festive Lighting.	Operations Proactive, Reactive, Cyclic Maintenance of Roads and Footways; Winter and Weather Emergency Service; Proactive and Reactive Maintenance of Streetlights; Electricity costs for streetlights.
Support Services HR, Finance, ICT, and Administrative Support.	

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AYRSHIRE ROADS ALLIANCE
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SERVICE SUMMARY - OVERVIEW POSITION

Ayrshire Roads Alliance outturn was £1.656m less than budget.

Actual Expenditure as at P13 £m	Actual Expenditure as % of Ann. Est. £m	Service Division	Annual Estimate 2021/22 £m	Projection to 31/3/22 £m	Variance (Favourable) / Adverse £m
1.975	46.7%	STRATEGIC DELIVERY	4.231	3.237	(0.994)
3.681	72.7%	LOCAL DELIVERY - EAST AYRSHIRE	5.063	4.597	(0.466)
3.388	83.5%	LOCAL DELIVERY - SOUTH AYRSHIRE	4.057	3.861	(0.196)
9.044	67.7%	TOTAL	13.351	11.695	(1.656)
		DISCRETIONARY COVID-19 FUNDING	0.000	0.000	0.000
		TOTAL FOLLOWING LINE BY LINE REVIEW	13.351	11.695	(1.656)
		EARMARKED FUNDS TO BE CARRIED FORWARD	0.000	0.000	0.000
9.044	67.7%	TOTAL INCLUDING EARMARKED FUNDS	13.351	11.695	(1.656)

STRATEGIC DELIVERY

This variance mainly reflects staff turnover savings due to vacant posts (£0.318m), reduced insurance costs relating to ARA South (£0.113m), savings on computing and communications costs (£0.073m) and a reduced provision for bad and doubtful debts (£0.218m) along with additional income (£0.406m). This is partly offset by severance costs (£0.117m).

LOCAL DELIVERY – EAST AYRSHIRE

This mainly reflects vacancies and turnover (£0.558m), along with savings on transport costs (£0.040m), and supplies and services (£0.028m). This is partly offset by additional debt charges in respect of purchased vehicles (£0.099m) and LED street lighting replacement programme (£0.059m), along with additional sub-contractor costs (£0.046m).

LOCAL DELIVERY – SOUTH AYRSHIRE

This variance mainly reflects Savings on staff costs (£0.183m), particularly in relation to vacancies, partly offset by additional overtime costs, along with savings on dredging at Girvan Harbour (£0.105m) and Coastal Protection (£0.050m) and additional income (£0.099m). This is partly offset by additional debt charges as a result of purchased vehicles (£0.087m) and additional expenditure on depot repairs (£0.049m), computing (£0.044m) particularly in relation to the migration of WDM system, equipment and materials (£0.059m) and consultancy costs (£0.050m), particularly in relation to new junctions at Troon and Barassie.

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STRATEGIC DELIVERY

Actual Expenditure as at P13 £m	Actual Expenditure as % of Ann. Est. £m	Service Division	Annual Estimate 2021/22 £m	Projection to 31/3/22 £m	Variance (Favourable) / Adverse £m
2.431	60.1%	EMPLOYEE COSTS	4.044	3.863	(0.181)
0.021	52.5%	PREMISES COSTS	0.040	0.026	(0.014)
0.014	53.8%	TRANSPORT COSTS	0.026	0.023	(0.003)
0.169	18.2%	SUPPLIES & SERVICES	0.927	0.530	(0.397)
0.000	0.0%	THIRD PARTY PAYMENTS	0.000	0.000	0.000
0.015	0.0%	DEBT CHARGES	0.008	0.015	0.007
2.650	52.5%	TOTAL EXPENDITURE	5.045	4.457	(0.588)
-0.675	82.9%	INCOME	-0.814	-1.220	(0.406)
1.975	46.7%	NET EXPENDITURE	4.231	3.237	(0.994)
		DISCRETIONARY COVID-19 FUNDING	0.000	0.000	0.000
		TOTAL FOLLOWING LINE BY LINE REVIEW	4.231	3.237	(0.994)
		EARMARKED FUNDS TO BE CARRIED FORWARD		0.000	0.000
1.975	46.7%	TOTAL INCLUDING EARMARKED FUNDS	4.231	3.237	(0.994)

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Projected Variance at 31 March 2021 (£m)	Strategic Delivery
(0.181)	Employee Costs This saving reflects vacant posts and turnover savings (£0.318m). This is partly offset by additional severance (£0.117m), modern apprentice (£0.010m), and overtime (£0.013m) costs.
(0.014)	Premises Costs This variance reflects a saving on metered water charges.
(0.397)	Supplies & Services This variance mainly reflects a saving on South Ayrshire insurance charges (£0.113m) and a reduced provision for bad and doubtful debts (£0.218m) along with reduced computing costs (£0.073m). This is partly offset by a number of small variances (£0.007m)
(0.406)	Income This variance reflects additional income from fees, notices and inspections (£0.243m) along with reserves held by ARA South (£0.178m). This is partly offset by a shortfall in capital recharge income (£0.018m)
0.004	Other Variances This represents other non-material variances within Strategic Delivery.
(0.994)	Total reported variance

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LOCAL DELIVERY – EAST AYRSHIRE

Actual Expenditure as at P13 £m	Actual Expenditure as % of Ann. Est. £m	Detail	Annual Estimate 2021/22 £m	Projection to 31/3/22 £m	Variance (Favourable) / Adverse £m
1.784	57.9%	EMPLOYEE COSTS	3.080	2.489	(0.591)
0.316	96.0%	PREMISES COSTS	0.329	0.339	0.010
0.581	83.2%	TRANSPORT COSTS	0.698	0.658	(0.040)
1.288	51.1%	SUPPLIES & SERVICES	2.521	2.493	(0.028)
1.434	98.0%	THIRD PARTY PAYMENTS	1.463	1.509	0.046
0.370	175.4%	DEBT CHARGES	0.211	0.370	0.159
5.773	69.5%	TOTAL EXPENDITURE	8.302	7.858	(0.444)
(2.092)	64.6%	INCOME	(3.239)	(3.261)	(0.022)
3.681	72.7%	NET EXPENDITURE	5.063	4.597	(0.466)
		DISCRETIONARY COVID-19 FUNDING	0.000	0.000	0.000
		TOTAL FOLLOWING LINE BY LINE REVIEW	5.063	4.597	(0.466)
		EARMARKED FUNDS TO BE CARRIED FORWARD	0.000	0.000	0.000
3.681	72.7%	TOTAL INCLUDING EARMARKED FUNDS	5.063	4.597	(0.466)

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Projected Variance at 31 March 2021 (£m)	Local Delivery - East Ayrshire
(0.591)	<p><u>Employee Costs</u> This variance mainly reflects staff turnover due to vacant posts (£0.558m), a saving on modern apprentice costs (£0.020m) and employee recharges in respect of cross boundary working (£0.042m), partly offset by additional training costs (£0.035m).</p>
0.010	<p><u>Premises Costs</u> This variance mainly reflects the rental of Queen Street Car Park (£0.004m) along with additional utility costs (£0.005m)</p>
(0.040)	<p><u>Transport Costs</u> This variance mainly reflects savings on vehicle and plant hires (£0.023m) along with fuel (£0.020m)</p>
(0.028)	<p><u>Supplies & Services</u> This variance mainly reflects a reduction in roads maintenance (£0.140m) and street lighting (£0.023m) materials, along with a reduced provision for bad and doubtful debts (£0.024m). This is partly offset by additional IT costs (£0.079m), particularly in relation to the migration of WDM System (£0.030m), along with street lighting electricity (£0.030m) costs and expenditure on Smarter Choices Smarter Places project (£0.057m).</p>
0.046	<p><u>Third Party Payments</u> This variance mainly reflects additional within Traffic (£0.119m) – mainly offset by additional income in relation to the former Mothercare site in Kilmarnock and COP26.</p>
0.159	<p><u>Finance Costs</u> This variance reflects the purchase of new vehicles, particularly within Roads Maintenance (£0.099m) along with spend to save debt charges in respect of LED street lighting programme (£0.059m).</p>
(0.022)	<p><u>Income</u> This variance mainly reflects income in relation to COP26 (£0.066m) and the former Mothercare site in Kilmarnock (£0.043m), along with additional recharges to the capital programme (£0.226m). This is partly offset by shortfalls in roads maintenance (£0.266m) and car parking (£0.038m) income.</p>
(0.466)	Total reported variance

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LOCAL DELIVERY – SOUTH AYRSHIRE

Actual Expenditure as at P13 £m	Actual Expenditure as % of Ann. Est. £m	Detail	Annual Estimate 2021/22 £m	Projection to 31/3/22 £m	Variance (Favourable) / Adverse £m
1.358	62.5%	EMPLOYEE COSTS	2.174	1.991	(0.183)
0.118	77.6%	PREMISES COSTS	0.152	0.213	0.061
0.815	85.1%	TRANSPORT COSTS	0.958	0.959	0.001
1.171	72.3%	SUPPLIES & SERVICES	1.620	1.715	0.095
1.248	90.3%	THIRD PARTY PAYMENTS	1.382	1.224	(0.158)
0.098	515.8%	DEBT CHARGES	0.019	0.106	0.087
4.808	76.3%	TOTAL EXPENDITURE	6.305	6.208	(0.097)
-1.420	63.2%	INCOME	-2.248	-2.347	(0.099)
3.388	83.5%	NET EXPENDITURE	4.057	3.861	(0.196)
		PROPOSED REDUCTION FOLLOWING LINE BY LINE	0.000	0.000	0.000
		TOTAL FOLLOWING LINE BY LINE REVIEW	4.057	3.861	(0.196)
		EARMARKED FUNDS TO BE CARRIED FORWARD	0.000	0.000	0.000
3.388	83.5%	TOTAL INCLUDING EARMARKED FUNDS	4.057	3.861	(0.196)

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Projected Variance at 31 March 2021 (£m)	Local Delivery - South Ayrshire
(0.183)	Employee Costs This variance mainly reflects staff turnover due to vacancies (£0.320m), partly offset by employee recharges in relation to cross boundary working (£0.043m), overtime (£0.091m) and training costs (£0.011m).
0.061	Premises Costs This variance reflects depot repairs (£0.049m), along with rates and utilities charges (£0.021m), partly offset by reduced waste collection charges (£0.008m).
0.095	Supplies & Services This variance mainly reflects additional computing costs (£0.044m) particularly in relation to the migration of WDM System (£0.030m) along with additional expenditure on equipment and materials (£0.059m), weather forecasting services (£0.019m) and consultancy costs (£0.050), particularly in relation to new junctions at Troon and Barassie. This is partly offset by refunds in relation to Street Lighting Electricity charges (£0.038m) and a lower than anticipated provision for bad and doubtful debts (£0.040m).
(0.158)	Third Party Payments This variance reflects savings in relation to dredging at Girvan Harbour (£0.105m) and coastal protection (£0.081m). This is partly offset by additional sub-contractor costs (£0.015m), particularly in relation to street lighting and additional car park cleaning costs (£0.013m).
0.087	Debt Charges This variance reflects the purchase of new vehicles, particularly within Roads Maintenance
(0.099)	Income This variance mainly reflects additional parking (£0.287m), street lighting (£0.084m) and harbour (£0.020m) income. Additional capital fee income reflects additional investment by South Ayrshire Council (£0.067m). Additional traffic income (£0.088m) mainly relates to Active Travel, A70 junction improvements and Tourist and visitor facilities. This is partly offset by a shortfall in roads maintenance income (£0.462m)
0.001	Other Variances This variance reflects non-material variances within Local Delivery – South Ayrshire
(0.196)	Total reported variance

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Appendix 3
Ayrshire Roads Alliance
Analysis of Movements in Budgets 2021-22 to 2022-23

Strategic Delivery

Detail	Annual Estimate 2021/22 £m	Annual Estimate 2022/23 £m	Movement 2021-22 to 2022-23	Explanation of Movement
EMPLOYEE COSTS	3.643	3.754	0.111	Movement mainly reflects payroll inflation (£0.111m) and a budget realignment based on 2021-22 outturn and discussion with the service (£0.123m) partly offset by the impact of savings proposals as part of the 2022-23 budget setting process (£0.123m).
PREMISES COSTS	0.036	0.036	0.000	
TRANSPORT COSTS	0.026	0.022	(0.004)	Movement mainly reflects a budget realignment based on 2021-22 outturn and discussion with the service.
SUPPLIES & SERVICES	0.927	0.836	(0.091)	Movement mainly reflects a budget realignment based on 2021-22 outturn and discussion with the service.
THIRD PARTY PAYMENTS	0.000	0.000	0.000	
DEBT CHARGES	0.008	0.015	0.007	Movement mainly reflects a budget realignment based on 2021-22 outturn and discussion with the service.
TOTAL EXPENDITURE	4.640	4.663	0.023	
INCOME	(0.794)	(0.830)	(0.036)	Movement mainly reflects a budget realignment based on 2021-22 outturn and discussion with the service.
NET EXPENDITURE	3.846	3.833	(0.013)	

Local Delivery - East

Detail	Annual Estimate 2021/22 £m	Annual Estimate 2022/23 £m	Movement 2021-22 to 2022-23	Explanation of Movement
EMPLOYEE COSTS	2.965	3.162	0.197	Movement mainly reflects payroll inflation (£0.202m) and an increase in Modern Apprentice budgets (£0.062m) partly offset by the impact of savings proposals as part of the 2022-23 budget setting process (£0.069m).
PREMISES COSTS	0.324	0.325	0.001	Movement mainly reflects a budget realignment based on 2021-22 outturn and discussion with the service.
TRANSPORT COSTS	0.635	0.663	0.028	Movement mainly reflects a budget realignment based on 2021-22 outturn and discussion with the service, particularly in relation to the hire of vehicles and plant.
SUPPLIES & SERVICES	2.182	2.080	(0.102)	Movement mainly reflects a budget realignment based on 2021-22 outturn and discussion with the service, particularly in relation to roads materials (£0.030m), winter materials (£0.050m) and consultancy (£0.024m).
THIRD PARTY PAYMENTS	1.424	1.302	(0.122)	Movement mainly reflects a budget realignment based on 2021-22 outturn and discussion with the service, particularly in relation to a reduction in roads maintenance sub contractor budgets due to an increase in seasonal staff.
DEBT CHARGES	0.211	0.296	0.085	Movement mainly reflects a budget realignment based on 2021-22 outturn and discussion with the service, particularly in relation to debt charges in respect of purchased vehicles within Roads Maintenance.
TOTAL EXPENDITURE	7.741	7.828	0.087	
INCOME	(3.631)	(3.586)	0.045	Movement mainly reflects a budget realignment based on 2021-22 outturn and discussion with the service.
NET EXPENDITURE	4.110	4.242	0.132	

Local Delivery - South

Detail	Annual Estimate 2021/22 £m	Annual Estimate 2022/23 £m	Movement 2021-22 to 2022-23	Explanation of Movement
EMPLOYEE COSTS	2.174	2.217	0.043	Movement mainly reflects payroll inflation (£0.066m) partly offset by a budget realignment based on 2021-22 outturn and discussion with the service (£0.023m).
PREMISES COSTS	0.152	0.168	0.016	Movement mainly reflects a budget realignment based on 2021-22 outturn and discussion with the service, particularly in respect of utility charges
TRANSPORT COSTS	0.958	0.915	(0.043)	Movement mainly reflects the virement of leasing budgets to debt charges to reflect current procurement strategy (£0.087m), partly offset by a budget realignment based on 2021-22 outturn and discussion with the service (£0.044m), particularly in relation to fuel and vehicle maintenance costs.
SUPPLIES & SERVICES	1.619	1.758	0.139	Movement reflects additional resources in relation to coal tar (£0.100m), along with a budget realignment based on 2021-22 outturn and discussion with the service (£0.039m) particularly in respect of maintenance materials.
THIRD PARTY PAYMENTS	1.322	1.397	0.075	Movement mainly reflects a budget realignment based on 2021-22 outturn and discussion with the service, particularly in relation to sub contractors
DEBT CHARGES	0.019	0.106	0.087	Movement mainly reflects the virement of leasing budgets to debt charges to reflect current procurement strategy (£0.087m)
TOTAL EXPENDITURE	6.244	6.561	0.317	
INCOME	(2.208)	(2.089)	0.119	Movement reflects additional resources to offset the impact of covid on parking income (£0.269m). This is partly offset by a budget realignment based on 2021-22 outturn and discussion with the service (£0.150m), particularly in relation to seasonal street lighting and roads maintenance income.
NET EXPENDITURE	4.036	4.472	0.436	