

THE AYRSHIRE SHARED SERVICE JOINT COMMITTEE

14th JUNE 2019

AYRSHIRE ROADS ALLIANCE REVENUE FINANCIAL MONITORING REPORT

Report by Depute Chief Executive & Chief Financial Officer Economy and Skills

PURPOSE OF REPORT

- 1 The purpose of this report is to update the Joint Committee on the revenue budget monitoring position of Ayrshire Roads Alliance for the year to 31st March 2019.

REVIEW OF FUNDING MECHANISM

- 2 The Joint Committee approved a Report on 23 May 2014 describing the budget monitoring arrangements for the Ayrshire Roads Alliance.
- 3 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.
- 4 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

- 5 The overall outturn for 2018-19 was £1.190m less than budget.
- 6 The outturn for Strategic Delivery was £0.492m less than budget.

Strategic Service Delivery	Combined (£m)
Annual Budget	4.048
Outturn	3.556
Variance	(0.492)

- 7 East Ayrshire Local Delivery out-turn was £0.080m less than budget and South Ayrshire Local Delivery £0.618m less than budget.
- 8 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 2018/19 £m	Actual to 31/3/19 £m	Variance (Favourable) / Adverse £m
STRATEGIC DELIVERY	4.048	3.556	(0.492)
LOCAL DELIVERY - EAST AYRSHIRE	6.068	5.988	(0.080)
LOCAL DELIVERY - SOUTH AYRSHIRE	5.081	4.463	(0.618)
TOTAL	15.197	14.007	(1.190)

- 9 The position for each Council is shown below:

	EAC (£m)	SAC (£m)	TOTAL (£m)
Strategic Delivery	(0.349)	(0.143)	(0.492)
Local Delivery	(0.080)	(0.618)	(0.698)
2018-19 Variance	(0.429)	(0.761)	(1.190)

TIMBER TRANSPORT

- 10 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 2018-19.

	2018-19 Actual (£m)
East Ayrshire	
Expenditure on Projects	0.357
Timber Transport Contribution	0.245

	2018-19 Actual (£m)
South Ayrshire	
Expenditure on Projects	0.812
Timber Transport Contribution	0.383

BUDGET REALIGNMENT

- 11 In June 2017 South Ayrshire Council Internal Audit issued a report – ***“Ayrshire Roads Alliance: Review of South Ayrshire Council Monitoring Procedures”***.
- 12 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”*.
- 13 This relates to the setting of 2019-20 ARA budgets. The budget is created by adding inflation and savings targets to a base budget (the base budget being the 2018-19 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 2018-19 outturn figures. No changes were made to Strategic, Local Delivery – East or Local Delivery – South net expenditure budget allocations.
- 14 An analysis of budget movement between 2018-19 and 2019-20 budget allocations along with an explanation of those movements is provided at Appendix 3.

FINANCIAL IMPLICATIONS

- 15 The available budget for Ayrshire Roads Alliance for 2018-19 is £15.197m. The budget will continue to be monitored and reported to the Joint Committee.

LEGAL IMPLICATIONS

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

HUMAN RESOURCES IMPLICATIONS

- 17 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

- 18 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

- 19** 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.

RECOMMENDATIONS

- 20** It is recommended that the Joint Committee
- (i) Notes the financial management position of the Ayrshire Roads Alliance.
 - (ii) Notes the analysis of budget movements between 2018-19 and 2019-20
 - (iii) Requests a further financial update at the next meeting of the Joint Committee.
 - (iv) Otherwise, notes the content of this Report

LIST OF APPENDICES

Appendix One - Split between Strategic and Local Service Delivery
Appendix Two - Financial Monitoring Report

BACKGROUND PAPERS

None

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

Implementation Officer: Stewart Turner, Head of Roads - Ayrshire Roads Alliance on 01563 503164

Appendix 1 – Split Between Strategic and Local Service Delivery	
Strategic Service Delivery	Local Service Delivery
<p>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.</p>	<p>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.</p>
<p>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.</p>	<p>Asset, Traffic and Parking Maintenance of Traffic signals, traffic signs, Car Park Maintenance and Parking Enforcement.</p>
<p>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.</p>	<p>Design and Environment Maintenance of Watercourses, Bridges, Retaining Walls, Piers and Harbours.</p>
<p>Operations Carriageway Inspections; Winter Service Planning; Programming of Proactive, Reactive and Cyclic Maintenance; Street Lighting Design and Management; and Festive Lighting.</p>	<p>Operations Proactive, Reactive, Cyclic Maintenance of Roads and Footways; Winter and Weather Emergency Service; Proactive and Reactive Maintenance of Streetlights; Electricity costs for streetlights.</p>
<p>Support Services HR, Finance, ICT, and Administrative Support.</p>	

APPENDIX 2
AYRSHIRE SHARED SERVICES JOINT COMMITTEE
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2018/19 GENERAL SERVICES REVENUE BUDGET
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AYRSHIRE ROADS ALLIANCE

FINANCIAL PERFORMANCE SUMMARY

SERVICE SUMMARY - OVERVIEW POSITION

The out turn for Ayrshire Roads Alliance at 31st March 2019 was £1.190m less than budget.

Actual Expenditure to P13 £m	Actual Expenditure as % of Ann. Est. £m	Service Division	Annual Estimate 2018/19 £m	Actual to 31/3/19 £m	Variance (Favourable) / Adverse £m
3.715	91.8%	STRATEGIC DELIVERY	4.048	3.556	(0.492)
5.988	98.7%	LOCAL DELIVERY - EAST AYRSHIRE	6.068	5.988	(0.080)
4.886	96.2%	LOCAL DELIVERY - SOUTH AYRSHIRE	5.081	4.463	(0.618)
14.589	96.0%	TOTAL	15.197	14.007	(1.190)
		PROPOSED REDUCTION FOLLOWING LINE BY LINE	0.000	0.000	0.000
		TOTAL FOLLOWING LINE BY LINE REVIEW	15.197	14.007	(1.190)
		EARMARKED FUNDS TO BE CARRIED FORWARD	0.000	0.000	0.000
14.589	96.0%	TOTAL INCLUDING EARMARKED FUNDS	15.197	14.007	(1.190)

STRATEGIC DELIVERY

This variance mainly reflects staff turnover savings due to vacant posts (£0.383m) along with reduced insurance costs (£0.072m), subscriptions (£0.013m) and additional income (£0.046m).

LOCAL DELIVERY – EAST AYRSHIRE

This variance mainly reflects additional maintenance (£0.353m) and street lighting (£0.053m) income, along with reduced expenditure on debt charges (£0.111m), maintenance and lighting materials (£0.138m) and vacancies (£0.258m). This is partly offset by additional expenditure on sub-contractors (£0.558m), winter materials (£0.091m) and insurance excess for pot hole claims (£0.059m).

LOCAL DELIVERY – SOUTH AYRSHIRE

This variance mainly reflects additional income (£0.466m), particularly in relation to the size of the capital programme. Reduced expenditure reflects vacancies, particularly within Roads Maintenance (£0.182m), along with reduced expenditure on transport (£0.116m), maintenance (£0.346m) and street lighting (£0.064m) materials. This is partly offset by increased use of sub-contractors (£0.215m), and additional overtime (£0.101m).

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STRATEGIC DELIVERY

Actual Expenditure to P13 £m	Actual Expenditure as % of Ann. Est. £m	Service Division	Annual Estimate 2018/19 £m	Actual to 31/3/19 £m	Variance (Favourable) / Adverse £m
3.321	90.0%	EMPLOYEE COSTS	3.690	3.321	(0.369)
0.043	100.0%	PREMISES COSTS	0.043	0.043	0.000
0.040	90.9%	TRANSPORT COSTS	0.044	0.041	(0.003)
0.821	91.0%	SUPPLIES & SERVICES	0.902	0.821	(0.081)
0.000	0.0%	THIRD PARTY PAYMENTS	0.000	0.000	0.000
0.020	0.0%	DEBT CHARGES	0.013	0.020	0.007
4.245	90.5%	TOTAL EXPENDITURE	4.692	4.246	(0.446)
-0.530	82.3%	INCOME	-0.644	-0.690	(0.046)
3.715	91.8%	NET EXPENDITURE	4.048	3.556	(0.492)
		PROPOSED REDUCTION FOLLOWING LINE BY LINE	0.000	0.000	0.000
		TOTAL FOLLOWING LINE BY LINE REVIEW	4.048	3.556	(0.492)
		EARMARKED FUNDS TO BE CARRIED FORWARD		0.000	0.000
3.715	91.8%	TOTAL INCLUDING EARMARKED FUNDS	4.048	3.556	(0.492)

PROPOSED TO BE EARMARKED:

No.	Description	£
1		
2		
3		
4		
5		
	Total	0.000

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SIGNIFICANT VARIANCES – ANALYSIS & COMMENTS

Projected Variance at 31 March 2019 (£m)	Strategic Delivery
(0.369)	<p>Employee Costs This variance reflects vacancies during the year (£0.383) and a saving on Modern Apprentice costs (£0.006m). This is partly offset by additional training costs (£0.005m), relocation expenses (£0.011m) and apprenticeship levy (£0.005m).</p>
(0.081)	<p>Supplies & Services This variance mainly reflects reduced insurance costs (£0.072m), including a reduction in the insurance premium for ARA-South (£0.058m). Expenditure on subscriptions (£0.013m) and Other Services (£0.013m) were both less than budget. This is partly offset by additional expenditure on road safety, particularly in relation to a bikeability project which is offset by additional income (£0.017m).</p>
0.007	<p>Debt Charges This variance reflects departmental debt charges in relation to the purchase of additional vehicles.</p>
(0.046)	<p>Income This variance mainly reflects additional income from inspection fees, road bonds, penalty notices and temporary road closures (£0.055m), along with additional road safety income, particularly in relation to a bikeability project (£0.019m). This is partly offset by a shortfall in income from Capital Programme (£0.028m).</p>
(0.003)	<p>Other Variances This reflects other non-material variances within Strategic Delivery</p>
(0.492)	Total reported variance

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LOCAL DELIVERY – EAST AYRSHIRE

Actual Expenditure to P13 £m	Actual Expenditure as % of Ann. Est. £m	Detail	Annual Estimate 2018/19 £m	Actual to 31/3/19 £m	Variance (Favourable) / Adverse £m
2.590	89.8%	EMPLOYEE COSTS	2.885	2.590	(0.295)
0.358	101.1%	PREMISES COSTS	0.354	0.358	0.004
0.793	106.0%	TRANSPORT COSTS	0.748	0.793	0.045
3.382	105.8%	SUPPLIES & SERVICES	3.197	3.382	0.185
2.267	132.7%	THIRD PARTY PAYMENTS	1.709	2.267	0.558
0.266	70.6%	DEBT CHARGES	0.377	0.266	(0.111)
9.656	104.2%	TOTAL EXPENDITURE	9.270	9.656	0.386
(3.668)	114.6%	INCOME	(3.202)	(3.668)	(0.466)
5.988	98.7%	NET EXPENDITURE	6.068	5.988	(0.080)
		PROPOSED REDUCTION FOLLOWING LINE BY LINE	0.000	0.000	0.000
		TOTAL FOLLOWING LINE BY LINE REVIEW	6.068	5.988	(0.080)
		EARMARKED FUNDS TO BE CARRIED FORWARD	0.000	0.000	0.000
5.988	98.7%	TOTAL INCLUDING EARMARKED FUNDS	6.068	5.988	(0.080)

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Projected Variance at 31 March 2019 (£m)	Local Delivery - East Ayrshire
(0.295)	<p><u>Employee Costs</u> This variance mainly reflects operative's vacancies (£0.258m), overtime (£0.014m) and LGE employees (0.022m).</p>
0.045	<p><u>Transport Costs</u> This variance mainly reflects additional hire costs (£0.036m) and non-contractual repairs (£0.016m). This is partly offset by reduced fuel costs (£0.010m)</p>
0.185	<p><u>Supplies & Services</u> This variance mainly reflects additional expenditure on winter materials (£0.091m), insurance excess for pot hole claims (£0.059m), consultancy (£0.028m), weather forecast service (£0.025m), waste materials (£0.018m), computer & telephony (£0.010m) and capital grant (£0.093m)(offset by income). Offset mainly by maintenance and lighting materials (£0.138m), street lighting electricity (£0.014m) and tools & equipment (£0.011m)</p>
0.558	<p><u>Third Party Payments</u> Mainly additional Maintenance contractors (£0.494m) partly due to recruitment issues, along with additional street lighting contractors (£0.045m).</p>
(0.111)	<p><u>Finance Costs</u> This variance mainly reflects reduced charges in respect of vehicle purchases (£0.086m) and CEEF Recycling Fund (£0.025m)</p>
(0.466)	<p><u>Income</u> This variance mainly reflects additional Maintenance and lighting rechargeable work (£0.406m), parking charges (£0.053m) and capital grant (£0.093m). This is partly offset by reduced capital recharges (£0.142m)</p>
0.004	<p><u>Other Variances</u> This variance reflects non-material variances within Local Delivery – East Ayrshire</p>
(0.080)	Total reported variance

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LOCAL DELIVERY – SOUTH AYRSHIRE

Actual Expenditure to P13 £m	Actual Expenditure as % of Ann. Est. £m	Detail	Annual Estimate 2018/19 £m	Actual to 31/3/19 £m	Variance (Favourable) / Adverse £m
2.115	97.4%	EMPLOYEE COSTS	2.172	2.115	(0.057)
0.154	76.2%	PREMISES COSTS	0.202	0.154	(0.048)
0.854	88.0%	TRANSPORT COSTS	0.970	0.854	(0.116)
2.014	90.6%	SUPPLIES & SERVICES	2.223	2.014	(0.209)
1.541	116.2%	THIRD PARTY PAYMENTS	1.326	1.541	0.215
0.070	93.3%	DEBT CHARGES	0.075	0.070	(0.005)
6.748	96.8%	TOTAL EXPENDITURE	6.968	6.748	(0.220)
-1.862	98.7%	INCOME	-1.887	-2.285	(0.398)
4.886	96.2%	NET EXPENDITURE	5.081	4.463	(0.618)
		PROPOSED REDUCTION FOLLOWING LINE BY LINE	0.000	0.000	0.000
		TOTAL FOLLOWING LINE BY LINE REVIEW	5.081	4.463	(0.618)
		EARMARKED FUNDS TO BE CARRIED FORWARD	0.000	0.000	0.000
4.886	96.2%	TOTAL INCLUDING EARMARKED FUNDS	5.081	4.463	(0.618)

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SIGNIFICANT VARIANCES – ANALYSIS & COMMENTS

Projected Variance at 31 March 2019 (£m)	Local Delivery - South Ayrshire
(0.057)	<p>Employee Costs This variance mainly reflects vacancies particularly within Roads Maintenance (£0.182m), partly offset by additional overtime (£0.101m), apprenticeship levy (£0.007m) and shift allowance payments to parking wardens (£0.007m).</p>
(0.048)	<p>Premises Costs This variance mainly reflects reduced expenditure on electricity and rates.</p>
(0.116)	<p>Transport Costs This variance reflects savings on vehicle and plant hires (£0.099m) and leasing (£0.139m). This is partly offset by planned (£0.012m) and non-routine (£0.075m) maintenance, along with additional fuel (£0.029m).</p>
(0.209)	<p>Supplies & Services This variance reflects reduced expenditure on maintenance (£0.346m) and street lighting (£0.064m) materials. It is partly offset by expenditure on the purchase and maintenance of parking machines (£0.041m), winter materials (£0.049m), street lighting electricity (£0.058m), traffic signs (£0.021m) and a reduced bad debt provision (£0.012m).</p>
0.215	<p>Third Party Payments This variance mainly reflects additional use of sub-contractors within Roads Maintenance (£0.258m), Coastal Protection (£0.035m) and Traffic (£0.101m). This is partly offset by savings on dredging at Girvan Harbour (£0.032m) and Street Lighting contractors (£0.077m).</p>
(0.005)	<p>Debt Charges This variance reflects debt charges in respect of purchased vehicles.</p>
(0.398)	<p>Income This variance mainly reflects additional recharges to capital reflecting an increase in the size of the capital programme (£0.479m), income relating to work at Station Road, Monkton (£0.126m) and a recharge of costs relating to various bridges (£0.021m). This is partly offset by parking (£0.086m) and maintenance (£0.126m) income.</p>
(0.618)	<p>Total reported variance</p>

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SIGNIFICANT VARIANCES – ANALYSIS & COMMENTS

Appendix 3
Ayrshire Roads Alliance
Analysis of Movements in Budgets 2018-19 to 2019-20

Strategic Delivery

Detail	Annual Estimate 2018/19 £m	Annual Estimate 2019/20 £m	Movement 2018-19 to 2019-20	Explanation of Movement
EMPLOYEE COSTS	3.690	3.747	0.057	Movement reflects payroll inflation (£0.098m) and a budget realignment based on 2018-19 outturn and discussion with the service (£0.035m). This is partly offset by savings package (£0.075m).
PREMISES COSTS	0.043	0.039	(0.004)	Movement reflects 2018-19 year-end budget adjustments in respect on non-domestic rates, utilities and carbon allowances.
TRANSPORT COSTS	0.044	0.040	(0.004)	Movement reflects realignment based on 2018-19 outturn and discussion with service.
SUPPLIES & SERVICES	0.902	0.908	0.006	Movement reflects realignment based on 2018-19 outturn and discussion with service.
THIRD PARTY PAYMENTS	0.000	0.000	0.000	There is no movement to report
DEBT CHARGES	0.013	0.020	0.007	Movement reflects realignment based on 2018-19 outturn and discussion with service.
TOTAL EXPENDITURE	4.692	4.754	0.062	
INCOME	(0.644)	(0.732)	(0.088)	Movement reflects realignment based on 2018-19 outturn and discussion with service (£0.085m) along with fees and charges inflation (£0.003m).
NET EXPENDITURE	4.048	4.022	(0.026)	

Local Delivery - East

Detail	Annual Estimate 2018/19 £m	Annual Estimate 2019/20 £m	Movement 2018-19 to 2019-20	Explanation of Movement
EMPLOYEE COSTS	2.885	2.893	0.008	Movement reflects 2019-20 payroll inflation (£0.086m) and a budget realignment based on 2018-19 outturn and discussion with the service (£0.010m). This is partly offset by East Ayrshire savings package (£0.090m) and one off balance drawdowns and adjustments during 2018-19 (£0.030m).
PREMISES COSTS	0.354	0.324	(0.030)	Movement reflects 2018-19 year-end budget adjustments in respect on non-domestic rates, utilities and carbon allowances (£0.30m).
TRANSPORT COSTS	0.748	0.788	0.040	Movement reflects one-off balance drawdowns in 2018-19 (£0.057m) and East Ayrshire savings package (£0.005m). This is partly offset by a budget realignment based on 2018-19 outturn and discussion with the service (£0.103m).
SUPPLIES & SERVICES	3.197	2.224	(0.973)	Movement reflects one-off balance drawdowns in 2018-19 (£0.950m) and East Ayrshire savings package (£0.033m). This is partly offset by a budget realignment based on 2018-19 outturn and discussion with the service (£0.010m).
THIRD PARTY PAYMENTS	1.709	1.208	(0.501)	Movement reflects one-off balance drawdowns in 2018-19 (£0.531m), partly offset by a budget realignment based on 2018-19 outturn and discussion with the service (£0.030m).
DEBT CHARGES	0.377	0.293	(0.084)	Movement reflects realignment based on 2018-19 outturn and discussion with service.
TOTAL EXPENDITURE	9.270	7.730	(1.540)	
INCOME	(3.202)	(3.456)	(0.254)	Movement reflects East Ayrshire savings package (£0.151m); Fees and Charges inflation (£0.046m) and a budget realignment based on 2018-19 outturn and discussion with the service (£0.067m). This is partly offset by a one-off adjustment in 2018-19 (£0.010m).
NET EXPENDITURE	6.068	4.274	(1.794)	

Local Delivery - South

Detail	Annual Estimate 2018/19 £m	Annual Estimate 2019/20 £m	Movement 2018-19 to 2019-20	Explanation of Movement
EMPLOYEE COSTS	2.172	2.285	0.113	Movement reflects South Ayrshire savings package (£0.075m) along with a budget realignment based on 2018-19 outturn and discussion with the service (£0.188m)
PREMISES COSTS	0.202	0.208	0.006	Movement reflects realignment based on 2018-19 outturn and discussion with service.
TRANSPORT COSTS	0.970	0.882	(0.088)	Movement reflects South Ayrshire savings package (£0.020m) along with a budget realignment based on 2018-19 outturn and discussion with the service (£0.068m)
SUPPLIES & SERVICES	2.223	1.790	(0.433)	Movement reflects South Ayrshire savings package (£0.232m) along with a budget realignment based on 2018-19 outturn and discussion with the service (£0.201m)
THIRD PARTY PAYMENTS	1.326	1.334	0.008	Movement reflects realignment based on 2018-19 outturn and discussion with service.
DEBT CHARGES	0.075	0.071	(0.004)	Movement reflects realignment based on 2018-19 outturn and discussion with service.
TOTAL EXPENDITURE	6.968	6.570	(0.398)	
INCOME	(1.887)	(1.916)	(0.029)	Movement reflects South Ayrshire savings package (£0.100m) partly offset by a budget realignment based on 2018-19 outturn and discussion with the service (£0.071m)
NET EXPENDITURE	5.081	4.654	(0.427)	