

**DEVELOPMENT AND INFRASTRUCTURE COMMITTEE: 13 SEPTEMBER 2016**

**REVENUE EXPENDITURE OUTTURN REPORT  
FOR FINANCIAL YEAR 2015/16**

**JOINT REPORT BY EXECUTIVE DIRECTOR OF DEVELOPMENT AND  
INFRASTRUCTURE AND HEAD OF FINANCE**

**1. PURPOSE OF REPORT**

- 1.1 To advise of the revenue outturn position for financial year 2015/16 for which the Committee is responsible.

**2. RECOMMENDATIONS**

The Committee is invited to note:-

- 2.1 the revenue expenditure outturn statement in respect of Development and Infrastructure for financial year 2015/16, indicating a break even position; and
- 2.2 the explanations given and actions proposed, in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 2 to this report.

**3. POLICY ASPECTS**

- 3.1 This report relates to the Council complying with its governance and financial processes and procedures and therefore does not relate specifically to progressing the Council's priorities.

**4. INTRODUCTION**

- 4.1 At its Special General Meeting held on 12 February 2015, as part of the budget setting process for 2015/16, the Council agreed the Revenue Estimates, Council Tax level and the contribution from General Fund Reserves for financial year 2015/16.

**5. BACKGROUND**

- 5.1 Individual revenue expenditure monitoring reports (REMRs) are circulated as briefing reports every month in order to inform committee members of the up to date financial position. Quarterly REMRs are now being presented to individual service committees. This quarterly report replaces the need for a monthly budget briefing this reporting period.

- 5.2 In terms of revenue spending, at an individual cost centre level, budget holders are required to provide an explanation of the causes of each material variance and to identify appropriate corrective actions to remedy the situation.
- 5.3 Material variances are identified automatically as Priority Actions (PAs) within individual budget cost centres according to the following criteria:-
- 5.3.1 £10,000 **and** 10% more or less than Anticipated position (1b);
- 5.3.2 £50,000 more or less than Anticipated position (1c).
- 5.4 Priority Actions can be identified at the Service Function level according to the same criteria and these are shown in the Revenue Expenditure Statements shown in Annex 1. As with individual cost centre variances, each of these Priority Actions requires an explanation and corrective action to be identified and these are shown in the Budget Action Plan in Annex 2.
- 5.5 The details have been provided following consultation with the relevant Executive Directors and their staff. In addition to the variances generated in the current month, the variances reported in previous reporting periods will remain within the Budget Action Plan until these actions have been completed.
- 5.6 The figures quoted within the Budget Action Plan by way of the underspend and overspend position will always relate to the position within the current month.

## **6. FINANCIAL SUMMARY**

- 6.1 Annex 1 provides the detailed position by Service Area by Service Function. The table below provides a summary of the position across all Service Areas.

	Spend £000	Budget £000	Over/Under		Annual Budget £000
			Spend £000	%	
<b>General Fund Services</b>					
Roads	3,737	3,815	-78	98.0	3,815
Transportation	9,748	9,581	167	101.7	9,581
Operational Environmental Services	2,292	2,308	-16	99.3	2,308
E/Health and Trading Standards	743	780	-37	95.3	780
Development	1,576	1,693	-117	93.1	1,693
Planning	822	741	81	110.9	741
<b>Service Totals</b>	<b>18,918</b>	<b>18,918</b>	<b>0</b>	<b>100.0</b>	<b>18,918</b>

- 6.2 The spend was in line with the budget across the service areas, alternatively expressed as 100.0% of the anticipated net spending position for the year.
- 6.3 The Budget Action Plan attached as Annex 2 provides an explanation and proposed corrective action for each of the Priority Actions identified.

## **7. FINANCIAL IMPLICATIONS**

- 7.1 The Financial Regulations state that service directors are able to incur expenditure within an approved revenue budget. Such expenditure must be in accordance with the Council's policies or objectives subject to compliance with these Financial Regulations and approved schemes of delegation.
- 7.2 Additional expenditure requirements identified during the financial year can only be approved by means of a spending recommendation to the Policy and Resources Committee, subject to the use of emergency powers.
- 7.3 The outturn statements include a number of accounting entries required to comply with proper accounting practice, including International Financial Reporting Standards (IFRS). This includes accounting for the use of fixed assets e.g. depreciation and revaluations, current service cost of pensions and accumulated staff absences.

## **8. LEGAL ASPECTS**

- 8.1 Financial monitoring and reporting helps the Council meet its obligation to secure best value.

## **9. CONTACT OFFICERS**

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**10. ANNEXES**

- 10.1 Annex 1: Revenue Expenditure Outturn Statement for 2015/16
- 10.2 Annex 2: Budget Action Plans

**Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2015/16**

		<b>Spend</b>	<b>Budget</b>	<b>Over/Under</b>		<b>Annual</b>
	<b>PA</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>	<b>Budget</b>
				<b>Spend</b>		<b>£000</b>
<b>Roads</b>						
Winter Maintenance and Response	<b>1b</b>	635	819	-184	77.5	819
Street Lighting		231	251	-20	92.0	251
Car Parks	<b>1b</b>	13	-10	23	n/a	-10
Other Works	<b>1b</b>	97	110	-13	88.2	110
Traffic Management	<b>1b</b>	221	285	-64	77.5	285
Structural Maintenance	<b>1b</b>	1,453	1,628	-175	89.3	1,628
Routine Maintenance	<b>1b</b>	555	663	-108	83.7	663
Quarries Holding Account		-474	-474	0	100.0	-474
Roads Holding Account		101	101	0	100.0	101
Fleet Holding Account		21	21	0	100.0	21
Movement in Reserves	<b>1b</b>	541	159	382	340.3	159
Miscellaneous	<b>1b</b>	343	262	81	130.9	262
<b>Service Totals</b>		<b>3,737</b>	<b>3,815</b>	<b>-78</b>	<b>98.0</b>	<b>3,815</b>

**Movement in Reserves Statement**

IFRS Accounting Entries	-136
<u>Transfer to Reserves:</u>	
Roads transfer to RandR Fund for future purchase of New Tar Plant	770
<u>Transfer from Reserves:</u>	
Roads project fund to roads - Barriers study	-17
RRR Fund contribution to Caisson	-76
	<b>541</b>

## Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2015/16

		Spend	Budget	Over/Under		Annual
	PA	£000	£000	Spend		Budget
				£000	%	£000
<b>Transportation</b>						
Administration		223	221	2	100.9	221
Co-ordination		66	75	-9	88.0	75
Concessionary Fares		129	133	-4	97.0	133
Support for Operators - Buses		689	707	-18	97.5	707
Support for Operators - Air		973	1,004	-31	96.9	1,004
Support for Operators - Ferries		54	49	5	110.2	49
Airfields	<b>1b</b>	469	407	62	115.2	407
Orkney Ferries	<b>1c</b>	7,239	7,079	160	102.3	7,079
Movement in Reserves		-94	-94	0	100.0	-94
<b>Service Totals</b>		<b>9,748</b>	<b>9,581</b>	<b>167</b>	<b>101.7</b>	<b>9,581</b>

### **Movement in Reserves Statement**

IFRS Accounting Entries	-48
<u>Transfer from Reserves:</u>	
Contribution from RandR Fund - in respect of STAG	-46
	<b>-94</b>

		Spend	Budget	Over/Under		Annual
	PA	£000	£000	Spend		Budget
				£000	%	£000
<b>Operational Environmental Services</b>						
Burial Grounds	<b>1b</b>	50	104	-54	48.1	104
Refuse Collection		617	572	45	107.9	572
Waste Disposal		965	999	-34	96.6	999
Recycling		424	405	19	104.7	405
Cleansing		346	338	8	102.4	338
OES Holding Account		65	65	0	100.0	65
Movement in Reserves		-175	-175	0	100.0	-175
<b>Service Totals</b>		<b>2,292</b>	<b>2,308</b>	<b>-16</b>	<b>99.3</b>	<b>2,308</b>

### **Movement in Reserves Statement**

IFRS Accounting Entries	-65
<u>Transfer from Reserves:</u>	
Contribution from Contingency (General Fund Reserve) - Waste Disposal Charges	-110
	<b>-175</b>

## **Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2015/16**

		Spend £000	Budget £000	Over/Under Spend		Annual Budget £000
				£000	%	
<b>E/Health and Trading Standards</b>	<b>PA</b>					
Administration		476	517	-41	92.1	517
Trading Standards		188	204	-16	92.2	204
Public Toilets	<b>1b</b>	105	85	20	123.5	85
Movement in Reserves		-26	-26	0	100.0	-26
<b>Service Totals</b>		<b>743</b>	<b>780</b>	<b>-37</b>	<b>95.3</b>	<b>780</b>

### **Movement in Reserves Statement**

IFRS Accounting Entries	-26
	<b>-26</b>

		Spend £000	Budget £000	Over/Under Spend		Annual Budget £000
				£000	%	
<b>Development</b>	<b>PA</b>					
Administration		712	760	-48	93.7	760
Business Gateway		166	158	8	105.1	158
EEC Expenditure		13	12	1	108.3	12
Leader Programme		18	19	-1	94.7	19
Regeneration	<b>1b</b>	16	38	-22	42.1	38
Kirkwall Townscape Heritage		28	28	0	100.0	28
Tourism	<b>1b</b>	110	126	-16	87.3	126
Economic Development Grants		1,134	1,173	-39	96.7	1,173
Movement in Reserves		-621	-621	0	100.0	-621
<b>Service Totals</b>		<b>1,576</b>	<b>1,693</b>	<b>-117</b>	<b>93.1</b>	<b>1,693</b>

### **Movement in Reserves Statement**

IFRS Accounting Entries	-37
<u>Transfer from Reserves:</u>	
Contribution from RRR Fund - Kirkwall Townscape Heritage	-27
Contribution from RRR Fund - Onshore Wind Developments	-20
Contribution from Development Grants Fund to Economic Development	-537
	<b>-621</b>

**Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2015/16**

	PA	Spend	Budget	Over/Under		Annual
		£000	£000	£000	%	Budget
						£000
<b>Planning</b>						
Administration		366	398	-32	92.0	398
Development Management		94	92	2	102.2	92
Development Planning	<b>1b</b>	435	366	69	118.9	366
Building Standards	<b>1b</b>	-47	-91	44	51.6	-91
Archaeology		40	42	-2	95.2	42
Movement in Reserves		-66	-66	0	100.0	-66
<b>Service Totals</b>		<b>822</b>	<b>741</b>	<b>81</b>	<b>110.9</b>	<b>741</b>

**Movement in Reserves Statement**

IFRS Accounting Entries	-58
<u>Transfer from Reserves:</u>	
Contribution from RRR Fund - DSPA's in Orkney Waters	-8
	<b>-66</b>



**Annex 2: Budget Action Plan**

<b>Roads</b>				
<b>Action Point</b>	<b>Function/Explanation</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Status</b>
<b>RD19</b>	<p><b>Winter Maintenance and Response</b> Underspend £184K</p> <p>Expenditure on Winter service less than budget as a result of a relatively mild Winter and year-end reallocation of Quarry surplus credited back to this account.</p>	As part of the budget setting process for 2016/17 it was agreed that the total Committee underspend, including the trading surplus from the Quarries Holding account for 2015/16, would be set-aside for the future purchase of the new tar plant.	D Richardson	
<b>RD20</b>	<p><b>Car Park</b> Overspend £23K</p> <p>Mainly due to income received being significantly less than budget in respect of first hour free parking.</p>	A budget virement will be required in financial year 2016/17 to deal with this reduction in income.	D Richardson	<b>Ongoing</b>
<b>RD21</b>	<p><b>Other Works</b> Underspend £13K</p> <p>Expenditure on festive lighting was less than the approved budget.</p>	As part of the budget setting process for 2016/17 it was agreed that the total Committee underspend, including the trading surplus from the Quarries Holding account for 2015/16, would be set-aside for the future	D Richardson	

**Annex 2: Budget Action Plan**

<b>Roads</b>				
<b>Action Point</b>	<b>Function/Explanation</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Status</b>
		purchase of the new tar plant.		
<b>RD22</b>	<p><b>Traffic Management</b> Underspend £64K</p> <p>Year-end reallocation of Quarry surplus credited back to this account.</p>	As part of the budget setting process for 2016/17 it was agreed that the total Committee underspend, including the trading surplus from the Quarries Holding account for 2015/16, would be set-aside for the future purchase of the new tar plant.	D Richardson	
<b>RD23</b>	<p><b>Structural Maintenance</b> Underspend £175K</p> <p>Year-end reallocation of Quarry surplus credited back to this account.</p>	As part of the budget setting process for 2016/17 it was agreed that the total Committee underspend, including the trading surplus from the Quarries Holding account for 2015/16, would be set-aside for the future purchase of the new tar plant.	D Richardson	

**Annex 2: Budget Action Plan**

<b>Roads</b>				
<b>Action Point</b>	<b>Function/Explanation</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Status</b>
<b>RD24</b>	<p><b>Routine Maintenance</b> Underspend £108K</p> <p>Year-end reallocation of Quarry surplus credited back to this account.</p>	As part of the budget setting process for 2016/17 it was agreed that the total Committee underspend, including the trading surplus from the Quarries Holding account for 2015/16, would be set-aside for the future purchase of the new tar plant.	D Richardson	
<b>RD25</b>	<p><b>Movement in Reserves</b> Overspend £382K</p> <p>This is part of the £770K contribution for the future purchase of the new tar plant.</p>	No action required.	D Richardson	
<b>RD26</b>	<p><b>Miscellaneous</b> Overspend £81K</p> <p>Mainly due to an increased charge in central services apportioned costs against budget.</p> <p>These charges were applied</p>	The apportioned costs will be reviewed during 2016/17 financial year with a view to realigning budgets to more closely reflect workload and actual spending levels.	D Richardson	<b>Ongoing</b>

**Annex 2: Budget Action Plan**

<b>Roads</b>				
<b>Action Point</b>	<b>Function/Explanation</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Status</b>
	to the budget post end-of year closure and are costs which are not in the direct control of the budget holder.			

**Annex 2: Budget Action Plan**

<b>Transportation</b>				
<b>Action Point</b>	<b>Function/Explanation</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Status</b>
<b>TR9</b>	<p><b>Airfields</b> Overspend £62K</p> <p>Mainly due to an increased charge in central services apportioned costs against budget.</p> <p>These charges were applied to the budget post end-of year closure and are costs which are not in the direct control of the budget holder.</p>	The apportioned costs will be reviewed during 2016/17 financial year with a view to realigning budgets to more closely reflect workload and actual spending levels.	B Archibald	<b>Ongoing</b>
<b>TR10</b>	<p><b>Orkney Ferries</b> Overspend £160K</p> <p>Mainly due to additional refit costs over the original budget.</p>	No action required.	B Archibald	<b>Ongoing</b>

**Annex 2: Budget Action Plan**

<b>Operational Environmental Services</b>				
<b>Action Point</b>	<b>Function/Explanation</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Status</b>
<b>OES9</b>	<p><b>Burial Grounds</b> Underspend £54K</p> <p>The budget has been realigned in accordance with the Burial Grounds Investment Plan, which has resulted in revenue budget closing out ahead of profile as costs originally charged to revenue have been corrected to capital. Work will continue to deliver the approved Plan and it is expected that the revised capital/revenue profiling will result in more accurate budget outturn for 2016/17.</p>	<p>As part of the budget setting process for 2016/17 it was agreed that the total Committee underspend, including the trading surplus from the Quarries Holding account for 2015/16, would be set-aside for the future purchase of the new tar plant.</p>	D Richardson	

**Annex 2: Budget Action Plan**

<b>E/Health and Trading Standards</b>				
<b>Action Point</b>	<b>Function/Explanation</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Status</b>
<b>EH3</b>	<p><b>Public Toilets</b> Overspend £20K</p> <p>Mainly due to an increased charge in central services apportioned costs against budget.</p> <p>These charges were applied to the budget post end-of year closure and are costs which are not in the direct control of the budget holder.</p>	<p>The apportioned costs will be reviewed during 2016/17 financial year with a view to realigning budgets to more closely reflect workload and actual spending levels.</p>	D Richardson	<b>Ongoing</b>

**Annex 2: Budget Action Plan**

<b>Development</b>				
<b>Action Point</b>	<b>Function/Explanation</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Status</b>
<b>DV10</b>	<p><b>Regeneration</b> Underspend £22K</p> <p>The underspend is due to the net result of carrying a vacancy and other staffing matters.</p> <p>Funding Officer has been recruited and is in post.</p>	No action required.	J Falconer	
<b>DV11</b>	<p><b>Tourism</b> Underspend £16K</p> <p>Activities undertaken that will only be completed in financial year 2016/17 which will have no impact on 2016/17 budget.</p>	No action required.	J Falconer	



**Annex 2: Budget Action Plan**

<b>Planning</b>				
<b>Action Point</b>	<b>Function/Explanation</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Status</b>
<b>PL4</b>	<p><b>Development Planning</b> Overspend £69K</p> <p>Mainly due to the net aborted capital costs of the Kirkwall Broad Street Project (£63K).</p>	No action required.	R Mackay	
<b>PL5</b>	<p><b>Building Standards</b> Overspend £44K</p> <p>Due to lower than anticipated fee income during the year.</p>	During the budget setting process for 2016/17 a contingency amount of £40K has been agreed if required.	R Mackay	