

Item: 5

Development and Infrastructure Committee: 6 September 2022.

Revenue Expenditure Monitoring.

Joint Report by Corporate Director for Enterprise and Sustainable Regeneration, Corporate Director for Neighbourhood Services and Infrastructure and Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 30 June 2022 across each of the service areas for which the Committee is responsible.

2. Recommendations

The Committee is invited to note:

2.1.

The revenue financial summary statement, in respect of service areas for which the Development and Infrastructure Committee is responsible, for the period 1 April to 30 June 2022, attached as Annex 1 to this report, indicating a budget overspend position of £1,386,800.

2.2.

The revenue financial detail by service area statement, in respect of service areas for which the Development and Infrastructure Committee is responsible, for the period 1 April to 30 June 2022, attached as Annex 2 to this report.

The Committee is invited to scrutinise:

2.3.

The explanations given and actions proposed, in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 3 to this report, in order to obtain assurance that action is being taken with regard to significant budget variances.

3. Background

3.1.

On 10 March 2022, the Council set its overall revenue budget for financial year 2022/23. On 21 June 2022, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2022/23, which form the basis of the individual revenue expenditure monitoring reports.

3.2.

Individual revenue expenditure reports are circulated every month to inform Elected Members of the up-to-date financial position. Quarterly revenue expenditure monitoring reports are presented to individual service committees.

3.3.

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.

3.4.

Material variances are identified automatically as Priority Actions within individual budget cost centres according to the following criteria:

- Variance of £10,000 and more than 110% or less than 90% of anticipated position (1B).
- Not more than 110% or less than 90% of anticipated position but variance greater than £50,000 (1C).

3.5.

Priority Actions can be identified at the Service Function level according to the same criteria and these are shown in the Revenue Expenditure Statements. 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.

3.6.

The details have been provided following consultation with the relevant Corporate Directors and their staff.

3.7.

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.

4. Financial Summary

4.1.

The financial summary for the period 1 April to 30 June 2022 is attached as Annex 1 to this report.

4.2.

The details by Service Area statement is attached as Annex 2 to this report.

4.3.

The Budget Action Plan, attached as Annex 3 to this report, provides an explanation and proposed corrective action for each of the Priority Actions identified.

5. Corporate Governance

This report relates to the Council complying with its governance and financial processes and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

6. Financial Implications

6.1.

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.

6.2.

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. Legal Aspects

Regular financial monitoring and reporting help the Council meet its statutory obligation to secure best value.

8. Contact Officers

Gareth Waterson, Corporate Director for Enterprise and Sustainable Regeneration, Email gareth.waterson@orkney.gov.uk.

Hayley Green, Corporate Director for Neighbourhood Services and Infrastructure, Email hayley.green@orkney.gov.uk

Colin Kemp, Interim Head of Finance, Email colin.kemp@orkney.gov.uk.

9. Annexes

Annex 1: Financial summary.

Annex 2: Financial details by service area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary

June 2022

The table below provides a summary of the position across all Service Areas.

Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Roads	880.8	949.1	(68.3)	92.8	3,949.9
Transportation	4,673.7	2,428.8	2,244.9	192.4	3,602.9
Operational Environmental Services	(51.5)	205.0	(256.5)	N/A	3,028.3
Environmental Health & Trading Standards	186.8	190.3	(3.5)	98.2	1,031.2
Development	290.9	829.9	(539.0)	35.1	4,608.1
Planning	230.3	221.1	9.2	104.2	1,216.7
Service Totals	6,211.0	4,824.2	1,386.8	128.7	17,437.1

Compared to last month, the total number of PAs has changed as follows:

Service Area	No. of PAs		Service Functions	PAs/ Function
	P02	P03		
Roads	7	6	12	50%
Transportation	5	7	9	78%
Operational Environmental Services	6	5	6	83%
Environmental Health & Trading Standards	0	0	3	0%
Development	6	5	9	56%
Planning	3	3	6	50%
Totals	27	26	45	58%

Annex 2: Financial Detail by Service Area

June 2022

The following tables show the spending position by service function

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Roads						
Winter Maintenance and Response	1B	91.0	50.7	40.3	179.4	963.2
Street Lighting	1B	(6.8)	17.5	(24.3)	N/A	223.1
Car Parks	1B	(13.5)	(29.0)	15.5	46.5	(146.6)
Other Works		9.0	9.6	(0.6)	93.4	112.3
Traffic Management	1B	43.2	21.5	21.7	201.1	239.6
Structural Maintenance		280.3	287.7	(7.4)	97.4	1,984.3
Routine Maintenance	1B	107.7	126.3	(18.6)	85.3	787.5
Quarries Holding Account	1B	(84.8)	16.7	(101.5)	N/A	(500.0)
Roads Holding Account		369.4	353.9	15.5	104.4	90.6
Fleet Holding Account		82.1	88.3	(6.2)	93.0	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	85.4
Miscellaneous - RD		3.2	5.9	(2.7)	53.4	110.5
Service Total		880.8	949.1	(68.3)	92.8	3,949.9

Changes in original budget position:

Original Net Budget	3,175.9
Ph II Corp Mgt Restructure GF/WF	90.6
Roads Revenue Maintenance from R&R	683.4
	<u>3,949.9</u>

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Transportation						
Administration - TR	1B	17.6	43.3	(25.7)	40.7	269.2
Co-ordination	1B	22.3	11.7	10.6	191.4	75.9
Concessionary Fares		13.8	21.8	(8.0)	63.1	124.6
Support for Operators - Buses	1B	189.7	218.3	(28.6)	86.9	1,397.3
Support for Operators - Air	1B	221.1	199.8	21.3	110.7	1,198.8
Support for Operators - Ferries		0.0	0.5	(0.5)	0.0	3.1
Airfields Operations	1B	104.0	139.3	(35.3)	74.6	474.7
Orkney Ferries	1B	4,178.4	1,794.1	2,384.3	232.9	59.3
Ferries Development	1B	(73.2)	0.0	(73.2)	0.0	0.0
Service Total		4,673.7	2,428.8	2,244.9	192.4	3,602.9

Changes in original budget position:

Original Net Budget	3,412.1
Ph II Corp Mgt Restructure GF: Airfields Officer	37.0
SusTrans Embedded Officer from Crown Estates Fund	27.0
Sustainable & Green Transport Fund projects	67.5
Ferries Replacement Project Officer from R&R	59.3
	<u>3,602.9</u>

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Operational Environmental Services	PA					
Burial Grounds		30.2	39.6	(9.4)	76.2	89.0
Refuse Collection	1B	(465.7)	(261.2)	(204.5)	178.3	661.7
Waste Disposal	1B	170.7	270.6	(99.9)	63.1	1,307.5
Recycling	1B	83.1	107.9	(24.8)	77.0	516.5
Environmental Cleansing	1B	66.5	78.3	(11.8)	85.0	396.9
OES Holding Account	1B	63.7	(30.2)	93.9	N/A	56.7
Service Total		(51.5)	205.0	(256.5)	N/A	3,028.3

Changes in original budget position:

Original Net Budget	2,946.1
Ph II Corp Mgt Restructure GF: Team Manager Environmental Services Operations	56.7
APSE Consultants Waste from Workforce Mgt Fund	25.5
	<u>3,028.3</u>

	Spend	Budget	Over/(Under)	Spend	Annual	
	PA	£000	£000	£000	Budget	
					%	
Environmental Health & Trading Standards						
£000						
Administration - ES		99.2	104.2	(5.0)	95.2	655.8
Trading Standards		54.9	53.5	1.4	102.6	285.5
Public Toilets		32.7	32.6	0.1	100.6	89.9
Service Total		186.8	190.3	(3.5)	98.2	1,031.2

Changes in original budget position:

Original Net Budget	957.2
Ph II Corp Mgt Restructure GF: Food Safety Officer	47.0
Environmental Technical Officer from Redetermination Flex Fund	27.0
	<u>1,031.2</u>

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Development						
Administration - DV	1B	119.3	160.1	(40.8)	74.5	913.9
Business Gateway		35.0	36.4	(1.4)	96.1	175.6
EEC Expenditure		0.0	1.6	(1.6)	0.0	9.4
Leader Programme		4.7	11.0	(6.3)	42.9	25.8
Regeneration	1B	192.8	506.3	(313.5)	38.1	2,811.9
Kirkwall Townscape Heritage	1B	10.2	0.0	10.2	0.0	0.0
Tourism	1B	(158.9)	0.0	(158.9)	0.0	112.5
Economic Development Grants		71.5	67.8	3.7	105.4	291.7
Other Economic Development Grants	1B	16.3	46.7	(30.4)	34.9	267.3
Service Total		290.9	829.9	(539.0)	35.1	4,608.1

Changes in original budget position:

Original Net Budget	1,665.9
Ph II Corp Mgt Restructure WF: Graduate Trainee Project Officer	26.8
Business Support Fund	2,413.6
COVID Support Funding from Business Support Fund	381.8
Create CDF Budget for 22/23	120.0
	4,608.1

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Planning						
Administration - PL		47.8	46.3	1.5	103.1	354.2
Development Management	1B	30.5	18.7	11.8	162.5	136.3
Development Planning	1B	65.7	138.9	(73.2)	47.3	634.1
Building Standards		1.5	6.2	(4.7)	23.7	41.6
Archaeology		9.5	11.0	(1.5)	85.7	50.5
North Isles Landscape Partnership Scheme	1B	75.3	0.0	75.3	0.0	0.0
Service Total		230.3	221.1	9.2	104.2	1,216.7

Changes in original budget position:

Original Net Budget	1,054.4
Ph II Corp Mgt Restructure additional Fees for Planning Technician	(39.1)
Ph II Corp Mgt Restructure	70.7
Ph II Corp Mgt Restructure	(21.0)
Ph II Corp Mgt Restructure GF: Climate Change Project Officer (Strategy)	52.6
Ph II Corp Mgt Restructure GF: Islands Archaeologist	4.1
Climate Change Officer from Crown Estates Fund	70.0
Marine Planning Partnership from Crown Estates Fund	25.0
	1,216.7

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26A	<p>Winter Maintenance and Response</p> <p>More than anticipated expenditure by £40.3K</p> <p>Treatment and management of winter conditions continued into April and May due to ongoing cold weather</p>	<p>Monitor the situation</p> <p>No further costs expected until later in the year but will monitor and review once winter arrives with its as yet unknown conditions</p>	Lorna Richardson	31/03/2023	Ongoing
R26C	<p>Street Lighting</p> <p>Less than anticipated expenditure by £24.3K</p> <p>Utility charges booked ahead of profile</p>	<p>No action required</p> <p>No direct action at the moment, will continue to review and monitor throughout the year</p>	Lorna Richardson	29/07/2022	Ongoing
R26D	<p>Car Parks</p> <p>Less than anticipated income by £15.5K</p> <p>Income from EV charging is hugely variable, depending on use and does not cover the costs.</p>	<p>Monitor the situation</p> <p>Discussions continue regarding an EV charging policy and is due to be reviewed at D&I Committee in September 2022</p>	Lorna Richardson	31/03/2023	New
R26F	<p>Traffic Management</p> <p>More than anticipated expenditure by £21.7K</p> <p>Less income than profiled due to fewer requests for traffic orders etc.</p>	<p>Monitor the situation</p> <p>Will continue to monitor and review throughout the year</p>	Lorna Richardson	31/03/2023	Ongoing

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26K	<p>Routine Maintenance</p> <p>Less than anticipated expenditure by £18.6K</p> <p>Works progressing slower than profiled</p>	<p>No action required</p> <p>Works have been programmed and should commence shortly</p>	Lorna Richardson	14/07/2022	Ongoing
R26L	<p>Quarries Holding Account</p> <p>Less than anticipated expenditure by £101.5K</p> <p>Delays in recruiting staff plus slightly more income than anticipated</p>	<p>Monitor the situation</p> <p>Income and expenditure varying from profile but there are no unanticipated events at the moment. Will continue to monitor and review over the coming months.</p>	Lorna Richardson	14/07/2022	Ongoing

Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27A	Administration - TR Less than anticipated expenditure by £25.7K Unfilled member of staff position.	Monitor the situation Monitor	Jim Buck	21/07/2022	Ongoing
R27B	Co-ordination More than anticipated expenditure by £10.6K Increased works at the travel centre following vandalism incidents.	Monitor the situation Monitor	Jim Buck	21/07/2022	Ongoing
R27G	Support for Operators - Buses Less than anticipated expenditure by £28.6K Reduced use of bus service still ongoing	Monitor the situation Monitor. Looking to increase travel through incentive schemes	Jim Buck	21/07/2022	Ongoing
R27I	Support for Operators - Air More than anticipated expenditure by £21.3K Increasing aviation fuel costs now above budgeted pricing	Monitor the situation Monitor	Jim Buck	21/07/2022	New

Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27K	<p>Airfields Operations</p> <p>Less than anticipated expenditure by £35.3K</p> <p>Closures in Eday and continuing inability to recruit to positions.</p>	<p>Monitor the situation</p> <p>Monitor</p>	Jim Buck	21/07/2022	Ongoing
R27L	<p>Orkney Ferries</p> <p>More than anticipated expenditure by £2,384.3K</p> <p>Awaiting grant award letter from Scottish Government to claim Q1 funds</p>	<p>Monitor the situation</p> <p>Virement required to reprofile income budget</p>	Jim Buck	21/07/2022	New
R27M	<p>Ferries Development</p> <p>Less than anticipated expenditure by £73.2K</p> <p>Hyseas Hydrogen ferry project closing down. No further work against this line</p>	<p>Monitor the situation</p> <p>Monitor</p>	Jim Buck	21/07/2022	Ongoing

Operational Environmental Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R28C	Refuse Collection More than anticipated income by £204.5K Income higher than predicted	Monitor the situation Income greater than originally profiled but may be required to cover one-off emergency repairs and maintenance. Therefore, will continue to monitor and review	Lorna Richardson	14/07/2022	Ongoing
R28E	Waste Disposal Less than anticipated expenditure by £99.9K Income and costs varying from profile	Monitor the situation Income is higher than anticipated plus some delays in posting labour costs. However, the situation is expected to resolve over the next few months	Lorna Richardson	14/07/2022	Ongoing
R28F	Recycling Less than anticipated expenditure by £24.8K Income ahead of profile	No action required Income received ahead of profile plus some delay in being invoiced for licence costs. However, this will resolve over the next few months.	Lorna Richardson	14/07/2022	Ongoing
R28G	Environmental Cleansing Less than anticipated expenditure by £11.8K Some variance of spend against profile	Monitor the situation Some variances against profile due to different workload and use of resources elsewhere. However, this is likely to resolve over the next few months as additional cleansing and litter bin emptying for the summer is implemented.	Lorna Richardson	14/07/2022	Ongoing

Operational Environmental Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R28K	<p>OES Holding Account</p> <p>Less than anticipated income by £93.9K</p> <p>Income behind profile</p>	<p>Monitor the situation</p> <p>Cost recovery is not as anticipated. This could be due to a delay in posting charges or could be an issue with the charge-out rate. This will be investigated and remedied if necessary.</p>	Lorna Richardson	14/07/2022	Ongoing

Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33A	Administration - DV Less than anticipated expenditure by £40.8K Lower staff cost spend than profiled.	Raise journals request Reprofile spend based on actual costs to date and expected recruitment timescales.	Sweyn Johnston	29/07/2022	Ongoing
R33E	Regeneration Less than anticipated expenditure by £313.5K Variance due to assumed profile of covid related business support fund	Raise journals request Update spend profile	Sweyn Johnston	29/07/2022	Ongoing
R33F	Kirkwall Townscape Heritage More than anticipated expenditure by £10.2K Variance relates to timing of receipt of grant income. Issue is expected to resolve.	Monitor the situation Monitor.	Sweyn Johnston	30/07/2022	Ongoing
R33I	Tourism Less than anticipated expenditure by £158.9K Underspend relates to grant income received but yet to be spent.	Raise virements request Budget profile to be adjusted in line with expected spend.	Sweyn Johnston	29/07/2022	Ongoing

Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33K	Other Economic Development Less than anticipated expenditure by £30.4K Variance largely relating to timing of payments.	Raise virements request Reprofile to correct.	Sweyn Johnston	29/07/2022	Ongoing

Planning

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R34B	<p>Development Management</p> <p>More than anticipated expenditure by £11.8K</p> <p>Planning application fee income lower than anticipated at this stage in the year.</p>	<p>Monitor the situation</p> <p>No action required at this stage.</p>	Roddy Mackay	31/08/2022	Ongoing
R34C	<p>Development Planning</p> <p>Less than anticipated expenditure by £73.2K</p> <p>Primarily due to underspend as a result of five vacant posts within the team, plus grant income of £20K received for marine planning ahead of budget profile.</p>	<p>Raise virements request</p> <p>Four of the five vacant posts were advertised in June.</p>	Roddy Mackay	31/08/2022	Ongoing
R34M	<p>North Isles Landscape Partnership</p> <p>More than anticipated expenditure by £75.3K</p> <p>Variance relating to timing of grant from external funders.</p>	<p>Monitor the situation</p> <p>Monitor. Expected to resolve.</p>	Sweyn Johnston	29/07/2022	Ongoing