

Item: 5

Development and Infrastructure Committee: 2 February 2021.

Revenue Expenditure Monitoring.

Joint Report by Executive Director of Development and Infrastructure and Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 31 December 2020 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 31 December 2020, attached as Annex 1 to this report, indicating a budget underspend position of £733,100.

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 31 December 2020, 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 3 March 2020, the Council set its overall revenue budget for financial year 2020/21. On 11 June 2020, the Council received the detailed revenue budgets 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 Executive 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 31 December 2020 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.

6.3.

The exceptional impact of the COVID-19 pandemic will see additional expenditure and reduced income across all services which will be monitored during financial year 2020/21 with a possible contribution from General Fund non-earmarked balances at the financial year-end.

7. Legal Aspects

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

8. Contact Officer

Gavin Barr, Executive Director of Development and Infrastructure, Email gavin.barr@orkney.gov.uk.

Gareth Waterson, Head of Finance, Email gareth.waterson@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

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

Service Area	Spend	Budget	Over/(Under) Spend		Annual Budget £000
	£000	£000	£000	%	
Roads	1,520.8	1,690.1	(169.3)	90.0	3,189.8
Transportation	4,569.6	4,915.4	(345.8)	93.0	7,538.6
Operational Environmental Services	1,742.8	1,575.6	167.2	110.6	2,706.8
Environmental Health & Trading Standards	522.2	529.2	(7.0)	98.7	900.2
Development	1,228.2	1,322.2	(94.0)	92.9	1,693.8
Planning	354.4	638.6	(284.2)	55.5	1,079.4
Service Totals	9,938.0	10,671.1	(733.1)	93.1	17,108.6

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P08	P09		
Roads	8	10	12	83%
Transportation	5	6	9	67%
Operational Environmental Services	4	5	6	83%
Environmental Health & Trading Standards	2	2	3	67%
Development	5	5	9	56%
Planning	2	2	6	33%
Totals	26	30	45	67%

Annex 2: Financial Detail by Service Area

The following tables show the spending position by service function

Roads	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Winter Maintenance and Response	1B	262.0	367.5	(105.5)	71.3	925.6
Street Lighting	1B	99.8	130.9	(31.1)	76.2	216.3
Car Parks	1B	57.9	(86.7)	144.6	N/A	(76.6)
Other Works	1B	27.9	68.7	(40.8)	40.6	109.5
Traffic Management		141.6	136.2	5.4	104.0	234.3
Structural Maintenance	1C	943.1	1,028.6	(85.5)	91.7	1,308.5
Routine Maintenance	1B	434.8	520.1	(85.3)	83.6	757.9
Quarries Holding Account	1B	(259.9)	(371.8)	111.9	69.9	(500.0)
Roads Holding Account	1B	(277.8)	(202.7)	(75.1)	137.1	0.0
Fleet Holding Account	1B	88.8	61.4	27.4	144.5	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	84.6
Miscellaneous - RD	1B	2.6	37.9	(35.3)	6.8	129.7
Service Total		1,520.8	1,690.1	(169.3)	90.0	3,189.8

Transportation	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - TR		264.8	260.9	3.9	101.5	366.5
Co-ordination	1B	49.2	35.3	13.9	139.5	74.0
Concessionary Fares	1B	33.0	67.9	(34.9)	48.6	101.4
Support for Operators - Buses	1B	386.4	538.9	(152.5)	71.7	830.5
Support for Operators - Air	1C	723.8	783.4	(59.6)	92.4	1,175.1
Support for Operators - Ferries		3.1	2.1	1.0	147.7	3.1
Airfields Operations	1B	259.4	289.9	(30.5)	89.5	427.8
Orkney Ferries	1C	3,299.1	3,388.6	(89.5)	97.4	4,560.2
Ferries Development		(449.2)	(451.6)	2.4	99.5	0.0
Service Total		4,569.6	4,915.4	(345.8)	93.0	7,538.6

Changes in original budget position:

Original Net Budget	7,388.6
Contribution from Ferry Replacement Fund	100.0
Contribution from Ferry Replacement Fund	50.0
	7,538.6

Operational Environmental Services	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Burial Grounds		82.7	76.4	6.3	108.2	95.3
Refuse Collection	1B	312.5	219.5	93.0	142.4	524.7
Waste Disposal	1C	713.8	785.5	(71.7)	90.9	1,194.5
Recycling	1B	427.1	379.1	48.0	112.7	506.2
Environmental Cleansing	1B	173.1	259.8	(86.7)	66.6	386.1
OES Holding Account	1B	33.6	(144.7)	178.3	N/A	0.0
Service Total		1,742.8	1,575.6	167.2	110.6	2,706.8

Changes in original budget position:

Original Net Budget	2,621.2
Integrated Waste Facility from Roads Project Fund	11.5
Integrated Waste Facility from Capital Projects Appraisals Fund	74.1
	2,706.8

Environmental Health & Trading	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - ES		305.3	303.1	2.2	100.7	551.5
Trading Standards	1B	130.2	163.3	(33.1)	79.7	264.8
Public Toilets	1B	86.7	62.8	23.9	138.0	83.9
Service Total		522.2	529.2	(7.0)	98.7	900.2

Development	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - DV		445.7	455.6	(9.9)	97.8	751.0
Business Gateway		113.7	120.2	(6.5)	94.6	170.5
EEC Expenditure		0.2	6.6	(6.4)	2.6	9.9
Leader Programme		74.6	78.3	(3.7)	95.3	24.1
Regeneration	1B	82.0	95.6	(13.6)	85.8	18.6
Kirkwall Townscape Heritage	1B	110.1	0.0	110.1	0.0	0.0
Tourism	1B	11.1	55.7	(44.6)	20.0	111.4
Economic Development Grants	1B	142.6	205.4	(62.8)	69.4	288.8
Other Economic Development Grants	1B	248.2	304.8	(56.6)	81.4	319.5
Service Total		1,228.2	1,322.2	(94.0)	92.9	1,693.8

Changes in original budget position:

Original Net Budget	1,411.1
Contribution from Workforce Management Fund	128.6
CDF Grant from Economic Development Grants Fund	120.0
Budget for Orkney Islands Science Festival	(20.0)
Kirkwall Bid from Economic Development Fund	5.7
Promote Orkney from Economic Development Fund	48.4
	1,693.8

Planning	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - PL		97.4	93.3	4.1	104.4	354.3
Development Management	1B	(120.0)	115.0	(235.0)	N/A	171.6
Development Planning	1B	280.1	338.5	(58.4)	82.7	464.7
Building Standards		7.9	(0.3)	8.2	N/A	10.2
Archaeology		30.0	32.1	(2.1)	93.4	44.8
North Isles Landscape Partnership Scheme		59.0	60.0	(1.0)	98.3	33.8
Service Total		354.4	638.6	(284.2)	55.5	1,079.4

Changes in original budget position:

Original Net Budget	1,005.7
Environmental Designations from RRR Fund	15.0
North Isles Landscape Development Phase from SRF	33.8
Planning Post from RRR Fund	24.9
	1,079.4

Annex 3: Budget Action Plan

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26A	<p>Winter Maintenance and Response</p> <p>Less than anticipated expenditure by £105.5K</p> <p>The expected expenditure on "flood" work and demands on winter maintenance (gritting) is not as anticipated at this time of year.</p>	<p>Monitor the situation</p> <p>It is noted that this surplus will reduce given the cold snap in December in terms of gritting activity.</p>	Darren Richardson	31/03/2021	Ongoing
R26C	<p>Street Lighting</p> <p>Less than anticipated expenditure by £31.1K</p> <p>Expenditure lower than profile, non-essential spend on hold.</p>	<p>Monitor the situation</p> <p>All non-essential work is on hold given known deficits and unfunded COVID-19 costs.</p>	Darren Richardson	31/03/2021	Ongoing
R26D	<p>Car Parks</p> <p>Less than anticipated income by £144.6K</p> <p>Income not received as charging was temporarily suspended.</p>	<p>Management input required</p> <p>Noted the impact of COVID-19 in terms of no car park income (£141k) and unfunded pressure in terms of the EV provision for electricity costs and maintenance (£4k) so far. Existing car park charges reintroduced 15 July 2020, increased charges started from 1 October 2020.</p>	Darren Richardson	31/03/2021	Ongoing

Annex 3: Budget Action Plan

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26E	<p>Other Works</p> <p>Less than anticipated expenditure by £40.8K</p> <p>Costs lower than profile, noting events not proceeding due to COVID-19 restrictions.</p>	<p>Monitor the situation</p> <p>Planned events not arisen such as fairs, galas, parades (Shopping Week) therefore costs lower than budget as well as some Access to Countryside works, COVID-19 related.</p>	Darren Richardson	31/03/2021	Ongoing
R26J	<p>Structural Maintenance</p> <p>Less than anticipated expenditure by £85.5K</p> <p>Costs lower than anticipated due to COVID-19 impact and works on hold.</p>	<p>Monitor the situation</p> <p>As with other planned works the non-essential aspects are on hold due to COVID-19 costs elsewhere and a need to use all available revenue resources so that the budget overall is not exceeded, as per Senior Management Team instruction/confirmation.</p>	Darren Richardson	31/03/2021	New
R26K	<p>Routine Maintenance</p> <p>Less than anticipated expenditure by £85.3K</p> <p>Costs lower than anticipated due to COVID-19 impact and works on hold.</p>	<p>Monitor the situation</p> <p>Planned works on hold due to COVID-19 costs for non-essential aspects. This underspend will address the rising COVID-19 costs elsewhere, as the budget overall cannot be exceeded as instructed/confirmed at Senior Management Team.</p>	Darren Richardson	31/03/2021	New

Annex 3: Budget Action Plan

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26L	<p>Quarries Holding Account</p> <p>Less than anticipated income by £111.9K</p> <p>Costs are lower than anticipated however offset by recharges (sales) also less than anticipated.</p>	<p>Management input required</p> <p>The reduced output does see labour, materials, and overheads lower than profile. This is offset by the loss of sales given COVID-19 restrictions. The second half of the year sees expenditure exceeding overall income.</p>	Darren Richardson	31/03/2021	Ongoing
R26M	<p>Roads Holding Account</p> <p>More than anticipated income by £75.1K</p> <p>Recharges are now up to date.</p>	<p>Management input required</p> <p>The impact of COVID-19 on delivery of work has seen Holding Account costs move across to client budgets following discussion and agreement at Senior Management Team. This greatly reduced the Holding Account deficit this period. The final position should see a Roads and Waste breakeven position.</p>	Darren Richardson	31/03/2021	Ongoing
R26N	<p>Fleet Holding Account</p> <p>More than anticipated expenditure by £27.4K</p> <p>Expenditure higher than profile because of high throughput in this period.</p>	<p>Management input required</p> <p>Planned expenditure peaked in this period and was higher than profile, additional fleet demands for the winter preparation period that was later than planned, due to COVID-19 restrictions.</p>	Darren Richardson	31/03/2021	Ongoing

Annex 3: Budget Action Plan

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26Z	Miscellaneous - RD Less than anticipated expenditure by £35.3K The planned work under the Miscellaneous category is delayed as non-essential works in the COVID-19 period in terms of resource deployment.	Monitor the situation Monitor.	Darren Richardson	31/03/2021	Ongoing

Annex 3: Budget Action Plan

Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27B	<p>Co-ordination</p> <p>More than anticipated expenditure by £13.9K</p> <p>Increased spending on Kirkwall Travel Centre with the provision of CCTV to meet a rising security need.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	Jim Buck	31/01/2021	New
R27C	<p>Concessionary Fares</p> <p>Less than anticipated expenditure by £34.9K</p> <p>Underspend in travel due to COVID-19 restrictions.</p>	<p>Monitor the situation</p> <p>Will continue to monitor.</p>	Jim Buck	31/01/2021	Ongoing
R27G	<p>Support for Operators - Buses</p> <p>Less than anticipated expenditure by £152.5K</p> <p>There are increased costs due to enforced extension of the current contract; however currently showing an underspend due to delayed receipt of invoices.</p>	<p>Monitor the situation</p> <p>Should be revised on completion of current iteration of the tendering process.</p>	Jim Buck	31/01/2021	Ongoing

Annex 3: Budget Action Plan

Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27I	<p>Support for Operators - Air</p> <p>Less than anticipated expenditure by £59.6K</p> <p>Continuing underspend generated by fuel saving as well as reduced schedule due to COVID-19 lockdown re-implementation.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	Jim Buck	31/01/2021	Ongoing
R27K	<p>Airfields Operations</p> <p>Less than anticipated expenditure by £30.5K</p> <p>Due to reduced inter-isles flight service as a result of COVID-19 restrictions, including underspends on staff costs, training, and associated costs.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	Jim Buck	31/01/2021	Ongoing
R27L	<p>Orkney Ferries</p> <p>Less than anticipated expenditure by £89.5K</p> <p>Underspend in staffing due to reduction in number of sailings at the beginning of the financial year due to COVID-19 restrictions.</p>	<p>Monitor the situation</p> <p>Continue to monitor as current timetables have been extended by a month, to cover for reduced sailings at the beginning of the financial year.</p>	Jim Buck	31/01/2021	Ongoing

Annex 3: Budget Action Plan

Operational Environmental Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R28C	<p>Refuse Collection</p> <p>More than anticipated expenditure by £93.0K</p> <p>Costs higher than profile due to COVID-19 restrictions.</p>	<p>Management input required</p> <p>This period continues to highlight rising costs associated with collection and disposal. It is predicted that in terms of additional labour/plant charges to Waste, this may exceed £400k (excluding loss of commercial income which may exceed £500k for all of Operational Environmental Services).</p>	Darren Richardson	31/03/2021	Ongoing
R28E	<p>Waste Disposal</p> <p>Less than anticipated expenditure by £71.7K</p> <p>Costs of disposal lower than anticipated.</p>	<p>Monitor the situation</p> <p>The volume in tonnage terms has been lower in the COVID-19 period by about 25%, therefore the shipped tonnage has fallen similarly, and costs in this period.</p>	Darren Richardson	31/03/2021	New
R28F	<p>Recycling</p> <p>More than anticipated expenditure by £48.0K</p> <p>Costs higher than anticipated due to COVID-19 restrictions.</p>	<p>Management input required</p> <p>Noting the Household Waste Recycling Centre sites have reopened with significantly more labour present due to COVID-19 restrictions. The costs are now being charged out of the Holding Accounts direct to client budgets. This does see an improvement in the Roads position but will adversely affect the Waste position, as noted, for additional staffing costs.</p>	Darren Richardson	31/03/2021	Ongoing

Annex 3: Budget Action Plan

Operational Environmental Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R28G	<p>Environmental Cleansing</p> <p>Less than anticipated expenditure by £86.7K</p> <p>The planned scheduled cyclical works are held back due to COVID-19 restrictions. Only essential works</p>	<p>Management input required</p> <p>Monitor.</p>	Darren Richardson	31/03/2021	Ongoing
R28K	<p>OES Holding Account</p> <p>Less than anticipated income by £178.3K</p> <p>Recharges less than anticipated.</p>	<p>Management input required</p> <p>Holding Account recharges are progressively hitting client budgets, therefore any underspend on client budgets will reduce. It is noted there may be insufficient revenue budget funding to address these costs, along with the loss of income, at year end.</p>	Darren Richardson	31/03/2021	Ongoing

Annex 3: Budget Action Plan

Environmental Health & Trading Standards

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R29B	<p>Trading Standards</p> <p>Less than anticipated expenditure by £33.1K</p> <p>Primarily as a result of a vacant post.</p>	<p>Monitor the situation</p> <p>Recruitment delayed due to COVID-19 restrictions. Previous applicants being contacted.</p>	Roddy Mackay	31/01/2021	Ongoing
R29D	<p>Public Toilets</p> <p>More than anticipated expenditure by £23.9K</p> <p>Costs higher than anticipated due to the impact of COVID-19.</p>	<p>Management input required</p> <p>The impact of COVID-19 created additional cost to open safely across all sites progressively. The cleaning regime costs are also impacted on separately. It is anticipated that the additional costs due to COVID-19 will exceed £30k up to a maximum of £40k.</p>	Darren Richardson	31/03/2021	Ongoing

Annex 3: Budget Action Plan

Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33E	<p>Regeneration</p> <p>Less than anticipated expenditure by £13.6K</p> <p>Grant received in advance for 5G New Thinking with expenditure to be established as the year proceeds. Plus, staff costs variance which has been rectified in this period.</p>	<p>Raise virements request</p> <p>Monitor and costs likely to catch up as the year progresses.</p>	Gavin Barr	31/01/2021	Ongoing
R33F	<p>Kirkwall Townscape Heritage</p> <p>Less than anticipated income by £110.1K</p> <p>Grant retention from Historic Environment Scotland (HES) pending submission of final reports.</p>	<p>Monitor the situation</p> <p>Final report to be submitted.</p>	Roddy Mackay	31/03/2021	New
R33I	<p>Tourism</p> <p>Less than anticipated expenditure by £44.6K</p> <p>No expenditure against profile.</p>	<p>Raise virements request</p> <p>Delay in payments as a result of COVID-19.</p>	Roddy Mackay	31/01/2021	Ongoing
R33J	<p>Economic Development Grants</p> <p>Less than anticipated expenditure by £62.8K</p> <p>No tourism grant claims paid.</p>	<p>Raise virements request</p> <p>No further action required.</p>	Roddy Mackay	28/02/2021	Ongoing

Annex 3: Budget Action Plan

Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33K	Other Economic Development Less than anticipated expenditure by £56.6K As a result of profiling issues with a number of the grants budgets.	Raise virements request Budgets affected are Marketing and Strategies and Studies.	Roddy Mackay	28/02/2021	Ongoing

Annex 3: Budget Action Plan

Planning

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R34B	<p>Development Management</p> <p>More than anticipated income by £235.0K</p> <p>Higher than anticipated planning fee income.</p>	<p>Monitor the situation</p> <p>Fee income to be used to cover the cost of additional posts and employment of specialist EIA advice.</p>	Roddy Mackay	31/03/2021	Ongoing
R34C	<p>Development Planning</p> <p>More than anticipated income by £58.4K</p> <p>£35K grant funding received from Hitrans for Papdale East active travel project.</p>	<p>Monitor the situation</p> <p>Delay in project commencing. Consultant now appointed to undertake design works. Project to be completed by end of financial year.</p>	Roddy Mackay	31/03/2021	Ongoing