

Item: 5

Development and Infrastructure Committee: 7 September 2021.

Revenue Expenditure Monitoring.

Joint Report by Interim Executive Director of Finance, Regulatory, Marine and Transportation Services, Interim Executive Director of Environmental, Property and IT Services and Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 30 June 2021 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 2021, attached as Annex 1 to this report, indicating a budget overspend position of £543,100.

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 30 June 2021, 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 2 March 2021, the Council set its overall revenue budget for financial year 2021/22. On 20 April 2021, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2021/22, 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 30 June 2021 is attached as Annex 1 to this report.

4.2.

The detail 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, Interim Executive Director of Finance, Regulatory, Marine and Transportation Services, Email gareth.waterson@orkney.gov.uk.

Hayley Green, Interim Executive Director of Environmental, Property and IT Services, 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 2021

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	1,101.2	793.4	307.8	138.8	3,073.6
Transportation	4,046.0	4,156.0	(110.0)	97.4	8,093.1
Operational Environmental Services	780.2	201.5	578.7	387.2	2,929.8
Environmental Health & Trading Standards	171.6	173.6	(2.0)	98.8	940.2
Development	694.0	720.7	(26.7)	96.3	1,539.5
Planning	66.9	271.6	(204.7)	24.6	1,174.6
Service Totals	6,859.9	6,316.8	543.1	108.6	17,750.8

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	8	7	12	58%
Transportation	3	3	9	33%
Operational Environmental Services	6	6	6	100%
Environmental Health & Trading Standards	0	1	3	33%
Development	2	4	9	44%
Planning	3	2	6	33%
Totals	22	23	45	51%

Annex 2: Financial Detail by Service Area

June 2021

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		136.2	131.2	5.0	103.8	944.2
Street Lighting	1B	(19.9)	17.5	(37.4)	N/A	220.5
Car Parks	1B	27.0	(30.3)	57.3	N/A	(151.3)
Other Works		6.9	9.5	(2.6)	73.3	111.2
Traffic Management	1B	33.1	21.6	11.5	153.3	237.8
Structural Maintenance	1B	219.5	190.1	29.4	115.4	1,244.4
Routine Maintenance		85.3	90.0	(4.7)	94.7	772.6
Quarries Holding Account	1B	158.7	15.5	143.2	1,023.6	(500.0)
Roads Holding Account	1B	401.3	255.9	145.4	156.8	0.0
Fleet Holding Account	1B	51.1	86.5	(35.4)	59.1	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	85.4
Miscellaneous - RD		2.0	5.9	(3.9)	34.1	108.8
Service Total		1,101.2	793.4	307.8	138.8	3,073.6

Transportation	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - TR		42.1	34.2	7.9	123.1	220.7
Co-ordination		15.4	11.6	3.8	132.8	75.0
Concessionary Fares		8.6	8.5	0.1	101.6	124.6
Support for Operators - Buses	1B	257.8	212.0	45.8	121.6	1,293.3
Support for Operators - Air		199.5	197.8	1.7	100.9	1,186.9
Support for Operators - Ferries		4.4	0.5	3.9	810.9	3.1
Airfields Operations	1B	110.0	130.0	(20.0)	84.6	432.0
Orkney Ferries	1C	3,497.1	3,650.3	(153.2)	95.8	4,757.5
Ferries Development		(88.9)	(88.9)	0.0	100.0	0.0
Service Total		4,046.0	4,156.0	(110.0)	97.4	8,093.1

Operational Environmental Services	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Burial Grounds	1B	52.0	40.3	11.7	129.1	94.3
Refuse Collection	1B	224.5	(252.1)	476.6	N/A	613.4
Waste Disposal	1B	332.2	271.2	61.0	122.5	1,317.0
Recycling	1B	72.0	106.4	(34.4)	67.7	513.1
Environmental Cleansing	1B	51.5	77.2	(25.7)	66.8	392.0
OES Holding Account	1B	48.0	(41.5)	89.5	N/A	0.0
Service Total		780.2	201.5	578.7	387.2	2,929.8

Environmental Health & Trading	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - ES	1B	77.2	91.6	(14.4)	84.4	584.0
Trading Standards		53.7	50.5	3.2	106.4	271.5
Public Toilets		40.7	31.5	9.2	129.4	84.7
Service Total		171.6	173.6	(2.0)	98.8	940.2

Development	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - DV		93.4	99.3	(5.9)	94.1	632.3
Business Gateway	1B	20.8	35.9	(15.1)	58.1	173.3
EEC Expenditure		0.0	1.6	(1.6)	1.8	9.4
Leader Programme		405.4	411.4	(6.0)	98.5	25.0
Regeneration	1B	9.0	19.2	(10.2)	46.6	16.5
Kirkwall Townscape Heritage		110.1	110.1	0.0	100.0	0.0
Tourism		0.0	0.0	0.0	0.0	112.5
Economic Development Grants	1B	36.7	51.0	(14.3)	71.9	291.7
Other Economic Development Grants	1B	18.6	(7.8)	26.4	N/A	278.8
Service Total		694.0	720.7	(26.7)	96.3	1,539.5

Changes in original budget position:

Original Net Budget	1,408.0
Kirkwall BID from Economic Development Grants	11.5
CDF Grant from Economic Development Grants Fund	120.0
	1,539.5

Planning	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - PL		46.0	44.7	1.3	103.0	379.1
Development Management	1B	(94.6)	21.9	(116.5)	N/A	150.3
Development Planning	1B	43.9	123.3	(79.4)	35.6	536.1
Building Standards		(4.0)	1.3	(5.3)	N/A	18.9
Archaeology		9.2	10.0	(0.8)	92.2	45.6
North Isles Landscape Partnership Scheme		66.4	70.4	(4.0)	94.4	44.6
Service Total		66.9	271.6	(204.7)	24.6	1,174.6

Changes in original budget position:

Original Net Budget	1,032.1
Marine Planning from Crown Estate	25.0
Environmental Designations from RRR Fund	12.2
Climate Change from Crown Estate Fund	70.0
Budget from Planning to Procurement	(9.3)
North Isles Landscape Development Phase from SRF	44.6
	1,174.6

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26C	<p>Street Lighting</p> <p>Less than anticipated expenditure by £37.4K</p> <p>Profile ahead of budget spend.</p>	<p>Monitor the situation</p> <p>No action required.</p>	David Thomson	30/09/2021	Ongoing
R26D	<p>Car Parks</p> <p>Less than anticipated income by £57.3K</p> <p>Reduced income due to increased uptake for 1-hour free parking.</p>	<p>Manage income/expenditure</p> <p>Reduction in income due to introduction of 1-hour free parking to be funded, up to £100k, from Coronavirus Response Fund.</p>	David Thomson	30/09/2021	Ongoing
R26F	<p>Traffic Management</p> <p>Less than anticipated income by £11.5K</p> <p>No income to date for roads development and adoption nor for roadworks control and management.</p> <p>Slow down due to impact of COVID-19.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	David Thomson	30/09/2021	Ongoing

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26J	<p>Structural Maintenance</p> <p>More than anticipated expenditure by £29.4K</p> <p>The variance is due to a Sundry Debtor for an insurance claim which has not yet been received.</p>	<p>Monitor the situation</p> <p>Receipt of the insurance claim will rectify.</p>	David Thomson	30/09/2021	Ongoing
R26L	<p>Quarries Holding Account</p> <p>More than anticipated expenditure by £143.2K</p> <p>Variance due to lag between import and sale of stone.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	David Thomson	31/12/2021	Ongoing
R26M	<p>Roads Holding Account</p> <p>Less than anticipated income by £145.4K</p> <p>Variance is mainly due to recharges behind profile but also increasing administrative costs due to individual COVID-19 requirements and precautions around IT equipment, training plus additional office staff.</p> <p>There have also been additional depot costs in ongoing safety improvements and earlier than usual maintenance undertaken on winter maintenance fleet.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	David Thomson	30/09/2021	New

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26N	Fleet Holding Account Less than anticipated expenditure by £35.4K Underspend mainly due to staff vacancies, leading to need to use external suppliers for repairs.	Monitor the situation Monitor.	David Thomson	30/09/2021	Ongoing

Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27G	<p>Support for Operators - Buses</p> <p>More than anticipated expenditure by £45.8K</p> <p>Invoices paid ahead of budget profile.</p>	<p>No action required</p> <p>Monitor</p>	Jim Buck	30/06/2021	Ongoing
R27K	<p>Airfields Operations</p> <p>Less than anticipated expenditure by £20.0K</p> <p>Reduced staff costs due to vacancies at North Isles airfield. Also reduced training due to COVID-19 restrictions.</p>	<p>Monitor the situation</p> <p>Monitor</p>	Jim Buck	30/06/2021	Ongoing
R27L	<p>Orkney Ferries</p> <p>Less than anticipated expenditure by £153.2K</p> <p>The variance is an accrual for the final refit claim for 2020.21 still to be paid.</p>	<p>Process transaction(s)</p> <p>Final refit claim for 2020.21 to be submitted and paid.</p>	Jim Buck	31/07/2021	Ongoing

Operational Environmental Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R28B	<p>Burial Grounds</p> <p>More than anticipated expenditure by £11.7K</p> <p>Costs charged to incorrect code. Will be allocated appropriately in following period.</p>	<p>Process transaction(s)</p> <p>Process journal.</p>	David Thomson	31/07/2021	Ongoing
R28C	<p>Refuse Collection</p> <p>Less than anticipated income by £476.6K</p> <p>Commercial income not yet received/recharged.</p>	<p>Process transaction(s)</p> <p>Issue invoices.</p>	David Thomson	31/07/2021	Ongoing
R28E	<p>Waste Disposal</p> <p>More than anticipated expenditure by £61.0K</p> <p>Payment for services received have been made ahead of the budget profile.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	David Thomson	30/09/2021	Ongoing
R28F	<p>Recycling</p> <p>More than anticipated income by £34.4K</p> <p>Sale of goods (income) received ahead of budget profile, and property costs incorrectly coded to Cull Centre.</p>	<p>Process transaction(s)</p> <p>Journal to be processed to correct incorrect coding of costs.</p>	David Thomson	31/07/2021	Ongoing

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 £25.7K</p> <p>Reduction in street cleansing ability due to ongoing vacancies slowly being filled. Pressures on refuse and recycling collections absorbing resources.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	David Thomson	30/09/2021	Ongoing
R28K	<p>OES Holding Account</p> <p>Less than anticipated income by £89.5K</p> <p>The recharges are less than the budget profile.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	David Thomson	30/09/2021	Ongoing

Environmental Health & Trading Standards

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R29A	<p>Administration - ES</p> <p>Less than anticipated expenditure by £14.4K</p> <p>Staffing costs lower than anticipated due to service currently carrying three staffing vacancies - two Environmental Health Officer posts and Manager post.</p>	<p>Monitor the situation</p> <p>Two new Environmental Health Officers recruited and starting work with Council in August.</p>	Roddy Mackay	31/08/2021	New

Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33B	<p>Business Gateway</p> <p>Less than anticipated expenditure by £15.1K</p> <p>Due to staffing vacancies within the team - manager and officer posts.</p>	<p>Monitor the situation</p> <p>Manager post recruited to and recruitment underway for the officer post.</p>	Roddy Mackay	31/08/2021	New
R33E	<p>Regeneration</p> <p>Less than anticipated expenditure by £10.2K</p> <p>Primarily as a result of difficulties in recruiting to the new post established to progress the Orkney Marine Asset Management Pilot Scheme.</p>	<p>Monitor the situation</p> <p>Post has now been recruited to and new postholder commences work in August.</p>	Roddy Mackay	31/08/2021	New
R33J	<p>Economic Development Grants</p> <p>Less than anticipated expenditure by £14.3K</p> <p>Primarily due to payment of grants to the tourism industry not matching the anticipated profile.</p>	<p>Raise virements request</p> <p>Process virement request.</p>	Roddy Mackay	31/08/2021	New
R33K	<p>Other Economic Development</p> <p>Less than anticipated income by £26.4K</p> <p>Primarily as a result of budget profiles in Promote Orkney and Strategies and Studies budgets not reflecting actual income/expenditure.</p>	<p>Raise virements request</p> <p>Anticipate that virement requests will rectify matters.</p>	Roddy Mackay	31/08/2021	Ongoing

Planning

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R34B	<p>Development Management</p> <p>More than anticipated income by £116.5K</p> <p>Planning application fee income higher than anticipated at this stage in the year due to receipt of application attracting larger fee (Faray wind turbines).</p>	<p>Monitor the situation</p> <p>No action required at this stage.</p>	Roddy Mackay	31/08/2021	Ongoing
R34C	<p>Development Planning</p> <p>More than anticipated income by £79.4K</p> <p>As a result of (a) final grant claim being paid by Scottish Government in respect of Orkney Marine Environment Project incorrectly coded and (b) underspend in the Development Plans budget due to a staffing vacancy.</p>	<p>Raise journals request</p> <p>Second attempt to recruit to vacant post in Development Plans team to be progressed.</p> <p>Journal has been processed to move grant income to correct cost centre.</p>	Roddy Mackay	31/08/2021	Ongoing