

Item: 4

Development and Infrastructure Committee: 7 September 2021.

Revenue Expenditure Outturn.

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 outturn position for financial year 2020/21 across each of the service areas 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 2020/21, attached as Annex 1 to this report, indicating an underspend of £439,800.

The Committee is invited to scrutinise:

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, in order to obtain assurance that appropriate action was 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 monitoring 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.

4. Financial Summary

4.1.

The revenue expenditure outturn statement is attached as Annex 1 to this report.

4.2.

The Budget Action Plan, attached as Annex 2 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 outturn statements include a number of accounting entries required to comply with proper accounting practice, including International Financial Reporting Standards. This includes accounting for the use of fixed assets, for example depreciation and revaluations, current service cost of pensions and accumulated staff absences.

7. Legal Aspects

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

8. Contact Officers

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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: Revenue Expenditure Outturn Statement.

Annex 2: Budget Action Plan.

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2020 to 2021

	Spend	Budget	Over/(Under)		Annual
	£000	£000	Spend	%	Budget
General Fund Services			£000		£000
Roads	3,254.0	3,620.8	(366.8)	89.9	3,620.8
Transportation	7,675.8	7,693.2	(17.4)	99.8	7,693.2
Operational Environmental Services	2,989.7	2,785.3	204.4	107.3	2,785.3
Environmental Health and Trading Standards	942.4	923.8	18.6	102.0	923.8
Development	1,569.3	1,604.7	(35.4)	97.8	1,604.7
Planning	774.4	1,017.7	(243.3)	76.1	1,017.7
Service Totals	17,205.7	17,645.5	(439.8)	97.5	17,645.5

		Spend	Budget	Over/(Under)		Annual
		£000	£000	Spend	%	Budget
Roads	PA			£000		£000
Winter Maintenance and Response	1C	1,231.5	1,295.6	(64.1)	95.1	1,295.6
Street Lighting		158.5	166.3	(7.8)	95.3	166.3
Car Parks		89.5	81.8	7.7	109.4	81.8
Other Works	1B	61.6	109.4	(47.9)	56.4	109.4
Traffic Management	1B	199.6	234.3	(34.7)	85.2	234.3
Structural Maintenance	1B	1,021.8	1,149.1	(127.3)	88.9	1,149.1
Routine Maintenance		562.5	597.9	(35.4)	94.1	597.9
Quarries Holding Account		(201.9)	(201.9)	0.0	100.0	(201.9)
Roads Holding Account		243.3	243.3	0.0	100.0	243.3
Fleet Holding Account		40.7	40.7	0.0	100.0	40.7
Movement in Reserves		(241.0)	(241.0)	0.0	100.0	(241.0)
Miscellaneous	1B	87.9	145.3	(57.4)	60.5	145.3
Service Totals		3,254.0	3,620.8	(366.9)	89.9	3,620.8

Budget Summary

Original Net Budget	3,189.8
Lost income budget contribution for Roads	158.5
Lost income budget contribution for Quarries	263.5
Re-align Central Administration Apportioned Costs	9.0
Revised Net Budget	3,620.8

Movement in Reserves Statement

IFRS Accounting Entries	(325.6)
<u>Transfer to Reserves:</u>	
Repairs and Renewals Fund for Quarry Plant Replacement	84.6
	(241.0)

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2020 to 2021

		Spend	Budget	Over/(Under)		Annual
		£000	£000	Spend		Budget
Transportation	PA			£000	%	£000
Administration		489.2	500.6	(11.4)	97.7	500.6
Co-ordination	1B	64.9	84.3	(19.4)	77.0	84.3
Concessionary Fares	1B	54.7	123.4	(68.7)	44.3	123.4
Support for Operators - Buses	1B	1,005.8	808.5	197.3	124.4	808.5
Support for Operators - Air	1C	1,086.7	1,175.1	(88.4)	92.5	1,175.1
Support for Operators - Ferries		2.9	3.1	(0.2)	92.2	3.1
Airfields		395.4	429.1	(33.7)	92.1	429.1
Orkney Ferries		4,710.2	4,703.0	7.2	100.2	4,703.0
Ferries Development		0.0	0.0	0.0	n/a	0.0
Movement in Reserves		(133.9)	(133.9)	0.0	100.0	(133.9)
Service Totals		7,675.8	7,693.2	(17.4)	99.8	7,693.2

Budget Summary

Original Net Budget	7,388.6
Contribution to Inter-Isles Transport Study	150.0
Lost income budget contribution for Orkney Ferries	142.0
Re-align Central Administration Apportioned Costs	12.6
Revised Net Budget	<u>7,693.2</u>

Movement in Reserves Statement

IFRS Accounting Entries	(133.9)
	<u>(133.9)</u>

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2020 to 2021

	PA	Spend	Budget	Over/(Under) Spend		Annual Budget
		£000	£000	£000	%	£000
Operational Environmental Services						
Burial Grounds		101.6	110.3	(8.7)	92.2	110.3
Refuse Collection	1B	900.8	581.5	319.3	154.9	581.5
Waste Disposal		1,144.4	1,192.8	(48.4)	95.9	1,192.8
Recycling	1B	605.4	511.4	94.0	118.4	511.4
Cleansing	1B	237.5	389.3	(151.8)	61.0	389.3
OES Holding Account		169.7	169.7	0.0	100.0	169.7
Movement in Reserves		(169.7)	(169.7)	0.0	100.0	(169.7)
Service Totals		2,989.7	2,785.3	204.4	107.3	2,785.3

Budget Summary

Original Net Budget	2,621.2
Lost income budget contribution for Burial Grounds	8.0
Capital Projects Appraisal - Integrated Waste Facility	43.2
Roads Project Fund - Integrated Waste Facility	11.4
Re-align Central Administration Apportioned Costs	101.5
Revised Net Budget	2,785.3

Movement in Reserves Statement

IFRS Accounting Entries	(169.7)
	(169.7)

	PA	Spend	Budget	Over/(Under) Spend		Annual Budget
		£000	£000	£000	%	£000
Environmental Health and Trading Standards						
Administration		626.9	620.6	6.3	101.0	620.6
Trading Standards	1B	220.1	261.3	(41.2)	84.2	261.3
Public Toilets	1B	137.4	83.9	53.5	163.7	83.9
Movement in Reserves		(42.0)	(42.0)	0.0	100.0	(42.0)
Service Totals		942.4	923.8	18.6	102.0	923.8

Budget Summary

Original Net Budget	900.2
Redetermination - Environmental Health Officers	19.0
Re-align Central Administration Apportioned Costs	4.6
Revised Net Budget	923.8

Movement in Reserves Statement

IFRS Accounting Entries	(61.0)
<u>Transfer to Reserves:</u>	
Redetermination - Environmental Health Officers carry forward	19.0
	(42.0)

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2020 to 2021

		Spend	Budget	Over/(Under)		Annual
		£000	£000	Spend		Budget
Development	PA			£000	%	£000
Administration	1C	945.7	887.3	58.4	106.6	887.3
Business Gateway		175.6	170.5	5.1	103.0	170.5
EEC Expenditure		0.2	9.9	(9.7)	2.0	9.9
Leader Programme		17.7	24.1	(6.4)	73.5	24.1
Regeneration		(1.3)	18.6	(19.9)	n/a	18.6
Tourism	1B	86.7	111.4	(24.7)	77.9	111.4
Economic Development Grants		284.7	270.3	14.4	105.3	270.3
Other Economic Development Grants	1B	216.3	268.9	(52.6)	80.4	268.9
Movement in Reserves		(156.3)	(156.3)	0.0	100.0	(156.3)
Service Totals		1,569.3	1,604.7	(35.4)	97.8	1,604.7

Budget Summary

Original Net Budget	1,411.1
Development Fund - Kirkwall Bid Project	3.9
Development Fund - CDF	72.7
Development Fund - Orkney Digital Media Project	46.1
Contribution to Orkney Science Festival	(20.0)
Re-align Central Administration Apportioned Costs	90.9
Revised Net Budget	<u>1,604.7</u>

Movement in Reserves Statement

IFRS Accounting Entries	(174.8)
<u>Transfer to Reserves:</u>	
Development Grants Movement to Development Grants Fund	18.5
	<u>(156.3)</u>

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2020 to 2021

	PA	Spend	Budget	Over/(Under)		Annual
		£000	£000	Spend	%	Budget
Planning				£000		£000
Administration		509.1	523.5	(14.4)	97.2	523.5
Development Management	1B	(13.7)	170.7	(184.4)	n/a	170.7
Development Planning	1B	394.1	438.4	(44.3)	89.9	438.4
Building Standards		9.4	9.2	0.2	102.3	9.2
Archaeology		44.6	44.8	(0.2)	99.6	44.8
North Isles Landscape Partnership		(0.2)	0.0	(0.2)	n/a	0.0
Movement in Reserves		(168.9)	(168.9)	0.0	100.0	(168.9)
Service Totals		774.4	1,017.7	(243.3)	76.1	1,017.7

Budget Summary

Original Net Budget	1,005.7
RRR Fund Contribution - Environmental Designations	2.8
Re-align Central Administration Apportioned Costs	9.2
Revised Net Budget	<u>1,017.7</u>

Movement in Reserves Statement

IFRS Accounting Entries	(168.9)
	<u>(168.9)</u>

Annex 2:**Budget Action Plan**

Roads			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R26A	<p>Winter Maintenance and Response</p> <p>Less than anticipated expenditure by £64.1K.</p> <p>Priority was given to winter treatment, with no planned or necessary flood and storm damage works. All non-essential revenue works were put on hold due to COVID-19 restrictions. Roads Operational were diverted to Environmental Operational duties which impacted on the available resources and programming of works.</p>	<p>To be noted. No action required at present.</p> <p>Monitor to see if COVID-19 impacts carry on into 2021/22 programme.</p>	D Thomson
R26E	<p>Other Works</p> <p>Less than anticipated expenditure by £47.9K.</p> <p>Events such as Stromness Shopping Week and the Ba were cancelled due to COVID-19 restrictions and expenditure was not incurred in respect of events not going ahead.</p>	No action required.	D Thomson
R26F	<p>Traffic Management</p> <p>Less than anticipated expenditure by £34.7K.</p> <p>All non-essential revenue works were put on hold due to COVID-19 restrictions. Once works commenced ongoing restrictions and Roads</p>	No action required.	D Thomson

Annex 2:**Budget Action Plan**

Roads			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
	Operational staff having been diverted to Environmental Operational duties impacted on the available resources and programming of works.		
R26J	Structural Maintenance Less than anticipated expenditure by £127.3K. Costs lower than anticipated due to COVID-19 impact and works on hold to address, what were thought to be, unfunded COVID-19 costs.	No action required.	D Thomson
R26Z	Miscellaneous Less than anticipated expenditure by £57.4K. The planned work under the Miscellaneous category delayed / on-hold to address, what were thought to be, unfunded COVID-19 costs.	No action required.	D Thomson

Annex 2:**Budget Action Plan**

Transportation			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R27B	<p>Co-ordination</p> <p>Less than anticipated expenditure by £19.4K.</p> <p>Underspends on Bus Timetables, and property costs for the Travel Centre and Bus Shelters due to COVID-19 restrictions.</p>	No action required.	J Buck
R27C	<p>Concessionary Fares</p> <p>Less than anticipated expenditure by £68.7K.</p> <p>Underspend in travel due to COVID-19 restrictions.</p>	No action required.	J Buck
R27G	<p>Support for Operators – Buses</p> <p>More than anticipated expenditure by £197.3K.</p> <p>Increased costs due to enforced extension of the current contract.</p>	An Approved Service Pressure has been applied to this budget, increasing it by £476,700 for 2021/22.	J Buck
R27I	<p>Support for Operators – Air</p> <p>Less than anticipated expenditure by £88.4K.</p> <p>Underspend generated by fuel saving as well as reduced schedule due to COVID-19 lockdown.</p>	No action required.	J Buck

Annex 2:**Budget Action Plan**

Operational Environmental Services			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R28C	Refuse Collection More than anticipated expenditure by £319.3K. Cost higher than profile due to measures implemented to comply with COVID-19 restrictions.	No action required.	D Thomson
R28F	Recycling More than anticipated expenditure by £94.0K. Cost higher than profile due to measures implemented to comply with COVID-19 restrictions.	No action required.	D Thomson
R28G	Cleansing Less than anticipated expenditure by £151.8K. Costs lower than anticipated due to COVID-19 impact.	No action required.	D Thomson

Annex 2:**Budget Action Plan**

Environmental Health and Trading Standards			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R29B	Trading Standards Less than anticipated expenditure by £41.2K. Primarily because of an administrative post which has been vacant. Recruitment has now taken place and the new postholder commenced work in March 2021.	No action required.	R Mackay
R29D	Public Toilets More than anticipated expenditure by £53.5K. Costs higher than anticipated due to measures put in place to comply with COVID-19 restrictions, and additional cleansing requirements.	No action required.	D Thomson

Annex 2: Budget Action Plan

Development			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R33A	<p>Administration</p> <p>More than anticipated expenditure by £58.4K.</p> <p>Overspend in staff costs mainly due to a redundancy payment.</p>	No action required.	R Mackay
R33I	<p>Tourism</p> <p>Less than anticipated expenditure by £24.7K.</p> <p>This was due to the impact of the COVID-19 pandemic. Expo (a tourism industry trade event) was cancelled, and it was not possible or appropriate to market tourism visits during this time.</p>	No action required.	R Mackay
R33K	<p>Other Economic Development Grants</p> <p>Less than anticipated expenditure by £52.6K.</p> <p>Primarily as a result of underspend in the Strategies and Studies budget which provides funding for preliminary works/studies to facilitate development projects.</p>	No action required.	R Mackay

Annex 2: Budget Action Plan

Planning			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R34B	<p>Development Management</p> <p>Less than anticipated expenditure by £184.4K.</p> <p>Underspend in staff costs due to vacancies, plus higher than anticipated planning fee income.</p>	No action required.	R Mackay
R34C	<p>Development Planning</p> <p>More than anticipated income by £44.3K.</p> <p>Unbudgeted grant income received.</p>	No action required.	R Mackay