

Item: 4

Development and Infrastructure Committee: 4 February 2020.

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 2019 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 Development and Infrastructure for the period 1 April to 31 December 2019, attached as Annex 1 to this report, indicating an overspend of £564,000.

2.2.

The revenue financial detail by Service Area statement in respect of Development and Infrastructure for the period 1 April to 31 December 2019, attached as Annex 2 to this report.

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.

3. Background

3.1.

On 5 March 2019, the Council set its overall revenue budget for financial year 2019 to 2020. On 23 April 2019, the Policy and Resources Committee 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 as briefing reports every month in order to inform Elected Members of the up to date financial position. Quarterly revenue expenditure monitoring reports are presented to individual service committees, replacing the need for a monthly budget briefing this reporting period.

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:

- £10,000 and 10% more or less than Anticipated position (1b).
- £50,000 more or less than Anticipated position (1c).

3.5.

Priority Actions can be identified at the Service Function level according to the same criteria and these are shown in the financial detail by Service Area statement. 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. 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.

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 2019 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

Gavin Barr, Executive Director of Development and Infrastructure, extension 2301, Email gavin.barr@orkney.gov.uk.

Gareth Waterson, Head of Finance, extension 2103, 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	2,038.1	1,079.0	959.1	188.9	3,059.2
Transportation	4,671.5	4,863.7	(192.2)	96.0	7,106.9
Operational Environmental Services	1,622.3	1,465.7	156.6	110.7	2,621.2
Environmental Health & Trading Standards	468.4	509.6	(41.2)	91.9	884.8
Development	1,483.0	1,580.3	(97.3)	93.8	2,000.3
Planning	455.9	676.9	(221.0)	67.4	990.2
Service Totals	10,739.2	10,175.2	564.0	105.5	16,662.6

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	9	12	75%
Transportation	3	4	9	44%
Operational Environmental Services	6	4	6	67%
Environmental Health & Trading Standards	1	1	3	33%
Development	6	3	9	33%
Planning	4	3	6	50%
Totals	28	24	45	53%

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	223.9	135.2	88.7	165.6	908.9
Street Lighting	1B	95.1	152.0	(56.9)	62.6	235.7
Car Parks	1B	(48.1)	(72.0)	23.9	66.8	(64.2)
Other Works	1B	42.5	27.0	15.5	157.0	110.4
Traffic Management	1B	136.2	112.9	23.3	120.7	253.4
Structural Maintenance		918.7	916.0	2.7	100.3	1,201.0
Routine Maintenance		402.1	397.7	4.4	101.1	698.3
Quarries Holding Account	1B	(334.6)	(443.1)	108.5	75.5	(500.0)
Roads Holding Account	1B	454.0	(251.2)	705.2	N/A	0.0
Fleet Holding Account	1B	142.2	51.2	91.0	277.8	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	83.8
Miscellaneous - RD	1B	6.1	53.3	(47.2)	11.4	131.9
Service Total		2,038.1	1,079.0	959.1	188.9	3,059.2

Transportation	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - TR		112.1	108.1	4.0	103.7	212.2
Co-ordination	1B	19.4	38.1	(18.7)	50.8	77.6
Concessionary Fares		85.1	81.9	3.2	104.0	122.2
Support for Operators - Buses	1B	468.1	528.0	(59.9)	88.7	814.2
Support for Operators - Air		725.4	768.0	(42.6)	94.5	1,152.1
Support for Operators - Ferries		0.3	2.1	(1.8)	15.3	3.1
Airfields Operations	1B	256.3	290.7	(34.4)	88.2	416.0
Orkney Ferries	1C	3,266.6	3,320.0	(53.4)	98.4	4,309.5
Ferries Development		(261.8)	(273.2)	11.4	95.8	0.0
Service Total		4,671.5	4,863.7	(192.2)	96.0	7,106.9

Operational Environmental Services	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Burial Grounds	1B	130.6	75.9	54.7	172.2	89.7
Refuse Collection	1B	(66.9)	101.9	(168.8)	N/A	448.7
Waste Disposal		832.6	802.2	30.4	103.8	1,182.7
Recycling		343.2	357.0	(13.8)	96.2	497.6
Environmental Cleansing	1B	173.7	271.8	(98.1)	63.9	402.5
OES Holding Account	1B	209.1	(143.1)	352.2	N/A	0.0
Service Total		1,622.3	1,465.7	156.6	110.7	2,621.2

Changes in original budget position:

Original Net Budget	2,541.8
Integrated Waste Facility from Roads Project Fund	79.4
	<u>2,621.2</u>

Environmental Health & Trading	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - ES		275.3	297.9	(22.6)	92.4	555.4
Trading Standards	1B	133.5	149.5	(16.0)	89.3	246.3
Public Toilets		59.6	62.2	(2.6)	95.7	83.1
Service Total		468.4	509.6	(41.2)	91.9	884.8

Changes in original budget position:

Original Net Budget	885.0
Savings Applied 2019.20	(0.2)
	<u>884.8</u>

Development	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - DV	1B	363.7	415.9	(52.2)	87.4	727.4
Business Gateway		159.1	151.9	7.2	104.7	206.3
EEC Expenditure		2.1	6.5	(4.4)	31.7	9.7
Leader Programme		379.6	379.9	(0.3)	99.9	23.0
Regeneration	1B	(45.1)	3.0	(48.1)	N/A	21.6
Kirkwall Townscape Heritage		248.8	226.3	22.5	109.9	49.2
Tourism		28.3	24.2	4.1	117.1	110.3
Economic Development Grants		215.1	221.4	(6.3)	97.1	472.2
Other Economic Development Grants	1B	131.4	151.2	(19.8)	87.0	380.6
Service Total		1,483.0	1,580.3	(97.3)	93.8	2,000.3

Changes in original budget position:

Original Net Budget	1,702.4
Kirkwall Bid from Economic Development Grants Fund	11.5
Business Gateway LGAP from Economic Development Grants Fund	39.6
Kirkwall THI from RRR Fund	41.3
Kirkwall THI Training from RRR Fund	5.2
CDF Grant from Economic Development Grants Fund	150.0
Digital Media from Economic Development Grants Fund	39.2
Promote Orkney from Economic Development Grants Fund	36.4
Kirkwall THI movement in apportioned costs budget	(22.2)
Savings Applied 2019.20	(0.1)
Savings Applied 2019.20	(3.0)
	2,000.3

Planning	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - PL		97.6	92.8	4.8	105.2	333.5
Development Management	1B	22.0	114.0	(92.0)	19.3	170.2
Development Planning	1B	234.6	313.3	(78.7)	74.9	402.7
Building Standards		(9.7)	(4.9)	(4.8)	198.9	3.8
Archaeology		30.9	31.3	(0.4)	98.5	43.7
North Isles Landscape Partnership Scheme	1B	80.5	130.4	(49.9)	61.7	36.3
Service Total		455.9	676.9	(221.0)	67.4	990.2

Changes in original budget position:

Original Net Budget	954.1
North Isles Landscape Development Phase from SRF	36.3
Savings Applied 2019.20	(0.1)
Savings Applied 2019.20	(0.1)
	990.2

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>More than anticipated expenditure by £88.7K</p> <p>Costs ahead of profile in this period.</p>	<p>Monitor the situation</p> <p>Flood and Storm work on profile, greater activity than planned on gritting through cold spell.</p>	Darren Richardson	31/03/2020	Ongoing
R26C	<p>Street Lighting</p> <p>Less than anticipated expenditure by £56.9K</p> <p>Profile ahead of costs.</p>	<p>Monitor the situation</p> <p>The budget profile is ahead of the actual works delivered. Works are progressing slower than planned. Works tendered out, given vacancy issues, for completion by financial year-end. Subject to holding account cost pressures.</p>	Darren Richardson	31/03/2020	Ongoing
R26D	<p>Car Parks</p> <p>Less than anticipated income by £23.9K</p> <p>Income lower than profile.</p>	<p>Management input required</p> <p>Noted the impact of the electrical vehicle charge income v cost (circa £10k costs to date and £4k income against a breakeven budget). Car Park income less than anticipated noting the free 1-hour winter parking (circa 24k p.a.) is a further unfunded pressure.</p>	Darren Richardson	31/03/2020	Ongoing
R26E	<p>Other Works</p> <p>More than anticipated expenditure by £15.5K</p> <p>Costs ahead of profile.</p>	<p>Manage income/expenditure</p> <p>Includes the costs of events such as Stromness Shopping Week and others requiring roads out of hours support. The costs in these areas are exceeding budget due to additional works.</p>	Darren Richardson	31/03/2020	New

Annex 3: Budget Action Plan

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26F	<p>Traffic Management</p> <p>More than anticipated expenditure by £23.3K</p> <p>Costs ahead of profile in some areas but also income less than anticipated.</p>	<p>Monitor the situation</p> <p>This includes targets set for adoption and permit income, circa £15k deficit against profile. Noting that income reflects volume of applications for permits and Road Construction Consents that reflect development activity that cannot be influenced by the roads support team. This will vary year to year.</p>	Darren Richardson	31/03/2020	Ongoing
R26L	<p>Quarries Holding Account</p> <p>Less than anticipated income by £108.5K</p> <p>Income less than profile.</p>	<p>Monitor the situation</p> <p>Ongoing impact of reduced production in terms of production for OIC use (Roads) and sales to private sector. The roads surfacing programme is planned to be completed quarter 4. It is not certain at this point if we will fully recover this lost income and therefore the year-end performance may well be lower than previously achieved.</p>	Darren Richardson	31/03/2020	Ongoing

Annex 3: Budget Action Plan

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26M	<p>Roads Holding Account</p> <p>Less than anticipated income by £705.2K</p> <p>Income less than profile.</p>	<p>Management input required</p> <p>The recharges for labour, plant, materials are significantly less than anticipated and thereby the charge out to clients (income) is less. Hence the Holding Account is showing a large deficit. This is in part a profiling issue and the costing process is behind several more weeks than normal due to staff resource issues. Also, a new "charge out rate" is required. This has been complex and used quarter 1 through quarter 3 to establish the right rate. This will be applied in quarter 4. This will reduce the deficit in the Holding Account but at this stage is unlikely to close it fully and the costs will be recharged to the client accounts. There is the wider Change Team project to review the New Horizon System. This is further behind than anticipated again due to resource levels. Senior management discussion across Development and Infrastructure and Finance are reviewing the potential impact on whether the remaining planned work should be completed or slipped into 2020/21 to reduce the risk of an overspend.</p>	Darren Richardson	31/03/2020	Ongoing

Annex 3: Budget Action Plan

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26N	<p>Fleet Holding Account</p> <p>Less than anticipated income by £91.0K</p> <p>Income behind profile.</p>	<p>Management input required</p> <p>A combination of lower labour and material expenditure continues (impact of vacancies and some long-term sickness). This impacts on recharges, similar to Roads and other Holding Accounts. Vacant posts advertised, and to improve throughput, temporary agency resources will be re-employed (used last financial year to ensure service delivery). This will impact positively on recharges and reduce the Holding Account recharge deficit.</p>	Darren Richardson	31/03/2020	Ongoing
R26Z	<p>Miscellaneous - RD</p> <p>Less than anticipated expenditure by £47.2K</p> <p>Budget ahead of expenditure.</p>	<p>Monitor the situation</p> <p>Monitor, noting this comprises numerous small items where expenditure is behind budget available.</p>	Darren Richardson	31/03/2020	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>Less than anticipated expenditure by £18.7K</p> <p>Additional and unexpected HITRANS money for study work at Carness - which has yet to be spent.</p>	<p>No action required</p> <p>No action at this stage - study will be commissioned and work undertaken in due course.</p>	Brian Archibald	31/03/2020	Ongoing
R27G	<p>Support for Operators - Buses</p> <p>Less than anticipated expenditure by £59.9K</p> <p>Invoices awaited - operator is behind schedule in submitting invoices for monthly payment.</p>	<p>Monitor the situation</p> <p>Budget will balance at year end.</p>	Brian Archibald	31/03/2020	Ongoing
R27K	<p>Airfields Operations</p> <p>Less than anticipated expenditure by £34.4K</p> <p>Expenditure on maintenance and operations behind expectation at this early stage but expected to balance by year end.</p>	<p>Monitor the situation</p> <p>Monitor at this stage and act later if expenditure falls further behind.</p>	Brian Archibald	31/03/2020	Ongoing

Annex 3: Budget Action Plan

Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27L	Orkney Ferries Less than anticipated expenditure by £53.4K Minor variances with exception of longer-term vacancy of the Marine Superintendent. Post has now been offered following interview and should be filled within the next 4 weeks.	Monitor the situation Monitor recruitment. If underspend remains, funds will be vired if necessary, to other revenue pressures.	Brian Archibald	29/02/2020	New

Annex 3: Budget Action Plan

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 £54.7K</p> <p>Costs ahead of profile.</p>	<p>Raise journals request</p> <p>Significant maintenance works required to create new plinths across several locations and undertake a wide range of maintenance works. Costs have been transferred to Burial Grounds from Repairs and Renewals where they were temporarily coded. A contribution from the Repairs and Renewals Fund, which was set aside at the end of financial year 2018 to 2019, will cover these costs.</p>	Darren Richardson	31/03/2020	Ongoing
R28C	<p>Refuse Collection</p> <p>Less than anticipated expenditure by £168.8K</p> <p>Costs lower than anticipated and income higher than anticipated. Some costs not yet coming through.</p>	<p>Management input required</p> <p>An ongoing combination of the income ahead of profile and costs lower than expected, at this point in the year, leading to an artificially optimistic position (property costs for example £48k low).</p>	Darren Richardson	31/03/2020	Ongoing
R28G	<p>Environmental Cleansing</p> <p>Less than anticipated expenditure by £98.1K</p> <p>Costs behind profile overall with some costs exceeding budgets.</p>	<p>Monitor the situation</p> <p>The labour recharges are lower than anticipated given for general cleansing operations, ongoing challenges with people resource (drivers) but also noting additional pressures for litter and bin emptying accruing in the event/tourism season (£27k in deficit). The demand for emptying is being addressed through seasonal worker recruitment, but there is a cost pressure to fund the increasing demands.</p>	Darren Richardson	31/03/2020	Ongoing

Annex 3: Budget Action Plan

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 £352.2K</p> <p>Re-charges behind profile.</p>	<p>Management input required</p> <p>The work to be charged-out is behind several more costing weeks than anticipated, thereby the recharges are behind. Notwithstanding this, like all Holding Accounts the base recharge rate requires adjustment. This is complex and has taken quarter 1 through quarter 3 to resolve for implementation quarter 4. This will reduce some of this deficit but not necessarily all. There is less capacity in Environmental Services to stop or slip work therefore this may well result in an overspend at year end. This is being addressed in the longer term via the Change Team project, subject to pressure on resource availability.</p>	Darren Richardson	31/03/2020	Ongoing

Annex 3: Budget Action Plan

Environmental Health & Trading Standards

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R29B	Trading Standards Less than anticipated expenditure by £16.0K Primarily as a result of a staffing vacancy.	Monitor the situation Recruitment to be progressed following review of job duties.	Roddy Mackay	29/02/2020	Ongoing

Annex 3: Budget Action Plan

Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33A	<p>Administration - DV</p> <p>Less than anticipated expenditure by £52.2K</p> <p>Primarily as a result of a vacant post in the service.</p>	<p>Monitor the situation</p> <p>Recruitment to vacant post being progressed.</p>	Roddy Mackay	29/02/2020	Ongoing
R33E	<p>Regeneration</p> <p>Less than anticipated expenditure by £48.1K</p> <p>Expenditure behind profile.</p>	<p>Monitor the situation</p> <p>Project costs expenditure is not as great as the budget available. These costs will arise so the gap will reduce significantly as actual work is completed.</p>	Darren Richardson	31/03/2020	Ongoing
R33K	<p>Other Economic Development Grants</p> <p>Less than anticipated expenditure by £19.8K</p> <p>Project start delayed - grant expenditure out of line with profile.</p>	<p>Raise virements request</p> <p>Virement to be progressed.</p>	Roddy Mackay	29/02/2020	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 £92.0K</p> <p>Higher than anticipated income from Planning Application fees.</p>	<p>Monitor the situation</p> <p>Larger value applications including Finstown sub-station and Cursiter Quarry. Additional income being used to fund 2 new temporary posts plus consultancy support to assist with high workload issues. Recruitment in progress.</p>	Roddy Mackay	29/02/2020	Ongoing
R34C	<p>Development Planning</p> <p>Less than anticipated expenditure by £78.7K</p> <p>External grant funding does not match budget profile.</p>	<p>Raise virements request</p> <p>Virement request to match income against expenditure to be processed.</p>	Roddy Mackay	29/02/2020	Ongoing
R34M	<p>North Isles Landscape Partnership Scheme</p> <p>Less than anticipated expenditure by £49.9K</p> <p>Income and expenditure from this grants-based budget difficult to profile accurately.</p>	<p>Raise virements request</p> <p>Progress virement.</p>	Roddy Mackay	29/02/2020	Ongoing