

Item: 4

Development and Infrastructure Committee: 8 September 2020.

Revenue Expenditure Outturn.

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

1. Purpose of Report

To advise of the revenue outturn position for financial year 2019 to 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 expenditure outturn statement in respect of Development and Infrastructure for financial year 2019 to 2020, attached as Annex 1 to this report, indicating an overspend of £108,300.

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 action is being taken with regard to significant budget variances .

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 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:

- £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 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

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: Revenue Expenditure Outturn Statement.

Annex 2: Budget Action Plan.

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2019 to 2020

	Spend £000	Budget £000	Over/Under		Annual Budget £000
			Spend £000	%	
General Fund Services					
Roads	3,526.8	3,325.6	201.2	106.1	3,325.6
Transportation	6,934.0	7,112.8	-178.8	97.5	7,112.8
Operational Environmental Services	3,193.4	2,829.8	363.6	112.8	2,829.8
Environmental Health and Trading Standards	827.0	872.7	-45.7	94.8	872.7
Development	1,807.3	1,943.4	-136.1	93.0	1,943.4
Planning	854.6	950.5	-95.9	89.9	950.5
Service Totals	17,143.1	17,034.8	108.3	100.6	17,034.8

	PA	Spend £000	Budget £000	Over/Under		Annual Budget £000
				Spend £000	%	
Roads						
Winter Maintenance and Response	1c	963.6	908.9	54.7	106.0	908.9
Street Lighting		238.1	235.7	2.4	101.0	235.7
Car Parks	1b	-15.6	-59.9	44.3	26.0	-59.9
Other Works	1b	127.8	107.3	20.5	119.1	107.3
Traffic Management	1c	175.3	241.9	-66.6	72.5	241.9
Structural Maintenance	1c	1,349.1	1,197.8	151.3	112.6	1,197.8
Routine Maintenance	1c	783.5	709.8	73.7	110.4	709.8
Quarries Holding Account		-171.1	-171.1	0.0	100.0	-171.1
Roads Holding Account		344.7	344.7	0.0	100.0	344.7
Fleet Holding Account		58.3	58.3	0.0	100.0	58.3
Movement in Reserves		-449.9	-449.9	0.0	100.0	-449.9
Miscellaneous	1c	123.0	202.1	-79.1	60.9	202.1
Service Totals		3,526.8	3,325.6	201.2	106.1	3,325.6

Budget Summary

Original Net Budget	3,059.2
Re-align Central Administration Apportioned Costs	66.4
Repairs and Renewals Fund - Additional Plant & Vehicle Costs Cursiter Quarry	198.2
RRR Fund - Caisson Project	1.8
Revised Net Budget	<u>3,325.6</u>

Movement in Reserves Statement

IFRS Accounting Entries	-449.9
	<u>-449.9</u>

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2019 to 2020

		Spend	Budget	Over/Under		Annual
	PA	£000	£000	Spend	%	Budget
				£000		£000
Transportation						
Administration		422.8	419.8	3.0	100.7	419.8
Co-ordination	1b	43.3	79.3	-36.0	54.6	79.3
Concessionary Fares	1b	108.1	122.2	-14.1	88.5	122.2
Support for Operators - Buses	1c	762.3	814.2	-51.9	93.6	814.2
Support for Operators - Air	1c	1,090.0	1,152.1	-62.1	94.6	1,152.1
Support for Operators - Ferries		3.0	3.1	-0.1	96.8	3.1
Airfields		403.1	419.2	-16.1	96.2	419.2
Movement in Reserves		-208.2	-208.2	0.0	100.0	-208.2
Orkney Ferries		4,309.6	4,311.1	-1.5	100.0	4,311.1
Service Totals		6,934.0	7,112.8	-178.8	97.5	7,112.8

Budget Summary

Original Net Budget	7,106.9
Re-align Central Administration Apportioned Costs	5.9
Revised Net Budget	7,112.8

Movement in Reserves Statement

IFRS Accounting Entries	-208.2
	-208.2

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2019 to 2020

	PA	Spend £000	Budget £000	Over/Under Spend £000	%	Annual Budget £000
Operational Environmental Services						
Burial Grounds	1c	384.6	256.4	128.2	150.0	256.4
Refuse Collection	1c	547.2	448.8	98.4	121.9	448.8
Waste Disposal	1c	1,306.3	1,189.6	116.7	109.8	1,189.6
Recycling	1c	576.9	497.6	79.3	115.9	497.6
Cleansing	1c	343.5	402.5	-59.0	85.3	402.5
Movement in Reserves		-226.4	-226.4	0.0	100.0	-226.4
OES Holding Account		261.3	261.3	0.0	100.0	261.3
Service Totals		3,193.4	2,829.8	363.6	112.8	2,829.8

Budget Summary

Original Net Budget	2,541.8
Repairs & Renewals Fund contribution - Burial Grounds Headstones	116.5
Innovation Fund - Waste Duty of Care	34.9
Roads Project Fund - Integrated Waste Facility	86.6
Re-align Central Administration Apportioned Costs	50.0
Revised Net Budget	2,829.8

Movement in Reserves Statement

IFRS Accounting Entries	-226.4
	-226.4

	PA	Spend £000	Budget £000	Over/Under Spend £000	%	Annual Budget £000
Environmental Health & Trading Standards						
Administration		603.7	642.3	-38.6	94.0	642.3
Trading Standards		228.4	242.0	-13.6	94.4	242.0
Movement in Reserves		-94.7	-94.7	0.0	100.0	-94.7
Public Toilets		89.6	83.1	6.5	107.8	83.1
Service Totals		827.0	872.7	-45.7	94.8	872.7

Budget Summary

Original Net Budget	885.0
Re-align Central Administration Apportioned Costs	-12.1
2020/21 Savings Taken in 2019/20	-0.2
Revised Net Budget	872.7

Movement in Reserves Statement

IFRS Accounting Entries	-94.7
	-94.7

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2019 to 2020

		Spend	Budget	Over/Under		Annual
	PA	£000	£000	Spend	%	Budget
				£000		£000
Development						
Administration	1c	757.5	822.7	-65.2	92.1	822.7
Business Gateway		214.5	214.4	0.1	100.0	214.4
EEC Expenditure		2.5	9.7	-7.2	25.8	9.7
Leader Programme		14.6	23.0	-8.4	63.5	23.0
Regeneration	1b	-6.7	21.6	-28.3	n/a	21.6
Kirkwall Townscape Heritage	1b	110.7	62.9	47.8	176.0	62.9
Tourism	1b	91.1	110.3	-19.2	82.6	110.3
Movement in Reserves		-61.0	-61.0	0.0	100.0	-61.0
Economic Development Grants		380.0	413.9	-33.9	91.8	413.9
Other Economic Development Grants		304.1	325.9	-21.8	93.3	325.9
Service Totals		1,807.3	1,943.4	-136.1	93.0	1,943.4

Budget Summary

Original Net Budget	1,702.4
RRR Fund contribution - Kirkwall THI Training	5.2
RRR Fund contribution - Kirkwall THI	57.7
Development Fund - Kirkwall Bid Project	11.0
Development Fund - Business Gateway ERDF	27.5
Development Fund - CDF	114.9
Development Fund - Orkney Digital Media Project	39.2
Development Fund - Promote Orkney Project	17.3
2020/21 Savings Taken in 2019/20	-3.1
Re-align Central Administration Apportioned Costs	-28.7
Revised Net Budget	1,943.4

Movement in Reserves Statement

IFRS Accounting Entries	-119.3
<u>Transfer to Reserves:</u>	
Development Grants Movement to Development Grants Fund	58.3
	-61.0

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2019 to 2020

	PA	Spend	Budget	Over/Under		Annual
		£000	£000	Spend	%	Budget
				£000		£000
Planning						
Administration		571.4	568.6	2.8	100.5	568.6
Development Management	1c	113.6	169.1	-55.5	67.2	169.1
Development Planning		401.5	410.9	-9.4	97.7	410.9
Building Standards	1b	-22.0	2.8	-24.8	n/a	2.8
Archaeology		44.4	43.7	0.7	101.6	43.7
North Isles Landscape Partnership		-9.7	0.0	-9.7	n/a	0.0
Movement in Reserves		-244.6	-244.6	0.0	100.0	-244.6
Service Totals		854.6	950.5	-95.9	89.9	950.5

Budget Summary

Original Net Budget	954.1
RRR Fund Contribution - Environmental Designations	8.5
2020/21 Savings Taken in 2019/20	-0.2
Re-align Central Administration Apportioned Costs	-11.9
Revised Net Budget	950.5

Movement in Reserves Statement

IFRS Accounting Entries	-244.6
	-244.6

Annex 2:**Budget Action Plan**

Roads			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R26A	<p>Winter Maintenance and Response</p> <p>More than anticipated expenditure by £54.7K.</p> <p>There has been significant gritting activity and changes to salt storage processes in 2019/20. Now under temporary cover at an additional processing cost of £10 per ton (uncover/recover – circa £15k of this total).</p>	<p>A permanent solution is being developed through the CPA process, and this would see some costs reduce as salt usage improves. The second area is the impact of recharges from the roads holding account, linked to the ongoing system replacement project (new horizon). This will see the all-in labour charge rise from £25/hr to £32/hr for 2020/21; this excludes the impact of Covid-19 which if unfunded will significantly increase this in 2020/21.</p>	D Richardson
R26D	<p>Car Parks</p> <p>Less than anticipated income by £44.3K.</p> <p>A key aspect is the unfunded free parking offer cost (circa £24k p.a.) which will be addressed in 2020/21 through Crown Estate funding. A second aspect is the unfunded Electric Vehicle service provision (electricity and maintenance) of circa £25-28k p.a. These costs are only partly recovered by “charges” for use, demand is still growing, they are reviewed annually and may need to significantly increase to be fully self-financing in 2020/21.</p>	<p>Keep under review in 2020/21.</p>	D Richardson

Annex 2:**Budget Action Plan**

Roads			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R26E	Other Works More than anticipated expenditure by £20.5K. Mainly in respect of additional costs on Festive Lighting, The Ba and Fairs & Galas.	Continue to monitor during 2020/21 financial year.	D Richardson
R26F	Traffic Management Less than anticipated expenditure by £66.6K. Several anticipated schemes were put on hold given the uncertainty of the roads holding account position, the revenue funding used to address recharge shortfalls. This has been done across several roads operational revenue budget areas. The financial data was not accurate enough to allow the works to proceed (time lag), therefore traffic management element was not taken up to address these recharge pressure at year end. This is linked to the ongoing system replacement project (new horizon). This will see the all-in labour charge rise from £25/hr to £32/hr for 2020/21; this excludes the impact of Covid-19 which if unfunded will significantly increase this in 2020/21.	Continue to monitor during 2020/21 financial year.	D Richardson

Annex 2:**Budget Action Plan**

Roads			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R26J	<p>Structural Maintenance</p> <p>More than anticipated expenditure by £151.3K.</p> <p>In contrast to R26F costs from the roads holding account are proportioned out to a range of works operational revenue budgets, there was significant structural maintenance work and therefore proportionately received a higher level of reappropriated holding account costs resulting in an overspend. This is linked to the ongoing system replacement project (new horizon). This will see the all-in labour charge rise from £25/hr to £32/hr for 2020/21; this excludes the impact of Covid-19 which if unfunded will significantly increase this in 2020/21.</p>	Continue to monitor during 2020/21 financial year.	D Richardson
R26K	<p>Routine Maintenance</p> <p>More than anticipated expenditure by £73.7K.</p> <p>In contrast to R26F costs from the roads holding account are proportioned out to a range of works operational revenue budgets, there was significant routine maintenance work and therefore proportionately received a higher level of reappropriated holding account costs resulting in an overspend. This is linked to the ongoing system</p>	Continue to monitor during 2020/21 financial year.	D Richardson

Annex 2:**Budget Action Plan**

Roads			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
	replacement project (new horizon). This will see the all-in labour charge rise from £25/hr to £32/hr for 2020/21; this excludes the impact of Covid-19 which if unfunded will significantly increase this in 2020/21.		
R26Z	Miscellaneous Less than anticipated expenditure by £79.1K. This area is built up of many small cost items and overall, the expenditure is less than anticipated but there is no individual area of concern.	No action required.	D Richardson

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 £36.0K.</p> <p>Underspend due to reduced utility and cleaning costs at Kirkwall Travel Centre, as well as reduced costs in respect of timetable printing.</p>	No action required.	J Buck
R27C	<p>Concessionary Fares</p> <p>Less than anticipated expenditure by £14.1K.</p> <p>Dial-a-Bus travel reduced from one trip per week to 3 a month. Saving larger than expected.</p>	Review as part of budget setting process for financial year 2021/22.	J Buck
R27G	<p>Support for Operators – Buses</p> <p>Less than anticipated expenditure by £51.9K.</p> <p>Rousay and Eday operators ceased operations in 2019, leading to significantly reduced cost.</p>	Review as part of new contract 2021.	J Buck

R27I	Support for Operators – Air Less than anticipated expenditure by £62.1K. This is the built-in provision for additional services in the fixed term contract, which has not been utilised this year.	Review as part of new contract 2021.	J Buck
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Annex 2:**Budget Action Plan**

Operational Environmental Services			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R28B	<p>Burial Grounds</p> <p>More than anticipated expenditure by £128.2K.</p> <p>The repair and re-erection of headstones has been partly funded in 2019/20. Some cost will remain in the revenue account, this is subject to a report to Policy and Resources Committee following recommendation from Member/Officer Working Group (impact of the Code of Practice and audit recommendations post headstone issue). It is also noted that anticipated sales are lower (circa £15k for 2019/20 against previous years), the rate of pre-sales is falling, linked to the knowledge perhaps that extensions are nearly completed, and capacity is not an issue. The maintenance costs are historically underfunded; the combination of routine work for general repairs along with grass cutting sees the roads recharge circa £83k. This is only in part a community council issue in terms of grass contracts, the costs at Kirkwall and Stromness, managed by OIC, have increased significantly also as external tender costs have risen. The ongoing system replacement project (new horizon) will have an impact in 2020/21 as the all-in labour recharge rate rises from £25/hr to £32/hr, excluding the impact of Covid-19 which is</p>	Continue to monitor during 2020/21 financial year.	D Richardson

	currently unfunded.		
R28C	<p>Refuse Collection</p> <p>More than anticipated expenditure by £98.4K.</p> <p>The costs from the roads holding account are proportioned out to a range of works operational revenue budgets including waste. The impact of the recharge process at year end sees cost rising significantly, this includes others such as fleet breakdowns or overtime if rounds are cancelled through inclement weather. Hired-in vehicles such as for health and safety reasons in narrow lanes have incurred costs until a purchase can be made through the fleet replacement programme. The ongoing system replacement project (new horizon) will have an impact in 2020/21 as the all-in labour recharge rate rises from £25/hr to £32/hr, excluding the impact of Covid-19 which is currently unfunded. Similarly, the current social distancing risks associated with 2-in-a-cab making round collection 1/3rd less efficient and more drivers and vehicles being set up to supplement affecting capacity to undertake other roads operations for Q1 and Q2 of 2020/21.</p>	Continue to monitor during 2020/21 financial year.	D Richardson
R28E	<p>Waste Disposal</p> <p>More than anticipated expenditure by £116.7K.</p> <p>A key issue is the increase in SIC's cost, this was highlighted as a potential additional burden of £120-150k and will continue in 2020/21. Similarly,</p>	Continue to monitor during 2020/21 financial year.	D Richardson

	<p>from a processing perspective (baling and transport) the ongoing system replacement project (new horizon) will have an impact in 2020/21 as the all-in labour recharge rate rises from £25/hr to £32/hr, excluding the impact of Covid-19 which is currently unfunded.</p>		
R28F	<p>Recycling</p> <p>More than anticipated expenditure by £79.3K.</p> <p>Mainly in respect of additional transport costs. The ongoing system replacement project (new horizon) will have an impact in 2020/21 as the all-in labour recharge rate rises from £25/hr to £32/hr, processing costs, this excludes the impact of Covid-19 which is currently unfunded.</p>	Continue to monitor during 2020/21 financial year.	D Richardson
R28G	<p>Cleansing</p> <p>Less than anticipated expenditure by £59.0K.</p> <p>The availability of people resource (drivers) has remained a challenge throughout the year despite some success in recruitment. The anticipated planned work is less than budget. The ongoing system replacement project (new horizon) will have an impact in 2020/21 as the all-in labour recharge rate which rises from £25/hr to £32/hr; drivers' costs in particular, this excludes the impact of Covid-19 which is currently unfunded.</p>	Continue to monitor during 2020/21 financial year.	D Richardson

Annex 2:**Budget Action Plan**

Development			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R33A	<p>Administration</p> <p>Less than anticipated expenditure by £65.2K.</p> <p>Primarily as a result of carrying a staffing vacancy for a large part of the year.</p>	No action required – the post has now been filled.	R Mackay
R33E	<p>Regeneration</p> <p>Less than anticipated expenditure by £28.3K.</p> <p>Small underspends across all subjective groups.</p>	No action required.	R Mackay
R33F	<p>Kirkwall Townscape Heritage</p> <p>Less than anticipated income by £47.8K.</p> <p>Potential error in allocation of the Renewable Energy, Redevelopment & Regeneration Fund award between capital and revenue budgets.</p>	Officers are investigating revenue and capital budgets to determine if a shortfall exists.	R Mackay
R33I	<p>Tourism</p> <p>Less than anticipated expenditure by £19.2K.</p> <p>Cancellation of the Visit Scotland Expo 2020 event due to COVID-19.</p>	No action required.	R Mackay

Annex 2:**Budget Action Plan**

Planning			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R34B	Development Management More than anticipated income by £55.5K. Higher than anticipated income from Planning Application fees.	No action required.	R Mackay
R34E	Building Standards More than anticipated income by £24.8K. Higher than anticipated income from Building Warrant fees.	No action required.	R Mackay