

DEVELOPMENT AND INFRASTRUCTURE COMMITTEE: 16 FEBRUARY 2017

**REVENUE EXPENDITURE MONITORING REPORT
AS AT 30 NOVEMBER 2016**

**JOINT REPORT BY EXECUTIVE DIRECTOR OF DEVELOPMENT AND
INFRASTRUCTURE AND HEAD OF FINANCE**

1. PURPOSE OF REPORT

- 1.1 To advise of the revenue position as at 30 November 2016 for which the Committee is responsible.

2. RECOMMENDATIONS

The Committee is invited to note:-

- 2.1 the revenue expenditure statement in respect of Development and Infrastructure for the period 1 April to 30 November 2016, indicating an overspend of £68,900; and
- 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.

3. POLICY ASPECTS

- 3.1 This report relates to the Council complying with its governance and financial processes and procedures and therefore does not relate specifically to progressing the Council's priorities.

4. INTRODUCTION

- 4.1 At its Special General Meeting held on 18 February 2016, as part of the budget setting process for 2016/17, the Council agreed the Revenue Estimates, Council Tax level and the contribution from General Fund Reserves for financial year 2016/17.

5. BACKGROUND

- 5.1 Individual revenue expenditure monitoring reports (REMRs) are circulated as briefing reports every month in order to inform committee members of the up to date financial position.

- 5.2 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.
- 5.3 Material variances are identified automatically as Priority Actions (PAs) within individual budget cost centres according to the following criteria:-
- 5.3.1 £10,000 **and** 10% more or less than Anticipated position (1b);
- 5.3.2 £50,000 more or less than Anticipated position (1c).
- 5.4 Priority Actions can be identified at the Service Function level according to the same criteria and these are shown in the Revenue Expenditure Statements shown in Annex 1. 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 in Annex 2.
- 5.5 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.
- 5.6 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.

6. **FINANCIAL SUMMARY**

- 6.1 Annex 1 provides the detailed position by Service Area by Service Function. The table below provides a summary of the position across all Service Areas.

| | Spend £000 | Budget £000 | Over/Under | | Annual Budget £000 |
|------------------------------------|-----------------|-----------------|---------------|--------------|--------------------------|
| | | | Spend £000 | % | |
| General Fund Services | | | | | |
| Roads | 1,682.6 | 1,675.6 | 7.0 | 100.4 | 3,377.6 |
| Transportation | 6,004.3 | 6,075.3 | -71.0 | 98.8 | 9,644.0 |
| Operational Environmental Services | 1,331.7 | 1,013.3 | 318.4 | 131.4 | 2,289.4 |
| E/Health and Trading Standards | 378.1 | 422.8 | -44.7 | 89.4 | 770.3 |
| Development | 945.3 | 997.4 | -52.1 | 94.8 | 2,086.4 |
| Planning | 406.5 | 495.2 | -88.7 | 82.1 | 877.7 |
| Service Totals | 10,748.5 | 10,679.6 | 68.9 | 100.6 | 19,045.4 |

- 6.2 The budget overspend across the service area is £68.9K, alternatively expressed as 100.6% of the anticipated net spending position for the year to date. This overspend includes the trading surpluses within the Quarry operations.
- 6.3 Across 6 service areas and 42 service functions, 15 Priority Actions have been generated which identify the main areas of budget variance. The number of Priority Actions which are generated across a particular Service Area is an indicator of the level of control that exists across that service.

6.4 Compared to last month, the number of PAs has decreased as follows:-

| Service Area | No. of PAs | | Service Functions | PAs/ Function |
|------------------------------------|-------------------|-----------|--------------------------|----------------------|
| | P7 | P8 | | |
| Roads | 4 | 2 | 11 | 18% |
| Transportation | 2 | 1 | 8 | 13% |
| Operational Environmental Services | 6 | 5 | 6 | 83% |
| Development | 4 | 3 | 8 | 38% |
| Env/Health and Trading Standards | 1 | 1 | 3 | 33% |
| Planning | 1 | 3 | 6 | 50% |
| Totals | 18 | 15 | 42 | 36% |

6.5 The Budget Action Plan attached as Annex 2 provides an explanation and proposed corrective action for each of the Priority Actions identified.

7. FINANCIAL IMPLICATIONS

7.1 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.

7.2 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.

8. LEGAL ASPECTS

8.1 Financial monitoring and reporting helps the Council meet its obligation to secure best value.

9. CONTACT OFFICERS

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10. ANNEXES

- 10.1 Annex 1: Revenue Expenditure Statements as at 30 November 2016
- 10.2 Annex 2: Budget Action Plans

Annex 1: Revenue Expenditure Statement as at 30 November 2016

| | | Spend | Budget | Over/Under | | Annual |
|---------------------------------|-----------|----------------|----------------|-------------------|--------------|----------------|
| | PA | £000 | £000 | Spend | % | Budget |
| | | | | £000 | | £000 |
| Roads | | | | | | |
| Winter Maintenance and Response | | 195.3 | 203.4 | -8.1 | 96.0 | 823.0 |
| Street Lighting | | 101.8 | 101.9 | -0.1 | 99.9 | 226.9 |
| Car Parks | | -0.9 | 2.2 | -3.1 | n/a | -14.4 |
| Other Works | | 50.0 | 44.7 | 5.3 | 111.9 | 108.4 |
| Traffic Management | | 140.2 | 139.7 | 0.5 | 100.4 | 285.6 |
| Structural Maintenance | | 966.0 | 992.0 | -26.0 | 97.4 | 1,288.1 |
| Routine Maintenance | | 377.8 | 378.0 | -0.2 | 99.9 | 596.7 |
| Quarries Holding Account | 1b | -286.3 | -113.2 | -173.1 | 252.9 | -200.0 |
| Roads Holding Account | 1b | 92.0 | -123.1 | 215.1 | n/a | 0.0 |
| Fleet Holding Account | | 41.9 | 41.6 | 0.3 | 100.7 | 0.0 |
| Miscellaneous | | 4.8 | 8.4 | -3.6 | 57.1 | 263.3 |
| Service Totals | | 1,682.6 | 1,675.6 | 7.0 | 100.4 | 3,377.6 |

Budget Summary

| | |
|---|----------------|
| Original Net Budget | 3,332.0 |
| Roads Project Fund - Barrier No. 2 Wave Overtopping | 45.6 |
| Revised Net Budget | 3,377.6 |

| | | Spend | Budget | Over/Under | | Annual |
|---------------------------------|-----------|----------------|----------------|-------------------|-------------|----------------|
| | PA | £000 | £000 | Spend | % | Budget |
| | | | | £000 | | £000 |
| Transportation | | | | | | |
| Administration | 1b | 42.7 | 89.7 | -47.0 | 47.6 | 175.5 |
| Co-ordination | | 42.5 | 33.8 | 8.7 | 125.7 | 75.1 |
| Concessionary Fares | | 83.1 | 78.3 | 4.8 | 106.1 | 133.2 |
| Support for Operators - Buses | | 388.3 | 410.0 | -21.7 | 94.7 | 707.2 |
| Support for Operators - Air | | 552.7 | 585.7 | -33.0 | 94.4 | 1,004.1 |
| Support for Operators - Ferries | | 4.7 | 1.8 | 2.9 | 261.1 | 3.1 |
| Airfields | | 268.2 | 253.8 | 14.4 | 105.7 | 408.1 |
| Orkney Ferries | | 4,622.1 | 4,622.2 | -0.1 | 100.0 | 7,137.7 |
| Service Totals | | 6,004.3 | 6,075.3 | -71.0 | 98.8 | 9,644.0 |

Annex 1: Revenue Expenditure Statement as at 30 November 2016

| | PA | Spend £000 | Budget £000 | Over/Under Spend £000 | % | Annual Budget £000 |
|---|-----------|----------------|----------------|-----------------------------|--------------|--------------------------|
| Operational Environmental Services | | | | | | |
| Burial Grounds | | 44.3 | 46.9 | -2.6 | 94.5 | 99.6 |
| Refuse Collection | 1b | -6.5 | 39.9 | -46.4 | n/a | 485.5 |
| Waste Disposal | 1b | 686.5 | 460.1 | 226.4 | 149.2 | 797.2 |
| Recycling | 1b | 361.0 | 258.4 | 102.6 | 139.7 | 488.3 |
| Cleansing | 1b | 178.2 | 207.6 | -29.4 | 85.8 | 386.5 |
| OES Holding Account | 1b | 68.2 | 0.4 | 67.8 | 17,050.0 | 32.3 |
| Service Totals | | 1,331.7 | 1,013.3 | 318.4 | 131.4 | 2,289.4 |

Budget Summary

| | |
|--|----------------|
| Original Net Budget | 2,257.1 |
| Innovation Fund - Waste Strategy Officer | 32.3 |
| Revised Net Budget | 2,289.4 |

| | PA | Spend £000 | Budget £000 | Over/Under Spend £000 | % | Annual Budget £000 |
|---------------------------------------|-----------|---------------|----------------|-----------------------------|-------------|--------------------------|
| E/Health and Trading Standards | | | | | | |
| Administration | 1b | 233.9 | 274.3 | -40.4 | 85.3 | 494.1 |
| Trading Standards | | 97.8 | 99.9 | -2.1 | 97.9 | 190.8 |
| Public Toilets | | 46.4 | 48.6 | -2.2 | 95.5 | 85.4 |
| Service Totals | | 378.1 | 422.8 | -44.7 | 89.4 | 770.3 |

Annex 1: Revenue Expenditure Statement as at 30 November 2016

| | | Spend | Budget | Over/Under | | Annual |
|-----------------------------|-----------|--------------|---------------|-------------------|-------------|----------------|
| | PA | £000 | £000 | £000 | % | Budget |
| | | | | | | £000 |
| Development | | | | | | |
| Administration | 1b | 300.4 | 348.6 | -48.2 | 86.2 | 703.8 |
| Business Gateway | | 102.3 | 95.6 | 6.7 | 107.0 | 200.5 |
| EEC Expenditure | | 1.6 | 3.6 | -2.0 | 44.4 | 12.4 |
| Leader Programme | | 50.5 | 51.2 | -0.7 | 98.6 | 20.0 |
| Regeneration | 1b | -56.2 | -9.1 | -47.1 | 617.6 | 27.7 |
| Kirkwall Townscape Heritage | 1b | 64.6 | 19.8 | 44.8 | 326.3 | 0.0 |
| Tourism | | 34.7 | 36.0 | -1.3 | 96.4 | 120.3 |
| Economic Development Grants | | 447.4 | 451.7 | -4.3 | 99.0 | 1,001.7 |
| Service Totals | | 945.3 | 997.4 | -52.1 | 94.8 | 2,086.4 |

Budget Summary

| | |
|---|----------------|
| Original Net Budget | 1,678.4 |
| Development Fund - CDF | 333.0 |
| Development Fund - Kirkwall Bid Project | 33.0 |
| Development Fund - Local Growth Accelerator Programme | 42.0 |
| Revised Net Budget | 2,086.4 |

| | | Spend | Budget | Over/Under | | Annual |
|--|-----------|--------------|---------------|-------------------|-------------|---------------|
| | PA | £000 | £000 | £000 | % | Budget |
| | | | | | | £000 |
| Planning | | | | | | |
| Administration | | 79.8 | 78.9 | 0.9 | 101.1 | 342.8 |
| Development Management | 1b | 56.2 | 90.2 | -34.0 | 62.3 | 133.5 |
| Development Planning | | 247.7 | 261.5 | -13.8 | 94.7 | 408.2 |
| Building Standards | 1b | -44.2 | -31.9 | -12.3 | 138.6 | -49.0 |
| Archaeology | | 26.4 | 26.1 | 0.3 | 101.1 | 42.2 |
| North Isles Landscape Partnership Scheme | 1b | 40.6 | 70.4 | -29.8 | 57.7 | 0.0 |
| Service Totals | | 406.5 | 495.2 | -88.7 | 82.1 | 877.7 |

Budget Summary

| | |
|--|--------------|
| Original Net Budget | 830.7 |
| RRR Fund - Marine Special Protection Areas | 47.0 |
| Revised Net Budget | 877.7 |

Annex 2: Budget Action Plan

| Roads | | | | | |
|---------------------|--|--|-------------------------------|--|------------------------------|
| Action Point | Function/Explanation | Action | Responsible Officer(s) | Deadline | Status |
| RD3 | <p>Car Parks Underspend £3.1K</p> <p>Now in the monitoring period following implementation of new parking rates.</p> <p>Noted that within this Function, the cost of maintaining the Electric Vehicle (EV) charge points is not funded and would contribute to any overspend.</p> | Monitor impact of increased charges after several months of operation. | D Richardson | 31/03/17 | P3 Action - Completed |
| RD4 | <p>Other Works Overspend £5.3K</p> <p>Small overspend on budget for Access to Countryside as works accelerated during summer period.</p> <p>The cost of providing road closures for public events and parades etc. exceeds the budget.</p> | Continue to monitor the budget. | D Richardson | 31/07/16 31/03/17 | P3 Action - Completed |

Annex 2: Budget Action Plan

| Roads | | | | | |
|---------------------|---|---|-------------------------------|--|--|
| Action Point | Function/Explanation | Action | Responsible Officer(s) | Deadline | Status |
| RD6 | <p>Quarries Holding Account Income Surplus £173.1K</p> <p>This is the current position with regard to trading surplus based on current trends of sales internally and externally. A strong performance is predicted in excess of £600K. For 2016/17 it is noted that there are several commitments against this including fair wear and tear of quarries plant together with the ongoing need to support Development and Infrastructure pressures. Exceptional breakdown cost risk is expected to reduce when the new tar plant is in place in May 2017.</p> | <p>Monitor.</p> <p>Work remains ongoing to develop a planned approach to asset replacement and including a realistic profile for future year's commitments. This needs to be balanced against the desire to maintain a degree of financial flexibility to meet unfunded Development and Infrastructure growth and in-year unavoidable costs. This is likely to influence any decision regarding the set aside of trading surpluses towards asset replacement.</p> | D Richardson | 31/03/17 | P3 Action - Ongoing |
| RD7 | <p>Roads Holding Account Overspend £215.1K</p> <p>Costs for supplies and</p> | <p>Change in asset replacement programme agreed during year for enhanced street lighting</p> | D Richardson | 31/08/16 31/12/16 | <p>P3 Action – Ongoing</p> <p>Income and expenditure within the holding account will continue to vary</p> |

Annex 2: Budget Action Plan

| Roads | | | | | |
|---------------------|--|---|-------------------------------|-----------------|---|
| Action Point | Function/Explanation | Action | Responsible Officer(s) | Deadline | Status |
| | services as well as transport are ahead of profile, some of which is due to material purchases for enhanced street lighting lantern (SALIX) replacement programme. | lantern replacement as part of energy efficiency initiative sponsored by SALIX interest free loan. Variance should disappear as programme is delivered over remainder of year, and the expenditure is re-charged to the Innovation Fund Capital project. Need to re-profile holding account budgets going forward to reflect changes in working practices. | | | against the budget profile as a result of seasonal activities and works programmes. |

Annex 2: Budget Action Plan

| Transportation | | | | | |
|-----------------------|--|--|-------------------------------|---------------------------------|------------------------------|
| Action Point | Function/Explanation | Action | Responsible Officer(s) | Deadline | Status |
| TR1 | <p>Support for Operators – Buses Underspend £21.7K</p> <p>Actual expenditure incurred was lower than anticipated up to P7 due to a delay in receipt of invoices from operators.</p> | All current invoices have now been received and paid. | B Archibald | 31/07/16 30/11/16 | P3 Action - Completed |
| TR4 | <p>Administration Underspend £47.0K</p> <p>Due to grant receipt received in respect of Smarter Choices, Smarter Places for previous years' activities.</p> | Underspend will be utilised to offset spending pressures within the Service. | B Archibald | 31/03/17 | P5 Action - Ongoing |

Annex 2: Budget Action Plan

| Operational Environmental Services | | | | | |
|---|--|---|-------------------------------|---|------------------------------|
| Action Point | Function/Explanation | Action | Responsible Officer(s) | Deadline | Status |
| OES1 | <p>Burial Grounds Underspend £2.6K</p> <p>Sales were higher than profile up to P7.</p> | Monitor and adjust profile to match income and expenditure levels. | D Richardson | <p>31/08/16 31/03/17</p> | P3 Action – Completed |
| OES2 | <p>Refuse Collection Underspend £46.4K</p> <p>Income for collection services continues to be ahead of profile, this is not easy to profile at present as the take-up increases from month to month; however some adjustment of the income/expenditure profile can be done for future reports.</p> | Monitor and adjust profile to match income and expenditure levels. | D Richardson | <p>31/08/16 31/12/16</p> | P3 Action - Ongoing |
| OES3 | <p>Waste Disposal Overspend £226.4K</p> <p>Impact of increased charges for disposal in this period (invoices from Shetland – 26% increase), noting that the annual credit for</p> | Provision was made in the 2016/17 budget for contingencies for increased costs of disposal due to both extraordinary increases from Shetland Islands Council and the fact that housing growth | D Richardson | <p>31/07/16 31/12/16</p> | P3 Action - Ongoing |

Annex 2: Budget Action Plan

| Operational Environmental Services | | | | | |
|---|---|--|-------------------------------|---------------------------------|----------------------------|
| Action Point | Function/Explanation | Action | Responsible Officer(s) | Deadline | Status |
| | recovered landfill will not be received until year-end, reducing overall cost, circa £90 - £110K. Additional costs have also arisen in this period for the periodic removal of tyres, scrap and hazardous waste accumulating at Bossack (circa £33K). Additional costs have arisen for unforeseen plant repairs circa £73K. | has not been factored into the disposal budget. The £236K contingency will be "drawn-down" if needed at year end, and after any credit for recovered landfill is applied. | | | |
| OES4 | Cleansing Underspend £29.4K Continuing issue of resource availability for cleansing (sweeping) whilst drivers cover core services (collection). | Monitor no action at present. Additional resource recruited and temporary contracts extended into 2017/18 to retain capacity. Underspend will reduce significantly by year end. | D Richardson | 31/08/16 31/12/16 | P3 Action - Ongoing |
| OES5 | OES Holding Account Overspend £67.8K Income is less than anticipated as charges to clients and other services | Monitor and adjust income/expenditure profile, review current position with regard to charges to clients and service areas. | D Richardson | 31/08/16 31/12/16 | P3 Action - Ongoing |

Annex 2: Budget Action Plan

| Operational Environmental Services | | | | | |
|---|---|---|-------------------------------|---|----------------------------|
| Action Point | Function/Explanation | Action | Responsible Officer(s) | Deadline | Status |
| | cannot be made due to reduced activity, example cleansing (overheads and on-costs not recoverable as full hours not charged out). | | | | |
| OES6 | <p>Recycling Overspend £102.6K</p> <p>There is an increase in the use of the Civic Amenity Sites, both domestically legitimately and illegally by business. This results in an increased demand for transport and disposal costs. A resource of 2 x FTE's x 2 years has been secured to increase enforcement/encouragement by business to use via paid for services at Chinglebraes and/or Bossack. Impact in 2016/17 is addressed via the £236K contingency provision, if required.</p> | <p>Monitor and adjust income/expenditure profile. Draw-down the contingency if needed. A growth bid has submitted as part of the 2017/18 budget process to reflect the fact there are more users and increased demand. Equally given ongoing need to pay for increased disposal costs, a bid has been submitted to replace the 2016/17 contingency with revised "baseline" budget. In advance of the budget setting process for 2017/18 being finalised, this is circa £248K inclusive of 5% inflation allowance for further Shetland Island Council invoice increases.</p> | D Richardson | <p>30/09/16 30/11/16 31/03/17</p> | P5 Action - Ongoing |

Annex 2: Budget Action Plan

| E/Health and Trading Standards | | | | | |
|---------------------------------------|--|---|-------------------------------|---|----------------------------|
| Action Point | Function/Explanation | Action | Responsible Officer(s) | Deadline | Status |
| EH1 | <p>Administration Underspend £40.4K</p> <p>Due to staff vacancy. Recruitment for professional Environmental Health Officer post has proved difficult. Successful recruitment completed in October 2016 with new member of staff due to start in January 2017.</p> | <p>No action at this stage.</p> <p>Underspend expected at year end. A virement to cover other pressures within the Development and Infrastructure Service will be made.</p> | R Mackay | <p>31/07/16 31/03/17</p> | P3 Action - Ongoing |

Annex 2: Budget Action Plan

| Development | | | | | |
|---------------------|--|--|-------------------------------|---|------------------------------|
| Action Point | Function/Explanation | Action | Responsible Officer(s) | Deadline | Status |
| DV1 | <p>Administration Underspend £48.2K</p> <p>Due to staff vacancies. Recruitment now finalised, and new staff in posts August 2016.</p> | Underspend expected at year end. A virement to cover other pressures within the Development and Infrastructure Service will be made. | R Mackay | <p>31/08/16 30/11/16 31/12/16</p> | P3 Action - Ongoing |
| DV6 | <p>Regeneration Underspend £47.1K</p> <p>Underspend on supplies and services, administration, and project work at this stage of the year.</p> | No action, continue to monitor. | R Mackay | <p>30/11/16 31/12/16</p> | P6 Action - Ongoing |
| DV7 | <p>Kirkwall Townscape Heritage Overspend £44.8K</p> <p>Grant funding to third party paid ahead of anticipated spend profile.</p> | Re-profile budget to reflect expenditure. | R Mackay | 31/12/16 | P7 Action - Ongoing |
| DV8 | <p>Tourism Underspend £1.3K</p> <p>Grant to third party paid ahead of anticipated spend profile.</p> | Re-profile budget to reflect expenditure. | R Mackay | 31/12/16 | P7 Action - Completed |

Annex 2: Budget Action Plan

| Planning | | | | | |
|---------------------|--|--|-------------------------------|---|----------------------------|
| Action Point | Function/Explanation | Action | Responsible Officer(s) | Deadline | Status |
| PL5 | <p>Development Management Income Surplus £34.0K</p> <p>Larger than anticipated income from planning fees as a result of hospital and fish farming applications.</p> | Income surplus expected at year end. A virement to cover other pressures within the Development and Infrastructure Service will be made. | R Mackay | <p>31/10/16 31/12/16</p> | P6 Action - Ongoing |
| PL6 | <p>Building Standards Income Surplus £12.3K</p> <p>Larger than anticipated income from building warrant fees as a result of hospital application.</p> | Income surplus expected at year end. A virement to cover other pressures within the Development and Infrastructure Service will be made. | R Mackay | 31/01/17 | New Action |
| PL7 | <p>North Isles Landscape Partnership Scheme Underspend £29.8K</p> <p>Delay in receiving invoices from consultants undertaking studies.</p> | Re-profile budget to match expenditure. | R Mackay | 31/01/17 | New Action |