

Item: 5

Development and Infrastructure Committee: 13 November 2018.

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 30 September 2018 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 30 September 2018, attached as Annex 1 to this report, indicating an underspend of £218,900.

2.2.

The revenue financial detail by Service Area statement in respect of Development and Infrastructure for the period 1 April to 30 September 2018, 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 22 February 2018, the Council set its overall revenue budget for financial year 2018 to 2019. On 17 April 2018, 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 30 September 2018 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.

6.3.

A pay increase of 3% is included in the base budget for 2018 to 2019 which is yet to be agreed. The estimated cost of the backpay from 1 April to 30 September 2018 is £97,300 across Development and Infrastructure Services which would reduce the current surplus position to £121,600.

7. Legal Aspects

Financial monitoring and reporting helps 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	1,415.0	1,545.7	-130.7	91.5	2,964.4
Transportation	1,883.7	1,957.4	-73.7	96.2	6,584.7
Operational Environmental Services	666.1	623.4	42.7	106.8	2,311.6
Environmental Health & Trading Standards	343.0	333.2	9.8	102.9	875.3
Development	954.3	1,000.3	-46.0	95.4	2,271.8
Planning	231.9	252.9	-21.0	91.7	930.8
Service Totals	5,494.0	5,712.9	-218.9	96.2	15,938.6

Compared to last month, the total number of PAs has changed as follows:

Service Area	No. of PAs		Service Functions	PAs/ Function
	P05	P06		
Roads	8	6	12	50%
Transportation	1	1	9	11%
Operational Environmental Services	5	5	6	83%
Environmental Health & Trading Standards	0	0	3	0%
Development	2	4	9	44%
Planning	3	3	6	50%
Totals	19	19	45	42%

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		146.2	139.8	6.4	104.5	881.7
Street Lighting		77.6	77.9	-0.3	99.6	231.3
Car Parks	1B	-30.0	1.6	-31.6	N/A	-47.3
Other Works		30.5	27.1	3.4	112.6	105.8
Traffic Management	1B	101.5	81.6	19.9	124.4	255.5
Structural Maintenance		771.0	751.0	20.0	102.7	1,136.3
Routine Maintenance		231.7	241.2	-9.5	96.1	678.2
Quarries Holding Account	1B	-265.5	-111.3	-154.2	238.5	-500.0
Roads Holding Account	1B	272.3	189.4	82.9	143.8	0.0
Fleet Holding Account	1B	75.7	114.8	-39.1	65.9	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	83.8
Miscellaneous - RD	1B	4.0	32.6	-28.6	12.3	139.1
Service Total		1,415.0	1,545.7	-130.7	91.5	2,964.4

Transportation	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Administration - TR		63.9	68.5	-4.6	93.2	207.2
Co-ordination		32.3	38.9	-6.6	83.1	76.1
Concessionary Fares		50.6	51.6	-1.0	98.0	122.2
Support for Operators - Buses	1B	226.4	281.8	-55.4	80.3	707.2
Support for Operators - Air		447.7	432.1	15.6	103.6	1,037.2
Support for Operators - Ferries		0.0	1.3	-1.3	0.0	3.1
Airfields Operations		209.8	196.5	13.3	106.8	416.7
Orkney Ferries		1,127.8	1,161.8	-34.0	97.1	4,015.0
Ferries Development		-274.8	-275.1	0.3	99.9	0.0
Service Total		1,883.7	1,957.4	-73.7	96.2	6,584.7

Operational Environmental Services	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Burial Grounds	1B	26.6	48.7	-22.1	54.6	90.5
Refuse Collection	1B	-223.2	-70.2	-153.0	317.8	572.0
Waste Disposal	1B	447.4	403.4	44.0	110.9	865.4
Recycling		218.5	202.7	15.8	107.8	489.6
Environmental Cleansing	1B	94.2	126.0	-31.8	74.8	294.1
OES Holding Account	1B	102.6	-87.2	189.8	N/A	0.0
Service Total		666.1	623.4	42.7	106.8	2,311.6

Changes in original budget position:

Original Net Budget	2,280.5
Integrated Waste Facility Feasibility from Roads Project Fund	31.1
	<u>2,311.6</u>

Environmental Health & Trading	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Administration - ES		198.7	194.0	4.7	102.5	553.9
Trading Standards		91.8	91.4	0.4	100.4	235.6
Public Toilets		52.5	47.8	4.7	109.8	85.8
Service Total		343.0	333.2	9.8	102.9	875.3

Changes in original budget position:

Original Net Budget	865.3
Redetermination - Emergency Funding Private Water Supply	10.0
	<u>875.3</u>

		Spend	Budget	Over/Under	Spend	Annual
Development	PA	£000	£000	£000	%	Budget
						£000
Administration - DV	1B	194.3	262.2	-67.9	74.1	704.0
Business Gateway		87.9	92.8	-4.9	94.7	197.7
EEC Expenditure		1.5	4.1	-2.6	36.6	10.0
Leader Programme		252.9	256.9	-4.0	98.5	21.7
Regeneration	1B	-54.4	-44.0	-10.4	123.8	24.6
Kirkwall Townscape Heritage		261.0	244.6	16.4	106.7	199.2
Tourism		2.2	0.0	2.2	0.0	110.3
Economic Development Grants	1B	139.2	156.6	-17.4	88.9	493.1
Other Economic Development Grants	1B	69.7	27.1	42.6	257.2	511.2
Service Total		954.3	1,000.3	-46.0	95.4	2,271.8

Changes in original budget position:

Original Net Budget	1,984.3
Kirkwall THI from RRR Fund	169.4
Kirkwall THI Training from RRR Fund	29.8
Kirkwall Bid from Economic Development Grants Fund	11.5
Orkney Digital Media Project from Economic Development Grants Fund	43.1
Business Gateway ERDF from Economic Development Grants Fund	33.7
	2,271.8

		Spend	Budget	Over/Under	Spend	Annual
Planning	PA	£000	£000	£000	%	Budget
						£000
Administration - PL		71.1	66.6	4.5	106.8	352.2
Development Management	1B	80.9	52.7	28.2	153.7	157.3
Development Planning	1B	111.1	133.2	-22.1	83.4	392.2
Building Standards	1B	-54.4	-19.4	-35.0	280.7	-13.4
Archaeology		17.9	19.8	-1.9	90.5	42.5
North Isles Landscape Partnership Scheme		5.3	0.0	5.3	0.0	0.0
Service Total		231.9	252.9	-21.0	91.7	930.8

Annex 3: Budget Action Plan

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26D	<p>Car Parks</p> <p>More than anticipated income by £31.6K</p> <p>Income from Car Parks higher than profiled.</p>	<p>Monitor the situation</p> <p>Income levels vary depending on use, noted that income is positive, and some maintenance works yet to be completed before year end.</p>	Darren Richardson	31/03/2019	New
R26F	<p>Traffic Management</p> <p>Less than anticipated income by £19.9K</p> <p>The budget area includes fees and charges. There is positive performance on some permit categories, but the Road Construction Consents are much lower than profile as there have been few applications (against a target of £26.1k p.a.).</p>	<p>Monitor the situation</p> <p>No action at present.</p>	Darren Richardson	31/03/2019	Ongoing
R26L	<p>Quarries Holding Account</p> <p>More than anticipated income by £154.2K</p> <p>Quarry income varies with the volume of work requests internally and externally. Market remains buoyant but equally unpredictable month to month.</p>	<p>Raise virements request</p> <p>Costs associated with plant/equipment maintenance and external planning consultant costs will reduce overall surpluses later in the year. Performance remains stronger than anticipated in this reporting period.</p>	Darren Richardson	31/03/2019	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>More than anticipated expenditure by £82.9K</p> <p>Less planned work delivered than anticipated, noting impact of sub-contracting work out (lower cost recovery).</p>	<p>Monitor the situation</p> <p>The impact of catching up on all aspects of planned work via sub-contracting, such as Outer Isles resurfacing, does impact on holding account cost recovery. This may show a deficit at year-end unless more work is done internally. The "carry-over" of work from 2017/18 will be undertaken 2018/19 & 2019/20 this should recover some of this deficit if work done "in-house"</p>	Darren Richardson	31/03/2019	Ongoing
R26N	<p>Fleet Holding Account</p> <p>Less than anticipated expenditure by £39.1K</p> <p>Underspend due to staff vacancies.</p>	<p>Monitor the situation</p> <p>Garage mechanic recruitment now resolved (full complement in place), noting agency resource also terminated from November.</p>	Darren Richardson	31/03/2019	New
R26Z	<p>Miscellaneous - RD</p> <p>Less than anticipated expenditure by £28.6K</p> <p>Various and numerous incidental costs/income lower than planned or anticipated (e.g. grants and rents).</p>	<p>Monitor the situation</p> <p>Monitor.</p>	Darren Richardson	31/10/2018	Ongoing

Annex 3: Budget Action Plan

Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27G	Support for Operators - Buses Less than anticipated expenditure by £55.4K Awaiting Stagecoach invoice.	Monitor the situation Monitor and chase company for invoice.	Brian Archibald	30/11/2018	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>Less than anticipated expenditure by £22.1K</p> <p>Less maintenance expenditure at this stage of the year than anticipated.</p>	<p>Management input required</p> <p>Difficulties in Roads Operations delivering some work. Noted that the cost of headstone maintenance may well be circa £150k leading to a deficit at year-end. This has been raised and discussed at Senior Management Team and additional support may be given if this deficit arises.</p>	Darren Richardson	31/03/2019	Ongoing
R28C	<p>Refuse Collection</p> <p>More than anticipated income by £153.0K</p> <p>Income greater than anticipated and expenditure lower than profile.</p>	<p>Raise virements request</p> <p>Commercial growth (bins) continues to impact positively on financial performance as does landfill at Bossack (limited licensed alternatives). The income (new accounts paid) does mask overall position, budgets to be re-aligned next period to reflect better cost and income. Noted still anticipated there will be an overall deficit although reducing.</p>	Darren Richardson	30/12/2018	Ongoing
R28E	<p>Waste Disposal</p> <p>More than anticipated expenditure by £44.0K</p> <p>Fees and charges are less than anticipated at this stage of the year.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	Darren Richardson	30/11/2018	Ongoing

Annex 3: Budget Action Plan

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 £31.8K</p> <p>Costs lower than profile.</p>	<p>Monitor the situation</p> <p>Recruitment of temporary drivers remains an issue, partly assisted by Business Ring but re-advertising given reduced overall availability of drivers. Relief rather than seasonal approach now being reviewed formally as part of Waste Planning.</p>	Darren Richardson	31/12/2018	Ongoing
R28K	<p>OES Holding Account</p> <p>Less than anticipated income by £189.8K</p> <p>Charge out costs (labour and plant predominately) not recovered against jobs (e.g. cleansing operations, sweeping etc.), therefore planned cost exceeds planned income.</p>	<p>Monitor the situation</p> <p>Driver resource is needed on higher priority Roads and Waste operations. although these budgets underspend it creates a deficit on the holding account. This will reduce towards the year end if additional driver resources are secured and deployed onto this area of work.</p>	Darren Richardson	30/12/2018	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 £67.9K</p> <p>Staff salary costs lower than anticipated due to staff vacancy.</p>	<p>Monitor the situation</p> <p>Job description for vacant post has been reviewed and recruitment is currently underway.</p>	Roddy Mackay	31/10/2018	Ongoing
R33E	<p>Regeneration</p> <p>Less than anticipated expenditure by £10.4K</p> <p>Three projects - Regeneration Support, Renewables Support and Big Hit are all behind profiled expenditure at present.</p>	<p>Monitor the situation</p> <p>Continue to monitor these projects.</p>	Gavin Barr	30/11/2018	New
R33J	<p>Economic Development Grants</p> <p>Less than anticipated expenditure by £17.4K</p> <p>Grant payments lower than profiled.</p>	<p>Raise virements request</p> <p>Virement to be processed.</p>	Roddy Mackay	31/10/2018	New
R33K	<p>Other Economic Development Grants</p> <p>More than anticipated expenditure by £42.6K</p> <p>Profile of Community Development Fund grant budget does not match spend.</p>	<p>Raise virements request</p> <p>Virement required for Community Development Fund grant budget.</p>	Roddy Mackay	31/10/2018	New

Annex 3: Budget Action Plan

Planning

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R34B	<p>Development Management</p> <p>Less than anticipated income by £28.2K</p> <p>Planning application fee income lower than anticipated.</p>	<p>Monitor the situation</p> <p>No action required at present time.</p>	Roddy Mackay	31/10/2018	Ongoing
R34C	<p>Development Planning</p> <p>Less than anticipated expenditure by £22.1K</p> <p>Delay in receipt of invoice from external party for consultancy work undertaken on behalf of the Planning Service.</p>	<p>Monitor the situation</p> <p>Consultant has been prompted to submit invoice.</p>	Roddy Mackay	31/10/2018	Ongoing
R34E	<p>Building Standards</p> <p>More than anticipated income by £35.0K</p> <p>Higher than anticipated building warrant fee income.</p>	<p>Monitor the situation</p> <p>No action required at present time. New temporary post of Assistant Technician is currently being recruited which will account for some of the surplus.</p>	Roddy Mackay	30/09/2018	Ongoing