

Item: 4

Development and Infrastructure Committee: 10 September 2019.

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 2018 to 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 expenditure outturn statement in respect of Development and Infrastructure for financial year 2018 to 2019, attached as Annex 1 to this report, indicating an overspend of £182,300.

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. 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 to inform committee 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. 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.

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 2018 to 2019

| | Spend | Budget | Over/Under | | Annual |
|--|-----------------|-----------------|-------------------|--------------|-----------------|
| | £000 | £000 | Spend | % | Budget |
| General Fund Services | | | £000 | | £000 |
| Roads | 3,318.8 | 3,385.1 | -66.3 | 98.0 | 3,385.1 |
| Transportation | 6,643.2 | 6,580.9 | 62.3 | 100.9 | 6,580.9 |
| Operational Environmental Services | 2,822.8 | 2,492.1 | 330.7 | 113.3 | 2,492.1 |
| Environmental Health / Trading Standards | 878.7 | 851.0 | 27.7 | 103.3 | 851.0 |
| Development | 2,094.6 | 2,221.7 | -127.1 | 94.3 | 2,221.7 |
| Planning | 885.2 | 930.2 | -45.0 | 95.2 | 930.2 |
| Service Totals | 16,643.3 | 16,461.0 | 182.3 | 101.1 | 16,461.0 |

| | | Spend | Budget | Over/Under | | Annual |
|---------------------------------|-----------|----------------|----------------|-------------------|-------------|----------------|
| | | £000 | £000 | £000 | % | Budget |
| Roads | PA | | | £000 | | £000 |
| Winter Maintenance and Response | 1b | 781.0 | 881.7 | -100.7 | 88.6 | 881.7 |
| Street Lighting | | 245.7 | 231.3 | 14.4 | 106.2 | 231.3 |
| Car Parks | 1b | -13.7 | -39.9 | 26.2 | 34.3 | -39.9 |
| Other Works | | 98.2 | 105.9 | -7.7 | 92.7 | 105.9 |
| Traffic Management | 1b | 334.4 | 255.5 | 78.9 | 130.9 | 255.5 |
| Structural Maintenance | 1c | 1,349.0 | 1,442.0 | -93.0 | 93.6 | 1,442.0 |
| Routine Maintenance | 1b | 821.3 | 745.0 | 76.3 | 110.2 | 745.0 |
| Quarries Holding Account | | -337.1 | -337.1 | 0.0 | 100.0 | -337.1 |
| Roads Holding Account | | 202.8 | 202.8 | 0.0 | 100.0 | 202.8 |
| Fleet Holding Account | | 39.3 | 39.3 | 0.0 | 100.0 | 39.3 |
| Movement in Reserves | | -273.3 | -273.3 | 0.0 | 100.0 | -273.3 |
| Miscellaneous | 1b | 71.2 | 131.9 | -60.7 | 54.0 | 131.9 |
| Service Totals | | 3,318.8 | 3,385.1 | -66.3 | 98.0 | 3,385.1 |

Budget Summary

| | |
|--|----------------|
| Original Net Budget | 2,964.4 |
| Re-align Central Administration Apportioned Costs | 141.9 |
| Repairs and Renewals Fund - Barrier No. 2 Wave Overtopping | 3.3 |
| RRR Fund - Caisson Project | 0.5 |
| Repairs and Renewals Fund Contribution to Quarry for Demolition of Tar Plant | 47.9 |
| Scottish Government Grant for Potholes | 120.0 |
| Repairs and Renewals Contribution in Respect of Improved Safety Measures | 107.1 |
| Revised Net Budget | 3,385.1 |

Movement in Reserves Statement

| | |
|-------------------------|---------------|
| IFRS Accounting Entries | -273.3 |
| | -273.3 |

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2018 to 2019

| | | Spend | Budget | Over/Under | | Annual |
|---------------------------------|-----------|----------------|----------------|-------------------|--------------|----------------|
| | PA | £000 | £000 | £000 | % | Budget |
| | | | | | | £000 |
| Transportation | | | | | | |
| Administration | | 333.9 | 325.3 | 8.6 | 102.6 | 325.3 |
| Co-ordination | 1b | 65.0 | 79.4 | -14.4 | 81.9 | 79.4 |
| Concessionary Fares | | 112.9 | 122.2 | -9.3 | 92.4 | 122.2 |
| Support for Operators - Buses | | 739.5 | 707.2 | 32.3 | 104.6 | 707.2 |
| Support for Operators - Air | | 1,064.9 | 1,037.2 | 27.7 | 102.7 | 1,037.2 |
| Support for Operators - Ferries | | 3.0 | 3.1 | -0.1 | 96.8 | 3.1 |
| Airfields | | 428.6 | 411.2 | 17.4 | 104.2 | 411.2 |
| Movement in Reserves | | -120.5 | -120.5 | 0.0 | 100.0 | -120.5 |
| Orkney Ferries | | 4,015.9 | 4,015.8 | 0.1 | 100.0 | 4,015.8 |
| Service Totals | | 6,643.2 | 6,580.9 | 62.3 | 100.9 | 6,580.9 |

Budget Summary

| | |
|---|----------------|
| Original Net Budget | 6,584.7 |
| Re-align Central Administration Apportioned Costs | -3.8 |
| Revised Net Budget | 6,580.9 |

Movement in Reserves Statement

| | |
|-------------------------|---------------|
| IFRS Accounting Entries | -120.5 |
| | -120.5 |

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2018 to 2019

| | PA | Spend £000 | Budget £000 | Over/Under Spend £000 | % | Annual Budget £000 |
|---|----|----------------|----------------|-----------------------------|--------------|--------------------------|
| Operational Environmental Services | | | | | | |
| Burial Grounds | 1b | 125.2 | 97.9 | 27.3 | 127.9 | 97.9 |
| Refuse Collection | 1b | 744.4 | 546.6 | 197.8 | 136.2 | 546.6 |
| Waste Disposal | 1c | 1,082.2 | 997.8 | 84.4 | 108.5 | 997.8 |
| Recycling | | 504.3 | 489.6 | 14.7 | 103.0 | 489.6 |
| Cleansing | | 300.6 | 294.1 | 6.5 | 102.2 | 294.1 |
| Movement in Reserves | | -143.0 | -143.0 | 0.0 | 100.0 | -143.0 |
| OES Holding Account | | 209.1 | 209.1 | 0.0 | 100.0 | 209.1 |
| Service Totals | | 2,822.8 | 2,492.1 | 330.7 | 113.3 | 2,492.1 |

Budget Summary

| | |
|---|----------------|
| Original Net Budget | 2,280.5 |
| Redetermination – Free Child Burials | 1.0 |
| Innovation Fund - Encourage Better Recycling | 23.1 |
| Innovation Fund - Encourage Commercial Waste | 43.0 |
| Roads Project Fund - Integrated Waste Facility | 1.4 |
| Contingency Budget Transfer – Waste Disposal | 120.0 |
| Re-align Central Administration Apportioned Costs | 23.1 |
| Revised Net Budget | 2,492.1 |

Movement in Reserves Statement

| | |
|-------------------------|---------------|
| IFRS Accounting Entries | -143.0 |
| | -143.0 |

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2018 to 2019

| | PA | | | Over/Under | Annual |
|---|--------------|--------------|-------------|--------------|--------------|
| | Spend | Budget | | Spend | Budget |
| | £000 | £000 | £000 | % | £000 |
| Environmental Health and Trading Standards | | | | | |
| Administration | 613.8 | 605.3 | 8.5 | 101.4 | 605.3 |
| Trading Standards | 244.4 | 231.9 | 12.5 | 105.4 | 231.9 |
| Movement in Reserves | -72.1 | -72.1 | 0.0 | 100.0 | -72.1 |
| Public Toilets | 92.6 | 85.9 | 6.7 | 107.8 | 85.9 |
| Service Totals | 878.7 | 851.0 | 27.7 | 103.3 | 851.0 |

Budget Summary

| | |
|---|--------------|
| Original Net Budget | 865.3 |
| Re-align Central Administration Apportioned Costs | -14.3 |
| Revised Net Budget | 851.0 |

Movement in Reserves Statement

| | |
|-------------------------|--------------|
| IFRS Accounting Entries | -72.1 |
| | -72.1 |

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2018 to 2019

| | | Spend | Budget | Over/Under | | Annual |
|-----------------------------------|-----------|----------------|----------------|--------------|-------------|----------------|
| | PA | £000 | £000 | £000 | % | £000 |
| Development | | | | | | |
| Administration | 1b | 704.5 | 789.2 | -84.7 | 89.3 | 789.2 |
| Business Gateway | | 195.9 | 195.8 | 0.1 | 100.1 | 195.8 |
| EEC Expenditure | | 6.4 | 9.7 | -3.3 | 66.0 | 9.7 |
| Leader Programme | | 24.9 | 21.7 | 3.2 | 114.7 | 21.7 |
| Regeneration | 1b | 15.2 | 26.5 | -11.3 | 57.4 | 26.5 |
| Kirkwall Townscape Heritage | | 143.3 | 143.3 | 0.0 | 100.0 | 143.3 |
| Tourism | | 104.5 | 110.3 | -5.8 | 94.7 | 110.3 |
| Movement in Reserves | | 271.8 | 271.8 | 0.0 | 100.0 | 271.8 |
| Economic Development Grants | | 296.8 | 296.8 | 0.0 | 100.0 | 296.8 |
| Other Economic Development Grants | | 331.3 | 356.6 | -25.3 | 92.9 | 356.6 |
| Service Totals | | 2,094.6 | 2,221.7 | -74.3 | 94.3 | 2,221.7 |

Budget Summary

| | |
|---|----------------|
| Original Net Budget | 1,984.3 |
| RRR Fund contribution - Kirkwall THI Training | 23.6 |
| RRR Fund contribution - Kirkwall THI | 119.7 |
| Development Fund - Kirkwall Bid Project | 10.4 |
| Development Fund - Business Gateway ERDF | 17.8 |
| Development Fund - Orkney Digital Media Project | 47.1 |
| Re-align Central Administration Apportioned Costs | 18.8 |
| Revised Net Budget | 2,221.7 |

Movement in Reserves Statement

| | |
|--|--------------|
| IFRS Accounting Entries | -82.0 |
| <u>Transfer to Reserves:</u> | |
| Development Grants Movement to Development Grants Fund | 353.8 |
| | 271.8 |

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2018 to 2019

| | PA | Spend | Budget | Over/Under | | Annual |
|-----------------------------------|----|--------------|--------------|--------------|-------------|--------------|
| | | £000 | £000 | £000 | % | Budget |
| | | | | | | £000 |
| Planning | | | | | | |
| Administration | | 488.0 | 515.0 | -27.0 | 94.8 | 515.0 |
| Development Management | | 157.0 | 155.2 | 1.8 | 101.2 | 155.2 |
| Development Planning | | 389.1 | 401.2 | -12.1 | 97.0 | 401.2 |
| Building Standards | | -38.9 | -30.9 | -8.0 | 125.9 | -30.9 |
| Archaeology | | 42.7 | 42.5 | 0.2 | 100.5 | 42.5 |
| North Isles Landscape Partnership | | 3.0 | 2.9 | 0.1 | 103.4 | 2.9 |
| Movement in Reserves | | -155.7 | -155.7 | 0.0 | 100.0 | -155.7 |
| Service Totals | | 885.2 | 917.4 | -45.0 | 95.2 | 930.2 |

Budget Summary

| | |
|--|--------------|
| Original Net Budget | 930.8 |
| RRR Fund Contribution - Environmental Designations | 4.0 |
| SRF Fund Contribution – North Isles Landscape Partnership Development Scheme | 2.9 |
| Re-align Central Administration Apportioned Costs | -7.5 |
| Revised Net Budget | 930.2 |

Movement in Reserves Statement

| | |
|-------------------------|---------------|
| IFRS Accounting Entries | -155.7 |
| | -155.7 |

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 £100.7K</p> <p>Overall the cost of undertaking all areas of the response service (gritting, floods, barrier closures) is less than the estimated budget. There has not been as much coastal flooding activity in-year than previous year.</p> | No action required. | D Richardson |
| R26D | <p>Car Parks</p> <p>Less than anticipated income by £26.2K.</p> <p>This cost includes the charges for supply and management of the Electrical Vehicle charging network, charges for use have been introduced June 2019, until that time the car parks accounts have absorbed to cost for electricity, maintenance and the fees from charge place Scotland.</p> | Fees have been introduced for Electrical Vehicle charging from 2019 to 2020 onwards. | D Richardson |
| R26F | <p>Traffic Management</p> <p>More than anticipated expenditure by £78.9K.</p> <p>As part of changes to the requirements for road closures associated with planned structural maintenance schemes there are now additional</p> | This will be “mainstreamed” into the 2019 to 2020 structural maintenance cost moving forward. | D Richardson |

Annex 2:**Budget Action Plan**

| Roads | | | |
|-----------------|--|---|----------------------------|
| Function | Function Description / Explanation | Action Category/ Action Description | Responsible Officer |
| | requirements for traffic management. | | |
| R26J | Structural Maintenance Less than anticipated expenditure by £93.0K. As part of changes to the requirements for road closures associated with planned structural maintenance schemes there are now additional requirements for traffic management. | This will be “mainstreamed” into the 2019 to 2020 structural maintenance cost moving forward. | D Richardson |
| R26K | Routine Maintenance More than anticipated expenditure by £76.3K. Noted that the winter season 2018 to 2019 was severe in terms of “freeze-thaw” frosts, resulting in significant additional pot-holes and although government supported all Scottish authorities with additional money this way lower than the estimated additional cost (for OIC paid £130k claimed over £400k). Underspends on other areas of routine management means the actual cost has reduced to this overall level. | No action required. | D Richardson |

Annex 2:**Budget Action Plan**

| Roads | | | |
|-----------------|---|--|--------------------------------|
| Function | Function Description / Explanation | Action Category/ Action Description | Responsible Officer |
| R26Z | Miscellaneous Less than anticipated expenditure by £60.7K. 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**

| Transport | | | |
|------------------|--|--|--------------------------------|
| Function | Function Description / Explanation | Action Category/ Action Description | Responsible Officer |
| R27B | Co-ordination Less than anticipated expenditure by £14.4K. The Kirkwall Travel Centre was underspent due to less utility and cleaning costs than in previous years and third-party payments budget not required in 2018.19. | No action required. | B Archibald |

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 £27.3K.</p> <p>It is noted that although there has been a high demand for lair purchases, there has been progress on catching up on general maintenance issues across the 47 locations by the roads team and external contractors for the minor repairs. However overall expenditure is affected by the ongoing costs of grass cutting at existing Kirkyards some undertaken by the Council and the remainder administered by Community Councils. The cost of which has been outstripping the budget for some years and worsening as contractor costs have risen significantly.</p> | <p>This is currently being reviewed as part of the “grounds maintenance contract” work through a member/officer short life working group.</p> | D Richardson |
| R28C | <p>Refuse Collection</p> <p>More than anticipated expenditure by £197.8K.</p> <p>The waste budget has been in deficit for several years and since 2017 to 2018 been significantly reducing the deficit given income from trade waste and other commercial services (contracts to collect and sale of additional trade recyclates). This relies on the technical support team capacity to process</p> | <p>Noting that for 2019 to 2020 budget setting process (when these matters were considered again) baseline growth of £245K was provided to the operational service budgets.</p> | D Richardson |

| | | | |
|-------------|---|---|---------------------|
| | <p>invoices, there have been significant delays in 2018 to 2019 due to loss of staff. This has impacted on the anticipated income at year end and will now arise in 201 to 2020. As part of the 2018 to 2019 budget setting process, a service pressure bid of £390K was put forward to account for the increased costs of waste disposal and to account for housing growth. This pressure bid was deferred at that time.</p> | | |
| R28E | <p>Waste Disposal</p> <p>More than anticipated expenditure by £84.4K.</p> <p>In 2018 to 2019 there was a catastrophic failure of the bailer and a work-around needed to be in place for several weeks via open top bulk hauliers at additional expense until the repairs could be undertaken, some costs were mitigated by income from sales, but cost exceeded costs. As part of the 2018 to 2019 budget setting process a service pressure bid of £390k was put forward to account for the increased costs of waste disposal and to account for housing growth. This pressure bid was deferred at that time.</p> | <p>Noting that for 2019 to 2020 budget setting process (when these matters were considered again) baseline growth of £245K was provided to the operational service budgets.</p> | D Richardson |

Annex 2:**Budget Action Plan**

| Development | | | |
|--------------------|---|---|----------------------------|
| Function | Function Description / Explanation | Action Category/ Action Description | Responsible Officer |
| R33A | Administration Less than anticipated expenditure by £84.7K. Primarily as a result of staffing vacancies and further consideration of service priorities which resulted in a delay in appointment to posts. | No further action required - recruitment to outstanding vacant post to be completed in August 2019. | R Mackay |
| R33E | Regeneration Less than anticipated expenditure by £11.3K. Small underspends across all subjective groups. | No action required. | D Richardson |