

## **Item: 5**

### **Development and Infrastructure Committee: 10 September 2019.**

#### **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 June 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 30 June 2019, attached as Annex 1 to this report, indicating an underspend of £394,100.

#### **2.2.**

The revenue financial detail by Service Area statement in respect of Development and Infrastructure for the period 1 April to 30 June 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 30 June 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**

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](mailto:gavin.barr@orkney.gov.uk).

Gareth Waterson, Head of Finance, extension 2103, Email [gareth.waterson@orkney.gov.uk](mailto: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.

<b>Service Area</b>	<b>Spend</b>	<b>Budget</b>	<b>Over/Under Spend</b>		<b>Annual Budget £000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>	
Roads	490.3	751.6	-261.3	65.2	3,059.2
Transportation	1,781.0	1,850.3	-69.3	96.3	7,106.9
Operational Environmental Services	650.0	576.4	73.6	112.8	2,541.8
Environmental Health & Trading Standards	157.4	159.8	-2.4	98.5	885.0
Development	770.6	774.4	-3.8	99.5	2,003.4
Planning	85.6	216.5	-130.9	39.5	990.4
<b>Service Totals</b>	<b>3,934.9</b>	<b>4,329.0</b>	<b>-394.1</b>	<b>90.9</b>	<b>16,586.7</b>

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

<b>Service Area</b>	<b>No. of PAs</b>		<b>Service Functions</b>	<b>PAs/ Function</b>
	<b>P02</b>	<b>P03</b>		
Roads	5	7	12	58%
Transportation	3	2	9	22%
Operational Environmental Services	5	5	6	83%
Environmental Health & Trading Standards	0	0	3	0%
Development	6	0	9	0%
Planning	3	3	6	50%
<b>Totals</b>	<b>22</b>	<b>17</b>	<b>45</b>	<b>38%</b>

## Annex 2: Financial Detail by Service Area

The following tables show the spending position by service function

<b>Roads</b>	<b>PA</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/Under £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Winter Maintenance and Response	<b>1B</b>	59.4	48.4	11.0	122.9	908.9
Street Lighting		12.0	17.4	-5.4	68.9	235.7
Car Parks		6.4	1.0	5.4	616.7	-64.2
Other Works		7.1	8.9	-1.8	79.4	110.4
Traffic Management		23.4	21.0	2.4	111.4	253.4
Structural Maintenance	<b>1B</b>	274.6	243.4	31.2	112.8	1,201.0
Routine Maintenance	<b>1B</b>	98.0	84.7	13.3	115.7	698.3
Quarries Holding Account	<b>1B</b>	-285.3	-106.6	-178.7	267.7	-500.0
Roads Holding Account	<b>1B</b>	243.1	326.7	-83.6	74.4	0.0
Fleet Holding Account	<b>1B</b>	50.9	81.7	-30.8	62.3	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	83.8
Miscellaneous - RD	<b>1B</b>	0.7	25.0	-24.3	2.7	131.9
<b>Service Total</b>		<b>490.3</b>	<b>751.6</b>	<b>-261.3</b>	<b>65.2</b>	<b>3,059.2</b>

<b>Transportation</b>	<b>PA</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/Under £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Administration - TR		34.9	32.7	2.2	106.8	212.2
Co-ordination	<b>1B</b>	11.1	30.0	-18.9	37.1	77.6
Concessionary Fares		22.2	21.4	0.8	103.7	122.2
Support for Operators - Buses		107.8	107.3	0.5	100.4	814.2
Support for Operators - Air		182.5	192.0	-9.5	95.1	1,152.1
Support for Operators - Ferries		0.0	0.5	-0.5	0.0	3.1
Airfields Operations	<b>1B</b>	97.0	126.4	-29.4	76.7	416.0
Orkney Ferries		1,598.2	1,613.2	-15.0	99.1	4,309.5
Ferries Development		-272.7	-273.2	0.5	99.8	0.0
<b>Service Total</b>		<b>1,781.0</b>	<b>1,850.3</b>	<b>-69.3</b>	<b>96.3</b>	<b>7,106.9</b>

<b>Operational Environmental Services</b>	<b>PA</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/Under £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Burial Grounds		15.1	23.6	-8.5	64.2	89.7
Refuse Collection	<b>1B</b>	133.0	174.4	-41.4	76.3	518.7
Waste Disposal	<b>1B</b>	270.2	235.8	34.4	114.6	1,033.3
Recycling	<b>1B</b>	90.1	102.7	-12.6	87.7	497.6
Environmental Cleansing	<b>1B</b>	46.5	79.5	-33.0	58.4	402.5
OES Holding Account	<b>1B</b>	95.1	-39.6	134.7	N/A	0.0
<b>Service Total</b>		<b>650.0</b>	<b>576.4</b>	<b>73.6</b>	<b>112.8</b>	<b>2,541.8</b>

<b>Environmental Health &amp; Trading</b>	<b>PA</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/Under £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Administration - ES		84.8	84.0	0.8	101.0	555.6
Trading Standards		41.0	44.9	-3.9	91.2	246.3
Public Toilets		31.6	30.9	0.7	102.3	83.1
<b>Service Total</b>		<b>157.4</b>	<b>159.8</b>	<b>-2.4</b>	<b>98.5</b>	<b>885.0</b>

<b>Development</b>	<b>PA</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/Under £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Administration - DV		117.6	124.7	-7.1	94.3	727.5
Business Gateway		49.5	44.1	5.4	112.4	206.3
EEC Expenditure		0.5	1.7	-1.2	31.4	9.7
Leader Programme		132.4	133.0	-0.6	99.6	23.0
Regeneration		-47.6	-43.3	-4.3	109.9	24.6
Kirkwall Townscape Heritage		470.1	470.6	-0.5	99.9	49.2
Tourism		-19.1	-19.1	0.0	100.1	110.3
Economic Development Grants		35.6	28.6	7.0	124.4	472.2
Other Economic Development Grants		31.6	34.1	-2.5	92.5	380.6
<b>Service Total</b>		<b>770.6</b>	<b>774.4</b>	<b>-3.8</b>	<b>99.5</b>	<b>2,003.4</b>

#### **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
	<b>2,003.4</b>

<b>Planning</b>	<b>PA</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/Under £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Administration - PL		46.1	43.4	2.7	106.1	333.6
Development Management	<b>1B</b>	-103.5	26.4	-129.9	N/A	170.2
Development Planning	<b>1B</b>	107.5	93.9	13.6	114.4	402.7
Building Standards	<b>1B</b>	-15.6	-1.9	-13.7	828.1	3.9
Archaeology		8.5	9.5	-1.0	88.7	43.7
North Isles Landscape Partnership Scheme		42.6	45.2	-2.6	94.1	36.3
<b>Service Total</b>		<b>85.6</b>	<b>216.5</b>	<b>-130.9</b>	<b>39.5</b>	<b>990.4</b>

**Changes in original budget position:**

Original Net Budget	954.1
North Isles Landscape Development Phase from SRF	36.3
	<b>990.4</b>

## Annex 3: Budget Action Plan

### Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26A	<p><b>Winter Maintenance and Response</b></p> <p>More than anticipated expenditure by £11.0K</p> <p>Some flood attendance related costs arising and residual costs for winter maintenance out of profile have arisen.</p>	<p><b>Monitor the situation</b></p> <p>Continue to monitor.</p>	Darren Richardson	31/03/2020	Ongoing
R26J	<p><b>Structural Maintenance</b></p> <p>More than anticipated expenditure by £31.2K</p> <p>Surface treatment work has proceeded extremely well given the relatively good weather.</p>	<p><b>Monitor the situation</b></p> <p>Monitor the situation.</p>	Darren Richardson	31/08/2019	New
R26K	<p><b>Routine Maintenance</b></p> <p>More than anticipated expenditure by £13.3K</p> <p>Verge and cyclical drainage costs are over the profile and in terms of verges likely to be significantly over by the year-end.</p>	<p><b>Management input required</b></p> <p>This is a historic issue, now being addressed through wider grounds maintenance contract discussions. Drainage work is reflective of catching up on ditching and grip work to improve surface water run off issues.</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
R26L	<p><b>Quarries Holding Account</b></p> <p>More than anticipated income by £178.7K</p> <p>Income ahead of profile.</p>	<p><b>Monitor the situation</b></p> <p>Ongoing demands higher than planned, internal demands peaked given surface dressing requirements. Noted that recent crusher downtime will potentially impact on August and September performance along with planning application costs arising, therefore this variance may be artificially high.</p>	Darren Richardson	31/08/2019	Ongoing
R26M	<p><b>Roads Holding Account</b></p> <p>Less than anticipated expenditure by £83.6K</p> <p>Re-charges ahead of profile.</p>	<p><b>Management input required</b></p> <p>The review of the holding account is two-fold. At an operational level the scrutiny of costs, fees and other charges that will hit “client budgets” is in a better place than in 2018 to 2019. There do however need to be some revisions to profiling to address the current artificial underspend. The second element is the wider replacement of the holding account, this has not progressed as envisaged given resource team pressures.</p>	Darren Richardson	31/08/2019	Ongoing
R26N	<p><b>Fleet Holding Account</b></p> <p>Less than anticipated expenditure by £30.8K</p> <p>Due to staff vacancies.</p>	<p><b>Monitor the situation</b></p> <p>Ongoing drive for fleet efficiencies sees a reduction in maintenance costs continuing. However, noted labour costs underspent as there are several vacancies in terms of fleet manager and supervisor covered in part by existing staff and agency staff.</p>	Darren Richardson	31/08/2019	Ongoing

## Annex 3: Budget Action Plan

### Roads

<b>Function</b>	<b>Function Description/ Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>	<b>Deadline</b>	<b>Status</b>
<b>R26Z</b>	<b>Miscellaneous - RD</b> Less than anticipated expenditure by £24.3K  Some costs not processed in this reporting period due to technical support resource issues.	<b>Monitor the situation</b> Monitor.	Darren Richardson	31/08/2019	New

## Annex 3: Budget Action Plan

### Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27B	<p><b>Co-ordination</b></p> <p>Less than anticipated expenditure by £18.9K</p> <p>Unanticipated income received from HITRANS for accessibility works which have yet to be determined. Budget to be reset once works/activities programme has been established.</p>	<p><b>Management input required</b></p> <p>Works programme to be established and implemented - potential brief to Development and Infrastructure Committee.</p>	Brian Archibald	30/09/2019	New
R27K	<p><b>Airfields Operations</b></p> <p>Less than anticipated expenditure by £29.4K</p> <p>Expenditure on maintenance and operations behind expectation at this early stage but expected to balance by year end.</p>	<p><b>Monitor the situation</b></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

### Operational Environmental Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R28C	<p><b>Refuse Collection</b></p> <p>Less than anticipated expenditure by £41.4K</p> <p>Costs behind profile.</p>	<p><b>Manage income/expenditure</b></p> <p>Holding Account re-charge costs behind, due to pressures in technical teams, will catch up next period.</p>	Darren Richardson	31/08/2019	Ongoing
R28E	<p><b>Waste Disposal</b></p> <p>More than anticipated expenditure by £34.4K</p> <p>Some planned disposal charges paid ahead of profile.</p>	<p><b>Monitor the situation</b></p> <p>Monitor.</p>	Darren Richardson	31/08/2019	Ongoing
R28F	<p><b>Recycling</b></p> <p>Less than anticipated expenditure by £12.6K</p> <p>Due to significant improvement since last period in processing of invoices / costs, now in front of profile.</p>	<p><b>Monitor the situation</b></p> <p>Noted that some plant repairs are yet to be processed which will increase costs next period.</p>	Darren Richardson	31/08/2019	Ongoing
R28G	<p><b>Environmental Cleansing</b></p> <p>Less than anticipated expenditure by £33.0K</p> <p>Costs behind profile due to ongoing issues with people resources. Drivers for cyclical works are being affected.</p>	<p><b>Monitor the situation</b></p> <p>Additional seasonal posts now in place and Members briefed on current approach.</p>	Darren Richardson	31/08/2019	Ongoing

## Annex 3: Budget Action Plan

### Operational Environmental Services

<b>Function</b>	<b>Function Description/ Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>	<b>Deadline</b>	<b>Status</b>
<b>R28K</b>	<b>OES Holding Account</b> Less than anticipated income by £134.7K  Re-charges position currently behind profile due to ongoing difficulties in the technical support team (6 vacancies) and at Hatston team specifically.	<b>Manage income/expenditure</b>  Noted that actual work to be charged out is less, given the people resource challenges with recruitment of drivers and seasonal workers. Therefore, the client budgets are showing underspends and the holding account an overspend.	Darren Richardson	31/08/2019	Ongoing

## Annex 3: Budget Action Plan

### Planning

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R34B	<p><b>Development Management</b></p> <p>Less than anticipated expenditure by £129.9K</p> <p>Higher than anticipated income from Planning Application fees.</p>	<p><b>Monitor the situation</b></p> <p>Larger value applications including Finstown sub-station and Cursiter Quarry.</p>	Roddy Mackay	31/08/2019	Ongoing
R34C	<p><b>Development Planning</b></p> <p>More than anticipated expenditure by £13.6K</p> <p>Final instalment of a project grant to be received from an external funder outstanding.</p>	<p><b>Raise virements request</b></p> <p>Virement request to match income against expenditure to be processed.</p>	Roddy Mackay	31/08/2019	New
R34E	<p><b>Building Standards</b></p> <p>More than anticipated income by £13.7K</p> <p>Higher than anticipated income from Building Warrant fees.</p>	<p><b>Monitor the situation</b></p> <p>No action required at this stage.</p>	Roddy Mackay	31/08/2019	Ongoing