

Item: 4

Development and Infrastructure Committee: 5 September 2023.

Revenue Expenditure Outturn.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue outturn position for financial year 2022/23 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 2022/23, attached as Annex 1 to this report, indicating an overspend of £1,146,200.

2.2.

The revenue financial detail by service area statement, in respect of service areas for which the Development and Infrastructure Committee is responsible, for financial year 2022/23, attached as Annex 2 to this report.

The Committee is invited to scrutinise:

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, in order to obtain assurance that appropriate action was taken with regard to significant budget variances.

3. Background

3.1.

On 10 March 2022, the Council set its overall revenue budget for financial year 2022/23. On 21 June 2022, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2022/23, 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:

- Variance of £10,000 and more than 110% or less than 90% of anticipated position (1B).
- Not more than 110% or less than 90% of anticipated position but variance greater than £50,000 (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 Corporate 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 detail 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 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

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. Legal Aspects

Regular financial monitoring and reporting help the Council meet its statutory obligation to secure best value.

8. Contact Officer

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9. Annexes

Annex 1: Financial Summary.

Annex 2: Financial Detail by Service Area

Annex 3: Budget Action Plan.

Annex 1: Financial Summary**March 2023**

The table below provides a summary of the position across all Service Areas.

General Fund	Spend	Budget	Over/(Under)	Spend	Annual
Service Area	£000	£000	£000	%	Budget
					£000
Roads	5,235.7	4,237.4	998.3	123.6	4,237.4
Transportation	3,677.3	3,524.0	153.3	104.4	3,524.0
Operational Environmental Services	3,587.4	3,262.1	325.3	110.0	3,262.1
Environmental Health & Trading Standards	1,088.4	1,062.6	25.8	102.4	1,062.6
Development	2,678.1	2,878.0	(199.9)	93.1	2,878.0
Planning	1,186.6	1,343.2	(156.6)	88.3	1,343.2
	17,453.5	16,307.3	1,146.2	107.0	16,307.3
Service Totals	17,453.5	16,307.3	1,146.2	107.0	16,307.3

The following tables show the spending position by service function

General Fund

	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Roads						
Winter Maintenance and Response	1B	1,717.2	963.7	753.5	178.2	963.7
Street Lighting	1B	265.2	213.1	52.1	124.4	213.1
Car Parks	1B	59.2	(135.4)	194.6	N/A	(135.4)
Other Works	1B	141.0	122.2	18.8	115.4	122.2
Traffic Management	1B	308.5	240.0	68.5	128.5	240.0
Structural Maintenance	1C	1,991.9	2,174.7	(182.8)	91.6	2,174.7
Routine Maintenance	1B	906.9	753.7	153.2	120.3	753.7
Quarries Holding Account		(440.8)	(440.8)	0.0	100.0	(440.8)
Roads Holding Account		591.5	591.5	0.0	100.0	591.5
Fleet Holding Account		103.1	103.1	0.0	100.0	103.1
Movement in Reserves	1B	(3,034.1)	(540.9)	(2,493.2)	560.9	(540.9)
Finance & Capital Charges	1B	2,407.8	0.0	2,407.8	0.0	0.0
Miscellaneous - RD	1B	218.3	192.5	25.8	113.4	192.5
Service Total		5,235.7	4,237.4	998.3	123.6	4,237.4

Changes in original budget position:

Original Net Budget	3,463.4
Ph II Corp Mgt Restructure GF/WF	90.6
Roads Revenue Maintenance from R&R	683.4
	4,237.4

		Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Transportation	PA					
Administration - TR		481.0	531.0	(50.0)	90.6	531.0
Co-ordination		86.6	77.7	8.9	111.5	77.7
Concessionary Fares	1B	138.9	124.6	14.3	111.5	124.6
Support for Operators - Buses	1C	1,228.6	1,330.2	(101.6)	92.4	1,330.2
Support for Operators - Air	1B	1,424.5	1,198.8	225.7	118.8	1,198.8
Support for Operators - Ferries		24.0	25.6	(1.6)	93.8	25.6
Airfields Operations	1B	563.7	475.7	88.0	118.5	475.7
Orkney Ferries	1B	3.8	33.5	(29.7)	11.3	33.5
Ferries Development		(0.7)	0.0	(0.7)	0.0	0.0
Movement in Reserves	1B	(945.6)	(273.1)	(672.5)	346.2	(273.1)
Finance & Capital Charges	1B	672.5	0.0	672.5	0.0	0.0
Service Total		3,677.3	3,524.0	153.3	104.4	3,524.0

Changes in original budget position:

Original Net Budget	3,333.2
Ph II Corp Mgt Restructure GF: Airfields Officer	37.0
SusTrans Embedded Officer from Crown Estates Fund	27.0
Sustainable & Green Transport Fund projects	67.5
Ferries Replacement Project Officer from R&R	59.3
	3,524.0

		Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Operational Environmental Services	PA					
Burial Grounds	1B	169.3	150.0	19.3	112.9	150.0
Refuse Collection	1B	932.7	710.5	222.2	131.3	710.5
Waste Disposal		1,405.0	1,386.3	18.7	101.3	1,386.3
Recycling	1B	610.2	529.0	81.2	115.3	529.0
Environmental Cleansing		384.0	400.1	(16.1)	96.0	400.1
OES Holding Account		436.0	436.0	0.0	100.0	436.0
Movement in Reserves	1B	(767.7)	(349.8)	(417.9)	219.5	(349.8)
Finance & Capital Charges	1B	417.9	0.0	417.9	0.0	0.0
Service Total		3,587.4	3,262.1	325.3	110.0	3,262.1

Changes in original budget position:

Original Net Budget	3,179.9
Ph II Corp Mgt Restructure GF: Team Manager Environmental Services Operations	56.7
APSE Consultants Waste from Workforce Mgt Fund	25.5
	3,262.1

Environmental Health & Trading	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - ES		810.9	834.9	(24.0)	97.1	834.9
Trading Standards	1B	256.3	288.6	(32.3)	88.8	288.6
Public Toilets	1B	172.0	89.9	82.1	191.3	89.9
Movement in Reserves		(150.8)	(150.8)	0.0	100.0	(150.8)
Service Total		1,088.4	1,062.6	25.8	102.4	1,062.6

Changes in original budget position:

Original Net Budget	988.6
Ph II Corp Mgt Restructure GF: Food	47.0
Environmental Technical Officer from Redetermination Flex Fund	27.0
	1,062.6

Development	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - DV	1C	1,134.1	1,251.4	(117.3)	90.6	1,251.4
Business Gateway		178.2	177.1	1.1	100.6	177.1
UK Shared Prosperity Fund		8.6	9.4	(0.8)	91.5	9.4
Community Led Local Development (CLLD)	1B	7.5	23.1	(15.6)	32.5	23.1
Regeneration		430.5	438.1	(7.6)	98.3	438.1
Kirkwall Townscape Heritage		(5.3)	0.0	(5.3)	0.0	0.0
Tourism	1B	136.9	107.0	29.9	127.9	107.0
Economic Development Grants	1B	248.8	291.7	(42.9)	85.3	291.7
Other Economic Development Grants		727.4	768.8	(41.4)	94.6	768.8
Movement in Reserves		(188.6)	(188.6)	0.0	100.0	(188.6)
Service Total		2,678.1	2,878.0	(199.9)	93.1	2,878.0

Changes in original budget position:

Original Net Budget	(703.0)
Ph II Corp Mgt Restructure WF: Graduate Trainee Project Officer	26.8
Business Support Fund	2,413.6
COVID Support Funding from Business Support Fund	381.8
Create CDF Budget for 22/23	120.0
Orkney Sustainable Fisheries from Crown Estates	69.5
Kirkwall TCR (Gardens) from RRR Fund	33.5
Rousay, Egilsay & Wyre SCIO from Crown Estates	13.8
Tall Ships	2.0
LACER Funding	150.0
LACER Funding	371.0
Transfer to Arts Development budget	(1.0)
	2,878.0

Planning	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - PL		725.6	704.8	20.8	103.0	704.8
Development Management	1B	85.4	143.3	(57.9)	59.6	143.3
Development Planning	1B	520.3	627.9	(107.6)	82.9	627.9
Building Standards	1B	30.3	45.4	(15.1)	66.7	45.4
Archaeology		54.4	51.2	3.2	106.3	51.2
North Isles Landscape Partnership Scheme		83.8	83.8	0.0	100.0	83.8
Movement in Reserves		(313.2)	(313.2)	0.0	100.0	(313.2)
Service Total		1,186.6	1,343.2	(156.6)	88.3	1,343.2

Changes in original budget position:

Original Net Budget	1,150.9
Ph II Corp Mgt Restructure addition	(39.1)
Ph II Corp Mgt Restructure	70.7
Ph II Corp Mgt Restructure	(21.0)
Ph II Corp Mgt Restructure GF: Climate Change Project Officer (Strategy)	52.6
Ph II Corp Mgt Restructure GF: Isla	4.1
Marine Planning Partnership from Crown Estates Fund	25.0
Climate Change Officer from Crown Estates Fund	70.0
Crown Estate for Naturescot Project	30.0
	1,343.2

Annex 3: Budget Action Plan

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R26A	Winter Maintenance and Response	Richardson, Lorna	Winter treatment requirements were higher than budgeted due to increased costs and longer periods of cold weather.	Where possible, savings identified in other areas can be used to offset this. Improvements in technology to better target treatment areas continue to be investigated and implemented where appropriate. Additionally, the construction of a new Salt storage facility will assist with the more efficient storage and application of winter salt.
R26C	Street Lighting	Richardson, Lorna	The roads holding account reallocation for 22/23 was £34k in comparison to £7k in 21/22. The electricity costs were also higher than prior years.	Ongoing maintenance costs including utility costs and inspections and routine repairs, continue to rise. Therefore, future budgets are also likely to be overspent.
R26D	Car Parks	Richardson, Lorna	Reduced income due to increased uptake for one-hour free parking and associated reduction in longer, paid for stays. In addition, unbudgeted costs for maintenance of EV charging points.	Car park charging model is being reviewed to enable better recovery of costs and matching cost structure to car park usage. EV charges were reviewed in October 2022 but there is still a disparity between the actual cost of providing the infrastructure and the income generated.
R26E	Other Works	Richardson, Lorna	Cost centre includes for various special events. Budget set for these events are too low. Increased costs for supply of new festive lighting to community councils, one off payments for this year.	Review budget made available for special events and either withdraw Council involvement or find additional funding. Savings should be made in future years for festive lighting as

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
				Communities are now responsible for erection/ maintenance etc.
R26F	Traffic Management	Richardson, Lorna	The costs charged to this Service area from the roads holding account allocation for 2022/23 were £70k higher than budgeted for.	Senior management review of the holding account and how this is balanced against the budget is required. Charge-rates are not fully recovering overheads, resulting in unexpected end of year adjustments and unanticipated overspend. Therefore, work is required to review charge rates and ensure that they accurately reflect full overhead costs.
R26J	Structural Maintenance	Richardson, Lorna	Lack of availability of resources, both Roads Support and Roads Operational teams resulted in underspend on some cost centres. However, this did also allow for increased spend on Bridges and Structures following damage to a retaining wall.	Continue to review works programme and aim to complete all planned works within the financial year with the resources available. Increased focus on accurate programming is required.
R26K	Routine Maintenance	Richardson, Lorna	The roads holding account allocation for 2022/23 was £125k. Without this, the service function would have been much closer to being within budget. Some costs centres were underspent, for example, aide to movement, however others such as verges, have been overspent and need to be reviewed.	Continue to review works programme and aim to complete all planned works within the financial year with the resources available. Review some budgets due to ongoing costs and a need to discuss service reductions with elected members.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R26U	Movement in Reserves	Knight, Erik	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal. These transactions are applied to their relevant non-useable reserve through the Movement in Reserves budget area.	No action required
R26Y	Finance & Capital Charges	Knight, Erik	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal which are then stripped out through the Movement in Reserves.	No action required
R26Z	Miscellaneous - RD	Richardson, Lorna	Unbudgeted callouts for events and incidents	As noted above, work is required to resolve charge-out rates associated with the holding accounts to ensure smooth recovery of costs throughout the year and avoid year-end shocks which send budgets into overspend
R27C	Concessionary Fares	Buck, Jim	Increase in % of concessionary users in isles	Will continue to monitor. This is a discretionary scheme and the allocation of 12 x return trips could be reduced.
R27G	Support for Operators - Buses	Buck, Jim	The bus contract is based on no-fare income. Any fare income received during the year is passed onto the Council and is unbudgeted for.	Fare income is subsequently stripped out through the Movement in Reserves and set aside in the Sustainable and Green Transport Fund.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R27I	Support for Operators - Air	Buck, Jim	Increases in AvGas costs resulted in a significant overspend which was outwith our control.	Will continue to monitor.
R27K	Airfields Operations	Buck, Jim	This is due to the pay grading backpay, one-off adhoc costs for the roll-out of Wi-Fi to 4 airfields, 27 new fire extinguishers and fire training.	No Wi-Fi roll out or pay grading backpay for this coming financial year.
R27L	Orkney Ferries	Buck, Jim	Ferries Replacement Project Officer was added to OF budget throughout the year – this post has been recruited to but postholder not started yet has contributed to the underspend.	Hopefully the post holder will start in 23/24.
R27U	Movement in Reserves	Knight, Erik	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal. These transactions are applied to their relevant non-useable reserve through the Movement in Reserves budget area.	No action required
R27Y	Finance & Capital Charges	Knight, Erik	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal which are then stripped out through the Movement in Reserves..	No action required

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R28B	Burial Grounds	Richardson, Lorna	Unbudgeted costs relating to the provision of grass cutting services.	Current budget does not match the maintenance requirements. Discussions will be held with community councils to attempt to bring the grass cutting costs more in line with actual budget.
R28C	Refuse Collection	Richardson, Lorna	Service area is historically underfunded, with cost of delivery not matched by available budget.	There is little room for change in this service area, however opportunities will continue to be explored for efficiencies. Income is still not yet recovered to pre-COVID levels
R28F	Recycling	Richardson, Lorna	Increased transport costs plus the need for additional temporary staff	There is little room for change in this service area, however opportunities will continue to be explored for efficiencies.
R28U	Movement in Reserves	Knight, Erik	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit & loss on disposal. These transactions are applied to their relevant non-useable reserve through the Movement in Reserves budget area.	No action required
R28Y	Finance & Capital Charges	Knight, Erik	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit & loss on disposal which are then stripped out through the Movement in Reserves.	No action required

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R29B	Trading Standards	Mackay, Roddy	Main variance cause was a vacant post. Vacant post in process of being reviewed and advertised.	Looking to recruit to the vacant post.
R29D	Public Toilets	Macpherson, Kenny	In financial year 2022/23 the requirement to conduct enhanced levels of cleaning in public toilets caused an overspend.	For financial year 2023/24 the cleaning regime will return to normal levels.
R33A	Administration - DV	Johnston, Sweyn	Underspend relating to high vacancy rate through the year.	No action. Genuine underspend for this financial year but not expected to recur.
R33D	Community Led Local Development (CLLD)	Johnston, Sweyn	Underspend due to delay in CLLD post recruitment	No action. Genuine underspend for this financial year but not expected to recur.
R33I	Tourism	Johnston, Sweyn	Approved expenditure was overcharged to this budget due to coding error with an underspend of the other corresponding budgets.	No action – overspend accommodated by Service budget underspend.
R33J	Economic Development Grants	Johnston, Sweyn	Lower level of grant payments than financial year budget profile.	No action, the EcDev Grant fund balances grant commitment across the financial years of grant offer periods
R34B	Development Management	Mackay, Roddy	Planning application fee income higher than anticipated due to submission of a major wind farm development. In addition, staff costs lower than expected due to a number of vacant posts over the course of the year.	No action, vacant posts are being recruited too.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R34C	Development Planning	Mackay, Roddy	Primarily due to underspend in staff budget because of five vacant posts within the team over the course of the year.	No action, all five vacant posts have now been recruited to with the final new postholder having taken up their position in mid-March.
R34E	Building Standards	Mackay, Roddy	Due to staffing vacancies over the course of the year.	No action, all posts have now been filled.