

## **Item: 4**

**Development and Infrastructure Committee: 6 September 2022.**

**Revenue Expenditure Outturn.**

**Report by Corporate Director for Enterprise and Sustainable Regeneration, Corporate Director for Neighbourhood Services and Infrastructure and Head of Finance.**

### **1. Purpose of Report**

To advise of the revenue outturn position for financial year 2021/22 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 2021/22, attached as Annex 1 to this report, indicating an overspend of £558,000.

The Committee is invited to scrutinise:

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

### **3. Background**

#### **3.1.**

On 2 March 2021, the Council set its overall revenue budget for financial year 2021/22. On 20 April 2021, the Council 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 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 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**

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

## **8. Contact Officers**

Gareth Waterson, Corporate Director for Enterprise and Sustainable Regeneration, Email [gareth.waterson@orkney.gov.uk](mailto:gareth.waterson@orkney.gov.uk).

Hayley Green, Corporate Director for Neighbourhood Services and Infrastructure, Email [hayley.green@orkney.gov.uk](mailto:hayley.green@orkney.gov.uk)

Colin Kemp, Interim Head of Finance, Email [colin.kemp@orkney.gov.uk](mailto:colin.kemp@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 2021 to 2022

	Spend £000	Budget £000	Over/Under		Annual Budget £000
			Spend £000	%	
<b>General Fund Services</b>					
Roads	4,642.9	3,820.9	822.0	121.5	3,820.9
Transportation	8,146.7	8,094.9	51.8	100.6	8,094.9
Operational Environmental Services	2,937.9	2,919.6	18.3	100.6	2,919.6
Environmental Health and Trading Standards	957.8	935.4	22.4	102.4	935.4
Development	1,519.9	1,679.8	-159.9	90.5	1,679.8
Planning	918.5	1,115.0	-196.5	82.4	1,115.0
<b>Service Totals</b>	<b>19,123.6</b>	<b>18,565.6</b>	<b>558.0</b>	<b>103.0</b>	<b>18,565.6</b>

	PA	Spend £000	Budget £000	Over/Under		Annual Budget £000
				Spend £000	%	
<b>Roads</b>						
Winter Maintenance and Response	1b	1,238.3	944.2	294.1	131.2	944.2
Street Lighting	1b	164.1	187.5	-23.4	87.5	187.5
Car Parks	1b	114.2	-35.6	149.8	n/a	-35.6
Other Works	1b	97.6	111.1	-13.5	87.9	111.1
Traffic Management	1b	300.9	267.8	33.1	112.4	267.8
Structural Maintenance	1c	1,724.9	1,824.7	-99.8	94.5	1,824.7
Routine Maintenance	1b	687.0	795.6	-108.6	86.3	795.6
Quarries Holding Account	1c	191.8	-428.8	620.6	n/a	-428.8
Roads Holding Account		503.6	538.7	-35.1	93.5	538.7
Fleet Holding Account		94.8	94.9	-0.1	99.9	94.9
Movement in Reserves		-603.5	-603.5	0.0	100.0	-603.5
Miscellaneous		129.1	124.3	4.8	103.8	124.3
<b>Service Totals</b>		<b>4,642.9</b>	<b>3,820.9</b>	<b>822.0</b>	<b>121.5</b>	<b>3,820.9</b>

### **Budget Summary**

Original Net Budget	3,073.6
Transfer of wages costs	35.0
Apportioned costs realignment	12.0
Contribution from Roads Asset Maintenance	600.3
Business Support Fund Contribution to 1hr Parking	100.0
<b>Revised Net Budget</b>	<b>3,820.9</b>

### **Movement in Reserves Statement**

IFRS Accounting Entries	-688.9
<u>Transfer to Reserves:</u>	
Repairs and Renewals Fund for Quarry Plant Replacement	85.4
	<b>-603.5</b>

## Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2021 to 2022

	PA	Spend	Budget	Over/Under		Annual
		£000	£000	Spend	%	Budget
				£000		£000
<b>Transportation</b>						
Administration		544.1	504.3	39.8	107.9	504.3
Co-ordination	<b>1b</b>	47.3	84.0	-36.7	56.3	84.0
Concessionary Fares	<b>1b</b>	80.0	124.6	-44.6	64.2	124.6
Support for Operators - Buses	<b>1c</b>	1,196.5	1,293.5	-97.0	92.5	1,293.5
Support for Operators - Air	<b>1c</b>	1,246.8	1,186.9	59.9	105.0	1,186.9
Support for Operators - Ferries		7.2	3.1	4.1	231.6	3.1
Airfields		437.2	422.5	14.7	103.5	422.5
Orkney Ferries		4,787.7	4,759.0	28.7	100.6	4,759.0
Ferries Development		0.0	0.0	0.0	n/a	0.0
Movement in Reserves	<b>1b</b>	-200.1	-283.0	82.9	70.7	-283.0
<b>Service Totals</b>		<b>8,146.7</b>	<b>8,094.9</b>	<b>51.8</b>	<b>100.6</b>	<b>8,094.9</b>

### Budget Summary

Original Net Budget	8,093.1
Apportioned costs realignment	1.8
<b>Revised Net Budget</b>	<b>8,094.9</b>

### Movement in Reserves Statement

IFRS Accounting Entries	-283.0
<u>Transfer to Reserves:</u>	
Sustainable and Green Transport Fund	82.3
	<b>-200.7</b>

	PA	Spend	Budget	Over/Under		Annual
		£000	£000	Spend	%	Budget
				£000		£000
<b>Operational Environmental Services</b>						
Burial Grounds	<b>1b</b>	185.3	96.6	88.7	191.8	96.6
Refuse Collection	<b>1b</b>	687.9	623.4	64.5	110.3	623.4
Waste Disposal	<b>1b</b>	1,174.3	1,329.5	-155.2	88.3	1,329.5
Recycling		561.1	513.1	48.0	109.3	513.1
Cleansing	<b>1b</b>	329.3	392.0	-62.7	84.0	392.0
OES Holding Account	<b>1b</b>	357.1	322.1	35.0	110.9	322.1
Movement in Reserves		-357.1	-357.1	0.0	100.0	-357.1
<b>Service Totals</b>		<b>2,937.9</b>	<b>2,919.6</b>	<b>18.3</b>	<b>100.6</b>	<b>2,919.6</b>

### Budget Summary

## Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2021 to 2022

Original Net Budget	2,929.8
Integrated Waste Facility from Capital Projects Appraisals Fund	12.5
Contingency - charging for bins	10.0
Transfer of wages costs	-35.0
Apportioned costs realignment	2.3
<b>Revised Net Budget</b>	<b>2,919.6</b>

### **Movement in Reserves Statement**

IFRS Accounting Entries	-357.1
	<b>-357.1</b>

	PA	Spend	Budget	Over/Under Spend		Annual Budget
		£000	£000	£000	%	£000
<b>Environmental Health and Trading Standards</b>						
Administration	1c	671.6	729.0	-57.4	92.1	729.0
Trading Standards		274.2	264.9	9.3	103.5	264.9
Public Toilets	1b	155.3	84.7	70.6	183.3	84.7
Movement in Reserves		-143.2	-143.2	0.0	100.0	-143.2
<b>Service Totals</b>		<b>957.8</b>	<b>935.4</b>	<b>22.4</b>	<b>102.4</b>	<b>935.4</b>

### **Budget Summary**

Original Net Budget	940.2
Apportioned costs realignment	-4.8
<b>Revised Net Budget</b>	<b>935.4</b>

### **Movement in Reserves Statement**

IFRS Accounting Entries	-143.2
	<b>-143.2</b>

## Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2021 to 2022

	PA	Spend	Budget	Over/Under		Annual
		£000	£000	Spend	%	Budget
<b>Development</b>				£000		£000
Administration - DV	<b>1b</b>	801.4	893.6	-92.2	89.7	893.6
Business Gateway	<b>1b</b>	149.1	173.3	-24.2	86.0	173.3
EEC Expenditure		0.0	9.4	-9.4	0.0	9.4
Leader Programme		21.8	25.0	-3.2	87.1	25.0
Regeneration	<b>1b</b>	-100.9	16.5	-117.4	n/a	16.5
Kirkwall Townscape Heritage		0.0	0.0	0.0	n/a	0.0
Tourism		105.0	112.5	-7.5	93.3	112.5
Economic Development Grants	<b>1b</b>	382.2	291.7	90.5	131.0	291.7
Other Economic Development Grants		331.6	328.1	3.5	101.1	328.1
Movement in Reserves		-170.3	-170.3	0.0	100.0	-170.3
<b>Service Totals</b>		<b>1,519.9</b>	<b>1,679.8</b>	<b>-159.9</b>	<b>90.5</b>	<b>1,679.8</b>

### **Budget Summary**

Original Net Budget	1,408.0
Kirkwall Bid from Ec Dev Grants Fund	9.8
CDF Grant from Ec Dev Grants Fund	118.1
Grant from Crown Estate Fund	46.6
Apportioned costs realignment	97.3
<b>Revised Net Budget</b>	<b>1,679.8</b>

### **Movement in Reserves Statement**

IFRS Accounting Entries	-170.3
	<b>-170.3</b>

	PA	Spend	Budget	Over/Under		Annual
		£000	£000	Spend	%	Budget
<b>Planning</b>				£000		£000
Administration		692.1	728.2	-36.1	95.0	728.2
Development Management	<b>1b</b>	108.0	147.2	-39.2	73.4	147.2
Development Planning	<b>1b</b>	427.1	494.8	-67.7	86.3	494.8
Building Standards	<b>1b</b>	-35.0	17.6	-52.6	n/a	17.6
Archaeology		44.8	45.6	-0.8	98.2	45.6
North Isles Landscape Partnership		38.0	38.1	-0.1	99.8	38.1
Movement in Reserves		-356.5	-356.5	0.0	100.0	-356.5
<b>Service Totals</b>		<b>918.5</b>	<b>1,115.0</b>	<b>-196.5</b>	<b>82.4</b>	<b>1,115.0</b>

## Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2021 to 2022

### **Budget Summary**

Original Net Budget	1,032.1
Climate Change from Crown Estate	46.5
Marine Planning from Crown Estate	15.7
Post 102257 Regrade from Planning R34103000	-9.3
North Isles Landscape Development Phase from SRF	38.1
Apportioned costs realignment	-8.1
<b>Revised Net Budget</b>	<b><u>1,115.0</u></b>

### **Movement in Reserves Statement**

IFRS Accounting Entries	-356.5
	<b><u>-356.5</u></b>



## Annex 2: 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 higher than budgeted for due to low temperatures for an extended period of time.	Where possible, savings identified in other areas can be used to offset this. Improvements in technology to enable more targeted treatments are being developed and refined.
R26C	Street Lighting	Richardson, Lorna	Programme implementation was slower than expected due to lack of resource.	The work will continue as resources permit. Columns have been procured so work can progress.
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.	Reduction in income due to introduction of one hour free parking. An allocation of £100k from the Business Support Fund (Coronavirus Response Fund) was agreed but the actual loss of income is much greater than this, resulting in an overspend at year-end.
R26E	Other Works	Richardson, Lorna	Due to COVID-19 restrictions there were far fewer events than usual resulting in reduced income. Also, difficulties with getting contractors to carry out remedial works in the countryside.	No action required - the situation is expected to return to normal in 2022/23.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R26F	Traffic Management	Richardson, Lorna	Fewer applications than expected for road construction projects resulting in reduced income.	No specific action but will continue to monitor and attempt to reduce work if insufficient income is generated in other areas.
R26J	Structural Maintenance	Richardson, Lorna	The focus on work enabled by the additional funding provided has inevitably meant the diversion of resource from other areas, resulting in an underspend on those parts of the programme.	Work in these areas will continue to be programmed for the new financial year.
R26K	Routine Maintenance	Richardson, Lorna	Resources were diverted to other areas, plus the breakdown of some equipment meant that certain types of work could not be carried out.	Due to resource constraints this issue is likely to re-occur.
R26L	Quarries Holding Account	Richardson, Lorna	Lag between purchase and sale of product.	Purchase of additional material resulted in high stock levels which will naturally take some time to reduce. There is work programmed to review the business model and ensure that the commercial strategy meets requirements. It is expected that performance in 2022/23 will be closer to that in previous years as no additional stock purchases are planned.
R27B	Co-ordination	Buck, Jim	Reduced requirement with reduced travel patterns.	Monitor.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R27C	Concessionary Fares	Buck, Jim	Reduction in concessionary travel within the county.	Monitor.
R27G	Support for Operators - Buses	Buck, Jim	Reduced requirement with new contracts.	Monitor.
R27I	Support for Operators - Air	Buck, Jim	Changeover to new contract.	Monitor.
R27U	Movement in Reserves	Kemp, Colin	Sustainable and Green Transport Fund movement not budgeted.	No action required.
R28B	Burial Grounds	Richardson, Lorna	Unbudgeted expenditure on provision of plinths at St Olaf's plus increased maintenance costs.	Additional processes have been put in place to ensure that required maintenance does not go beyond the available budget, noting that this may result in some reduction in service.
R28C	Refuse Collection	Richardson, Lorna	Additional plant and labour costs due to physical distancing requirements plus some additional repair costs. Partially offset by greater than budgeted income.	Operations are currently reviewing their Risk Assessment regarding COVID-19 infection controls and are likely to revert to full cab occupancy by August 2022. This will assist with bringing costs back in line with expectations, although would note that the costs of kerbside recycling are routinely £50k to £80k over budget.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R28E	Waste Disposal	Richardson, Lorna	Significant staff shortages resulted in an underspend against waste transfer. In addition, lower than usual volumes of residual waste shipped to Shetland meant decreased costs.	This was a one-off scenario and unlikely to be replicated in future years. Staffing is now back to full complement and waste volumes are increasing as COVID-19 restrictions lift.
R28G	Environmental Cleansing	Richardson, Lorna	Pressure on staff meant that resource was deployed in other areas, such as kerbside collections.	Ongoing resource pressures mean that other areas of work need to take priority. Whilst every effort is made to ensure that staff are allocated across all areas of work, the statutory obligation to provide kerbside services means that this work takes precedence over other areas.
R28K	OES Holding Account	Richardson, Lorna	Agency staff brought in to cover shortfalls caused by long-term sickness and vacancies	Resources are returning to expected levels and so this is not anticipated to be an ongoing issue.
R29A	Administration - ES	Mackay, Roddy	Staffing costs lower than anticipated due to service carrying three staffing vacancies for a large part of the year - two Environmental Health Officer posts and Manager post.	All the vacant posts in Environmental Health have been recruited to with two new Environmental Health Officers starting in August 2021 and the new Manager taking up post in December 2021.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R29D	Public Toilets	Macpherson, Kenny	Overspend due to enhanced cleaning required as a result of the COVID-19 pandemic - which has required extra staffing to conduct additional cleans over and above capacity, leading to overspend.	Situation may improve as impact of Pandemic eases and requirements are hopefully scaled back. However, levels of cleaning are not expected to reduce back fully to pre-Pandemic levels.
R33A	Administration - DV	Mackay, Roddy	Staff vacancies together with an underspend on Supplies and Services and Administration during the year are the main contributors to the underspend position.	Recruit for vacancies.
R33B	Business Gateway	Mackay, Roddy	Due to staffing vacancies within the team for part of the year - manager and officer posts.	Manager post recruited to, and new officer commenced in post at the end of September 2021.
R33E	Regeneration	Mackay, Roddy	The Local Marine Asset Management project start date was delayed considerably by recruitment difficulties and expenditure delayed as a result. Plus, the grant income for the Reflex project is currently ahead of the budget profile.	Both these projects are fully grant funded and the income will match the expenditure at year-end.
R33J	Economic Development Grants	Mackay, Roddy	Due to payment of grant funds including archaeology and tourism grants not matching the anticipated spend profile at this point in the year.	Budgets to be re-profiled to better reflect grant payments.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R34B	Development Management	Mackay, Roddy	Underspend in staffing costs due to failure to recruit to temporary Senior Planner post and other staffing vacancies over the course of the year.	Recruitment to vacant posts to take place following approval of the Council's Phase 2 staffing re-structure which confirmed changes to posts.
R34C	Development Planning	Mackay, Roddy	Primarily due to underspend as a result of staffing vacancies over the course of the year, plus lower than anticipated costs in respect of involvement in COP26 events.	Recruitment to the majority of the vacant posts was delayed awaiting approval of the Council's Phase 2 staffing re-structure as there were changes proposed to a number of the posts which needed to be confirmed. Approval of Phase 2 staffing changes will allow recruitment to proceed.
R34E	Building Standards	Mackay, Roddy	Due to higher than anticipated building warrant fee income and underspend on staff due a staffing vacancy.	Recruitment to vacant Manager post undertaken in March 2022.