

Item: 4

Development and Infrastructure Committee: 15 February 2022.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 31 December 2021 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 service areas for which the Development and Infrastructure Committee is responsible, for the period 1 April to 31 December 2021, attached as Annex 1 to this report, indicating a budget overspend position of £547,100.

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 the period 1 April to 31 December 2021, 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 action is being 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 Policy and Resources Committee recommended approval of the detailed revenue budgets for 2021/22, which form the basis of the individual revenue expenditure monitoring reports.

3.2.

Individual revenue expenditure 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 Executive Directors and their staff.

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 31 December 2021 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

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

8. Contact Officer

Colin Kemp, Interim Head of Finance, Email colin.kemp@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

December 2021

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

Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Roads	2,728.7	1,593.2	1,135.5	171.3	3,073.6
Transportation	4,477.0	4,953.4	(476.4)	90.4	8,093.1
Operational Environmental Services	1,876.6	1,757.8	118.8	106.8	3,002.5
Environmental Health & Trading Standards	514.5	555.7	(41.2)	92.6	940.2
Development	924.9	886.5	38.4	104.3	1,559.5
Planning	421.3	649.3	(228.0)	64.9	1,174.6
Service Totals	10,943.0	10,395.9	547.1	105.3	17,843.5

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P08	P09		
Roads	11	11	12	92%
Transportation	3	4	9	44%
Operational Environmental Services	3	3	6	50%
Environmental Health & Trading Standards	2	2	3	67%
Development	7	6	9	67%
Planning	3	4	6	67%
Totals	29	30	45	67%

Annex 2: Financial Detail by Service Area
December 2021

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	1B	365.4	456.4	(91.0)	80.1	944.2
Street Lighting	1B	1.7	100.4	(98.7)	1.6	187.5
Car Parks	1B	90.0	(153.1)	243.1	N/A	(151.3)
Other Works	1B	83.9	69.9	14.0	120.0	111.2
Traffic Management	1B	159.2	138.1	21.1	115.3	237.8
Structural Maintenance	1B	1,301.6	1,000.1	301.5	130.1	1,244.4
Routine Maintenance	1B	363.5	483.5	(120.0)	75.2	805.6
Quarries Holding Account	1B	94.8	(388.4)	483.2	N/A	(500.0)
Roads Holding Account	1B	174.2	(199.1)	373.3	N/A	0.0
Fleet Holding Account	1B	87.6	62.4	25.2	140.5	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	85.4
Miscellaneous - RD	1B	6.8	23.0	(16.2)	29.7	108.8
Service Total		2,728.7	1,593.2	1,135.5	171.3	3,073.6

Transportation	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - TR		118.8	113.0	5.8	105.1	220.7
Co-ordination	1B	27.8	39.2	(11.4)	70.9	75.0
Concessionary Fares	1B	63.3	85.9	(22.6)	73.7	124.6
Support for Operators - Buses	1B	476.8	852.6	(375.8)	55.9	1,293.3
Support for Operators - Air		809.8	791.2	18.6	102.3	1,186.9
Support for Operators - Ferries		7.2	2.1	5.1	345.6	3.1
Airfields Operations		285.6	299.4	(13.8)	95.4	432.0
Orkney Ferries	1C	2,776.6	2,858.9	(82.3)	97.1	4,757.5
Ferries Development		(88.9)	(88.9)	0.0	100.0	0.0
Service Total		4,477.0	4,953.4	(476.4)	90.4	8,093.1

Operational Environmental Services	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Burial Grounds	1B	143.6	81.9	61.7	175.4	94.3
Refuse Collection	1B	353.7	272.3	81.4	129.9	623.4
Waste Disposal		900.5	903.3	(2.8)	99.7	1,379.7
Recycling		415.3	384.4	30.9	108.0	513.1
Environmental Cleansing		248.1	263.9	(15.8)	94.0	392.0
OES Holding Account	1B	(184.6)	(148.0)	(36.6)	124.8	0.0
Service Total		1,876.6	1,757.8	118.8	106.8	3,002.5

Changes in original budget position:

Original Net Budget	2,929.8
Integrated Waste Facility from Capital Projects Appraisals Fund	62.7
Contingency - charging for bins	10.0
	3,002.5

Environmental Health & Trading	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - ES	1B	253.6	324.6	(71.0)	78.1	584.0
Trading Standards		153.2	167.7	(14.5)	91.3	271.5
Public Toilets	1B	107.7	63.4	44.3	169.8	84.7
Service Total		514.5	555.7	(41.2)	92.6	940.2

Development	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - DV	1B	233.4	207.0	26.4	112.8	632.3
Business Gateway	1B	99.6	122.2	(22.6)	81.5	173.3
EEC Expenditure		0.0	6.3	(6.3)	0.0	9.4
Leader Programme	1B	222.8	58.8	164.0	379.1	25.0
Regeneration	1B	(1.0)	48.6	(49.6)	N/A	16.5
Kirkwall Townscape Heritage		110.1	110.2	(0.1)	99.9	0.0
Tourism	1B	(49.0)	(8.8)	(40.2)	554.3	112.5
Economic Development Grants		185.7	195.4	(9.7)	95.0	291.7
Other Economic Development Grants	1B	123.3	146.8	(23.5)	84.0	298.8
Service Total		924.9	886.5	38.4	104.3	1,559.5

Changes in original budget position:

Original Net Budget	1,408.0
Kirkwall BID from Economic Development Grants	11.5
CDF Grant from Economic Development Grants Fund	120.0
Grant from Crown Estate Fund	20.0
	1,559.5

Planning	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - PL		94.1	94.6	(0.5)	99.4	379.1
Development Management	1B	15.0	99.6	(84.6)	15.0	150.3
Development Planning	1B	221.2	356.5	(135.3)	62.1	536.1
Building Standards	1B	(9.3)	5.9	(15.2)	N/A	18.9
Archaeology		30.2	32.7	(2.5)	92.2	45.6
North Isles Landscape Partnership Scheme	1B	70.1	60.0	10.1	116.9	44.6
Service Total		421.3	649.3	(228.0)	64.9	1,174.6

Changes in original budget position:

Original Net Budget	1,032.1
Marine Planning from Crown Estate	25.0
Environmental Designations from RRR Fund	12.2
Climate Change from Crown Estate Fund	70.0
Budget from Planning for Procurement	(9.3)
North Isles Landscape Development Phase from SRF	44.6
	1,174.6

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26A	<p>Winter Maintenance and Response</p> <p>Less than anticipated expenditure by £91.0K</p> <p>Budget profile ahead of current actual spend. Likely to settle out as winter progresses.</p>	<p>Monitor the situation</p> <p>Will monitor spend against profile as winter weather progresses.</p>	Lorna Richardson	31/03/2022	Ongoing
R26C	<p>Street Lighting</p> <p>Less than anticipated expenditure by £98.7K</p> <p>Changes to how electricity is charged for Street Lighting has resulted in a delay in billing. Budget profile ahead of maintenance works. Plus, a charge for electricity of £43k has been posted to the wrong code.</p>	<p>Monitor the situation</p> <p>Journal transfer has been requested to correct the coding error, which will reduce the variance.</p>	Lorna Richardson	28/02/2022	Ongoing
R26D	<p>Car Parks</p> <p>Less than anticipated income by £243.1K</p> <p>Reduced income due to increased uptake for one hour free parking.</p>	<p>Manage income/expenditure</p> <p>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 anticipated overspend at year-end.</p>	Lorna Richardson	31/03/2022	Ongoing

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26E	<p>Other Works</p> <p>More than anticipated expenditure by £14.0K</p> <p>This month's variance is driven by electricity costs for the festive lighting being incorrectly coded to the wrong account.</p>	<p>Raise journals request</p> <p>A journal request has been raised to reallocate the costs to the correct code.</p>	Lorna Richardson	31/01/2022	Ongoing
R26F	<p>Traffic Management</p> <p>Less than anticipated income by £21.1K</p> <p>Less income than expected with regards to roads development as this is dependent on external factors. Plus, purchase of additional hardware for data collection.</p>	<p>Monitor the situation</p> <p>Monitor the situation.</p>	Lorna Richardson	31/03/2022	Ongoing
R26J	<p>Structural Maintenance</p> <p>More than anticipated expenditure by £301.5K</p> <p>Additional work programmed as a result of additional funding being made available, works will be funded by a year-end contribution from the Repairs and Renewals fund.</p>	<p>No action required</p> <p>Changed work profile due to £2.1M for roads improvements set aside in Repairs and Renewal Fund year-end 2020/21 to be drawn down as required.</p>	Lorna Richardson	31/03/2022	Ongoing

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26K	<p>Routine Maintenance</p> <p>Less than anticipated expenditure by £120.0K</p> <p>Different balance of work to first anticipated - recent focus on surface treatment means smaller number of works on other tasks.</p>	<p>Monitor the situation</p> <p>Works being planned and programmed.</p>	Lorna Richardson	31/03/2022	Ongoing
R26L	<p>Quarries Holding Account</p> <p>Less than anticipated income by £483.2K</p> <p>Some slowdown in sales plus lag between purchase and sale of product which is unlikely to remedy this year.</p>	<p>Monitor the situation</p> <p>Monitor and review.</p> <p>Purchases remaining unsold at year-end will lead to increased stock values.</p>	Lorna Richardson	31/03/2022	Ongoing
R26M	<p>Roads Holding Account</p> <p>Less than anticipated income by £373.3K</p> <p>Increased administration and depot related costs to comply with COVID-19 requirements which are not reflected in charge rates. Plus, changes in the balance of work between external contractors and internal resource.</p>	<p>Monitor the situation</p> <p>Continue to monitor and identify opportunities for efficiency savings.</p>	Lorna Richardson	31/03/2022	Ongoing

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26N	<p>Fleet Holding Account</p> <p>More than anticipated expenditure by £25.2K</p> <p>Increasing costs of supplies and services plus the need to bring in external resource when roles were vacant.</p>	<p>Monitor the situation</p> <p>Monitor and identify opportunities for efficiency savings.</p>	Lorna Richardson	31/03/2022	Ongoing
R26Z	<p>Miscellaneous - RD</p> <p>Less than anticipated expenditure by £16.2K</p> <p>Budget profile ahead of actual expenditure.</p>	<p>Monitor the situation</p> <p>Monitor and review workload as required.</p>	Lorna Richardson	31/03/2022	Ongoing

Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27B	<p>Co-ordination</p> <p>Less than anticipated expenditure by £11.4K</p> <p>Underspend due to reduced cruise liner visits.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	Jim Buck	31/01/2022	New
R27C	<p>Concessionary Fares</p> <p>Less than anticipated expenditure by £22.6K</p> <p>Reduction in concessionary travel within the county.</p>	<p>No action required</p> <p>Monitor.</p>	Jim Buck	31/01/2022	Ongoing
R27G	<p>Support for Operators - Buses</p> <p>Less than anticipated expenditure by £375.8K</p> <p>Payments to contractors are behind budget profile, due to delay in receipt of invoices from main contractor.</p>	<p>Monitor the situation</p> <p>Monitor and continue to chase invoices.</p>	Jim Buck	31/01/2022	Ongoing
R27L	<p>Orkney Ferries</p> <p>Less than anticipated expenditure by £82.3K</p> <p>Continuing vacancies and higher than average staff turnover.</p>	<p>No action required</p> <p>Monitor.</p>	Jim Buck	31/01/2022	Ongoing

Operational Environmental Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R28B	<p>Burial Grounds</p> <p>More than anticipated expenditure by £61.7K</p> <p>Unbudgeted expenditure on provision of plinths at St Olafs plus unbudgeted grass cutting costs.</p>	<p>Monitor the situation</p> <p>Monitor further expenditure to try and bring budgets back in line.</p>	Lorna Richardson	31/03/2022	Ongoing
R28C	<p>Refuse Collection</p> <p>More than anticipated expenditure by £81.4K</p> <p>Additional plant and labour costs due to physical distancing requirements plus some additional repair costs. Partially offset by greater than budgeted income.</p>	<p>Monitor the situation</p> <p>Continue to monitor and review. Unlikely to resolve whilst physical distancing requirements are in place.</p>	Lorna Richardson	31/03/2022	Ongoing
R28K	<p>OES Holding Account</p> <p>Less than anticipated expenditure by £36.6K</p> <p>Slightly lower costs due to staff absence and vacancies.</p>	<p>No action required</p> <p>Monitor as necessary.</p>	Lorna Richardson	31/03/2022	New

Environmental Health & Trading Standards

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R29A	<p>Administration - ES</p> <p>Less than anticipated expenditure by £71.0K</p> <p>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.</p>	<p>Monitor the situation</p> <p>Two new Environmental Health Officers recruited and started work in August. Manager post has been recruited to and commenced work in December. Consideration being given to whether some of the underspend can be used to upgrade the service casework management system (CIVICA).</p>	Roddy Mackay	28/02/2022	Ongoing
R29D	<p>Public Toilets</p> <p>More than anticipated expenditure by £44.3K</p> <p>Overspend due to enhanced cleaning required as a result of the COVID-19 pandemic.</p>	<p>Monitor the situation</p> <p>Situation will not be resolved until the need for enhanced cleaning is lifted. Timescales on this are being guided by Scottish Government, our planning assumption is that this is unlikely to change during 2021/22.</p>	Kenny Macpherson	31/03/2022	Ongoing

Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33A	<p>Administration - DV</p> <p>More than anticipated expenditure by £26.4K</p> <p>Additional staffing costs as a result of new temporary one year post established in the Economic Development service.</p>	<p>Raise virements request</p> <p>Temporary one year post of Economic Development Officer established in April 2021 to assist with the unprecedented demand in service in relation to the COVID-19 Business Support Grants administration.</p>	Roddy Mackay	28/02/2022	Ongoing
R33B	<p>Business Gateway</p> <p>Less than anticipated expenditure by £22.6K</p> <p>Due to staffing vacancies within the team for part of the year - manager and officer posts.</p>	<p>Monitor the situation</p> <p>Manager post recruited to, and new officer commenced in post at the end of September.</p>	Roddy Mackay	28/02/2022	Ongoing
R33D	<p>Leader Programme</p> <p>More than anticipated expenditure by £164.0K</p> <p>The variances are due to timing issues surrounding the submission of grant claims and the delayed reimbursement of grant drawdowns.</p>	<p>Monitor the situation</p> <p>There will be no net effect on the year-end budget position.</p>	Roddy Mackay	28/02/2022	Ongoing

Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33E	<p>Regeneration</p> <p>Less than anticipated expenditure by £49.6K</p> <p>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.</p>	<p>Monitor the situation</p> <p>Both these projects are fully grant funded and the income will match the expenditure at year-end.</p>	Kenny Macpherson	31/03/2022	Ongoing
R33I	<p>Tourism</p> <p>More than anticipated income by £40.2K</p> <p>A marketing funding grant of £60,000 was received in September from Visit Scotland and profiled in budget. Variance is on Third Party payments line.</p>	<p>Raise virements request</p> <p>Grant being used to undertake a multi-channel marketing campaign to run in early 2022 to promote Orkney as a visitor destination.</p> <p>Third Party Payments budget will be reprofiled to reflect actual expenditure.</p>	Roddy Mackay	28/02/2022	Ongoing
R33K	<p>Other Economic Development</p> <p>Less than anticipated expenditure by £23.5K</p> <p>Primarily due to payment of a number of grant funds - Marketing and Community Development Fund - not matching the anticipated profile at this point in the year.</p>	<p>Raise virements request</p> <p>Budgets to be re-profiled to better reflect anticipated grant payments.</p>	Roddy Mackay	28/02/2022	Ongoing

Planning

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R34B	<p>Development Management</p> <p>Less than anticipated expenditure by £84.6K</p> <p>Planning application fee income higher than anticipated at this stage in the year due to receipt of application attracting larger fee (Faray wind turbines). Underspend in staffing costs due to failure to recruit to temporary Senior Planner post.</p>	<p>Monitor the situation</p> <p>Workforce Plan being prepared to identify current staffing issues/future requirements across the Planning Service. Environmental consultancy being employed to provide specialist support.</p>	Roddy Mackay	28/02/2022	Ongoing
R34C	<p>Development Planning</p> <p>Less than anticipated expenditure by £135.3K</p> <p>Primarily due to underspend as a result of staffing vacancies over the course of the year, plus grant income of £35K received from Scottish Government for Marine Planning ahead of budget profile.</p>	<p>Monitor the situation</p> <p>A recent recruitment exercise has resulted in one of the vacant posts being recruited to. Specialist support being employed to support team and consultancy costs associated with the current preparation of a Development Brief will take up some of the surplus budget.</p> <p>Process virement to reprofile grant income.</p>	Roddy Mackay	28/02/2022	Ongoing
R34E	<p>Building Standards</p> <p>More than anticipated income by £15.2K</p> <p>Due to higher than anticipated building warrant fee income and underspend of staff costs.</p>	<p>Monitor the situation</p> <p>No action required at this stage.</p>	Roddy Mackay	28/02/2022	Ongoing

Planning

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R34M	North Isles Landscape Partnership More than anticipated expenditure by £10.1K Due to grant payments not matching the expenditure budget profile.	Raise virements request Virement to be raised to reprofile budget.	Roddy Mackay	28/02/2022	New