

Item: 4

Development and Infrastructure Committee: 12 November 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 September 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 September 2019, attached as Annex 1 to this report, indicating an underspend of £213,100.

2.2.

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

Regular 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: 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.

Service Area	Spend	Budget	Over/Under Spend		Annual Budget £000
	£000	£000	£000	%	
Roads	1,288.7	1,267.6	21.1	101.7	3,059.2
Transportation	2,955.0	3,120.1	-165.1	94.7	7,106.9
Operational Environmental Services	914.6	740.9	173.7	123.4	2,621.2
Environmental Health & Trading Standards	332.2	335.5	-3.3	99.0	885.0
Development	1,063.7	1,110.8	-47.1	95.8	2,003.4
Planning	250.2	442.6	-192.4	56.5	990.4
Service Totals	6,804.4	7,017.5	-213.1	97.0	16,666.1

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P05	P06		
Roads	5	7	12	58%
Transportation	3	3	9	33%
Operational Environmental Services	5	6	6	100%
Environmental Health & Trading Standards	0	0	3	0%
Development	4	3	9	33%
Planning	3	2	6	33%
Totals	20	21	45	47%

Annex 2: Financial Detail by Service Area

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		139.0	144.2	-5.2	96.4	908.9
Street Lighting	1B	59.0	79.1	-20.1	74.6	235.7
Car Parks	1B	-37.5	-3.3	-34.2	1,138.2	-64.2
Other Works		31.0	27.2	3.8	113.9	110.4
Traffic Management		75.3	79.8	-4.5	94.3	253.4
Structural Maintenance	1B	796.7	714.7	82.0	111.5	1,201.0
Routine Maintenance		264.0	247.9	16.1	106.5	698.3
Quarries Holding Account	1B	-248.8	-281.1	32.3	88.5	-500.0
Roads Holding Account	1B	144.4	128.5	15.9	112.4	0.0
Fleet Holding Account	1B	60.2	91.4	-31.2	65.8	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	83.8
Miscellaneous - RD	1B	5.4	39.2	-33.8	13.9	131.9
Service Total		1,288.7	1,267.6	21.1	101.7	3,059.2

Transportation	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Administration - TR		73.4	70.5	2.9	104.1	212.2
Co-ordination	1B	17.3	32.2	-14.9	53.8	77.6
Concessionary Fares		61.1	51.6	9.5	118.3	122.2
Support for Operators - Buses	1B	228.0	317.7	-89.7	71.8	814.2
Support for Operators - Air		455.4	480.0	-24.6	94.9	1,152.1
Support for Operators - Ferries		0.3	1.3	-1.0	24.2	3.1
Airfields Operations	1B	174.0	208.5	-34.5	83.5	416.0
Orkney Ferries		2,214.5	2,231.5	-17.0	99.2	4,309.5
Ferries Development		-269.0	-273.2	4.2	98.5	0.0
Service Total		2,955.0	3,120.1	-165.1	94.7	7,106.9

Operational Environmental Services	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Burial Grounds	1B	24.7	48.3	-23.6	51.1	89.7
Refuse Collection	1B	-273.2	-113.9	-159.3	239.8	448.7
Waste Disposal	1B	658.1	520.7	137.4	126.4	1,182.7
Recycling	1B	238.7	203.6	35.1	117.3	497.6
Environmental Cleansing	1B	116.3	173.6	-57.3	67.0	402.5
OES Holding Account	1B	150.0	-91.4	241.4	N/A	0.0
Service Total		914.6	740.9	173.7	123.4	2,621.2

Changes in original budget position:

Original Net Budget	2,541.8
Integrated Waste Facility from Roads Project Fund	79.4
	<u>2,621.2</u>

Environmental Health & Trading	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Administration - ES		193.5	192.3	1.2	100.6	555.6
Trading Standards		89.1	96.7	-7.6	92.1	246.3
Public Toilets		49.6	46.5	3.1	106.7	83.1
Service Total		332.2	335.5	-3.3	99.0	885.0

Development	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Administration - DV	1B	238.6	269.7	-31.1	88.5	727.5
Business Gateway		98.5	101.6	-3.1	97.0	206.3
EEC Expenditure		1.1	4.1	-3.0	27.5	9.7
Leader Programme		162.4	163.0	-0.6	99.6	23.0
Regeneration		-37.2	-28.3	-8.9	131.7	24.6
Kirkwall Townscape Heritage		377.1	354.4	22.7	106.4	49.2
Tourism	1B	-6.0	27.6	-33.6	N/A	110.3
Economic Development Grants	1B	114.8	97.1	17.7	118.1	472.2
Other Economic Development Grants		114.4	121.6	-7.2	94.1	380.6
Service Total		1,063.7	1,110.8	-47.1	95.8	2,003.4

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
	2,003.4

Planning	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Administration - PL		72.5	68.1	4.4	106.5	333.6
Development Management	1B	-31.9	59.2	-91.1	N/A	170.2
Development Planning	1B	95.9	203.6	-107.7	47.1	402.7
Building Standards		-10.2	-3.3	-6.9	305.3	3.9
Archaeology		19.4	20.4	-1.0	95.2	43.7
North Isles Landscape Partnership Scheme		104.5	94.6	9.9	110.4	36.3
Service Total		250.2	442.6	-192.4	56.5	990.4

Changes in original budget position:

Original Net Budget	954.1
North Isles Landscape Development Phase from SRF	36.3
	990.4

Annex 3: Budget Action Plan

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26C	<p>Street Lighting</p> <p>Less than anticipated expenditure by £20.1K</p> <p>Profile ahead of costs.</p>	<p>Monitor the situation</p> <p>The budget profile is ahead of the actual works delivered, works are progressing slower than planned but will be fully complete by financial year end.</p>	Darren Richardson	31/03/2020	New
R26D	<p>Car Parks</p> <p>More than anticipated income by £34.2K</p> <p>Income higher than profile.</p>	<p>Monitor the situation</p> <p>Noted that the income profile needs adjustment given the impact of the electrical vehicle charge income v cost (£30k p.a. energy/maintenance bill) will significantly reduce this surplus as well as the impact of the free 1-hour winter parking (circa 24k loss of income).</p>	Darren Richardson	31/03/2020	New
R26J	<p>Structural Maintenance</p> <p>More than anticipated expenditure by £82.0K</p> <p>Costs higher than profile.</p>	<p>Management input required</p> <p>This is principally the requirement to adjust the recovery rates. This is yet to be completed.</p>	Darren Richardson	30/11/2019	Ongoing

Annex 3: Budget Action Plan

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26L	<p>Quarries Holding Account</p> <p>Less than anticipated income by £32.3K</p> <p>Expenditure greater than profile.</p>	<p>Monitor the situation</p> <p>This is the expected impact of the crusher failure in terms of a period of limited production and thereby sales (income). It remains that the volume of work (tarmac) is less than envisaged given roads resource difficulties, but these programmes are now advancing at pace to catch up. It is not certain at this point if we will fully recover this lost income and therefore the year end performance may well be lower than previously achieved.</p>	Darren Richardson	30/11/2019	Ongoing
R26M	<p>Roads Holding Account</p> <p>More than anticipated expenditure by £15.9K</p> <p>Costs higher than profile.</p>	<p>Management input required</p> <p>This is principally the requirement to adjust the recovery rates. This is yet to be completed.</p>	Darren Richardson	31/03/2020	Ongoing
R26N	<p>Fleet Holding Account</p> <p>Less than anticipated expenditure by £31.2K</p> <p>Costs are behind profile.</p>	<p>Monitor the situation</p> <p>A combination of lower labour and material expenditure (impact of vacancies and throughput of work in material spend terms) that continues to mask an under recovery of internal recharges. Unfortunately, the expected full complement of resource is still an issue currently 2 FTEs down.</p>	Darren Richardson	31/03/2020	Ongoing

Annex 3: Budget Action Plan

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26Z	Miscellaneous - RD Less than anticipated expenditure by £33.8K Budget ahead of expenditure.	Monitor the situation Monitor.	Darren Richardson	30/11/2019	Ongoing

Annex 3: Budget Action Plan

Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27B	<p>Co-ordination</p> <p>Less than anticipated expenditure by £14.9K</p> <p>Income received from HITRANS for Carness path works and work not yet undertaken. Spend will dissipate once works are underway.</p>	<p>Management input required</p> <p>Initiate works.</p>	Brian Archibald	31/03/2020	New
R27G	<p>Support for Operators - Buses</p> <p>Less than anticipated expenditure by £89.7K</p> <p>Invoices awaited - operator is behind schedule in submitting invoices for monthly payment.</p>	<p>Monitor the situation</p> <p>Budget will balance at year end.</p>	Brian Archibald	31/03/2020	Ongoing
R27K	<p>Airfields Operations</p> <p>Less than anticipated expenditure by £34.5K</p> <p>Expenditure on maintenance and operations behind expectation at this early stage but expected to balance by year end.</p>	<p>Monitor the situation</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
R28B	<p>Burial Grounds</p> <p>Less than anticipated expenditure by £23.6K</p> <p>Costs are lower than profile.</p>	<p>Monitor the situation</p> <p>For this period the variance relates to lower than anticipated miscellaneous costs; however, it is noted that income levels from lair sales continue to exceed planned expenditure.</p>	Darren Richardson	30/11/2019	Ongoing
R28C	<p>Refuse Collection</p> <p>More than anticipated income by £159.3K</p> <p>Income more than anticipated.</p>	<p>Management input required</p> <p>Anticipated recharges from roads (collection) to Environmental Services not as profile. This is in part linked to the need for a revision to charge out rates. This links to the work on holding accounts. It is planned that this is resolved by the year end.</p>	Darren Richardson	31/03/2020	New
R28E	<p>Waste Disposal</p> <p>More than anticipated expenditure by £137.4K</p> <p>Costs greater than profile.</p>	<p>Monitor the situation</p> <p>Processing of Shetland costs higher than current profile. Invoices have come in a batch rather than typical monthly billing. Therefore, this overspend is not representative of this period.</p>	Darren Richardson	30/11/2019	Ongoing
R28F	<p>Recycling</p> <p>More than anticipated expenditure by £35.1K</p> <p>Costs ahead of profile.</p>	<p>Monitor the situation</p> <p>Noted this period this relates to exceptional expenditure on plant maintenance.</p>	Darren Richardson	30/11/2019	Ongoing

Annex 3: Budget Action Plan

Operational Environmental Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R28G	<p>Environmental Cleansing</p> <p>Less than anticipated expenditure by £57.3K</p> <p>Costs behind profile.</p>	<p>Monitor the situation</p> <p>The labour recharges are lower than anticipated given ongoing challenges with people resource (drivers) but also noting additional pressures for litter and bin emptying in the event/tourism season. this has in part been addressed through seasonal worker recruitment.</p>	Darren Richardson	30/11/2019	Ongoing
R28K	<p>OES Holding Account</p> <p>Less than anticipated income by £241.4K</p> <p>Re-charges behind profile.</p>	<p>Manage income/expenditure</p> <p>The work to be charged out is less, given the people resource challenges, now significantly reduced given successful recruitment (training underway). This will improve the recharging backlog issue and close the gap in future reports.</p>	Darren Richardson	30/11/2019	Ongoing

Annex 3: Budget Action Plan

Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33A	<p>Administration - DV</p> <p>Less than anticipated expenditure by £31.1K</p> <p>Primarily as a result of a vacant post in the service.</p>	<p>Monitor the situation</p> <p>Recruitment to vacant post currently taking place.</p>	Roddy Mackay	30/11/2019	Ongoing
R33I	<p>Tourism</p> <p>Less than anticipated expenditure by £33.6K</p> <p>Delay in issuing contract for tourism marketing campaign, resulting in profiling error.</p>	<p>Raise virements request</p> <p>Virement to be processed.</p>	Roddy Mackay	30/11/2019	Ongoing
R33J	<p>Economic Development Grants</p> <p>More than anticipated expenditure by £17.7K</p> <p>Grants claimed do not match budget profile.</p>	<p>Raise virements request</p> <p>Virement to be processed.</p>	Roddy Mackay	30/11/2019	Ongoing

Annex 3: Budget Action Plan

Planning

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R34B	<p>Development Management</p> <p>Less than anticipated expenditure by £91.1K</p> <p>Higher than anticipated income from Planning Application fees.</p>	<p>Monitor the situation</p> <p>Larger value applications including Finstown sub-station and Cursiter Quarry. Additional income being used to fund 2 new temporary posts plus consultancy support to assist with high workload issues.</p>	Roddy Mackay	30/11/2019	Ongoing
R34C	<p>Development Planning</p> <p>Less than anticipated expenditure by £107.7K</p> <p>External grant funding does not match budget profile.</p>	<p>Raise virements request</p> <p>Virement request to match income against expenditure to be processed.</p>	Roddy Mackay	30/11/2019	Ongoing