

Item: 4

Development and Infrastructure Committee: 5 February 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 31 December 2018 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 31 December 2018, attached as Annex 1 to this report, indicating an overspend of £623,500.

2.2.

The revenue financial detail by Service Area statement in respect of Development and Infrastructure for the period 1 April to 31 December 2018, 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 22 February 2018, the Council set its overall revenue budget for financial year 2018 to 2019. On 17 April 2018, 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 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 31 December 2018 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.

6.3.

A pay increase of 3% is included in the base budget for 2018 to 2019 which is yet to be agreed. The estimated cost of the backpay from 1 April to 31 December 2018 is £146,000 across Development and Infrastructure Services which would increase the current deficit position to £769,500.

7. Legal Aspects

Financial monitoring and reporting helps 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	2,495.0	1,762.9	732.1	141.5	2,964.4
Transportation	3,007.7	3,012.8	-5.1	99.8	6,584.7
Operational Environmental Services	1,226.7	1,237.2	-10.5	99.2	2,312.6
Environmental Health & Trading Standards	496.5	499.7	-3.2	99.4	865.3
Development	1,359.6	1,471.6	-112.0	92.4	2,271.8
Planning	443.8	421.6	22.2	105.3	930.8
Service Totals	9,029.3	8,405.8	623.5	107.4	15,929.6

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	10	8	12	67%
Transportation	2	0	9	0%
Operational Environmental Services	4	5	6	83%
Environmental Health & Trading Standards	0	0	3	0%
Development	4	2	9	22%
Planning	3	1	6	16%
Totals	23	16	45	36%

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	1B	225.4	351.5	-126.1	64.1	881.7
Street Lighting	1B	172.4	138.4	34.0	124.5	231.3
Car Parks	1B	-40.2	-29.6	-10.6	135.7	-47.3
Other Works	1B	38.5	66.3	-27.8	58.1	105.8
Traffic Management		141.4	135.7	5.7	104.2	255.5
Structural Maintenance		939.3	961.7	-22.4	97.7	1,156.3
Routine Maintenance		462.3	459.2	3.1	100.7	658.2
Quarries Holding Account	1B	-297.6	-372.2	74.6	80.0	-500.0
Roads Holding Account	1B	731.7	-173.8	905.5	N/A	0.0
Fleet Holding Account	1B	115.8	173.8	-58.0	66.6	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	83.8
Miscellaneous - RD	1B	6.0	51.9	-45.9	11.5	139.1
Service Total		2,495.0	1,762.9	732.1	141.5	2,964.4

Transportation	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Administration - TR		103.1	105.0	-1.9	98.2	207.2
Co-ordination		47.6	39.4	8.2	120.6	76.1
Concessionary Fares		83.3	81.9	1.4	101.7	122.2
Support for Operators - Buses		458.8	457.1	1.7	100.4	707.2
Support for Operators - Air		715.4	691.4	24.0	103.5	1,037.2
Support for Operators - Ferries		2.3	2.1	0.2	110.9	3.1
Airfields Operations		285.3	280.7	4.6	101.7	416.7
Orkney Ferries		1,586.0	1,630.2	-44.2	97.3	4,015.0
Ferries Development		-274.1	-275.0	0.9	99.7	0.0
Service Total		3,007.7	3,012.8	-5.1	99.8	6,584.7

Operational Environmental Services	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Burial Grounds	1B	50.2	76.9	-26.7	65.3	91.5
Refuse Collection	1B	-30.5	152.9	-183.4	N/A	572.0
Waste Disposal		581.2	585.1	-3.9	99.3	865.4
Recycling	1B	267.3	361.9	-94.6	73.9	489.6
Environmental Cleansing	1B	149.7	197.3	-47.6	75.9	294.1
OES Holding Account	1B	208.8	-136.9	345.7	N/A	0.0
Service Total		1,226.7	1,237.2	-10.5	99.2	2,312.6

Changes in original budget position:

Original Net Budget	2,280.5
Integrated Waste Facility Feasibility from Roads Project Fund	31.1
Redetermination - Free Child Burials	1.0
	2,312.6

Environmental Health & Trading	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Administration - ES		289.4	294.1	-4.7	98.4	543.9
Trading Standards		139.3	141.5	-2.2	98.5	235.6
Public Toilets		67.8	64.1	3.7	105.8	85.8
Service Total		496.5	499.7	-3.2	99.4	865.3

Development	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Administration - DV	1B	298.1	404.4	-106.3	73.7	704.0
Business Gateway		143.9	143.9	0.0	100.0	197.7
EEC Expenditure		2.0	6.5	-4.5	30.8	10.0
Leader Programme		257.2	265.0	-7.8	97.1	21.7
Regeneration	1B	-43.8	-28.8	-15.0	152.1	24.6
Kirkwall Townscape Heritage		304.4	287.1	17.3	106.0	199.2
Tourism		10.3	11.3	-1.0	91.4	110.3
Economic Development Grants		208.8	198.9	9.9	105.0	493.1
Other Economic Development Grants		178.7	183.3	-4.6	97.5	511.2
Service Total		1,359.6	1,471.6	-112.0	92.4	2,271.8

Changes in original budget position:

Original Net Budget	1,984.3
Kirkwall THI from RRR Fund	169.4
Kirkwall THI Training from RRR Fund	29.8
Kirkwall Bid from Economic Development Grants Fund	11.5
Orkney Digital Media Project from Economic Development Grants Fund	43.1
Business Gateway ERDF from Economic Development Grants Fund	33.7
	2,271.8

Planning	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Administration - PL		95.7	90.5	5.2	105.7	352.2
Development Management	1B	128.0	104.0	24.0	123.0	157.3
Development Planning		209.8	226.0	-16.2	92.8	392.2
Building Standards		-35.5	-29.4	-6.1	120.7	-13.4
Archaeology		27.9	30.5	-2.6	91.4	42.5
North Isles Landscape Partnership Scheme		17.9	0.0	17.9	0.0	0.0
Service Total		443.8	421.6	22.2	105.3	930.8

Annex 3: Budget Action Plan

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 £126.1K</p> <p>Spend within this budget is entirely dependent on the weather conditions. Milder weather at the outset of winter means an underspend against profiled budget. This may change as winter progresses.</p>	<p>No action required</p> <p>No action at present.</p>	Darren Richardson	31/03/2019	Ongoing
R26C	<p>Street Lighting</p> <p>More than anticipated expenditure by £34.0K</p> <p>There has been a recent increase in work undertaken on this activity due to revised programme.</p>	<p>Raise virements request</p> <p>Reprofiling of budget to be undertaken during January.</p>	Darren Richardson	31/01/2019	Ongoing
R26D	<p>Car Parks</p> <p>Less than anticipated expenditure by £10.6K</p> <p>Main variance due to slippage of maintenance work which will be completed before year-end.</p>	<p>Monitor the situation</p> <p>This will be monitored and if necessary reprofiled at the end of January.</p>	Darren Richardson	31/01/2019	Ongoing

Annex 3: Budget Action Plan

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26E	Other Works Less than anticipated expenditure by £27.8K Volume of work and thereby costs not as profiled.	Monitor the situation Monitor.	Darren Richardson	31/03/2019	New
R26L	Quarries Holding Account More than anticipated expenditure by £74.6K The first stage payment for the planning consultant in respect of proposed extension to Cursiter Quarry.	Monitor the situation Monitor against full year budget target.	Darren Richardson	31/03/2019	Ongoing

Annex 3: Budget Action Plan

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26M	<p>Roads Holding Account</p> <p>Less than anticipated income by £905.5K</p> <p>A thorough investigation is underway to review the substantial costs sitting in the holding account and the need to transfer sums to client revenue budgets and capital schemes. It is noted that additional costs have been incurred due to changes in working practices during the year that either have to be absorbed or additional funding identified. Circa £230k of additional budget funding is yet to be transferred into the Roads budget including a Scottish Government grant for repairing potholes of £120k which is within the balance in the Roads Project Fund. The pot-hole repair work, spring 2018, is significantly higher than government allocation. The materials stock budget is not adequate to cover a spike in the last phase of LED lighting stock purchase (circa £300k).</p>	<p>Monitor the situation</p> <p>On completion of the review, transfer verified monies to client budgets in revenue and capital project terms. Adjust budgets for additional funding, adjust stock levels to match deliveries, seek funding at year-end (if necessary) for extraordinary costs, note that despite these adjustments there may well be a deficit as pot-hole costs will not be met.</p>	Darren Richardson	31/03/2019	Ongoing

Annex 3: Budget Action Plan

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26N	<p>Fleet Holding Account</p> <p>Less than anticipated expenditure by £58.0K</p> <p>Staff vacancies leading to lack of resources to carry out work and hence impact on holding account recovery against budget.</p>	<p>Monitor the situation</p> <p>Garage mechanic recruitment now resolved (full complement in place), garage supervisor awaiting appointment and fleet manager post to be advertised in January.</p>	Darren Richardson	31/03/2019	Ongoing
R26Z	<p>Miscellaneous - RD</p> <p>Less than anticipated expenditure by £45.9K</p> <p>Various and numerous incidental costs/income lower than planned or anticipated (e.g. grants and rents).</p>	<p>Monitor the situation</p> <p>Monitor.</p>	Darren Richardson	31/03/2019	Ongoing
R28B	<p>Burial Grounds</p> <p>Less than anticipated expenditure by £26.7K</p> <p>Slight reduction in routine maintenance due to workforce pressures elsewhere in roads. The cost of headstone maintenance has yet to be charged, noting that additional Health and Safety works have been progressed in consultation with the Senior Management Team that will have to be absorbed or additional funding identified.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	Darren Richardson	31/03/2019	Ongoing

Annex 3: Budget Action Plan

Operational Environmental Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R28C	<p>Refuse Collection</p> <p>Less than anticipated expenditure by £183.4K</p> <p>Ongoing positive impact of focused efforts to improve recycling and reduce collection cost. In addition, delays in charging from holding account out of line with profile.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	Darren Richardson	31/03/2019	Ongoing
R28F	<p>Recycling</p> <p>Less than anticipated expenditure by £94.6K</p> <p>Ongoing positive impact of focused efforts to improve recycling and thereby reduce disposal cost or increase income for disposal (commercial). In addition, delays in charging from holding account out of line with profile.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	Darren Richardson	31/03/2019	New
R28G	<p>Environmental Cleansing</p> <p>Less than anticipated expenditure by £47.6K</p> <p>Ongoing issue with allocation of drivers and some other resources from Roads to support Environmental Services see a reduction in maintenance due to workforce pressures. In addition, delays in charging from holding account out of line with profile.</p>	<p>Monitor the situation</p> <p>Recruitment of temporary drivers remains an issue, partly assisted by Business Ring but re-advertising given reduced overall availability of drivers. Relief rather than seasonal approach now being reviewed formally as part of Waste Planning.</p>	Darren Richardson	31/03/2019	Ongoing

Annex 3: Budget Action Plan

Operational Environmental Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R28K	<p>OES Holding Account</p> <p>Less than anticipated income by £345.7K</p> <p>A thorough investigation is underway similar to the Roads Holding Account. Review to include profiled budget surplus position offset in part by underspend on staffing. Recharges for costs within the Environmental Service Holding Account have not been processed and the need to transfer to other Environmental Services revenue budgets. Noted that significant additional costs for bailer repair will impact on the overall position circa £85-90k at year-end.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	Darren Richardson	31/03/2019	Ongoing
R33A	<p>Administration - DV</p> <p>Less than anticipated expenditure by £106.3K</p> <p>Staff salary costs lower than anticipated due to staff vacancy.</p>	<p>Monitor the situation</p> <p>Job description for vacant post under review in light of changing workload priorities in Economic Development Service. Revised post to be advertised in January 2019.</p>	Roddy Mackay	31/01/2019	Ongoing

Annex 3: Budget Action Plan

Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33E	Regeneration Less than anticipated expenditure by £15.0K Expenditure on Regeneration Support is behind the budget profile.	Monitor the situation Regeneration also includes Renewable Support and Big Hit budgets.	Gavin Barr	31/03/2019	Ongoing
R34B	Development Management Less than anticipated income by £24.0K Planning application fee income lower than anticipated to date	Monitor the situation Higher value planning applications anticipated before end of financial year.	Roddy Mackay	31/01/2019	New