

Item: 5

Development and Infrastructure Committee: 8 September 2020.

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 June 2020 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 30 June 2020, attached as Annex 1 to this report, indicating a budget overspend position of £385,900.

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 30 June 2020, 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 3 March 2020, the Council set its overall revenue budget for financial year 2020 to 2021. On 11 June 2020, 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 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 30 June 2020 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.

The exceptional impact of the COVID-19 pandemic will see additional expenditure and reduced income across all services which will be monitored during financial year 2020 to 2021 with a possible contribution from General Fund non earmarked balances at the financial year-end.

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 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 £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Roads	961.2	822.4	138.8	116.9	3,189.8
Transportation	1,949.8	2,058.0	(108.2)	94.7	7,488.6
Operational Environmental Services	532.8	147.3	385.5	361.7	2,621.2
Environmental Health & Trading Standards	149.2	165.5	(16.3)	90.2	900.2
Development	531.3	436.3	95.0	121.8	1,659.7
Planning	66.2	175.1	(108.9)	37.8	1,020.7
Service Totals	4,190.5	3,804.6	385.9	110.1	16,880.2

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P02	P03		
Roads	8	8	12	67%
Transportation	4	4	9	44%
Operational Environmental Services	6	5	6	83%
Environmental Health & Trading Standards	0	1	3	33%
Development	4	6	9	67%
Planning	3	4	6	67%
Totals	25	28	45	62%

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		53.6	48.8	4.8	110.0	925.6
Street Lighting	1B	(11.9)	17.2	(29.1)	N/A	216.3
Car Parks	1B	55.7	(8.3)	64.0	N/A	(76.6)
Other Works		6.7	9.2	(2.5)	73.2	109.5
Traffic Management	1B	38.8	21.4	17.4	181.3	234.3
Structural Maintenance	1B	40.7	162.3	(121.6)	25.1	1,308.5
Routine Maintenance	1B	52.0	122.0	(70.0)	42.6	757.9
Quarries Holding Account	1B	41.3	24.6	16.7	168.3	(500.0)
Roads Holding Account	1B	580.8	330.2	250.6	175.9	0.0
Fleet Holding Account	1B	102.2	85.2	17.0	119.9	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	84.6
Miscellaneous - RD		1.3	9.8	(8.5)	13.1	129.7
Service Total		961.2	822.4	138.8	116.9	3,189.8

Transportation	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - TR	1B	147.2	133.6	13.6	110.2	316.5
Co-ordination		30.7	29.0	1.7	105.7	74.0
Concessionary Fares	1B	1.5	21.6	(20.1)	6.9	123.4
Support for Operators - Buses	1B	87.9	127.3	(39.4)	69.0	808.5
Support for Operators - Air		181.8	195.8	(14.0)	92.8	1,175.1
Support for Operators - Ferries		0.0	0.5	(0.5)	0.0	3.1
Airfields Operations	1B	87.6	112.1	(24.5)	78.1	427.8
Orkney Ferries		1,663.7	1,689.1	(25.4)	98.5	4,560.2
Ferries Development		(250.6)	(251.0)	0.4	99.8	0.0
Service Total		1,949.8	2,058.0	(108.2)	94.7	7,488.6

Changes in original budget position:

Original Net Budget	7,388.6
Contribution from Ferry Replacement Fund	100.0
	7,488.6

Operational Environmental Services	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Burial Grounds		15.4	23.9	(8.5)	64.6	95.3
Refuse Collection	1B	172.7	(260.8)	433.5	N/A	524.7
Waste Disposal	1B	141.4	244.0	(102.6)	57.9	1,108.9
Recycling	1B	52.0	104.7	(52.7)	49.7	506.2
Environmental Cleansing	1B	21.6	75.9	(54.3)	28.4	386.1
OES Holding Account	1B	129.7	(40.4)	170.1	N/A	0.0
Service Total		532.8	147.3	385.5	361.7	2,621.2

Environmental Health & Trading	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - ES	1B	74.2	85.2	(11.0)	87.1	551.5
Trading Standards		42.3	49.1	(6.8)	86.2	264.8
Public Toilets		32.7	31.2	1.5	104.8	83.9
Service Total		149.2	165.5	(16.3)	90.2	900.2

Development	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - DV		235.1	226.3	8.8	103.9	751.0
Business Gateway		27.6	35.3	(7.7)	78.2	170.5
EEC Expenditure		0.1	1.7	(1.6)	6.3	9.9
Leader Programme	1B	29.0	17.8	11.2	163.1	24.1
Regeneration	1B	28.3	45.8	(17.5)	61.8	18.6
Kirkwall Townscape Heritage	1B	110.3	0.0	110.3	0.0	0.0
Tourism	1B	(16.6)	0.0	(16.6)	0.0	111.4
Economic Development Grants	1B	38.3	54.0	(15.7)	70.8	308.8
Other Economic Development Grants	1B	79.2	55.4	23.8	142.9	265.4
Service Total		531.3	436.3	95.0	121.8	1,659.7

Changes in original budget position:

Original Net Budget	1,411.1
Contribution from Workforce Management Fund	128.6
CDF Grant from Economic Development Grants Fund	120.0
	1,659.7

Planning	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - PL		48.5	43.9	4.6	110.6	354.3
Development Management	1B	(79.6)	26.6	(106.2)	N/A	171.6
Development Planning	1B	83.3	95.4	(12.1)	87.3	439.8
Building Standards	1B	(14.5)	(0.6)	(13.9)	2,619.3	10.2
Archaeology		9.1	9.8	(0.7)	93.5	44.8
North Isles Landscape Partnership Scheme	1B	19.4	0.0	19.4	0.0	0.0
Service Total		66.2	175.1	(108.9)	37.8	1,020.7

Changes in original budget position:

Original Net Budget	1,005.7
Environmental Designations from RRR Fund	15.0
	1,020.7

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 £29.1K</p> <p>Planned work start is delayed, costs are lower than profiled income.</p>	<p>Raise virements request</p> <p>The impact of COVID-19 in terms of resources available restrict planned revenue works, only essential works are currently being undertaken. Awaiting decision on how COVID-19 revenue cost might be funded.</p>	Darren Richardson	31/12/2020	Ongoing
R26D	<p>Car Parks</p> <p>Less than anticipated income by £64.0K</p> <p>Income not received as charging temporarily suspended.</p>	<p>Management input required</p> <p>Noted the impact of COVID-19 in terms of no Car Park income (circa £62k) but also ongoing pressure in terms of the E.V. provision for electricity costs and maintenance (circa £2k) so far. Car Parks (existing) charges recommenced 15 July 2020.</p>	Darren Richardson	31/12/2020	Ongoing
R26F	<p>Traffic Management</p> <p>More than anticipated expenditure by £17.4K</p> <p>The income targets for permits and road construction consents is down given lack of activity in the COVID-19 period (circa £12k). Other costs are higher than budgeted as Roads charge out rates have increased in 2020/21 financial year.</p>	<p>Raise virements request</p> <p>The increase in charge out rates means for 2020/21 there will be less planned revenue work done.</p>	Darren Richardson	31/12/2020	Ongoing

Annex 3: Budget Action Plan

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26J	<p>Structural Maintenance</p> <p>Less than anticipated expenditure by £121.6K</p> <p>Planned work delayed, therefore cost lower than profile. Some charges lower than anticipated.</p>	<p>Raise virements request</p> <p>Planned work (mainly surfacing /patching / drainage) delayed due to COVID-19 and people resource issues, therefore anticipated costs lower than profile. The spend on this is held back until there is certainty on COVID-19 cost funding.</p>	Darren Richardson	31/12/2020	Ongoing
R26K	<p>Routine Maintenance</p> <p>Less than anticipated expenditure by £70.0K</p> <p>Planned/cyclical works (non-essential) are delayed, therefore costs are lower than anticipated.</p>	<p>Raise virements request</p> <p>Planned maintenance (cyclical drainage/aids to movement, circa £70k) spend not proceeding due to COVID-19 restrictions. Therefore, costs are lower than anticipated against typical income profile. Awaiting decision on how COVID-19 costs may be funded.</p>	Darren Richardson	31/12/2020	Ongoing
R26L	<p>Quarries Holding Account</p> <p>Less than anticipated income by £16.7K</p> <p>Sales less than anticipated. Cost are higher than profiles.</p>	<p>Monitor the situation</p> <p>Sales are lower than anticipated given the COVID-19 period (circa £222k). This predicted loss of income is highlighted in government returns (circa £285k). This outstrips savings in some labour and plant costs to current loss levels. The resurgence of work (construction) may see a growth in sales, it is not anticipated this will address the full trading surplus target by the end of 2020/21 and capacity to provide is an ongoing risk linked to longer term expansion needs.</p>	Darren Richardson	31/12/2020	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 £250.6K</p> <p>Recharges are less than anticipated due to planned work start delays (COVID-19).</p>	<p>Management input required</p> <p>The impact of COVID-19 on delivery of work (starts) means that Holding Account charges cannot be passed on. Adjustments will be processed against client budgets for these COVID-19 costs unless other funding can be secured. If unfunded, a large portion of planned revenue works will need to be suspended to address these costs in 2021/22.</p>	Darren Richardson	31/12/2020	Ongoing
R26N	<p>Fleet Holding Account</p> <p>Less than anticipated income by £17.0K</p> <p>Recharges are lower than anticipated due to reduced fleet activity, therefore standing costs are higher than profiled income.</p>	<p>Management input required</p> <p>Fleet recharges (income) is lower than anticipated and noting lower labour, plant and stores costs due to less activity (COVID-19). The loss of income for recharging outstrips the reduction in costs.</p>	Darren Richardson	31/12/2020	New

Annex 3: Budget Action Plan

Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27A	<p>Administration - TR</p> <p>More than anticipated expenditure by £13.6K</p> <p>Invoice paid for outline business case, not budgeted for in period.</p>	<p>Monitor the situation</p> <p>Continue to monitor.</p>	Jim Buck	31/07/2020	New
R27C	<p>Concessionary Fares</p> <p>Less than anticipated expenditure by £20.1K</p> <p>Underspend in travel due to COVID-19 restrictions.</p>	<p>Monitor the situation</p> <p>It is anticipated that travel will increase during Phases 3 and 4 of the Scottish Government's Route Map. Will continue to monitor.</p>	Jim Buck	31/07/2020	Ongoing
R27G	<p>Support for Operators - Buses</p> <p>Less than anticipated expenditure by £39.4K</p> <p>In the process of conducting a revised tender/procurement strategy.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	Jim Buck	31/07/2020	Ongoing
R27K	<p>Airfields Operations</p> <p>Less than anticipated expenditure by £24.5K</p> <p>Due to reduced inter-isles flight service as a result of COVID-19, including an underspend on training and associated costs.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	Jim Buck	31/07/2020	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 income by £433.5K</p> <p>Income less than anticipated profile.</p>	<p>Management input required</p> <p>Commercial collections suspended; (businesses closed) kerbside recycling only recommencing progressively and not at household waste recycling centres. COVID-19 requirements thereby significantly reducing income.</p>	Darren Richardson	31/12/2020	Ongoing
R28E	<p>Waste Disposal</p> <p>Less than anticipated expenditure by £102.6K</p> <p>Costs lower than profile.</p>	<p>Management input required</p> <p>A combination of lower disposal bills (tonnage shipped) but for that to be shipped increased gate fee charges sees a slight underspend continuing. This will worsen significantly as we catch up on the stored waste due to COVID-19.</p>	Darren Richardson	31/12/2020	Ongoing
R28F	<p>Recycling</p> <p>Less than anticipated expenditure by £52.7K</p> <p>Costs less than profile.</p>	<p>Management input required</p> <p>Noting due to COVID-19 the recycling centres are closed therefore running costs are naturally lower. This does impact on the Holding Account in terms of costs not charged out.</p>	Darren Richardson	31/08/2020	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 £54.3K</p> <p>Planned and scheduled "cyclical" works and other cleansing operations restricted due to COVID-19 resource levels, therefore costs lower than profile.</p>	<p>Management input required</p> <p>The impact of COVID-19 has reduced the resource levels (drivers) available. Costs are therefore lower than anticipated (i.e. the recharges to this budget). They are accruing in Holding Accounts and will be transferred out in the months ahead.</p>	Darren Richardson	31/12/2020	Ongoing
R28K	<p>OES Holding Account</p> <p>Less than anticipated income by £170.1K</p> <p>Recharges from Holding Account to client budgets lower than profile given reduced work (spend on client budgets).</p>	<p>Management input required</p> <p>Due to the impact of COVID-19 the recharges for a range of OES planned and cyclical works cannot be processed in the normal way as the works have not been done. The costs are therefore sitting in the OES/Roads Holding Accounts to be transferred out in the months ahead. If the COVID-19 costs remain unfunded then this will have to be addressed from planned revenue works (principally in Roads).</p>	Darren Richardson	31/12/2020	Ongoing

Annex 3: Budget Action Plan

Environmental Health & Trading Standards

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R29A	Administration - ES Less than anticipated expenditure by £11.0K Primarily as a result of staffing vacancies.	Monitor the situation No action required. One post has now been filled and new postholder commencing work in August.	Roddy Mackay	31/07/2020	New

Annex 3: Budget Action Plan

Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33D	<p>Leader Programme</p> <p>More than anticipated expenditure by £11.2K</p> <p>Expenditure has been incurred and grants have been paid out, but costs are only re-claimed in arrears from the Scottish Government.</p>	<p>Manage income/expenditure</p> <p>Claim to be made to Scottish Government.</p>	Roddy Mackay	31/07/2020	New
R33E	<p>Regeneration</p> <p>Less than anticipated expenditure by £17.5K</p> <p>Costs lower than profile.</p>	<p>Monitor the situation</p> <p>This covers the Big Hit project mainly and anticipated costs/expenditure is lower than anticipated, noting the limited work done in the COVID-19 period.</p>	Darren Richardson	30/09/2020	Ongoing
R33F	<p>Kirkwall Townscape Heritage</p> <p>Less than anticipated income by £110.3K</p> <p>Awaiting a final grant payment from Historic Environment Scotland.</p>	<p>Monitor the situation</p> <p>Kirkwall THI project completed.</p>	Roddy Mackay	31/07/2020	Ongoing
R33I	<p>Tourism</p> <p>Less than anticipated expenditure by £16.6K</p> <p>No expenditure against profile.</p>	<p>Raise virements request</p> <p>No expenditure against profile.</p>	Roddy Mackay	31/07/2020	Ongoing

Annex 3: Budget Action Plan

Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33J	Economic Development Grants Less than anticipated expenditure by £15.7K No tourism grants claim paid.	Raise virements request No further action required.	Roddy Mackay	31/07/2020	New
R33K	Other Economic Development More than anticipated expenditure by £23.8K As a result of profiling issues with several the grants budgets.	Raise virements request Budgets affected are Marketing, Community Development Fund, Digital Media and Promote Orkney.	Roddy Mackay	31/07/2020	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>More than anticipated income by £106.2K</p> <p>Higher than anticipated planning fee income.</p>	<p>Monitor the situation</p> <p>Fee income to be used to cover the cost of additional posts and employment of specialist EIA advice.</p>	Roddy Mackay	31/07/2020	Ongoing
R34C	<p>Development Planning</p> <p>Less than anticipated expenditure by £12.1K</p> <p>£35K grant funding received from HiTrans for Papdale East active travel project.</p>	<p>Monitor the situation</p> <p>Delay in project commencing.</p>	Roddy Mackay	31/07/2020	New
R34E	<p>Building Standards</p> <p>More than anticipated income by £13.9K</p> <p>Higher than anticipated building warrant fee income.</p>	<p>Monitor the situation</p> <p>No action required at this stage.</p>	Roddy Mackay	31/07/2020	Ongoing
R34M	<p>North Isles Landscape Partnership</p> <p>More than anticipated expenditure by £19.4K</p> <p>Budget structure under review.</p>	<p>Monitor the situation</p> <p>No further action at this stage.</p>	Roddy Mackay	31/07/2020	Ongoing