

## **Item: 5**

### **Development and Infrastructure Committee: 9 November 2021.**

#### **Revenue Expenditure Monitoring.**

#### **Report by Head of Finance.**

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

To advise of the revenue position as at 30 September 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 30 September 2021, attached as Annex 1 to this report, indicating a budget overspend position of £224,800.

#### **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 September 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 30 September 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](mailto: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**

September 2021

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

<b>Service Area</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Roads	1,887.1	1,470.5	416.6	128.3	3,073.6
Transportation	3,669.0	3,882.2	(213.2)	94.5	8,093.1
Operational Environmental Services	1,061.5	959.4	102.1	110.6	2,992.5
Environmental Health & Trading Standards	332.5	365.5	(33.0)	91.0	940.2
Development	665.7	548.8	116.9	121.3	1,559.5
Planning	399.5	564.1	(164.6)	70.8	1,174.6
<b>Service Totals</b>	<b>8,015.3</b>	<b>7,790.5</b>	<b>224.8</b>	<b>102.9</b>	<b>17,833.5</b>

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

<b>Service Area</b>	<b>No. of PAs</b>		<b>Service Functions</b>	<b>PAs/ Function</b>
	<b>P05</b>	<b>P06</b>		
Roads	7	6	12	50%
Transportation	3	2	9	22%
Operational Environmental Services	5	4	6	67%
Environmental Health & Trading Standards	2	2	3	67%
Development	5	6	9	67%
Planning	3	3	6	50%
<b>Totals</b>	<b>25</b>	<b>23</b>	<b>45</b>	<b>51%</b>

**Annex 2: Financial Detail by Service Area**
**September 2021**

The following tables show the spending position by service function

<b>Roads</b>	<b>PA</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Winter Maintenance and Response		222.0	229.7	(7.7)	96.6	944.2
Street Lighting	<b>1B</b>	(14.5)	75.5	(90.0)	N/A	220.5
Car Parks	<b>1B</b>	32.2	(125.6)	157.8	N/A	(151.3)
Other Works	<b>1B</b>	14.1	28.3	(14.2)	50.0	111.2
Traffic Management		90.2	82.6	7.6	109.2	237.8
Structural Maintenance		813.0	764.9	48.1	106.3	1,244.4
Routine Maintenance	<b>1B</b>	218.5	259.2	(40.7)	84.3	772.6
Quarries Holding Account	<b>1B</b>	273.3	(120.5)	393.8	N/A	(500.0)
Roads Holding Account		170.8	167.9	2.9	101.7	0.0
Fleet Holding Account	<b>1B</b>	62.7	94.1	(31.4)	66.6	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	85.4
Miscellaneous - RD		4.8	14.4	(9.6)	33.1	108.8
<b>Service Total</b>		<b>1,887.1</b>	<b>1,470.5</b>	<b>416.6</b>	<b>128.3</b>	<b>3,073.6</b>

<b>Transportation</b>	<b>PA</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Administration - TR		69.6	73.7	(4.1)	94.3	220.7
Co-ordination		21.1	15.3	5.8	138.5	75.0
Concessionary Fares		41.3	47.2	(5.9)	87.4	124.6
Support for Operators - Buses	<b>1B</b>	373.8	532.3	(158.5)	70.2	1,293.3
Support for Operators - Air		500.7	494.5	6.2	101.2	1,186.9
Support for Operators - Ferries		4.4	1.3	3.1	339.6	3.1
Airfields Operations	<b>1B</b>	186.2	214.6	(28.4)	86.8	432.0
Orkney Ferries		2,560.8	2,592.2	(31.4)	98.8	4,757.5
Ferries Development		(88.9)	(88.9)	0.0	100.0	0.0
<b>Service Total</b>		<b>3,669.0</b>	<b>3,882.2</b>	<b>(213.2)</b>	<b>94.5</b>	<b>8,093.1</b>

<b>Operational Environmental Services</b>	<b>PA</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Burial Grounds		65.4	59.6	5.8	109.7	94.3
Refuse Collection	<b>1B</b>	(23.2)	16.9	(40.1)	N/A	613.4
Waste Disposal	<b>1B</b>	664.4	595.6	68.8	111.5	1,379.7
Recycling	<b>1B</b>	252.3	213.5	38.8	118.1	513.1
Environmental Cleansing		162.6	168.5	(5.9)	96.5	392.0
OES Holding Account	<b>1B</b>	(60.0)	(94.7)	34.7	63.4	0.0
<b>Service Total</b>		<b>1,061.5</b>	<b>959.4</b>	<b>102.1</b>	<b>110.6</b>	<b>2,992.5</b>

**Changes in original budget position:**

Original Net Budget	2,929.8
Integrated Waste Facility from Capital Projects Appraisals Fund	62.7
	<b>2,992.5</b>

<b>Environmental Health &amp; Trading</b>	<b>PA</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Administration - ES	<b>1B</b>	160.4	209.4	(49.0)	76.6	584.0
Trading Standards		97.9	108.6	(10.7)	90.1	271.5
Public Toilets	<b>1B</b>	74.2	47.5	26.7	156.3	84.7
<b>Service Total</b>		<b>332.5</b>	<b>365.5</b>	<b>(33.0)</b>	<b>91.0</b>	<b>940.2</b>

<b>Development</b>	<b>PA</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Administration - DV		96.9	90.0	6.9	107.6	632.3
Business Gateway	<b>1B</b>	60.0	79.0	(19.0)	75.9	173.3
EEC Expenditure		0.0	4.0	(4.0)	0.0	9.4
Leader Programme	<b>1B</b>	111.5	73.8	37.7	151.1	25.0
Regeneration	<b>1B</b>	192.2	5.7	186.5	3,343.0	16.5
Kirkwall Townscape Heritage		110.1	110.2	(0.1)	99.9	0.0
Tourism	<b>1B</b>	(57.0)	(72.7)	15.7	78.4	112.5
Economic Development Grants	<b>1B</b>	86.7	123.2	(36.5)	70.4	291.7
Other Economic Development Grants	<b>1B</b>	65.3	135.6	(70.3)	48.1	298.8
<b>Service Total</b>		<b>665.7</b>	<b>548.8</b>	<b>116.9</b>	<b>121.3</b>	<b>1,559.5</b>

**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
	<b>1,559.5</b>

<b>Planning</b>	<b>PA</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Administration - PL		69.9	69.6	0.3	100.4	379.1
Development Management	<b>1B</b>	(28.0)	49.5	(77.5)	N/A	150.3
Development Planning	<b>1B</b>	150.4	212.4	(62.0)	70.8	536.1
Building Standards	<b>1B</b>	(24.3)	3.6	(27.9)	N/A	18.9
Archaeology		19.6	21.3	(1.7)	91.9	45.6
North Isles Landscape Partnership Scheme		211.9	207.7	4.2	102.1	44.6
<b>Service Total</b>		<b>399.5</b>	<b>564.1</b>	<b>(164.6)</b>	<b>70.8</b>	<b>1,174.6</b>

**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 post regrading	(9.3)
North Isles Landscape Development Phase from SRF	44.6
	<b>1,174.6</b>

## Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26C	<p><b>Street Lighting</b></p> <p>Less than anticipated expenditure by £90.0K</p> <p>Delays in charging for electricity supplied. Invoices being received, so recharges to this account should be processed shortly and start to resolve underspend.</p>	<p><b>Monitor the situation</b></p> <p>Monitor the situation.</p>	Lorna Richardson	31/10/2021	Ongoing
R26D	<p><b>Car Parks</b></p> <p>Less than anticipated income by £157.8K</p> <p>Reduced income due to increased uptake for one-hour free parking.</p>	<p><b>Manage income/expenditure</b></p> <p>Reduction in income due to introduction of one-hour free parking to be funded, up to £100k, from Business Support Fund (Coronavirus Response Fund).</p>	Lorna Richardson	31/03/2022	Ongoing
R26E	<p><b>Other Works</b></p> <p>Less than anticipated expenditure by £14.2K</p> <p>Less works than anticipated on footpaths.</p>	<p><b>Monitor the situation</b></p> <p>Monitor.</p>	Lorna Richardson	30/11/2021	New

## Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26K	<p><b>Routine Maintenance</b></p> <p>Less than anticipated expenditure by £40.7K</p> <p>Different balance of work to first anticipated - recent focus on surface treatment means smaller number of works on other tasks.</p>	<p><b>Monitor the situation</b></p> <p>Monitor.</p>	Lorna Richardson	30/11/2021	New
R26L	<p><b>Quarries Holding Account</b></p> <p>Less than anticipated income by £393.8K</p> <p>Variance is due to lag between import and sale of stone.</p>	<p><b>Monitor the situation</b></p> <p>Monitor and review.</p>	Lorna Richardson	31/12/2021	Ongoing
R26N	<p><b>Fleet Holding Account</b></p> <p>Less than anticipated expenditure by £31.4K</p> <p>Underspend mainly due to staff vacancies, which have now mostly been filled.</p>	<p><b>Monitor the situation</b></p> <p>Monitor.</p>	Lorna Richardson	31/03/2022	Ongoing

## Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R27G</b>	<p><b>Support for Operators - Buses</b></p> <p>Less than anticipated expenditure by £158.5K</p> <p>Payments to contractors are behind budget profile, due to delay in receipt of invoices from main contractor.</p>	<p><b>Monitor the situation</b></p> <p>Monitor and continue to chase invoices.</p>	Jim Buck	31/10/2021	Ongoing
<b>R27K</b>	<p><b>Airfields Operations</b></p> <p>Less than anticipated expenditure by £28.4K</p> <p>Reduced staff cost due to closure at Eday. Also reduced training due to COVID-19 restrictions.</p>	<p><b>Monitor the situation</b></p> <p>Monitor.</p>	Jim Buck	30/11/2021	Ongoing

## Operational Environmental Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R28C	<p><b>Refuse Collection</b></p> <p>More than anticipated income by £40.1K</p> <p>Higher than budgeted income from commercial waste contracts.</p>	<p><b>Monitor the situation</b></p> <p>Monitor.</p>	Lorna Richardson	31/10/2021	Ongoing
R28E	<p><b>Waste Disposal</b></p> <p>More than anticipated expenditure by £68.8K</p> <p>Shetland Island Council invoices for waste recovery not matching profile. Additional costs due to energy recovery plant shutdown and landfill charges - should be recovered by year-end.</p>	<p><b>Monitor the situation</b></p> <p>Monitor.</p>	Lorna Richardson	31/03/2022	Ongoing
R28F	<p><b>Recycling</b></p> <p>More than anticipated expenditure by £38.8K</p> <p>Increased staffing levels for COVID-19 response - situation has now returned to normal. Additional plant maintenance costs also. Looking for cost savings elsewhere to offset.</p>	<p><b>Monitor the situation</b></p> <p>Monitor.</p>	Lorna Richardson	31/10/2021	Ongoing

## Operational Environmental Services

<b>Function</b>	<b>Function Description/ Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>	<b>Deadline</b>	<b>Status</b>
<b>R28K</b>	<b>OES Holding Account</b> Less than anticipated income by £34.7K  Slower than expected recharging of labour costs.	<b>Monitor the situation</b> Monitor Holding Account.	Lorna Richardson	31/10/2021	Ongoing

## Environmental Health &amp; Trading Standards

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R29A	<p><b>Administration - ES</b></p> <p>Less than anticipated expenditure by £49.0K</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><b>Monitor the situation</b></p> <p>Two new Environmental Health Officers recruited and have started work with Council in August. Manager post has been recruited to with new postholder commencing work at the start of December.</p>	Roddy Mackay	30/11/2021	Ongoing
R29D	<p><b>Public Toilets</b></p> <p>More than anticipated expenditure by £26.7K</p> <p>Overspend due to enhanced cleaning required as a result of the COVID-19 pandemic.</p>	<p><b>Monitor the situation</b></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>	Hayley Green	31/03/2022	Ongoing

## Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33B	<p><b>Business Gateway</b></p> <p>Less than anticipated expenditure by £19.0K</p> <p>Due to staffing vacancies within the team for part of the year - manager and officer posts.</p>	<p><b>Monitor the situation</b></p> <p>Manager post recruited to and new officer commencing in post at the end of September.</p>	Roddy Mackay	30/11/2021	Ongoing
R33D	<p><b>Leader Programme</b></p> <p>More than anticipated expenditure by £37.7K</p> <p>The variances are due to timing issues surrounding the submission of grant claims and the delayed reimbursement of grant drawdowns</p>	<p><b>Monitor the situation</b></p> <p>There will be no net effect on the year-end budget position.</p>	Roddy Mackay	30/11/2021	New
R33E	<p><b>Regeneration</b></p> <p>More than anticipated expenditure by £186.5K</p> <p>Primarily due to the payment of grant funding from the Town Centre Fund which operates as a holding account.</p>	<p><b>Monitor the situation</b></p> <p>All projects that have been awarded Town Centre Fund grants have been completed with a slight underspend of just over £9,000 estimated.</p> <p>Expenditure is funded by a contribution at the year-end.</p>	Roddy Mackay	31/10/2021	Ongoing

## Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33I	<p><b>Tourism</b></p> <p>More than anticipated expenditure by £15.7K</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><b>Raise virements request</b></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	30/11/2021	New
R33J	<p><b>Economic Development Grants</b></p> <p>Less than anticipated expenditure by £36.5K</p> <p>Primarily due to level of payment of tourism and archaeology grants not matching the anticipated profile at this point in the year.</p>	<p><b>Raise virements request</b></p> <p>Budgets to be re-profiled to better reflect anticipated grant payments.</p>	Roddy Mackay	30/11/2021	Ongoing
R33K	<p><b>Other Economic Development</b></p> <p>Less than anticipated expenditure by £70.3K</p> <p>Primarily due to grant payments – Marketing and Strategies and Studies - not matching the anticipated profile at this point in the year.</p>	<p><b>Raise virements request</b></p> <p>Budgets to be re-profiled to better reflect anticipated grant payments.</p>	Roddy Mackay	30/11/2021	Ongoing

## Planning

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R34B	<p><b>Development Management</b></p> <p>More than anticipated income by £77.5K</p> <p>Primarily due to planning application fee income being 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><b>Monitor the situation</b></p> <p>Workforce Plan being prepared to identify current staffing issues/future requirements across the Planning Service.</p>	Roddy Mackay	31/10/2021	Ongoing
R34C	<p><b>Development Planning</b></p> <p>Less than anticipated expenditure by £62.0K</p> <p>Primarily due to underspend as a result of staffing vacancies (currently three vacant posts).</p>	<p><b>Monitor the situation</b></p> <p>Recruitment to two posts currently underway.</p>	Roddy Mackay	30/11/2021	Ongoing
R34E	<p><b>Building Standards</b></p> <p>More than anticipated income by £27.9K</p> <p>Due to higher than anticipated building warrant fee income.</p>	<p><b>Monitor the situation</b></p> <p>No action required at this stage.</p>	Roddy Mackay	30/11/2021	Ongoing