

Item: 3

Development and Infrastructure Committee: 4 February 2025.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Overview

- 1.1. On 11 March 2024, the Council set its overall revenue budget for financial year 2024/25. On 18 June 2024, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2024/25, which form the basis of the individual revenue expenditure monitoring reports.
- 1.2. 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.
- 1.3. 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.
- 1.4. 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).
- 1.5. 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.
- 1.6. The details have been provided following consultation with the relevant Corporate Directors and their staff.
- 1.7. 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.

2. Recommendations

2.1. It is recommended that members of the Committee:

- i. Note 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 2024, attached as Annex 1 to this report, indicating a budget overspend position of £2,308,200.
- ii. Note 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 2024, attached as Annex 2 to this report.
- iii. Scrutinise 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 appropriate action is being taken with regard to significant budget variances.

For Further Information please contact:

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Implications of Report

1. **Financial** The Financial Regulations state that Corporate Directors can incur expenditure within approved revenue and capital budgets. Such expenditure must be in accordance with the Council's policies and objectives and subject to compliance with the Financial Regulations.
2. **Legal** Regular financial monitoring and reporting help the Council meet its statutory obligation to secure best value.
3. **Corporate Governance** In terms of the Scheme of Administration, monitoring, on a quarterly basis, the levels of revenue expenditure incurred against approved budgets, in respect of each of the service areas for which the Committee is responsible is referred to the Development and Infrastructure Committee.
4. **Human Resources** N/A.
5. **Equalities** Equality Impact Assessment is not required for financial monitoring.
6. **Island Communities Impact** Island Communities Impact Assessment is not required for financial monitoring.
7. **Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
 - Growing our economy.
 - Strengthening our Communities.

- Developing our Infrastructure.
- Transforming our Council.
- 8. Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
 - Cost of Living.
 - Sustainable Development.
 - Local Equality.
- 9. Environmental and Climate Risk** N/A.
- 10. Risk** N/A.
- 11. Procurement** N/A.
- 12. Health and Safety** N/A.
- 13. Property and Assets** N/A.
- 14. Information Technology** N/A.
- 15. Cost of Living** N/A.

List of Background Papers

Policy and Resources Committee, 27 February 2024, Budget and Council Tax Level for 2024/25.

Policy and Resources Committee, 18 June 2024, Detailed Revenue Budgets.

Annexes

Annex 1: Financial Summary.

Annex 2: Financial Detail by Service Area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary

December 2024

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

General Fund	Spend	Budget	Over/(Under)	Spend	Annual
Service Area	£000	£000	£000	%	Budget
					£000
Roads	3,649.7	1,959.7	1,690.0	186.2	3,839.9
Transportation	5,613.1	5,694.9	(81.8)	98.6	7,484.5
Operational Environmental Services	2,183.7	1,792.1	391.6	121.9	3,256.4
Environmental Health & Trading Standards	671.0	676.2	(5.2)	99.2	1,143.6
Development	1,098.4	777.8	320.6	141.2	2,562.7
Planning	1,308.4	1,315.4	(7.0)	99.5	1,438.8
	14,524.3	12,216.1	2,308.2	118.9	19,725.9
Service Totals	14,524.3	12,216.1	2,308.2	118.9	19,725.9

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	8	9	12	75%
Transportation	6	5	10	50%
Operational Environmental Services	5	5	6	83%
Environmental Health & Trading Standards	0	0	3	0%
Development	3	2	9	22%
Planning	4	4	6	67%
Totals	26	25	46	54%

Annex 2: Financial Detail by Service Area

December 2024

The following tables show the spending position by service function

General Fund

	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Roads						
Winter Maintenance and Response	1B	322.8	410.5	(87.7)	78.6	1,088.2
Street Lighting	1B	216.3	145.0	71.3	149.2	236.1
Car Parks	1B	27.8	(71.6)	99.4	N/A	(52.0)
Other Works	1B	74.9	86.3	(11.4)	86.8	123.7
Traffic Management	1B	141.2	158.2	(17.0)	89.3	272.5
Structural Maintenance	1B	1,379.4	1,236.7	142.7	111.5	1,636.5
Routine Maintenance		564.0	559.8	4.2	100.8	823.7
Quarries Holding Account	1B	232.4	(412.0)	644.4	N/A	(500.0)
Roads Holding Account	1B	527.9	(222.8)	750.7	N/A	0.0
Fleet Holding Account	1B	157.9	64.9	93.0	243.3	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	88.0
Miscellaneous - RD		5.1	4.7	0.4	108.5	123.2
Service Total		3,649.7	1,959.7	1,690.0	186.2	3,839.9

Changes in original budget position:

Original Net Budget	3,778.2
Roads 24.25 Staff Back Pay	61.7
	3,839.9

	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Transportation						
Administration - TR		138.6	136.6	2.0	101.5	265.9
Co-ordination		53.7	54.9	(1.2)	97.8	84.9
Concessionary Fares	1B	97.3	119.0	(21.7)	81.8	128.3
Support for Operators - Buses		557.1	556.7	0.4	100.1	1,441.7
Support for Operators - Air		1,085.5	1,090.5	(5.0)	99.5	1,635.8
Support for Operators - Ferries	1B	(14.0)	2.1	(16.1)	N/A	3.2
Airfields Operations	1B	534.3	463.5	70.8	115.3	662.7
Orkney Ferries	1B	(69.7)	9.6	(79.3)	N/A	0.0
Ferries Development	1B	(31.7)	0.0	(31.7)	0.0	0.0
Movement in Reserves		3,262.0	3,262.0	0.0	100.0	3,262.0
Service Total		5,613.1	5,694.9	(81.8)	98.6	7,484.5

Changes in original budget position:

Original Net Budget	7,463.6
Transportation 24.25 Staff Back Pay	20.9
	7,484.5

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Operational Environmental Services	PA					
Burial Grounds	1B	115.2	92.0	23.2	125.2	93.3
Refuse Collection	1B	(107.1)	188.2	(295.3)	N/A	651.4
Waste Disposal	1B	1,294.5	929.1	365.4	139.3	1,447.6
Recycling		429.2	452.6	(23.4)	94.8	603.2
Environmental Cleansing	1B	259.5	312.7	(53.2)	83.0	460.9
OES Holding Account	1B	192.4	(182.5)	374.9	N/A	0.0
Service Total		2,183.7	1,792.1	391.6	121.9	3,256.4

Changes in original budget position:

Original Net Budget	3,186.1
Operational Environmental 24.25 Staff Back Pay	70.3
	<u>3,256.4</u>

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						%
Environmental Health & Trading Standards						
£000						
Administration - ES		401.0	396.5	4.5	101.1	709.7
Trading Standards		186.1	191.4	(5.3)	97.2	311.7
Public Toilets		83.9	88.3	(4.4)	95.0	122.2
Service Total		671.0	676.2	(5.2)	99.2	1,143.6

Changes in original budget position:

Original Net Budget	1,122.6
Environmental Health 24.25 Staff Back Pay	21.0
	<u>1,143.6</u>

		Spend	Budget	Over/(Under)	Spend	Annual
Development	PA	£000	£000	£000	%	Budget
						£000
Administration - DV	1B	814.9	569.7	245.2	143.0	1,019.7
Business Gateway		143.6	133.1	10.5	107.9	188.5
UK Shared Prosperity Fund		(298.9)	(279.1)	(19.8)	107.1	0.0
Community Led Local		356.2	333.7	22.5	106.7	515.1
Development (CLLD)						
Regeneration		324.1	304.9	19.2	106.3	519.7
Tourism		0.0	0.0	0.0	0.0	115.9
Economic Development Grants		(559.5)	(559.2)	(0.3)	100.1	300.4
Other Economic Development	1B	318.0	274.7	43.3	115.8	378.4
Grants						
Movement in Reserves		0.0	0.0	0.0	0.0	(475.0)
Service Total		1,098.4	777.8	320.6	141.2	2,562.7

Changes in original budget position:

Original Net Budget						1,950.7
Staffing Budget Movement 24.25						(106.1)
Bridge Street from RRR Fund						470.9
Business Support Fund						31.8
CDF Budget Creation						196.6
Development 24.25 Staff Back Pay						18.8
						<u>2,562.7</u>

		Spend	Budget	Over/(Under)	Spend	Annual
Planning	PA	£000	£000	£000	%	Budget
						£000
Administration - PL	1B	95.0	111.5	(16.5)	85.2	379.6
Development Management		201.5	203.2	(1.7)	99.2	271.8
Development Planning	1B	375.3	506.6	(131.3)	74.1	656.8
Building Standards	1B	(4.8)	44.1	(48.9)	N/A	74.1
Archaeology		39.7	40.5	(0.8)	98.0	56.5
North Isles Landscape Partnership	1B	601.7	409.5	192.2	146.9	0.0
Scheme						
Service Total		1,308.4	1,315.4	(7.0)	99.5	1,438.8

Changes in original budget position:

Original Net Budget						1,400.8
Embedded Officer Post						6.3
Planning 24.25 Staff Back Pay						31.7
						<u>1,438.8</u>

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 £87.7K</p> <p>Expenditure in this function area is weather dependent and so extremely difficult to profile. Weather conditions so far this winter have been kinder than expected and so less work than anticipated has been required (noting that labour costs are charged 6 weeks in arrears and so the cold spell in early January 2025 has not yet been reflected in the accounts).</p>	<p>No action required</p> <p>Expenditure in this area continues to be monitored but will depend on the severity of the winter. Note that this function area has been significantly overspent in previous years and there is no indication that things will be any different this year.</p>	Lorna Richardson	31/01/2025	New
R26C	<p>Street Lighting</p> <p>More than anticipated expenditure by £71.3K</p> <p>As with many cost centres within this function area, spend is very difficult to profile as it fluctuates throughout the year and is often reactive and difficult to plan. In this case there is no undue concern regarding spend to date as it is not caused by an unforeseen event.</p>	<p>Monitor the situation</p> <p>Spend will be monitored as the year progresses and any action necessary to balance expenditure with budget will be identified and implemented.</p>	Lorna Richardson	31/03/2025	Ongoing

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26D	<p>Car Parks</p> <p>Less than anticipated income by £99.4K</p> <p>Income in this cost centre is difficult to predict and generally less than budgeted for. Whilst income targets were reset for financial year 2024/25, to better reflect reality, it was acknowledged at the time that this would be unlikely on its own to balance this cost centre. The 3-month period of free one hour parking has now started which will further reduce income.</p>	<p>Monitor the situation</p> <p>Car park income will now be further impacted with the beginning of the 3 month, 1-hour free period. The impact of this will be monitored and at year-end a full analysis of the effect of the reduced 1-hour free period will be produced.</p>	Lorna Richardson	31/03/2025	Ongoing
R26E	<p>Other Works</p> <p>Less than anticipated expenditure by £11.4K</p> <p>This is largely a profiling issue - spend has been incurred against festive lighting but does not match the budget profile, noting that it is difficult to accurately predict as work needs to be fitted in around other planned and reactive road repairs.</p>	<p>No action required</p> <p>Spend will continue to be monitored to ensure that it is in line with expectations and reflects the work carried out.</p>	Lorna Richardson	31/01/2025	Ongoing

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26F	<p>Traffic Management</p> <p>Less than anticipated expenditure by £17.0K</p> <p>The budgets within this function area fluctuate throughout the year and are very difficult to profile. There have been fewer than expected roads consents and so income in that area is less than anticipated. However, costs in other areas are higher.</p>	<p>Monitor the situation</p> <p>Costs are incurred at anticipated levels without unforeseen events; however, the timing of income is dependent on activities outwith the Council's control and therefore difficult to predict.</p>	Lorna Richardson	31/01/2025	New
R26J	<p>Structural Maintenance</p> <p>More than anticipated expenditure by £142.7K</p> <p>The network is deteriorating due to insufficient budget for maintenance and repair. Therefore, the number of defects is increasing, together with the cost to repair.</p>	<p>No action required</p> <p>Work programmes will be reprofiled so as to reflect the remaining available budgets. This may mean that certain work will be delayed to future years, rescheduled or cancelled.</p>	Lorna Richardson	31/01/2025	Ongoing

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 £644.4K</p> <p>Unanticipated repairs to critical equipment have impacted on the costs being incurred and income from external projects is lagging behind profile.</p>	<p>Monitor the situation</p> <p>The lack of activity in the external market means that income will continue to fall short of expectations. Work is ongoing to engage with external clients and to prepare for any likely future projects. In order to be able to satisfy future demand however, it is essential that equipment is maintained as required. Aging plant is becoming susceptible to breakdown with insufficient funds available to fully replace.</p>	Lorna Richardson	31/01/2025	Ongoing
R26M	<p>Roads Holding Account</p> <p>Less than anticipated income by £750.7K</p> <p>This is a complex function area, covering a wide range of activities and cost centres. Accordingly, there is no single reason for the current overspend. Points to note, however, would be; increased labour costs due to required overtime for winter treatment, increases in costs of materials and costs not yet recovered for work carried out in December 2024</p>	<p>Monitor the situation</p> <p>The individual components of this function area are each managed as best they can. The rate at which labour is charged to the management and maintenance budgets - and which is then recognised in this function area as income - has been reviewed and needs to be increased in order to ensure that costs are fully recovered. This is unlikely to be implemented however until the next financial year and will put additional pressure on the management and maintenance budgets.</p>	Lorna Richardson	31/03/2025	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 £93.0K</p> <p>Costs of stocks and stores have increased significantly in the past few years. This, combined with the aging fleet which requires additional maintenance, has put this budget under significant additional pressure.</p>	<p>Monitor the situation</p> <p>The warehouse team continue to look for opportunities for the most efficient purchase of stocks and stores. Plant and vehicles are replaced in accordance with the plant and vehicle replacement programme but this too is under significant pressure meaning that some vehicles remain in the fleet past the point where they are cost-effective.</p>	Lorna Richardson	31/03/2025	Ongoing

Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27C	<p>Concessionary Fares</p> <p>Less than anticipated expenditure by £21.7K</p> <p>Budget profile does not align with actual expenditure to date.</p>	<p>Raise virements request</p> <p>Raise virement to correct budget profile.</p>	Jim Buck	31/01/2025	Ongoing
R27J	<p>Support for Operators - Ferries</p> <p>Less than anticipated expenditure by £16.1K</p> <p>Income received to budget which was not expected.</p>	<p>No action required</p> <p>No action required.</p>	Jim Buck	31/03/2025	Ongoing

Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27K	<p>Airfields Operations</p> <p>More than anticipated expenditure by £70.8K</p> <p>Additional expenditure has been incurred for the year to date due to the following: Property Costs – replacement grass toppers, higher than anticipated energy costs, preparation for a Civil Aviation Authority (CAA) audit and remedial works required at North Ronaldsay and Papa Westray airfields following the CAA audit. Supplies and Services – additional firefighting equipment for new recruits, runway light repairs and 6 new defibrillators.</p>	<p>Monitor the situation</p> <p>Continue to monitor, particularly in relation to additional costs relating to works required following the CAA audit and the impact on revenue budgets.</p>	Jim Buck	31/01/2025	New
R27L	<p>Orkney Ferries</p> <p>Less than anticipated expenditure by £79.3K</p> <p>Staff Costs are underspent due to not having a Marine Superintendent in post until the end of September 2024 and still recruiting to some of the vacant posts.</p>	<p>Monitor the situation</p> <p>There will be an underspend in Staff Costs at the year-end due to not having a Marine Superintendent in post for the first half of the financial year, with recruitment still ongoing for other positions.</p>	Jim Buck	31/03/2025	Ongoing

Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27M	Ferries Development Less than anticipated expenditure by £31.7K Final closure of EU Funds.	No action required Unspent funding on the Hyseas Hydrogen project has been carried forward into financial year 2024/25 and is awaiting draw down by grant provided.	Jim Buck	31/03/2025	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 £23.2K</p> <p>The vast majority of maintenance spend on burial grounds goes on grass cutting, with the current figures reflecting the fact that all invoices for this season's work have now been received.</p>	<p>Management input required</p> <p>As the budget has now been exceeded, any future maintenance work can only take place as income is realised from lair sales. This income is difficult to predict therefore close management of the work will be required.</p>	Lorna Richardson	31/03/2025	Ongoing
R28C	<p>Refuse Collection</p> <p>Less than anticipated expenditure by £295.3K</p> <p>Income from commercial collections is ahead of the budgeted profile to date, however, it continues to be difficult to predict when the income will be received. Over time this will help to offset the costs of collection but may not be sufficient to prevent overspend at year-end.</p>	<p>Monitor the situation</p> <p>Costs will be monitored throughout the year although there is very little scope to reduce costs without significant reductions in service delivery.</p>	Lorna Richardson	31/03/2025	Ongoing

Operational Environmental Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R28E	<p>Waste Disposal</p> <p>More than anticipated expenditure by £365.4K</p> <p>Irregular invoicing from transport contractors and from waste disposal authority make this a difficult budget to profile. Volumes of waste are in line with those in previous years therefore it is expected that the budget profile will settle down over the coming months.</p>	<p>Monitor the situation</p> <p>Transportation costs have increased therefore costs will be monitored to ensure that any overspend as a result is offset by savings elsewhere.</p>	Lorna Richardson	31/01/2025	Ongoing
R28G	<p>Environmental Cleansing</p> <p>Less than anticipated expenditure by £53.2K</p> <p>Street cleansing activities have been impacted due to lack of resource. In addition, costs from December have not yet been processed, resulting in an underspend against expected profile.</p>	<p>No action required</p> <p>As labour costs are processed it is expected that this function area will meet, or exceed, the planned budget spend.</p>	Lorna Richardson	31/01/2025	New

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 £374.9K</p> <p>The income side of the holding account appears to be under-recovering when compared to the expected profile. This does follow patterns experienced in previous years and therefore is likely due to delays in processing job cards over the previous holiday period.</p>	<p>Monitor the situation</p> <p>Will continue to review to check that income continues to catch up with profile, once outstanding costs are processed.</p>	Lorna Richardson	31/01/2025	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 £245.2K</p> <p>Additional one-off staffing costs.</p>	<p>Monitor the situation</p> <p>Seek to reduce the impact of this overspend through commensurate underspends in other cost centre areas within this Service, and across the Directorate.</p>	Sweyn Johnston	31/03/2025	Ongoing
R33K	<p>Other Economic Development</p> <p>More than anticipated expenditure by £43.3K</p> <p>Overspend is due to the Community Development Fund (CDF) Grant requiring more budget from the Development Fund and miscoding of charges to Marketing Grants.</p>	<p>Process transaction(s)</p> <p>Virement to be processed to increase the CDF Grant budget.</p> <p>Journal to be processed to correct charges against Marketing Grants.</p>	Sweyn Johnston	31/01/2025	Ongoing

Planning

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R34A	<p>Administration - PL</p> <p>Less than anticipated expenditure by £16.5K</p> <p>The underspend is due to a staff vacancy that has now been filled.</p>	<p>No action required</p> <p>Variance will remain for the duration of 2024/25 due to the months the post was vacant.</p>	Hayley Green	31/03/2025	Ongoing
R34C	<p>Development Planning</p> <p>Less than anticipated expenditure by £131.3K</p> <p>Half of the underspend is attributable to staff vacancies which have now been filled but will continue to result in a staff costs underspend for the remainder of the financial year.</p> <p>The remaining underspend is due to actual costs being behind what has been budgeted.</p>	<p>Raise virements request</p> <p>Part of the staff costs underspend will be used to provide a financial contribution to the preparation of a Surface Water Management Study for Kirkwall which is essential for the review of the Local Development Plan.</p> <p>A virement is required to realign the rest of the budget to match actuals within Development Planning.</p>	Hayley Green	31/01/2025	Ongoing
R34E	<p>Building Standards</p> <p>Less than anticipated expenditure by £48.9K</p> <p>A combination of higher than anticipated fee income from building warrant applications and a staffing vacancy in the team.</p>	<p>Monitor the situation</p> <p>The vacant post has now been recruited to but will remain a reason for the variance for the duration of 2024/25.</p> <p>Fee income will vary over the course of the year depending on the level of development activity taking place.</p>	Hayley Green	31/03/2025	Ongoing

Planning

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R34M	North Isles Landscape Partnership More than anticipated expenditure by £192.2K Grant payments ahead of profile but within budget.	Raise virements request Raise virement to correct profile	Sweyn Johnston	31/01/2025	New