



Item: 3

Development and Infrastructure Committee: 12 November 2024.

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 30 September 2024, attached as Annex 1 to this report, indicating a budget overspend position of £551,500.
- 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 30 September 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

September 2024

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

General Fund					
Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Roads	2,265.2	1,916.6	348.6	118.2	3,778.2
Transportation	8,359.9	8,671.7	(311.8)	96.4	7,463.6
Operational Environmental Services	1,056.3	805.2	251.1	131.2	3,186.1
Environmental Health & Trading Standards	443.0	432.7	10.3	102.4	1,122.6
Development	459.2	172.5	286.7	266.2	2,029.6
Planning	540.7	574.1	(33.4)	94.2	1,407.1
	13,124.3	12,572.8	551.5	104.4	18,987.2
Service Totals	13,124.3	12,572.8	551.5	104.4	18,987.2

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	5	4	10	40%
Operational Environmental Services	6	6	6	100%
Environmental Health & Trading Standards	1	0	3	0%
Development	3	3	9	33%
Planning	3	4	6	67%
Totals	23	24	46	52%

Annex 2: Financial Detail by Service Area

September 2024

The following tables show the spending position by service function

General Fund

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Roads						
Winter Maintenance and Response	1B	182.4	155.7	26.7	117.1	1,070.0
Street Lighting		110.0	114.2	(4.2)	96.3	235.4
Car Parks	1B	(2.6)	(60.7)	58.1	4.3	(55.5)
Other Works	1B	62.2	43.4	18.8	143.3	122.7
Traffic Management		94.5	92.4	2.1	102.3	268.1
Structural Maintenance	1B	1,169.8	1,015.5	154.3	115.2	1,532.7
Routine Maintenance		350.1	364.9	(14.8)	95.9	893.6
Quarries Holding Account	1B	89.5	(112.7)	202.2	N/A	(500.0)
Roads Holding Account	1B	109.6	191.0	(81.4)	57.4	0.0
Fleet Holding Account		96.0	97.9	(1.9)	98.1	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	88.0
Miscellaneous - RD	1B	3.7	15.0	(11.3)	24.7	123.2
Service Total		2,265.2	1,916.6	348.6	118.2	3,778.2

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Transportation						
Administration - TR		88.2	87.0	1.2	101.4	261.4
Co-ordination		56.0	47.6	8.4	117.6	84.0
Concessionary Fares		62.4	54.2	8.2	115.1	128.3
Support for Operators - Buses	1B	400.6	594.5	(193.9)	67.4	1,441.7
Support for Operators - Air		680.0	681.6	(1.6)	99.8	1,635.8
Support for Operators - Ferries	1B	(14.0)	1.4	(15.4)	N/A	3.2
Airfields Operations		304.3	318.1	(13.8)	95.7	647.2
Orkney Ferries	1C	3,552.1	3,625.3	(73.2)	98.0	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		8,359.9	8,671.7	(311.8)	96.4	7,463.6

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Operational Environmental Services						
Burial Grounds	1B	76.7	46.6	30.1	164.6	89.0
Refuse Collection	1B	(367.6)	(164.1)	(203.5)	224.0	623.8
Waste Disposal	1B	818.2	595.7	222.5	137.4	1,434.7
Recycling	1B	311.6	251.8	59.8	123.7	585.8
Environmental Cleansing	1B	175.3	195.9	(20.6)	89.5	452.8
OES Holding Account	1B	42.1	(120.7)	162.8	N/A	0.0
Service Total		1,056.3	805.2	251.1	131.2	3,186.1

Environmental Health & Trading	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - ES		264.8	250.7	14.1	105.6	699.8
Trading Standards		119.0	121.4	(2.4)	98.0	306.0
Public Toilets		59.2	60.6	(1.4)	97.7	116.8
Service Total		443.0	432.7	10.3	102.4	1,122.6

Development	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - DV	1B	608.4	374.3	234.1	162.5	1,005.3
Business Gateway		86.5	85.0	1.5	101.8	186.2
UK Shared Prosperity Fund		(312.6)	(298.7)	(13.9)	104.7	0.0
Community Led Local Development (CLLD) Regeneration	1B	251.1	182.1	69.0	137.9	268.0
Tourism		455.0	436.5	18.5	104.2	17.0
Economic Development Grants		0.0	0.0	0.0	0.0	115.9
Other Economic Development Grants	1B	(728.5)	(766.9)	38.4	95.0	300.4
Movement in Reserves		99.3	160.2	60.9	62.0	336.8
		0.0	0.0	0.0	0.0	(200.0)
Service Total		459.2	172.5	286.7	266.2	2,029.6

Changes in original budget position:

Original Net Budget	1,9507.7
Staffing Budget Movement 24.25	(106.1)
CDF Budget Creation	185.0
	<u>2,029.6</u>

Planning	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - PL		79.1	71.5	7.6	110.6	377.3
Development Management	1B	97.7	135.9	(38.2)	71.9	262.0
Development Planning	1B	174.4	324.8	(150.4)	53.7	645.6
Building Standards	1B	(17.5)	25.1	(42.6)	N/A	66.9
Archaeology		24.9	25.8	(0.9)	96.5	55.3
North Isles Landscape Partnership Scheme	1B	182.1	(9.0)	191.1	N/A	0.0
Service Total		540.7	574.1	(33.4)	94.2	1,407.1

Changes in original budget position:

Original Net Budget	1,400.8
Embedded Officer Post	6.3
	<u>1,407.1</u>

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26A	<p>Winter Maintenance and Response</p> <p>More than anticipated expenditure by £26.7K</p> <p>This function is very difficult to profile as activities are dependent on weather. In this case, work was required earlier in the winter season than was anticipated, leading to greater than expected spend at this point in the year.</p>	<p>Monitor the situation</p> <p>As noted, all activities under this function are dependent on weather. Therefore, actual year-end costs are impossible to predict. However, costs will be monitored throughout the year and, if necessary, activities may have to be restricted in order to attempt to manage them within the agreed budget. This may not be possible, given the nature of these activities and the duty of care incumbent on the Council.</p>	Lorna Richardson	31/12/2024	New
R26D	<p>Car Parks</p> <p>Less than anticipated income by £58.1K</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 will be several months before it is clear whether this will have the effect of bringing actual spend in line with budgeted expectations.</p>	<p>Monitor the situation</p> <p>The main impact on car park income will be in the reduction of one hour free parking, the effects of which will not be fully understood until the change takes effect in October.</p>	Lorna Richardson	31/10/2024	Ongoing

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26E	<p>Other Works</p> <p>More than anticipated expenditure by £18.8K</p> <p>Unfortunately, some activities were incorrectly coded, resulting in an overspend in this budget area. This has been identified and action taken to resolve the coding errors.</p>	<p>Management input required</p> <p>The costs will be moved to the correct cost centre and action taken to ensure that all activities are correctly coded in future.</p>	Lorna Richardson	31/10/2024	Ongoing
R26J	<p>Structural Maintenance</p> <p>More than anticipated expenditure by £154.3K</p> <p>The Surface Dressing and Patching programmes have cost more than was originally anticipated, due to increased costs of materials.</p>	<p>Management input 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	31/10/2024	New
R26L	<p>Quarries Holding Account</p> <p>Less than anticipated income by £202.2K</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. Ageing plant is becoming susceptible to breakdown with insufficient funds available to fully replace.</p>	Lorna Richardson	31/12/2024	Ongoing

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26M	<p>Roads Holding Account</p> <p>Less than anticipated expenditure by £81.4K</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 underspend. Points to note, however, would be; there are some labour charges which have not yet been processed, costs for winter maintenance plant are behind profile (although will catch up as the winter progresses) and income is ahead of profile due to increased works during the summer months. This is offset by increased costs of materials and increased labour costs due to higher than expected out of hours activities.</p>	<p>Monitor the situation</p> <p>The individual components of this function area are each managed as best they can. However, it should be noted that any year-end overspend is reallocated across road management and maintenance budgets which are themselves, also under severe pressure.</p>	Lorna Richardson	31/12/2024	New
R26Z	<p>Miscellaneous - RD</p> <p>Less than anticipated expenditure by £11.3K</p> <p>This cost centre relates to call out charges for incidents and therefore is difficult to profile or predict. Costs will fluctuate throughout the year.</p>	<p>No action required</p> <p>As the year progresses, any underspend will be used to offset unavoidable overspend in other cost centres.</p>	Lorna Richardson	31/12/2024	Ongoing

Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27G	<p>Support for Operators - Buses</p> <p>Less than anticipated expenditure by £193.9K</p> <p>Budget still showing £97.4K of income, making actuals to date lower than anticipated. A separate budget has been established for the fare income so this should be resolved going forward.</p>	<p>No action required</p> <p>The creation of a separate budget for fare income generated should clarify this budget line.</p>	Jim Buck	31/10/2024	Ongoing
R27J	<p>Support for Operators - Ferries</p> <p>Less than anticipated expenditure by £15.4K</p> <p>Income received to budget which was not expected.</p>	<p>No action required</p> <p>No action required.</p>	Jim Buck	30/09/2024	Ongoing
R27L	<p>Orkney Ferries</p> <p>Less than anticipated expenditure by £73.2K</p> <p>Staff Costs underspent - no Marine Superintendent in post and still recruiting to some of the vacant posts.</p>	<p>Monitor the situation</p> <p>New Marine Superintendent starts at the end of September and recruitment ongoing for other positions.</p>	Jim Buck	31/12/2024	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	31/12/2024	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 £30.1K</p> <p>The vast majority of maintenance spend on burial grounds goes on grass cutting, with the current figures reflecting the fact that most invoices for this season's work have now been received. The budget profiles anticipate invoices being received later, hence the mismatch.</p>	<p>No action required</p> <p>As the budget for grass cutting is insufficient, savings will have to be made in other maintenance areas to cover this deficit meaning that any remedial works for the remainder of the year will need to be carefully prioritised. Budget virement will also need to be processed to better reflect actual spend pattern.</p>	Lorna Richardson	31/12/2024	Ongoing
R28C	<p>Refuse Collection</p> <p>More than anticipated income by £203.5K</p> <p>Income from commercial collections is greater than budgeted for. 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	31/12/2024	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 £222.5K</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	31/12/2024	Ongoing
R28F	<p>Recycling</p> <p>More than anticipated expenditure by £59.8K</p> <p>The costs of operating the recycling centres have increased significantly in recent years due to staff and transportation costs. The current situation is similar to that experienced in previous years.</p>	<p>Monitor the situation</p> <p>This cost centre was overspent in financial year 23/24 and there may be no reasonable action that can be taken to reduce costs in this year. Therefore, efforts will have to be made to identify savings in other aspects of the service.</p>	Lorna Richardson	31/12/2024	Ongoing
R28G	<p>Environmental Cleansing</p> <p>Less than anticipated expenditure by £20.6K</p> <p>Due to lack of resource, less work than anticipated has been carried out. This resource issue is ongoing and so the impact will likely continue to be felt throughout the year.</p>	<p>Monitor the situation</p> <p>A review of cleansing requirements is being undertaken and will be matched to available resource to be able to more clearly understand what can be done. Any resulting savings in this cost centre however will be cancelled out by demand in other areas.</p>	Lorna Richardson	31/12/2024	Ongoing

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 £162.8K</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 summer months.</p>	<p>Monitor the situation</p> <p>Will continue to review to check that income continues to catch up with profile, as it has been doing over the last month or so.</p>	Lorna Richardson	31/12/2024	Ongoing

Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33A	Administration - DV More than anticipated expenditure by £234.1K Additional one-off staffing costs.	Monitor the situation Seek to reduce the impact of this overspend through commensurate underspends in other cost centre areas within this Service, and across the Directorate.	Sweyn Johnston	31/12/2024	Ongoing
R33D	Community Led Local Development More than anticipated expenditure by £69.0K Overspend reflects unexpected delay in grant payment from Scottish Government.	Raise virements request Virement raised to correct.	Sweyn Johnston	31/10/2024	Ongoing
R33K	Other Economic Development Less than anticipated expenditure by £60.9K Profiling not in alignment with cashflows.	Raise virements request Raise virements to correct profile.	Sweyn Johnston	31/10/2024	Ongoing

Planning

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R34B	<p>Development Management</p> <p>Less than anticipated expenditure by £38.2K</p> <p>A combination of higher than anticipated fee income from planning applications and a number of staffing vacancies.</p>	<p>Monitor the situation</p> <p>The vacant posts have now been recruited to.</p>	Roddy Mackay	31/12/2024	New
R34C	<p>Development Planning</p> <p>Less than anticipated expenditure by £150.4K</p> <p>As a result of three staffing vacancies in the service during the first half of the financial year.</p>	<p>Monitor the situation</p> <p>The three posts have now been successfully recruited to and the new recruits have now taken up their posts.</p> <p>Part of the surplus 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>	Roddy Mackay	31/12/2024	Ongoing
R34E	<p>Building Standards</p> <p>Less than anticipated expenditure by £42.6K</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. Fee income will vary over the course of the year depending on the level of development activity taking place.</p>	Roddy Mackay	31/12/2024	Ongoing

Planning

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R34M	<p>North Isles Landscape Partnership</p> <p>Less than anticipated income by £191.1K</p> <p>NILPS grant budget payments higher than profiled with external grant reclaim out of alignment with profile</p>	<p>Raise virements request</p> <p>Raise virement to correct profile.</p>	Sweyn Johnston	31/10/2024	Ongoing