



Item: 3

Development and Infrastructure Committee: 10 September 2024.

Revenue Expenditure Outturn.

Report by Head of Finance.

1. Overview

- 1.1. On 7 March 2023, the Council set its overall revenue budget for financial year 2023/24. On 20 June 2023, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2023/24, 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.

2. Recommendations

2.1. It is recommended that members of the Committee:

- i. Note the revenue expenditure outturn statement in respect of service areas for which the Development and Infrastructure Committee is responsible for financial year 2023/24, attached as Annex 1 to this report, indicating a budget overspend position of £1,798,800.
- 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 financial year 2023/24, 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 was 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.

The outturn statements include a number of accounting entries required to comply with proper accounting practice, including International Financial Reporting Standards. This includes accounting for the use of fixed assets, for example depreciation and revaluations, current service cost of pensions and accumulated staff absences.

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, 23 February 2023, Budget and Council Tax Level for 2023/24.

Policy and Resources Committee, 20 June 2023, Detailed Revenue Budgets.

Annexes

Annex 1: Financial Summary.

Annex 2: Financial Detail by Service Area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary**March 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	5,253.2	3,821.5	1,431.7	137.5	3,821.5
Transportation	3,867.7	3,564.8	302.9	108.5	3,564.8
Operational Environmental Services	3,379.9	3,171.2	208.7	106.6	3,171.2
Environmental Health & Trading Standards	1,145.6	1,101.7	43.9	104.0	1,101.7
Development	1,761.6	1,923.5	(161.9)	91.6	1,923.5
Planning	1,541.3	1,567.8	(26.5)	98.3	1,567.8
	16,949.3	15,150.5	1,798.8	111.9	15,150.5
Service Totals	16,949.3	15,150.5	1,798.8	111.9	15,150.5

Annex 2: Financial Detail by Service Area**March 2024**

The following tables show the spending position by service function

General Fund

		Spend	Budget	Over/(Under)	Spend	Annual
Roads	PA	£000	£000	£000	%	Budget
						£000
Winter Maintenance and Response	1B	2,117.9	1,106.8	1,011.1	191.4	1,106.8
Street Lighting	1B	342.3	228.7	113.6	149.7	228.7
Car Parks	1B	33.2	(157.7)	190.9	N/A	(157.7)
Other Works		130.3	118.8	11.5	109.7	118.8
Traffic Management		249.8	265.4	(15.6)	94.1	265.4
Structural Maintenance		1,530.0	1,531.7	(1.7)	99.9	1,531.7
Routine Maintenance	1B	968.6	867.8	100.8	111.6	867.8
Quarries Holding Account		(479.4)	(479.4)	0.0	100.0	(479.4)
Roads Holding Account	1B	151.1	89.1	62.0	169.6	89.1
Fleet Holding Account		28.7	28.7	0.0	100.0	28.7
Movement in Reserves	1B	(3,232.7)	(30.1)	(3,202.6)	10,739.9	(30.1)
Finance & Capital Charges	1B	3,191.4	0.0	3,191.4	0.0	0.0
Miscellaneous - RD	1B	222.0	251.7	(29.7)	88.2	251.7
Service Total		5,253.2	3,821.5	1,431.7	137.5	3,821.5

Changes in original budget position:

Original Net Budget	3,623.6
Apportionment Realignment	168.6
Local Government Pay Award 23.24	91.3
Trainees from Workforce Contribution adjustment	(62.0)
	<u>3,821.5</u>

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Transportation						
Administration - TR		337.2	338.3	(1.1)	99.7	338.3
Co-ordination		71.3	75.9	(4.6)	93.9	75.9
Concessionary Fares	1B	101.7	124.6	(22.9)	81.6	124.6
Support for Operators - Buses		1,229.1	1,229.8	(0.7)	99.9	1,229.8
Support for Operators - Air	1B	1,590.1	1,198.8	391.3	132.6	1,198.8
Support for Operators - Ferries		5.2	3.1	2.1	167.7	3.1
Airfields Operations	1B	597.8	535.8	62.0	111.6	535.8
Orkney Ferries	1B	0.1	48.3	(48.2)	0.2	48.3
Movement in Reserves	1B	(1,042.0)	10.2	(1,052.2)	N/A	10.2
Finance & Capital Charges	1B	977.2	0.0	977.2	0.0	0.0
Service Total		3,867.7	3,564.8	302.9	108.5	3,564.8

Changes in original budget position:

Original Net Budget	3,554.9
Transport Infrastructure from R&R Fund	<u>9.9</u>
	<u>3,564.8</u>

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Operational Environmental Services						
Burial Grounds	1B	143.2	118.0	25.2	121.4	118.0
Refuse Collection	1B	793.8	696.7	97.1	113.9	696.7
Waste Disposal	1C	1,304.5	1,410.1	(105.6)	92.5	1,410.1
Recycling	1B	789.9	574.3	215.6	137.5	574.3
Environmental Cleansing		415.3	438.9	(23.6)	94.6	438.9
OES Holding Account		24.7	24.7	0.0	100.0	24.7
Movement in Reserves	1B	(629.4)	(91.5)	(537.9)	687.9	(91.5)
Finance & Capital Charges	1B	537.9	0.0	537.9	0.0	0.0
Service Total		3,379.9	3,171.2	208.7	106.6	3,171.2

Changes in original budget position:

Original Net Budget	3,115.2
Local Government Pay Award 23.24	<u>56.0</u>
	<u>3,171.2</u>

Environmental Health & Trading Standards £000	Spend PA	Budget £000	Over/(Under) £000	Spend £000	Annual Budget %
Administration - ES	760.0	737.4	22.6	103.1	737.4
Trading Standards	292.2	290.5	1.7	100.6	290.5
Public Toilets	1B 121.0	101.4	19.6	119.3	101.4
Movement in Reserves	(27.6)	(27.6)	0.0	100.0	(27.6)
Service Total	1,145.6	1,101.7	43.9	104.0	1,101.7

Changes in original budget position:

Original Net Budget	1,075.9
Apportionment Realignment	6.5
Local Government Pay Award 23.24	19.3
	<u>1,101.7</u>

Development	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - DV	1C	1,056.5	1,119.9	(63.4)	94.3	1,119.9
Business Gateway		183.0	186.5	(3.5)	98.1	186.5
UK Shared Prosperity Fund		5.6	9.4	(3.8)	59.6	9.4
Community Led Local Development (CLLD) Regeneration	1B	65.3	101.0	(35.7)	64.7	101.0
Kirkwall Townscape Heritage Tourism	1B	234.2	271.9	(37.7)	86.1	271.9
		(6.7)	0.0	(6.7)	0.0	0.0
		7.0	7.0	0.0	100.0	7.0
Economic Development Grants	1B	231.5	291.7	(60.2)	79.4	291.7
Other Economic Development Grants		452.2	494.9	(42.7)	91.4	494.9
Movement in Reserves	1B	(467.0)	(558.8)	91.8	83.6	(558.8)
Service Total		1,761.6	1,923.5	(161.9)	91.6	1,923.5

Changes in original budget position:

Original Net Budget	1,760.9
Business Support Fund	162.6
	<u>1,923.5</u>

		Spend	Budget	Over/(Under)	Spend	Annual
Planning	PA	£000	£000	£000	%	Budget
						£000
Administration - PL		459.0	457.8	1.2	100.3	457.8
Development Management	1B	155.0	186.1	(31.1)	83.3	186.1
Development Planning		595.9	618.9	(23.0)	96.3	618.9
Building Standards	1B	63.2	34.5	28.7	183.2	34.5
Archaeology		51.3	53.6	(2.3)	95.7	53.6
North Isles Landscape Partnership Scheme		313.1	313.1	0.0	100.0	313.1
Movement in Reserves		(102.4)	(96.2)	(6.2)	106.4	(96.2)
Finance & Capital Charges		6.2	0.0	6.2	0.0	0.0
Service Total		1,541.3	1,567.8	(26.5)	98.3	1,567.8

Changes in original budget position:

Original Net Budget	1,538.0
Embedded Officer Post	27.0
Marine Planning Partnership	2.8
	<u>1,567.8</u>

Annex 3: Budget Action Plan

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R26A	<p>Winter Maintenance and Response</p> <p>More than anticipated expenditure by £1,011.1K</p>	Lorna Richardson	Work carried out under this cost centre varies significantly depending on the severity of weather conditions over the year. This winter had a large number of days where forecast conditions were for morning road temperatures below freezing, necessitating gritter runs across the majority of the network. In addition, there were two periods of extremely heavy snowfall with a resultant impact on activity. This cost code has, however, always been under significant pressure and a year-end overspend is not unusual.	A route-based weather forecasting system has been implemented, which ensures that gritting activities are targeted only at the parts of the network where the forecast indicates that temperatures are below freezing. In addition, following feedback from the performance of the system this year, some parameters have been adjusted to allow for even greater targeting of resources. However, implementation of the Winter Service Policy requires resourcing at this level in order to ensure that necessary standards are met.
R26C	<p>Street Lighting</p> <p>More than anticipated expenditure by £113.6K</p>	Lorna Richardson	Unplanned works on the isles and Mainland relating to faults. Energy costs increased above expected.	Looking at options for reducing hours of streetlighting to reduce energy costs.
R26D	<p>Car Parks</p> <p>Less than anticipated income by £190.9K</p>	Lorna Richardson	This cost centre has historically been underfunded, due to income targets which are neither reasonable nor achievable.	The income target for 2024/25 has been adjusted and car parks charges reviewed. In particular, the one-hour free parking has been reduced to only 3 months of the year. However, the impact on income cannot be quantified until year-end 2024/25.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R26K	Routine Maintenance More than anticipated expenditure by £100.8K	Lorna Richardson	Expediated repairs, tackling backlog of defects and increase of defects/public complaints, due to managed decline of asset. Increased cost of doing work without commensurate increase in budgets.	Continue to review planned workload in light of Roads Asset Management Plan and allocate resources accordingly. This will inevitably mean doing less work than in previous years with a consequent deterioration in the asset base.
R26M	Roads Holding Account More than anticipated expenditure by £62.0K	Lorna Richardson	Holding Accounts are usually cleared at year end after all other transactions and recharged to other relevant cost centres. It was highlighted that the apprentice posts were not appointed to by year end and therefore budget was reduced and retained within the workforce management fund.	It is hoped to recruit to these posts in the near future. If this is not successful then the budgets will be realigned earlier than year end. However, it should also be noted that balancing the holding accounts will require a reduction in the work carried out by the roads team, as budgets have not kept up with increasing staff and material costs.
R26U	Movement in Reserves More than anticipated income by £3,202.6K	Erik Knight	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal. These transactions are applied to their relevant non-useable reserve through the Movement in Reserves budget area.	No action required.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R26Y	<p>Finance & Capital charges</p> <p>More than anticipated expenditure by £3,191.4K</p>	Erik Knight	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal. These transactions are applied to their relevant non-useable reserve through the Movement in Reserves budget area.	No action required.
R26Z	<p>Miscellaneous – RD</p> <p>Less than anticipated expenditure by £29.7K</p>	Lorna Richardson	This cost centre is available for unexpected events such as road traffic accidents or police callouts. It is therefore difficult to predict and there were clearly fewer callouts than budgeted for this year.	None. Reactive budget which needs to remain available for unpredicted events.
R27C	<p>Concessionary Fares</p> <p>Less than anticipated expenditure by £22.9K</p>	Jim Buck	Underspend within concessionary travel which provides 12 x return ferry trips for eligible elderly and disabled island residents (12x return by air for North Ronaldsay and Papa Westray) and 3 x return trips per month for eligible Dial a Bus users.	Given the age demographic, it is expected that costs will increase in future years.
R27I	<p>Support for Operators – Air</p> <p>More than anticipated expenditure by £391.3K</p>	Jim Buck	Budget not increased to reflect the contract terms whereby an incremental increase is applied annually, based on RPI, and in addition increased AvGas costs were in excess of budget.	Budget pressure was submitted previously, however, due to budget constraints this was unable to be actioned. However, the budget for financial year 2024/25 has been increased.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R27K	<p>Airfields Operations</p> <p>More than anticipated expenditure by £62.0K</p>	Jim Buck	Increased costs in vehicle maintenance and purchase of new fire suits.	Monitor costs of new suppliers.
R27L	<p>Orkney Ferries</p> <p>Less than anticipated expenditure by £48.2K</p>	Jim Buck	The 2023/24 budget for Orkney Ferries was set at £15,877,300, however, actual expenditure was contained within the funding settlement received from the Scottish Government of £15,829,000.	No action required.
R27U	<p>Movement in Reserves</p> <p>Less than anticipated expenditure by £1,052.2K</p>	Erik Knight	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal. These transactions are applied to their relevant non-useable reserve through the Movement in Reserves budget area.	No action required.
R27Y	<p>Finance & Capital Charges</p> <p>More than anticipated expenditure by £977.2K</p>	Erik Knight	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal. These transactions are applied to their relevant non-useable reserve through the Movement in Reserves budget area.	No action required.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R28B	Burial Grounds More than anticipated expenditure by £25.2K	Lorna Richardson	The cost of cutting the grass in the burial grounds has increased significantly in recent years but without a commensurate increase in budget.	Some work has been done with the Community Councils – who administer the grass cutting contracts – in order to help them to understand what the available budgets are and to ensure that they let contracts which reflect this. However, some have struggled to get contractors who are willing to work within the budget and so overspend is expected for future financial years.
R28C	Refuse Collection More than anticipated expenditure by £97.1K	Lorna Richardson	The increased costs of the waste collection service as a result of increases in overhead costs etc which are in excess of the available budget.	There are very few options for reducing costs, other than reducing resource and resource levels are already insufficient to deliver the required levels of service.
R28E	Waste Disposal Less than anticipated expenditure by £105.6K	Lorna Richardson	Anticipated repairs were not carried out this financial year but will need done in 24/25. The underspend in this area does help to offset the overspend in other functions.	As with all cost centres, this function continues to be under budgetary pressure, and it is not considered appropriate for any action to be necessary.
R28F	Recycling More than anticipated expenditure by £215.6K	Lorna Richardson	Unanticipated repair to machinery plus increased costs relating to transport – number of vehicle breakdowns and increases in fuel costs Also increased overhead costs which is in excess of budget.	As with other cost centres, this function continues to be under severe budgetary pressure. Cost savings are only possible if significant service reductions are introduced.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R28U	<p>Movement in Reserves</p> <p>More than anticipated income by £537.9K</p>	Erik Knight	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal. These transactions are applied to their relevant non-useable reserve through the Movement in Reserves budget area.	No action required.
R28Y	<p>Finance & Capital Charges</p> <p>More than anticipated expenditure by £537.9K</p>	Erik Knight	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal. These transactions are applied to their relevant non-useable reserve through the Movement in Reserves budget area.	No action required.
R29D	<p>Public Toilets</p> <p>More than anticipated expenditure by £19.6K</p>	Kenny MacPherson	The main sources of increased costs in this cost centre are electricity/utilities charges.	<p>There are limited options for this service area to protect against increases in utilities costs recharged to it consequentially.</p> <p>It is noted that the Corporate Improvement annual capital programme is prioritising properties to improve energy efficiency, but it is likely this will prioritise the largest properties first where the most significant returns can be achieved.</p>

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R33A	<p>Administration – DV</p> <p>Less than anticipated expenditure by £63.4K</p>	Sweyn Johnston	Staff costs were underspent due to unfilled vacancies.	Recruitment will be progressed as soon as possible.
R33D	<p>Community Led Local Development (CLLD)</p> <p>Less than anticipated expenditure by £35.7K</p>	Sweyn Johnston	This is due to a couple of projects that were unable to complete, spend and claim in the short window available.	No specific action possible, but Community projects will be supported to deliver and work to the spend profiles in the timing available.
R33E	<p>Regeneration</p> <p>Less than anticipated expenditure by £37.7K</p>	Sweyn Johnston	Lower level of grant claims submitted in financial year 2023/24 than originally projected.	Improve budget profile going forward, informed by project information.
R33J	<p>Economic Development Grants</p> <p>Less than anticipated expenditure by £60.2K</p>	Sweyn Johnston	Lower grant claims than profiled for the year.	Demand led profile cannot be accurately projected.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R33U	<p>Movements in Reserves</p> <p>Less than anticipated income by £91.8K</p>	Erik Knight	Variance has occurred through the processing of year end transactions. These transactions are applied to their relevant non-useable reserve through the Movement in Reserves budget area.	No action required.
R34B	<p>Development Management</p> <p>Less than anticipated expenditure by £31.1K</p>	Roddy Mackay	Primarily due to higher than anticipated planning fee income as a result of the submission of planning applications for Scapa Deep Water Quay and Hatston Pier extension (combined fee income of £206,000).	No action required – it is difficult to predict the level of planning fee income.
R34E	<p>Building Standards</p> <p>More than anticipated expenditure by £28.7K</p>	Roddy Mackay	A 10% increase was incorrectly applied to the anticipated building warrant fee income in the 2023/24 budget setting process when it should have been treated as an exception due to fees being set nationally by the Scottish Government and no increase was proposed for this year. This resulted in the expected income being wrongly inflated by a figure of £30,500.	The 2024/25 anticipated fee income will be restored to the 2022/23 level to rectify the 10% increase that was incorrectly applied to the 2023/24 budget.