



Item: 4

Development and Infrastructure Committee: 10 September 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 June 2024, attached as Annex 1 to this report, indicating a budget underspend position of £1,301,800.
- 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 the period 1 April to 30 June 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

June 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	1,107.0	1,130.4	(23.4)	97.9	3,778.2
Transportation	5,602.1	5,690.1	(88.0)	98.5	7,463.6
Operational Environmental Services	6.8	(8.7)	15.5	N/A	3,186.1
Environmental Health & Trading Standards	199.1	202.2	(3.1)	98.5	1,122.6
Development	(1,441.9)	(381.2)	(1,060.7)	378.3	1,844.6
Planning	61.0	203.1	(142.1)	30.0	1,407.1
	5,534.1	6,835.9	(1,301.8)	81.0	18,802.2
Service Totals	5,534.1	6,835.9	(1,301.8)	81.0	18,802.2

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	5	7	12	58%
Transportation	3	4	9	44%
Operational Environmental Services	4	5	6	83%
Environmental Health & Trading Standards	2	0	3	0%
Development	5	3	9	33%
Planning	4	3	6	50%
Totals	23	22	45	49%

Annex 2: Financial Detail by Service Area

June 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	67.2	52.2	15.0	128.7	1,070.0
Street Lighting	1B	30.0	18.1	11.9	165.7	235.4
Car Parks	1B	19.6	4.3	15.3	455.8	(55.5)
Other Works	1B	24.8	10.7	14.1	231.8	122.7
Traffic Management		30.6	23.8	6.8	128.6	268.1
Structural Maintenance	1B	263.1	347.6	(84.5)	75.7	1,532.7
Routine Maintenance	1B	143.1	182.3	(39.2)	78.5	893.6
Quarries Holding Account		29.0	19.9	9.1	145.7	(500.0)
Roads Holding Account		381.5	374.1	7.4	102.0	0.0
Fleet Holding Account	1B	117.6	91.3	26.3	128.8	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	88.0
Miscellaneous - RD		0.5	6.1	(5.6)	8.2	123.2
Service Total		1,107.0	1,130.4	(23.4)	97.9	3,778.2

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Transportation						
Administration - TR		41.0	40.4	0.6	101.5	261.4
Co-ordination	1B	26.2	14.0	12.2	187.1	84.0
Concessionary Fares		26.4	22.5	3.9	117.3	128.3
Support for Operators - Buses	1B	210.4	237.4	(27.0)	88.6	1,441.7
Support for Operators - Air		271.3	272.6	(1.3)	99.5	1,635.8
Support for Operators - Ferries	1B	(14.0)	0.6	(14.6)	N/A	3.2
Airfields Operations		177.4	184.1	(6.7)	96.4	647.2
Orkney Ferries		4,897.0	4,918.5	(21.5)	99.6	3,262.0
Ferries Development	1B	(33.6)	0.0	(33.6)	0.0	0.0
Service Total		5,602.1	5,690.1	(88.0)	98.5	7,463.6

		Spend	Budget	Over/(Under)	Spend	Annual
Operational Environmental Services	PA	£000	£000	£000	%	Budget
						£000
Burial Grounds		42.6	36.1	6.5	118.0	89.0
Refuse Collection	1B	(623.2)	(485.8)	(137.4)	128.3	623.8
Waste Disposal	1B	227.5	275.3	(47.8)	82.6	1,434.7
Recycling	1B	150.1	130.1	20.0	115.4	585.8
Environmental Cleansing	1B	61.8	89.9	(28.1)	68.7	452.8
OES Holding Account	1B	148.0	(54.3)	202.3	N/A	0.0
Service Total		6.8	(8.7)	15.5	N/A	3,186.1

		Spend	Budget	Over/(Under)	Spend	Annual
Environmental Health & Trading Standards	PA	£000	£000	£000	%	Budget
£000						%
Administration - ES		116.2	109.3	6.9	106.3	699.8
Trading Standards		53.1	56.5	(3.4)	94.0	306.0
Public Toilets		29.8	36.4	(6.6)	81.9	116.8
Service Total		199.1	202.2	(3.1)	98.5	1,122.6

		Spend	Budget	Over/(Under)	Spend	Annual
Development	PA	£000	£000	£000	%	Budget
						£000
Administration - DV	1B	240.3	173.6	66.7	138.4	1,005.3
Business Gateway		31.0	38.6	(7.6)	80.3	186.2
UK Shared Prosperity Fund		(931.9)	(925.1)	(6.8)	100.7	0.0
Community Led Local		330.1	342.7	(12.6)	96.3	168.0
Development (CLLD)						
Regeneration		(46.3)	(38.3)	(8.0)	120.9	17.0
Tourism		0.0	0.0	0.0	0.0	115.9
Economic Development Grants	1B	(1,069.7)	0.7	(1,070.4)	N/A	300.4
Other Economic Development	1B	4.6	26.6	(22.0)	17.3	151.8
Grants						
Movement in Reserves		0.0	0.0	0.0	0.0	(100.0)
Service Total		(1,441.9)	(381.2)	(1,060.7)	378.3	1,844.6

Changes in original budget position:

Original Net Budget	1,950.7
Budget Adjustment	(106.1)
	1,844.6

		Spend	Budget	Over/(Under)	Spend	Annual
Planning	PA	£000	£000	£000	%	Budget
						£000
Administration - PL	1B	19.9	48.9	(29.0)	40.7	402.1
Development Management		32.1	30.0	2.1	107.0	237.2
Development Planning	1B	74.6	151.1	(76.5)	49.4	645.6
Building Standards	1B	(33.6)	11.3	(44.9)	N/A	66.9
Archaeology		11.5	12.1	(0.6)	95.0	55.3
North Isles Landscape Partnership Scheme		(43.5)	(50.3)	6.8	86.5	0.0
Service Total		61.0	203.1	(142.1)	30.0	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 £15.0K</p> <p>Charges to this cost centre are in line with previous years and there is nothing untoward happening. However, this cost centre is under significant pressure and unlikely to achieve the expected end of year out-turn without far-reaching changes to service delivery.</p>	<p>Monitor the situation</p> <p>Work is underway to identify potential service reductions with a view to presenting these to Elected Members later in 2024.</p>	Lorna Richardson	15/08/2024	Ongoing
R26C	<p>Street Lighting</p> <p>More than anticipated expenditure by £11.9K</p> <p>Additional resource has enabled work originally programmed for later in the year to be carried out now. There is no anticipated year-end variance as a result of this.</p>	<p>No action required</p> <p>None</p>	Lorna Richardson	15/07/2024	Ongoing

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26D	<p>Car Parks</p> <p>More than anticipated expenditure by £15.3K</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, however, 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>At the mid year point actual income realised will be reviewed and an estimate made as to whether year end figures will be in line with expectations or not.</p>	Lorna Richardson	31/07/2024	New
R26E	<p>Other Works</p> <p>More than anticipated expenditure by £14.1K</p> <p>Contribution to grounds maintenance budget was taken earlier than profiled.</p>	<p>No action required</p> <p>Will review the process of ground maintenance contributions to see whether an update to profiled spend would be useful.</p>	Lorna Richardson	15/07/2024	New
R26J	<p>Structural Maintenance</p> <p>Less than anticipated expenditure by £84.5K</p> <p>Programme of works has varied from that originally profiled. However, with surface dressing now underway actual spend is expected to catch up with anticipated budget over the next few months.</p>	<p>No action required</p> <p>None.</p>	Lorna Richardson	31/07/2024	Ongoing

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26K	<p>Routine Maintenance</p> <p>Less than anticipated expenditure by £39.2K</p> <p>Resources have been focused on surface dressing meaning that this work has been rescheduled for later on in the summer.</p>	<p>No action required</p> <p>None</p>	Lorna Richardson	15/07/2024	Ongoing
R26N	<p>Fleet Holding Account</p> <p>More than anticipated expenditure by £26.3K</p> <p>Increased cost of spares due to market conditions together with need for more repairs due to aging fleet.</p>	<p>Monitor the situation</p> <p>Monitor expenditure. Strategies for fleet management so as to ensure that vehicles are moved on as the cost of maintenance increases are being explored.</p>	Lorna Richardson	15/07/2024	Ongoing

Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27B	<p>Co-ordination</p> <p>More than anticipated expenditure by £12.2K</p> <p>Kirkwall Travel Centre budget spend is higher than anticipated due to annual waste service, rates and contribution to repairs and maintenance deductions being made at the beginning of the year. Contribution to repairs and maintenance at £7,800 is higher than anticipated.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	Jim Buck	31/07/2024	New
R27G	<p>Support for Operators - Buses</p> <p>Less than anticipated expenditure by £27.0K</p> <p>Income received from fares is still shown under this budget which indicates that there is an underspend to the budget when this is not the case.</p>	<p>Monitor the situation</p> <p>Discuss with finance.</p>	Jim Buck	19/07/2024	New
R27J	<p>Support for Operators - Ferries</p> <p>Less than anticipated expenditure by £14.6K</p> <p>Income received to budget which was not expected.</p>	<p>No action required</p> <p>No action required</p>	Jim Buck	19/07/2024	New

Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27M	Ferries Development Less than anticipated expenditure by £33.6K 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 provider.	Jim Buck	31/07/2024	Ongoing

Operational Environmental Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R28C	<p>Refuse Collection</p> <p>More than anticipated income by £137.4K</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	15/07/2024	New
R28E	<p>Waste Disposal</p> <p>Less than anticipated expenditure by £47.8K</p> <p>Costs relating to disposal of waste in Shetland are less than anticipated at this point in the year due to the way in which they are invoiced. This is therefore an artificial underspend and will resolve over the course of the year.</p>	<p>Monitor the situation</p> <p>This is a very difficult cost centre to profile due to the way in which the invoicing system works. Therefore variance of actual spend against budget will occur throughout the year.</p>	Lorna Richardson	15/07/2024	Ongoing
R28F	<p>Recycling</p> <p>More than anticipated expenditure by £20.0K</p> <p>Awaiting recovery of costs for sending Waste Electrical Equipment for reprocessing. These costs are covered through the Producer Responsibility Scheme and will be reimbursed in due course.</p>	<p>No action required</p> <p>None.</p>	Lorna Richardson	15/07/2024	New

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 £28.1K</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 is being undertaken of cleansing requirements and will be matched to available resource so as 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	15/07/2024	Ongoing
R28K	<p>OES Holding Account</p> <p>Less than anticipated income by £202.3K</p> <p>The income side of the holding account appears to be under-recovering.</p>	<p>Management input required</p> <p>Will review charge-rates and work booked to date to investigate whether this is a structural issue or just one of timing.</p>	Lorna Richardson	15/07/2024	Ongoing

Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33A	Administration - DV More than anticipated expenditure by £66.7K Overspend related to unbudgeted redundancy costs.	Management input required Seeking input on how to manage.	Sweyn Johnston	30/08/2024	New
R33J	Economic Development Grants Less than anticipated expenditure by £1,070.4K Higher grant payments into cost centre than profiled	Raise virements request Raise virement.	Sweyn Johnston	31/07/2024	Ongoing
R33K	Other Economic Development Less than anticipated expenditure by £22.0K Main variance relates to delay between BID levy receipt and onward transfer to BID.	Raise virements request Profile to be established.	Sweyn Johnston	31/07/2024	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 £29.0K</p> <p>This is due to a number of costs which have historically been paid out of this budget currently being transferred to the Development Management budget. An associated budget virement of £24,800 from the Planning Administration budget is being undertaken which will reduce the current surplus in this budget.</p>	<p>Raise virements request</p> <p>The budget associated with the casework management system and the planning skills programme is in the process of being transferred to the Development Management budget.</p>	Roddy Mackay	31/07/2024	Ongoing
R34C	<p>Development Planning</p> <p>Less than anticipated expenditure by £76.5K</p> <p>There are currently three staffing vacancies in the service.</p>	<p>No action required</p> <p>The three posts have now been successfully recruited to with all the new recruits expected to be in post by the end of September.</p>	Roddy Mackay	30/09/2024	Ongoing
R34E	<p>Building Standards</p> <p>Less than anticipated expenditure by £44.9K</p> <p>Higher than anticipated fee income from Building Warrant applications.</p>	<p>Monitor the situation</p> <p>Fee income will vary over the course of the year depending on the level of development activity taking place.</p>	Roddy Mackay	31/08/2024	Ongoing