

## **Item: 5**

### **Development and Infrastructure Committee: 5 September 2023.**

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

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

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

To advise of the revenue position as at 30 June 2023 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 June 2023, attached as Annex 1 to this report, indicating a budget overspend position of £746,900.

#### **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 June 2023, 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 appropriate action is being taken with regard to significant budget variances.

### **3. Background**

#### **3.1.**

On 7 March 2023, the Council set its overall revenue budget for financial year 2023/24. On 20 June 2023, the Policy Resources Committee recommended approval of the detailed revenue budgets for 2023/24, which form the basis of the individual revenue expenditure monitoring reports.

### **3.2.**

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.

### **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 Corporate 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 June 2023 is attached as Annex 1 to this report.

### **4.2.**

The detail by Service Area statement is attached as Annex 2 to this report.

### **4.3.**

The Budget Action Plan, attached as Annex 2 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 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**

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.

## **7. Legal Aspects**

Regular financial monitoring and reporting help the Council meet its statutory obligation to secure best value.

## **8. Contact Officer**

Erik Knight, Head of Finance, extension 2127, Email [erik.knight@orkney.gov.uk](mailto:erik.knight@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**

June 2023

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

<b>General Fund</b>					
<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	920.5	1,073.0	(152.5)	85.8	3,623.6
Transportation	4,750.0	4,498.2	251.8	105.6	3,488.1
Operational Environmental Services	141.4	1.4	140.0	10,100.0	3,115.2
Environmental Health & Trading Standards	195.9	193.1	2.8	101.5	1,075.9
Development	221.5	91.8	129.7	241.3	1,797.4
Planning	577.3	202.2	375.1	285.5	1,254.6
	<b>6,806.6</b>	<b>6,059.7</b>	<b>746.9</b>	<b>112.3</b>	<b>14,354.8</b>
<b>Service Totals</b>	<b>6,806.6</b>	<b>6,059.7</b>	<b>746.9</b>	<b>112.3</b>	<b>14,354.8</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>P02</b>	<b>P03</b>		
Roads	8	7	12	58%
Transportation	6	6	10	60%
Operational Environmental Services	6	5	6	83%
Environmental Health & Trading Standards	1	0	3	0%
Development	5	5	9	56%
Planning	3	2	6	33%
<b>Totals</b>	<b>29</b>	<b>25</b>	<b>46</b>	<b>54%</b>

## Annex 2: Financial Detail by Service Area

June 2023

The following tables show the spending position by service function

### General Fund

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
<b>Roads</b>						
Winter Maintenance and Response		44.0	50.7	(6.7)	86.8	1,106.8
Street Lighting		17.4	17.5	(0.1)	99.4	228.7
Car Parks	<b>1B</b>	16.1	(24.7)	40.8	N/A	(158.3)
Other Works		14.3	10.0	4.3	143.0	118.9
Traffic Management	<b>1B</b>	7.7	23.9	(16.2)	32.2	264.3
Structural Maintenance	<b>1B</b>	89.9	337.4	(247.5)	26.6	1,488.3
Routine Maintenance	<b>1B</b>	110.0	177.0	(67.0)	62.1	867.8
Quarries Holding Account	<b>1B</b>	(41.8)	14.8	(56.6)	N/A	(500.0)
Roads Holding Account	<b>1B</b>	543.9	367.0	176.9	148.2	0.0
Fleet Holding Account	<b>1B</b>	118.8	93.5	25.3	127.1	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	85.4
Miscellaneous - RD		0.2	5.9	(5.7)	3.4	121.7
<b>Service Total</b>		<b>920.5</b>	<b>1,073.0</b>	<b>(152.5)</b>	<b>85.8</b>	<b>3,623.6</b>

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
<b>Transportation</b>						
Administration - TR		39.1	41.4	(2.3)	94.4	265.5
Co-ordination		9.1	13.6	(4.5)	66.9	80.9
Concessionary Fares	<b>1B</b>	11.2	21.8	(10.6)	51.4	124.6
Support for Operators - Buses	<b>1B</b>	47.6	209.9	(162.3)	22.7	1,229.8
Support for Operators - Air	<b>1B</b>	257.2	199.8	57.4	128.7	1,198.8
Support for Operators - Ferries		0.0	0.5	(0.5)	0.0	3.1
Airfields Operations	<b>1B</b>	125.2	152.7	(27.5)	82.0	510.4
Orkney Ferries	<b>1B</b>	4,317.4	3,858.5	458.9	111.9	0.0
Ferries Development	<b>1B</b>	(56.8)	0.0	(56.8)	0.0	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	75.0
<b>Service Total</b>		<b>4,750.0</b>	<b>4,498.2</b>	<b>251.8</b>	<b>105.6</b>	<b>3,488.1</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		31.6	36.6	(5.0)	86.3	95.4
Refuse Collection	<b>1B</b>	(495.8)	(448.0)	(47.8)	110.7	623.3
Waste Disposal	<b>1B</b>	327.0	255.4	71.6	128.0	1,397.1
Recycling	<b>1B</b>	100.2	125.0	(24.8)	80.2	564.8
Environmental Cleansing	<b>1B</b>	31.7	86.2	(54.5)	36.8	434.6
OES Holding Account	<b>1B</b>	146.7	(53.8)	200.5	N/A	0.0
<b>Service Total</b>		<b>141.4</b>	<b>1.4</b>	<b>140.0</b>	<b>10,100.0</b>	<b>3,115.2</b>

<b>Environmental Health &amp; Trading Standards £000</b>	<b>PA</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend %</b>	<b>Annual Budget %</b>
Administration - ES		114.1	107.1	7.0	106.5	685.9
Trading Standards		51.5	52.7	(1.2)	97.7	288.6
Public Toilets		30.3	33.3	(3.0)	91.0	101.4
<b>Service Total</b>		<b>195.9</b>	<b>193.1</b>	<b>2.8</b>	<b>101.5</b>	<b>1,075.9</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	<b>1B</b>	137.3	166.3	(29.0)	82.6	971.0
Business Gateway		35.9	38.2	(2.3)	94.0	186.0
UK Shared Prosperity Fund		(198.1)	(196.5)	(1.6)	100.8	9.4
Community Led Local Development (CLLD) Regeneration	<b>1B</b>	29.6	19.5	10.1	151.8	265.0
Tourism		1.5	0.0	1.5	0.0	112.5
Economic Development Grants	<b>1B</b>	52.3	0.6	51.7	8,716.7	289.7
Other Economic Development Grants	<b>1B</b>	73.1	60.8	12.3	120.2	195.3
Movement in Reserves		0.0	0.0	0.0	0.0	(248.0)
<b>Service Total</b>		<b>221.5</b>	<b>91.8</b>	<b>129.7</b>	<b>241.3</b>	<b>1,797.4</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		53.6	47.6	6.0	112.6	397.7
Development Management	<b>1B</b>	53.5	17.4	36.1	307.5	133.5
Development Planning		129.2	123.2	6.0	104.9	644.5
Building Standards		(0.3)	2.6	(2.9)	N/A	26.6
Archaeology		10.7	11.4	(0.7)	93.9	52.3
North Isles Landscape Partnership Scheme	<b>1B</b>	330.6	0.0	330.6	0.0	0.0
<b>Service Total</b>		<b>577.3</b>	<b>202.2</b>	<b>375.1</b>	<b>285.5</b>	<b>1,254.6</b>

**Changes in original budget position:**

Original Net Budget	1,224.8
Embedded Officer Post	27.0
Marine Planning Partnership	2.8
	<u><b>1,254.6</b></u>

## Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26D	<p><b>Car Parks</b></p> <p>Less than anticipated income by £40.8K</p> <p>Income from car parks is less than budgeted for, likely due to small uptake of the higher priced, longer stay tickets.</p>	<p><b>Monitor the situation</b></p> <p>Work is ongoing to review car park charges and identify a more appropriate charging regime.</p>	Lorna Richardson	13/07/2023	Ongoing
R26F	<p><b>Traffic Management</b></p> <p>Less than anticipated expenditure by £16.2K</p> <p>This is due to an underspend in miscellaneous costs.</p>	<p><b>Monitor the situation</b></p> <p>Monitor the situation and raise a virement if required.</p>	Lorna Richardson	13/07/2023	Ongoing
R26J	<p><b>Structural Maintenance</b></p> <p>Less than anticipated expenditure by £247.5K</p> <p>Delays in labour cost charges from the Roads Holding Account as a result of vacancies, holidays and sickness absence. There are also some invoices still outstanding.</p>	<p><b>Monitor the situation</b></p> <p>The situation should resolve over the next month as costs are booked and bring actual rates back into line with the expected profile.</p>	Lorna Richardson	13/07/2023	Ongoing



## 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 £67.0K</p> <p>Delays in labour cost charges from the Roads Holding Account as a result of vacancies, holidays and sickness absence. Works are also behind the planned programme due to the lack of time and material resources.</p>	<p><b>Monitor the situation</b></p> <p>The situation should resolve over the next month as costs are booked and bring actual rates back into line with the expected profile. Efforts are being made to bring programmed work back on track.</p>	Lorna Richardson	13/07/2023	Ongoing
R26L	<p><b>Quarries Holding Account</b></p> <p>Less than anticipated expenditure by £56.6K</p> <p>Cursiter quarry has a large underspend due to budget profiling not matching actual spend.</p>	<p><b>Raise virements request</b></p> <p>Raise a virement to realign budget to actual spend.</p>	Lorna Richardson	17/08/2023	New
R26M	<p><b>Roads Holding Account</b></p> <p>More than anticipated expenditure by £176.9K</p> <p>Delays in booking labour costs to the relevant Service function as a result of vacancies, holidays and sickness absence has resulted in a lag in booking income to the holding accounts.</p>	<p><b>Monitor the situation</b></p> <p>The situation should resolve over the next month as costs are booked and bring actual rates back into line with the expected profile.</p>	Lorna Richardson	13/07/2023	Ongoing

## Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26N	<b>Fleet Holding Account</b> More than anticipated expenditure by £25.3K Costs for vehicles parts and spares are much higher than anticipated.	<b>Monitor the situation</b> No direct action required at the moment but will continue to monitor the situation, particularly the increasing costs of supplies.	Lorna Richardson	30/06/2023	Ongoing

## Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R27C</b>	<b>Concessionary Fares</b> Less than anticipated expenditure by £10.6K Return to pre-covid travel still building.	<b>Monitor the situation</b> Monitor and promote public services.  Consider reprofiling budget to better reflect actuals.	Jim Buck	20/07/2023	New
<b>R27G</b>	<b>Support for Operators - Buses</b> Less than anticipated expenditure by £162.3K  Bus service contractual invoice for May not being received or paid yet. £50K relates to Smarter Choices Smarter Places grant income being received that budget needs to be setup for.	<b>Monitor the situation</b> Invoice expected to be received and paid soon.  Budget to be reviewed and put in place for grant funding.	Jim Buck	30/06/2023	Ongoing

## Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27I	<p><b>Support for Operators - Air</b></p> <p>More than anticipated expenditure by £57.4K</p> <p>Overspend is due to Loganair contract uplift rate not being reflected within the budget allocation to the service area.</p>	<p><b>Monitor the situation</b></p> <p>Continue to monitor fuel costs. There is little option to cover costs within existing budgets</p>	Jim Buck	30/06/2023	Ongoing
R27K	<p><b>Airfields Operations</b></p> <p>Less than anticipated expenditure by £27.5K</p> <p>This is due to staff vacancies and administration costs not matching budget profiling.</p>	<p><b>Raise virements request</b></p> <p>Position has been filled with candidate starting in next quarter.</p> <p>Raise a virement to reprofile administration costs to match actual.</p>	Jim Buck	30/06/2023	Ongoing

## Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27L	<p><b>Orkney Ferries</b></p> <p>More than anticipated expenditure by £458.9K</p> <p>Subsidy amount payments do not match historical budget profiling.</p>	<p><b>Riase virements request</b></p> <p>Permanent virement to be raised to correct profiling issue of third party payments. Continue to chase Scottish Government on subsidy payments.</p>	Jim Buck	30/06/2023	Ongoing
R27M	<p><b>Ferries Development</b></p> <p>Less than anticipated expenditure by £56.8K</p> <p>This relates to the carry forward balance of the Hyseas Project funding.</p>	<p><b>Monitor the situation</b></p> <p>Chase for final invoices needing paid in relation to this project.</p>	Jim Buck	30/06/2023	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 £47.8K</p> <p>Delays in booking labour costs from the Waste Holding account as a result of vacancies, holidays and sickness absence.</p>	<p><b>Monitor the situation</b></p> <p>The situation should resolve over the next month as costs are booked and bring actual rates back into line with the expected profile.</p>	Lorna Richardson	30/06/2023	Ongoing
R28E	<p><b>Waste Disposal</b></p> <p>More than anticipated expenditure by £71.6K</p> <p>Erratic invoicing from Shetland Islands Council for dealing with residual waste means that costs do not always match profile.</p>	<p><b>No action required</b></p> <p>This variance does not represent a significant impact on the overall expected out-turn as costs for Shetland Islands Council remain in line with expectation, even if invoicing periods do not.</p>	Lorna Richardson	13/07/2023	Ongoing
R28F	<p><b>Recycling</b></p> <p>Less than anticipated expenditure by £24.8K</p> <p>Delays in booking labour costs from the Waste Holding account as a result of vacancies, holidays and sickness absence.</p>	<p><b>Monitor the situation</b></p> <p>The situation should resolve over the next month as costs are booked and bring actual rates back into line with the expected profile.</p>	Lorna Richardson	13/07/2023	Ongoing

## Operational Environmental Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R28G	<p><b>Environmental Cleansing</b></p> <p>Less than anticipated expenditure by £54.5K</p> <p>Delays in booking labour costs from the Waste Holding account as a result of vacancies, holidays and sickness absence.</p>	<p><b>Monitor the situation</b></p> <p>The situation should resolve over the next month as costs are booked and bring actual rates back into line with the expected profile. Will also review work in this area to ensure that appropriate resources are being deployed.</p>	Lorna Richardson	13/07/2023	Ongoing
R28K	<p><b>OES Holding Account</b></p> <p>Less than anticipated income by £200.5K</p> <p>Recovery of labour costs from the relevant Service function is behind schedule due to resource issues and delays in posting costs.</p>	<p><b>Monitor the situation</b></p> <p>Labour charges are being processed and should be back in line with profile in the next 1 to 2 months.</p>	Lorna Richardson	13/07/2023	Ongoing

## Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33A	<b>Administration - DV</b> Less than anticipated expenditure by £29.0K Underspend relates to staff vacancies.	<b>Monitor the situation</b> Monitor and recruit to vacant positions.	Sweyn Johnston	31/08/2023	Ongoing
R33D	<b>Community Led Local Development</b> More than anticipated expenditure by £10.1K Incorrect profiling of costs.	<b>Raise virements request</b> Raise virement to correct.	Sweyn Johnston	31/07/2023	Ongoing
R33E	<b>Regeneration</b> More than anticipated expenditure by £87.0K One of the two main contributors to the overspend will be covered by grant income, the other is due to the REFLEX project wind-up costs.	<b>Monitor the situation</b> Will monitor and assess how the wind-up costs can be balanced.	Sweyn Johnston	30/09/2023	Ongoing
R33J	<b>Economic Development Grants</b> More than anticipated expenditure by £51.7K Higher level of grant spend than profiled.	<b>Raise virements request</b> Virement raised to correct.	Sweyn Johnston	31/08/2023	New



## Development

<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>R33K</b>	<b>Other Economic Development</b> More than anticipated expenditure by £12.3K Budget is held at year-end and should be pulled forward as required.	<b>Raise virements request</b> Virement required to align budget with grant payments made.	Sweyn Johnston	31/07/2023	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 expenditure by £36.1K</p> <p>A 10% increase was incorrectly applied to anticipated planning 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 is proposed this year. This has resulted in expected income being wrongly inflated by a figure of £42,000. Staffing costs also lower than anticipated due to two vacant posts in the service.</p>	<p><b>Management input required</b></p> <p>Finance colleagues are following-up on the issue with the incorrect fee income. Of the two vacant posts, one is currently advertised with the other due to be advertised before the end of July.</p>	Roddy Mackay	31/08/2023	Ongoing
R34M	<p><b>North Isles Landscape Partnership</b></p> <p>More than anticipated expenditure by £330.6K</p> <p>Project budget still required to be set-up.</p>	<p><b>Raise virements request</b></p> <p>Virement to be processed to establish budget for 23.24.</p>	Sweyn Johnston	31/07/2023	Ongoing