

Item: 3

Development and Infrastructure Committee: 6 February 2024.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 31 December 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 31 December 2023, attached as Annex 1 to this report, indicating a budget overspend position of £1,636,500.

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 31 December 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 31 December 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 3 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

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9. Annexes

Annex 1: Financial Summary.

Annex 2: Financial Details by Service Area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary

December 2023

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	2,889.3	1,176.4	1,712.9	245.6	3,623.6
Transportation	6,382.2	6,273.2	109.0	101.7	3,498.0
Operational Environmental Services	1,917.9	1,732.1	185.8	110.7	3,115.2
Environmental Health & Trading Standards	649.5	629.0	20.5	103.3	1,075.9
Development	925.4	1,084.7	(159.3)	85.3	1,960.0
Planning	663.8	896.2	(232.4)	74.1	1,254.6
	13,428.1	11,791.6	1,636.5	113.9	14,527.3
Service Totals	13,428.1	11,791.6	1,636.5	113.9	14,527.3

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	9	7	12	58%
Transportation	5	7	10	70%
Operational Environmental Services	3	4	6	67%
Environmental Health & Trading Standards	1	0	3	0%
Development	4	2	10	20%
Planning	3	3	6	50%
Totals	25	23	47	49%

Annex 2: Financial Detail by Service Area

December 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
Roads						
Winter Maintenance and Response	1B	431.3	386.7	44.6	111.5	1,106.8
Street Lighting		154.2	140.4	13.8	109.8	228.7
Car Parks	1B	(5.1)	(160.3)	155.2	3.2	(158.3)
Other Works		76.3	75.6	0.7	100.9	118.9
Traffic Management	1B	111.1	156.3	(45.2)	71.1	264.3
Structural Maintenance	1B	725.6	608.5	117.1	119.2	1,488.3
Routine Maintenance		553.5	509.0	44.5	108.7	867.8
Quarries Holding Account	1B	49.9	(400.9)	450.8	N/A	(500.0)
Roads Holding Account	1B	707.2	(229.1)	936.3	N/A	0.0
Fleet Holding Account		75.8	66.9	8.9	113.3	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	85.4
Miscellaneous - RD	1B	9.5	23.3	(13.8)	40.8	121.7
Service Total		2,889.3	1,176.4	1,712.9	245.6	3,623.6

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Transportation						
Administration - TR		142.0	136.5	5.5	104.0	265.5
Co-ordination	1B	56.3	42.8	13.5	131.5	80.9
Concessionary Fares	1B	71.8	83.5	(11.7)	86.0	124.6
Support for Operators - Buses	1B	629.0	818.6	(189.6)	76.8	1,229.8
Support for Operators - Air	1B	1,062.3	799.2	263.1	132.9	1,198.8
Support for Operators - Ferries	1B	0.2	12.0	(11.8)	1.7	13.0
Airfields Operations		368.6	349.5	19.1	105.5	510.4
Orkney Ferries	1C	4,108.8	4,031.1	77.7	101.9	0.0
Ferries Development	1B	(56.8)	0.0	(56.8)	0.0	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	75.0
Service Total		6,382.2	6,273.2	109.0	101.7	3,498.0

Changes in original budget position:

Original Net Budget	3,488.1
Transport Infrastructure from R&R Fund	9.9
	3,498.0

		Spend	Budget	Over/(Under)	Spend	Annual
Operational Environmental Services	PA	£000	£000	£000	%	Budget
						£000
Burial Grounds	1B	134.7	118.4	16.3	113.8	95.4
Refuse Collection	1B	92.8	184.8	(92.0)	50.2	623.3
Waste Disposal		893.5	895.5	(2.0)	99.8	1,397.1
Recycling	1B	526.4	424.9	101.5	123.9	564.8
Environmental Cleansing		274.7	294.7	(20.0)	93.2	434.6
OES Holding Account	1B	(4.2)	(186.2)	182.0	2.3	0.0
Service Total		1,917.9	1,732.1	185.8	110.7	3,115.2

		Spend	Budget	Over/(Under)	Spend	Annual
Environmental Health & Trading Standards	PA	£000	£000	£000	%	Budget
£000						%
Administration - ES		408.9	380.0	28.9	107.6	685.9
Trading Standards		163.8	174.9	(11.1)	93.7	288.6
Public Toilets		76.8	74.1	2.7	103.6	101.4
Service Total		649.5	629.0	20.5	103.3	1,075.9

		Spend	Budget	Over/(Under)	Spend	Annual
Development	PA	£000	£000	£000	%	Budget
						£000
Administration - DV	1B	482.6	552.4	(69.8)	87.4	971.0
Business Gateway		129.8	129.9	(0.1)	99.9	186.0
UK Shared Prosperity Fund	1B	(261.6)	(191.8)	(69.8)	136.4	9.4
Community Led Local		65.1	64.2	0.9	101.4	265.0
Development (CLLD)						
Regeneration		109.9	112.9	(3.0)	97.3	179.1
Kirkwall Townscape Heritage		(6.7)	0.0	(6.7)	0.0	0.0
Tourism		1.5	1.5	0.0	100.0	112.5
Economic Development Grants		157.7	147.9	9.8	106.6	289.7
Other Economic Development		247.1	267.7	(20.6)	92.3	195.3
Grants						
Movement in Reserves		0.0	0.0	0.0	0.0	(248.0)
Service Total		925.4	1,084.7	(159.3)	85.3	1,960.0

Changes in original budget position:

Original Net Budget	1,797.4
Business Support Fund	162.6
	1,960.0

		Spend	Budget	Over/(Under)	Spend	Annual
Planning	PA	£000	£000	£000	%	Budget
						£000
Administration - PL		111.9	104.0	7.9	107.6	397.7
Development Management	1B	44.5	130.2	(85.7)	34.2	178.5
Development Planning		375.0	378.0	(3.0)	99.2	599.5
Building Standards	1B	58.8	10.0	48.8	588.0	26.6
Archaeology		36.9	37.5	(0.6)	98.4	52.3
North Isles Landscape Partnership Scheme	1B	36.7	236.5	(199.8)	15.5	0.0
Service Total		663.8	896.2	(232.4)	74.1	1,254.6

Changes in original budget position:

Original Net Budget	1,224.8
Embedded Officer Post	27.0
Marine Planning Partnership	2.8
	<u>1,254.6</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 £44.6K</p> <p>Winter maintenance activities have increased in intensity over the past few months. It is very difficult to profile these activities as they are dependent on actual weather conditions, hence the variation from budget.</p>	<p>Monitor the situation</p> <p>The management team will continue to monitor actual spend, noting that this is a heavily pressurised budget and that savings elsewhere may be required to provide sufficient revenue funding by year end.</p>	Lorna Richardson	15/01/2024	Ongoing
R26D	<p>Car Parks</p> <p>Less than anticipated income by £155.2K</p> <p>Income from car parks is less than budgeted for, likely due to small uptake of the higher priced, longer stay tickets. In addition, the unbudgeted 1 hour free parking is now in place, resulting in a loss of expected income.</p>	<p>Monitor the situation</p> <p>Work is ongoing to review car park charges and changes will be implemented from April 2024. However, this change is unlikely to fully close the deficit. As it will not be implemented this year, these ongoing losses will continue and savings will be required from other budgets to offset the loss of anticipated income.</p>	Lorna Richardson	15/01/2024	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 £45.2K</p> <p>Grant funding received from the Scottish Government to cover staff resource has been received and as work is charged against this grant funding, the costs will come back into line with budget. In addition, miscellaneous costs are underspent due to resource constraints.</p>	<p>Monitor the situation</p> <p>No specific action required at this time.</p> <p>Continue to monitor the situation and raise a virement if required.</p>	Lorna Richardson	15/01/2024	Ongoing
R26J	<p>Structural Maintenance</p> <p>More than anticipated expenditure by £117.1K</p> <p>The pace at which work is programmed and being implemented does not match the budget profiled.</p>	<p>Monitor the situation</p> <p>The team continues to plan and programme work within the available budget, to ensure that full year spend is in line with the allocated budget. Virements will be raised to reprofile the budgets to better reflect spend.</p>	Lorna Richardson	15/01/2024	New

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 £450.8K</p> <p>Income is less than anticipated to date, as income is hugely dependent on construction activities within Orkney, which is outwith the control of the Quarry. This is due to a general downturn in sales plus lack of some products whilst plans are made for the next extraction blast.</p>	<p>Monitor the situation</p> <p>Work continues to ensure that product supply matches market requirements and that prices are monitored in order to remain competitive, whilst ensuring that costs are covered and market stability is maintained.</p> <p>If necessary, virements will be raised to realign budget to reflect actual expenditure and income.</p>	Lorna Richardson	12/01/2024	Ongoing
R26M	<p>Roads Holding Account</p> <p>Less than anticipated income by £936.3K</p> <p>There is a variety of causes leading to an overall deviation from expected spend. However, the key driver is likely to be under recovery of costs through the charge-rate mechanism.</p>	<p>Management input required</p> <p>Charge-rates have been reviewed and a new rate applied. However, this has not resulted in the income budgets matching expectations. Work continues to investigate the issue and to ensure that the holding accounts are set up appropriately.</p>	Lorna Richardson	12/01/2024	Ongoing
R26Z	<p>Miscellaneous - RD</p> <p>Less than anticipated expenditure by £13.8K</p> <p>Spend is less than anticipated to date as there has been little works carried out within this budget to date. Noting that this is generally used for unexpected and unusual repairs.</p>	<p>Monitor the situation</p> <p>No action required at the moment but will continue to monitor the budget and if underspend continues a virement will be raised to transfer budget to cover pressures.</p>	Lorna Richardson	12/01/2024	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 £13.5K</p> <p>Spend is ahead of budget profile, due to HITRANS invoice being paid earlier than anticipated.</p>	<p>Raise virements request</p> <p>Raise virement to reprofile budget to better reflect spend to date.</p>	Jim Buck	31/01/2024	Ongoing
R27C	<p>Concessionary Fares</p> <p>Less than anticipated expenditure by £11.7K</p> <p>Underspend is due to awaiting concessionary travel invoice.</p>	<p>Monitor the situation</p> <p>Continue to monitor the situation, as the budget should come back into line once the invoice has been received.</p>	Jim Buck	10/01/2024	New
R27G	<p>Support for Operators - Buses</p> <p>Less than anticipated expenditure by £189.6K</p> <p>Bus service contractual invoices are behind profile and grant income has been received for Smarter Choices Smarter Places. In addition, the bus contract passenger income is also sitting within this budget. Any surplus remaining on the passenger income will be transferred to the Sustainable and Green Transport Fund at year-end.</p>	<p>Monitor the situation</p> <p>Invoices expected to be received and paid soon.</p> <p>Budget to be reviewed and put in place for grant funding.</p>	Jim Buck	31/01/2024	Ongoing

Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27I	<p>Support for Operators - Air</p> <p>More than anticipated expenditure by £263.1K</p> <p>Loganair contract uplift rate not being reflected within the budget allocation to the service area and increased AVGAS costs.</p>	<p>Monitor the situation</p> <p>Continue to monitor fuel costs, however, there is little option to cover costs within existing budgets.</p> <p>An unavoidable service pressure has been notified to Finance and will be considered as part of the budget setting process for 2024/25.</p>	Jim Buck	31/03/2024	Ongoing
R27J	<p>Support for Operators - Ferries</p> <p>Less than anticipated expenditure by £11.8K</p> <p>Incorrect profiling of costs.</p>	<p>Raise virements request</p> <p>Raise virement to better reflect spend.</p>	Jim Buck	31/01/2024	Ongoing
R27L	<p>Orkney Ferries</p> <p>More than anticipated expenditure by £77.7K</p> <p>Overspend due to ongoing consultation and project development for future Ferry replacement project.</p>	<p>Monitor the situation</p> <p>Continue to monitor spend as part of overall programme.</p>	Jim Buck	10/01/2024	New

Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27M	Ferries Development Less than anticipated expenditure by £56.8K This relates to the carry forward balance of the Hyseas Project funding.	Monitor the situation Continue to chase for final invoices still to be paid in relation to this project.	Jim Buck	01/02/2024	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 £16.3K</p> <p>The majority of costs for grass cutting during the summer months have now been received. However, these costs are far in excess of the allocated budget.</p>	<p>Management input required</p> <p>Work is ongoing to discuss with Community Councils what amounts of money can be made available for grass cutting in the kirkyards, noting that the contribution from central budgets will have to be limited. These limits will be implemented over the coming years. Routine maintenance may have to be limited or stopped for the rest of the financial year to bring costs back in line with budgets.</p>	Lorna Richardson	12/01/2024	New
R28C	<p>Refuse Collection</p> <p>Less than anticipated expenditure by £92.0K</p> <p>Income realised from the commercial collection of waste and recycling is higher than anticipated.</p>	<p>No action required</p> <p>No action required at the moment.</p>	Lorna Richardson	12/01/2024	Ongoing
R28F	<p>Recycling</p> <p>More than anticipated expenditure by £101.5K</p> <p>Charges for servicing and repairs of vehicles are higher than budget due to the increased cost of spares and equipment. There was also one large repair to the green waste shredder. Charges for the disposal of hazardous waste are running higher than budget.</p>	<p>Monitor the situation</p> <p>Costs will be monitored in the meantime, noting that income from sales of recyclates have yet to be booked which will help to bring the budget back into line.</p>	Lorna Richardson	12/01/2024	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 £182.0K</p> <p>The charge rate used to recover costs was not reviewed following the significant salary increases implemented for 23/24. Therefore, it is likely that the cost recovery mechanism is not sufficient.</p>	<p>Management input required</p> <p>The charge rate will need to be reviewed to ensure that it is set at a sufficient level to fully recover costs. However, the impact of this will not be properly felt until financial year 2024/25 meaning that the OES Holding Account is likely to under recover at year end.</p>	Lorna Richardson	12/01/2024	Ongoing

Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33A	<p>Administration - DV</p> <p>Less than anticipated expenditure by £69.8K</p> <p>Underspend relates to staff vacancies.</p>	<p>Monitor the situation</p> <p>Explore an interim staff resource situation.</p>	Sweyn Johnston	29/03/2024	Ongoing
R33C	<p>UK Shared Prosperity Fund</p> <p>More than anticipated income by £69.8K</p> <p>Underspend relates to delay in payments of Shared Prosperity Fund to third parties whilst subsidy control checks are underway.</p>	<p>Raise virements request</p> <p>Virement raised to correct budget profiling.</p>	Sweyn Johnston	31/01/2024	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 £85.7K</p> <p>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).</p> <p>In addition, there are currently two staff vacancies within the service.</p> <p>A 10% increase was also incorrectly applied to anticipated planning fee income in the 2023/24 budget setting process which has resulted in expected income being wrongly inflated by a figure of £42,000.</p>	<p>Management input required</p> <p>An element of the additional income will be used to pay for the cost of specialist consultancy support employed to review and assess the Environmental Impact Assessments accompanying the planning applications. Some of the surplus income will also be used to fund other projects being led by the wider Planning Service.</p> <p>A temporary Agency Planner has been appointed to support the team whilst recruitment to the vacant posts is being undertaken.</p> <p>Finance colleagues are following up on the issue with the incorrect fee income.</p>	Roddy Mackay	31/03/2024	Ongoing

Planning

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R34E	<p>Building Standards</p> <p>More than anticipated expenditure by £48.8K</p> <p>Fee income is lower than anticipated and a 10% increase was incorrectly applied to 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 is proposed this year. This has resulted in expected income being wrongly inflated by a figure of £30,500.</p>	<p>Management input required</p> <p>Finance colleagues are following-up on the issue with the incorrect fee income.</p>	Roddy Mackay	31/03/2024	Ongoing
R34M	<p>North Isles Landscape Partnership</p> <p>Less than anticipated expenditure by £199.8K</p> <p>Timing of significant income receipt has caused misalignment with profile.</p>	<p>Monitor the situation</p> <p>Monitor the situation, as the budget is expected to resolve in the following month.</p>	Sweyn Johnston	02/02/2024	New