

Item: 4.1

Policy and Resources Committee: 19 February 2019.

Revenue Expenditure Monitoring.

Joint Report by Chief Executive, Executive Director of Corporate Services, Executive Director of Development and Infrastructure and Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 31 December 2018 in respect of 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 the undernoted services for the period 1 April to 31 December 2018, attached as Annex 1 to this report, indicating an underspend position of £644,200:

- Central Administration.
- Law Order and Protective Services.
- Other Services.

2.2.

The revenue financial detail by Service Area statement for the period 1 April to 31 December 2018, attached as Annex 2 to this report.

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.

3. Background

3.1.

On 22 February 2018, the Council set its overall revenue budget for financial year 2018 to 2019. On 17 April 2018, the Policy and Resources Committee received the detailed revenue budgets which form the basis of the individual revenue expenditure monitoring reports.

3.2.

Individual revenue expenditure monitoring reports are circulated as briefing reports every month in order to inform Elected Members of the up to date financial position. Quarterly revenue expenditure monitoring reports are presented to individual service committees, replacing the need for a monthly budget briefing this reporting period.

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:

- £10,000 and 10% more or less than Anticipated position (1B).
- £50,000 more or less than Anticipated position (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 Executive Directors and their staff. In addition to the variances generated in the current month, the variances reported in previous reporting periods will remain within the Budget Action Plan until these actions have been completed.

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 is attached as Annex 1 to this report.

4.2.

The details 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 governance and 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

6.1.

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.

6.2.

Additional expenditure requirements identified during the financial year can only be approved by means of a spending recommendation to the Policy and Resources Committee, subject to the use of emergency powers.

6.3.

A pay increase of 3% is included in the base budget for 2018 to 2019 which is yet to be agreed. The estimated cost of the backpay from 1 April to 31 December 2018 is £169,100 across Central Administration, Law, Order and Protective Services and Other Services which would reduce the current underspend position to £475,100.

7. Legal Aspects

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

8. Contact Officers

Alistair Buchan, Chief Executive, extension 2101, Email chief.executive@orkney.gov.uk

Gillian Morrison, Executive Director of Corporate Services, extension 2103, Email gillian.morrison@orkney.gov.uk

Gavin Barr, Executive Director of Development and Infrastructure, extension 2301, Email gavin.barr@orkney.gov.uk

Gareth Waterson, Head of Finance, extension 2103, Email gareth.waterson@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

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

Service Area	Spend	Budget	Over/Under Spend		Annual Budget £000
	£000	£000	£000	%	
Central Administration	6,343.1	6,872.2	-529.1	92.3	113.2
Law, Order & Protective Services	45.3	57.1	-11.8	79.3	112.2
Other Services	1,854.0	1,957.3	-103.3	94.7	11,793.7
Service Totals	8,242.4	8,886.6	-644.2	92.8	12,019.1

Compared to last month, the total number of PAs has changed as follows:

Service Area	No. of PAs		Service Functions	PAs/ Function
	P08	P09		
Central Administration	6	6	8	75%
Law, Order & Protective Services	1	1	1	100%
Other Services	2	2	18	11%
Totals	9	9	27	33%

Annex 2: Financial Detail by Service Area

The following tables show the spending position by service function

	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Central Administration						
Chief Executive	1C	1,457.5	1,548.4	-90.9	94.1	0.0
Corporate Services	1C	744.9	803.9	-59.0	92.7	0.0
Finance		1,107.6	1,141.3	-33.7	97.0	0.0
Development & Infrastructure	1C	1,449.9	1,574.0	-124.1	92.1	5.0
I.T. and Facilities	1C	1,336.8	1,429.2	-92.4	93.5	95.0
Legal Services	1B	285.5	359.4	-73.9	79.4	0.0
Cleaning Holding Account	1B	-39.1	16.0	-55.1	N/A	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	13.2
Service Total		6,343.1	6,872.2	-529.1	92.3	113.2

Changes in original budget position:

Original Net Budget	0.0
Pathfinder Project from Repairs and Renewals Fund	60.6
Office 365 Project from Repairs and Renewals Fund	47.6
Key Management Project from Innovation Fund	5.0
	113.2

	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Law, Order & Protective Services						
Civil Contingencies	1B	45.3	57.1	-11.8	79.4	112.2
Service Total		45.3	57.1	-11.8	79.3	112.2

Other Services	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Corporate Management		597.7	579.9	17.8	103.1	2,916.0
Corporate Priorities	1C	906.7	988.7	-82.0	91.7	2,668.4
Area Support Team (CP)		13.2	10.4	2.8	126.4	14.7
Registration		23.1	28.5	-5.4	80.9	57.5
Miscellaneous Property	1B	-25.6	-14.1	-11.5	181.4	193.5
Payments to Joint Boards		0.0	0.0	0.0	0.0	342.7
Local Works and Services		5.3	6.7	-1.4	78.5	10.0
Elections		1.2	7.1	-5.9	16.2	83.5
Licensing		-13.6	-6.5	-7.1	208.2	26.2
Grants		124.4	127.7	-3.3	97.4	149.5
Publicity		14.5	12.4	2.1	116.7	15.4
Twinning		-0.9	1.4	-2.3	N/A	6.9
Community Councils		193.2	204.5	-11.3	94.5	392.0
Interest on Loans and Balances		0.0	0.0	0.0	0.0	-372.0
Miscellaneous - OS		36.3	36.5	-0.2	99.5	38.4
Movement in Reserves		0.0	0.0	0.0	0.0	458.8
Cost of Collection		-21.5	-25.9	4.4	82.9	388.7
Finance Charges		0.0	0.0	0.0	0.0	4,403.5
Service Total		1,854.0	1,957.3	-103.3	94.7	11,793.7

Changes in original budget position:

Original Net Budget	11,882.1
Customer Services Platform from Innovation Fund	135.3
HR System Development from Innovation Fund	62.7
Integra System Development from Innovation Fund	48.7
Contingency Fund Pressure Bid - Residential Childcare	-372.0
Reinstate £65k Support for Learning Assistants 2018/19 savings from Contingency	-65.0
Empowering Communities from Sustainable Communities Fund	96.4
EDRMS Project from Innovation Fund	61.5
Increase in budget for Lifecycle	-66.0
Local Works and Services budget	10.0
	11,793.7

Annex 3: Budget Action Plan

Central Administration

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R10A	<p>Chief Executive</p> <p>Less than anticipated expenditure by £90.9K</p> <p>Underspend mainly due to vacant posts, of which interviews now held and it is anticipated the posts will be filled early in the New Year.</p>	<p>Monitor the situation</p> <p>Monitor the situation to ensure recruitment progresses.</p>	Karen Greaves	31/01/2019	Ongoing
R10B	<p>Corporate Services</p> <p>Less than anticipated expenditure by £59.0K</p> <p>Variance is due to time taken to fill vacant posts across administration, audit and HR this financial year, the timing of a computer audit which is taking place in March, and the outstanding pay award yet to be agreed.</p>	<p>Monitor the situation</p> <p>Computer audit has been arranged. Budget is being monitored.</p>	Gillian Morrison	31/03/2019	Ongoing
R10D	<p>Development & Infrastructure</p> <p>Less than anticipated expenditure by £124.1K</p> <p>Staff vacancies are an ongoing issue creating underspends.</p>	<p>Raise virements request</p> <p>Recruitment of new team members achieved in part, further vacancies to be readvertised.</p>	Gavin Barr	31/03/2019	Ongoing

Annex 3: Budget Action Plan

Central Administration

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R10F	<p>I.T. and Facilities</p> <p>Less than anticipated expenditure by £92.4K</p> <p>Staff costs are underspent due to two vacancies in the team from 1 April 2018. These have now been recruited to and the new staff started in October.</p>	<p>Monitor the situation</p> <p>Position under review. As there have been 2 posts not completed for 6 months it is likely that this budget will remain underspent at the end of the financial year. However, IT are using this budget in year to provide external support if required to continue to deliver their work programme, and so the underspend is expected to reduce.</p>	Hayley Green	31/03/2019	Ongoing
R10I	<p>Legal Services</p> <p>Less than anticipated expenditure by £73.9K</p> <p>Temporary staff vacancies within Legal Services arising from a specific staffing situation which is making it more difficult to recruit; and a current underspend within supplies and services.</p>	<p>Monitor the situation</p> <p>Temporary vacancies have arisen due to a temporary secondment affecting two members of staff, and their posts have not been able to be backfilled in the meantime. The position is being monitored. The temporary underspend will be addressed during the remainder of the financial year.</p>	Gavin Mitchell	31/03/2019	Ongoing
R10O	<p>Cleaning Holding Account</p> <p>Less than anticipated expenditure by £55.1K</p> <p>Variance is due to vacant posts and the outstanding pay award yet to be agreed.</p>	<p>Monitor the situation</p> <p>Position will be monitored closely, with action if required.</p>	Hayley Green	31/03/2019	Ongoing

Annex 3: Budget Action Plan

Law, Order & Protective Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R23F	<p>Civil Contingencies</p> <p>Less than anticipated expenditure by £11.8K</p> <p>Spend is running below expected budget due to vacant hours within the team. Team is currently running 0.4 under establishment, but this is a temporary situation that will be resolved during 2019 to 2020.</p>	<p>Monitor the situation</p> <p>Situation will be monitored and opportunities to address the issue will be considered as and when available.</p>	Hayley Green	31/03/2019	Ongoing
R10J	<p>Corporate Priorities</p> <p>Less than anticipated expenditure by £82.0K</p> <p>Variance is due to staff vacancies.</p>	<p>No action required</p> <p>One vacancy has been recruited to in December.</p>	Andrew Groundwater	31/03/2019	Ongoing
R39C	<p>Miscellaneous Property</p> <p>Less than anticipated expenditure by £11.5K</p> <p>Property costs lower than anticipated at this stage of the year but will increase over the winter months.</p>	<p>Monitor the situation</p> <p>It may be that damage through bad weather over the winter will require action, and if this is the case then it would be expected that the spend on the budget will be closer to the profile by the end of the financial year</p>	Hayley Green	31/03/2019	Ongoing