

Item: 5.1

Policy and Resources Committee: 20 September 2022.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 30 June 2022 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 30 June 2022, attached as Annex 1 to this report, indicating an underspend position of £273,900:

- 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 30 June 2022, 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 action is being taken with regard to significant budget variances.

3. Background

3.1.

On 10 March 2022, the Council set its overall revenue budget for financial year 2022/23. On 21 June 2022, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2022/23, which form the basis of the individual revenue expenditure monitoring reports.

3.2.

Individual revenue expenditure reports are circulated 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.

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 2022 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.

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, Email 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 2022

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

Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Central Administration	2,954.2	3,087.5	(133.3)	95.7	0.0
Law, Order & Protective Services	16.7	18.2	(1.5)	91.8	120.5
Other Services	513.2	652.3	(139.1)	78.7	11,211.2
Service Totals	3,484.1	3,758.0	(273.9)	92.7	11,331.7

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P02	P03		
Central Administration	5	6	8	75%
Law, Order & Protective Services	1	0	1	0%
Other Services	7	7	18	39%
Totals	13	13	27	48%

Annex 2: Financial Detail by Service Area

June 2022

The following tables show the spending position by service function

		Spend	Budget	Over/(Under)	Spend	Annual
		£000	£000	£000	%	Budget
						£000
Central Administration	PA					
Chief Executive		848.1	865.7	(17.6)	98.0	0.0
Corporate Services	1B	253.1	352.3	(99.2)	71.8	0.0
Finance	1B	407.0	483.6	(76.6)	84.2	0.0
Development & Infrastructure	1B	503.8	595.4	(91.6)	84.6	0.0
I.T. and Facilities	1B	717.2	539.5	177.7	132.9	(13.2)
Legal Services	1B	130.8	175.4	(44.6)	74.6	0.0
Cleaning Holding Account	1B	94.2	75.6	18.6	124.5	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	13.2
Service Total		2,954.2	3,087.5	(133.3)	95.7	0.0

		Spend	Budget	Over/(Under)	Spend	Annual
		£000	£000	£000	%	Budget
						£000
Law, Order & Protective Services	PA					
Civil Contingencies		16.7	18.2	(1.5)	91.7	120.5
Service Total		16.7	18.2	(1.5)	91.8	120.5

		Spend	Budget	Over/(Under)	Spend	Annual
		£000	£000	£000	%	Budget
						£000
Other Services	PA					
* Corporate Management		122.4	134.9	(12.5)	90.8	3,607.8
** Corporate Priorities		261.4	252.8	8.6	103.4	1,176.6
Area Support Team (CP)		4.5	3.5	1.0	130.1	16.3
Registration		2.4	9.0	(6.6)	27.2	58.4
Miscellaneous Property	1B	32.4	(9.2)	41.6	N/A	217.8
Payments to Joint Boards		0.0	0.0	0.0	0.0	483.0
Local Works and Services		0.1	0.0	0.1	0.0	0.0
Elections	1B	41.1	60.8	(19.7)	67.5	87.2
Licensing		6.2	4.3	1.9	142.4	18.4
Grants	1B	71.3	91.6	(20.3)	77.8	189.8
Publicity		0.0	2.6	(2.6)	0.0	16.0
Twinning		(13.4)	(10.5)	(2.9)	127.9	(0.4)
Community Councils	1B	36.0	132.9	(96.9)	27.1	453.4
Interest on Loans and Balances		(1.4)	0.0	(1.4)	0.0	(372.0)
Miscellaneous - OS		1.2	4.9	(3.7)	24.0	1,038.5
Movement in Reserves	1B	0.0	(12.5)	12.5	0.0	409.3
Cost of Collection	1B	1.0	(12.8)	13.8	N/A	419.4
Finance Charges	1B	(52.0)	0.0	(52.0)	0.0	3,391.7
Service Total		513.2	652.3	(139.1)	78.7	11,211.2

Changes in original budget position:

Original Net Budget	11,693.5
Islands Deal from RRR Fund	99.4
Create budget for OPOP Consultancy	50.0
Ph II Copr Mgt Restructure: GF: L&D Adviser/E-Learning	37.0
Ph II Copr Mgt Restructure: GF: OD Advisor	37.0
Ph II Copr Mgt Restructure: GF: App Cost adj	(37.0)
Ph II Copr Mgt Restructure: GF: App Cost adj	(37.0)
Create Granicus software budget for 22-23	38.0
Access to Sanitary Products 22/23	(27.4)
Access to Sanitary Products 22/23	27.4
Ph II Corp Mgt Restructure	(1,500.0)
Ph II Corp Mgt Restructure GF	918.3
National Trauma Training Programme reins	(50.0)
Create Granicus software budget for 22-23	(38.0)
	<u>11,211.2</u>

Central Administration

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R10B	Corporate Services Less than anticipated expenditure by £99.2K	Management input required Variances are due to new posts not yet being filled.	Andrew Groundwater		Ongoing
R10C	Finance Less than anticipated expenditure by £76.6K Multiple staff vacancies during the year, partly as a result of changes approved as part of the senior management restructure and actions to improve corporate capacity and partly due to higher-than-normal levels of turnover in staffing.	Management input required The recruitment process for multiple staff vacancies remains ongoing, including unwinding of back-filling arrangements, staff retirements and new posts approved as part of Phase 2 of the corporate management restructure exercise.	Colin Kemp	30/09/2022	Ongoing
R10D	Development & Infrastructure Less than anticipated expenditure by £91.6K Main reason for variance is underspends in budgets related to posts currently vacant for a number of reasons. Managers with Budget responsibility will monitor the situation and process virements where required.	Monitor the situation Budget holders will be required to process virements where required.	Kenny Macpherson	26/08/2022	Ongoing

Central Administration

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R10F	<p>I.T. and Facilities</p> <p>More than anticipated expenditure by £177.7K</p> <p>Overspend on IS Administration costs chiefly due to some longer-term five-year contracts being awarded, Invoices have been posted in full in the first year. These will need to be forward accrued into years 2 to 5. Once these are accrued this should resolve the profile.</p>	<p>Monitor the situation</p> <p>ICT Service Manager will need to meet with Finance to ensure arrangements are in place and agreed to forward accrue these contracts.</p>	Kenny Macpherson	05/08/2022	Ongoing
R10I	<p>Legal Services</p> <p>Less than anticipated expenditure by £44.6K</p> <p>Posts approved at Phases 1 and 2 of the Council staffing restructure have not yet been filled. Advertising and recruitment are currently underway.</p>	<p>Monitor the situation</p> <p>Continue progress in recruiting to new posts that have been approved in the Council restructure.</p>	Gavin Mitchell	31/03/2023	Ongoing
R10O	<p>Cleaning Holding Account</p> <p>More than anticipated expenditure by £18.6K</p> <p>Due to the requirement to provide enhanced cleaning, as a measure to prevent the spread of Covid-19, the cost of cleaning is higher than budget.</p>	<p>Monitor the situation</p> <p>Situation will be monitored, and consideration will be made as to whether these measures are still required as the country continues to move into the recovery phase of the Pandemic.</p>	Kenny Macpherson	02/09/2022	New

Other Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R39C	<p>Miscellaneous Property</p> <p>Less than anticipated income by £41.6K</p> <p>Garden House has been added to this budget at end of NHSO lease on 30/3/22. Rates and other property costs now being incurred by the Council whilst awaiting redevelopment.</p>	<p>No action required</p> <p>No action required.</p>	Kenny Macpherson	29/07/2022	Ongoing
R39F	<p>Elections</p> <p>Less than anticipated expenditure by £19.7K</p> <p>Profiling of Community Council election spend has caused this variance. This will be addressed when the invoices are received and paid for this work.</p>	<p>Monitor the situation</p> <p>Process invoices when received.</p>	Karen Greaves	31/08/2022	Ongoing
R39H	<p>Grants</p> <p>Less than anticipated expenditure by £20.3K</p> <p>Actual spend lower than anticipated for Quarter 1 of financial year.</p>	<p>Management input required</p> <p>Budget profile to be adjusted to better reflect experience in previous years.</p>	Colin Kemp	31/07/2022	New

Other Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R39M	<p>Community Councils</p> <p>Less than anticipated expenditure by £96.9K</p> <p>Underspend due to vacant post and a reduction in community council events due to pandemic.</p>	<p>Monitor the situation</p> <p>Monitor the situation</p>	Karen Greaves	30/09/2022	Ongoing
R39U	<p>Movement in Reserves</p> <p>Less than anticipated income by £12.5K</p> <p>Budget profile transposition error.</p>	<p>Raise virements request</p> <p>Budget profile to be corrected</p>	Colin Kemp	27/07/2022	New
R39X	<p>Cost of Collection</p> <p>Less than anticipated income by £13.8K</p> <p>Income from fees and charges behind profile for Quarter 1 of financial year.</p>	<p>Management input required</p> <p>Budget profile to be reviewed in light of experience in previous years</p>	Colin Kemp	31/08/2022	Ongoing
R39Y	<p>Finance Charges</p> <p>Less than anticipated expenditure by £52.0K</p> <p>External funding received; income budget not established.</p>	<p>Raise virements request</p> <p>Virement to set budget.</p>	Frances Troup	31/08/2022	Ongoing