

Item: 5.1

Policy and Resources Committee: 16 February 2021.

Revenue Expenditure Monitoring.

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

1. Purpose of Report

To advise of the revenue position as at 31 December 2020 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 2020, attached as Annex 1 to this report, indicating an overspend position of £13,100:

- 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 2020, 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 3 March 2020, the Council set its overall revenue budget for financial year 2020/21. On 11 June 2020, the Council received the detailed revenue budgets 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 Executive 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 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.

The exceptional impact of the COVID-19 pandemic will see additional expenditure and reduced income across all services which will be monitored during financial year 2020/21 with a possible contribution from General Fund non earmarked balances at the financial year-end.

7. Legal Aspects

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

8. Contact Officers

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

Gareth Waterson, Head of Finance, 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 £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Central Administration	6,732.2	7,184.6	(452.4)	93.7	4.3
Law, Order & Protective Services	2,221.9	1,628.9	593.0	136.4	5,367.2
Other Services	624.5	752.0	(127.5)	83.0	11,380.6
Service Totals	9,578.6	9,565.5	13.1	100.1	16,752.1

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	3	3	8	38%
Law, Order & Protective Services	1	1	1	100%
Other Services	4	4	18	22%
Totals	8	8	27	30%

Annex 2: Financial Detail by Service Area

The following tables show the spending position by service function

		Spend £000	Budget £000	Over/Under		Current Annual Budget £000
				Spend £000	%	
Central Administration	PA					
Chief Executive		1,566.9	1,567.4	(0.5)	100.0	0.0
Corporate Services	1B	758.6	853.2	(94.6)	88.9	0.0
Finance	1B	1,124.0	1,253.1	(129.1)	89.7	0.0
Development and Infrastructure	1B	1,486.2	1,672.6	(186.4)	88.9	0.0
IT and Facilities		1,397.9	1,442.7	(44.8)	96.9	(8.9)
Legal Services		371.8	375.8	(4.0)	98.9	0.0
Cleaning Holding Accounts		26.8	19.8	7.0	135.2	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	13.2
Service Totals		6,732.2	7,184.7	(452.5)	93.7	4.3

Budget Summary

Original Net Budget	0.0
Office 365 from Repairs and Renewals Fund	4.3
	4.3

		Spend £000	Budget £000	Over/Under		Current Annual Budget £000
				Spend £000	%	
Law, Order and Protective Services	PA					
Civil Contingencies	1B	2,221.9	1,628.9	593.0	136.4	5,367.2
Service Totals		2,221.9	1,628.9	593.0	136.4	5,367.2

Budget Summary

Original Net Budget	118.2
Business Hardship Support Grant from Crown Estate	576.0
Business Hardship Support Grant from RRR Fund	1,424.0
Business Hardship Support Grant from SRF	3,000.0
Redetermination Food Fund COVID 19	99.0
Redetermination SG COVID 19 Fund	150.0
	5,367.2

Annex 2: Financial Detail by Service Area

	PA	Spend £000	Budget £000	Over/Under		Current Annual Budget £000
				Spend £000	%	£000
Other Services						
* Corporate Management	1B	513.9	596.2	(82.3)	86.2	3,042.0
\$ Corporate Priorities		(294.4)	(272.4)	(22.0)	108.1	2,929.0
Area Support Team (CP)		9.7	10.9	(1.2)	88.7	15.4
Registration		30.3	28.9	1.4	104.8	58.8
Miscellaneous Property	1B	6.3	(8.9)	15.2	N/A	209.3
Payments to Joint Boards		16.0	16.0	0.0	100.0	416.9
Local Works and Services		2.6	0.0	2.6	0.0	0.0
Elections		12.6	10.7	1.9	117.8	36.1
Licensing	1B	0.5	(12.8)	13.3	N/A	20.7
Grants		171.6	178.3	(6.7)	96.2	215.1
Publicity		11.3	15.3	(4.0)	74.0	15.7
Twinning		(9.9)	(2.8)	(7.1)	352.7	0.3
Community Councils	1B	172.3	215.4	(43.1)	80.0	414.7
Interest on Loans and Balances		0.0	0.0	0.0	0.0	(372.0)
Miscellaneous		40.2	41.2	(1.0)	97.6	41.8
Movement in Reserves		0.0	0.0	0.0	0.0	499.4
Cost of Collection		(26.7)	(29.0)	2.3	92.2	412.3
Finance Charges		(31.8)	(35.0)	3.2	90.9	3,425.1
Service Totals		624.5	752.1	(127.6)	83.0	11,380.6

Budget Summary

Original Budget	9,833.1
Our Islands Our Future from RRR Fund	191.5
Redetermination SG COVID 19 Fund	200.0
Redetermination General Revenue Grant	1,085.0
Redetermination Scottish Welfare Fund incl. COVID 19 allocation	49.0
Redetermination - Registrars Covid-19	2.0
Orkney Islands Science Festival (OISF)	20.0
Revised Net Budget	11,380.6

	PA	Spend £000	Budget £000	Over/Under		Annual Budget £000
				Spend £000	%	£000
* Corporate Management						
Our Islands Our Future		90.7	112.1	(21.4)	80.9	229.0
Audit Fees		1.0	0.0	1.0	0.0	190.7
Corporate - General		35.5	46.4	(10.9)	76.5	2,032.3
Democracy - Members Expenses		386.7	437.7	(51.0)	88.3	590.0
Service Totals	1B	513.9	596.2	(82.3)	86.2	3,042.0

	PA	Spend £000	Budget £000	Over/Under		Annual Budget £000
				Spend £000	%	£000
\$ Corporate Priorities						
Change Programme		220.7	208.0	12.7	106.1	309.4
Community Planning Partnership		25.6	30.8	(5.2)	83.1	86.7
Corporate Learning and Development		64.5	84.6	(20.1)	76.2	134.2
Trade Union Facility Time		4.0	24.6	(20.6)	16.3	34.3
Voluntary Sector		67.4	67.5	(0.1)	99.9	89.9
Compensatory Pensions		351.3	355.1	(3.8)	98.9	473.5
Corporate Contingency		(1,027.9)	(1,043.0)	15.1	98.6	1,801.0
Service Totals		(294.4)	(272.4)	(22.0)	108.1	2,929.0

Annex 3: Budget Action Plan

Central Administration

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R10B	Corporate Services Less than anticipated expenditure by £94.6K Due to vacancies and reduced expenditure as a result of the pandemic.	Monitor the situation Monitor the budget.	Karen Greaves	31/03/2021	Ongoing
R10C	Finance Less than anticipated expenditure by £129.1K The variance is due to a reduction in spend on supplies and services, transport, and administration due to staff working from home. There are also staff vacancies. Plus, additional funding received in Rebates from DWP for increased expenditure due to COVID-19 not yet fully utilised.	Monitor the situation IT equipment for home working will utilise some budget but anticipated to be an underspend at year-end.	Gareth Waterson	31/03/2021	Ongoing

Annex 3: Budget Action Plan

Central Administration

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R10D	Development & Infrastructure Less than anticipated expenditure by £186.4K Unusual budget spend pattern due to COVID-19 alternative working arrangements and staff vacancies. This has been flagged at SIMT, and through the COSLA COVID budget assessment process.	Monitor the situation Propose monitor for now and review next reporting period when it may be clearer when the long term spend pattern will return.	Gavin Barr	28/02/2021	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>More than anticipated expenditure by £593.0K</p> <p>This budget code is used to register costs associated with the COVID-19 pandemic response phase. There is no budget allocated to this and costs associated to the emergency response are allocated to this. This expenditure includes the grants reconciliation and staffing costs.</p>	<p>Monitor the situation</p> <p>Position will continue to be monitored. A budget will be transferred from the Contingency budget at a later date, once actual costs are confirmed. Finance are taking the lead with regards to wider discussions around this, including with COSLA and the Scottish Government.</p>	Hayley Green	31/03/2021	Ongoing

Annex 3: Budget Action Plan

Other Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R10G	<p>Corporate Management</p> <p>Less than anticipated expenditure by £82.3K</p> <p>Mainly in respect of reduced travelling expenses and profiling of Island Deal costs.</p>	<p>No action required</p> <p>No action required - monitor budget.</p>	Karen Greaves	31/03/2021	Ongoing
R39C	<p>Miscellaneous Property</p> <p>Less than anticipated income by £15.2K</p> <p>Rent invoices not issued for 3 months as per guidance for dealing with the COVID-19 pandemic.</p>	<p>Monitor the situation</p> <p>Some invoices have now been issued, so this position should rectify itself over time.</p> <p>There is a risk of some tenants failing to recover in which case there may be debts which are not fully recoverable.</p>	Hayley Green	31/03/2021	Ongoing

Annex 3: Budget Action Plan

Other Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R39G	<p>Licensing</p> <p>Less than anticipated income by £13.3K</p> <p>Reduction in income due to reduction in number of applications for licences and renewal of licences. These include licences for private hire cars, private hire car drivers, taxis, taxi drivers, street traders, market operators and temporary public entertainment events. In addition, there has been a reduction in the number of applications for occasional (alcohol) licences, and a number of premises licences have been surrendered, so no annual fee has been payable.</p>	<p>Monitor the situation</p> <p>Monitor the position.</p>	Gavin Mitchell	31/03/2021	Ongoing
R39M	<p>Community Councils</p> <p>Less than anticipated expenditure by £43.1K</p> <p>Reduction in expenses and project costs due to the impact of pandemic restrictions.</p>	<p>Monitor the situation</p> <p>Monitor the budget.</p>	Karen Greaves	31/03/2021	Ongoing