

## **Item: 5.1**

**Policy and Resources Committee: 24 September 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 30 June 2019 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 2019, attached as Annex 1 to this report, indicating an underspend position of £166,000:

- 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 2019, 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 5 March 2019, the Council set its overall revenue budget for financial year 2019 to 2020. On 23 April 2019, 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.

## **7. Legal Aspects**

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

## **8. Contact Officers**

John Mundell, Interim Chief Executive, extension 2101, Email [chief.executive@orkney.gov.uk](mailto:chief.executive@orkney.gov.uk)

Gillian Morrison, Executive Director of Corporate Services, extension 2103, Email [gillian.morrison@orkney.gov.uk](mailto:gillian.morrison@orkney.gov.uk)

Gavin Barr, Executive Director of Development and Infrastructure, extension 2301, Email [gavin.barr@orkney.gov.uk](mailto:gavin.barr@orkney.gov.uk)

Gareth Waterson, Head of Finance, extension 2103, Email [gareth.waterson@orkney.gov.uk](mailto: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.

<b>Service Area</b>	<b>Spend</b>	<b>Budget</b>	<b>Over/Under Spend</b>		<b>Annual Budget £000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>	
Central Administration	2,562.9	2,669.5	-106.6	96.0	0.0
Law, Order & Protective Services	13.2	17.5	-4.3	75.4	115.7
Other Services	663.5	718.6	-55.1	92.3	10,590.2
<b>Service Totals</b>	<b>3,239.6</b>	<b>3,405.6</b>	<b>-166.0</b>	<b>95.1</b>	<b>10,705.9</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>		
Central Administration	3	2	8	25%
Law, Order & Protective Services	0	0	1	0%
Other Services	4	3	18	17%
<b>Totals</b>	<b>7</b>	<b>5</b>	<b>27</b>	<b>19%</b>

## Annex 2: Financial Detail by Service Area

The following tables show the spending position by service function

		<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/Under £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
<b>Central Administration</b>	<b>PA</b>					
Chief Executive		791.0	787.6	3.4	100.4	0.0
Corporate Services		263.5	266.9	-3.4	98.7	0.0
Finance		357.3	382.6	-25.3	93.4	0.0
Development & Infrastructure	<b>1B</b>	435.9	514.7	-78.8	84.7	0.0
I.T. and Facilities		570.4	547.7	22.7	104.1	-13.2
Legal Services	<b>1B</b>	94.4	110.0	-15.6	85.8	0.0
Cleaning Holding Account		50.4	60.0	-9.6	84.1	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	13.2
<b>Service Total</b>		<b>2,562.9</b>	<b>2,669.5</b>	<b>-106.6</b>	<b>96.0</b>	<b>0.0</b>

		<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/Under £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
<b>Law, Order &amp; Protective Services</b>	<b>PA</b>					
Civil Contingencies		13.2	17.5	-4.3	75.6	115.7
<b>Service Total</b>		<b>13.2</b>	<b>17.5</b>	<b>-4.3</b>	<b>75.4</b>	<b>115.7</b>

<b>Other 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>
Corporate Management	<b>1B</b>	154.6	175.0	-20.4	88.4	3,158.2
Corporate Priorities	<b>1B</b>	244.3	283.6	-39.3	86.2	2,133.7
Area Support Team (CP)		4.8	3.2	1.6	150.9	15.1
Registration		4.8	9.2	-4.4	52.8	59.1
Miscellaneous Property		-2.1	-9.5	7.4	22.2	195.4
Payments to Joint Boards		18.5	18.5	0.0	100.1	406.3
Local Works and Services		0.1	0.0	0.1	0.0	0.0
Elections	<b>1B</b>	21.0	10.6	10.4	198.5	35.4
Licensing		-2.7	6.0	-8.7	N/A	27.5
Grants		53.3	52.2	1.1	102.2	144.7
Publicity		13.8	13.9	-0.1	99.6	15.4
Twinning		-12.8	-9.3	-3.5	138.4	6.9
Community Councils		115.0	117.9	-2.9	97.6	408.8
Interest on Loans and Balances		0.0	0.0	0.0	0.0	-372.0
Miscellaneous - OS		30.0	30.3	-0.3	98.9	38.4
Movement in Reserves		0.0	0.0	0.0	0.0	506.3
Cost of Collection		-6.7	-10.6	3.9	63.2	407.3
Finance Charges		27.6	27.6	0.0	100.2	3,403.7
<b>Service Total</b>		<b>663.5</b>	<b>718.6</b>	<b>-55.1</b>	<b>92.3</b>	<b>10,590.2</b>

#### **Changes in original budget position:**

Original Net Budget	10,192.7
HR System Development from Innovation Fund	52.1
Integra System Development from Innovation Fund	45.1
Customer Services Platform - Phase 2 from Innovation Fund	81.2
RRR Fund - Our Islands Our Future	200.0
Redetermination - Access to Free Sanitary Products - Schools	9.0
Redetermination - Brexit	50.0
Contingency budget to Braeburn	-203.8
Teachers Pay Award	141.7
Kirkwall THI movement in apportioned costs budget	22.2
	<b>10,590.2</b>

## Annex 3: Budget Action Plan

### Central Administration

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R10D	<p><b>Development &amp; Infrastructure</b></p> <p>Less than anticipated expenditure by £78.8K</p> <p>One area of underspend from staff vacancies.</p>	<p><b>No action required</b></p> <p>No action at present, noting recruitment underway.</p>	Gavin Barr	31/07/2019	Ongoing
R10I	<p><b>Legal Services</b></p> <p>Less than anticipated expenditure by £15.6K</p> <p>Temporary staff vacancy within Legal Services arising from a specific staffing situation which is making it more difficult to recruit - the post is currently being re-advertised; and a current underspend within supplies and services.</p>	<p><b>Monitor the situation</b></p> <p>The temporary post is currently being re-advertised and it is hoped that the post can be filled soon. The temporary underspend on supplies and services will be addressed during the remainder of the financial year.</p>	Gavin Mitchell	31/03/2020	New

## Annex 3: Budget Action Plan

### Other Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R10G	<p><b>Corporate Management</b></p> <p>Less than anticipated expenditure by £20.4K</p> <p>Underspend due to expenditure not matching budget profile for one cost centre. In addition, small underspends across several cost centres have created a variance.</p>	<p><b>Monitor the situation</b></p> <p>Monitor spend against profile and reprofile budget if necessary.</p>	Karen Greaves	30/09/2019	Ongoing
R10J	<p><b>Corporate Priorities</b></p> <p>Less than anticipated expenditure by £39.3K</p> <p>Vacancies in the Change Team are causing the current underspend on this cost centre.</p>	<p><b>Monitor the situation</b></p> <p>Review of vacancies is underway.</p>	Karen Greaves	31/10/2019	New
R39F	<p><b>Elections</b></p> <p>More than anticipated expenditure by £10.4K</p> <p>Profiling needs to be adjusted.</p>	<p><b>Monitor the situation</b></p> <p>Amend profile to more accurately reflect anticipated income and expenditure.</p>	Karen Greaves	27/09/2019	New