

Item: 4.1

Policy and Resources Committee: 23 November 2021.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 30 September 2021 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 September 2021, attached as Annex 1 to this report, indicating an underspend position of £48,900:

- 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 September 2021, 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 2 March 2021, the Council set its overall revenue budget for financial year 2021/22. On 20 April 2021, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2021/22, 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.

7. Legal Aspects

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

8. Contact Officer

Colin Kemp, Interim Head of Finance, Email colin.kemp@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

September 2021

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	4,826.9	4,976.5	(149.6)	97.0	0.0
Law, Order & Protective Services	94.9	(107.5)	202.4	N/A	3,086.4
Other Services	1,393.6	1,495.3	(101.7)	93.2	11,453.8
Service Totals	6,315.4	6,364.3	(48.9)	99.2	14,540.2

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P05	P06		
Central Administration	4	5	8	63%
Law, Order & Protective Services	1	1	1	100%
Other Services	3	3	18	17%
Totals	8	9	27	33%

The following tables show the spending position by service function

Central Administration	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Chief Executive		1,166.1	1,198.2	(32.1)	97.3	0.0
Corporate Services	1B	653.6	508.1	145.5	128.6	0.0
Finance	1C	764.7	849.0	(84.3)	90.1	0.0
Development & Infrastructure	1B	973.6	1,114.9	(141.3)	87.3	0.0
I.T. and Facilities	1C	955.2	1,017.3	(62.1)	93.9	(13.2)
Legal Services		248.0	248.9	(0.9)	99.6	0.0
Cleaning Holding Account	1B	65.7	40.1	25.6	163.6	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	13.2
Service Total		4,826.9	4,976.5	(149.6)	97.0	0.0

Law, Order & Protective Services	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Civil Contingencies	1B	94.9	(107.5)	202.4	N/A	3,086.4
Service Total		94.9	(107.5)	202.4	N/A	3,086.4

Changes in original budget position:

Original Net Budget	117.9
Business Hardship Support Grant from Business Support Fund	2,968.5
	<u>3,086.4</u>

		Spend	Budget	Over/(Under) Spend		Annual Budget
	PA	£000	£000	£000	%	£000
Other Services						
* Corporate Management	1B	333.0	409.1	(76.1)	81.4	2,860.5
\$ Corporate Priorities		547.4	548.4	(1.0)	99.8	2,906.1
Area Support Team (CP)		6.2	7.2	(1.0)	84.9	15.7
Registration		12.5	18.3	(5.8)	61.3	57.5
Miscellaneous Property		(4.8)	(9.1)	4.3	89.3	213.8
Payments to Joint Boards		57.6	57.6	0.0	100.0	434.2
Local Works and Services		0.5	0.0	0.5	0.0	0.0
Elections		37.4	31.8	5.6	115.8	36.7
Licensing		(16.0)	(21.1)	5.1	75.9	20.2
Grants		256.9	247.1	9.8	103.9	467.8
Publicity		13.3	13.4	(0.1)	99.1	16.0
Twining		(15.0)	(8.7)	(6.3)	172.4	(0.4)
Community Councils	1B	148.1	166.2	(18.1)	89.1	418.2
Interest on Loans and Balances		0.0	0.0	0.0	0.0	(372.0)
Miscellaneous		40.2	40.8	(0.6)	98.6	42.6
Movement in Reserves		0.0	0.0	0.0	0.0	491.6
Cost of Collection		(19.1)	(21.1)	2.0	82.3	417.9
Finance Charges	1B	(4.6)	15.4	(20.0)	N/A	3,427.4
Service Totals		1,393.6	1,495.3	(101.7)	93.2	11,453.8

Budget Summary

Original Budget

						11,022.9
Our Islands Our Future from RRR Fund						112.5
Contribution to Willow Tree Nursery from Contingency						(170.0)
Redetermination - Additional GRG						280.0
Redetermination - Local Self Isolation Assistance						9.1
Budget from Planning for Procurement						9.3
Voluntary Action Orkney Contribution from Redetermination Flexibility Fund						300.0
Contingency Contribution - Flotta School						(110.0)
Revised Net Budget						11,453.8

		Spend	Budget	Over/(Under) Spend		Annual Budget
	PA	£000	£000	£000	%	£000
* Corporate Management						
Our Islands Our Future		16.8	76.5	(59.7)	22.0	150.8
Audit Fees		6.4	0.0	6.4	0.0	194.5
Corporate - General		36.3	41.2	(4.9)	88.1	1,924.7
Democracy - Members Expenses		273.5	291.4	(17.9)	93.9	590.5
Service Totals	1B	333.0	409.1	(76.1)	81.4	2,860.5

		Spend	Budget	Over/(Under) Spend		Annual Budget
	PA	£000	£000	£000	%	£000
\$ Corporate Priorities						
Change Programme		164.6	137.9	26.7	119.4	315.0
Community Planning Partnership		(0.5)	9.8	(10.3)	N/A	93.1
Corporate Learning and Development		50.6	39.2	11.4	129.1	135.9
Trade Union Facility Time		7.3	16.4	(9.1)	44.5	35.0
Voluntary Sector		45.4	45.4	0.0	100.0	90.8
Compensatory Pensions		224.5	221.7	2.8	101.3	443.2
Corporate Contingency		55.5	78.0	(22.5)	71.2	1,793.1
Service Totals		547.4	548.4	(1.0)	99.8	2,906.1

Central Administration

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R10B	<p>Corporate Services</p> <p>More than anticipated expenditure by £145.5K</p> <p>Costs associated with staffing.</p>	<p>Monitor the situation</p> <p>No further action.</p>	Karen Greaves	31/03/2022	Ongoing
R10C	<p>Finance</p> <p>Less than anticipated expenditure by £84.3K</p> <p>Reduced spend on Accountancy Supplies and Services at this stage of the year.</p> <p>Underspending on Rebates due to ongoing vacancy which has not been possible to recruit for due to COVID-19 impact, also additional grant income received from Department for Work and Pensions; although the additional grant income will be spent on software.</p>	<p>Monitor the situation</p> <p>Recruitment to vacant post once restrictions lifted and staff are working in office. Likely to be ongoing underspend in this cost centre due to vacancy, although spending some of the additional on overtime hours for existing staff.</p>	Colin Kemp	31/10/2021	Ongoing

Central Administration

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R10D	<p>Development & Infrastructure</p> <p>Less than anticipated expenditure by £141.3K</p> <p>Underspend is due mainly to the current vacancies which we are now endeavouring to fill and the profile of the supplies and services budget which does not meet the actual timings of the various components that are charged to the code, and the costs for various annual licences.</p>	<p>Monitor the situation</p> <p>Budget will continue to be monitored over the coming months with the supplies and services anticipated to come back in line as services get invoiced. There will continue to be an underspend in the staffing budget by the number of months that posts remain unfilled.</p>	Hayley Green	31/12/2021	Ongoing
R10F	<p>I.T. and Facilities</p> <p>Less than anticipated expenditure by £62.1K</p> <p>Underspend mainly because of delay in invoicing from a third party, which is required before payment is made. Discussions ongoing.</p>	<p>Manage income/expenditure</p> <p>Action underway with the third party to resolve this situation. Profiling for 2022/23 will also be reviewed in due course.</p>	Hayley Green	31/03/2022	New
R100	<p>Cleaning Holding Account</p> <p>More than anticipated expenditure by £25.6K</p> <p>Additional costs associated with the extra cleaning that is required because of the COVID-19 pandemic.</p>	<p>Monitor the situation</p> <p>Situation being actively monitored and reported as appropriate. Given the continued need for enhanced cleaning even though we are now below Level 0 this position is unlikely to change in the immediate future and as expected to continue for the rest of 2021/22.</p>	Hayley Green	31/03/2022	Ongoing

Law, Order & Protective Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R23F	Civil Contingencies Less than anticipated income by £202.4K Cost centre is holding COVID-19 expenditure for Orkney Islands Council.	Raise virements request Action will be taken, in discussion with Finance colleagues, as opportunities arise.	Hayley Green	31/03/2022	Ongoing

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 £76.1K</p> <p>Variance mainly on Our Islands Our Future cost centre. External support costs slow to be invoiced.</p>	<p>Raise virements request</p> <p>Reprofile Our Islands Our Future budget to better reflect actual project progress.</p> <p>Continue to monitor.</p>	Lorna Richardson	31/10/2021	Ongoing
R39M	<p>Community Councils</p> <p>Less than anticipated expenditure by £18.1K</p> <p>Variance due to vacant hours in staffing budget.</p>	<p>Monitor the situation</p> <p>Recruitment to vacant hours will commence as soon as practicable.</p>	Karen Greaves	31/12/2021	New
R39Y	<p>Finance Charges</p> <p>Less than anticipated expenditure by £20.0K</p> <p>Budget relates to development of plans for the new nursery provision (at Orkney College); costs to date not yet attributed to the budget.</p>	<p>Monitor the situation</p> <p>Monitor with the relevant service managers.</p>	Peter Diamond	30/11/2021	Ongoing