

Item: 4.1

Policy and Resources Committee: 18 February 2020.

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 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 31 December 2019, attached as Annex 1 to this report, indicating an underspend position of £991,100:

- 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 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

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, 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 £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Central Administration	6,928.2	6,936.9	(8.7)	99.9	4.3
Law, Order and Protective Services	37.6	58.6	(21.0)	64.2	115.7
Other Services	965.3	1,926.7	(961.4)	50.1	10,530.8
Service Totals	7,931.1	8,922.2	(991.1)	88.9	10,650.8

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	5	8	63%
Law, Order & Protective Services	1	1	1	100%
Other Services	6	4	18	22%
Totals	10	10	27	37%

Annex 2: Financial Detail by Service Area

The following tables show the spending position by service function

						Annual
		Spend	Budget	Over/Under Spend		Budget
Central Administration	PA	£000	£000	£000	%	£000
Chief Executive	1C	1,615.4	1,538.8	76.6	105.0	0.0
Corporate Services		821.0	835.4	(14.4)	98.3	0.0
Finance	1C	1,137.1	1,199.5	(62.4)	94.8	0.0
Development and Infrastructure	1C	1,494.5	1,619.9	(125.4)	92.3	0.0
IT and Facilities		1,378.1	1,363.3	14.8	101.1	(8.9)
Legal Services	1B	322.9	364.8	(41.9)	88.5	0.0
Cleaning Holding Accounts	1B	159.2	15.2	144.0	1,049.2	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	13.2
Service Totals		6,928.2	6,936.9	(8.7)	99.9	4.3
Budget Summary						
Original Net Budget						0.0
Office 365 from Repairs and Renewals Fund						4.3
						4.3
Annual						
		Spend	Budget	Over/Under Spend		Budget
Law, Order and Protective Services	PA	£000	£000	£000	%	£000
Civil Contingencies	1B	37.6	58.6	(21.0)	64.2	115.7
Service Totals		37.6	58.6	(21.0)	64.2	115.7

Annex 2: Financial Detail by Service Area

		Spend	Budget	Over/Under Spend	Annual Budget
Other Services	PA	£000	£000	£000	£000
* Corporate Management		583.0	624.4	(41.4)	3,005.0
\$ Corporate Priorities	1B	20.0	886.7	(866.7)	2,305.6
Area Support Team (CP)		11.3	10.7	0.6	15.1
Registration		27.6	26.9	0.7	55.5
Miscellaneous Property	1B	(4.2)	(16.3)	12.1	195.4
Payments to Joint Boards		18.5	18.5	0.0	406.3
Local Works and Services		1.7	0.0	1.7	0.0
Elections	1B	(25.0)	10.6	(35.6)	35.4
Licensing		(19.8)	(12.3)	(7.5)	19.0
Grants		112.4	124.5	(12.1)	144.7
Publicity		15.9	15.4	0.5	15.4
Twinning		(8.1)	1.4	(9.5)	6.9
Community Councils		202.0	212.1	(10.1)	406.8
Interest on Loans and Balances		0.0	0.0	0.0	(372.0)
Miscellaneous		30.0	31.2	(1.2)	38.4
Movement in Reserves		0.0	0.0	0.0	422.3
Cost of Collection		(18.0)	(14.1)	(3.9)	427.3
Finance Charges	1B	18.0	7.0	11.0	3,403.7
Service Totals		965.3	1,926.7	(961.4)	10,530.8
Budget Summary					
Original 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
Redetermination - Teachers Pay Award					141.7
Redetermination - Rates Relief and Standardised Rates Bills					20.0
Additional Schools Investment Programme Contribution					(84.0)
Corporate contingency - Braeburn					(203.8)
Kirkwall THI movement in apportioned costs					22.2
Savings Applied 2019.20					4.6
Revised Net Budget					10,530.8

Annex 2: Financial Detail by Service Area

		Spend	Budget	Over/Under Spend		Annual Budget
		£000	£000	£000	%	£000
* Corporate Management	PA					
Our Islands Our Future		118.5	150.0	(31.5)	79.0	237.5
Audit Fees		0.0	0.0	-	0.0	186.7
Corporate - General		38.7	45.8	(7.1)	84.2	2,002.8
Democracy - Members Expenses		425.8	428.6	(2.8)	99.3	578.0
Service Totals		583.0	624.4	(41.4)	93.4	3,005.0
		Spend	Budget	Over/Under Spend		Annual Budget
		£000	£000	£000	%	£000
\$ Corporate Priorities	PA					
Change Programme		127.4	202.9	(75.5)	62.8	302.8
CP CSP		64.4	65.8	(1.4)	97.8	81.2
HR System Development		29.8	29.5	0.3	100.9	52.1
Integra System Development		33.5	33.6	(0.1)	99.9	45.1
Community Planning Partnership		15.8	15.7	0.1	100.5	90.2
Corporate Learning and Development		67.7	83.1	(15.4)	115.3	132.1
Trade Union Facility Time		15.7	24.0	(8.3)	65.4	33.4
Voluntary Sector		66.8	66.8	0.0	100.0	89.0
Compensatory Pensions		367.9	365.3	2.6	100.7	487.1
Brexit		8.7	0.0	8.7	0.0	50.0
Corporate Contingency		-777.7	0.0	-777.7	0.0	942.6
Service Totals	1B	20.0	886.7	(866.7)	2.3	2,305.6

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>More than anticipated expenditure by £76.6K</p> <p>Due to interim cover for long term sickness absence.</p>	<p>Management input required</p> <p>In discussion with Finance to explore options for funding.</p>	Karen Greaves	29/02/2020	New
R10C	<p>Finance</p> <p>Less than anticipated expenditure by £62.4K</p> <p>Underspend due to vacant posts.</p>	<p>Monitor the situation</p> <p>Revenues and Benefits Manager position now filled.</p>	Gareth Waterson	31/03/2020	Ongoing
R10D	<p>Development & Infrastructure</p> <p>Less than anticipated expenditure by £125.4K</p> <p>The property team has experienced staff absences which has led to a reduction in output and thus below spend profile.</p>	<p>Monitor the situation</p> <p>Underspend due to staff absences will persist until the year end, whilst efforts will be made to catch up on profile where possible.</p>	Gavin Barr	31/03/2020	Ongoing

Annex 3: Budget Action Plan

Central Administration

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R10I	<p>Legal Services</p> <p>Less than anticipated expenditure by £41.9K</p> <p>Temporary staff vacancy within Legal Services arising from a specific staffing situation which has made it more difficult to recruit. An appointment has been made and the appointee started in December 2019. Separately, there is a current underspend within supplies and services.</p>	<p>Monitor the situation</p> <p>The temporary underspend on supplies and services will be addressed during the remainder of the financial year.</p>	Gavin Mitchell	31/03/2020	Ongoing
R10O	<p>Cleaning Holding Account</p> <p>Less than anticipated income by £144.0K</p> <p>Due to staff absence the costing process is behind schedule. This is expected to be resolved by the end of January.</p>	<p>Monitor the situation</p> <p>Position being closely monitored by the Cleaning Manager.</p>	Hayley Green	31/01/2020	New

Annex 3: Budget Action Plan

Law, Order & Protective Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R23F	Civil Contingencies Less than anticipated expenditure by £21.0K Spend has been lower in year to date because of staff retirement, an internal promotion and resultant vacancy. Recruitment to the vacant post has been successfully completed and the new member of staff started in December.	Monitor the situation Team back to full strength in December 2019 following successful recruitment to the vacant position. However, we are unlikely to spend the full budget in 2019 to 2020.	Hayley Green	31/01/2020	Ongoing

Annex 3: Budget Action Plan

Other Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R10J	Corporate Priorities More than anticipated income by £866.7K The variance is mainly in respect of additional grant in respect of Crown Estate.	Monitor the situation The Council has yet to decide what to spend this additional funding on.	Gareth Waterson	29/02/2020	Ongoing
R39C	Miscellaneous Property Less than anticipated income by £12.1K The lease of 15-17 Victoria Street ended in the summer and the rental income (circa £14k per year) is no longer being received. The expenditure remains lower than income despite this reduction in rental income.	No action required No further action required at this stage.	Hayley Green	31/03/2020	New

Annex 3: Budget Action Plan

Other Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R39F	Elections More than anticipated income by £35.6K Advance funds for General Election received.	Monitor the situation Conclude accounts for EU Election and transfer funds to separate cost centre for UK parliamentary election.	Karen Greaves	28/02/2020	Ongoing
R39Y	Finance Charges More than anticipated expenditure by £11.0K Revenue expenditure on working up capital projects for Former Papdale Halls of Residence and St Magnus Cathedral.	Raise virements request Process budget virement to match costs.	Gareth Waterson	31/01/2020	Ongoing