

Item: 5.2

Policy and Resources Committee: 22 February 2022.

Revenue Expenditure Monitoring – Policy and Resources.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 31 December 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 31 December 2021, attached as Annex 1 to this report, indicating an underspend position of £404,500:

- 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 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 Officers

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

December 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	6,971.5	7,194.4	(222.9)	96.9	0.0
Law, Order & Protective Services	866.1	639.9	226.2	135.3	3,086.4
Other Services	1,641.9	2,049.7	(407.8)	80.1	11,640.8
Service Totals	9,479.5	9,884.0	(404.5)	95.9	14,727.2

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	4	5	8	63%
Law, Order & Protective Services	1	1	1	100%
Other Services	5	7	18	39%
Totals	10	13	27	48%

Annex 2: Financial Detail by Service Area

December 2021

The following tables show the spending position by service function

				Over/(Under)		Annual
		Spend	Budget	Spend		Budget
Central Administration	PA	£000	£000	£000	%	£000
Chief Executive		1,592.8	1,603.0	(10.2)	99.4	0.0
Corporate Services	1B	885.8	770.9	114.9	114.9	0.0
Finance	1B	1,135.5	1,282.6	(147.1)	88.5	0.0
Development and Infrastructure	1C	1,554.4	1,697.6	(143.2)	91.6	0.0
I.T. and Facilities	1C	1,380.8	1,445.3	(64.5)	95.5	(13.2)
Legal Services		379.8	382.5	(2.7)	99.3	0.0
Cleaning Holding Accounts	1B	42.4	12.5	29.9	192.8	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	13.2
Service Total		6,971.5	7,194.4	(222.9)	96.9	0.0

				Over/(Under)		Annual
		Spend	Budget	Spend		Budget
Law, Order and Protective Services	PA	£000	£000	£000	%	£000
Civil Contingencies	1B	866.1	639.9	226.2	135.4	3,086.4
Service Total		866.1	639.9	226.2	135.4	3,086.4

Changes in original budget position

Original Net Budget	117.9
Business Hardship Support Grant from Business Support Fund	2,968.5
	3,086.4

				Over/(Under)		Annual
		Spend	Budget	Spend		Budget
Other Services	PA	£000	£000	£000	%	£000
* Corporate Management		576.8	527.0	49.8	109.4	2,860.5
\$ Corporate Priorities	1B	(35.4)	850.1	(885.5)	N/A	3,093.1
Area Support Team (CP)		9.3	11.2	(1.9)	84.9	15.7
Registration	1B	17.1	27.7	(10.6)	61.3	57.5
Miscellaneous Property		(6.1)	(16.0)	9.9	89.3	213.8
Payments to Joint Boards	1B	476.3	57.6	418.7	826.9	434.2
Local Works and Services		2.9	0.0	2.9	0.0	0.0
Elections	1B	50.7	31.8	18.9	115.8	36.7
Licensing		(5.8)	(13.8)	8.0	42.0	20.2
Grants	1B	339.7	299.2	40.5	113.5	467.8
Publicity		15.8	15.8	(0.0)	99.1	16.0
Twinning		(10.3)	(3.2)	(7.1)	317.6	(0.4)
Community Councils	1B	182.6	216.4	(33.8)	84.4	418.2
Interest on Loans and Balances		0.0	0.0	0.0	0.0	(372.0)
Miscellaneous		40.2	41.2	(1.0)	97.6	42.6
Movement in Reserves		0.0	0.0	0.0	0.0	491.6

Cost of Collection		(29.5)	(30.5)	1.0	82.3	417.9
Finance Charges	1B	17.6	35.2	(17.6)	50.0	3,427.4
Service Total		1,641.9	2,049.7	(407.8)	80.1	11,640.8

Changes in original budget position

Original Net 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)
Contingency - charging for bins						(10.0)
Redetermination - Free Child Burials						1.0
Redetermination - Funding Pressure						210.0
Redetermination - Reduce Free School Meals						(17.0)
Redetermination - BS Admin Grant						23.0
Redetermination - Reduce School Clothing						(20.0)
						11,640.8

				Over/(Under)		Annual
		Spend	Budget	Spend		Budget
* Corporate Management	PA	£000	£000	£000	%	£000
Our Islands Our Future		41.2	41.2	0.0	100.0	150.8
Audit Fees		73.0	0.0	73.0	0.0	194.5
Corporate - General		46.7	46.9	(0.2)	99.6	1,924.7
Democracy - Members Expenses		415.9	438.9	(23.0)	94.8	590.5
Service Total		576.8	527.0	49.8	109.4	2,860.5

				Over/(Under)		Annual
		Spend	Budget	Spend		Budget
\$ Corporate Priorities	PA	£000	£000	£000	%	£000
Change Programme		247.6	211.8	35.8	116.9	315.0
Community Planning Partnership		12.5	33.5	(21.0)	37.3	93.1
Corporate Learning and Development		65.0	85.7	(20.7)	75.8	135.9
Trade Union Facility Time		11.2	25.1	(13.9)	44.6	35.0
Voluntary Sector		68.1	68.1	0.0	100.0	90.8
Compensatory Pensions		335.0	332.4	2.6	100.8	443.2
Corporate Contingency		(774.8)	93.5	(868.3)	N/A	1,980.1
Service Total	1B	(35.4)	850.1	(885.5)	N/A	3,093.1

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 £114.9K</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 £147.1K</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	31/01/2022	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 £143.2K</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>	Kenny MacPherson	31/03/2022	Ongoing
R10F	<p>I.T. and Facilities</p> <p>Less than anticipated expenditure by £64.5K</p> <p>There are underspends in IT as some invoices often do not come at predictable schedules therefore occasional variances occur.</p>	<p>Monitor the situation</p> <p>This will continue to be monitored and if there are any clear variations in profiling to be done, virements can be raised accordingly.</p>	Kenny MacPherson	31/03/2022	New
R100	<p>Cleaning Holding Account</p> <p>More than anticipated expenditure by £29.9K</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 this position is unlikely to change in the immediate future and expected to continue for the rest of 2021/22.</p>	Kenny MacPherson	31/03/2022	Ongoing

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 £226.2K</p> <p>Cost centre is holding COVID-19 expenditure for Orkney Islands Council.</p>	<p>Raise virements request</p> <p>Action will be taken, in discussion with Finance colleagues, as opportunities arise.</p>	Kenny MacPherson	31/03/2022	Ongoing

Other Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R10J	<p>Corporate Priorities</p> <p>More than anticipated income by £885.5K</p> <p>Unbudgeted Crown Estate funding from the Scottish Government.</p>	<p>No action required</p> <p>Year-end contribution to the Crown Estate Fund.</p>	Colin Kemp	31/03/2022	Ongoing
R39B	<p>Registration</p> <p>More than anticipated income by £10.6K</p> <p>A one-off payment has been made to the Council by the National Records of Scotland to recompense the Council for additional work implementing legislation to enable mixed-sex civil partnerships.</p>	<p>Monitor the situation</p> <p>The legislation has been implemented. Not all of the payment will need to be used and therefore this will result in an underspend.</p>	Gavin Mitchell	31/03/2022	Ongoing
R39D	<p>Payments to Joint Boards</p> <p>More than anticipated expenditure by £418.7K</p> <p>The overpayment on budget relates to the profiling of the requisition payment, payable to the Orkney and Shetland Valuation Joint Board by Orkney Islands Council. The 2021-2022 requisition due by the Council had been profiled to be paid in March 2022 but was paid in December 2021.</p>	<p>Raise virements request</p> <p>Virement to be processed to reprofile the budget in line with the actual payment date.</p>	Gavin Mitchell	31/01/2022	New

Other Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R39F	<p>Elections</p> <p>More than anticipated expenditure by £18.9K</p> <p>Awaiting re-imburement for UK Parliamentary Election and allocation of Scottish Parliamentary Election spend to incorrect cost centre.</p>	<p>Monitor the situation</p> <p>Awaiting finalisation of claim and election costs journalled to correct cost centres.</p>	Karen Greaves	31/03/2022	Ongoing
R39H	<p>Grants</p> <p>More than anticipated expenditure by £40.5K</p> <p>Overspend due to expenditure on the self-isolation support grant. Awaiting reimbursement from Scottish Government for expenditure incurred so far.</p>	<p>Monitor the situation</p> <p>Should not require further action as expect the spend will be within profile once additional income received.</p>	Colin Kemp	31/03/2022	New
R39M	<p>Community Councils</p> <p>Less than anticipated expenditure by £33.8K</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	Ongoing

Other Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R39Y	<p>Finance Charges</p> <p>Less than anticipated expenditure by £17.6K</p> <p>Budget relates to development of plans for the new nursery provision (at Orkney College).</p> <p>Some costs now attributed to the budget, but less than anticipated.</p>	<p>Monitor the situation</p> <p>Monitor with the relevant service managers.</p>	Peter Diamond	31/03/2021	Ongoing