

Item: 5.1

Policy and Resources Committee: 22 September 2020.

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 30 June 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 30 June 2020, attached as Annex 1 to this report, indicating an underspend position of £100,400:

- 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 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 to 2021. 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 monitoring 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 to 2021 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, 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	2,518.1	2,735.2	(217.1)	92.1	4.3
Law, Order & Protective Services	(446.4)	(546.5)	100.1	81.7	5,367.2
Other Services	569.3	552.7	16.6	103.0	11,358.6
Service Totals	2,641.0	2,741.4	(100.4)	96.3	16,730.1

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P02	P03		
Central Administration	5	4	8	50%
Law, Order & Protective Services	0	1	1	100%
Other Services	2	2	18	11%
Totals	7	7	27	26%

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		14.7	14.8	(0.1)	98.7	229.0
Audit Fees		(62.7)	(62.0)	(0.7)	101.1	190.7
Corporate - General		29.3	35.8	(6.5)	81.7	2,032.3
Democracy - Members Expenses		129.6	143.1	(13.5)	90.6	590.0
Service Totals	1B	110.9	131.7	(20.8)	84.2	3,042.0
						Annual Budget
		Spend	Budget	Over/Under Spend		Budget
		£000	£000	£000	%	£000
\$ Corporate Priorities	PA					
Change Programme		92.3	62.9	29.4	146.8	309.4
Community Planning Partnership		(13.6)	(7.6)	(6.0)	180.4	86.7
Corporate Learning and Development		14.8	17.6	(2.8)	83.6	134.2
Trade Union Facility Time		0.1	7.5	(7.4)	1.6	34.3
Voluntary Sector		0.0	22.5	(22.5)	0.0	89.9
Compensatory Pensions		120.4	118.4	2.0	101.7	473.5
Corporate Contingency		0.0	0.0	0.0	0.0	1,801.0
Service Totals		214.0	221.3	(7.3)	96.7	2,929.0

Annex 3: Budget Action Plan

Central Administration

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R10B	<p>Corporate Services</p> <p>Less than anticipated expenditure by £38.2K</p> <p>One part time unfilled vacancy in HR and Performance, and one systems licence cost yet to be processed.</p>	<p>Monitor the situation</p> <p>Re-advertisement of vacancy to be considered next month. Licence cost to be processed.</p>	Andrew Groundwater	31/03/2021	Ongoing
R10D	<p>Development & Infrastructure</p> <p>Less than anticipated expenditure by £65.7K</p> <p>Unusual budget spend pattern due to Covid-19 alternative working arrangements.</p>	<p>Monitor the situation</p> <p>Propose monitor for now and review next reporting period when it may be clearer when the long term spend pattern will return.</p>	Gavin Barr	31/07/2020	Ongoing
R10F	<p>I.T. and Facilities</p> <p>Less than anticipated expenditure by £55.3K</p> <p>A virement was processed in June to address the overspend as planned, and the variance is now an underspend. This is expected to come back in balance as transactions are processed through the year.</p>	<p>Monitor the situation</p> <p>Review after the end of September to check to see if a re-profile is required.</p>	Hayley Green	30/09/2020	Ongoing

Annex 3: Budget Action Plan

Central Administration

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R100	Cleaning Holding Account Less than anticipated expenditure by £24.6K Underspend due to Covid-19 lockdown.	Monitor the situation Will be kept under review. Additional work as the service restarts over the summer should bring this back into balance.	Hayley Green	31/10/2020	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>Less than anticipated income by £100.1K</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 included 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	30/10/2020	New

Annex 3: Budget Action Plan

Other Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R10G	Corporate Management Less than anticipated expenditure by £20.8K Mainly in respect of reduced travelling expenses and vacancy.	No action required No action required - monitor budget.	Karen Greaves	31/08/2020	Ongoing
R39C	Miscellaneous Property Less than anticipated income by £30.3K Rent invoices not issued for 3 months as per guidance for dealing with the Covid-19 pandemic.	Monitor the situation Invoices will be issued, so this position should rectify itself over time. There is a risk of some tenants failing to recover in which case this debt may not be fully recoverable.	Hayley Green	31/12/2020	Ongoing