

Item: 3.1

Policy and Resources Committee: 28 November 2023.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 30 September 2023 across 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 service areas for which the Policy and Resources Committee is responsible, for the period 1 April to 30 September 2023, attached as Annex 1 to this report, indicating a budget underspend position of £742,500.

2.2.

The revenue financial detail by service area statement, in respect of service areas for which the Policy and Resources Committee is responsible, for the period 1 April to 30 September 2023, 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 7 March 2023, the Council set its overall revenue budget for financial year 2023/24. On 20 June 2023, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2023/24, which form the basis of the individual revenue expenditure monitoring reports.

3.2.

Individual revenue expenditure monitoring reports are circulated every month 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 Corporate 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 for the period 1 April to 30 September 2023 is attached as Annex 1 to this report.

4.2.

The detail 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 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

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.

7. Legal Aspects

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

8. Contact Officer

Erik Knight, Head of Finance, extension 2127, Email erik.knight@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 2023

The table below provides a summary of the position across all Service Areas.

General Fund	Spend	Budget	Over/(Under)	Spend	Annual
Service Area	£000	£000	£000	%	Budget
					£000
Central Administration	5,816.9	6,246.7	(429.8)	93.1	13.2
Law, Order & Protective Services	27.2	53.9	(26.7)	50.5	146.0
Other Services	988.4	1,274.4	(286.0)	77.6	11,513.8
	6,832.5	7,575.0	(742.5)	90.2	11,673.0
Service Totals	6,832.5	7,575.0	(742.5)	90.2	11,673.0

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	3	3	8	38%
Law, Order & Protective Services	1	1	1	100%
Other Services	7	7	17	41%
Totals	11	11	26	42%

Annex 2: Financial Detail by Service Area**September 2023**

The following tables show the spending position by service function

General Fund

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Central Administration						
Chief Executive		1,526.5	1,565.4	(38.9)	97.5	0.0
Corporate Services	1B	562.8	762.8	(200.0)	73.8	0.0
Finance		1,030.6	1,037.5	(6.9)	99.3	0.0
Development & Infrastructure	1B	1,190.0	1,365.0	(175.0)	87.2	0.0
I.T. and Facilities		1,164.0	1,164.7	(0.7)	99.9	0.0
Legal Services		275.9	294.5	(18.6)	93.7	0.0
Cleaning Holding Account	1B	67.1	56.8	10.3	118.1	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	13.2
Service Total		5,816.9	6,246.7	(429.8)	93.1	13.2

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Law, Order & Protective Services						
Civil Contingencies	1B	27.2	53.9	(26.7)	50.5	146.0
Service Total		27.2	53.9	(26.7)	50.5	146.0

Changes in original budget position:

Original Net Budget	136.0
Business Support Grant	10.0
	146.0

		Spend	Budget	Over/(Under)	Spend	Annual
Other Services	PA	£000	£000	£000	%	Budget
						£000
Corporate Management	1B	330.1	271.3	58.8	121.7	3,988.3
Corporate Priorities		694.7	720.4	(25.7)	96.4	1,478.4
Area Support Team (CP)		7.4	8.4	(1.0)	88.1	18.2
Registration		13.2	19.5	(6.3)	67.7	63.6
Miscellaneous Property		30.7	21.8	8.9	140.8	252.1
Payments to Joint Boards		0.0	0.0	0.0	0.0	520.0
Elections	1B	(2.6)	11.1	(13.7)	N/A	41.9
Licensing	1B	(113.1)	(75.9)	(37.2)	149.0	18.9
Grants	1B	91.6	116.5	(24.9)	78.6	198.4
Publicity		13.3	7.3	6.0	182.2	16.0
Twinning		(1.6)	7.0	(8.6)	N/A	34.4
Community Councils	1B	160.9	193.5	(32.6)	83.2	492.9
Interest on Loans and Balances		(2.6)	0.0	(2.6)	0.0	(372.0)
Miscellaneous - OS	1B	(203.1)	20.0	(223.1)	N/A	375.2
Movement in Reserves		0.0	0.0	0.0	0.0	459.3
Cost of Collection	1B	(7.3)	(23.5)	16.2	31.1	588.9
Finance Charges		(23.2)	(23.0)	(0.2)	100.9	3,339.3
Service Total		988.4	1,274.4	(286.0)	77.6	11,513.8

Changes in original budget position:

Original Net Budget	11,168.7
Cost of Living Crisis	22.2
THAW Funding - Budget Creation	40.0
Redetermination – Pay Settlement	282.9
	<u>11,513.8</u>

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 £200.0K</p> <p>Underspend due to staff vacancies across various cost centres and income from Scottish Office for seconded post.</p>	<p>Monitor the situation</p> <p>Review vacant posts and consider recruitment options and virement to accommodate seconded post.</p>	Alex Rodwell	29/03/2024	Ongoing
R10D	<p>Development & Infrastructure</p> <p>Less than anticipated expenditure by £175.0K</p> <p>All variances are due to vacancies.</p>	<p>Monitor the situation</p> <p>Recruitment to open posts is being actively managed and a number of appointments have been made during September and October.</p>	Lorna Richardson	31/12/2023	Ongoing
R10O	<p>Cleaning Holding Account</p> <p>More than anticipated expenditure by £10.3K</p> <p>Higher than budgeted staff costs which reflects the recent pay and grading settlement. Increased supplies and services partly due to increases in costs for the contract for the Supply & Servicing of Hygiene Units.</p>	<p>Monitor the situation</p> <p>A virement has been raised to address the supplies and services costs. The situation will continue to be monitored around staff costs.</p>	Kenny Macpherson	30/09/2023	Ongoing

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 expenditure by £26.7K</p> <p>Main reasons for the variance are spend being behind budget and a vacancy creating staff cost underspend.</p>	<p>Monitor the situation</p> <p>The vacancy has now been filled and once the appointee starts the spend will normalise.</p>	Kenny Macpherson	30/11/2023	Ongoing

Other Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R10G	<p>Corporate Management</p> <p>More than anticipated expenditure by £58.8K</p> <p>Overspend of £34k in Corporate – General cost centre due to spend exceeding the budget; these costs relate to COSLA Annual Subscription 2023/24 and Myjobscotland Subscription 2023/34.</p> <p>Overspend of £13k in Islands Deal cost centre due to the budget not yet being set-up.</p>	<p>Monitor the situation</p> <p>Monitor the situation and transfer budget from underspend elsewhere if available to cover the overspend.</p> <p>Virement has been processed in October to set-up the budget for the Islands Deal spend to date.</p>	Alex Rodwell	30/11/2023	Ongoing
R39F	<p>Elections</p> <p>Less than anticipated expenditure by £13.7K</p> <p>Historical budget expectations for spend within third party payments which will not occur due to the fact that there are no expected elections this year.</p>	<p>Raise virement request</p> <p>Raise a virement to update historical third party payments budget within the Scottish Parliament Election Expenses cost centre to match relevant budget trends against actuals.</p>	Alex Rodwell	30/11/2023	Ongoing

Other Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R39G	Licensing More than anticipated income by £37.2K There is income received in relation to short-term let licence fees that had not been budgeted for.	Raise virements request A virement is being processed to provide an income budget for short-term let licence fees, and a separate budget is being increased to provide for the Temporary Licensing Officer post.	Gavin Mitchell	31/10/2023	Ongoing
R39H	Grants Less than anticipated expenditure by £24.9K Community Care Grants spend is behind budget anticipated to date.	Manage income/expenditure Make payment / reprofile budget as required.	Erik Knight	31/10/2023	Ongoing
R39M	Community Councils Less than anticipated expenditure by £32.6K This is attributed to less community council activity than anticipated.	No action required Raise a virement to reflect correct budgeted staff costs and transfer payments against actual spend within Community Councils.	Alex Rodwell	30/11/2023	Ongoing

Other Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R39T	<p>Miscellaneous - OS</p> <p>Less than anticipated expenditure by £223.1K</p> <p>The significant variance relates to adjustments relating to the Pay and Grading entries carried out during the current year. The other main variance is in respect of the alternative energy funding the Council received which has not yet been committed.</p>	<p>Raise virements request</p> <p>Virements to be processed, where appropriate.</p>	Erik Knight	31/10/2023	Ongoing
R39X	<p>Cost of Collection</p> <p>More than anticipated expenditure by £16.2K</p> <p>Additional software costs, above budget, in relation to system updates re rateable value triennial revaluation.</p>	<p>Monitor the situation</p> <p>Seek to reduce costs elsewhere to cover the additional cost of system upgrade.</p>	Erik Knight	31/10/2023	Ongoing