



Item: 3.1

Policy and Resources Committee: 24 September 2024.

Revenue Expenditure Outturn.

Report by Head of Finance.

1. Overview

- 1.1. 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.
- 1.2. 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.
- 1.3. 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.
- 1.4. 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).
- 1.5. 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.
- 1.6. The details have been provided following consultation with the relevant Corporate Directors and their staff.

2. Recommendations

2.1. It is recommended that members of the Committee:

- i. Note the revenue expenditure outturn statement in respect of service areas for which the Policy and Resources Committee is responsible, for financial year 2023/24, attached as Annex 1 to this report, indicating a budget underspend position of £5,440,800.
- ii. Note the financial detail by service area statement in respect of service areas for which the Policy and Resources Committee is responsible, for financial year 2023/24, attached as Annex 2 to this report.
- iii. Scrutinise 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 appropriate action was taken with regard to significant budget variances.

For Further Information please contact:

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Implications of Report

- 1. Financial** The Financial Regulations state that Corporate Directors can incur expenditure within approved revenue and capital budgets. Such expenditure must be in accordance with the Council's policies and objectives and subject to compliance with the Financial Regulations.
The outturn statements include a number of accounting entries required to comply with proper accounting practice, including International Financial Reporting Standards. This includes accounting for the use of fixed assets, for example depreciation and revaluations, current service cost of pensions and accumulated staff absences.
- 2. Legal** Regular financial monitoring and reporting help the Council meet its statutory obligation to secure best value.
- 3. Corporate Governance** In terms of the Scheme of Administration, monitoring, on a quarterly basis, the levels of revenue expenditure incurred against approved budgets, in respect of each of the service areas for which the Committee is responsible, is referred to the Policy and Resources Committee.
- 4. Human Resources** N/A
- 5. Equalities** Equality Impact Assessment is not required for financial monitoring.
- 6. Island Communities Impact** Island Communities Impact Assessment is not required for financial monitoring.

7. Links to Council Plan: The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:

- Growing our economy.
- Strengthening our Communities.
- Developing our Infrastructure.
- Transforming our Council.

8. Links to Local Outcomes Improvement Plan: The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:

- Cost of Living.
- Sustainable Development.
- Local Equality.

9. Environmental and Climate Risk N/A

10. Risk N/A

11. Procurement N/A

12. Health and Safety N/A

13. Property and Assets N/A

14. Information Technology N/A

15. Cost of Living N/A

List of Background Papers

Policy and Resources Committee, 23 February 2023, Budget and Council Tax Level for 2023/24.

Policy and Resources Committee, 20 June 2023, Detailed Revenue Budgets

Annexes

Annex 1: Financial Summary.

Annex 2: Financial Detail by Service Area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary**March 2024**

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

| General Fund | | | | | |
|-------------------------------------|-----------------------|------------------------|------------------------------|--------------------|-----------------------------------|
| Service Area | Spend £000 | Budget £000 | Over/(Under) £000 | Spend % | Annual Budget £000 |
| Central Administration | (1,286.3) | (243.0) | (1,043.3) | 529.3 | (243.0) |
| Law, Order & Protective Services | 124.4 | 135.4 | (11.0) | 91.9 | 135.4 |
| Other Services | 6,479.3 | 10,865.8 | (4,386.5) | 59.6 | 10,865.8 |
| | 5,317.4 | 10,758.2 | (5,440.8) | 49.4 | 10,758.2 |
| Service Totals | 5,317.4 | 10,758.2 | (5,440.8) | 49.4 | 10,758.2 |

Annex 2: Financial Detail by Service Area

March 2024

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 | PA | | | | | |
| Chief Executive | 1B | 114.6 | 46.9 | 67.7 | 244.3 | 46.9 |
| Corporate Services | 1B | (244.6) | (14.3) | (230.3) | 1,710.5 | (14.3) |
| Finance | 1B | 67.9 | 80.5 | (12.6) | 84.3 | 80.5 |
| Development & Infrastructure | 1B | (554.3) | 49.6 | (603.9) | N/A | 49.6 |
| I.T. and Facilities | 1B | (110.4) | 123.4 | (233.8) | N/A | 123.4 |
| Legal Services | 1B | (10.2) | 20.3 | (30.5) | N/A | 20.3 |
| Cleaning Holding Account | | 83.2 | 83.2 | 0.0 | 100.0 | 83.2 |
| Movement in Reserves | 1B | (1,522.5) | (632.6) | (889.9) | 240.7 | (632.6) |
| Finance & Capital Charges | 1B | 890.0 | 0.0 | 890.0 | 0.0 | 0.0 |
| Service Total | | (1,286.3) | (243.0) | (1,043.3) | 529.3 | (243.0) |

| | | Spend | Budget | Over/(Under) | Spend | Annual |
|---|-----------|--------------|--------------|---------------|-------------|--------------|
| | PA | £000 | £000 | £000 | % | Budget |
| | | | | | | £000 |
| Law, Order & Protective Services | PA | | | | | |
| Civil Contingencies | | 138.2 | 149.2 | (11.0) | 92.6 | 149.2 |
| Movement in Reserves | | (13.8) | (13.8) | 0.0 | 100.0 | (13.8) |
| Service Total | | 124.4 | 135.4 | (11.0) | 91.9 | 135.4 |

Changes in original budget position:

| | |
|------------------------|---------------------|
| Original Net Budget | 125.4 |
| Business Support Grant | <u>10.0</u> |
| | <u>135.4</u> |

| | PA | Spend £000 | Budget £000 | Over/(Under) £000 | Spend % | Annual Budget £000 |
|--------------------------------|----|----------------|-----------------|----------------------|-------------|--------------------------|
| Other Services | | | | | | |
| Corporate Management | 1C | 3,508.7 | 3,399.3 | 109.4 | 103.2 | 3,399.3 |
| Corporate Priorities | 1C | 1,613.5 | 1,724.3 | (110.8) | 93.6 | 1,724.3 |
| Area Support Team (CP) | | 17.6 | 18.7 | (1.1) | 94.1 | 18.7 |
| Registration | | 61.8 | 61.5 | 0.3 | 100.5 | 61.5 |
| Miscellaneous Property | 1B | 298.6 | 251.0 | 47.6 | 119.0 | 251.0 |
| Payments to Joint Boards | | 508.6 | 520.0 | (11.4) | 97.8 | 520.0 |
| Elections | | 146.7 | 134.0 | 12.7 | 109.5 | 134.0 |
| Licensing | 1B | 57.7 | 17.3 | 40.4 | 333.5 | 17.3 |
| Grants | | 198.6 | 198.4 | 0.2 | 100.1 | 198.4 |
| Publicity | | 18.1 | 16.0 | 2.1 | 113.1 | 16.0 |
| Twinning | 1B | 20.0 | 34.4 | (14.4) | 58.1 | 34.4 |
| Community Councils | | 454.0 | 495.8 | (41.8) | 91.6 | 495.8 |
| Accounting for Pensions | | (5,414.7) | (5,414.7) | 0.0 | 100.0 | (5,414.7) |
| Interest on Loans and Balances | 1B | (1,811.9) | (372.0) | (1,439.9) | 487.1 | (372.0) |
| Miscellaneous - OS | 1B | (69.1) | 514.3 | (583.4) | N/A | 514.3 |
| Movement in Reserves | 1B | 12,512.3 | 5,271.1 | 7,241.2 | 237.4 | 5,271.1 |
| Cost of Collection | 1B | 538.9 | 624.7 | (85.8) | 86.3 | 624.7 |
| Finance Charges | 1B | (6,180.1) | 3,371.7 | (9,551.8) | N/A | 3,371.7 |
| Service Total | | 6,479.3 | 10,865.8 | (4,386.5) | 59.6 | 10,865.8 |

Changes in original budget position:

| | |
|----------------------------------|-----------------|
| Original Net Budget | 10,302.7 |
| Cost of Living Crisis | 22.2 |
| THAW Funding - Budget Creation | 40.0 |
| Redetermination - Pay Settlement | 282.9 |
| Islands Cost Crisis Fund | 218.0 |
| | <u>10,865.8</u> |

Annex 3: Budget Action Plan

| <u>Service Function</u> | <u>Service Description</u> | <u>Responsible Officer</u> | <u>Variance Reason</u> | <u>Action Notes</u> |
|-------------------------|---|----------------------------|---|---|
| R10A | Chief Executive More than anticipated expenditure by £67.7K | Alex Rodwell | Mixture of under and overspends across the cost centres in this function. The most significant variances are due to vacancies (underspend) and School Place building costs (overspend) including some un-avoidable costs like energy and one-off costs for waste and recycling. | This is a complex and diverse functional area. The Head of Service will engage with all budgets holder to fully understand the reasons for variances and ensure any overspends are controlled for 2024/25. |
| R10B | Corporate Services Less than anticipated expenditure by £230.3K | Alex Rodwell | Underspend due to vacancies across the service. | Vacancies to be considered as part of service re-design and workforce planning. |
| R10C | Finance Less than anticipated expenditure by £12.6K | Erik Knight | Individual budget lines show a number of variances: IT costs have increased significantly for example. However, underspends in transport costs, third party payments and staffing have helped realise an underspend against budget. | Continue to manage budgets but recognise that if full staffing is achieved the budget pressure of increased IT licensing costs for essential finance systems may not be manageable within existing budget levels. |

| <u>Service Function</u> | <u>Service Description</u> | <u>Responsible Officer</u> | <u>Variance Reason</u> | <u>Action Notes</u> |
|-------------------------|---|----------------------------|---|--|
| R10D | Development & Infrastructure Less than anticipated expenditure by £603.9K | Kenny MacPherson | The variance reflects an underspend due to vacancies. Recruitment processes have been taking place, but despite that, suitable candidates are not being identified. | Will continue to work on recruiting the full team complement. |
| R10F | I.T. and Facilities Less than anticipated expenditure by £233.8K | Kenny MacPherson | Underspend in IT costs also reflect some vacant positions. There have been several recruitments where internal candidates have been successful. While this highlights good progression in careers, it does mean the Service remains short of staff. Additionally, some five-year contracts were established to reduce annual costs and the accrual of these costs into future years led to further additional unexpected underspend on this financial year. | Will continue to work on recruiting the full team complement. Ensure that the financial recording, and accounting processes are completed (arrangements for accruals and prepayments, for example) to effectively align annual costs against annual budgets. |
| R10I | Legal Services Less than anticipated expenditure by £30.5K | Gavin Mitchell | Underspend is due to staff vacancies in the Legal Team. Efforts are being made to fill these posts. | Continue endeavours to fill vacant posts. There will continue to be an underspend in the staffing budget to reflect the period across which posts remain unfilled. |

| <u>Service Function</u> | <u>Service Description</u> | <u>Responsible Officer</u> | <u>Variance Reason</u> | <u>Action Notes</u> |
|-------------------------|--|----------------------------|---|---------------------|
| R10U | <p>Movement in Reserves</p> <p>More than anticipated income by £889.9K</p> | Erik Knight | Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal. These transactions are applied to their relevant non-useable reserve through the Movement in Reserves budget area. | No action required. |
| R10Y | <p>Finance & Capital Charges</p> <p>More than anticipated income by £890.0K</p> | Erik Knight | Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal. | No action required. |

| <u>Service Function</u> | <u>Service Description</u> | <u>Responsible Officer</u> | <u>Variance Reason</u> | <u>Action Notes</u> |
|-------------------------|--|----------------------------|--|--|
| R10G | Corporate Management More than anticipated expenditure by £109.4K | Alex Rodwell | Apportioned costs are charged and budgeted for in all of the services and any surplus/deficit is retained centrally. | Finance will be reviewing apportioned costs throughout 2024/25, and necessary action will be taken. |
| R10J | Corporate Priorities Less than anticipated expenditure by £110.8K | Erik Knight | The main reason for this variance is two-fold: (1) The Improvement and Performance cost centre is underspent against budget (£37k), due to the carrying of staff vacancies; and (2) the Compensatory Pensions budget is underspent against budget (£68k). | Vacancies remain within the Improvement and Performance budget area, and this is being managed by the Head of Improvement and Performance. Compensatory Pensions budget was reduced as part of the budget setting for 2024/25 to reflect actual use. |
| R39C | Miscellaneous Property More than anticipated expenditure by £47.6K | Kenny MacPherson | Rental income was less than anticipated due to occupancies. | This will be reviewed in 2024/25. |
| R39G | Licensing More than anticipated expenditure by £40.4K | Gavin Mitchell | The main reason for the overspend is the additional costs of other service areas within the Council dealing with short term lets that was not budgeted for. There was also a slight overspend in staff costs relating to the fact that no budget line had been created for the Temporary Licensing Officer post. | The costs from all Council services will be taken into consideration at the next review of short-term let fees, to ensure that costs are covered going forwards. A budget line has been created for the Licensing Officer post since it was made permanent at the beginning of 2024-2025. The post will be funded by the short-term lets licence fee income. |

| <u>Service Function</u> | <u>Service Description</u> | <u>Responsible Officer</u> | <u>Variance Reason</u> | <u>Action Notes</u> |
|-------------------------|--|----------------------------|---|---|
| R39L | Twining Less than anticipated expenditure by £14.4K | Alex Rodwell | Spending was controlled in the cost centre during 2023/2024. Costs have not been as per previous years | No action required. |
| R39S | Interest on Loans and Balances More than anticipated income by £1,439.9K | Erik Knight | Movement in UK interest rates are reflected in the interest received, and charged, on balances. | This budget was adjusted during the 2024/25 budget setting process. The new budget level considered to be prudent acknowledging that interest rates can down, as well as up. The new budget reflects the medium-term view of the Councils advisors. |
| R39T | Miscellaneous – OS Less than anticipated income by £583.4K | Erik Knight | The significant variance relates to adjustments relating to the Pay and Grading entries carried out during 2023/24. | No action required. |
| R39U | Movement in Reserves More than anticipated expenditure by £7,241.2K | Erik Knight | Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal. These transactions are applied to their relevant non-useable reserve through the Movement in Reserves budget area. | No action required. |

| <u>Service Function</u> | <u>Service Description</u> | <u>Responsible Officer</u> | <u>Variance Reason</u> | <u>Action Notes</u> |
|-------------------------|--|----------------------------|---|---------------------|
| R39X | Cost of Collection Less than anticipated expenditure by £85.8K | Erik Knight | Rates reliefs applied were lower than anticipated. | No action required. |
| R39Y | Finance Charges Less than anticipated expenditure by £9,551.8K | Erik Knight | Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal. There is also a variance against Capital Loan charges – where capital debt repayments were not accelerated, and underspent was used to aid in the balancing of the 2023/24 Council General Fund spend. | No action required. |