

## **Item: 4.1**

**Policy and Resources Committee: 27 November 2018.**

### **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 30 September 2018 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 September 2018, attached as Annex 1 to this report, indicating an underspend position of £479,300:

- 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 September 2018, 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 22 February 2018, the Council set its overall revenue budget for financial year 2018 to 2019. On 17 April 2018, 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.

### **6.3.**

A pay increase of 3% is included in the base budget for 2018 to 2019 which is yet to be agreed. The estimated cost of the backpay from 1 April to 30 September 2018 is £112,700 across Central Administration, Law, Order and Protective Services and Other Services which would reduce the current underspend position to £366,600.

## **7. Legal Aspects**

Financial monitoring and reporting helps the Council meet its statutory obligation to secure best value.

## **8. Contact Officers**

Alistair Buchan, Chief Executive, extension 2101, Email [chief.executive@orkney.gov.uk](mailto:chief.executive@orkney.gov.uk)

Gillian Morrison, Executive Director of Corporate Services, extension 2103, Email [gillian.morrison@orkney.gov.uk](mailto:gillian.morrison@orkney.gov.uk)

Gavin Barr, Executive Director of Development and Infrastructure, extension 2301, Email [gavin.barr@orkney.gov.uk](mailto:gavin.barr@orkney.gov.uk)

Gareth Waterson, Head of Finance, extension 2103, Email [gareth.waterson@orkney.gov.uk](mailto: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.

<b>Service Area</b>	<b>Spend</b>	<b>Budget</b>	<b>Over/Under Spend</b>		<b>Annual Budget £000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>	
Central Administration	4,312.0	4,741.0	-429.0	91.0	113.2
Law, Order & Protective Services	34.2	37.0	-2.8	92.4	112.2
Other Services	1,160.1	1,207.6	-47.5	96.1	11,849.7
<b>Service Totals</b>	<b>5,506.3</b>	<b>5,985.6</b>	<b>-479.3</b>	<b>92.0</b>	<b>12,075.1</b>

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

<b>Service Area</b>	<b>No. of PAs</b>		<b>Service Functions</b>	<b>PAs/ Function</b>
	<b>P05</b>	<b>P06</b>		
Central Administration	4	4	8	50%
Law, Order & Protective Services	0	0	1	0%
Other Services	0	1	18	6%
<b>Totals</b>	<b>4</b>	<b>5</b>	<b>27</b>	<b>19%</b>

## Annex 2: Financial Detail by Service Area

The following tables show the spending position by service function

Central Administration	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Chief Executive		1,125.5	1,170.8	-45.3	96.1	0.0
Corporate Services		494.2	531.7	-37.5	92.9	0.0
Finance		714.9	756.6	-41.7	94.5	0.0
Development & Infrastructure	<b>1B</b>	924.6	1,031.3	-106.7	89.7	5.0
I.T. and Facilities	<b>1B</b>	872.8	974.0	-101.2	89.6	95.0
Legal Services	<b>1B</b>	181.6	233.3	-51.7	77.9	0.0
Cleaning Holding Account	<b>1B</b>	-1.6	43.3	-44.9	N/A	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	13.2
<b>Service Total</b>		<b>4,312.0</b>	<b>4,741.0</b>	<b>-429.0</b>	<b>91.0</b>	<b>113.2</b>

### Changes in original budget position:

Original Net Budget	0.0
Pathfinder Project from Repairs and Renewals Fund	60.6
Office 365 Project from Repairs and Renewals Fund	47.6
Key Management Project from Innovation Fund	5.0
	<b>113.2</b>

Law, Order & Protective Services	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Civil Contingencies		34.2	37.0	-2.8	92.3	112.2
<b>Service Total</b>		<b>34.2</b>	<b>37.0</b>	<b>-2.8</b>	<b>92.4</b>	<b>112.2</b>

<b>Other Services</b>	<b>PA</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/Under £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Corporate Management		358.6	347.1	11.5	103.3	2,925.0
Corporate Priorities		561.2	598.5	-37.3	93.8	2,668.4
Area Support Team (CP)		7.0	6.8	0.2	104.1	14.7
Registration		11.0	18.7	-7.7	58.7	57.5
Miscellaneous Property	<b>1B</b>	-19.0	-7.7	-11.3	248.1	193.5
Payments to Joint Boards		0.0	0.0	0.0	0.0	342.7
Local Works and Services		4.3	4.2	0.1	102.4	10.0
Elections		0.4	4.5	-4.1	9.7	83.5
Licensing		-19.6	-15.5	-4.1	126.6	26.2
Grants		66.7	74.0	-7.3	90.2	149.5
Publicity		12.5	6.4	6.1	195.3	6.4
Twinning		-4.1	-5.8	1.7	70.4	6.9
Community Councils		153.9	158.3	-4.4	97.2	392.0
Interest on Loans and Balances		0.0	0.0	0.0	0.0	-372.0
Miscellaneous - OS		35.6	36.1	-0.5	98.8	38.4
Movement in Reserves		0.0	0.0	0.0	0.0	514.8
Cost of Collection		-8.4	-18.0	9.6	46.7	388.7
Finance Charges		0.0	0.0	0.0	0.0	4,403.5
<b>Service Total</b>		<b>1,160.1</b>	<b>1,207.6</b>	<b>-47.5</b>	<b>96.1</b>	<b>11,849.7</b>

#### **Changes in original budget position:**

Original Net Budget	11,882.1
Customer Services Platform from Innovation Fund	135.3
HR System Development from Innovation Fund	62.7
Integra System Development from Innovation Fund	48.7
Contingency Fund Pressure Bid - Residential Childcare	-372.0
Reinstate £65k Support for Learning Assistants 2018/19 savings from Contingency	-65.0
Empowering Communities from Sustainable Communities Fund	96.4
EDRMS Project from Innovation Fund	61.5
	<b>11,849.7</b>

## Annex 3: Budget Action Plan

### Central Administration

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R10D</b>	<p><b>Development &amp; Infrastructure</b></p> <p>Less than anticipated expenditure by £106.7K</p> <p>Staff vacancies are an ongoing issue creating underspends.</p>	<p><b>Raise virements request</b></p> <p>Recruitment of new team members achieved in part and further vacancies to be re-advertised.</p>	Darren Richardson	31/10/2018	Ongoing
<b>R10F</b>	<p><b>I.T. and Facilities</b></p> <p>Less than anticipated expenditure by £101.2K</p> <p>Staff costs are underspent due to two vacancies caused by recent internal recruitment. These posts are being recruited to currently and offers have been made to two candidates and it is anticipated that these staff will be in post by November.</p>	<p><b>Monitor the situation</b></p> <p>Recruitment process has started and now at the pre-employment stage.</p>	Hayley Green	30/11/2018	Ongoing
<b>R10I</b>	<p><b>Legal Services</b></p> <p>Less than anticipated expenditure by £51.7K</p> <p>Temporary staff vacancies within Legal Services arising from a specific staffing situation which is making it more difficult to recruit; and a current underspend within supplies and services.</p>	<p><b>Monitor the situation</b></p> <p>Temporary vacancies have arisen due to a temporary secondment affecting two members of staff, and their posts have not been able to be backfilled in the meantime. The position is being monitored. The temporary underspend will be addressed during the remainder of the financial year.</p>	Gavin Mitchell	31/03/2019	Ongoing



## Annex 3: Budget Action Plan

### Central Administration

<b>Function</b>	<b>Function Description/ Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>	<b>Deadline</b>	<b>Status</b>
<b>R100</b>	<b>Cleaning Holding Account</b> Less than anticipated expenditure by £44.9K  Variance is due to the actual expenditure being lower than profile so far this year.	<b>Monitor the situation</b>  Position will be monitored closely, with action if required.	Hayley Green	30/11/2018	Ongoing

## Annex 3: Budget Action Plan

### Other Services

<b>Function</b>	<b>Function Description/ Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>	<b>Deadline</b>	<b>Status</b>
<b>R39C</b>	<b>Miscellaneous Property</b> More than anticipated income by £11.3K  Profile varies from the budget.	<b>Monitor the situation</b>  Situation being monitored, and action will be taken towards the end of Q3, if required.	Hayley Green	28/12/2018	New