

Item: 4.1

Policy and Resources Committee: 21 February 2023.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 31 December 2022 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 2022, attached as Annex 1 to this report, indicating an underspend position of £736,000:

- 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 2022, 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 10 March 2022, the Council set its overall revenue budget for financial year 2022/23. On 21 June 2022, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2022/23, 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 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 31 December 2022 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 Officer

Erik Knight, Head of Finance, Email erik.knight@orkney.gov.uk.

9. Annexes

Annex 1: Financial Summary.

Annex 2: Financial Detail by Service Area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary

December 2022

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

General Fund					Annual
Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Budget £000
Central Administration	7,906.4	8,592.3	(685.9)	92.0	(4.4)
Law, Order & Protective Services	58.6	60.7	(2.1)	96.5	120.5
Other Services	1,718.6	1,766.6	(48.0)	97.3	11,300.2
	9,683.6	10,419.6	(736.0)	92.9	11,416.3
Non-General Fund					Annual
Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Budget £000
IJB	0.0	0.0	0.0	0.0	(446.0)
	0.0	0.0	0.0	0.0	(446.0)
Service Totals	9,683.6	10,419.6	(736.0)	92.9	10,970.3

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	7	6	8	75%
Law, Order & Protective Services	0	0	1	0%
Other Services	4	3	18	17%
IJB	0	0	1	0%
Totals	11	9	28	32%

Annex 2: Financial Detail by Service Area

December 2022

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		1,776.5	1,776.3	0.2	100.0	0.0
Corporate Services	1B	821.1	1,115.2	(294.1)	73.6	(4.4)
Finance	1B	1,280.8	1,508.6	(227.8)	84.9	0.0
Development & Infrastructure	1B	1,642.0	1,903.1	(261.1)	86.3	0.0
I.T. and Facilities	1C	1,571.7	1,678.0	(106.3)	93.7	(13.2)
Legal Services	1B	464.1	579.8	(115.7)	80.0	0.0
Cleaning Holding Account	1B	350.2	31.3	318.9	1,118.8	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	13.2
Service Total		7,906.4	8,592.3	(685.9)	92.0	(4.4)

Changes in original budget position:

Original Net Budget	(0.0)
Cost of Living Taskforce	(4.4)
	<u>(4.4)</u>

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Law, Order & Protective Services						
Civil Contingencies		58.6	60.7	(2.1)	96.5	120.5
Service Total		58.6	60.7	(2.1)	96.5	120.5

		Spend	Budget	Over/(Under) Spend		Annual
Other Services	PA	£000	£000	£000	%	Budget
						£000
Corporate Management		571.6	594.5	(22.9)	96.1	3,607.8
Corporate Priorities	1B	(63.1)	36.7	(99.8)	N/A	1,181.0
Area Support Team (CP)		12.9	11.6	1.3	111.2	16.3
Registration		27.2	28.2	(1.0)	96.5	58.4
Miscellaneous Property		15.6	11.7	3.9	133.3	209.8
Payments to Joint Boards		479.5	483.0	(3.5)	99.3	483.0
Local Works and Services		0.8	0.0	0.8	0.0	0.0
Elections		44.1	39.0	5.1	113.1	87.2
Licensing		(8.2)	(16.0)	7.8	51.3	18.4
Grants		248.7	250.7	(2.0)	99.2	282.4
Publicity		13.8	11.1	2.7	124.3	16.0
Twinning		4.7	(3.2)	7.9	N/A	(0.4)
Community Councils		231.3	229.2	2.1	100.9	453.4
Interest on Loans and Balances		(4.2)	0.0	(4.2)	0.0	(372.0)
Miscellaneous - OS		55.6	59.4	(3.8)	93.6	1,038.5
Movement in Reserves		0.0	0.0	0.0	0.0	409.3
Cost of Collection	1B	(23.9)	(34.1)	10.2	70.1	419.4
Finance Charges	1B	112.2	64.8	47.4	173.1	3,391.7
Service Total		1,718.6	1,766.6	(48.0)	97.3	11,300.2

Changes in original budget position:

Original Net Budget	11,693.5
Access to Sanitary Products 22/23	(27.4)
Access to Sanitary Products 22/23	27.4
Ph II Corp Mgt Restructure	(1,500.0)
Ph II Corp Mgt Restructure GF	918.3
National Trauma Training Programme	(50.0)
Create budget for OPOP consultant	50.0
Islands Deal from RRR Fund	99.4
Garden House Rent	(38.0)
Garden House Property Cost	30.0
VAO funding from Discretionary Fund	7.6
VAO Funding from Discretionary Fund	85.0
Cost of Living Taskforce	4.4
	11,300.2

Non-General Fund

		Spend	Budget	Over/(Under)	Spend	Annual
IJB	PA	£000	£000	£000	%	Budget
						£000
Movement in Reserves		0.0	0.0	0.0	0.0	(446.0)
Service Total		0.0	0.0	0.0	0.0	(446.0)

Changes in original budget position:

Original Net Budget	0.0
Care Home Winter from Redeterminations Fund	(271.0)
Interim Care Winter from Redeterminations Fund	(175.0)
	<u>(446.0)</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 £294.1K</p> <p>The increased budget for new posts approved as part of the restructure has not been fully utilised as recruitment is still ongoing.</p>	<p>Monitor the situation</p> <p>Recruitment is ongoing - 4 posts have been filled with 3 further being interviewed to including backfill for internal promotions.</p>	Alex Rodwell	31/03/2023	Ongoing
R10C	<p>Finance</p> <p>Less than anticipated expenditure by £227.8K</p> <p>Multiple staff vacancies during the year, partly as a result of changes approved as part of the senior management restructure and actions to improve corporate capacity and partly due to higher-than-normal levels of turnover in staffing.</p>	<p>Management input required</p> <p>The recruitment process for multiple staff vacancies remains ongoing, including unwinding of back-filling arrangements, staff retirements and new posts approved as part of Phase 2 of the corporate management restructure exercise.</p>	Erik Knight	31/03/2023	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 £261.1K</p> <p>Budgets are all underspent due to vacant posts - some created in the new structure and others due to staff turnover. As some of the recruitment work completed to date has resulted in internal career progression, successful candidates are creating subsequent vacancies in their previous established roles. These roles are now being recruited and, should applicants meet the criteria and accept appointments, the underspend will normalise.</p>	<p>Monitor the situation</p> <p>Situation will be monitored.</p>	Kenny Macpherson	31/03/2023	Ongoing

Central Administration

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R10F	<p>I.T. and Facilities</p> <p>Less than anticipated expenditure by £106.3K</p> <p>Underspend due to vacant posts - some created in the new structure and others due to staff turnover. As some of the recruitment work completed to date has resulted in internal career progression, successful candidates have created subsequent vacancies in their previous established roles. These roles are now being recruited and, should applicants meet the criteria and accept appointments, the underspend will normalise.</p>	<p>Monitor the situation</p> <p>The situation will continue to be monitored. No other action is required at present.</p>	Kenny Macpherson	31/03/2023	Ongoing
R10I	<p>Legal Services</p> <p>Less than anticipated expenditure by £115.7K</p> <p>Underspend is due to current vacancies. Efforts are being made to fill these posts. Advertisement and recruitment are currently underway.</p>	<p>Monitor the situation</p> <p>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.</p>	Gavin Mitchell	31/03/2023	Ongoing

Central Administration

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R100	<p>Cleaning Holding Account</p> <p>More than anticipated expenditure by £318.9K</p> <p>Overspend has occurred chiefly as a consequence of backpay following the pay settlement, as well as the adjustment to monthly salary costs and also the increased level of cleaning still in place.</p>	<p>Management input required</p> <p>Following review, the enhanced cleaning levels will reduce slightly effective 1 March 2023, but the levels of cleaning are significantly higher than pre-pandemic in line with national guidance, therefore a service pressure of £62k in materials costs as well as the additional staff costs consequent from the pay award.</p>	Kenny Macpherson	31/03/2023	Ongoing

Other Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R10J	<p>Corporate Priorities</p> <p>Less than anticipated expenditure by £99.8K</p> <p>Range of underspends across separate budget lines</p>	<p>Monitor the situation</p> <p>Training spend will be on budget for year end with planned spend. Trade Union facility time will not catch up with forecasted outturn by year end.</p>	Andrew Groundwater	31/03/2023	Ongoing
R39X	<p>Cost of Collection</p> <p>Less than anticipated income by £10.2K</p> <p>Cost of collection is lower than profile at this point in the year due to less use of collection agents.</p>	<p>Monitor the situation</p> <p>Continue to monitor and update budget profiles, if required.</p>	Erik Knight	31/01/2023	Ongoing
R39Y	<p>Finance Charges</p> <p>More than anticipated expenditure by £47.4K</p> <p>Main reason for the variance is £31k spend on Corse West, which has no budget attached. There are currently overspends against budgets for Kirkwall Nursery (£8k), Covered Pitch (£5k) and Birsay Campsite (£4k).</p>	<p>Raise virements request</p> <p>Capital Project Appraisal (CPA) costs are met from CPA earmarked General Fund balances. Virement is required to create the budget; this process is part of the year end processes.</p>	Erik Knight	31/01/2023	Ongoing