

## **Item: 3.1.**

### **Policy and Resources Committee: 3 December 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 September 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 September 2020, attached as Annex 1 to this report, indicating an underspend position of £38,400:

- 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 September 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 2020/21. 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 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 2020/21 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**

John W Mundell, Interim Chief Executive, Email [chief.executive@orkney.gov.uk](mailto:chief.executive@orkney.gov.uk)

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

Gareth Waterson, Head of Finance, 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 £000</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Central Administration	4,661.1	4,957.6	(296.5)	94.0	4.3
Law, Order & Protective Services	1,776.0	1,448.7	327.3	122.6	5,367.2
Other Services	38.5	107.7	(69.2)	35.7	11,380.6
<b>Service Totals</b>	<b>6,475.6</b>	<b>6,514.0</b>	<b>(38.4)</b>	<b>99.4</b>	<b>16,752.1</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	3	2	8	25%
Law, Order & Protective Services	1	1	1	100%
Other Services	2	3	18	17%
<b>Totals</b>	<b>6</b>	<b>6</b>	<b>27</b>	<b>22%</b>

## Annex 2: Financial Detail by Service Area

The following tables show the spending position by service function

		Spend £000	Budget £000	Over/Under		Current Annual Budget £000
				Spend £000	%	
<b>Central Administration</b>	<b>PA</b>					
Chief Executive		1,172.4	1,171.9	0.5	100.0	0.0
Corporate Services		520.8	565.5	(44.7)	92.1	0.0
Finance	<b>1B</b>	731.1	820.1	(89.0)	89.1	0.0
Development and Infrastructure	<b>1B</b>	963.8	1,098.1	(134.3)	87.8	0.0
IT and Facilities		996.7	1,010.5	(13.8)	98.6	(8.9)
Legal Services		239.0	244.5	(5.5)	97.7	0.0
Cleaning Holding Accounts		37.3	47.0	(9.7)	79.4	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	13.2
<b>Service Totals</b>		<b>4,661.1</b>	<b>4,957.6</b>	<b>(296.5)</b>	<b>94.0</b>	<b>4.3</b>

### Budget Summary

#### Original Net Budget

Office 365 from Repairs and Renewals Fund

**0.0**

4.3

**4.3**

		Spend £000	Budget £000	Over/Under		Current Annual Budget £000
				Spend £000	%	
<b>Law, Order and Protective Services</b>	<b>PA</b>					
Civil Contingencies	<b>1B</b>	1,776.0	1,448.7	327.3	122.6	5,367.2
<b>Service Totals</b>		<b>1,776.0</b>	<b>1,448.7</b>	<b>327.3</b>	<b>122.6</b>	<b>5,367.2</b>

### Budget Summary

#### Original Net Budget

Business Hardship Support Grant from Crown Estate

**118.2**

576.0

Business Hardship Support Grant from RRR Fund

1,424.0

Business Hardship Support Grant from SRF

3,000.0

Redetermination Food Fund COVID 19

99.0

Redetermination SG COVID 19 Fund

150.0

**5,367.2**

## Annex 2: Financial Detail by Service Area

		Spend £000	Budget £000	Over/Under		Current Annual Budget £000
				Spend £000	%	
<b>Other Services</b>	<b>PA</b>					
* Corporate Management	<b>1B</b>	266.8	338.4	(71.6)	78.8	3,042.0
\$ Corporate Priorities		(541.7)	(559.5)	17.8	96.8	2,929.0
Area Support Team (CP)		6.1	7.1	(1.0)	85.9	15.4
Registration		20.5	19.1	1.4	107.6	58.8
Miscellaneous Property	<b>1B</b>	13.1	1.4	11.7	925.4	209.3
Payments to Joint Boards		16.0	16.0	0.0	100.0	416.9
Local Works and Services		1.2	0.0	1.2	0.0	0.0
Elections		0.9	5.7	(4.8)	15.8	36.1
Licensing		(13.3)	(20.0)	6.7	66.3	20.7
Grants		104.1	109.0	(4.9)	95.5	215.1
Publicity		11.3	12.8	(1.5)	87.9	15.7
Twinning		(14.1)	(8.4)	(5.7)	168.6	0.3
Community Councils	<b>1B</b>	144.8	165.3	(20.5)	87.6	414.7
Interest on Loans and Balances		0.0	0.0	0.0	0.0	(372.0)
Miscellaneous		40.2	40.8	(0.6)	98.6	41.8
Movement in Reserves		0.0	0.0	0.0	0.0	499.4
Cost of Collection		(17.4)	(20.0)	2.6	86.9	412.3
Finance Charges		0.0	0.0	0.0	0.0	3,425.1
<b>Service Totals</b>		<b>38.5</b>	<b>107.7</b>	<b>(69.2)</b>	<b>35.8</b>	<b>11,380.6</b>

### Budget Summary

<b>Original Budget</b>		<b>9,833.1</b>
Our Islands Our Future from RRR Fund		191.5
Redetermination SG COVID 19 Fund		200.0
Redetermination General Revenue Grant		1,085.0
Redetermination Scottish Welfare Fund incl. COVID 19 allocation		49.0
Redetermination - Registrars Covid-19		2.0
Orkney Islands Science Festival (OISF).		20.0
<b>Revised Net Budget</b>		<b>11,380.6</b>

		Spend £000	Budget £000	Over/Under		Annual Budget £000
				Spend £000	%	
<b>* Corporate Management</b>	<b>PA</b>					
Our Islands Our Future		41.0	69.3	(28.3)	59.2	229.0
Audit Fees		(62.7)	(62.0)	(0.7)	101.1	190.7
Corporate - General		32.9	40.7	(7.8)	80.8	2,032.3
Democracy - Members Expenses		255.6	290.4	(34.8)	88.0	590.0
<b>Service Totals</b>	<b>1B</b>	<b>266.8</b>	<b>338.4</b>	<b>(71.6)</b>	<b>78.8</b>	<b>3,042.0</b>

		Spend £000	Budget £000	Over/Under		Annual Budget £000
				Spend £000	%	
<b>\$ Corporate Priorities</b>	<b>PA</b>					
Change Programme		143.6	135.4	8.2	106.1	309.4
Community Planning Partnership		13.8	11.6	2.2	119.0	86.7
Corporate Learning and Development		39.0	38.7	0.3	100.8	134.2
Trade Union Facility Time		0.1	16.1	(16.0)	0.6	34.3
Voluntary Sector		67.4	45.0	22.4	149.8	89.9
Compensatory Pensions		237.4	236.7	0.7	100.3	473.5
Corporate Contingency		(1,043.0)	(1,043.0)	0.0	100.0	1,801.0
<b>Service Totals</b>		<b>(541.7)</b>	<b>(559.5)</b>	<b>17.8</b>	<b>96.8</b>	<b>2,929.0</b>

## 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>R10C</b>	<b>Finance</b> Less than anticipated expenditure by £89.0K  The variance is due to a reduction in spend on supplies and services at this stage of the year. There is also a vacancy. Plus, additional funding received in Rebates from DWP for increased expenditure due to COVID-19.	<b>Monitor the situation</b>  Waiting for clarification from DWP about additional income. At present, not clear if additional payments, previously intimated, will now be paid due to COVID-19.	Gareth Waterson	30/11/2020	Ongoing
<b>R10D</b>	<b>Development &amp; Infrastructure</b> Less than anticipated expenditure by £134.3K  Unusual budget spend pattern due to COVID-19 alternative working arrangements.	<b>Monitor the situation</b>  Propose monitor for now and review next reporting period when it may be clearer when the long term spend pattern will return.	Gavin Barr	30/11/2020	Ongoing



## Annex 3: Budget Action Plan

### Law, Order & Protective 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>R23F</b>	<p><b>Civil Contingencies</b></p> <p>More than anticipated expenditure by £327.3K</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 includes the grants reconciliation and staffing costs.</p>	<p><b>Monitor the situation</b></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	31/03/2021	Ongoing

## Annex 3: Budget Action Plan

### Other Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R10G</b>	<p><b>Corporate Management</b></p> <p>Less than anticipated expenditure by £71.6K</p> <p>Mainly in respect of reduced travelling expenses and vacancy and profiling of Island Deal costs.</p>	<p><b>No action required</b></p> <p>No action required - monitor budget.</p>	Karen Greaves	31/12/2020	Ongoing
<b>R39C</b>	<p><b>Miscellaneous Property</b></p> <p>Less than anticipated income by £11.7K</p> <p>Rent invoices not issued for 3 months as per guidance for dealing with the COVID-19 pandemic.</p>	<p><b>Monitor the situation</b></p> <p>Invoices have been 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.</p>	Hayley Green	31/12/2020	Ongoing
<b>R39M</b>	<p><b>Community Councils</b></p> <p>Less than anticipated expenditure by £20.5K</p> <p>Reduction in expenses and project costs due to the impact of pandemic restrictions.</p>	<p><b>Monitor the situation</b></p> <p>Monitor the budget.</p>	Karen Greaves	30/11/2020	New