

Item: 3.1

Policy and Resources Committee: 20 February 2024.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 31 December 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 31 December 2023, attached as Annex 1 to this report, indicating a budget underspend position of £357,700.

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 31 December 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 31 December 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

December 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	8,525.7	9,156.7	(631.0)	93.1	13.2
Law, Order & Protective Services	49.2	77.5	(28.3)	63.5	146.0
Other Services	1,628.1	1,326.5	301.6	122.7	11,731.8
	10,203.0	10,560.7	(357.7)	96.6	11,891.0
Service Totals	10,203.0	10,560.7	(357.7)	96.6	11,891.0

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	5	5	8	63%
Law, Order & Protective Services	1	1	1	100%
Other Services	7	9	17	53%
Totals	13	15	26	58%

Annex 2: Financial Detail by Service Area

December 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		2,142.4	2,145.3	(2.9)	99.9	0.0
Corporate Services	1B	933.3	1,159.1	(225.8)	80.5	0.0
Finance	1C	1,667.0	1,580.9	86.1	105.4	0.0
Development & Infrastructure	1B	1,629.0	2,079.3	(450.3)	78.3	0.0
I.T. and Facilities	1C	1,565.5	1,709.6	(144.1)	91.6	0.0
Legal Services		435.4	452.1	(16.7)	96.3	0.0
Cleaning Holding Account	1B	153.1	30.4	122.7	503.6	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	13.2
Service Total		8,525.7	9,156.7	(631.0)	93.1	13.2

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Law, Order & Protective Services						
Civil Contingencies	1B	49.2	77.5	(28.3)	63.5	146.0
Service Total		49.2	77.5	(28.3)	63.5	146.0

Changes in original budget position:

Original Net Budget	136.0
Business Support Grant	10.0
	<u>146.0</u>

		Spend	Budget	Over/(Under)	Spend	Annual
Other Services	PA	£000	£000	£000	%	Budget
						£000
Corporate Management	1B	607.9	550.6	57.3	110.4	4,015.7
Corporate Priorities	1B	297.1	333.8	(36.7)	89.0	1,696.4
Area Support Team (CP)		13.6	13.0	0.6	104.6	18.2
Registration		29.1	29.5	(0.4)	98.6	63.6
Miscellaneous Property	1B	32.3	16.3	16.0	198.2	252.1
Payments to Joint Boards	1B	520.0	0.0	520.0	0.0	520.0
Elections	1B	(2.2)	11.1	(13.3)	N/A	41.9
Licensing	1B	(111.9)	(45.0)	(66.9)	248.7	18.9
Grants		171.4	175.8	(4.4)	97.5	198.4
Publicity		17.1	11.1	6.0	154.1	16.0
Twinning	1B	9.8	20.7	(10.9)	47.3	34.4
Community Councils	1B	206.7	254.0	(47.3)	81.4	492.9
Interest on Loans and Balances		(16.6)	(16.7)	0.1	99.4	(372.0)
Miscellaneous - OS	1B	(100.5)	27.2	(127.7)	N/A	375.2
Movement in Reserves		0.0	0.0	0.0	0.0	431.9
Cost of Collection		(27.8)	(34.1)	6.3	81.5	588.9
Finance Charges		(17.9)	(20.8)	2.9	86.1	3,339.3
Service Total		1,628.1	1,326.5	301.6	122.7	11,731.8

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
Islands Cost Crisis Fund	218.0
	<u>11,731.8</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 £225.8K</p> <p>Underspend across all cost centres within this Service Function is due to staff vacancies.</p>	<p>Monitor the situation</p> <p>Review vacant posts and consider recruitment options.</p>	Alex Rodwell	29/03/2024	Ongoing
R10C	<p>Finance</p> <p>More than anticipated expenditure by £86.1K</p> <p>IT costs are an unavoidable service pressure. Finance is seeing increases in its licensing and support costs for all its essential systems. That said much of this reported overspend is due to early payment of 12 month licence for the Revenues and Benefits system. This will be rectified at year end through the accruals process.</p>	<p>Process transaction(s)</p> <p>Ensure accruals are correctly gathered and reported at year end.</p>	Erik Knight	31/03/2024	New

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 £450.3K</p> <p>The underspend is largely due to vacancies. In all cases there has been some positive progress, but in cases when internal candidates are successfully appointed there is a further vacancy created as one is filled.</p>	<p>Monitor the situation</p> <p>The situation will continue to be monitored as recruitment continues to progress.</p>	Kenny Macpherson	29/03/2024	Ongoing
R10F	<p>I.T. and Facilities</p> <p>Less than anticipated expenditure by £144.1K</p> <p>In most of these cases, underspend is due to previous or current vacancies. In all cases where there are current vacancies recruitments are open. Some other underspend is due to a late invoice.</p>	<p>Monitor the situation</p> <p>Recruitment is currently in progress to try and fill the vacancies. Late invoices will be chased to aim to get them paid before the end of the financial year end.</p>	Kenny Macpherson	29/03/2024	Ongoing
R10O	<p>Cleaning Holding Account</p> <p>More than anticipated expenditure by £122.7K</p> <p>The unexpected overspend that has occurred in this service area is a reflection of December pay award.</p>	<p>Management input required</p> <p>This will require an adjustment to the budget.</p>	Kenny Macpherson	29/02/2024	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 £28.3K</p> <p>Main reasons for the variance are spend being behind budget and a vacancy creating staff cost underspend.</p>	<p>No action required</p> <p>The vacancy has now been filled and once the appointee starts the spend will normalise.</p>	Kenny Macpherson	29/03/2024	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 £57.3K</p> <p>Overspend in Corporate – General cost centre due to costs relating to COSLA Annual Subscription 2023/24 and Myjobscotland Subscription 2023/24.</p>	<p>Raise virements request</p> <p>Monitor the situation and transfer budget from underspend elsewhere if available to cover the overspend.</p>	Alex Rodwell	31/01/2024	Ongoing
R10J	<p>Corporate Priorities</p> <p>Less than anticipated expenditure by £36.7K</p> <p>Underspend is due to the changes to Trade Union arrangements that have altered spend required in this year. There are also staff vacancies.</p>	<p>No action required</p> <p>The situation will be monitored while recruitment to the vacant posts is currently in progress.</p>	Alex Rodwell	29/03/2024	New

Other Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R39C	<p>Miscellaneous Property</p> <p>More than anticipated expenditure by £16.0K</p> <p>Overspend is a reflection on rent & lettings and fees & charges being lower than profile. Rent & Lettings variance reflects lower than forecast income and can be affected by late payments. Fees and Charges are levied when enquiries are made or variations to agreements are needed, and therefore significantly dependent on tenant activity.</p>	<p>Monitor the situation</p> <p>Continue to monitor the situation, noting that late payments are followed up and that at end of year the profile may be reviewed to more accurately reflect the position.</p>	Kenny Macpherson	29/03/2024	Ongoing
R39D	<p>Payments to Joint Boards</p> <p>More than anticipated expenditure by £520.0K</p> <p>The requisition due by the Council to the Orkney and Shetland Valuation Joint Board for 2023/24 is profiled to be paid in March 2024, but was in fact paid in December 2023. This has resulted in an overspend showing against the budget profile.</p>	<p>Raise virements request</p> <p>A virement has been processed to reprofile the budget in line with the date when the requisition payment was made.</p>	Gavin Mitchell	31/01/2024	New

Other Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R39F	<p>Elections</p> <p>Less than anticipated expenditure by £13.3K</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 financial year.</p>	<p>Monitor the situation</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	29/03/2024	Ongoing
R39G	<p>Licensing</p> <p>More than anticipated income by £66.9K</p> <p>There is income received in relation to short-term let licence fees that had not been budgeted for. However, this income will now reduce due to the deadline having now passed for applications for existing operators.</p>	<p>Raise virements request</p> <p>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.</p>	Gavin Mitchell	31/01/2024	Ongoing
R39L	<p>Twinning</p> <p>Less than anticipated expenditure by £10.9K</p> <p>Spend has been controlled in the cost centre in the year to date. Costs have not been as high as previous years.</p>	<p>No action required</p> <p>Monitor the situation; any underspend at the year-end will be used to cover any overspends in other areas.</p>	Alex Rodwell	29/03/2024	New

Other Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R39M	<p>Community Councils</p> <p>Less than anticipated expenditure by £47.3K</p> <p>Underspend is due to Community Council clerk vacancies.</p>	<p>No action required</p> <p>Recruitment for the vacant posts is in progress.</p>	Alex Rodwell	29/03/2024	Ongoing
R39T	<p>Miscellaneous - OS</p> <p>Less than anticipated expenditure by £127.7K</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 is required to be repaid.</p>	<p>Raise virements request</p> <p>Virements to be processed, where appropriate.</p>	Pat Robinson	31/12/2023	Ongoing