

Item: 4

Asset Management Sub-committee: 1 November 2022.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 30 September 2022 across each of the service areas for which the Sub-committee is responsible.

2. Recommendations

The Sub-committee is invited to note:

2.1.

The revenue financial summary statement, in respect of service areas for which the Asset Management Sub-committee is responsible, for the period 1 July to 30 September 2022, attached as Annex 1 to this report, indicating a budget overspend position of £82,700.

2.2.

The revenue financial detail by service area statement, in respect of service areas for which the Asset Management Sub-committee is responsible, for the period 1 July to 30 September 2022, attached as Annex 2 to this report.

The Sub-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 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 July to 30 September 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

September 2022

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

Non-General Fund					
Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Sundry Accounts	121.5	190.3	(68.8)	63.8	0.0
Repairs & Maintenance	955.3	803.8	151.5	118.8	2,121.3
	1,076.8	994.1	82.7	108.3	2,121.3
Service Totals	1,076.8	994.1	82.7	108.3	2,121.3

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P05	P06		
Sundry Accounts	3	2	5	40%
Repairs & Maintenance	2	2	2	100%
Totals	5	4	7	57%

Annex 2: Financial Detail by Service Area**September 2022**

The following tables show the spending position by service function

Non-General Fund

		Spend	Budget	Over/(Under)	Spend	Annual
Sundry Accounts	PA	£000	£000	£000	%	Budget
						£000
Utilities Holding A/C	1B	113.6	159.4	(45.8)	71.3	0.0
Insurance Holding A/C		0.9	0.0	0.9	0.0	0.0
Telephones Holding A/C		(4.9)	1.7	(6.6)	N/A	0.0
Photocopiers Holding A/C	1B	8.0	22.3	(14.3)	36.1	0.0
Postages Holding A/C		3.9	6.9	(3.0)	56.5	0.0
Service Total		121.5	190.3	(68.8)	63.8	0.0

		Spend	Budget	Over/(Under)	Spend	Annual
Repairs & Maintenance	PA	£000	£000	£000	%	Budget
						£000
R & M General Fund	1B	642.3	568.0	74.3	113.1	1,711.7
Ground Maintenance	1B	313.0	235.8	77.2	132.7	409.6
Service Total		955.3	803.8	151.5	118.8	2,121.3
Service Total		955.3	803.8	151.5	118.8	2,121.3

Sundry Accounts

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R45C	<p>Utilities Holding A/C</p> <p>Less than anticipated expenditure by £45.8K</p> <p>This underspend was due to a delay in an invoice being processed within the month.</p>	<p>Monitor the situation</p> <p>Once the payments are completed the budget will realign. We are however also seeing variances in heating oil and vehicle fuel due to the market fluctuations.</p>	Kenny Macpherson	25/11/2022	Ongoing
R45G	<p>Photocopiers Holding A/C</p> <p>Less than anticipated expenditure by £14.3K</p> <p>Less volume printed but also some vendor errors in billing which are being resolved by the vendor</p>	<p>Monitor the situation</p> <p>Once the correct outstanding invoices are received, they will be processed which will reduce the anticipated underspend.</p>	Kenny Macpherson	30/11/2022	New

Repairs & Maintenance

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R41A	<p>R & M General Fund</p> <p>More than anticipated expenditure by £74.3K</p> <p>Some budgets are reporting a spend ahead of profile which is indicative of pressure on these budgets given the size of the asset base they cover, increased costs of materials also being a factor.</p>	<p>Monitor the situation</p> <p>It has been decided to restrict spend only to agreed tasks already committed which will allow the budget to become back on track. However, spend will still be required in regard to necessary and emergency repairs.</p>	Kenny Macpherson	31/03/2023	Ongoing
R41G	<p>Ground Maintenance</p> <p>More than anticipated expenditure by £77.2K</p> <p>Expenditure as expected - annual grounds maintenance costs are not a linear profile as the level of services required are more significant during the period May to Sept. Note also that the monthly payments are index linked so inflationary uplift will be greater than anticipated at start of year.</p>	<p>No action required</p> <p>It was anticipated that spend would come back into line with profile by the end of the financial year as activities reduce for the winter. However, due to current levels of inflation, it is expected that the monthly payments will now be higher than originally expected leading to a possible overspend by year-end.</p>	Lorna Richardson	31/10/2022	Ongoing