

Item: 4.2

Policy and Resources Committee: 19 February 2019.

Revenue Expenditure Monitoring – Summary.

Report by Head of Finance.

1. Purpose of Report

To advise of the summary revenue position as at 31 December 2018 across General and Non-General Fund service areas.

2. Recommendations

The Committee is invited to note:

2.1.

The summary revenue expenditure statement for the period 1 April to 31 December 2018, attached as Annex 1 to this report, indicating the following:

- A total General Fund underspend of £370,000.
- A surplus in Sources of Funding of £140,300.
- A net Non-General Fund deficit of £3,505,800.

2.2.

The financial detail across individual Sources of Funding for the period 1 April to 31 December 2018, including significant variances identified as Priority Actions, 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 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 revenue expenditure summary statement is attached as Annex 1 to this report.

4.2.

The financial detail across individual Sources of Funding, including significant variances identified as Priority Actions, 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 31 December 2018 is as follows:

- £1,094,100 across General Fund Services which would change the current underspend position to an overspend of £583,800.
- £125,000 across Non-General Fund Services which would increase the current deficit position to £3,630,800.

7. Legal Aspects

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

8. Contact Officer

Gareth Waterson, Head of Finance, extension 2103, Email gareth.waterson@orkney.gov.uk

9. Annexes

Annex 1: Financial summary.

Annex 2: Financial details by Sources of Funding.

Annex 3: Budget Action Plan.

Annex 1: Revenue Expenditure Summary

General Fund Service Area	Spend £000	Budget £000	Over/Under Spend		Annual Budget £000
			£000	%	
Roads	2,495.0	1,762.9	732.1	141.5	2,964.4
Transportation	3,007.7	3,012.8	-5.1	99.8	6,584.7
Operational Environmental Services	1,226.7	1,237.2	-10.5	99.2	2,312.6
Environmental Health & Trading Standards	496.5	499.7	-3.2	99.4	865.3
Development	1,359.6	1,471.6	-112.0	92.4	2,271.8
Planning	443.8	421.6	22.2	105.3	930.8
Development & Infrastructure	9,029.3	8,405.8	623.5	107.4	15,929.6
Education	21,970.4	22,304.2	-333.8	98.5	31,217.3
Leisure & Cultural Services	2,785.1	2,778.8	6.3	100.2	4,156.2
Other Housing	1,111.4	1,163.1	-51.7	95.6	1,500.5
Education, Leisure & Housing	25,866.9	26,246.1	-379.2	98.6	36,874.0
Social Care	12,160.2	12,130.3	29.9	100.2	18,989.9
Orkney Health & Care	12,160.2	12,130.3	29.9	100.2	18,989.9
Central Administration	6,343.1	6,872.2	-529.1	92.3	113.2
Law, Order & Protective Services	45.3	57.1	-11.8	79.3	112.2
Other Services	1,854.0	1,957.3	-103.3	94.7	11,793.7
Policy & Resources	8,242.4	8,886.6	-644.2	92.8	12,019.1
Total Service Spending	55,298.8	55,668.8	-370.0	99.3	83,812.6
Sources of Funding					
Non-Domestic Rates	-7,032.0	-7,032.0	0.0	100.0	-9,376.0
Council Tax	-7,087.1	-6,946.8	-140.3	102.0	-8,851.0
Revenue Support Grant	-44,292.0	-44,292.0	0.0	100.0	-59,135.7
Movement in Reserves	-4,962.2	-4,962.2	0.0	100.0	-6,449.9
Total Income	-63,373.3	-63,233.0	-140.3	100.2	-83,812.6
Net Service Spending	-8,074.5	-7,564.2	-510.3	106.7	0.0

Annex 1: Revenue Expenditure Summary

<u>Non-General Fund</u> Service Area	Spend	Budget	Over/Under Spend		Annual
	£000	£000	£000	%	Budget
					£000
Sundry Accounts	151.0	295.8	-144.8	51.0	0.0
Repairs & Maintenance	-733.5	-790.5	57.0	92.8	0.0
Asset Management Sub-Committee	-582.5	-494.7	-87.8	117.7	0.0
Housing Revenue Account	-1,058.9	-992.4	-66.5	106.7	0.0
Orkney College	107.9	-17.2	125.1	-627.3	0.0
Education, Leisure & Housing	-951.0	-1,009.6	58.6	94.2	0.0
Scapa Flow Oil Port	-1,831.7	-1,622.5	-209.2	112.9	-1,257.3
Miscellaneous Piers & Harbours	-1,650.2	-1,044.7	-605.5	158.0	520.9
Harbour Authority Sub-Committee	-3,481.9	-2,667.2	-814.7	130.5	-736.4
Strategic Reserve Fund	-15.8	-4,365.5	4,349.7	0.4	-6,849.5
Investments Sub-Committee	-15.8	-4,365.5	4,349.7	0.4	-6,849.5
Net Service Spending	-5,031.2	-8,537.0	3,505.8	58.9	-7,585.9

Annex 2: Financial Detail by Service Area

The following table shows the spending position by service function.

Source of Funding	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Non-Domestic Rates		-7,032.0	-7,032.0	0.0	100.0	-9,376.0
Council Tax	1C	-7,087.1	-6,946.8	-140.3	102.0	-8,851.0
Revenue Support Grant		-44,292.0	-44,292.0	0.0	100.0	-59,135.7
Movement in Reserves		-4,962.2	-4,962.2	0.0	100.0	-6,449.9
Service Total		-63,373.3	-63,233.0	-140.3	100.2	-83,812.6

Changes in original budget position:

Original Net Budget						- 82,022.2
Access to Free Sanitary Products - Schools					- 7.7	
School Clothing Grant					-10.0	
WSA Youth Justice					-25.0	
Access to Free Sanitary Products – Public Bodies					- 6.0	
Free Child Burials					-1.0	
RRTP Homelessness					-30.0	
Redeterminations						- 79.7
Customer Services Platform					-135.3	
Integra System Development					- 48.7	
HR System Development					- 62.7	
EDRMS (Electronic Document Records Management System)					- 61.5	
Key Management Project					- 5.0	
Innovation Fund						- 313.2
Kirkwall THI					- 169.4	
Kirkwall THI Training					- 29.8	
RRR Fund						- 199.2
Kirkwall Bid					- 11.5	
Orkney Digital Media Project					- 43.1	
Business Gateway ERDF					- 33.7	
Economic Development Grants Fund						- 88.3
Office 365 Project					- 47.6	
Pathfinder Project					- 60.6	
Repairs and Renewals Fund						- 108.2
Integrated Waste Facility Feasibility					- 31.1	
Roads Project Fund						- 31.1
Empowering Communities					- 96.4	
Sustainable Communities Fund						- 96.4
Contribution to Education					- 453.2	
Contribution to OHAC					- 411.1	
Out of Orkney Placement Fund						- 864.3
Local Works and Services Fund					-10.0	
Local Works and Services Fund						- 10.0
Revised Net Budget						-83,812.6

Annex 3: Budget Action Plan

Sources of Funding

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R37C	Council Tax More than anticipated income by £140.3K Council Tax collected exceeds budget profile.	Monitor the situation No action required at present.	Gareth Waterson	31/03/2019	Ongoing