

Item: 4

Asset Management Sub-committee: 30 August 2022.

Revenue Expenditure Outturn.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue outturn position for financial year 2021/22 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 expenditure outturn statement in respect of service areas for which the Asset Management Sub-committee is responsible for financial year 2021/22, attached as Annex 1 to this report, indicating an underspend of £338,300.

The Sub-committee is invited to scrutinise:

2.2.

The explanations given, and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 2 to this report, in order to obtain assurance that appropriate action was taken with regard to significant budget variances.

3. Background

3.1.

On 2 March 2021, the Council set its overall revenue budget for financial year 2021/22. On 20 April 2021, the Council 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 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.

4. Financial Summary

4.1.

The revenue expenditure outturn statement is attached as Annex 1 to this report.

4.2.

The Budget Action Plan, attached as Annex 2 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 outturn statements include a number of accounting entries required to comply with proper accounting practice, including International Financial Reporting Standards. This includes accounting for the use of fixed assets, for example depreciation and revaluations, current service cost of pensions and accumulated staff absences.

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: Revenue Expenditure Outturn Statement.

Annex 2: Budget Action Plan.

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2021 to 2022

	Spend	Budget	Over/Under		Annual
	£000	£000	£000	%	£000
General Fund Services					
Repairs and Maintenance	2,167.9	2,167.9	0.0	100.0	2,167.9
Sundry Accounts	4,698.0	4,359.7	338.3	107.8	4,359.7
Service Totals	6,865.9	6,527.6	338.3	105.2	6,527.6

	PA	Spend	Budget	Over/Under		Annual
		£000	£000	£000	%	£000
Repairs and Maintenance						
Repairs and Maintenance General Fund		1,765.3	1,765.3	0.0	100.0	1,765.3
Ground Maintenance		402.6	402.6	0.0	100.0	402.6
Service Totals		2,167.9	2,167.9	0.0	200.0	2,167.9

Budget Summary

Original Net Budget	2,097.4
<i>Transfer to Reserves:</i>	
Contribution from Repairs and Renewals Fund for Property Maintenance	72.9
Contribution from General Fund Services R&R Fund	0.4
Contribution to Repairs and Renewals Fund for Ground Maintenance	(2.8)
Revised Budget	2,167.9

Property Maintenance Fund (Part of Repairs & Renewals Fund)

Opening Balance 1 April 2021	(72.9)
Financial Year 2021/22 Deficit	72.9
Closing Balance as at 31 March 2022	0.0

Ground Maintenance Fund (Part of Repairs & Renewals Fund)

Opening Balance 1 April 2021	(42.2)
Financial Year 2021/22 Surplus	(2.8)
Closing Balance as at 31 March 2022	(45.0)

	PA	Spend	Budget	Spend	%	Budget
		£000	£000	£000		£000
Sundry Accounts						
Utilities Holding A/C	1b	3,724.7	3,349.6	375.1	111.2	3,349.6
Insurance Holding A/C		839.0	810.0	29.0	103.6	810.0
Telephones Holding A/C	1b	54.5	77.7	(23.2)	70.1	77.7
Photocopiers Holding A/C		42.2	47.4	(5.2)	89.0	47.4
Postages Holding A/C	1b	37.6	75.0	(37.4)	50.1	75.0
Service Totals		4,698.0	4,359.7	338.3	107.8	4,359.7

Annex 2: Budget Action Plan

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R45C	Utilities Holding A/C	MacPherson, Kenny	Rising fuel costs throughout 2021/22 has put pressure on budget. Council has expended 13% more on utilities than pre-COVID levels.	Monitor.
R45F	Telephones Holding A/C	MacPherson, Kenny	This is due to the different charging involved with the new telephone system.	Monitor the situation and plan Budget Adjustments for next year if appropriate
R45H	Postages Holding A/C	Greaves, Karen	Reduction in postage during pandemic and replacement franking machine started with a large credit.	Monitor the situation.