

Item: 4

Asset Management Sub-committee: 31 January 2019.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 31 December 2018 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 April to 31 December 2018, attached as Annex 1 to this report, indicating a budget surplus position of £87,800.

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 April to 31 December 2018, 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 in order 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 shown in Annex 2. 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 financial summary for the period 1 April to 31 December 2018 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

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 service area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary

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

Service Area	Spend	Budget	Over/Under Spend		Annual Budget £000
	£000	£000	£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
Service Totals	-582.5	-494.7	-87.8	117.7	0.0

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P08	P09		
Sundry Accounts	3	4	5	80%
Repairs & Maintenance	2	2	2	100%
Totals	5	6	7	86%

Annex 2: Financial Detail by Service Area

The following tables show the spending position by service function

Sundry Accounts	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Utilities Holding A/C	1B	0.0	159.9	-159.9	0.0	0.0
Insurance Holding A/C	1B	114.5	93.7	20.8	122.2	0.0
Telephones Holding A/C	1B	14.4	0.8	13.6	1,854.8	0.0
Photocopiers Holding A/C	1B	21.3	34.7	-13.4	61.4	0.0
Postages Holding A/C		0.8	6.7	-5.9	11.6	0.0
Service Total		151.0	295.8	-144.8	51.0	0.0

Repairs & Maintenance	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
R & M General Fund	1C	-669.6	-736.8	67.2	90.9	0.0
Ground Maintenance	1B	-63.9	-53.7	-10.2	119.0	0.0
Service Total		-733.5	-790.5	57.0	92.8	0.0

Annex 3: Budget Action Plan

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 £159.9K</p> <p>The final account work between officers and the utilities is concluded and expenditure (invoices) should be lower than budget.</p>	<p>Monitor the situation</p> <p>Noted that this work is not complete and although there is a positive and likely underspend, this is the best-case scenario. A £50k budget reduction is thought to be realistic at this stage and will be refined over the next reporting periods.</p>	Darren Richardson	31/03/2019	Ongoing
R45E	<p>Insurance Holding A/C</p> <p>More than anticipated expenditure by £20.8K</p> <p>Additional premiums have been paid following a review of port liability insurance.</p>	<p>Raise virements request</p> <p>Virement to be raised to increase the budget in line with expenditure.</p>	Gareth Waterson	31/01/2019	New
R45F	<p>Telephones Holding A/C</p> <p>More than anticipated expenditure by £13.6K</p> <p>Some of the re-charges for the One-Bill have not been processed in time for the end of month, but this will post next month and normalise the overall position.</p>	<p>Process transactions</p> <p>Ensure the transactions are processed</p>	Hayley Green	28/02/2019	New

Annex 3: Budget Action Plan

Sundry Accounts

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R45G	<p>Photocopiers Holding A/C</p> <p>Less than anticipated expenditure by £13.4K</p> <p>Underspend is due to bills received out of synch with the profiled budget expenditure. Bills are based on actual readings and a reduction in cost could imply a reduction in printing, which would be logical given the significant adoption of mobile technology over the last 6 months.</p> <p>There are also some printers across the organisation that are not accounted for in this budget code so further investigation will be needed before this can be confirmed.</p>	<p>Monitor the situation</p> <p>Situation will be monitored, and work carried out to better match the profile for 2019/20.</p> <p>Use of printing to be reviewed as resources allow.</p>	Hayley Green	31/03/2019	Ongoing
R41A	<p>R & M General Fund</p> <p>More than anticipated expenditure by £67.2K</p> <p>Ongoing adjustments to the workload as year-end is approached will see the Repairs and Maintenance Account balancing closely to zero.</p>	<p>Monitor the situation</p> <p>A detailed review of the final months planned spend has been completed and adjustment made to planned issue of works to the end of March. It is noted that the quarries and headstone works sit in the Repairs and Maintenance Account and may require transferring to client budgets at year-end.</p>	Darren Richardson	31/03/2019	Ongoing

Annex 3: Budget Action Plan

Repairs & Maintenance

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R41G	Ground Maintenance Less than anticipated expenditure by £10.2K Progress does not match profile. Will be complete and on budget by year end.	Manage income/expenditure No action required/possible.	Brian Archibald	31/03/2019	Ongoing