

Item: 4.1

Policy and Resources Committee: 20 September 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 in respect of each of the service areas for which the Committee is responsible.

2. Recommendations

The Committee is invited to note:

2.1.

The revenue expenditure outturn statement in respect of the undernoted services for financial year 2021/22, attached as Annex 1 to this report, indicating a surplus position of £2,403,400:

- Central Administration.
- Law, Order and Protective Services.
- Other Services.

The 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 £000	Budget £000	Over/(Under)		Annual Budget £000
			Spend £000	%	
General Fund Services					
Central Administration	78.4	45.1	33.3	173.7	45.1
Law, Order and Protective	668.9	677.7	-8.8	98.7	677.7
Other Services	8,546.3	10,974.1	-2,427.8	77.9	10,974.1
Service Totals	9,293.5	11,696.9	-2,403.4	79.5	11,696.9

	PA	Spend £000	Budget £000	Over/(Under)		Annual Budget £000
				Spend £000	%	
Central Administration						
Chief Executive		276.0	268.9	7.1	102.6	268.9
Corporate Services	1b	622.0	469.6	152.4	132.5	469.6
Finance	1b	239.4	390.8	-151.4	61.3	390.8
Development and Infrastructure	1b	468.5	551.7	-83.2	84.9	551.7
I.T. and Facilities		330.4	361.0	-30.6	91.5	361.0
Legal Services		147.7	140.4	7.3	105.2	140.4
Movement in Reserves	1c	-2,417.2	-2,548.9	131.7	94.8	-2,548.9
Cleaning Holding Accounts		411.6	411.6	0.0	100.0	411.6
Service Totals		78.4	45.1	33.3	173.7	45.1

Budget Summary

Original Net Budget	0.0
Repairs and Renewals Fund - Pathfinder	45.1
	<u><u>45.1</u></u>

Movement in Reserves Statement

IFRS Accounting Entries	-2,562.1
Widford Hill Mast contribution to Repairs and Renewals Fund	13.2
Contribution to R&R Fund	132.0
	<u><u>-2,416.9</u></u>

	PA	Spend £000	Budget £000	Over/(Under)		Annual Budget £000
				Spend £000	%	
Law, Order and Protective Services						
Civil Contingencies		688.3	697.1	-8.8	98.7	697.1
Movement in Reserves		-19.4	-19.4	0.0	100.0	-19.4
Service Totals		668.9	677.7	-8.8	98.7	677.7

Budget Summary

Original Net Budget	117.9
COVID Funding (Hardship Fund and Scottish Government)	562.1

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

Re-align Central Administration Apportioned Costs	-2.3
	677.7
Movement in Reserves Statement	
IFRS Accounting Entries	-19.4
	-19.4

		Spend	Budget	Over/(Under)		Annual
Other Services	PA	£000	£000	£000	%	£000
Corporate Management		2,561.1	2,610.7	-49.6	98.1	2,610.7
Corporate Priorities	1b	583.8	2,055.9	-1,472.1	28.4	2,055.9
Area Support Team (CP)		13.7	15.7	-2.0	87.5	15.7
Registration		45.8	52.8	-7.0	86.7	52.8
Miscellaneous Property		211.0	211.5	-0.5	99.8	211.5
Payments to Joint Boards	1b	486.1	434.2	51.9	112.0	434.2
Local Works and Services		3.0	3.0	0.0	98.8	3.0
Elections		112.6	104.8	7.8	107.4	104.8
Licensing	1b	25.5	13.4	12.1	190.3	13.4
Grants		380.6	375.2	5.4	101.4	375.2
Publicity		15.8	16.0	-0.2	98.6	16.0
Twinning		0.0	-0.4	0.4	n/a	-0.4
Community Councils	1b	356.8	406.0	-49.2	87.9	406.0
Accounting for Pensions		-289.4	-289.7	0.3	99.9	-289.7
Interest on Loans and Balances	1b	-117.1	-372.0	254.9	31.5	-372.0
Miscellaneous - OS	1b	1,297.5	1,530.2	-232.7	84.8	1,530.2
Movement in Reserves	1b	1,967.9	-92.8	2,060.7	n/a	-92.8
Non Distributed Costs		92.1	92.1	0.0	100.0	92.1
Cost of Collection		400.5	413.2	-12.7	96.9	413.2
Finance Charges	1b	399.0	3,394.3	-2,995.3	11.8	3,394.3
Service Totals		8,546.3	10,974.1	-2,427.8	77.9	10,974.1

Budget Summary

Original Net Budget	11,022.9
Our Islands Our Future from RRR Fund	112.5
Contribution to Willow Tree Nursery from Contingency	-170.0
Redetermination - Additional General Revenue Grant	280.0
Budget from Planning for Procurement	9.3
Voluntary Action Orkney Contribution from Redetermination Flexibility Fund	300.0
Contingency Contribution - Flotta School	-110.0
Contingency - charging for bins	-10.0
Redetermination - Free Child Burials	1.0
Redetermination - Funding Pressure	210.0

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

Redetermination - Reduce Free School Meals	-17.0
Redetermination - BS Admin Grant	23.0
Redetermination - Reduce School Clothing	-20.0
Redetermination of Local Self Isolation	36.0
Redetermination of SNCT	41.0
Redetermination of National Trauma Training	50.0
Realign RSG budget	0.3
Contingency Contribution to Emergencies	-366.3
Contingency Contribution to Change Programme	-40.3
Contingency Contribution to St Magnus Cathedral cleaning	-4.3
Contingency Contribution to Braeburn Court	-452.1
Contingency Contribution to Community Schools (Community Assocs)	-18.0
Contingency Contribution to OHAC	-3.9
Business Support Fund Contribution to 1hr free parking	100.0
	<u>10,974.1</u>

Movement in Reserves Statement

IFRS Accounting Entries	-1,013.8
<u>Transfer to Reserves:</u>	
Contribution to SIP Life Cycle Fund	251.2
Contribution to Crown Estates Fund	858.2
Contribution to Repairs and Renewals Fund - Vehicles	130.1
Contribution to IJB GF Fund - Benefits	500.0
Contribution to Repairs and Renewals Fund - Benefits	8.0
Contribution to Capital Projects Appraisal Fund	200.0
Contribution to Out of Orkney Placements Fund	787.6
Contribution to Repairs and Renewals Fund for surplus on Grounds Maintenance	2.8
COVID-19 Redeterminations carry forward	381.8
Business Support & Low income redetermination carry forward	548.0
<u>Transfer from Reserves:</u>	
Contribution from Repairs and Renewals Fund for Nordic Sea	-273.8
Contribution to Capital Programme	-338.9
Contribution from Repairs and Renewals Fund for Repairs and Maintenance	-73.3
	<u>1,967.9</u>

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

Sources of Funding	PA	Income	Budget	Over/Under		Annual
		£000	£000	£000	%	Budget
				Spend		£000
Non-Domestic Rates		-9,788.0	-9,788.0	0.0	100.0	-9,788.0
Council Tax		-10,091.6	-10,059.4	0.0	100.3	-10,059.4
Revenue Support Grant		-67,581.0	-67,581.0	-32.2	100.0	-67,581.0
Use of Balances		-10,752.4	-10,249.7	0.0	104.9	-10,249.7
Service Totals		-98,213.0	-97,678.1	-32.2	100.5	-97,678.1

Budget Summary

Original Net Budget	-91,206.5
Redetermination - Additional £40m GRG Funding	(280.0)
Redetermination - Summer of Play Activities for Children and Young People	(68.0)
Redetermination - Low Income Pandemic Payment	(190.1)
Redetermination - Phase 1 Universal Free School Meals and Phase 2 School Meals Holiday	(155.0)
Redetermination - First 100 days	(241.0)
Redetermination - COVID additional staff funding	(246.0)
Redetermination - Family Pandemic Support	(47.8)
Redetermination - Living Wage Health and Social Care	(138.8)
Scottish Government Grant - School Clothing	(40.0)
Redetermination - Free Child Burials	(1.0)
Redetermination - Teacher Induction Scheme - admin costs	1.0
Scottish Government Grant - School Clothing	20.0
Removal of Fees for Instrumental Music Tuition	(13.0)
Removal of Core Curriculum Charges	(16.0)
Scottish Child Payment Bridging Payments	(95.0)
Redetermination - Implementation of National Trauma Training Programme	(50.0)
Scottish Disability Assistance	(10.0)
Mental Health Recovery and Renewal	(15.0)
Care at Home Winter Planning	(271.0)
Interim Care Winter Planning	(175.0)
Funding for Pressures	(210.0)
Social Care Workforce Uplift	(112.0)
Teacher Induction Scheme	(78.0)
Redetermination Correction to Additional Free School Meals to cover Dec/Jan holidays	17.0
Redetermination - Local Self Isolation Assistance Service	(36.0)
Redetermination - Tenant Grant Fund	(22.0)
Redetermination - COVID-19 Business Support Admin Grant 2021-22	(23.0)
Redetermination - CO2 monitors	(15.0)
Redetermination - Financial Insecurity Flexible Funding	(74.0)
Redetermination - Whole Family Wellbeing	(7.0)
Redetermination - FWES Employability	(298.0)
Redetermination - Telecare Fire Safety	(4.0)
Redetermination - SNCT	(41.0)
Redetermination - Business Support & Low Income Household	(548.0)
Realign General Revenue Grant budget	(0.3)

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

Redeterminations		(3,483.0)
Additional Teachers	(100.2)	
Digital Inclusion	(58.0)	
Home Learning	(34.0)	
Support Staff and Teachers	(218.0)	
Children and Young People's Mental Health	(63.0)	
Community Consultation Project	(5.0)	
Educational Psychologist	(2.0)	
Voluntary Action Orkney Contribution	(207.4)	
PESF Boost	(47.0)	
C/Fwd SG COVID grants	381.8	
Contribution to Education	(248.6)	
Redetermination Flexibility Fund		(601.4)
Climate Change	(46.5)	
Marine Planning	(20.0)	
Grant from Crown Estate Fund	(42.3)	
Crown Estate Fund		(108.8)
Environmental Designations	0.0	
Our Islands Our Future	(87.1)	
RRR Fund		(87.1)
Kirkwall BID	(9.8)	
CDF Grant	(118.1)	
Economic Development Grants Fund		(127.9)
Willow Tree Nursery	(60.0)	
Roads Improvement Programme	(600.3)	
Pathfinder	(45.1)	
Willow Tree Nursery	(80.0)	
Repairs and Renewal Fund		(785.4)
Contribution to Education	(199.9)	
Contribution to OHAC	(440.7)	
Out of Orkney Placements Fund		(640.6)
North Isles Landscape Development Phase	(38.1)	
Strategic Reserve Fund		(38.1)
Contribution to GF	(3.0)	
Local Works & Services Fund		(3.0)
Island Games Contribution	(6.2)	
Business Hardship Support Grant	(577.6)	
Business Support Fund		(583.8)
Integrated Waste Facility	(12.5)	
Capital Projects Appraisals Fund		(12.5)
Revised Net Budget		<u><u>-97,678.1</u></u>

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>
R10B	Corporate Services	Greaves, Karen	Costs associated with staffing.	No further action.
R10C	Finance	Knight, Erik	Staff vacancies together with an underspend on Supplies and Services and Administration during the year are the main contributors to the underspend position. Interim senior management arrangements were implemented in 2021 while a higher than normal level of staff turnover was also experienced during the year.	Recruitment to vacant posts commenced early 2022 as the internal senior management restructure exercise was duly approved. Due to the lead-in time to recruit to vacant posts an outturn underspend position was forecast for the year.
R10D	Development & Infrastructure	Macpherson, Kenny	Underspend is due mainly to the current vacancies which we are now endeavouring to fill and the profile of the supplies and services budget which does not meet the actual timings of the various components that are charged to the code, and the costs for various annual licences.	Budget will continue to be monitored over the coming months with supplies and services anticipated to come back in line as services get invoiced. There will continue to be an underspend in the staffing budget by the number of months that posts remain unfilled.
R10U	Movement in Reserves	Knight, Erik	Year end reserve fund movements not budgeted.	No action required
R10J	Corporate Priorities	Greaves, Karen	Unbudgeted Crown Estate funding from the Scottish Government.	Year-end contribution to the Crown Estate Fund.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R39D	Payments to Joint Boards	Mitchell, Gavin	This was a timing issue in that the Orkney and Shetland Valuation Joint Board had delayed setting its budget for financial year 2021/22, and, as such, it was not possible to reflect the Council's share of the budget growth in the Council's budget. The delay was attributable to the provision of support services to the VJB transferring from Shetland Islands Council to Orkney Islands Council at that time along with the implementation by the VJB of a revised pay and grading model.	Monitor the situation and aim to bring the budget setting timetable for the VJB back into line with the Council's.
R39G	Licensing	Mitchell, Gavin	Restrictions in place due to pandemic resulted in a reduction in the number of licences being renewed or applied for across a range of activities and a consequent reduction in income.	Monitor the situation over the coming months with the position anticipated to improve as legal restrictions affecting licensing have now been removed.
R39M	Community Councils	Greaves, Karen	Variance due to vacant hours in staffing budget.	Recruitment to vacant hours will commence as soon as practicable.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R39S	Interest on Loans and Balances	Knight, Erik	Interest earned on reserves and balances was lower than anticipated due to the current low interest rate environment.	Although interest rates are starting to rise, this will in part be offset by the Reserves Strategy which set a target at 3% of the Net Revenue budget for General Fund balances. This change in direction will need to be factored into budget setting process for financial year 2023/24.
R39T	Miscellaneous - OS	Knight, Erik	Underspend on apportioned costs can be attributed to the number of staff vacancies being carried by central support services during the year.	It is anticipated that this underspend will diminish as the central support services get back to a full staffing complement in the second half of financial year 2022/23.
R39U	Movement in Reserves	Knight, Erik	Accounting for the use of fixed assets, including the application of depreciation.	Capital grants and receipts are not recognised as part of the Council's funded revenue budget position. Recurring slippage on the capital programme has also contributed to an underspend position on loan charges. Due to the impact of recurring slippage on the capital programme and uncertainties associated with the financial pressures facing the Council over the short to medium term the option to accelerate the repayment of debt was not exercised at the end of financial year 2021/22.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R39Y	Finance Charges	Knight, Erik	Accounting for the use of fixed assets, including the application of capital receipts and grants to fund capital expenditure during the year. This has also been offset in part by an underspend on interest and debt management charges in the year.	Capital grants and receipts are not recognised as part of the Council's funded revenue budget position. Recurring slippage on the capital programme has also contributed to an underspend position on loan charges.