

POLICY AND RESOURCES COMMITTEE: 22 SEPTEMBER 2015

**SUMMARY EXPENDITURE OUTTURN MONITORING REPORT
FOR FINANCIAL YEAR 2014/15**

**JOINT REPORT BY CHIEF EXECUTIVE AND
EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

1. PURPOSE OF REPORT

- 1.1 To advise of the revenue outturn position across General Fund and Non-General Fund Service Areas for financial year 2014/15.

2. RECOMMENDATIONS

The Committee is invited to note:-

- 2.1 the revenue expenditure outturn statement in respect of the General Fund for financial year 2014/15, indicating:
- 2.1.1 a total General Fund overspend of £3,487,000;
 - 2.1.2 a surplus in Sources of Funding of £127,000; and
 - 2.1.3 a net General Fund overspend of £3,360,000;
- 2.2 that the General Fund overspend position, referred to at paragraph 2.1 above, arises on account of a transfer of £3,360,000 from non-earmarked reserves to earmarked reserves;
- 2.3 that the General Fund was in balance before accounting for the transfer of reserves referred to at paragraph 2.2 above;
- 2.4 the revenue expenditure outturn statement for financial year 2014/15, indicating a net Non-General Fund underspend of £1,437,000;
- 2.5 the significant revenue budget variances across the individual Sources of Funding identified as Priority 1 Actions and detailed in Annex 2 to this report; and
- 2.6 the explanations given and actions proposed, in respect of the significant budget variances, referred to at paragraph 2.5 above, as outlined in the Budget Action Plan attached as Annex 3 to this report.

3. POLICY ASPECTS

- 3.1 This report relates to the Council complying with its governance and financial processes and procedures and therefore does not relate specifically to progressing the Council's priorities.

4. INTRODUCTION

- 4.1 At its Special General Meeting held on 13 February 2014, as part of the budget setting process for 2014/15, the Council agreed the Revenue Estimates, Council Tax level and the contribution from General Fund Reserves for financial year 2014/15. The approved budget for financial year 2014/15 served to meet the requirement for the Council to set a balanced budget.
- 4.2 On 12 February 2015, when setting the budget for 2015/16, the Council agreed that the following allocations be made from the non-earmarked General Fund balance of £8.627m:-
- 4.2.1 the establishment of an Insurance Fund with a contribution of £1.000m;
 - 4.2.2 the establishment of a Workforce Management Fund with a contribution of £1.000m;
 - 4.2.3 the re-designation of the Spend to Save Development Fund as the Innovation Fund together with a contribution of £1.000m.
 - 4.2.4 the establishment of a Local Works and Services Contingency Fund with a contribution of £0.200m;and
 - 4.2.5 the establishment of a Bellwin Scheme Fund with a contribution of £0.160m;
- 4.3 Although the allocation of £3,360,000 was part of the budget setting process for 2015/16, it is reflected in the General Fund expenditure for the year as unbudgeted expenditure to disclose the movement in reserves as an “above the line” entry in the Council’s accounts. This is an accounting entry that creates the reported “overspend” position relative to the approved budget for financial year 2014/15.

5. BACKGROUND

- 5.1 Individual revenue expenditure monitoring reports (REMRs) are circulated as briefing reports every month in order to inform committee members of the up to date financial position. From this committee cycle onwards quarterly REMRs are being presented to individual service committees. This quarterly report replaces the need for monthly budget briefings this reporting period.
- 5.2 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.
- 5.3 Material variances are identified automatically as Priority Actions (PAs) within individual budget cost centres according to the following criteria:-
- 5.3.1 £10,000 **and** 10% more or less than Anticipated position;
 - 5.3.2 £50,000 more or less than Anticipated position.
- 5.4 Priority Actions can be identified at the Service Function level according to the same criteria and these have been reported to every service committee accordingly.

5.5 In terms of this summary report, a statement of the General Fund Sources of Funding is given 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 Annex 3.

6. FINANCIAL SUMMARY

6.1 Annex 1 provides the detailed position by Service Committee by Service Area across the General Fund. The table below provides a summary of the position across all Service Committees.

<u>General Fund</u>	Actual Net Spend £000	Anticipated Net Spend £000	Over/Under Spend		Annual Net Budget £000
Service Committee			£000	%	
Development and Infrastructure	18,907	19,306	-399	97.9	19,306
Education, Leisure and Housing	34,267	33,982	285	100.8	33,982
Orkney Health and Care	17,567	17,312	255	101.5	17,312
Policy and Resources	13,246	9,900	3,346	133.8	9,900
Total Service Spending	83,987	80,500	3,487	104.3	80,500
Sources of Funding					
Non-Domestic Rates	-9,604	-9,604	0	100.0	-9,604
Council Tax	-7,749	-7,622	-127	101.7	-7,622
Revenue Support Grant	-59,398	-59,398	0	100.0	-59,398
Movement in Reserves	-3,876	-3,876	0	100.0	-3,876
Total Income	-80,627	-80,500	-127	100.2	-80,500
Net Service Spending			3,360		

6.2 Non-General Fund spending is summarised in the table below:-

<u>Non-General Fund</u>	Actual Net Spend £000	Anticipated Net Spend £000	Over/Under Spend		Annual Net Budget £000
			£000	%	
Development and Infrastructure	-41	1,403	-1,444	-2.9	1,403
Education, Leisure and Housing	127	120	7	105.8	120
Net Service Spending	86	1,523	-1,437	5.6	1,523

7. FINANCIAL IMPLICATIONS

- 7.1 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.
- 7.2 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.
- 7.3 On 9 December 2014, the Council agreed that powers be delegated to the Head of Finance to amend the budget to reflect any gross revenue grant redeterminations.
- 7.4 A General Fund Revenue Budget for 2014/15 of £80.717M was reported to the Policy and Resources Committee on 15 April 2014. Since that date, additional revenue grant of £0.411M has been received from the Scottish Government; and there has been a removal of previous council tax benefits no longer treated as income of £0.628M. In terms of the delegation referred to at section 7.3 above, the Head of Finance will amend the budget accordingly.

8. LEGAL ASPECTS

- 8.1 Financial monitoring and reporting helps the Council meet its obligation to secure best value.

9. CONTACT OFFICERS

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10. ANNEXES

- 10.1 Annex 1: Summary Revenue Expenditure Outturn Statement for 2014/15
- 10.2 Annex 2: Revenue Income Statement for 2014/15
- 10.3 Annex 3: Budget Action Plan

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2014/15

<u>General Fund</u>	Actual Net Spend £000	Anticipated Net Spend £000	Over/Under Spend		Annual Net Budget £000
Service Area			£000	%	
Roads	3,925	3,925	0	100.0	3,925
Transportation	9,425	9,418	7	100.1	9,418
Operational Environmental Services	2,563	2,327	236	110.1	2,327
E/Health and Trading Standards	734	777	-43	94.5	777
Development	1,512	2,079	-567	72.7	2,079
Planning	748	780	-32	95.9	780
Development and Infrastructure	18,907	19,306	-399	97.9	19,306
Education	28,641	28,477	164	100.6	28,477
Leisure and Cultural Services	4,240	4,065	175	104.3	4,065
Other Housing	1,386	1,440	-54	96.3	1,440
Education, Leisure and Housing	34,267	33,982	285	100.8	33,982
Social Care	17,567	17,312	255	101.5	17,312
Orkney Health and Care	17,567	17,312	255	101.5	17,312
Central Administration	0	0	0	n/a	0
Law, Order and Protective Services	90	91	-1	98.9	91
Other Services	13,156	9,809	3,347	134.1	9,809
Policy and Resources	13,246	9,900	3,346	133.8	9,900
Total Service Spending	83,987	80,500	3,487	104.3	80,500
Sources of Funding					
Non-Domestic Rates	-9,604	-9,604	0	100.0	-9,604
Council Tax	-7,749	-7,622	-127	101.7	-7,622
Revenue Support Grant	-59,398	-59,398	0	100.0	-59,398
Movement in Reserves	-3,876	-3,876	0	100.0	-3,876
Total Income	-80,627	-80,500	-127	100.2	-80,500

Net Service Spending

3,360

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2014/15

	Actual Net Spend £000	Anticipated Net Spend £000	Over/Under Spend		Annual Net Budget £000
			£000	%	
<u>Non-General Fund</u>					
Scapa Flow Oil Port	1,264	2,152	-888	58.7	2,152
Miscellaneous Piers	-1,305	-749	-556	174.2	-749
Development and Infrastructure	-41	1,403	-1,444	-2.9	1,403
Housing Revenue Account	0	0	0	n/a	0
Orkney College	127	120	7	105.8	120
Education, Leisure and Housing	127	120	7	105.8	120
Net Service Spending	86	1,523	-1,437	5.6	1,523

Annex 2: Revenue Income Statement for Financial Year 2014/15

Sources of Funding	PA	Income	Budget	Over/Under		Annual
		£000	£000	Spend	Budget	
				£000	%	£000
Non-Domestic Rates		-9,604	-9,604	0	100.0	-9,604
Council Tax	1c	-7,749	-7,622	-127	101.7	-7,622
Revenue Support Grant		-59,398	-59,398	0	100.0	-59,398
Use of Balances		-3,876	-3,876	0	100.0	-3,876
Service Totals		-80,627	-80,500	-127	100.2	-80,500

Budget Summary

Original Net Budget	-80,717
Funding for Additional Teacher Support and School Level Events with Parents	-30
1 and 2 Language Learning - Funding Allocation 2014/15	-5
Early Years Change Fund Allocation: Family Centres and Family Support	-18
Delivery of Free School Meals	-72
Teacher Induction Scheme	-202
Removal of previous council tax benefits no longer treated as income	628
Redetermination - Teachers Pay	-10
Redetermination - Looked After Children	-18
Redetermination - Workforce Development	-4
Redetermination - Police Transfer	-3
Redetermination - Housing Support Grant	-7
Redetermination - Single Fraud Investigation	-1
Redetermination - Developing the Young Workforce	-41
Revised Net Budget	-80,500

Annex 3: Budget Action Plan

Sources of Funding				
Action Point	Function/Explanation	Action	Responsible Officer(s)	Status
SI2	<p>Council Tax Income surplus £127K</p> <p>There are now more chargeable dwellings so that expected income levels now exceed the budgeted level.</p>	<p>The 2015/16 budget was set at 98.3% of the Band D equivalent properties based on the position as at September 2014 as returned to the Scottish Government.</p> <p>There are no plans to change the prudent approach taken in setting the budget, particularly given the current economic climate.</p>	G Waterson	