

## **Item: 4.1**

**Policy and Resources Committee: 25 September 2018.**

**Revenue Expenditure Outturn.**

**Report by Head of Finance.**

### **1. Purpose of Report**

To advise of the revenue outturn position for financial year 2017 to 2018 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 2017 to 2018, attached as Annex 1 to this report, indicating a surplus position of £540,000:

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

#### **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.

### **3. Introduction**

At its Special General Meeting held on 22 February 2017, as part of the budget setting process for 2017 to 2018, the Council agreed the Revenue Estimates, Council Tax level and the contribution from General Fund Reserves for financial year 2017 to 2018.

### **4. Background**

#### **4.1.**

Individual revenue expenditure monitoring reports are circulated as briefing reports every month in order to inform committee members of the up to date financial position. Quarterly revenue expenditure monitoring reports are now being presented to individual service committees.

## **4.2.**

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.

## **4.3.**

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).

## **4.4.**

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.

## **4.5.**

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.

## **4.6.**

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.

# **5. Financial Summary**

## **5.1.**

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

## **5.2.**

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.

# **6. 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.

## **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.**

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.

## **8. Legal Aspects**

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

## **9. Contact Officers**

Alistair Buchan, Chief Executive, extension 2101, Email [chief.executive@orkney.gov.uk](mailto:chief.executive@orkney.gov.uk).

Gillian Morrison, Executive Director of Corporate Services, extension 2103, Email [gillian.morrison@orkney.gov.uk](mailto:gillian.morrison@orkney.gov.uk).

Gavin Barr, Executive Director of Development and Infrastructure, extension 2301, Email [gavin.barr@orkney.gov.uk](mailto:gavin.barr@orkney.gov.uk).

Gareth Waterson, Head of Finance, extension 2103, Email [gareth.waterson@orkney.gov.uk](mailto:gareth.waterson@orkney.gov.uk).

## **10. Annexes**

Annex 1: Revenue Expenditure Outturn Statement.

Annex 2: Budget Action Plan.

## Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2017 to 2018

	Spend	Budget	Over/Under		Annual
	£000	£000	£000	%	Budget
<b>General Fund Services</b>					<b>£000</b>
Central Administration	-193.8	41.6	-235.4	n/a	41.6
Law, Order and Protective	108.0	109.5	-1.5	98.6	109.5
Other Services	10,028.6	10,331.7	-303.1	97.1	10,331.7
<b>Service Totals</b>	<b>9,942.8</b>	<b>10,482.8</b>	<b>-540.0</b>	<b>94.8</b>	<b>10,482.8</b>

		Spend	Budget	Over/Under		Annual
		£000	£000	£000	%	Budget
<b>Central Administration</b>	<b>PA</b>					<b>£000</b>
Chief Executive	<b>1b</b>	47.3	125.3	-78.0	37.7	125.3
Corporate Services	<b>1b</b>	71.3	113.7	-42.4	62.7	113.7
Finance	<b>1b</b>	114.7	164.6	-49.9	69.7	164.6
Development and Infrastructure	<b>1b</b>	229.3	262.8	-33.5	87.3	262.8
I.T. and Facilities		66.4	66.8	-0.4	99.4	66.8
Legal Services	<b>1b</b>	15.4	46.6	-31.2	33.0	46.6
Movement in Reserves		-877.1	-877.1	0.0	100.0	-877.1
Cleaning Holding Accounts		138.9	138.9	0.0	100.0	138.9
<b>Service Totals</b>		<b>-193.8</b>	<b>41.6</b>	<b>-235.4</b>	<b>-465.9</b>	<b>41.6</b>

### **Budget Summary**

Original Net Budget	0.0
Innovation Fund - Energy Officer Post	11.7
Innovation Fund - Key Management Project	29.9
	<u><b>41.6</b></u>

### **Movement in Reserves Statement**

Office 365 contribution to R&R Fund	47.6
Widford Hill Mast contribution to R&R Fund	13.2
IFRS Accounting Entries	-937.9
	<u><b>-877.1</b></u>

## Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2017 to 2018

	PA	Spend	Budget	Over/Under		Annual
		£000	£000	Spend	%	Budget
<b>Law, Order and Protective Services</b>				£000	%	£000
Civil Contingencies		116.3	117.8	-1.5	98.7	117.8
Movement in Reserves		-8.3	-8.3	0.0	100.0	-8.3
<b>Service Totals</b>		<b>108.0</b>	<b>109.5</b>	<b>-1.5</b>	<b>98.6</b>	<b>109.5</b>

### Budget Summary

Original Net Budget	109.9
Apportioned Costs Realignment	-0.4
	<b>109.5</b>

### Movement in Reserves Statement

IFRS Accounting Entries	-8.3
	<b>-8.3</b>

	PA	Spend	Budget	Spend		Budget
		£000	£000	£000	%	£000
<b>Other Services</b>						
Corporate Management	<b>1c</b>	2,649.3	2,801.9	-152.6	94.6	2,801.9
Corporate Priorities		1,198.4	1,242.3	-43.9	96.5	1,242.3
Area Support Team (CP)		12.3	14.4	-2.1	85.4	14.4
Registration		54.9	57.2	-2.3	96.0	57.2
Miscellaneous Property	<b>1b</b>	183.6	217.9	-34.3	84.3	217.9
Payments to Joint Boards		333.1	335.3	-2.2	99.3	335.3
Local Works and Services		9.8	9.8	0.0	100.0	9.8
Elections		68.8	77.2	-8.4	89.1	77.2
Licensing		17.5	27.2	-9.7	64.3	27.2
Grants		188.6	200.7	-12.1	94.0	200.7
Publicity		12.5	6.4	6.1	195.3	6.4
Twining		-4.4	6.9	-11.3	n/a	6.9
Community Councils		340.5	350.5	-10.0	97.1	350.5
Interest on Loans and Balances	<b>1b</b>	-259.3	-347.0	87.7	74.7	-347.0
Miscellaneous		420.9	411.1	9.8	102.4	411.1
Movement in Reserves		2,785.2	2,833.2	-48.0	98.3	2,833.2
Accounting for Pensions		1,102.2	1,102.2	0.0	100.0	1,102.2
Cost of Collection	<b>1b</b>	404.4	474.1	-69.7	85.3	474.1
Finance Charges		510.3	510.4	-0.1	100.0	510.4
<b>Service Totals</b>		<b>10,028.6</b>	<b>10,331.7</b>	<b>-303.1</b>	<b>97.1</b>	<b>10,331.7</b>

## **Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2017 to 2018**

### **Budget Summary**

Original Net Budget	9,908.1
Redetermination - Council Tax Reduction Scheme	87.0
Redetermination - Council Tax Reduction Scheme (Admin)	2.0
Redetermination - Stage 1 Budget Bill Increase (2018 to 2019 Funding)	245.0
Change Programme from Innovation Fund	250.0
CP Website Services from Innovation Fund	8.6
Customer Services Platform (CSP) from Innovation Fund	82.5
Integra System Development from Innovation Fund Correction	37.4
HR System Development from Innovation Fund	50.5
Contribution from Training Fund	33.2
SIP Contribution to Education	-3.0
SIP Contribution to Leisure Services	-22.7
Meeting Room Contribution from R&R Fund	0.6
Local Works and Services Contribution - Kirkwall Bid Lighting	5.0
Local Works and Services Contribution - Scrap Cars Scheme	4.8
Apportioned Costs Realignment	-357.3
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	<b>10,331.7</b>
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### **Movement in Reserves Statement**

IFRS Accounting Entries	2,219.1
<u>Transfer to Reserves:</u>	
Contribution to SIP Life Cycle Fund	485.0
Contribution to Out with Orkney Placements Fund	731.0
Contribution to Sustainable Communities Fund	50.5
KETRA contribution to R&R Fund	10.0
Contribution to Roads Project Fund	107.2
Contribution Property Maintenance to R&R Fund	55.0
Change Programme Contribution to R&R Fund	40.0
Land Purchase Soulisquoy - New Care Home from Strategic Reserve Fund	275.0
<u>Transfer from Reserves:</u>	
Contribution from R&R Fund for Findlay 693 Screener at Cursiter Quarry	-144.4
Contribution from Innovation Fund for LED Lighting	-228.2
Sale of Old Stromness Primary School to Strategic Reserve Fund	-815.0
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	<b>2,785.2</b>
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**Annex 2:****Budget Action Plan**

<b>Central Administration</b>			
<b>Function</b>	<b>Function Description / Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>
<b>R10A</b>	<b>Chief Executive</b>  Less than anticipated expenditure by £78.0K  Staff vacancies within Democratic and Committee Services during the year. Recruitment process has filled one post, with one post remaining unfilled.	No action required.	<b>K Greaves</b>
<b>R10B</b>	<b>Corporate Services</b>  Less than anticipated expenditure by £42.4K  Staff vacancies within Corporate Services during the year plus an underspend within supplies and services overall.	No action required.	<b>A Groundwater</b>
<b>R10C</b>	<b>Finance</b>  Less than anticipated expenditure by £49.9K  Over all finance cost centres there was an underspend on supplies and services and administration budgets.	No action required.	<b>G Waterson</b>

**Annex 2:****Budget Action Plan**

<b>Central Administration</b>			
<b>Function</b>	<b>Function Description / Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>
<b>R10D</b>	<b>Development and Infrastructure</b>  Less than anticipated expenditure by £33.5K  Staff vacancies within Development and Infrastructure during the year plus an underspend within supplies and services overall.	No action required.	<b>G Barr</b>
<b>R10I</b>	<b>Legal Services</b>  Less than anticipated expenditure by £31.2K  Staff vacancies within Legal Services during the year due to temporary changes in establishment.	<b>Monitor the situation</b>  The position will continue to be monitored during 2018.19.	<b>G Mitchell</b>



**Annex 2:****Budget Action Plan**

<b>Other Services</b>			
<b>Function</b>	<b>Function Description / Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>
<b>R10G</b>	<p><b>Corporate Management</b></p> <p>Less than anticipated expenditure by £152.6K</p> <p>Mainly in respect of a reduced charge from Central Services apportioned costs.</p>	No action required.	<b>K Greaves</b>
<b>R39C</b>	<p><b>Miscellaneous Property</b></p> <p>Less than anticipated expenditure by £34.3K</p> <p>Reduced property costs against budget.</p>	Review as part of the budget setting process for financial year 2019 to 2020.	<b>H Green</b>
<b>R39S</b>	<p><b>Interest on Loans and Balances</b></p> <p>Less than anticipated income by £87.7K</p> <p>Less interest being earned in year against budget.</p>	No action required.	<b>G Waterson</b>
<b>R39X</b>	<p><b>Cost of Collection</b></p> <p>Less than anticipated expenditure by £69.7K</p> <p>Additional Scottish Government grant of £87K in respect of the Council Tax Reduction Scheme which was not fully spent.</p>	No action required.	<b>G Waterson</b>