

Item: 4.1

Policy and Resources Committee: 22 September 2020.

Revenue Expenditure Outturn.

Joint Report by Chief Executive, Executive Director of Development and Infrastructure and Head of Finance.

1. Purpose of Report

To advise of the revenue outturn position for financial year 2019 to 2020 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 2019 to 2020, attached as Annex 1 to this report, indicating a surplus position of £3,860,000:

- 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 action is being taken with regard to significant budget variances.

3. Background

3.1.

On 5 March 2019, the Council set its overall revenue budget for financial year 2019 to 2020. On 23 April 2019, 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 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:

- £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. 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.

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

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

8. Contact Officers

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Gavin Barr, Executive Director of Development and Infrastructure, extension 2301, Email gavin.barr@orkney.gov.uk.

Gareth Waterson, Head of Finance, extension 2103, Email gareth.waterson@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 2019 to 2020

	Spend £000	Budget £000	Over/Under		Annual Budget £000
			Spend £000	%	
General Fund Services					
Central Administration	-129.5	73.7	-203.2	n/a	73.7
Law, Order and Protective	102.1	113.5	-11.4	90.0	113.5
Other Services	6,580.9	10,226.3	-3,645.4	64.4	10,226.3
Service Totals	6,553.5	10,413.5	-3,860.0	62.9	10,413.5

		Spend £000	Budget £000	Over/Under		Annual Budget £000
				Spend £000	%	
Central Administration	PA					
Chief Executive		211.5	211.5	0.0	100.0	211.5
Corporate Services		193.0	193.4	-0.4	99.8	193.4
Finance		258.6	258.6	0.0	100.0	258.6
Development and Infrastructure	1c	165.8	354.9	-189.1	46.7	354.9
I.T. and Facilities		310.7	296.2	14.5	104.9	296.2
Legal Services	1b	52.6	80.8	-28.2	65.1	80.8
Movement in Reserves		-1,560.4	-1,560.4	0.0	100.0	-1,560.4
Cleaning Holding Accounts		238.7	238.7	0.0	100.0	238.7
Service Totals		-129.5	73.7	-203.2	-175.7	73.7

Budget Summary

Original Net Budget	0.0
Repairs and Renewals Fund - Office 365 Project	4.3
Repairs and Renewals Fund - Pathfinder	69.4
	73.7

Movement in Reserves Statement

Widford Hill Mast contribution to R&R Fund	13.2
IFRS Accounting Entries	-1,573.6
	-1,560.4

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2019 to 2020

	PA	Spend	Budget	Over/Under		Annual
		£000	£000	Spend	%	Budget
Law, Order and Protective Services		£000	£000	£000	%	£000
Civil Contingencies		114.2	125.6	-11.4	90.9	125.6
Movement in Reserves		-12.1	-12.1	0.0	100.0	-12.1
Service Totals		102.1	113.5	-11.4	90.0	113.5

Budget Summary

Original Net Budget	115.7
Apportioned Costs Realignment	-2.2
	113.5

Movement in Reserves Statement

IFRS Accounting Entries	-12.1
	-12.1

	PA	Spend	Budget	Spend		Budget
		£000	£000	£000	%	£000
Other Services						
Corporate Management	1c	2,754.3	2,903.9	-149.6	94.8	2,903.9
Corporate Priorities	1c	373.4	1,283.2	-909.8	29.1	1,283.2
Area Support Team (CP)		13.5	15.1	-1.6	89.4	15.1
Registration		53.6	51.2	2.4	104.7	51.2
Miscellaneous Property		201.1	209.4	-8.3	96.0	209.4
Payments to Joint Boards		367.7	406.3	-38.6	90.5	406.3
Local Works and Services		6.8	6.8	0.0	100.0	6.8
Elections	1b	74.9	50.5	24.4	148.3	50.5
Licensing		6.9	13.6	-6.7	50.7	13.6
Grants		138.8	144.7	-5.9	95.9	144.7
Publicity		16.0	15.4	0.6	103.9	15.4
Twinning	1b	-3.2	6.9	-10.1	n/a	6.9
Community Councils	1b	372.8	416.1	-43.3	89.6	416.1
Interest on Loans and Balances	1b	-419.7	-372.0	-47.7	112.8	-372.0
Miscellaneous		660.2	697.3	-37.1	94.7	697.3
Movement in Reserves	1b	773.4	3,181.8	-2,408.4	24.3	3,181.8
Accounting for Pensions		304.7	304.7	0.0	100.0	304.7
Cost of Collection		433.9	439.6	-5.7	98.7	439.6
Non Distributed Costs		7.1	7.1	0.0	100.0	7.1
Finance Charges		444.7	444.7	0.0	100.0	444.7
Service Totals		6,580.9	10,226.3	-3,645.4	64.4	10,226.3

Budget Summary

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2019 to 2020

Original Net Budget	10,192.7
Redetermination - Rates Relief & Standardised Rates Bills	20.0
Redetermination - Access to Sanitary Products - Schools	9.0
Redetermination - Brexit	50.0
Redetermination - Personal Licence Holder	2.0
Redetermination - ALEO Baseline Reduction	-24.0
Innovation Fund - Customer Services Platform (CSP)	48.7
Innovation Fund - Integra System Development	13.4
Innovation Fund - HR System Development	10.4
SIP Contribution to Education	-28.0
SIP Contribution to Leisure Services	-99.5
Local Works and Services Contribution - Pond Area at St Margarets Hope School	2.5
Local Works and Services Contribution - Erect a handrail - Boys Lane Stromness	1.7
Local Works and Services Contribution - Scrap Cars Scheme	2.6
RRR Fund Contribution to Our Islands Our Future	158.0
Contingency Budget - Residential Child Care - Social Care	-323.8
Contingency Budget - Teachers Pay and Pensions Award	141.7
2020/21 Net Savings Taken in 2019/20	4.6
Apportioned Costs Realignment	44.3
	<hr/> 10,226.3 <hr/>

Movement in Reserves Statement

IFRS Accounting Entries	-148.2
<u>Transfer to Reserves:</u>	
Contribution to SIP Life Cycle Fund	378.8
Contribution to Crown Estates Fund	773.7
Contribution to RRR Fund from the R&R Fund in respect of Papdale Halls	1,900.4
Contribution to R&R Fund from the Portal Development Fund	61.1
Contribution to the Innovation Fund in respect of KGS Rates Refund	178.7
Contribution to Capital Projects Appraisal Fund	157.5
Contribution to the R&R Fund in respect of the Bellwin Scheme	22.3
Contribution to the R&R Fund in respect of Repairs & Maintenance Underspend	48.3
<u>Transfer from Reserves:</u>	
Contribution from R&R Fund to the RRR Fund in respect of Papdale Halls	-1,900.4
Contribution from the Portal Development Fund to R&R Fund	-61.1
Contribution from Innovation Fund for LED Lighting	-85.6
Contribution from R&R Fund in Respect of the Purchase of the Nordic Sea	-333.3
Contribution from RRR Fund in respect of Kirkwall Places & Spaces	-178.8
Contribution from R&R Fund for a Van at Cursiter Quarry	-11.2
Contribution from R&R Fund for a Vacuum System at Cursiter Quarry	-28.8
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Annex 2:

Budget Action Plan

Central Administration			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R10D	Development and Infrastructure Less than anticipated expenditure by £189.1K This is due to the number of vacant posts during the year which took longer to fill. The majority have now been filled.	No action required.	D Richardson
R10I	Legal Services Less than anticipated expenditure by £28.2K The Electronic Document Management System is being developed over a three-year period with this budget anticipated to be spent fully in financial year 2020/21 due to the purchase of new licences over the span of the project.	No action required.	G Mitchell

Annex 2:**Budget Action Plan**

Other Services			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R10G	Corporate Management Less than anticipated expenditure by £149.6K In respect of a reduced charge from Central Services apportioned costs.	No action required.	K Greaves
R10J	Corporate Priorities Less than anticipated expenditure by £909.8K Mainly unused budget in respect of the Corporate Contingency.	No action required.	G Waterson
R39F	Elections More than anticipated expenditure by £24.4K A combination of having two Elections, May 2019 - the European and in December 2019 - UK Parliamentary, both of which were unexpected.	No action required.	K Greaves
R39L	Twinning Less than anticipated expenditure by £10.1K The number of Twinning events can vary from year to year and this budget has been underspent previously.	Financial year 2020/21 savings of £6.1K as part of the budget setting process.	K Greaves

Annex 2:**Budget Action Plan**

Other Services			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R39M	Community Councils Less than anticipated expenditure by £43.3K Mainly an underspend in respect of the Empowering Communities budget.	No action required.	K Greaves
R39S	Interest on Loans & Balances More than anticipated income by £47.7K More interest being earned in year against budget.	No action required.	G Waterson
R39U	Movement in Reserves Less than anticipated expenditure by £2,408.4K Mainly in respect of no accelerated debt repayments being made and set-aside for financial year 2020/21 in respect of the COVID19 crisis.	No action required.	G Waterson