

Item: 5

Asset Management Sub-committee: 30 August 2022.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 30 June 2022 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 30 June 2022, attached as Annex 1 to this report, indicating a budget underspend position of £62,400.

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 30 June 2022, attached as Annex 2 to this report.

The Sub-committee is invited to scrutinise:

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, in order to obtain assurance that action is being taken with regard to significant budget variances.

3. Background

3.1.

On 10 March 2022, the Council set its overall revenue budget for financial year 2022/23. On 21 June 2022, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2022/23, which form the basis of the individual revenue expenditure monitoring reports.

3.2.

Individual revenue expenditure 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.

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 30 June 2022 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

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: Financial summary.

Annex 2: Financial details by service area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary

June 2022

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

Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Sundry Accounts	46.9	195.0	(148.1)	24.1	0.0
Repairs & Maintenance	402.1	316.4	85.7	127.1	2,121.3
Service Totals	449.0	511.4	(62.4)	87.8	2,121.3

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P02	P03		
Sundry Accounts	3	1	5	20%
Repairs & Maintenance	2	2	2	100%
Totals	5	3	7	43%

Annex 2: Financial Detail by Service Area

June 2022

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	37.8	174.6	(136.8)	21.6	0.0
Insurance Holding A/C		0.7	0.0	0.7	0.0	0.0
Telephones Holding A/C		0.0	2.5	(2.5)	0.0	0.0
Photocopiers Holding A/C		5.3	10.7	(5.4)	49.6	0.0
Postages Holding A/C		3.1	7.2	(4.1)	42.6	0.0
Service Total		46.9	195.0	(148.1)	24.1	0.0

Repairs & Maintenance	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
R & M General Fund	1B	292.8	235.3	57.5	124.4	1,711.7
Ground Maintenance	1B	109.3	81.1	28.2	134.8	409.6
Service Total		402.1	316.4	85.7	127.1	2,121.3

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 £136.8K</p> <p>Property costs spend is high against budget due to high energy costs.</p> <p>Transport cost is high against budget due to high fuel costs.</p> <p>As a holding account utilities costs have been recharged to services.</p> <p>Underspend position a result of profiling and timing of service recharges.</p>	<p>Monitor the situation</p> <p>A report is being drafted for Corporate Leadership Team on the impact of rising energy prices and this may lead to a need for other intervention. Prices remaining high will leave budget insufficient even at consistent usage.</p> <p>Review budget set up with Finance and seek to realign profiles with current practices.</p>	Kenny MacPherson	26/08/2022	Ongoing

Repairs & Maintenance

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R41A	<p>R & M General Fund</p> <p>More than anticipated expenditure by £57.5K</p> <p>Main reason for variances is some overspends in the Education repairs and maintenance chiefly around Leisure and Recreation facilities, compounded with a backlog in payments for previous repairs being processed and posted. Managers are monitoring the situation and will constrain other works accordingly if required.</p>	<p>Monitor the situation</p> <p>Situation will continue to be monitored.</p>	Kenny MacPherson	26/08/2022	Ongoing
R41G	<p>Ground Maintenance</p> <p>More than anticipated expenditure by £28.2K</p> <p>Expenditure as expected - annual grounds maintenance costs are not a linear profile as the level of services required are more significant during the period May to September.</p>	<p>Raise Virement Request</p> <p>Virement to be processed to amend profile</p>	Kenny MacPherson	29/07/2022	Ongoing