

Item: 4

Asset Management Sub-committee: 31 January 2023.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 31 December 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 31 December 2022, attached as Annex 1 to this report, indicating a budget overspend position of £256,900.

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 31 December 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 31 December 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 Detail by Service Area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary

December 2022

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

Non-General Fund					Annual
Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Budget £000
Sundry Accounts	184.3	185.4	(1.1)	99.4	0.0
Repairs & Maintenance	1,511.9	1,253.9	258.0	120.6	2,121.3
	1,696.2	1,439.3	256.9	117.8	2,121.3
Service Totals	1,696.2	1,439.3	256.9	117.8	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
	P08	P09		
Sundry Accounts	2	2	5	40%
Repairs & Maintenance	2	2	2	100%
Totals	4	4	7	57%

Annex 2: Financial Detail by Service Area**December 2022**

The following tables show the spending position by service function

Non-General Fund

		Spend	Budget	Over/(Under)	Spend	Annual
Sundry Accounts	PA	£000	£000	£000	%	Budget
						£000
Utilities Holding A/C	1B	164.2	144.3	19.9	113.8	0.0
Insurance Holding A/C		0.9	0.0	0.9	0.0	0.0
Telephones Holding A/C		0.0	0.8	(0.8)	0.0	0.0
Photocopiers Holding A/C	1B	18.1	33.8	(15.7)	53.6	0.0
Postages Holding A/C		1.1	6.5	(5.4)	16.9	0.0
Service Total		184.3	185.4	(1.1)	99.4	0.0

		Spend	Budget	Over/(Under)	Spend	Annual
Repairs & Maintenance	PA	£000	£000	£000	%	Budget
						£000
R & M General Fund	1B	1,110.7	937.0	173.7	118.5	1,711.7
Ground Maintenance	1B	401.2	316.9	84.3	126.6	409.6
Service Total		1,511.9	1,253.9	258.0	120.6	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>More than anticipated expenditure by £19.9K</p> <p>As a holding account, this budget recharges across multiple functions of the Council, therefore variance here is due to the timing of the charges not matching with the payments of the invoice.</p> <p>However, due to the energy price crisis, this financial year costs in total are expected to rise from £3.7million to £4.7 million with electricity rising from £2.1m to £2.6m, Marine Gas Oil rising from £81.7k to £205k, heating oil increasing from £575k to £694k and diesel (DERV) rising from £328.5k to £544k.</p> <p>Next year, in 2023/24 it is anticipated that Electricity alone may rise to £4.1m and overall costs may rise to £6.2m. In 2024/25 current analysis indicates costs of electricity may rise to £5.59m, and overall costs of energy may be £7.7m</p>	<p>Management input required</p> <p>No scope within budget to cover shortfall so has been reported to Corporate Leadership Team and will be a service pressure of at least £1m this current financial year, and a further pressure of £1.6m in 2023/24.</p>	Kenny Macpherson	31/03/2023	Ongoing

Sundry Accounts

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R45G	<p>Photocopiers Holding A/C</p> <p>Less than anticipated expenditure by £15.7K</p> <p>Largely this underspend is due to delays in invoices being paid because of errors in the supplier's invoices. This is an ongoing issue with the supplier that is being worked on. Until resolved, there will be a nominal underspend in this holding account. Reductions have been achieved in use of paper copying and printing, but until the organisation returns to a settled position in terms of in-office working, it is hard to assess the reasons completely.</p>	<p>Monitor the situation</p> <p>Work is in hand to resolve the billing issues that are delaying invoice payment.</p>	Kenny Macpherson	31/03/2023	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 £173.7K</p> <p>Overall spend in this service function is above profile with annual gross outturn estimated at £1.87m against an annual budget of £1.71m, despite action by officers to restrict much of the spend to emergency repairs only. Rising costs of materials and other supply chain issues have driven cost up, and repair demand has remained high. Therefore, the budget has struggled to meet the overall scale of the maintenance need across the scale of the asset base.</p>	<p>Management input required</p> <p>Budget is not sufficient to meet the overall repairs and maintenance general fund need and there is therefore a service pressure of at least £162K for 2023/24</p>	Kenny Macpherson	31/03/2023	Ongoing
R41G	<p>Ground Maintenance</p> <p>More than anticipated expenditure by £84.3K</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. Note also that the monthly payments are index linked so inflationary uplift will be greater than anticipated at start of year.</p>	<p>No action required</p> <p>No action required. Expenditure at this stage in the year is as expected.</p>	Lorna Richardson	31/03/2023	Ongoing