

Item: 4.1

Policy and Resources Committee: 24 September 2019.

Revenue Expenditure Outturn.

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

1. Purpose of Report

To advise of the revenue outturn position for financial year 2018 to 2019 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 2018 to 2019, attached as Annex 1 to this report, indicating a surplus position of £16,500:

- 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. Background

3.1.

On 22 February 2018, the Council set its overall revenue budget for financial year 2018 to 2019. On 17 April 2018, 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 as briefing reports 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. 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.

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 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 2018 to 2019

	Spend £000	Budget £000	Over/Under		Annual Budget £000
			Spend £000	%	
General Fund Services					
Central Administration	-268.8	49.1	-317.9	n/a	49.1
Law, Order and Protective	109.4	112.3	-2.9	97.4	112.3
Other Services	10,816.4	10,512.1	304.3	102.9	10,512.1
Service Totals	10,657.0	10,673.5	-16.5	99.8	10,673.5

	PA	Spend £000	Budget £000	Over/Under		Annual Budget £000
				Spend £000	%	
Central Administration	PA					
Chief Executive	1b	88.9	147.5	-58.6	60.3	147.5
Corporate Services	1b	90.3	132.5	-42.2	68.2	132.5
Finance		176.2	195.2	-19.0	90.3	195.2
Development and Infrastructure	1b	163.5	255.4	-91.9	64.0	255.4
I.T. and Facilities		156.4	168.9	-12.5	92.6	168.9
Legal Services		-36.1	57.6	-93.7	n/a	57.6
Movement in Reserves		-1,053.2	-1,053.2	0.0	100.0	-1,053.2
Cleaning Holding Accounts		145.2	145.2	0.0	100.0	145.2
Service Totals		-268.8	49.1	-317.9	n/a	49.1

Budget Summary

Original Net Budget	0.0
Repairs and Renewals Fund – Office 365 Project	16.0
Repairs and Renewals Fund – Pathfinder	28.1
Innovation Fund – Key Management Project	5.0
	49.1

Movement in Reserves Statement

Wideford Hill Mast contribution to R&R Fund	13.2
IFRS Accounting Entries	-1,066.4
	-1,053.2

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2018 to 2019

	PA	Spend	Budget	Over/Under		Annual
		£000	£000	Spend	%	Budget
Law, Order and Protective Services				£000	%	£000
Civil Contingencies		119.0	121.9	-2.9	97.6	121.9
Movement in Reserves		-9.6	-9.6	0.0	100.0	-9.6
Service Totals		109.4	112.3	-2.9	97.4	112.3

Budget Summary

Original Net Budget	112.2
Apportioned Costs Realignment	0.1
	112.3

Movement in Reserves Statement

IFRS Accounting Entries	-9.6
	-9.6

	PA	Spend	Budget	Spend		Budget
		£000	£000	£000	%	£000
Other Services						
Corporate Management	1c	2,786.8	2,961.1	-174.3	94.1	2,961.1
Corporate Priorities	1b	1,280.5	1,656.3	-375.8	77.3	1,656.3
Area Support Team (CP)		11.9	14.7	-2.8	81.0	14.7
Registration		55.0	57.5	-2.5	95.7	57.5
Miscellaneous Property		180.1	199.6	-19.5	90.2	199.6
Payments to Joint Boards	1b	287.0	342.7	-55.7	83.7	342.7
Local Works and Services		9.1	9.1	0.0	100.0	9.1
Elections		2.3	10.6	-8.3	21.7	10.6
Licensing		18.6	27.9	-9.3	66.7	27.9
Grants		146.6	149.5	-2.9	98.1	149.5
Publicity		14.5	15.4	-0.9	94.2	15.4
Twinning		6.5	6.9	-0.4	94.2	6.9
Community Councils		362.5	376.0	-13.5	96.4	376.0
Interest on Loans and Balances		-366.0	-372.0	6.0	98.4	-372.0
Miscellaneous		745.6	724.8	20.8	102.9	724.8
Movement in Reserves	1b	4,572.5	3,629.9	942.6	126.0	3,629.9
Accounting for Pensions		-274.5	-274.5	0.0	100.0	-274.5
Cost of Collection		398.7	397.91	0.8	100.2	397.9
Non Distributed Costs		124.0	124.0	0.0	100.0	124.0
Finance Charges		454.7	454.7	0.0	100.0	454.7
Service Totals		10,816.4	10,512.1	304.3	102.9	10,512.1

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2018 to 2019

Budget Summary

Original Net Budget	11,882.1
Redetermination – Access to Sanitary Products - Schools	7.7
Redetermination - Access to Sanitary Products – Public Bodies	6.0
Innovation Fund – Customer Services Platform (CSP)	105.7
Innovation Fund – Integra System Development	45.7
Innovation Fund – HR System Development	54.2
SIP Contribution to Education	-69.0
SIP Contribution to Leisure Services	-92.3
Local Works and Services Contribution – Pick up three pieces campaign	1.3
Local Works and Services Contribution – Youth Cafe	1.0
Local Works and Services Contribution – Scrap Cars Scheme	6.8
Sustainable Communities Fund – Empowering Communities	81.6
Contingency Budget – Residential Child Care – Social Care	-372.0
Contingency Budget - Reinstate Support for Learning Savings 2018/19 - Education	-65.0
Contingency Budget – Restructure Costs Education	-215.5
Contingency Budget – Social Care 2018/19 Overspend	-300.9
Contingency Budget – Reinstate Telecare Savings 2018/19 – Social Care	-97.8
Contingency Budget – Reinstate Day Care Savings 2018/19 – Social Care	-54.4
Contingency Budget – Waste Disposal – Operational Environmental Services	-120.0
Contribution to Youth Music Initiative – Education	-2.4
General Fund Deficit 2018/19	-245.0
Apportioned Costs Realignment	-45.7
	<u>10,512.1</u>

Movement in Reserves Statement

IFRS Accounting Entries	3,047.9
<u>Transfer to Reserves:</u>	
Contribution to SIP Life Cycle Fund	363.5
Contribution to Outwith Orkney Placements Fund	847.0
Corporate Learning and Development contribution to Training Fund	32.6
Our Islands Our Future contribution to RRR Fund	66.6
Contribution to R&R Fund in respect of Burial Grounds	250.0
Contribution to Capital Projects Appraisal Fund	235.6
Purchase of Garden House from Strategic Reserve Fund	325.0
<u>Transfer from Reserves:</u>	
Contribution from R&R Fund for Findlay Hydroscreen at Cursiter Quarry	-145.9
Contribution from R&R Fund for Atlas Copco Pump at Cursiter Quarry	-20.7
Contribution from Innovation Fund for LED Lighting	-103.9
RRR Fund contribution to General Fund for the Purchase of Garden House	-325.0
	<u>4,572.7</u>

Annex 2:**Budget Action Plan**

Central Administration			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R10A	Chief Executive Less than anticipated expenditure by £58.6K 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.	K Greaves
R10B	Corporate Services Less than anticipated expenditure by £42.2K Due to staff vacancies in Internal Audit and Business Support during the year.	No action required.	G Morrison
R10D	Development and Infrastructure Less than anticipated expenditure by £91.9K Cost lower than anticipated due to firstly levels of vacancies in the technical support team and secondly capacity in the property team seeing less productivity than planned and therefore lower expenditure than anticipated.	This is being addressed through ongoing push on recruitment and a mini restructure in the property team to realign resources and increase capacity in quantity surveying and architecture.	D Richardson

Annex 2:**Budget Action Plan**

Other Services			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R10G	<p>Corporate Management</p> <p>Less than anticipated expenditure by £174.3K</p> <p>In respect of a reduced charge from Central Services apportioned costs.</p>	No action required.	K Greaves
R10J	<p>Corporate Priorities</p> <p>Less than anticipated expenditure by £375.8K</p> <p>Unused budget in respect of the Corporate Contingency.</p>	No action required.	G Waterson
R39D	<p>Payments to Joint Boards</p> <p>Less than anticipated expenditure by £55.7K</p> <p>Due to staff vacancies within the Valuation Joint Board.</p>	No action required.	G Mitchell
R39U	<p>Movement in Reserves</p> <p>More than anticipated expenditure by £942.6K</p> <p>Mainly in respect of the following:</p>	No action required.	G Waterson

Annex 2:

Budget Action Plan

Other Services			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
	Contribution to the R&R Fund for Burial Grounds Contribution to Capital Projects Appraisal Fund Purchase of Garden House from SRF		