

POLICY AND RESOURCES COMMITTEE: 22 SEPTEMBER 2015

**REVENUE EXPENDITURE OUTTURN REPORT
FOR FINANCIAL YEAR 2014/15**

**JOINT REPORT BY CHIEF EXECUTIVE,
EXECUTIVE DIRECTOR OF CORPORATE SERVICES AND
EXECUTIVE DIRECTOR OF DEVELOPMENT AND INFRASTRUCTURE**

1. PURPOSE OF REPORT

- 1.1 To advise of the revenue outturn position across each of the Service Areas for financial year 2014/15 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 2014/15, indicating a General Fund overspend of £3,346,000:-
- 2.1.1 Central Administration;
 - 2.1.2 Law, Order and Protective Services; and
 - 2.1.3 Other Services;
- 2.2 that the General Fund overspend position arises largely as a result of a transfer of £3,360,000 from non-earmarked reserves to earmarked reserves; and
- 2.3 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. POLICY ASPECTS

- 3.1 This report relates to the Council complying with its governance and financial processes and procedures and therefore does not relate specifically to progressing the Council's priorities.

4. INTRODUCTION

- 4.1 At its Special General Meeting held on 13 February 2014, as part of the budget setting process for 2014/15, the Council agreed the Revenue Estimates, Council Tax level and the contribution from General Fund Reserves for financial year 2014/15.

- 4.2 On 12 February 2015, when setting the budget for 2015/16, the Council agreed that the following allocations be made from the non-earmarked General Fund balance of £8.627m:-
- 4.2.1 the establishment of an Insurance Fund with a contribution of £1.000m;
 - 4.2.2 the establishment of a Workforce Management Fund with a contribution of £1.000m;
 - 4.2.3 the re-designation of the Spend to Save Development Fund as the Innovation Fund together with a contribution of £1.000m;
 - 4.2.4 the establishment of a Local Works and Services Contingency Fund with a contribution of £0.200m; and
 - 4.2.5 the establishment of a Bellwin Scheme Fund with a contribution of £0.160m.

5. **BACKGROUND**

- 5.1 Individual revenue expenditure monitoring reports (REMRs) are circulated as briefing reports every month in order to inform committee members of the up to date financial position. From this committee cycle onwards quarterly REMRs are being presented to individual service committees. This quarterly report replaces the need for a monthly budget briefing this reporting period.
- 5.2 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.
- 5.3 Material variances are identified automatically as Priority Actions (PAs) within individual budget cost centres according to the following criteria:-
- 5.3.1 £10,000 **and** 10% more or less than Anticipated position;
 - 5.3.2 £50,000 more or less than Anticipated position.
- 5.4 Priority Actions can be identified at the Service Function level according to the same criteria and these are shown in the Revenue Expenditure Statements shown in Annex 1. 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 in Annex 2.
- 5.5 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.
- 5.6 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.

6. FINANCIAL SUMMARY

- 6.1 Annex 1 provides the detailed position by Service Area by Service Function. The table below provides a summary of the position across all Service Areas.

	Spend	Budget	Over/Under		Annual
General Fund Services	£000	£000	Spend	%	Budget
			£000		£000
Central Administration	0	0	0	n/a	0
Law, Order and Protective	90	91	-1	98.9	91
Other Services	13,156	9,809	3,347	134.1	9,809
Service Totals	13,246	9,900	3,346	133.8	9,900

- 6.2 The budget overspend across the General Fund service areas is £3,346K, alternatively expressed as 133.8% of the anticipated net spending position for the year.
- 6.3 The overspend position reported on General Fund Other Services arises largely on account of a transfer of £3,360K from non-earmarked reserves to earmarked reserves, the details of which are provided at section 4.2 above.
- 6.4 Although the transfer of £3,360K was part of the 2015/16 budget setting process, it is reflected in the General Fund expenditure for 2014/15 as unbudgeted expenditure to disclose the movement in reserves as an “above the line” entry in the Council’s accounts. This accounting entry then results in the reported “overspend” position relative to the approved budget for financial year 2014/15.
- 6.5 The Budget Action Plan attached as Annex 2 provides an explanation and proposed corrective action for each of the Priority Actions identified.

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 (IFRS). This includes accounting for the use of fixed assets e.g. depreciation and revaluations, current service cost of pensions and accumulated staff absences.

8. LEGAL ASPECTS

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

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10. ANNEXES

- 10.1 Annex 1: Revenue Expenditure Outturn Statement for 2014/15
- 10.2 Annex 2: Budget Action Plans

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2014/15

		Spend	Budget	Over/Under		Annual
	PA	£000	£000	Spend	%	Budget
Central Administration				£000		£000
Chief Executive		16	16	0	100.0	16
Administration		125	125	0	100.0	125
Finance		-36	-36	0	100.0	-36
Development and Env Services		117	117	0	100.0	117
Energy Efficiency Fund		23	23	0	100.0	23
Administration of Buildings		130	130	0	100.0	130
Administration Holding Accounts		-4	-4	0	100.0	-4
Legal Services		19	19	0	100.0	19
Cleaning Holding Accounts		46	46	0	100.0	46
Movement in Reserves		-436	-436	0	100.0	-436
Service Totals		0	0	0	n/a	0

Movement in Reserves Statement

IFRS Accounting Entries						-382
<u>Transfer to Reserves:</u>						
Contribution to Insurance Fund						4
Contribution to Portal Development Fund						105
<u>Transfer from Reserves:</u>						
Movement on Energy Efficiency Fund for year						-23
Contribution from Spend to Save Fund - Energy Team						-19
Contribution from Pathfinder Project Fund						-111
Contribution from Repairs and Renewals Fund in respect of PSN costs						-10
						-436

		Spend	Budget	Over/Under		Annual
Law, Order and Protective Services	PA	£000	£000	Spend	%	Budget
				£000		£000
Civil Contingencies		91	92	-1	98.9	92
Movement in Reserves		-1	-1	0	100.0	-1
Service Totals		90	91	-1	98.9	91

Budget Summary

Original Net Budget						121
Budget transfer to Miscellaneous Property for former Stromness Primary School						-30
Revised Net Budget						91

Movement in Reserves Statement

IFRS Accounting Entries						-1
						-1

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2014/15

		Spend	Budget	Spend		Budget
Other Services	PA	£000	£000	£000	%	£000
Corporate Management	1c	2,826	2,718	108	104.0	2,718
\$ Corporate Priorities	1b	760	934	-174	81.4	934
Area Support Team (CP)	1b	11	29	-18	37.9	29
Registration	1b	66	50	16	132.0	50
Miscellaneous Property		141	154	-13	91.6	154
Payments to Joint Boards		274	299	-25	91.6	299
Elections		44	39	5	112.8	39
Licensing	1b	67	7	60	957.1	7
Grants		210	215	-5	97.7	215
Publicity		4	6	-2	66.7	6
Twinning	1b	-7	6	-13	-116.7	6
Community Councils	1b	280	313	-33	89.5	313
Accounting for Pensions		1,401	1,401	0	100.0	1,401
Interest on Loans and Balances	1b	-219	-497	278	44.1	-497
Miscellaneous	1b	193	266	-73	72.6	266
Movement in Reserves	1b	6,092	2,865	3,227	212.6	2,865
Cost of Collection		510	501	9	101.8	501
Finance Charges		503	503	0	100.0	503
Service Totals		13,156	9,809	3,347	134.1	9,809

Budget Summary

Original Net Budget	10,746
Transfer from Civil Contingencies for former Stromness Primary School	30
Removal of previous council tax benefits no longer treated as income	-628
Redetermination - Workforce Development	4
Redetermination - Police Transfer	3
Redetermination - Housing Support Grant	7
Redetermination - Single Fraud Investigation	1
Redetermination - Developing the Young Workforce	41
Contribution from corporate contingency - Provision of Education in Flotta	-18
Contribution from corporate contingency - Braeburn court for fees shortfall	-21
Contribution from corporate contingency - High Cost Packages of Care	-48
Contribution from corporate contingency - Children's Residential Care	-240
Contribution from corporate contingency - Reduced Planning Fee Income	-39
Contribution from corporate contingency - Waste Disposal costs to Shetland	-29
Revised Net Budget	9,809

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2014/15

Movement in Reserves Statement

IFRS Accounting Entries					3,562
<i><u>Transfer to Reserves:</u></i>					
Contribution to SIP Life Cycle Fund					622
Contribution to Sustainable Communities Fund					33
Contribution to Welfare Fund					9
Contribution to Insurance Fund					2
Cont. to Recreation Project Fund - Developing Scotland's Young Workforce					45
Contribution to Innovation Fund					1,000
Contribution to Local works and Services Fund					200
Contribution to Insurance Fund					1,000
Contribution to Bellwin Scheme Fund					160
Contribution to Workforce Management Fund					1,000
Contribution to Transportation Infrastructure Fund					250
Contribution to SRF for transfer of Land at Watersfield - New Children's Home					34
Contribution to SRF for transfer of Land at Watersfield - Serviced Sites for Sale					287
<i><u>Transfer from Reserves:</u></i>					
Contribution from HRA for transfer of Land at Glaitness Farmhouse					-45
Contribution from HRA for transfer of Land at Willowgrange					-65
Contribution from Spend to Save Fund - Purchase 77 John Street					-220
Contribution from Spend to Save Fund - Change Programme					-231
Contribution from RRR Fund - Stromness Pierhead Regeneration					-960
Contribution from Pathfinder Project Fund - Capital works					-38
Contribution from RRR Fund - Black Building Sites					-305
Cont. from Transportation Infrastructure Fund - MV Hoy Head Lengthening					-128
Cont. from Transportation Infrastructure Fund - MV Graemsay Repowering					-90
Contribution from Harbours for internal transfer of vehicle					-30
					6,092

\$ Corporate Priorities

Community Planning Partnership	20	21	-1	95.2	21
Corporate Learning and Development	129	128	1	100.8	128
Voluntary Sector	86	86	0	100.0	86
Compensatory Pensions	525	533	-8	98.5	533
Corporate Contingency	0	166	-166	0.0	166
	760	934	-174	81.4	934

Annex 2: Budget Action Plan

Other Services				
Action Point	Function/Explanation	Action	Responsible Officer(s)	Status
OS1	<p>Corporate Priorities Underspend £174K</p> <p>Mainly the balance of the contingency budget not required in year.</p>	No action required.	G Waterson	
OS7	<p>Licensing Overspend £60K</p> <p>The budgeted income for fees and charges is set significantly higher than is attainable.</p> <p>Licensing Board fees for applications are set at the maximum level allowed by law.</p> <p>Additional one-off legal fees of £22K in respect of MAB Bookmakers.</p> <p>Also due to an increased charge in central services apportioned costs against budget.</p>	<p>Fee income has been reduced during the budget setting process for financial year 2015/16 to better reflect a more accurate budget going forward.</p> <p>No action required.</p> <p>The apportioned costs budgets will be realigned during 2015/16 financial year to more closely reflect actual spending levels.</p>	P Maxton	Ongoing

Annex 2: Budget Action Plan

Other Services				
Action Point	Function/Explanation	Action	Responsible Officer(s)	Status
OS11	<p>Community Councils Underspend £33K</p> <p>Mainly due to a decreased charge in central services apportioned costs against budget (£28K).</p>	<p>The apportioned costs budgets will be realigned during 2015/16 financial year to more closely reflect actual spending levels.</p>	D Sherwood	Ongoing
OS14	<p>Twinning Underspend £13K</p> <p>There are no students currently involved in the Hordaland Student Exchange Programme.</p>	<p>A review of all the Twinning arrangements and the funding of this budget from the Common Good Fund were reported to Policy and Resources Committee on 15 April 2015.</p> <p>The Twinning and Friendship Working Group is due to meet in September 2015.</p>	D Sherwood	
OS15	<p>Corporate Management Overspend £108K</p> <p>Due to an increased charge in central services apportioned costs against budget.</p>	<p>The apportioned costs budgets will be realigned during 2015/16 financial year to more closely reflect actual spending levels.</p>	D Sherwood	Ongoing

Annex 2: Budget Action Plan

Other Services				
Action Point	Function/Explanation	Action	Responsible Officer(s)	Status
OS16	<p>Area Support Team (CP) Underspend £18K</p> <p>Due to a decreased charge in central services apportioned costs against budget.</p>	The apportioned costs budgets will be realigned during 2015/16 financial year to more closely reflect actual spending levels.	D Sherwood	Ongoing
OS17	<p>Registration Overspend £16K</p> <p>Due to an increased charge in central services apportioned costs against budget.</p>	The apportioned costs budgets will be realigned during 2015/16 financial year to more closely reflect actual spending levels.	P Maxton	Ongoing
OS18	<p>Interest on Loans and Balances Deficit Income £278K</p> <p>Significantly less interest being earned in year than budget.</p>	As part of the 2015/16 budget setting process the income budget was reduced to better reflect the actual income anticipated in 2015/16.	G Waterson	
OS19	<p>Miscellaneous Underspend £73K</p> <p>A reduction in the bad debt provision required for financial year 2014/15.</p>	No action required.	G Waterson	

Annex 2: Budget Action Plan

Other Services				
Action Point	Function/Explanation	Action	Responsible Officer(s)	Status
OS20	<p>Movement in Reserves Overspend £3,227K</p> <p>Mainly in respect of the contributions from the non-earmarked funds to new earmarked funds per the report on Reserves Strategy considered by Policy and Resources Committee on 3 February 2015.</p>	No action required.	G Waterson	