

## **Item: 3**

### **Asset Management Sub-committee: 7 November 2023.**

#### **Revenue Expenditure Monitoring.**

#### **Report by Head of Finance.**

### **1. Purpose of Report**

To advise of the revenue position as at 30 September 2023 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 September 2023, attached as Annex 1 to this report, indicating a budget underspend position of £460,000.

#### **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 September 2023, 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 7 March 2023, the Council set its overall revenue budget for financial year 2023/24. On 20 June 2023, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2023/24, 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:

- 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 September 2023 is attached as Annex 1 to this report.

### **4.2.**

The detail 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 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**

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

## **8. Contact Officer**

Erik Knight, Head of Finance, extension 2127, Email [erik.knight@orkney.gov.uk](mailto: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****September 2023**

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

<b>Non-General Fund</b>					
<b>Service Area</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Sundry Accounts	(125.0)	310.6	(435.6)	N/A	0.0
Repairs & Maintenance	782.1	806.5	(24.4)	97.0	2,196.5
	<b>657.1</b>	<b>1,117.1</b>	<b>(460.0)</b>	<b>58.8</b>	<b>2,196.5</b>
<b>Service Totals</b>	<b>657.1</b>	<b>1,117.1</b>	<b>(460.0)</b>	<b>58.8</b>	<b>2,196.5</b>

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

<b>Service Area</b>	<b>No. of PAs</b>		<b>Service Functions</b>	<b>PAs/ Function</b>
	<b>P05</b>	<b>P06</b>		
Sundry Accounts	3	2	5	40%
Repairs & Maintenance	1	2	2	100%
<b>Totals</b>	<b>4</b>	<b>4</b>	<b>7</b>	<b>57%</b>

**Annex 2: Financial Detail by Service Area****September 2023**

The following tables show the spending position by service function

**Non-General Fund**

		<b>Spend</b>	<b>Budget</b>	<b>Over/(Under)</b>	<b>Spend</b>	<b>Annual</b>
<b>Sundry Accounts</b>	<b>PA</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>	<b>Budget</b>
						<b>£000</b>
Utilities Holding A/C	<b>1B</b>	(186.9)	239.1	(426.0)	N/A	0.0
Insurance Holding A/C		35.5	38.5	(3.0)	92.2	0.0
Telephones Holding A/C		8.4	1.7	6.7	494.1	0.0
Photocopiers Holding A/C	<b>1B</b>	11.3	24.4	(13.1)	46.3	0.0
Postages Holding A/C		6.7	6.9	(0.2)	97.1	0.0
<b>Service Total</b>		<b>(125.0)</b>	<b>310.6</b>	<b>(435.6)</b>	<b>N/A</b>	<b>0.0</b>

		<b>Spend</b>	<b>Budget</b>	<b>Over/(Under)</b>	<b>Spend</b>	<b>Annual</b>
<b>Repairs &amp; Maintenance</b>	<b>PA</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>	<b>Budget</b>
						<b>£000</b>
R & M General Fund	<b>1B</b>	473.2	570.7	(97.5)	82.9	1,780.0
Ground Maintenance	<b>1B</b>	308.9	235.8	73.1	131.0	416.5
<b>Service Total</b>		<b>782.1</b>	<b>806.5</b>	<b>(24.4)</b>	<b>97.0</b>	<b>2,196.5</b>

## Sundry Accounts

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R45C</b>	<p><b>Utilities Holding A/C</b></p> <p>Less than anticipated expenditure by £426.0K</p> <p>Underspend is due to £120k of water bills not yet being received and recharges are ahead of budget profiled.</p>	<p><b>Monitor the situation</b></p> <p>Continue to monitor the situation and prepare a virement if required.</p>	Kenny Macpherson	28/10/2023	Ongoing
<b>R45G</b>	<p><b>Photocopiers Holding A/C</b></p> <p>Less than anticipated expenditure by £13.1K</p> <p>Underspend due to some delays in journals being processed to apply recharges.</p>	<p><b>Raise journal request</b></p> <p>Prepare the required journals to apply the recharges so that spend realigns with the budget.</p>	Kenny Macpherson	24/11/2023	New

## Repairs &amp; Maintenance

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R41A	<p><b>R &amp; M General Fund</b></p> <p>Less than anticipated expenditure by £97.5K</p> <p>The spend is lower than anticipated due to the time needed to develop projects.</p>	<p><b>Monitor the situation</b></p> <p>Expenditure is likely to accelerate as the year progresses and budgets will realign in due course.</p>	Kenny Macpherson	01/12/2023	New
R41G	<p><b>Ground Maintenance</b></p> <p>More than anticipated expenditure by £73.1K</p> <p>Ground maintenance contract is inflation linked, meaning that costs are higher than originally budgeted for.</p>	<p><b>Monitor the situation</b></p> <p>Discussions are underway with services to review the contract specifications and attempt to bring costs in line with budget.</p>	Lorna Richardson	11/10/2023	Ongoing