

## **Item: 5**

### **Asset Management Sub-committee: 31 August 2021.**

#### **Revenue Expenditure Outturn.**

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

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

To advise of the revenue outturn position for financial year 2020/21 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 expenditure outturn statement in respect of service areas for which the Asset Management Sub-committee is responsible for financial year 2020/21, attached as Annex 1 to this report, indicating an underspend of £516,800.

The Sub-committee is invited to scrutinise:

#### **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, in order to obtain assurance that appropriate action was taken with regard to significant budget variances.

### **3. Background**

#### **3.1.**

On 3 March 2020, the Council set its overall revenue budget for financial year 2020/21. On 11 June 2020, the Council 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 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 Executive Directors and their staff.

## **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**

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

## **8. Contact Officer**

Colin Kemp, Interim Head of Finance, Email [colin.kemp@orkney.gov.uk](mailto:colin.kemp@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 2020 to 2021

	Spend £000	Budget £000	Over/(Under)		Annual Budget £000
			Spend £000	%	
<b>General Fund Services</b>					
Repairs and Maintenance	2,044.7	2,044.7	0.0	100.0	2,044.7
Sundry Accounts	3,456.2	3,973.0	(516.8)	87.0	3,973.0
<b>Service Totals</b>	<b>5,500.9</b>	<b>6,017.7</b>	<b>(516.8)</b>	<b>91.4</b>	<b>6,017.7</b>

	PA	Spend £000	Budget £000	Over/Under		Annual Budget £000
				Spend £000	%	
<b>Repairs and Maintenance</b>						
Repairs and Maintenance General Fund		1,706.3	1,706.3	0.0	100.0	1,706.3
Ground Maintenance		338.4	338.4	0.0	100.0	338.4
<b>Service Totals</b>		<b>2,044.7</b>	<b>2,044.7</b>	<b>0.0</b>	<b>200.0</b>	<b>2,044.7</b>

### **Budget Summary**

Original Net Budget	2,056.5
<u>Transfer to Reserves:</u>	
Contribution from Repairs and Renewals Fund for Property Maintenance	30.4
Contribution to Repairs and Renewals Fund for Ground Maintenance	(42.2)
<b>Revised Budget</b>	<b><u>2,044.7</u></b>

### **Property Maintenance Fund (Part of Repairs & Renewals Fund)**

Opening Balance 1 April 2020	(103.3)
Financial Year 2020/21 Deficit	30.4
Closing Balance as at 31 March 2021	<b><u>(72.9)</u></b>

### **Ground Maintenance Fund (Part of Repairs & Renewals Fund)**

Opening Balance 1 April 2020	0.0
Financial Year 2020/21 Surplus	(42.2)
Closing Balance as at 31 March 2021	<b><u>(42.2)</u></b>

	PA	Spend £000	Budget £000	Spend		Budget £000
				£000	%	
<b>Sundry Accounts</b>						
Utilities Holding A/C	<b>1B</b>	2,525.4	3,093.8	(568.4)	81.6	3,093.8
Insurance Holding A/C	<b>1B</b>	785.8	679.8	106.0	115.6	679.8
Telephones Holding A/C		69.7	76.9	(7.2)	90.6	76.9
Photocopiers Holding A/C	<b>1B</b>	16.8	48.2	(31.4)	34.9	48.2
Postages Holding A/C	<b>1B</b>	58.5	74.3	(15.8)	78.7	74.3
<b>Service Totals</b>		<b>3,456.2</b>	<b>3,973.0</b>	<b>(516.8)</b>	<b>87.0</b>	<b>3,973.0</b>

**Annex 2: Budget Action Plan**

<b>Repairs and Maintenance</b>			
<b>Function</b>	<b>Function Description / Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>
<b>R45C</b>	<p><b>Utilities Holding Account</b></p> <p>Less than anticipated expenditure by £568.4K.</p> <p>Variance on utility budget due to under use of buildings during lockdown periods.</p>	Monitor during 2021/22	<b>H Green</b>
<b>R45E</b>	<p><b>Insurance Holding Account</b></p> <p>More than anticipated expenditure by £106.0K.</p> <p>Most sections of insurance have seen premium increases from tender stage with a steady increase, but now there is a “hard” marketplace, so the increases are likely to continue.</p> <p>Over the last 2 years the liability premium increased by 25% due to several injury claims and the crime policy has been affected by a recent fraud case.</p> <p>The previous provider of a group life policy for some marine staff pulled out of the market and cover was obtained with an alternative provider;</p>	Monitor during 2021/22 and review in advance of budget setting for 2022/23.	<b>G Waterson</b>

**Annex 2: Budget Action Plan**

<b>Repairs and Maintenance</b>			
<b>Function</b>	<b>Function Description / Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>
	<p>however, the rate was much higher and pushed the premium up considerably for 2020/21.</p> <p>Marine Insurance was responsible for the highest increase in the insurance premiums from the tender price and was due to new Marine vessels requiring cover.</p>		
<b>R45G</b>	<p><b>Photocopiers Holding Account</b></p> <p>Less than anticipated expenditure by £31.4K.</p> <p>Significantly lower usage of printing due to increased working from home.</p>	Work underway with the Corporate Admin Group to pinpoint the reason for the underspend, and if this may be a longer-term reduction associated with different ways of working due to lockdown.	<b>H Green</b>
<b>R45H</b>	<p><b>Postages Holding Account</b></p> <p>Less than anticipated expenditure by £15.8K.</p> <p>Postage reduced due to fewer letters being sent out by Services during the pandemic.</p>	Monitor during 2021/22	<b>K Greaves</b>