

Item: 4.1

Policy and Resources Committee: 21 September 2021.

Revenue Expenditure Outturn.

Joint Report by Chief Executive, Interim Executive Director of Environmental, Property and IT Services and Head of Finance.

1. Purpose of Report

To advise of the revenue outturn position for financial year 2020/21 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 2020/21, attached as Annex 1 to this report, indicating a deficit position of £3,449,600:

- Central Administration.
- Law, Order and Protective Services.
- Other Services.

The 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 Officers

John Mundell, Interim Chief Executive, Email chief.executive@orkney.gov.uk.

Hayley Green, Interim Executive Director of Environmental, Property and IT Services, Email hayley.green@orkney.gov.uk.

Colin Kemp, Interim Head of Finance, Email colin.kemp@orkney.gov.uk.

9. Annexes

Annex 1: Revenue Expenditure Outturn Statement.

Annex 2: Budget Action Plan.

	Spend £000	Budget £000	Over/(Under) Spend		Annual Budget £000
			£000	%	
General Fund Services					
Central Administration	72.4	72.4	0.0	100.0	72.4
Law, Order and Protective	880.6	891.8	(11.2)	98.7	891.8
Other Services	22,522.3	19,061.5	3,460.8	118.2	19,061.5
Service Totals	23,475.3	20,025.7	3,449.6	117.2	20,025.7

	PA	Spend £000	Budget £000	Over/(Under) Spend		Annual Budget £000
				£000	%	
Central Administration						
Chief Executive		138.5	138.5	0.0	100.0	138.5
Corporate Services		(30.7)	(30.7)	0.0	100.0	(30.7)
Finance		35.2	35.2	0.0	100.1	35.2
Development and Infrastructure		32.2	32.2	0.0	100.1	32.2
I.T. and Facilities		216.2	216.2	0.0	100.0	216.2
Legal Services		55.5	55.5	0.0	100.0	55.5
Movement in Reserves		(548.3)	(548.3)	0.0	100.0	(548.3)
Cleaning Holding Accounts		173.8	173.8	0.0	100.0	173.8
Service Totals		72.4	72.4	0.0	100.0	72.4

Budget Summary

Original Net Budget	0.0
Repairs and Renewals Fund - Pathfinder	72.4
	<u><u>72.4</u></u>

Movement in Reserves Statement

IFRS Accounting Entries	(1,078.5)
Widford Hill Mast contribution to Repairs and Renewals Fund	13.2
Contribution to Workforce Management Fund	517.0
	<u><u>(548.3)</u></u>

	PA	Spend £000	Budget £000	Over/(Under) Spend		Annual Budget £000
				£000	%	
Law, Order and Protective Services						
Civil Contingencies		2,814.8	2,826.0	(11.2)	99.6	2,826.0
Movement in Reserves		(1,934.2)	(1,934.2)	0.0	100.0	(1,934.2)
Service Totals		880.6	891.8	(11.2)	98.7	891.8

Budget Summary

Original Net Budget	118.2
Redetermination COVID-19 Food Fund	99.0
Redetermination SG COVID-19 Fund	150.0
Contribution from COVID19 £1.084m	526.6
Re-align Central Administration Apportioned Costs	(2.0)
	891.8

Movement in Reserves Statement

IFRS Accounting Entries	(11.7)
<u>Transfer to Reserves:</u>	
Redeterminations Flexibility Fund Contribution	109.0
<u>Transfer from Reserves:</u>	
Contribution to Grants from Business Support Fund	(2,031.5)
	(1,934.2)

		Spend	Budget	Over/(Under)		Annual
	PA	£000	£000	Spend	%	Budget
Other Services				£000		£000
Corporate Management	1C	2,777.3	2,839.6	(62.3)	97.8	2,839.6
Corporate Priorities	1B	49.2	686.2	(637.0)	7.2	686.2
Area Support Team (CP)		13.0	15.4	(2.4)	84.3	15.4
Registration		56.9	54.5	2.4	104.3	54.5
Miscellaneous Property		212.7	202.7	10.0	104.9	202.7
Payments to Joint Boards	1B	349.3	416.9	(67.6)	83.8	416.9
Local Works and Services		7.4	7.4	0.0	100.5	7.4
Elections	1B	46.3	35.7	10.6	129.8	35.7
Licensing		32.5	26.1	6.4	124.6	26.1
Grants		156.1	166.1	(10.0)	94.0	166.1
Publicity		13.8	15.7	(1.9)	87.7	15.7
Twinning		(13.2)	0.3	(13.5)	n/a	0.3
Community Councils	1B	336.0	405.9	(69.9)	82.8	405.9
Miscellaneous		646.9	641.6	5.3	100.8	641.6
Interest on Loans and Balances	1B	(207.7)	(372.0)	164.3	55.8	(372.0)
Movement in Reserves	1B	17,506.4	13,364.9	4,141.5	131.0	13,364.9
Accounting for Pensions		(187.9)	(187.9)	0.0	100.0	(187.9)
Non-Distributed Costs		40.4	40.4	0.0	100.0	40.4
Cost of Collection		393.9	409.0	(15.1)	96.3	409.0
Finance Charges		292.9	293.0	(0.1)	100.0	293.0
Service Totals		22,522.3	19,061.5	3,460.8	118.2	19,061.5

Budget Summary

Original Net Budget	9,833.1
Redetermination EU Brexit Funding	25.0
Redetermination COVID-19 Registrars	2.0
RRR Fund - Our Islands Our Future	130.0
Local Works and Services Fund - Local Works and Services	7.4
Lost Income Contribution	45.4
Budget for Orkney Science Festival contribution	20.0
Redetermination Test and Protect Combined	11.0
Redetermination Winter Hardship Admin.	7.0
Redetermination Insecurity Over Winter Funding	11.0
Redetermination Test and Protect Extension	7.0
COVID Redeterminations - Associated with COVID	557.4
COVID Redeterminations - Local Authority Hardship Fund	200.0
COVID Redeterminations - Scottish Welfare Top Up	20.0
COVID Redeterminations - Scottish Welfare Top Up	29.0
COVID Redeterminations - Additional UKG Consequentials	343.0
COVID Redeterminations - Business Support Grant Admin	124.0
COVID Redeterminations -UKG Consequentials Lost Income Scheme	3,471.8
COVID Redeterminations - General COVID Funding	3,666.0
COVID Redeterminations - Flexible Fund to Support People Impacted	210.0
COVID Redeterminations - Discretionary Fund	689.0
SIP Contribution to Education	(75.1)
SIP Contribution to Leisure Services	(117.4)
Apportioned Costs Realignment	(155.1)
	<u>19,061.5</u>

Movement in Reserves Statement

IFRS Accounting Entries	3,489.7
<u>Transfer to Reserves:</u>	
Contribution to SIP Life Cycle Fund	306.9
Contribution to Crown Estates Fund	1,043.0
Contribution to Repairs and Renewals Fund - Improving Roads	2,100.0
Contribution to Repairs and Renewals Fund - Vehicles	403.4
Contribution to Repairs and Renewals Fund - Burial Grounds	113.5
Contribution to Capital Projects Appraisal Fund	200.0
Contribution to Out of Orkney Placements Fund	527.9
Contribution to Repairs and Renewals Fund for surplus on Grounds Maintenance	42.2
COVID-19 Redeterminations carry forward	9,310.2
<u>Transfer from Reserves:</u>	
Contribution from Repairs and Renewals Fund for Repairs and Maintenance	(30.4)
	<u>17,506.4</u>

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 £62.3K.</p> <p>Mainly in respect of reduced travelling expenses, plus underspend in staff costs.</p>	No action required.	K Greaves
R10J	<p>Corporate Priorities</p> <p>Less than anticipated expenditure by £637.0K.</p> <p>There has been an underspend on corporate Learning and Development due to the impact of COVID-19 on methods of training provision, with most being provided online.</p> <p>An underspend on the Trade Union Facility Time budget has occurred due to delayed appointments to Union officer roles earlier in the year.</p> <p>The main cause of the variance was the unused Contingency budget of £537K.</p>	No action required.	G Waterson
R39D	<p>Payments to Joint Boards</p> <p>Less than anticipated expenditure by £67.6K.</p> <p>The requisition payable to Shetland Island Council</p>	No action required.	

Annex 2:

Budget Action Plan

Other Services			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
	for the Orkney and Shetland Valuation Joint Board was less than budgeted in 2020/21.		
R39F	<p>Elections</p> <p>More than anticipated expenditure by £10.6K.</p> <p>The Election expenses were more than budgeted in 2020/21 because the balance claimed for the UK Parliamentary election has yet to be received.</p>	No action required.	K Greaves
R39M	<p>Community Councils</p> <p>Less than anticipated expenditure by £69.9K.</p> <p>Reduction in expenses and project costs due to the impact of COVID-19 restrictions.</p>	No action required.	K Greaves
R39S	<p>Interest on Loans & Balances</p> <p>Less than anticipated income by £164.3K.</p> <p>Less interest being earned in year against budget.</p>	No action required.	G Waterson

Annex 2:

Budget Action Plan

Other Services			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R39U	<p>Movement in Reserves</p> <p>More than anticipated expenditure by £4,141.5K.</p> <p>Accelerated repayment of loan debt £1,400k, contribution to Repairs and Renewals fund for Roads £2,100k, transfer to Out With Orkney Placements fund £528k and contribution to Repairs and Renewals Fund in respect of Burial Grounds £113k.</p>	No action required.	G Waterson