



Item: 3

Asset Management Sub-committee: 3 September 2024.

Revenue Expenditure Outturn.

Report by Head of Finance.

1. Overview

- 1.1. 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.
- 1.2. 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.
- 1.3. 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.
- 1.4. 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).
- 1.5. 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.
- 1.6. The details have been provided following consultation with the relevant Corporate Directors and their staff.

2. Recommendations

2.1. It is recommended that members of the Sub-committee:

- i. Note the revenue expenditure outturn statement in respect of service areas for which the Asset Management Sub-committee is responsible, for financial year 2023/24, attached as Annex 1 to this report, indicating a budget overspend position of £1,746,500.
- ii. Note the financial detail by service area statement in respect of service areas for which the Asset Management Sub-committee is responsible, for financial year 2023/24, attached as Annex 2 to this report,
- iii. Scrutinise 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 appropriate action was taken with regard to significant budget variances.

For Further Information please contact:

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Implications of Report

1. Financial The Financial Regulations state that Corporate Directors can incur expenditure within approved revenue and capital budgets. Such expenditure must be in accordance with the Council's policies and objectives and subject to compliance with the Financial Regulations.

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.

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

3. Corporate Governance In terms of the Scheme of Administration, monitoring, on a quarterly basis, the levels of revenue expenditure incurred against approved budgets, in respect of each of the service areas for which the Sub-committee is responsible, is referred to the Asset Management Sub-committee.

4. Human Resources N/A

5. Equalities Equality Impact Assessment is not required for financial monitoring.

- 6. Island Communities Impact** Island Communities Impact Assessment is not required for financial monitoring.
- 7. Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
- Growing our economy.
 - Strengthening our Communities.
 - Developing our Infrastructure.
 - Transforming our Council.
- 8. Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
- Cost of Living.
 - Sustainable Development.
 - Local Equality.
- 9. Environmental and Climate Risk** N/A
- 10. Risk** N/A
- 11. Procurement** N/A
- 12. Health and Safety** N/A
- 13. Property and Assets** N/A
- 14. Information Technology** N/A
- 15. Cost of Living** N/A

List of Background Papers

Policy and Resources Committee, 23 February 2023, Budget and Council Tax Level for 2023/24.

Policy and Resources Committee, 20 June 2023, Detailed Revenue Budgets

Annexes

Annex 1: Financial Summary.

Annex 2: Financial Detail by Service Area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary**March 2024**

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

Non-General Fund	Spend	Budget	Over/(Under)	Spend	Annual
Service Area	£000	£000	£000	%	Budget
					£000
Sundry Accounts	7,460.4	5,713.6	1,746.8	130.6	5,713.6
Repairs & Maintenance	2,235.5	2,235.8	(0.3)	100.0	2,235.8
	9,695.9	7,949.4	1,746.5	121.9	7,949.4
Service Totals	9,695.9	7,949.4	1,746.5	121.9	7,949.4

Annex 2: Financial Detail by Service Area**March 2024**

The following tables show the spending position by service function

Non-General Fund

		Spend	Budget	Over/(Under)	Spend	Annual
Sundry Accounts	PA	£000	£000	£000	%	Budget
						£000
Utilities Holding A/C	1b	6,102.7	4,289.5	1,813.2	142.3	4,289.5
Insurance Holding A/C		1,221.7	1,222.7	(1.0)	99.9	1,222.7
Telephones Holding A/C	1b	56.1	77.7	(21.6)	72.2	77.7
Photocopiers Holding A/C	1b	11.5	48.7	(37.2)	23.6	48.7
Postages Holding A/C		68.4	75.0	(6.6)	91.2	75.0
Service Total		7,460.4	5,713.6	1,746.8	130.6	5,713.6

		Spend	Budget	Over/(Under)	Spend	Annual
Repairs & Maintenance	PA	£000	£000	£000	%	Budget
						£000
R & M General Fund		1,764.1	1,764.4	(0.3)	100.0	1,764.4
Ground Maintenance		471.4	471.4	0.0	100.0	471.4
Service Total		2,235.5	2,235.8	(0.3)	100.0	2,235.8

Annex 3: Budget Action Plan

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R45C	<p>Utilities Holding A/C</p> <p>More than anticipated expenditure by £1,813.2K</p>	Kenny MacPherson	<p>The main cause of the variance is the increase in the price of electricity. Therefore, even though the total consumption in 23/24 was lower than 22/23, the overall expenditure rose due to the increased price rises in the energy market.</p> <p>Overall, however 22/23 and 23/24 saw the highest usages in electricity over 5 financial periods as properties such as Smiddybrae, Hamnavoe House and the provision of pier side power to the MV Hamnavoe have all added significant volumes of electricity usage in this holding account.</p> <p>While these are recharged accordingly, it highlights the difficulty in reducing spend and is reflected in this holding account as we continue to decarbonise and move to electrical heating in properties and vessels.</p>	<p>Work is ongoing to reduce the consumption in lighting and heating and improve energy efficiency, but the reductions in usage these may bring are being offset by decarbonisation (noting that the relative cost of electricity is higher than oil currently),</p> <p>This means the decision to decarbonise, and the savings in carbon, do not equate with savings in energy costs due to the increases in electricity usage. It is therefore unlikely that a further overspend will be avoidable in this area this year.</p>

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R45F	<p>Telephones Holding A/C</p> <p>Less than anticipated expenditure by £21.6K</p>	Kenny MacPherson	<p>The implementation of the new Voice Over IP (VOIP) based switchboard at the Council Headquarters and the move to VOIP has made a positive impact on telephone costs, reducing this as described.</p> <p>Traditional copper and ISDN lines and contracts were more costly and have been replaced by a much more efficient technology with better affordability.</p>	Work will continue to extend the Council HQ phone system to other sites as and when practical, noting that this requires adequate network services to support this, and therefore improvements to broadband services across Orkney is a key prerequisite.
R45G	<p>Photocopiers Holding A/C</p> <p>Less than anticipated expenditure by £37.2K</p>	Kenny MacPherson	<p>Since the move to improved digital working via the roll out of Microsoft 365 with better sharing, and other initiative to reduce paper copies and records (accelerated via the need to work from home during the pandemic), there has been a significant reduction in printing costs.</p>	Work will continue to minimise the use of printing and the delivery of further digital transformation.