

## **Item: 4**

### **Asset Management Sub-committee: 3 November 2020.**

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

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

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

To advise of the revenue position as at 30 September 2020 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 2020, attached as Annex 1 to this report, indicating a budget underspend position of £462,600.

#### **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 2020, 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 3 March 2020, the Council set its overall revenue budget for financial year 2020 to 2021. 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 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.

### **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 2020 is attached as Annex 1 to this report.

### **4.2.**

The details 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 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.

## **7. Legal Aspects**

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

## **8. Contact Officer**

Gareth Waterson, Head of Finance, extension 2103, Email [gareth.waterson@orkney.gov.uk](mailto:gareth.waterson@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

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

<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	34.1	186.5	(152.4)	18.3	0.0
Repairs & Maintenance	466.9	777.1	(310.2)	60.1	2,056.5
<b>Service Totals</b>	<b>501.0</b>	<b>963.6</b>	<b>(462.6)</b>	<b>52.0</b>	<b>2,056.5</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	4	2	5	40%
Repairs & Maintenance	2	1	2	50%
<b>Totals</b>	<b>6</b>	<b>3</b>	<b>7</b>	<b>43%</b>

## Annex 2: Financial Detail by Service Area

The following tables show the spending position by service function

<b>Sundry Accounts</b>	<b>PA</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Utilities Holding A/C	<b>1B</b>	15.7	157.0	(141.3)	10.0	0.0
Insurance Holding A/C		9.8	0.0	9.8	0.0	0.0
Telephones Holding A/C		0.0	1.6	(1.6)	0.0	0.0
Photocopiers Holding A/C	<b>1B</b>	6.9	21.1	(14.2)	33.0	0.0
Postages Holding A/C		1.7	6.8	(5.1)	25.4	0.0
<b>Service Total</b>		<b>34.1</b>	<b>186.5</b>	<b>(152.4)</b>	<b>18.3</b>	<b>0.0</b>

<b>Repairs &amp; Maintenance</b>	<b>PA</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
R & M General Fund	<b>1B</b>	262.1	558.8	(296.7)	46.9	1,675.9
Ground Maintenance		204.8	218.3	(13.5)	93.8	380.6
<b>Service Total</b>		<b>466.9</b>	<b>777.1</b>	<b>(310.2)</b>	<b>60.1</b>	<b>2,056.5</b>

### Annex 3: Budget Action Plan

#### Sundry Accounts

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R45C	<p><b>Utilities Holding A/C</b></p> <p>Less than anticipated expenditure by £141.3K</p> <p>Costs lower than anticipated.</p>	<p><b>Manage income/expenditure</b></p> <p>It is noted (following detailed review) that the utilities unit costs have increased (charges) but consumption has not. There is still an issue with timely issue of invoices causing a false underspend position. This is a temporary position as there is a risk that energy costs due to COVID-19 may rise especially in schools where ventilation is called for as well as heating. Again, a potential COVID-19 cost but on a typical £3m energy bill could easily exceed 10% or £300k currently estimated in the COSLA claim.</p>	Darren Richardson	31/12/2020	Ongoing
R45G	<p><b>Photocopiers Holding A/C</b></p> <p>Less than anticipated expenditure by £14.2K</p> <p>There have been significantly fewer and smaller invoices raised for printing this year. Work underway to establish the reason why and if this may be a longer term reduction associated with different ways of working due to lockdown.</p>	<p><b>Monitor the situation</b></p> <p>Work underway to establish the reasons for this reduction.</p>	Hayley Green	31/12/2020	Ongoing

## Annex 3: Budget Action Plan

### Repairs & 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 £296.7K</p> <p>Costs lower than profile.</p>	<p><b>Management input required</b></p> <p>Planned and cyclical works have been delayed due to COVID-19. This means the volume of works is less than anticipated and thereby the expenditure is less. Depending on the construction capacity in the market some of this will be caught up on. Noted there may be construction claims for losses to consider (a COVID-19 cost estimated in the COSLA return). Equally any underspend may be needed to address Service revenue pressures unless these are funded corporately. The estimated probable outturn is £1,465,200 against the annual budget of £1,675,900.</p>	Darren Richardson	31/12/2020	Ongoing