

Item: 6

Asset Management Sub-committee: 1 September 2020.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 30 June 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 June 2020, attached as Annex 1 to this report, indicating a budget underspend position of £380,000.

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 June 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 monitoring reports are circulated as briefing reports every month to inform Elected Members of the up to date financial position. Quarterly revenue expenditure monitoring reports are presented to individual service committees, replacing the need for a monthly budget briefing this reporting period.

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 June 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.

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.

Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Sundry Accounts	43.9	191.2	(147.3)	23.0	0.0
Repairs & Maintenance	73.8	306.5	(232.7)	24.1	2,056.5
Service Totals	117.7	497.7	(380.0)	23.6	2,056.5

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P02	P03		
Sundry Accounts	1	4	5	80%
Repairs & Maintenance	1	2	2	100%
Totals	2	6	7	86%

Annex 2: Financial Detail by Service Area

The following tables show the spending position by service function

Sundry Accounts	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Utilities Holding A/C	1B	0.1	171.5	(171.4)	0.1	0.0
Insurance Holding A/C	1B	29.7	0.0	29.7	0.0	0.0
Telephones Holding A/C	1B	17.8	2.4	15.4	740.8	0.0
Photocopiers Holding A/C	1B	(1.9)	10.2	(12.1)	N/A	0.0
Postages Holding A/C		(1.8)	7.1	(8.9)	N/A	0.0
Service Total		43.9	191.2	(147.3)	23.0	0.0

Repairs & Maintenance	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
R & M General Fund	1B	13.6	231.5	(217.9)	5.9	1,675.9
Ground Maintenance	1B	60.2	75.0	(14.8)	80.2	380.6
Service Total		73.8	306.5	(232.7)	24.1	2,056.5

Annex 3: Budget Action Plan

Sundry Accounts

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R45C	<p>Utilities Holding A/C</p> <p>Less than anticipated expenditure by £171.4K</p> <p>Costs lower than anticipated/profiles.</p>	<p>Process transaction(s)</p> <p>Billing issues continue to be a challenge in terms of receiving them, noting there will be some delay currently due to the COVID-19 pressures on utility company resources. The underspend should reduce significantly in the months ahead.</p>	Darren Richardson	30/09/2020	Ongoing
R45E	<p>Insurance Holding A/C</p> <p>More than anticipated expenditure by £29.7K</p> <p>More insurance is being paid than budgeted for due to increases in Liability and Marine Insurance</p>	<p>Monitor the situation</p> <p>Budget will be reviewed for 2021-2022 once insurance premiums are known.</p>	Gareth Waterson	31/03/2021	New
R45F	<p>Telephones Holding A/C</p> <p>Less than anticipated income by £15.4K</p> <p>The fees and charges to be raised via journals have been delayed and will come through next month. This will net off the apparent overspend to zero.</p>	<p>Raise journals request</p> <p>Journals to be raised.</p>	Hayley Green	30/09/2020	New

Annex 3: Budget Action Plan

Sundry Accounts

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R45G	Photocopiers Holding A/C Less than anticipated expenditure by £12.1K 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.	Monitor the situation Work underway to establish the reasons for this reduction.	Hayley Green	30/09/2020	New

Annex 3: Budget Action Plan

Repairs & Maintenance

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R41A	<p>R & M General Fund</p> <p>Less than anticipated expenditure by £217.9K</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.</p>	<p>Management input required</p> <p>Depending on the construction capacity in the market and the TMC some of this will be caught up on, but there may be an underspend or a need to use revenue funding to meet COVID-19 costs unless funded corporately.</p>	Darren Richardson	31/08/2020	Ongoing
R41G	<p>Ground Maintenance</p> <p>Less than anticipated expenditure by £14.8K</p> <p>Costs lower than anticipated due to reduced activity (COVID-19).</p>	<p>Monitor the situation</p> <p>The COVID-19 lockdown in construction terms has seen reduced work on the ground. This may well be caught up in the months ahead, an underspend overall is not anticipated.</p>	Darren Richardson	30/09/2020	New