

Item: 4

Investments Sub-committee: 16 February 2023.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 31 December 2022 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 Investments Sub-committee is responsible, for the period 1 April to 31 December 2022, attached as Annex 1 to this report, indicating a budget deficit position of £19,952,800.

2.2.

The revenue financial detail by service area statement, in respect of service areas for which the Investments Sub-committee is responsible, for the period 1 April to 31 December 2022, 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 10 March 2022, the Council set its overall revenue budget for financial year 2022/23. On 21 June 2022, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2022/23, 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 Corporate 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 31 December 2022 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

Erik Knight, Head of Finance, Email erik.knight@orkney.gov.uk.

9. Annexes

Annex 1: Financial Summary.

Annex 2: Financial Detail by Service Area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary

December 2022

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

Non-General Fund					
Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Strategic Reserve Fund	18,014.4	(1,938.4)	19,952.8	N/A	(5,670.4)
	18,014.4	(1,938.4)	19,952.8	N/A	(5,670.4)
Service Totals	18,014.4	(1,938.4)	19,952.8	N/A	(5,670.4)

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P08	P09		
Strategic Reserve Fund	3	2	12	17%
Totals	3	2	12	17%

Annex 2: Financial Detail by Service Area**December 2022**

The following tables show the spending position by service function

Non-General Fund

		Spend	Budget	Over/(Under) Spend	Annual	Budget
Strategic Reserve Fund	PA	£000	£000	£000	%	£000
Investment Activities	1B	10,590.8	(9,417.7)	20,008.5	N/A	(16,950.4)
Investment Properties		(799.6)	(844.2)	44.6	94.7	(788.7)
Local Investments		162.8	172.4	(9.6)	94.4	341.9
Conservation Fund		0.0	2.2	(2.2)	0.0	0.0
Travel Fund		0.0	1.1	(1.1)	0.0	0.0
Talented Performers Fund		0.3	0.7	(0.4)	42.9	0.0
Flotta Decommissioning Fund		0.0	0.0	0.0	0.0	9.6
Talented Young Persons Fund		2.0	0.3	1.7	666.7	0.0
Orkney Memorial Fund		21.4	26.8	(5.4)	79.9	31.8
Renewable Energy Investment Fund	1B	(226.2)	(143.0)	(83.2)	158.2	(143.0)
Movement in Reserves		8,262.9	8,263.0	(0.1)	100.0	11,759.4
Finance & Capital Charges		0.0	0.0	0.0	0.0	69.0
Service Total		18,014.4	(1,938.4)	19,952.8	N/A	(5,670.4)

Changes in original budget position:

Original Net Budget	(5,599.7)
Strategic Projects Scheme from RRR Fund	24.3
Island Games Budget Creation	(95.0)
	(5,670.4)

Strategic Reserve Fund

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R55C	<p>Investment Activities</p> <p>Less than anticipated income by £20,008.5K</p> <p>The fair value of the Strategic Reserve Fund's investments has fallen in the year to date.</p>	<p>Monitor the situation</p> <p>Continue to monitor the performance of externally managed fund investments, which are held as part of an agreed diversified investment strategy.</p>	Erik Knight	31/01/2023	Ongoing
R55V	<p>Renewable Energy Investment Fund</p> <p>More than anticipated income by £83.2K</p> <p>Dividend income above budget.</p>	<p>No action required</p> <p>Multiple dividends in current year reflecting on 'catch up' from previous year and the consistent operation of the turbines in the current year.</p>	Erik Knight	31/01/2023	Ongoing