

Item: 4

Investments Sub-committee: 28 August 2019.

Revenue Expenditure Outturn.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue outturn position for financial year 2018 to 2019 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 expenditure outturn statement in respect of Strategic Reserve Fund services for financial year 2018 to 2019, attached as Annex 1 to this report, indicating a budget surplus position of £5,590,600.

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.

3. Background

3.1.

On 22 February 2018, the Council set its overall revenue budget for financial year 2018 to 2019. On 17 April 2018, the Policy and Resources Committee 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 committee 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:

- £10,000 and 10% more or less than Anticipated position (1b).
- £50,000 more or less than Anticipated position (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. In addition to the variances generated in the current month, the variances reported in previous reporting periods will remain within the Budget Action Plan until these actions have been completed.

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 revenue expenditure outturn statement for financial year 2018 to 2019 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 process 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

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: Revenue Expenditure Outturn Statement.

Annex 2: Budget Action Plan.

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2018 to 2019

	Spend £000	Budget £000	Over/Under		Annual Budget £000
			Spend £000	%	
General Fund Services					
Strategic Reserve Fund	-12,440.1	-6,849.5	-5,590.6	181.6	-6,849.5
Service Totals	-12,440.1	-6,849.5	-5,590.6	181.6	-6,849.5

Strategic Reserve Fund	PA	Spend £000	Budget £000	Over/Under		Annual Budget £000
				Spend £000	%	
Investment Activities	1b	-9,479.6	12,011.6	2,532.0	78.9	-12,011.6
Investment Properties	1b	-706.3	-454.6	-251.7	155.4	-454.6
Local Investments	1b	289.0	389.8	-100.8	74.1	389.8
Conservation Fund		-1.6	0.0	-1.6	n/a	0.0
Travel Fund		-0.9	0.0	-0.9	n/a	0.0
Talented Performers Fund		-0.5	0.0	-0.5	n/a	0.0
Flotta Decommissioning Fund	1b	-714.1	-187.4	-526.7	381.1	-187.4
Talented Young Persons Fund		1.1	0.0	1.1	n/a	0.0
Orkney Memorial Fund		25.5	31.0	-5.5	82.5	31.0
Renewable Energy Investment Fund	1b	-209.6	-309.0	99.4	67.8	-309.0
Movement in Reserves		-1,643.1	5,692.3	-7,335.4	n/a	5,692.3
Service Totals		-12,440.1	-6,849.5	-5,590.6	181.6	-6,849.5

Movement in Reserves Statement

IFRS Accounting Entries	-749.0
<u>Transfer to Reserves:</u>	
Annual Contribution to General Fund Services	4,350.0
CDF 2016 Tranche to General Fund	334.0
General Fund Contribution – North Isles Landscape Partnership Development Scheme	2.9
<u>Transfer from Reserves:</u>	
Contribution from Scapa Flow Oil Port in Respect of Year-end Surplus	-4,726.6
Transfer of Garden House to General Fund	-325.0
RRR Fund – Contributions to Strategic Projects	-79.4
Transfer of Serviced Sites at Galt View to Miscellaneous Piers	-450.0
	-1,643.1

Strategic Reserve Fund Statement of Reserves

Opening Balance 1 April 2018	-230,246.7
Financial Year 2018/19 Surplus	-12,440.1
Closing Balance as at 31 March 2019	-242,686.8

Annex 2:**Budget Action Plan**

Strategic Reserve Fund			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R55C	<p>Investment Activities</p> <p>Less than anticipated income by £2,532.0K</p> <p>Reduced income from investment activities for the year.</p>	<p>The value of investments can be affected by fluctuations in the financial markets over the short term.</p> <p>The underlying performance of the Strategic Reserve Fund's managed funds investments is measured over a rolling three-year period to smooth out any market fluctuations over the short term, while the budget assumes that an average or smoothed level of investment performance can be achieved each year.</p>	G Waterson
R55D	<p>Investment Properties</p> <p>Less than anticipated expenditure by £251.7K</p> <p>Due to both an underspend on property costs and more income than budgeted. Expenditure on the Investment Properties will fluctuate depending on the individual circumstances for each asset during the year.</p>	<p>This will be reviewed when looking at future budget commitments and assumptions.</p>	H Green
R55F	<p>Local Investments</p> <p>Less than anticipated expenditure by £100.8K</p> <p>The accounting entries adjusting for the fair value and impairment of loans are positive values against a budget for Miscellaneous costs. No costs were incurred in 2018.19.</p>	<p>Review the budget for 2021/22</p>	G Waterson

Annex 2:**Budget Action Plan**

Strategic Reserve Fund			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R55N	Flotta Decommissioning Fund More than anticipated income by £526.7K The value of the Flotta Decommissioning Fund is adjusted annually by the increase in the Retail Price Index (RPI). Therefore, the variance is due to an increase in RPI compared to budget.	No action required.	G Waterson
R55V	Renewable Energy Investment Fund Less than anticipated income by £99.4K Actual dividends received on Hammars Hill Energy Limited investments are lower than originally estimated.	Review the budget for 2021/22.	G Waterson