

Item: 4

Investments Sub-committee: 16 November 2022.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 30 September 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 30 September 2022, attached as Annex 1 to this report, indicating a budget deficit position of £13,439,500.

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 30 September 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 30 September 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

September 2022

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

| Non-General Fund | | | | | Annual |
|-------------------------|-----------------------|------------------------|------------------------------|--------------------|------------------------|
| Service Area | Spend £000 | Budget £000 | Over/(Under) £000 | Spend % | Budget £000 |
| Strategic Reserve Fund | 15,758.1 | 2,318.6 | 13,439.5 | 679.6 | (5,575.4) |
| | 15,758.1 | 2,318.6 | 13,439.5 | 679.6 | (5,575.4) |
| Service Totals | 15,758.1 | 2,318.6 | 13,439.5 | 679.6 | (5,575.4) |

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

| Service Area | No. of PAs | | Service Functions | PAs/ Function |
|------------------------|-------------------|------------|------------------------------|--------------------------|
| | P05 | P06 | | |
| Strategic Reserve Fund | 3 | 4 | 12 | 33% |
| Totals | 3 | 4 | 12 | 33% |

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

The following tables show the spending position by service function

Non-General Fund

| | | Spend | Budget | Over/(Under) | Spend | Annual |
|----------------------------------|-----------|-----------------|----------------|---------------------|--------------|------------------|
| Strategic Reserve Fund | PA | £000 | £000 | £000 | % | Budget |
| | | | | | | £000 |
| Investment Activities | 1B | 8,081.1 | (5,520.3) | 13,601.4 | N/A | (16,950.4) |
| Investment Properties | 1B | (553.9) | (480.8) | (73.1) | 115.2 | (788.7) |
| Local Investments | 1B | 121.7 | 178.9 | (57.2) | 68.0 | 341.9 |
| Conservation Fund | | 0.0 | 1.5 | (1.5) | 0.0 | 0.0 |
| Travel Fund | | 0.0 | 0.7 | (0.7) | 0.0 | 0.0 |
| Talented Performers Fund | | 0.1 | 0.5 | (0.4) | 18.7 | 0.0 |
| Flotta Decommissioning Fund | | 0.0 | 0.0 | 0.0 | 0.0 | 9.6 |
| Talented Young Persons Fund | | 1.3 | 0.2 | 1.1 | 660.0 | 0.0 |
| Orkney Memorial Fund | | 21.4 | 17.9 | 3.5 | 119.7 | 31.8 |
| Renewable Energy Investment Fund | 1B | (176.5) | (143.0) | (33.5) | 123.4 | (143.0) |
| Movement in Reserves | | 8,262.9 | 8,263.0 | (0.1) | 100.0 | 11,854.4 |
| Finance & Capital Charges | | 0.0 | 0.0 | 0.0 | 0.0 | 69.0 |
| Service Total | | 15,758.1 | 2,318.6 | 13,439.5 | 679.6 | (5,575.4) |

Changes in original budget position:

| | |
|---|------------------|
| Original Net Budget | (5,599.7) |
| Strategic Projects Scheme from RRR Fund | 24.3 |
| | (5,575.4) |

As

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 £13,601.4K</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 are part of an agreed diversified investment strategy.</p> | Erik Knight | 31/12/2022 | Ongoing |
| R55D | <p>Investment Properties</p> <p>More than anticipated income by £73.1K</p> <p>Rental income has been invoiced earlier than anticipated.</p> | <p>Monitor the situation</p> <p>As income was anticipated to be received in October this will be rectified.</p> | Kenny Macpherson | 30/09/2022 | Ongoing |
| R55F | <p>Local Investments</p> <p>Less than anticipated expenditure by £57.2K</p> <p>Underspend due to delay in payment of fee related to securing grid capacity for Orkney's Community Wind Farm Project.</p> | <p>Monitor the situation</p> <p>Expected to resolve as payments are made.</p> | Sweyn Johnston | 30/11/2022 | New |

Strategic Reserve Fund

| Function | Function Description/ Explanation | Action Category/ Action Description | Responsible Officer | Deadline | Status |
|----------|---|--|------------------------|------------|---------|
| R55V | Renewable Energy Investment Fund More than anticipated income by £33.5K Dividend income above budgeted. | No action required Performance of investment exceed expectations. | Erik Knight | 30/11/2022 | Ongoing |