

## **Item: 5**

### **Investments Sub-committee: 25 February 2021.**

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

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

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

To advise of the revenue position as at 31 December 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 Investments Sub-committee is responsible, for the period 1 April to 31 December 2020, attached as Annex 1 to this report, indicating a budget surplus position of £29,243,900.

#### **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 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 2020/21. 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 31 December 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, 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>
Strategic Reserve Fund	(31,695.3)	(2,451.4)	(29,243.9)	1,292.9	(1,115.6)
<b>Service Totals</b>	<b>(31,695.3)</b>	<b>(2,451.4)</b>	<b>(29,243.9)</b>	<b>1,292.9</b>	<b>(1,115.6)</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>P08</b>	<b>P09</b>		
Strategic Reserve Fund	2	4	11	36%
<b>Totals</b>	<b>2</b>	<b>4</b>	<b>11</b>	<b>36%</b>

## Annex 2: Financial Detail by Service Area

The following tables show the spending position by service function

<b>Strategic Reserve Fund</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>
Investment Activities	<b>1B</b>	(37,135.7)	(8,422.6)	(28,713.1)	440.9	(12,738.2)
Investment Properties	<b>1C</b>	(820.3)	(767.6)	(52.7)	106.9	(700.0)
Local Investments	<b>1B</b>	43.3	612.4	(569.1)	7.1	881.6
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		0.0	0.7	(0.7)	0.0	0.0
Talented Young Persons Fund		0.1	0.3	(0.2)	36.7	0.0
Orkney Memorial Fund		4.9	4.9	0.0	99.0	31.4
Renewable Energy Investment Fund	<b>1B</b>	(104.8)	(200.0)	95.2	52.4	(200.0)
Movement in Reserves		6,317.2	6,317.2	0.0	100.0	11,490.6
Finance & Capital Charges		0.0	0.0	0.0	0.0	119.0
<b>Service Total</b>		<b>(31,695.3)</b>	<b>(2,451.4)</b>	<b>(29,243.9)</b>	<b>1,292.9</b>	<b>(1,115.6)</b>

## Strategic Reserve Fund

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R55C	<p><b>Investment Activities</b></p> <p>More than anticipated income by £28,713.1K</p> <p>Unrealised gains on the Strategic Reserve Fund portfolios are ahead of target for the year to date.</p>	<p><b>Monitor the situation</b></p> <p>No action required. Investments are subject to market fluctuations.</p>	Gareth Waterson	31/03/2021	Ongoing
R55D	<p><b>Investment Properties</b></p> <p>More than anticipated income by £52.7K</p> <p>The underspend is mainly against Property Costs (£121K), and a substantial amount of this is relating to the former Abattoir (£71K). The costs for the former Abattoir are being charged / journalled to the cost centre used for COVID-19 costs. Waste are using the former Abattoir as a depot to ensure staff can work in a suitably physically distanced way and in line with the Risk Assessment.</p> <p>This underspend is offset by reduced rental income due to delayed issue of rental invoices due to COVID-19 restrictions.</p>	<p><b>Monitor the situation</b></p> <p>The team continues to actively manage every asset and are taking steps, where appropriate, to bring the budget back into balance. Given that we are now in Q4 of 2020/21, it is thought unlikely that this will be fully achieved by the end of the financial year, despite best endeavours.</p>	Hayley Green	31/03/2021	New

## Strategic Reserve Fund

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R55F	<p><b>Local Investments</b></p> <p>Less than anticipated expenditure by £569.1K</p> <p>Increased income due to unbudgeted receipt of dividend from Orkney Towage Company Limited.</p>	<p><b>Monitor the situation</b></p> <p>There has been a dividend payment from Orkney Towage Company Limited of £571,000.</p>	Gareth Waterson	31/03/2021	Ongoing
R55V	<p><b>Renewable Energy Investment Fund</b></p> <p>Less than anticipated income by £95.2K</p> <p>Interim dividend from Hammars Hill Energy Limited for year ending 31 December 2020 not received in December, as profiled in the budget.</p>	<p><b>Monitor the situation</b></p> <p>Dividends are issued at the discretion of the Company. Contact will be made with Hammars Hill Energy Limited to see if an interim dividend is going to be issued for year ending 31 December 2020.</p>	Gareth Waterson	31/03/2021	New