



Item: 3

Investments Sub-committee: 18 September 2024.

Revenue Expenditure Outturn.

Report by Head of Finance.

1. Overview

- 1.1. On 7 March 2023, the Council set its overall revenue budget for financial year 2023/24. On 20 June 2023, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2023/24, which form the basis of the individual revenue expenditure monitoring reports.
- 1.2. Individual revenue expenditure monitoring 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.
- 1.3. 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.
- 1.4. 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).
- 1.5. 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.
- 1.6. The details have been provided following consultation with the relevant Corporate Directors and their staff.

2. Recommendations

2.1. It is recommended that members of the Sub-committee:

- i. Note the revenue expenditure outturn statement in respect of service areas for which the Investments Sub-committee is responsible, for financial year 2023/24, attached as Annex 1 to this report, indicating a budget underspend position of £1,421,400.
- ii. Note the financial detail by service area statement, in respect of service areas for which the Investments Sub-committee is responsible, for financial year 2023/24, attached as Annex 2 to this report.
- iii. Scrutinise 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 appropriate action was taken with regard to significant budget variances.

For Further Information please contact:

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Implications of Report

1. Financial The Financial Regulations state that Corporate Directors can incur expenditure within approved revenue and capital budgets. Such expenditure must be in accordance with the Council's policies and objectives and subject to compliance with the Financial Regulations.

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.

2. Legal Regular financial monitoring and reporting help the Council meet its statutory obligation to secure best value.

3. Corporate Governance In terms of the Scheme of Administration, monitoring, on a quarterly basis, the levels of revenue expenditure incurred against approved budgets, in respect of each of the service areas for which the Sub-committee is responsible, is referred to the Investments Sub-committee.

4. Human Resources N/A

5. Equalities Equality Impact Assessment is not required for financial monitoring.

6. Island Communities Impact Island Communities Impact Assessment is not required for financial monitoring.

7. Links to Council Plan: The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:

- Growing our economy.
- Strengthening our Communities.
- Developing our Infrastructure.
- Transforming our Council.

8. Links to Local Outcomes Improvement Plan: The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:

- Cost of Living.
- Sustainable Development.
- Local Equality.

9. Environmental and Climate Risk N/A

10. Risk N/A

11. Procurement N/A

12. Health and Safety N/A

13. Property and Assets N/A

14. Information Technology N/A

15. Cost of Living N/A

List of Background Papers

Policy and Resources Committee, 23 February 2023, Budget and Council Tax Level for 2023/24.

Policy and Resources Committee, 20 June 2023, Detailed Revenue Budgets

Annexes

Annex 1: Financial Summary.

Annex 2: Financial Detail by Service Area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary**March 2024**

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	(16,787.1)	(15,365.7)	(1,421.4)	0.0	(15,365.7)
	(16,787.1)	(15,365.7)	(1,421.4)	0.0	(15,365.7)
Service Totals	(16,787.1)	(15,365.7)	(1,421.4)	0.0	(15,365.7)

Annex 2: Financial Detail by Service Area

March 2024

The following tables show the spending position by service function

Non-General Fund

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Strategic Reserve Fund						
Investment Activities	1C	(20,357.7)	(19,596.2)	(761.5)	103.9	(19,596.2)
Investment Properties		(934.1)	(885.1)	(49.0)	105.5	(885.1)
Local Investments	1B	1,545.2	966.9	578.3	159.8	966.9
County Fund		(1,864.6)	(1,865.7)	1.1	99.9	(1,865.7)
Conservation Fund		(9.9)	0.0	(9.9)	0.0	0.0
Travel Fund		(5.3)	0.0	(5.3)	0.0	0.0
Talented Performers Fund		(2.5)	0.0	(2.5)	0.0	0.0
Flotta Decommissioning Fund	1B	0.0	75.0	(75.0)	0.0	75.0
Talented Young Persons Fund		1.5	0.0	1.5	0.0	0.0
Orkney Memorial Fund	1B	(14.6)	31.8	(46.4)	N/A	31.8
Renewable Energy Investment Fund	1B	(314.4)	(138.0)	(176.4)	227.8	(138.0)
Movement in Reserves	1B	7,864.1	5,972.6	1,891.5	131.7	11,776.3
Finance & Capital Charges	1B	(2,694.8)	73.0	(2,767.8)	N/A	73.0
Service Total		(16,787.1)	(15,365.7)	(1,421.4)	0.0	(15,365.7)

Changes in original budget position:

Original Net Budget	(15,215.7)
Island Games Budget Creation	(150.0)
	<u>(15,365.7)</u>

Annex 3: Budget Action Plan

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R55C	<p>Investment Activities</p> <p>More than anticipated income by £761.5K</p>	Erik Knight	The Council's managed funds are subject to the vagaries of the equities markets. Quarter 4 growth/returns against budget resulted in a turn-around in this reporting area.	No action required. Investment strategy is currently being reviewed.
R55F	<p>Local Investments</p> <p>More than anticipated expenditure by £578.3K</p>	Sweyn Johnston	Strategic projects were slightly underspent against budget for financial year 2023/24, however, this was more than offset by a year-end impairment adjustment in respect of the Council's investment in ORIC.	<p>No action required. The strategic projects revenue costs are financed by an agreed commitment from the Strategic Reserve Fund, which will carry over into future years until required.</p> <p>The value of the Council's investment in ORIC will vary year-on-year and can go up or down, depending on the net worth of the Limited Liability Partnership.</p>
R55N	<p>Flotta Decommissioning Fund</p> <p>Less than anticipated expenditure by £75.0K</p>	Erik Knight	This budget was created in error during the accounts close process.	Instruction added to the year end process to prevent future occurrences.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R55T	<p>Orkney Memorial Fund</p> <p>Less than anticipated expenditure by £46.6K</p>	Erik Knight	Expenditure was lower than anticipated during the financial year. Interest received by the fund was also higher than budgeted because of higher interest rates generally.	<p>No action required.</p> <p>Budgeting for this area is difficult to ascertain, with only estimates being included in the budget.</p>
R55V	<p>Renewable Energy Investment Fund</p> <p>More than anticipated income by £176.4K</p>	Erik Knight	Dividends received during the year were higher than anticipated. We budget for an interim final dividend – based on historical activity. During this financial year the Council received three interim dividends and a final dividend.	<p>Continue to monitor.</p> <p>Communication from Hammars Hill Energy Limited has indicated that it is likely that dividends will be lower in 2024/25 due to the need to undertake significant repairs to existing turbines.</p>
R55W	<p>Movement in Reserves</p> <p>More than anticipated expenditure by £1,891.5K</p>	Erik Knight	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit & loss on disposal. These transactions are applied to their relevant non-useable reserve through the Movement in Reserves budget area.	No action required.

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<p>R55Y</p>	<p>Finance & Capital Charges</p> <p>Less than anticipated expenditure by £2,767.8K</p>	<p>Erik Knight</p>	<p>Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal.</p>	<p>No action required.</p>
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