

Item: 4

Investments Sub-committee: 14 September 2023.

Revenue Expenditure Outturn.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue outturn position for financial year 2022/23 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 which the Investments Sub-committee is responsible, for financial year 2022/23, attached as Annex 1 to this report, indicating a budget deficit position of £31,582,600.

2.2.

The revenue financial detail by service area statement in respect of Strategic Reserve Fund services, for which the Investments Sub-committee is responsible, for financial year 2022/23, 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 appropriate action was 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 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.

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.

4. Financial Summary

4.1.

The revenue expenditure outturn statement is attached as Annex 1 to this report.

4.2.

The detail 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 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

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.

7. Legal Aspects

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

8. Contact Officer

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9. Annexes

Annex 1: Financial Summary.

Annex 2: Financial Detail by Service Area

Annex 3: Budget Action Plan.

Annex 1: Financial Summary**March 2023**

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	25,917.6	(5,665.0)	31,582.6	0.0	(5,665.0)
Service Totals	25,917.6	(5,665.0)	31,582.6	0.0	(5,665.0)

The following tables show the spending position by service function

Non-General Fund

	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Strategic Reserve Fund						
Investment Activities	1B	18,410.1	(16,950.4)	35,360.5	N/A	(16,950.4)
Investment Properties	1C	(841.3)	(788.7)	(52.6)	106.7	(788.7)
Local Investments	1B	276.6	330.4	(53.8)	83.7	330.4
Conservation Fund		(3.4)	0.0	(3.4)	0.0	0.0
Travel Fund		(1.8)	0.0	(1.8)	0.0	0.0
Talented Performers Fund		(0.7)	0.0	(0.7)	0.0	0.0
Flotta Decommissioning Fund		0.0	9.6	(9.6)	0.0	9.6
Talented Young Persons Fund		2.2	0.0	2.2	0.0	0.0
Orkney Memorial Fund		27.6	31.8	(4.2)	86.8	31.8
Renewable Energy Investment Fund	1B	(226.2)	(143.0)	(83.2)	158.2	(143.0)
Movement in Reserves	1B	8,447.1	11,776.3	(3,329.2)	71.7	11,776.3
Finance & Capital Charges	1B	(172.6)	69.0	(241.6)	N/A	69.0
Service Total		25,917.6	(5,665.0)	31,582.6	0.0	(5,665.0)

Changes in original budget position:

Original Net Budget	(5,610.3)
VF7C Strategic Projects Scheme from RRR Fund	24.3
VF56C Island Games Budget Creation	(95.0)
Strategic Projects from RRR Fund	16.0
	(5,665.0)

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	Investment Activities	Knight, Erik	The fair value of the Strategic Reserve Fund's investments fell during the years as a result of global political and economic factors.	Continue to monitor performance of externally managed funds invested. Review of current approved diversified investment strategy.
R55D	Investment Properties	Macpherson, Kenny	Variances occur property by property for multiple reasons, in some cases leading to overspend and in others underspend. Reasons include tenant delays in payments, rental income frequency not aligning to the profile, costs being incurred later than expected on profile and on vacant properties that are not generating income.	No action required. These are normal and inevitable variances due to the nature of the cost centre.
R55F	Local Investments	Johnston, Sweyn	Underspend relating to timing of third party works	No action required. Strategic Reserve Fund budget to be carried into next financial year.
R55V	Renewable Energy Investment Fund	Knight, Erik	Multiple dividends during 2022/23 reflecting a "catch up" from previous year and the consistent operation of turbines during the year.	No action required.
R55W	Movement in Reserves	Knight, Erik	The main reason for the variance is the fall in externally managed funds invested. Also financial adjustments in respect of capital transactions are also	No action required.

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>
			producing variances.	
R55Y	Finance & Capital Charges	Knight, Erik	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.	No action required.