

Item: 5

Investments Sub-committee: 16 September 2021.

Revenue Expenditure Outturn.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue outturn position for financial year 2020/21 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 2020/21, attached as Annex 1 to this report, indicating a budget surplus position of £40,188,800.

The Sub-committee is invited to scrutinise:

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, in order to obtain assurance that appropriate action was 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 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 Executive 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 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

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

8. Contact Officer

Colin Kemp, Interim Head of Finance, Email colin.kemp@orkney.gov.uk.

9. Annexes

Annex 1: Revenue Expenditure Outturn Statement.

Annex 2: Budget Action Plan.

		Spend	Budget	Over/(Under)		Annual
		£000	£000	Spend	%	Budget
				£000		£000
General Fund Services						
Strategic Reserve Fund		(41,304.4)	(1,115.6)	(40,188.8)	3,702.4	(1,115.6)
Service Totals		(41,304.4)	(1,115.6)	(40,188.8)	3,702.4	(1,115.6)
		Spend	Budget	Over/(Under)		Annual
		£000	£000	Spend	%	Budget
				£000		£000
Strategic Reserve Fund						
Investment Activities	1B	(47,491.4)	(12,738.2)	(34,753.2)	372.8	(12,738.2)
Investment Properties	1B	(787.4)	(700.0)	(87.4)	112.5	(700.0)
Local Investments	1B	291.6	815.2	(523.6)	35.8	815.2
Conservation Fund		(1.0)	0.0	(1.0)	n/a	0.0
Travel Fund		(0.6)	0.0	(0.6)	n/a	0.0
Talented Performers Fund		(0.3)	0.0	(0.3)	n/a	0.0
Flotta Decommissioning Fund		0.0	0.0	0.0	n/a	0.0
Talented Young Persons Fund		0.0	0.0	0.0	n/a	0.0
Orkney Memorial Fund	1B	2.4	31.4	(29.0)	7.6	31.4
Renewable Energy Investment Fund	1B	(148.9)	(200.0)	51.1	74.5	(200.0)
Movement in Reserves	1B	6,877.7	11,557.0	(4,679.3)	59.5	11,557.0
Finance and Capital Charges	1B	(46.5)	119.0	(165.5)	(39.1)	119.0
Service Totals		(41,304.4)	(1,115.6)	(40,188.8)	3,702.4	(1,115.6)

Movement in Reserves Statement

IFRS Accounting Entries	0.0
<u>Transfer to Reserves:</u>	
Annual Contribution to General Fund Services	6,317.2
HRA Contribution for Carness	320.0
SRF Contribution for Island Games	2.4
SRF Contribution to Business Hardship Support Fund	3,000.0
Financial Instruments Adjustment Account	10.1
<u>Transfer from Reserves:</u>	
Contribution from Scapa Flow Oil Port in Respect of Year-end Surplus	(2,721.4)
RRR Fund - Contributions to Strategic Projects	(50.6)
	6,877.7

Strategic Reserve Fund Statement of Reserves

Opening Balance 1 April 2020	(191,042.3)
Financial Year 2020/21 Surplus	(41,304.4)
Closing Balance as at 31 March 2021	(232,346.7)

Annex 2:

Budget Action Plan

Strategic Reserve Fund			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R55C	<p>Investment Activities</p> <p>More than anticipated income by £34,753.2K.</p> <p>Unrealised gains on the Strategic Reserve Fund portfolios were ahead of target 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>	C Kemp
R55D	<p>Investment Properties</p> <p>Less than anticipated expenditure by £87.4K.</p> <p>Reduction in maintenance programme due to COVID-19 restrictions.</p>	No action required.	H Green
R55F	<p>Local Investments</p> <p>More than anticipated income by £523.6K.</p> <p>Increased income due to unbudgeted receipt of dividend from Orkney Towage Company Limited.</p>	No action required.	C Kemp

Annex 2:

Budget Action Plan

Strategic Reserve Fund			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R55T	<p>Orkney Memorial Fund</p> <p>Less than anticipated expenditure by £29.0K.</p> <p>Payments from the Orkney Memorial Fund were less than budgeted for in 2020/21.</p>	No action required.	C Kemp
R55V	<p>Renewable Energy Investment Fund</p> <p>Less than anticipated income by £51.1K.</p> <p>Dividends received from Hammars Hill Energy Limited for year ending 31 December 2020 were lower than the budget estimate.</p>	No action required.	C Kemp
R55W	<p>Movement in Reserves</p> <p>Less than anticipated expenditure by £4,679.3K.</p> <p>Scapa Flow surplus more than budget, plus no contribution in respect of new Kirkwall Care facility 2020/21.</p>	The decision to change funding mechanism for Kirkwall Care Facility was taken by Council in 2020/21 – Policy and Resources 16 February 2021 and General Meeting of Council on 2 March 2021.	C Kemp

Annex 2:

Budget Action Plan

Strategic Reserve Fund			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R55Y	<p>Finance and Capital Charges</p> <p>Less than anticipated expenditure by £165.5K.</p> <p>Mainly reduced expenditure on the capital maintenance programme due to COVID-19 restrictions.</p>	No action required.	G Waterson