

Item: 4

Investments Sub-committee: 23 November 2023.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 30 September 2023 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 2023, attached as Annex 1 to this report, indicating a budget overspend position of £2,904,200.

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 2023, 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 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.

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.

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 2023 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

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

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9. Annexes

Annex 1: Financial Summary.

Annex 2: Financial Details by Service Area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary**September 2023**

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

Non-General Fund	Spend	Budget	Over/(Under)	Spend	Annual
Service Area	£000	£000	£000	%	Budget
					£000
Strategic Reserve Fund	1,778.6	(1,125.6)	2,904.2	N/A	(13,650.0)
	1,778.6	(1,125.6)	2,904.2	N/A	(13,650.0)
Service Totals	1,778.6	(1,125.6)	2,904.2	N/A	(13,650.0)

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

Service Area	No. of PAs		Service	PAs/
	P05	P06		
Strategic Reserve Fund	2	4	12	33%
Totals	2	4	12	33%

Annex 2: Financial Detail by Service Area**September 2023**

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	1B	(4,002.0)	(7,082.1)	3,080.1	56.5	(19,727.8)
Investment Properties	1B	(538.1)	(473.9)	(64.2)	113.5	(751.0)
Local Investments	1B	148.8	165.5	(16.7)	89.9	693.8
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		0.6	0.5	0.1	120.0	0.0
Flotta Decommissioning Fund		0.0	0.0	0.0	0.0	75.0
Talented Young Persons Fund		1.3	0.2	1.1	650.0	0.0
Orkney Memorial Fund		0.0	0.0	0.0	0.0	31.8
Renewable Energy Investment Fund	1B	(182.0)	(88.0)	(94.0)	206.8	(138.0)
Movement in Reserves		6,350.0	6,350.0	0.0	100.0	6,093.2
Finance & Capital Charges		0.0	0.0	0.0	0.0	73.0
Service Total		1,778.6	(1,125.6)	2,904.2	N/A	(13,650.0)

Changes in original budget position:

Original Net Budget	(13,500.0)
Island Games Budget Creation	(150.0)
	<u>(13,650.0)</u>

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 £3,080.1K</p> <p>The investment portfolios held by external fund managers collectively have performed below expectations.</p>	<p>Monitor the situation</p> <p>Continue to monitor each fund manager performance.</p>	Erik Knight	30/11/2023	Ongoing
R55D	<p>Investment Properties</p> <p>More than anticipated income by £64.2K</p> <p>Rental income has exceeded profile. This can happen with so many different leases in place.</p>	<p>Monitor the situation</p> <p>Will monitor the situation and raise a virement if required to realign budget with actual income received.</p>	Kenny Macpherson	24/11/2023	New
R55F	<p>Local Investments</p> <p>Less than anticipated expenditure by £16.7K</p> <p>Budget profile is ahead of spend to date.</p>	<p>Raise virement request</p> <p>Virement required to realign budget with actual income and expenditure.</p>	Sweyn Johnston	30/11/2023	Ongoing
R55V	<p>Renewable Energy Investment Fund</p> <p>More than anticipated income by £94.0K</p> <p>Dividend received on the Council's shares in a local wind energy company are ahead of profile for the year to date and exceed the full year budget.</p>	<p>Monitor the situation</p> <p>Reprofile receipts budget, if appropriate.</p>	Erik Knight	30/11/2023	Ongoing