

Item: 4

Investments Sub-committee: 22 November 2018.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 30 September 2018 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 Strategic Reserve Fund services for the period 1 April to 30 September 2018, attached as Annex 1 to this report, indicating a budget surplus position of £5,471,800.

2.2.

The revenue financial detail by Service Area statement for the period 1 April to 30 September 2018, attached as Annex 2 to this report.

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.

3. Background

3.1.

On 22 February 2018, the Council set its overall revenue budget for financial year 2018 to 2019. On 17 April 2018, the Policy and Resources Committee 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 as briefing reports every month to inform Elected Members of the up to date financial position. Quarterly revenue expenditure monitoring reports are presented to individual service committees replacing the need for a monthly budget briefing this reporting period.

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:

- £10,000 and 10% more or less than Anticipated position (1B).
- £50,000 more or less than Anticipated position (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. In addition to the variances generated in the current month, the variances reported in previous reporting periods will remain within the Budget Action Plan until these actions have been completed.

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 2018 is attached as Annex 1 to this report.

4.2.

The financial 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

Financial monitoring and reporting helps 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

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

Service Area	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Strategic Reserve Fund	-6,297.3	-825.5	-5,471.8	762.8	-6,849.5
Service Totals	-6,297.3	-825.5	-5,471.8	762.8	-6,849.5

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P05	P06		
Strategic Reserve Fund	3	3	13	23%
Totals	3	3	13	23%

Annex 2: Financial Detail by Service Area

The following tables show the spending position by service function

Strategic Reserve Fund	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Investment Activities	1B	-10,496.9	-5,270.5	-5,226.4	199.2	-12,011.6
Investment Properties	1B	-492.1	-278.3	-213.8	176.8	-454.6
Local Investments	1B	156.5	179.4	-22.9	87.2	525.5
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		0.0	0.5	-0.5	0.0	0.0
Flotta Decommissioning Fund		0.0	0.0	0.0	0.0	-187.4
Talented Young Persons Fund		0.6	0.2	0.4	324.4	0.0
Orkney Memorial Fund		16.1	16.0	0.1	100.4	31.0
Renewable Energy Investment Fund		-165.5	-159.0	-6.5	104.1	-309.0
Movement in Reserves		4,684.0	4,684.0	0.0	100.0	5,437.6
Finance & Capital Charges		0.0	0.0	0.0	0.0	119.0
Service Total		-6,297.3	-825.5	-5,471.8	762.8	-6,849.5

Annex 3: Budget Action Plan

Strategic Reserve Fund

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R55C	<p>Investment Activities</p> <p>More than anticipated income by £5,226.4K</p> <p>Unrealised gains on the Strategic Reserve Fund managed funds investments are ahead of target for the year to date.</p>	<p>No action required</p> <p>No action required - the value of the investments is affected by market fluctuations in the financial markets over the short term.</p>	Gareth Waterson	30/11/2018	Ongoing
R55D	<p>Investment Properties</p> <p>More than anticipated income by £213.8K</p> <p>Variance is due to a number of different reasons across 7 properties within this category. This is mainly because of expenditure or income higher than the profile. Additionally, one of the assets has been sold and work is underway to update the profile as a result.</p>	<p>Monitor the situation</p> <p>This budget will be kept under close review and action taken if necessary.</p>	Hayley Green	30/11/2018	Ongoing
R55F	<p>Local Investments</p> <p>Less than anticipated expenditure by £22.9K</p> <p>Costs are lower than planned on the development of various strategic projects.</p>	<p>Monitor the situation</p> <p>Costs not expended to the full value, this will balance out as each work package is completed.</p>	Darren Richardson	30/11/2018	Ongoing