

Item: 4

Investments Sub-committee: 27 February 2020.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 31 December 2019 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 31 December 2019, attached as Annex 1 to this report, indicating a budget surplus position of £7,792,300.

2.2.

The revenue financial detail by Service Area statement for the period 1 April to 31 December 2019, 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 5 March 2019, the Council set its overall revenue budget for financial year 2019 to 2020. On 23 April 2019, 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 in order to inform committee members of the up to date financial position. Quarterly revenue expenditure monitoring reports are presented to individual service committees. This quarterly report replaces 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 31 December 2019 is attached as Annex 1 to this report.

4.2.

The 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 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.

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

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	(6,449.5)	1,342.8	(7,792.3)	N/A	2,376.1
Service Totals	(6,449.5)	1,342.8	(7,792.3)	N/A	2,376.1

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P08	P09		
Strategic Reserve Fund	2	3	12	25%
Totals	2	3	12	25%

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	(12,002.0)	(4,216.0)	(7,786.0)	284.7	(5,705.6)
Investment Properties	1B	(848.0)	(742.1)	(105.9)	114.3	(609.6)
Local Investments		542.7	520.4	22.3	104.3	998.4
Conservation Fund		0.0	2.2	(2.2)	0.0	0.0
Travel Fund		0.0	1.1	(1.1)	0.0	0.0
Talented Performers Fund		0.1	0.7	(0.6)	14.7	0.0
Flotta Decommissioning Fund		0.0	0.0	0.0	0.0	(187.4)
Talented Young Persons Fund		1.9	0.3	1.6	648.4	0.0
Orkney Memorial Fund		26.4	26.2	0.2	100.7	31.0
Renewable Energy Investment Fund	1B	(220.6)	(300.0)	79.4	73.5	(300.0)
Movement in Reserves		6,050.0	6,050.0	0.0	100.0	8,030.3
Finance & Capital Charges		0.0	0.0	0.0	0.0	119.0
Service Total		(6,449.5)	1,342.8	(7,792.3)	N/A	2,376.1

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 £7,786.0K</p> <p>Unrealised gains on the Strategic Reserve Fund investments are ahead of target for the year to date.</p>	<p>No action required</p> <p>No action required. Valuation gains and losses on the Funds are subject to market fluctuations.</p>	Gareth Waterson	31/03/2020	Ongoing
R55D	<p>Investment Properties</p> <p>More than anticipated income by £105.9K</p> <p>Income in year to date exceeds target.</p>	<p>Monitor the situation</p> <p>Position will be monitored through Q4 of 2019 to 2020 and budget adjusted for 2020 to 2021.</p>	Hayley Green	31/03/2020	Ongoing
R55V	<p>Renewable Energy Investment Fund</p> <p>Less than anticipated income by £79.4K</p> <p>Dividend income on the Council's investment in Hammars Hill Energy Ltd is lower than originally budgeted for.</p>	<p>Monitor the situation</p> <p>The budget was established based on previous years' returns which have been exceptionally good. The return from generation of electricity in 2019 to 2020 has been impacted by some periods of curtailment; lower average wind speeds than prior years; the vagaries of the wholesale electricity market and some periods of breakdown.</p> <p>A prudent estimate of a 14p per share dividend has been suggested for 2020 to 2021.</p>	Gareth Waterson	31/03/2020	New