

Item: 4

Investments Sub-committee: 24 September 2025.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Overview

- 1.1. On 4 March 2025, the Council set its overall revenue budget for financial year 2025/26. On 17 June 2025, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2025/26, which form the basis of the individual revenue expenditure monitoring reports.
- 1.2. 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.
- 1.3. 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.
- 1.4. 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).
- 1.5. 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.
- 1.6. The details have been provided following consultation with the relevant Directors and their staff.
- 1.7. 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.

2. Recommendations

2.1. It is recommended that members of the Sub-committee:

- i. Note 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 June 2025, attached as Annex 1 to this report, indicating a budget surplus position of £2,100,200.
- ii. Note 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 June 2025, attached as Annex 2 to this report.
- iii. Note 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.

For Further Information please contact:

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Implications of Report

1. **Financial** The Financial Regulations state that Corporate Directors can incur expenditure within approved revenue and capital budgets. Such expenditure must be in accordance with the Council's policies and objectives and subject to compliance with the Financial Regulations.
2. **Legal** Regular financial monitoring and reporting help the Council meet its statutory obligation to secure best value.
3. **Corporate Governance** In terms of the Scheme of Administration, monitoring, on a quarterly basis, the levels of revenue expenditure incurred against approved budgets, in respect of each of the service areas for which the Sub-committee is responsible is referred to the Investments Sub-committee.
4. **Human Resources** N/A
5. **Equalities** An Equality Impact Assessment is not required for financial monitoring.
6. **Island Communities Impact** An Island Communities Impact Assessment is not required for financial monitoring.
7. **Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
 - ☐ Growing our economy.
 - ☐ Strengthening our Communities.
 - ☐ Developing our Infrastructure.
 - ☐ Transforming our Council.

8. **Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
 - ☐ Cost of Living.
 - ☐ Sustainable Development.
 - ☐ Local Equality.
 - ☐ Improving Population Health.
9. **Environmental and Climate Risk** N/A.
10. **Risk** N/A.
11. **Procurement** N/A.
12. **Health and Safety** N/A.
13. **Property and Assets** N/A.
14. **Information Technology** N/A.
15. **Cost of Living** N/A.

List of Background Papers

Policy and Resources Committee, 25 February 2025, Budget and Council Tax Level for 2025/26.

Policy and Resources Committee, 17 June 2025, Detailed Revenue Budgets

Annexes

Annex 1: Financial Summary.

Annex 2: Financial Detail by Service Area.

Annex 3: Budget Action Plan.

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

Non-General Fund					Annual
Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Budget £000
Strategic Reserve Fund	12,207.9	14,308.1	(2,100.2)	85.3	(1,322.3)
	12,207.9	14,308.1	(2,100.2)	85.3	(1,322.3)
Service Totals	12,207.9	14,308.1	(2,100.2)	85.3	(1,322.3)

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P02	P03		
Strategic Reserve Fund	5	5	11	45%
Totals	5	5	11	45%

Annex 2: Financial Detail by Service Area

June 2025

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	(5,832.1)	(3,258.5)	(2,573.6)	179.0	(19,144.0)
Investment Properties	1B	(239.9)	(457.0)	217.1	52.5	(933.6)
Local Investments	1B	14.4	75.7	(61.3)	19.0	639.7
County Fund	1B	0.0	(350.0)	350.0	0.0	(2,000.0)
Conservation Fund		0.0	0.8	(0.8)	0.0	0.2
Travel Fund		0.0	0.4	(0.4)	0.0	0.0
Flotta Decommissioning Fund		0.0	0.0	0.0	0.0	953.0
Orkney Memorial Fund		0.0	3.7	(3.7)	0.0	0.0
Renewable Energy Investment Fund	1B	(165.5)	(138.0)	(27.5)	119.9	(138.0)
Movement in Reserves		18,431.0	18,431.0	0.0	100.0	19,233.4
Finance & Capital Charges		0.0	0.0	0.0	0.0	67.0
Service Total		12,207.9	14,308.1	(2,100.2)	85.3	(1,322.3)

Strategic Reserve Fund

Function	Function Description Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R55C	Investment Activities More than anticipated income by £2,573.6K Market returns are volatile at present. At end June this budget area showed a positive variance against budget. However, investments can go down as well as up.	Monitor the situation Continue to review market investments.	Erik Knight	31/07/2025	Ongoing
R55D	Investment Properties Less than anticipated income by £217.1K Given that this Service Function covers in the region of 80 industrial estate properties, there is no single reason that can be attributed to the variances as delays in rental payments, vacant assets, higher than expected rates or other factors can skew the income. Of note however is some of the budget variances are related to properties now disposed of and in one case a renounced lease.	Monitor the situation The budget will be monitored, but this specific service area will almost always be difficult to align to profile for the above reasons.	Kenny Macpherson	31/03/2026	Ongoing

Strategic Reserve Fund

Function	Function Description Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R55F	Local Investments Less than anticipated expenditure by £61.3K Delay in receipt on invoice main driver for variance.	Monitor the situation Expected to self-resolve.	Sweyn Johnson	31/07/2025	Ongoing
R55G	Investment Properties Less than anticipated income by £350.0K Profile needs to be adjusted to reflect actual treatment for this cost centre.	Raise virements request Raise virements where required.	Erik Knight	31/07/2025	New
R55V	Renewable Energy Investment Fund More than anticipated income by £27.5K Dividend received so far in 2025/26 exceeds the base budget, which was reduced to reflect the fact that no dividends were received during financial year 2024/25. Dividends are not guaranteed and are at the discretion of the Company.	Monitor the situation Continue to monitor level of returns for this investment.	Erik Knight	31/07/2025	Ongoing