

Item: 3

Investments Sub-committee: 24 September 2025.

Revenue Expenditure Outturn.

Report by Head of Finance.

1. Overview

- 1.1. On 11 March 2024, the Council set its overall revenue budget for financial year 2024/25. On 18 June 2024, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2024/25, 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 financial year 2024/25, attached as Annex 1 to this report, indicating a budget surplus position of £2,662,400.
- ii. Note the revenue financial detail by service area statement in respect of service areas for which the Investments Sub-committee is responsible, for financial year 2024/25, 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, 27 February 2024, Budget and Council Tax Level for 2024/25.

Policy and Resources Committee, 18 June 2024, 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					
Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Strategic Reserve Fund	14,557.1	17,219.5	(2,662.4)	0.0	17,219.5
	14,557.1	17,219.5	(2,662.4)	0.0	17,219.5
Service Totals	14,557.1	17,219.5	(2,662.4)	0.0	17,219.5

Annex 2: Financial Detail by Service Area**March 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
Strategic Reserve Fund						£000
Investment Activities	1B	(4,925.6)	(10,846.4)	5,920.8	45.4	(10,846.4)
Investment Properties	1B	(803.4)	(976.7)	173.3	82.3	(976.7)
Local Investments	1B	1,476.2	1,112.1	364.1	132.7	1,112.1
Conservation Fund	1B	(10.4)	0.1	(10.5)	N/A	0.1
Travel Fund		(5.6)	0.0	(5.6)	0.0	0.0
Talented Performers Fund		(3.2)	0.0	(3.2)	0.0	0.0
Talented Young Persons Fund		(0.4)	0.0	(0.4)	0.0	0.0
Orkney Memorial Fund	1B	(7.0)	32.9	(39.9)	N/A	32.9
Renewable Energy Investment Fund	1B	0.0	(276.0)	276.0	0.0	(276.0)
Movement in Reserves	1B	18,961.0	28,100.5	(9,139.5)	67.5	28,100.5
Finance & Capital Charges	1B	(124.6)	73.0	(197.6)	N/A	73.0
Service Total		14,557.1	17,219.5	(2,662.4)	0.0	17,219.5

Strategic Reserve Fund

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R55C	Investment Activities Less than anticipated income by £5,920.8k	Erik Knight	Financial markets are never predictable, however political and economic decisions at or around year end resulted in large unrealised losses on the valuations as at 31 March 2025, and resultant reported returns, being significantly behind budgeted levels.	The Reserve Fund Investment Strategy was recently reviewed. The Corporate Finance Team are working with advisors to put strategy decisions in place, these changes will hopefully reduce fluctuations in values. The funds invested continue to be monitored by the Sub-committee, the Team and our advisors.
R55D	Investment Properties Less than anticipated income by £173.3k	Kenny MacPherson	Across the portfolio of Strategic Reserve Fund properties, there are various reasons that have contributed to the reduced income. Some long-term vacant properties realise no income and incur expenditure, and while in some cases there is a decision to dispose these remain a burden until completion. Additionally, in some cases delays or other reasons may reduce the payments by tenants over the course of a year, and finally unexpected or exceptional costs including utilities and repairs are covered by the budget.	Will continue to monitor occupancy levels and where properties are not attracting occupancy will review and in some cases move to disposal.

Strategic Reserve Fund

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R55F	Local Investments More than anticipated expenditure by £364.1k	Erik Knight	Strategic projects spend was ahead of budget levels by ~ £160k. Note, this overspend will come out of the agreed Reserve Fund commitment for this project. The ORIC disposal resulted in a further loss against Council investment in the current year of ~ £230k. Other minor movements made up the variance.	The Strategic projects remaining commitment to be reduced to reflect current year overspend. Continue to review local investments performance and report where necessary.
R55I	Conservation Fund Less than anticipated expenditure by £10.5k	Frances Troup	The budget concerned is understood to be available for the conservation of buildings and not available for the conservation of collections. Accordingly, no suitable project was available in 2024/25 leading to an underspend.	Monitor the situation.
R55T	Orkney Memorial Fund Less than anticipated expenditure by £39.9k	Erik Knight	Income from the Loans fund, due to interest rate levels, was higher than budgeted.	None at this time.

Strategic Reserve Fund

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R55V	Renewal Energy Investment Fund Less than anticipated income by £276.0k	Erik Knight	As previously reported, no dividends were received during the current year due to repair work being undertaken on the turbines.	None at this time.
R55W	Movement in Reserves Less than anticipated expenditure by £9,139.5k	Erik Knight	The budget included various commitments against the Reserve Fund, the most significant being £8,070k towards General Fund capital expenditure. This commitment was removed as part of the review of slippage through 2024/25. The balance of the variance is similarly due to budgeted commitments not being expended in the current year. Unspent commitments were carried forward as part of year end processes.	Actions taken through 2024/25 will reduce variance in future.
R55Y	Finance & Capital Charges Less than anticipated expenditure by £197.6k	Erik Knight	Income from the Loans fund, due to interest rate levels, was higher than budgeted. The cost budget includes cost of capital in current year, however disposal of assets resulted in a small gain and a net income rather than a cost.	None at this time.