

Item: 3

Investments Sub-committee: 26 February 2025.

Revenue Expenditure Monitoring.

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 Corporate 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 31 December 2024, attached as Annex 1 to this report, indicating a budget surplus position of £4,465,000.
- 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 31 December 2024, attached as Annex 2 to this report.
- iii. Scrutinise 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 appropriate action is being taken with regard to significant budget variances.

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** Equality Impact Assessment is not required for financial monitoring.
6. **Island Communities Impact** 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.
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.

Annex 1: Financial Summary

December 2024

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	5,087.9	9,552.9	(4,465.0)	53.3	14,817.0
	5,087.9	9,552.9	(4,465.0)	53.3	14,817.0
Service Totals	5,087.9	9,552.9	(4,465.0)	53.3	14,817.0

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	4	4	10	40%
Totals	4	4	10	40%

Annex 2: Financial Detail by Service Area

December 2024

The following tables show the spending position by service function

Non-General Fund

	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Strategic Reserve Fund						
Investment Activities	1B	(13,470.6)	(8,262.4)	(5,208.2)	163.0	(10,982.1)
Investment Properties	1B	(801.4)	(924.4)	123.0	86.7	(841.0)
Local Investments		863.9	832.9	31.0	103.7	1,112.1
COUNTY FUND	1B	(1,519.3)	(1,873.9)	354.6	81.1	(2,402.5)
Conservation Fund		0.0	2.3	(2.3)	0.0	0.1
Travel Fund		0.0	1.1	(1.1)	0.0	0.0
Orkney Memorial Fund		15.3	15.3	0.0	100.0	32.9
Renewable Energy Investment Fund	1B	0.0	(238.0)	238.0	0.0	(276.0)
Movement in Reserves		20,000.0	20,000.0	0.0	100.0	28,100.5
Finance & Capital Charges		0.0	0.0	0.0	0.0	73.0
Service Total		5,087.9	9,552.9	(4,465.0)	53.3	14,817.0

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 £5,208.2K</p> <p>Unrealised investment gains are ahead of target for the year to date.</p>	<p>Monitor the situation</p> <p>Continue to monitor, investments can go up as well as down</p>	Erik Knight	31/01/2025	Ongoing
R55D	<p>Investment Properties</p> <p>Less than anticipated income by £123.0K</p> <p>The Service Function covers a large number of properties and across these there can be fluctuations in rental income that tend to realign by the end of the year. Therefore, a lower than profile income level can be normal. However, this is compounded by a loss of income when properties are vacant and no income is being achieved, which is the situation in a number of key properties including Garden House.</p>	<p>Monitor the situation</p> <p>Garden House is now being advertised for sale, and work is ongoing to find tenants for vacant properties.</p>	Kenny Macpherson	31/03/2025	Ongoing

Strategic Reserve Fund

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R55G	<p>County Fund</p> <p>Less than anticipated income by £354.6K</p> <p>The County Fund is a newly established budget within the Strategic Reserve Fund where passenger dues are allocated. The budget profile is set at equal monthly late, but the actual income is seasonal.</p>	<p>No action required</p> <p>A full review of this budget will take place as part of the budget setting process for financial year 2025/26 to ensure the budget profile better reflects the actual income and when it is received.</p>	Erik Knight	31/03/2025	Ongoing
R55V	<p>Renewable Energy Investment Fund</p> <p>Less than anticipated income by £238.0K</p> <p>No dividends have been received from Hammars Hill Energy Ltd (HHEL) in financial year 2024/25. Shareholders have been notified that this is due to all 5 turbines requiring significant repairs or replacement during the year.</p>	<p>No action required</p> <p>No action required as this is a genuine reduction in income for 2024/25. Dividend receipts are not guaranteed and are issued at the discretion of the Company and are based on financial surpluses which will be limited this year.</p>	Erik Knight	31/03/2025	New