ORKNEY
ISLANDS COUNCIL

Item: 1

Investments Sub-committee: 17 September 2026.

Revenue Expenditure Outturn.

Report by Head of Finance.

1. Overview

1.1. This report presents the revenue financial outturn position as at 31 March 2026, in respect of service area for which the Investments Sub-committee is responsible.

1.2. 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.

1.3. 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.

1.4. 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.

1.5. 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).

1.6. 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.

1.7. The details have been provided following consultation with the relevant Directors and their staff.

1.8. 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 2025 to 31 March 2026, attached as Annex 1 to this report, indicating a budget surplus position of £5,522,600.

ii. Note the revenue financial service area statement in respect of service areas for which the Investments Sub-committee is responsible, for the period 1 April 2025 to 31 March 2026, 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 was 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 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 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.

Annex 1: Financial Summary **March 2026**

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	(6,844.9)	(1,322.3)	(5,522.6)	517.7	(1,322.3)
	(6,844.9)	**(1,322.3)**	**(5,522.6)**	**517.7**	**(1,322.3)**
Service Totals	**(6,844.9)**	**(1,322.3)**	**(5,522.6)**	**517.7**	**(1,322.3)**

The following tables show the spending position by service function

Non-General Fund

Strategic Reserve Fund	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Investment Activities	**1B**	(22,913.1)	(19,126.9)	(3,786.2)	119.8	(19,126.9)
Investment Properties	**1B**	(801.2)	(981.6)	180.4	81.6	(981.6)
Local Investments	**1B**	335.7	670.6	(334.9)	50.1	670.6
Conservation Fund	**1B**	(10.1)	0.2	(10.3)	N/A	0.2
Travel Fund		(5.5)	0.0	(5.5)	N/A	0.0
Talented Performers Fund		(3.2)	0.0	(3.2)	N/A	0.0
Flotta Decommissioning Fund	**1B**	0.0	953.0	(953.0)	0.0	953.0
Talented Young Persons Fund		(0.4)	0.0	(0.4)	N/A	0.0
Orkney Memorial Fund		7.1	0.0	7.1	N/A	0.0
Renewable Energy Investment Fund	**1B**	(331.0)	(138.0)	(193.0)	239.9	(138.0)
Movement in Reserves	**1B**	16,667.0	17,233.4	(566.4)	96.7	17,233.4
Finance & Capital Charges	**1B**	209.8	67.0	142.8	N/A	67.0
Service Total		**(6,844.9)**	**(1,322.3)**	**(5,522.6)**	**517.7**	**(1,322.3)**

Strategic Reserve Fund

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R55C	**Investment Activities** More than anticipated income by £3,786.2K	Erik Knight	Investment returns were higher than anticipated. The level of returns is not guaranteed with the Investment Strategy indicating returns could be +/- 10% from expected return value of 7.7%. This above budget return is welcome, but it should be noted that high volatility remains in the investment market due to uncertainties in the geopolitical arena.	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 Finance Team and our advisors.

Strategic Reserve Fund

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R55D	**Investment Properties** Less than anticipated income by £180.4K	Kenny MacPherson	Following a review of the rental portfolio, occupancy levels were found to be broadly consistent with previous years, with only a limited number of leasable assets currently vacant, and rental income performance achieved approximately 92% of the annual rental income target. Whilst the overall Investment Properties position reported through financial monitoring achieved 81.6% of budget, the variance reflects a combination of factors arising from property transfers, tenancy changes, lease renewal and invoicing timing differences, together with other costs and accounting adjustments reflected within the overall Investment Properties budget.	Continue active management of the investment property portfolio through lease renewals, rent reviews and the progression of new lease opportunities. Work is ongoing to bring currently vacant leasable assets into occupation where appropriate, reduce avoidable vacancy periods and maximise income generation from Council assets.

Strategic Reserve Fund

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R55F	**Local Investments** Less than anticipated expenditure by £334.9K	Sweyn Johnston	Postponement in subsea survey work re Faray windfarm leading to underspend.	Proposing to schedule works for 2026/27.
R55I	**Conservation Fund** Less than anticipated expenditure by £10.3K	Erik Knight	The budget concerned is understood to be available for the conservation of buildings. No suitable project was found in 2025/26 leading to an underspend.	None at this time.
R55N	**Flotta Decommissioning Fund** Less than anticipated expenditure by £953.0K	Erik Knight	The net budget position should be £nil. The budget position should also be £nil. The budget has not been updated to reflect the accounting movement between balances.	Ensure process is updated to record correct budget in future.

Strategic Reserve Fund

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R55V	**Renewal Energy Investment Fund** More than anticipated income by £193.0K	Erik Knight	Dividends received during 2025/26 were higher than budget.	None at this time.
R55W	**Movement in Reserves** Less than anticipated expenditure by £566.4K	Erik Knight	The budget included various commitments against the Reserve Fund. The majority of the variance is due to budgeted commitments not being expended in the current year. Unspent commitments were carried forward as part of year end processes.	None at this time.
R55Y	**Finance & Capital Charges** More than anticipated expenditure by £142.8K	Erik Knight	Interest charges of £5k are less than the budget of £67k. The remaining variance has arisen through the loss on disposal of Investment properties.	None at this time.