



ORKNEY
ISLANDS COUNCIL

Item: 3

Asset Management Sub-committee: 2 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 Asset Management Sub-committee is responsible, for the period 1 April 2024 to 31 March 2025, attached as Annex 1 to this report, indicating a budget overspend position of £1,633,800.
- ii. Note the revenue financial detail by service area statement in respect of service areas for which the Asset Management Sub-committee is responsible, for the period 1 April 2024 to 31 March 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 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 Asset Management 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 2025/26.

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
Sundry Accounts	8,065.2	6,417.6	1,647.6	125.7	6,417.6
Repairs & Maintenance	2,496.0	2,509.8	(13.8)	99.5	2,509.8
	10,561.2	8,927.4	1,633.8	118.3	8,927.4
Service Totals	10,561.2	8,927.4	1,633.8	118.3	8,927.4

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
Sundry Accounts	PA	£000	£000	£000	%	Budget
Utilities Holding A/C	1B	6,652.1	4,984.5	1,667.6	133.5	4,984.5
Insurance Holding A/C		1,282.0	1,280.5	1.5	100.1	1,280.5
Telephones Holding A/C	1B	44.8	55.6	(10.8)	80.6	55.6
Photocopiers Holding A/C	1B	13.6	35.0	(21.4)	38.9	35.0
Postages Holding A/C	1B	72.7	62.0	10.7	117.3	62.0
Service Total		8,065.2	6,417.6	1,647.6	125.7	6,417.6

		Annual	Budget	Over/(Under)	Spend	Budget
Repairs & Maintenance	PA	Spend	£000	£000	%	£000
R & M General Fund		2,009.1	2,023.0	(13.9)	99.3	2,023.0
Ground Maintenance		486.9	486.8	0.1	100.0	486.8
Service Total		2,496.0	2,509.8	(13.8)	99.5	2,509.8

Sundry Accounts

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R45C	Utilities Holding Account More than anticipated expenditure by £1,667.6K	Kenny MacPherson	Electricity and oil consumption for the year 2024-25 was slightly down on previous year, but electricity spend has increased by 20%. The increased spend is due to unit rates which were still rising in 2024-25 but have dropped slightly this year. The water and Liquefied Petroleum Gas (LPG) chargers have also seen a significant increase for the year.	Utilities spend will be monitored during financial year 2025/26 and potential base budget increases will require to be considered.
R45F	Telephones Holding Account Less than anticipated expenditure by £10.8K	Kenny MacPherson	The underspend is due to lower costs resulting from the implementation of the new Council Switchboard with most of the call costs now included. This is much more cost effective than the traditional ISDN services used on the original switchboard.	No action is recommended. The Council continues to deploy the lower cost technology where it can but is now facing a challenge that in the isles some of the necessary telecom services are not available to order and at the same time the telecom provider is increasing prices of the “traditional” services threefold to encourage customers to update - yet will not offer in Orkney locations the route to achieve this.
R45G	Photocopiers Holding Account Less than anticipated expenditure by £21.4K	Kenny MacPherson	The underspend continues to reflect the work to reduce printing and copying costs.	The Council will continue to work to reduce printing and copying costs further.

Sundry Accounts

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R45H	Postages Holding Account More than anticipated expenditure by £10.7K	Alex Rodwell	The increase in spend was primarily driven by the Council Tax Team issuing letters to all direct debit payers in July 2025, which significantly raised their monthly expenditure from their usual £1000 to £8000. Additionally, while the total number of items posted in 2024/25 decreased from 89,413 the previous year to 83,330, overall postage costs rose from £63,126 to £71,700. This reflects an increase in postage rates despite the reduction in volume.	Given the increase in postage rates the action that can be taken to help reduce postage costs is for services across the Council to consider if mailing is absolutely necessary and to prioritise expanding the use of digital communication channels where possible.