



ORKNEY
ISLANDS COUNCIL

Item: 8

Development and Infrastructure Committee: 9 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 Committee:

- i. Note the revenue financial summary statement in respect of service areas for which the Development and Infrastructure Committee is responsible, for the period 1 April to 30 June 2025, attached as Annex 1 to this report, indicating a budget underspend position of £8,024,300.
- ii. Note the revenue financial detail by service area statement in respect of service areas for which the Development and Infrastructure 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 Committee is responsible is referred to the Development and Infrastructure 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.
- ☐ 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 2024/25.

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**June 2025**

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

General Fund					Annual
Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Budget £000
Roads	1,094.1	1,910.2	(816.1)	57.3	4,132.8
Transportation	618.4	6,941.2	(6,322.8)	8.9	4,383.6
Operational Environmental Services	1,176.7	855.1	321.6	137.6	3,331.1
Environmental Health & Trading Standards	186.9	223.0	(36.1)	83.8	1,230.1
Development	(835.2)	72.0	(907.2)	N/A	1,905.6
Planning	10.9	274.6	(263.7)	4.0	1,566.8
	2,251.8	10,276.1	(8,024.3)	21.9	16,550.0
Service Totals	2,251.8	10,276.1	(8,024.3)	21.9	16,550.0

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P02	P03		
Roads	7	6	12	50%
Transportation	4	4	8	50%
Operational Environmental Services	6	4	6	67%
Environmental Health & Trading Standards	0	1	3	33%
Development	6	5	9	56%
Planning	3	3	6	50%
Totals	26	23	44	52%

Annex 2: Financial Detail by Service Area

June 2025

The following tables show the spending position by service function

General Fund

		Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Roads	PA					
Winter Maintenance and Response		307.0	305.7	1.3	100.4	1,206.0
Street Lighting	1B	32.9	18.4	14.5	178.8	247.6
Car Parks		15.6	6.5	9.1	240.0	(47.3)
Other Works		31.4	25.3	6.1	124.1	129.6
Traffic Management	1B	258.3	223.4	34.9	115.6	280.7
Structural Maintenance		474.2	457.5	16.7	103.7	1,636.4
Routine Maintenance	1B	177.0	285.9	(108.9)	61.9	963.1
Quarries Holding Account	1B	(215.4)	28.3	(243.7)	N/A	(500.0)
Roads Holding Account	1B	(121.1)	462.1	(583.2)	N/A	0.0
Fleet Holding Account	1B	128.2	91.0	37.2	140.9	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	89.8
Miscellaneous - RD		6.0	6.1	(0.1)	98.4	126.9
Service Total		1,094.1	1,910.2	(816.1)	57.3	4,132.8

		Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Transportation	PA					
Administration - TR		46.7	44.0	2.7	106.1	280.8
Co-ordination	1B	32.3	13.6	18.7	237.5	84.2
Concessionary Fares		25.9	22.9	3.0	113.1	130.9
Support for Operators - Buses	1B	84.7	206.0	(121.3)	41.1	1,470.5
Support for Operators - Air		276.4	289.7	(13.3)	95.4	1,738.0
Support for Operators - Ferries		6.6	0.6	6.0	1,100.0	3.3
Airfields Operations	1B	229.4	191.2	38.2	120.0	675.9
Orkney Ferries	1B	(83.6)	6,173.2	(6,256.8)	N/A	0.0
Service Total		618.4	6,941.2	(6,322.8)	8.9	4,383.6

		Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Operational Environmental Services	PA					
Burial Grounds		30.3	38.4	(8.1)	78.9	94.7
Refuse Collection	1B	248.2	342.3	(94.1)	72.5	654.8
Waste Disposal	1B	559.4	284.9	274.5	196.3	1,452.5
Recycling		150.8	141.2	9.6	106.8	638.2
Environmental Cleansing	1B	66.2	93.0	(26.8)	71.2	490.9
OES Holding Account	1B	121.8	(44.7)	166.5	N/A	0.0
Service Total		1,176.7	855.1	321.6	137.6	3,331.1

Environmental Health & Trading Standards £000		Spend PA	Budget £000	Over/(Under) £000	Spend £000	Annual Budget %
Administration - ES		113.5	124.8	(11.3)	90.9	781.7
Trading Standards	1B	39.8	60.4	(20.6)	65.9	325.7
Public Toilets		33.6	37.8	(4.2)	88.9	122.7
Service Total		186.9	223.0	(36.1)	83.8	1,230.1

Development	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - DV	1B	165.4	195.6	(30.2)	84.6	1,052.2
Business Gateway		31.8	35.9	(4.1)	88.6	176.7
UK Shared Prosperity Fund	1B	(348.8)	38.6	(387.4)	N/A	55.2
Community Led Local Development (CLLD)	1B	128.6	63.5	65.1	202.5	928.9
Regeneration	1B	(176.7)	330.0	(506.7)	N/A	552.1
Tourism		0.0	0.0	0.0	0.0	115.9
Economic Development Grants		(665.3)	(666.8)	1.5	99.8	306.4
Other Economic Development Grants	1B	29.8	75.2	(45.4)	39.6	456.6
Movement in Reserves		0.0	0.0	0.0	0.0	(1,738.4)
Service Total		(835.2)	72.0	(907.2)	N/A	1,905.6

Planning	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - PL		29.7	35.1	(5.4)	84.6	434.1
Development Management	1B	(101.3)	73.6	(174.9)	N/A	351.2
Development Planning		124.3	118.0	6.3	105.3	623.6
Building Standards	1B	(35.8)	17.7	(53.5)	N/A	96.4
Archaeology		12.6	13.4	(0.8)	94.0	61.5
North Isles Landscape Partnership Scheme	1B	(18.6)	16.8	(35.4)	N/A	0.0
Service Total		10.9	274.6	(263.7)	4.0	1,566.8

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26C	Street Lighting More than anticipated expenditure by £14.5K The budget profile assumes that the bulk of work done in this area is carried out between September and March. Due to changes in the way in which this asset is managed, this is no longer the case.	No action required The budget profiles will be reviewed and set to better match expected workload.	Lorna Richardson	14/07/2025	Ongoing
R26F	Traffic Management More than anticipated expenditure by £34.9K Work around investigating the implementation of 20mph speed limits is being charged to this area, with all costs to be recovered from Transport Scotland in due course.	No action required These costs will be refunded by Transport Scotland.	Lorna Richardson	14/07/2025	New

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26K	Routine Maintenance Less than anticipated expenditure by £108.9K These cost areas are difficult to profile as work is weather dependent and so may start at a different time of year. However, there is no underlying issue regarding planned work and so the end of year out-turn is expected to be in line with budget.	Monitor the situation None at this time. Work is being carried out and costs will accrue to this area over the next few months.	Lorna Richardson	14/07/2025	Ongoing
R26L	Quarries Holding Account Less than anticipated expenditure by £243.7K Sales ahead of expectation.	Monitor the situation It is not clear whether this will continue throughout the year or is related to one-off events in the external market. No action required at this time.	Lorna Richardson	14/07/2025	Ongoing
R26M	Roads Holding Account Less than anticipated expenditure by £583.2K Recovery of office labour charges has moved to a one-off annual payment, but profile still assumes weekly payments.	Raise virements request Budget profile needs to be reviewed to take this change into account.	Lorna Richardson	14/07/2025	Ongoing

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26N	Fleet Holding Account More than anticipated expenditure by £37.2K New Fleet Management software has been purchased, together with required hardware.	No action required None at this time. Whilst there is a cost associated with the purchase of the software, the efficiencies that it will bring will reduce costs in other areas.	Lorna Richardson	14/07/2025	Ongoing

Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27B	<p>Co-ordination</p> <p>More than anticipated expenditure by £18.7K</p> <p>Increased costs due to increase in both rates and chargeable costs to the Service. HITRANS also agreed an increase in post costs within the organisation, to be part funded by OIC.</p>	<p>Monitor the situation</p> <p>Monitor costs and look at a potential reprofile.</p>	Jim Buck	17/07/2025	Ongoing
R27G	<p>Support for Operators - Buses</p> <p>Less than anticipated expenditure by £121.3K</p> <p>Delay in receipt of invoices therefore actuals to date are lower than anticipated. Income is lower than anticipated as bus passenger fare income has been incorrectly coded to Public Bus Services instead of Sustainable & Green Transport.</p>	<p>Process transaction(s)</p> <p>Process a virement to reprofile the budget to realign with actual spend to date.</p> <p>Process a journal to correct the coding to Public Bus Services in error.</p>	Jim Buck	17/07/2025	Ongoing

Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27K	Airfields Operations More than anticipated expenditure by £38.2K £43k overspend was seen in Staff Costs due to year-end adjustments for staff on annualised hours contracts. These adjustments included payments of hours worked, which were over the annualised hours set. A further assessment will be made following Sept 2025, when the annualised hours trial will be reviewed.	Monitor the situation Monitor the trial.	Jim Buck	17/07/2025	Ongoing
R27L	Orkney Ferries Less than anticipated expenditure by £6,256.8K Grant Funding received but profile had not been updated to reflect this.	Raise journals request Update profile to reflect grant funding.	Jim Buck	17/07/2025	Ongoing

Operational Environmental Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R28C	Refuse Collection Less than anticipated expenditure by £94.1K Labour charges are still behind the assumed profile, meaning that up-to-date costs of collection have not yet been fully realised.	No action required None at this time. Work is being carried out and costs will accrue to this area over the next few months.	Lorna Richardson	14/07/2025	Ongoing
R28E	Waste Disposal More than anticipated expenditure by £274.5K Unbudgeted, necessary, repairs to critical equipment (baler) were processed in April 2025.	Monitor the situation The impact of these repairs on the cost area will need to be monitored over the coming months, noting that this is an area that is historically under significant pressure. However, it is anticipated that the forthcoming payments due under the new Packaging Extended Producer Responsibility (PEPR) scheme will cover the cost of these repairs.	Lorna Richardson	14/07/2025	Ongoing
R28G	Environmental Cleansing Less than anticipated expenditure by £26.8K Labour charges have not been processed in line with expected timescales, so costs booked lag behind profile.	No action required None at this time. Work is being carried out and costs will accrue to this area over the next few months.	Lorna Richardson	14/07/2025	Ongoing

Operational Environmental Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R28K	OES Holding Account Less than anticipated income by £166.5K The budget profile assumes near instantaneous processing of labour charges but in reality, there is a 4-to-6-week delay.	No action required Work is being carried out and income (as in the recovery of labour costs) will accrue to this area over the next few months. However, it is considered that the charge-rate is too low and not currently recovering costs and so it has been amended to better reflect the true cost of overheads.	Lorna Richardson	14/07/2025	Ongoing

Environmental Health & Trading Standards

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R29B	<p>Trading Standards</p> <p>Less than anticipated expenditure by £20.6K</p> <p>This underspend has arisen through vacancy. The post is currently out to advert and if successful the staff cost line will begin to revert to profile. If unsuccessful a virement will be completed to re profile expenditure.</p>	<p>Monitor the situation</p> <p>Possible virement end September if recruitment unsuccessful.</p>	Gavin Barr	30/09/2025	New

Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33A	Administration - DV Less than anticipated expenditure by £30.2K Underspend related to staff vacancies.	Monitor the situation Monitor. May correct following recruitment.	Sweyn Johnston	31/07/2025	Ongoing
R33C	UK Shared Prosperity Fund Less than anticipated expenditure by £387.4K Receipt of UK Government funding ahead of expectation. Budget profile to be adjusted.	Raise virements request Budget profile requires reconsideration.	Sweyn Johnston	31/07/2025	Ongoing
R33D	Community Led Local Development More than anticipated expenditure by £65.1K Grant payments made ahead of profile, but within budget.	Raise virements request Process virement to realign budget.	Sweyn Johnston	31/07/2025	Ongoing
R33E	Regeneration Less than anticipated expenditure by £506.7K Mainly driven by early receipt of UK Gov grant in respect of Plan for Neighbourhoods.	Raise virements request Process virement to realign budget.	Sweyn Johnston	29/08/2025	Ongoing

Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33K	Other Economic Development Less than anticipated expenditure by £45.4K The profile in this budget area is difficult to achieve. Invoices were issued on 29 May, essentially making Q1 payment to BID impossible.	Monitor the situation Meetings have been held with BID officers to discuss timing and profiles of payments. Work is ongoing to achieve efficient processes to manage this task.	Sweyn Johnston	31/07/2025	Ongoing

Planning

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R34B	Development Management Less than anticipated expenditure by £174.9K Fee income is difficult to predict/profile and depends on application submission. Current under spend due to submission of large application which will incur costs over the coming months ultimately bringing budget closer to profile.	Monitor the situation We are engaging with finance colleagues to review budget profile to explore whether there is more appropriate profiling which can be implemented to respond to the fact that fee income is unpredictable in terms of exact timing of income.	Gavin Barr	31/10/2025	New
R34E	Building Standards Less than anticipated expenditure by £53.5K Fee income is difficult to predict/profile and depends on application submission. Current under spend due to submission of large application which will incur costs over the coming months ultimately bringing budget closer to profile.	Monitor the situation We are engaging with finance colleagues to review budget profile to explore whether there is more appropriate profiling which can be implemented to respond to the fact that fee income is unpredictable in terms of exact timing of income.	Gavin Barr	31/10/2025	Ongoing
R34M	North Isles Landscape Partnership Less than anticipated expenditure by £35.4K Delay in grant disbursal.	Monitor the situation Expected to self-resolve.	Sweyn Johnston	29/08/2025	Ongoing