



**ORKNEY**  
ISLANDS COUNCIL

**Item: 7**

**Development and Infrastructure Committee: 9 September 2025.**

**Revenue Expenditure Outturn.**

**Report by Head of Finance.**

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## **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 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 31 March 2025, attached as Annex 1 to this report, indicating a budget overspend position of £1,634,700.
- 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 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 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, 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****March 2025**

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

<b>General Fund</b>					
<b>Service Area</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Roads	5,183.5	3,863.1	1,320.4	134.2	3,863.1
Transportation	7,564.4	7,564.8	(0.4)	100.0	7,564.8
Operational Environmental Services	3,599.7	3,247.3	352.4	110.9	3,247.3
Environmental Health & Trading Standards	1,140.2	1,149.7	(9.5)	99.2	1,149.7
Development	2,051.5	2,011.7	39.8	102.0	2,011.7
Planning	1,392.6	1,460.6	(68.0)	95.3	1,460.6
	<b>20,931.9</b>	<b>19,297.2</b>	<b>1,634.7</b>	<b>108.5</b>	<b>19,297.2</b>
<b>Service Totals</b>	<b>20,931.9</b>	<b>19,297.2</b>	<b>1,634.7</b>	<b>108.5</b>	<b>19,297.2</b>

The following tables show the spending position by service function

General Fund

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
Roads						£000
Winter Maintenance and Response	1B	1,565.9	1,088.2	477.7	143.9	1,088.2
Street Lighting	1B	442.6	236.1	206.5	187.5	236.1
Car Parks	1B	95.0	(51.3)	146.3	N/A	(51.3)
Other Works		135.1	123.6	11.5	109.3	123.6
Traffic Management		300.0	274.9	25.1	109.1	274.9
Structural Maintenance	1B	2,094.2	1,687.0	407.2	124.1	1,687.0
Routine Maintenance	1B	1,123.5	953.7	169.8	117.8	953.7
Quarries Holding Account		(478.8)	(478.8)	0.0	100.0	(478.8)
Roads Holding Account		(38.1)	(38.1)	0.0	100.0	(38.1)
Fleet Holding Account		54.9	54.9	0.0	100.0	54.9
Movement in Reserves	1B	(332.1)	(244.1)	(88.0)	136.1	(244.1)
Miscellaneous	1B	221.3	257.0	(35.7)	86.1	257.0
Service Total		5,183.5	3,863.1	1,320.4	134.2	3,863.1

Changes in original budget position:

Original Net Budget	3,778.2
Roads 24.25 Staff Back Pay	61.7
Apportionment Realignment	23.2
	<u>3,863.1</u>

		<b>Spend</b>	<b>Budget</b>	<b>Over/(Under)</b>	<b>Spend</b>	<b>Annual</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>	<b>Budget</b>
<b>Transportation</b>	<b>PA</b>					<b>£000</b>
Administration		384.5	381.1	3.4	100.9	381.1
Co-ordination	<b>1B</b>	66.1	79.5	(13.4)	83.1	79.5
Concessionary Fares		126.0	128.3	(2.3)	98.2	128.3
Support for Operators - Buses	<b>1B</b>	1,199.6	1,457.5	(257.9)	82.3	1,457.5
Support for Operators - Air		1,624.9	1,635.8	(10.9)	99.3	1,635.8
Support for Operators - Ferries		0.0	4.6	(4.6)	0.0	4.6
Airfields Operations	<b>1B</b>	983.9	887.4	96.5	110.9	887.4
Orkney Ferries		0.0	9.4	(9.4)	0.0	9.4
Ferries Development	<b>1B</b>	(31.7)	0.0	(31.7)	0.0	0.0
Movement in Reserves		3,211.1	2,981.2	229.9	107.9	2,981.2
<b>Service Total</b>		<b>7,564.4</b>	<b>7,564.8</b>	<b>(0.4)</b>	<b>100.0</b>	<b>7,564.8</b>

**Changes in original budget position:**

Original Net Budget	7,463.6
Transportation 24.25 Staff Back Pay	20.9
Apportionment Realignment	80.3
	<b>7,564.8</b>

		<b>Spend</b>	<b>Budget</b>	<b>Over/(Under)</b>	<b>Spend</b>	<b>Annual</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>	<b>Budget</b>
<b>Operational Environmental Services</b>	<b>PA</b>					<b>£000</b>
Burial Grounds	<b>1B</b>	145.8	87.9	57.9	165.9	87.9
Refuse Collection		672.4	711.8	(39.4)	94.5	711.8
Waste Disposal	<b>1B</b>	1,746.1	1,499.6	246.5	116.4	1,499.6
Recycling	<b>1B</b>	733.7	618.9	114.8	118.5	618.9
Environmental Cleansing		436.9	464.3	(27.4)	94.1	464.3
OES Holding Account		(32.1)	(32.1)	0.0	100.0	(32.1)
Movement in Reserves		(103.1)	(103.1)	0.0	100.0	(103.1)
<b>Service Total</b>		<b>3,599.7</b>	<b>3,247.3</b>	<b>352.4</b>	<b>110.9</b>	<b>3,247.3</b>

**Changes in original budget position:**

Original Net Budget	3,186.1
Operational Environmental 24.25 Staff Back Pay	70.3
Apportionment Realignment	(9.1)
	<b>3,247.3</b>

<b>Environmental Health &amp; Trading Standards £000</b>	<b>Spend PA</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend £000</b>	<b>Annual Budget %</b>
Administration	750.6	758.2	(7.6)	99.0	758.2
Trading Standards	316.4	310.2	6.2	102.0	310.2
Public Toilets	114.1	122.2	(8.1)	93.4	122.2
Movement in Reserves	(40.9)	(40.9)	0.0	100.0	(40.9)
<b>Service Total</b>	<b>1,140.2</b>	<b>1,149.7</b>	<b>(9.5)</b>	<b>99.2</b>	<b>1,149.7</b>

**Changes in original budget position:**

Original Net Budget	1,122.6
Environmental Health 24.25 Staff Back Pay	21.0
Apportionment Realignment	6.1
	<u><b>1,149.7</b></u>

<b>Development</b>	<b>PA</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Administration	<b>1B</b>	1,396.7	1,244.7	152.0	112.2	1,244.7
Business Gateway		188.1	188.5	(0.4)	99.8	188.5
UK Shared Prosperity Fund		0.1	0.0	0.1	0.0	0.0
Community Led Local Development		447.0	441.5	5.5	101.2	441.5
Regeneration		676.3	722.8	(46.5)	93.6	722.8
Tourism		2.2	0.0	2.2	0.0	0.0
Economic Development Grants		347.9	373.0	(25.1)	93.3	373.0
Other Economic Development Grants		567.3	615.2	(47.9)	92.2	615.2
Movement in Reserves		(1,574.1)	(1,574.0)	(0.1)	100.0	(1,574.0)
<b>Service Total</b>		<b>2,051.5</b>	<b>2,011.7</b>	<b>39.8</b>	<b>102.0</b>	<b>2,011.7</b>

**Changes in original budget position:**

Original Net Budget	1,950.7
Staffing Budget Movement 24.25	(106.1)
Development 24.25 Staff Back Pay	18.8
Apportionment Realignment	148.3
	<u><b>2,011.7</b></u>

		Spend	Budget	Over/(Under)	Spend	Annual
Planning	PA	£000	£000	£000	%	Budget
Administration		481.1	509.5	(28.4)	94.4	509.5
Development Management	1B	348.8	276.2	72.6	126.3	276.2
Development Planning	1C	603.5	658.1	(54.6)	91.7	658.1
Building Standards	1B	10.7	67.2	(56.5)	15.9	67.2
Archaeology		55.5	56.5	(1.0)	98.2	56.5
Movement in Reserves		(106.9)	(106.9)	0.0	100.0	(106.9)
<b>Service Total</b>		<b>1,392.6</b>	<b>1,460.6</b>	<b>(68.0)</b>	<b>95.3</b>	<b>1,460.6</b>

**Changes in original budget position:**

Original Net Budget	1,400.8
Planning 24.25 Staff Back Pay	31.7
Apportionment Realignment	35.1
Building Standards Hub	(7.0)
	<u><b>1,460.6</b></u>



## Roads

<b><u>Service Function</u></b>	<b><u>Service Description</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Variance Reason</u></b>	<b><u>Action Notes</u></b>
<b>R26A</b>	<b>Winter Maintenance and Response</b>  More than anticipated expenditure by £477.7K	Lorna Richardson	Expenditure in this function area is weather dependent and so extremely difficult to estimate. Despite weather conditions this winter being kinder than in some years the amount of work required is still greater than the budget allows for.	To address this shortfall, it would be necessary to review the Winter Service Policy and to diminish existing levels of service. As an example, this could mean only treating 'A' roads or restricting gritting operations to core hours. The Winter Service Policy is due for review in 2026 and these, and other opportunities for budget savings will be presented to Members for consideration at that time.
<b>R26C</b>	<b>Street Lighting</b>  More than anticipated expenditure by £206.5K	Lorna Richardson	The total budget for this service is only £236.1K in 2024/25 and the electricity costs alone were £201.4K.	The only way to reduce this overspend is to significantly decrease the amount of work carried out in this area. This risks the service being unable to fulfil statutory functions and could pose significant hazards to road users if lighting is not managed and maintained in accordance with requirements. The removal of lights, or reduction in the hours at which they are lit, can be considered but would have significant associated safety issues.
<b>R26D</b>	<b>Car Parks</b>  Less than anticipated income by £146.3K	Lorna Richardson	This function area covers both provision of the EV charging network and the cost of the public car parks. Income is difficult to predict. Car park tariffs were reset for 2024/25, to reduce the number of months where 1-hour free parking was available, and this did assist	Whilst the year-end deficit is less than in previous years, it is still significant. Resources permitting, a further analysis of the effect of the reduced 1-hour free period will be produced, with any recommendations brought before Members in due course. The impact of the revised EV tariffs will be monitored throughout the new financial year.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
			with reducing the deficit between budget and reality. EV tariffs were also reset but this did not take effect until after the financial year under consideration. It was acknowledged at the time that these measures would be unlikely to balance this cost function.	
<b>R26J</b>	<b>Structural Maintenance</b>  More than anticipated expenditure by £407.2K	Lorna Richardson	The Roads Holding Account allocation for 2024/25 to this function area at year-end was £403.8K and is therefore the main cause of this overspend. Holding account reallocations come from two main sources – 1) under-recovery of costs through insufficient charge rates and 2) any overspend in the quarry holding account being allocated to the Roads holding account.	Whilst charge rates were revised for 2024/25 there was still some under-recovery and so rates will be revised again for 2025/26 to take account of increased salary costs and other overheads. However, the bulk of the reallocation came from the quarry as it did not achieve its budgeted income targets. This will be addressed through a service pressure bid for future years.  Increasing the cost recovery mechanism will also have an impact in that it reduces the amount of work which can be carried out throughout the year as the budget for works has not risen at the same rate as the overhead costs.

## Roads

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
<b>R26K</b>	<b>Routine Maintenance</b>  More than anticipated expenditure by £169.8K	Lorna Richardson	<p>The Roads Holding Account allocation for 2024/25 to this function area was £200.3K, and therefore the overspend is largely driven by this.</p> <p>There was also some overspend on individual budgets due to increased costs for labour and materials.</p> <p>Holding account reallocations come from two main sources – 1) under-recovery of costs through insufficient charge rates and 2) any overspend in the quarry holding account being allocated to the Roads holding account.</p>	<p>Whilst charge rates were revised for 2024/25 there was still some under-recovery and so rates will be revised again for 2025/26 to take account of increased salary costs and other overheads. However, the bulk of the reallocation came from the quarry as it did not achieve its budgeted income targets. This will be addressed through a service pressure bid for future years.</p> <p>Increasing the cost recovery mechanism will also have an impact in that it reduces the amount of work which can be carried out throughout the year.</p>
<b>R26U</b>	<b>Movement in Reserves</b>  More than anticipated income by £88.0K	Erik Knight	<p>Variance relates to the capital cost of the Quarry expansion. The journal to transfer the capital cost to this service was not processed at the year end.</p>	<p>Will be corrected retrospectively in the current year. Year-end processes will be updated to ensure allocation in future years.</p>

<b>R26Z</b>	<b>Miscellaneous</b>  Less than anticipated expenditure by £35.7K	Lorna Richardson	This function area is used to cover costs associated with any necessary emergency response, such as requests from Police Scotland. It is therefore impossible to predict and/or manage out-turn.	No action is anticipated at this time, due to the erratic nature of work funded through this area.
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## Transportation

<b><u>Service Function</u></b>	<b><u>Service Description</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Variance Reason</u></b>	<b><u>Action Notes</u></b>
<b>R27B</b>	<b>Co-ordination</b>  Less than anticipated expenditure by £13.4K	Jim Buck	Underspend on personnel at the beginning of the financial year.	No action required.
<b>R27G</b>	<b>Support for Operators – Buses</b>  Less than anticipated expenditure by £257.9K	Jim Buck	Increased fare income from increased travel user numbers.	No action required.
<b>R27K</b>	<b>Airfields Operations</b>  More than anticipated expenditure by £96.5K	Jim Buck	Increased costs associated with Civil Aviation Authority operational requirements and increased costs to meet audit findings and maintain runways and infrastructure.	Future budgets will need to be increased to allow for costs incurred as a result of findings from Civil Aviation audits and to adequately cover the costs of maintaining the runways and general infrastructure.
<b>R27M</b>	<b>Ferries Development</b>  More than anticipated income by £31.7K	Jim Buck	Final closure of EU Funds.	No action required, as the Hyseas project is now closed.

## Operational Environmental Services

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
<b>R28B</b>	<b>Burial Grounds</b>  More than anticipated expenditure by £57.9K	Lorna Richardson	Grass cutting costs across all burial grounds in Orkney were £106k for 2024/25. The property budget is £68k. The costs of cutting grass in the burial grounds is therefore far outstripping the available budget.	Reducing the costs of maintaining the grass across the burial grounds will necessarily mean a reduction in levels of service. The service continues to work with community councils to identify the most cost-effective way of managing this issue. Discussions have been held regarding the possibilities offered by autonomous mowers, but these have so far proved inconclusive.
<b>R28E</b>	<b>Waste Disposal</b>  More than anticipated expenditure by £246.5K	Lorna Richardson	Waste sent to Shetland for incineration in the Energy from Waste plant can be temporarily landfilled as part of the management of input to the plant. Landfill tax is charged and then rebated when the waste is taken out and put through the plant. As often happens, the rebate for the landfill tax was not processed until 2025/26, leading to an overspend in the 2024/25 budget. Increasing costs for the treatment and disposal of waste and recycling have also contributed.	How waste is managed once it is received in Shetland is not within our control. It is impossible to predict how much waste will be landfilled and when it will be taken out, so a year-end accrual is not viable. As part of the Integrated Waste Strategy, options for reducing the cost of managing waste and recycling material streams will be investigated. In addition, the forthcoming Packing Extended Producer Responsibility (PEPR) payments which will be distributed from the UK Government are designed to assist in covering the cost of collecting and processing these materials prior to sending them for recycling and so will contribute to covering some of the associated costs in this function area.

## Operational Environmental Services

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R28F	<b>Recycling</b>  More than anticipated expenditure by £114.8K	Lorna Richardson	The Waste Holding Account reallocation for this area was £74k and this is therefore largely responsible for the over-spend.	This level of reallocation is an indication that the cost-recovery mechanism is not sufficient and so it will be adjusted for 2025/26. However, this will necessarily impact on the amount of work that can be carried out, noting that there is very little opportunity for service reduction within this area without fundamental changes to how the service is delivered. Where possible, options will be identified and brought to Members in due course for consideration.

## Development

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R33A	Administration  More than anticipated expenditure by £152.0K	Sweyn Johnston	Unavoidable one-off staffing costs.	No action required.



## Planning

<b><u>Service Function</u></b>	<b><u>Service Description</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Variance Reason</u></b>	<b><u>Action Notes</u></b>
<b>R34B</b>	<b>Development Management</b>  More than anticipated expenditure by £72.6K	Gavin Barr	Income from a large planning application was profiled for receipt in the final quarter. This did not materialise. However, the costs to cover core supplies and services including specialist consultancy support for Environmental Impact Assessment work continued during this period contributing to the end of year anomaly.	Planning fee was received early in financial year 2025/26. The sequencing of fee income and costs are hard to predict as dependant on third party application process. Discussions are underway with Finance colleagues to explore whether it is possible to more effectively manage the annual profiling to account for the unpredictability of fee income, and the fact that fee income and costs will regularly cross across the financial year end process. No further action required.
<b>R34C</b>	<b>Development Planning</b>  Less than anticipated expenditure by £54.6K	Gavin Barr	The underspend was due to staff vacancies.	Recruitment is in progress which if successful will re-establish full staff complement and ensure that this is not a recurring underspend.
<b>R34E</b>	<b>Building Standards</b>  Less than anticipated expenditure by £56.5K	Gavin Barr	The underspend was due to staff vacancies and also receipt of a substantial building warrant fee at the end of the financial year.	Recruitment was successful in late 2024 which means that the team is now complete as per establishment. This is therefore not anticipated to become a recurring underspend.