

Item: 9

Development and Infrastructure Committee: 11 November 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 September 2025, attached as Annex 1 to this report, indicating a budget underspend position of £929,100.
- ii. Note the revenue financial service area statement in respect of service areas for which the Development and Infrastructure Committee is responsible, for the period 1 April to 30 September 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 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**September 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	1,893.0	2,601.8	(708.8)	72.8	4,162.4
Transportation	1,881.7	1,704.3	177.4	110.4	4,383.6
Operational Environmental Services	1,213.7	1,093.1	120.6	111.0	3,331.1
Environmental Health & Trading Standards	413.4	478.6	(65.2)	86.4	1,230.1
Development	(28.2)	241.5	(269.7)	N/A	1,850.4
Planning	439.8	623.2	(183.4)	70.6	1,566.8
	5,813.4	6,742.5	(929.1)	86.2	16,524.4
Service Totals	5,813.4	6,742.5	(929.1)	86.2	16,524.4

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P05	P06		
Roads	8	5	12	42%
Transportation	5	4	8	50%
Operational Environmental Services	5	5	6	83%
Environmental Health & Trading Standards	2	1	3	33%
Development	4	5	8	63%
Planning	4	4	7	57%
Totals	28	24	44	55%

Annex 2: Financial Detail by Service Area

September 2025

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		330.8	339.1	(8.3)	97.6	1,206.0
Street Lighting		136.8	130.3	6.5	105.0	247.6
Car Parks	1B	(29.5)	(56.6)	27.1	52.1	(47.4)
Other Works		46.8	43.0	3.8	108.8	129.6
Traffic Management	1B	289.0	227.2	61.8	127.2	310.3
Structural Maintenance		1,155.4	1,154.3	1.1	100.1	1,666.4
Routine Maintenance		362.5	388.1	(25.6)	93.4	933.1
Quarries Holding Account	1B	(463.3)	(80.6)	(382.7)	574.8	(500.2)
Roads Holding Account	1B	(152.2)	342.6	(494.8)	N/A	1.1
Fleet Holding Account	1B	200.0	99.3	100.7	201.4	(0.8)
Movement in Reserves		0.0	0.0	0.0	0.0	89.8
Miscellaneous - RD		16.7	15.1	1.6	110.6	126.9
Service Total		1,893.0	2,601.8	(708.8)	72.8	4,162.4

Changes in original budget position:

Original Net Budget	4,132.8
Road Safety Education Budget Creation	29.6
	4,162.4

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
Transportation						£000
Administration - TR		101.7	94.7	7.0	107.4	280.5
Co-ordination	1B	58.5	18.6	39.9	314.5	84.2
Concessionary Fares		59.4	55.3	4.1	107.4	130.9
Support for Operators - Buses		506.9	520.5	(13.6)	97.4	1,470.5
Support for Operators - Air		697.7	724.1	(26.4)	96.4	1,738.0
Support for Operators - Ferries	1B	201.4	1.4	200.0	14,385.7	3.3
Airfields Operations	1B	440.9	331.3	109.6	133.1	675.3
Orkney Ferries	1B	(184.8)	(41.6)	(143.2)	444.2	0.9
Service Total		1,881.7	1,704.3	177.4	110.4	4,383.6

		Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Operational Environmental Services	PA					
Burial Grounds		50.8	50.1	0.7	101.4	94.7
Refuse Collection	1B	(277.9)	(241.6)	(36.3)	115.0	654.8
Waste Disposal	1B	869.4	684.5	184.9	127.0	1,452.5
Recycling	1B	295.3	267.2	28.1	110.5	638.2
Environmental Cleansing	1B	167.9	210.9	(43.0)	79.6	490.9
OES Holding Account	1B	108.2	122.0	(13.8)	88.7	0.0
Service Total		1,213.7	1,093.1	120.6	111.0	3,331.1

		Spend PA	Budget £000	Over/(Under) £000	Spend £000	Annual Budget %
Environmental Health & Trading Standards						
£000						
Administration - ES	1B	236.6	285.5	(48.9)	82.9	781.7
Trading Standards		118.1	129.8	(11.7)	91.0	325.7
Public Toilets		58.7	63.3	(4.6)	92.7	122.7
Service Total		413.4	478.6	(65.2)	86.4	1,230.1

		Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Development	PA					
Administration - DV		405.3	429.0	(23.7)	94.5	1,092.6
Business Gateway	1B	64.7	79.9	(15.2)	81.0	176.6
UK Shared Prosperity Fund		(287.4)	(310.1)	22.7	92.7	0.0
Community Led Local	1B	251.5	214.4	37.1	117.3	928.8
Development (CLLD)						
Regeneration	1B	(154.4)	306.5	(460.9)	N/A	552.1
Economic Development Grants	1B	(457.2)	(613.7)	156.5	74.5	306.4
Other Economic Development	1B	149.3	135.5	13.8	110.2	572.5
Grants						
Movement in Reserves		0.0	0.0	0.0	0.0	(1,778.6)
Service Total		(28.2)	241.5	(269.7)	N/A	1,850.4

Changes in original budget position:

Original Net Budget	1,905.6
Islands Deal Adjustment	(55.2)
	1,850.4

		Spend	Budget	Over/(Under)	Spend	Annual
		£000	£000	£000	%	Budget
Planning	PA					£000
Administration - PL		67.0	75.5	(8.5)	88.7	434.7
Development Management	1B	37.8	177.6	(139.8)	21.3	350.9
Development Planning	1B	316.8	287.1	29.7	110.3	623.5
Building Standards	1B	(13.8)	38.7	(52.5)	N/A	96.4
Archaeology		28.0	28.7	(0.7)	97.6	61.5
North Isles Landscape Partnership	1B	(18.0)	(6.4)	(11.6)	281.3	(22.2)
Scheme						
Movement in Reserves		22.0	22.0	0.0	100.0	22.0
Service Total		439.8	623.2	(183.4)	70.6	1,566.8

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26D	Car Parks Less than anticipated income by £27.1K The budget for car parks does not reflect the reality of the amount of income that can be generated from the charges that are applied.	Management input required Charges were reviewed in late 2024 and a reduction in the free 1-hour parking period implemented so that it only applies for 3 months between January and March. This has assisted with bringing income more in line with budget but was never expected to fully close the gap. A service pressure bid has been made for 2026/27 to bring expected income in line with what it is practical to achieve.	Lorna Richardson	31/03/2026	New
R26F	Traffic Management More than anticipated expenditure by £61.8K 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 before the end of the financial year. A request for funding of all costs to date will be submitted following the November/December Committee cycle, at which point it will be known whether the project will proceed to implementation or not. Note that the future direction of the project does not impact on the ability to recover costs to date.	Lorna Richardson	31/12/2025	Ongoing

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26L	Quarries Holding Account More than anticipated income by £382.7K Sales, particularly to external customers, continue to be well ahead of expectations.	Monitor the situation Increased sales are the result of large-scale civil projects taking place in the County and the subsequent direct and indirect beneficial impact on the quarry. These projects, and their timescales, are outwith the control of the Council and therefore the final year-end position cannot be predicted with accuracy. Any additional income generated over and above the budget will be considered for the replacement of plant.	Lorna Richardson	31/12/2025	Ongoing
R26M	Roads Holding Account Less than anticipated expenditure by £494.8K There are a number of possible reasons for this variance, including a move to charge fixed costs on an annual basis rather than weekly, the shift to direct charging to client accounts for some materials and the possibility that the labour charge-rate has been increased by more than is required.	Management input required Investigations will be undertaken into all of the variance reasons, with a view to ensuring that budgets, and budget profiles, are adjusted as required. This is a complex function area with a large number of different services and functions.	Lorna Richardson	31/12/2025	Ongoing

Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26N	Fleet Holding Account More than anticipated expenditure by £100.7K Due to the implementation of a new Fleet Management system invoices have not been generated for several weeks, resulting in a delay in the recovery of costs and income. However, there are also additional costs associated with the purchase of this system and with increased costs for parts and spares for stock which have also led to a greater than expected spend.	Monitor the situation Invoices have now started to be generated from the Fleet Management System and income received. However, the additional costs for the system (which will ultimately be offset by efficiencies in operation) continue to be felt, as does the increased costs for parts and spares which is outwith the control of the service.	Lorna Richardson	31/12/2025	Ongoing

Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27B	Co-ordination More than anticipated expenditure by £39.9K Overspend on this service area is mainly the result of profiling issues relating to expenditure incurred in the first half of the year.	Raise virements request Actual costs to date to be reviewed and a virement processed to reprofile full year budget to better reflect actual spend pattern.	Jim Buck	31/10/2025	Ongoing
R27J	Support for Operators - Ferries More than anticipated expenditure by £200.0K Code used for Ferry Replacement Programme consultancy costs; however, external funding has not been allocated to this budget area to date.	Raise virements request Budget virement to be raised, creating budget for 2025/26 using the funding received from the Scottish Government in the last financial year.	Jim Buck	31/10/2025	Ongoing
R27K	Airfields Operations More than anticipated expenditure by £109.6K Overspend on staff costs due to year-end adjustments for staff on annualised hours contracts, only processed in financial year 2025/26 for work carried out in 2024/25. In addition, costs continue to be incurred in respect of the Civil Aviation Authority works required at the airfields.	Manage income/expenditure The airfields budget is no longer sufficient to cover the costs being incurred and an unavoidable Service Pressure bid will be submitted as part of the budget setting process for financial year 2026/27.	Jim Buck	31/03/2026	Ongoing

Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R27L	Orkney Ferries More than anticipated income by £143.2K Grant income profile no longer matches the monthly receipt of grant from the Scottish Government.	Raise virements request Process virement to update budget profiles.	Jim Buck	31/10/2025	Ongoing

Operational Environmental Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R28C	Refuse Collection Less than anticipated expenditure by £36.3K A third-party contractor who carries out waste collection services on the isles has not yet invoiced. In addition, the costs of fleet maintenance have not yet been fully received, due to implementation of the Fleet Management system.	Management input required The contractor has been contacted and is in the process of finalising the invoices with us. Charges are starting to be received for fleet repair and maintenance and are expected to return to expectations in the next period.	Lorna Richardson	31/10/2025	Ongoing
R28E	Waste Disposal More than anticipated expenditure by £184.9K Unbudgeted, necessary, repairs to critical equipment (baler) were processed in April 2025. In addition, invoices from the waste disposal facility can be erratic and are difficult to profile.	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. The increasing costs of the shipment of waste to Shetland and the processing costs on its arrival are beyond the control of the Council and are beginning to far outstrip available budget.	Lorna Richardson	31/12/2025	Ongoing

Operational Environmental Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R28F	Recycling More than anticipated expenditure by £28.1K Costs associated with managing the civic amenity sites are in excess of the available budget, largely due to increased repairs to plant and vehicles.	Management input required Very little can be done to reduce the costs of managing the sites, given that this is a regulated activity. However, opportunities for efficiencies will be investigated, as part of the implementation of the Integrated Waste Strategy, as resources allow.	Lorna Richardson	31/12/2025	Ongoing
R28G	Environmental Cleansing Less than anticipated expenditure by £43.0K Less activity than anticipated in street cleansing due to lack of resource.	Monitor the situation Resource continues to be allocated as available and to priority jobs. Unfortunately, this does impact on the ability to carry out street cleansing activities.	Lorna Richardson	31/12/2025	Ongoing
R28K	OES Holding Account Less than anticipated expenditure by £13.8K Staff vacancies, primarily difficulties in recruiting a Service Manager, are leading to an underspend in this area.	Management input required Recruitment to the Service Manager post has proved very challenging and no immediate solution is available. The set-up of the team is being considered, to ensure that resource is allocated appropriately and critical strategic projects can be progressed as required.	Lorna Richardson	31/12/2025	Ongoing

Environmental Health & Trading Standards

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R29A	Administration - ES Less than anticipated expenditure by £48.9K This variance is attributed to vacancies in the staffing establishment to which it has not been possible to recruit. We have reviewed and updated job descriptions and places where we advertise and will continue to try and recruit to these posts. Meantime we have temporary staff cover for an Environmental Health Officer which will utilise some of the vacant post budget over the next 6 months, bringing the total spend more closely in line with budget by year-end.	Raise virements request No action required as this stage, as this is a genuine underspend against budget.	Gavin Barr	31/12/2025	Ongoing

Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33B	Business Gateway Less than anticipated expenditure by £15.2K Underspend against staff costs due to unsuccessful recruitment to maternity cover.	No action required No action required at this time, as post is expected to be filled in December.	Sweyn Johnston	31/12/2025	New
R33D	Community Led Local Development More than anticipated expenditure by £37.1K Grant payments made ahead of profile, but within budget.	Raise virements request Process virement to realign budget.	Sweyn Johnston	31/10/2025	Ongoing
R33E	Regeneration Less than anticipated expenditure by £460.9K Mainly driven by early receipt of UK Government grant regarding Plan for Neighbourhoods.	Raise virements request Process virement to realign budget and reallocate staff costs of new post to budget.	Sweyn Johnston	31/10/2025	Ongoing
R33J	Economic Development Grants Less than anticipated income by £156.5K Timing of RCGF grant income and payment does not match budget profile.	Process transaction(s) Raise journal and virement to correct.	Sweyn Johnston	31/10/2025	Ongoing

Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33K	Other Economic Development More than anticipated expenditure by £13.8K Overspend largely due to grant payments not aligning with the anticipated budget profile.	Raise virements request Process virement to realign budget with actual spend to date.	Sweyn Johnston	31/10/2025	Ongoing

Planning

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R34B	Development Management Less than anticipated expenditure by £139.8K Fee income is difficult to predict/profile and depends on application submission. Current underspend due to submission of large application which will incur costs over the coming months ultimately bringing budget closer to profile. Supplies and Services are also higher than anticipated, due to consultancy costs required to process the applications.	Monitor the situation Costs relating to Equality Impact Advisory services is due and will reduce the underspend and discussions will take place with Finance regarding a budget profile to reflect the current year increase in income.	Gavin Barr	31/12/2025	Ongoing
R34C	Development Planning More than anticipated expenditure by £29.7K The variance is due to a combination of a Scottish Government Grant payment due to be received in October for marine planning work, and funding for a climate change study which has been paid. The budget is partly funded from the Crown Estate Fund.	Raise virements request A virement will be processed to realign the Development Planning budget in respect of the marine planning grant income to be received and funds due will be requested from the Crown Estate Fund.	Gavin Barr	31/10/2025	Ongoing

Planning

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R34E	Building Standards Less than anticipated expenditure by £52.5K Fee income is difficult to predict/profile and depends on application submission. Current underspend is 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 reflect the fact that the timing of fee income is unpredictable.	Gavin Barr	31/12/2025	Ongoing
R34M	North Isles Landscape Partnership More than anticipated income by £11.6K Delay in grant disbursement.	Monitor the situation Expected to self-resolve before the year-end.	Sweyn Johnston	31/03/2026	Ongoing