



ORKNEY
ISLANDS COUNCIL

Item: 14.1

Policy and Resources Committee: 23 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 Committee:

- i. Note the revenue expenditure monitoring statement in respect of service areas for which the Policy and Resources Committee is responsible, for financial year 2024/25, attached as Annex 1 to this report, indicating a budget underspend position of £4,600,400.
- ii. Note the revenue financial detail by service area statement of service areas for which the Policy and Resources Committee is responsible, for financial year 2024/25, 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 Policy and Resources 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.

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

General Fund					
Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Central Administration	(1,063.6)	(106.3)	(957.3)	1,000.6	(106.3)
Law, Order & Protective Services	166.7	174.4	(7.7)	95.6	174.4
Other Services	7,885.9	11,521.3	(3,635.4)	68.4	11,521.3
	6,989.0	11,589.4	(4,600.4)	60.3	11,589.4
Service Totals	6,989.0	11,589.4	(4,600.4)	60.3	11,589.4

Annex 2: Financial Detail by Service Area

March 2025

The following tables show the spending position by service function

General Fund

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Central Administration	PA					
Chief Executive	1B	92.5	159.0	(66.5)	58.2	159.0
Corporate Services	1B	(26.2)	188.6	(214.8)	N/A	188.6
Finance	1B	64.5	119.9	(55.4)	53.8	119.9
Development & Infrastructure	1B	(243.5)	125.3	(368.8)	N/A	125.3
I.T. and Facilities	1B	20.6	174.4	(153.8)	11.8	174.4
Legal Services	1B	(66.4)	31.7	(98.1)	N/A	31.7
Cleaning Holding Account		122.5	122.5	0.0	100.0	122.5
Movement in Reserves		(1,027.7)	(1,027.7)	(0.0)	100.0	(1,027.7)
Service Total		(1,063.6)	(106.3)	(957.3)	1,000.6	(106.3)

Changes in original budget position:

Original Net Budget	13.2
Central Admin 24.25 Staff Back Pay	260.1
Apportionment Realignment	(246.1)
Islands Deal	(88.7)
THAW Funding	(20.0)
Movement in Reserves – Pension Fund	(24.8)
	(106.3)

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Law, Order & Protective Services	PA					
Civil Contingencies		173.6	181.3	(7.7)	95.8	181.3
Movement in Reserves		(6.9)	(6.9)	0.0	100.0	(6.9)
Service Total		166.7	174.4	(7.7)	95.6	174.4

Changes in original budget position:

Original Net Budget	170.7
Legal 24.25 Staff Back Pay	2.7
Apportionment Realignment	1.0
	174.4

		Spend	Budget	Over/(Under)	Spend	Annual
Other Services	PA	£000	£000	£000	%	Budget
						£000
Corporate Management	1C	3,451.8	3,276.7	175.1	105.3	3,276.7
Corporate Priorities	1B	906.4	1,096.6	(190.2)	82.7	1,096.6
Area Support Team (CP)		20.6	19.4	1.2	106.2	19.4
Registration		63.0	63.7	(0.7)	98.9	63.7
Miscellaneous Property	1B	294.3	263.8	30.5	111.6	263.8
Payments to Joint Boards		500.4	511.3	(10.9)	97.9	511.3
Elections	1B	64.2	135.5	(71.3)	47.4	135.5
Licensing	1B	(12.6)	15.3	(27.9)	N/A	15.3
Grants		198.9	205.9	(7.0)	96.6	205.9
Publicity		22.6	21.0	1.6	107.6	21.0
Twinning		28.0	33.2	(5.2)	84.3	33.2
Community Councils		468.9	491.3	(22.4)	95.4	491.3
Accounting for Pensions		(5,872.0)	(5,872.0)	0.0	100.0	(5,872.0)
Interest on Loans and Balances	1B	(1,779.8)	(500.0)	(1,279.8)	356.0	(500.0)
Miscellaneous - OS	1B	371.2	780.9	(409.7)	47.5	780.9
Movement in Reserves	1B	7,227.9	6,304.4	923.5	114.6	6,304.4
Non Distributed Costs		270.0	270.0	0.0	100.0	270.0
Cost of Collection	1B	606.2	679.9	(73.7)	89.2	679.9
Finance Charges	1B	1,055.9	3,724.4	(2,668.5)	28.3	3,724.4
Service Total		7,885.9	11,521.3	(3,635.4)	68.4	11,521.3

Changes in original budget position:

Original Net Budget	10,766.9
Staffing Budget Movement 24.25	168.8
Island Costs Crisis Emergency Fund	218.0
Voluntary Sector Funding - Budget Creation	20.0
Additional General Revenue Grant (£147m)	565.0
Additional General Revenue Grant (£62.7m)	424.0
Local Government Pay Offer 23/24	141.0
Additional Island Costs Crisis	872.0
Local Government Pay Offer 24/25	523.0
Other Services 24.25 Staff Back Pay	13.0
24.25 Staff Back Pay	(1,513.0)
Scottish Welfare Top Up	4.4
Reversal Staffing Backpay	8.4
Islands Deal	88.7
Movement in Reserves – Pension Fund	24.8
SIP Funding	(433.1)
Apportionment Realignment	(172.0)
Workforce Management Fund	(198.6)
	11,521.3

Central Administration

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R10A	Chief Executive Less than anticipated expenditure by £66.5K	Gavin Mitchell	Underspend is due to staff vacancies across the service.	Continue endeavours to fill vacant posts in the new year. There will continue to be an underspend in the staffing budget to reflect the period across which posts remain unfilled.
R10B	Corporate Services Less than anticipated expenditure by £214.8K	Alex Rodwell	This underspend is due to vacancies.	The underspend due to these vacancies will be used to put the staffing structures in place that are required as part of the recently approved management restructure.
R10C	Finance Less than anticipated expenditure by £55.4K	Erik Knight	A number of vacant posts across service functions during the course of the year.	Continue to review capacity requirements and recruit where necessary.
R10D	Development & Infrastructure Less than anticipated expenditure by £368.8K	Kenny MacPherson	Expenditure was less than anticipated against budget due to multiple vacancies. The posts are in various stages of recruitment and in some cases have subsequently been filled.	Continue to try to recruit to vacant posts. No action required as in the circumstance of a full staff complement all of the budget would be required to cover these posts.

Central Administration

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R10F	I.T. and Facilities Less than anticipated expenditure by £98.1K	Kenny MacPherson	Expenditure was less than anticipated by budget due to multiple vacancies. The posts are in various stages of recruitment and in some cases have subsequently been filled.	Continue to try to recruit to vacant posts. No action required as in the circumstance of a full staff complement all of the budget would be required to cover these posts.
R10I	Chief Executive Less than anticipated expenditure by £98.1K	Gavin Mitchell	Underspend is due to a staff vacancy in the service.	Efforts to fill the staff vacancy in the year have been unsuccessful. Accordingly, a staffing restructure within Legal Services is being progressed which will include the creation of a new Principal Solicitor post and a new Paralegal/Trainee post, both of which will be funded from the existing staff budget.

Other Services

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R10G	Corporate Management More than anticipated expenditure by £175.1K	Alex Rodwell	Apportioned costs are charged and budgeted for in all of the services and any surplus/deficit is retained centrally.	Finance will be reviewing apportioned costs throughout 2025/26, and necessary action will be taken.
R10J	Corporate Priorities Less than anticipated expenditure by £190.2K	Alex Rodwell	This underspend is due to vacancies.	The underspend due to these vacancies will be used to put the staffing structures in place that are required as part of the recently approved management restructure.
R39C	Miscellaneous Property More than anticipated expenditure by £30.5K	Kenny MacPherson	Overspend is a reflection on Rents & Lettings and Fees & Charges being lower than forecast income. Additionally, last year the cost centre was required to cover additional costs of two former SRF properties – one in the process of disposal (Garden House) and one moved off the SRF (former Herring Factory, Stromness).	Charges are levied when enquiries are made or variations to agreements are needed, and therefore significantly dependent on tenant activity.

Other Services

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R39F	Elections Less than anticipated expenditure by £71.3K	Alex Rodwell	This underspend was due to the timescale for the final collation and processing of election costs.	This has been completed and was submitted by the deadline.
R39G	Licensing Less than anticipated expenditure by £27.9K	Gavin Mitchell	The increase in anticipated income is due to a short-term let fee surplus, which is being carried forward in order to fund a post in the Licensing Team, and also due to an increase in applications for licences in connection with the Island Games.	Continue to monitor the position.
R39S	Interest on Loans and Balances More than anticipated income by £1,279.8K	Erik Knight	Budget for loan interest increased during 2024/25, however interest rates remain high in the market and returns have outstripped budget.	Continue to review budget level.
R39T	Miscellaneous – OS Less than anticipated expenditure by £409.7K	Erik Knight	Changes in, or clarification of, the treatment of certain VAT categories resulted in the reclaim of £308.6k previously declared output VAT. Remainder due to underspend against budget.	No action required.

Other Services

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R39U	Movement in Reserves More than anticipated expenditure by £923.5K	Erik Knight	Includes cost of principal repayment of loan debt in respect of capital borrowing. This cost is not budgeted. Also, after all accounting entries a small surplus of £427k was posted to General Fund balances.	No action required.
R39X	Cost of Collection Less than anticipated expenditure by £73.7K	Erik Knight	Main variance against budget relates to the discretionary rates relief, which is lower than budget.	No action required.
R39Y	Finance Charges Less than anticipated expenditure by £2,668.5K	Erik Knight	Loan charge budget underspend. Historically capital repayments would have been accelerated, however this year, as last, the underspend in this area has been required to balance the overall General Fund spend.	There is considerable work to be done across all Council services to return break-even budgets. Significant risk if spending levels persist above budget levels, not least for ability of Council to borrow for its capital programme(s).