

**Item: 10**

**Enterprise and Infrastructure Committee: 3 February 2026.**

**Revenue Expenditure Monitoring.**

**Report by Head of Finance.**

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## **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 Enterprise and Infrastructure Committee is responsible, for the period 1 April to 31 December 2025, attached as Annex 1 to this report, indicating a budget underspend position of £255,500.
- ii. Note the revenue financial service area statement in respect of service areas for which the Enterprise and Infrastructure Committee is responsible, for the period 1 April to 31 December 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 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 Enterprise 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****December 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	2,910.9	2,758.4	152.5	105.5	4,162.4
Transportation	2,898.6	3,201.6	(303.0)	90.5	4,870.6
Operational Environmental Services	2,252.6	1,993.6	259.0	113.0	3,331.1
Environmental Health & Trading Standards	642.0	732.4	(90.4)	87.7	1,230.1
Development	835.1	1,006.8	(171.7)	82.9	1,850.4
Planning	800.0	901.9	(101.9)	88.7	1,566.8
	<b>10,339.2</b>	<b>10,594.7</b>	<b>(255.5)</b>	<b>97.6</b>	<b>17,011.4</b>
<b>Service Totals</b>	<b>10,339.2</b>	<b>10,594.7</b>	<b>(255.5)</b>	<b>97.6</b>	<b>17,011.4</b>

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

<b>Service Area</b>	<b>No. of PAs</b>		<b>Service Functions</b>	<b>PAs/ Function</b>
	<b>P08</b>	<b>P09</b>		
Roads	4	6	12	50%
Transportation	5	6	8	75%
Operational Environmental Services	4	3	6	50%
Environmental Health & Trading Standards	1	1	3	33%
Development	3	4	8	50%
Planning	4	5	7	71%
<b>Totals</b>	<b>21</b>	<b>25</b>	<b>44</b>	<b>57%</b>

## Annex 2: Financial Detail by Service Area

December 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		487.6	516.9	(29.3)	94.3	1,206.0
Street Lighting	1B	209.0	183.4	25.6	114.0	247.6
Car Parks	1B	(58.0)	(68.5)	10.5	84.7	(47.4)
Other Works	1B	67.2	89.0	(21.8)	75.5	129.6
Traffic Management	1B	214.1	256.2	(42.1)	83.6	310.3
Structural Maintenance		1,472.7	1,461.9	10.8	100.7	1,756.4
Routine Maintenance		617.4	634.0	(16.6)	97.4	843.1
Quarries Holding Account		(352.2)	(336.8)	(15.4)	104.6	(500.2)
Roads Holding Account	1B	(46.2)	(14.9)	(31.3)	310.1	1.1
Fleet Holding Account	1B	269.9	13.1	256.8	2,060.3	(0.8)
Movement in Reserves		0.0	0.0	0.0	0.0	89.8
Miscellaneous - RD		29.4	24.1	5.3	122.0	126.9
<b>Service Total</b>		<b>2,910.9</b>	<b>2,758.4</b>	<b>152.5</b>	<b>105.5</b>	<b>4,162.4</b>

### Changes in original budget position:

Original Net Budget	4,132.8
Road Safety Education Budget Creation	29.6
	<b>4,162.4</b>

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
Transportation						£000
Administration - TR	1B	168.5	145.1	23.4	116.1	280.5
Co-ordination	1B	63.2	43.5	19.7	145.3	84.2
Concessionary Fares	1B	154.9	214.4	(59.5)	72.2	317.9
Support for Operators - Buses	1B	846.4	1,095.0	(248.6)	77.3	1,470.5
Support for Operators - Air		1,122.4	1,158.6	(36.2)	96.9	1,738.0
Support for Operators - Ferries		114.4	117.7	(3.3)	97.2	303.3
Airfields Operations	1B	643.0	471.9	171.1	136.3	675.3
Orkney Ferries	1B	(214.2)	(44.6)	(169.6)	480.3	0.9
<b>Service Total</b>		<b>2,898.6</b>	<b>3,201.6</b>	<b>(303.0)</b>	<b>90.5</b>	<b>4,870.6</b>

### Changes in original budget position:

Original Net Budget	4,383.6
Inter-Island Ferry Travel Additional Funding	187.0
Ferry Replacement Programme	300.0
	<b>4,870.6</b>

<b>Operational Environmental Services</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>
Burial Grounds		100.9	94.5	6.4	106.8	94.7
Refuse Collection	<b>1B</b>	(45.2)	118.8	(164.0)	N/A	654.8
Waste Disposal	<b>1B</b>	1,370.1	1,008.7	361.4	135.8	1,452.5
Recycling		470.1	443.6	26.5	106.0	638.2
Environmental Cleansing		252.6	273.2	(20.6)	92.5	490.9
OES Holding Account	<b>1B</b>	104.1	54.8	49.3	190.0	0.0
<b>Service Total</b>		<b>2,252.6</b>	<b>1,993.6</b>	<b>259.0</b>	<b>113.0</b>	<b>3,331.1</b>

<b>Environmental Health &amp; Trading Standards £000</b>	<b>PA</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend %</b>	<b>Annual Budget %</b>
Administration - ES	<b>1B</b>	376.1	443.5	(67.4)	84.8	781.7
Trading Standards		186.2	200.2	(14.0)	93.0	325.7
Public Toilets		79.7	88.7	(9.0)	89.9	122.7
<b>Service Total</b>		<b>642.0</b>	<b>732.4</b>	<b>(90.4)</b>	<b>87.7</b>	<b>1,230.1</b>

<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 - DV	<b>1B</b>	572.2	643.2	(71.0)	89.0	1,092.6
Business Gateway	<b>1B</b>	109.8	123.9	(14.1)	88.6	176.6
UK Shared Prosperity Fund		(257.4)	(276.7)	19.3	93.0	0.0
Community Led Local Development (CLLD)		333.9	339.0	(5.1)	98.5	928.8
Regeneration	<b>1B</b>	(21.0)	229.7	(250.7)	N/A	552.1
Economic Development Grants	<b>1B</b>	(182.5)	(334.1)	151.6	54.6	306.4
Other Economic Development Grants		280.1	281.8	(1.7)	99.4	572.5
Movement in Reserves		0.0	0.0	0.0	0.0	(1,778.6)
<b>Service Total</b>		<b>835.1</b>	<b>1,006.8</b>	<b>(171.7)</b>	<b>82.9</b>	<b>1,850.4</b>

#### **Changes in original budget position:**

Original Net Budget	1,905.6
Islands Deal Adjustment	(55.2)
	<b><u>1,850.4</u></b>

		<b>Spend</b>	<b>Budget</b>	<b>Over/(Under)</b>	<b>Spend</b>	<b>Annual</b>
	<b>PA</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>	<b>Budget</b>
<b>Planning</b>						<b>£000</b>
Administration - PL	<b>1B</b>	101.0	115.9	(14.9)	87.1	434.7
Development Management	<b>1B</b>	136.8	260.4	(123.6)	52.5	350.9
Development Planning	<b>1B</b>	479.8	386.2	93.6	124.2	623.5
Building Standards	<b>1B</b>	15.5	59.8	(44.3)	25.9	96.4
Archaeology		42.8	44.1	(1.3)	97.1	61.5
North Isles Landscape Partnership	<b>1B</b>	2.1	13.5	(11.4)	15.6	(22.2)
Scheme						
Movement in Reserves		22.0	22.0	0.0	100.0	22.0
<b>Service Total</b>		<b>800.0</b>	<b>901.9</b>	<b>(101.9)</b>	<b>88.7</b>	<b>1,566.8</b>

## Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R26C</b>	<b>Street Lighting</b> More than anticipated expenditure by £25.6K  Costs in this area fluctuate through the year depending on the need for repairs.	<b>No action required</b>  Budget is expected to balance out by year-end, noting that there is £40k still to be spent which can be managed accordingly.	Lorna Richardson	31/03/2026	New
<b>R26D</b>	<b>Car Parks</b> Less than anticipated income by £10.5K  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.	<b>Management input required</b>  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 however this was unlikely to fully close the gap.	Lorna Richardson	31/03/2026	Ongoing
<b>R26E</b>	<b>Other Works</b> Less than anticipated expenditure by £21.8K  Activities in this area fluctuate throughout the year and are generally reactive.	<b>No action required</b>  There are no unexpected events at this time and so the budget is expected to balance out at year-end.	Lorna Richardson	31/03/2026	New



## Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R26F</b>	<b>Traffic Management</b> Less than anticipated expenditure by £42.1K  This function area is difficult to profile due to fluctuating demands and influence by external events, such as new roads developments. No concerns are identified at this point in time regarding this variance.	<b>No action required</b> None at this time. Costs will continue to be monitored, and any underspend applied to other areas in this Service area.	Lorna Richardson	31/03/2026	New
<b>R26M</b>	<b>Roads Holding Account</b> More than anticipated income by £31.3K  Due to the large number of cost centres within this function area 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 quarry materials and the possibility that the labour charge-rate has been increased by more than is required.	<b>Management input required</b> Investigations will be undertaken into all of the underlying cost centre variances, 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	31/03/2026	Ongoing

## Roads

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R26N	<p><b>Fleet Holding Account</b></p> <p>More than anticipated expenditure by £256.8K</p> <p>Following the implementation of the new Fleet Management system it was realised that charge rates had initially been set too low. There are also increased costs for parts and spares for stock which have also led to a greater than expected spend.</p>	<p><b>Monitor the situation</b></p> <p>A full review of the charging structure has now taken place, with amendments now implemented. This should ensure that full costs are recovered by year end.</p>	Lorna Richardson	31/03/2026	Ongoing

## Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R27A</b>	<b>Administration - TR</b> More than anticipated expenditure by £23.4K  Overspend relates to higher than anticipated staffing costs.	<b>No action required</b> No action required.	Gareth Waterson	31/03/2026	New
<b>R27B</b>	<b>Co-ordination</b> More than anticipated expenditure by £19.7K  Overspend on this service area is mainly the result of profiling issues relating to expenditure incurred in the first half of the year.	<b>Raise virements request</b> Actual costs to date to be reviewed and a virement processed to reprofile full year budget to better reflect actual spend pattern.	Gareth Waterson	31/01/2026	Ongoing
<b>R27C</b>	<b>Concessionary Fares</b> Less than anticipated expenditure by £59.5K  New funding received this financial year for the Under 22 scheme.	<b>Monitor the situation</b> Will monitor spend against income and ensure Under 22 scheme is reflected in the budget setting process for financial year 2026/27.	Gareth Waterson	31/03/2026	Ongoing
<b>R27G</b>	<b>Support for Operators - Buses</b> Less than anticipated expenditure by £248.6K  Actuals to date are lower than anticipated due to delays in invoicing and incorrect coding of income (fares).	<b>Raise journals request</b> Outstanding invoices have been requested from the supplier and coding errors will be corrected by journal entry.	Gareth Waterson	31/01/2026	Ongoing

## Transportation

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R27K</b>	<b>Airfields Operations</b> More than anticipated expenditure by £171.1K  Additional costs continue to be incurred in respect of the Civil Aviation Authority works required at the airfields. Airfields is a highly regulated service area which requires significant expenditure to remain compliant.	<b>Manage income/expenditure</b> A contribution will be received from Sustainable and Green Transport Fund at the year end to subsidise the budget and reduce the overspend.	Gareth Waterson	31/03/2026	Ongoing
<b>R27L</b>	<b>Orkney Ferries</b> More than anticipated income by £169.6K  Funding arrangements for ferries subsidy have changed with regular receipt of block subsidy. This was previously paid retrospectively following grant claims being submitted.	<b>Raise virements request</b> Process virement to update budget profiles.	Gareth Waterson	31/01/2026	Ongoing

## Operational Environmental Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R28C</b>	<b>Refuse Collection</b> Less than anticipated expenditure by £164.0K  Income from commercial waste collections is higher than anticipated, potentially due to new contracts.	<b>Monitor the situation</b> Review of customer base and income generation to take place over the next few months and any permanent increases in income generation will be reflected in the budget setting process for financial year 2026/27.	Lorna Richardson	31/03/2026	Ongoing
<b>R28E</b>	<b>Waste Disposal</b> More than anticipated expenditure by £361.4K  Unbudgeted, necessary, repairs to critical equipment (baler) were processed in April 2025. A new cabin was also required as a result of storm damage to the existing building. The cost of processing waste in Shetland is higher than allowed budget.	<b>Monitor the situation</b> 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 funding through 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 far outstrip available budget.	Lorna Richardson	31/03/2026	Ongoing
<b>R28K</b>	<b>OES Holding Account</b> More than anticipated expenditure by £49.3K  Delays in recovering costs of operational staff due to the holiday period.	<b>Monitor the situation</b> Ensure that job sheets are processed in line with expected timescales and costs recovered appropriately.	Lorna Richardson	31/03/2026	Ongoing

## Environmental Health &amp; Trading Standards

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R29A	<p><b>Administration - ES</b></p> <p>Less than anticipated expenditure by £67.4K</p> <p>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. In the meantime, we have temporary staff cover for an Environmental Health Officer which will utilise some of the vacant post budget, bringing the total spend more closely in line with budget by year-end.</p>	<p><b>No action required</b></p> <p>No action required as this stage, as this is a genuine underspend against budget.</p>	Gavin Barr	31/03/2026	Ongoing

## Development

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R33A	<b>Administration - DV</b> Less than anticipated expenditure by £71.0K  Staff costs lower than profiled due to vacancies.	<b>No action required</b> No action required, as vacancies now filled.	Sweyn Johnston	31/03/2026	Ongoing
R33B	<b>Business Gateway</b> Less than anticipated expenditure by £14.1K  Underspend against staff costs due to unsuccessful recruitment to maternity cover.	<b>No action required</b> No action required at this time.	Sweyn Johnston	31/03/2026	Ongoing
R33E	<b>Regeneration</b> Less than anticipated expenditure by £250.7K  Driven by early receipt of UK Government grant regarding Pride in Place programme (formerly Towns Board).	<b>Raise virements request</b> Process virement to realign budget.	Sweyn Johnston	31/01/2026	Ongoing
R33J	<b>Economic Development Grants</b> Less than anticipated income by £151.6K  Variance relates to incorrect coding of grant payment.	<b>Raise journals request</b> Process journal to correct coding error.	Sweyn Johnston	31/01/2026	New

## Planning

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R34A	<p><b>Administration - PL</b></p> <p>Less than anticipated expenditure by £14.9K</p> <p>There is a vacant part-time admin post within the team which is currently being reviewed as part of the Council wide corporate admin structure review.</p> <p>Additionally, one member of the team has reduced their hours on a temporary basis.</p>	<p><b>Monitor the situation</b></p> <p>The corporate admin review is moving to the next stage, and discussions will continue around the vacant admin post.</p>	Gavin Barr	31/03/2026	Ongoing



## Planning

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R34B</b>	<b>Development Management</b> Less than anticipated expenditure by £123.6K  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.	<b>Monitor the situation</b> Costs relating to Environmental Impact Advisory services are due and will reduce the underspend and discussions are underway with Finance regarding the potential to establish a budget profile to reflect the current year increase in income.	Gavin Barr	31/03/2026	Ongoing
<b>R34C</b>	<b>Development Planning</b> More than anticipated expenditure by £93.6K  Delay in receipt of Scottish Government grant support for active travel which covers some staff costs.	<b>Monitor the situation</b> Contact has been made with Scottish Government and expect income to be received during the next month which will address the deficit.	Gavin Barr	28/02/2026	New

## Planning

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R34E</b>	<b>Building Standards</b> Less than anticipated expenditure by £44.3K  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.	<b>Monitor the situation</b> 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	31/03/2026	Ongoing
<b>R34M</b>	<b>North Isles Landscape Partnership</b> Less than anticipated expenditure by £11.4K  Lower than anticipated expenditure to date and higher grant receipt than profiled. Expected to correct.	<b>Monitor the situation</b> Monitor at present.	Sweyn Johnston	28/02/2026	Ongoing