



ORKNEY
ISLANDS COUNCIL

Item: 9

Enterprise and Infrastructure Committee: 8 September 2026.

Revenue Expenditure Outturn.

Report by Head of Finance.

1. Overview

- 1.1. This report presents the revenue financial outturn position as at 31 March 2026 in respect of service areas for which the Enterprise and Infrastructure Committee is responsible.
- 1.2. 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.
- 1.3. 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.
- 1.4. 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.
- 1.5. 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).
- 1.6. 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.
- 1.7. The details have been provided following consultation with the relevant Directors and their staff.

1.8. 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 2025 to 31 March 2026, attached as Annex 1 to this report, indicating a budget overspend position of £791,400.
- ii. Note the revenue financial detail by Service Area statement in respect of service areas for which the Enterprise and Infrastructure Committee is responsible, for the period 1 April 2025 to 31 March 2026, 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 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**March 2026**

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
Roads	5,218.9	4,270.0	948.9	122.2	4,270.0
Transportation	33,446.9	33,405.9	41.0	100.1	33,405.9
Operational Environmental Services	3,480.0	3,321.7	158.3	104.8	3,321.7
Environmental Health & Trading Standards	1,172.6	1,232.5	(59.9)	95.1	1,232.5
Development	2,901.0	3,103.8	(202.8)	93.5	3,103.8
Planning	1,427.0	1,521.1	(94.1)	93.8	1,521.1
	47,646.4	46,855.0	791.4	101.7	46,855.0
Service Totals	47,646.4	46,855.0	791.4	101.7	46,855.0

Annex 2: Financial Detail by Service Area

March 2026

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	1,391.1	1,254.5	136.6	110.9	1,254.5
Street Lighting	1B	404.9	287.6	117.3	140.8	287.6
Car Parks	1B	(18.0)	(54.1)	36.1	33.3	(54.1)
Other Works	1B	91.4	121.0	(29.6)	75.5	121.0
Traffic Management	1B	275.2	314.0	(38.8)	87.6	314.0
Structural Maintenance	1B	2,191.1	1,689.7	501.4	129.7	1,689.7
Routine Maintenance	1B	1,283.7	1,093.1	190.6	117.4	1,093.1
Quarries Holding Account		(494.4)	(494.4)	0.0	100.0	(494.4)
Roads Holding Account		43.4	43.4	0.0	100.0	43.4
Fleet Holding Account		7.1	7.1	0.0	100.0	7.1
Movement in Reserves	1B	(186.4)	(259.1)	72.7	71.9	(259.1)
Miscellaneous - RD	1B	229.8	267.2	(37.4)	86.0	267.2
Service Total		5,218.9	4,270.0	948.9	122.2	4,270.0

Changes in original budget position:

Original Net Budget	4,132.8
Road Safety Education Budget Creation	29.6
Apportionment Realignment	107.6
	<u>4,270.0</u>

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
Transportation						£000
Administration - TR		337.2	320.4	16.8	105.2	320.4
Co-ordination		82.3	78.6	3.7	104.7	78.6
Concessionary Fares	1B	241.8	317.9	(76.1)	76.1	317.9
Support for Operators - Buses	1C	1,428.8	1,495.2	(66.4)	95.6	1,495.2
Support for Operators - Air	1C	1,683.5	1,738.0	(54.5)	96.9	1,738.0
Support for Operators - Ferries		368.5	368.6	(0.1)	100.0	368.6
Airfields Operations	1B	917.2	699.5	217.7	131.1	699.5
Orkney Ferries	1C	19,967.9	20,667.9	(700.0)	96.6	20,667.9
Movement in Reserves	1C	8,419.7	7,719.8	700.0	109.1	7,719.8
Service Total		33,446.9	33,405.9	41.0	100.1	33,405.9

Changes in original budget position:

Original Net Budget	4,383.6
Inter-Island Ferry Travel Additional Funding	187.0
Ferry Replacement Programme	400.0
Inter-Island Connectivity	28,404.0
Apportionment Realignment	38.3
Movement in Reserves	(7.0)
	33,405.9

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
Operational Environmental Services						£000
Burial Grounds	1B	126.9	90.1	36.8	140.8	90.1
Refuse Collection	1C	671.3	734.0	(62.7)	91.5	734.0
Waste Disposal	1B	(101.5)	(201.8)	100.3	50.3	(201.8)
Recycling	1B	796.8	647.9	148.9	123.0	647.9
Environmental Cleansing	1B	426.5	491.5	(65.0)	86.8	491.5
OES Holding Account		(96.7)	(96.7)	0.0	100.0	(96.7)
Movement in Reserves		1,656.6	1,656.7	(0.1)	74.0	1,656.7
Service Total		3,479.9	3,321.7	158.2	104.8	3,321.7

Changes in original budget position:

Original Net Budget	3,331.1
Apportionment Realignment	(9.4)
	3,321.7

Environmental Health & Trading Standards £000		Spend PA	Budget £000	Over/(Under) £000	Spend £000	Annual Budget %
Administration - ES	1C	733.7	798.2	(64.5)	91.9	798.2
Trading Standards		311.8	323.0	(11.2)	96.5	323.0
Public Toilets	1B	138.5	122.7	15.8	112.9	122.7
Movement in Reserves		(11.4)	(11.4)	0.0	100.0	(11.4)
Service Total		1,172.6	1,232.5	(59.9)	95.1	1,232.5

Changes in original budget position:

Original Net Budget	1,230.1
Apportionment Realignment	2.4
	<u>1,232.5</u>

Development		PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Heritage Development			359.0	363.0	(4.0)	98.9	363.0
Museums			435.2	425.8	9.4	102.2	425.8
St Magnus Cathedral		1B	258.2	301.6	(43.4)	85.6	301.6
Administration - DV		1C	1,145.6	1,225.4	(79.8)	93.5	1,225.4
Business Gateway			174.5	176.6	(2.1)	98.8	176.6
Community Led Local Development (CLLD)			476.6	510.3	(33.7)	93.4	510.3
Regeneration			(187.7)	(189.9)	2.2	98.8	(189.9)
Economic Development Grants			415.9	415.9	0.0	100.0	415.9
Other Economic Development Grants		1C	468.9	520.3	(51.4)	90.1	520.3
Movement in Reserves			(645.2)	(645.2)	0.0	100.0	(645.2)
Service Total			2,901.0	3,103.8	(202.8)	93.5	3,103.8

Changes in original budget position:

Original Net Budget	2,994.4
Islands Deal Adjustment	(55.2)
Apportionment Realignment	165.4
Occupational Health Recharges	(0.8)
	<u>3,103.8</u>

		Spend	Budget	Over/(Under)	Spend	Annual
		£000	£000	£000	%	Budget
Planning	PA					£000
Administration - PL		346.9	369.1	(22.2)	94.0	369.1
Development Management		345.4	353.7	(8.3)	97.7	353.7
Development Planning		657.9	685.7	(27.8)	95.9	685.7
Building Standards	1B	62.8	96.9	(34.1)	64.8	96.9
Archaeology		59.6	61.5	(1.9)	96.9	61.5
North Isles Landscape Partnership		27.0	26.8	0.2	100.7	26.8
Scheme						
Movement in Reserves	1B	(72.6)	(72.6)	(0.0)	100.0	(72.6)
Service Total		1,427.0	1,521.1	(94.1)	93.8	1,521.1

Changes in original budget position:

Original Net Budget	1,566.8
Nature Restoration Fund	49.0
Apportionment Realignment	(94.7)
	<u>1,521.1</u>

Roads

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R26A	Winter Maintenance and Response More than anticipated expenditure by £136.6K	Lorna Richardson	Costs of winter maintenance are higher than the budget that is provided. This was a relatively mild winter compared to previous and so the overspend is less than in previous years, but the budget provided does not match the agreed level of service.	Members reviewed the Winter Service Policy in 2026 and agreed to maintain the current levels of service, due to safety concerns and the protection of the public, therefore the overspend will continue.
R26C	Street Lighting More than anticipated expenditure by £117.3K	Lorna Richardson	Total cost of electricity equalled £207K against a budget of £93K.	In order to balance the available budget, the amount of work carried out needs to decrease in order to make more money available for electricity. 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.
R26D	Car Parks Less than anticipated income by £36.1K	Lorna Richardson	Car parking charges are not sufficient to meet the budgeted income target. A review of charges for 2025/26 has resulted in increased income but still not sufficient to meet the budget.	Any further increase in charges is likely to lead to reduced income as people will avoid using the car parks. Charges are regularly reviewed to ensure that they are set at a level that enables car park usage and maximises the realistic income that can be realised.

Roads

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R26E	Other Works Less than anticipated expenditure by £29.6K	Lorna Richardson	Less than anticipated work required for maintenance of core paths.	This area of work is generally reactive, as issues arise and are identified, and so total spend is difficult to predict. Therefore, no action anticipated at this time.
R26F	Traffic Management Less than anticipated expenditure by £38.8K	Lorna Richardson	Income varies depending on external activities and so is difficult to predict.	Historical workload to be reviewed and budgets re-baselined, if need be, with funding reallocated to other cost centres.

Roads

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R26J	Structural Maintenance More than anticipated expenditure by £501.4K	Lorna Richardson	The £500k Quarries Holding Account surplus is dependent on internal and external building and construction projects. Any shortfall against this target is then distributed across other areas within Roads. This year Quarry income increased by ~50% on prior year, despite this the level of adjustment required to achieve the Quarries surplus was £692.4K, which was mainly recharged against the Structural Maintenance and Routine Maintenance budgets. This adjustment was due in part to £383.7K stock reduction at the Quarry. Also, Quarry Transport Vessel and Plant costs have increased on prior year which reflects increase in maintenance costs including replacement engines for the Crusher and the CAT.	To avoid unpredicted year end variances, unit costs from all former Direct Service Operations should be reviewed for accuracy. Continue to review pricing for competitiveness in the marketplace. Refurbish/Replace plant on back of capital funding allocation in 2026/27.

Roads

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R26K	Routine Maintenance More than anticipated expenditure by £190.6K	Lorna Richardson	Refer to comments against R26J.	To avoid unpredicted year end variances, unit costs from all former Direct Service Operations should be reviewed for accuracy. Continue to review pricing for competitiveness in the marketplace. Refurbish/Replace plant on back of capital funding allocation in 2026/27.
R26U	Movement in Reserves More than anticipated expenditure by £72.7K	Erik Knight	Loan charges in relation to Cursiter Quarry extension of £162.5K exceed the £89.8K budget in this cost centre.	Ensure known cost for loan repayment is reflected in the budget.
R26Z	Miscellaneous Less than anticipated expenditure by £37.4K	Lorna Richardson	Costs charged to this service function area are driven by external events and incidents and so difficult to predict.	This function area is used for costs associated with police incidents and so cannot be accurately predicted therefore no action is anticipated.

Transportation

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R27C	Concessionary Fares Less than anticipated expenditure by £76.1K	Gareth Waterson	New funding received this financial year for the Under 22 scheme. Underspend reflective of implementation part way through the year.	Under 22 scheme is to be reflected in the 2026/27 financial year budget.
R27G	Support for Operators – Buses Less than anticipated expenditure by £66.4K	Gareth Waterson	The Enhanced Demand Responsive Transport Initiative (EDRTI) cost centre shows an overspend of ~ £16K indicating that grants awarded exceed budget, however, this is offset by an underspend of £82K on the Public Bus Service operations.	Consider a base budget review of this service area and reallocation of budget, through virement to over-spending areas within Transportation.

Transportation

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R27I	Support for Operators – Air Less than anticipated expenditure by £54.5K	Gareth Waterson	Service pressure bids of £470k in last 2 years have been augmented by budget inflationary uplifts of ~£69k.	Consider base budget review of this service area and reallocation of budget, through virement to over-spending areas within Transportation.
R27K	Airfields Operations More than anticipated expenditure by £217.7K	Gareth Waterson	Additional costs continued to be incurred in respect of Civil Aviation Authority works required at the airfields. Airfields are a highly regulated service area which requires significant expenditure to remain compliant.	Although there was a contribution of £209.7K received from the Sustainable and Green Transport Fund at the year end to subsidise the budget it continues to have a large overspend which will be highlighted to the Directorate.
R27L	Orkney Ferries More than anticipated income by £700.0K	Gareth Waterson	During the current year Orkney Ferries Ltd repaid the Council £836K, being the balance of grant due from 2019/20 which had been carried forward in the Statutory Accounts for a number of years.	No action required.

Transportation

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R27U	Movement in Reserves More than anticipated expenditure by £700.0K	Erik Knight	This reflects the above repayment which has been set aside for Ferries Replacement Programme.	No action required.

Operational Environmental Services

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R28B	Burial Grounds More than anticipated expenditure by £36.8K	Lorna Richardson	The cost of providing grass cutting services and other routine maintenance far outstrips the available budget.	Efforts have been made to reduce service levels where appropriate, but no further reductions are possible without widespread community discontent.
R28C	Refuse Collection Less than anticipated expenditure by £62.7K	Lorna Richardson	Income from trade waste collection was higher than anticipated.	Trade waste income is dependent on business activity and therefore difficult to profile or predict.
R28E	Waste Disposal Less than anticipated income by £100.3K	Lorna Richardson	Unexpected repairs to a critical piece of equipment (baler, without which no material can be processed for transport) together with the need to replace a building destroyed in a storm.	These costs were impossible to predict.
R28F	Recycling More than anticipated expenditure by £148.9K	Lorna Richardson	The costs of providing this service are outstripping the available budget.	There is very little to be done other than reducing service levels considerably either here or elsewhere in the service. These can be considered as part of the budget setting process for 2027/28.

Operational Environmental Services

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R28G	Environmental Cleansing Less than anticipated expenditure by £65.0K	Lorna Richardson	Less work than anticipated due to workforce required on other tasks.	This is a recurring pattern therefore thought will be given to moving budget from this area to one under pressure such as R28F, as this better reflects the reality of where the workforce is deployed.

Environmental Health & Trading Standards

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R29A	Administration - ES Less than anticipated expenditure by £64.5K	Gavin Barr	This variance is largely attributed to vacancies within the Environmental Health team, to which it has not been possible to recruit.	Director and CLT are aware of the recruitment challenges and the impacts arising from inadequate numbers of staff in post.
R29D	Public Toilets More than anticipated expenditure by £15.8K	Kenny MacPherson	There were additional costs in respect of repairs and maintenance.	Further analysis will be undertaken in 2026/27 in respect of costs incurred across the services.

Development

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R17U	St Magnus Cathedral Less than anticipated expenditure by £43.4K	Sweyn Johnston	Income received from tours and donations are higher than budgeted for.	The base budget will be reconsidered as part of a wider review of donations at the cathedral.
R33A	Administration - DV Less than anticipated expenditure by £79.8K	Sweyn Johnston	Underspend relates to staff vacancies and temporary changes throughout the financial year.	Vacancies continue to be actively recruited as they occur with variances reported via budget monitoring.
R33K	Other Economic Development Less than anticipated expenditure by £51.4K	Sweyn Johnston	Mainly relates to the underspend in the Strategies and Studies budget.	This budget has been removed from the 2026/27 budget as part of Service savings.

Planning

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R34E	Building Standards More than anticipated income by £34.1K	Gavin Barr	It is not possible to accurately estimate or profile fee income across the financial year as this depends on third party applications being received. The service has been engaging with Finance to monitor fee income profiles.	Engagement between the Service and Finance colleagues to monitor profile of income will continue in the new financial year.