

**Item: 20.1**

**General Meeting of the Council: 9 December 2025.**

**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 expenditure monitoring statement in respect of service areas for which the Policy and Resources 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 £554,200.
- ii. Note the revenue financial service area statement in respect of service areas for which the Policy and Resources 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 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, 25 February 2025, Budget and Council Tax Level for 2025/26.

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.

<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>
Central Administration	6,320.9	6,789.1	(468.2)	93.1	(89.3)
Law, Order & Protective Services	30.9	51.4	(20.5)	60.1	153.5
Other Services	1,511.6	1,577.1	(65.5)	95.8	12,510.9
	<b>7,863.4</b>	<b>8,417.6</b>	<b>(554.2)</b>	<b>93.4</b>	<b>12,575.1</b>
<b>Service Totals</b>	<b>7,863.4</b>	<b>8,417.6</b>	<b>(554.2)</b>	<b>93.4</b>	<b>12,575.1</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>P05</b>	<b>P06</b>		
Central Administration	6	5	8	63%
Law, Order & Protective Services	1	1	1	100%
Other Services	5	5	17	29%
<b>Totals</b>	<b>12</b>	<b>11</b>	<b>26</b>	<b>42%</b>

## 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
						£000
<b>Central Administration</b>	<b>PA</b>					
Chief Executive	<b>1C</b>	1,601.0	1,651.2	(50.2)	97.0	0.0
Corporate Services	<b>1B</b>	627.4	751.5	(124.1)	83.5	0.0
Finance	<b>1C</b>	1,098.2	1,214.7	(116.5)	90.4	(30.0)
Development & Infrastructure	<b>1B</b>	1,218.0	1,393.8	(175.8)	87.4	0.0
I.T. and Facilities		1,325.2	1,374.6	(49.4)	96.4	0.0
Legal Services		309.8	328.1	(18.3)	94.4	0.0
Cleaning Holding Account	<b>1B</b>	141.3	75.2	66.1	187.9	0.0
Movement in Reserves		0.0	0.0	0.0	0.0	(59.3)
<b>Service Total</b>		<b>6,320.9</b>	<b>6,789.1</b>	<b>(468.2)</b>	<b>93.1</b>	<b>(89.3)</b>

### Changes in original budget position:

Original Net Budget	13.2
Budget Transfer – Direct Debits	(30.0)
Islands Deal Adjustment	(72.5)
	<b>(89.3)</b>

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
<b>Law, Order &amp; Protective Services</b>	<b>PA</b>					
Civil Contingencies	<b>1B</b>	30.9	51.4	(20.5)	60.1	153.5
<b>Service Total</b>		<b>30.9</b>	<b>51.4</b>	<b>(20.5)</b>	<b>60.1</b>	<b>153.5</b>

### Changes in original budget position:

Original Net Budget	183.1
Budget Transfer – Road Safety Education	(29.6)
	<b>153.5</b>

		Spend	Budget	Over/(Under)	Spend	Annual
Other Services	PA	£000	£000	£000	%	Budget
Corporate Management	1B	504.8	442.9	61.9	114.0	4,284.4
Corporate Priorities	1B	594.7	727.9	(133.2)	81.7	1,689.9
Area Support Team (CP)		5.5	9.6	(4.1)	57.3	20.7
Registration		19.7	19.5	0.2	101.0	63.8
Miscellaneous Property	1B	2.5	16.0	(13.5)	15.6	247.6
Payments to Joint Boards		0.0	0.0	0.0	0.0	575.5
Elections		16.0	11.6	4.4	137.9	43.7
Licensing		(64.0)	(61.3)	(2.7)	104.4	5.7
Grants		97.3	106.2	(8.9)	91.6	205.3
Publicity		17.8	17.1	0.7	104.1	21.4
Twinning		(6.5)	(7.2)	0.7	90.3	0.0
Community Councils		196.9	206.5	(9.6)	95.4	523.3
Interest on Loans and Balances		(4.6)	0.0	(4.6)	0.0	(500.0)
Miscellaneous - OS		(1.2)	7.7	(8.9)	N/A	400.3
Movement in Reserves		0.0	0.0	0.0	0.0	763.4
Cost of Collection	1B	36.1	(2.2)	38.3	N/A	665.9
Finance Charges	1B	96.6	82.8	13.8	116.7	3,500.0
<b>Service Total</b>		<b>1,511.6</b>	<b>1,577.1</b>	<b>(65.5)</b>	<b>95.8</b>	<b>12,510.9</b>

#### Changes in original budget position:

Original Net Budget	12,353.3
Occupational Health Recharge	(0.1)
Islands Deal Adjustment	127.7
Budget Transfer – Direct Debits	30.0
	<b>12,510.9</b>

## Central Administration

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R10A</b>	<b>Chief Executive</b> Less than anticipated expenditure by £50.2K  This underspend is due to vacancies within Democratic Services, Chief Executive – General and Communications.	<b>Management input required</b> Some vacancies are in the process of being filled. The underspend from other vacancies is being considered as part of the recently approved management restructure and the next levels of implementation.	Alex Rodwell	31/12/2025	Ongoing
<b>R10B</b>	<b>Corporate Services</b> Less than anticipated expenditure by £124.1K  This underspend is due to vacancies and reduced costs for Occupational Health referrals.	<b>Management input required</b> 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.	Alex Rodwell	31/12/2025	Ongoing
<b>R10C</b>	<b>Finance</b> Less than anticipated expenditure by £116.5K  Some staff vacancies, including secondment have led to the underspend position. Other factors include one-off under spend in IT costs.	<b>Raise virements request</b> Raise virements where necessary.	Erik Knight	31/10/2025	Ongoing

## Central Administration

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R10D</b>	<p><b>Development &amp; Infrastructure</b></p> <p>Less than anticipated expenditure by £175.8K</p> <p>Variance in this Service Function chiefly arises from vacancies in the establishment. Recruitment of specific roles, especially in specialist posts, can be challenging and places additional pressures on managers and officers to cover the workload.</p>	<p><b>Monitor the situation</b></p> <p>The situation will continue to be monitored.</p>	Kenny Macpherson	31/12/2025	Ongoing
<b>R10O</b>	<p><b>Cleaning Holding Account</b></p> <p>More than anticipated expenditure by £66.1K</p> <p>The most significant factor in this overspend is due to staff costs exceeding the budget to date following the pay settlement. Supplies and Services have also increased in expenditure as a consequence of the increased footfall in Orkney over the summer using the public facilities, which may be an indirectly attributable factor due to tourism and the Orkney 2025 Island Games.</p>	<p><b>Monitor the situation</b></p> <p>The situation will continue to be monitored.</p>	Kenny Macpherson	31/12/2025	Ongoing



## Law, Order &amp; Protective Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R23F	<b>Civil Contingencies</b> Less than anticipated expenditure by £20.5K  This underspend is due to a vacancy in the team; the recruitment process has progressed to the offer stage and once complete, the budget will begin to realign.	<b>No action required</b> No action required, as it is expected the vacant post will be filled in the next quarter.	Kenny Macpherson	31/12/2025	Ongoing

## Other Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R10G</b>	<p><b>Corporate Management</b></p> <p>More than anticipated expenditure by £61.9K</p> <p>The overspend is due to staff costs within one of the budget lines.</p>	<p><b>Management input required</b></p> <p>The Service is working with Finance to align the staffing budget for the relevant cost centre.</p>	Alex Rodwell	31/12/2025	New
<b>R10J</b>	<p><b>Corporate Priorities</b></p> <p>Less than anticipated expenditure by £133.2K</p> <p>The primary reason for the underspend is due to staff vacancies with Improvement and Performance which had remained vacant until the completion of the recently approved management restructure.</p> <p>Within the World Heritage Site Programme cost centre, income has been received from Historic Environment Scotland but there was no budget set-up for this.</p>	<p><b>Management input required</b></p> <p>The vacancies within Improvement and Performance will be considered as part of the recently approved management restructure.</p> <p>Assistance will be sought from Finance to process a virement to set-up the budget required for the World Heritage Site Programme.</p>	Alex Rodwell	31/12/2025	Ongoing

## Other Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R39C</b>	<b>Miscellaneous Property</b> Less than anticipated expenditure by £13.5K  This corporate budget is used for various properties across OIC, including those that are declared surplus or on the market for sale. The costs incurred for those properties can vary considerably depending on the circumstances of each property, and therefore the costs through this budget are very hard to predict or profile.	<b>Monitor the situation</b> Continue to monitor the actuals against budget and consider a re-alignment of this budget going forward, if required.	Kenny Macpherson	31/12/2025	Ongoing
<b>R39X</b>	<b>Cost of Collection</b> Less than anticipated income by £38.3K  Summary warrant cost of collection high in year to date.	<b>Monitor the situation</b> Chasing debt is ongoing and these costs continue to be reviewed.	Erik Knight	31/10/2025	Ongoing
<b>R39Y</b>	<b>Finance Charges</b> More than anticipated expenditure by £13.8K  Costs relate to capital project appraisal work. Virements required to create these budgets.	<b>Raise virements request</b> Raise virements where necessary.	Erik Knight	31/10/2025	Ongoing