Item: 18.1

Policy and Resources Committee: 22 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 Policy and Resources 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 expenditure monitoring statement in respect of service areas for which the Policy and Resources Committee is responsible, for financial year 2025/26, attached as Annex 1 to this report, indicating a budget underspend position of £2,593,600.

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 2025/26, 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:

Pat Robinson, Service Manager (Accounting), extension 2621, Email: pat.robinson@orkney.gov.uk

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 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 **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**
Central Administration	(81.6)	917.1	(998.7)	N/A	917.1
Law, Order & Protective Services	116.6	152.7	(36.1)	76.4	152.7
Other Services	11,739.9	13,298.7	(1,558.8)	88.3	13,298.7
	11,774.9	**14,368.5**	**(2,593.6)**	**81.9**	**14,368.5**
Service Totals	**11,774.9**	**14,368.5**	**(2,593.6)**	**81.9**	**14,368.5**

Annex 2: Financial Detail by Service Area **March 2026**

The following tables show the spending position by service function

General Fund

Central Administration	**PA**	**Spend £000**	**Budget £000**	**Over/(Under) £000**	**Spend %**	**Annual Budget £000**
Chief Executive	**1B**	(42.1)	0.0	(42.1)	N/A	0.0
Corporate Services		132.6	137.6	(5.0)	96.4	137.6
Finance	**1B**	(231.7)	39.1	(270.8)	N/A	39.1
Development & Infrastructure	**1B**	(268.9)	41.2	(310.1)	N/A	41.2
HR and Organisational Development	**1B**	417.0	560.3	(143.3)	74.4	560.3
I.T. and Facilities	**1B**	65.0	123.0	(58.0)	52.8	123.0
Corporate and Democratic Core	**1B**	(39.8)	63.2	(103.0)	N/A	63.2
Legal Services	**1B**	(58.2)	8.2	(66.4)	N/A	8.2
Cleaning Holding Account		47.3	47.3	0.0	100.0	47.3
Movement in Reserves		(102.8)	(102.8)	0.0	100.0	(102.8)
Service Total		**(81.6)**	**917.1**	**(998.7)**	**N/A**	**917.1**

Changes in original budget position:

Original Net Budget	13.2
Islands Deal Adjustment	(38.1)
HR and Organisational Development	460.3
Apportionment Realignment	218.8
IAS19 Adjustment	(10.0)
CNES (Comhairle nan Eilean Siear) Realignment	(20.2)
Invest to Save Funding	293.1
	917.1

Law, Order & Protective Services	**PA**	**Spend £000**	**Budget £000**	**Over/(Under) £000**	**Spend %**	**Annual Budget £000**
Civil Contingencies	**1B**	118.0	154.1	(36.1)	76.6	154.1
Movement in Reserves		(1.4)	(1.4)	0.0	100.0	(1.4)
Service Total		**116.6**	**152.7**	**(36.1)**	**76.4**	**152.7**

Changes in original budget position:

Original Net Budget	183.1
Budget Transfer – Road Safety Education	(29.6)
Apportionment Realignment	(0.8)
	152.7

Other Services	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Corporate Management	**1C**	3,746.3	3,680.9	65.4	101.8	3,680.9
Corporate Priorities	**1B**	(83.9)	129.6	(213.5)	N/A	129.6
Area Support Team (CP)		15.5	20.7	(5.2)	74.9	20.7
Registration		69.1	60.5	8.6	114.2	60.5
Miscellaneous Property		267.0	257.0	10.0	103.9	257.0
Payments to Joint Boards		563.4	575.5	(12.1)	97.9	575.5
Elections	**1B**	227.4	142.5	84.9	159.6	142.5
Licensing	**1B**	(12.8)	1.7	(14.5)	N/A	1.7
Grants	**1B**	183.6	220.6	(37.0)	83.2	220.6
Publicity		22.1	21.4	0.7	103.3	21.4
Twinning	**1B**	12.2	0.0	12.2	N/A	0.0
Community Councils		502.2	529.3	(27.1)	94.9	529.3
Accounting for Pensions	**1B**	244.7	(8,802.8)	9,047.5	N/A	(8,802.8)
Interest on Loans and Balances	**1B**	(2,146.8)	(500.0)	(1,646.8)	429.4	(500.0)
Miscellaneous - OS	**1B**	172.1	2,208.1	(2,036.0)	7.8	2,208.1
Movement in Reserves	**1B**	6,143.7	10,484.8	(4,341.2)	58.6	10,484.8
Non-Distributed Costs		53.3	53.3	0.0	100.0	53.3
Cost of Collection	**1B**	583.6	704.2	(120.6)	82.9	704.2
Finance Charges	**1B**	1,177.2	3,511.4	(2,334.2)	33.5	3,511.4
Service Total		**11,739.9**	**13,298.7**	**(1,558.8)**	**88.3**	**13,298.7**

Changes in original budget position:

Original Net Budget	12,353.3
Occupational Health Recharge	(0.1)
Islands Deal Adjustment	93.3
Islands Cost Crisis Emergency Fund	214.0
Invest to Save	6.9
Redeterminations	411.1
Long Term Plans for Towns	363.2
Apportionment Realignment	(431.7)
Budget Realignment – IAS19	10.0
Crown Estate - Redeterminations	1,331.9
General Revenue Grant Correction	(0.4)
Budget Reallocation – Orkney Ferries	7.0
CNES (Comhairle nan Eilean Siear) Realignment	20.2
World Heritage Site Programme	10.2
SIP Budget Realignment	(266.7)
Long Term Plans for Town	(363.2)
HR and Organisational Development	(460.3)
	13,298.7

Central Administration

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R10A	**Chief Executive** Less than anticipated expenditure by £42.1K	Gavin Mitchell	Underspend is due to staff vacancies across the service.	Continue endeavours to fill vacant posts. There will continue to be an underspend into the 2026/27 staffing budget to reflect the period across which posts remain unfilled.
R10C	**Finance** Less than anticipated expenditure by £270.8K	Erik Knight	£213.5K of the variance is a result of staff turnover and vacancies within several Finance teams during the year. A further £30.0K relates to a one-off windfall in IT software costs. The balance, £27.3K is made up of minor underspends in Administration Costs, Supplies and Services and Third-Party Payment lines across the 12 Finance cost centres.	Recruitment has been successful in most cases, with one temporary part-time Payroll post being unsuccessful in two recruitment exercises.
R10D	**Development & Infrastructure** Less than anticipated expenditure by £310.1K	Kenny MacPherson	Variance relates to staff vacancies within two teams, in particular. As the budget is set on assumption of all posts being occupied, vacancies will normally trigger an underspend.	Efforts continue to recruit to these posts. There will continue to be an underspend in the staffing budget to reflect the period across which posts remain unfilled.

Central Administration

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R10E	**HR & Organisational Development** Less than anticipated expenditure by £143.3K	Andrew Groundwater	The largest area of underspend for £67K is related to the Occupational Health budget which was in its first year of a new approach with a centralised budget and contract. HR and Organisational Development saw underspends due to staff turnover in the year. The Trade Union facility time budget was underspent due to some Unions not having been able to appoint to their office holder roles.	The approach to budget setting and control around Occupational Health is being reviewed to avoid future over or under spends.
R10F	**I.T. and Facilities** Less than anticipated expenditure by £58.0K	Kenny MacPherson	Variance relates to staff vacancies within two teams, in particular. As the budget is set on assumption of all posts being occupied, vacancies will normally trigger an underspend.	Efforts continue to recruit to these posts. There will continue to be an underspend in the staffing budget to reflect the period across which posts remain unfilled.
R10H	**Corporate & Democratic Core** Less than anticipated expenditure by £103.0K	Gavin Mitchell	Underspend is due to staff vacancies across the service. A number of these vacancies have since been filled.	Continue endeavours to fill vacant posts. There will continue to be an underspend into the 2026/27 staffing budget to reflect the period across which posts remain unfilled.

Central Administration

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R10I	**Legal Services** Less than anticipated expenditure by £66.4K	Gavin Mitchell	Underspend is due to staff vacancies.	Continue efforts to fill vacant posts.

Law, Order & Protective Services

Service Function	**Service Description**	**Responsible Officer**	**Variance Reason**	**Action Notes**
R23F	**Civil Contingencies** Less than anticipated expenditure by £36.1K	Kenny MacPherson	Variance relates to staff vacancies within two teams, in particular. As the budget is set on assumption of all posts being occupied, vacancies will normally trigger an underspend.	Efforts continue to recruit to these posts. There will continue to be an underspend in the staffing budget to reflect the period across which posts remain unfilled.

Other Services

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R10G	**Corporate Management** More than anticipated expenditure by £65.4K	Alex Rodwell	The overspend is due to staff costs within one of the budget lines.	The Service is working with Finance to align the staffing budget in the relevant cost centre for financial year 2026/27.
R10J	**Corporate Priorities** Less than anticipated expenditure by £213.5K	Alex Rodwell	The primary reason for the underspend is due to staff vacancies within Improvement and Performance which have remained vacant and are being considered as part of the next stage of the approved management restructure. Additionally, not all Trade Unions have allocated their full facility time which is causing an underspend against this cost centre.	The budget from vacancies within Improvement and Performance are now being realigned, putting the required staffing structures in place as part of the next level of implementation of the management restructure. The situation will be monitored for the Trade Union facility time.

Other Services

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R39F	**Elections** More than anticipated income by £84.9K	Gavin Mitchell	There was an error in the budget in that no reference was made to funding received from the Scottish Government for administration of the Scottish Parliamentary Election.	The budget has been updated to reflect the correct budgetary position for the 2026/27 financial year.
R39G	**Licensing** Less than anticipated expenditure by £14.5K	Gavin Mitchell	Increased income this year due to short-term let licence renewals.	Short-term let licences are renewable every three years. The fee income is applied to cover the cost of the Licensing Officer post.
R39H	**Grants** Less than anticipated expenditure by £37.0K	Erik Knight	The underspend relates to underspends in Community Care Grants. This cost centre is driven by demand. Applications for this funding, and awards, have been below budget allocation.	None.

Other Services

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R39L	**Twinning** More than anticipated expenditure by £12.2K	Alex Rodwell	Part of the overspend was caused by £4K of additional costs associated with the Christmas Tree Lighting and Norwegian Constitution Day. The remaining £8K of overspend was associated with spending for the Arctic Circle event and was against the 3-year budget for those activities which expired in 2024/25.	The Head of Performance and Business Support will work with the Democratic Services team to look at Twinning and civic events spending for 2026/27. While the budget has not increased, events are costing more, including costs associated with the need to use a local contractor. The team will explore opportunities to adjust the scope of events where practicable to deliver them within the budget available. The Christmas Tree lighting event remains the single biggest cost.
R39N	**Accounting for Pensions** More than anticipated expenditure by £9,047.5K	Erik Knight	This variance reflects the nominal interest on the application of the asset ceiling in the 2024/25 statutory accounts. This accounting cost has been created through the application of IAS19 and IFRIC14 accounting requirements. No budget was created for this element.	None.

Other Services

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R39S	**Interest on Loans and Balances** More than anticipated income by £1,646.8K	Erik Knight	Income in this budget area is made up of interest from commercial loans of £8.0K, and interest earned on balances of £2,138.8K. Interest earned reflects monies deposited on a short-term basis. The level of cash flow available for this purpose was higher during the year through timing of grant receipts, and the purpose for these receipts – for example the £10.0M connectivity funding was available to deposit during the year. Interest earned also reflects interest earned on 'borrowing' between Funds.	Treasury Management processes are operating effectively. The Council's internally managed investments outperformed the benchmark for the quarter ending 31 March 2026.
R39T	**Miscellaneous – OS** Less than anticipated expenditure by £2,036.0K	Erik Knight	The budget includes adjustments in respect of National Insurance increases (£1,018.0K), staff pay increases (£703.0K) and other smaller settlement adjustments which were already reflected in the approved 2025/26 Council budget.	None.

Other Services

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R39U	**Movement in Reserves** Less than anticipated expenditure by £4,341.2K	Erik Knight	A number of year end allocations and accounting adjustments have generated this variance. For example, the other side of the asset ceiling adjustment noted at R39N, the movement of Crown Estate income to the Crown Estate Fund, etc. The budget does not reflect all these year-end movements resulting in a budget variance.	None.
R39X	**Cost of Collection** Less than anticipated expenditure by £120.6K	Erik Knight	£88.3K relates to an underspend in Discretionary Rates Reliefs cost. The remainder, £32.3K, relates to underspends in Administration costs.	Level and number of rates reliefs varies from year to year, however Discretionary Rates Reliefs costs have been consistent in recent years indicating budget may be set too high. Administration costs have also been relatively consistent in recent years. Consider budget realignment.

Other Services

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R39Y	**Finance Charges** Less than anticipated expenditure by £2,334.2K	Erik Knight	This budget area includes the Loan Charges budget – the budget to repay Council ‘mortgages’. This budget has been underspent in recent years due to low level of General Fund borrowing for capital projects. Ideally the Council could accelerate existing loan repayments, however this budget has deliberately been underspent to cover the cost of overspends elsewhere within the General Fund.	Continue to maximise external funding for Council capital projects to minimise borrowing requirements. Continue to encourage Directors and their directorates to deliver operational savings to make future capital projects affordable within General Fund financial envelope.