Item: 19.2

Policy and Resources Committee: 22 September 2026.

Revenue Expenditure Monitoring – Orkney Health and Care.

Report by Head of Finance.

1. Overview

1.1. This report presents the revenue financial summary position of expenditure incurred as at 30 June 2026, in respect of service within the Orkney Health and Social Care Partnership, for which the Council is responsible.

1.2. On 10 March 2026, the Council set its overall revenue budget for financial year 2026/27. On 16 June 2026, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2026/27, 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 within the Orkney Health and Social Care Partnership, for which the Council is responsible, for the period 1 April to 30 June 2026, attached as Annex 1 to this report, indicating a budget overspend position of £740,200.

ii. Note the revenue financial service area statement in respect of service areas within the Orkney Health and Social Care Partnership, for which the Council is responsible, for the period 1 April to 30 June 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:
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.
   In addition, in accordance with the Orkney Integration Scheme, when forecasting an overspend, the Chief Officer and the Chief Finance Officer of the Integration Joint Board are required to prepare a recovery plan setting out how they propose to return to a breakeven position.
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:** An Equality Impact Assessment is not required for financial monitoring.

6. **Island Communities Impact:** An 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, 3 March 2026, Budget and Council Tax Level for 2026/27.
Policy and Resources Committee, 16 June 2026, Detailed Revenue Budgets.

Annexes

Annex 1: Financial Summary.
Annex 2: Financial Detail by Service Area.
Annex 3: Budget Action Plan.

Annex 1: Financial Summary

June 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
Social Care	8,884.4	8,144.2	740.2	109.1	33,759.8
	8,884.4	**8,144.2**	**740.2**	**109.1**	**33,759.8**
Service Totals	**8,884.4**	**8,144.2**	**740.2**	**109.1**	**33,759.8**

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

Service Area	No. of PAs P02	P03	Service Functions	PAs/ Function
Social Care	10	9	12	75%
Totals	10	9	12	75%

The following tables show the spending position by service function

General Fund

Social Care	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - SW		459.3	503.7	(44.4)	91.2	2,849.4
Childcare	**1C**	1,405.0	1,315.8	89.2	106.8	5,497.0
Older People - Residential	**1B**	2,515.8	2,000.9	514.9	125.7	8,011.9
Older People - Independent Sector	**1B**	217.0	323.0	(106.0)	67.2	1,285.7
Older People - Day Centres		163.1	177.4	(14.3)	91.9	288.5
Disability	**1C**	1,875.8	1,743.3	132.5	107.6	5,962.7
Mental Health	**1B**	67.7	100.6	(32.9)	67.3	414.5
Other Community Care	**1B**	411.7	464.5	(52.8)	88.6	1,939.1
Occupational Therapy		131.6	133.2	(1.6)	98.8	563.4
Home Care	**1B**	1,643.5	1,340.8	302.7	122.6	5,298.6
Criminal Justice	**1B**	68.4	21.0	47.4	325.7	162.2
Integration Joint Board	**1B**	(74.5)	20.0	(94.5)	N/A	1,486.8
Service Total		**8,884.4**	**8,144.2**	**740.2**	**109.1**	**33,759.8**

Social Care

Function	**Function Description/** Explanation	**Action Category/** Action Description	**Responsible Officer**	**Deadline**	**Status**
R19C	**Childcare** More than anticipated expenditure by £89.2K. There are some agency worker costs in the fostering budget, resulting in an overspend. The Outwith placement budget is showing a notable underspend. This is due to invoice timescales.	**Monitor the situation** Permanent recruitment to the fostering team has been successful and agency workers will be phased out over a period of six months. The Outwith Orkney budget will align when invoices are brought up to date. This is expected in Quarter 2.	Darren Morrow	30/06/2026	Ongoing
R19D	**Older People - Residential** More than anticipated expenditure by £514.9K The majority of this overspend is due to ongoing need to use overtime and agency staff to backfill vacancies and sickness absence to meet the safe staffing legislation. The current vacancy rate is sitting at 48.59 FTE. There has also been the need to increase staff ratios for some service users.	**Monitor the situation** Efforts continue to try to recruit to posts. A social care transformation programme has been approved and will commence in 2026/27 though resulting improvement will take time.	Lynda Bradford	30/09/2026	Ongoing
R19E	**Older People - Independent Sector** Less than anticipated expenditure by £106.0K. Third party payments to Outwith Orkney adult placement agencies have been slower than anticipated as they have not invoiced in a timely manner.	**Monitor the situation** As invoices are issued and processed this variance should eliminate as the payments come into line with the profiled budget.	Lynda Bradford	30/09/2026	Ongoing

Social Care

Function	**Function Description/** Explanation	**Action Category/** Action Description	Responsible Officer	Deadline	Status
R19G	**Disability** More than anticipated expenditure by £132.5K. This overspend is twofold: there is a need to utilise agency staff to cover vacancies but also some unavoidable unfunded service delivery within the in-house service. There is also an overspend in disability direct payments. Once a need has been assessed there is a requirement to fund a care package to meet that need however all new packages are robustly scrutinised and reviewed.	**Monitor the situation** Recruitment and managing sickness absence is robustly undertaken and this service will be included in the social care transformation programme 2026/27. Business cases will be required in respect of the additional unavoidable service delivery.	Lynda Bradford	31/10/2026	New
R19H	**Mental Health** Less than anticipated expenditure by £32.9K. There were vacant administration posts within this cost centre. Posts have been recruited to however incumbents not yet in post.	**Monitor the situation** Once post holders are in place this underspend will not increase further. Pre-employment checks are currently underway, and anticipated start date will be around September.	Lynda Bradford	30/09/2026	Ongoing
R19I	**Other Community Care** Less than anticipated expenditure by £52.8K. There are two vacancies currently within Adult Social Work of which are currently undergoing recruitment.	**Monitor the situation** Interviewing of shortlisted candidates is taking place during July.	Lynda Bradford	30/09/2026	Ongoing

Social Care

Function	**Function Description/** Explanation	**Action Category/** Action Description	**Responsible Officer**	**Deadline**	**Status**
R19K	**Home Care** More than anticipated expenditure by £302.7K. The service has a high number of vacancies (34.14 FTEs) that are being covered by agency staff however, those agency staff are crucial to allow the service to operate safely. There is also an overspend in direct payments. Once an assessed need has been identified a package of care requires to be funded; this is however subject to scrutiny at the point of commencement and later via reviews.	**Monitor the situation** Recruitment efforts continue. Recruitment incentives are being offered. A transformational social care programme will commence later during 2026/27.	Lynda Bradford	30/09/2026	Ongoing
R19L	**Criminal Justice** More than anticipated expenditure by £47.4K This is caused due to receipt of Section 27 Government grant being phased into the budget in Period 3, but this will not come in until Period 4.	**No action required** The budget will be reprofiled to reflect the true position.	Darren Morrow	30/06/2026	Ongoing
R19N	**Integration Joint Board** Less than anticipated expenditure by £94.5K Invoice from NHS Orkney to be processed and paid. The accrual reversal is causing the variance.	**Monitor the situation** Payment to NHS Orkney to be processed as soon as possible which will eliminate the variance arising from the accrual reversal.	Stephen Brown	15/06/2026	Ongoing