



**ORKNEY**  
ISLANDS COUNCIL

**Item: 7**

**Education, Communities and Housing Committee: 4 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 expenditure monitoring statement in respect of service areas for which the Education, Communities and Housing Committee is responsible, for the period 1 April to 31 December 2025, attached as Annex 1 to this report, indicating a net budget overspend position of £1,508,300, comprising the following:
  - Overspend of £688,700 against General Fund services.
  - Overspend of £819,600 against Non-General Fund services.
- ii. Note the revenue financial service area statement in respect of service areas for which the Education, Communities and Housing 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:

Pat Robinson, Service Manager (Accounting), extension 2621, Email:  
[pat.robinson@orkney.gov.uk](mailto: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 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 Education, Leisure and Housing 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, 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****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>
Education	35,488.6	35,046.2	442.4	101.3	50,230.7
Leisure & Cultural Services	4,320.5	3,923.7	396.8	110.1	5,247.9
Other Housing	811.4	961.9	(150.5)	84.4	2,273.0
	<b>40,620.5</b>	<b>39,931.8</b>	<b>688.7</b>	<b>101.7</b>	<b>57,751.6</b>
<b>Non-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>
Housing Revenue Account	(741.8)	(413.7)	(328.1)	N/A	(920.0)
UHI Orkney	313.2	(834.5)	1,147.7	N/A	0.0
	<b>(428.6)</b>	<b>(1,248.2)</b>	<b>819.6</b>	<b>34.3</b>	<b>(920.0)</b>
<b>Service Totals</b>	<b>40,191.9</b>	<b>38,683.6</b>	<b>1,508.3</b>	<b>103.9</b>	<b>56,831.6</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>		
Education	9	6	15	40%
Leisure & Cultural Services	3	3	16	19%
Other Housing	3	5	12	42%
Housing Revenue Account	1	1	7	14%
UHI Orkney	2	1	2	50%
<b>Totals</b>	<b>18</b>	<b>16</b>	<b>52</b>	<b>31%</b>

## Annex 2: Financial Detail by Service Area

December 2025

The following tables show the spending position by service function

### General Fund

		Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
<b>Education</b>	<b>PA</b>					
Senior Secondary Schools		10,116.0	10,086.0	30.0	100.3	13,395.9
Junior Secondary Schools		2,776.8	2,770.2	6.6	100.2	3,643.5
Primary Schools	<b>1C</b>	10,301.3	9,847.5	453.8	104.6	13,101.0
Early Learning & Childcare	<b>1C</b>	3,727.9	3,505.5	222.4	106.3	5,231.7
Additional Support Needs		2,691.1	2,737.5	(46.4)	98.3	3,967.7
Papdale Halls of Residence		755.4	723.0	32.4	104.5	1,022.4
Quality Development	<b>1B</b>	31.5	61.0	(29.5)	51.6	28.9
Administration		696.9	708.4	(11.5)	98.4	2,167.4
Assistance for Students	<b>1B</b>	114.7	128.1	(13.4)	89.5	235.5
Community Learning & Development		484.5	471.2	13.3	102.8	718.1
School Meals	<b>1B</b>	1,337.9	1,534.6	(196.7)	87.2	2,237.8
School Transport		2,414.2	2,414.6	(0.4)	100.0	4,409.4
School Crossing Patrol	<b>1B</b>	38.0	52.0	(14.0)	73.1	72.6
Movement in Reserves		0.0	0.0	0.0	0.0	(12.0)
Parent Councils		2.4	6.6	(4.2)	36.4	10.8
<b>Service Total</b>		<b>35,488.6</b>	<b>35,046.2</b>	<b>442.4</b>	<b>101.3</b>	<b>50,230.7</b>

### Changes in original budget position:

Original Net Budget	50,230.6
Occupational Health Recharge	0.1
	<b><u>50,230.7</u></b>

		<b>Spend</b>	<b>Budget</b>	<b>Over/(Under)</b>	<b>Spend</b>	<b>Annual</b>
<b>Leisure &amp; Cultural Services</b>	<b>PA</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>	<b>Budget</b>
						<b>£000</b>
Administration - RC	<b>1B</b>	787.7	407.9	379.8	193.1	1,180.3
Parks and Play Areas		508.7	505.0	3.7	100.7	533.6
Healthy Living Centres		47.5	55.3	(7.8)	85.9	90.0
Tourism - Caravan Sites		(48.3)	(52.1)	3.8	92.7	(12.2)
Tourism - Hostels		(30.3)	(26.8)	(3.5)	113.1	4.4
Sports Development	<b>1B</b>	73.0	83.5	(10.5)	87.4	109.1
Sports Facilities		848.4	818.0	30.4	103.7	1,080.4
Swimming Pools		285.0	277.4	7.6	102.7	363.0
Theatres		6.3	6.6	(0.3)	95.5	6.7
Active Schools		(128.8)	(136.2)	7.4	94.6	64.0
Community Facilities		336.9	313.7	23.2	107.4	407.1
Heritage Development		292.9	278.5	14.4	105.2	365.3
Museums		306.8	301.3	5.5	101.8	421.4
St Magnus Cathedral	<b>1B</b>	248.0	302.2	(54.2)	82.1	301.3
Libraries		786.7	789.4	(2.7)	99.7	1,133.2
Movement in Reserves		0.0	0.0	0.0	0.0	(799.7)
<b>Service Total</b>		<b>4,320.5</b>	<b>3,923.7</b>	<b>396.8</b>	<b>110.1</b>	<b>5,247.9</b>

**Changes in original budget position:**

Original Net Budget	5,245.3
Holiday Playschemes	2.6
	<b><u>5,247.9</u></b>

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
Other Housing						£000
Housing Support		55.5	59.7	(4.2)	93.0	83.2
Homelessness	1B	678.0	886.2	(208.2)	76.5	1,149.4
Housing Loans	1B	(42.2)	(29.3)	(12.9)	144.0	12.9
Energy Initiatives		(4.2)	2.1	(6.3)	N/A	46.7
Garages	1B	(82.7)	(70.8)	(11.9)	116.8	(115.2)
Miscellaneous - OH		(253.4)	(275.9)	22.5	91.8	384.2
Housing Benefits		66.4	57.9	8.5	114.7	224.3
Landlord Registration		(32.4)	(37.5)	5.1	86.4	(29.0)
Care & Repair	1B	304.8	252.9	51.9	120.5	402.9
Sheltered Housing		131.5	137.4	(5.9)	95.7	190.6
Student Accommodation	1B	(9.9)	(20.6)	10.7	48.1	(26.7)
Movement in Reserves		0.0	(0.2)	0.2	0.0	(50.3)
<b>Service Total</b>		<b>811.4</b>	<b>961.9</b>	<b>(150.5)</b>	<b>84.4</b>	<b>2,273.0</b>

#### Changes in original budget position:

Original Net Budget	2,215.2
Ukrainian Resettlement Funding	57.8
	<b>2,273.0</b>

#### Non-General Fund

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
Housing Revenue Account						£000
Administration - HRA		567.1	555.9	11.2	102.0	1,293.4
Property Costs - HRA		2,129.1	2,099.6	29.5	101.4	2,167.5
Rent Income	1B	(3,463.3)	(3,090.7)	(372.6)	112.1	(4,781.0)
Tenant Participation		23.3	21.1	2.2	110.4	30.1
Other Income - HRA		(13.7)	(11.5)	(2.2)	119.1	(23.0)
Movement in Reserves		0.0	0.0	0.0	0.0	(242.0)
Finance Charges - HRA		15.7	11.9	3.8	131.9	635.0
<b>Service Total</b>		<b>(741.8)</b>	<b>(413.7)</b>	<b>(328.1)</b>	<b>179.3</b>	<b>(920.0)</b>

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
UHI Orkney						£000
Business Support		600.7	645.4	(44.7)	93.1	1,410.4
Further and Higher Education	1B	(287.5)	(1,479.9)	1,192.4	19.4	(1,410.4)
<b>Service Total</b>		<b>313.2</b>	<b>(834.5)</b>	<b>1,147.7</b>	<b>N/A</b>	<b>0.0</b>

## Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R13AW</b>	<p><b>Primary Schools</b></p> <p>More than anticipated expenditure by £453.8K</p> <p>£246K of this relates to an overspend on staff costs, driven by sickness absence. Analysis indicates the majority of this absence is short-term in nature rather than long-term cases. A further £100K overspend on property costs relates to higher than anticipated lifecycles costs on the School Investment Programme, which will be offset by budget already set aside. A minor overspend in supplies and services is also contributing to the combined overspend in this area.</p>	<p><b>Monitor the situation</b></p> <p>Sickness absence cover will continue to be monitored closely in line with policy. The Lifecycle budget will be increased in line with actual expenditure. All schools have been advised to restrict expenditure on supplies and services to essential spend only for the remainder of the financial year.</p>	Wendy Bowen	31/03/2026	Ongoing



## Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R14A	<p><b>Early Learning &amp; Childcare</b></p> <p>More than anticipated expenditure by £222.4K</p> <p>The overspend position is mainly attributed to a combination of increased staffing costs and reduced income. Higher levels of staff sickness within the service has resulted in a greater use of supply cover, while also limiting operational capacity and therefore reducing income from placements. In addition, non-domestic rates are being incurred for the new nursery facility ahead of it becoming operational, contributing further to the variance. Budget analysis was also undertaken after the end of the reporting period, and identified a budget profile error which has overestimated the overspend in this area by £100K.</p>	<p><b>Monitor the situation</b></p> <p>Staffing levels and sickness absence continue to be monitored closely to minimise reliance on supply cover and maximise capacity where possible. Income levels will be reviewed alongside staffing availability. The new nursery becoming operational will remove the charges for non-domestic rates. The overall budget position is being reviewed through ongoing monitoring, with reprofiling of budgets taking place in January to correct budget profiles.</p>	Wendy Bowen	31/03/2026	Ongoing

## Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R14N</b>	<b>Quality Development</b> Less than anticipated expenditure by £29.5K  The underspend position is mainly attributed to the vacant Quality Improvement Officer post, in addition to an underspend on the Continued Professional Development budget against profiled expenditure.	<b>No action required</b>  The new Quality Improvement Officer is due to take up post in February. The Continued Professional Development budget is anticipated to be fully spent by the end of the financial year.	Wendy Bowen	31/03/2026	New
<b>R15B</b>	<b>Assistance for Students</b> Less than anticipated expenditure by £13.4K  The variance relates to the timing of grant processing, with income and expenditure not aligning with the original budget profile during this period.	<b>Raise virements request</b>  Budget profiles will be realigned to reflect the revised timing of grant processing, with no overall impact expected on the year-end position.	Wendy Bowen	31/03/2026	Ongoing
<b>R15DE</b>	<b>School Meals</b> Less than anticipated expenditure by £196.7K  There is an underspend showing across the budgets for supplies and services, relating primarily to timing differences in invoices marked as outstanding. There is also a significant supplier invoice outstanding at the period end.	<b>Monitor the situation</b>  The large outstanding invoice will be processed in the next accounting period. The goods receipting issue has been rectified with training being provided to relevant staff to ensure correct procedures are followed going forward.	Frances Troup	31/03/2026	Ongoing

## Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R15G	<b>School Crossing Patrol</b> Less than anticipated expenditure by £14.0K  The underspend reflects two vacant posts within the School Crossing Patrol services during the period.	<b>Monitor the situation</b>  One vacant post has now been recruited to, with recruitment ongoing for the remaining vacancy. The budget position will be reviewed as posts are filled.	Wendy Bowen	31/03/2026	Ongoing

## Leisure &amp; Cultural Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R17A</b>	<b>Admin – Recreation and Culture</b> More than anticipated expenditure by £379.8K  The budget shows an overspend against the profiled position for the period due to timing differences while accounts were being reconciled. The reconciliation is now complete with an overall underspend position indicated.	<b>Raise virements request</b> The budget will be reprofiled to match the actual spend to remove the variance.	Garry Burton	28/02/2026	Ongoing
<b>R17G</b>	<b>Sports Development</b> More than anticipated income by £10.5K  More than anticipated fees and charges have been received in the Outdoor Education Cost Centre.	<b>Management input required</b> No action required, the additional income will be reinvested elsewhere in the Service. It is not anticipated that the extra income will be generated year-on-year at the moment.	Garry Burton	31/01/2026	Ongoing
<b>R17U</b>	<b>St Magnus Cathedral</b> More than anticipated income by £54.2K  Level of income and donations is higher than anticipated at this time in the year.	<b>Monitor the situation</b> Monitor the situation to establish whether a virement is required to align budget.	Sweyn Johnston	28/02/2026	Ongoing

## Other Housing

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R30B</b>	<b>Homelessness</b> Less than anticipated expenditure by £208.2K  Properties used to accommodate homeless households are generally full. Therefore more income (in the form of rent) has been invoiced than anticipated.	<b>Monitor the situation</b> No action required	Frances Troup	31/03/2026	Ongoing
<b>R30C</b>	<b>Housing Loans</b> More than anticipated income by £12.9K  Income is higher than anticipated due to the repayment of a loan, which was not aligned with the original budget profile.	<b>No action required</b> Budget profiles will be updated to reflect the timing of loan repayments. No underlying variance is expected at the end of the financial year.	Frances Troup	31/03/2026	New
<b>R30F</b>	<b>Garages</b> More than anticipated income by £11.9K  More arrears have been collected than was anticipated.	<b>Monitor the situation</b> No action meantime	Frances Troup	31/03/2026	New

## Other Housing

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R30L</b>	<b>Care &amp; Repair</b> More than anticipated expenditure by £51.9K  The overspend reflects higher than anticipated expenditure within the Care and Repair service during the period.	<b>Monitor the situation</b> The overspend will be managed through the use of underspends elsewhere within the service, with the overall position remaining within the approved budget.	Frances Troup	31/03/2026	Ongoing
<b>R30N</b>	<b>Student Accommodation</b> Less than anticipated income by £10.7K  There is less than anticipated rent income.	<b>Monitor the situation</b> Monitor the situation for the rest of the financial year and manage through the use of underspends elsewhere within the service.	Frances Troup	31/03/2026	New

## Housing Revenue Account

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R61E	<b>Rent Income</b> More than anticipated income by £372.6K  Receipts profile is similar to previous years, however budget profile is out of alignment with actuals.	<b>Raise virements request</b> Raise virements where necessary	Erik Knight	31/01/2026	Ongoing

## UHI Orkney

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R67B</b>	<p><b>Further and Higher Education</b></p> <p>Less than anticipated income by £1,192.4K</p> <p>£1,266K represents the maximum loan fund advance required to set a balanced budget for 2025/26.</p> <p>An Officer Task Force has been established with the remit of working across the Council to identify savings and income; and to develop a plan to reduce loan required.</p>	<p><b>Report being submitted to committee</b></p> <p>Task force findings will be brought back to Committee in due course. It is currently anticipated that the outturn position will be within the £1,266K agreed loan fund advance.</p>	Wendy Bowen	28/02/2026	Ongoing