Item: 18.2

Policy and Resources Committee: 22 September 2026.

Revenue Expenditure Outturn – Orkney Health and Care.

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 within the Orkney Health and Social Care Partnership, for which the Council 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 within the Orkney Health and Social Care Partnership, for which the Council 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 £2,026,000.

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 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.
   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, 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**
Social Care	33,400.9	31,374.9	2,026.0	106.5	31,374.9
	33,400.9	**31,374.9**	**2,026.0**	**106.5**	**31,374.9**
Service Totals	**33,400.9**	**31,374.9**	**2,026.0**	**106.5**	**31,374.9**

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

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	**1C**	2,954.0	3,040.1	(86.1)	97.2	3,040.1
Childcare	**1C**	5,684.9	5,566.0	118.9	102.1	5,566.0
Older People - Residential	**1B**	8,752.2	7,606.4	1,145.8	115.1	7,606.4
Older People - Independent Sector	**1B**	1,179.1	702.9	476.2	167.7	702.9
Older People - Day Centres	**1B**	237.4	282.8	(45.4)	83.9	282.8
Disability	**1C**	6,697.0	6,124.5	572.5	109.3	6,124.5
Mental Health	**1B**	23.5	389.0	(365.5)	6.0	389.0
Other Community Care	**1C**	1,483.9	1,608.5	(124.6)	92.3	1,608.5
Occupational Therapy		524.3	562.4	(38.1)	93.2	562.4
Home Care	**1C**	5,846.3	5,382.1	464.2	108.6	5,382.1
Criminal Justice	**1B**	182.9	243.8	(60.9)	75.0	243.8
Integration Joint Board	**1B**	181.1	212.1	(31.0)	85.4	212.1
Movement in Reserves		(345.7)	(345.7)	0.0	100	(345.7)
Finance & Capital Charges		0.0	0.0	0.0	0.0	0.0
Service Total		**33,400.9**	**31,374.9**	**2,026.0**	**106.5**	**31,374.9**

Changes in original budget position:

Original Net Budget	31,414.3
Children's Social Care Pay Uplift & SRA Kinship Care	57.0
Apportionment Realignment	(96.4)
	31,374.9

Social Care

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R19A	**Administration – SW** Less than anticipated expenditure £86.1K	Alex Rodwell	Underspend of £127.9K relates to a Year-End movement on Bad Debt Provision and an underspend within Supplies and Services. Payments to Voluntary Organisations exceeded budgeted/expected demand levels and the related grant income from NHS Orkney which offsets some of this spend could not be increased beyond pre-agreed levels in-year causing a £50k overspend.	This favourable position will continue to be monitored to establish whether it is recurring. Budgets for 2026/27 have been set at a more realistic level reflecting current spend patterns and the position will continue to be monitored closely.
R19C	**Childcare** More than anticipated expenditure by £118.9K	Darren Morrow	There was a continued reliance on agency staffing due to recruitment issues and long-term sickness. The overall staffing budget was £488K overspent. £1,105K was spent on agency staff which includes accommodation and travel. Outwith Orkney Placements to ensure children and young people's care needs are met safely was overspent by £12K.	Continue to work on recruiting permanent staff to reduce reliance on agency staff. Outwith Orkney Placements – multi agency work will continue to bring children and young people back to their communities as soon as it is safe to accommodate this. There is a difficulty in securing local education provision for complex educational needs which is slowing the rehabilitation back to Orkney of a number of children and young people.

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R19D	**Older People – Residential** More than anticipated expenditure by £1,145.8K	Lynda Bradford	There was a continued reliance on agency staffing due to recruitment issues and long-term sickness absence within residential care homes. £1,799K was spent on agency costs to comply with safe staffing legislation and meet regulatory requirements. There were also lower than anticipated income from resident charges.	Continue to work on recruiting permanent staff to reduce reliance on agency staff, alongside monitoring of resident charge income.
R19E	**Older People – Independent Sector** More than anticipated expenditure by £476.2K	Lynda Bradford	The trend of increasing need for the provision of residential care by third parties Outwith Orkney continued into the 2025/26 financial year.	New packages are subject to considerable scrutiny via the Extraordinary Package of Care process; it is then approved by the Chief Officer. Increases in established packages also required to be approved.
R19F	**Older People – Day Centres** Less than anticipated expenditure by £45.4K	Lynda Bradford	The favourable variance is mainly due to higher than anticipated income from day-care charges introduced this year, along with an underspend on staff costs due to vacancies.	Monitor and adjust in-year more proactively. Ongoing recruitment to vacant posts.
R19G	**Disability** More than anticipated expenditure by £572.5K	Lynda Bradford	The overall disability staffing budget was £947K overspent. £975K was spent on agency staff which includes accommodation and travel. This overspend is also made up of additional users who initially came in for respite but due to unforeseen circumstances have required to remain.	Continue to work on recruiting permanent staff to reduce reliance on agency staff. A piece of work is underway to understand better increasing demands faced by this service.

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R19H	**Mental Health** Less than anticipated expenditure by £365.5K	Lynda Bradford	The favourable variance is primarily driven by additional grant income received above the budgeted level from NHS Orkney, together with an underspend on staff costs due to vacancies.	Recruitment is underway for Mental Health administration posts.
R19I	**Other Community Care** Less than anticipated expenditure by £124.6K	Lynda Bradford	The underspend is primarily due to staff changes and vacancies within the Adult Social Work team.	Recruitment efforts continue to be ongoing.
R19K	**Homecare** More than anticipated expenditure by £464.2K	Lynda Bradford	Due to vacancy rates and long-term sickness, Care at Home services required considerable agency backfill which is accountable for the majority of the overspend. This is required to meet safe staffing levels and regulatory requirements. The agency spend here was £2,008K. Within Home Care Direct Payments there was an underspend of £367.2K due to the budgeted increase in Self-Directed Support/Direct Payments not occurring in-year due to continuous review of needs.	Continue to work on recruiting permanent staff within Care at Home to reduce reliance on agency staff. The 2026/27 budget for Home Care Direct Payment has been set with a more realistic growth/uptake of Self-Directed Support/Direct Payments in this area.

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R19L	**Criminal Justice** Less than anticipated expenditure by £60.9K	Darren Morrow	Third party payments budget set unrealistically too high and not adjusted in-year, partially offset by higher than budgeted staff costs.	This favourable position will continue to be monitored to establish whether it is recurring.
R19N	**Integration Joint Board** Less than anticipated expenditure by £31K	Stephen Brown	Final recharge of NHS Orkney shared posts costs lower than forecast due to staff movements.	No action required.