



ORKNEY
ISLANDS COUNCIL

Item: 14

Education, Leisure and Housing Committee: 12 November 2025.

Revenue Expenditure Monitoring.

Report by Head of Finance.

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, Leisure and Housing Committee is responsible, for the period 1 April to 30 September 2025, attached as Annex 1 to this report, indicating a net budget overspend position of £336,900, comprising the following:
 - Underspend of £567,600 against General Fund services.
 - Overspend of £904,500 against Non-General Fund services.
- ii. Note the revenue financial service area statement in respect of service areas for which the Education, Leisure and Housing 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 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**September 2025**

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
Education	23,153.0	23,695.5	(542.5)	97.7	50,230.7
Leisure & Cultural Services	2,916.3	3,004.7	(88.4)	97.1	5,245.3
Other Housing	756.1	692.8	63.3	109.1	2,215.2
	26,825.4	27,393.0	(567.6)	97.9	57,691.2
Non-General Fund					
Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Housing Revenue Account	295.0	544.6	(249.6)	54.2	(920.0)
UHI Orkney	325.0	(829.1)	1,154.1	N/A	0.0
	620.0	(284.5)	904.5	N/A	(920.0)
Service Totals	27,445.4	27,108.5	336.9	101.2	56,771.2

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P05	P06		
Education	6	9	14	64%
Leisure & Cultural Services	6	5	16	31%
Other Housing	4	4	12	33%
Housing Revenue Account	2	1	7	14%
UHI Orkney	2	1	2	50%
Totals	20	20	51	39%

The following tables show the spending position by service function

General Fund

		Spend	Budget	Over/(Under)	Spend	Annual
Education	PA	£000	£000	£000	%	Budget
						£000
Senior Secondary Schools	1C	6,849.2	7,032.9	(183.7)	97.4	13,395.9
Junior Secondary Schools		1,893.9	1,936.4	(42.5)	97.8	3,643.5
Primary Schools	1C	6,983.0	6,814.6	168.4	102.5	13,101.0
Early Learning & Childcare	1C	2,422.6	2,348.5	74.1	103.2	5,231.7
Additional Support Needs	1C	1,624.2	1,699.4	(75.2)	95.6	3,967.7
Papdale Halls of Residence	1B	263.7	474.4	(210.7)	55.6	1,022.4
Quality Development	1B	42.4	30.5	11.9	139.0	28.9
Administration		502.2	515.1	(12.9)	97.5	2,192.4
Assistance for Students	1B	61.9	78.1	(16.2)	79.3	235.5
Community Learning & Development		268.0	245.6	22.4	109.1	706.1
School Meals	1B	868.8	989.5	(120.7)	87.8	2,212.8
School Transport	1C	1,346.1	1,490.2	(144.1)	90.3	4,409.4
School Crossing Patrol		24.6	33.9	(9.3)	72.6	72.6
Parent Councils		2.4	6.4	(4.0)	37.5	10.8
Service Total		23,153.0	23,695.5	(542.5)	97.7	50,230.7

Changes in original budget position:

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

		Spend	Budget	Over/(Under)	Spend	Annual
		£000	£000	£000	%	Budget
Leisure & Cultural Services	PA					£000
Administration - RC		330.6	327.7	2.9	100.9	1,180.3
Parks and Play Areas		466.3	462.9	3.4	100.7	510.3
Healthy Living Centres		30.6	36.0	(5.4)	85.0	90.0
Tourism - Caravan Sites		(54.3)	(57.6)	3.3	94.3	(12.2)
Tourism - Hostels	1B	(46.8)	(32.9)	(13.9)	142.2	4.4
Sports Development	1B	34.3	51.5	(17.2)	66.6	109.1
Sports Facilities		562.4	585.8	(23.4)	96.0	1,080.4
Swimming Pools		221.1	238.2	(17.1)	92.8	363.0
Theatres		8.2	6.5	1.7	126.2	6.7
Active Schools	1B	(129.7)	(157.0)	27.3	82.6	61.4
Community Facilities		276.5	251.6	24.9	109.9	407.1
Heritage Development		245.4	233.7	11.7	105.0	365.3
Museums	1B	179.6	221.1	(41.5)	81.2	421.4
St Magnus Cathedral	1B	199.5	242.3	(42.8)	82.3	301.3
Libraries		592.6	594.9	(2.3)	99.6	1,133.2
Movement in Reserves		0.0	0.0	0.0	0.0	(776.4)
Service Total		2,916.3	3,004.7	(88.4)	97.1	5,245.3

		Spend	Budget	Over/(Under)	Spend	Annual
		£000	£000	£000	%	Budget
Other Housing	PA					£000
Housing Support		36.1	38.9	(2.8)	92.8	83.2
Homelessness	1B	616.6	714.4	(97.8)	86.3	1,149.4
Housing Loans	1B	(27.0)	(15.3)	(11.7)	176.5	12.9
Energy Initiatives	1B	84.9	21.9	63.0	387.7	46.7
Garages		(44.9)	(37.3)	(7.6)	120.4	(115.2)
Miscellaneous - OH		(280.9)	(309.6)	28.7	90.7	326.4
Housing Benefits	1B	136.9	50.3	86.6	272.2	224.3
Landlord Registration		(25.8)	(30.1)	4.3	85.7	(29.0)
Care & Repair		179.6	182.8	(3.2)	98.2	402.9
Sheltered Housing		86.7	90.8	(4.1)	95.5	190.6
Student Accommodation		(6.1)	(13.9)	7.8	43.9	(26.7)
Movement in Reserves		0.0	(0.1)	0.1	0.0	(50.3)
Service Total		756.1	692.8	63.3	109.1	2,215.2

Non-General Fund

		Spend	Budget	Over/(Under)	Spend	Annual
Housing Revenue Account	PA	£000	£000	£000	%	Budget
Administration - HRA		383.7	360.9	22.8	106.3	1,293.4
Property Costs - HRA		2,121.7	2,089.2	32.5	101.6	2,167.5
Rent Income	1B	(2,228.6)	(1,919.1)	(309.5)	116.1	(4,781.0)
Tenant Participation		12.7	13.6	(0.9)	93.4	30.1
Other Income - HRA		(2.3)	0.0	(2.3)	0.0	(23.0)
Movement in Reserves		0.0	0.0	0.0	0.0	(242.0)
Finance Charges - HRA		7.8	0.0	7.8	0.0	635.0
Service Total		295.0	544.6	(249.6)	54.2	(920.0)

		Spend	Budget	Over/(Under)	Spend	Annual
UHI Orkney	PA	£000	£000	£000	%	Budget
Business Support		444.9	494.3	(49.4)	90.0	1,421.8
Further and Higher Education	1B	(119.9)	(1,323.4)	1,203.5	9.1	(1,421.8)
Service Total		325.0	(829.1)	1,154.1	N/A	0.0

Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R11AC	Senior Secondary Schools Less than anticipated expenditure by £183.7K The underspend is mainly due to underspends in vacant posts combined with income received for the Renewable Heat Incentive (solar panels).	Monitor the situation The income received for the solar panels will be tracked throughout the year, and used to fund any overspends elsewhere in the service.	Peter Diamond	31/10/2025	Ongoing
R13AW	Primary Schools More than anticipated expenditure by £168.4K Sickness cover costs across a number of schools, as well as increased rates costs for Schools are all contributing to this overspend.	Monitor the situation The sickness absence cover will be monitored. Underspends will be sought elsewhere in the service and utilised to cover the overspend position.	Peter Diamond	31/10/2025	Ongoing

Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R14A	Early Learning & Childcare More than anticipated expenditure by £74.1K Increased sickness costs with staff absences have caused overspends, combined with a reduction in anticipated income at Willow Tree nursery due to staffing constraints. Property costs relating to the old Papdale Halls of Residence have been incorrectly coded to the Willow Tree Nursery contributing to the overspend.	Process transaction(s) Virements to cover staff costs will be processed, an intake of more children at Willow Tree will increase income. Property costs relating to the old Papdale Halls of Residence will be moved to the correct cost centre to reduce this overspend.	Peter Diamond	30/10/2025	Ongoing
R14FI	Additional Support Needs Less than anticipated expenditure by £75.2K Speech and Language Service Level Agreement costs are still to be charged for this financial year as well as staff vacancies causing this underspend.	Monitor the situation Outstanding invoices from the NHS for the Speech and Language therapy Service Level Agreement are being chased and staff vacancies are being advertised.	Peter Diamond	31/10/2025	Ongoing
R14J	Papdale Halls of Residence Less than anticipated expenditure by £210.7K Significant additional business income during summer 2025 as a result of the International Island Games. Income totaled £105k.	No action required Additional income represents a one-off position. Underspend position will be monitored throughout the year. Additional staffing costs are expected in academic year 2025/26.	Frances Troup	31/10/2025	New

Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R14N	Quality Development More than anticipated expenditure by £11.9K There was a delay in receiving the grant from Creative Scotland, this has now been received in October.	No action required No action required.	Peter Diamond	31/10/2025	New
R15B	Assistance for Students Less than anticipated expenditure by £16.2K Less expenditure on Education Maintenance Allowances than anticipated. The further education bursaries are now moving to an annual recharge from UHI, as opposed to quarterly, and the profile needs amended accordingly.	Raise virements request A virement will be processed to amend the profile on the further education bursaries and to align the budget with the spend on the education maintenance allowances.	Peter Diamond	31/10/2025	Ongoing
R15DE	School Meals Less than anticipated expenditure by £120.7K Less expenditure on supplies and services across a number of schools as some invoices are yet to be received. The school holidays have also created an underspend but this will balance out as the year progresses. There is also a staff vacancy that has now been filled.	Monitor the situation Outstanding invoices will be chased so they can be paid. Meals for some primary schools are now prepared by Stromness Academy so a virement will be required to rectify.	Frances Troup	31/10/2025	Ongoing

Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R15F	School Transport Less than anticipated expenditure by £144.1K Anticipated expenditure is lower than actual spend due to invoices not yet being received. The budget for the year is expected to be on target.	Monitor the situation Chase up outstanding invoices, and reprofile spend on budget before next month if these have not been received.	Peter Diamond	31/10/2025	New

Leisure & Cultural Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R17F	Tourism - Hostels More than anticipated income by £13.9K Income is higher than anticipated at this time of year but will include future bookings.	Monitor the situation No action needed	Frances Troup	31/10/2025	New
R17G	Sports Development Less than anticipated expenditure by £17.2K	Management input required Analyse fee income to ensure correctly recorded and prepare journals or virements as appropriate.	Frances Troup	31/10/2025	Ongoing
R17N	Active Schools Less than anticipated income by £27.3K The main variance is relating to a higher than anticipated spend of £23K in Summer of Play to the end September. Overall this cost centre is within its annual budget and a virement has been done to reprofile the spend.	Raise virements request Virement to correct profile of spend.	Frances Troup	28/11/2025	New

Leisure & Cultural Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R17T	Museums Less than anticipated expenditure by £41.5K The underspend relates mainly to receipt of additional grant funding, as well as increased income from fees and charges. The increased income has been partly offset with an overspend in supplies and services.	Monitor the situation Monitor the situation to see whether budget can be moved from elsewhere to offset the overspend.	Frances Troup	30/12/2025	Ongoing
R17U	St Magnus Cathedral Less than anticipated expenditure by £42.8K Level of income and donations is higher than anticipated at this time in the year.	Raise virements request Monitor the situation to establish whether a virement is required to align budget.	Frances Troup	31/10/2025	Ongoing

Other Housing

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R30B	Homelessness Less than anticipated expenditure by £97.8K Properties used to accommodate homeless households are generally full. Therefore, more income (in the form of rent) has been invoiced than anticipated.	Monitor the situation No action required	Frances Troup	31/10/2025	Ongoing
R30C	Housing Loans More than anticipated income by £11.7K September month end transfer of principal only processed in October.	Process transaction(s) Journal required to transfer principal repayment to balance sheet.	Frances Troup	31/10/2025	New
R30E	Energy Initiatives More than anticipated expenditure by £63.0K Grant funding behind profile.	Raise virements request Realign income budget profile to match actual receipts.	Frances Troup	31/10/2025	Ongoing
R30H	Housing Benefits More than anticipated expenditure by £86.6K Final Housing Benefit return for 2024/25 has been agreed resulting in a repayment of funding.	Monitor the situation Continue to monitor Housing Benefit and Discretionary Housing Benefit awards, and claims.	Erik Knight	31/10/2025	Ongoing

Housing Revenue Account

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R61E	Rent Income More than anticipated income by £309.5K Receipts profile is similar to previous years, however budget profile is out of alignment with actuals.	Raise virements request Raise virements where necessary	Erik Knight	31/10/2025	Ongoing

UHI Orkney

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R67B	Further and Higher Education Less than anticipated income by £1,203.5K £1,266k represents the maximum loan fund advance required to set a balanced budget for 2025/26. 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.	Report being submitted to committee 2025/26 budget for UHI Orkney was agreed. Task force findings will be brought back to committee in due course.	Peter Diamond	31/12/2025	Ongoing