ORKNEY
ISLANDS COUNCIL

Item: 12

Education, Communities and Housing Committee: 9 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 Education, Communities and Housing 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 Education, Communities and Housing Committee is responsible, for the period 1 April 2025 to 31 March 2026, attached as Annex 1 to this report, indicating a net budget overspend position of £880,200, comprising the following:

- Overspend of £83,000 against General Fund services.
- Overspend of £797,200 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 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.

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 **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**
Education	50,995.1	50,531.8	463.3	100.9	50,531.8
Leisure Services	4,424.7	4,362.9	61.8	101.4	4,362.9
Other Housing	1,871.8	2,313.9	(442.1)	80.9	2,313.9
	57,291.6	**57,208.6**	**83.0**	**100.1**	**57,208.6**

Non-General Fund

Service Area	**Spend £000**	**Budget £000**	**Over/(Under) £000**	**Spend %**	**Annual Budget £000**
Housing Revenue Account	(745.0)	(920.0)	175.0	81.0	(920.0)
UHI Orkney	622.2	0.0	622.2	0.0	(0.0)
	(122.8)	**(920.0)**	**797.2**	**13.3**	**(920.0)**
Service Totals	**57,168.8**	**56,288.6**	**880.2**	**101.6**	**56,288.6**

The following tables show the spending position by service function

General Fund

Education	**PA**	**Spend £000**	**Budget £000**	**Over/(Under) £000**	**Spend %**	**Annual Budget £000**
Senior Secondary Schools	**1C**	13,671.0	13,546.6	124.4	100.9	13,546.6
Junior Secondary Schools	**1C**	3,771.4	3,660.9	110.5	103.0	3,660.9
Primary Schools	**1C**	13,913.6	13,161.1	752.5	105.7	13,161.1
Early Learning & Childcare	**1C**	5,166.5	5,240.7	(74.2)	98.6	5,240.7
Additional Support Needs	**1C**	3,886.4	3,967.7	(81.3)	98.0	3,967.7
Papdale Halls of Residence	**1C**	1,079.8	1,016.7	63.1	106.2	1,016.7
Quality Development	**1B**	90.7	28.9	61.8	313.8	28.9
Administration	**1C**	2,264.2	2,454.4	(190.2)	92.3	2,454.4
Assistance for Students	**1B**	166.3	235.5	(69.2)	70.6	235.5
Community Learning & Development		730.2	720.4	9.8	101.4	720.4
School Meals	**1C**	2,029.2	2,254.0	(224.8)	90.0	2,254.0
School Transport		4,406.5	4,409.4	(2.9)	99.9	4,409.4
School Crossing Patrol	**1B**	56.6	72.6	(16.0)	78.0	72.6
Movement in Reserves		(247.9)	(247.9)	0.0	100.0	(247.9)
Parent Councils		10.6	10.8	(0.2)	98.1	10.8
Service Total		**50,995.1**	**50,531.8**	**463.3**	**100.9**	**50,531.8**

Changes in original budget position:

Original Net Budget	50,230.6
Teachers Induction Scheme	37.0
Adopt and Adapt Funding	69.0
SIP Budget Realignment	191.0
Apportionment Realignment	4.2
	50,531.8

Leisure Services	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - RC		1,087.5	1,093.3	(5.8)	99.5	1,093.3
Parks and Play Areas		553.4	548.5	4.9	100.9	548.5
Healthy Living Centres	**1B**	66.1	90.0	(23.9)	73.4	90.0
Tourism - Caravan Sites	**1B**	(22.7)	(12.2)	(10.5)	186.1	(12.2)
Tourism - Hostels		3.5	4.4	(0.9)	79.5	4.4
Sports Development	**1B**	76.9	109.1	(32.2)	70.5	109.1
Sports Facilities		1,120.2	1,148.1	(27.9)	97.6	1,148.1
Swimming Pools		368.9	363.0	5.9	101.6	363.0
Theatres		11.2	6.7	4.5	167.2	6.7
Active Schools	**1B**	73.4	62.4	11.0	117.6	62.4
Community Facilities	**1B**	532.7	407.1	125.6	130.9	407.1
Libraries		1,208.5	1,197.4	11.1	100.9	1,197.4
Movement in Reserves		(654.9)	(654.9)	0.0	100.0	(654.9)
Service Total		**4,424.7**	**4,362.9**	**61.8**	**101.4**	**4,362.9**

Changes in original budget position:

Original Net Budget	4,156.5
No One Left Behind	53.0
Holiday Playschemes	2.6
SIP Budget Realignment	75.7
Apportionment Realignment	75.1
	4,362.9

Other Housing	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Housing Support		79.0	83.0	(4.0)	95.2	83.0
Homelessness	**1B**	782.8	1,124.3	(341.5)	69.6	1,124.3
Housing Loans		13.5	14.1	(0.6)	95.7	14.1
Energy Initiatives	**1B**	(6.0)	63.2	(69.2)	N/A	63.2
Garages	**1B**	(127.4)	(115.1)	(12.3)	110.7	(115.1)
Miscellaneous - OH		444.9	484.0	(39.1)	91.9	484.0
Housing Benefits		248.4	246.5	1.9	100.8	246.5
Landlord Registration		(22.8)	(28.8)	6.0	79.2	(28.8)
Care & Repair		400.4	402.9	(2.5)	99.4	402.9
Sheltered Housing		196.8	190.6	6.2	103.3	190.6
Student Accommodation	**1B**	(13.7)	(26.7)	13.0	51.3	(26.7)
Movement in Reserves		(124.1)	(124.1)	0.0	100.0	(124.1)
Service Total		**1,871.8**	**2,313.9**	**(442.1)**	**80.9**	**2,313.9**

Changes in original budget position:

Original Net Budget	2,215.2
Ukrainian Resettlement Funding	57.8
Rapid Rehousing Transition Plan	20.0
Discretionary Housing Payments	9.0
Apportionment Realignment	11.9
	2,313.9

Non-General Fund

Housing Revenue Account	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - HRA	**1B**	1,111.3	1,268.5	(157.2)	87.6	1,268.5
Property Costs - HRA	**1B**	2,636.6	2,177.6	459.0	121.1	2,177.6
Rent Income	**1C**	(5,040.1)	(4,781.0)	(259.1)	105.4	(4,781.0)
Tenant Participation		32.9	30.1	2.8	109.3	30.1
Other Income - HRA	**1B**	(85.3)	(23.0)	(62.3)	370.9	(23.0)
Accounting for Pensions		(72.9)	(72.9)	0.0	100.0	(72.9)
Movement in Reserves	**1B**	145.9	(178.4)	324.3	N/A	(178.4)
Non Distributed Costs		0.4	0.4	0.0	100.0	0.4
Finance Charges - HRA	**1B**	526.2	658.7	(132.5)	79.9	658.7
Service Total		**(745.0)**	**(920.0)**	**175.0**	**81.0**	**(920.0)**

UHI Orkney	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Business Support	**1C**	1,409.1	1,489.6	(80.5)	94.6	1,489.6
Further and Higher Education	**1B**	(703.5)	(1,405.8)	702.3	50.0	(1,405.8)
Accounting for Pensions		(43.7)	(43.7)	0.0	100.0	(43.7)
Movement in Reserves		(42.2)	(42.2)	0.0	100.0	(42.2)
Non Distributed Costs		2.1	2.1	0.0	100.0	2.1
Service Total		**622.2**	**(0.0)**	**622.2**	**0.0**	**(0.0)**

Education

Service Function		Service Description	Responsible Officer	Variance Reason	Action Notes
R11AC		**Senior Secondary Schools** More than anticipated expenditure by £124.4K	Wendy Bowen	Long term absence cover (teaching) higher than anticipated £105k; supplies and services costs higher than anticipated, £210k. To some extent these costs are mitigated by savings made in other areas.	Review the procedures relating to the management of absence. Explore pro-active use of supply budgets to reduce short term absence. Review all costs contributing to supplies and services overspend to ensure optimum efficiency.
R12AF		**Junior Secondary Schools** More than anticipated expenditure by £110.5K	Wendy Bowen	The overspend is primarily due to higher-than-expected long-term teaching absence cover, £30k and increased property and utility costs £65k.	Review the procedures relating to the management of absence. Explore pro-active use of supply budgets to reduce short term absence. Review all costs contributing to property/utility overspend to ensure optimum efficiency.

Education

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R13AW	**Primary Schools** More than anticipated expenditure by £752.5K	Wendy Bowen	The overspend is largely driven by higher staff costs driven from increased absence cover (teaching) across the primary schools. With analysis indicating the majority of this absence is short-term in nature rather than long-term cases.	Review the procedures relating to the management of absence. Explore pro-active use of supply budgets to reduce short term absence.
R14A	**Early Learning & Childcare** Less than anticipated expenditure by £74.2K	Wendy Bowen	The underspend mainly reflects reduced staffing expenditure, caused by vacancies and persistent recruitment difficulties. This has been offset by reduced income to The Strynd Nursery running below capacity.	Continue to prioritise recruitment and retention.

Education

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R14FI	**Additional Support Needs** Less than anticipated expenditure by £81.3K	Wendy Bowen	Several posts have remained vacant for longer than anticipated, largely due to delays in recruitment, shortage of supply staff to cover vacant posts, and low numbers in applications for temporary positions.	Support for Learning posts have now been made permanent which has led to increased numbers of applications per post in comparison to the temporary positions previously. Continue to monitor the impact of this decision.
R14J	**Papdale Halls of Residence** More than anticipated expenditure by £63.1K	Frances Troup	A combined overspend was reported within the Papdale Halls of Residence budget as income received during the year was lower than budgeted. This was further impacted by expenditure relating to the former Papdale Halls, where building-related costs continued to be incurred despite the facility no longer being operational. No budget provision had been made for these ongoing costs.	There are plans being taken forward in regard to demolition of the former Papdale Halls. Income will be monitored during 2026/27 to see if this trend continues.

Education

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R14N	**Quality Development** More than anticipated expenditure by £61.8K	Wendy Bowen	There is a query around the grant income for probationers that is causing an overspend of £92K, underspends in other cost centres have mitigated this overspend to a degree.	A review of the relevant cost centres and budget allocations under the Quality Development header will be undertaken during 2026/27 to ensure budgets are aligned with their intended purpose and accurately reflect service activity and spending requirements.
R15A	**Administration** Less than anticipated expenditure by £190.2K	Wendy Bowen	The underspend reflects budget provision that has historically been transferred to individual cost centres but was retained within the Administration cost centre during the year. As a result, budget was not fully aligned to the areas where expenditure was incurred.	Budget allocations will be reviewed and realigned during the current financial year to ensure resources are held within the appropriate cost centres and reflect planned expenditure.

Education

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R15B	**Assistance for Students** Less than anticipated expenditure by £69.2K	Wendy Bowen	Expenditure on student assistance payments and tuition fees was lower than budgeted during the year, resulting in an underspend. A similar position was reported in the previous financial year.	Budget requirements will be monitored throughout the year, with any recurring surplus budget provision reviewed and potentially reallocated to other priority areas where appropriate.
R15DE	**School Meals** Less than anticipated expenditure by £224.8K	Frances Troup	A cumulative underspend has arisen across the majority of school meals cost centres within supplies and services budget line. This reflects improved management of catering resources, including enhanced portion control, reduced waste, and more efficient use of supplies, resulting in expenditure being lower than anticipated.	Expenditure will continue to be monitored throughout the current financial year. Where underspends are recurring, budgets will be reviewed and potentially realigned to more accurately reflect spending patterns, with allocation to other service pressure areas.

Education

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R15G	**School Crossing Patrol** Less than anticipated expenditure by £16.0K	Wendy Bowen	The underspend reflects two vacant posts within the School Crossing Patrol services during the period.	One vacant post has now been recruited to, with recruitment ongoing for the remaining vacancy.

Leisure & Cultural Services

Service Function	**Service Description**	**Responsible Officer**	**Variance Reason**	**Action Notes**
R17D	**Healthy Living Centres** Less than anticipated expenditure by £23.9K	Garry Burton	Vacant posts have contributed to this situation. Mainly this applies to posts with a small number of hours.	Continue to promote and advertise posts.
R17E	**Tourism – Caravan Sites** More than anticipated income by £10.5K	Garry Burton	There has been an increase in the use of facilities which has generated additional income.	Usage will continue to be monitored.
R17G	**Sports Development** More than anticipated income by £32.2K	Garry Burton	The Outdoor Education Cost Centre has generated additional income for the financial year.	Usage will continue to be monitored.

Leisure & Cultural Services

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R17N	**Active Schools** More than anticipated expenditure by £11.0K	Garry Burton	This has resulted from a number of minor overspends across individual budget lines which cumulatively led to an overall overspend position.	Budget monitoring will continue to ensure early identification and management of any similar pressures in 2026/27.
R17P	**Community Facilities** More than anticipated expenditure by £125.6K	Garry Burton	This was primarily due to employee-related expenditure pressures incurred during the year.	Budgets will be monitored closely throughout the 2026/27 financial year. The employee-related pressures experienced in 2025/26 are not anticipated to continue, and expenditure will be managed to achieve a balanced budget position where possible.

Other Housing

Service Function	**Service Description**	**Responsible Officer**	**Variance Reason**	**Action Notes**
R30B	**Homelessness** More than anticipated income by £341.5K	Frances Troup	Income exceeds budget due to sustained demand for temporary accommodation and a short turnaround time for void properties, resulting in higher rental income being generated during the year.	Income levels are largely demand-led. The service will continue to seek to rehouse homeless households as quickly as possible, subject to the availability of suitable permanent accommodation,
R30E	**Energy Initiatives** Less than anticipated expenditure by £69.2K	Frances Troup	The variance relates to the HEES:ABS project. The project remained in progress at year end, resulting in a timing difference between income and expenditure.	The project will continue into financial year 2026/27, with the final outturn position expected to generate a small surplus for the Council on completion.
R30F	**Garages** More than anticipated income by £12.3K	Frances Troup	Income from garage rent arrears is higher than anticipated which shows recovery action has been effective.	Monitor the income received within 2026/27 to see if this trend continues.

Other Housing

Service Function	**Service Description**	**Responsible Officer**	**Variance Reason**	**Action Notes**
R30N	**Student Accommodation** Less than anticipated income by £12.0K	Frances Troup	This is as a result of lower demand levels than anticipated during the year.	Occupancy levels will continue to be monitored closely, with efforts focused on maximising occupancy and achieving the set income budget during the current financial year.

Housing Revenue Account

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R61A	**Administration – HRA** Less than anticipated expenditure by £157.2K	Frances Troup	The final outturn position for Housing Administration reflected an underspend across a number of budget lines. This is consistent with previous years and has historically been used to offset overspends elsewhere within the service, although no budget transfer was processed during the financial year.	Budgets will continue to be monitored closely during the current financial year. Budget transfers will be considered, where appropriate, to better align budgets with expenditure and ensure resources are allocated to areas of service pressure.
R61B	**Property Costs – HRA** More than anticipated expenditure by £459.0K	Frances Troup	Additional repairs and maintenance work were carried out, and additional costs were applied at year end relating to grounds maintenance and insurance.	Property costs will continue to be monitored throughout the current financial year. Any budget adjustments required to better reflect the level of fixed property-related expenditure will be considered as part of ongoing budget management processes.
R61E	**Rent Income** More than anticipated income by £259.1K	Erik Knight	Rent receipts above budget. Note budget set in alignment with HRA Business Plan which was prepared in 2023/24. This disassociation with actual results has increased from £126k in 2023/24 to £197k in 2024/25 and current year £259k.	Consider whether Business Plan needs updated to reflect actual results.

Housing Revenue Account

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R61I	**Other Income – HRA** More than anticipated income by £62.3K	Frances Troup	Higher than anticipated income received from Photovoltaic Panels on housing stock including interest payments received.	Consider reviewing budget for future years, as it is anticipated that this level of income should continue.
R61U	**Movement in Reserves** Less than anticipated income by £324.3K	Erik Knight	The main cause of the variance is loan debt repayment of £406k which is not budgeted for. The balance arises from reduction in HRA Reserve balance from £582k to £500k per the HRA Business Plan.	Consider year end process in respect of budget creation for year-end transactions.
R61Y	**Finance Charges – HRA** Less than anticipated expenditure by £132.5K	Erik Knight	Interest and debt management recharges are below budget.	Consider year end process in respect of budget creation for year-end transactions.

UHI Orkney

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R67A	**Business Support** Less than anticipated expenditure by £80.5K	Wendy Bowen	The main areas of underspend against budget are: £41.3K for loan charges as the final loan requirement was less than originally budgeted, £18.8K for supplies and services due to activity being delayed until 2026/27, £12.9K staff costs due to vacancy savings, and £6.6K additional net income, mainly due to an increase in rents and lettings income.	Budget performance will continue to be monitored throughout the current financial year to ensure expenditure and income remain aligned with approved budgets.
R67B	**Further and Higher Education** Less than anticipated income by £702.3K	Wendy Bowen	Whilst income exceeded budget by £235.4K mainly due to better than anticipated student related grants and fees, and net expenditure was £60.9K lower than budget mainly due to small savings across staffing in the curriculum areas, there remained a net shortfall of £702.3K. The final outturn position for UHI Orkney is a £622.2K shortfall against an original budget of £1,266.0K.	Budget performance will continue to be monitored throughout the current financial year to ensure expenditure and income remain aligned with approved budgets. An Officer Task Force was established in 2025/26 with the remit to work across the Council; identify savings and income; and develop plan to reduce loan required. This work is ongoing.