



Item: 4

Policy and Resources Committee: 21 April 2026.

UHI Orkney – Draft Revenue Budget.

Report by Director of Education, Communities and Housing.

1. Overview

- 1.1. This report requests a further advance of up to £994,500, from the loans fund, in order for UHI Orkney to achieve a balanced budget for financial year 2026/27.
- 1.2. To achieve a balanced budget for financial year 2025/26, UHI Orkney required an advance of up to £1,266,000 from the loans fund, which will incur interest charges. There is an existing loan of £1,415,000 as at the end of 2024/25, which would give a total deficit of £2,681,000 as at 31 March 2026.
- 1.3. On 1 April 2026, the Education, Communities and Housing Committee recommended approval of the draft revenue budget for UHI Orkney for financial year 2026/27, attached as Appendix 1 to this report, subject to a further potential advance from the loans fund of up to £994,500 in order to set a balanced budget.
- 1.4. A Task Force, chaired by the Director of Education, Communities and Housing, is identifying and implementing opportunities for savings and income generation. The Task Force will continue to identify and implement actions to enable UHI Orkney to set a balanced budget in future.
- 1.5. Ongoing loan support enables UHI Orkney to continue operating whilst working to achieve a balanced financial position. Without the current level of financial support, the continuance of UHI Orkney would be at risk.

2. Recommendations

- 2.1. It is recommended that members of the Committee:
 - i. Approve a further potential advance from the loans fund, up to a maximum of £994,500, to enable a balanced budget to be set for UHI Orkney for 2026/27.

3. Draft Revenue Budget

- 3.1. The draft revenue budget for financial year 2026/27, attached as Appendix 1 to this report, was considered by the Education, Communities and Housing Committee on 1 April 2026, and forecasts a shortfall of up to £994,500 – shown as Miscellaneous Income – in order to balance the budget.
- 3.2. A pay award of 2.3% for lecturers, effective from 1 September 2026 is included. For all other employees, an award of 3.5%, effective from 1 April 2026, has been included.
- 3.3. For non-staff expenditure, inflation of 2.0% has been applied and budget lines adjusted for known changes in activity.
- 3.4. The values of the Scottish Funding Council grants for further and higher education for academic year 2026/27 are not yet known, therefore no inflationary increase is assumed.
- 3.5. Sales income is calculated on existing projects and predicted activity. Where applicable price increases are aligned with the academic year.
- 3.6. Income from student fees is dependent on the number and fee status of students enrolled at UHI Orkney. Student fees for full time Further Education and for most undergraduate Higher Education courses are set by the Scottish Government. Income from other fees and charges has been set to allow for any known changes.
- 3.7. Other income assumptions are based on activity levels in financial year 2025/26, adjusted for inflation and any known changes in activity levels.
- 3.8. There is an assumption that sufficient research and commercial activity will be sourced to match the budget set for these income streams. Each year there is income still to be identified, bid for, and won within the budget set. There is an inherent and ongoing risk with the research and commercial income budgets that these targets may not be reached.
- 3.9. In order to set a balanced budget, UHI Orkney has included a miscellaneous income figure of £994,500 in the 2026/27 forecast.

For Further Information please contact:

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Implications of Report

1. **Financial** – The requirement to set a balanced budget requires planned levels of expenditure and income to be realistic. On the basis of the assumptions noted in this report, which include a potential shortfall of £994,500, the draft budget for financial year 2026/27 carries a significant financial sustainability risk. The Loans Fund advance by the end of 2026/27 would be ~ £3.7m which will be increasingly difficult for UHI Orkney to service or indeed repay the debt.
2. **Legal** – Effective budgeting and monitoring help the Council meet its statutory obligation to secure best value.
3. **Corporate Governance** – In terms of the Scheme of Administration, the allocation of the financial resources of the Council to the various services which the Council is required or empowered to provide, including the general level of capital and revenue expenditure and the levels of expenditure for individual services, is a referred function of the Policy and Resources Committee.
4. **Human Resources** - n/a.
5. **Equalities** – n/a
6. **Island Communities Impact** – n/a
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** – The UHI Orkney draft budget for financial year 2026/27 carries a significant financial sustainability risk.
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

Education, Communities and Housing Committee, 1 April 2026 – Item 3: UHI Orkney – Draft Budget.

Appendix

Appendix 1: Draft revenue budget for UHI Orkney for financial year 2026/27.

Appendix 1: Draft revenue budget for UHI Orkney for financial year 2026/27.

	Revised Budget 2025/26	Budget Adjustments	Draft Budget 2026/27
	£	£	£
Staff Costs	5,647,300	6,400	5,653,700
Property Costs	562,300	27,700	590,000
Supplies and Services	784,000	(33,000)	751,000
Transport, Vessel and Plant	121,900	(6,900)	115,000
Administration	116,100	2,900	119,000
Apportioned Costs	142,300	5,000	147,300
Third Party Payments	30,800	(400)	30,400
Transfer Payments	233,400	(48,400)	185,000
Loan Charges	127,500	17,700	145,200
Miscellaneous Costs	22,500	0	22,500
Total Expenditure	7,788,100	(29,000)	7,759,100
Government Grants	(2,462,800)	(247,800)	(2,710,600)
Other Grants, Reimbursements	(1,970,300)	31,500	(1,938,800)
Rents and Lettings	(8,600)	2,600	(6,000)
Sales	(196,300)	31,300	(165,000)
Fees and Charges	(1,884,100)	(60,100)	(1,944,200)
Miscellaneous Income	(1,266,000)	271,500	(994,500)
Total Income	(7,788,100)	29,000	-7,759,100
Net Total	0	0	0