ORKNEY ISLANDS COUNCIL

Item: 13

Education, Communities and Housing Committee: 9 September 2026.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Overview

1.1. This report presents the revenue financial summary position of expenditure incurred, as at 30 June 2026, in respect of services areas for which the Education, Communities and Housing Committee is responsible.

1.2. On 10 March 2026, the Council set its overall revenue budget for financial year 2026/27. On 16 June 2026, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2026/27, 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 to 30 June 2026, attached as Annex 1 to this report, indicating a net budget underspend position of £260,100, comprising the following:

- Underspend of £1,286,600 against General Fund services.
- Overspend of £1,026,500 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 30 June 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, 3 March 2026, Budget and Council Tax Level for 2026/27.
Policy and Resources Committee, 16 June 2026, Detailed Revenue Budgets.

Annexes

Annex 1: Financial Summary.
Annex 2: Financial Detail by Service Area.
Annex 3: Budget Action Plan.

Annex 1: Financial Summary **June 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	11,763.0	12,725.4	(962.4)	92.4	53,095.6
Leisure Services	1,073.3	1,614.8	(541.5)	66.5	4,339.7
Other Housing	477.3	260.0	217.3	183.6	2,251.9
	13,313.6	**14,600.2**	**(1,286.6)**	**91.2**	**59,687.2**

Non-General Fund

Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Housing Revenue Account	1,393.4	1,322.1	71.3	105.4	(1,070.0)
UHI Orkney	(17.7)	(972.9)	955.2	1.8	0.0
	1,375.7	**349.2**	**1,026.5**	**394.0**	**(1,070.0)**
Service Totals	**14,689.3**	**14,949.4**	**(260.1)**	**98.3**	**58,617.2**

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

Service Area	No. of PAs P02	P03	Service Functions	PAs/ Function
Education	10	8	14	57%
Leisure Services	10	6	12	50%
Other Housing	7	2	11	18%
Housing Revenue Account	3	3	7	43%
UHI Orkney	2	1	2	50%
Totals	32	20	46	43%

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**	3,378.3	3,265.0	113.3	103.5	13,929.4
Junior Secondary Schools		1,075.8	1,055.0	20.8	102.0	3,817.0
Primary Schools	**1B**	3,445.1	3,945.0	(499.9)	87.3	13,689.7
Early Learning & Childcare	**1C**	1,151.0	1,246.7	(95.7)	92.3	5,565.9
Additional Support Needs	**1B**	924.4	1,115.7	(191.3)	82.9	4,825.6
Papdale Halls of Residence		244.6	231.6	13.0	105.6	1,056.2
Quality Development	**1B**	(90.4)	52.2	(142.6)	N/A	83.1
Administration	**1B**	265.7	302.9	(37.2)	87.7	2,255.0
Assistance for Students	**1B**	20.9	93.9	(73.0)	22.3	241.5
Community Learning & Development		153.0	164.1	(11.1)	93.2	734.3
School Meals		488.4	489.7	(1.3)	99.7	2,314.1
School Transport	**1C**	689.1	741.0	(51.9)	93.0	4,497.7
School Crossing Patrol		14.6	16.3	(1.7)	89.6	75.1
Parent Councils		2.5	6.3	(3.8)	39.7	11.0
Service Total		**11,763.0**	**12,725.4**	**(962.4)**	**92.4**	**53,095.6**

Leisure Services	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - RC		66.3	59.2	7.1	112.0	601.3
Parks and Play Areas		411.0	415.2	(4.2)	99.0	469.4
Healthy Living Centres		17.7	16.9	0.8	104.7	96.6
Tourism - Caravan Sites	**1B**	(74.6)	(3.7)	(70.9)	2,016.2	(11.7)
Tourism - Hostels		10.2	11.9	(1.7)	85.7	3.7
Sports Development	**1B**	27.6	(19.1)	46.7	N/A	113.8
Sports Facilities		356.1	338.3	17.8	105.3	1,067.2
Swimming Pools	**1B**	107.4	153.0	(45.6)	70.2	379.0
Theatres		9.3	5.9	3.4	157.6	6.7
Active Schools	**1B**	(245.5)	7.7	(253.2)	N/A	70.1
Community Facilities	**1B**	112.1	232.5	(120.4)	48.2	363.4
Libraries	**1B**	275.7	397.0	(121.3)	69.4	1,180.2
Service Total		**1,073.3**	**1,614.8**	**(541.5)**	**66.5**	**4,339.7**

Other Housing	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Housing Support		18.0	19.2	(1.2)	93.8	88.2
Homelessness		611.9	610.1	1.8	100.3	1,163.9
Housing Loans		(0.2)	(1.4)	1.2	14.3	13.6
Energy Initiatives	**1B**	280.7	10.7	270.0	2,623.4	48.8
Garages		(8.6)	(4.3)	(4.3)	200.0	(120.0)
Miscellaneous - OH		(411.0)	(401.4)	(9.6)	102.4	288.5
Housing Benefits	**1B**	(33.4)	14.9	(48.3)	N/A	214.3
Landlord Registration		(31.4)	(31.4)	0.0	100.0	(30.0)
Care & Repair		2.6	4.4	(1.8)	59.1	410.9
Sheltered Housing		51.3	46.7	4.6	109.9	201.6
Student Accommodation		(2.6)	(7.5)	4.9	34.7	(27.9)
Service Total		**477.3**	**260.0**	**217.3**	**183.6**	**2,251.9**

Non-General Fund

Housing Revenue Account	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - HRA	**1B**	164.6	191.6	(27.0)	85.9	1,269.6
Property Costs - HRA	**1C**	2,162.3	2,084.2	78.1	103.7	2,196.8
Rent Income		(943.6)	(946.5)	2.9	99.7	(5,011.4)
Tenant Participation		4.4	6.4	(2.0)	68.8	31.5
Other Income - HRA	**1B**	19.3	0.0	19.3	0.0	(73.0)
Movement in Reserves		0.0	0.0	0.0	0.0	(242.0)
Finance Charges - HRA		(13.6)	(13.6)	0.0	100.0	758.5
Service Total		**1,393.4**	**1,322.1**	**71.3**	**105.4**	**(1,070.0)**

UHI Orkney	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Business Support		167.8	161.4	6.4	104.0	1,716.9
Further and Higher Education	**1B**	(185.5)	(1,134.3)	948.8	16.4	(1,716.9)
Service Total		**(17.7)**	**(972.9)**	**955.2**	**1.8**	**0.0**

Education

Function	**Function Description/** Explanation	**Action Category/** Action Description	**Responsible Officer**	**Deadline**	**Status**
R11AC	**Senior Secondary Schools** More than anticipated expenditure by £113.3K This variance relates mainly to additional staffing costs in relation to staff sickness.	**Management input required** The service will review the budgets and profiles before the next reporting period. There will be a requirement where possible to move budget from underspending areas to cover these overspends.	Wendy Bowen	31/08/2026	Ongoing
R13AW	**Primary Schools** Less than anticipated expenditure by £499.9K The variances across primarily relate to Non-Domestic Rates invoices timing differences between the profile and when they were charged.	**No action required** Although there is no action required to correct the profiles due to Non-Domestic Rates payments being paid later, which corrected itself by the next reporting period. There is reprofiling required to ensure the Devolved School Management budgets are set to match the spending pattern.	Wendy Bowen	31/08/2026	Ongoing
R14A	**Early Learning & Childcare** Less than anticipated expenditure by £95.7K The underspend relates to vacant Early Year Practitioner posts within the service.	**Monitor the situation** Recruitment is actively ongoing to recruit to these vacant posts.	Wendy Bowen	31/10/2026	Ongoing

Education

Function	**Function Description/** Explanation	**Action Category/** Action Description	Responsible Officer	Deadline	Status
R14FI	**Additional Support Needs** Less than anticipated expenditure by £191.3K Ongoing cost pressures associated with Out of Orkney placements are currently being offset by underspends elsewhere within the service, including vacant Support for Learning Assistant posts.	**Raise virement request** The budget position will continue to be closely monitored throughout the financial year. Recruitment is ongoing, and expenditure will be reviewed and reprofiled as required to reflect staffing levels and placement requirements.	Wendy Bowen	30/09/2026	Ongoing
R14N	**Quality Development** Less than anticipated expenditure by £142.6K The variance relates to profiling issues within the Strategic Equity Funding, Youth Music Initiative and Bright Start Breakfast, with grant funding received, but no profile to match.	**Monitor the situation** A profiling exercise will be done, which will eliminate the underspend position, with the grants expected to be spent within this financial year.	Wendy Bowen	31/01/2027	Ongoing
R15A	**Administration** Less than anticipated expenditure by £37.2K The variance relates primarily to an underspend position showing against the Nursery Milk.	**Raise journals request** A journal will be processed to move the grant income for nursery milk into the individual nursery settings, this will correct the variance.	Wendy Bowen	31/08/2026	Ongoing

Education

Function	**Function Description/** Explanation	**Action Category/** Action Description	Responsible Officer	Deadline	Status
R15B	**Assistance for Students** Less than anticipated expenditure by £73.0K This relates to underspends against budget in the Further Education Bursary and Education Maintenance Allowance, this is a profiling difference only. Grants are reclaimed against actual expenditure.	**Raise virements request** A reprofiling exercise will be done to ensure budgets align with actual spend.	Wendy Bowen	30/09/2026	Ongoing
R15F	**School Transport** Less than anticipated expenditure by £51.9K There is an underspend showing against Primary School transport due to timing differences between invoices being received and being paid.	**Raise virements request** The budget is to be reprofiled to correct this, with the whole school transport budget expected to be in line with overall budget for 2026/27 financial year.	Wendy Bowen	31/08/2026	New

Leisure Services

Function	**Function Description/** Explanation	**Action Category/** Action Description	Responsible Officer	Deadline	Status
R17E	**Tourism - Caravan Sites** More than anticipated income by £70.9K More than anticipated income against budget, with this being used elsewhere in the service.	**No action required** This will continue to be monitored, with budget being moved if required elsewhere in the service, or a virement processed to reflect the additional income.	Garry Burton	31/12/2026	Ongoing
R17G	**Sports Development** Less than anticipated income by £46.7K Sports Development Grant not yet received, and Outdoor Education invoices have been sent but the income profile is not aligned to actual income received.	**Monitor the situation** A reprofiling will be done to correct the Outdoor Education Budget. The sports development grant has now been received, and therefore no action required.	Garry Burton	31/08/2026	Ongoing
R17K	**Swimming Pools** Less than anticipated expenditure by £45.6K The P3 underspend relates to a timing difference in the Non-Domestic Rates invoice at the Stromness Swimming Pool,	**No action required** No action required, as the position has now resolved in P4.	Garry Burton	31/07/2026	Ongoing

Leisure Services

Function	**Function Description/** Explanation	**Action Category/** Action Description	Responsible Officer	Deadline	Status
R17N	**Active Schools** Less than anticipated expenditure by £253.2K This variance relates to capital grant income sitting in a revenue code, this has now been resolved with a journal processed to move this into the correct capital code.	**No action required** No action required.	Garry Burton	31/08/2026	Ongoing
R17P	**Community Facilities** Less than anticipated expenditure by £120.4K This is mainly related to profiling issues for Non-Domestic Rates, the revenue repairs and maintenance contribution and a grant payment across several cost centres being out of line with profile.	**Raise virements request** The invoice timing difference has been resolved in July, however a virement will have to be processed to correct the profile for the grant payment.	Garry Burton	31/08/2026	Ongoing
R17V	**Libraries** Less than anticipated expenditure by £121.3K This variance relates to a profiling difference, due to the Non-Domestic Rates bill being paid in July.	**No action required** No action required, invoice paid, and expenditure in line with profile.	Garry Burton	31/07/2026	Ongoing

Other Housing

Function	**Function Description/** Explanation	**Action Category/** Action Description	Responsible Officer	Deadline	Status
R30E	**Energy Initiatives** More than anticipated expenditure by £270.0K A budget profile has not been set.	**Raise virements request** A virement request has been raised so that the budget profile can be set for 2026/27.	Frances Troup	30/09/2026	Ongoing
R30H	**Housing Benefits** Less than anticipated expenditure by £48.3K Housing benefit costs centre returned an underspend in 2025/26 which is repayable. Returns have been submitted, however the timing for the repayment requires reprofiling to correct budget position. Analysis of the budget to be carried out to ensure budget, and profile is appropriate.	**Management input required** Review budget and profiles for accuracy and make adjustments if necessary.	Erik Knight	31/07/2026	Ongoing

Housing Revenue Account

Function	**Function Description/** Explanation	**Action Category/** Action Description	**Responsible Officer**	**Deadline**	**Status**
R61A	**Administration - HRA** Less than anticipated expenditure by £27.0K This variance relates mainly due to an underspend on the supplies and services line within the administration cost centre.	**Raise virements request** A virement will be processed to adjust the profiling, and any forecast underspend moved elsewhere in the service, as required.	Frances Troup	30/09/2026	New
R61B	**Property Costs - HRA** More than anticipated expenditure by £78.1K The annual contribution of £2.06M for repairs and maintenance and £24.8K for grounds maintenance has impacted on budget in first quarter of financial year, causing a variance. While budget is not overspent, a significant proportion of the annual budget has been absorbed.	**Raise virements request** Budget to be re-profiled to address variance.	Frances Troup	30/09/2026	Ongoing
R61I	**Other Income - HRA** More than anticipated expenditure by £19.3K Income from Feed in Tariff relating to 2025/26, that is yet to be received, has been accrued into 2026/27. This variance will clear once received.	**Monitor the situation** Monitor the situation, as the variance is expected to resolve once the income has been received.	Frances Troup	30/09/2026	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 £948.8K £994.5k of the variance represents the maximum loan fund advance required to set a balanced budget for 2026/27.	**Monitor the situation** An Officer Working Group 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.	Wendy Bowen	31/03/2027	Ongoing