

ITEM 1

EDUCATION, LEISURE AND HOUSING COMMITTEE: 14 SEPTEMBER 2016

REVENUE EXPENDITURE OUTTURN REPORT FOR FINANCIAL YEAR 2015/16

**JOINT REPORT BY EXECUTIVE DIRECTOR OF EDUCATION, LEISURE AND
HOUSING, EXECUTIVE DIRECTOR OF CORPORATE SERVICES AND
HEAD OF FINANCE**

1. PURPOSE OF REPORT

- 1.1 To advise of the revenue outturn position across General Fund and Non-General Fund Service Areas for financial year 2015/16 for which the Committee is responsible.

2. RECOMMENDATIONS

The Committee is invited to note:-

- 2.1 the revenue expenditure outturn statement in respect of Education, Leisure and Housing for financial year 2015/16, indicating:
- 2.1.1 a net General Fund overspend of £903,000; and
 - 2.1.2 a net Non-General Fund underspend of £371,000;
- 2.2 that the General Fund overspend of £903,000 includes the following elements, which were largely outwith the control of the service:-
- 2.2.1 Out of Orkney Placements – overspend of £104,000;
 - 2.2.2 Central Services apportioned costs – increased charge of £216,000; and
 - 2.2.3 Repairs and Maintenance – additional costs of £180,000 recharged to the service; and
- 2.3 the explanations given and actions proposed, in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 2 to this report.
- #### **3. POLICY ASPECTS**
- 3.1 This report relates to the Council complying with its governance and financial processes and procedures, and therefore does not relate specifically to progressing the Council's priorities.

4. INTRODUCTION

- 4.1 At its Special General Meeting held on 12 February 2015, as part of the budget setting process for 2015/16, the Council agreed the Revenue Estimates, Council Tax level and the contribution from General Fund Reserves for financial year 2015/16.

5. BACKGROUND

- 5.1 Individual revenue expenditure monitoring reports (REMRs) are circulated as briefing reports every month in order to inform committee members of the up to date financial position. Quarterly REMRs are now presented to individual service committees. This quarterly report replaces the need for a monthly budget briefing this reporting period.
- 5.2 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.
- 5.3 Material variances are identified automatically as Priority Actions (PAs) within individual budget cost centres according to the following criteria:-
- 5.3.1 £10,000 **and** 10% more or less than Anticipated position (1b); and
- 5.3.2 £50,000 more or less than Anticipated position (1c).
- 5.4 Priority Actions can be identified at the Service Function level according to the same criteria and these are shown in the Revenue Expenditure Statements shown in Annex 1, which is attached to this report. 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 attached as Annex 2 to this report.
- 5.5 The details have been provided following consultation with the relevant Executive Directors and their staff. In addition to the variances generated in the current month, the variances reported in previous reporting periods will remain within the Budget Action Plan until these actions have been completed.
- 5.6 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.

6. FINANCIAL SUMMARY

6.1 Annex 1 provides the detailed position by Service Area by Service Function. The table below provides a summary of the position across all Service Areas.

General Fund Services	Spend	Budget	Over/Under		Annual
	£000	£000	Spend	%	Budget
			£000		£000
Education	30,178	29,614	564	101.9	29,614
Leisure and Cultural	4,362	4,113	249	106.1	4,113
Other Housing	1,468	1,378	90	106.5	1,378
Service Totals	36,008	35,105	903	102.6	35,105
Non-General Fund Service					
HRA	-476	0	-476	n/a	0
Orkney College	105	0	105	n/a	0
	-371	0	-371	n/a	0

6.2 The Education overspend of £564K includes £104K in respect of Out of Orkney Placements, increased charge in Central Services apportioned costs of £116K which were mainly outwith the control of the service. The overspend also includes £110K of additional Repairs and Maintenance costs, which was reported to the Policy and Resources Committee on 21 June 2016, and was to be treated as an acceleration of works from the 2016/17 programme.

6.3 The Leisure and Cultural services overspend of £249K includes £100K in respect of increased charge in Central Services apportioned costs which were mainly outwith the control of the service and £70K of additional Repairs and Maintenance costs, as described at section 6.2 above.

6.4 The budget overspend across the General Fund service areas is £903K, alternatively expressed as 102.6% of the anticipated net spending position for the year.

6.5 The budget underspend across the Non-General Fund Service is £371K.

6.6 The Budget Action Plan attached as Annex 2 provides an explanation and proposed corrective action for each of the Priority Actions identified.

7. FINANCIAL IMPLICATIONS

7.1 The Financial Regulations state that service directors are able to incur expenditure within an approved revenue budget. Such expenditure must be in accordance with the Council's policies or objectives subject to compliance with these Financial Regulations and approved schemes of delegation.

- 7.2 Additional expenditure requirements identified during the financial year can only be approved by means of a spending recommendation to the Policy and Resources Committee, subject to the use of emergency powers.
- 7.3 The outturn statements include a number of accounting entries required to comply with proper accounting practice, including International Financial Reporting Standards (IFRS). This includes accounting for the use of fixed assets e.g. depreciation and revaluations, current service cost of pensions and accumulated staff absences.

8. LEGAL ASPECTS

- 8.1 Financial monitoring and reporting helps the Council meet its obligation to secure best value.

9. CONTACT OFFICERS

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10. ANNEXES

- 10.1 Annex 1: Revenue Expenditure Outturn Statement for 2015/16
- 10.2 Annex 2: Budget Action Plans

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2015/16

Education	PA	Spend £000	Budget £000	Over/Under		Annual Budget £000
				Spend £000	%	
Senior Secondary Schools		9,331	9,316	15	100.2	9,316
Junior Secondary Schools		2,556	2,513	43	101.7	2,513
Primary Schools	1c	9,424	9,240	184	102.0	9,240
Pre-School Education		1,297	1,297	0	100.0	1,297
Additional Support Needs	1c	1,230	1,126	104	109.2	1,126
Papdale Halls of Residence		674	663	11	101.7	663
Quality Development		115	122	-7	94.3	122
Administration	1b	2,286	2,057	229	111.1	2,057
Assistance for Students		209	197	12	106.1	197
Community Learning and Dev		427	417	10	102.4	417
School Meals		1,049	1,081	-32	97.0	1,081
School Transport		2,247	2,247	0	100.0	2,247
School Crossing Patrol		37	37	0	100.0	37
Miscellaneous Grants		30	29	1	103.4	29
Movement in Reserves		-742	-736	-6	100.8	-736
Parent Councils		8	8	0	100.0	8
Service Totals		30,178	29,614	564	101.9	29,614

Budget Summary

Original Net Budget	29,254
Redetermination - 1 and 2 Languages	28
Redetermination - Additional support for National Qualifications	4
Redetermination - Teacher Induction Scheme	215
Redetermination - Teacher Numbers	82
Redetermination - Children and Young People	29
Contribution for Project Officer from Leisure and Cultural Services	2
Revised Net Budget	29,614

Movement in Reserves Statement

IFRS Accounting Entries	-402
<u>Transfer from Reserves:</u>	
Movement on DSM Fund for year	-6
Contribution from Contingency (General Fund Reserve) - KGS Rates	-12
Contribution from Contingency (General Fund Reserve) - SPS Rates	-18
Contribution from Contingency (General Fund Reserve) - School Bus Contract	-47
Contribution from Outwith Orkney Placements Fund	-257
	-742

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2015/16

		Spend	Budget	Over/Under		Annual
	PA	£000	£000	Spend	%	Budget
				£000		£000
Leisure and Cultural Services						
Administration	1b	667	470	197	141.9	470
Parks and Play Areas		340	360	-20	94.4	360
Healthy Living Centres		18	21	-3	85.7	21
Caravan Sites		-8	-13	5	61.5	-13
Hostels		7	5	2	140.0	5
Sports Development	1b	103	91	12	113.2	91
Sports Facilities		963	968	-5	99.5	968
Swimming Pools		225	223	2	100.9	223
Theatres		17	16	1	106.3	16
Active Schools		69	62	7	111.3	62
Community Facilities		303	314	-11	96.5	314
Heritage Development		294	296	-2	99.3	296
Museums		364	351	13	103.7	351
St Magnus Cathedral		209	206	3	101.5	206
Libraries		970	922	48	105.2	922
Movement in Reserves		-179	-179	0	100.0	-179
Service Totals		4,362	4,113	249	106.1	4,113

Budget Summary

Original Net Budget	4,078
Contribution for Project Officer to Education	-2
Redetermination - Developing the Young Workforce	37
Revised Net Budget	4,113

Movement in Reserves Statement

IFRS Accounting Entries	-99
<u>Transfer to Reserves:</u>	
Contribution to Recreation Project Fund - Developing the Young Workforce	25
<u>Transfer from Reserves:</u>	
Contribution from Recreation Project Fund - Leisure Management System	-8
Contribution from Recreation Project Fund - Summerdale Play Park	-20
Contribution from Recreation Project Fund - Additional Picky Utilities Costs	-41
Contribution from Contingency (General Fund Reserve) - Picky Utilities	-29
Contribution from Recreation Project Fund - WW1 Commemorations	-7
	-179

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2015/16

		Spend	Budget	Over/Under		Annual
	PA	£000	£000	£000	%	Budget
						£000
Other Housing						
Housing Support		53	56	-3	94.6	56
Homelessness	1b	819	726	93	112.8	726
Housing Loans		6	5	1	120.0	5
Housing Grants		60	59	1	101.7	59
Energy Initiatives	1b	40	50	-10	80.0	50
Garage Lets		-80	-75	-5	106.7	-75
Miscellaneous		108	101	7	106.9	101
Housing Benefits	1b	80	92	-12	87.0	92
Mobile Home Sites		1	1	0	100.0	1
Landlord Registration	1b	-7	-19	12	36.8	-19
Care and Repair		352	335	17	105.1	335
Sheltered Housing		110	116	-6	94.8	116
Student Accommodation		-25	-20	-5	125.0	-20
Movement in Reserves		-49	-49	0	100.0	-49
Service Totals		1,468	1,378	90	106.5	1,378

Movement in Reserves Statement

IFRS Accounting Entries	-20
<u>Transfer from Reserves:</u>	
Contribution from Spend to Save Fund - Additional Staffing Care and Repair	-29
	-49

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2015/16

		Spend	Budget	Over/Under		Annual
	PA	£000	£000	£000	%	Budget
						£000
Housing Revenue Account						
Administration	1c	622	691	-69	90.0	691
Property Costs	1c	1,490	1,620	-130	92.0	1,620
Rent Income	1c	-3,324	-3,223	-101	103.1	-3,223
Tenant Participation		16	23	-7	69.6	23
Other Income	1b	-25	-44	19	56.8	-44
Accounting for Pensions		9	9	0	100.0	9
Movement in Reserves	1b	118	306	-188	38.6	306
Finance Charges		618	618	0	100.0	618
Service Totals		-476	0	-476	n/a	0

Movement in Reserves Statement

IFRS Accounting Entries	2,451
<u>Transfer from Reserves:</u>	
Contribution from SRF in Respect of House Build Programme	-1,833
Contribution from SRF in Respect of SHQS Works	-274
Transfer of Council Tax 2nd homes income from General Fund	-226
	118

Housing Revenue Account Statement of Reserves

Opening Balance 1 April 2015	0
Financial Year 2015/16 Surplus	-476
Closing Balance as at 31 March 2016	-476

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2015/16

Orkney College	PA	Spend £000	Budget £000	Over/Under		Annual Budget £000
				Spend £000	%	
Business Support	1b	59	70	-11	84.3	70
Further and Higher Education	1b	107	15	92	713.3	15
Agronomy Institute	1b	11	0	11	n/a	0
Archaeology Institute	1b	-47	0	-47	n/a	0
Centre for Nordic Studies	1b	65	0	65	n/a	0
Accounting for Pensions		49	49	0	100.0	49
Movement in Reserves		-139	-134	-5	103.7	-134
Service Totals		105	0	105	n/a	0

Movement in Reserves Statement

IFRS Accounting Entries	-139
	-139
<u>Orkney College Statement of Reserves</u>	
Opening Balance Deficit 1 April 2015	5
Financial Year 2015/16 Deficit	105
Contribution from General Fund Services 2015/16	-110
Closing Balance as at 31 March 2016	0

Annex 2: Budget Action Plan

Education				
Action Point	Function/Explanation	Action	Responsible Officer(s)	Status
ED9	<p>Primary Schools Overspend £184K</p> <p>Staffing - £44K overspend all due to increased retained teaching supply illness cover.</p> <p>Property Costs – £71K overspend is largely in respect of a rateable value supplement of £0.13 on properties with a rateable value over £35K.</p> <p>The remainder is due to an accumulation of small overspends across Primary School sector.</p>	<p>Additional monitoring of management of long term absences.</p> <p>Continue to explore “greener” approaches to managing school property e.g. additional energy and water saving measures.</p>	P Diamond	Ongoing
ED10	<p>Additional Support Needs Overspend £104K</p> <p>Overspend was entirely due to the present high number of out of Orkney placements. This budget is demand led with unavoidable additional and expensive placements often arising at very short notice.</p>	As part of the year-end process for financial year 2015/16 £789K was set aside for these additional costs for Education and OHAC in 2016/17 financial year.	P Diamond	

Annex 2: Budget Action Plan

Education				
Action Point	Function/Explanation	Action	Responsible Officer(s)	Status
ED11	<p>Administration Overspend £229K</p> <p>Increased charge in central services apportioned costs against budget (£116K).</p> <p>Increased charge for repairs and maintenance of buildings (£110K).</p>	<p>The apportioned costs will be reviewed during 2016/17 financial year with a view to realigning budgets to more closely reflect workload and actual spending levels.</p> <p>Over commitment of works in 2015/16 to be recognised as an acceleration of the ongoing repairs and maintenance programme, together with corresponding budget reduction in 2016/17 financial year.</p>	P Diamond	Ongoing

Annex 2: Budget Action Plan

Leisure and Cultural				
Action Point	Function/Explanation	Action	Responsible Officer(s)	Status
LC6	<p>Administration Overspend £197K</p> <p>Mainly due to increased charge in central services apportioned costs against budget (£100K).</p> <p>Also increased charge for repairs and maintenance of buildings (£70K).</p>	<p>The apportioned costs will be reviewed during 2016/17 financial year with a view to realigning budgets to more closely reflect workload and actual spending levels.</p> <p>Over commitment of works in 2015/16 to be recognised as an acceleration of the ongoing repairs and maintenance programme, together with corresponding budget reduction in 2016/17 financial year.</p>	K Greaves	Ongoing
LC7	<p>Sports Development Overspend £12K</p> <p>Majority of this overspend (£9K) was due to one off costs associated with a service restructure within Outdoor Education.</p>	No action required.	K Greaves	

Annex 2: Budget Action Plan

Other Housing				
Action Point	Function/Explanation	Action	Responsible Officer(s)	Status
OH9	<p>Homelessness Overspend £93K</p> <p>Overspend is due to property costs and rental income shortfall associated with vacant emergency properties.</p>	A review is in progress with a view to returning some vacant properties to the Housing Revenue Account.	F Troup	Ongoing
OH10	<p>Energy Initiatives Underspend £10K</p> <p>Vacant post during the year.</p>	No action required.	F Troup	
OH11	<p>Housing Benefits Underspend £12K</p> <p>Additional Government Grant received at year end.</p>	No action required.	G Waterson	
OH12	<p>Landlord Registration Overspend £12K</p> <p>Income from registrations slightly lower than anticipated.</p>	No action required.	F Troup	

Annex 2: Budget Action Plan

Housing Revenue Account				
Action Point	Function/Explanation	Action	Responsible Officer(s)	Status
HRA4	<p>Administration Underspend £69K</p> <p>Vacant posts during the year and decreased charge in central services apportioned costs against budget.</p>	The apportioned costs will be reviewed during 2016/17 financial year with a view to realigning budgets to more closely reflect workload and actual spending levels.	F Troup	Ongoing
HRA5	<p>Property Costs Underspend £130K</p> <p>Supplies and Services cost under budget for the year and decreased charge in central services apportioned costs against budget.</p>	The apportioned costs will be reviewed during 2016/17 financial year with a view to realigning budgets to more closely reflect workload and actual spending levels.	F Troup	
HRA6	<p>Rent Income Income Surplus £101K</p> <p>Increased rental income due to increase in number of houses due to the new house build programme.</p>	The impact of the increased rent collected was reviewed when setting the 2016/17 budget.	G Waterson	

Annex 2: Budget Action Plan

Housing Revenue Account				
Action Point	Function/Explanation	Action	Responsible Officer(s)	Status
HRA7	<p>Other Income Income Deficit £19K</p> <p>Income from Feed-in-Tariffs (FITs) due on Photovoltaic (PV) panels was less than originally estimated.</p>	This income budget was reduced as part of the budget setting process for 2016/17.	F Troup	
HRA8	<p>Movement in Reserves Underspend £188K</p> <p>Principal repayment of debt less than the original budget due to slippage on the House Build Programme.</p>	No action required.	G Waterson	

Annex 2: Budget Action Plan

Orkney College				
Action Point	Function/Explanation	Action	Responsible Officer(s)	Status
OC9	<p>Business Support Underspend £11K</p> <p>Mainly due to a slight underspend on supplies and services against original budget estimate.</p>	No action required.	K Greaves	
OC10	<p>Further and Higher Education Overspend £92K</p> <p>Circa £50K additional costs associated with installation of lifeboat training equipment. Long term staff absence cover costs added around £8K.</p> <p>Student related grant funding linked to European Structural Investment Fund, Skills Development Scotland and less Higher Education student numbers account for the remainder.</p>	<p>Lifeboat costs to be recouped from course fees in 2016/17.</p> <p>Monitoring is ongoing, in particular the future anticipated grant income against projected staff costs.</p>	K Greaves	Ongoing

Annex 2: Budget Action Plan

Orkney College				
Action Point	Function/Explanation	Action	Responsible Officer(s)	Status
OC11	<p>Agronomy Institute Overspend £11K</p> <p>As a shortfall of up to £30K was identified during the financial year, every opportunity was taken to minimise expenditure “saving” £11K. This, coupled with higher than expected project claims increasing income by £8K, reduced the potential year end shortfall. A balanced budget is projected for 2016/17 as grants have already been confirmed.</p>	Ongoing monitoring of Research Business Units.	K Greaves	
OC12	<p>Archaeology Institute Underspend £47K</p> <p>A high proportion of commercial projects that, in February, were in a position to be claimed/invoiced in March and were claimed, exceeding the projected income.</p>	No action required other than to continue monitoring Research Business Units.	K Greaves	

Annex 2: Budget Action Plan

Orkney College				
Action Point	Function/Explanation	Action	Responsible Officer(s)	Status
OC13	<p>Centre for Nordic Studies Overspend £65K</p> <p>Overspend due to a shortfall in projected income for the year and timescales to reduce staffing costs. The process to address ongoing financial sustainability issues was completed towards the end of 2015/16 with the aim of being in a financially sustainable position from 2016/17 onwards.</p>	<p>Continue monitoring of Business Research Units.</p> <p>A further review of income and expenditure will take place to determine if further cost reductions are necessary.</p>	K Greaves	Ongoing