

Item: 3

Education, Leisure and Housing Committee: 9 September 2020.

Revenue Expenditure Outturn.

Joint Report by Executive Director of Education, Leisure and Housing, Executive Director of Corporate Services and Head of Finance.

1. Purpose of Report

To advise of the revenue outturn position for financial year 2019/20 across each of the service areas 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 2019/20, attached as Annex 1 to this report, indicating the following:

- A net General Fund underspend of £260,700.
- A net Non-General Fund underspend of £58,200.

The Committee is invited to scrutinise:

2.2.

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, in order to obtain assurance that action is being taken with regard to significant budget variances.

3. Background

3.1.

On 5 March 2019, the Council set its overall revenue budget for financial year 2019 to 2020. On 23 April 2019, the Policy and Resources Committee received the detailed revenue budgets which form the basis of the individual revenue expenditure monitoring reports.

3.2.

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.

3.3.

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.

3.4.

Material variances are identified automatically as Priority Actions within individual budget cost centres according to the following criteria:

- £10,000 and 10% more or less than Anticipated position (1b).
- £50,000 more or less than Anticipated position (1c).

3.5.

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.

3.6.

The details have been provided following consultation with the relevant Executive Directors and their staff.

4. Financial Summary

4.1.

The revenue expenditure outturn statement is attached as Annex 1 to this report.

4.2.

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

5. Corporate Governance

This report relates to the Council complying with its governance and financial processes and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

6. Financial Implications

6.1.

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.

6.2.

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.

6.3.

The outturn statements include a number of accounting entries required to comply with proper accounting practice, including International Financial Reporting Standards. This includes accounting for the use of fixed assets, for example, depreciation and revaluations, current service cost of pensions and accumulated staff absences.

7. Legal Aspects

Financial monitoring and reporting help the Council meet its statutory obligation to secure best value.

8. Contact Officers

James Wylie, Executive Director of Education, Leisure and Housing, extension 2401, Email james.wylie@orkney.gov.uk.

Gillian Morrison, Executive Director of Corporate Services, extension 2103, Email gillian.morrison@orkney.gov.uk.

Gareth Waterson, Head of Finance, extension 2103, Email gareth.waterson@orkney.gov.uk.

9. Annexes

Annex 1: Revenue Expenditure Outturn Statement.

Annex 2: Budget Action Plan.

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2019 to 2020

	Spend	Budget	Over/Under		Annual
	£000	£000	Spend		Budget
			£000	%	£000
General Fund Services					
Education	33,248.8	33,417.1	-168.3	99.5	33,417.1
Leisure and Cultural	4,373.9	4,232.2	141.7	103.3	4,232.2
Other Housing	1,333.6	1,567.7	-234.1	85.1	1,567.7
Service Totals	38,956.3	39,217.0	-260.7	99.3	39,217.0
Non-General Fund Service					
HRA	0.0	0.0	0.0	n/a	0.0
Orkney College	-58.2	0.0	-58.2	n/a	0.0
Service Totals	-58.2	0.0	-58.2	n/a	0.0

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2019 to 2020

Education	PA	Spend	Budget	Over/Under		Annual
		£000	£000	£000	%	Budget
						£000
Senior Secondary Schools	1c	10,239.8	10,392.8	-153.0	98.5	10,392.8
Junior Secondary Schools		2,859.1	2,872.1	-13.0	99.5	2,872.1
Primary Schools	1c	10,818.8	10,645.7	173.1	101.6	10,645.7
Pre-School Education		2,439.4	2,483.2	-43.8	98.2	2,483.2
Additional Support Needs		1,251.3	1,295.6	-44.3	96.6	1,295.6
Papdale Halls of Residence		782.6	762.4	20.2	102.6	762.4
Quality Development	1c	97.4	233.7	-136.3	41.7	233.7
Administration		1,969.7	1,988.2	-18.5	99.1	1,988.2
Assistance for Students		198.0	202.5	-4.5	97.8	202.5
Community Learning and Dev		328.2	324.1	4.1	101.3	324.1
School Meals	1c	1,150.8	1,061.4	89.4	108.4	1,061.4
School Transport		2,359.5	2,392.1	-32.6	98.6	2,392.1
School Crossing Patrol		42.2	50.8	-8.6	83.1	50.8
Movement in Reserves		-1,296.0	-1,296.0	0.0	100.0	-1,296.0
Parent Councils		8.0	8.5	-0.5	94.1	8.5
Service Totals		33,248.8	33,417.1	-168.3	99.5	33,417.1

Budget Summary

Original Net Budget	32,381.8
Redetermination - Teachers Pay and Pensions Award	376.3
Redetermination - Teacher Induction Scheme	69.0
Redetermination - Seatbelts on School Transport	1.0
Redetermination - Counselling Through Schools	146.0
Redetermination - Additional Support for Learning	60.0
Contribution from Outwith Orkney Placements Fund	322.7
SIP Budget Contribution	28.0
Contribution from Innovation Fund - E-Learning Project	19.7
Re-align Central Administration Apportioned Costs	12.6
Revised Net Budget	33,417.1

Movement in Reserves Statement

IFRS Accounting Entries	-1,725.6
Contribution to R&R Fund in respect of Early Learning and Childcare	429.6
	-1,296.0

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2019 to 2020

	PA	Spend £000	Budget £000	Over/Under		Annual Budget £000
				Spend £000	%	
Leisure and Cultural Services						
Administration		697.9	737.3	-39.4	94.7	737.3
Parks and Play Areas		321.2	316.7	4.5	101.4	316.7
Healthy Living Centres	1b	57.9	72.6	-14.7	79.8	72.6
Caravan Sites	1b	-24.6	-13.0	-11.6	189.2	-13.0
Hostels		2.2	-2.9	5.1	n/a	-2.9
Sports Development	1b	65.4	80.7	-15.3	81.0	80.7
Sports Facilities		1,119.9	1,097.1	22.8	102.1	1,097.1
Swimming Pools	1b	240.1	204.2	35.9	117.6	204.2
Active Schools		82.4	81.1	1.3	101.6	81.1
Community Facilities		331.1	319.0	12.1	103.8	319.0
Heritage Development		277.3	289.8	-12.5	95.7	289.8
Museums	1c	395.1	287.2	107.9	137.6	287.2
St Magnus Cathedral		187.7	184.6	3.1	101.7	184.6
Movement in Reserves		-339.8	-339.8	0.0	100.0	-339.8
Libraries		960.1	917.6	42.5	104.6	917.6
Service Totals		4,373.9	4,232.2	141.7	103.3	4,232.2

Budget Summary

Original Net Budget	4,134.7
Contribution from Strategic Reserve Fund - Island Games	19.8
Contribution from Recreation Projects Fund - WW1 Commemorations	16.9
SIP Budget Contribution	99.5
Re-align Central Administration Apportioned Costs	-38.7
Revised Net Budget	4,232.2

Movement in Reserves Statement

IFRS Accounting Entries	-339.8
	-339.8

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2019 to 2020

		Spend	Budget	Over/Under		Annual
		£000	£000	Spend	%	Budget
Other Housing	PA	£000	£000	£000	%	£000
Housing Support		57.1	62.2	-5.1	91.8	62.2
Homelessness	1c	639.1	800.1	-161.0	79.9	800.1
Housing Loans		7.2	10.3	-3.1	69.9	10.3
Energy Initiatives	1b	80.7	62.4	18.3	129.3	62.4
Garage Lets		-102.4	-97.5	-4.9	105.0	-97.5
Miscellaneous	1c	197.3	255.1	-57.8	77.3	255.1
Housing Benefits	1b	136.3	157.1	-20.8	86.8	157.1
Landlord Registration	1b	-32.9	-20.2	-12.7	162.9	-20.2
Care and Repair		281.3	306.4	-25.1	91.8	306.4
Sheltered Housing		147.9	135.0	12.9	109.6	135.0
Movement in Reserves		-80.9	-80.9	0.0	100.0	-80.9
Student Accommodation		-14.7	-22.3	7.6	65.9	-22.3
Poverty and Social Inclusion	1b	17.6	0.0	17.6	n/a	0.0
Service Totals		1,333.6	1,567.7	-234.1	85.1	1,567.7

Budget Summary

Original Net Budget	1,528.5
Redetermination - Rapid Response Transition Plan	22.0
Re-align Central Administration Apportioned Costs	17.2
	<u>1,567.7</u>

Movement in Reserves Statement

IFRS Accounting Entries	-80.9
	<u>-80.9</u>

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2019 to 2020

	PA	Spend	Budget	Over/Under		Annual
		£000	£000	Spend	%	Budget
Housing Revenue Account				£000		£000
Administration	1c	737.1	795.9	-58.8	92.6	795.9
Property Costs	1c	1,365.2	1,435.4	-70.2	95.1	1,435.4
Rent Income		-3,801.5	-3,784.1	-17.4	100.5	-3,784.1
Tenant Participation		14.3	22.4	-8.1	63.8	22.4
Other Income	1b	-41.4	-23.0	-18.4	180.0	-23.0
Accounting for Pensions		2.1	2.1	0.0	100.0	2.1
Movement in Reserves	1c	1,288.3	1,115.4	172.9	115.5	1,115.4
Finance Charges		435.9	435.9	0.0	100.0	435.9
Service Totals		0.0	0.0	0.0	n/a	0.0

Movement in Reserves Statement

IFRS Accounting Entries	1,530.3
<u>Transfer from Reserves:</u>	
Transfer of Council Tax 2nd homes income from General Fund	-242.0
	<u>1,288.3</u>

Housing Revenue Account Statement of Reserves

	Opening Balance	Deficit / -Surplus	Closing Balance
Housing Revenue Account Fund	-177.3	0.0	-177.3
Housing Revenue Account Property Maintenance Fund	-346.3	0.0	-346.3
Housing Revenue Account Total Useable Reserves	-523.6	0.0	-523.6

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2019 to 2020

	PA	Spend £000	Budget £000	Over/Under		Annual Budget £000
				Spend £000	%	
Orkney College						
Business Support	1b	293.1	335.3	-42.2	87.4	335.3
Further and Higher Education	1c	-5.8	50.0	-55.8	n/a	50.0
Agronomy Institute		-13.8	-15.0	1.2	92.0	-15.0
Archaeology Institute	1b	20.0	0.0	20.0	n/a	0.0
Institute for Northern Studies	1b	33.6	15.0	18.6	224.0	15.0
Accounting for Pensions		12.2	12.2	0.0	100.0	12.2
Non Distributed Costs		0.3	0.3	0.0	100.0	0.3
Movement in Reserves		-397.8	-397.8	0.0	100.0	-397.8
Service Totals		-58.2	0.0	-58.2	n/a	0.0

Movement in Reserves Statement

IFRS Accounting Entries	-397.8
	<u>-397.8</u>

Orkney College Statement of Reserves

Opening Balance 1 April 2019	-4.7
Financial Year 2019/20 Surplus	-58.2
Closing Balance as at 31 March 2020	<u>-62.9</u>

Annex 2:**Budget Action Plan**

Education			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R11AC	<p>Senior Secondary Schools</p> <p>Less than anticipated expenditure by £153.0K.</p> <p>Prudent financial management by the Head Teachers of KGS and Stromness Academy led to less than anticipated expenditure against the staffing budgets. Also, £107K income from the solar panels at KGS contributed to this underspend.</p>	No action required.	James Wylie
R13AW	<p>Primary Schools</p> <p>More than anticipated expenditure by £173.1K.</p> <p>Long-term absence cover is the main reason. Also, most of the school Devolved School Management budgets were overspent. However, it is noted that, based on last year's figure, the schools have managed to bring this overspend figure down by £100K.</p>	<p>Staff absence to continue to be managed through the HR staff absence policy.</p> <p>Senior management staff continue to monitor budgets with the relevant head teachers.</p>	James Wylie
R14N	<p>Quality Development</p> <p>Less than anticipated expenditure by £136.3K.</p> <p>This was mainly due to:</p> <ul style="list-style-type: none"> • Reduced costs of events for probationer teachers. 	No action required.	James Wylie

Annex 2:**Budget Action Plan**

Education			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
	<ul style="list-style-type: none">• Consolidation of the Learning Through Play project resulted in less expenditure and CPD, to allow the skills to be embedded before introducing new targets.• Budget had been allocated for another Growing up in Orkney conference, but this did not take place.		
R15DE	<p>School Meals</p> <p>More than anticipated expenditure by £89.4K.</p> <p>The overspend is due to a combination of cost of cover for long term sick absence and the long running issue at one school where income has dropped considerably without a corresponding drop in costs.</p> <p>All sick absence is being managed as per policy. Should the opportunity arise to reduce costs across schools, it will be considered at every opportunity, and acted upon where possible.</p>	Ongoing.	Hayley Green

Annex 2:**Budget Action Plan**

Leisure			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R17D	<p>Healthy Living Centres</p> <p>Less than anticipated expenditure by £14.7K.</p> <p>Reduction in staffing requirements.</p>	Monitor in financial year 2020/21.	Peter Diamond
R17E	<p>Caravan Sites</p> <p>More than anticipated income by £11.6K.</p> <p>Increased visitor numbers due to increased marketing and promotion.</p>	Monitor during future years and increase the income budget if needed.	Peter Diamond
R17G	<p>Sports Development</p> <p>More than anticipated income by £15.3K.</p> <p>More than anticipated income generated by the Outdoor Education Service.</p>	Monitor in future years and increase income budget if needed.	Peter Diamond
R17K	<p>Swimming Pools</p> <p>More than anticipated expenditure by £35.9K.</p> <p>£10.7K additional spend on property costs, and £6.7K income incorrectly coded to the Stromness squash courts as well as some incorrect coding of expenditure of supplies and services. In addition to there being not income generated from the</p>	<p>Continue to monitor in 2020/21.</p> <p>Ensure transactions are coded correctly.</p> <p>Review property costs regularly with Development and Infrastructure.</p>	Peter Diamond

Annex 2:**Budget Action Plan**

Leisure			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
	operation of the Isles swimming pools, although all operational expenditure for Isles swimming pools is covered by the Education, Leisure and Housing Service total expenditure budget for Isles pools £43K. Overspend across Isles swimming pools £4K. Income generated by the Stromness Swimming pool increased by £23K against the previous years although down against budget.		
R17T	<p>Museums</p> <p>More than anticipated expenditure by £107.9K.</p> <p>Budget reduced in 2018/19 but anticipated savings have not been met, plus additional expenditure for Scapa Flow Museum combined with loss of income during closure for development and delivery of a temporary service.</p>	<p>The budget was reduced by £30K. Options for making the savings were taken to the September 2019 meeting of ELH but none of the options were recommended to the Council and further work has been underway to seek alternative options.</p> <p>Work progressed on Scapa Flow Museum capital development and attempts were made to increase income through alternative services such as guided walks. Retail income remained very low due to a reduced ability to offer retail at the temporary exhibition.</p>	Peter Diamond

Annex 2:**Budget Action Plan**

Other Housing			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R30B	<p>Homelessness</p> <p>Less than anticipated expenditure by £161.0K.</p> <p>Demand for temporary accommodation was relatively high and there was limited ability to permanently rehouse for some time resulting in a reduction in void turnover, lower expenditure on repairs etc and increased rental income.</p>	Staffing vacancies of 1.5 FTE remain. Initially this was due to difficulties with recruitment. Recruitment was then paused due to COVID-19 and has now resumed.	Frances Troup
R30E	<p>Energy Initiatives</p> <p>Less than anticipated income by £18.3K.</p> <p>Awaiting the outcome of the claim lodged with the creditors of a company which has gone into administration.</p>	Ongoing.	Frances Troup
R30G	<p>Miscellaneous</p> <p>Less than anticipated expenditure by £57.8K.</p> <p>Staff vacancy during the year.</p>	A post remains vacant due to unsuccessful recruitment attempts. It is scheduled to be re-advertised shortly.	Frances Troup
R30H	<p>Housing Benefits</p> <p>Less than anticipated expenditure by £20.8K.</p> <p>Discretionary Housing Payments were less than budget provision.</p>	No action required.	Gareth Waterson

Annex 2:**Budget Action Plan**

Other Housing			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R30K	Landlord Registration More than anticipated income by £12.7K. Private Sector landlords are required to re-register on a 3 yearly cycle and pay fees accordingly. Therefore 2019/20 being an “anniversary” year, resulted in a higher level of income than other years.	No action required.	Frances Troup
R30P	Poverty and Social Inclusion Less than anticipated income by £17.6K. There were issues relating to the drawdown of European funding from the Scottish Government.	Discussions are ongoing.	Frances Troup

Annex 2:**Budget Action Plan**

Housing Revenue Account			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R61A	Administration Less than anticipated expenditure by £58.1K. Staffing costs were underspent as a result of various vacancies some of which have now been filled.	Recruitment is underway for the remaining vacancies.	Frances Troup
R61B	Property Costs Less than anticipated expenditure by £70.2K. Underspend on Repairs and Maintenance contribution as a result of fewer reactive repairs being required and a contract being delayed with a view to enhancing value at a later date.	No action required.	Frances Troup
R61I	Other Income More than anticipated income by £18.4K There has been a delay in payment of the feed in tariff in 2018/19 due to an intermediary going into administration.	No action required.	Frances Troup

Annex 2:

Budget Action Plan

R61U	Movement in Reserves More than anticipated expenditure by £172.9K. Accelerated debt repayment.	No action required.	Frances Troup
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Annex 2:**Budget Action Plan**

Orkney College			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R67A	<p>Business Support</p> <p>Less than anticipated expenditure by £42.2K.</p> <p>The lower expenditure is an accumulation of small savings across non-staff budgets. The higher income is a combination of reimbursed costs, sales and fee related income each being a small amount more than budgeted.</p>	No action required	James Wylie
R67B	<p>Further and Higher Education</p> <p>More than anticipated income by £55.8K.</p> <p>This is an accumulation of a variety of additional income generation in training and our increased activity in attracting/retaining students in year.</p>	No action required	James Wylie
R67F	<p>Archaeology Institute</p> <p>More than anticipated expenditure by £20.0K.</p> <p>Teaching and some additional small cost were incurred that varied from the planned budget; some and potentially all of this related to income from allocations that had not been completed within the financial year, including allocation of RAM/Micro RAM – the academic year close is later than the Council year end.</p>	This will be monitored in regular meetings with the budget holders	James Wylie

Annex 2:

Budget Action Plan

	None of this is associated to ORCA, who delivered a surplus.		
R67G	<p>Institute for Northern Studies</p> <p>Less than anticipated income by £18.6K.</p> <p>This is related to income from allocations that had not been completed within the financial year, including allocation of RAM/Micro RAM – the academic year close is later than the Council year end.</p> <p>There were also changes in allocation in staff and therefore income that created changes in business planning and delivery.</p>	This will be monitored in regular meetings with the budget holder.	James Wylie