

Item: 5

College Management Council Sub-committee: 26 August 2019.

Revenue Expenditure Outturn Report.

Report by Executive Director of Education, Leisure and Housing.

1. Purpose of Report

To advise of the revenue outturn position for financial year 2018 to 2019 across each of the service areas for which the Sub-committee is responsible.

2. Recommendations

The Sub-committee is invited to note:

2.1.

The revenue expenditure outturn statement in respect of Orkney College for financial year 2018 to 2019, attached as Annex 1 to this report, indicating a net overspend of £103,200.

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.

3. Background

3.1.

On 22 February 2018, the Council set its overall revenue budget for financial year 2018 to 2019. On 17 April 2018, 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 as briefing reports every month in order 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 as 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 correction 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. 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.

3.7.

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.

4. Financial Summary

4.1.

The details by service area statement for the period 1 April 2018 to 31 March 2019 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

Wilfred Weir, Executive Director of Education, Leisure and Housing, extension 2433, Email wilf.weir@orkney.gov.uk.

James Wylie, Head of Education (Curriculum and Community Learning), extension 2401, Email james.wylie@orkney.gov.uk.

Edward Abbott-Halpin, Principal, telephone 569250, Email edward.abbott-halpin@uhi.ac.uk

9. Annexes

Annex 1: Financial details by service area.

Annex 2: Budget Action Plan.

Annex 1: Financial Detail by Service Area

The following table shows the spending position by service function.

	PA	Net Spend £000	Net Budget £000	Over/Under Spend £000	%	Annual Budget £000
Orkney College						
Business Support	1b	317.3	258.7	58.6	122.7	258.7
Further and Higher Education	1b	3.6	50.0	-46.4	7.2	50.0
Agronomy Institute		-9.3	-10.0	0.7	93.0	-10.0
Archaeology Institute	1b	113.2	20.0	93.2	566.0	20.0
Centre for Nordic Studies		-72.9	-70.0	-2.9	104.1	-70.0
Accounting for Pensions		-11.0	-11.0	0.0	100.0	-11.0
Non Distributed Costs		5.0	5.0	0.0	100.0	5.0
Movement in Reserves		-242.7	-242.7	0.0	100.0	-242.7
Service Totals		103.2	0.0	103.2	n/a	0.0

Movement in Reserves Statement

IFRS Accounting Entries	-242.7
	<u>-242.7</u>

Orkney College Statement of Reserves

Opening Balance 1 April 2018	-107.9
Financial Year 2018/19 Deficit	103.2
Closing Balance as at 31 March 2019	<u>-4.7</u>

Annex 2: Budget Action Plan

Orkney College

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer
R67A	<p>Business Support</p> <p>More than anticipated expenditure by £58.6K</p> <p>Mainly due to the revised method for calculating bad debt provision. The revised calculation has resulted in an increase in provision of £48K. The actual bad debt for the college has averaged less than £1K annually over last 3 years.</p>	No action required	James Wylie
R67B	<p>Further and Higher Education</p> <p>The net effect of £46.4K combines less than anticipated expenditure by £24.7K and greater than anticipated income by £21.7K</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
R67F	<p>Archaeology Institute</p> <p>Less than anticipated income by £93.2K.</p> <p>Unable to achieve commercial income target.</p>	<p>Monitor the situation</p> <p>Commercial income being monitored and reviewed. Discussions will take place with relevant committees.</p>	James Wylie