

Item: 4

Education, Leisure and Housing Committee: 8 February 2023.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 31 December 2022 across all General and Non-General Fund service areas for which the Committee is responsible.

2. Recommendations

The Committee is invited to note:

2.1.

The revenue financial summary statement in respect of Education, Leisure and Housing for the period 1 April to 31 December 2022, attached as Annex 1 to this report, indicating the following:

- A net General Fund overspend of £385,700.
- A net Non-General Fund underspend of £273,000.

2.2.

The revenue financial detail by service area statement, in respect of Education, Leisure and Housing for the period 1 April to 31 December 2022, attached as Annex 2 to this report.

The Committee is invited to scrutinise:

2.3.

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

3. Background

3.1.

On 10 March 2022, the Council set its overall revenue budget for financial year 2022/23. On 21 June 2022, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2022/23, which form the basis of the individual revenue expenditure monitoring reports.

3.2.

Individual revenue expenditure 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:

- 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).

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 Corporate Directors and their staff.

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 financial summary for the period 1 April to 31 December 2022 is attached as Annex 1 to this report.

4.2.

The financial details by Service Area statement is attached as Annex 2 to this report.

4.3.

The Budget Action Plan, attached as Annex 3 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 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.

7. Legal Aspects

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

8. Contact Officer

Erik Knight, Head of Finance, Email erik.knight@orkney.gov.uk.

9. Annexes

Annex 1: Financial Summary.

Annex 2: Financial Detail by Service Area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary

December 2022

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	26,817.4	26,185.2	632.2	102.4	39,014.1
Leisure & Cultural Services	3,297.2	3,112.4	184.8	105.9	4,781.6
Other Housing	728.2	1,159.5	(431.3)	62.8	1,917.2
	30,842.8	30,457.1	385.7	101.3	45,712.9
Non-General Fund					
Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Housing Revenue Account	(786.1)	(533.4)	(252.7)	147.4	0.0
Orkney College	508.7	529.0	(20.3)	96.2	0.0
	(277.4)	(4.4)	(273.0)	6,304.5	0.0
Service Totals	30,565.4	30,452.7	112.7	100.4	45,712.9

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P08	P09		
Education	5	6	14	43%
Leisure & Cultural Services	3	7	14	50%
Other Housing	5	7	12	58%
Housing Revenue Account	2	3	6	50%
Orkney College	1	3	5	60%
Totals	16	26	51	51%

Annex 2: Financial Detail by Service Area

December 2022

The following tables show the spending position by service function

General Fund

		Spend	Budget	Over/(Under)	Spend	Annual
Education	PA	£000	£000	£000	%	Budget
						£000
Senior Secondary Schools	1C	8,392.7	8,304.5	88.2	101.1	11,045.6
Junior Secondary Schools		2,356.8	2,318.8	38.0	101.6	3,028.5
Primary Schools	1C	8,757.2	8,603.3	153.9	101.8	11,310.3
Early Learning & Childcare	1C	2,888.5	2,962.0	(73.5)	97.5	4,538.4
Additional Support Needs	1B	1,590.2	1,273.2	317.0	124.9	2,202.3
Papdale Halls of Residence	1C	621.1	570.1	51.0	108.9	808.1
Quality Development		217.3	214.7	2.6	101.2	239.9
Administration		(1,733.6)	(1,736.0)	2.4	99.9	(461.3)
Assistance for Students		111.0	115.4	(4.4)	96.2	224.1
Community Learning & Development		282.0	312.4	(30.4)	90.3	464.5
School Meals		1,065.2	1,042.2	23.0	102.2	1,509.0
School Transport	1C	2,226.5	2,159.0	67.5	103.1	4,041.0
School Crossing Patrol		34.3	39.3	(5.0)	87.3	54.8
Parent Councils		8.2	6.3	1.9	130.2	8.9
Service Total		26,817.4	26,185.2	632.2	102.4	39,014.1

Changes in original budget position:

Original Net Budget	38,405.5
Ph II Corp Mgt Restructure GF: Community Learning Officer	94.0
Temp PT2 Post for KGS from Workforce Mgt Fund	43.0
Covid Staff from Redeterminations Fund	145.3
Additional Ed Recovery from Redeterminations Fund	110.3
Disability Assist from Redeterminations Fund	10.0
CO2 Monitors from Redeterminations Fund	15.0
Setup budget profile	20.0
Setup budget profile	175.0
OIC contribution to CLN schools programme	(4.0)
	39,014.1

		Spend	Budget	Over/(Under)	Spend	Annual
Leisure & Cultural Services	PA	£000	£000	£000	%	Budget
						£000
Administration - RC	1B	259.6	234.4	25.2	110.8	782.2
Parks and Play Areas		331.8	330.6	1.2	100.4	350.2
Healthy Living Centres		46.5	45.7	0.8	101.8	75.9
Tourism - Caravan Sites	1B	(35.6)	(18.5)	(17.1)	192.4	(13.5)
Tourism - Hostels		(10.9)	(10.6)	(0.3)	102.8	(2.2)
Sports Development	1B	42.4	60.3	(17.9)	70.3	86.4
Sports Facilities		749.2	725.3	23.9	103.3	1,040.1
Swimming Pools	1B	228.2	189.7	38.5	120.3	221.0
Active Schools	1B	9.0	28.0	(19.0)	32.1	76.2
Community Facilities	1B	298.0	229.9	68.1	129.6	284.5
Heritage Development		241.5	248.1	(6.6)	97.3	330.6
Museums	1B	284.9	229.3	55.6	124.2	363.9
St Magnus Cathedral		193.5	175.8	17.7	110.1	193.2
Libraries		659.1	644.4	14.7	102.3	993.1
Service Total		3,297.2	3,112.4	184.8	105.9	4,781.6

Changes in original budget position:

Original Net Budget	4,237.4
Budget set up	40.6
Employability NOLB from Redeterminations Fund	39.7
Employability PESF from Redeterminations Fund	28.2
Employability PESF Boost from Redeterminations Fund	15.1
Employability Young Persons Guarantee from Redeterminations Fund	130.9
Environmental Monitoring System & Contactless pliers from R&C Fund	6.1
Scapa Flow Museum contribution from Crown Estate Fund	70.0
Stromness Swimming Pool staff cost increase	8.0
Kickstart Funding	106.6
Island Games Budget Creation	45.0
Island Games Budget Creation	50.0
OIC contribution to CLN schools programme	4.0
	4,781.6

		Spend	Budget	Over/(Under)	Spend	Annual
		£000	£000	£000	%	Budget
						£000
Other Housing	PA					
Housing Support		42.4	48.3	(5.9)	87.8	67.3
Homelessness	1B	466.2	762.5	(296.3)	61.1	991.2
Housing Loans	1B	(41.8)	(28.8)	(13.0)	145.1	11.0
Energy Initiatives	1B	18.1	151.8	(133.7)	11.9	114.5
Garages		(50.7)	(59.4)	8.7	85.4	(97.1)
Miscellaneous - OH	1B	(46.9)	(31.2)	(15.7)	150.3	232.6
Housing Benefits	1B	113.8	34.9	78.9	326.1	182.7
Landlord Registration		(41.1)	(43.7)	2.6	94.1	(22.5)
Care & Repair	1B	213.6	291.9	(78.3)	73.2	312.6
Sheltered Housing	1B	118.9	106.0	12.9	112.2	147.0
Student Accommodation		(8.5)	(17.1)	8.6	49.7	(22.1)
Poverty and Social Inclusion		(55.8)	(55.7)	(0.1)	100.2	0.0
Service Total		728.2	1,159.5	(431.3)	62.8	1,917.2

Changes in original budget position:

Original Net Budget	1,768.2
Ph II Corp Mgt Restructure GF	74.0
LHEES Funding 2022.23	75.0
	1,917.2

Non-General Fund

		Spend	Budget	Over/(Under)	Spend	Annual
		£000	£000	£000	%	Budget
						£000
Housing Revenue Account	PA					
Administration - HRA	1B	351.5	465.7	(114.2)	75.5	888.6
Property Costs - HRA		1,624.8	1,614.9	9.9	100.6	1,686.4
Rent Income	1C	(2,755.8)	(2,620.3)	(135.5)	105.2	(4,185.0)
Tenant Participation	1B	6.7	17.8	(11.1)	37.6	25.6
Other Income - HRA		(13.3)	(11.5)	(1.8)	115.7	(23.0)
Finance Charges - HRA		0.0	0.0	0.0	0.0	1,607.4
Service Total		(786.1)	(533.4)	(252.7)	147.4	0.0

		Spend	Budget	Over/(Under)	Spend	Annual
		£000	£000	£000	%	Budget
						£000
Orkney College	PA					
Business Support	1B	218.7	183.1	35.6	119.4	445.2
Further and Higher Education	1B	(39.5)	(72.0)	32.5	54.9	(668.2)
Agronomy Institute		(20.4)	(10.5)	(9.9)	194.3	4.4
Archaeology Institute		361.2	385.8	(24.6)	93.6	234.9
Institute for Northern Studies	1B	(11.3)	42.6	(53.9)	N/A	(16.3)
Service Total		508.7	529.0	(20.3)	96.2	0.0

Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R11AC	<p>Senior Secondary Schools</p> <p>More than anticipated expenditure by £88.2K</p> <p>Budget for KGS Lifecycle works programme is balanced at financial year end. This is currently sitting as an £82k overspend. Also, small overspends on other schools' property and long-term sickness costs.</p>	<p>Monitor the situation</p> <p>Continue to monitor. Virement will be processed by Finance at the end of the financial year.</p>	Peter Diamond	31/03/2023	Ongoing
R13AW	<p>Primary Schools</p> <p>More than anticipated expenditure by £153.9K</p> <p>Budget for Stromness Primary School Lifecycle works programme is balanced at financial year end. This is currently sitting as a £48k overspend. Also overspends on schools' property, staff sickness cover and pay arrears costs.</p>	<p>Monitor the situation</p> <p>Continue to monitor. Virement will be processed by Finance at the end of the financial year.</p>	Peter Diamond	31/03/2023	New
R14A	<p>Early Learning & Childcare</p> <p>Less than anticipated expenditure by £73.5K</p> <p>Underspend due to inability to recruit to staff vacancies in several Early Learning Childcare settings.</p>	<p>Monitor the situation</p> <p>Monitor the situation and continue to explore ways to recruit to the sector, including advertising, using local networks, maximising the hours part time workers are able to work, and raising the profile of the sector.</p>	Peter Diamond	31/01/2023	Ongoing

Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R14FI	<p>Additional Support Needs</p> <p>More than anticipated expenditure by £317.0K</p> <p>Expenditure for packages of care (shared with OHAC) for children and young people out of Orkney is higher than the base budget. The expenditure up to end of December is £294k more than anticipated.</p> <p>There is also an overspend against budget on essential support for children and young people across all schools.</p>	<p>Monitor the situation</p> <p>Out of Orkney placements are always a last resort but are an important part of the available support provision. Education and OHAC will continue to work effectively to ensure all preventative support is in place for children and young people. Additional funds from the Outwith Orkney Placements Fund will be required at the end of the financial year.</p>	Peter Diamond	31/03/2023	Ongoing
R14J	<p>Papdale Halls of Residence</p> <p>More than anticipated expenditure by £51.0K</p> <p>Overspend has occurred chiefly as a consequence of backpay following the pay settlement. Fees and Charges income has been lower than anticipated budget due to lack of demand.</p> <p>The former Halls of Residence has no budget setup.</p>	<p>Monitor the situation</p> <p>Monitor meantime.</p>	Frances Troup	31/03/2023	New

Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R15F	<p>School Transport</p> <p>More than anticipated expenditure by £67.5K</p> <p>From August 2022, the Contract increase was 3%. However, the budget only increased by 0.5%. It is anticipated that there could be a budget shortfall of up to £150k this financial year.</p>	<p>Management input required</p> <p>There is no scope to cover the shortfall from within the transport budgets.</p>	Peter Diamond	31/03/2023	New

Leisure & Cultural Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R17A	<p>Administration - RC</p> <p>More than anticipated expenditure by £25.2K</p> <p>An overspend due to expenditure ahead of the budget profile in 3 employability cost centres.</p>	<p>Raise virements request</p> <p>Virement to correct profile.</p>	Frances Troup	31/03/2023	New
R17E	<p>Tourism - Caravan Sites</p> <p>More than anticipated income by £17.1K</p> <p>Payments have predominantly been made in advance therefore some income is for bookings for next financial year. Currently £12.8k additional income received above budget.</p>	<p>Manage income/expenditure</p> <p>An accrual will be completed at year-end to carry relevant income received this year into next.</p>	Frances Troup	31/03/2023	Ongoing
R17G	<p>Sports Development</p> <p>Less than anticipated expenditure by £17.9K</p> <p>Increased income generated through the Outdoor Education programme and a sport Scotland grant has been received ahead of profile.</p>	<p>Raise virements request</p> <p>Virement to be processed to correct income profile for the grant.</p>	Frances Troup	31/03/2023	New

Leisure & Cultural Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R17K	<p>Swimming Pools</p> <p>More than anticipated expenditure by £38.5K</p> <p>A combination of gym rental being in excess of budget, cost of staff cover being required and rising costs of chemicals for swimming pools.</p>	<p>Monitor the situation</p> <p>Monitor situation meantime.</p>	Frances Troup	31/03/2023	New
R17N	<p>Active Schools</p> <p>Less than anticipated expenditure by £19.0K</p> <p>There is currently a staff vacancy. Also, sponsorship has been received early for sports awards.</p>	<p>Raise virements request</p> <p>Accrual to be completed in due course. Maternity leave is due to end shortly.</p>	Frances Troup	31/03/2023	Ongoing
R17P	<p>Community Facilities</p> <p>More than anticipated expenditure by £68.1K</p> <p>Staff have been covering elsewhere within the service so a journal entry will be done to correct. Sales are lower since the pandemic and income targets are unrealistic.</p>	<p>Monitor the situation</p> <p>Journal entry to be done and otherwise monitor the situation.</p>	Frances Troup	28/02/2023	Ongoing

Leisure & Cultural Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R17T	<p>Museums</p> <p>More than anticipated expenditure by £55.6K</p> <p>There is a combination of additional costs due to relief staff being required to cover for absences in order to meet minimum staffing levels, costs of restocking museum shops following pandemic.</p>	<p>Monitor the situation</p> <p>Staff absences are dealt with through the sickness absence policy, restocking of museum shops was necessary and will be offset by additional income.</p>	Frances Troup	31/03/2023	New

Other Housing

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R30B	<p>Homelessness</p> <p>Less than anticipated expenditure by £296.3K</p> <p>Temporary accommodation income is higher due to the number of properties that are currently occupied by homeless households. Staffing costs are less due to a vacant post where 3 rounds of recruitment have been undertaken.</p>	<p>Raise virements request</p> <p>The vacancy has been re-advertised.</p>	Frances Troup	28/02/2023	Ongoing
R30C	<p>Housing Loans</p> <p>More than anticipated income by £13.0K</p> <p>Some income relates to capital repayments and needs to be journaled accordingly.</p>	<p>Monitor the situation</p> <p>Journal to be processed to move capital income from Revenue to Capital codes as appropriate.</p>	Frances Troup	28/02/2023	New
R30E	<p>Energy Initiatives</p> <p>Less than anticipated expenditure by £133.7K</p> <p>Scottish Government grant received earlier than profiled.</p>	<p>Monitor the situation</p> <p>No action required; profiling is for January so will be corrected by the end of the month.</p>	Frances Troup	28/02/2023	New

Other Housing

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R30G	<p>Miscellaneous - OH</p> <p>More than anticipated income by £15.7K</p> <p>A combination of budget reprofiling being necessary for the budget line around Ukrainian resettlement and a vacant post to deliver the Rapid Rehousing Transition Plan currently being evaluated.</p>	<p>Raise virements request</p> <p>Virement to be processed to correct budget profiling. Evaluation process to complete prior to recruitment being undertaken.</p>	Frances Troup	31/03/2023	Ongoing
R30H	<p>Housing Benefits</p> <p>More than anticipated expenditure by £78.9K</p> <p>Housing Benefits (HB) - part of that due to paying out some HB early in December for January due to Xmas shutdown, and part of it due to not having done normal month-end journals due to staff sickness.</p> <p>Discretionary Housing Payments (DHP) - part of underspend is due to not getting as many applications for the DHP as we would like. But also, a proportion due to month end journals, as stated above.</p>	<p>Manage income/expenditure</p> <p>We are liaising with communications colleagues and third sector partners to promote the uptake of the scheme which we are hoping will assist with increasing the spend. Journals will be posted in due course.</p>	Erik Knight	31/01/2023	Ongoing

Other Housing

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R30L	<p>Care & Repair</p> <p>Less than anticipated expenditure by £78.3K</p> <p>Procurement process is in later stages to appoint contractor for next 3 years.</p>	<p>Monitor the situation</p> <p>Discussions underway.</p>	Frances Troup	28/02/2023	Ongoing
R30M	<p>Sheltered Housing</p> <p>More than anticipated expenditure by £12.9K</p> <p>Staffing costs are over budget as a consequence of backpay following the pay settlement, payment of reliefs to cover for absences and delivering the sleep-in service at Rae's Close.</p>	<p>Monitor the situation</p> <p>Monitor meantime.</p>	Frances Troup	31/03/2023	New

Housing Revenue Account

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R61A	<p>Administration - HRA</p> <p>Less than anticipated expenditure by £114.2K</p> <p>Underspend predominantly due to a staff vacancy which has required several rounds of recruitment to fill. Currently HR checks are being undertaken prior to appointment.</p>	<p>Monitor the situation</p> <p>HR checks will progress in line with normal procedure.</p>	Frances Troup	28/02/2023	Ongoing
R61E	<p>Rent Income</p> <p>More than anticipated income by £135.5K</p> <p>Month end journals not completed for December due to staff sickness.</p>	<p>Manage income/expenditure</p> <p>Journals to be processed.</p>	Erik Knight	31/01/2023	New
R61F	<p>Tenant Participation</p> <p>Less than anticipated expenditure by £11.1K</p> <p>The Tenant Participation Officer post was vacant which created this variance.</p>	<p>No action required</p> <p>No action required as the post has now been filled.</p>	Frances Troup	31/01/2023	Ongoing

Orkney College

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R67A	<p>Business Support</p> <p>More than anticipated expenditure by £35.6K</p> <p>5% pay award for non-teaching staff was applied in November, backdated to April 2022. 2% pay increase was budgeted, remaining 3% was unbudgeted (£15.4k). Property costs are higher than budgeted, probably due to increased inflation, and increased prices for goods and services (£18.1k). The remaining £2.1k are small under and overspends across several cost centres.</p>	<p>Monitor the situation</p> <p>No action.</p>	Peter Diamond	31/03/2023	New
R67B	<p>Further and Higher Education</p> <p>Less than anticipated income by £32.5K</p> <p>The largest variance is on Learning Support. This department has been run with almost exclusively relief staff for all courses. Increased student numbers have led to increased staffing requirements which were unbudgeted for in 2022/23.</p>	<p>Monitor the situation</p> <p>From October 2022, Learning Support has employed 2 new permanent members of staff, relieving the need for relying on relief staff and allowing the department to properly plan around guaranteed staffing.</p> <p>The budget will be reviewed for 2023/24.</p>	Peter Diamond	31/03/2023	Ongoing

Orkney College

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R67G	<p>Institute for Northern Studies</p> <p>Less than anticipated expenditure by £53.9K</p> <p>Income is ahead of budget profile. Income is anticipated to be on budget at the year-end.</p>	<p>Raise virements request</p> <p>Process a budget virement to reprofile the income budget.</p>	Peter Diamond	31/01/2023	New