

Item: 5

Education, Leisure and Housing Committee: 9 November 2022.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 30 September 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 July to 30 September 2022, attached as Annex 1 to this report, indicating the following:

- A net General Fund underspend of £469,100.
- A net Non-General Fund underspend of £62,400.

2.2.

The revenue financial detail by service area statement, in respect of Education, Leisure and Housing for the period 1 July to 30 September 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 July to 30 September 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

September 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	16,995.8	17,001.9	(6.1)	100.0	38,823.1
Leisure & Cultural Services	2,378.4	2,354.0	24.4	101.0	4,682.6
Other Housing	371.3	858.7	(487.4)	43.2	1,917.2
	19,745.5	20,214.6	(469.1)	97.7	45,422.9
Non-General Fund					
Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Housing Revenue Account	234.4	317.7	(83.3)	73.8	0.0
Orkney College	301.8	280.9	20.9	107.4	0.0
	536.2	598.6	(62.4)	89.6	0.0
Service Totals	20,281.7	20,813.2	(531.5)	97.4	45,422.9

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P05	P06		
Education	4	3	14	21%
Leisure & Cultural Services	4	3	14	21%
Other Housing	6	4	12	33%
Housing Revenue Account	1	1	6	17%
Orkney College	3	2	5	40%
Totals	18	13	51	25%

Annex 2: Financial Detail by Service Area**September 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		5,847.1	5,845.6	1.5	100.0	11,045.6
Junior Secondary Schools		1,645.3	1,652.7	(7.4)	99.6	3,028.5
Primary Schools		6,112.9	6,115.6	(2.7)	100.0	11,295.3
Early Learning & Childcare	1C	1,755.6	1,897.6	(142.0)	92.5	4,343.4
Additional Support Needs	1B	828.8	632.2	196.6	131.1	2,202.3
Papdale Halls of Residence		374.5	373.7	0.8	100.2	808.1
Quality Development		209.5	196.6	12.9	106.5	258.9
Administration		(1,860.5)	(1,858.7)	(1.8)	100.1	(461.3)
Assistance for Students		65.0	70.8	(5.8)	91.8	224.1
Community Learning & Development	1B	157.7	194.0	(36.3)	81.3	464.5
School Meals		647.7	664.0	(16.3)	97.5	1,509.0
School Transport		1,184.9	1,186.1	(1.2)	99.9	4,041.0
School Crossing Patrol		19.1	25.6	(6.5)	74.6	54.8
Parent Councils		8.2	6.1	2.1	134.5	8.9
Service Total		16,995.8	17,001.9	(6.1)	100.0	38,823.1

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
	38,823.1

		Spend	Budget	Over/(Under) Spend		Annual
Leisure & Cultural Services	PA	£000	£000	£000	%	£000
Administration - RC	1B	179.8	142.9	36.9	125.8	687.2
Parks and Play Areas		315.9	325.6	(9.7)	97.0	350.2
Healthy Living Centres		29.2	29.9	(0.7)	97.6	75.9
Tourism - Caravan Sites	1B	(41.0)	(22.0)	(19.0)	186.1	(13.5)
Tourism - Hostels		(22.6)	(14.3)	(8.3)	158.2	(2.2)
Sports Development		31.9	32.8	(0.9)	97.4	86.4
Sports Facilities		470.4	501.0	(30.6)	93.9	1,040.1
Swimming Pools		164.5	153.2	11.3	107.3	221.0
Active Schools		33.1	39.4	(6.3)	84.0	76.2
Community Facilities	1B	248.7	201.0	47.7	123.7	284.5
Heritage Development		138.0	139.2	(1.2)	99.1	326.6
Museums		192.9	187.0	5.9	103.1	363.9
St Magnus Cathedral		157.4	146.3	11.1	107.6	193.2
Libraries		480.2	492.0	(11.8)	97.6	993.1
Service Total		2,378.4	2,354.0	24.4	101.0	4,682.6

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
	4,682.6

		Spend	Budget	Over/(Under)	Spend	Annual
		£000	£000	£000	%	Budget
Other Housing	PA					£000
Housing Support		29.3	31.5	(2.2)	93.1	67.3
Homelessness	1B	453.5	591.5	(138.0)	76.7	991.2
Housing Loans	1B	(162.1)	(15.0)	(147.1)	1,080.3	11.0
Energy Initiatives		6.7	(1.2)	7.9	N/A	114.5
Garages		(21.7)	(31.0)	9.3	70.0	(97.1)
Miscellaneous - OH		5.6	(1.5)	7.1	N/A	232.6
Housing Benefits	1B	(2.5)	39.7	(42.2)	N/A	182.7
Landlord Registration		(37.9)	(37.9)	0.0	100.0	(22.5)
Care & Repair	1B	86.7	279.5	(192.8)	31.0	312.6
Sheltered Housing		74.7	70.3	4.4	106.2	147.0
Student Accommodation		(5.2)	(11.5)	6.3	45.3	(22.1)
Poverty and Social Inclusion		(55.8)	(55.7)	(0.1)	100.1	0.0
Service Total		371.3	858.7	(487.4)	43.2	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
	<u>1,917.2</u>

Non-General Fund

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Housing Revenue Account						
Administration - HRA	1B	210.3	304.7	(94.4)	69.0	888.6
Property Costs - HRA		1,598.9	1,596.2	2.7	100.2	1,686.4
Rent Income		(1,573.0)	(1,594.7)	21.7	98.6	(4,185.0)
Tenant Participation		3.1	11.5	(8.4)	26.8	25.6
Other Income - HRA		(4.9)	0.0	(4.9)	0.0	(23.0)
Finance Charges - HRA		0.0	0.0	0.0	0.0	1,607.4
Service Total		234.4	317.7	(83.3)	73.8	0.0

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Orkney College						
Business Support	1B	169.9	113.8	56.1	149.3	445.2
Further and Higher Education	1B	(119.1)	(102.8)	(16.3)	115.9	(668.2)
Agronomy Institute		44.9	54.0	(9.1)	83.1	4.4
Archaeology Institute		190.6	208.2	(17.6)	91.6	234.9
Institute for Northern Studies		15.5	7.7	7.8	201.5	(16.3)
Service Total		301.8	280.9	20.9	107.4	0.0

Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R14A	<p>Early Learning & Childcare</p> <p>Less than anticipated expenditure by £142.0K</p> <p>Underspend due to inability to recruit to staff vacancies in a number of ELC 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>	Claire Meakin	31/12/2022	Ongoing
R14FI	<p>Additional Support Needs</p> <p>More than anticipated expenditure by £196.6K</p> <p>Cost of exceptional packages of care (shared with OHAC) higher than base budget.</p>	<p>Monitor the situation</p> <p>Continue to monitor the situation. Additional funds from Outwith Orkney Placements Fund will be required at the end of the financial year.</p>	Claire Meakin	31/03/2023	Ongoing
R15C	<p>Community Learning & Development</p> <p>Less than anticipated expenditure by £36.3K</p> <p>A combination of additional posts being created through the restructure and yet to be filled and invoices which were accrued for and have yet to be received. Income from evening classes is lower than anticipated.</p>	<p>Monitor the situation</p> <p>Post will be filled shortly; invoices have started to come in.</p>	Frances Troup	30/11/2022	Ongoing

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 £36.9K</p> <p>Allocation of funding for 2025 International Island Games has been agreed, but budget requires to be set up. Additionally, some profiling issues require to be corrected on other budget lines.</p>	<p>Raise virements request</p> <p>Virements to be raised.</p>	Frances Troup	30/11/2022	Ongoing
R17E	<p>Tourism - Caravan Sites</p> <p>More than anticipated income by £19.0K</p> <p>Payments have predominantly been made in advance therefore profiling requires to be amended.</p>	<p>Raise virements request</p> <p>Virement to adjust profiling.</p>	Frances Troup	30/11/2022	Ongoing
R17P	<p>Community Facilities</p> <p>More than anticipated expenditure by £47.7K</p> <p>Reduced income and income targets to be met are particularly challenging. Need to undertake a cost versus price analysis.</p>	<p>Monitor the situation</p> <p>Manage income and expenditure.</p>	Frances Troup	30/11/2022	Ongoing

Other Housing

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R30B	<p>Homelessness</p> <p>Less than anticipated expenditure by £138.0K</p> <p>A combination of homeless accommodation being fully occupied and therefore generating additional rent and minimising costs and grant funding from the homelessness strategy budget being paid out later than profiled.</p>	<p>Raise virements request</p> <p>Most grants have now been paid out. Virement to reprofile</p>	Frances Troup	31/10/2022	Ongoing
R30C	<p>Housing Loans</p> <p>More than anticipated income by £147.1K</p> <p>One housing loan has been repaid in full, therefore a capital repayment has been recorded in a revenue budget.</p>	<p>Raise virements request</p> <p>A reconciliation is required to update the housing loan in balance sheet and revenue cost centre.</p>	Frances Troup	30/11/2022	Ongoing

Other Housing

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R30H	<p>Housing Benefits</p> <p>Less than anticipated expenditure by £42.2K</p> <p>Two factors are responsible for this variance:</p> <p>Demand for housing benefit is lower this year than in the previous two financial years, at this point. This is in part due to COVID restrictions imposed in both of the last two financial years.</p> <p>Discretionary Housing payments for September are not reflected in the ledger.</p>	<p>Manage income/expenditure</p> <p>The mid-year estimate is completed in August and grant funding arrangements will change from September to reflect reduced expenditure</p>	Erik Knight	30/09/2022	Ongoing
R30L	<p>Care & Repair</p> <p>Less than anticipated expenditure by £192.8K</p> <p>Procurement process is in later stages to appoint contractor for next 3 years. The service continues to operate as normal.</p>	<p>Monitor the situation</p> <p>Monitor the situation.</p>	Frances Troup	31/12/2022	Ongoing

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 £94.4K</p> <p>Underspend due to staff vacancies. Two vacancies have required several rounds of recruitment to fill.</p>	<p>Monitor the situation</p> <p>HR checks will progress in line with normal procedure.</p>	Frances Troup	30/11/2022	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 £56.1K</p> <p>Expenditure on property costs is more than anticipated i.e., rates and IT.</p>	<p>Monitor the situation</p> <p>It is likely that property costs will be higher during 2022/23 than in previous years due to rate of inflation, fuel price increases, and the need for updated IT equipment to deliver courses.</p> <p>Further work will be undertaken with the Finance Manager to assess the financial position of the Rural and Remoteness Funding taking into account the increased top slice from UHI.</p> <p>The 'top slice' is the element of funding that UHI keep for services provided to the Academic Partners.</p>	Claire Meakin	31/03/2023	Ongoing

Orkney College

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R67B	<p>Further and Higher Education</p> <p>More than anticipated income by £16.3K</p> <p>There is an underspend within the Developing Young Workforce (DYW) cost centre due to spend not being incurred as originally anticipated.</p>	<p>Monitor the situation</p> <p>The DYW budget is grant funded and will balance at year-end.</p> <p>A virement will be completed to correct profiles to reflect when spend will be made.</p>	Claire Meakin	31/03/2023	Ongoing