

Item: 3

College Management Council Sub-committee: 19 March 2018.

Revenue Expenditure Monitoring.

Report by Executive Director of Education, Leisure and Housing.

1. Purpose of Report

To advise of the revenue position as at 31 January 2018 for Orkney College.

2. Recommendations

The Sub-committee is invited to note:

2.1.

The revenue financial detail in respect of Orkney College for the period 1 April 2017 to 31 January 2018, attached as Annex 1 to this report, indicating a net overspend of £310,700.

2.2.

The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 1 to this report.

3. Policy Aspects

This report relates to the College complying with its governance and financial processes and procedures and therefore does not relate specifically to progressing the Council's priorities.

4. Introduction

At its meeting held on 20 June 2017, the Policy and Resources Committee noted the detailed revenue budgets for financial year 2017 to 2018, which included Orkney College.

5. Background

5.1.

Individual revenue monitoring reports are circulated to Councillors every month as briefing reports in order to inform of the up to date financial position. Quarterly monitoring reports are presented to individual service committees. This report provides an update on the revenue expenditure and income for Orkney College.

5.2.

In terms of revenue expenditure and income, at an individual cost centre level, explanations of the causes of each material variance are required along with appropriate corrective actions to remedy the situation.

5.3.

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 and 10% more or less than Anticipated position (1c).

5.4.

Priority Actions can be identified as the Service Function level according to the same criteria and these are shown in the Revenue 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.

5.5.

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 Commentary

6.1.

The details in respect of Orkney College for the period 1 April 2017 to 31 January 2018 is attached as Annex 1 to this report.

6.2.

The Budget Action Plan, attached as Annex 1 to this report, provides an explanation and proposed correction action for each of the Priority Actions identified.

7. Financial Implications

The requirement for Orkney College to set a balanced budget is based on the premise that planned levels of income and expenditure are realistic and achievable. On the basis that a significant proportion of the Research Business Units operate on the basis of sourcing their income, the forecast carries with it the inherent risk that the assumed levels will not be realised. In the event that these funding levels are not achieved then a compensatory reduction in expenditure across the College will be required.

8. Legal Aspects

Financial monitoring and reporting helps the College, as a service of the Council, meet its statutory obligation to secure best value.

9. Contact Officers

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10. Annex

Annex 1: Financial Detail and Budget Action Plan