

Item: 4

Education, Leisure and Housing Committee: 6 September 2023.

Revenue Expenditure Outturn.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue outturn position for financial year 2022/23 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 2022/23, attached as Annex 1 to this report, indicating the following:

- A net General Fund overspend of £1,180,600.
- A net non-General Fund overspend of £792,300.

2.2.

The revenue financial detail by service area statement, in respect of service areas for which the Education, Leisure and Housing Committee is responsible, for financial year 2022/23, 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 appropriate action was 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 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:

- 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.

4. Financial Summary

4.1.

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

4.2.

The detail 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 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

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.

7. Legal Aspects

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

8. Contact Officer

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9. Annexes

Annex 1: Financial Summary.

Annex 2: Financial Detail by Service Area

Annex 3: Budget Action Plan.

Annex 1: Financial Summary

March 2023

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	41,686.0	40,503.6	1,182.4	102.9	40,503.6
Leisure & Cultural Services	5,223.8	4,866.5	357.3	107.3	4,866.5
Other Housing	1,594.0	1,953.1	(359.1)	81.6	1,953.1
	48,503.8	47,323.2	1,180.6	102.5	47,323.2
Non-General Fund					
Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Housing Revenue Account	173.9	2.0	171.9	N/A	2.0
Orkney College	620.4	0.0	620.4	0.0	0.0
	794.3	2.0	792.3	N/A	2.0
Service Totals	49,298.1	47,325.2	1,972.9	104.2	47,325.2

The following tables show the spending position by service function

General Fund

Education	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Senior Secondary Schools	1C	11,659.3	11,268.7	390.6	103.5	11,268.7
Junior Secondary Schools	1C	3,267.9	3,079.8	188.1	106.1	3,079.8
Primary Schools	1C	12,309.6	11,598.3	711.3	106.1	11,598.3
Early Learning & Childcare	1C	4,297.5	4,551.3	(253.8)	94.4	4,551.3
Additional Support Needs		2,761.3	2,789.0	(27.7)	99.0	2,789.0
Papdale Halls of Residence	1B	960.3	840.1	120.2	114.3	840.1
Quality Development		299.0	297.1	1.9	100.6	297.1
Administration		2,799.2	2,817.0	(17.8)	99.4	2,817.0
Assistance for Students	1B	170.9	224.3	(53.4)	76.2	224.3
Community Learning & Development	1B	410.9	472.4	(61.5)	87.0	472.4
School Meals	1C	1,674.5	1,552.5	122.0	107.9	1,552.5
School Transport	1C	4,108.9	4,041.0	67.9	101.7	4,041.0
School Crossing Patrol		51.0	55.7	(4.7)	91.6	55.7
Movement in Reserves	1B	2,978.9	(3,092.5)	6,071.4	N/A	(3,092.5)
Finance & Capital Charges	1B	(6,071.4)	0.0	(6,071.4)	0.0	0.0
Parent Councils		8.2	8.9	(0.7)	92.1	8.9
Service Total		41,686.0	40,503.6	1,182.4	102.9	40,503.6

Changes in original budget position:

Original Net Budget	39,895.0
VF4C Ph II Corp Mgt Restructure GF: Comm	94.0
VF7C Temp PT2 Post for KGS from Workforce Mgt Fund	43.0
VF7C Covid Staff from Redeterminations Fund	145.3
VF7C Additonal Ed Recovery from Redeterminations Fund	110.3
VF7C Disability Assist from Redeterminations Fund	10.0
VF7C CO2 Monitors from Redeterminations Fund	15.0
Set up Budget Profile	20.0
Set up Budget Profile	175.0
OIC contribution to CLN schools prog	(4.0)
	40,503.6

Leisure & Cultural Services	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - RC		1,269.7	1,257.6	12.1	101.0	1,257.6
Parks and Play Areas		344.6	350.8	(6.2)	98.2	350.8
Healthy Living Centres		77.7	77.0	0.7	100.9	77.0
Tourism - Caravan Sites		(21.2)	(13.1)	(8.1)	161.8	(13.1)
Tourism - Hostels		7.5	(1.9)	9.4	N/A	(1.9)
Sports Development	1B	75.6	87.7	(12.1)	86.2	87.7
Sports Facilities		1,113.6	1,112.8	0.8	100.1	1,112.8
Swimming Pools	1B	292.6	224.3	68.3	130.5	224.3
Active Schools		75.1	78.9	(3.8)	95.2	78.9
Community Facilities	1B	387.0	287.6	99.4	134.6	287.6
Heritage Development		336.3	337.7	(1.4)	99.6	337.7
Museums	1B	464.8	381.7	83.1	121.8	381.7
St Magnus Cathedral	1B	262.0	196.1	65.9	133.6	196.1
Libraries		1,050.1	1,000.9	49.2	104.9	1,000.9
Movement in Reserves	1B	(3,113.3)	(511.6)	(2,601.7)	608.5	(511.6)
Finance & Capital Charges	1B	2,601.7	0.0	2,601.7	0.0	0.0
Service Total		5,223.8	4,866.5	357.3	107.3	4,866.5

Changes in original budget position:

Original Net Budget	4,321.3
VE5C budget set up	40.6
VF7C Employability NOLB from Redeterminations Fund	39.7
VF7C Employability PESF from Redeterminations Fund	28.2
VF7C Employability PESF Boost from Redeterminations Fund	15.1
VF7C Employability Young Persons Guarantee from Redeterminations Fund	130.9
VF7C Environmental Monitoring System & Contactless pliers from R&C Fund	6.1
VF7C Scapa Flow Museum contribution from Crown Estate Fund	70.0
VF25C Stromness Swimming Pool staff cost increase	8.0
VF46C Kickstart Funding	106.6
VF56C Island Games Budget Creation	45.0
VF56C Island Games Budget Creation	50.0
Trasfer to Arts Development budget	1.0
OIC contribution to CLN schools prog	4.0
	4,866.5

Other Housing	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Housing Support	1B	57.5	68.4	(10.9)	84.1	68.4
Homelessness	1B	654.6	977.3	(322.7)	67.0	977.3
Housing Loans		10.4	14.2	(3.8)	73.2	14.2
Energy Initiatives	1B	29.7	115.1	(85.4)	25.8	115.1
Garages		(104.1)	(96.9)	(7.2)	107.4	(96.9)
Miscellaneous - OH	1B	463.9	396.4	67.5	117.0	396.4
Housing Benefits		213.7	197.4	16.3	108.3	197.4
Mobile Home Sites		1.3	0.0	1.3	0.0	0.0
Landlord Registration		(20.8)	(22.0)	1.2	94.5	(22.0)
Care & Repair		314.4	312.6	1.8	100.6	312.6
Sheltered Housing	1B	180.3	149.3	31.0	120.8	149.3
Student Accommodation		(14.5)	(22.1)	7.6	65.6	(22.1)
Poverty and Social Inclusion	1B	(55.8)	0.0	(55.8)	0.0	0.0
Movement in Reserves	1B	(61.9)	(136.6)	74.7	45.3	(136.6)
Finance & Capital Charges	1B	(74.7)	0.0	(74.7)	0.0	0.0
Service Total		1,594.0	1,953.1	(359.1)	81.6	1,953.1

Changes in original budget position:

Original Net Budget	1,804.1
VF4C Ph II Corp Mgt Restructure GF	74.0
VF27C LHEES Funding 2022.23	75.0
	<u>1,953.1</u>

Non-General Fund

Housing Revenue Account	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - HRA	1B	829.0	975.2	(146.2)	85.0	975.2
Property Costs - HRA	1B	1,872.0	1,688.4	183.6	110.9	1,688.4
Rent Income		(4,139.5)	(4,185.0)	45.5	98.9	(4,185.0)
Tenant Participation	1B	11.1	25.6	(14.5)	43.4	25.6
Other Income - HRA		(31.7)	(23.0)	(8.7)	137.8	(23.0)
Accounting for Pensions		(2.3)	(2.3)	0.0	100.0	(2.3)
Movement in Reserves	1B	3,577.9	(84.3)	3,662.2	N/A	(84.3)
Finance Charges - HRA	1B	(1,942.6)	1,607.4	(3,550.0)	N/A	1,607.4
Service Total		173.9	2.0	171.9	N/A	2.0

Orkney College	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Business Support	1B	1,108.9	987.8	121.1	112.3	987.8
Further and Higher Education	1B	(252.2)	(668.2)	416.0	37.7	(668.2)
Agronomy Institute	1B	(25.2)	4.4	(29.6)	N/A	4.4
Archaeology Institute	1B	288.5	184.3	104.2	156.5	184.3
Institute for Northern Studies	1B	42.8	(16.3)	59.1	N/A	(16.3)
Accounting for Pensions		(12.6)	(12.6)	0.0	100.0	(12.6)
Movement in Reserves	1B	(146.8)	(479.4)	332.6	30.6	(479.4)
Finance Charges	1B	(383.0)	0.0	(383.0)	0.0	0.0
Service Total		620.4	0.0	620.4	0.0	0.0

Annex 3: Budget Action Plan

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R11A-C	Senior Secondary Schools	Diamond, Peter	Overspends on both KGS and SA property costs (increased energy and cleaning - £137k), and staffing costs (teachers' pay increase, non-teaching staff back pay and long-term sickness cover - £231k).	Monitor the situation.
R12A-F	Junior Secondary Schools	Diamond, Peter	Overspend on property costs (£84k), a significant part of which is energy. A large part of the remaining overspend (£73k) is the teachers' pay increase and non-teaching back pay.	Monitor the situation.
R13A-W	Primary Schools	Diamond, Peter	Increased energy and cleaning costs (£294k) and teachers' pay increase, sickness cover and non-teaching back pay (£417k) account for the majority of the overspend.	Monitor the situation.
R14A	Early Learning & Childcare	Diamond, Peter	Underspend due to inability to recruit to staff vacancies in a number of ELC settings.	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.
R14J	Papdale Halls of Residence	Troup, Frances	A combination of overspends across the three separate budgets falling under this heading. Papdale Halls of Residence has an overspend of £98.5k, mainly due to increased staff costs and less income received. The former Halls of Residence	Monitor the situation.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
			has a £21.5k spend and no budget.	
R15B	Assistance for Students	Diamond, Peter	Less bursaries paid out than budgeted for (£54k).	Monitor the situation. Ensure that this facility continues to be promoted through the Child Poverty task force comms.
R15C	Community Learning & Development	Troup, Frances	A combination of being unable to backfill a vacancy created as a result of a secondment, and a shortfall of £13k income as the take-up of evening classes has dropped.	Monitor the situation. Continue to advertise the post. Review the evening class offer and viability.
R15D-E	School Meals	Troup, Frances	This is due to increased staff costs as a result of back pay and reduced income as a result of P4 and P5 pupils receiving free school meals and secondary pupils opting to eat outwith the school.	Monitor the situation.
R15F	School Transport	Diamond, Peter	Increased school transport costs due to contracts increasing by 3% from August 2022 with only a 0.5% budget increase, and 4 contracts being re-tendered, which has resulted in a budget shortfall.	Monitor the situation. Discussions between Finance and Education Services are required to address this issue.
R15U	Movement in Reserves	Knight, Erik	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal. These transactions are applied to their relevant non-useable reserve through the Movement in Reserves budget area.	No action required

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R15Y	Finance & Capital Charges	Knight, Erik	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal.	No action required
R17G	Sports Development	Troup, Frances	The increased income was because more schools used this facility.	Monitor the situation and continue to promote the OIC Outdoor Education facility and offer.
R17K	Swimming Pools	Troup, Frances	A combination of gym rental being in excess of budget, cost of staff cover being required, higher energy costs and the rising cost of chemicals for swimming pools.	Monitor the situation.
R17P	Community Facilities	Troup, Frances	Kirkwall Community Centre Café sales have improved on the previous year but are still below figures from pre-COVID. Income targets are unrealistic.	Monitor the situation. Discuss income targets with Finance Services.
R17T	Museums	Troup, Frances	The Orkney Museums staff costs were overspent because of the requirement to recruit relief staff, staff back pay (£14k) and the property cost increase was due to rising energy costs.	Monitor the situation. Review the service provided when staff are absent.
R17U	St Magnus Cathedral	Troup, Frances	Staff costs were overspent by £31k because of the pay increase and grading, unbudgeted maternity cover and additional staff cover. Property costs were £22k higher than anticipated due to increased energy and insurance costs.	Monitor the situation.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R17X	Movement in Reserves	Knight, Erik	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal. These transactions are applied to their relevant non-useable reserve through the Movement in Reserves budget area.	No action required
R17Y	Finance & Capital Charges	Knight, Erik	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal.	No action required
R30A	Housing Support	Troup, Frances	Underspend due to staff vacancy.	Vacancy has now been filled.
R30B	Homelessness	Troup, Frances	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 recruitment has been unsuccessful.	No action required regarding lets. Vacant post has been restructured and will be advertised imminently.
R30E	Energy Initiatives	Troup, Frances	There has been no spend within Local Heat and Energy Efficiency Strategy (LHEES) against budget.	Monitor the situation.
R30G	Miscellaneous – OH	Troup, Frances	This is mainly due to bad debt provision.	Monitor the situation. Continue to follow up on outstanding invoices.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R30M	Sheltered Housing	Troup, Frances	Staffing costs are over budget partially due to the pay increase, payment of reliefs to cover for absences and delivering the sleep-in service at Rae's Close.	Monitor the situation.
R30P	Poverty and Social Inclusion	Troup, Frances	Variance caused by invoice raised for repayment of costs associated with grant that had to be repaid to the Scottish Government.	No action required.
R33U	Movement in Reserves	Knight, Erik	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal. These transactions are applied to their relevant non-useable reserve through the Movement in Reserves budget area.	No action required
R30Y	Finance & Capital Charges	Knight, Erik	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal.	No action required
R61A	Administration – HRA	Troup, Frances	Underspend predominantly due to 2 staff vacancies which have required several rounds of recruitment to fill.	No action required. One post is now filled and we will continue to advertise the second.
R61B	Property Costs – HRA	Troup, Frances	Increased repairs and maintenance costs beyond budget expectations.	Monitor the situation.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R61F	Tenant Participation	Troup, Frances	The Tenant Participation Officer post was vacant which created this variance.	No action required as the post has now been filled.
R61U	Movement in Reserves	Knight, Erik	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal. These transactions are applied to their relevant non-useable reserve through the Movement in Reserves budget area.	No action required
R61Y	Finance Charges – HRA	Knight, Erik	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal.	No action required
R67A	Business Support	Diamond, Peter	21/22 pay award was higher than budgeted. Reduced SFC funding led to reduced top slice for administration. Property costs are higher than budgeted due to increased energy costs.	Monitor. 2023/24 budget is not predicted to be able to cover increased property costs, so savings will need to be made in other lines. A complete review of the whole finance structure has been undertaken by the Finance Manager at Orkney College and an action plan is being created.
R67B	Further and Higher Education	Diamond, Peter	The Higher Education budget has been rolled forward for several years and no longer matches the actual income being received.	Work is being undertaken with budget holders to evaluate course viability and ensure that staff time is directed to income-generating activity. Tighter control on the use of relief

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
			Increased numbers of students presenting with additional support needs has led to increased support staff costs.	support for learning staff.
R67C	Agronomy Institute	Diamond, Peter	The underspend is on the Staff Costs budget line due to a staff member retiring and no replacement yet. Also more income than anticipated.	Recruitment is underway.
R67F	Archaeology Institute	Diamond, Peter	The Orkney Research Centre for Archaeology (ORCA) has received considerably less income than budgeted; this is considered to be a covid recovery issue.	Review budgeted activity and income for 23/24.
R67G	Institute for Northern Studies	Diamond, Peter	Staffing costs recharged by UHI are higher than anticipated.	Further investigation to clarify the cost of UHI staff and associated income.
R67U	Movement in Reserves	Knight, Erik	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on disposal. These transactions are applied to their relevant non-useable reserve through the Movement in Reserves budget area.	No action required
R67Y	Finance Charges	Knight, Erik	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit and loss on	No action required

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
			disposal.	