

Item: 3

Education, Leisure and Housing Committee: 7 February 2024.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 31 December 2023 across each of the 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 service areas for which the Education, Leisure and Housing Committee is responsible, for the period 1 April to 31 December 2023, attached as Annex 1 to this report, indicating a budget overspend position of £1,162,200.

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 the period 1 April to 31 December 2023, 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 7 March 2023, the Council set its overall revenue budget for financial year 2023/24. On 20 June 2023, the Policy Resources Committee recommended approval of the detailed revenue budgets for 2023/24, 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.

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 2023 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

Erik Knight, Head of Finance, extension 2127, Email erik.knight@orkney.gov.uk.

9. Annexes

Annex 1: Financial Summary.

Annex 2: Financial Details by Service Area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary

December 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	30,685.1	30,023.0	662.1	102.2	43,227.1
Leisure & Cultural Services	4,187.5	4,020.2	167.3	104.2	5,404.3
Other Housing	1,138.3	1,245.9	(107.6)	91.4	2,145.2
	36,010.9	35,289.1	721.8	102.0	50,776.6
Non-General Fund					
Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Housing Revenue Account	(696.3)	(637.6)	(58.7)	109.2	0.0
Orkney College	240.3	(258.8)	499.1	N/A	0.0
	(456.0)	(896.4)	440.4	50.9	0.0
Service Totals	35,554.9	34,392.7	1,162.2	103.4	50,776.6

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	4	14	29%
Leisure & Cultural Services	5	5	14	36%
Other Housing	7	4	11	36%
Housing Revenue Account	3	3	6	50%
Orkney College	5	5	5	100%
Totals	25	21	50	42%

Annex 2: Financial Detail by Service Area**December 2023**

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		9,483.7	9,454.9	28.8	100.3	12,488.8
Junior Secondary Schools		2,551.1	2,503.2	47.9	101.9	3,291.9
Primary Schools	1C	9,585.3	9,402.7	182.6	101.9	12,401.3
Early Learning & Childcare		3,088.7	3,098.1	(9.4)	99.7	4,727.6
Additional Support Needs	1B	2,732.9	2,344.8	388.1	116.6	3,251.9
Papdale Halls of Residence		632.3	640.3	(8.0)	98.8	907.0
Quality Development	1B	32.9	(6.7)	39.6	N/A	11.9
Administration		(1,552.0)	(1,576.7)	24.7	98.4	(457.2)
Assistance for Students		172.0	162.4	9.6	105.9	214.2
Community Learning & Development		265.7	278.3	(12.6)	95.5	514.5
School Meals		1,247.0	1,210.1	36.9	103.0	1,759.1
School Transport	1C	2,402.6	2,459.3	(56.7)	97.7	4,041.6
School Crossing Patrol		40.7	46.0	(5.3)	88.5	64.2
Parent Councils		2.2	6.3	(4.1)	34.9	10.3
Service Total		30,685.1	30,023.0	662.1	102.2	43,227.1

Changes in original budget position:

Original Net Budget	41,995.5
Tempt PT2 Post - KGS	27.0
ELC Furniture from R&R Fund	154.5
SNCT Teachers Pay - Secondary Schools	204.4
SNCT Teachers Pay - Junior High Schools	53.8
SNCT Teachers Pay - Primary Schools	190.9
SNCT Teachers Pay - ELC	6.0
Dounby School Art Project	4.0
School Investment Programme – Secondary Schools	303.7
School Investment Programme – Primary Schools	287.3
	43,227.1

		Spend	Budget	Over/(Under)	Spend	Annual
Leisure & Cultural Services	PA	£000	£000	£000	%	Budget
						£000
Administration - RC		314.4	320.0	(5.6)	98.3	564.7
Parks and Play Areas	1B	392.9	342.4	50.5	114.7	360.6
Healthy Living Centres	1B	38.8	50.0	(11.2)	77.6	82.0
Tourism - Caravan Sites		(24.1)	(18.9)	(5.2)	127.5	(13.0)
Tourism - Hostels		(13.1)	(6.8)	(6.3)	192.6	4.5
Sports Development	1B	50.7	74.2	(23.5)	68.3	97.2
Sports Facilities		1,109.3	1,099.4	9.9	100.9	1,360.0
Swimming Pools	1B	270.2	240.7	29.5	112.3	285.3
Active Schools		13.9	18.4	(4.5)	75.5	90.6
Community Facilities	1B	341.2	229.6	111.6	148.6	293.1
Heritage Development		457.2	467.9	(10.7)	97.7	576.3
Museums		294.8	291.3	3.5	101.2	326.7
St Magnus Cathedral		217.6	217.1	0.5	100.2	259.5
Libraries		723.7	694.9	28.8	104.1	1,116.8
Service Total		4,187.5	4,020.2	167.3	104.2	5,404.3

Changes in original budget position:

Original Net Budget	4,665.4
Kickstart Scheme	20.9
Island Games Budget Creation	150.0
Temporary Budget - Summer of Play	16.6
Dounby School Art Project	(4.0)
School Investment Programme	290.4
Covid Recovery Fund	240.0
Civica Sydpus Library Management System	25.0
	5,404.3

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Other Housing						
Housing Support	1B	40.4	51.4	(11.0)	78.6	71.7
Homelessness	1B	559.8	841.1	(281.3)	66.6	1,106.7
Housing Loans	1B	(39.9)	(29.0)	(10.9)	137.6	12.7
Energy Initiatives		194.2	195.2	(1.0)	99.5	42.2
Garages		(62.6)	(58.2)	(4.4)	107.6	(95.9)
Miscellaneous - OH		(163.6)	(153.5)	(10.1)	106.6	313.9
Housing Benefits	1B	286.2	75.5	210.7	379.1	251.1
Landlord Registration		(34.3)	(37.2)	2.9	92.2	(24.6)
Care & Repair		232.6	250.2	(17.6)	93.0	312.6
Sheltered Housing		134.6	127.5	7.1	105.6	176.9
Student Accommodation		(9.1)	(17.1)	8.0	53.2	(22.1)
Service Total		1,138.3	1,245.9	(107.6)	91.4	2,145.2

Changes in original budget position:

Original Net Budget	2,091.2
Redetermination – Rapid Rehouse Transition Plans	54.0
	<u>2,145.2</u>

Non-General Fund

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Housing Revenue Account						
Administration - HRA	1B	488.6	403.0	85.6	121.2	841.2
Property Costs - HRA		1,725.2	1,681.7	43.5	102.6	1,760.8
Rent Income	1C	(2,895.5)	(2,733.4)	(162.1)	105.9	(4,341.2)
Tenant Participation	1B	13.0	30.9	(17.9)	42.1	43.8
Other Income - HRA		(27.6)	(19.8)	(7.8)	139.4	(23.0)
Finance Charges - HRA		0.0	0.0	0.0	0.0	1,718.4
Service Total		(696.3)	(637.6)	(58.7)	109.2	0.0

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Orkney College						
Business Support	1B	362.1	270.7	91.4	133.8	574.1
Further and Higher Education	1B	(398.8)	(572.0)	173.2	69.7	(701.9)
Agronomy Institute	1B	(37.9)	1.4	(39.3)	N/A	(5.1)
Archaeology Institute	1B	336.8	115.7	221.1	291.1	151.0
Institute for Northern Studies	1B	(21.9)	(74.6)	52.7	29.4	(18.1)
Service Total		240.3	(258.8)	499.1	N/A	0.0

Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R13AW	<p>Primary Schools</p> <p>More than anticipated expenditure by £182.6K</p> <p>Additional Schools Improvement Programme building works (£52k) exceed the profiled budget. Primary Teacher Recruitment exceeds the annual budget by £24k, due to increased interview/relocation costs in this sector. There are smaller variances across various schools mainly due to staff cover for sickness/maternity and property costs.</p>	<p>Raise virements request</p> <p>A virement will be processed to increase the budget from the SIP Fund to cover the overspend relating to school improvement works. Continue to monitor other Primary School budgets to eliminate any non-essential expenditure.</p> <p>Staff absence will be managed by following Council Policy.</p>	Peter Diamond	29/02/2024	Ongoing
R14FI	<p>Additional Support Needs</p> <p>More than anticipated expenditure by £388.1K</p> <p>Expenditure on existing commitments (education and social care placements out with Orkney) exceeds the budget.</p>	<p>Monitor the situation</p> <p>There is a contingency of £660K available in earmarked general reserves for 2023/24, which will be split between Education and Orkney Health and Care which can be utilised at year end if required.</p> <p>Work is ongoing and it is anticipated some placements may no longer be required prior to year end which reduce the demand on the budget.</p>	Peter Diamond	29/03/2024	Ongoing

Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R14N	<p>Quality Development</p> <p>Less than anticipated income by £39.6K</p> <p>Strategic Equity Funding has an overspend of £12k over several budget headings with no budget/less budget available on those lines. Instrumental Repairs & Maintenance has an overspend of £14k due to spend being ahead of the budget profile.</p>	<p>Raise virements request</p> <p>With limited additional spend on instrument repair anticipated, it is expected that this budget will balance at the year-end. Aside from staff salaries and essential travel, spend from the Strategic Equity Fund is being stopped for the remainder of the year, in order to correct overspends in this area.</p>	Peter Diamond	29/03/2024	Ongoing
R15F	<p>School Transport</p> <p>Less than anticipated expenditure by £56.7K</p> <p>Underspend is due to small underspends across various cost centres and awaiting invoices from contractors.</p>	<p>Monitor the situation</p> <p>Chase and pay invoices on receipt and monitor overall budget position. Raise a virement if required.</p>	Peter Diamond	29/02/2024	Ongoing

Leisure & Cultural Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R17C	<p>Parks and Play Areas</p> <p>More than anticipated expenditure by £50.5K</p> <p>Costs for grounds maintenance have increased by £57k but the budget has been unable to be increased accordingly.</p>	<p>Monitor the situation</p> <p>Further investigations are being done with Finance colleagues in regards to recharges.</p>	Frances Troup	29/03/2024	Ongoing
R17D	<p>Healthy Living Centres</p> <p>Less than anticipated expenditure by £11.2K</p> <p>The underspend refers to healthy living centres and Group X Instructors and is related to whether relief cover can be provided which is a challenging area. While cover is generally provided from within existing staff with annualised hours, not all hours can be covered hence the underspend position.</p>	<p>Monitor the situation</p> <p>Monitor the situation . The additional revenue will be used against any overspent areas within the Service.</p>	Frances Troup	31/01/2024	New
R17G	<p>Sports Development</p> <p>Less than anticipated expenditure by £23.5K</p> <p>There has been higher income for the outdoor education service.</p>	<p>Monitor the situation</p> <p>This additional revenue will aid any other overspending areas within the service.</p>	Frances Troup	29/12/2023	Ongoing

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 £29.5K</p> <p>A combination of increased supply staff, sickness cover, rental costs being higher than budgeted allocation and actual income being less than anticipated.</p>	<p>Monitor the situation</p> <p>Monitor the situation . Staff absence will be managed by following Council Policy.</p>	Frances Troup	31/01/2024	New
R17P	<p>Community Facilities</p> <p>More than anticipated expenditure by £111.6K</p> <p>Combination of income targets that are unlikely to be achievable, difficulties with recruitment and staffing leading to challenges around being able to attract further income.</p>	<p>Monitor the situation</p> <p>A manager has been now recruited and will lead the centre forward. Continue to monitor the other overspends.</p>	Frances Troup	31/01/2024	Ongoing

Other Housing

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R30A	<p>Housing Support</p> <p>Less than anticipated expenditure by £11.0K</p> <p>A staff vacancy led to the underspend position.</p>	<p>No action required</p> <p>Vacancy has now been recruited to.</p>	Frances Troup	31/08/2023	Ongoing
R30B	<p>Homelessness</p> <p>Less than anticipated expenditure by £281.3K</p> <p>Underspend is due to temporary accommodation being full and therefore higher rental income being obtained. There are also less staff costs than anticipated to date due to staff vacancies.</p>	<p>Monitor the situation</p> <p>Continue to recruit to vacant posts.</p>	Frances Troup	31/01/2024	Ongoing
R30C	<p>Housing Loans</p> <p>More than anticipated income by £10.9K</p> <p>Income from Interest and Loans is higher than anticipated to date.</p>	<p>No action required</p> <p>The budget should balance itself out by the end of the financial year.</p>	Frances Troup	31/01/2024	Ongoing

Other Housing

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R30H	<p>Housing Benefits</p> <p>More than anticipated expenditure by £210.7K</p> <p>Discretionary housing applications are slightly lower (£30k) than anticipated. Within Housing Benefit cost centre there is a delay in receipt of subsidy with ~£200k awaited to be refunded from DWP, and IT costs are £26k above budget levels</p>	<p>Monitor the situation</p> <p>The payments will be monitored.</p>	Erik Knight	31/01/2024	Ongoing

Housing Revenue Account

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R61A	<p>Administration - HRA</p> <p>More than anticipated expenditure by £85.6K</p> <p>Invoices paid relating to purchase of properties in 2022/23. Membership fees and software invoices paid ahead of schedule.</p>	<p>Raise virements request</p> <p>A virement will be processed to reprofile the budget in relation to the membership feeds and software invoices.</p>	Frances Troup	31/01/2024	Ongoing
R61E	<p>Rent Income</p> <p>More than anticipated income by £162.1K</p> <p>Significant work has been done to collect income on a timely basis and to reduce rent arrears.</p>	<p>Monitor the situation</p> <p>A virement will be processed, where necessary, to realign the budget to anticipated timescales.</p>	Erik Knight	31/01/2024	Ongoing
R61F	<p>Tenant Participation</p> <p>Less than anticipated expenditure by £17.9K</p> <p>The staffing budget in relation to posts does not reflect the current staffing establishment.</p>	<p>Raise virements request</p> <p>A change in establishment form has been completed to correct this and the budget will be altered accordingly by raising a virement.</p>	Frances Troup	31/01/2024	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 £91.4K</p> <p>There is increased costs in software licenses (now £17K) and consultancy costs of £16K. The cost of goods and services are increasing without the budget being able to be increased in line with these rising costs. The property costs are also increasing. Specifically energy costs which are £19.6K higher than at December 2022 and cleaning costs which are £10.5K higher than at December 2022.</p>	<p>Monitor the situation</p> <p>It is anticipated that Business Support will be over budget at the year-end due to a previous reduction in all the budget lines other than staff costs, coupled with price increases.</p>	Peter Diamond	31/03/2024	Ongoing

Orkney College

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R67B	<p>Further and Higher Education</p> <p>Less than anticipated income by £173.2K</p> <p>The main variance to note within this function is the main Higher Education (HE) grant income from UHI which is lower than budget set for 2023/24 by £88.9k. MicroRam income of £91.4K was received in December, which has reduced the predicted shortfall.</p> <p>The Administration budget is overspent by £22.2k, offset by the Supplies and Services budget which is underspent by £18.3k.</p> <p>The Staff Costs budget line is showing an underspend of £57.2k. There is budget included for increases in Lecturers pay of 7%, and so an underspend in staff costs is expected until the pay awards are paid to staff. The variance is less than anticipated due to additional expenditure on relief staff covering vacancies and sickness.</p> <p>Fees and Charges are showing a negative variance, however some invoicing for student fees has not yet been completed and Student Awards</p>	<p>Monitor the situation</p> <p>Anticipating a deficit of main HE grant income against budget at year end. This is being offset by income from projects throughout 2024/25, commercial income or fees and charges not yet wholly quantified.</p> <p>Invoicing for the Higher Education September student enrolment has been mainly completed during December, however the invoicing for the Further Education September enrolment is yet to be completed.</p>	Peter Diamond	31/03/2024	Ongoing

Orkney College

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
	Agency Scotland (SAAS) funding is yet to be received. So this is likely to change, and not yet predictable.				
R67C	Agronomy Institute Less than anticipated expenditure by £39.3K Vacancy remains unfilled, leading to an under spend.	Monitor the situation Recruitment process is underway and every effort is being made to expedite this.	Peter Diamond	29/03/2024	Ongoing
R67F	Archaeology Institute More than anticipated expenditure by £221.1K The Orkney Research Centre for Archaeology (ORCA) income is behind budget profile. Income is anticipated to be received at the year-end, however the total value of the work is not likely to match or exceed costs this year.	Monitor the situation Work to extend and develop the order book is being prioritised.	Peter Diamond	29/02/2024	Ongoing
R67G	Institute for Northern Studies Less than anticipated income by £52.7K There is a mismatch between activity and the assigned profile.	Management input required Further work on the budgets and profiles is required to ensure accurate accounting and forecasting is achieved. Revise budget lines and profiles for 2024/25.	Peter Diamond	31/03/2024	Ongoing