

Item: 3

College Management Council Sub-committee: 24 January 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 each of the service areas for which the Sub-committee is responsible.

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 to 31 December 2022, attached as Annex 1 to this report, indicating a net surplus of £20,300.

The Sub-committee is invited to scrutinise:

2.2.

The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 2 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 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 as 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 correction 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 details by service area statement for the period 1 April to 31 December 2022 is attached as Annex 1 to this report.

4.2.

The Budget Action Plan, attached as Annex 2 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 Outcomes 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 Detail by Service Area.

Annex 2: Budget Action Plan.

Annex 1: Financial Detail by Service Area**December 2022**

The following tables show the spending position by service function

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Orkney College						
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)	195.1	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

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>No action required</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 almost exclusively with 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	Institute for Northern Studies Less than anticipated expenditure by £53.9K Income is ahead of budget profile. Income is anticipated to be on budget at the year-end.	Raise virements request Process a budget virement to reprofile the income budget.	Peter Diamond	31/01/2023	New