

Item: 5

Education, Leisure and Housing Committee: 11 September 2019.

Revenue Expenditure Monitoring.

Joint Report by Executive Director of Education, Leisure and Housing, Executive Director of Corporate Services and Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 30 June 2019 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 Education, Leisure and Housing for the period 1 April to 30 June 2019, attached as Annex 1 to this report, indicating the following:

- A net General Fund underspend of £693,500.
- A net Non-General Fund overspend of £110,300.

2.2.

The revenue financial detail by Service Area statement, in respect of Education, Leisure and Housing for the period 1 April to 30 June 2019, attached as Annex 2 to this report.

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.

3. Background

3.1.

On 5 March 2019, the Council set its overall revenue budget for financial year 2019 to 2020. On 23 April 2019, the Policy and Resources Committee received the detailed revenue budgets which form the basis of the individual revenue expenditure monitoring reports.

3.2.

Individual revenue expenditure monitoring reports are circulated as briefing reports every month in order to inform Elected Members of the up to date financial position. Quarterly revenue expenditure monitoring reports are presented to individual service committees, replacing the need for a monthly budget briefing this reporting period.

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:

- £10,000 and 10% more or less than Anticipated position (1b).
- £50,000 more or less than Anticipated position (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 Executive Directors and their staff. 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.

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 30 June 2019 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

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

8. Contact Officers

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Gillian Morrison, Executive Director of Corporate Services, extension 2103, Email gillian.morrison@orkney.gov.uk.

Gareth Waterson, Head of Finance, extension 2103, Email gareth.waterson@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

The table below provides a summary of the position across all Service Areas.

	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
General Fund Service					
Education	8,569.5	9,281.0	-711.5	92.3	32,934.1
Leisure and Cultural Services	1,611.4	1,581.9	29.5	101.9	4,134.7
Other Housing	866.1	877.6	-11.5	98.7	1,528.5
Service Totals	11,047.0	11,740.5	-693.5	94.09	38,597.3

Non-General Fund Service

Housing Revenue Account	658.4	688.7	-30.3	95.6	0.0
Orkney College	325.2	184.6	140.6	176.2	0.0
Service Totals	983.6	873.3	110.3	112.6	0.0

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P02	P03		
Education	9	6	14	43%
Leisure and Cultural Services	8	5	15	33%
Other Housing	6	3	12	25%
Housing Revenue Account	1	1	6	17%
Orkney College	3	3	5	60%
Totals	27	18	52	35%

Annex 2: Financial Detail by Service Area

The following tables show the spending position by service function

Education	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Senior Secondary Schools	1C	3,032.1	3,218.4	-186.3	94.2	10,521.6
Junior Secondary Schools		900.5	876.9	23.6	102.7	2,915.8
Primary Schools		3,138.5	3,105.6	32.9	101.1	10,557.6
Early Learning & Childcare	1B	350.3	706.6	-356.3	49.6	2,990.0
Additional Support Needs		212.5	226.4	-13.9	93.9	978.5
Papdale Halls of Residence		162.5	165.0	-2.5	98.5	746.3
Quality Development	1B	-8.9	46.2	-55.1	N/A	-60.5
Administration	1B	71.2	132.7	-61.5	53.7	313.2
Assistance for Students	1B	28.3	74.7	-46.4	38.0	202.5
Community Learning & Development		74.9	65.7	9.2	114.0	323.1
School Meals		222.3	205.7	16.6	108.1	995.6
School Transport	1B	377.0	440.4	-63.4	85.6	2,391.1
School Crossing Patrol		8.3	11.0	-2.7	75.7	50.8
Parent Councils		0.0	5.7	-5.7	0.0	8.5
Service Total		8,569.5	9,281.0	-711.5	92.3	32,934.1

Changes in original budget position:

Original Net Budget	32,381.8
Redetermination - Teachers Pay Award	552.3
	<u>32,934.1</u>

		Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Leisure & Cultural Services	PA					
Administration - RC		36.6	36.1	0.5	101.4	373.5
Parks and Play Areas		301.4	296.3	5.1	101.7	317.2
Healthy Living Centres		10.4	12.3	-1.9	84.6	72.6
Tourism - Caravan Sites	1B	-37.4	-3.6	-33.8	1,052.0	-13.0
Tourism - Hostels		-1.2	8.5	-9.7	N/A	-2.9
Sports Development		18.7	23.0	-4.3	81.5	80.7
Sports Facilities		318.9	312.8	6.1	101.9	998.1
Swimming Pools	1B	113.5	95.0	18.5	119.4	204.2
Theatres		5.1	4.6	0.5	111.2	4.0
Active Schools	1B	45.3	11.3	34.0	401.1	83.1
Community Facilities	1B	142.7	176.4	-33.7	80.9	315.0
Heritage Development		154.0	144.9	9.1	106.3	293.0
Museums	1B	144.4	94.6	49.8	152.7	287.2
St Magnus Cathedral		91.5	84.2	7.3	108.7	184.7
Libraries		267.5	285.5	-18.0	93.7	937.3
Service Total		1,611.4	1,581.9	29.5	101.9	4,134.7

		Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Other Housing	PA					
Housing Support		12.5	13.5	-1.0	92.5	62.1
Homelessness	1B	312.9	375.4	-62.5	83.3	797.0
Housing Loans	1B	-0.3	10.0	-10.3	N/A	10.1
Energy Initiatives		419.7	426.6	-6.9	98.4	50.0
Garages		-0.3	-2.9	2.6	10.7	-97.5
Miscellaneous - OH		46.1	39.8	6.3	116.0	152.9
Housing Benefits	1B	41.5	-10.7	52.2	N/A	155.1
Landlord Registration		-41.9	-42.9	1.0	97.8	-20.3
Care & Repair		10.1	4.0	6.1	248.3	306.4
Sheltered Housing		31.2	32.0	-0.8	97.4	135.0
Student Accommodation		-4.2	-6.0	1.8	69.4	-22.3
Poverty and Social Inclusion		38.8	38.8	0.0	99.9	0.0
Service Total		866.1	877.6	-11.5	98.7	1,528.5

Housing Revenue Account	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Administration - HRA	1B	89.6	103.3	-13.7	86.7	737.7
Property Costs - HRA		1,349.5	1,349.4	0.1	100.0	1,462.3
Rent Income		-788.9	-768.4	-20.5	102.7	-3,784.1
Tenant Participation		3.1	4.4	-1.3	69.7	22.4
Other Income - HRA		5.1	0.0	5.1	0.0	-23.0
Finance Charges - HRA		0.0	0.0	0.0	0.0	1,584.7
Service Total		658.4	688.7	-30.3	95.6	0.0

Orkney College	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Business Support		89.1	89.2	-0.1	100.0	0.0
Further and Higher Education	1B	49.0	64.2	-15.2	76.4	0.0
Agronomy Institute	1B	52.2	31.7	20.5	164.5	0.0
Archaeology Institute	1B	132.5	7.0	125.5	1,889.2	0.0
Centre for Nordic Studies		2.4	-7.5	9.9	N/A	0.0
Service Total		325.2	184.6	140.6	176.2	0.0

Annex 3: Budget Action Plan

Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R11AC	<p>Senior Secondary Schools</p> <p>Less than anticipated expenditure by £186.3K</p> <p>1.7 full time equivalent vacancy. More than required budget set against budget requirement. Less than anticipated staff absence. An invoice received later than anticipated.</p>	<p>Manage income/expenditure</p> <p>At present finance and staffing audit is taking place to ensure accurate allocation of funds to cover salary. Budget to be moved as required. Invoice now received and sent to payments for processing.</p>	James Wylie	30/09/2019	Ongoing
R14A	<p>Early Learning & Childcare</p> <p>Less than anticipated expenditure by £356.3K</p> <p>For 2019.20 there was an increase to the Scottish Government specific grant for early years expansion. Vacant posts.</p>	<p>Monitor the situation</p> <p>Posts due to be filled for start of new school term.</p>	Peter Diamond	31/08/2019	Ongoing

Annex 3: Budget Action Plan

Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R14N	<p>Quality Development</p> <p>Less than anticipated expenditure by £55.1K</p> <p>There is no finance allocated to the Quality Development cost centre. This budget is a holding area for expenditure which is reclaimed from an external body. The profile for the Youth Music Initiative does not match the dates funding is received from Creative Scotland. Getting It Right for Every Child is out of step with spend. There was also expenditure coded incorrectly.</p>	<p>Manage income/expenditure</p> <p>Invoice the Northern Alliance to recoup expenditure against Quality Development. Reprofile Youth Music Initiative and Getting It Right for Every Child. Raise journal to correct misposting.</p>	James Wylie	31/08/2019	Ongoing
R15A	<p>Administration</p> <p>Less than anticipated expenditure by £61.5K</p> <p>The additional budget allocation of £165,000 for Support for Learning Assistants was temporarily paid into this budget centre.</p>	<p>Raise virements request</p> <p>Raise virement and transfer to relevant school Devolved School Management budgets.</p>	James Wylie	31/08/2019	Ongoing

Annex 3: Budget Action Plan

Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R15B	<p>Assistance for Students</p> <p>Less than anticipated expenditure by £46.4K</p> <p>The underspend is due to a charge from Orkney College for materials expected for £10k; plus, Education Maintenance Allowance expenditure is not in line with the profile.</p>	<p>Manage income/expenditure</p> <p>The invoice has now been received and payment processed. Education Maintenance Allowance cost centre budget will be reprofiled.</p>	James Wylie	30/09/2019	New
R15F	<p>School Transport</p> <p>Less than anticipated expenditure by £63.4K</p> <p>The incremental increase for School Transport costs is due to be paid in August, which should bring spend in line with anticipated expenditure.</p>	<p>Monitor the situation</p> <p>Monitor that this payment request is made within the expected time-scale and if not re-profile and follow up.</p>	James Wylie	30/09/2019	Ongoing

Annex 3: Budget Action Plan

Leisure & Cultural Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R17E	<p>Tourism - Caravan Sites</p> <p>More than anticipated income by £33.8K</p> <p>Recording and management of advanced bookings.</p>	<p>Monitor the situation</p> <p>Budget has been reprofiled to match expenditure.</p>	Peter Diamond	31/08/2019	Ongoing
R17K	<p>Swimming Pools</p> <p>More than anticipated expenditure by £18.5K</p> <p>Various property costs ahead of profiled expenditure and income behind budget profile.</p>	<p>Monitor the situation</p> <p>Property costs budget reprofiled to match expenditure.</p>	Peter Diamond	31/08/2019	Ongoing
R17N	<p>Active Schools</p> <p>More than anticipated expenditure by £34.0K</p> <p>Delay in arrival of external funding.</p>	<p>Monitor the situation</p> <p>Funding expected as agreement signed.</p>	Peter Diamond	31/08/2019	Ongoing
R17P	<p>Community Facilities</p> <p>Less than anticipated expenditure by £33.7K</p> <p>Profile and activity not synchronised.</p>	<p>Monitor the situation</p> <p>Budget reprofiled to match expenditure.</p>	Peter Diamond	31/08/2019	Ongoing

Annex 3: Budget Action Plan

Leisure & Cultural Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R17T	Museums More than anticipated expenditure by £49.8K Key components include loss of income due to museum closure; delayed implementation of a service reduction.	Monitor the situation Monitor income changes; reports to relevant Committees in due course addressing budget shortfalls.	Peter Diamond	30/09/2019	Ongoing

Annex 3: Budget Action Plan

Other Housing

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R30B	<p>Homelessness</p> <p>Less than anticipated expenditure by £62.5K</p> <p>A combination of grants to be paid out and fewer repairs due to a high level of occupation of property has contributed to the underspend.</p>	<p>No action required</p> <p>Grants will have been paid out by the end of July. It is anticipated that we will continue to have full occupation of all temporary accommodation for some time.</p>	Frances Troup	31/07/2019	Ongoing
R30C	<p>Housing Loans</p> <p>Less than anticipated expenditure by £10.3K</p> <p>There is a mismatch between interest charged and that budgeted for.</p>	<p>Raise virements request</p> <p>A virement will be done to correct this.</p>	Frances Troup	31/07/2019	New
R30H	<p>Housing Benefits</p> <p>Less than anticipated income by £52.2K</p> <p>Actual mandatory benefit expenditure currently above initial budget estimates. A revised benefit expenditure estimate will be submitted to the DWP at the end of August 2019 to adjust DWP subsidy payments received and to match variances in expenditure.</p>	<p>Monitor the situation</p> <p>No action required at this stage - mid-year estimate of revised expenditure to DWP will be submitted towards the end of August 2019.</p>	Gareth Waterson	30/09/2019	Ongoing

Annex 3: Budget Action Plan

Housing Revenue Account

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R61A	Administration - HRA Less than anticipated expenditure by £13.7K An ongoing staffing vacancy has led to this position	Monitor the situation Attempts to fill the position are ongoing.	Frances Troup	31/10/2019	New

Annex 3: Budget Action Plan

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 expenditure by £15.2K</p> <p>Within the cost centre for Carpentry, a grant is yet to be released which will cover this overspend.</p>	<p>Monitor the situation</p> <p>Legal approval has been provided for Orkney College to engage with the grant contract. It is expected that funds will be released next month.</p>	James Wylie	30/09/2019	New
R67C	<p>Agromony Institute</p> <p>More than anticipated expenditure by £20.5K</p> <p>An incorrect coding in respect of utilities.</p>	<p>Manage income/expenditure</p> <p>This matter has been addressed and has been rectified.</p>	James Wylie	31/07/2019	Ongoing
R67F	<p>Archaeology Institute</p> <p>More than anticipated expenditure by £125.5K</p> <p>The Orkney Research Centre for Archaeology (ORCA) commercial unit is currently not realising the budgeted income.</p>	<p>Management input required</p> <p>At this point in the financial year the predicted overspend for ORCA is in the region of £100,000. Meetings have been established to discuss actions required to address this matter. This action will be presented to relevant governing structures for decision.</p>	James Wylie	31/10/2019	Ongoing