

## **Item: 4**

**Education, Leisure and Housing Committee: 11 September 2019.**

**Revenue Expenditure Outturn.**

**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 outturn position for financial year 2018 to 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 expenditure outturn statement in respect of Education, Leisure and Housing for financial year 2018 to 2019, attached as Annex 1 to this report, indicating the following:

- A net General Fund overspend of £201,800.
- A net Non-General Fund underspend of £177,400.

#### **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.

### **3. Background**

#### **3.1**

On 22 February 2018, the Council set its overall revenue budget for financial year 2018 to 2019. On 17 April 2018, 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 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:

- £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 revenue expenditure outturn statement for financial year 2018 to 2019 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.

### **6.3.**

The outturn statements include a number of accounting entries required to comply with proper accounting practice, including International Financial Reporting Standards. This includes accounting for the use of fixed assets, for example, depreciation and revaluations, current service cost of pensions and accumulated staff absences.

### **6.4.**

That the overspend within General Fund Services in respect of Education Leisure and Housing has reduced from £238,600 in 2017 to 2018 to £201,800 in 2018 to 2019.

## **6.5.**

That the overspend incurred during 2018 to 2019 included the following elements:

- Primary Schools £275,100.
- Museums £105,500.

## **7. Legal Aspects**

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

## **8. Contact Officers**

Wilfred Weir, Executive Director of Education, Leisure and Housing, extension 2436, Email [wilf.weir@orkney.gov.uk](mailto:wilf.weir@orkney.gov.uk).

Gillian Morrison, Executive Director of Corporate Services, extension 2103, Email [gillian.morrison@orkney.gov.uk](mailto:gillian.morrison@orkney.gov.uk).

Gareth Waterson, Head of Finance, extension 2103, Email [gareth.waterson@orkney.gov.uk](mailto:gareth.waterson@orkney.gov.uk).

## **9. Annexes**

Annex 1: Revenue Expenditure Outturn Statement.

Annex 2: Budget Action Plan.

## Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2018 to 2019

	<b>Spend</b>	<b>Budget</b>	<b>Over/Under</b>		<b>Annual</b>
	<b>£000</b>	<b>£000</b>	<b>Spend</b>		<b>Budget</b>
			<b>£000</b>	<b>%</b>	<b>£000</b>
<b>General Fund Services</b>					
Education	31,915.9	31,705.5	210.4	100.7	31,705.5
Leisure and Cultural	4,335.3	4,208.8	126.5	103.0	4,208.8
Other Housing	1,363.9	1,499.0	-135.1	91.0	1,499.0
<b>Service Totals</b>	<b>37,615.1</b>	<b>37,413.3</b>	<b>201.8</b>	<b>100.5</b>	<b>37,413.3</b>
<b>Non-General Fund Service</b>					
HRA	-280.6	0.0	-280.6	n/a	0.0
Orkney College	103.2	0.0	103.2	n/a	0.0
<b>Service Totals</b>	<b>-177.4</b>	<b>0.0</b>	<b>-177.4</b>	<b>n/a</b>	<b>0.0</b>

## Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2018 to 2019

Education	PA	Spend	Budget	Over/Under		Annual
		£000	£000	£000	%	Budget
						£000
Senior Secondary Schools	1c	9,729.6	9,919.4	-189.8	98.1	9,919.4
Junior Secondary Schools		2,726.7	2,698.0	28.7	101.1	2,698.0
Primary Schools	1c	10,186.5	9,911.4	275.1	102.8	9,911.4
Early Learning and Childcare	1c	1,939.2	1,992.3	-53.1	97.3	1,992.3
Additional Support Needs	1c	1,341.6	1,401.0	-59.4	95.8	1,401.0
Papdale Halls of Residence		770.7	747.1	23.6	103.2	747.1
Quality Development		63.1	58.4	4.7	108.0	58.4
Administration		1,978.4	1,943.6	34.8	101.8	1,943.6
Assistance for Students		200.0	212.5	-12.5	94.1	212.5
Community Learning and Dev		370.5	348.5	22.0	106.3	348.5
School Meals	1c	1,078.7	983.0	95.7	109.7	983.0
School Transport		2,244.3	2,198.4	45.9	102.1	2,198.4
School Crossing Patrol		44.3	49.5	-5.2	89.5	49.5
Movement in Reserves		-766.1	-766.1	0.0	100.0	-766.1
Parent Councils		8.4	8.5	-0.1	98.8	8.5
<b>Service Totals</b>		<b>31,915.9</b>	<b>31,705.5</b>	<b>210.4</b>	<b>100.7</b>	<b>31,705.5</b>

### Budget Summary

Original Net Budget	30,654.1
Reinstate Support for Learning Assistants 2018/19 Savings from Contingency Budget	65.0
Redetermination – School Clothing	10.0
Redetermination - Teacher Induction Scheme	155.0
Redetermination – Teachers Pays	49.0
Budget Transfer to Leisure for Developing the Young Workforce	-10.7
Contribution from Outwith Orkney Placements Fund	453.2
Contribution from Corporate Management for Youth Music Initiative	2.4
Movement on DSM Fund for year	34.5
SIP Budget Contribution	69.0
Repairs and Renewals Fund Contribution for New Fridge Freezers	4.0
Contingency Budget Contribution for Restructuring Costs	215.5
Re-align Central Administration Apportioned Costs	4.5
<b>Revised Net Budget</b>	<b><u>31,705.5</u></b>

### Movement in Reserves Statement

IFRS Accounting Entries	-766.1
	<b><u>-766.1</u></b>

## Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2018 to 2019

	PA	Spend	Budget	Over/Under		Annual
		£000	£000	£000	%	Budget
						£000
<b>Leisure and Cultural Services</b>						
Administration		599.2	606.5	-7.3	98.8	606.5
Parks and Play Areas		277.4	261.3	16.1	106.2	261.3
Healthy Living Centres	<b>1b</b>	48.0	62.4	-14.4	76.9	62.4
Caravan Sites		-5.7	-10.1	4.4	56.4	-10.1
Hostels		4.0	2.0	2.0	200.0	2.0
Sports Development		76.8	79.8	-3.0	96.2	79.8
Sports Facilities		1,127.7	1,125.3	2.4	100.2	1,125.3
Swimming Pools		244.7	222.9	21.8	109.8	222.9
Theatres		9.2	6.5	2.7	141.5	6.5
Active Schools		77.0	75.2	1.8	102.4	75.2
Community Facilities		322.9	323.8	-0.9	99.7	323.8
Heritage Development		292.0	291.7	0.3	100.1	291.7
Museums	<b>1b</b>	399.1	293.6	105.5	135.9	293.6
St Magnus Cathedral	<b>1b</b>	144.8	186.1	-41.3	77.8	186.1
Movement in Reserves		-234.6	-234.6	0.0	100.0	-234.6
Libraries		952.8	916.4	36.4	104.0	916.4
<b>Service Totals</b>		<b>4,335.3</b>	<b>4,208.8</b>	<b>126.5</b>	<b>103.0</b>	<b>4,208.8</b>

### **Budget Summary**

Original Net Budget	4,111.5
Budget for Developing the Young Workforce from Education to Leisure	10.7
Contribution from Recreation Projects Fund – Active Life set-up costs	30.2
Contribution from Recreation Projects Fund - WW1 Commemorations	0.8
SIP Budget Contribution	92.3
Re-align Central Administration Apportioned Costs	-36.7
<b>Revised Net Budget</b>	<b>4,208.8</b>

### **Movement in Reserves Statement**

IFRS Accounting Entries	-234.6
	<b>-234.6</b>

## Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2018 to 2019

		<b>Spend</b>	<b>Budget</b>	<b>Over/Under</b>		<b>Annual</b>
		<b>£000</b>	<b>£000</b>	<b>Spend</b>		<b>Budget</b>
<b>Other Housing</b>	<b>PA</b>			<b>£000</b>	<b>%</b>	<b>£000</b>
Housing Support		52.4	58.1	-5.7	90.2	58.1
Homelessness	<b>1c</b>	758.3	820.7	-62.4	92.4	820.7
Housing Loans		8.1	10.1	-2.0	80.2	10.1
Energy Initiatives		30.1	35.8	-5.7	84.1	35.8
Garage Lets		-98.7	-94.2	-4.5	104.8	-94.2
Miscellaneous	<b>1b</b>	207.5	182.4	25.1	113.8	182.4
Housing Benefits	<b>1b</b>	96.9	141.1	-44.2	68.7	141.1
Mobile Home Sites		2.2	0.4	1.8	550.0	0.4
Landlord Registration	<b>1b</b>	-43.6	-19.7	-23.9	221.3	-19.7
Care and Repair		292.0	306.4	-14.4	95.3	306.4
Sheltered Housing		122.7	131.3	-8.6	93.5	131.3
Movement in Reserves		-51.8	-51.8	0.0	100.0	-51.8
Student Accommodation		-12.2	-21.6	9.4	56.5	-21.6
<b>Service Totals</b>		<b>1,363.9</b>	<b>1,499.0</b>	<b>-135.1</b>	<b>91.0</b>	<b>1,499.0</b>

### **Budget Summary**

Original Net Budget	1,470.5
Redetermination – Rapid Response Transition Plan	30.0
Re-align Central Administration Apportioned Costs	-1.5
	<u><u>1,499.0</u></u>

### **Movement in Reserves Statement**

IFRS Accounting Entries	-51.8
	<u><u>-51.8</u></u>



## Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2018 to 2019

Housing Revenue Account	PA	Spend	Budget	Over/Under		Annual
		£000	£000	Spend		Budget
				£000	%	£000
Administration		737.5	763.5	-26.0	96.6	763.5
Property Costs	<b>1b</b>	1,111.5	1,393.4	-281.9	79.8	1,393.4
Rent Income		-3,692.4	-3,695.4	3.0	99.9	-3,695.4
Tenant Participation		13.5	22.9	-9.4	59.0	22.9
Other Income		-17.4	-23.0	5.6	75.7	-23.0
Accounting for Pensions		-2.2	-2.2	0.0	100.0	-2.2
Non Distributed Costs		1.0	1.0	0.0	100.0	1.0
Movement in Reserves		1,017.8	989.7	28.1	102.8	989.7
Finance Charges		550.1	550.1	0.0	100.0	550.1
<b>Service Totals</b>		<b>-280.6</b>	<b>0.0</b>	<b>-280.6</b>	<b>n/a</b>	<b>0.0</b>

### **Movement in Reserves Statement**

IFRS Accounting Entries	1,263.8
<i>Transfer from Reserves:</i>	
Transfer of Council tax 2nd homes income from General Fund	-246.0
	<u><b>1,017.8</b></u>

### **Housing Revenue Account Statement of Reserves**

	Opening Balance	Deficit / -Surplus	Closing Balance
Housing Revenue Account Fund	-177.3	0.0	-177.3
Housing Revenue Account Property Maintenance Fund	-65.7	-280.6	-346.3
<b>Housing Revenue Account Total Useable Reserves</b>	<u><b>-243.0</b></u>	<u><b>-280.6</b></u>	<u><b>-523.6</b></u>

## Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2018 to 2019

	PA	Spend	Budget	Over/Under		Annual
		£000	£000	£000	%	Budget
						£000
<b>Orkney College</b>						
Business Support	<b>1b</b>	317.3	258.7	58.6	122.7	258.7
Further and Higher Education	<b>1b</b>	3.6	50.0	-46.4	7.2	50.0
Agronomy Institute		-9.3	-10.0	0.7	93.0	-10.0
Archaeology Institute	<b>1b</b>	113.2	20.0	93.2	566.0	20.0
Centre for Nordic Studies		-72.9	-70.0	-2.9	104.1	-70.0
Accounting for Pensions		-11.0	-11.0	0.0	100.0	-11.0
Non Distributed Costs		5.0	5.0	0.0	100.0	5.0
Movement in Reserves		-242.7	-242.7	0.0	100.0	-242.7
<b>Service Totals</b>		<b>103.2</b>	<b>0.0</b>	<b>103.2</b>	<b>n/a</b>	<b>0.0</b>

### **Movement in Reserves Statement**

IFRS Accounting Entries	-242.7
	<u>-242.7</u>

### **Orkney College Statement of Reserves**

Opening Balance Deficit 1 April 2018	-107.9
Financial Year 2018/19 Deficit	103.2
Closing Balance as at 31 March 2019	<u><u>-4.7</u></u>

**Annex 2:****Budget Action Plan**

<b>Education</b>			
<b>Function</b>	<b>Function Description / Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>
<b>R11AC</b>	<p><b>Senior Secondary Schools</b></p> <p>Less than anticipated expenditure by £189.8K</p> <p>Due to management of staff cover.</p>	Long and short-term absence has been managed through using permanent staff availability to cover illness and vacancies. This has led to an underspend of £70k in Kirkwall Grammar School, £103k in Stromness Academy and the staff recruitment budget is also underspent.	<b>J Wylie</b>
<b>R13AW</b>	<p><b>Primary Schools</b></p> <p>More than anticipated expenditure by £275.1K</p> <p>Overspend is contributed to long-term absence.</p>	This is being managed through relevant HR policies and engagement with Head Teachers of specific schools. The majority of primary schools have not met their savings targets within Devolved School Management.	<b>J Wylie</b>
<b>R14A</b>	<p><b>Early Learning and Childcare</b></p> <p>Less than anticipated expenditure by £53.1K</p> <p>Due to vacant posts and reduced uptake of Modern Apprenticeships.</p>	Vacant posts have now been filled.	<b>P Diamond</b>
<b>R14FI</b>	<p><b>Additional Support Needs</b></p> <p>Less than anticipated expenditure by £59.4K</p> <p>Due to a staff vacancy.</p>	Vacant post has now been filled	<b>P Diamond</b>

**Annex 2:****Budget Action Plan**

<b>Education</b>			
<b>Function</b>	<b>Function Description / Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>
<b>R15DE</b>	<p><b>School Meals</b></p> <p>More than anticipated expenditure by £95.7K</p> <p>Due to a combination of five factors:</p> <ul style="list-style-type: none"> <li>• Cost of cover for staff on long term absence, most kitchens are working on minimum staffing levels resulting in one for one cover being required.</li> <li>• High levels of inflation on food costs, for example over 10% on fruit and vegetables in past 2 years. Little scope to reduce food costs due to need to meet the Nutritional Requirements for Food and Drink in Schools (Scotland) Regulations 2008 and previous actions taken to reduce food waste.</li> <li>• The number of pupils on free school meals has increased and the number of pupils paying for their lunches has decreased.</li> <li>• Lower than anticipated income from nursery meals, in the region of £13,500.</li> <li>• Income from Stromness significantly lower than anticipated. This is a long-term issue resulting from a combination of falling uptake in the dining room and reduction in demand for service for the outdoor centre at Hoy. Shortfall is in the region of £40,000.</li> </ul>	<ul style="list-style-type: none"> <li>• Use of Absence Management Policy to support staff in their return to work.</li> <li>• Monitor levels of inflation and impact of Brexit. Food inflation reached a 6 year high in March and is likely to continue to rise with figures between 5 and 20% being quoted but, likely to be between 5 and 10%. Submit growth bid to fund gap. Continue to monitor portion size and levels of waste, implement any changes required. Plan for Brexit impact as much as is possible.</li> <li>• Keep under review, but little that can be done to mitigate the impact of this shift.</li> <li>• Funding of £64,164 in place for nursery meals from August 2019.</li> <li>• Opportunities to reduce costs are limited but taken as and when they occur. This continues to be very actively managed.</li> </ul>	<b>H Green</b>

**Annex 2:****Budget Action Plan**

<b>Leisure</b>			
<b>Function</b>	<b>Function Description / Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>
<b>R17D</b>	<p><b>Healthy Living Centres</b></p> <p>Less than anticipated expenditure by £14.4K</p> <p>Staff budgets were more than required in 2018/19.</p>	This will be reviewed for 2020 to 2021.	<b>P Diamond</b>
<b>R17T</b>	<p><b>Museums</b></p> <p>More than anticipated expenditure by £105.5K</p> <p>Budget reduced, but anticipated savings have not been met; plus, additional expenditure for Scapa Flow Visitor Centre combined with loss of income. This is ongoing and will continue until Museum reopens.</p>	<p>The budget for the Farm Museums was reduced but action to implement savings has been delayed. Report to September meeting of ELH to consider options for making £30k savings.</p> <p>Additional actions are being undertaken to increase income, e.g. guided walks.</p>	<b>P Diamond</b>
<b>R17U</b>	<p><b>St Magnus Cathedral</b></p> <p>Less than anticipated expenditure by £41.3K</p> <p>Building Costs (Repairs and Maintenance) were less than anticipated.</p>	No action required.	<b>P Diamond</b>

**Annex 2:****Budget Action Plan**

<b>Other Housing</b>			
<b>Function</b>	<b>Function Description / Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>
<b>R30B</b>	<p><b>Homelessness</b></p> <p>Less than anticipated expenditure by £62.4K</p> <p>A combination of unfilled posts, lower turnover of temporary accommodation due to sustained demand, leading to more rental income and specific funding being received in March have led to the underspend.</p>	No action required.	<b>F Troup</b>
<b>R30G</b>	<p><b>Miscellaneous</b></p> <p>More than anticipated expenditure by £25.1K</p> <p>Mainly in respect of an increase in bad debt provision following a review and revised method being adopted.</p>	No action required.	<b>F Troup</b>
<b>R30H</b>	<p><b>Housing Benefits</b></p> <p>Less than anticipated expenditure by £44.2K</p> <p>Discretionary Housing Payments were less than budget provision.</p>	No action required.	<b>G Waterson</b>

**Annex 2:****Budget Action Plan**

<b>Other Housing</b>			
<b>Function</b>	<b>Function Description / Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>
<b>R30K</b>	<b>Landlord Registration</b>  More than anticipated income by £23.9K  Financial year 2018 to 2019 represented the anniversary year for landlord registration and consequently a greater level of fees was received than usual.	No action required.	<b>F Troup</b>

**Annex 2:**

**Budget Action Plan**

<b>Housing Revenue Account</b>			
<b>Function</b>	<b>Function Description / Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>
<b>R61B</b>	<b>Property Costs</b>  Less than anticipated expenditure by £281.9K	This underspend has been set-aside within the Property Maintenance Fund.	<b>F Troup</b>



**Annex 2:****Budget Action Plan**

<b>Orkney College</b>			
<b>Function</b>	<b>Function Description / Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>
<b>R67A</b>	<p><b>Business Support</b></p> <p>More than anticipated expenditure by £58.6K</p> <p>Mainly due to the revised method for calculating bad debt provision. Revised calculation gives a total bad debt provision of £68K, an increase in provision of £48K. The actual bad debt for the college has averaged less than £1K annually over last 3 years.</p>	No action required.	<b>J Wylie</b>
<b>R67B</b>	<p><b>Further and Higher Education</b></p> <p>Less than anticipated expenditure by £46.4K</p> <p>The net effect of £46.4K combines less than anticipated expenditure by £24.7K and greater than anticipated income by £21.7K</p> <p>The lower expenditure is an accumulation of small savings across non-staff budgets. The higher income is a combination of reimbursed costs, sales and fee related income each being a small amount more than budgeted.</p>	No action required.	<b>J Wylie</b>

**Annex 2:**

**Budget Action Plan**

<b>R67F</b>	<b>Archaeology Institute</b>  Less than anticipated income by £93.2K  Unable to achieve commercial income target.	Commercial income being monitored and reviewed.	<b>J Wylie</b>
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