

Item: 3

Education, Leisure and Housing Committee: 8 September 2021.

Revenue Expenditure Outturn.

Joint Report by Executive Director of Education, Leisure and Housing, Interim Executive Director of Environmental, Property and IT Services and Head of Finance.

1. Purpose of Report

To advise of the revenue outturn position for financial year 2020/21 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 2020/21, attached as Annex 1 to this report, indicating the following:

- A net General Fund underspend of £903,100.
- A net Non-General Fund underspend of £170,000

The 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 appropriate action was taken with regard to significant budget variances.

3. Background

3.1.

On 3 March 2020, the Council set its overall revenue budget for financial year 2020/21. On 11 June 2020, the Council 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 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 Executive 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 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.

7. Legal Aspects

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

8. Contact Officers

James Wylie, Executive Director of Education, Leisure and Housing, Email james.wylie@orkney.gov.uk.

Hayley Green, Interim Executive Director of Environmental, Property and IT Services, Email hayley.green@orkney.gov.uk.

Colin Kemp, Interim Head of Finance, Email colin.kemp@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 2020/21 **March 2021**

	Spend	Budget	Over/(Under)		Annual
	£000	£000	Spend	%	Budget
			£000		£000
General Fund Services					
Education	35,216.6	35,631.0	(414.4)	98.8	35,631.0
Leisure and Cultural	4,901.3	5,003.4	(102.1)	98.0	5,003.4
Other Housing	1,264.7	1,651.2	(386.5)	76.6	1,651.2
Service Totals	41,382.5	42,285.6	(903.1)	97.9	42,285.6
Non-General Fund Service					
HRA	(126.1)	0.0	(126.1)	n/a	0.0
Orkney College	(43.9)	0.0	(43.9)	n/a	0.0
Service Totals	(170.0)	0.0	(170.0)	n/a	0.0

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2020/21 **March 2021**

Education	PA	Spend	Budget	Over/(Under)		Annual
		£000	£000	Spend	%	Budget
		£000	£000	£000	%	£000
Senior Secondary Schools	1C	10,579.8	10,776.0	(196.2)	98.2	10,776.0
Junior Secondary Schools	1C	2,914.6	3,041.7	(127.1)	95.8	3,041.7
Primary Schools	1C	10,817.6	11,037.0	(219.4)	98.0	11,037.0
Pre-School Education	1B	3,084.0	3,600.4	(516.4)	85.7	3,600.4
Additional Support Needs	1B	1,296.0	1,482.5	(186.5)	87.4	1,482.5
Papdale Halls of Residence	1C	848.4	790.6	57.8	107.3	790.6
Quality Development	1B	110.1	181.8	(71.7)	60.6	181.8
Administration	1C	857.1	795.4	61.7	107.8	795.4
Assistance for Students	1B	225.1	204.5	20.6	110.1	204.5
Community Learning and Dev		327.2	329.8	(2.6)	99.2	329.8
School Meals		1,339.7	1,339.7	0.0	100.0	1,339.7
School Transport	1B	3,214.1	2,438.9	775.2	131.8	2,438.9
School Crossing Patrol		42.6	52.1	(9.5)	81.8	52.1
Movement in Reserves		(448.0)	(448.0)	0.0	100.0	(448.0)
Parent Councils		8.2	8.6	(0.4)	95.6	8.6
Service Totals		35,216.6	35,631.0	(414.4)	98.8	35,631.0

Budget Summary

Original Net Budget	33,828.4
Redetermination - Teachers Induction Scheme	59.0
Redetermination - Additional Teachers	105.0
Redetermination - Teacher Support/Workforce	218.0
Redetermination - Education Recovery Funding	135.0
Redetermination - Education Digital Inclusion	58.0
Redetermination - Home Learning Support	34.0
Redetermination - Additional Education Recovery Funding	472.0
Redetermination - Winter Hardship Payments	23.0
Redetermination - COVID Spring Hardship Payment	35.0
Redetermination - Increase in Insecurity Over Winter Funding	46.0
Redetermination - January Free School Meals	13.0
Redetermination - SM Dec/Jan Holidays	17.0
Redetermination - SM Feb Holidays	10.0
Redetermination - SM Easter Holidays	8.0
Lost Income Budget Contribution	108.7
Contribution from Out with Orkney Placements Fund	315.5
SIP Budget Contribution	75.1
Contribution from Innovation Fund - E-Learning Project	40.9
Re-align Central Administration Apportioned Costs	29.4
Revised Net Budget	35,631.0

Movement in Reserves Statement

IFRS Accounting Entries	(1,217.1)
COVID-19 Redeterminations carry forward - Additional Education Teachers	100.2
COVID-19 Redeterminations carry forward - Digital Inclusion	58.0
COVID-19 Redeterminations carry forward - Home Learning Support Fund	34.0
COVID-19 Redeterminations carry forward - Teacher/Support Staff and Teacher Workforce	218.0
COVID-19 Redeterminations carry forward - Additional Education Recovery Funding	358.9
	(448.0)

	PA	Spend £000	Budget £000	Over/(Under)		Annual Budget £000
				Spend £000	%	
Leisure and Cultural Services						
Administration		571.0	609.7	(38.7)	93.6	609.7
Parks and Play Areas		344.7	342.4	2.3	100.7	342.4
Healthy Living Centres	1B	48.9	69.3	(20.4)	70.5	69.3
Caravan Sites		9.1	7.8	1.3	116.9	7.8
Hostels		16.4	16.1	0.3	101.7	16.1
Sports Development	1B	51.3	74.3	(23.0)	69.0	74.3
Sports Facilities		1,462.1	1,471.0	(8.9)	99.4	1,471.0
Swimming Pools		249.9	250.4	(0.5)	99.8	250.4
Active Schools		82.6	87.9	(5.3)	94.0	87.9
Community Facilities		465.2	458.1	7.1	101.5	458.1
Heritage Development		282.3	309.7	(27.4)	91.2	309.7
Museums		370.0	368.3	1.7	100.5	368.3
St Magnus Cathedral		191.3	189.4	1.9	101.0	189.4
Movement in Reserves		(187.6)	(187.6)	0.0	100.0	(187.6)
Libraries		944.2	936.6	7.6	100.8	936.6
Service Totals		4,901.3	5,003.4	(102.1)	98.0	5,003.4

Budget Summary

Original Net Budget	4,220.7
Redetermination - PESF Boost	47.0
SIP Budget Contribution	117.4
Contribution from Strategic Reserve Fund - Island Games	2.4
Lost Income Budget Contribution	340.8
Lost Income Pickaquoy Centre	302.0
Re-align Central Administration Apportioned Costs	(26.9)
Revised Net Budget	5,003.4

Movement in Reserves Statement

IFRS Accounting Entries	(234.6)
Redeterminations carry forward PESF boost	47.0
	(187.6)

		Spend	Budget	Spend		Budget
Other Housing	PA	£000	£000	£000	%	£000
Housing Support		59.0	64.2	(5.2)	91.9	64.2
Homelessness	1B	608.5	806.4	(197.9)	75.5	806.4
Housing Loans		9.1	11.1	(2.0)	82.0	11.1
Energy Initiatives	1B	22.2	37.5	(15.3)	59.2	37.5
Garage Lets	1B	(99.1)	(71.4)	(27.7)	138.7	(71.4)
Miscellaneous	1B	125.7	258.4	(132.7)	48.6	258.4
Housing Benefits	1B	147.9	165.7	(17.8)	89.3	165.7
Landlord Registration		(19.9)	(20.7)	0.8	95.9	(20.7)
Care and Repair		293.4	309.5	(16.1)	94.8	309.5
Sheltered Housing	1B	165.9	138.6	27.3	119.7	138.6
Student Accommodation		(6.8)	(6.8)	0.0	99.8	(6.8)
Movement in Reserves		(41.3)	(41.3)	0.0	100.1	(41.3)
Finance and Capital Charges		0.0	0.0	0.0	n/a	0.0
Service Totals		1,264.7	1,651.2	(386.5)	76.6	1,651.2

Budget Summary

Original Net Budget	1,605.3
Redetermination - Rapid Response Transition Plan	17.0
Lost Income Budget Contribution	41.3
Re-align Central Administration Apportioned Costs	(12.4)
	<u><u>1,651.2</u></u>

Movement in Reserves Statement

IFRS Accounting Entries	(58.3)
<u>Transfer to Reserves:</u>	
Redeterminations carry forward - Rapid Response Transition Plan	17.0
	<u><u>(41.3)</u></u>

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2020/21 **March 2021**

		Spend £000	Budget £000	Over/(Under)		Annual Budget £000
				Spend £000	%	
Housing Revenue Account	PA					
Administration	1B	621.5	775.2	(153.7)	80.2	775.2
Property Costs		1,414.1	1,375.6	38.5	102.8	1,375.6
Rent Income	1C	(3,745.3)	(3,848.2)	102.9	97.3	(3,848.2)
Tenant Participation	1B	11.4	24.4	(13.0)	46.6	24.4
Other Income		(21.8)	(23.0)	1.2	94.9	(23.0)
Accounting for Pensions		(1.3)	(1.3)	0.0	100.0	(1.3)
Finance and Capital Charges		356.6	356.6	0.0	100.0	356.6
Movement in Reserves	1C	1,238.4	1,340.4	(102.0)	92.4	1,340.4
Non-Distributed Costs		0.3	0.3	0.0	100.0	0.3
Service Totals		(126.1)	0.0	(126.1)	n/a	0.0

Movement in Reserves Statement

IFRS Accounting Entries	1,238.4
	<u><u>1,238.4</u></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	(346.3)	(126.1)	(472.4)
Housing Revenue Account Total Useable Reserves	(523.6)	(126.1)	(649.7)

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2020/21 **March 2021**

	PA	Spend	Budget	Over/(Under)		Annual
		£000	£000	Spend	%	Budget
				£000		£000
Orkney College						
Business Support	1B	525.5	594.3	(68.8)	88.4	594.3
Further and Higher Education	1B	(415.1)	(590.0)	174.9	70.4	(590.0)
Agronomy Institute		7.2	0.0	7.2	n/a	0.0
Archaeology Institute	1B	155.7	235.0	(79.3)	66.3	235.0
Institute for Northern Studies		(47.9)	30.0	(77.9)	n/a	30.0
Accounting for Pensions		(7.1)	(7.1)	0.0	100.0	(7.1)
Movement in Reserves		(263.7)	(263.7)	0.0	100.0	(263.7)
Non-Distributed Costs		1.5	1.5	0.0	100.0	1.5
Service Totals		(43.9)	0.0	(43.9)	n/a	0.0

Movement in Reserves Statement

IFRS Accounting Entries	(263.7)
	<u>(263.7)</u>

Orkney College Statement of Reserves

Opening Balance 1 April 2020	(62.9)
Financial Year 2020/21 Surplus	(43.9)
Closing Balance as at 31 March 2021	<u>(106.8)</u>

Annex 2:

Budget Action Plan

Education			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R11AC	<p>Senior Secondary Schools</p> <p>Less than anticipated expenditure by £196.2K.</p> <p>Closure of buildings as a consequence of COVID-19 resulted in lower direct costs, operational expenditure was also significantly reduced for the same reason. The Service also benefitted from additional COVID-19 recovery funding which was used to service additional staffing costs and to cover the expected income of supply staff.</p>	Complete review of Devolved School Management budget in line with national guidance and expectations to establish new structures and policies for 1 April 2022.	P Diamond
R12AF	<p>Junior Secondary Schools</p> <p>Less than anticipated expenditure by £127.1K.</p> <p>Closure of buildings as a consequence of COVID-19 resulted in lower direct costs, operational expenditure was also significantly reduced for the same reason. The Service also benefitted from additional COVID-19 recovery funding which was used to service additional staffing costs and to cover the expected income of supply staff.</p> <p>Transportation of staff, staffing budgets and Pupil Equity Funding have lower than anticipated spend due to school closure in the COVID-19 lockdown period.</p>	Complete review of Devolved School Management budget in line with national guidance and expectations to establish new structures and policies for 1 April 2022.	P Diamond

Annex 2:

Budget Action Plan

Education			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R13AW	<p>Primary Schools</p> <p>Less than anticipated expenditure by £219.4K.</p> <p>Closure of buildings as a consequence of COVID-19 resulted in lower direct costs, operational expenditure was also significantly reduced for the same reason. The Service also benefitted from additional COVID-19 recovery funding which was used to service additional staffing costs and to cover the expected income of supply staff.</p>	Complete review of Devolved School Management budget in line with national guidance and expectations to establish new structures and policies for 1 April 2022.	P Diamond
R14A	<p>Pre-School Education</p> <p>Less than anticipated expenditure by £516.4K.</p> <p>Underspend on staff costs because of additional posts budgeted for but not recruited to in respect of additional funding for pre-school education in 2020/21.</p> <p>Delay in build programme for the expansion of the early learning and childcare programme has resulted in grant money not being spent on fixtures and fittings.</p>	Monitor this situation.	P Diamond

Annex 2:

Budget Action Plan

Education			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R14F	<p>Additional Support Needs</p> <p>Less than anticipated expenditure by £186.5K.</p> <p>The majority of this underspend comes as a consequence of delay in establishing a new schools Counselling Team. The recruitment process is now underway.</p> <p>Additional closure of establishments as a consequence of COVID-19 resulted in lower direct costs, operational expenditure was also significantly reduced for the same reason.</p>	No action required.	P Diamond
R14J	<p>Papdale Halls of Residence</p> <p>More than anticipated expenditure by £57.8K.</p> <p>The old Papdale Halls Campus is financed within this budget line and continues to generate costs and had limited income during this time. This includes the refurbishment of the new Willow Tree Nursery which will be funded by a contribution from the Repairs and Renewals Fund, heating, and other miscellaneous costs.</p> <p>The current, operational Papdale Halls of Residence was underspent by £2k in this financial year.</p>	No action required.	F Troup

Annex 2:

Budget Action Plan

Education			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R14N	<p>Quality Development</p> <p>Less than anticipated expenditure by £71.7K.</p> <p>As a result of COVID-19 significant online Continued Professional Development (CPD) was provided free of charge by Education Scotland to support priorities for remote learning, subsequently expenditure on CPD was significantly reduced for this year.</p> <p>Additional Scottish Government grant supported the provision of additional resources for curriculum delivery, normally funded from this budget line.</p>	No action required.	P Diamond
R15A	<p>Administration</p> <p>More than anticipated expenditure by £61.7K.</p> <p>Whilst Administration is showing an overspend, there are corresponding underspends within individual school Pupil Equity Fund budget lines. This is because an end of year budget adjustment was not completed. Had the adjustment been made, Administration would have reflected an underspend in the region of £40k. This underspend is due to underspend in staff costs during a restructure exercise.</p>	Recruitment is underway to ensure all posts are filled.	F Troup

Annex 2:

Budget Action Plan

Education			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R15B	<p>Assistance for Students</p> <p>More than anticipated expenditure by £20.6K.</p> <p>The major contributory factor here is the requirement placed upon OIC by Scottish Government to increase clothing grants to pupils which was not, subsequently, funded by Scottish Government.</p>	Meeting to be scheduled between Education, Finance and Scottish Government to discuss Scottish Government policy and underfunding.	P Diamond
R15F	<p>School Transport</p> <p>More than anticipated expenditure by £775.2K.</p> <p>Additional costs associated with the extended transport contracts.</p>	An Approved Service Pressure has been applied to the School Transport budget, increasing it by £1,467,500 for 2021/22.	P Diamond

Annex 2:

Budget Action Plan

Leisure			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R17D	<p>Healthy Living Centres</p> <p>Less than anticipated expenditure by £20.4K.</p> <p>COVID-19 restrictions on opening have led to variance in running cost, mostly staff costs offset by no income from fees and charges.</p>	Monitor budget lines in line with policy should a further period of lockdown be implemented.	F Troup
R17G	<p>Sports Development</p> <p>Less than anticipated expenditure by £23.0K.</p> <p>No payments to external outdoor education instructors.</p>	Monitor budget lines in line with policy should a further period of lockdown be implemented.	F Troup

Annex 2:

Budget Action Plan

Other Housing			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R30B	<p>Homelessness</p> <p>More than anticipated income by £197.9K.</p> <p>More temporary tenancies than usual has in turn led to a higher level of rent collected.</p>	No action required.	F Troup
R30E	<p>Energy Initiatives</p> <p>More than anticipated income by £15.3K.</p> <p>This increase in anticipated income comes as a consequence of extensions granted by Scottish Government to the implementation of installation projects.</p>	Monitor this situation.	F Troup
R30F	<p>Garage Lets</p> <p>More than anticipated income by £27.7K.</p> <p>This is not a true reflection of the position and comes as a consequence of unavoidable unfortunate timing of the applications of COVID-19 lost income contribution and a subsequent sundry debtor adjustment. This ensures that the budget reflects the ongoing requirement to recoup the ongoing arrears.</p>	No action required.	F Troup

Annex 2:

Budget Action Plan

Other Housing			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R30G	<p>Miscellaneous</p> <p>Less than anticipated expenditure by £132.7K.</p> <p>Various budgets are underspent within Housing Miscellaneous. This is due to a staffing vacancy, reduced incidental costs including those arising from the COVID-19 situation.</p>	Vacancy is now filled. Monitor situation.	F Troup
R30H	<p>Housing Benefits</p> <p>Less than anticipated expenditure by £17.8K.</p> <p>Variance due to additional funding received from the Scottish Government with the expectation of increased expenditure due to the impact of COVID-19.</p>	No action required	G Waterson
R30M	<p>Sheltered Housing</p> <p>More than anticipated expenditure by £27.3K.</p> <p>Increased use of relief staff to fill staffing gaps as a result of COVID-19.</p>	No action required.	F Troup

Annex 2:

Budget Action Plan

Housing Revenue Account			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R61A	<p>Administration</p> <p>Less than anticipated expenditure by £153.7K.</p> <p>Due to staff vacancies plus underspends on all other budget lines.</p>	All staffing vacancies now filled. Monitor the situation.	F Troup
R61E	<p>Rent Income</p> <p>Less than anticipated income by £102.9K.</p> <p>Rent collections less than budgeted for. Arrears carried forward were more than budgeted for and income reduced due to write offs in sales ledger.</p>	Rent arrears, which include this reduction in anticipated income, are being treated as a priority and every attempt is being made to recoup rent accordingly.	G Waterson
R61F	<p>Tenant Participation</p> <p>Less than anticipated expenditure by £13.0K.</p> <p>Staff costs less than budgeted.</p>	While recruitment has been progressed, there have been difficulties with recruiting to a part-time post.	F Troup
R61U	<p>Movement in Reserves</p> <p>Less than anticipated expenditure by £102.0K.</p> <p>Mainly in respect of the reduced spend on repairs and maintenance set-aside for financial year 2021/22.</p>	No action required.	G Waterson

Annex 2:

Budget Action Plan

Orkney College			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R67A	<p>Business Support</p> <p>Less than anticipated expenditure by £68.8K.</p> <p>Underspend on staff costs and on property costs due to staff vacancies and less utilities charges due to COVID-19 closure.</p>	No action required	P Diamond
R67B	<p>Further and Higher Education</p> <p>Less than anticipated income by £174.9K.</p> <p>Less income than anticipated due to closure as a result of COVID-19 restrictions and non-receipt of anticipated Distant Islands Allowance, offset to an extent by underspends across all expenditure budget lines.</p>	No action required	P Diamond
R67F	<p>Archaeology Institute</p> <p>More than anticipated income by £79.3K.</p> <p>Budgets had been reviewed at the start of the financial year, due to an anticipated lower level of earning potential due to COVID-19. However, this area performed better than expected, resulting in increased income.</p>	No action required	P Diamond