

Item: 4

Education, Leisure and Housing Committee: 6 February 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 31 December 2018 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 31 December 2018, attached as Annex 1 to this report, indicating the following:

- A net General Fund underspend of £379,200.
- A net Non-General Fund overspend of £58,600.

2.2.

The revenue financial detail by Service Area statement, in respect of Education, Leisure and Housing for the period 1 April to 31 December 2018, 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 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 in order to inform Elected Members of the up to date financial position. Quarterly revenue expenditure monitoring reports are now being 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 31 December 2018 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.

6.3.

A pay increase of 3% is included in the base budget for 2018 to 2019 which is yet to be agreed. The estimated cost of the backpay from 1 April to 31 December 2018 is as follows:

- £452,700 across General Fund Education, Leisure and Housing Services which would change the current underspend position to an overspend position of £73,500.
- £38,900 across Non-General Fund Education, Leisure and Housing Services which would increase the current overspend position to £97,500.

7. Legal Aspects

Financial monitoring and reporting helps 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.

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	21,970.4	22,304.2	-333.8	98.5	31,217.3
Leisure and Cultural Services	2,785.1	2,778.8	6.3	100.2	4,156.2
Other Housing	1,111.4	1,163.1	-51.7	95.6	1,500.5
Service Totals	25,866.9	26,246.1	-379.2	98.6	36,874.0
Non-General Fund Service					
Housing Revenue Account	-1,058.9	-992.4	-66.5	106.7	0.0
Orkney College	107.9	-17.2	125.1	N/A	0.0
Service Totals	-951.0	-1,009.6	58.6	N/A	0.0

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	7	7	14	50%
Leisure and Cultural Services	2	3	15	20%
Other Housing	4	3	13	23%
Housing Revenue Account	0	0	6	0%
Orkney College	4	4	5	80%
Totals	17	17	53	32%

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	7,206.2	7,381.6	-175.4	97.6	9,805.6
Junior Secondary Schools	1C	2,041.4	2,094.2	-52.8	97.5	2,718.7
Primary Schools		7,480.3	7,527.8	-47.5	99.4	9,893.0
Early Learning & Childcare	1C	1,296.6	1,365.0	-68.4	95.0	2,042.3
Additional Support Needs	1C	929.7	1,010.7	-81.0	92.0	1,391.7
Papdale Halls of Residence		504.5	520.1	-15.6	97.0	731.4
Quality Development	1B	5.2	-5.1	10.3	N/A	-148.0
Administration	1B	5.2	16.0	-10.8	32.6	1,033.0
Assistance for Students		153.1	155.1	-2.0	98.7	212.5
Community Learning & Development	1B	269.1	232.6	36.5	115.7	316.5
School Meals		711.7	669.2	42.5	106.3	964.2
School Transport		1,329.5	1,293.6	35.9	102.8	2,198.4
School Crossing Patrol		29.5	35.5	-6.0	83.1	49.5
Parent Councils		8.4	7.9	0.5	106.4	8.5
Service Total		21,970.4	22,304.2	-333.8	98.5	31,217.3

Changes in original budget position:

Original Net Budget	30,654.1
Transfer from Education to Leisure for Developing Young Workforce Officer	-10.7
Reinstate £65k Support for Learning Assistants 2018/19 savings from Contingency	65.0
Contribution to Education from Out of Orkney Placement Fund	453.2
Redetermination - Access to Free Sanitary Products	7.7
Redetermination - School Clothing Grant	10.0
Increase in budget for Lifecycle	32.0
Redetermination - Access to Free Sanitary Products	6.0
	31,217.3

Leisure & Cultural Services	PA	Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Administration - RC		125.0	134.1	-9.1	93.2	373.8
Parks and Play Areas		261.2	255.3	5.9	102.3	263.9
Healthy Living Centres		24.6	33.1	-8.5	74.3	62.4
Tourism - Caravan Sites		-19.4	-17.2	-2.2	112.5	-10.1
Tourism - Hostels		-7.3	-11.3	4.0	64.5	2.0
Sports Development		30.2	26.7	3.5	112.8	79.8
Sports Facilities		704.4	726.2	-21.8	97.0	1,064.4
Swimming Pools		194.0	193.6	0.4	100.2	222.9
Theatres		4.8	6.5	-1.7	73.2	6.5
Active Schools		11.3	5.6	5.7	202.6	76.2
Community Facilities		255.9	259.7	-3.8	98.5	323.8
Heritage Development	1B	204.2	231.2	-27.0	88.3	291.0
Museums	1B	294.1	215.3	78.8	136.6	293.6
St Magnus Cathedral	1B	106.6	132.8	-26.2	80.3	186.1
Libraries		595.5	587.2	8.3	101.4	919.9
Service Total		2,785.1	2,778.8	6.3	100.2	4,156.2

Changes in original budget position:

Original Net Budget	4,111.5
Transfer from Education to Leisure for Developing Young Workforce Officer	10.7
Increase in budget for Lifecycle	34.0
	<u>4,156.2</u>

		Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Other Housing	PA					
Housing Support		39.0	44.1	-5.1	88.3	61.6
Homelessness		588.5	632.1	-43.6	93.1	815.6
Housing Loans		-14.2	-13.8	-0.4	102.6	9.2
Energy Initiatives	1B	166.2	196.5	-30.3	84.6	35.5
Garages		-60.9	-57.4	-3.5	106.1	-94.2
Miscellaneous - OH		-6.2	-6.1	-0.1	102.2	126.7
Housing Benefits	1B	198.8	130.5	68.3	152.3	149.4
Mobile Home Sites		2.2	0.9	1.3	244.4	0.4
Landlord Registration		-75.3	-67.0	-8.3	112.4	-19.8
Care & Repair		201.5	221.7	-20.2	90.9	306.4
Sheltered Housing	1B	79.7	94.8	-15.1	84.1	131.3
Student Accommodation		-7.9	-13.2	5.3	59.5	-21.6
Service Total		1,111.4	1,163.1	-51.7	95.6	1,500.5

Changes in original budget position:

Original Net Budget	1,470.5
Redetermination - RRTP Homelessness	30.0
	1,500.5

		Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Housing Revenue Account	PA					
Administration - HRA		329.1	357.4	-28.3	92.1	721.2
Property Costs - HRA		1,324.7	1,326.7	-2.0	99.8	1,507.6
Rent Income		-2,709.5	-2,674.9	-34.6	101.3	-3,695.4
Tenant Participation		9.0	16.0	-7.0	56.7	22.9
Other Income - HRA		-12.2	-17.6	5.4	69.3	-23.0
Finance Charges - HRA		0.0	0.0	0.0	0.0	1,466.7
Service Total		-1,058.9	-992.4	-66.5	106.7	0.0

		Spend £000	Budget £000	Over/Under £000	Spend %	Annual Budget £000
Orkney College	PA					
Business Support	1B	43.6	97.8	-54.2	44.6	0.0
Further and Higher Education	1B	-256.4	-225.7	-30.7	113.6	30.0
Agronomy Institute		28.2	35.4	-7.2	79.6	0.0
Archaeology Institute	1B	311.2	80.3	230.9	387.4	30.0
Centre for Nordic Studies	1B	-18.7	-5.0	-13.7	374.1	-60.0
Service Total		107.9	-17.2	125.1	N/A	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 £175.4K</p> <p>The majority of this underspend is within staffing and is due to the budgeted 3% pay increase from 1 April 2018 not yet being applied to salaries.</p>	<p>No action required</p> <p>No action required as underspends will disappear once pay increase applied.</p>	James Wylie	31/03/2019	Ongoing
R12AF	<p>Junior Secondary Schools</p> <p>Less than anticipated expenditure by £52.8K</p> <p>The majority of this underspend is within staffing and is due to the budgeted 3% pay increase from 1 April 2018 not yet being applied to salaries.</p>	<p>No action required</p> <p>No action required as this will clear following the settlement and distribution of backpay.</p>	James Wylie	31/03/2019	Ongoing
R14A	<p>Early Learning & Childcare</p> <p>Less than anticipated expenditure by £68.4K</p> <p>Vacant post (being filled in January 2019) and due to the budgeted 3% pay increase from 1 April 2018 not yet being applied to salaries.</p>	<p>No action required</p> <p>No action required as this will reduce following the settlement and distribution of backpay.</p>	Peter Diamond	31/03/2019	Ongoing

Annex 3: Budget Action Plan

Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R14FI	<p>Additional Support Needs</p> <p>Less than anticipated expenditure by £81.0K</p> <p>Profiling of spend with respect to extra-ordinary packages of care. There are 2 vacant posts.</p>	<p>Monitor the situation</p> <p>Monitor profile and proceed with appointment process.</p>	Peter Diamond	31/03/2019	Ongoing
R14N	<p>Quality Development</p> <p>Less than anticipated income by £10.3K</p> <p>Education Scotland Grant in respect of numeracy maths hub not yet received</p>	<p>Monitor the situation</p> <p>If grant income not received by 31 January process virement</p>	James Wylie	28/02/2019	New
R15A	<p>Administration</p> <p>Less than anticipated expenditure by £10.8K</p> <p>Accumulation of slight underspends across all budget lines.</p>	<p>Monitor the situation</p> <p>Monitoring of this situation will take place because it is anticipated that as a result of savings not yet fully realised in this budget line that this underspend will be utilised by the end of the financial year.</p>	James Wylie	31/03/2019	Ongoing
R15C	<p>Community Learning & Development</p> <p>More than anticipated expenditure by £36.5K</p> <p>One-off staff costs</p>	<p>Monitor the situation</p> <p>Continue to monitor the situation with a view to achieving compensatory savings.</p>	Peter Diamond	31/03/2019	Ongoing

Annex 3: Budget Action Plan

Leisure & Cultural Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R17S	<p>Heritage Development</p> <p>Less than anticipated expenditure by £27.0K</p> <p>This budget pays out grants on the basis of evidence of expenditure and the submission of grant claim forms by organisations and therefore it is not possible to determine when exactly payments will be made, which makes for difficult profiling of the spend</p>	<p>Monitor the situation</p> <p>Continue to monitor</p>	Peter Diamond	31/03/2019	New
R17T	<p>Museums</p> <p>More than anticipated expenditure by £78.8K</p> <p>Overspend is due to income at Lyness museum being lower than anticipated due to disruption caused by major refurbishments presently ongoing; and savings of £30k applied within museums service not being realised to date.</p>	<p>Monitor the situation</p> <p>Monitor the ongoing impact of the refurbishment at Lyness on budgeted income and the continued effect of not being able to realise the savings, with a view to mitigating the effect across the museums budget for the rest of the year.</p>	Peter Diamond	31/03/2019	Ongoing
R17U	<p>St Magnus Cathedral</p> <p>Less than anticipated expenditure by £26.2K</p> <p>Property costs lower than anticipated at this point in the year</p>	<p>No action required</p> <p>Continue to monitor budget line</p>	Peter Diamond	31/03/2019	Ongoing

Annex 3: Budget Action Plan

Other Housing

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R30E	<p>Energy Initiatives</p> <p>Less than anticipated expenditure by £30.3K</p> <p>This apparent underspend is due partially to some remaining coding issues; but mainly due to expenditure requiring reprofiling for the HEEPS ABS and Warm Homes project budgets.</p>	<p>Raise virements request</p> <p>Virements will be processed to correct any profiling issues.</p>	Frances Troup	31/01/2019	Ongoing
R30H	<p>Housing Benefits</p> <p>More than anticipated expenditure by £68.3K</p> <p>Expenditure above budget estimates.</p>	<p>No action required</p> <p>A revised benefit expenditure estimate will be submitted to the DWP at the end of 2018 to 2019 to adjust DWP subsidy payments received.</p>	Gareth Waterson	31/03/2019	Ongoing
R30M	<p>Sheltered Housing</p> <p>Less than anticipated expenditure by £15.1K</p> <p>There is an underspend on staffing due to one area being temporarily staffed on a relief basis.</p>	<p>No action required</p> <p>No action meantime.</p>	Frances Troup	31/01/2019	Ongoing

Annex 3: Budget Action Plan

Orkney College

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R67A	<p>Business Support</p> <p>Less than anticipated expenditure by £54.2K</p> <p>The majority of this underspend is within staffing and is due to a combination of the budgeted 3% pay increase from 1 April 2018 not yet being applied to salaries; and staff vacancy.</p>	<p>Monitor the situation</p> <p>No action required as pay increase related underspends will disappear once pay increase is applied.</p>	James Wylie	31/03/2019	Ongoing
R67B	<p>Further and Higher Education</p> <p>More than anticipated income by £30.7K</p> <p>Around half of this underspend is within the staffing and is due to the budgeted 3% pay increase from 1 April 2018 not yet being applied to salaries. The remainder is due to non-staff expenditure being behind profile.</p>	<p>Monitor the situation</p> <p>No action required as pay increase related underspends will disappear once pay increase is applied.</p> <p>Continue to monitor non-staff expenditure.</p>	James Wylie	31/03/2019	Ongoing
R67F	<p>Archaeology Institute</p> <p>More than anticipated expenditure by £230.9K</p> <p>Budget is profiled assuming equal monthly activity. Current activity at variance with profile.</p>	<p>Monitor the situation</p> <p>Continue to monitor variance closely.</p>	James Wylie	31/01/2019	Ongoing

Annex 3: Budget Action Plan

Orkney College

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R67G	Centre for Nordic Studies More than anticipated income by £13.7K European Structural Investment grant received ahead of profile.	Raise virements request Section Manager and Business Manager to raise virements.	James Wylie	28/02/2019	Ongoing