

# **Item: 4**

**College Management Council Sub-committee: 18 January 2021.**

**Revenue Expenditure Monitoring.**

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

## **1. Purpose of Report**

To advise of the revenue position as at 31 December 2020 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 2020, attached as Annex 1 to this report, indicating a net surplus of £273,600.

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 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 reports are circulated 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.

### **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 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 details by service area statement for the period 1 April to 31 December 2020 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**

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

## **8. Contact Officers**

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

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## **9. Annexes**

Annex 1: Financial details by service area.

Annex 2: Budget Action Plan.

## Annex 1: Financial Detail by Service Area

The following tables show the spending position by service function

<b>Orkney College</b>	<b>PA</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Business Support	<b>1B</b>	99.8	125.6	(25.8)	79.4	325.0
Further and Higher Education	<b>1B</b>	(249.7)	(215.5)	(34.2)	115.8	(590.0)
Agronomy Institute	<b>1B</b>	9.7	54.8	(45.1)	17.6	0.0
Archaeology Institute	<b>1B</b>	219.2	326.1	(106.9)	67.2	235.0
Institute for Northern Studies	<b>1B</b>	(65.4)	(3.8)	(61.6)	1,724.9	30.0
<b>Service Total</b>		<b>13.6</b>	<b>287.2</b>	<b>(273.6)</b>	<b>4.7</b>	<b>0.0</b>

## Annex 2: Budget Action Plan

### Orkney College

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
<b>R67A</b>	<p><b>Business Support</b></p> <p>Less than anticipated expenditure by £25.8K</p> <p>Spend exceeds budget in respect of additional IT equipment needed to comply with COVID-19 restrictions but offset by fewer FE hardship applications than budgeted and income clawback 2019/20 unspent funds. Plus, additional childcare funds made available but undistributed due to closure due to COVID-19 restrictions.</p>	<p><b>Monitor the situation</b></p> <p>Orkney College has appointed a new Business/Finance Manager who will review all budgets and variances in line with activity and the ongoing pandemic.</p>	James Wylie	31/03/2021	Ongoing
<b>R67B</b>	<p><b>Further and Higher Education</b></p> <p>More than anticipated income by £34.2K</p> <p>Less income than anticipated in some areas due to closure due to COVID-19 restrictions, including Business Engagement, Cultural Studies, and Hospitality. This is offset by higher than anticipated income in DYW Orkney and a reduction in expenditure in some areas also due to closures, including Hospitality and DYW Orkney.</p> <p>Budget for one staff member is allocated to wrong cost centre.</p>	<p><b>Raise virements request</b></p> <p>Review staff costs and reallocate budget as required.</p>	James Wylie	31/03/2021	New

## Annex 2: Budget Action

### Plan Orkney College

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R67C	<p><b>Agronomy Institute</b></p> <p>More than anticipated income by £45.1K</p> <p>Agronomy sales income is higher than budgeted.</p>	<p><b>Monitor the situation</b></p> <p>The full year forecast is currently being reviewed.</p>	James Wylie	31/01/2021	Ongoing
R67F	<p><b>Archaeology Institute</b></p> <p>More than anticipated income by £106.9K</p> <p>ORCA has an overspend on expenditure, some of which will be recouped as part of the agreed contract costs, but this is offset by more income than anticipated. The teaching income is ahead of profile and will be reconciled throughout the academic year.</p>	<p><b>Monitor the situation</b></p> <p>The senior management of both Orkney College and the Education, Leisure and Housing Directorate will monitor the income in this business unit regularly.</p>	James Wylie	31/03/2021	Ongoing
R67G	<p><b>Institute for Northern Studies</b></p> <p>More than anticipated income by £61.6K</p> <p>Less expenditure mainly due to lower staff and transport costs due to COVID-19 restrictions. Plus, income received ahead of profile.</p>	<p><b>Monitor the situation</b></p> <p>A full year forecast for the Institute of Northern Studies is currently being finalised.</p>	James Wylie	28/02/2021	New