

EDUCATION, LEISURE AND HOUSING COMMITTEE: 8 FEBRUARY 2017

**REVENUE EXPENDITURE MONITORING REPORT
AS AT 30 NOVEMBER 2016**

**JOINT REPORT BY EXECUTIVE DIRECTOR OF EDUCATION, LEISURE AND
HOUSING, EXECUTIVE DIRECTOR OF CORPORATE SERVICES AND
HEAD OF FINANCE**

1. PURPOSE OF REPORT

- 1.1 To advise of the revenue position as at 30 November 2016 across all General Fund and Non-General Fund Service Areas for which the Committee is responsible.

2. RECOMMENDATIONS

The Committee is invited to note:-

- 2.1 the revenue expenditure statement in respect of Education, Leisure and Housing for the period 1 April to 30 November 2016, indicating:
- 2.1.1 a net General Fund overspend of £106,300; and
2.1.2 a net Non-General Fund underspend of £105,300; and
- 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. POLICY ASPECTS

- 3.1 This report relates to the Council complying with its governance and financial processes and procedures and therefore does not relate specifically to progressing the Council's priorities.

4. INTRODUCTION

- 4.1 At its Special General Meeting held on 18 February 2016, as part of the budget setting process for 2016/17, the Council agreed the Revenue Estimates, Council Tax level and the contribution from General Fund Reserves for financial year 2016/17.

5. **BACKGROUND**

- 5.1 Individual Revenue Expenditure Monitoring Reports (REMRs) are circulated as briefing reports every month in order to inform committee members of the up to date financial position.
- 5.2 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.
- 5.3 Material variances are identified automatically as Priority Actions (PAs) within individual budget cost centres according to the following criteria:-
 - 5.3.1 £10,000 **and** 10% more or less than Anticipated position (1b);
 - 5.3.2 £50,000 **more** or less than Anticipated position (1c).
- 5.4 Priority Actions can be identified at the Service Function level according to the same criteria and these are shown in the Revenue Expenditure Statements shown in Annex 1. 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 in Annex 2.
- 5.5 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.
- 5.6 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.

6. FINANCIAL SUMMARY

6.1 Annex 1 provides the detailed position by Service Area by Service Function. The table below provides a summary of the position across all Service Areas.

General Fund Services	Spend	Budget	Over/Under		Annual
	£000	£000	Spend	%	Budget
			£000		£000
Education	19,357.3	19,273.0	84.3	100.4	30,500.0
Leisure and Cultural	2,786.4	2,750.9	35.5	101.3	4,217.1
Other Housing	1,015.0	1,028.5	-13.5	98.7	1,280.6
Service Totals	23,158.7	23,052.4	106.3	100.5	35,997.7
Non-General Fund Service					
HRA	-429.6	-411.7	-17.9	104.3	476.4
Orkney College	190.8	278.2	-87.4	68.6	0.0
	-238.8	-133.5	-105.3	178.9	476.4

6.2 The budget overspend across the General Fund service areas is £106.3K, alternatively expressed as 100.5% of the anticipated net spending position for the year to date.

6.3 The budget underspend across the Non-General Fund Service is £105.3K.

6.4 Across 5 service areas and 53 service functions, 6 Priority Actions have been generated which identify the main areas of budget variance. The number of Priority Actions which are generated across a particular Service Area is an indicator of the level of control that exists across that service.

6.5 Compared to last month, the number of PAs has decreased as follows:-

Service Area	No. of PAs		Service Functions	PAs/ Function
	P7	P8		
Education	1	1	15	7%
Leisure and Cultural Services	1	1	15	7%
Other Housing	0	1	12	8%
Housing Revenue Account	2	1	6	17%
Orkney College	3	2	5	40%
Totals	7	6	53	11%

6.6 The Budget Action Plan attached as Annex 2 provides an explanation and proposed corrective action for each of the Priority Actions identified.

7. FINANCIAL IMPLICATIONS

- 7.1 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.
- 7.2 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.

8. LEGAL ASPECTS

- 8.1 Financial monitoring and reporting helps the Council meet its obligation to secure best value.

9. CONTACT OFFICERS

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10. ANNEXES

- 10.1 Annex 1: Revenue Expenditure Statements as at 30 November 2016
- 10.2 Annex 2: Budget Action Plans

Annex 1: Revenue Expenditure Statement as at 30 November 2016

	PA	Spend £000	Budget £000	Over/Under		Annual Budget £000
				Spend £000	%	
Education						
Senior Secondary Schools		6,480.7	6,446.9	33.8	100.5	9,494.4
Junior Secondary Schools		1,833.4	1,834.3	-0.9	100.0	2,626.1
Primary Schools	1c	6,556.4	6,432.2	124.2	101.9	9,437.9
Pre-School Education		943.6	956.6	-13.0	98.6	1,559.1
Additional Support Needs		690.3	696.3	-6.0	99.1	1,228.1
Papdale Halls of Residence		419.6	423.6	-4.0	99.1	695.9
Quality Development		-59.7	-60.9	1.2	98.0	-101.6
Administration		582.9	569.8	13.1	102.3	1,672.9
Assistance for Students		125.6	129.8	-4.2	96.8	202.5
Community Learning and Dev		237.4	242.0	-4.6	98.1	382.3
School Meals		602.0	646.9	-44.9	93.1	1,055.3
School Transport		905.0	913.1	-8.1	99.1	2,172.4
School Crossing Patrol		25.5	28.1	-2.6	90.7	45.4
Miscellaneous Grants		5.2	5.8	-0.6	89.7	20.8
Parent Councils		9.4	8.5	0.9	110.6	8.5
Service Totals		19,357.3	19,273.0	84.3	100.4	30,500.0

Budget Summary

Original Net Budget	30,082.4
Redetermination - SG 1+2 Languages Policy	19.7
Contribution from Outwith Orkney Placements Fund	397.9
Revised Net Budget	30,500.0

Annex 1: Revenue Expenditure Statement as at 30 November 2016

Leisure and Cultural Services	PA	Spend	Budget	Over/Under		Annual
		£000	£000	Spend	%	Budget
				£000		£000
Administration		157.4	159.1	-1.7	98.9	420.3
Parks and Play Areas		277.5	268.8	8.7	103.2	335.6
Healthy Living Centres		15.2	21.6	-6.4	70.4	47.6
Caravan Sites		-18.2	-21.3	3.1	85.4	-12.7
Hostels		-6.2	-6.2	0.0	100.0	4.7
Sports Development		21.3	23.0	-1.7	92.6	78.0
Sports Facilities		700.4	695.2	5.2	100.7	1,007.4
Swimming Pools		152.5	144.2	8.3	105.8	177.4
Theatres		15.6	5.9	9.7	264.4	7.4
Active Schools		56.2	56.7	-0.5	99.1	64.3
Community Facilities		231.5	229.9	1.6	100.7	323.0
Heritage Development		232.2	240.9	-8.7	96.4	302.3
Museums	1b	259.8	235.9	23.9	110.1	343.1
St Magnus Cathedral		127.4	138.7	-11.3	91.9	209.4
Libraries		563.8	558.5	5.3	100.9	909.3
Service Totals		2,786.4	2,750.9	35.5	101.3	4,217.1

Budget Summary

Original Net Budget	4,028.1
Youth Employment Scotland Funding	39.0
WW1 Commemorations Funding	22.4
*Transfer of Picky from Strategic Reserve Fund to General Fund	118.6
Transfer from Recreational Projects Fund (Pitch and Facilities Strategy)	9.0
Revised Net Budget	4,217.1

*A budget virement was made to transfer the Pickaquoy Centre budgets from the Strategic Reserve Fund to the General Fund and adjust the Movement In Reserves accordingly.

This followed a review undertaken at 2015/16 year-end of all assets held as 'Investment Properties' in which the Pickaquoy Centre building was reclassified as 'Operational'.

Annex 1: Revenue Expenditure Statement as at 30 November 2016

		Spend	Budget	Over/Under		Annual
	PA	£000	£000	£000	%	Budget
						£000
Other Housing						
Housing Support		34.1	37.0	-2.9	92.2	58.6
Homelessness		555.8	547.1	8.7	101.6	719.5
Housing Loans		-3.6	6.3	-9.9	n/a	5.0
Energy Initiatives		246.8	246.3	0.5	100.2	32.3
Garage Lets		-48.4	-42.4	-6.0	114.2	-77.7
Miscellaneous		0.0	1.4	-1.4	0.0	54.5
Housing Benefits	1b	65.9	76.2	-10.3	86.5	117.2
Mobile Home Sites		5.0	0.8	4.2	625.0	0.2
Landlord Registration		-42.8	-45.1	2.3	94.9	-19.3
Care and Repair		141.4	140.8	0.6	100.4	295.8
Sheltered Housing		73.3	74.0	-0.7	99.1	115.3
Student Accommodation		-12.5	-13.9	1.4	89.9	-20.8
Service Totals		1,015.0	1,028.5	-13.5	98.7	1,280.6

Budget Summary

Original Net Budget	1,239.3
Innovation Fund - Care and Repair Additional Post	29.8
Redetermination - General Revenue Grant	3.0
Care and Repair Contract Costs	8.5
	1,280.6

Annex 1: Revenue Expenditure Statement as at 30 November 2016

		Spend	Budget	Over/Under		Annual
	PA	£000	£000	£000	%	Budget
						£000
Housing Revenue Account						
Administration		279.7	298.0	-18.3	93.9	674.4
Property Costs		1,570.7	1,582.4	-11.7	99.3	1,862.5
Rent Income		-2,266.8	-2,291.1	24.3	98.9	-3,469.1
Tenant Participation	1b	1.0	13.5	-12.5	7.4	22.9
Other Income		-14.2	-14.5	0.3	97.9	-28.3
Finance Charges		0.0	0.0	0.0	n/a	1,414.0
Service Totals		-429.6	-411.7	-17.9	104.3	476.4

		Spend	Budget	Over/Under		Annual
	PA	£000	£000	£000	%	Budget
						£000
Orkney College						
Business Support		250.7	267.2	-16.5	93.8	0.0
Further and Higher Education	1b	-247.1	-174.7	-72.4	141.4	30.0
Agronomy Institute	1b	38.1	51.4	-13.3	74.1	-30.0
Archaeology Institute		72.2	66.5	5.7	108.6	0.0
Centre for Nordic Studies		76.9	67.8	9.1	113.4	0.0
Service Totals		190.8	278.2	-87.4	68.6	0.0

Annex 2: Budget Action Plan

Education					
Action Point	Function/Explanation	Action	Responsible Officer(s)	Deadline	Status
ED2	<p>Primary Schools Overspend £124.2K</p> <p>Staffing £53K - retained teaching staffing supply cover costs.</p> <p>Property Costs - £28K overspend majority of which is increased Rates payable for 2016-17.</p> <p>The remaining £43K comprises smaller overspends split across the schools under Supplies and Services, Transport and Admin.</p>	<p>The Education Service, in conjunction with HR and Performance, is currently developing a rigorous monitoring process for the management of long term absences.</p> <p>No immediate action required.</p>	P Diamond	<p>30/09/16 31/12/16</p>	P4 Action - Ongoing

Annex 2: Budget Action Plan

Leisure and Cultural Services					
Action Point	Function/Explanation	Action	Responsible Officer(s)	Deadline	Status
LS7	<p>Museums Overspend £23.9K</p> <p>£12K of overspend is due to the late payment of a prior year invoice which was not accrued for in the year end process.</p> <p>£7.5K of the overspend in P6 occurred at the two farm museums and was due to inaccurate profiling of seasonal staff.</p> <p>Remaining shortfall is due to Sales income of £11K at Orkney Museum being lower than expected.</p>	<p>Circumstances surrounding this particular oversight have been investigated; and although no action can mitigate this specific occurrence, measures are in place to ensure this does not happen again.</p> <p>Service is finding income targets difficult to meet. However measures such as a recent stock review, together with anticipated positive exhibition sales in the new year leading to increased commission, should help to offset this shortfall.</p>	K Greaves	<p>31/10/16 30/11/16</p>	<p>P6 Action – Ongoing</p> <p>Staffing profiling issues now been reviewed and corrected.</p>

Annex 2: Budget Action Plan

Other Housing					
Action Point	Function/Explanation	Action	Responsible Officer(s)	Deadline	Status
OH3	Housing Benefits Underspend £10.3K Less benefit payments made up until November 2016 than expected.	No action at present.	G Waterson	31/12/16	New Action

Annex 2: Budget Action Plan

Housing Revenue Account					
Action Point	Function/Explanation	Action	Responsible Officer(s)	Deadline	Status
HRA2	<p>Rent Income Income deficit £24.3K</p> <p>Income collected is less than original budget profile at this stage of the year.</p>	Reprofile budget to better reflect actual income.	G Waterson	31/12/16	P7 Action - Completed
HRA3	<p>Tenant Participation Underspend £12.5K</p> <p>Underspend is due to a vacant Tenant Participation Officer post.</p>	Recruitment to the vacant post is now in progress.	F Troup	31/12/16	P7 Action - Ongoing

Annex 2: Budget Action Plan

Orkney College					
Action Point	Function/Explanation	Action	Responsible Officer(s)	Deadline	Status
OC1	Business Support Underspend £16.5K Staff turnover savings. Utilities spend behind profile.	Continue to monitor.	P Diamond	31/08/16 30/11/16	P3 Action – Completed
OC2	Further and Higher Education Underspend £72.4K Staffing expenditure behind profile. Student fee income ahead of profile. External services spend behind profile.	Monitor.	P Diamond	31/08/16 30/11/16	P3 Action – Ongoing Anticipate full staff budget will be required. Fee predictions being monitored. Current budget remains realistic. Anticipate current budget will be required.
OC3	Archaeology Institute Overspend £5.7K ‘Income to find’ now profiled quarterly for Research Business Units as per audit recommendation.	Monitor. Actual income, against confirmed and required income, regularly reviewed.	P Diamond	31/08/16 30/11/16	P3 Action – Completed Of an amended total ‘income to find’ of £325K, £346K is secured to be invoiced/claimed this financial year. This income will cover the apparent shortfall

Annex 2: Budget Action Plan

Orkney College					
Action Point	Function/Explanation	Action	Responsible Officer(s)	Deadline	Status
					<p>for the third quarter to December and count towards the total income required.</p> <p>It should be noted that this increased level of secured income requires additional costs of £29K. This expenditure update was submitted mid-November and will show in the next monitoring report.</p>
OC6	<p>Agronomy Institute Underspend £13.3K</p> <p>An underspend to date on staffing and supplies combined with sales being ahead of profile at this point in the year is showing an accumulated underspend.</p>	<p>It is anticipated that the full annual expenditure budget will be required. Final sales figures will depend on harvest sales.</p>	P Diamond	31/12/16	New Action