

Item: 4

Education, Leisure and Housing Committee: 9 September 2020.

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 30 June 2020 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 30 June 2020, attached as Annex 1 to this report, indicating the following:

- A net General Fund overspend of £253,300.
- A net Non-General Fund overspend of £112,100.

2.2.

The revenue financial detail by service area statement, in respect of Education, Leisure and Housing for the period 1 April to 30 June 2020, attached as Annex 2 to this report.

The Committee is invited to scrutinise:

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, 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 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.

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 30 June 2020 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.

The exceptional impact of the COVID-19 pandemic will see additional expenditure and reduced income across all services which will be monitored during financial year 2020 to 2021 with a possible contribution from General Fund non earmarked balances at the financial year-end.

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, extension 2401, Email james.wylie@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	Budget	Over/(Under)	Spend	Annual
General Fund Service	£000	£000	£000	%	Budget
					£000
Education	9,338.8	9,189.1	149.7	101.6	33,828.4
Leisure and Cultural Services	1,628.0	1,561.6	66.4	104.3	4,220.7
Other Housing	396.4	359.2	37.2	110.4	1,605.3
Service Totals	11,363.2	11,109.9	253.3	102.3	39,654.4

Non-General Fund Service

Housing Revenue Account	934.0	737.8	196.2	126.6	0.0
Orkney College	(194.9)	(110.8)	(84.1)	175.9	0.0
Service Totals	739.1	627.0	112.1	117.9	0.0

Compared to last month, the total number of PAs has changed as follows:

Service Area	No. of PAs		Service Functions	PAs/ Function
	P02	P03		
Education	6	4	14	29%
Leisure and Cultural Services	2	5	14	36%
Other Housing	4	5	11	45%
Housing Revenue Account	2	3	6	50%
Orkney College	4	3	5	60%
Totals	18	20	50	40%

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		3,107.8	3,084.1	23.7	100.8	10,670.4
Junior Secondary Schools		933.1	943.1	(10.0)	98.9	3,002.3
Primary Schools		3,254.4	3,219.6	34.8	101.1	10,894.0
Early Learning & Childcare		581.1	610.6	(29.5)	95.2	3,723.5
Additional Support Needs	1B	293.0	231.3	61.7	126.7	1,155.6
Papdale Halls of Residence		151.2	165.7	(14.5)	91.3	758.4
Quality Development		(0.4)	(7.4)	7.0	6.0	78.1
Administration	1B	196.4	105.7	90.7	185.9	(676.4)
Assistance for Students		51.6	59.7	(8.1)	86.5	204.5
Community Learning & Development		73.6	65.9	7.7	111.7	324.6
School Meals	1B	316.1	244.5	71.6	129.3	1,193.8
School Transport	1B	369.8	449.2	(79.4)	82.3	2,438.9
School Crossing Patrol		9.0	11.3	(2.3)	80.0	52.1
Parent Councils		2.1	5.8	(3.7)	36.0	8.6
Service Total		9,338.8	9,189.1	149.7	101.6	33,828.4

Leisure & Cultural Services	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - RC		15.5	23.5	(8.0)	66.2	379.3
Parks and Play Areas		293.9	303.2	(9.3)	96.9	342.4
Healthy Living Centres		11.4	11.5	(0.1)	98.9	69.3
Tourism - Caravan Sites		3.8	(3.9)	7.7	N/A	(13.8)
Tourism - Hostels	1B	19.8	8.5	11.3	232.0	(3.6)
Sports Development	1B	0.7	14.8	(14.1)	4.7	82.7
Sports Facilities		336.2	317.2	19.0	106.0	1,017.1
Swimming Pools	1B	82.6	96.4	(13.8)	85.7	208.0
Active Schools		(24.6)	(25.1)	0.5	98.0	89.0
Community Facilities	1B	205.2	157.3	47.9	130.5	319.7
Heritage Development		148.2	154.1	(5.9)	96.2	311.4
Museums	1B	124.6	95.1	29.5	131.1	288.6
St Magnus Cathedral		98.3	97.6	0.7	100.7	180.0
Libraries		312.4	311.4	1.0	100.3	950.6
Service Total		1,628.0	1,561.6	66.4	104.3	4,220.7

Other Housing	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Housing Support		12.6	13.9	(1.3)	90.5	64.2
Homelessness	1B	334.0	382.4	(48.4)	87.3	826.0
Housing Loans	1B	(3.3)	10.0	(13.3)	N/A	10.7
Energy Initiatives		(9.4)	(7.7)	(1.7)	122.8	37.5
Garages	1B	7.8	(2.7)	10.5	N/A	(97.3)
Miscellaneous - OH		(14.2)	(6.4)	(7.8)	223.0	202.0
Housing Benefits	1B	52.9	(5.9)	58.8	N/A	157.1
Landlord Registration	1B	(22.2)	(55.3)	33.1	40.1	(20.8)
Care & Repair		2.4	4.1	(1.7)	58.2	309.5
Sheltered Housing		37.2	32.8	4.4	113.6	138.6
Student Accommodation		(1.4)	(6.0)	4.6	22.8	(22.2)
Service Total		396.4	359.2	37.2	110.4	1,605.3

Housing Revenue Account	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - HRA	1B	86.9	104.4	(17.5)	83.2	733.3
Property Costs - HRA		1,451.1	1,411.6	39.5	102.8	1,517.5
Rent Income	1B	(635.2)	(783.1)	147.9	81.1	(3,848.2)
Tenant Participation		0.3	4.9	(4.6)	7.1	24.4
Other Income - HRA	1B	30.9	0.0	30.9	0.0	(23.0)
Finance Charges - HRA		0.0	0.0	0.0	0.0	1,596.0
Service Total		934.0	737.8	196.2	126.6	0.0

Orkney College	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Business Support	1B	(24.4)	(8.6)	(15.8)	283.5	325.0
Further and Higher Education	1B	(210.8)	(154.2)	(56.6)	136.7	(590.0)
Agronomy Institute		24.7	21.8	2.9	113.4	0.0
Archaeology Institute	1B	6.3	26.7	(20.4)	23.5	235.0
Institute for Northern Studies		9.3	3.5	5.8	266.7	30.0
Service Total		(194.9)	(110.8)	(84.1)	175.9	0.0

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>More than anticipated expenditure by £61.7K</p> <p>Base budget is insufficient to meet contractual commitments.</p>	<p>Monitor the situation</p> <p>Alert Head of Finance to the potential of a draw on the Out of Orkney Placements Fund.</p>	Peter Diamond	31/03/2021	Ongoing
R15A	<p>Administration</p> <p>More than anticipated expenditure by £90.7K</p> <p>This budget line has been used as a holding centre for compensatory payment for staff as a result of Covid-19 Government policy.</p>	<p>Raise virements request</p> <p>Recoup spend from the Covid-19 recovery fund. This matter requires further discussion with the Scottish Government</p>	James Wylie	31/03/2021	Ongoing
R15DE	<p>School Meals</p> <p>More than anticipated expenditure by £71.6K</p> <p>Overspend is due to a combination of loss of income which has exceeded any savings made on purchase of supplies and cash payments in lieu of free school meals.</p>	<p>Monitor the situation</p> <p>The situation is likely to continue into next term and will not be resolved without additional funding. The Council has received a grant of £31k in July 2020 which should help reduce the overspend.</p>	Hayley Green	31/12/2020	Ongoing

Annex 3: Budget Action Plan

Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R15F	School Transport Less than anticipated expenditure by £79.4K Late submission of invoices from conveyors has resulted in this underspend.	Process transaction(s) Pay invoice when received.	James Wylie	31/08/2020	Ongoing

Annex 3: Budget Action Plan

Leisure & Cultural Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R17F	<p>Tourism - Hostels</p> <p>Less than anticipated income by £11.3K</p> <p>Loss of income as a result of Covid-19 and continuation of payment of staff during lockdown.</p>	<p>Monitor the situation</p> <p>Continue to monitor.</p>	Peter Diamond	31/03/2021	New
R17G	<p>Sports Development</p> <p>Less than anticipated expenditure by £14.1K</p> <p>Underspend as a result of non-payment to contractual staff.</p>	<p>Monitor the situation</p> <p>Finance service advising contractor regarding contractors' compensation scheme.</p>	Peter Diamond	31/08/2020	New
R17K	<p>Swimming Pools</p> <p>Less than anticipated expenditure by £13.8K</p> <p>Significant underspend on utilities as a result of closure. Income less than anticipated due to pool closure.</p>	<p>Monitor the situation</p> <p>Monitor the utilities underspend against the accumulation of loss of income.</p>	Peter Diamond	31/08/2020	Ongoing
R17P	<p>Community Facilities</p> <p>Less than anticipated income by £47.9K</p> <p>Significant variance due to no income being generated as a result of Covid-19 facilities closure.</p>	<p>Monitor the situation</p> <p>Continue to monitor overall impact of pandemic on income.</p>	Peter Diamond	31/08/2020	Ongoing

Annex 3: Budget Action Plan

Leisure & Cultural Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R17T	Museums Less than anticipated income by £29.5K Significant variance as a result of a lack of income across the museum portfolio. Property costs in excess of budget. The budget was reduced in 2018/19 but action to implement saving has been delayed.	Manage income/expenditure Investigate significant overspend in property costs and establish an action plan.	Peter Diamond	31/08/2020	New

Annex 3: Budget Action Plan

Other Housing

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R30B	<p>Homelessness</p> <p>Less than anticipated expenditure by £48.4K</p> <p>Payment of grants relating to homelessness strategy delayed due to Covid-19 pandemic. Offers have been issued. Payment to progress in due course.</p>	<p>No action required</p> <p>Payment to progress when Service Level Agreements returned in line with normal procedures.</p>	Frances Troup	31/07/2020	Ongoing
R30C	<p>Housing Loans</p> <p>More than anticipated income by £13.3K</p> <p>Interest being generated has increased due to higher value loans being advanced. Budget will be reviewed and a virement processed to realign budget.</p>	<p>Raise virements request</p> <p>Virement to be processed to realign budget accordingly.</p>	Frances Troup	31/08/2020	New
R30F	<p>Garages</p> <p>Less than anticipated income by £10.5K</p> <p>Collections reduced as a result of Covid-19.</p>	<p>Monitor the situation</p> <p>Garage rent arrears to be pursued appropriately once lockdown is eased.</p>	Frances Troup	31/07/2020	Ongoing

Annex 3: Budget Action Plan

Other Housing

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R30H	<p>Housing Benefits</p> <p>More than anticipated expenditure by £58.8K</p> <p>More transfer payments made than budget, but variance reduced by more Government grants income received than budgeted. This is a 2019/20 adjustment and will be deducted from future subsidy payments now that the final 2019/20 subsidy claim has been submitted.</p>	<p>Monitor the situation</p> <p>Expenditure is expected to reduce once benefit claims end following lockdown measures.</p>	Gareth Waterson	30/09/2020	Ongoing
R30K	<p>Landlord Registration</p> <p>Less than anticipated income by £33.1K</p> <p>Payments from the Scottish Government are currently delayed.</p>	<p>Monitor the situation</p> <p>Payment from Scottish Government to follow.</p>	Frances Troup	31/07/2020	Ongoing

Annex 3: Budget Action Plan

Housing Revenue Account

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R61A	<p>Administration - HRA</p> <p>Less than anticipated expenditure by £17.5K</p> <p>Recruitment has been challenging over the past few months particularly in relation to part-time vacancies.</p>	<p>Monitor the situation</p> <p>Two part-time posts have been merged and another post is being readvertised. Recruitment is progressing by electronic means.</p>	Frances Troup	31/10/2020	New
R61E	<p>Rent Income</p> <p>Less than anticipated income by £147.9K</p> <p>Rent collections less than budgeted for. Arrears carried forward are more than budgeted for and income reduced due to write offs in sales ledger.</p>	<p>Monitor the situation</p> <p>Arrears recovery process to be reviewed.</p>	Gareth Waterson	31/07/2020	Ongoing
R61I	<p>Other Income - HRA</p> <p>Less than anticipated income by £30.9K</p> <p>Income from feed in tariff is expected shortly.</p>	<p>Monitor the situation</p> <p>Income awaited. Situation to be monitored.</p>	Frances Troup	31/07/2020	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>More than anticipated income by £15.8K</p> <p>Underspend due to rates invoice not yet being processed. Income to balance debt due at end of July.</p>	<p>Process transaction(s)</p> <p>Pay outstanding invoice. Balance income when received.</p>	James Wylie	31/08/2020	Ongoing
R67B	<p>Further and Higher Education</p> <p>More than anticipated income by £56.6K</p> <p>Income ahead of profiling across two budget areas.</p>	<p>Process transaction(s)</p> <p>Profiling exercise to take place.</p>	James Wylie	31/08/2020	Ongoing
R67F	<p>Archaeology Institute</p> <p>Less than anticipated expenditure by £20.4K</p> <p>Significant underspend in the areas of staffing, transport and supplies and services as a result of closure due to Covid-19.</p>	<p>Monitor the situation</p> <p>Monitor underspend again lack of income as the financial year progresses.</p>	James Wylie	31/07/2020	Ongoing