

Item: 5

College Management Council Sub-committee: 22 August 2022.

Revenue Expenditure Outturn.

Joint Report by Corporate Director for Education, Leisure and Housing and Head of Finance.

1. Purpose of Report

To advise of the revenue outturn position for financial year 2021/22 across the service area for which the Sub-committee is responsible.

2. Recommendations

The Sub-committee is invited to note:

2.1.

The revenue expenditure outturn statement in respect of Orkney College for financial year 2021/22, attached as Annex 1 to this report, indicating a net surplus of £374,000.

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 2 March 2021, the Council set its overall revenue budget for financial year 2021/22. On 20 April 2021, 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 Corporate Director and 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

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9. Annexes

Annex 1: Revenue Expenditure Outturn Statement.

Annex 2: Budget Action Plan.

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2021 to 2022

	PA	Spend	Budget	Over/Under		Annual
		£000	£000	£000	%	Budget
						£000
Orkney College						
Business Support	1c	884.2	829.8	54.4	106.6	829.8
Further and Higher Education	1b	(810.3)	(612.1)	(198.2)	132.4	(612.1)
Agronomy Institute		2.6	0.8	1.8	323.0	0.8
Archaeology Institute	1b	108.2	245.9	(137.7)	44.0	245.9
Institute for Northern Studies	1c	(82.5)	30.9	(113.4)	n/a	30.9
Accounting for Pensions		(10.8)	(10.8)	0.0	100.0	(10.8)
Movement in Reserves		(468.9)	(488.0)	19.1	96.1	(488.0)
Non-Distributed Costs		3.5	3.5	0.0	100.0	3.5
Service Totals		(374.0)	0.0	(374.0)	n/a	0.0

Movement in Reserves Statement

IFRS Accounting Entries	(488.0)
	<u>(488.0)</u>

Orkney College Statement of Reserves

Opening Balance 1 April 2021	106.8
Financial Year 2021/22 Surplus	374.0
Closing Balance as at 31 March 2022	<u><u>480.8</u></u>

Annex 2:

Budget Action Plan

Orkney College			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R67A	<p>Business Support</p> <p>Within Business Support, the amount of grant income received from the University of the Highlands and Islands (UHI) during 2021/22 was less than the budget set.</p> <p>Notification of the amounts of income to be received for the main Further Education and Higher Education grants is not available from the UHI until the end of June, whereas the budget for the College must be set by February. This means that an estimated figure must be used in the budget.</p>	The same approach to the budget setting was taken for 2022/23. Within the budget setting, an assumption is made that any shortfall in UHI grant income will be covered by tuition fee income and income from projects undertaken by the business units.	P Diamond
R67B	<p>Further and Higher Education</p> <p>Tuition fee income within Education, Maritime and Carpentry all exceeded the budget. Education attracted funding for post graduate courses in Headship. Income for both full time and short courses in Maritime exceeded the budget figure. Carpentry attracted course funding from the Construction Industry Training Board.</p>	Continue to provide high quality tuition and courses which attract students to study at Orkney College.	P Diamond

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Budget Action Plan

Orkney College			
Function	Function Description / Explanation	Action Category/ Action Description	Responsible Officer
R67F	<p>Archaeology Institute</p> <p>Archaeology fee income was more than anticipated reflecting buoyant student numbers on post graduate taught programmes.</p> <p>Commercial enterprises and projects were also lucrative, generating more income than budget.</p>	Continue to manage Archaeology Institute with the aim of attracting students, project funding and commercial undertakings, thus generating income.	P Diamond
R67G	<p>Institute for Northern Studies</p> <p>There were underspends on all expenditure budget lines. In particular there was no expenditure on travel or expenses and the Director was seconded to UHI for 9 months with less than anticipated backfill costs. The income from post graduate courses was more than budgeted, reflecting a good uptake of these courses.</p>	No action required. Expenditure is expected to increase during 2022/23 due to lifting of COVID-19 restrictions but income levels are expected to be maintained.	P Diamond