

## **Item: 3**

**Education, Leisure and Housing Committee: 14 November 2018.**

### **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 September 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 30 September 2018, attached as Annex 1 to this report, indicating the following:

- A net General Fund overspend of £41,400.
- A net Non-General Fund overspend of £57,300.

### **2.2.**

The revenue financial detail by Service Area statement, in respect of Education, Leisure and Housing for the period 1 April to 30 September 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 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 30 September 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 30 September 2018 is as follows:

- £301,800 across General Fund Education, Leisure and Housing Services which would increase the current overspend position to £343,200.
- £25,900 across Non-General Fund Education, Leisure and Housing Services which would increase the current overspend position to £83,200.

## **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](mailto:wilf.weir@orkney.gov.uk).

Gillian Morrison, Executive Director of Corporate Services, extension 2103, Email [gillian.morrison@orkney.gov.uk](mailto:gillian.morrison@orkney.gov.uk).

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

	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/Under £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
<b>General Fund Service</b>					
Education	14,757.3	14,802.6	-45.3	99.7	31,179.3
Leisure & Cultural Services	2,194.6	2,126.4	68.2	103.2	4,122.2
Other Housing	619.0	600.5	18.5	103.1	1,470.5
<b>Service Totals</b>	<b>17,570.9</b>	<b>17,529.5</b>	<b>41.4</b>	<b>100.2</b>	<b>36,772.0</b>
<b>Non-General Fund Service</b>					
Housing Revenue Account	-324.7	-240.0	-84.7	135.3	0.0
Orkney College	37.6	-104.4	142.0	N/A	0.0
<b>Service Totals</b>	<b>-287.1</b>	<b>-344.4</b>	<b>57.3</b>	<b>83.4</b>	<b>0.0</b>

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

<b>Service Area</b>	<b>No. of PAs</b>		<b>Service Functions</b>	<b>PAs/ Function</b>
	<b>P04</b>	<b>P05</b>		
Education	2	4	14	29%
Leisure & Cultural Services	1	1	15	7%
Other Housing	4	3	13	23%
Housing Revenue Account	1	1	6	17%
Orkney College	2	2	5	40%
<b>Totals</b>	<b>10</b>	<b>11</b>	<b>53</b>	<b>21%</b>

## Annex 2: Financial Detail by Service Area

The following tables show the spending position by service function

<b>Education</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>
Senior Secondary Schools	<b>1C</b>	5,090.2	5,165.4	-75.2	98.5	9,804.7
Junior Secondary Schools		1,466.1	1,480.2	-14.1	99.0	2,718.7
Primary Schools		5,232.6	5,234.9	-2.3	100.0	9,893.0
Early Learning & Childcare		802.9	831.6	-28.7	96.5	2,013.4
Additional Support Needs		656.1	672.8	-16.7	97.5	1,391.7
Papdale Halls of Residence		319.9	335.1	-15.2	95.5	731.4
Quality Development		-2.4	-1.0	-1.4	235.7	-148.0
Administration - ED	<b>1B</b>	-182.8	-204.1	21.3	89.6	1,024.8
Assistance for Students		70.9	73.3	-2.4	96.7	212.5
Community Learning & Development	<b>1B</b>	166.8	123.1	43.7	135.6	316.5
School Meals		457.5	435.4	22.1	105.1	964.2
School Transport		659.0	630.6	28.4	104.5	2,198.4
School Crossing Patrol		18.5	23.1	-4.6	80.2	49.5
Parent Councils		2.0	2.2	-0.2	91.3	8.5
<b>Service Total</b>		<b>14,757.3</b>	<b>14,802.6</b>	<b>-45.3</b>	<b>99.7</b>	<b>31,179.3</b>

### 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
	<b>31,179.3</b>

<b>Leisure &amp; Cultural Services</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>
Administration - RC		84.0	87.7	-3.7	95.7	373.8
Parks and Play Areas		263.4	249.7	13.7	105.5	263.9
Healthy Living Centres		12.2	21.7	-9.5	56.4	68.4
Tourism - Caravan Sites		-24.0	-22.9	-1.1	104.6	-10.1
Tourism - Hostels		-10.2	-11.3	1.1	90.2	2.0
Sports Development		7.7	7.7	0.0	100.0	79.8
Sports Facilities		561.4	524.2	37.2	107.1	1,030.4
Swimming Pools		150.2	149.5	0.7	100.5	216.9
Theatres		4.4	6.5	-2.1	68.3	6.5
Active Schools		19.9	23.0	-3.1	86.8	76.2
Community Facilities		215.5	214.9	0.6	100.3	323.8
Heritage Development		161.6	168.2	-6.6	96.0	291.0
Museums	<b>1B</b>	194.4	147.0	47.4	132.2	293.6
St Magnus Cathedral		109.1	118.3	-9.2	92.2	186.1
Libraries		445.0	442.2	2.8	100.6	919.9
<b>Service Total</b>		<b>2,194.6</b>	<b>2,126.4</b>	<b>68.2</b>	<b>103.2</b>	<b>4,122.2</b>

#### Changes in original budget position:

Original Net Budget	4,111.5
Transfer from Education to Leisure for Developing Young Workforce Officer	10.7
	<b>4,122.2</b>

<b>Other Housing</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>
Housing Support		25.7	28.7	-3.0	89.4	61.6
Homelessness		486.1	501.9	-15.8	96.9	785.6
Housing Loans		-6.0	-6.4	0.4	93.5	9.2
Energy Initiatives		-69.6	-62.9	-6.7	110.7	35.5
Garages		-34.3	-29.7	-4.6	115.7	-94.2
Miscellaneous - OH	<b>1B</b>	-11.4	0.0	-11.4	27,598.9	126.7
Housing Benefits	<b>1B</b>	89.2	13.0	76.2	683.7	149.4
Mobile Home Sites		2.2	1.4	0.8	157.1	0.4
Landlord Registration		-62.1	-62.0	-0.1	100.2	-19.8
Care & Repair		137.1	145.1	-8.0	94.5	306.4
Sheltered Housing	<b>1B</b>	49.4	63.0	-13.6	78.4	131.3
Student Accommodation		-3.1	-7.4	4.3	41.4	-21.6
Poverty and Social Inclusion		15.8	15.8	0.0	100.2	0.0
<b>Service Total</b>		<b>619.0</b>	<b>600.5</b>	<b>18.5</b>	<b>103.1</b>	<b>1,470.5</b>

<b>Housing Revenue Account</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>
Administration - HRA		201.4	222.5	-21.1	90.5	721.2
Property Costs - HRA		1,310.0	1,308.6	1.4	100.1	1,507.6
Rent Income	<b>1C</b>	-1,825.6	-1,769.2	-56.4	103.2	-3,695.4
Tenant Participation		1.0	10.3	-9.3	9.8	22.9
Other Income - HRA		-11.5	-12.2	0.7	94.6	-23.0
Finance Charges - HRA		0.0	0.0	0.0	0.0	1,466.7
<b>Service Total</b>		<b>-324.7</b>	<b>-240.0</b>	<b>-84.7</b>	<b>135.3</b>	<b>0.0</b>

<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>	-22.5	15.8	-38.3	N/A	0.0
Further and Higher Education	<b>1B</b>	-212.2	-178.3	-33.9	119.0	0.0
Agronomy Institute		42.3	47.0	-4.7	90.0	0.0
Archaeology Institute	<b>1B</b>	226.6	-2.3	228.9	N/A	0.0
Centre for Nordic Studies		3.4	13.4	-10.0	25.3	0.0
<b>Service Total</b>		<b>37.6</b>	<b>-104.4</b>	<b>142.0</b>	<b>N/A</b>	<b>0.0</b>



## Annex 3: Budget Action Plan

### Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R11AC	<p><b>Senior Secondary Schools</b></p> <p>Less than anticipated expenditure by £75.2K</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><b>No action required</b></p> <p>No action required as underspends will disappear once pay increase applied.</p>	James Wylie	31/10/2018	Ongoing
R15A	<p><b>Administration</b></p> <p>More than anticipated expenditure by £21.3K</p> <p>Overspend is as a result of budget savings applied within staffing and property costs not yet being realised.</p>	<p><b>Monitor the situation</b></p> <p>It is anticipated that the staffing overspend will be realigned through Scottish Government probationer teacher grant allocation which is due to be announced shortly.</p>	James Wylie	30/11/2018	Ongoing
R15C	<p><b>Community Learning &amp; Development</b></p> <p>More than anticipated expenditure by £43.7K</p> <p>One-off staff costs.</p>	<p><b>Monitor the situation</b></p> <p>Continue to monitor the situation with a view to achieving compensatory savings.</p>	Peter Diamond	30/11/2018	Ongoing

## Annex 3: Budget Action Plan

### Leisure & Cultural Services

<b>Function</b>	<b>Function Description/ Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>	<b>Deadline</b>	<b>Status</b>
<b>R17T</b>	<b>Museums</b> More than anticipated expenditure by £47.4K  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.	<b>Monitor the situation</b>  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.	Peter Diamond	30/11/2018	Ongoing

## Annex 3: Budget Action Plan

### Other Housing

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R30G	<p><b>Miscellaneous - OH</b></p> <p>Less than anticipated expenditure by £11.4K</p> <p>There are small underspends across three separate budgets within Other Housing. Some of it is due to there being no specialist staff employed in respect of the Syrian Resettlement Programme meantime.</p>	<p><b>No action required</b></p> <p>No action meantime.</p>	Frances Troup	30/11/2018	New
R30H	<p><b>Housing Benefits</b></p> <p>More than anticipated expenditure by £76.2K</p> <p>Expenditure above initial budget estimates. A revised benefit expenditure estimate has been submitted to the DWP at the end of August 2018 to adjust DWP subsidy payments received and to match variances in expenditure.</p>	<p><b>Monitor the situation</b></p> <p>Mid-year estimate of revised expenditure to DWP has been submitted at end of August 2018. Further adjustments to profile to be made following changes to subsidy and expenditure changes being implemented by DWP.</p>	Gareth Waterson	30/11/2018	Ongoing
R30M	<p><b>Sheltered Housing</b></p> <p>Less than anticipated expenditure by £13.6K</p> <p>There is an underspend on staffing due to one area being temporarily staffed on a relief basis.</p>	<p><b>No action required</b></p> <p>No action meantime.</p>	Frances Troup	31/10/2018	Ongoing

## Annex 3: Budget Action Plan

### Housing Revenue Account

<b>Function</b>	<b>Function Description/ Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>	<b>Deadline</b>	<b>Status</b>
<b>R61E</b>	<b>Rent Income</b> More than anticipated income by £56.4K  Income received throughout the year varies. Presently, income exceeds the new and revised budget profile.	<b>Raise journals request</b>  No action required at this stage - as new budget profile recently implemented.	Gareth Waterson	30/11/2018	Ongoing

## Annex 3: Budget Action Plan

### Orkney College

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R67A	<p><b>Business Support</b></p> <p>More than anticipated income by £38.3K</p> <p>Grant income received ahead of profile.</p>	<p><b>Raise virements request</b></p> <p>Update income budget profile.</p>	James Wylie	30/11/2018	New
R67B	<p><b>Further and Higher Education</b></p> <p>Less than anticipated expenditure by £33.9K</p> <p>Staff expenditure at variance with profile at this point of the year.</p>	<p><b>Monitor the situation</b></p> <p>Continue to monitor the variance.</p>	James Wylie	30/11/2018	New
R67F	<p><b>Archaeology Institute</b></p> <p>Less than anticipated income by £228.9K</p> <p>Budget is profiled assuming equal monthly activity. Current activity at variance with profile.</p>	<p><b>Monitor the situation</b></p> <p>Continue to monitor variance.</p>	James Wylie	30/11/2018	Ongoing