

Item: 4

Education, Leisure and Housing Committee: 13 November 2019.

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 2019 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 2019, attached as Annex 1 to this report, indicating the following:

- A net General Fund underspend of £677,000.
- A net Non-General Fund overspend of £65,200.

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 2019, 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 5 March 2019, the Council set its overall revenue budget for financial year 2019 to 2020. On 23 April 2019, 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 2019 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.

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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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 |
|---------------------------------|-----------------|-----------------|-------------------|--------------|-----------------|
| | £000 | £000 | £000 | % | Budget |
| General Fund Service | | | | | £000 |
| Education | 14,774.8 | 15,410.6 | -635.8 | 95.9 | 32,772.5 |
| Leisure and Cultural Services | 2,370.8 | 2,310.1 | 60.7 | 102.6 | 4,204.3 |
| Other Housing | 952.9 | 1,054.8 | -101.9 | 90.3 | 1,528.5 |
| Service Totals | 18,098.5 | 18,775.5 | -677.0 | 96.4 | 38,505.3 |
| Non-General Fund Service | | | | | |
| Housing Revenue Account | -200.7 | -102.6 | -98.1 | 165.6 | 0.0 |
| Orkney College | 579.0 | 415.7 | 163.3 | 139.3 | 0.0 |
| Service Totals | 378.3 | 313.1 | 65.2 | 120.8 | 0.0 |

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

| Service Area | No. of PAs | | Service Functions | PAs/ Function |
|-------------------------------|-------------------|------------|--------------------------|----------------------|
| | P05 | P06 | | |
| Education | 6 | 6 | 14 | 43% |
| Leisure and Cultural Services | 4 | 3 | 15 | 20% |
| Other Housing | 4 | 5 | 12 | 42% |
| Housing Revenue Account | 2 | 2 | 6 | 33% |
| Orkney College | 4 | 3 | 5 | 60% |
| Totals | 20 | 19 | 52 | 37% |

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 | 1C | 5,360.6 | 5,503.1 | -142.5 | 97.4 | 10,519.9 |
| Junior Secondary Schools | | 1,509.9 | 1,533.5 | -23.6 | 98.5 | 2,896.6 |
| Primary Schools | | 5,530.4 | 5,540.4 | -10.0 | 99.8 | 10,578.6 |
| Early Learning & Childcare | 1B | 929.2 | 1,354.6 | -425.4 | 68.6 | 2,922.8 |
| Additional Support Needs | 1B | 552.1 | 456.2 | 95.9 | 121.0 | 972.9 |
| Papdale Halls of Residence | | 355.6 | 357.8 | -2.2 | 99.4 | 755.3 |
| Quality Development | 1B | -18.5 | 62.0 | -80.5 | N/A | -61.0 |
| Administration | | -881.3 | -891.3 | 10.0 | 98.9 | 150.6 |
| Assistance for Students | | 54.8 | 56.7 | -1.9 | 96.5 | 202.5 |
| Community Learning & Development | 1B | 153.0 | 129.5 | 23.5 | 118.2 | 324.1 |
| School Meals | | 497.3 | 473.7 | 23.6 | 105.0 | 1,059.8 |
| School Transport | 1B | 709.5 | 804.9 | -95.4 | 88.2 | 2,391.1 |
| School Crossing Patrol | | 20.1 | 23.7 | -3.6 | 84.6 | 50.8 |
| Parent Councils | | 2.1 | 5.8 | -3.7 | 35.9 | 8.5 |
| Service Total | | 14,774.8 | 15,410.6 | -635.8 | 95.9 | 32,772.5 |

Changes in original budget position:

| | |
|--|-----------------|
| Original Net Budget | 32,381.8 |
| Redetermination - Teachers Pay Award | 552.3 |
| Teachers Pensions - reduction in budget | -176.0 |
| Additional Schools Investment Programme Contribution | 5.4 |
| Additional Schools Investment Programme Contribution | 9.0 |
| | 32,772.5 |

| | | Spend £000 | Budget £000 | Over/Under £000 | Spend % | Annual Budget £000 |
|--|-----------|-----------------------|------------------------|----------------------------|--------------------|-----------------------------------|
| Leisure & Cultural Services | PA | | | | | |
| Administration - RC | | 87.6 | 79.6 | 8.0 | 109.9 | 373.5 |
| Parks and Play Areas | | 312.0 | 305.8 | 6.2 | 102.0 | 317.2 |
| Healthy Living Centres | | 27.9 | 28.4 | -0.5 | 98.2 | 72.6 |
| Tourism - Caravan Sites | 1B | -45.9 | -23.9 | -22.0 | 192.0 | -13.0 |
| Tourism - Hostels | | -12.5 | -12.9 | 0.4 | 97.0 | -2.9 |
| Sports Development | 1B | 7.7 | 46.2 | -38.5 | 16.6 | 80.7 |
| Sports Facilities | | 617.2 | 611.1 | 6.1 | 101.0 | 1,067.7 |
| Swimming Pools | | 142.9 | 143.2 | -0.3 | 99.8 | 204.2 |
| Theatres | | 7.8 | 4.8 | 3.0 | 161.6 | 4.0 |
| Active Schools | | 29.1 | 29.4 | -0.3 | 99.2 | 83.1 |
| Community Facilities | | 215.8 | 207.3 | 8.5 | 104.1 | 315.0 |
| Heritage Development | | 171.8 | 183.4 | -11.6 | 93.7 | 293.0 |
| Museums | 1B | 219.9 | 154.0 | 65.9 | 142.8 | 287.2 |
| St Magnus Cathedral | | 123.2 | 120.7 | 2.5 | 102.1 | 184.7 |
| Libraries | | 466.3 | 433.0 | 33.3 | 107.7 | 937.3 |
| Service Total | | 2,370.8 | 2,310.1 | 60.7 | 102.6 | 4,204.3 |

Changes in original budget position:

| | |
|--|----------------|
| Original Net Budget | 4,134.7 |
| Additional Schools Investment Programme Contribution | 69.6 |
| | 4,204.3 |

| | | Spend £000 | Budget £000 | Over/Under £000 | Spend % | Annual Budget £000 |
|------------------------------|-----------|-----------------------|------------------------|----------------------------|--------------------|-----------------------------------|
| Other Housing | PA | | | | | |
| Housing Support | | 26.7 | 29.0 | -2.3 | 92.0 | 62.1 |
| Homelessness | 1B | 400.5 | 501.0 | -100.5 | 79.9 | 797.0 |
| Housing Loans | | -9.1 | -6.1 | -3.0 | 150.7 | 10.1 |
| Energy Initiatives | 1B | 201.9 | 403.6 | -201.7 | 50.0 | 50.0 |
| Garages | | -27.6 | -31.4 | 3.8 | 88.0 | -97.5 |
| Miscellaneous - OH | 1B | -22.3 | 8.1 | -30.4 | N/A | 152.9 |
| Housing Benefits | 1B | 216.5 | 20.5 | 196.0 | 1,054.2 | 155.1 |
| Landlord Registration | | -47.7 | -48.1 | 0.4 | 99.2 | -20.3 |
| Care & Repair | | 114.1 | 125.1 | -11.0 | 91.2 | 306.4 |
| Sheltered Housing | | 65.7 | 64.7 | 1.0 | 101.5 | 135.0 |
| Student Accommodation | | -4.6 | -11.6 | 7.0 | 39.7 | -22.3 |
| Poverty and Social Inclusion | 1B | 38.8 | 0.0 | 38.8 | 0.0 | 0.0 |
| Service Total | | 952.9 | 1,054.8 | -101.9 | 90.3 | 1,528.5 |

| Housing Revenue Account | PA | Spend £000 | Budget £000 | Over/Under £000 | Spend % | Annual Budget £000 |
|--------------------------------|-----------|-----------------------|------------------------|----------------------------|--------------------|-----------------------------------|
| Administration - HRA | 1B | 199.8 | 233.4 | -33.6 | 85.6 | 737.7 |
| Property Costs - HRA | | 1,369.7 | 1,367.5 | 2.2 | 100.2 | 1,462.3 |
| Rent Income | 1C | -1,779.4 | -1,713.5 | -65.9 | 103.8 | -3,784.1 |
| Tenant Participation | | 6.7 | 10.0 | -3.3 | 66.6 | 22.4 |
| Other Income - HRA | | 2.5 | 0.0 | 2.5 | 0.0 | -23.0 |
| Finance Charges - HRA | | 0.0 | 0.0 | 0.0 | 0.0 | 1,584.7 |
| Service Total | | -200.7 | -102.6 | -98.1 | 195.6 | 0.0 |

| Orkney College | PA | Spend £000 | Budget £000 | Over/Under £000 | Spend % | Annual Budget £000 |
|--------------------------------|-----------|-----------------------|------------------------|----------------------------|--------------------|-----------------------------------|
| Business Support | 1B | 34.4 | 172.1 | -137.7 | 20.0 | 0.0 |
| Further and Higher Education | 1B | 50.0 | -6.8 | 56.8 | N/A | 0.0 |
| Agronomy Institute | | 36.2 | 40.7 | -4.5 | 88.9 | 0.0 |
| Archaeology Institute | 1B | 398.1 | 158.5 | 239.6 | 251.2 | 0.0 |
| Institute for Northern Studies | | 60.3 | 51.2 | 9.1 | 117.8 | 0.0 |
| Service Total | | 579.0 | 415.7 | 163.3 | 139.3 | 0.0 |

Annex 3: Budget Action Plan

Education

| Function | Function Description/ Explanation | Action Category/ Action Description | Responsible Officer | Deadline | Status |
|----------|--|---|------------------------|------------|---------|
| R11AC | <p>Senior Secondary Schools</p> <p>Less than anticipated expenditure by £142.5K</p> <p>Vacant posts across both Kirkwall Grammar School and Stromness Academy have led to underspend in staffing. These posts have been appointed to and start dates are yet to be realised.</p> <p>Less than anticipated staff absence within Devolved School Management (DSM) budgets.</p> <p>An anticipated invoice is yet to be received.</p> | <p>Manage income/expenditure</p> <p>At present a finance and staffing audit is taking place against key staffing to ensure accurate allocation of funds to cover salaries.</p> <p>Review profile of relevant DSM budgets to load budgets for staff absences to the winter months.</p> <p>Invoice now received and sent to payments for processing.</p> | James Wylie | 30/11/2019 | Ongoing |
| R14A | <p>Early Learning & Childcare</p> <p>Less than anticipated expenditure by £425.4K</p> <p>Vacant posts, now filled</p> | <p>Monitor the situation</p> <p>Monitor budget to ensure profile is accurate during expansion phase of Early Learning and Childcare hours (detailed within the ELC Delivery Plan).</p> | Peter Diamond | 31/03/2020 | Ongoing |

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 £95.9K</p> <p>Cost of exceptional packages of care (shared with OHAC) exceed base budget.</p> | <p>Monitor the situation</p> <p>Continue to monitor the situation, additional funds from contingency budget may be required.</p> | Peter Diamond | 31/03/2020 | Ongoing |
| R14N | <p>Quality Development</p> <p>Less than anticipated expenditure by £80.5K</p> <p>Quality development is a holding centre to claim an external agency funding on a regular basis. Reprofiling is required to mirror anticipated spend plans. Grant funding has been received ahead of profile.</p> | <p>Manage income/expenditure</p> <p>Submit claims and reprofile as appropriate.</p> | James Wylie | 30/11/2019 | Ongoing |
| R15C | <p>Community Learning & Development</p> <p>More than anticipated expenditure by £23.5K</p> <p>Profile does not match activity.</p> | <p>Monitor the situation</p> <p>Monitoring the activity against profile will permit a more appropriate profile to be adopted.</p> | Peter Diamond | 31/12/2019 | New |

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 £95.4K Awaiting outstanding invoice. | Process transaction(s) Process invoice now received. | James Wylie | 31/10/2019 | New |

Annex 3: Budget Action Plan

Leisure & Cultural Services

| Function | Function Description/ Explanation | Action Category/ Action Description | Responsible Officer | Deadline | Status |
|----------|---|--|------------------------|------------|---------|
| R17E | <p>Tourism - Caravan Sites</p> <p>More than anticipated income by £22.0K</p> <p>Recording and management of advanced bookings.</p> | <p>Monitor the situation</p> <p>Budget has been reprofiled to match expenditure.</p> | Peter Diamond | 31/03/2020 | Ongoing |
| R17G | <p>Sports Development</p> <p>Less than anticipated expenditure by £38.5K</p> <p>Profile out of step with activity.</p> | <p>Management input required</p> <p>Ensure profile reflects activity and budget plan.</p> | Peter Diamond | 31/12/2019 | Ongoing |
| R17T | <p>Museums</p> <p>More than anticipated expenditure by £65.9K</p> <p>Key components include loss of income due to museum closure; delayed implementation of a service reduction.</p> | <p>Monitor the situation</p> <p>Monitor income changes.</p> <p>Reports to relevant Committees in due course addressing budget shortfalls.</p> | Peter Diamond | 30/11/2019 | Ongoing |

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 £100.5K</p> <p>A combination of leases to be paid, grants to be paid out and fewer repairs due to a high level of occupation of property has contributed to the underspend.</p> | <p>No action required</p> <p>Leases and grants will have been paid out by the end of October. It is anticipated that we will continue to have full occupation of all temporary accommodation for some time.</p> | Frances Troup | 31/10/2019 | Ongoing |
| R30E | <p>Energy Initiatives</p> <p>Less than anticipated expenditure by £201.7K</p> <p>Variance against budget is mainly due to grant income mis-posted as expenditure.</p> | <p>Monitor the situation</p> <p>A journal has been processed to correct mis-posting and a budget virement will be processed to account for grant income received to date.</p> | Frances Troup | 31/10/2019 | New |
| R30G | <p>Miscellaneous - OH</p> <p>Less than anticipated expenditure by £30.4K</p> <p>A combination of a staffing vacancy and receipt of a grant of £45k from the Home Office in respect of the Syrian Resettlement Programme.</p> | <p>Raise virements request</p> <p>The staffing vacancy will be advertised.</p> <p>A budget virement will be processed to account for income and expenditure on the Syrian Resettlement Programme to date.</p> | Frances Troup | 31/10/2019 | 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 £196.0K</p> <p>Actual mandatory benefit expenditure currently above initial budget estimates. A revised benefit expenditure estimate has been submitted to the DWP 26 August 2019 to adjust DWP subsidy payments received.</p> | <p>Monitor the situation</p> <p>Mid-year estimate of revised expenditure to DWP has been submitted 26 August 2019 and subsidy payments will change from October.</p> <p>Final subsidy claim will address overspend.</p> <p>No action at present, but this budget will be reviewed and reprofiled if required.</p> | Gareth Waterson | 31/03/2020 | Ongoing |
| R30P | <p>Poverty and Social Inclusion</p> <p>More than anticipated expenditure by £38.8K</p> <p>Delay in the drawing down of funding from the Scottish Government.</p> | <p>Management input required</p> <p>Discussions are also ongoing with the Scottish Government about the wider issue with the European Commission.</p> | Frances Troup | 31/10/2019 | Ongoing |

Annex 3: Budget Action Plan

Housing Revenue Account

| Function | Function Description/ Explanation | Action Category/ Action Description | Responsible Officer | Deadline | Status |
|-----------------|---|---|--------------------------------|-----------------|---------------|
| R61A | Administration - HRA Less than anticipated expenditure by £33.6K An ongoing staffing vacancy has led to this position. Attempts are ongoing to endeavour to address the issue. | Monitor the situation Attempts to fill the position are ongoing. | Frances Troup | 31/10/2019 | Ongoing |
| R61E | Rent Income More than anticipated income by £65.9K Rent income amount collected to date is more than budgeted for. This is a profiling issue. | Raise virements request Virement required to align rent collection profile with housing benefit payment runs. | Gareth Waterson | 31/10/2019 | 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>Less than anticipated expenditure by £137.7K</p> <p>A journal of £88.5K has been processed twice in error, when corrected this will reduce the income surplus to £49.2K.</p> <p>Income is ahead of profile at this stage of the year.</p> | <p>Raise journals request</p> <p>Journal processed in October 2019.</p> <p>No action but continue to monitor.</p> | James Wylie | 31/12/2019 | Ongoing |
| R67B | <p>Further and Higher Education</p> <p>Less than anticipated income by £56.8K</p> <p>A journal of £98.3K has been processed twice in error, when corrected this will change the income deficit to an income surplus of £41.5K.</p> <p>Income is ahead of profile at this stage of the year.</p> | <p>Raise journals request</p> <p>Journal processed in October 2019.</p> <p>No action but continue to monitor.</p> | James Wylie | 31/12/2019 | Ongoing |
| R67F | <p>Archaeology Institute</p> <p>More than anticipated expenditure by £239.6K</p> <p>The Orkney Research Centre for Archaeology (ORCA) commercial unit is running at a loss.</p> | <p>Management input required</p> <p>At this point in the financial year the predicted overspend for ORCA is in the region of £100,000. Meetings have been established to discuss actions required to address this matter. This action will be presented to relevant governing structures for decision.</p> | James Wylie | 30/11/2019 | Ongoing |