

Item: 4

Education, Leisure and Housing Committee: 3 February 2021.

Revenue Expenditure Monitoring.

Joint Report by Executive Director of Education, Leisure and Housing, Executive Director of Development and Infrastructure and Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 31 December 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 31 December 2020, attached as Annex 1 to this report, indicating the following:

- A net General Fund overspend of £787,700.
- A net Non-General Fund underspend of £128,600.

2.2.

The revenue financial detail by service area statement, in respect of Education, Leisure and Housing for the period 1 April to 31 December 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 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 31 December 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 2020/21 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, Email james.wylie@orkney.gov.uk.

Gavin Barr, Executive Director of Development and Infrastructure, Email gavin.barr@orkney.gov.uk.

Gareth Waterson, Head of Finance, 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 £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
General Fund Service					
Education	23,270.9	22,695.9	575.0	102.5	33,828.4
Leisure and Cultural Services	2,995.2	2,826.1	169.11	106.0	4,220.7
Other Housing	1,103.1	1,059.5	43.6	104.1	1,622.3
Service Totals	27,369.2	26,581.5	787.7	103.0	39,671.4

Non-General Fund Service

Housing Revenue Account	(728.4)	(873.4)	145.0	83.4	0.0
Orkney College	13.6	287.2	(273.6)	4.7	0.0
Service Totals	(714.8)	(586.2)	(128.6)	121.9	0.0

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P08	P09		
Education	4	5	14	36%
Leisure and Cultural Services	7	8	14	57%
Other Housing	6	6	11	55%
Housing Revenue Account	4	4	6	67%
Orkney College	3	5	5	100%
Totals	24	28	50	56%

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		7,965.4	7,940.1	25.3	100.3	10,683.4
Junior Secondary Schools	1C	2,165.8	2,244.8	(79.0)	96.5	3,014.3
Primary Schools		8,129.1	8,162.4	(33.3)	99.6	10,870.0
Early Learning & Childcare		2,094.2	2,099.8	(5.6)	99.7	3,723.5
Additional Support Needs	1B	925.0	812.5	112.5	113.9	1,155.6
Papdale Halls of Residence		546.2	535.2	11.0	102.1	758.4
Quality Development		(94.3)	(91.7)	(2.6)	102.9	77.1
Administration	1C	(1,602.3)	(1,735.3)	133.0	92.3	(676.4)
Assistance for Students		132.6	124.1	8.5	106.8	204.5
Community Learning & Development		232.6	233.9	(1.3)	99.4	324.6
School Meals	1B	906.1	820.3	85.8	110.5	1,193.8
School Transport	1B	1,838.7	1,506.5	332.2	122.0	2,438.9
School Crossing Patrol		29.7	37.3	(7.6)	79.4	52.1
Parent Councils		2.1	6.0	(3.9)	34.5	8.6
Service Total		23,270.9	22,695.9	575.0	102.5	33,828.4

Leisure & Cultural Services	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - RC	1B	(35.0)	(19.0)	(16.0)	184.3	379.3
Parks and Play Areas		331.8	333.7	(1.9)	99.4	342.4
Healthy Living Centres		37.2	41.1	(3.9)	90.4	69.3
Tourism - Caravan Sites	1B	(4.1)	(18.6)	14.5	22.0	(13.8)
Tourism - Hostels	1B	12.7	(10.8)	23.5	N/A	(3.6)
Sports Development	1B	24.7	60.2	(35.5)	41.1	82.7
Sports Facilities		769.8	771.4	(1.6)	99.8	1,017.1
Swimming Pools	1B	195.7	176.6	19.1	110.8	208.0
Active Schools		13.0	20.1	(7.1)	64.7	89.0
Community Facilities	1B	386.7	252.0	134.7	153.4	319.7
Heritage Development	1B	207.1	242.4	(35.3)	85.4	311.4
Museums	1B	273.9	209.2	64.7	130.9	288.6
St Magnus Cathedral		158.1	157.4	0.7	100.4	180.0
Libraries		623.6	610.4	13.2	102.2	950.6
Service Total		2,995.2	2,826.1	169.1	106.0	4,220.7

		Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Other Housing	PA					
Housing Support		41.5	46.0	(4.5)	90.3	64.2
Homelessness		603.1	645.4	(42.3)	93.4	826.0
Housing Loans	1B	(32.7)	5.6	(38.3)	N/A	10.7
Energy Initiatives		151.3	146.1	5.2	103.5	37.5
Garages	1B	(42.5)	(59.6)	17.1	71.2	(97.3)
Miscellaneous - OH	1B	(47.0)	(6.0)	(41.0)	779.9	219.0
Housing Benefits	1B	147.7	16.3	131.4	907.8	157.1
Landlord Registration		(31.9)	(33.8)	1.9	94.5	(20.8)
Care & Repair		195.5	216.7	(21.2)	90.2	309.5
Sheltered Housing	1B	122.5	100.0	22.5	122.5	138.6
Student Accommodation	1B	(4.4)	(17.2)	12.8	25.6	(22.2)
Service Total		1,103.1	1,059.5	43.6	104.1	1,622.3

Changes in original budget position:

Original Net Budget	1,605.3
Redetermination - Rapid Rehousing Transition	17.0
	1,622.3

		Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Housing Revenue Account	PA					
Administration - HRA	1B	305.9	360.2	(54.3)	84.9	733.3
Property Costs - HRA		1,471.8	1,448.2	23.6	101.6	1,517.5
Rent Income	1C	(2,539.2)	(2,687.3)	148.1	94.5	(3,848.2)
Tenant Participation	1B	3.2	17.0	(13.8)	18.6	24.4
Other Income - HRA	1B	29.9	(11.5)	41.4	N/A	(23.0)
Finance Charges - HRA		0.0	0.0	0.0	0.0	1,596.0
Service Total		(728.4)	(873.4)	145.0	83.4	0.0

		Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Orkney College	PA					
Business Support	1B	99.8	125.6	(25.8)	79.4	325.0
Further and Higher Education	1B	(249.7)	(215.5)	(34.2)	115.8	(590.0)
Agronomy Institute	1B	9.7	54.8	(45.1)	17.6	0.0
Archaeology Institute	1B	219.2	326.1	(106.9)	67.2	235.0
Institute for Northern Studies	1B	(65.4)	(3.8)	(61.6)	1,724.9	30.0
Service Total		13.6	287.2	(273.6)	4.7	0.0

Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R12AF	<p>Junior Secondary Schools</p> <p>Less than anticipated expenditure by £79.0K</p> <p>Transportation of staff, staffing budgets and Pupil Equity Funding have lower than anticipated spend due to school closure in the COVID-19 lockdown period.</p>	<p>Monitor the situation</p> <p>It is anticipated that due to the national guidance on school ventilation, utility bills will be higher than previous years and therefore anticipated property costs spend will report a variance. As such, it is expected that this underspend will balance out as the financial year progresses.</p>	James Wylie	31/03/2021	Ongoing
R14FI	<p>Additional Support Needs</p> <p>More than anticipated expenditure by £112.5K</p> <p>Base budget is insufficient to meet contracted commitments.</p>	<p>Monitor the situation</p> <p>Request contribution from the Out of Orkney Placements Fund.</p>	Peter Diamond	31/03/2021	Ongoing
R15A	<p>Administration</p> <p>More than anticipated expenditure by £133.0K</p> <p>Payments to supply teachers, and to non-teaching staff who were employed in the holiday hub, during lockdown in accordance with COSLA recommendations show an overspend to the sum of £93,000.</p>	<p>Raise virements request</p> <p>Compensatory payments to supply teachers require further discussion with the Scottish Government on covering this cost.</p>	James Wylie	31/03/2021	Ongoing

Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R15DE	<p>School Meals</p> <p>More than anticipated expenditure by £85.8K</p> <p>Costs within the School Meals Service have been significantly affected by the COVID-19 pandemic. Fixed (staffing) costs have remained the same whilst income has reduced because of school closures, or when schools have been open, fewer pupils attending.</p>	<p>Monitor the situation</p> <p>The situation is being monitored but is unlikely to be recovered, especially given the current and ongoing restrictions.</p>	Hayley Green	31/03/2021	New
R15F	<p>School Transport</p> <p>More than anticipated expenditure by £332.2K</p> <p>The Secondary School Transport budget highlights an overspend of £313,000, the Primary School Transport budget has an overspend of £65,000 and the Junior High School Transport Budget indicates an underspend of £65,000. The discrepancy here is the additional costs associated with the extended contracts, the additional costs for COVID-19 preparation and cleaning.</p>	<p>Process transaction(s)</p> <p>Reprofile budgets and pay outstanding invoices.</p>	James Wylie	31/03/2021	Ongoing

Leisure & Cultural Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R17A	<p>Administration - RC</p> <p>Less than anticipated expenditure by £16.0K</p> <p>Delay in filling vacancies.</p>	<p>Monitor the situation</p> <p>Consider use of accumulated underspend to support other service areas under pressure.</p>	Peter Diamond	31/03/2021	Ongoing
R17E	<p>Tourism - Caravan Sites</p> <p>Less than anticipated income by £14.5K</p> <p>Ness caravan site was closed until 20 July 2020. Reopened to 50% capacity with COVID-19 restrictions.</p>	<p>Monitor the situation</p> <p>Hard-stand season extended to generate additional income.</p>	Peter Diamond	31/03/2021	Ongoing
R17F	<p>Tourism - Hostels</p> <p>Less than anticipated income by £23.5K</p> <p>Loss of income as a result of COVID-19 restrictions, plus continuation of payment of staff during lockdown.</p>	<p>Monitor the situation</p> <p>Continue to monitor.</p>	Peter Diamond	31/03/2021	Ongoing
R17G	<p>Sports Development</p> <p>Less than anticipated expenditure by £35.5K</p> <p>No income from schools from May to October due to outdoor education close, and therefore no payments to external outdoor education instructors.</p>	<p>Monitor the situation</p> <p>Continue to monitor.</p>	Peter Diamond	31/03/2021	Ongoing

Leisure & Cultural Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R17K	<p>Swimming Pools</p> <p>Less than anticipated income by £19.1K</p> <p>Reduced income (closure during pandemic and current reduced opening).</p>	<p>Monitor the situation</p> <p>Offset if possible where savings emerge. Calculate income loss as a COVID-19 cost to the service.</p>	Peter Diamond	31/03/2021	New
R17P	<p>Community Facilities</p> <p>Less than anticipated income by £134.7K</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	31/03/2021	Ongoing
R17S	<p>Heritage Development</p> <p>Less than anticipated expenditure by £35.3K</p> <p>Delays in claims and payment of Culture Fund commitments.</p>	<p>Monitor the situation</p> <p>Contact claimants to ensure projects will be deliverable on time and within current constraints/operating parameters.</p>	Peter Diamond	31/03/2021	Ongoing

Leisure & Cultural Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R17T	<p>Museums</p> <p>Less than anticipated income by £64.7K</p> <p>Significant overspend as a result of a lack of income across the museum portfolio. Property costs in excess of budget.</p> <p>The budget was reduced in 2018/19 but action to implement saving has been delayed.</p>	<p>Manage income/expenditure</p> <p>Review operational capacity of service within budget.</p>	Peter Diamond	31/03/2021	Ongoing

Other Housing

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R30C	<p>Housing Loans</p> <p>More than anticipated income by £38.3K</p> <p>Interest being generated has increased due to higher value loans being advanced. Budget will be reviewed and a virement processed.</p>	<p>Raise virements request</p> <p>Virement to be processed to realign budget accordingly.</p>	Frances Troup	31/01/2021	Ongoing
R30F	<p>Garages</p> <p>Less than anticipated income by £17.1K</p> <p>While garage rent notices were issued as normal, rent payments were reduced due to the COVID-19 situation.</p>	<p>Monitor the situation</p> <p>Garage rent arrears to be pursued appropriately in line with Council processes.</p>	Frances Troup	31/01/2021	Ongoing
R30G	<p>Miscellaneous - OH</p> <p>Less than anticipated expenditure by £41.0K</p> <p>Various budgets are underspent under the bracket of Housing Miscellaneous. This is due to staffing vacancies and the COVID-19 situation, leading to some tasks being suspended meantime.</p>	<p>Monitor the situation</p> <p>Recruitment is in progress for one post.</p>	Frances Troup	31/01/2021	Ongoing

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 £131.4K</p> <p>The overspend is due to an increase in demand for Housing Benefit due to impact of COVID-19. Hence more transfer payments made than budgeted in the year so far. Slightly offset by additional funding.</p>	<p>Monitor the situation</p> <p>Expenditure is anticipated to reduce once benefit claims end following lockdown measures.</p> <p>The final 2019/20 subsidy claim has been submitted and monthly grant receipts will be adjusted accordingly.</p>	Gareth Waterson	31/03/2021	Ongoing
R30M	<p>Sheltered Housing</p> <p>More than anticipated expenditure by £22.5K</p> <p>Increased use of relief staff to fill staffing gaps as a direct result of COVID-19.</p>	<p>Monitor the situation</p> <p>Staffing has returned to normal arrangements.</p>	Frances Troup	31/01/2021	Ongoing
R30N	<p>Student Accommodation</p> <p>Less than anticipated income by £12.8K</p> <p>Income is below the level anticipated due to COVID-19 situation.</p>	<p>Monitor the situation</p> <p>Monitor the situation meantime.</p>	Frances Troup	31/01/2021	Ongoing

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 £54.3K</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 an appointment made subject to references and checks.</p>	Frances Troup	31/01/2021	Ongoing
R61E	<p>Rent Income</p> <p>Less than anticipated income by £148.1K</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 being reviewed. Action plan is now in place with Revenues and Housing to address the increase in rent arrears. Arrears are carried forward at end of financial year so the cost centre will not have this variance at the year end.</p>	Gareth Waterson	31/03/2021	Ongoing
R61F	<p>Tenant Participation</p> <p>Less than anticipated expenditure by £13.8K</p> <p>A staffing vacancy has been in place for some time due to recruitment difficulties.</p>	<p>No action required</p> <p>The post was filled for a short period but will be readvertised shortly.</p>	Frances Troup	31/01/2021	Ongoing
R61I	<p>Other Income - HRA</p> <p>Less than anticipated income by £41.4K</p> <p>Income from feed in tariff is expected shortly.</p>	<p>Monitor the situation</p> <p>Feed in tariff Company has been contacted and discussions are progressing.</p>	Frances Troup	31/01/2021	Ongoing

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 £25.8K</p> <p>Spend exceeds budget in respect of additional IT equipment needed to comply with COVID-19 restrictions but offset by fewer FE hardship applications than budgeted and underspend from last session still to be reclaimed by UHI. Additional childcare funds made available but not distributed due to closure as a result of COVID-19 restrictions.</p>	<p>Monitor the situation</p> <p>Orkney College has appointed a new Business/Finance Manager who will review all budgets and variances in line with activity and the ongoing pandemic.</p>	James Wylie	31/03/2021	Ongoing

Orkney College

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R67B	<p>Further and Higher Education</p> <p>More than anticipated income by £34.2K</p> <p>Less income than anticipated in some areas due to closure as a result of COVID-19 restrictions, including Business Engagement, Cultural Studies, and Hospitality. This is offset by higher than anticipated income in Developing the Young Workforce Orkney and a reduction in expenditure in some areas also due to closures, including Hospitality and Developing the Young Workforce Orkney.</p> <p>Budget for one staff member is allocated to wrong cost centre.</p>	<p>Raise virements request</p> <p>Review staff costs and reallocate budget as required.</p>	James Wylie	31/03/2021	New
R67C	<p>Agronomy Institute</p> <p>More than anticipated income by £45.1K</p> <p>Agronomy sales income is higher than budgeted.</p>	<p>Monitor the situation</p> <p>The full year forecast is currently being reviewed.</p>	James Wylie	31/01/2021	Ongoing

Orkney College

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R67F	<p>Archaeology Institute</p> <p>More than anticipated income by £106.9K</p> <p>ORCA has an overspend on expenditure, some of which will be recouped as part of the agreed contract costs, but this is offset by more income than anticipated. The teaching income is ahead of profile and will be reconciled throughout the academic year.</p>	<p>Monitor the situation</p> <p>The senior management of both Orkney College and the Education, Leisure and Housing Directorate will monitor the income in this business unit regularly.</p>	James Wylie	31/03/2021	Ongoing
R67G	<p>Institute for Northern Studies</p> <p>More than anticipated income by £61.6K</p> <p>Less expenditure mainly due to lower staff and transport costs due to COVID-19 restrictions. Plus, income received ahead of profile.</p>	<p>Monitor the situation</p> <p>A full year forecast for the Institute of Northern Studies is currently being finalised.</p>	James Wylie	28/02/2021	New