

Item: 3

Education, Leisure and Housing Committee: 7 September 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 each of the service areas for which the Committee is responsible.

2. Recommendations

The Committee is invited to note:

2.1.

The revenue expenditure outturn statement in respect of Education, Leisure and Housing for financial year 2021/22, attached as Annex 1 to this report, indicating the following:

- A net General Fund underspend of £979,200.
- A net Non-General Fund underspend of £401,600.

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 Directors and their 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

James Wylie, Corporate Director for Education, Leisure and Housing, Email james.wylie@orkney.gov.uk.

Colin Kemp, Interim Head of Finance, Email colin.kemp@orkney.gov.uk.

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

General Fund Services	Spend	Budget	Over/Under		Annual
	£000	£000	Spend	%	Budget
			£000		£000
Education	37,462.1	38,314.2	-852.1	97.8	38,314.2
Leisure and Cultural	5,048.3	4,857.4	190.9	103.9	4,857.4
Other Housing	1,589.0	1,907.0	-318.0	83.3	1,907.0
Service Totals	44,099.4	45,078.6	-979.2	97.8	45,078.6

Non-General Fund Service					
HRA	-27.6	0.0	-27.6	n/a	0.0
Orkney College	-374.0	0.0	-374.0	n/a	0.0
Service Totals	-401.6	0.0	-401.6	n/a	0.0

Education	PA	Spend	Budget	Over/Under		Annual
		£000	£000	Spend	%	Budget
				£000		£000
Senior Secondary Schools		10,977.7	10,971.2	6.5	100.1	10,971.2
Junior Secondary Schools		3,085.2	3,044.9	40.3	101.3	3,044.9
Primary Schools		11,634.0	11,616.4	17.6	100.2	11,616.4
Pre-School Education	1b	3,676.4	4,256.5	-580.1	86.4	4,256.5
Additional Support Needs	1b	1,180.9	1,392.8	-211.9	84.8	1,392.8
Papdale Halls of Residence		916.1	880.1	36.0	104.1	880.1
Quality Development	1b	605.9	819.4	-213.5	73.9	819.4
Administration	1c	1,792.3	1,932.8	-140.5	92.7	1,932.8
Assistance for Students	1b	200.4	238.9	-38.5	83.9	238.9
Community Learning and Dev		333.1	341.1	-8.0	97.6	341.1
School Meals	1c	1,447.8	1,393.0	54.8	103.9	1,393.0
School Transport	1c	3,880.3	3,930.8	-50.5	98.7	3,930.8
School Crossing Patrol		48.2	52.1	-3.9	92.6	52.1
Movement in Reserves	1c	-2,324.2	-2,564.5	240.3	90.6	-2,564.5
Parent Councils		8.2	8.7	-0.5	94.5	8.7
Service Totals		37,462.1	38,314.2	-852.1	97.8	38,314.2

Budget Summary

Original Net Budget	35,950.9
Willow Tree Nursery from Repairs and Renewals Fund	60.0
Redetermination - Additional Teachers from Redeterminations Flexibility Fund	100.2
Redetermination - Digital Inclusion from Redeterminations Flexibility Fund	58.0
Redetermination - Home Learning from Redeterminations Flexibility Fund	34.0
Redetermination - Support Staff and Teachers	218.0
Contingency Contribution to Willow Tree Nursery	170.0
Redetermination - Community Consultation Project from Redeterminations Flexibility Fund	5.0

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

Redetermination - Educational Psychologist from Redeterminations Flexibility Fund	2.0
Redetermination - School Meals	155.0
Redetermination - First 100 Days	241.0
Willow Tree Nursery from Repairs and Renewals Fund	80.0
Redetermination COVID-19 Additional Staff Funding	246.0
Redetermination Family Pandemic Support Payments	47.8
Contribution to Education from Redetermination Flexibility Fund	248.6
Summer of Play Funding	2.9
Contingency Contribution- Flotta School	110.0
Scottish Government Grant - School Clothing	40.0
Redetermination - teacher induction	78.0
Redetermination - music tuition	9.2
Redetermination - music tuition	3.8
Redetermination - core curriculum charges	16.0
Redetermination - CO2 monitors for schools	15.0
Redetermination - winter funding VF43C	28.5
Redetermination - Scottish disability assistance VF43C	10.0
Staff restructure to R17001 VE30C	-30.0
OIC contribution	-4.0
Apportioned costs realignment	1.0
OOOPs Fund contribution to Education	199.9
Realign SIP Budgets	105.4
Redetermination - Scottish Child Payment Bridging Payments	95.0
Redetermination - teacher induction	-1.0
E Learning	18.0
Revised Net Budget	<u>38,314.2</u>

Movement in Reserves Statement

IFRS Accounting Entries	-2,564.5
<u>Transfer to Reserves:</u>	
Redeterminations carry forward - Scottish Disability Assist	10.0
Redeterminations carry forward - CO2 Monitors	15.0
Redeterminations carry forward - COVID Staffing	145.3
C/fwd funding for PT2 post for 1 year	70.0
	<u>-2,324.2</u>

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

	PA	Spend £000	Budget £000	Over/Under		Annual Budget £000
				Spend £000	%	
Leisure and Cultural Services						
Administration	1b	1,084.5	1,295.9	-211.4	83.7	1,295.9
Parks and Play Areas		358.2	345.9	12.3	103.6	345.9
Healthy Living Centres	1b	55.6	70.1	-14.5	79.3	70.1
Caravan Sites		-13.8	-12.5	-1.3	110.7	-12.5
Hostels	1b	14.8	-2.5	17.3	n/a	-2.5
Sports Development	1b	62.0	84.3	-22.3	73.5	84.3
Sports Facilities		1,146.2	1,170.9	-24.7	97.9	1,170.9
Swimming Pools	1b	302.6	214.6	88.0	141.0	214.6
Active Schools		132.1	136.5	-4.4	96.8	136.5
Community Facilities	1b	384.7	338.8	45.9	113.5	338.8
Heritage Development	1b	276.9	316.2	-39.3	87.6	316.2
Museums	1b	374.2	292.6	81.6	127.9	292.6
St Magnus Cathedral	1b	212.0	187.0	25.0	113.4	187.0
Movement in Reserves	1b	-321.7	-535.5	213.8	60.1	-535.5
Libraries		980.2	955.1	25.1	102.6	955.1
Service Totals		5,048.3	4,857.4	190.9	103.9	4,857.4

Budget Summary

Original Net Budget	4,278.5
Redetermination - Summer of Play	68.0
PESF Boost from Redetermination Flexibility Fund	47.0
Summer of Play Funding	-2.9
Staff restructure to R17001 VE30C	30.0
OIC contribution	4.0
Redetermination - FWES Employability	298.0
Apportioned costs realignment	-28.7
Contingency Contribution to Community Schools / Community Assoc	18.0
Contingency Contribution to St Magnus Cathedral cleaning	4.3
SRF contribution to Island Games	6.2
Realign SIP Budgets	135.0
Revised Net Budget	4,857.4

Movement in Reserves Statement

IFRS Accounting Entries	-535.5
<u>Transfer to Reserves:</u>	
Redeterminations carry forward - Employability NOLB	39.7
Redeterminations carry forward - Employability PESF	28.2
Redeterminations carry forward - Employability PESF Boost	15.1
Redeterminations carry forward - Employability YPGF	130.8
	-321.7

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

	PA			Over/Under		Annual
		Spend	Budget	Spend	%	Budget
		£000	£000	£000	%	£000
Other Housing						
Housing Support		62.4	65.4	-3.0	95.5	65.4
Homelessness	1b	564.0	819.2	-255.2	68.8	819.2
Housing Loans		5.8	11.3	-5.5	51.5	11.3
Energy Initiatives	1b	-10.0	38.3	-48.3	n/a	38.3
Garages		-92.8	-97.1	4.3	95.6	-97.1
Miscellaneous - OH		332.2	363.8	-31.6	91.3	363.8
Housing Benefits	1b	335.1	387.5	-52.4	86.5	387.5
Landlord Registration		-20.4	-21.3	0.9	95.7	-21.3
Care & Repair		296.0	312.6	-16.6	94.7	312.6
Sheltered Housing	1b	157.2	141.1	16.1	111.4	141.1
Student Accommodation	1b	-4.7	-22.1	17.4	21.2	-22.1
Poverty and Social Inclusion	1b	101.3	45.5	55.8	222.7	45.5
Movement in Reserves		-137.2	-137.2	0.0	100.0	-137.2
Service Totals		1,589.0	1,907.0	-318.0	83.3	1,907.0

Budget Summary

Original Net Budget	1,660.7
Redetermination - Low Income Pandemic Payment	190.1
Redetermination Winter Funding	45.5
Redetermination - Tenant Grant Fund	22.0
Apportioned costs realignment	-11.3
	1,907.0

Movement in Reserves Statement

IFRS Accounting Entries	-137.2
	-137.2

	PA			Over/Under		Annual
		Spend	Budget	Spend	%	Budget
		£000	£000	£000	%	£000
Housing Revenue Account						
Administration - HRA	1c	797.3	851.6	-54.3	93.6	851.6
Property Costs - HRA		1,917.4	1,928.7	-11.3	99.4	1,928.7
Rent Income		-3,968.7	-3,933.6	-35.1	100.9	-3,933.6
Tenant Participation	1b	3.5	25.2	-21.7	14.0	25.2
Other Income - HRA	1b	-39.6	-23.0	-16.6	172.4	-23.0
Accounting for Pensions		-2.1	-2.1	0.0	100.0	-2.1
Movement in Reserves	1b	-347.4	-422.8	75.4	82.2	-422.8
Non Distributed Costs		0.7	0.7	0.0	100.0	0.7
Finance Charges - HRA		1,611.3	1,575.3	36.0	102.3	1,575.3
Service Totals		-27.6	0.0	-27.6	n/a	0.0

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

Movement in Reserves Statement

IFRS Accounting Entries	-94.6
<u>Transfer from Reserves:</u>	
Contribution to Capital programme	-252.8
	-347.4

Housing Revenue Account Statement of Reserves

	Opening Balance	Deficit / -Surplus	Closing Balance
Housing Revenue Account Fund	-177.3	0.0	-177.3
Housing Revenue Account Property Maintenance Fund	-472.4	-27.6	-500.0
Housing Revenue Account Total Useable Reserves	-649.7	-27.6	-677.3

		Spend £000	Budget £000	Over/Under Spend		Annual Budget £000
				£000	%	
Orkney College	PA					
Business Support	1c	884.2	829.8	54.4	106.6	829.8
Further and Higher Education	1b	-810.2	-612.1	-198.1	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	1b	-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
	-488.0

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	480.8

Annex 2: Budget Action Plan

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R14A	Early Learning & Childcare	Meakin, Claire	Underspend due to unfilled vacant posts. There are 12 posts which are currently being advertised (including 5 re-advertisements).	Continue to monitor the recruitment process.
R14FI	Additional Support Needs	Meakin, Claire	Underspend due to unfilled vacant posts. The new In-School Counsellor posts are in process of being recruited to. The other vacancy has been filled.	Continue to monitor the recruitment process.
R14N	Quality Development	Meakin, Claire	Underspend of £145K COVID-19 staff funding has been carried forward to 2022/23. There has been less expenditure than anticipated on staff Continual Professional Development costs.	Monitor spend of COVID-19 funding in 2022/23.
R15A	Administration	Troup, Frances	There have been several vacant posts throughout the year. Also, less expenditure on Supplies & Services and Administration. £25k of this underspend is grant funding to carry forward to financial year 2022/23	The grant funding has been carried forward to 2022/23
R15B	Assistance for Students	Troup, Frances	General underspend across school clothing (both primary and secondary), FE bursaries and educational maintenance allowance.	Dependent on applications, no action meantime.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R15DE	School Meals	Troup, Frances	Higher staff supply costs due to COVID-19 and long-term absence cover. Reduced income due to pupil COVID-19 absences.	Continue to monitor staff costs and income in 2022/23.
R15F	School Transport	Meakin, Claire	Lower costs due to one less school day between April 2021-March 2022 (due to how the school holidays fall) and 2 additional secondary in-service closure days were paid at 50% of the normal rate.	Continue to monitor costs for new contract in 2022/23.
R15U	Movement in Reserves	Kemp, Colin	Carry forward of ring-fenced funding into 2022/23 not budgeted	No action required
R17A	Administration	Troup, Frances	The underspend is Employability grant funding which is committed spend for 2022/23 and will be carried forward to the next financial year.	The grant funding has been carried forward to 2022/23
R17D	Healthy Living Centres	Troup, Frances	COVID-19 has impacted on opening hours and consequently costs have been reduced as has income, resulting in an underspend position.	No action meantime
R17F	Tourism - Hostels	Troup, Frances	Reduced income due to COVID-19 restrictions and no outdoor education residential programme. Birsay Hostel was closed to the public for the season and the campsite operated at 50% capacity.	The Outdoor Education residential programme in Hoy has returned for April-June 2022, and travel restrictions have been lifted. Promotion of Hoy facilities to attract new customers has been undertaken.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R17G	Sports Development	Troup, Frances	Additional income due to school outdoor education programme.	Monitor the budget.
R17K	Swimming Pools	Troup, Frances	COVID-19 restrictions have led to reduced capacity and income, with additional issues of an invoice credit, increased maintenance costs and increased staff costs due to long-term sickness, has resulted in this position.	Continue to monitor the situation
R17P	Community Facilities	Troup, Frances	Kirkwall Community Centre sales income has been reduced due to COVID-19 restrictions. Income budgets were increased for 2021/22 by 3% in accordance with agreed budget assumptions, adding to the overspend position.	Prices have been increased by 5% for 2022/23, and with COVID-19 restrictions easing it is anticipated that income generation will increase for 2022/23.
R17S	Heritage Development	Troup, Frances	Underspend due to a staff vacancy.	Staff vacancy now filled.
R17T	Museums	Troup, Frances	Income has been lower than expected due to COVID-19 restrictions.	Museums are now fully open, with the exception of Corrigall Farm Museum.
R17U	St Magnus Cathedral	Troup, Frances	Income has been lower than expected due to COVID-19 restrictions.	St Magnus Cathedral is now fully open
R17X	Movement in Reserves	Kemp, Colin	Carry forward of ring-fenced funding into 2022/23 not budgeted.	No action required.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R30B	Homelessness	Troup, Frances	A combination of staff vacancies, increased rental income and lower costs due to homeless units being occupied for longer periods of time, have led to this position.	Staff vacancies now filled.
R30E	Energy Initiatives	Troup, Frances	Reduced staff costs and a VAT payment of £8k are contributing to this underspend.	A virement to correct the VAT payment will be made in 2022/23.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R30H	Housing Benefits	Kemp, Colin	<p>This cost centre varies between underspend and overspend each month but will normally be within budget at year end. The reason for variances is due to the interaction between the monthly instalments of government grant funding which are used to make transfer payments on four weekly and fortnightly cycles so depending on how many sets of payments are issued in a given month the total spend will be more or less than the subsidy received during that month,</p> <p>Additional note in August/September 2021 is that the low income pandemic payment is being administered using this cost centre and budget for that scheme will also show as under spent depending on payments being debited from cost centre.</p>	Continue to monitor.
R30M	Sheltered Housing	Troup, Frances	Sleep in service is still being provided at Rae's Close, Sheltered Housing leading to higher than anticipated staffing costs.	The removal of the sleep in provision at Rae's Close will be progressed over coming months now that an internal procedural issue has been resolved.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R30N	Student Accommodation	Troup, Frances	Income lower than anticipated due to properties being unoccupied for an extended period of time due to COVID-19 restrictions.	Monitor the situation.
R30P	Poverty and Social Inclusion	Troup, Frances	Scottish Government grant received in 2021/22 not fully expended.	Carry forward of funding into next financial year.
R61A	Administration - HRA	Troup, Frances	Less than anticipated spend on staff costs due to vacant posts. Also reduced spend on transport and admin costs.	Recruitment is being progressed again currently.
R61F	Tenant Participation	Troup, Frances	A vacancy exists and recruitment and retention has proven difficult.	Recruitment is being progressed again currently
R61I	Other Income - HRA	Troup, Frances	Higher than anticipated income from Feed-In Tariff (renewable energy).	
R61U	Movement in Reserves	Kemp, Colin	Year end reserve fund movements not budgeted	No action required

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R67A	Business Support	Meakin, Claire	<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 was set in March. 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.
R67B	Further and Higher Education	Meakin, Claire	<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.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R67F	Archaeology Institute	Meakin, Claire	Archaeology fee income was more than anticipated reflecting buoyant student numbers on post graduate taught programmes. Commercial enterprises and projects were also lucrative, generating more income than budget.	Continue to manage Archaeology Institute with the aim of attracting students, project funding and commercial undertakings, thus generating income.
R67G	Institute for Northern Studies	Meakin, Claire	Less than anticipated expenditure due to reduced staffing costs at present.	Continue to monitor closely.