

ITEM 1

EDUCATION, LEISURE AND HOUSING COMMITTEE: 9 SEPTEMBER 2015

REVENUE EXPENDITURE OUTTURN REPORT FOR FINANCIAL YEAR 2014/15

**JOINT REPORT BY EXECUTIVE DIRECTOR OF EDUCATION, LEISURE AND
HOUSING, EXECUTIVE DIRECTOR OF DEVELOPMENT AND INFRASTRUCTURE
AND EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

1. PURPOSE OF REPORT

- 1.1 To advise of the revenue outturn position across General Fund and Non-General Fund Service Areas for financial year 2014/15 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 2014/15, indicating:
- 2.1.1 a net General Fund overspend of £285,000; and
2.1.2 a net Non-General Fund overspend of £7,000; and
- 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.

3. POLICY ASPECTS

- 3.1 This report relates to the Council complying with its governance and financial processes and procedures, and therefore does not relate specifically to progressing the Council's priorities.

4. INTRODUCTION

- 4.1 At its Special General Meeting held on 13 February 2014, as part of the budget setting process for 2014/15, the Council agreed the Revenue Estimates, Council Tax level and the contribution from General Fund Reserves for financial year 2014/15.

5. **BACKGROUND**

- 5.1 Individual revenue expenditure monitoring reports (REMRs) are circulated as briefing reports every month in order to inform committee members of the up to date financial position. From this committee cycle onwards, quarterly REMRs are being presented to individual service committees. This quarterly report replaces the need for a monthly budget briefing this reporting period.
- 5.2 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.
- 5.3 Material variances are identified automatically as Priority Actions (PAs) within individual budget cost centres according to the following criteria:-
 - 5.3.1 £10,000 **and** 10% more or less than Anticipated position; and
 - 5.3.2 £50,000 more or less than Anticipated position.
- 5.4 Priority Actions can be identified at the Service Function level according to the same criteria and these are shown in the Revenue Expenditure Statements shown in Annex 1, which is attached to this report. 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 attached as Annex 2 to this report.
- 5.5 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.
- 5.6 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.

6. FINANCIAL SUMMARY

6.1 Annex 1 provides the detailed position by Service Area by Service Function. The table below provides a summary of the position across all Service Areas.

General Fund Services	Spend	Budget	Over/Under		Annual
	£000	£000	Spend	%	Budget
	£000	£000	£000		£000
Education	28,641	28,477	164	100.6	28,477
Leisure and Cultural	4,240	4,065	175	104.3	4,065
Other Housing	1,386	1,440	-54	96.3	1,440
Service Totals	34,267	33,982	285	100.8	33,982
Non-General Fund Service					
HRA	0	0	0	n/a	0
Orkney College	127	120	7	105.8	120
	127	120	7	105.8	120

6.2 The budget overspend across the General Fund service areas is £285K, alternatively expressed as 100.8% of the anticipated net spending position for the year.

6.3 The budget overspend across the Non-General Fund Service is £7K.

6.4 The Budget Action Plan attached as Annex 2 provides an explanation and proposed corrective action for each of the Priority Actions identified.

7. FINANCIAL IMPLICATIONS

7.1 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.

7.2 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.

7.3 The outturn statements include a number of accounting entries required to comply with proper accounting practice, including International Financial Reporting Standards (IFRS). This includes accounting for the use of fixed assets e.g. depreciation and revaluations, current service cost of pensions and accumulated staff absences.

8. LEGAL ASPECTS

- 8.1 Financial monitoring and reporting helps the Council meet its obligation to secure best value.

9. CONTACT OFFICERS

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10. ANNEXES

- 10.1 Annex 1: Revenue Expenditure Outturn Statement for 2014/15
- 10.2 Annex 2: Budget Action Plans

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2014/15

Education	PA	Spend £000	Budget £000	Over/Under		Annual Budget £000
				Spend £000	%	
Senior Secondary Schools	1c	9,129	9,007	122	101.4	9,007
Junior Secondary Schools		2,510	2,508	2	100.1	2,508
Primary Schools	1c	9,014	8,923	91	101.0	8,923
Pre-School Education		1,082	1,112	-30	97.3	1,112
Additional Support Needs		1,149	1,142	7	100.6	1,142
Papdale Halls of Residence	1c	614	670	-56	91.6	670
Quality Development		154	152	2	101.3	152
Administration	1c	2,105	1,964	141	107.2	1,964
Assistance for Students		199	202	-3	98.5	202
Community Learning and Dev		414	410	4	101.0	410
School Meals		892	914	-22	97.6	914
School Transport		2,063	2,104	-41	98.1	2,104
School Crossing Patrol		38	47	-9	80.9	47
Miscellaneous Grants		31	31	0	100.0	31
Movement in Reserves		-761	-721	-40	105.5	-721
Parent Councils		8	12	-4	66.7	12
Service Totals		28,641	28,477	164	100.6	28,477

Budget Summary

Original Net Budget	28,140
Funding for Additional Teacher Support and School Level Events with Parents	30
1+2 Language Learning - Funding Allocation 2014-15	5
Delivery of Free School Meals	72
Teacher Induction Scheme	202
Contribution from Corporate Contingency - Flotta Primary School	18
Redetermination - Teachers Pay	10
Revised Net Budget	28,477

Movement in Reserves Statement

IFRS Accounting Entries	-459
<u>Transfer from Reserves:</u>	
Movement on DSM Fund for year	-40
Contribution from Outwith Orkney Placements Fund	-262
	-761

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2014/15

		Spend	Budget	Over/Under		Annual
		£000	£000	Spend		Budget
Leisure and Cultural Services	PA			£000	%	£000
Administration	1b	599	466	133	128.5	466
Parks and Play Areas		397	388	9	102.3	388
Healthy Living Centres	1b	16	28	-12	57.1	28
Caravan Sites		-13	-12	-1	108.3	-12
Hostels		12	6	6	200.0	6
Sports Development		75	76	-1	98.7	76
Sports Facilities		898	896	2	100.2	896
Swimming Pools		224	212	12	105.7	212
Theatres		8	13	-5	61.5	13
Active Schools		63	58	5	108.6	58
Community Facilities		306	321	-15	95.3	321
Heritage Development		280	298	-18	94.0	298
Museums		348	334	14	104.2	334
St Magnus Cathedral	1b	188	217	-29	86.6	217
Libraries	1c	987	912	75	108.2	912
Movement in Reserves		-148	-148	0	100.0	-148
Service Totals		4,240	4,065	175	104.3	4,065

Movement in Reserves Statement

IFRS Accounting Entries	-83
<u>Transfer from Reserves:</u>	
Contribution from Recreation Project Fund - Scuba Server	-9
Contribution from Recreation Project Fund - Summerdale Play Park	-50
Contribution from Recreation Project Fund - Queens Baton Relay	-5
Contribution from Recreation Project Fund - WW1 Commemorations	-1
	-148

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2014/15

		Spend	Budget	Over/Under		Annual
	PA	£000	£000	Spend	%	Budget
				£000		£000
Other Housing						
Housing Support		39	42	-3	92.9	42
Homelessness		785	780	5	100.6	780
Housing Loans		5	5	0	100.0	5
Housing Grants		60	59	1	101.7	59
Orkney Energy Centre		36	42	-6	85.7	42
Garage Lets		-73	-67	-6	109.0	-67
Miscellaneous		87	89	-2	97.8	89
Housing Benefits	1b	100	127	-27	78.7	127
Mobile Home Sites		0	-8	8	0.0	-8
Landlord Registration	1b	-4	-18	14	22.2	-18
Care and Repair	1b	305	340	-35	89.7	340
Sheltered Housing		108	114	-6	94.7	114
Student Accommodation		-16	-19	3	84.2	-19
Movement in Reserves		-46	-46	0	100.0	-46
Service Totals		1,386	1,440	-54	96.3	1,440

Movement in Reserves Statement

IFRS Accounting Entries	-17
<u>Transfer from Reserves:</u>	
Contribution from Spend to Save Fund - Additional Staffing Care and Repair	-29
	-46

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2014/15

Housing Revenue Account	PA	Spend	Budget	Over/Under		Annual
		£000	£000	£000	%	Budget
Administration		601	649	-48	92.6	649
Property Costs	1b	1,615	1,360	255	118.8	1,360
Rent Income	1c	-3,154	-3,068	-86	102.8	-3,068
Tenant Participation		15	23	-8	65.2	23
Other Income		-50	-58	8	86.2	-58
Accounting for Pensions		11	11	0	100.0	11
Movement in Reserves	1b	448	569	-121	78.7	569
Finance Charges		514	514	0	100.0	514
Service Totals		0	0	0	n/a	0

Movement in Reserves Statement

IFRS Accounting Entries	556
<u>Transfer to Reserves:</u>	
Contribution to General Fund for transfer of Land at Glaitness Farmhouse	45
Contribution to General Fund for transfer of Land at Willowgrange	65
<u>Transfer from Reserves:</u>	
Transfer of Council Tax 2nd homes income from General Fund	-218
	448

Orkney College	PA	Spend	Budget	Over/Under		Annual
		£000	£000	£000	%	Budget
Business Support		111	119	-8	93.3	119
Further and Higher Education	1b	-56	-45	-11	124.4	-45
Agronomy Institute		-3	0	-3	n/a	0
Archaeology Institute	1b	83	55	28	150.9	55
Centre for Nordic Studies		112	110	2	101.8	110
Accounting for Pensions		65	65	0	100.0	65
Movement in Reserves		-185	-184	-1	100.5	-184
Service Totals		127	120	7	105.8	120

Movement in Reserves Statement

IFRS Accounting Entries	-185
	-185

Annex 2: Budget Action Plan

Education				
Action Point	Function/Explanation	Action	Responsible Officer(s)	Status
ED1	<p>Senior Secondary Schools Overspend £122K</p> <p>Overspend is due to the increased rates payable on the new KGS building.</p>	A service pressure bid of £218K for KGS and SPS for the additional rates for the new SIP buildings was agreed as part of the 2015/16 budget setting process.	P Diamond	
ED2	<p>Primary Schools Overspend £91K</p> <p>Mainly due to increased property costs across the primary schools which included an additional £46K increase in rates payable on the new Stromness Primary School.</p>	A service pressure bid of £218K for KGS and SPS for the additional rates for the new SIP buildings was agreed as part of the 2015/16 budget setting process.	P Diamond	
ED3	<p>Papdale Halls of Residence Underspend £56K</p> <p>Vacant posts during the year due to the staffing restructuring.</p> <p>Recruitment in respect of the restructure is now completed.</p>	No action required.	F Troup	

Annex 2: Budget Action Plan

Education				
Action Point	Function/Explanation	Action	Responsible Officer(s)	Status
ED4	Administration Overspend £141K Increased charge in central services apportioned costs against budget.	The apportioned costs budgets will be realigned during 2015/16 financial year to more closely reflect actual spending levels.	P Diamond	Ongoing

Annex 2: Budget Action Plan

Leisure and Cultural				
Action Point	Function/Explanation	Action	Responsible Officer(s)	Status
LC8	St Magnus Cathedral Underspend £29K Underspend due to lower than anticipated property costs, particularly fuel costs.	No action required.	K Greaves	
LC9	Healthy Living Centres Underspend £12K Underspend due to lower than anticipated property costs, particularly fuel costs.	No action required.	K Greaves	
LC11	Administration Overspend £133K Mainly due to Increased charge in central services apportioned costs against budget.	The apportioned costs budgets will be realigned during 2015/16 financial year to more closely reflect actual spending levels.	K Greaves	Ongoing
LC12	Libraries Overspend £75K Mainly due to Staff costs (£13K), Supplies and Services (£40K of which	A review of the costs associated with the Libraries function will be progressed in 2015/16.	K Greaves	Ongoing

Annex 2: Budget Action Plan

Leisure and Cultural				
Action Point	Function/Explanation	Action	Responsible Officer(s)	Status
	£20K was one-off costs in respect of equipment for the new Warehouse Buildings) and £18K increased charge in central services apportioned costs against budget.	The apportioned costs budgets will be realigned during 2015/16 financial year to more closely reflect actual spending levels.		

Annex 2: Budget Action Plan

Other Housing				
Action Point	Function/Explanation	Action	Responsible Officer(s)	Status
OH3	<p>Housing Benefits Underspend £27K</p> <p>Decreased charge in central services apportioned costs against budget.</p>	The apportioned costs budgets will be realigned during 2015/16 financial year to more closely reflect actual spending levels.	G Waterson	Ongoing
OH12	<p>Landlord Registration Overspend £14K</p> <p>All due to a decrease in landlord registration fee income.</p>	No action required.	F Troup	
OH13	<p>Care and Repair Underspend £35K</p> <p>A late invoice from Orkney Housing Association in respect of their March payment was paid in May and has been charged against financial year 2015/16.</p>	The service will ensure that all transactions relating to the relevant financial year are charged against that year.	F Troup	Ongoing

Annex 2: Budget Action Plan

Housing Revenue Account				
Action Point	Function/Explanation	Action	Responsible Officer(s)	Status
HRA2	<p>Property Costs Overspend £255K</p> <p>Legislative requirements have meant that, as part of statutory duties to repair properties, property expenditure was £145K over budget.</p> <p>Also increased charge in central services apportioned costs against budget of £110K.</p>	<p>As part of the budget setting processes for 2015/16 an additional £717K was added to meet the Scottish housing Quality Standard (SHQS) requirements.</p> <p>The apportioned costs budgets will be realigned during 2015/16 financial year to more closely reflect actual spending levels.</p>	F Troup	Ongoing
HRA4	<p>Rent Income Income surplus £86K</p> <p>Increased rental income due to increase in number of houses due to the new house build programme.</p>	The impact of the increased rent collected was reviewed when setting the 2015/16 budget.	G Waterson	
HRA5	<p>Movement in Reserves Underspend £121K</p> <p>Principal repayment of debt less than the original budget</p>	No action required.	F Troup	

Annex 2: Budget Action Plan

Housing Revenue Account				
Action Point	Function/Explanation	Action	Responsible Officer(s)	Status
	due to slippage on the House Build Programme.			

Annex 2: Budget Action Plan

Orkney College				
Action Point	Function/Explanation	Action	Responsible Officer(s)	Status
OC5	<p>Further and Higher Education Underspend £11K</p> <p>Fee and grant income slightly more than the original budget.</p>	No action required.	K Greaves	
OC6	<p>Archaeology Institute Overspend £28K</p> <p>Fee and grant income less than the original budget.</p>	No action required.	K Greaves	