

Item: 4

Education, Leisure and Housing Committee: 11 November 2020.

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 30 September 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 30 September 2020, attached as Annex 1 to this report, indicating the following:

- A net General Fund overspend of £156,500.
- A net Non-General Fund overspend of £103,700.

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 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 30 September 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 to 2021 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	14,448.0	14,650.5	(202.5)	98.6	33,828.4
Leisure and Cultural Services	2,455.9	2,294.1	161.8	107.1	4,220.7
Other Housing	1,048.7	851.5	197.2	123.2	1,605.3
Service Totals	17,952.6	17,796.1	156.5	100.9	39,654.4

Non-General Fund Service

Housing Revenue Account	91.2	(67.6)	158.8	N/A	0.0
Orkney College	(2.3)	52.8	(55.1)	N/A	0.0
Service Totals	88.9	(14.8)	103.7	N/A	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	8	14	57%
Leisure and Cultural Services	6	7	14	50%
Other Housing	7	6	11	55%
Housing Revenue Account	3	3	6	50%
Orkney College	2	4	5	80%
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	1C	5,439.7	5,513.1	(73.4)	98.7	10,659.4
Junior Secondary Schools	1C	1,545.7	1,601.2	(55.5)	96.5	3,013.3
Primary Schools	1C	5,597.5	5,688.3	(90.8)	98.4	10,894.0
Early Learning & Childcare	1C	1,268.2	1,321.5	(53.3)	96.0	3,723.5
Additional Support Needs	1B	597.7	511.4	86.3	116.9	1,155.6
Papdale Halls of Residence		333.4	351.0	(17.6)	95.0	758.4
Quality Development		(9.3)	(7.2)	(2.1)	129.8	78.1
Administration	1C	(1,859.6)	(1,950.8)	91.2	95.3	(676.4)
Assistance for Students		112.4	113.3	(0.9)	99.2	204.5
Community Learning & Development	1B	142.8	129.5	13.3	110.3	324.6
School Meals		569.6	528.0	41.6	107.9	1,193.8
School Transport	1B	688.9	821.0	(132.1)	83.9	2,438.9
School Crossing Patrol		18.9	24.3	(5.4)	77.6	52.1
Parent Councils		2.1	5.9	(3.8)	35.2	8.6
Service Total		14,448.0	14,650.5	(202.5)	98.6	33,828.4

Leisure & Cultural Services	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - RC	1B	51.1	64.6	(13.5)	79.2	379.3
Parks and Play Areas		319.0	318.5	0.5	100.2	342.4
Healthy Living Centres		25.9	26.9	(1.0)	96.5	69.3
Tourism - Caravan Sites	1B	(8.5)	(21.6)	13.1	39.0	(13.8)
Tourism - Hostels	1B	9.2	(13.7)	22.9	N/A	(3.6)
Sports Development	1B	19.5	46.3	(26.8)	42.1	82.7
Sports Facilities		571.8	549.7	22.1	104.0	1,017.1
Swimming Pools		144.9	141.0	3.9	102.7	208.0
Active Schools		26.9	26.8	0.1	100.4	89.0
Community Facilities	1B	323.0	210.0	113.0	153.8	319.7
Heritage Development	1B	173.9	200.5	(26.6)	86.7	311.4
Museums	1B	203.1	153.5	49.6	132.3	288.6
St Magnus Cathedral		128.7	130.7	(2.0)	98.4	180.0
Libraries		467.4	460.9	6.5	101.4	950.6
Service Total		2,455.9	2,294.1	161.8	107.1	4,220.7

		Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Other Housing	PA					
Housing Support		27.2	30.0	(2.8)	90.7	64.2
Homelessness		540.1	513.9	26.2	105.1	826.0
Housing Loans	1B	(17.9)	7.8	(25.7)	N/A	10.7
Energy Initiatives		118.1	112.6	5.5	104.9	37.5
Garages	1B	(17.0)	(31.2)	14.2	54.7	(97.3)
Miscellaneous - OH	1B	(14.0)	17.6	(31.6)	N/A	202.0
Housing Benefits	1B	238.5	27.8	210.7	858.5	157.1
Landlord Registration		(26.1)	(28.4)	2.3	91.7	(20.8)
Care & Repair	1B	118.8	146.6	(27.8)	81.1	309.5
Sheltered Housing	1B	83.0	66.4	16.6	125.0	138.6
Student Accommodation		(2.0)	(11.6)	9.6	17.2	(22.2)
Service Total		1,048.7	851.5	197.2	123.2	1,605.3

		Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Housing Revenue Account	PA					
Administration - HRA	1B	179.2	235.8	(56.6)	76.0	733.3
Property Costs - HRA		1,463.4	1,429.9	33.5	102.3	1,517.5
Rent Income	1C	(1,583.5)	(1,744.2)	160.7	90.8	(3,848.2)
Tenant Participation		1.2	10.9	(9.7)	11.0	24.4
Other Income - HRA	1B	30.9	0.0	30.9	0.0	(23.0)
Finance Charges - HRA		0.0	0.0	0.0	0.0	1,596.0
Service Total		91.2	(67.6)	158.8	N/A	0.0

		Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Orkney College	PA					
Business Support	1B	(80.6)	(35.4)	(45.2)	227.5	325.0
Further and Higher Education	1B	(174.2)	(77.0)	(97.2)	226.4	(590.0)
Agronomy Institute		34.1	33.0	1.1	103.2	0.0
Archaeology Institute	1B	238.0	141.1	96.9	168.7	235.0
Institute for Northern Studies	1B	(19.6)	(8.9)	(10.7)	218.8	30.0
Service Total		(2.3)	52.8	(55.1)	N/A	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 £73.4K</p> <p>Outstanding invoices for the School Improvement Programme; lower than expected utility bills; and Pupil Equity Funding underspend have resulted in this variance being highlighted. The lower than expected utility bills and Pupil Equity Funding spend are a result of school closure during the COVID-19 lockdown.</p>	<p>Monitor the situation</p> <p>Process outstanding School Improvement Programme invoice and monitor the underspends in the devolved school management budgets. It is anticipated that, due to the national guidance on school ventilation, utility bills will be higher than previous years and therefore anticipated spend will report a variance. As such it is expected that this underspend will balance out.</p>	James Wylie	31/12/2020	Ongoing
R12AF	<p>Junior Secondary Schools</p> <p>Less than anticipated expenditure by £55.5K</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 spend will report a variance. As such it is expected that this underspend will balance out.</p>	James Wylie	31/01/2021	Ongoing

Annex 3: Budget Action Plan

Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R13AW	<p>Primary Schools</p> <p>Less than anticipated expenditure by £90.8K</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 spend will report a variance. As such it is expected that this underspend will balance out.</p>	James Wylie	31/01/2021	New
R14A	<p>Early Learning & Childcare</p> <p>Less than anticipated expenditure by £53.3K</p> <p>Vacancy management and workforce sufficiency.</p>	<p>Monitor the situation</p> <p>Continue to actively seek new recruits. Demand will increase in the new academic year (as more children are entitled to provision).</p>	Peter Diamond	31/12/2020	Ongoing
R14FI	<p>Additional Support Needs</p> <p>More than anticipated expenditure by £86.3K</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	New

Annex 3: Budget Action Plan

Education

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R15A	<p>Administration</p> <p>More than anticipated expenditure by £91.2K</p> <p>Payments to supply teachers during lockdown in accordance with CoSLA recommendations.</p> <p>Pupil Equity Fund grant received ahead of profile.</p>	<p>Raise virements request</p> <p>Compensatory payments to supply teachers require further discussion with the Scottish Government on covering this cost.</p> <p>Reprofile Government Grant income.</p>	James Wylie	31/03/2021	Ongoing
R15C	<p>Community Learning & Development</p> <p>Less than anticipated income by £13.3K</p> <p>Income target for evening classes not met.</p>	<p>Monitor the situation</p> <p>Consider transfer of funds from underspend in youth work budget.</p>	Peter Diamond	30/11/2020	New
R15F	<p>School Transport</p> <p>Less than anticipated expenditure by £132.1K</p> <p>Late submission of invoices from conveyors has resulted in this underspend.</p>	<p>Process transaction(s)</p> <p>Pay invoice when received.</p>	James Wylie	30/11/2020	Ongoing

Annex 3: Budget Action Plan

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 £13.5K</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	30/11/2020	Ongoing
R17E	<p>Tourism - Caravan Sites</p> <p>Less than anticipated income by £13.1K</p> <p>Ness caravan site was closed until 20 July. 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	New
R17F	<p>Tourism - Hostels</p> <p>Less than anticipated income by £22.9K</p> <p>Loss of income as a result of COVID-19 restrictions, plus continuation of the 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 £26.8K</p> <p>No income from schools from May to October due to outdoor education close down, and therefore no payments to external education instructors.</p>	<p>Monitor the situation</p> <p>Continue to monitor.</p>	Peter Diamond	31/12/2020	Ongoing

Annex 3: Budget Action Plan

Leisure & Cultural Services

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R17P	<p>Community Facilities</p> <p>Less than anticipated income by £113.0K</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	30/11/2020	Ongoing
R17S	<p>Heritage Development</p> <p>Less than anticipated expenditure by £26.6K</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	31/12/2020	Ongoing
R17T	<p>Museums</p> <p>Less than anticipated income by £49.6K</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

Annex 3: Budget Action Plan

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 £25.7K</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	30/11/2020	Ongoing
R30F	<p>Garages</p> <p>Less than anticipated income by £14.2K</p> <p>Collections reduced as a result of COVID-19 measures.</p>	<p>Monitor the situation</p> <p>Garage rent arrears to be pursued appropriately in line with Council processes .</p>	Frances Troup	30/11/2020	Ongoing
R30G	<p>Miscellaneous - OH</p> <p>Less than anticipated expenditure by £31.6K</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 will begin for one post shortly.</p>	Frances Troup	31/10/2020	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 £210.7K</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	30/11/2020	Ongoing
R30L	<p>Care & Repair</p> <p>Less than anticipated expenditure by £27.8K</p> <p>Profiling requires to be amended.</p>	<p>Raise virements request</p> <p>Virement to be done to correct.</p>	Frances Troup	31/10/2020	Ongoing
R30M	<p>Sheltered Housing</p> <p>More than anticipated expenditure by £16.6K</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	31/10/2020	Ongoing

Annex 3: Budget Action Plan

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 £56.6K</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 a second round of recruitment is ongoing for another vacant post. Recruitment is progressing by electronic means.</p>	Frances Troup	31/10/2020	Ongoing
R61E	<p>Rent Income</p> <p>Less than anticipated income by £160.7K</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 process to be reviewed.</p>	Gareth Waterson	31/10/2020	Ongoing
R61I	<p>Other Income - HRA</p> <p>Less than anticipated income by £30.9K</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	31/10/2020	Ongoing

Annex 3: Budget Action Plan

Orkney College

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R67A	Business Support Less than anticipated expenditure by £45.2K Lower than anticipated utility costs and staffing cost have resulted in this variance being reported. This is as a result of the COVID-19 lockdown period.	Monitor the situation It is expected that heating bills will be higher than anticipated this winter due to the national guidance on ventilation. As such this underspend is expected to balance as the financial year progresses.	James Wylie	31/01/2021	Ongoing
R67B	Further and Higher Education Less than anticipated expenditure by £97.2K An underspend in this area is as a result of a budget coding error for property costs and a staff vacancy.	Raise journals request A journal exercise will take place.	James Wylie	30/11/2020	Ongoing

Annex 3: Budget Action Plan

Orkney College

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R67F	<p>Archaeology Institute</p> <p>More than anticipated expenditure by £96.9K</p> <p>Two contracts with Scottish and Southern Electricity (SSE) during the COVID-19 lockdown period resulted in significant travel cost occurring as a result of the agreed risk assessment. The costs of this additional travel will be recouped from SSE as part of the agreed contact costs. The teaching income is behind the profile and will be reconciled throughout the academic year.</p>	<p>Monitor the situation</p> <p>The senior management of the Education, Leisure and Housing Directorate will monitor the income in this business unit regularly.</p>	James Wylie	30/11/2020	New
R67G	<p>Institute for Northern Studies</p> <p>Less than anticipated expenditure by £10.7K</p> <p>An underspend in utility costs, staffing, administration and transport is as a result of the COVID-19 lockdown period.</p>	<p>Monitor the situation</p> <p>Monitor this situation as the financial year progresses.</p>	James Wylie	31/12/2020	New