

Item: 4

College Management Council Sub-committee: 2 November 2020.

Revenue Expenditure Monitoring.

Joint Report by Executive Director of Education, Leisure and Housing 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 Sub-committee is responsible.

2. Recommendations

The Sub-committee is invited to note:

2.1.

The revenue financial detail in respect of Orkney College for the period 1 April to 30 September 2020, attached as Annex 1 to this report, indicating a net surplus of £55,100.

The Sub-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 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 in order 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 as 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 correction 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 details by service area statement for the period 1 April to 30 September 2020 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.

7. Legal Aspects

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, extension 2401, Email james.wylie@orkney.gov.uk.

Gareth Waterson, Head of Finance, extension 2103, Email gareth.waterson@orkney.gov.uk.

Edward Abbott-Halpin, Principal, telephone 569250, Email edward.abbott-halpin@uhi.ac.uk.

9. Annexes

Annex 1: Financial details by service area.

Annex 2: Budget Action Plan.

Annex 1: Financial Detail by Service Area

The following tables show the spending position by service function

Orkney College	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
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 2: 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 £45.2K</p> <p>Lower than anticipated utility costs and staffing costs have resulted in this variance being reported. This is as a result of the COVID-19 lockdown period.</p>	<p>Monitor the situation</p> <p>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.</p>	James Wylie	31/01/2021	Ongoing
R67B	<p>Further and Higher Education</p> <p>Less than anticipated expenditure by £97.2K</p> <p>An underspend in this area is as a result of a budget coding error for property costs and a staff vacancy.</p>	<p>Raise journals request</p> <p>A journal exercise will take place.</p>	James Wylie	30/11/2020	Ongoing

Annex 2: 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 contract 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 Service 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