

THE HIGHLAND COUNCIL
EDUCATION, CULTURE AND SPORT COMMITTEE
13 NOVEMBER

Agenda Item	
Report No	

Revenue Budget Monitoring Report for the 6 months to September 2008

Report by Director of Education, Culture and Sport

SUMMARY

This report sets out the 2008-09 Revenue Budget monitoring position for the 6 months to 30th September 2008.

1.0 Introduction

Annex 1 contains details of the net expenditure position for the 6 months to the end of September 2008 and the projected net expenditure position as at the end of the financial year. Members are reminded that this statement no longer includes the budgets delegated to the Joint Committee for Children and Young People (JCCYP) which are now accounted for separately and reported to the JCCYP. Annexes 2 and 3 contain the corresponding information for the Cleaning and Catering trading accounts respectively.

1.1 Section 2 of the report contains details of the significant issues relating to projected budget pressures, including potential shortfalls in the achievement of the 2008-09 savings target. Section 3 outlines proposals for addressing the known budget pressures and savings shortfalls.

2.0 Significant issues

2.1 The ECS Revenue Budget is under pressure on a number of fronts including:

- Ensuring the delivery of the 2008-09 savings target
- Rising energy costs
- Rising fuel costs
- Demographic savings and transferred budgets in relation to funding unitary charge payments
- Devolved school budgets – in particular those schools carrying forward a deficit from last financial year.

2.2 The extent to which the 2008-09 savings target can be delivered in full will not be known until the end of December when details of the teaching staffing arrangements for the new academic session are known and analysed. However there are concerns on a number of other fronts, including:

- The achievement of the anticipated savings arising from the review of administrative and clerical staff across the Service. The redesign and implementation phase of the review is about to commence and as such

delivery of the anticipated savings may not be fully realised within the current financial year. Members will recall that these savings will be achieved by the redeployment of staff into vacant posts as they arise:

- The full achievement of savings arising from further efficiency has been compromised by the significant increases in energy costs across the board.
- As a result of the delayed implementation of the cessation of vocational cleaning in schools until 2009 only £145K of the anticipated £400K saving from building cleaning will be achieved in the current financial year.

2.3 Annex 1 contains details of the projected year-end overspends by sector. The projected overspend is currently £1.038M (the corresponding figure at the end of August was £1.392M) and excludes any anticipated shortfall in the achievement of the 2008-09 savings target.

It also excludes any potential top-up required for those schools that will exceed the 3% deficit parameter at the end of the financial year.

Also the availability of the funding from demographic change for the PPP2 unitary charge payment cannot be determined until the teaching staffing entitlements are known at the end of December.

2.4 Rising fuel costs are having a significant adverse impact on school transport costs with £0.565M (55%) of the projected overspend arising from this sector.

In addition rising energy costs will result in increased operational costs in schools and leisure centres both of which are significant energy consumers. Whilst energy efficiency measures will result in reduced consumption this saving is more than off-set by the significant cost increases in heating oil, electricity and gas.

The projected over-spend in the Primary non devolved sector relates to class contact reduction expenditure being almost 5% higher than anticipated. This expenditure is incurred to meet the costs of the additional staffing employed to fill the gap between individual teacher class contact time of 22.5 hours per week and the actual school week of 25 hours. The reasons for this increase are being investigated.

The projected overspend in the Administration sector relates to a number of factors:-

- Insurance premiums
- Additional costs relating to early retirement (which have been off-set to an extent by reduced costs anticipated within the 2008-09 savings target)

It should be noted that there are a number of other factors not included within the current year-end projections that may ultimately impact on the final outturn position including:-

- The impact of the devolved budget refresh that will not be completed until December. Members will recall that devolved budget allocations are based on school roll figures and therefore any changes in school roll figure

identified during the school roll census on the 22nd September may result in a revised devolved budget allocation.

- The outcome of this exercise is critical in identifying the funding contribution towards the 2008-09 PPP2 unitary charge as previously approved by the Highland Council.

2.5 Current estimates indicate that traffic-light indicators for devolved school budgets are as follows:

- Category red 10 schools
- Category amber schools 27 schools
- Category green schools 179 schools

There are 2 main issues in relation to the above, namely:

- The requirement to minimise the number of category red schools as any deficit balances in excess of the 3% limit permitted within the scheme of devolved school management will have to be funded.
- The fact that 18.5% (40 schools) are in a deficit position in either category amber (within the 3% parameter) or category red (above the 3% parameter).

Management action is focussed on category red schools to identify recovery plans with Head Teachers.

2.6 The year-end projections for the Catering and Cleaning trading accounts are appended as Annexes 2 and 3 respectively. At this stage in the financial year both trading accounts are projected to achieve the budgeted surpluses. In relation to the Catering trading account there are concerns in relation to fuel surcharges being levied by one of the major suppliers. In addition there are also concerns relating to increasing food costs. At this time these pressures are being off-set by reducing expenditure in other areas of the Catering and Client budgets, for example delaying the filling of vacant posts and an embargo on all non essential expenditure.

As outlined in paragraph 2.2 above there will be a shortfall in the building cleaning savings target. Alternative savings will have to be identified in order to off-set this projected shortfall.

3.0 Actions taken or proposed

3.1 The corrective actions required in order to address the issues identified in section 2 above can be summarised thus:

- An embargo on all non essential expenditure
- Delaying the filling of vacant posts for as long as possible without impacting on service delivery.
- Ensuring that all savings targets are delivered, although those savings relating to reduced energy consumption have been more than off-set by increased energy costs.

- 3.2 Within the projected over-spend figure of £1.038M approximately £0.636M (61%) relates directly to the impact of rising fuel and energy costs. Given the overall financial position of the Service it will be extremely difficult to meet these pressures from elsewhere within the ECS Revenue budget. However management action during the remaining 6 months of the financial year will focus on identifying what actions over and above those identified in paragraph 3.1 above can be taken to deliver a balanced budget by the end of the financial year.
- 3.3 It is also important that the budget pressures identified in the current financial year are taken into account when setting the 2009/10 ECS Revenue budget in order to ensure the integrity of the budget at the start of the new financial year.

4.0 Recommendations

4.1 Members are requested to:

- i note the budget pressures outlined within section 2 of the report and;
- ii approve the corrective actions identified within section 3 of the report.

Signature:

Designation: Director of Education, Culture and Sport

Date: 29th October 2008

Background Papers

Annex 1 – Revenue Budget monitoring statement as at 30th September 2008.

Annex 2 – Catering trading account monitoring statement as at 30th September 2008.

Annex 3 – Cleaning trading account monitoring statement as at 30th September 2008.

EDUCATION CULTURE & SPORT REVENUE MONITORING REPORT

SEPTEMBER 09 **ANNEX 1**

	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Primary Education DSM	28,197	56,817	56,817	-
Secondary Education DSM	36,690	72,481	72,481	-
Special Education DSM	1,565	3,242	3,242	-
Nursery Education DSM	1,916	3,968	3,968	-
TOTAL DSM	68,367	136,508	136,508	-
Primary Education (Non-DSM)	1,736	3,197	3,441	244
Secondary Education (Non-DSM)	65	(28)	2	30
Schools - General	6,783	12,898	12,824	(74)
Hostels	357	746	768	22
School Transport	4,323	10,962	11,527	565
Catering/Cleaning Client	1,600	3,923	3,923	-
Community Learning	1,651	4,567	4,453	(114)
Additional Support Needs(Non-DSM)	8,261	17,877	18,003	126
Administration	7,240	10,829	10,915	86
Archives	185	381	358	(23)
Arts Development	773	573	620	47
Village Halls	155	294	308	14
Leisure Facilities	1,419	2,705	2,814	109
Integrated Library Service	1,885	4,303	4,271	(32)
Museums	513	954	956	2
Sports Development	(324)	538	574	36
Gaelic (Non DSM)	(1,106)	(367)	(367)	-
TOTAL NON DSM	35,516	74,351	75,389	1,038
OVERALL TOTAL	103,883	210,860	211,898	1,038

BY SUBJECTIVE	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
Staff Costs	83,168	166,944	167,279	335
Other Costs	36,625	80,700	81,341	641
Gross Expenditure	119,793	247,644	248,620	976
Grants	(5,173)	(11,988)	(11,988)	-
Other Income	(10,737)	(24,796)	(24,734)	62
Total Income	(15,910)	(36,784)	(36,722)	62
	103,883	210,860	211,898	1,038

Net expenditure expressed as a percentage of the Annual Budget 49.27%

Reconciliation

Area Education Totals				
Area Culture & Sport Totals				
Education, Culture & Sport	-	-	-	-
Difference (should always be 0)	-	-	-	-

**HIGHLAND COUNCIL
ECS CATERING**

Annex 2

FINANCIAL MONITORING STATEMENT PERIOD 30TH AUGUST 2008- 3RD OCTOBER 2008

SUMMARY	ANNUAL PLAN	PLANNED TO DATE	ACTUAL TO DATE	PROJECTED OUTTURN	YEAR END VARIANCE
INCOME					
SCHOOL MEALS INCOME	(7,448,832)	(3,607,809)	(3,293,197)	(7,248,832)	200,000
FUNCTION CATERING	(250,009)	(104,150)	(78,840)	(250,009)	0
SNACK BAR INCOME	(230,822)	(115,408)	(111,305)	(230,822)	0
ADDITIONAL INCOME	(233,803)	(116,894)	(112,142)	(233,803)	0
	(8,163,466)	(3,944,261)	(3,595,484)	(7,963,466)	200,000
DIRECT COSTS					
LABOUR COSTS	3,955,366	1,978,539	1,936,337	3,955,366	0
FOOD/MATERIALS	2,434,223	1,173,509	1,093,055	2,434,223	0
TRANSPORT & PLANT	111,654	47,707	51,875	111,654	0
OTHER SUPPLIES & SERVICES	342,664	171,331	224,354	204,332	(138,332)
	6,843,907	3,371,085	3,305,621	6,705,575	(138,332)
OVERHEADS					
MANAGEMENT COSTS	489,848	245,005	224,000	489,848	0
APPORTIONED COSTS	364,812	126,843	70,933	364,812	0
SUPPORT COSTS	385,183	110,483	102,895	380,753	(4,430)
INTEREST ON REVENUE BALANCES	0	0	0	0	0
	1,239,843	482,331	397,828	1,235,413	(4,430)
TOTAL COSTS	8,083,750	3,853,416	3,703,449	7,940,988	(142,762)
(SURPLUS)/DEFICIT	(79,716)	(90,845)	107,965	(22,478)	57,238
ASSET RENT	4,976	0	0	4,976	0
FRS17	66,958	0	0	66,958	0
(SURPLUS)/DEFICIT AFTER ASSET RENT (7,782)	(79,716)	(90,845)	107,965	49,456	57,238
					DEFICIT

HIGHLAND COUNCIL
ECS CLEANING

Annex 3

FINANCIAL MONITORING STATEMENT PERIOD 4TH OCTOBER 2008- 31ST OCTOBER 2008

SUMMARY	ANNUAL PLAN	PLANNED TO DATE	ACTUAL TO DATE	PROJECTED OUTTURN	YEAR END VARIANCE
INCOME					
CONTRACT CLEANING	(4,741,880)	(2,748,479)	(2,809,660)	(4,621,880)	120,000
EXTERNAL INCOME	<u>(66,685)</u>	<u>(38,892)</u>	<u>(38,636)</u>	<u>(66,685)</u>	<u>0</u>
	<u>(4,808,565)</u>	<u>(2,787,371)</u>	<u>(2,848,296)</u>	<u>(4,688,565)</u>	<u>120,000</u>
DIRECT COSTS					
LABOUR COSTS	3,656,304	2,100,458	2,039,536	3,566,304	(90,000)
MATERIALS	105,000	61,244	103,923	105,000	0
TRANSPORT & PLANT	80,810	44,880	33,938	83,530	2,720
OTHER SUPPLIES & SERVICES	<u>104,587</u>	<u>57,136</u>	<u>30,112</u>	<u>104,587</u>	<u>0</u>
	<u>3,946,701</u>	<u>2,263,718</u>	<u>2,207,509</u>	<u>3,859,421</u>	<u>(87,280)</u>
OVERHEADS					
MANAGEMENT COSTS	477,970	278,878	198,880	412,060	(65,910)
APPORTIONED COSTS	24,250	12,577	10,844	24,250	0
SUPPORT COSTS	260,799	81,582	52,078	262,891	2,092
INTEREST ON REVENUE BALANCES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>763,019</u>	<u>373,037</u>	<u>261,803</u>	<u>699,200</u>	<u>(63,819)</u>
TOTAL COSTS	<u>4,709,720</u>	<u>2,636,755</u>	<u>2,469,311</u>	<u>4,558,621</u>	<u>(151,099)</u>
(SURPLUS)DEFICIT	<u>(98,845)</u>	<u>(150,616)</u>	<u>(378,985)</u>	<u>(129,944)</u>	<u>(31,099)</u>
ASSET RENT	4,813	0	0	4,813	0
FRS17	90,966	0	0	90,966	0
(SURPLUS)DEFICIT AFTER ASSET RENT	<u><u>(3,066)</u></u>	<u><u>(150,616)</u></u>	<u><u>(378,985)</u></u>	<u><u>(34,165)</u></u>	<u><u>(31,099)</u></u>