

THE HIGHLAND COUNCIL

EDUCATION, CULTURE AND SPORT SERVICE COMMITTEE
12 NOVEMBER 2009

Agenda Item	3.
Report No	ECS/47/09

The Revenue Budget monitoring position for the 6 months to September 2009

Report by Director of Education, Culture and Sport Service

Summary

This report sets out the Revenue Budget outturn position for the 6 months to September 2009 highlighting known budget pressures and proposed compensatory savings measures. Details of progress with the achievement of the out-standing budget savings targets for 2008-09 and 2009-10 are also provided.

1. Background

- 1.1 The current estimated year-end outturn position for ECS is an under-spend of £0.010M, details of which are provided within **Annex 1**. The corresponding details for the Catering and Cleaning Trading Accounts are outlined in **Annexes 2 and 3** respectively.
- 1.2 Section 2 of the report highlights current significant issues in relation to the management of the 2009/10 Revenue Budget. Section 3 of the report outlines the corrective actions that are being taken in order to address the other known budget pressures. Section 4 provides members with a progress report in relation to the achievement of the outstanding budgets savings targets.

2. Significant Issues

- 2.1 Known budget pressures at this time comprise the following:

	£M
PPP2 Rates	0.282
Unachieved savings 2008-09	0.899
Unachieved savings 2009-10	0.121
Total	1.302

- 2.2 The background to the projected overspend in relation to PPP2 Rates was reported to the August ECS Committee. Specialist legal advice has been received on the actions required before a decision is taken on whether or not there are legitimate grounds for pursuing damages from the company that provided the facilities management estimates (including Rates) for the 11 new schools. The current actions being taken in relation to this include, providing further information requested by the specialist legal adviser and also contacting another facilities management advisor to establish what advice they would have provided had they been asked to do so in 2003.

2.3 Progress with the achievement of the outstanding budget savings targets is provided within Section 4 of this report. The other potential budget pressures identified, but not quantified at this stage relate to:

- Revenue consequences of Capital
- Impact of increased school rolls and the consequent change in budgeted staffing entitlements
- Schools that are likely to exceed the 3% deficit parameter and require a budget top-up at the end of the financial year.

2.4 Whilst the provision of additional classroom accommodation at Nairn Academy and Grantown Grammar respectively will result in estimated additional Revenue expenditure of £0.060M in the current financial year, there has been slippage in a number of the other Capital projects for which Revenue expenditure was anticipated in the 2009/10 budget. These include Mallaig School Residence, now due to open in February 2010. As a result of the uncertainties relating to the timing of projects it is not possible to provide definitive year-end projections, however current indications are there may be a pressure of approximately £0.100M which will have to be addressed by compensatory savings elsewhere.

2.5 The Education (School Lunches) (Scotland) Regulations 2009 have resulted in the criteria for eligibility for free school meals being widened. With effect from August 2009 children from families in receipt of maximum Working Tax Credit and Family Tax Credit will be eligible. The 2009-10 Revenue Budget includes additional funding of £0.500M in anticipation of the anticipated increase in free school meal entitlement from August 2009 onwards. The financial provision of £0.500M equates to an additional 1,600 free school meals being provided on a daily basis. As at the end of September 2009 the number of additional school meals being provided on a daily basis was 452. A marketing campaign is underway in order to raise awareness of this change in eligibility and therefore to increase the numbers who apply for free school meals. In the interim it is unlikely that the additional financial provision of £0.500M will be fully utilised in the current financial year, although due to the demand led nature of this benefit it is difficult to estimate what proportion of this funding will remain unutilised at the end of the financial year.

2.6 Staffing budgets devolved to schools are determined by school roll related formulae. These budgets are reviewed at the start of each new academic session to reflect the September school roll census figures. The school roll census for academic session 2009-10 was carried out on the 21st September. The summary position is that there are 133 fewer pupils in September 2009 in comparison with September 2008. However the financial impact of this will require to be calculated on a school by school basis. This exercise will be completed during November and the final net financial impact will be reported to the January ECS Committee.

3. Devolved School Budgets

3.1 In relation to the 11 schools that required a budget top-up at the end of last financial year, Area ECS Managers were asked to identify recovery plans in conjunction with the individual Head Teachers. Initial meetings with these Head Teachers are currently taking place and the recovery plans for each school will be available by the end of November. The critical risks in relation to this exercise are as follows:

The recovery period for some schools may stretch beyond the current financial year. As a result there may be a need to provide further top-up funding at the end of the current financial year.

The above risks will be quantified during December and reported to the ECS Committee in January and related mitigating actions.

Updated school roll projections for August 2010 and beyond will be available by mid November and this will enable Area ECS Managers to begin discussions with Head Teachers about aligning staffing levels in schools with budgeted staffing entitlements.

4. Corrective actions

4.1 In order to off-set the known budget pressures identified above a number of compensatory savings have already been quantified and were approved at the September Committee. These are out-lined below:

	£M
• Income budget realignment	0.050
• Unallocated contingency – devolved budgets	0.350
• Unallocated contingency – energy	0.515
• Total	0.915

4.2 There is an embargo on all non essential expenditure across the Service and strict vacancy management control is in place. **The Director has written to all budget holders instructing that no expenditure should be incurred unless the result of doing so is will have a detrimental and immediate impact on front-line service delivery.** In parallel each non-devolved budget heading is being reviewed to improve the integrity of the overall budget. This is a significant exercise, however it is recognised that such an exercise is essential to underpin sound budget monitoring and control.

4.3 Newly qualified teachers, the majority of whom have spent their probationary year in Highland, will be appointed to vacant teaching posts during the course of the current academic year. Each such appointment will result in a budget saving as the posts in question are funded at the top point of the teaching grade whilst the majority of the appointees are appointed at the bottom point on the teaching grade. Highland has a strong tradition of retaining newly qualified teachers and it is anticipated that this will continue during the current academic session. The number of recently qualified teachers who have been appointed to substantive posts by the end of September 2009 was 20. The corresponding figures for academic year 2008-09 were 36 appointed by the end of September and a total of 66 for the academic year.

4.4 The initial outcomes from the Admin Review are reported elsewhere to this Committee. Analysis work carried as part of this review high-lighted that there are a significant number of vacant support posts across the Service which have been deliberately held vacant awaiting the outcome of the review. As a result of holding

these posts vacant budget savings of £0.285M have been achieved and have been assumed within the year-end outturn figure reported in **Annex 1**.

5. Budget savings – progress report:

- 5.1 **Annex 4** provides a progress report with the achievement of the outstanding savings targets.
- 5.2 There has been some further progress with the achievement of 2008-09 School Cleaning savings with the figure reducing to £63,387. In addition further actions, including the initial outcomes of the Admin review to be considered elsewhere on this agenda, will have a positive impact on the overall achievement of savings if approved by Members
- 5.3 There will continue to be a focus on addressing the remaining unachieved savings during the remainder of this financial year.

6. Recommendations

6.1 Members are requested to:-

- Agree the corrective actions outlined in section 4 of the report.
- Agree that progress on recovering the position of schools in deficit continues to be reported to this Committee during the remainder of this financial year
- Note the progress being made with the outstanding budget savings targets out-lined in section 5 of the report.

Signature:

Designation: Director of Education, Culture and Sport

Date: 31st October 2009.

Author: Ron MacKenzie, Head of Support Services, Education, Culture and Sport

Background Papers

Annex 1 - Revenue Budget monitoring statement for the 6months to September 2009

Annex 2 – Catering trading account for 6 months to September 2009

Annex 3 – Cleaning trading account for 6 months to September 2009

Annex 4 – Budget savings progress report as at end of September 2009.

EDUCATION, CULTURE & SPORT REVENUE MONITORING REPORT

September 2009	ANNEX 1								
	£'000 Actual	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance		£'000 Year End Variance	£'000 Year End Variance	£'000 Year End Variance	£'000 Year End Variance
	YTD	Budget	Estimate	Variance		Variance	Variance	Variance	Variance
BY ACTIVITY						EAST	MID	NORTH	HQ
Primary Education DSM	29,540	57,440	57,440	0		0	0	0	0
Secondary Education DSM	37,579	73,072	73,072	0		0	0	0	0
Special Education DSM	1,751	3,169	3,169	0		0	0	0	0
Nursery Education DSM	2,108	4,082	4,082	0		0	0	0	0
TOTAL DSM	70,979	137,764	137,764	0		0	0	0	0
Primary Education (Non-DSM)	1,728	3,260	3,295	35		0	35	0	0
Secondary Education (Non-DSM)	219	-1,109	-1,109	0		0	0	0	0
Schools - General	10,833	13,675	13,600	-75		0	0	0	-75
PPP	-1	22,226	22,508	282		0	0	0	282
Hostels	419	818	818	0		0	0	0	0
School Transport	4,241	11,643	11,643	0		0	0	0	0
School Crossings	143	323	323	0		0	0	0	0
Additional Support Needs(Non-DSM)	9,641	17,877	17,877	0		0	0	0	0
Catering/Cleaning Client	2,630	5,833	5,833	0		0	0	0	0
Grants	2,312	3,320	3,320	0		0	0	0	0
Community Learning	2,037	3,617	3,617	0		0	0	0	-153
Administration	5,544	5,392	5,240	-153		0	0	0	0
Archives	261	448	448	0		0	0	0	0
Arts Development	892	813	793	-20		0	0	0	-20
Events & Promotions	455	1,016	1,016	0		0	0	0	0
Village Halls	191	278	278	0		0	0	0	0
Leisure Facilities	2,356	3,679	3,599	-80		45	-135	10	0
Integrated Library Service	1,983	4,390	4,390	0		0	0	0	0

Museums	532	998	998	0	0	0	0	0
Sports Development	-473	482	482	0	0	0	0	0
Gaelic (Non DSM)	-810	-439	-439	0	0	0	0	0
TOTAL NON DSM	45,131	98,541	98,530	-10	45	-100	10	35
OVERALL TOTAL	116,109	236,305	236,295	-10	45	-100	10	35
Net expenditure expressed as a percentage of the Annual Budget	49.14%							
	£'000	£'000	£'000	£'000				
	Actual	Annual	Year	Year				
	YTD	Budget	End	End				
			Estimate	Variance				
BY SUBJECTIVE								
Staff Costs	89,893	177,731	177,984	254				
Other Costs	41,490	89,828	89,595	-233				
Gross Expenditure	131,383	267,559	267,579	21				
Grants	-3,834	-8,102	-8,102	0				
Other Income	-11,439	-23,152	-23,183	-31				
Total Income	-15,273	-31,254	-31,285	-31				
	116,109	236,305	236,295	-10				
	0	0	0	0				
Reconcillation								
Area Education Totals								
Area Culture & Sport Totals								
Education, Culture & Sport	0	0	0	0				
Difference (should always be 0)	-116,109	-236,305	-236,295	10				

CATERING TRADING ACCOUNT REVENUE MONITORING REPORT - ANNEX 2				
September 2009			ANNEX 2	
	Actual	Annual	Year End	YEAR END
SUMMARY	YTD	Budget	Estimate	VARIANCE
INCOME				
SCHOOL MEALS INCOME	(3,683,945)	(8,433,072)	(8,433,072)	0
FUNCTION CATERING	(87,928)	(262,909)	(262,909)	0
SNACK BAR INCOME	(114,375)	(231,165)	(231,165)	0
ADDITIONAL INCOME	(198,622)	(433,016)	(433,016)	0
	(4,084,871)	(9,360,162)	(9,360,162)	0
DIRECT COSTS				
LABOUR COSTS	2,429,180	5,221,655	5,221,655	0
FOOD/MATERIALS	1,295,587	2,432,447	2,441,227	8,780
TRANSPORT & PLANT	50,381	112,289	112,289	0
OTHER SUPPLIES & SERVICES	77,197	166,034	157,255	(8,780)
	3,852,345	7,932,425	7,932,425	0
OVERHEADS				
MANAGEMENT COSTS	241,791	491,898	491,898	0
APPORTIONED COSTS	145,041	455,318	455,318	0
SUPPORT COSTS	79,699	407,160	407,160	0
INTEREST ON REVENUE BALANCES	0	0	0	
	466,531	1,354,377	1,354,377	0
TOTAL COSTS	4,318,876	9,286,802	9,286,802	0
(SURPLUS)DEFICIT	234,006	(73,360)	(73,360)	0
ASSET RENT	0	2,538	2,538	0
FRS17	0	66,958	66,958	0

(SURPLUS)/DEFICIT AFTER ASSET RENT	234,006	(3,864)	(3,864)	0	
				BREAKEVEN	

CLEANING TRADING ACCOUNT REVENUE MONITORING REPORT - ANNEX 3						
September 2009				Annex 3		
	Actual	Annual		Year End	Year End	
SUMMARY	YTD	Budget		Estimate	Variance	
INCOME						
CONTRACT CLEANING	(2,492,041)	(5,312,717)		(5,312,717)	0	
EXTERNAL INCOME	(39,202)	(68,686)		(68,686)	0	
	(2,531,243)	(5,381,402)		(5,381,402)	0	
DIRECT COSTS						
LABOUR COSTS	1,910,292	4,193,968		4,193,968	0	
MATERIALS	88,218	117,875		117,875	0	
TRANSPORT & PLANT	32,867	83,513		83,513	0	
OTHER SUPPLIES & SERVICES	60,528	106,574		106,574	0	
	2,091,906	4,501,929		4,501,929	0	
OVERHEADS						
MANAGEMENT COSTS	205,428	480,302		480,302	0	
APPORTIONED COSTS	2,253	24,856		24,856	0	
SUPPORT COSTS	70,471	268,939		268,939	0	
INTEREST ON REVENUE BALANCES	0	0		0	0	
	278,152	774,097		774,097	0	
TOTAL COSTS	2,370,058	5,276,027		5,276,027	0	
(SURPLUS)DEFICIT	(161,185)	(105,376)		(105,376)	0	
ASSET RENT	0	4,933		4,933	0	
FRS17	0	98,390		98,390	0	
(SURPLUS)DEFICIT AFTER ASSET RENT	(161,185)	(2,052)		(2,052)	0	

ANNEX 4 - ECS BUDGET SAVINGS 2009/10						
Saving Ref		Savings 2009/10	Target Saving	Achieved 2009-10	Balance to Achieve	
01a/09-10	01 09 11GB021	Savings - Teaching early retirement	83,000	- 83,000	-	
01b/09-10	01 09 11GB008	Savings - Probationer Teachers/New Entrants	117,000	- 117,000	-	
01c/09-10	01 09 11GB010	Savings - Primary School Teacher rationalisation	177,000	- 177,000	-	
02/09-10	Achieved	Savings - Income Generation (Highlife)	27,000	- 27,000	-	
03/09-10	01 09 11GB021	Savings - Teaching early retirement	100,000	- 66,961	33,039	
04/09-10	Achieved	Savings - Income for Probationer Teachers	448,000	- 448,000	-	
05/09-10	Achieved	Savings - Standstill Budget on Selected Headings	340,000	- 340,000	-	
06/09-10	01 09 11GB024	Savings - Teacher Posts above formula	780,000	- 780,000	-	
07/09-10	01 09 11GB008	Savings - Probationer Teachers/New Entrants	47,000	- 9,560	37,440	
08/09-10	01 09 11GB025	Savings - Curriculum Support & Development	89,000	- 89,000	- 0	
09/09-10	Achieved	Savings - Health projects	80,000	- 80,000	-	
10/09-10	Achieved	Savings - Highland 2007 Legacy	100,000	- 100,000	-	
11/09-10	Achieved	Savings - Community Grants	40,000	- 40,000	-	
12/09-10	01 09 11GB026	Savings - Inverness Events	63,000	-	63,000	
13/09-10	01 09 11GB027	Savings - Outdoor Education	60,000	- 41,664	18,336	Timing
14/09-10	01 09 11GB028	Savings - Cultural Staff	75,000	- 71,610	3,390	Timing
15/09-10	0	Savings - Adult Learning	261,000	- 265,562	- 4,562	
16/09-10	01 09 11GB030	Savings - Community Learning & Leisure Mgt	193,000	- 246,385	- 53,385	Timing
17/09-10	01 09 11GB031	Savings - PPP Project Management	60,000	- 36,440	23,560	Timing

18/09-10	01 09 11GB022	Savings - SEN Non Dev Area	231,000	- 231,000	-	
			3,371,000	- 3,250,183	120,817	
Saving Ref		Savings 2008/09	Target Saving	Achieved 2009-10	Balance to Achieve	
1/08-09	01 09 11GB002	Savings - Office & Admin Review	323,000	-	323,000	
10/08-09	01 09 11GB013	Savings - School Cleaning	196,174	- 132,787	63,387	
11/08-09	01 09 11GB017	Savings - Mgt and Admin Review	240,000	-	240,000	
12/08-09	01 09 11GB019	Savings - Janatorial Savings	100,000	-	100,000	
20/08-09	01 09 11GB012	Savings - Letting Charges Review	69,000	-	69,000	
27/08-09	01 09 11GB014	Savings - Village Hall Equalisation	35,000	-	35,000	
29/08-09	01 09 11GB016	Savings - Library Support Structure	4,817	- 4,817	-	
30/08-09	01 09 11GB018	Savings - QI Officer and Related support	113,029	- 44,606	68,423	
			1,081,020	- 182,210	898,810	
			4,452,020	- 3,432,393	1,019,627	