

**THE HIGHLAND COUNCIL**  
**EDUCATION, CULTURE AND SPORT COMMITTEE**

**11 MARCH 2010**

Agenda Item	
Report No	

**Revenue Budget monitoring position for the 10 months to January 2010**

**Report by Director of Education, Culture and Sport Service**

**Summary**

This report sets out the Revenue Budget outturn position for the 10 months to January 2010, 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 a projected overspend of £0.238M, details of which are provided within **Appendix 1**. The corresponding details for the Catering and Cleaning Trading Accounts respectively are provided in **Appendices 2 and 3**.
- 1.2 Section 2 of the report provides details of the known budget pressures. Section 3 outlines the compensatory savings identified to off-set the known budget pressures. Section 4 provides Members with an update of progress with the achievement of the 2008-09 and 2009-10 savings. Members should note that further progress has been achieved in relation to the achievement of budget savings with the previously reported out-standing figure of £0.522M for 2008-09 now reduced to £0.192M.

**2. Significant Issues**

- 2.1 At this stage in the financial year a number of the previously reported outstanding issues have completed and updated in the ledger, including:-
  - The “refresh” of the devolved budgets to reflect the September 2009 school roll figures
  - The revision to staffing budgets to reflect the initial outcomes of the Job Evaluation exercise for all non-teaching posts across the Service
  - The “root and branch” review of the non-devolved budgets is progressing well with the majority of budgets having been reviewed and amended where required.

The completion of the above tasks has been both complex and time consuming and thanks are extended to colleagues in the Finance Service for the professional and thorough manner in which these tasks have been completed.

2.2 On the basis of current projections the main budget pressures can be summarised thus:

	£M
• Devolved budgets in excess of 3% deficit	0.374
• PPP2	0.356
• Additional Support Needs	0.302
• School Transport	0.236
• Class Contact Reduction	0.223
• Savings not yet achieved (2008-09)	0.192
• Total	1.683

In addition to the above there are potential issues emerging in relation to retrospective gas bills at Nairn Academy and Inverness High School which are currently being investigated by colleagues in the Housing and Property Service. It is assumed for budget monitoring purposes that any related pressures will be met from the funding for energy budgets that remained unallocated after all schools received the budget top-ups to meet their anticipated energy expenditure in the current financial year.

2.3 **Devolved budgets in excess of 3% deficit** – Members will recall that under the terms of the current devolved management scheme a budget top-up is allocated to those schools that exceed the 3% deficit limit at the end of the financial year to ensure that a school does not carry forward to future financial years a deficit greater than 3% of its devolved budget. At the end of the current financial year it is estimated that 6 Secondary schools and 2 Primary schools will require a budget top-up. The main contributory factor in the majority of these schools was that teacher staffing levels were higher than the budget entitlement allocated per the roll-related formula.

2.4 In order to ensure that teacher staffing levels are aligned to the budget entitlement figure at the beginning of the new academic year in August 2010 the following actions are being taken:

- Senior ECS Managers are working in conjunction with Head Teachers of the schools in question to ensure that teacher staffing levels are reduced to the required level.
- Area ECS Managers have attended Ward Business Meetings to brief local Members, outlining what remedial actions are planned and any potential impediments that might prevent their achievement.
- In addition, all Head Teachers are completing a template which will identify vacancies and potential surpluses.
- The availability of this information will provide pan-Highland scrutiny and assessment of the overall teacher staffing position, and will enable the potential redeployment of surplus staff into vacancies.

- 2.5 **PPP2** – Legal advice has been sought on possible action against the specialist company that provided facility management estimates for the new schools. An independent external specialist company has been asked to provide an opinion whether the advice originally received from the specialist external adviser was of a standard that any reasonably competent consultant would have given with the information available at the time and without the benefit of hindsight. To assist with background information, the Council's solicitors discussed the matter in detail with Council staff involved at the time. Conclusion of this issue is being sought as a priority.
- 2.6 **Additional Support Needs** – Significant demand led pressures are emerging in the Inverness, Nairn, Badenoch & Strathspey area. These demand led pressures relate to a number of factors including:
- A number of children with additional needs moving into the area, for example in the period from August to November 2009 12 children with significant additional needs moved into the area.
  - There is evidence of families moving to Inverness from other parts of the Highlands as a result of the range of high quality ASN facilities now available within the city.
  - For historical reasons 3 Out of Authority placements are funded from the INB&S budget. There has been a significant increase in the support demanded by the sheltering education authority thereby placing an additional burden on the ASN budget.
  - The cost of the more imaginative curricular options being provided to pupils with behavioural problems.
- 2.7 **School Transport** – as previously reported this budget pressure is mainly attributable to the annual contractual uplift being almost 2% higher than the anticipated figure. The annual contractual uplift is based on the annual movement of a number of indices, including fuel. The relatively large movement in the fuel index accounted for the higher than expected contractual uplift percentage figure.
- 2.8 **Class Contact Reduction (CCR)** – the maximum class contact time for a Primary teacher is 22.5 hours per week. On the basis that the pupil week is 25 hours it is necessary to employ additional teachers to fill this gap. These additional teachers are currently deployed by Area ECS Managers to ensure that all schools receive the necessary teacher cover. The deployment of these teachers in the Inverness, Nairn, Badenoch & Strathspey area is currently being reviewed as the level of projected expenditure is above anticipated levels.

### 3. **Compensatory savings**

- 3.1 On the basis that the majority of the budget pressures identified in section 2 above were identified earlier in the financial year all budget holders were instructed to identify compensatory savings. The main compensatory savings are out-lined below:

	£M
• Unallocated contingency funding - energy	0.680
• Catering & Cleaning Client	0.240
• Management of vacancies	0.063
• Trading account surpluses	0.203
• CLL facilities and management of vacancies	0.150
• Revenue consequences of Capital	0.100
• Total	1.436

3.2 **Unallocated contingency funding** - the unallocated contingency funding relates wholly to the residual funding that remained after energy budgets were allocated at the start of the financial year. The indications are that the energy budgets allocated are in line with the estimated expenditure. As a result no further allocation will be required from the contingency figure included in paragraph 3.0 above.

3.3 **Management of vacancies** – in order to off-set budget pressures a number of vacant posts have not been filled. This position will be reviewed early in the new financial year.

3.4 **Catering & Cleaning** – the Catering and Cleaning trading accounts are projected to achieve surpluses this financial year. The Catering surplus will be achieved as a result of the higher than anticipated number of school meals being provided on a daily basis, some 15,300 as opposed to the 14,900 anticipated. In addition the Cleaning trading account surplus will be achieved by a strict cost reduction regime under-pinned by strict absence management. The Client account is projected to under-spend a result of the lower than expected increased uptake of free school meals following the widening of the qualifying criteria from August 2009.

3.5 **Revenue consequences of Capital** – as a result of the slippage in the Capital programme the allocation of the Revenue consequences funding was lower than expected. An example of this is the Mallaig School Residence which did not open for pupils until 1<sup>st</sup> March 2010.

3.6 **CLL facilities and management of vacancies** – the levels of income generated by the High Life card continue to exceed the anticipated levels. In addition, to off-set budget pressures elsewhere, there has been a conscious decision to delay filling vacant posts.

#### 4. Budget savings

4.1 **Appendix 4** provides details of progress with the achievement of the outstanding savings targets.

4.2 As previously reported the 2009-10 savings targets have been fully achieved.

4.3 Further progress with the achievement of outstanding savings has been made during January with the figure reducing from £0.553M to £0.192M, a reduction of £0.361M during the month.

4.4 During the remainder of the financial year there will be further savings achieved, although it is unlikely that the savings target will be wholly achieved within this financial year.

## **5. Recommendations**

5.1 Members are requested to:

- Note the budget pressures outlined in section 2 of the report
- Note the compensatory savings outlined in section 3 of the report.
- Note the progress being made with the outstanding budget savings targets outlined in section 4 of the report.
- Agree that further compensatory savings be identified in order to achieve a balanced budget by the end of the financial year.

Signature:

Designation: Director of Education, Culture and Sport

Date: 19<sup>th</sup> February 2010.

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

### Background Papers

Annex 1 - Revenue Budget monitoring statement for the 10 months to January 2010.

Annex 2 – Catering trading account for 10 months to January 2010.

Annex 3 – Cleaning trading account for 10 months to January 2010.

Annex 4 – Budget savings progress report as at end of January 2010.

## EDUCATION, CULTURE &amp; SPORT REVENUE MONITORING REPORT

January 2010

	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
<b>BY ACTIVITY</b>				
Primary Education DSM	47,948	57,936	57,936	0
Secondary Education DSM	60,960	73,399	73,399	0
Special Education DSM	2,845	3,179	3,179	0
Nursery Education DSM	3,547	4,067	4,067	0
<b>TOTAL DSM</b>	<b>115,299</b>	<b>138,580</b>	<b>138,580</b>	<b>0</b>
Primary Education (Non-DSM)	2,920	3,259	3,597	338
Secondary Education (Non-DSM)	188	(1,173)	(766)	408
Schools - General	3,594	5,309	5,426	117
PPP	16,500	22,202	22,558	356
Hostels	706	846	846	0
School Transport	8,658	11,685	11,921	236
School Crossings	226	364	271	(93)
Additional Support Needs(Non-DSM)	16,248	18,231	18,533	302
Catering/Cleaning Client	4,399	6,709	6,266	(443)
Grants	3,193	3,240	3,240	0
Community Learning	3,113	3,636	3,506	(130)
Administration	8,158	11,715	10,880	(835)
Archives	410	428	428	0
Arts Development	648	810	790	(20)
Events & Promotions	1,007	952	952	0
Village Halls	300	317	331	15
Leisure Facilities	3,323	4,195	4,195	0
Integrated Library Service	3,258	4,386	4,386	0
Museums	808	1,032	1,032	0
Sports Development	66	517	517	0
Gaelic (Non DSM)	(795)	(407)	(419)	(12)
<b>TOTAL NON DSM</b>	<b>76,929</b>	<b>98,252</b>	<b>98,490</b>	<b>238</b>
<b>OVERALL TOTAL</b>	<b>192,229</b>	<b>236,832</b>	<b>237,070</b>	<b>238</b>
	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
<b>BY SUBJECTIVE</b>				
Staff Costs	150,148	173,788	174,465	677
Other Costs	67,715	95,342	95,127	(216)
<b>Gross Expenditure</b>	<b>217,864</b>	<b>269,130</b>	<b>269,591</b>	<b>461</b>
Grants	(5,161)	(8,388)	(8,388)	0
Other Income	(20,474)	(23,910)	(24,133)	(223)
<b>Total Income</b>	<b>(25,635)</b>	<b>(32,298)</b>	<b>(32,521)</b>	<b>(223)</b>
	<b>192,229</b>	<b>236,832</b>	<b>237,070</b>	<b>238</b>

## CATERING TRADING ACCOUNT REVENUE MONITORING REPORT

January 2010

<b>SUMMARY</b>	<b>Actual YTD</b>	<b>Annual Budget</b>	<b>Year End Estimate</b>	<b>YEAR END VARIANCE</b>
<b>INCOME</b>				
SCHOOL MEALS INCOME	(6,826,384)	(8,433,072)	(8,525,381)	(92,309)
FUNCTION CATERING	(174,020)	(262,909)	(243,999)	18,910
SNACK BAR INCOME	(186,892)	(231,165)	(225,000)	6,165
ADDITIONAL INCOME	(422,122)	(433,016)	(495,369)	(62,353)
	<b>(7,609,417)</b>	<b>(9,360,162)</b>	<b>(9,489,749)</b>	<b>(129,587)</b>
<b>DIRECT COSTS</b>				
LABOUR COSTS	4,070,976	5,221,655	5,174,957	(46,698)
FOOD/MATERIALS	2,046,790	2,432,447	2,574,492	142,045
TRANSPORT & PLANT	81,905	112,289	112,289	0
OTHER SUPPLIES & SERVICES	117,698	165,404	170,307	4,902
	<b>6,317,368</b>	<b>7,931,795</b>	<b>8,032,044</b>	<b>100,249</b>
<b>OVERHEADS</b>				
MANAGEMENT COSTS	371,985	491,898	447,171	(44,727)
APPORTIONED COSTS	250,072	455,318	455,865	547
SUPPORT COSTS	303,534	407,160	398,766	(8,394)
INTEREST ON REVENUE BALANCE	0	0	0	
	<b>925,591</b>	<b>1,354,377</b>	<b>1,301,802</b>	<b>(52,575)</b>
<b>TOTAL COSTS</b>	<b>7,242,958</b>	<b>9,286,172</b>	<b>9,333,846</b>	<b>47,674</b>
<b>(SURPLUS)DEFICIT</b>	<b>(366,459)</b>	<b>(73,990)</b>	<b>(155,903)</b>	<b>(81,913)</b>
<b>ASSET RENT</b>	0	2,538	2,538	0
<b>FRS17</b>	0	66,958	66,958	0
<b>(SURPLUS)DEFICIT AFTER ASSET RENT</b>	<b>(366,459)</b>	<b>(4,494)</b>	<b>(86,407)</b>	<b>(81,913)</b>
				<b>SURPLUS</b>

## CLEANING TRADING ACCOUNT REVENUE MONITORING REPORT

January 2010

	Actual YTD £	Annual Budget £	Year End Estimate £	Year End Variance £
<b>SUMMARY</b>				
<b>INCOME</b>				
CONTRACT CLEANING	(4,503,577)	(5,312,717)	(5,402,717)	(90,000)
EXTERNAL INCOME	(52,330)	(68,686)	(68,686)	0
	<u>(4,555,907)</u>	<u>(5,381,402)</u>	<u>(5,471,402)</u>	<u>(90,000)</u>
<b>DIRECT COSTS</b>				
LABOUR COSTS	3,214,620	4,193,968	4,193,968	0
MATERIALS	127,924	117,875	117,875	0
TRANSPORT & PLANT	59,403	83,513	88,043	4,531
OTHER SUPPLIES & SERVICES	86,310	106,187	130,259	24,072
	<u>3,488,258</u>	<u>4,501,542</u>	<u>4,530,145</u>	<u>28,603</u>
<b>OVERHEADS</b>				
MANAGEMENT COSTS	316,896	480,302	424,802	(55,500)
APPORTIONED COSTS	11,523	24,856	24,856	0
SUPPORT COSTS	207,671	268,939	264,772	(4,167)
INTEREST ON REVENUE BALANCES	0	0	0	0
	<u>536,089</u>	<u>774,097</u>	<u>714,430</u>	<u>(59,667)</u>
<b>TOTAL COSTS</b>	<u>4,024,347</u>	<u>5,275,640</u>	<u>5,244,575</u>	<u>(31,064)</u>
<b>(SURPLUS)DEFICIT</b>	<u>(531,560)</u>	<u>(105,763)</u>	<u>(226,827)</u>	<u>(121,064)</u>
<b>ASSET RENT</b>	0	4,933	4,933	0
<b>FRS17</b>	0	98,390	98,390	0
<b>(SURPLUS)DEFICIT</b>				
<b>ASSET RENT</b>	<u>(531,560)</u>	<u>(2,439)</u>	<u>(123,503)</u>	<u>(121,064)</u>
				<b>SURPLUS</b>

## ECS BUDGET SAVINGS 2009/10

Saving Ref	Savings 2009/10	Target Saving	Achieved 2009-10	Balance to Achieve
01a/09-10	Teaching early retirement	83,000	83,000	-
01b/09-10	Probationer Teachers/New Entrants	117,000	117,000	-
01c/09-10	Primary School Teacher rationalisation	177,000	177,000	-
02/09-10	Income Generation (Highlife)	27,000	27,000	-
03/09-10	Teaching early retirement	100,000	100,000	-
04/09-10	Income for Probationer Teachers	448,000	448,000	-
05/09-10	Standstill Budget on Selected Headings	340,000	340,000	-
06/09-10	Teacher Posts above formula	780,000	780,000	-
07/09-10	Probationer Teachers/New Entrants	47,000	47,000	-
08/09-10	Curriculum Support & Development	89,000	89,000	-
09/09-10	Health projects	80,000	80,000	-
10/09-10	Highland 2007 Legacy	100,000	100,000	-
11/09-10	Community Grants	40,000	40,000	-
12/09-10	Inverness Events	63,000	63,000	-
13/09-10	Outdoor Education	60,000	60,000	-
14/09-10	Cultural Staff	75,000	75,000	-
15/09-10	Adult Learning	261,000	261,000	-
16/09-10	Community Learning & Leisure Mgt	193,000	193,000	-
17/09-10	PPP Project Management	60,000	60,000	-
18/09-10	SEN Non Dev Area	231,000	231,000	-
		<b>3,371,000</b>	<b>3,371,000</b>	-
Saving Ref	Savings 2008/09	Target Saving	Achieved 2009-10	Balance to Achieve
1/08-09	Office & Admin Review	323,000	323,000	-
10/08-09	School Cleaning	196,174	140,819	55,355
11/08-09	Mgt and Admin Review	240,000	240,000	-
12/08-09	Janatorial Savings	100,000	41,923	58,077
20/08-09	Letting Charges Review	69,000	4,924	64,076
27/08-09	Village Hall Equalisation	35,000	20,378	14,622
29/08-09	Library Support Structure	4,817	4,817	-
30/08-09	QI Officer and Related support	113,029	113,029	-
		<b>1,081,020</b>	<b>888,890</b>	<b>192,130</b>
		<b>4,452,020</b>	<b>4,259,890</b>	<b>192,130</b>