

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

**7 August 2008**

|             |  |
|-------------|--|
| Agenda Item |  |
| Report No   |  |

**Revenue Budget monitoring report for the 3 months to June 2008**

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

**Summary**

This report sets out the 2008-09 Revenue Budget monitoring position for the 3 months to the 30<sup>th</sup> June 2008.

**1. BACKGROUND**

- 1.1 **Annex 1** contains details of the net expenditure for the 3 months to the end of June 2008 and the projected net expenditure position as at the end of the financial year. Members should note 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 Committee. **Annexes 2 and 3** contain the corresponding information for the Cleaning and Catering trading accounts respectively.
- 1.2 Section 2 of the report contains details of the known budget pressures. Section 3 outlines proposals for addressing the known budget pressures.

**2. SIGNIFICANT ISSUES**

- 2.1 The early indications are that the ECS Revenue budget is under pressure on a number of fronts, most notably:-
- Ensuring the delivery of the 2008-09 savings target.
  - Rising energy costs
  - Rising fuel costs and the related impact on school transport
  - Additional support needs
  - 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 of the above pressures is in the process of being quantified and the relevant details from this on-going exercise will be included within the Revenue Budget monitoring report submitted to the September ECS Committee. This report will also contain details of the proposed management actions to off-set the above pressures.

- 2.3 The potential impact of increased energy and fuel costs, including the knock-on effect on other budget headings, will be significant. Although the precise details of the overall impact of both these pressures is not known at this stage it is likely to place a significant financial burden on the Service in the current and subsequent financial years.
- 2.4 The trading accounts are both projecting nil variances at this stage in the financial year. There is however concern about the ability to control costs in the catering sector as external influences continue to have an adverse impact on food costs.

### **3. ACTIONS TAKEN OR PROPOSED**

- 3.1 In recognition of the need to implement corrective management action as early as possible in the financial year the Director has instructed all members of the ECS Management Team to implement with immediate effect actions to reduce or delay expenditure. The details of this instruction are contained within **Annex 4**.
- 3.2 This message will be reinforced at every opportunity via the team briefing network that will be rolled out within the Service from October 2008.
- 3.3 The impact of school rolls on devolved staffing budgets in the new academic year will be closely monitored to ensure that there is absolute compliance with the staffing formula entitlements outlined within the scheme of devolved school management. There will be particularly close monitoring of all staffing budgets across the Service as they account for £159.4M (68%) of gross expenditure.
- 3.4 The pressure on the Service resulting from the adverse impact of energy and fuel increases is significant. Members should note that the extent of these pressures may not be fully known until the end of the financial year.
- 3.5 Progress reports will be brought to this Committee throughout the remainder of this financial year.

### **4. Recommendations:**

4.1 Members are requested to:

- note that the Revenue Budget is under pressure
- note the corrective management actions that have already been taken.

Signature:

Designation: Director of Education, Culture and Sport

Date: 28 July 2008

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

#### Background Papers

Annex 1 - Revenue Budget monitoring statement for the 3 months to 30<sup>th</sup> June 2008.

Annex 2 - Cleaning trading account monitoring statement for the 3 months to 30<sup>th</sup> June 2008.

Annex 3 - Catering trading account monitoring statement for the 3 months to 30<sup>th</sup> June 2008.

Annex 4 - Copy letter from Director to ECS Management team

# EDUCATION CULTURE & SPORT REVENUE MONITORING REPORT

JUNE 09

ANNEX 1

|                                   | £'000<br>Actual<br>YTD | £'000<br>Annual<br>Budget | £'000<br>Year End<br>Estimate | £'000<br>Year End<br>Variance |
|-----------------------------------|------------------------|---------------------------|-------------------------------|-------------------------------|
| <b>BY ACTIVITY</b>                |                        |                           |                               |                               |
| Primary Education DSM             | 13,467                 | 56,787                    | 56,787                        | -                             |
| Secondary Education DSM           | 18,193                 | 72,638                    | 72,638                        | -                             |
| Special Education DSM             | 778                    | 3,210                     | 3,210                         | -                             |
| Nursery Education DSM             | 985                    | 3,949                     | 3,949                         | -                             |
| <b>TOTAL DSM</b>                  | <b>33,423</b>          | <b>136,584</b>            | <b>136,584</b>                | -                             |
| Primary Education (Non-DSM)       | 866                    | 3,674                     | 3,674                         | -                             |
| Secondary Education (Non-DSM)     | 37                     | 34                        | 34                            | -                             |
| Schools - General                 | 2,973                  | 14,760                    | 14,760                        | -                             |
| Hostels                           | 192                    | 752                       | 752                           | -                             |
| School Transport                  | 3,130                  | 10,988                    | 10,988                        | -                             |
| Catering/Cleaning Client          | 460                    | 3,950                     | 3,950                         | -                             |
| Community Learning                | 793                    | 4,563                     | 4,563                         | -                             |
| Additional Support Needs(Non-DSM) | 4,156                  | 16,988                    | 16,988                        | -                             |
| Administration                    | 3,562                  | 9,143                     | 9,143                         | -                             |
| Archives                          | 94                     | 383                       | 383                           | -                             |
| Arts Development                  | 390                    | 638                       | 638                           | -                             |
| Village Halls                     | 23                     | 324                       | 324                           | -                             |
| Leisure Facilities                | 475                    | 2,726                     | 2,726                         | -                             |
| Integrated Library Service        | 886                    | 4,263                     | 4,263                         | -                             |
| Museums                           | 253                    | 977                       | 977                           | -                             |
| Sports Development                | (693)                  | 525                       | 525                           | -                             |
| Gaelic (Non DSM)                  | (167)                  | (307)                     | (307)                         | -                             |
| <b>TOTAL NON DSM</b>              | <b>17,432</b>          | <b>74,382</b>             | <b>74,382</b>                 | -                             |
| <b>OVERALL TOTAL</b>              | <b>50,855</b>          | <b>210,966</b>            | <b>210,966</b>                | -                             |

## BY SUBJECTIVE

Staff Costs  
Other Costs  
**Gross Expenditure**  
Grants  
Other Income  
**Total Income**

|                          | £'000<br>Actual<br>YTD | £'000<br>Annual<br>Budget | £'000<br>Year End<br>Estimate | £'000<br>Year End<br>Variance |
|--------------------------|------------------------|---------------------------|-------------------------------|-------------------------------|
| Staff Costs              | 42,251                 | 168,223                   | 168,193                       | -                             |
| Other Costs              | 17,262                 | 78,295                    | 78,325                        | -                             |
| <b>Gross Expenditure</b> | <b>59,513</b>          | <b>246,518</b>            | <b>246,518</b>                | -                             |
| Grants                   | (2,763)                | (10,880)                  | (10,880)                      | -                             |
| Other Income             | (5,895)                | (24,672)                  | (24,672)                      | -                             |
| <b>Total Income</b>      | <b>(8,658)</b>         | <b>(35,552)</b>           | <b>(35,552)</b>               | -                             |
|                          | <b>50,855</b>          | <b>210,966</b>            | <b>210,966</b>                | -                             |

(0)

Net expenditure expressed as a

24.11%

HIGHLAND COUNCIL  
ECS CLEANING

ANNEX 2

FINANCIAL MONITORING STATEMENT PERIOD 1ST JUNE 2008- 4TH JULY 2008

| <b>SUMMARY</b>                           | <b>ANNUAL<br/>PLAN</b> | <b>PLANNED<br/>TO DATE</b> | <b>ACTUAL<br/>TO DATE</b> | <b>PROJECTED<br/>OUTTURN</b> | <b>YEAR END<br/>VARIANCE</b> |
|--|------------------------|----------------------------|---------------------------|------------------------------|------------------------------|
| <b>INCOME</b>                            |                        |                            |                           |                              |                              |
| CONTRACT CLEANING                        | (4,741,880)            | (1,185,470)                | (1,248,919)               | (4,741,880)                  | 0                            |
| EXTERNAL INCOME                          | (66,685)               | (16,671)                   | (15,131)                  | (66,685)                     | 0                            |
|  | <u>(4,808,565)</u>     | <u>(1,202,141)</u>         | <u>(1,264,050)</u>        | <u>(4,808,565)</u>           | <u>0</u>                     |
| <b>DIRECT COSTS</b>                      |                        |                            |                           |                              |                              |
| LABOUR COSTS                             | 3,661,344              | 982,795                    | 818,721                   | 3,661,344                    | 0                            |
| MATERIALS                                | 105,000                | 26,250                     | 80,820                    | 105,000                      | 0                            |
| TRANSPORT & PLANT                        | 75,810                 | 16,096                     | 15,918                    | 75,810                       | 0                            |
| OTHER SUPPLIES & SERVICES                | 104,695                | 26,174                     | (6,568)                   | 104,695                      | 0                            |
|  | <u>3,946,849</u>       | <u>1,051,315</u>           | <u>908,891</u>            | <u>3,946,849</u>             | <u>0</u>                     |
| <b>OVERHEADS</b>                         |                        |                            |                           |                              |                              |
| MANAGEMENT COSTS                         | 477,970                | 119,493                    | 84,920                    | 477,970                      | 0                            |
| APPORTIONED COSTS                        | 24,250                 | 6,063                      | 1,506                     | 24,250                       | 0                            |
| SUPPORT COSTS                            | 260,799                | 75,659                     | 27,167                    | 260,799                      | 0                            |
| INTEREST ON REVENUE BALANCES             | 0                      | 0                          | 0                         | 0                            | 0                            |
|  | <u>763,019</u>         | <u>201,214</u>             | <u>113,593</u>            | <u>763,019</u>               | <u>0</u>                     |
| <b>TOTAL COSTS</b>                       | <u>4,709,868</u>       | <u>1,252,529</u>           | <u>1,022,484</u>          | <u>4,709,868</u>             | <u>0</u>                     |
| <b>(SURPLUS)DEFICIT</b>                  | <u>(98,697)</u>        | <u>50,388</u>              | <u>(241,566)</u>          | <u>(98,697)</u>              | <u>0</u>                     |
| <b>ASSET RENT</b>                        |                        |                            |                           |                              |                              |
| FRS17                                    | 4,813                  | 1,203                      | 0                         | 4,813                        | 0                            |
|  | 90,966                 | 22,742                     | 0                         | 90,966                       | 0                            |
| <b>(SURPLUS)DEFICIT AFTER ASSET RENT</b> | <u>(2,918)</u>         | <u>74,332</u>              | <u>(241,566)</u>          | <u>(2,918)</u>               | <u>0</u>                     |

HIGHLAND COUNCIL  
ECS CATERING

ANNEX 3

FINANCIAL MONITORING STATEMENT PERIOD 1ST JUNE 2008- 4TH JULY 2008

| <u>SUMMARY</u>                           | <u>ANNUAL<br/>PLAN</u> | <u>PLANNED<br/>TO DATE</u> | <u>ACTUAL<br/>TO DATE</u> | <u>PROJECTED<br/>OUTTURN</u> | <u>YEAR END<br/>VARIANCE</u> |
|--|------------------------|----------------------------|---------------------------|------------------------------|------------------------------|
| <b>INCOME</b>                            |                        |                            |                           |                              |                              |
| SCHOOL MEALS INCOME                      | (7,448,832)            | (2,250,168)                | (2,139,247)               | (7,448,832)                  | 0                            |
| FUNCTION CATERING                        | (250,009)              | (62,502)                   | (30,765)                  | (250,009)                    | 0                            |
| SNACK BAR INCOME                         | (230,822)              | (57,706)                   | (52,147)                  | (230,822)                    | 0                            |
| ADDITIONAL INCOME                        | (233,803)              | (58,451)                   | (54,078)                  | (233,803)                    | 0                            |
|  | <u>(8,163,466)</u>     | <u>(2,428,827)</u>         | <u>(2,276,237)</u>        | <u>(8,163,466)</u>           | <u>0</u>                     |
| <b>DIRECT COSTS</b>                      |                        |                            |                           |                              |                              |
| LABOUR COSTS                             | 3,955,561              | 1,064,864                  | 963,036                   | 3,955,561                    | 0                            |
| FOOD/MATERIALS                           | 2,434,223              | 810,836                    | 785,293                   | 2,434,223                    | 0                            |
| TRANSPORT & PLANT                        | 96,654                 | 24,164                     | 29,182                    | 96,654                       | 0                            |
| OTHER SUPPLIES & SERVICES                | 344,022                | 86,006                     | 96,418                    | 344,022                      | 0                            |
|  | <u>6,830,460</u>       | <u>1,985,869</u>           | <u>1,873,929</u>          | <u>6,830,460</u>             | <u>0</u>                     |
| <b>OVERHEADS</b>                         |                        |                            |                           |                              |                              |
| MANAGEMENT COSTS                         | 489,848                | 122,462                    | 106,437                   | 489,848                      | 0                            |
| APPORTIONED COSTS                        | 382,812                | 95,703                     | 14,930                    | 382,812                      | 0                            |
| SUPPORT COSTS                            | 382,183                | 143,147                    | 73,791                    | 382,183                      | 0                            |
| INTEREST ON REVENUE BALANCES             | 0                      | 0                          | 0                         | 0                            | 0                            |
|  | <u>1,254,843</u>       | <u>361,312</u>             | <u>195,158</u>            | <u>1,254,843</u>             | <u>0</u>                     |
| <b>TOTAL COSTS</b>                       | <u>8,085,303</u>       | <u>2,347,180</u>           | <u>2,069,087</u>          | <u>8,085,303</u>             | <u>0</u>                     |
| <b>(SURPLUS)DEFICIT</b>                  | <u>(78,163)</u>        | <u>(81,646)</u>            | <u>(207,150)</u>          | <u>(78,163)</u>              | <u>0</u>                     |
| <b>ASSET RENT</b>                        |                        |                            |                           |                              |                              |
| FRS17                                    | 4,976                  | 1,244                      | 0                         | 4,976                        | 0                            |
|  | 66,958                 | 16,740                     | 0                         | 66,958                       | 0                            |
| <b>(SURPLUS)DEFICIT AFTER ASSET RENT</b> | <u>(6,229)</u>         | <u>(63,663)</u>            | <u>(207,150)</u>          | <u>(6,229)</u>               | <u>0</u>                     |

# EDUCATION, CULTURE AND SPORT SERVICE

## MEMORANDUM

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**To:** ECS Management Team  
ECS Finance Manager

**From:** Hugh Fraser, Director of Education Culture & Sport

**Subject:** Revenue Budget 2008-09

**Date:** 15 July 2008

**Please Ask for:** Hugh Fraser 01463 702801

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The early indications are that the 2008-09 Revenue Budget is under pressure on a number of fronts including:

- The achievability of the £5.074M savings target
- Energy costs
- School transportation costs
- Additional support needs
- Devolved school budgets – in particular those schools carrying forward a deficit from last financial year

The extent of these pressures will be quantified by the end of August and reported to the ECS Committee on the 18<sup>th</sup> September.

In recognition of the requirement to manage the above financial pressures it is necessary to implement with immediate effect a number of management actions, including:

- Ensuring that the 2008-09 savings targets are delivered or where this is not possible that alternative savings are identified (there will be a separate memo on this subject)
- There will be no out-with formulae additions to devolved school budgets without the approval of the ECS SMT. A new system will be implemented with immediate effect to enforce this.
- There will be an immediate embargo on all discretionary expenditure. This will include the acquisition of goods and services, travel and subsistence out-with the Council area (unless approved by line manager. Further guidance on travel and subsistence will be circulated separately.) and the acquisition of additional equipment of any form. Compliance with this request will be monitored within the existing budget management framework.
- Senior managers should ensure that wherever possible that compensatory savings are identified in order to off-set demand led budget pressures
- The strict vetting of staff appointments will continue.
- A memo will be sent to all establishments confirming the budgetary position and the need to manage energy more effectively at a local level.

The above measures are necessary in order to deliver a balanced budget by the end of the financial year. It is recognised that a number of the financial pressures identified above are out-with your direct control, for example spiralling energy and transportation costs. Representations about the impact of these additional costs will continue to be made to external agencies.

I would ask for your continuing assistance in maintaining service delivery at a time when there are significant financial pressures that have to be managed. The financial outlook for the remainder of this year will be closely monitored and elected members will be kept fully apprised of the situation throughout.



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**Hugh Fraser**  
Director of Education, Culture & Sport