

THE HIGHLAND COUNCIL

EDUCATION, CULTURE AND SPORT COMMITTEE
12 MARCH 2009

Agenda Item	3
Report No	ECS 7/09

Revenue Budget Monitoring Report for the 10 months to January 2009

Report by Director of Education, Culture and Sport

SUMMARY

This report sets out the 2008-09 Revenue Budget monitoring position for the 10 months to January 2009.

1. Introduction

Annex 1 contains details of the net expenditure position for the 10 months to the end of January 2009 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. Significant issues

- 2.1 **Annex 1** contains details of the projected year-end overspends by sector. The projected overspend is currently £0.989M, equivalent to 0.55% of the overall ECS Budget (the corresponding figure reported to the January ECS Committee was £0.982M).

- 2.2 The above projections contain a number of pressures including:

- Absence cover in relation to peripatetic specialist teachers.
- A shortfall in anticipated savings from the budgets no longer required in the new PPP schools as a result of the related costs being transferred to Alpha Schools Limited. It should be noted that the shortfall in these anticipated savings is currently under investigation.
- The net increase of almost 5% in school transport costs during the financial year.

- 2.3 In order to off-set the above pressures corrective management action has been taken in an attempt to off-set the impact. These corrective actions, which were previously approved by this Committee, include delaying the filling of vacant posts and a complete embargo on non essential expenditure.

2.4 Not included within the above projections are the following outstanding issues that require further investigation:

- RAG school projections, there are 12 schools that may require a total budget top-up of £342,045 at the end of the financial year when the final outturn position is known.
- The delivery of 2008-09 savings, including potential shortfalls in energy savings, the review of administrative and clerical support staff and cleaning.

2.5 Elected members have previously requested details of the budget pressures which contribute to some schools exceeding the 3% deficit limit. The following summary analysis outlines the main contributory factors:-

- There are 12 schools in category red, of which 8 are Secondary schools and 4 are Primary schools
- 8 of these schools carried forward a deficit from the previous financial year
- 10 of these schools have estimated energy over-spends
- 8 of these schools have estimated staffing over-spends

In order to address the above pressures Head Teachers have been working closely with Area ECS Managers in order to minimise expenditure.

2.6 As was previously reported to members there is a system now in place which identifies the budgeted teaching entitlement for each school as at August 2009. Between now and then the actual number of teaching staff in post will be adjusted to the budgeted entitlement level through the redeployment of teaching staff between schools wherever practical.

2.7 In addition the additional funding for energy included within the 2009/10 Revenue budget will ensure that all schools start the new financial year with an energy budget that reflects current consumption and the appropriate contract prices.

2.8 The delivery of the 2008/09 budget savings will take longer than anticipated in the following areas:

- Restructuring of administrative and clerical support functions
- Moving towards the cessation of vocational school cleaning
- Delays in redeploying staff from posts that were deleted.

It is anticipated that the above anticipated savings will be delivered in full during financial year 2009/10.

2.9 It is now apparent that certain of the anticipated 2008/09 budget savings will not be delivered, namely energy savings and those operational savings arising from the proposed closure of Roy Bridge PS. As a result within the 2009-10 budget there is financial provision to completely off-set these savings, thereby removing this commitment.

2.10 The year-end projections for the Cleaning and Catering trading accounts are appended as **Annexes 2 and 3** respectively. The Cleaning trading account is

projecting a surplus of £74K mainly due to strict control of labour costs and management overheads.

- 2.11 The Catering trading account is currently projecting a deficit of £94K mainly due to the significant reduction in trading income. The reasons for this significant decrease in income are the subject of a separate report to this Committee. The income shortfall of £0.466M is partially off-set by strict expenditure controls.

3. Actions taken or proposed

- 3.1 Whilst the underlying pressures relating to school transport, energy costs and the delivery of the 2008-09 budget savings will be addressed in the 2009/10 budget there are nevertheless pressures that require to be addressed in the current financial year.

- 3.2 During the remainder of the financial year efforts will continue to identify further savings in order to address the underlying pressures. It should be noted that of the 217 schools in Highland, 190 (87.55%) are projected to carry forward a surplus.

4. Highland Disability Sports – Request for Assistance with Funding for Special Olympics National Summer Games 2009

- 4.1 The Highland Council has received a request for a grant of £10K to support the attendance of participants in the Highland Disability Sports Team at the Special Olympics National Summer Games to be held this year in Leicester.

The total cost is estimated at £96K.

Participants make a contribution towards their costs and this taken along with sponsorship provides an income of approximately £73K leaving a shortfall of some £23K.

Highland Disability Sports as an organisation continue to gather funding but are seeking a one-off contribution from The Highland Council. The Council has supported participation in the Games at the level of £10K previously.

Given the value of participation to the team members it is recommended that a one-off grant of £10K is made. This would be funded from the Education, Culture and Sport Revenue Budget 2009-10 and would therefore have no impact on the current financial year.

5. Recommendations

- 5.1 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.
- iii Approve the award of a one-off grant of £10K to Highland Disability Sports to support participation at the Special Olympics National Summer Games in Leicester.

Signature:

Designation: Director of Education, Culture and Sport

Date: 23 February 2009

Background Papers:

Annex 1 – Revenue Budget monitoring statement as at 31st January 2009.

Annex 2 – Cleaning trading account monitoring statement as at 31st January 2009.

Annex 3 – Catering trading account monitoring statement as at 31st January.

EDUCATION CULTURE & SPORT REVENUE MONITORING REPORT

JANUARY 09

ANNEX 1

	£'000 Actual YTD	£'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
BY ACTIVITY					EAST	MID	NORTH	HQ
Primary Education DSM	46,261	56,606	56,606	-	56,817	56,817	56,817	56,817
Secondary Education DSM	59,531	71,685	71,685	-	72,481	72,481	72,481	72,481
Special Education DSM	2,600	3,145	3,145	-	3,242	3,242	3,242	3,242
Nursery Education DSM	3,285	3,986	3,986	-	3,968	3,968	3,968	3,968
TOTAL DSM	111,677	135,422	135,422	-	136,508	136,508	136,508	136,508
Primary Education (Non-DSM)	2,894	3,192	3,460	268	240	47	(25)	6
Secondary Education (Non-DSM)	92	471	506	35	7	25	-	3
Schools - General	13,794	18,505	18,739	234	8	(52)	(6)	284
Hostels	631	748	802	54	-	54	-	-
School Transport	8,378	11,029	11,857	828	232	761	(165)	-
Catering/Cleaning Client	2,561	3,948	3,948	-	-	-	-	1
Community Learning	3,177	4,634	4,347	(287)	(128)	(55)	(89)	(15)
Additional Support Needs(Non-DSM)	14,176	17,856	17,529	(327)	4	83	(187)	(228)
Administration	11,453	11,367	11,429	62	(44)	55	104	(53)
Archives	355	391	374	(17)	-	-	(17)	-
Arts Development	460	577	617	40	11	-	(1)	30
Village Halls	275	295	324	29	3	6	20	-
Leisure Facilities	2,217	2,654	2,730	76	57	(39)	58	-
Integrated Library Service	3,236	4,186	4,127	(59)	(13)	(4)	(42)	-
Museums	798	958	972	14	24	(10)	956	-
Sports Development	(89)	544	583	39	6	18	574	15
Gaelic (Non DSM)	(793)	(366)	(366)	-	-	-	(367)	-
TOTAL NON DSM	63,615	80,989	81,978	989	407	889	813	43
OVERALL TOTAL	175,292	216,411	217,400	989	136,915	137,397	137,321	136,551

Net expenditure expressed as a percentage of the Annual Budget 81.00%

	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY SUBJECTIVE				
Staff Costs	140,316	169,009	168,626	(383)
Other Costs	60,062	79,689	81,031	1,342
Gross Expenditure	200,378	248,698	249,657	959
Grants	(7,023)	(8,295)	(8,292)	3
Other Income	(18,063)	(23,992)	(23,965)	27
Total Income	(25,086)	(32,287)	(32,257)	30
	175,292	216,411	217,400	989

**HIGHLAND COUNCIL - ANNEX 2
ECS CLEANING**

FINANCIAL MONITORING STATEMENT PERIOD 3RD JANUARY 2009 -30TH JANUARY 2009

SUMMARY	ANNUAL PLAN	PLANNED TO DATE	ACTUAL TO DATE	PROJECTED OUTTURN	YEAR END VARIANCE
INCOME					
CONTRACT CLEANING	(4,762,030)	(3,936,775)	(3,997,445)	(4,711,935)	50,095
EXTERNAL INCOME	(66,685)	(55,561)	(68,717)	(69,000)	(2,315)
	<u>(4,828,715)</u>	<u>(3,992,336)</u>	<u>(4,066,162)</u>	<u>(4,780,935)</u>	<u>47,780</u>
DIRECT COSTS					
LABOUR COSTS	3,674,576	2,972,294	2,958,590	3,623,576	(51,000)
MATERIALS	105,000	87,493	122,437	105,000	0
TRANSPORT & PLANT	80,550	64,371	50,950	73,509	(7,041)
OTHER SUPPLIES & SERVICES	104,587	46,702	41,299	104,587	0
	<u>3,964,713</u>	<u>3,170,860</u>	<u>3,173,276</u>	<u>3,906,672</u>	<u>(58,041)</u>
OVERHEADS					
MANAGEMENT COSTS	479,848	400,209	275,375	414,370	(65,478)
APPORTIONED COSTS	24,250	13,699	13,585	24,250	0
SUPPORT COSTS	260,799	255,084	58,458	262,921	2,122
INTEREST ON REVENUE BALANCES	0	0	0	0	0
	<u>764,897</u>	<u>668,992</u>	<u>347,418</u>	<u>701,540</u>	<u>(63,357)</u>
TOTAL COSTS	<u>4,729,610</u>	<u>3,839,853</u>	<u>3,520,694</u>	<u>4,608,212</u>	<u>(121,398)</u>
(SURPLUS)DEFICIT	<u>(99,105)</u>	<u>(152,483)</u>	<u>(545,467)</u>	<u>(172,722)</u>	<u>(73,617)</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>(3,326)</u></u>	<u><u>(152,483)</u></u>	<u><u>(545,467)</u></u>	<u><u>(76,943)</u></u>	<u><u>(73,617)</u></u>

HIGHLAND COUNCIL - ANNEX 3
ECS CATERING

FINANCIAL MONITORING STATEMENT PERIOD 3RD JANUARY 2009- 30TH JANUARY 2009

SUMMARY	ANNUAL PLAN	PLANNED TO DATE	ACTUAL TO DATE	PROJECTED OUTTURN	YEAR END VARIANCE
INCOME					
SCHOOL MEALS INCOME	(7,471,859)	(6,070,836)	(5,678,293)	(7,007,304)	464,555
FUNCTION CATERING	(250,009)	(187,500)	(132,981)	(250,009)	0
SNACK BAR INCOME	(230,822)	(192,339)	(166,821)	(220,822)	10,000
ADDITIONAL INCOME	(233,803)	(194,818)	(205,468)	(272,803)	(39,000)
	<u>(8,186,493)</u>	<u>(6,645,493)</u>	<u>(6,183,563)</u>	<u>(7,750,938)</u>	<u>435,555</u>
DIRECT COSTS					
LABOUR COSTS	3,976,343	3,334,795	3,258,572	4,030,024	53,681
FOOD/MATERIALS	2,434,223	1,970,469	1,888,103	2,343,849	(90,374)
TRANSPORT & PLANT	111,280	92,069	86,808	113,026	1,746
OTHER SUPPLIES & SERVICES	342,454	279,494	210,402	157,223	(185,231)
	<u>6,864,300</u>	<u>5,676,827</u>	<u>5,443,885</u>	<u>6,644,122</u>	<u>(220,178)</u>
OVERHEADS					
MANAGEMENT COSTS	491,898	392,903	370,016	441,419	(50,479)
APPORTIONED COSTS	364,812	245,808	132,200	313,812	(51,000)
SUPPORT COSTS	384,474	358,703	142,460	367,757	(16,717)
INTEREST ON REVENUE BALANCES	0	0	0	0	0
	<u>1,241,184</u>	<u>997,414</u>	<u>644,676</u>	<u>1,122,988</u>	<u>(118,196)</u>
TOTAL COSTS	<u>8,105,484</u>	<u>6,674,241</u>	<u>6,088,561</u>	<u>7,767,110</u>	<u>(338,374)</u>
(SURPLUS)DEFICIT	<u>(81,009)</u>	<u>28,748</u>	<u>(95,002)</u>	<u>16,172</u>	<u>97,181</u>
ASSET RENT	4,976	0	0	2,000	(2,976)
FRS17	66,958	0	0	66,958	0
(SURPLUS)DEFICIT AFTER ASSET RENT	<u>(9,075)</u>	<u>28,748</u>	<u>(95,002)</u>	<u>85,130</u>	<u>94,205</u>
				<u>DEFICIT</u>	