

THE HIGHLAND COUNCIL
EDUCATION, CULTURE AND SPORT COMMITTEE

14 JANUARY 2010

Agenda Item	
Report No	

The Revenue Budget monitoring position for the 8 months to November 2009

Report by Director of Education, Culture and Sport Service

Summary

This report sets out the Revenue Budget outturn position for the 8 months to November 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 a projected overspend of £0.344M, details of which are provided within **Appendix 1**. The corresponding details for the Catering and Cleaning Trading Accounts are outlined in **Appendices 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 known budget pressures. **Section 4** provides members with a progress report in relation to the achievement of the outstanding budget savings targets, reducing from £0.121M to nil for financial year 2009-10 and reducing from £0.899M to £0.552M for financial year 2008-09.
- 1.3 Members should note that the ECS Budget has been increased from revenue reserves by approximately £0.550M to meet the one-off redundancy and retirement costs associated with the employee-related savings included within the approved 2009-10 ECS savings target.

2. Significant Issues

- 2.1 At this stage in the financial year the “refresh” of the budgets devolved to schools has been completed. In addition there is a clearer understanding of the likely year-end expenditure estimates for all major budget headings. However some uncertainties remain including the level of teacher absence cover expenditure that may be incurred during the final quarter of the financial year and the completion of the revision to staffing budgets to reflect the outcome of the initial job evaluation for non-teaching posts across the Service. This latter exercise is extremely complex and time-consuming, requiring a significant effort on behalf of colleagues in the Finance Service who are progressing this task.

2.2 The significant budget pressures known at this time comprise the following:

	£M
• Currently unachieved savings 2008-09	0.552
• Secondary school budget top-ups	0.367
• PPP2	0.359
• Class Contact Reduction	0.220
• Additional Support Needs	0.145
• Miscellaneous	0.069
• Total	1.712

2.3 The 2009-10 budget savings have now been fully delivered resulting in a total saving of £3.371M. In addition the out-standing 2008-09 savings figure has been reduced from £0.899M to £0.552M. Details of the progress to date with savings are contained within in **Appendix 4**. It is anticipated that further progress will be made with the achievement of the outstanding savings from financial year 2008-09 before the end of this financial year.

2.4 As previously reported, Area ECS Managers were asked to review the devolved budgets of those Secondary schools that required a budget top-up at the end of last financial year as a result of exceeding the 3% deficit limit permitted within the current scheme of devolved school management. Members will recall that the main contributory factor to these overspends was that teacher staffing levels within these schools were higher than the corresponding budget entitlement.

2.5 The main difficulties encountered in relation to aligning teaching staffing levels with budgeted entitlements can be summarised thus:

- Forward planning must begin at least 9 months ahead of the start of each academic year, by the preceding November
- Difficulties in redeploying teaching staff in the Secondary sector, for example subject specific, geographical location, etc
- Relying on roll projections for 12 months ahead
- Specific operational issues that prevent redeployment

2.6 Of the 8 category red Secondary schools that required a budget top-up at the end of last financial year, 4 schools were able to align their teaching staffing levels with the related budgeted entitlement by the start of the current academic year. The 4 remaining Secondary schools that required a budget top-up last financial year are working towards a similar teacher staffing/budget alignment by the start of the new academic year in August 2010. The combination of carrying forward a budget deficit, equivalent to 3% of the school's devolved budget, and employing teachers above the level of budgeted entitlement will result in these schools requiring a further top-up at the end of the current financial year. Progress with achieving the alignment of teacher staffing levels with projected budgeted entitlements at August 2010 will be monitored closely in forthcoming months.

- 2.7 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. These actions are continuing and a verbal update will be provided at the Committee.
- 2.8 **Class Contact Reduction-** the pupil week is 25 hours. The maximum class contact for a teacher in the Primary sector is 22.5 hours per week with the remainder of the working week devoted to preparation and development time. In order to fill this 2.5 hour gap it is necessary to employ additional teachers (known as class contact reduction teachers) who are deployed, as required, by Area ECS Managers. The current annual budget for class contact reduction is £3.128M. There is a projected over-spend in the Ross Skye & Lochaber and Inverness Nairn and Badenoch & Strathspey areas. The reasons for this projected over-spend are currently being investigated in order to identify what corrective actions may be necessary.
- 2.9 **Additional Support Needs (ASN)** - historically the ASN budget has been under pressure as the demands for this service increase annually. Budget deployment is assessed annually to ensure that priorities are addressed. There is a projected overspend of £0.145M which is equivalent to 0.8% of the total budget. This projected over-spend reflects pressure across each of the 3 geographical Areas. At the time of writing this report centrally held ASN budgets were being reviewed in order to identify what compensatory savings could be identified and used to off-set the pressures in the Areas. An update on this will be reported verbally to the ECS Committee
- 2.10 In summary, there are significant pressures identified in a number of sectors. The assessment of these pressures reflects the most likely year-end outturn position in each instance taking into account all known factors. At the time of writing this report a detailed analysis of the projected expenditure relating to School Transport is ongoing and a verbal update will be provided at the ECS Committee. This is on the basis that this is a significant budget heading accounting for approximately 5% of the overall Service net expenditure budget.

3. Corrective actions

- 3.1 In order to off-set the known budget pressures identified above a number of compensatory savings have been identified. These are out-lined below:

	£M
• Compensatory savings	0.950
• Catering/Cleaning Client	0.182
• Cleaning trading account	0.104
• Leisure Facilities	0.078
• Catering trading account	0.054
• Total	1.368

- 3.2 In addition, 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 will have a detrimental and immediate impact on front-line service delivery. **This instruction has been reiterated formally at the start of the new calendar year.**
- 3.3 The compensatory savings, relating to energy and teacher staffing contingencies, previously reported to this Committee are being utilised to partially off-set the budget pressures identified in paragraph 2.2 above.
- 3.4 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 were eligible for free school meals. The 2009 -10 Revenue Budget includes additional funding of £0.500M in anticipation of the increased 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. The indications are that not all of this funding will be required in the current financial year and as a result this accounts for the majority of the projected under-spend reported by the Catering/Cleaning Client
- 3.5 The Catering and Cleaning trading accounts are both reporting surpluses. The Catering trading account projected surplus has arisen as a result of a higher than anticipated number of meals being provided on a daily basis, 15,300 per day as opposed to the budgeted figure of 14,900 per day. In addition new menus were introduced in the Primary and Secondary sectors during autumn 2009. The Cleaning trading account projected surplus has arisen as a result of tight control of labour costs, including continuous monitoring of absence levels, a reduction in back-office costs and regular monitoring and tight control of expenditure on supplies and materials.
- 3.6 The Leisure sector projected under-spend is mainly attributable to the significant increase in Highlife card uptake and provides further testimony to the success of this initiative.

4. Budget savings – progress report:

- 4.1 **Appendix 4** provides a progress report with the achievement of the outstanding savings targets.
- 4.2 The 2009-10 budget savings have been fully achieved
- 4.3 Good progress has been made with the achievement of the 2008-09 savings with the Office & Admin Review figure reduced by £0.250M and the Quality Improvement Officer figure reduced to nil.
- 4.4 Of the remaining savings it is anticipated that School Cleaning saving will be fully achieved this financial year. In addition it is anticipated that further progress will be achieved with Letting Charges and Village Hall equalisation during the final quarter of the financial year.

4.5.1 At this stage it is anticipated that the delivery of the remaining 2008-09 savings will take longer than anticipated. The position in relation to these savings will be re-assessed during the final quarter and proposals re their future delivery will be brought to the ECS Committee in March 2010.

5. Recommendations

5.1 Members are requested to:-

- Note the current year-end expenditure estimates
- Agree the corrective actions outlined in section 3 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 4 of the report.

Signature:

Designation: Director of Education, Culture and Sport

Date: 23rd December 2009.

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Background Papers

Annex 1 - Revenue Budget monitoring statement for the 8months to November 2009

Annex 2 – Catering trading account for 8 months to November 2009

Annex 3 – Cleaning trading account for 8 months to November 2009

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

EDUCATION, CULTURE & SPORT REVENUE MONITORING REPORT

November 2009

	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Primary Education DSM	38,678	57,901	57,901	0
Secondary Education DSM	49,060	73,433	73,433	0
Special Education DSM	2,327	3,180	3,180	0
Nursery Education DSM	2,822	4,077	4,077	0
TOTAL DSM	92,886	138,591	138,591	0
Primary Education (Non-DSM)	2,337	3,258	3,588	330
Secondary Education (Non-DSM)	244	-1,173	-798	375
Schools - General	2,791	5,308	5,611	134
PPP	12,617	22,202	22,561	359
Hostels	561	818	818	0
School Transport	6,198	11,643	11,643	0
School Crossings	185	323	323	0
Additional Support Needs(Non-DSM)	12,921	18,021	18,166	145
Catering/Cleaning Client	3,357	6,720	6,380	-340
Grants	3,028	3,240	3,240	0
Community Learning	2,572	3,680	3,680	0
Administration	6,819	12,471	11,713	-575
Archives	351	447	447	0
Arts Development	485	810	790	-20
Events & Promotions	705	952	952	0
Village Halls	229	275	304	15
Leisure Facilities	2,901	3,773	3,695	-78
Integrated Library Service	2,651	4,399	4,399	0
Museums	692	998	998	0
Sports Development	-206	502	502	0
Gaelic (Non DSM)	-688	-419	-419	0
TOTAL NON DSM	60,749	98,247	98,591	344
OVERALL TOTAL	153,635	236,837	237,182	344

	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY SUBJECTIVE				
Staff Costs	120,200	173,668	173,546	-122
Other Costs	54,006	95,478	96,072	594
Gross Expenditure	174,206	269,146	269,618	472
Grants	-4,706	-8,298	-8,298	0
Other Income	-15,865	-24,010	-24,139	-128
Total Income	-20,572	-32,308	-32,436	-128
	153,635	236,837	237,182	344

CATERING TRADING ACCOUNT REVENUE MONITORING REPORT

November 2009

<u>SUMMARY</u>	Actual YTD	Annual Budget	Year End Estimate	YEAR END VARIANCE
INCOME				
SCHOOL MEALS INCOME	(5,319,892)	(8,433,072)	(8,517,992)	(84,920)
FUNCTION CATERING	(134,178)	(262,909)	(262,909)	0
SNACK BAR INCOME	(155,784)	(231,165)	(231,165)	0
ADDITIONAL INCOME	(279,226)	(433,016)	(479,370)	(46,354)
	(5,889,080)	(9,360,162)	(9,491,436)	(131,275)
DIRECT COSTS				
LABOUR COSTS	3,252,995	5,221,655	5,231,655	10,000
FOOD/MATERIALS	1,615,634	2,432,447	2,535,229	102,782
TRANSPORT & PLANT	65,395	112,289	112,289	0
OTHER SUPPLIES & SERVICES	91,237	165,597	162,186	(3,411)
	5,025,260	7,931,988	8,041,359	109,371
OVERHEADS				
MANAGEMENT COSTS	307,145	491,898	467,085	(24,814)
APPORTIONED COSTS	202,001	455,318	455,318	0
SUPPORT COSTS	69,265	407,160	403,546	(3,613)
INTEREST ON REVENUE BALANC	0	0	0	
	578,411	1,354,377	1,325,950	(28,427)
TOTAL COSTS	5,603,671	9,286,365	9,367,309	80,944
(SURPLUS)DEFICIT	(285,409)	(73,797)	(124,127)	(50,330)
ASSET RENT	0	2,538	2,538	0
FRS17	0	66,958	66,958	0
(SURPLUS)DEFICIT AFTER ASSET RENT	(285,409)	(4,301)	(54,631)	(50,330)
				SURPLUS

CLEANING TRADING ACCOUNT REVENUE MONITORING REPORT

November 2009

	Actual YTD £	Annual Budget £	Year End Estimate £	Year End Variance £
SUMMARY				
INCOME				
CONTRACT CLEANING	(3,602,597)	(5,312,717)	(5,392,717)	(80,000)
EXTERNAL INCOME	(47,501)	(68,686)	(68,686)	0
	<u>(3,650,098)</u>	<u>(5,381,402)</u>	<u>(5,461,402)</u>	<u>(80,000)</u>
DIRECT COSTS				
LABOUR COSTS	2,564,411	4,193,968	4,193,968	0
MATERIALS	113,764	117,875	117,875	0
TRANSPORT & PLANT	46,428	83,513	87,043	3,531
OTHER SUPPLIES & SERVICES	78,210	106,187	130,259	24,072
	<u>2,802,812</u>	<u>4,501,542</u>	<u>4,529,145</u>	<u>27,603</u>
OVERHEADS				
MANAGEMENT COSTS	262,234	480,302	424,802	(55,500)
APPORTIONED COSTS	10,759	24,856	24,856	0
SUPPORT COSTS	73,060	268,939	272,770	3,831
INTEREST ON REVENUE BALANCE	0	0	0	0
	<u>346,053</u>	<u>774,097</u>	<u>722,428</u>	<u>(51,669)</u>
TOTAL COSTS	<u>3,148,865</u>	<u>5,275,640</u>	<u>5,251,573</u>	<u>(24,066)</u>
(SURPLUS)/DEFICIT	<u>(501,233)</u>	<u>(105,763)</u>	<u>(209,829)</u>	<u>(104,066)</u>
ASSET RENT	0	4,933	4,933	0
FRS17	0	98,390	98,390	0
(SURPLUS)/DEFICIT AFTER ASSET RENT	<u>(501,233)</u>	<u>(2,439)</u>	<u>(106,505)</u>	<u>(104,066)</u>
				SURPLUS

BUDGET SAVINGS 2009/10

Saving Ref	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	-
	3,371,000	3,371,000	-

Saving Ref	Target Saving	Achieved 2009-10	Balance to Achieve
1/08-09 Office & Admin Review	323,000	46,332	73,000
10/08-09 School Cleaning	196,174	141,174	55,000
11/08-09 Mgt and Admin Review	240,000	-	240,000
12/08-09 Janatorial Savings	100,000	-	100,000
20/08-09 Letting Charges Review	69,000	-	69,000
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	-
	1,081,020	325,730	551,622
	4,452,020	3,696,730	551,622