

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

**7 August 2008**

Agenda Item	
Report No	

**Un-audited 2007- 08 Revenue Budget outturn**

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

**Summary**

This report sets out the un-audited Revenue Budget outturn position for the financial year ended 31<sup>st</sup> March 2008.

**1. Background**

- 1.1 The un-audited net expenditure position for the non-devolved sectors of the budget at the end of the financial year was £.077M (0.038%) under-spent, the details of which are contained within **Annex 1**.

Under the terms of the Devolved School Management (DSM) scheme schools are permitted to carry forward a surplus of up to 5% or a deficit of up to 3% of their devolved budgets.

At the end of financial year 2007/08 the total surplus carried forward by schools was £1.110M.

The Catering Trading Account generated a surplus of £0.051M, details of which are provided in **Annex 2**. The Cleaning Trading Account generated a surplus of £0.111M, details of which are provided in **Annex 3**.

- 1.2 The final outturn position was broadly in line with expectations for the majority of sectors with the exception of "Schools General", budgets delegated to the Joint Committee for Children and Young People (JCCYP), "Catering and Cleaning" and "Administration". The report outlines the main reasons for the final outturn for these sectors being different to the figures reported to the ECS Committee in March 2008. In addition the report high-lights those budget pressures which are on-going and require to be addressed by the appropriate management actions during financial year 2008-09.
- 1.3 All budget holders within the Service and colleagues in the Finance Service should be thanked for their efforts in controlling expenditure during another difficult financial year. Members are asked to note that 96.4% of the £5.347M savings target set for financial year 2007-08 has been delivered.

## 2. Significant Issues

2.1 In overall terms the ECS Revenue budget was balanced at the end of the financial year. However this position was achieved by a combination of over and under spends at a sector level. This section of the report identifies those sectors where there was a variance in excess of £100K and provides a brief explanation of the reasons for this variance.

2.2 Schools General - the adverse variance of £772K comprised the following:

- Energy costs (this includes PPP schools)
- Teachers' absence cover
- ICT charges
- The anticipated levels of funding for unitary charge payments from demographic change and transferred budgets being lower than expected

The final outturn position for this sector was significantly higher than the projections reported to members in March 2008. Out-with the impact of spiralling energy costs and teachers absence cover which is historically difficult to predict the following corrective actions are currently being undertaken in relation to the other adverse variances reported above:

- Unitary charge payments – to ensure that as part of the devolved budget refresh process measures are in place to identify whether or not the anticipated demographic change and transferred budget savings have been achieved in order to provide the appropriate funding contributions towards the PPP2 unitary charge payments. It is proposed that any shortfall be reported to members at the earliest opportunity with recommended options for closing the gap.

2.3 In relation to budgets delegated to the Joint Committee for Children and Young People (JCCYP) members will recall that in March 2008 the Highland Council approved a supplementary estimate of £2.09M, thereby increasing the annual budget to £5.657M, to off-set the significant pressures relating to Out of Authority placements. The actual net expenditure for Out of Authority placements at the end of the financial year was £5.246M which was £0.411M lower than anticipated. In addition the wide-ranging measures taken to off-set the budget pressures relating to Out of Authority placements resulted in significant savings in a range of other headings delegated to the JCCYP. These savings measures included delaying the filling of vacant posts and an embargo on all discretionary expenditure. It is anticipated that with the appropriate levels of funding now in situ for Out of Authority placements the budgets delegated to JCCYP will be restored to normal activity in the current financial year.

- 2.4 The Catering trading account achieved a surplus of £51K for the year which was a more positive outcome than anticipated. The main reason for this improved position was the significant increase in the daily uptake of school meals and also improved function income. The average daily uptake of school meals increased from 14,578 in 2006/07 to 16,148 in 2007/08. For this reason the levels of income achieved and the related variable costs were significantly higher than expected. In addition strict cost controls were maintained in relation to staffing and the purchase of materials and equipment.
- 2.5 The Cleaning trading account achieved a surplus of £111K for the year which was also higher than anticipated. This surplus was achieved as a result of strict control of operational costs and also lower than expected charges relating to corporate and related support costs
- 2.6 Administration – the adverse variances comprised the following:
- Relocation costs
  - Retrospective disclosure checks for teachers
  - Feasibility studies for prospective Capital projects
  - Costs relating to early retirement
  - Staff advertising costs

The retrospective disclosure checks for all teaching staff are non recurring. Closer inspection of the charges for feasibility studies suggest that the system currently in place needs to be reviewed to ensure that only relevant expenditure remains charged to the Revenue budget

There are some concerns about the on-going levels of expenditure relating to relocation costs, staff advertising and costs relating to early retirement, although members should note that there are demonstrable on-going savings as a result of the decisions taken in relation to early retirement elsewhere within the ECS budget. The new national portal for public sector staff advertising will assist with the reduction of advertising costs.

- 2.7 In order to off-set the above pressures all budget holders were asked to ensure that wherever possible expenditure was delayed or in some cases not incurred. This approach is evident in those sectors where there were significant under-spends, for example Community Learning. In other sectors, most notably Additional Support Needs, this approach was not possible to the significant on-going demand for this service. Revisions to the allocation of ASN financial resources are the subject of a separate report to this Committee.

### **3. Continuing Pressures**

- 3.1 The analysis of the actual expenditure and income incurred during financial year 2007-08 has now been completed. It is apparent that there are a number of on-going budget pressures which will require corrective management action during the course of the current financial year. The main pressures to be addressed include:-
- Energy related costs
  - Additional Support Needs
  - Costs related to recruitment, retention and early retirement

- 3.2 During financial year 2007-08 there were budget pressures relating to unitary charge payments as a result of shortfalls in anticipated demographic sources. In addition the charges relating to feasibility studies from the Housing and Property Service will be reviewed on a monthly basis to ensure that only the appropriate charges remain within the Revenue budget
- 3.3 Whilst the majority of schools carried forward a surplus balance at the end of the financial year a relatively small proportion of schools did not. The financial position of these schools is currently being assessed in order to ensure that the appropriate remedial actions can be taken at an early stage in the new financial year.

#### **4. Recommendations**

4.1 Members are requested to:

Note the un-audited 2007/08 outturn position.

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 financial year 2007/08

Annex 2 - Cleaning trading account monitoring statement for financial year 2007/08.

Annex 3 - Catering trading account monitoring statement for financial year 2007/08.

**EDUCATION CULTURE & SPORT REVENUE MONITORING REPORT**

ANNEX 1

**31 March 2008**

	£000 Actual YTD	£000 Annual Budget	£000 YEAR END ESTIMATE	£000 YEAR END VARIANCE
<b>BY ACTIVITY</b>				
Primary Education DSM	55,478	55,477	55,478	0
Secondary Education DSM	69,445	69,445	69,445	(0)
Special Education DSM	3,208	3,209	3,208	(0)
Nursery Education	3,738	3,738	3,738	(0)
<b>TOTAL DSM</b>	<b>131,869</b>	<b>131,869</b>	<b>131,869</b>	<b>(0)</b>
Primary Education (Non-DSM)	731	732	731	(0)
Secondary Education (Non-DSM)	(1,478)	(1,477)	(1,478)	(0)
Schools - General	5,527	4,754	5,527	772
Hostels	735	768	735	(33)
School Transport	10,914	10,816	10,914	97
Catering/Cleaning	2,502	2,700	2,502	(198)
Community Learning	4,106	4,484	4,106	(378)
Special Education (Non-DSM)	15,301	15,113	15,301	187
Delegated to Joint Children's Committee	10,606	11,556	10,606	(950)
Administration	10,455	9,998	10,455	457
Archives	255	274	255	(19)
Arts Development	469	440	469	29
Grants				-
Village Halls	360	324	360	37
Leisure Facilities	2,564	2,651	2,564	(86)
Integrated Library Service	4,207	4,207	4,207	0
Museums	961	976	961	(15)
Sports Development	560	536	560	24
<b>TOTAL NON-DSM</b>	<b>68,776</b>	<b>68,853</b>	<b>68,776</b>	<b>(77)</b>
	<b>200,645</b>	<b>200,722</b>	<b>200,645</b>	<b>(77)</b>

**BY SUBJECTIVE**

	£000 Actual YTD	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
Staff Costs	170,085	171,333	170,085	(1,248)
Other Costs	84,616	83,201	84,616	1,415
<b>Gross Expenditure</b>	<b>254,701</b>	<b>254,534</b>	<b>254,701</b>	<b>167</b>
Grants	20,053	20,136	20,053	(82)
Other Income	34,002	33,676	34,002	326
<b>Total Income</b>	<b>54,056</b>	<b>53,812</b>	<b>54,056</b>	<b>244</b>
	<b>200,645</b>	<b>200,722</b>	<b>200,645</b>	<b>(77)</b>

**CATERING****ANNEX 2****STATEMENT OF REVENUE MONITORING TO: 31st March 2008**

	2007/2008			
	ANNUAL BUDGET		ACTUAL TO DATE	VARIANCE
<b>INCOME</b>	-£8,040,491		-£8,503,056	-£462,565
<b>DIRECT COSTS</b>				
Labour - Basic	£4,003,133		£4,216,435	£213,302
- Overtime	£48,959		£44,245	-£4,714
- Other Staff Costs	£4,809		£778	-£4,031
Supplies - Materials	£2,452,841		£2,812,316	£359,475
- Other Supplies & Services	£193,173		£166,463	-£26,710
Transport & Plant	£92,257		£108,653	£16,396
<b>TOTAL DIRECT COSTS</b>	£6,795,172		<b>£7,348,890</b>	£553,718
<b>GROSS MARGIN</b>	-£1,245,319		<b>-£1,154,166</b>	£91,153
<b>OVERHEADS</b>				
APT & C Staff Costs	£459,596		£421,159	-£38,437
Property Costs	£362,282		£341,757	-£20,525
Administration Costs	£150,964		£127,678	-£23,286
Support Costs	£198,707		£216,938	£18,231
	£1,171,549		<b>£1,107,532</b>	-£64,017
<b>SURPLUS (-)</b>	-£73,770		<b>-£46,635</b>	£27,135
<b>ASSET RENT</b>	£4,843		£1,281	-£3,562
Interest on Revenue Balances	£0		-£6,552	-£6,552
FRS17 (Pension Assets/Liabilities)	£66,958		£22,141	-£44,817
<b>SURPLUS(-) AFTER ASSET RENT</b>	-£1,969		-£29,765	-£27,796

**ECS BUILDING CLEANING****ANNEX 3****STATEMENT OF REVENUE MONITORING TO: 31ST MARCH 2008**

	2007/8			
	ANNUAL BUDGET		ACTUAL TO DATE	VARIANCE
<b>INCOME</b>				
Defined	-£4,888,052		<b>-£4,852,239</b>	£35,813
Non Defined	-£95,134		-£89,870	£5,264
	<b>-£4,983,186</b>		<b>-£4,942,109</b>	£41,077
<b>DIRECT COSTS</b>				
Labour - Basic	£3,798,586		<b>£3,888,321</b>	£89,735
- Overtime	£34,659		<b>£36,778</b>	£2,119
- Other Staff Costs	£24,539		<b>£1,995</b>	-£22,544
Supplies - Materials	£112,200		£91,899	-£20,301
- Other Supplies & Services	£122,844		<b>£96,595</b>	-£26,249
Transport & Plant	£57,834		<b>£80,951</b>	£23,117
<b>TOTAL DIRECT COSTS</b>	<b>£4,150,662</b>		<b>£4,196,539</b>	£45,877
<b>GROSS MARGIN</b>	<b>-£832,524</b>		<b>-£745,570</b>	£86,954
<b>OVERHEADS</b>				
APT & C Staff Costs	£436,863		<b>£376,149</b>	-£60,714
Property Costs	£26,025		<b>£23,020</b>	-£3,005
Administration Costs	£109,663		<b>£113,445</b>	£3,782
Support Costs	£161,938		<b>£130,777</b>	-£31,161
<b>TOTAL OVERHEADS</b>	<b>£734,489</b>		<b>£643,391</b>	-£91,098
<b>SURPLUS</b>	<b>-£98,035</b>		<b>-£102,179</b>	<b>-£4,144</b>
Interest on Revenue Balances	£0		-£11,006	-£11,006
<b>ECS SURPLUS(-)</b>	<b>-£98,035</b>		<b>-£113,185</b>	<b>-£15,150</b>
ASSET RENT	£4,696		£1,656	-£3,040
FRS17 (Pension Assets/Liabilities)	£90,966		£16,906	-£74,060
<b>FINAL SURPLUS(-)</b>	<b>-£2,373</b>		<b>-£94,623</b>	<b>-£92,250</b>