

**THE HIGHLAND COUNCIL**  
**EDUCATION, CULTURE AND SPORT COMMITTEE**  
**21 MAY 2009**

Agenda Item	
Report No	

**Revenue Budget Monitoring Report April 2009**

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

**SUMMARY**

This report sets out the Revenue Budget monitoring position for the month ending 30<sup>th</sup> April 2009 and the progress to date with the achievement of the residual 2008/09 and 2009/10 savings targets.

**1. Introduction**

- 1.1 **Appendix 1** contains details of the approved 2009/10 ECS Revenue Budget. At this stage in the financial year it is difficult to provide meaningful year-end projections. As a result section 2 of the report will focus on potential budgetary issues which may ultimately have an impact on the 2009/10 Revenue budget.
- 1.2 **Appendices 2 and 3** provide details of the 2009-10 Cleaning and Catering trading accounts respectively.
- 1.3 Section 3 of the report outlines the current progress with the achievement of the 2009-10 budget savings target and also progress with the achievement of the budget savings that were not achieved in the previous financial year.

**2. POTENTIAL ISSUES:**

- 2.1 The revised 2008/09 base budget before deduction of specific grant was £216.855M, the corresponding figure for 2009/10 is £232.698M, an increase of £15.843M (7.3%). The composition of this increase is detailed within **Appendix 4**. The significant pressures relating to energy and school transport that were evident during the previous financial year have been addressed within the 2009/10 budget.
- 2.2 On the basis of current knowledge the potential 2009-10 budget pressures can be summarised thus:
- Issues identified during the closure of the 2008-09 accounts
  - Schools carrying forward a deficit into the new financial year
  - The risk of not achieving the various savings targets
- 2.3 An issue that has emerged during the closure of the accounts relates to the rates payable for the new PPP2 schools. The rateable values for the each of the new schools were advised by the Assessor's office at the end of the financial year. Based on the current rate poundage figure the annual rates payable for the new schools is a total of £1.082, the corresponding figure for the schools that were replaced is £0.474M. This represents an increase of £0.608M per annum.

2.4 The budget for rates for the new schools was based on the advice provided by the Council's external advisers on the PPP2 project This figure was £0.500M. As a result there is potential annual shortfall of £0.360M. There are a number of actions that are currently being progressed in conjunction with colleagues in the Finance Service, including:

- Investigation of the advice provided by the external adviser.
- Discussion with the Assessor to determine the rateable values for the new schools which resulted in these figures almost doubling in value and consideration of an appeal.

The above matters are being progressed and it is anticipated that further information will be available by the date of the ECS Committee meeting.

2.5 Irrespective of the outcome of the above it is now apparent that there will be higher than anticipated rates costs relating to the new PPP2 schools which will have an adverse impact on the ECS Revenue Budget. The extent of this financial impact will be reported to the ECS Committee in August as part of the 2008-09 final outturn report.

2.6 Within the budget pressures figure of £3.063M identified in Appendix 4 there is £0.500M in relation to the additional costs associated with the revised qualifying criteria for Free School Meals (FSM). The revision to the FSM qualifying criteria has resulted in children whose parents/guardians are in receipt of Working Tax Credit being eligible from August 2009. The potential financial impact of this change is difficult to quantify for the following reasons. It is impossible to predict how many of the existing paying customers will be eligible for FSM as a result of this change. Also it is difficult to anticipate how many "new" customers there will be as a result of the change in entitlement, that is those pupils who currently do not take school meals who in future will take school meals if they become entitled to FSM.

2.7 At the time of writing this report the 2008/09 final outturn position for individual schools is not known. However in recent years it has become evident that those schools that carry forward a significant deficit into the new financial year face a significant challenge to recover this position. For this reason those schools that fall into this category will be offered additional advice and guidance during the first quarter of the new financial year to ensure that the financial position is stabilised and that a recovery plan has been agreed between the Head Teacher and the Area ECS Manager.

### **3. ACHIEVEMENT OF SAVINGS TARGET:**

3.1 **Appendix 5** contains details of the progress to date with the achievement of the 2009/10 savings and also progress with the achievement of the savings that were not delivered in full during the previous financial year.

3.2 At this stage in the financial year it is assumed that all savings targets will be achieved in full. The greatest potential risk to the full achievement of savings

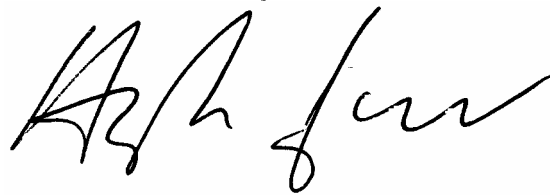
targets arises when there delays in redeploying staff when posts have been deleted as a result of specific savings proposals.

3.3 Progress with the achievement of all savings proposals will be reported in detail to the ECS Committee throughout the financial year.

#### **4. RECOMMENDATIONS**

4.1 Members are asked to :

- Note the potential budget pressures identified in section 2 of the report
- Note the progress to date with the achievement of the residual 2008/09 and the 2009/10 savings targets.



Signature:

Designation: Director of Education, Culture and Sport

Authors: Ron MacKenzie, Head of Support Services

Date: 5<sup>th</sup> May 2009.

Ref: HF/RM

Background Papers:

Appendix 1	Revenue Budget monitoring statement as at 30 <sup>th</sup> April 2009
Appendix 2	Cleaning trading account monitoring statement as at 30 <sup>th</sup> April 2009
Appendix 3	Catering trading account monitoring statement as at 30 <sup>th</sup> April 2009
Appendix 4	Details of the year-on-year changes to the Revenue Budget
Appendix 5	Progress with the achievement of the outstanding savings targets

**EDUCATION CULTURE & SPORT REVENUE MONITORING REPORT**

**APRIL 10**

**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	3,983	56,518	56,518	-	-	-	-	-
Secondary Education DSM	5,218	71,863	71,863	-	-	-	-	-
Special Education DSM	272	3,130	3,130	-	-	-	-	-
Nursery Education DSM	351	4,050	4,050	-	-	-	-	-
<b>TOTAL DSM</b>	<b>9,825</b>	<b>135,561</b>	<b>135,561</b>	-	-	-	-	-
Primary Education (Non-DSM)	249	3,297	3,297	-	-	-	-	-
Secondary Education (Non-DSM)	(66)	(408)	(408)	-	-	-	-	-
Schools - General	2,107	29,863	29,863	-	-	-	-	-
Hostels	57	755	755	-	-	-	-	-
School Transport	123	11,966	11,966	-	-	-	-	-
Catering/Cleaning Client	770	4,659	4,659	-	-	-	-	-
Community Learning	280	3,579	3,579	-	-	-	-	-
Additional Support Needs(Non-DSM)	1,490	17,866	17,866	-	-	-	-	-
Administration	3,595	12,930	12,930	-	-	-	-	-
Archives	40	442	442	-	-	-	-	-
Arts Development	52	813	813	-	-	-	-	-
Village Halls	6	292	292	-	-	-	-	-
Leisure Facilities	138	3,592	3,592	-	-	-	-	-
Integrated Library Service	281	4,354	4,354	-	-	-	-	-
Museums	65	979	979	-	-	-	-	-
Sports Development	55	487	487	-	-	-	-	-
Gaelic (Non DSM)	78	(340)	(340)	-	-	-	-	-
<b>TOTAL NON DSM</b>	<b>9,320</b>	<b>95,127</b>	<b>95,127</b>	-	-	-	-	-
<b>OVERALL TOTAL</b>	<b>19,145</b>	<b>230,689</b>	<b>230,689</b>	-	-	-	-	-

Net expenditure expressed as a percentage of the Annual Budget 8.30%

BY SUBJECTIVE	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
Staff Costs	14,196	171,291	171,291	-
Other Costs	6,737	89,982	89,982	-
<b>Gross Expenditure</b>	<b>20,933</b>	<b>261,274</b>	<b>261,274</b>	-
Grants	(370)	(8,831)	(8,831)	-
Other Income	(1,418)	(21,754)	(21,754)	-
<b>Total Income</b>	<b>(1,788)</b>	<b>(30,585)</b>	<b>(30,585)</b>	-
	<b>19,145</b>	<b>230,689</b>	<b>230,689</b>	-

HIGHLAND COUNCIL  
ECS CLEANING

APPENDIX 2

FINANCIAL MONITORING STATEMENT PERIOD 1ST APRIL 2009 -1 ST MAY 2009

<b>SUMMARY</b>	<b>ANNUAL PLAN</b>	<b>PLANNED TO DATE</b>	<b>ACTUAL TO DATE</b>	<b>PROJECTED OUTTURN</b>	<b>YEAR END VARIANCE</b>
<b>INCOME</b>					
CONTRACT CLEANING	(4,512,871)	(375,291)	(1,597)	(4,512,871)	0
EXTERNAL INCOME	(68,686)	(5,721)	(7,392)	(68,686)	0
	<u>(4,581,557)</u>	<u>(381,012)</u>	<u>(8,989)</u>	<u>(4,581,557)</u>	<u>0</u>
<b>DIRECT COSTS</b>					
LABOUR COSTS	3,394,577	242,689	226,525	3,394,577	0
MATERIALS	117,875	9,818	51,050	117,875	0
TRANSPORT & PLANT	83,513	6,954	2,469	83,513	0
OTHER SUPPLIES & SERVICES	108,625	9,044	127	108,625	0
	<u>3,704,590</u>	<u>268,505</u>	<u>280,171</u>	<u>3,704,590</u>	<u>0</u>
<b>OVERHEADS</b>					
MANAGEMENT COSTS	479,848	40,013	63,854	479,848	0
APPORTIONED COSTS	24,856	2,005	10	24,856	0
SUPPORT COSTS	268,939	19,743	149	268,939	0
INTEREST ON REVENUE BALANCES	0	0	0	0	0
	<u>773,643</u>	<u>61,761</u>	<u>64,013</u>	<u>773,643</u>	<u>0</u>
<b>TOTAL COSTS</b>	<u>4,478,233</u>	<u>330,266</u>	<u>344,184</u>	<u>4,478,233</u>	<u>0</u>
<b>(SURPLUS)DEFICIT</b>	<u>(103,324)</u>	<u>(50,746)</u>	<u>335,195</u>	<u>(103,324)</u>	<u>0</u>
<b>ASSET RENT</b>					
FRS17	4,933	410	0	4,933	0
	98,390	8,195	0	98,390	0
<b>(SURPLUS)DEFICIT AFTER ASSET RENT</b>	<u><u>(1)</u></u>	<u><u>(42,141)</u></u>	<u><u>335,195</u></u>	<u><u>(1)</u></u>	<u><u>0</u></u>

HIGHLAND COUNCIL  
ECS CATERING

APPENDIX 3

FINANCIAL MONITORING STATEMENT PERIOD 1ST APRIL 2009 - 1ST MAY 2009

<u>SUMMARY</u>	<u>ANNUAL PLAN</u>	<u>PLANNED TO DATE</u>	<u>ACTUAL TO DATE</u>	<u>PROJECTED OUTTURN</u>	<u>YEAR END VARIANCE</u>																																																																																																																		
<b>INCOME</b>																																																																																																																							
SCHOOL MEALS INCOME	(7,122,498)	(593,295)	(536,142)	(7,122,498)	0																																																																																																																		
FUNCTION CATERING	(262,909)	(21,900)	(4,012)	(262,909)	0																																																																																																																		
SNACK BAR INCOME	(231,165)	(19,256)	(26,326)	(231,165)	0																																																																																																																		
ADDITIONAL INCOME	(433,016)	(36,077)	(28,714)	(433,016)	0		<u>(8,049,588)</u>	<u>(670,528)</u>	<u>(595,194)</u>	<u>(8,049,588)</u>	<u>0</u>	<b>DIRECT COSTS</b>						LABOUR COSTS	3,911,080	244,191	343,562	0	(3,911,080)	FOOD/MATERIALS	2,432,447	202,606	200,236	0	(2,432,447)	TRANSPORT & PLANT	112,289	9,350	5,349	0	(112,289)	OTHER SUPPLIES & SERVICES	169,899	14,148	68,241	(2,432,446)	(2,602,345)		<u>6,625,715</u>	<u>470,295</u>	<u>617,388</u>	<u>(2,432,446)</u>	<u>(9,058,161)</u>	<b>OVERHEADS</b>						MANAGEMENT COSTS	491,898	75,770	39,530	491,898	0	APPORTIONED COSTS	455,318	3,028	(12)	455,318	0	SUPPORT COSTS	407,160	31,612	5,619	407,160	0	INTEREST ON REVENUE BALANCES	0	0	0	0	0		<u>1,354,376</u>	<u>110,410</u>	<u>45,137</u>	<u>1,354,376</u>	<u>0</u>	<b>TOTAL COSTS</b>	<u>7,980,091</u>	<u>580,705</u>	<u>662,525</u>	<u>(1,078,070)</u>	<u>(9,058,161)</u>	<b>(SURPLUS)DEFICIT</b>	<u>(69,497)</u>	<u>(89,823)</u>	<u>67,331</u>	<u>(9,127,658)</u>	<u>(9,058,161)</u>	<b>ASSET RENT</b>	2,538	211	0	2,538	0	<b>FRS17</b>	66,958	5,577	0	66,958	0	<b>(SURPLUS)DEFICIT AFTER ASSET RENT</b>	<u>(1)</u>	<u>(84,035)</u>	<u>67,331</u>	<u>(9,058,162)</u>	<u>(9,058,161)</u>						<b>BREAKEVEN</b>
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## **ECS REVENUE BUDGET**

## **APPENDIX 4**

Year-on-year increase before deduction of specific grant	£15.608M
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The main components of this increase are:

Pay inflation, increments and pension increases – teachers	£5.809M
Pay inflation – other staff	£1.299M
Non pay inflation	£1.167M
Energy inflation	£3.329M
PPP2 unitary charge – full year impact	£4.460M
Budget pressures and growth	£3.063M
Sub total increases	£19.127M
Service Savings	£3.371M
Corporate Savings and misc. adjustments	£0.148M
Net increase	£15.608

## ECS SAVINGS TARGETS

## APPENDIX 5

Saving Ref	DETAILS OF SAVINGS TARGET	TARGET	SAVING	BALANCE TO
		SAVING	ACHIEVED	ACHIEVE
		£	£	£
	<b>Savings 2009-10:</b>			
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	64,825	24,175
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	41,664	18,336
14/09-10	Cultural Staff	75,000	70,122	4,878
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	37,387	22,613
18/09-10	SEN Non Dev Area	231,000	231,000	-
		<b>3,371,000</b>	<b>2,897,998</b>	<b>473,002</b>
	<b>Savings 2008-09:</b>			
1/08-09	Office & Admin Review	323,000		323,000
10/08-09	School Cleaning	196,174	87,267	108,907
11/08-09	Mgt and Admin Review	240,000		240,000
12/08-09	Janatorial & Technician Savings	100,000		100,000
20/08-09	Letting Charges Review	69,000		69,000
27/08-09	Village Hall Equalisation	35,000		35,000
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>92,084</b>	<b>988,936</b>
	<b>Overall Totals</b>	<b>4,452,020</b>	<b>2,990,082</b>	<b>1,461,938</b>