

THE HIGHLAND COUNCIL
EDUCATION, CULTURE AND SPORT COMMITTEE
15 JANUARY 2009

Agenda Item	
Report No	

Revenue Budget Monitoring Report for the 8 months to November 2008

Report by Director of Education, Culture and Sport

SUMMARY

This report sets out the 2008-09 Revenue Budget monitoring position for the 8 months to 30th November 2008.

1. Introduction

Annex 1 contains details of the net expenditure position for the 8 months to the end of November 2008 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 The ECS Revenue Budget is under pressure on a number of fronts including:

- Ensuring the delivery of the 2008-09 savings target
- Rising energy costs
- Rising fuel costs
- 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 to which the 2008-09 savings target can be delivered will become known during January when details of the teaching staffing arrangements for the new academic session are known and analysed. However there are concerns on a number of other fronts, including:

- The achievement of the anticipated savings arising from the review of administrative and clerical staff across the Service. The redesign and implementation phase of the review is about to commence and as such

delivery of the anticipated savings may not be fully realised within the current financial year. Members will recall that these savings will be achieved by the redeployment of staff into vacant posts as they arise.

- The full achievement of savings arising from further efficiency has been compromised by the significant increases in energy costs across the board.
- As a result of the delayed implementation of the cessation of vocational cleaning in schools until 2009 only £145K of the anticipated £400K saving from building cleaning will be achieved in the current financial year.

- 2.3 **Annex 1** contains details of the projected year-end overspends by sector. The projected overspend is currently £0.982M (the corresponding figure at the end of October was £1.942M) and excludes any anticipated shortfall in the achievement of the 2008-09 savings target.
- 2.4 It also excludes any potential top-up required for those schools that will exceed the 3% deficit parameter at the end of the financial year.
- 2.5 Also the availability of the funding from demographic change for the PPP2 unitary charge payment cannot be determined until the revised teaching staffing entitlements are known. At the time this report was written the outcome of the revised teaching entitlements was unknown. However the position should be known by the date of the ECS Committee and members will be given a verbal update at that time.
- 2.6 The projected over-spend of £1.942M reported at the end of October included a shortfall in the funding contribution towards the Service's ICT function. This problem arose from a change in the accounting arrangements relating to the former National Grid for Learning grant whereby 75% (£0.960M) of the available grant was capitalised. However the grant funding was fully committed to Revenue type expenditure, including funding staffing costs and the funding devolved to schools to acquire computer hardware and software. Discussions with the Director of Finance are on-going to establish the appropriate accounting solution. The outcome of these discussions should also be known by the date of the ECS Committee. The November projections assume that an accounting solution will be identified and this fact will be confirmed at the ECS Committee meeting.
- 2.7 Rising fuel costs are having a significant adverse impact on school transport costs with £0.847M of the projected overspend arising from this sector.
- 2.8 In addition rising energy costs will result in increased operational costs in schools and leisure centres both of which are significant energy consumers. Whilst energy efficiency measures will result in reduced consumption this saving is more than offset by the significant cost increases in heating oil and gas.
- 2.9 The projected over-spend in the Primary non devolved sector relates to class contact reduction expenditure being almost 5% higher than anticipated. This expenditure is incurred to meet the costs of the additional staffing employed to fill the gap between individual teacher class contact time of 22.5 hours per week and the actual school week of 25 hours. The over-spend has arisen as a result of the requirement to cover absenteeism amongst class contact reduction teaching staff

in the Inverness, Nairn and Badenoch & Strathspey areas.

2.10 The projected overspend in the Administration sector relates to a number of factors including:-

- Insurance premiums
- Additional costs relating to early retirement (which have been off-set to an extent by reduced costs anticipated within the 2008-09 savings target)

2.11 Current estimates indicate that traffic-light indicators for devolved school budgets are as follows:

- | | |
|--------------------------|-------------|
| • Category red | 12 schools |
| • Category amber schools | 28 schools |
| • Category green schools | 176 schools |

2.12 There are 2 main issues in relation to the above, namely:

- The requirement to minimise the number of category red schools as any deficit balances in excess of the 3% limit permitted within the scheme of devolved school management will have to be funded.
- The fact that 18.5% (40 schools) are in a deficit position in either category amber (within the 3% parameter) or category red (above the 3% parameter).

2.13 The above projections are likely to change during January as the impact of the revised budget entitlements are discussed with individual Head Teachers and year-end projections revised accordingly.

2.14 The year-end projections for the Catering and Cleaning trading accounts are appended as **Annexes 2 and 3** respectively. The Catering trading account is currently projecting a deficit of £22,270 mainly due to reduced meal numbers.

2.15 The Cleaning trading account is projecting a surplus of £18,175 due to reduced staff costs resulting from the implementation of cleaning savings. As outlined in paragraph 2.2 above there will be a shortfall in the building cleaning savings target. Alternative savings will have to be identified in order to off-set this projected shortfall by for example delaying the filling of vacant posts and an embargo on all non essential expenditure.

3. Actions taken or proposed

3.1 The corrective actions required in order to address the issues identified in section 2 above can be summarised thus:

- An embargo on all non essential expenditure
- Delaying the filling of vacant posts for as long as possible without impacting on service delivery.

- Ensuring that all savings targets are delivered, although those savings relating to reduced energy consumption have been more than off-set by increased energy costs.

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3.2 There are a number of unknown factors that continue to have a significant impact on the year-end projections. These include:-

- The accounting treatment of the former NGFL grant
- The impact of the revised budget entitlements on devolved budgets, anticipated budget savings and the funding contribution towards the PPP2 unitary charge payments.
- The fluctuations in energy costs, in particular the purchase price of heating oil which is not tied into a term contractual arrangement and is therefore exposed to the volatility of recent price changes, both upward and downward.

3.3 The impact of the above will become clearer during January and thereafter more robust and stable year-end projections can be estimated.

3.4 On the basis that there will be no additional funding provided in the current financial year for budget pressures relating to higher than anticipated energy and fuel costs it is important that budget holders identify compensatory savings from elsewhere within their budgets.

4. Recommendations

4.1 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.

Signature:

Designation: Director of Education, Culture and Sport

Date: 5th January 2009.

Background Papers

Annex 1 – Revenue Budget monitoring statement as at 30th November 2008.

Annex 2 – Catering trading account monitoring statement as at 30th November 2008.

Annex 3 – Cleaning trading account monitoring statement as at 30th November 2008.

EDUCATION CULTURE & SPORT REVENUE MONITORING REPORT

NOVEMBER 2008/09

ANNEX 1

£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
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£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
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BY ACTIVITY

Primary Education DSM	32,614	56,903	56,903	-
Secondary Education DSM	42,122	72,537	72,537	-
Special Education DSM	1,823	3,242	3,242	-
Nursery Education DSM	2,234	3,968	3,968	-
TOTAL DSM	78,793	136,650	136,650	-
Primary Education (Non-DSM)	1,973	3,196	3,437	241
Secondary Education (Non-DSM)	99	(112)	(79)	33
Schools - General	8,275	12,900	12,782	(138)
Hostels	417	746	774	28
School Transport	5,379	10,962	11,809	847
Catering/Cleaning Client	1,811	3,923	3,995	72
Community Learning	2,028	4,567	4,434	(133)
Additional Support Needs(Non-DSM)	9,759	17,867	17,788	(79)
Administration	8,227	10,779	10,765	(14)
Archives	219	381	358	(23)
Arts Development	837	573	620	47
Village Halls	171	294	308	14
Leisure Facilities	1,563	2,705	2,775	70
Integrated Library Service	2,184	4,303	4,271	(32)
Museums	589	954	947	(7)
Sports Development	(194)	538	574	36
Gaelic (Non DSM)	(1,083)	(367)	(367)	-
TOTAL NON DSM	42,255	74,210	75,192	982
OVERALL TOTAL	121,048	210,860	211,842	982

BY SUBJECTIVE

Staff Costs	97,414	167,054	167,070	16
Other Costs	41,143	80,670	81,594	924
Gross Expenditure	138,557	247,724	248,664	940
Grants	(5,502)	(12,008)	(11,048)	960
Other Income	(12,007)	(24,856)	(25,774)	(918)
Total Income	(17,509)	(36,864)	(35,862)	42
	121,048	210,860	211,842	982

**HIGHLAND COUNCIL
ECS CATERING**

FINANCIAL MONITORING STATEMENT PERIOD 1ST NOVEMBER 2008- 5TH DECEMBER 2008

<u>SUMMARY</u>	ANNUAL PLAN	PLANNED TO DATE	ACTUAL TO DATE	PROJECTED OUTTURN	YEAR END VARIANCE
INCOME					
SCHOOL MEALS INCOME	(7,448,832)	(4,888,650)	(4,499,306)	(7,248,832)	200,000
FUNCTION CATERING	(250,009)	(145,825)	(111,263)	(250,009)	0
SNACK BAR INCOME	(230,822)	(153,862)	(139,698)	(230,822)	0
ADDITIONAL INCOME	(233,803)	(155,848)	(140,843)	(233,803)	0
	<u>(8,163,466)</u>	<u>(5,344,185)</u>	<u>(4,891,110)</u>	<u>(7,963,466)</u>	<u>200,000</u>
DIRECT COSTS					
LABOUR COSTS	3,955,366	2,643,321	2,524,608	3,955,366	0
FOOD/MATERIALS	2,434,223	1,593,922	1,462,540	2,404,223	(30,000)
TRANSPORT & PLANT	111,654	73,533	69,120	111,654	0
OTHER SUPPLIES & SERVICES	342,664	225,479	184,053	204,332	(138,332)
	<u>6,843,907</u>	<u>4,536,254</u>	<u>4,240,320</u>	<u>6,675,575</u>	<u>(168,332)</u>
OVERHEADS					
MANAGEMENT COSTS	489,848	320,825	297,440	489,848	0
APPORTIONED COSTS	364,812	189,911	98,498	364,812	0
SUPPORT COSTS	385,183	133,794	127,028	375,785	(9,398)
INTEREST ON REVENUE BALANCES	0	0	0	0	0
	<u>1,239,843</u>	<u>644,530</u>	<u>522,966</u>	<u>1,230,445</u>	<u>(9,398)</u>
TOTAL COSTS	<u>8,083,750</u>	<u>5,180,784</u>	<u>4,763,286</u>	<u>7,906,020</u>	<u>(177,730)</u>
(SURPLUS)DEFICIT	<u>(79,716)</u>	<u>(163,401)</u>	<u>(127,824)</u>	<u>(57,446)</u>	<u>22,270</u>
ASSET RENT	4,976	0	0	4,976	0
FRS17	66,958	0	0	66,958	0
(SURPLUS)DEFICIT AFTER ASSET RI	<u>(7,782)</u>	<u>(163,401)</u>	<u>(127,824)</u>	<u>14,488</u>	<u>22,270</u>
				DEFICIT	

**HIGHLAND COUNCIL
ECS CLEANING**

FINANCIAL MONITORING STATEMENT PERIOD 1ST NOVEMBER 2008- 5TH DECEMBER 2008

<u>SUMMARY</u>	ANNUAL PLAN	PLANNED TO DATE	ACTUAL TO DATE	PROJECTED OUTTURN	YEAR END VARIANCE
INCOME					
CONTRACT CLEANING	(4,741,880)	(3,141,118)	(3,208,243)	(4,645,880)	96,000
EXTERNAL INCOME	(66,685)	(44,446)	(42,599)	(69,000)	(2,315)
	<u>(4,808,565)</u>	<u>(3,185,564)</u>	<u>(3,250,841)</u>	<u>(4,714,880)</u>	<u>93,685</u>
DIRECT COSTS					
LABOUR COSTS	3,656,304	2,384,979	2,332,776	3,605,304	(51,000)
MATERIALS	105,000	69,990	114,157	105,000	0
TRANSPORT & PLANT	80,550	51,281	39,729	83,509	2,959
OTHER SUPPLIES & SERVICES	104,587	61,361	34,616	104,587	0
	<u>3,946,441</u>	<u>2,567,611</u>	<u>2,521,278</u>	<u>3,898,400</u>	<u>(48,041)</u>
OVERHEADS					
MANAGEMENT COSTS	477,970	318,696	221,674	412,060	(65,910)
APPORTIONED COSTS	24,250	12,951	11,190	24,250	0
SUPPORT COSTS	260,799	84,150	56,870	262,891	2,092
INTEREST ON REVENUE BALANCES	0	0	0	0	0
	<u>763,019</u>	<u>415,797</u>	<u>289,735</u>	<u>699,200</u>	<u>(63,819)</u>
TOTAL COSTS	<u>4,709,460</u>	<u>2,983,408</u>	<u>2,811,013</u>	<u>4,597,600</u>	<u>(111,860)</u>
(SURPLUS)DEFICIT	<u>(99,105)</u>	<u>(202,156)</u>	<u>(439,828)</u>	<u>(117,280)</u>	<u>(18,175)</u>
ASSET RENT	4,813	0	0	4,813	0
FRS17	90,966	0	0	90,966	0
(SURPLUS)/DEFICIT AFTER ASSET RENT	<u>(3,326)</u>	<u>(202,156)</u>	<u>(439,828)</u>	<u>(21,501)</u>	<u>(18,175)</u>