

**THE HIGHLAND COUNCIL**  
**EDUCATION, CULTURE AND SPORT COMMITTEE**  
**18 SEPTEMBER**

Agenda Item	
Report No	

**Revenue Budget Monitoring Report for the 4 months to July 2008**

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

**SUMMARY**

This report sets out the 2008-09 Revenue Budget monitoring position for the 4 months to 31<sup>st</sup> July 2008.

**1.0 Introduction**

Annex 1 contains details of the net expenditure position for the 4 months to the end of July 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 Committee. 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.

**2.0 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
- Additional support needs
- 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 in full will not be known until the end of October 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 seriously compromised by the significant increases in energy costs across the board.
- As a result of the decision to delay the 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 £0.736M and excludes any anticipated shortfall in the achievement of the 2008-09 savings target.

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.

Also the availability of the funding from demographic change for the PPP2 unitary charge payment cannot be determined until the teaching staffing entitlements are known at the end of October.

2.4 Rising fuel costs are having a significant adverse impact on school transport costs with £0.338M (46%) of the anticipated Service overspend arising from this sector.

In addition rising energy costs will result in increased operational costs in schools and leisure centres both of whom 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, electricity and gas.

The historical demand for additional support needs continues with on-going demands for additional staffing to meet identified needs.

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

- |                          |             |
|--------------------------|-------------|
| • Category red           | 11 schools  |
| • Category amber schools | 29 schools  |
| • Category green schools | 176 schools |

The majority of the category red schools have carried forward a deficit from the previous financial year which when allied to the budget pressures being encountered in the current financial year have placed them in a projected deficit position above the 3% threshold. Area ECS managers will meet with these Head Teachers to discuss short and medium term recovery plans.

2.7 The year-end projections for the Catering and Cleaning trading accounts are appended as Annexes 2 and 3 respectively. At this stage in the financial year both trading accounts are projected to achieve the budgeted surpluses. In relation to the Catering trading account there are concerns in relation to fuel surcharges being levied by one of the major suppliers. In addition there are also concerns relating to increasing food costs.

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.

### **3.0 Actions taken or proposed**

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

- No additional or unnecessary expenditure to be incurred per the Director's letter to the ECS Management Team dated 15<sup>th</sup> July 2008.
- Strict vetting of all staffing appointments
- The redeployment of staff at the earliest opportunity throughout the review of administrative and clerical support staff
- Early determination of the impact of the school roll census data on budgeted staffing allocations to schools ( the school roll census date is the 22<sup>nd</sup> September 2008)
- Where there is a shortfall in projected savings targets budget holders have been instructed to identify alternative savings.

3.2 There are a number of significant reported budget pressures and also there are other potential budget pressures that have not at this stage been included within the reported adverse variance. It is imperative therefore that all managers with budgetary responsibility take whatever action is necessary to deliver a balanced budgetary position by the end of the financial year. This message will be reinforced throughout the financial year to ensure that it can be demonstrated that all possible management action was taken to balance the budget by the end of the financial year.

### **4.0 Recommendations**

4.1 Members are requested to note:

- i the budget pressures outlined within section 2 of the report
- ii the corrective actions identified within section 3 of the report.

Signature:

Designation: Director of Education, Culture & Sport

Date: 3<sup>rd</sup> September 2008

Background Papers

Annex 1 – Revenue Budget monitoring statement as at 31<sup>st</sup> July 2008.

Annex 2 – Catering trading account monitoring statement as at 31<sup>st</sup> July 2008.

Annex 3 - Cleaning trading account monitoring statement as at 31<sup>st</sup> July 2008.

**EDUCATION CULTURE & SPORT REVENUE MONITORING REPORT**

**Jul-09** **ANNEX 1**

	<b>£'000 Actual YTD</b>	<b>£'000 Annual Budget</b>	<b>£'000 Year End Estimate</b>	<b>£'000 Year End Variance</b>
<b>BY ACTIVITY</b>				
Primary Education DSM	17,925	56,450	56,450	-
Secondary Education DSM	23,619	72,189	72,189	-
Special Education DSM	1,050	3,207	3,207	-
Nursery Education DSM	1,289	3,951	3,951	-
<b>TOTAL DSM</b>	<b>43,884</b>	<b>135,797</b>	<b>135,797</b>	<b>-</b>
Primary Education (Non-DSM)	1,195	3,195	3,214	19
Secondary Education (Non-DSM)	35	11	26	15
Schools - General	3,669	15,465	15,465	-
Hostels	249	746	769	23
School Transport	3,421	10,972	11,310	338
Catering/Cleaning Client	843	3,976	3,976	-
Community Learning	1,127	4,537	4,528	-9
Additional Support Needs(Non-DSM)	5,517	16,973	17,111	138
Administration	5,645	9,892	9,965	73
Archives	123	382	382	-
Arts Development	453	573	605	32
Village Halls	46	307	307	-
Leisure Facilities	772	2,694	2,775	81
Integrated Library Service	1,125	4,261	4,268	7
Museums	321	954	978	24
Sports Development	-590	538	533	-5
Gaelic (Non DSM)	-144	-307	-307	-
<b>TOTAL NON DSM</b>	<b>23,807</b>	<b>75,169</b>	<b>75,905</b>	<b>736</b>
<b>OVERALL TOTAL</b>	<b>67,691</b>	<b>210,966</b>	<b>211,702</b>	<b>736</b>

Net expenditure expressed as a percentage of the Annual Budget 32.09%

Reconciliation

Area Education Totals				
Area Culture & Sport Totals				
Education, Culture & Sport	-	-	-	-
Difference ( should always be 0 )	-	-	-	-

	<b>£'000 Actual YTD</b>	<b>£'000 Annual Budget</b>	<b>£'000 Year End Estimate</b>	<b>£'000 Year End Variance</b>
<b>BY SUBJECTIVE</b>				
Staff Costs	55,988	168,248	168,321	73
Other Costs	21,874	78,434	79,034	600
<b>Gross Expenditure</b>	<b>77,862</b>	<b>246,682</b>	<b>247,355</b>	<b>673</b>
Grants	-3,070	-10,899	-10,860	39
Other Income	-7,101	-24,817	-24,793	24
<b>Total Income</b>	<b>-10,171</b>	<b>-35,716</b>	<b>-35,653</b>	<b>63</b>
	<b>67,691</b>	<b>210,966</b>	<b>211,702</b>	<b>736</b>

**HIGHLAND COUNCIL  
ECS CLEANING - ANNEX 2**

**FINANCIAL MONITORING STATEMENT PERIOD 5TH JULY 2008- 1ST AUGUST 2008**

<b><u>SUMMARY</u></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	(4,741,880)	(1,570,559)	(1,664,390)	(4,741,880)	0
EXTERNAL INCOME	(66,685)	(22,223)	(22,007)	(66,685)	0
	<u>(4,808,565)</u>	<u>(1,592,782)</u>	<u>(1,686,397)</u>	<u>(4,808,565)</u>	<u>0</u>
<b>DIRECT COSTS</b>					
LABOUR COSTS	3,661,344	1,099,780	1,098,646	3,661,344	0
MATERIALS	105,000	34,995	77,735	105,000	0
TRANSPORT & PLANT	75,810	23,734	19,888	75,810	0
OTHER SUPPLIES & SERVICES	104,695	21,392	17,114	104,695	0
	<u>3,946,849</u>	<u>1,179,901</u>	<u>1,213,383</u>	<u>3,946,849</u>	<u>0</u>
<b>OVERHEADS</b>					
MANAGEMENT COSTS	477,970	156,267	113,230	477,970	0
APPORTIONED COSTS	24,250	1,705	2,054	24,250	0
SUPPORT COSTS	260,799	73,876	45,241	260,799	0
INTEREST ON REVENUE BALANCES	0	0	0	0	0
	<u>763,019</u>	<u>231,848</u>	<u>160,525</u>	<u>763,019</u>	<u>0</u>
<b>TOTAL COSTS</b>	<u>4,709,868</u>	<u>1,411,749</u>	<u>1,373,908</u>	<u>4,709,868</u>	<u>0</u>
<b>(SURPLUS)DEFICIT</b>	<u>(98,697)</u>	<u>(181,033)</u>	<u>(312,489)</u>	<u>(98,697)</u>	<u>0</u>
<b>ASSET RENT</b>					
FRS17	4,813	1,601	0	4,813	0
	90,966	0	0	90,966	0
<b>(SURPLUS)/DEFICIT AFTER ASSET RENT</b>	<u>(2,918)</u>	<u>(179,432)</u>	<u>(312,489)</u>	<u>(2,918)</u>	<u>0</u>

**HIGHLAND COUNCIL  
ECS CATERING - ANNEX 3**

**FINANCIAL MONITORING STATEMENT PERIOD 5TH JULY 2008 - 1ST AUGUST 2008**

<b><u>SUMMARY</u></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>					
SCHOOL MEALS INCOME	(7,448,832)	(2,287,849)	(2,011,937)	(7,448,832)	0
FUNCTION CATERING	(250,009)	(62,500)	(39,060)	(250,009)	0
SNACK BAR INCOME	(230,822)	(76,931)	(67,186)	(230,822)	0
ADDITIONAL INCOME	(233,803)	(77,924)	(63,951)	(233,803)	0
	<b>(8,163,466)</b>	<b>(2,505,204)</b>	<b>(2,182,134)</b>	<b>(8,163,466)</b>	<b>0</b>
<b>DIRECT COSTS</b>					
LABOUR COSTS	3,955,561	1,287,633	1,188,652	3,955,561	0
FOOD/MATERIALS	2,434,223	738,460	724,111	2,434,223	0
TRANSPORT & PLANT	96,654	31,605	37,492	96,654	0
OTHER SUPPLIES & SERVICES	344,022	108,678	170,066	344,022	0
	<b>6,830,460</b>	<b>2,166,376</b>	<b>2,120,321</b>	<b>6,830,460</b>	<b>0</b>
<b>OVERHEADS</b>					
MANAGEMENT COSTS	489,848	156,960	146,608	489,848	0
APPORTIONED COSTS	382,812	67,886	32,536	382,812	0
SUPPORT COSTS	382,183	89,155	89,635	382,183	0
INTEREST ON REVENUE BALANCES	0	0	0	0	0
	<b>1,254,843</b>	<b>314,001</b>	<b>268,779</b>	<b>1,254,843</b>	<b>0</b>
<b>TOTAL COSTS</b>	<b>8,085,303</b>	<b>2,480,377</b>	<b>2,389,100</b>	<b>8,085,303</b>	<b>0</b>
<b>(SURPLUS)DEFICIT</b>	<b>(78,163)</b>	<b>(24,827)</b>	<b>206,966</b>	<b>(78,163)</b>	<b>0</b>
<b>ASSET RENT</b>	<b>4,976</b>	<b>1,656</b>	<b>0</b>	<b>4,976</b>	<b>0</b>
<b>FRS17</b>	<b>66,958</b>	<b>0</b>	<b>0</b>	<b>66,958</b>	<b>0</b>
<b>(SURPLUS)/DEFICIT AFTER ASSET RENT</b>	<b>(6,229)</b>	<b>(23,171)</b>	<b>206,966</b>	<b>(6,229)</b>	<b>0</b>