

THE HIGHLAND COUNCIL
EDUCATION, CULTURE AND SPORT COMMITTEE

Agenda Item	
Report No	

Revenue Budget Monitoring Report for the 10 months to January 2008

Report by Director of Education, Culture and Sport

SUMMARY

This report sets out the Revenue Budget monitoring position for the 10 months to January 2008 and the projected year end position.

1. BACKGROUND

- 1.1 The attached statement shows the projected expenditure position for the Service as at the end of the financial year. At this time there is a projected overspend of £2.60M (1.30%), details of which are contained in **Annex1**. Details of the projected year-end position for the Cleaning and Catering trading accounts are contained within **Annexes 2 and 3** respectively.
- 1.2 Section 2 contains details of the existing budget pressures. Section 3 out-lines current financial issues which may ultimately have a detrimental impact on the ECS Revenue budget. Section 4 outlines proposals as to how the above budget pressures will be addressed in order that the Education, Culture and Sport (ECS) budget may be brought in on target by the end of the financial year.

2. SIGNIFICANT ISSUES

- 2.1 The main budget pressures can be summarised thus:
- Joint Committee (net) £ 2.09M
 - Additional Support Needs £ 0.25M
 - Administration £ 0.15M
 - Catering – trading a/c £ 0.10M
- 2.2 The ECS Committee on the 17th January 2008 approved a recommendation to submit a request for a supplementary estimate to the Resources Committee in order to address the significant on-going budget pressures relating to Out of Authority placements. This request was approved by the Resources Committee on the 20th February 2008. The approval of the Highland Council (meeting scheduled for 6th March) is awaited at the time of writing this report.
- 2.4 Within the Additional Support Needs (ASN) sector there are significant on-going budget pressures within the Inverness, Nairn and Badenoch & Strathspey (£81K), Ross, Skye & Lochaber (£214K) and Caithness, Sutherland and Easter Ross (£122K) areas as a result of an increased demand for teaching input at specific sites. In order to off-set these pressures centrally managed contingency funding, totalling £163K, will be allocated proportionately to those areas of greatest need. It should be noted that the above projections are some £90K higher than the figure previously reported to this Committee in January 2008.

Details of the management action proposed to address this problem are outlined in section 4 below.

2.5 The budget pressure shown against the Administration sector relate to a number of factors:

- Higher than anticipated costs associated with the ECS Service contribution towards early retirement of its former employees
- The costs of carrying out retrospective Disclosure Checks for every teacher currently employed by the Highland Council. This audit requirement will result projected annual expenditure of £65K which is £25K above the annual budget provided.
- The current expenditure on Removal Expenses is in excess of £117K which is some £50K higher than the annual budget provided.

The Highland Council policy is to redeploy displaced staff wherever possible. In some more remote areas this is not possible. Under these circumstances a redundancy situation arises.

In relation to Disclosure Checks, the Service was obliged to carry out retrospective checks on all existing teaching staff. On the basis that this involved incurring a £20 fee for 3,500 teachers, this has resulted in significant un-budgeted expenditure in the current financial year.

The increased number of staff being attracted to posts within the Service from out-with the Area coupled with the improved corporate relocation package has resulted in much higher expenditure in the current financial year.

2.6 The Catering trading account is projecting a deficit of £100K. The reasons for this are as follows:-

- Increased food costs, including wheat-based and dairy produce where projected increases are in excess of 20%. This reflects current market conditions relating to the poor summer in 2007 coupled with increased global demands for food-stuffs.
- The anticipated levels of income not being achieved at the Inverness Museum and HQ Snack Bar catering outlets

The statutory requirement of Best Value legislation is that trading accounts must achieve at least a break-even position over a 3 year rolling period. As a result it is essential that the above pressures are off-set by increased income and reductions in costs else-where.

3. POTENTIAL ISSUES

3.1 Elected members should note that the 2007/08 savings target for the ECS Revenue budget was £5.35M. Details of progress to date re the achievement of this savings target are appended as **Annex 4**. Good progress has been achieved to date, however the main outstanding issue relates to the achievability of the savings target relating to management restructuring. As a result of delays in implementing the revised Area structures relating to Educational Psychologists and Additional Support Needs a significant proportion of the target savings figure of £238K will not be achieved in the current financial year. The indications are that the overall shortfall in the savings will be £158K, of which £121K relates to the delays in implementing the proposed restructuring of Educational Psychologists and Additional Support Needs budgets in the Areas. The February budget monitoring statement will reflect the shortfall in relation to the level of management restructuring savings

that will be achieved in the current financial year. In the interim budget holders have been instructed to identify off-setting savings wherever possible.

3.2 There are concerns relating to the impact of Revenue consequences of Capital expenditure in the current financial year. The indications at this time are that the current commitments are greater than the funding provided in the current financial year. The relevant budget holders have been instructed to delay incurring further expenditure within the current financial year in order that this budget can be balanced.

3.3 The current scheme of devolved school management allows a school to carry forward to the next financial year a surplus of up to 5% or a deficit of up to 3% of its devolved budget. An early warning system is in place whereby school year-end budgetary projections are categorised thus:-

- Red – the school will exceed its 3% deficit threshold.
- Amber – the school will have a deficit within its 3% deficit threshold
- Green – the school will have a surplus at the end of the financial year

3.4 At this time the summarised projections for all schools are as follows:

	Current Position	January 2008	November 2007
• Red –	2	5	21
• Amber –	18	19	10
• Green –	195	191	184

The critical factor is that any deficits in excess of 3% will impact on the overall ECS budgetary position at the end of the financial year. At this time the collective value of the deficits relating to the category red schools is £0.08M. Members will note that the number of schools in category red has reduced considerably since November 2007 as a result of the management actions taken in conjunction with the relevant Head Teachers.

3.5 The School Transport annual contractual inflation uplift occurs in January each year. This uplift is based on a number of factors, including annual movements in the price of fuel. The annual inflation uplift as at January 2008 was 6.2%. Whilst this uplift will not have a material impact in the current financial year, there will undoubtedly be an adverse financial impact in financial year 2008-09.

4. ACTIONS TAKEN OR PROPOSED

4.1 In summary there are 4 significant financial issues that require to be addressed:-

- The significant budget pressure relating to JCCYP – it is likely that this will be addressed if the Highland Council approves the supplementary estimate requested.
- Out-with this the other budget pressures detailed in section 2 above – current projection £0.43M
- The potential shortfall in the 2007/08 ECS management restructuring savings due to delays in implementing the proposed changes – this figure is likely to be approximately £0.15M (this figure is not included within the current reported year-end position).

- The level of deficit that is in excess of the 3% threshold relating to category red schools – current projection £0.08M (this figure is not included within the current reported year-end projections).

4.2 The management of all reported budget pressures requires to be addressed wherever possible by delaying expenditure and also by identifying compensatory under-spends. This approach was reinforced in the instruction issued to senior managers by the Director following the ECS Committee meeting in early November 2007. This approach is exemplified by the reported levels of savings in a number of sectors where the filling of vacant posts is being delayed.

4.3 There is a need to better understand those factors that result in the seemingly relentless demands for additional staffing input to the Additional Support Needs sector. Management action is being taken to implement a system that will record on an annual basis the categories of pupils with additional support needs. This in turn will enable scarce financial resources to be targeted to those areas of greatest need. In addition it will also provide evidence of the extent of the annual growth in this client group.

5. RECOMMENDATIONS

5.1 Members are asked to:-

- Approve the continuing policy of financial restraint and the identification of off-setting savings.
- Note the potential emerging budget pressures in relation to the achievement of the 2007-08 budget savings target and those schools that may exceed the 3% deficit parameter.
- Note the actions being taken in relation to the annual measurement of the Additional Support Needs client group.

Signature:

Designation: Director of Education, Culture and Sport

Date: 25th February 2008.

Author: Ron MacKenzie, Head of Support Services, Education Culture and Sport

Background papers

Annex 1 – ECS Revenue Budget monitoring statement as at January 2008.

Annex 2 – Cleaning trading account as at January 2008.

Annex 3 – Catering trading account as at January 2008.

Annex 4 – ECS 2007/08 savings – control document

EDUCATION CULTURE & SPORT REVENUE MONITORING REPORT

Jan 2008

ANNEX 1

	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Primary Education DSM	43,697	54,882	54,882	-
Secondary Education DSM	56,587	69,202	69,202	-
Special Education DSM	2,579	3,206	3,206	-
Nursery Education	3,022	3,717	3,717	-
TOTAL DSM	105,885	131,006	131,006	-
Primary Education (Non-DSM)	1,773	1,169	1,216	48
Secondary Education (Non-DSM)	(750)	(908)	(864)	44
Schools - General	4,924	4,111	4,208	97
Hostels	586	768	717	(51)
School Transport	8,053	10,816	10,835	18
Catering/Cleaning	2,168	2,705	2,805	100
Community Learning	2,815	4,483	4,289	(194)
Special Education (Non-DSM)	13,151	15,114	15,366	252
Delegated to Joint Children's Committee	9,331	9,503	11,591	2,088
Administration	9,268	10,292	10,444	152
Archives	204	209	197	(12)
Arts Development	326	440	424	(16)
Grants	-	-	18	18
Village Halls	279	324	357	33
Leisure Facilities	2,036	2,685	2,656	(29)
Integrated Library Service	3,133	4,234	4,256	22
Museums	640	1,064	1,058	(6)
Sports Development	25	553	589	36
Gaelic Culture	(49)	-	-	-
TOTAL NON DSM	57,913	67,562	70,163	2,601
OVERALL TOTAL	163,798	198,568	201,169	2,601

BY SUBJECTIVE

	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
Staff Costs	132,844	162,506	162,267	(240)
Other Costs	65,507	78,709	81,389	2,680
Gross Expenditure	198,351	241,215	243,656	2,441
Grants	(15,686)	(22,296)	(22,276)	20
Other Income	(18,866)	(20,351)	(20,211)	140
Total Income	(34,553)	(42,647)	(42,487)	160
	163,798	198,568	201,169	2,601

Net expenditure expressed as a percentage of the Annual Budget 82.49%

Reconciliation

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

ECS BUILDING CLEANING

APPENDIX 2

STATEMENT OF REVENUE MONITORING TO: 1ST FEBRUARY 2008

	2007/8				
	ANNUAL BUDGET	BUDGET TO DATE	ACTUAL TO DATE	TO GO	PROJECTED OUT-TURN
INCOME					
Defined	-£4,888,052	-£4,073,377	-£4,095,106	-£792,946	-£4,917,552
Non Defined	-£95,134	-£79,278	-£70,000	-£25,134	-£82,134
	-£4,983,186	-£4,152,655	-£4,165,106	-£818,080	-£4,999,686
DIRECT COSTS					
Labour - Basic	£3,798,586	£3,165,488	£3,245,323	£553,263	£3,869,927
- Overtime	£34,659	£28,883	£28,482	£6,177	£34,659
- Other Staff Costs	£24,539	£20,449	£1,624	£22,915	£4,139
Supplies - Materials	£112,200	£93,500	£93,500	£18,700	£112,200
- Other Supplies & S	£122,844	£102,370	£85,556	£37,288	£111,396
Transport & Plant	£57,834	£48,195	£68,023	-£10,189	£82,922
TOTAL DIRECT COSTS	£4,150,662	£3,458,885	£3,522,508	£628,154	£4,215,243
GROSS MARGIN	-£832,524	-£693,770	-£642,598	-£189,926	-£784,443
OVERHEADS					
APT & C Staff Costs	£436,863	£364,053	£315,578	£121,285	£393,000
Property Costs	£26,025	£21,688	£19,298	£6,727	£26,025
Administration Costs	£112,036	£95,964	£91,985	£20,051	£110,648
Support Costs	£161,938	£134,948	£134,948	£26,990	£141,463
TOTAL OVERHEADS	£736,862	£616,653	£561,809	£175,053	£671,136
SURPLUS/(DEFICIT)	-£95,662	-£77,117	-£80,789	-£14,873	-£113,307
PROFIT SHARE	£0	£0	£0	£0	£0
Interest on Revenue Balances	£0	£0	£0	£0	-£6,000
ECS SURPLUS(-)/DEFICIT	-£95,662	-£77,117	-£80,789	-£14,873	-£119,307
ASSET RENT	£4,696	£3,913	£3,913	£783	£3,933
FRS17 (Pension Assets/Liabili	£90,966	£75,805	£75,805	£15,161	£78,656
FINAL SURPLUS(-)/DEFICIT	£0	£2,601	-£1,071	£1,071	-£36,718

ADDITIONAL INFORMATION

	December	January
APT & C EMPLOYEES	17	17
NUMBER OF POSITIONS / OPERATIVES	961	961
RATIO MANUAL/APT&C	57	57
ANNUAL COST OF MANUAL EMPLOYEE	£4,047	£4,090
APT&C STAFF COSTS AS % OF TURNOVE	8%	8%
OTHER OVERHEADS AS % OF TURNOVE	2.65%	2.67%
CENTRAL SUPPORT COSTS AS % OF TUI	3%	3%

CATERING
APPENDIX 3
STATEMENT OF REVENUE MONITORING TO: 1st February 2008

	2007/2008				
	ANNUAL BUDGET	BUDGET TO DATE	ACTUAL TO DATE	TO GO	PROJECTED OUTTURN
INCOME	-£7,267,745	-£6,044,547	-£6,326,386	-£1,173,460	-£7,499,846
DIRECT COSTS					
Labour - Basic	£3,677,939	£3,062,072	£3,204,629	£641,786	£3,846,415
- Overtime	£48,959	£41,427	£35,097	£6,381	£41,478
- Other Staff Costs	£4,809	£4,008	£1,063	-£515	£548
Supplies - Materials	£2,005,674	£1,592,625	£1,827,201	£413,700	£2,240,901
- Other Supplies & S	£192,919	£160,766	£144,147	£23,476	£167,623
Transport & Plant	£92,257	£76,881	£88,889	£13,534	£102,423
TOTAL DIRECT COSTS	£6,022,557	£4,937,778	£5,301,026	£1,098,362	£6,399,388
GROSS MARGIN	-£1,245,188	-£1,106,768	-£1,025,360	-£75,098	-£1,100,458
OVERHEADS					
APT & C Staff Costs	£459,596	£382,997	£361,160	£67,670	£428,830
Property Costs	£362,282	£301,902	£286,126	£36,960	£323,086
Administration Costs	£152,802	£137,860	£117,487	£20,763	£138,250
Support Costs	£198,707	£165,589	£246,915	-£40,659	£206,256
	£1,173,387	£988,348	£1,011,688	£84,734	£1,096,422
SURPLUS	-£71,801	-£118,421	-£13,672	£9,636	-£4,036
ASSET RENT	£4,843	£4,036	£4,036	£807	£4,843
PROFIT SHARE	£0	£0	£0	£0	£0
Interest on Revenue Balances	£0	£0	£0	£0	£0
FRS17 (Pension Assets/Liability)	£66,958	£55,798	£55,798	-£8,928	£46,871
DEFICIT AFTER ASSET RENT	£0	-£58,586	£46,162	£1,515	£47,678

ADDITIONAL INFORMATION

	December	January	
Number of Trading Days for Month	14	20	
School Meals for Month	240391	329606	
Average Meals per Day	17171	16480	
Percentage Food Cost	28%	28%	
Trading Days to Date	133	153	
School Meals to Date	2,110,372	2,439,978	5,758,348
APT & C Employees	19.95	19.95	
Manual Workers	674	674	
Ratio Manual/APT & C	34	34	
Average Cost of Manual Employee	£5,590	£5,770	
Manual Staff Costs as % of Turnover	52%	51%	
APT&C STAFF COSTS AS % OF TURNOVER	6%	6%	
OTHER OVERHEADS AS % OF TURNOVER	7%	6%	
CENTRAL SUPPORT COSTS AS % OF TURNOVER	3%	4%	

	Savings Description	Amount £m	Details of anticipated savings	Progress report	Actions required
1	PPP2	1.584	School building improvement grant, falling schools and transferred budgets	Not completed	This exercise cannot be completed until the autumn when the September school roll census data is available
2	Devolved budget target saving	0.951	Increase school target savings	Completed	None
3	Full year effect of 2006/07 savings	0.866	See attached sheets	Completed	None
4	New entrants August 2007	0.500	New entrants being appointed to substantive posts from August 2007	No action possible until October	This exercise cannot be completed until the autumn when the September school roll census data is available
5	Integrated Children Services	0.300	As detailed in report to JCCYP	Completed	None
6	CLL target	0.287	Pro rata savings to be identified across all Areas	Not completed	Area ECS Managers to provide details
7	Staff efficiencies	0.238	Savings anticipated from re-structuring within Service	Potential shortfall of £158K	Realisation of savings will take place over a longer period of time due to treatment of ASN savings
8	Increase school meal charges	0.150	Increases - Secondary 10p and Primary 5p from August 2007	Completed	None
9	SEN target	0.148	The equivalent of 4.0FTE teaching posts to be removed	Completed	None
10	JCCYP target	0.133	Target reduction to be applied across HQ Pre School budget	Completed	None
11	Other centrally held budgets target savings	0.102	Target reduction to be applied across ECS HQ budgets	Completed	None
12	Reduction in Rate poundage	0.088	Reduction in Rate poundage	Completed	None
	TOTAL	5.347			