

THE HIGHLAND COUNCIL

EDUCATION, CULTURE AND SPORT COMMITTEE 22 MAY 2008

Agenda Item	
Report No	

Revenue Budget Monitoring Report for the month ending 30th April 2008

Report by Director of Education, Culture and Sport

SUMMARY

This report sets out the Revenue Budget monitoring position for the month ending 30th April 2008 and the progress to date with the achievement of the 2008/09 savings and efficiencies.

1. BACKGROUND

- 1.1 **Annex 1** contains details of the approved 2008/09 ECS Revenue Budget. At this stage in the financial year it is difficult to provide meaningful year-end projections as the main effort at this time is dedicated to closing the accounts of the previous financial year. The corresponding information for the Cleaning and Catering trading accounts is contained within **Annexes 2 and 3** respectively. For the reasons outlined above no year-end variances from the budgeted position are reported at this time.
- 1.2 Section 2 of the report outlines potential budget pressures which may ultimately have a detrimental impact on the 2008/09 ECS Revenue budget. Section 3 of the report outlines progress with the achievement of the 2008-09 £5.074M savings target.

2. SIGNIFICANT ISSUES

- 2.1 On the basis of current knowledge the potential 2008-09 budget pressures can be summarised thus:
- School Transport
 - Heating Oil
 - Catering Client
 - Additional Support Needs
 - The risk of not achieving the £5.074M savings target
- 2.2 School Transport represents the largest known risk as a result of the average annual contractual increase of 6.2%. The annual contractual uplift is determined by a number of factors including the movement in the fuel price index. On the basis that only 2% inflation was provided for in the approved 2008-09 budget there is a potential budget pressure of between £300K and £400K.

- 2.3 Another consequence of escalating fuel costs is the impact on heating oil bills. The average expenditure on heating oil in 2007/08 was some 25% above budget which equates to £371K in cash terms. A review of the consumption of heating oil at all ECS sites over the past 3 years is underway. This will inform what corrective actions are necessary in order to manage this budget pressure.
- 2.4 As reported during the final quarter of last financial year the cost of foodstuffs is increasing at a rate well above inflation, in particular wheat-based and dairy products. This reflects the widely reported global position in relation to increasing food-costs as a result of shortages in food supplies and increased demand from the emerging eastern economies. Current projections indicate that some staple food-stuffs could increase by between 20% and 50% within the current contractual agreements. In monetary terms this at a conservative estimate could result in an unbudgeted pressure in excess of £500K.
- 2.5 In recent years the Additional Support Needs budget has been under continuous pressure as a result of increased demand. The critical challenge in the year ahead is to meet this increasing demand from within existing financial resources. This approach will be under-pinned by the roll-out of a system whereby financial resources are allocated to the areas of greatest identified need on a formula basis.
- 2.6 The 2008-09 budget savings target was £5.074M and included 31 separate proposals. Section 3 of this report outlines progress to date in the achievement of this savings target. However it should be noted that there are areas of risk associated with the achievement of the overall target, mainly associated with those proposals linked to the outcomes of actions to be taken during the course of the financial year. For example there are risks associated with the timing of the outcome of the administrative and clerical support staff review and also the ability to appoint existing probationer teachers into vacant teaching posts at the start of the new session in August. As a result progress with the achievement of the savings target will be monitored closely and where practical alternative savings will have to be identified in order to offset any savings measures which will not be delivered in full during this financial year.

3.0 **ACHIEVEMENT OF SAVINGS TARGET**

3.1 **Annex 4** contains details of the progress to date with the achievement of the 2008-09 ECS budget savings target of £5.074M. The 31 savings proposals have been categorised as red, amber or green to reflect the level of risk attached to the achievement of the individual savings proposals being achieved. The summarised values in each of these categories are as follows:

- Red (compensatory saving to be found) £0.050M
- Amber (in the process of being delivered) £3.212M
- Green (already delivered) £1.812M

3.2 The category red savings proposal related to the anticipated efficiencies from the amalgamation of Roy Bridge PS and Spean Bridge. As a result of the Highland Council decision on the 8th May to retain Roy Bridge PS these savings will not be achieved. Alternative efficiencies from elsewhere within the ECS budget are presently being sought.

- 3.3 Category amber includes those savings proposals that will be delivered as a result of outcomes achieved during the course of the financial year. As such there is an element of risk attached to these proposals due to the relative uncertainty surrounding the timing of achieving these outcomes.
- 3.4 Category green savings have been delivered in full.
- 3.5 Progress with the achievement of all savings proposals will be reported to the ECS Committee throughout the financial year.

4. **RECOMMENDATIONS**

4.1 Members are asked to:-

- Note the potential budget pressures outlined in section 2 of the report.
- Note the progress to date with the achievement of the 2008-09 savings target of £5.074M as outlined in section 3 of the report.

Signature:

Designation: Director of Education, Culture and Sport

Date: 6th May 2008

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

Background papers

Annex 1 – ECS Revenue Budget monitoring statement as at April 2008

Annex 2 – Cleaning trading account as at April 2008

Annex 3 – Catering trading account as at April 2008

Annex 4 – Summary of 2008-09 Revenue Budget savings

EDUCATION CULTURE & SPORT REVENUE MONITORING REPORT

April 2008/09

ANNEX 1

	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Primary Education DSM	4,017	54,824	54,824	-
Secondary Education DSM	5,634	70,925	70,925	-
Special Education DSM	213	3,179	3,179	-
Nursery Education	317	3,710	3,710	-
TOTAL DSM	10,181	132,637	132,637	-
Primary Education (Non-DSM)	487	3,428	3,428	-
Secondary Education (Non-DSM)	203	37	37	-
Schools - General	944	18,630	18,630	-
Hostels	50	668	668	-
School Transport	391	10,988	10,988	-
Catering/Cleaning Client	518	3,960	3,960	-
Community Learning	258	4,754	4,754	-
Special Education (Non-DSM)	1,364	16,849	16,849	-
Administration	678	6,779	6,779	-
Archives	375	279	279	-
Arts Development	247	539	539	-
Grants	1,300	2,908	2,908	-
Village Halls	(20)	289	289	-
Leisure Facilities	174	2,683	2,683	-
Integrated Library Service	267	4,184	4,184	-
Museums	109	1,133	1,133	-
Sports Development	(927)	526	526	-
Catering/Cleaning Trading Accounts	(150)	-	-	-
Gaelic (Non-DSM)	(299)	(214)	(214)	-
TOTAL NON DSM	5,969	78,420	78,420	-
OVERALL TOTAL	16,150	211,057	211,057	-

BY SUBJECTIVE

	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
Staff Costs	13,326	168,341	168,341	-
Other Costs	7,246	78,521	78,521	-
Gross Expenditure	20,572	246,863	246,863	-
Grants	1,120	9,330	9,330	-
Other Income	3,303	26,475	26,475	-
Total Income	4,422	35,805	35,805	-
	16,150	211,057	211,057	-

Net expenditure expressed as a percentage of the Annual Budget

2006-07
2007-08 7.65%

ECS BUILDING CLEANING

STATEMENT OF REVENUE MONITORING TO: 2ND MAY 2008

ANNEX 2

	2008/2009				
	ANNUAL BUDGET	BUDGET TO DATE	ACTUAL TO DATE	TO GO	PROJECTED OUT-TURN
INCOME					
Defined	-£4,741,880	-£395,157	-£415,385	-£4,326,495	-£4,741,880
Non Defined	-£66,685	-£5,557	-£2,855	-£63,830	-£66,685
	-£4,808,565	-£400,714	-£418,240	-£4,390,325	-£4,808,565
DIRECT COSTS					
Labour - Basic	£3,722,705	£356,390	£342,364	£3,380,341	£3,722,705
- Overtime	£23,209	£1,934	£1,944	£21,265	£23,209
- Other Staff Costs	£8,392	£699	£58	£8,334	£8,392
Supplies - Materials	£105,000	£8,750	£16,112	£88,888	£105,000
- Other Supplies & Services	£105,181	£8,765	£7,268	£97,913	£105,181
Transport & Plant	£75,810	£6,318	£6,664	£69,146	£75,810
TOTAL DIRECT COSTS	£4,040,297	£382,856	£374,410	£3,665,887	£4,040,297
GROSS MARGIN	-£768,268	-£17,858	-£43,830	-£724,438	-£768,268
OVERHEADS					
APT & C Staff Costs	£385,008	£32,084	£22,743	£362,265	£385,008
Property Costs	£24,250	£2,021	£1,597	£22,653	£24,250
Administration Costs	£97,245	£8,104	£4,877	£92,368	£97,245
Support Costs	£165,986	£13,832	£13,832	£152,154	£165,986
TOTAL OVERHEADS	£672,489	£56,041	£43,049	£629,440	£672,489
SURPLUS/(DEFICIT)	-£95,779	£38,183	-£781	-£94,998	-£95,779
PROFIT SHARE	£0	£0	£0	£0	£0
Interest on Revenue Balances	£0	£0	£0	£0	£0
ECS SURPLUS (-)/DEFICIT	-£95,779	£38,183	-£781	-£94,998	-£95,779
ASSET RENT	£4,813	£401	£401	£4,412	£4,813
FRS17 (Pension Assets/Liabilities)	£90,966	£7,581	£7,581	£83,386	£90,966
FINAL SURPLUS (-)/DEFICIT	£0	£46,164	£7,200	-£7,200	£0

ADDITIONAL INFORMATION

	March	April
APT & C EMPLOYEES		17
NUMBER OF POSITIONS / OPERATIVES		961
RATIO MANUAL/APT&C		57
ANNUAL COST OF MANUAL EMPLOYEE		£4,300
APT&C STAFF COSTS AS % OF TURNOVER		5%
OTHER OVERHEADS AS % OF TURNOVER		1.55%
CENTRAL SUPPORT COSTS AS % OF TURNOVER		3%

CATERING

STATEMENT OF REVENUE MONITORING TO: 2nd May 2008

ANNEX 3

	2008/2009				
	ANNUAL BUDGET	BUDGET TO DATE	ACTUAL TO DATE	TO GO	PROJECTED OUTTURN
INCOME	-£8,163,466	-£830,202	-£816,121	-£7,347,345	-£8,163,466
DIRECT COSTS					
Labour - Basic	£3,937,948	£382,818	£359,238	£3,578,710	£3,937,948
- Overtime	£50,183	£4,825	£3,594	£46,589	£50,183
- Other Staff Costs	£4,930	£411	£42	£4,888	£4,930
Supplies - Materials	£2,630,555	£275,519	£277,999	£2,352,556	£2,630,555
- Other Supplies & Services	£210,043	£17,504	£13,945	£196,098	£210,043
Transport & Plant	£96,654	£8,055	£9,686	£86,968	£96,654
TOTAL DIRECT COSTS	£6,930,313	£689,131	£664,504	£6,265,809	£6,930,313
GROSS MARGIN	-£1,233,153	-£141,070	-£151,617	-£1,081,536	-£1,233,153
OVERHEADS					
APT & C Staff Costs	£420,348	£35,029	£27,394	£392,954	£420,348
Property Costs	£383,812	£31,984	£33,462	£350,350	£383,812
Administration Costs	£153,384	£70,961	£69,703	£83,681	£153,384
Support Costs	£203,675	£16,973	£16,973	£186,702	£203,675
	£1,161,219	£154,947	£147,532	£1,013,687	£1,161,219
SURPLUS	-£71,934	£13,877	-£4,085	-£67,849	-£71,934
ASSET RENT	£4,976	£415	£415	£4,561	£4,976
PROFIT SHARE	£0	£0	£0	£0	£0
Interest on Revenue Balances	£0	£0	£0	£0	£0
FRS 17 (Pension Assets/Liabilities)	£66,958	£5,580	£5,580	£61,378	£66,958
DEFICIT AFTER ASSET RENT	£0	£19,871	£1,910	-£1,910	£0

ADDITIONAL INFORMATION

	April
Number of Trading Days for Month	19
School Meals for Month	no meal figures yet available
Average Meals per Day	0
Percentage Food Cost	35%
Trading Days to Date	19
School Meals to Date	0
APT & C Employees	19.95
Manual Workers	674
Ratio Manual/APT & C	34
Average Cost of Manual Employee	£6,461
Manual Staff Costs as % of Turnover	44%
APT&C STAFF COSTS AS % OF TURNOVER	3%
OTHER OVERHEADS AS % OF TURNOVER	13%
CENTRAL SUPPORT COSTS AS % OF TURNOVER	2%

Education Culture & Sport

Ref.	Activity Heading	Savings Proposal	2008/09 Savings £m		Progress Report	Actions Required
1	Administration	Review of office accommodation and all back-office functions.	0.323	A	Initial stages of review will be completed by the end of June. Recommendations to August ECS Committee	Progress review in conjunction with BIT
2	Leisure Centres and Swimming Pools	Energy efficiency targets being applied across the 15 Sports Centres and 11 existing Swimming Pools.	0.040	A	Discussions with Energy Mangement Unit has identified initial savings, further work required	Extend initial review beyond the top 100 energy consuming sites.
3	Primary devolved	Energy efficiency improvements of 10% on a targeted basis across the Primary school sector.	0.180	A	Discussions with Energy Mangement Unit has identified initial savings, further work required	Extend initial review beyond the top 100 energy consuming sites.
4	Secondary devolved	Energy efficiency improvements of 10% on a targeted basis across the Secondary school sector.	0.200	A	Discussions with Energy Mangement Unit has identified initial savings, further work required	Extend initial review beyond the top 100 energy consuming sites.

5	Secondary devolved	Equalisation of arrangements for swimming tuition in schools with swimming pools.	0.086	A	Review of the appropriate staffing requirements for each school swimming pool is underway	Review due to be completed by start of the new academic session
6	School Transport	Creation of integrated Transport Unit with TECS and consolidation of existing school transport routes.	0.100	A	Report to the May ECS Committee seeking approval to create Integrated Transport Unit within TEC Services.	Some concerns about implementation date of Integrated Unit. Could be as late as September 2008.
9	Primary and Secondary Devolved	Probationer teachers saving. Saving from appointment of probationer teachers into substantive teaching posts. Saving of up to £9k per post. Saving will reduce in subsequent years as salaries progress incrementally.	0.350	A	Control document created that will identify the posts that will be occupied by new entrants and the current funding for these posts	To create the appropriate control document by the end of May 2008.
14	Primary non devolved	Class Contact Reduction (CCR). Budgets to be determined by formula now that initiative bedded in.	0.198	A	There will be a formula based approach to the allocation of CCR budgets to an Area level. It has been agreed that it is not practical to devolve this budgets to Head Teachers	To have a formula based budget allocation model in place by August 2008.
15	Hostels	Increased income for hostels through use by probationer teachers and increased grant income.	0.115	A	Detailed proposal to be worked up by Area ECS Manager - RSL	To be completed by end of July 2008.

18	School Cleaning	Revise contractual specification in order to achieve a 10% saving in the overall cost of the Building Cleaning Service.	0.400	A	Discussions have already taken place with the trade unions outlining the proposed measures	School holiday cleaning will cease with effect from summer 2008 and there will be selective deletion of posts (or part thereof) on an on-going basis.
28	Administration	Review management structures and administrative support	0.100	A	Initial stages of review will be completed by the end of June. Recommendations to August ECS Committee	Progress review in conjunction with BIT
30	Primary and Secondary devolved	Review janitorial and technician staffing structures.	0.100	A	The initial stage in this process is to carry out review of current budget allocation with DSM formula entitlement	Proposals to be discussed with representative Head Teacher groups.
32	Primary and Secondary Devolved	Targeted voluntary early retirement process, recognising the number of conserved salary posts and opportunities to place Probationers. One-off costs of packages, estimated at up to £750k to be met from balances.	0.250	A	Control document established that will high-light the actual savings that will be achieved in 2008-09 and the one-off related costs.	The outcomes of the 3 early retirement sub-committees will be known by end of June 2008.
10	Pre school devolved	Planned saving from Review of Pre School provision.	0.240	A	Proposals to be brought forward by the Head of Children Services	Outcomes from the review of Early Years will contribute towards this savings target

13	Primary and Secondary devolved	Rationalise teaching posts over and above devolved school management formula entitlement.	0.530	A	List of posts already identified and currently with Area ECS Managers for action	This review will be completed by the end of August 2008.
7	Other Bodies	This budget heading comprises mainly of payments to external bodies for the provision of school swimming lessons and also support of the 5 to 14 education in Scoraig. The level of activity supported by this budget has been falling over the past 2 financial years. It is therefore possible to reduce the budget by £7K (10%) with no impact on the current level of service delivery.	0.007	G	This saving has been achieved	No further action
8	Primary & Secondary Devolved/non Devolved, Community Learning and Leisure	Standstill budget for non-staffing element of budgets. Saving relates only to budgets without any contractual commitments.	0.390	G	This saving has been achieved	No further action
12	Secondary devolved	Adjust the teaching staffing formula downwards by 3%.	0.180	G	This saving has been achieved	Letter to Head Teachers formally advising them of the adjusted teaching budget formulae
16	Schools General	Music tuition fees have not been reviewed since they were introduced in 1999. It is proposed therefore to increase the fees from £30 per term to £40 per term.	0.020	G	This saving has been achieved	Parents have been formally notified

17	Income generation - School Meals, Letting and Leisure Centres	Increase the price of school meals by 10p for both Primary and Secondary sectors with effect from April 2008. The result of this proposal would increase school meal prices thus – Secondary £1.85 and Primary £1.65. In addition carry out a review of letting charges which were last reviewed in 2004.	0.329	G	This saving has been achieved	No further action
19	Library Service	Revised digitisation programme for Am Baile budget.	0.025	G	This saving has been achieved	No further action
20	Arts Development	Equalisation of cultural posts across Council area in recognition of proposed increase in Arts Council funding for Cultural Co-ordinators.	0.055	G	The process of redeploying the relevant members of staff is on-going	Report to the next Resources Committee (June) formally deleting these posts
21	SEN devolved	Standstill budget for SEN budgets which are devolved to special schools.	0.048	G	This saving has been achieved	No further action
22	Sports Development	Review delivery of play development, including deletion of specialist post.	0.030	G	The process of redeploying the relevant members of staff is on-going	Report to the next Resources Committee (June) formally deleting these posts
23	Grants to external bodies	Standstill budget for all voluntary sector grants, with the exception of village halls (see separate No 25).	0.053	G	This saving has been achieved	No further action
24	Grants to external bodies	Discontinue financial support for Mountain Bike World Cup event in Lochaber.	0.015	G	This saving has been achieved	No further action

25	Village Halls	Equalisation of funding arrangements for village halls including council run facilities.	0.035	G	The process of redeploying the relevant members of staff is on-going	Report to the next Resources Committee (June) formally deleting these posts
26	SEN non devolved	1% saving target for ASN funding held at Area level.	0.137	G	Targeted savings to be identified as part of the proposed move towards devolution of ASN budgets	Report to ECS Committee in May 2008.
27	Library Service	Review support structure for school and community libraries, including deletion of 4 posts	0.098	G	The process of redeploying the relevant members of staff is on-going	Report to the next Resources Committee (June) formally deleting these posts
29	Administration	Reduce Quality Improvement Officer and related support by 4 FTE and in addition transfer 5 FTE posts currently funded by Government Grants into substantive teaching posts.	0.390	G	Education HQ staffing list available for consideration - meeting date to be arranged.	The related accounting adjustments to be processed.
31	Primary devolved	Revenue savings from rationalisation of Primary schools in Council's approved capital programme	0.050	R	This savings proposal is linked to the amalgamation of Roy Bridge PS and Spean Bridge PS	Awaiting the outcome of the Highland Council decision on the proposal to retain Roy Bridge PS
Total			5.074			