

THE HIGHLAND COUNCIL
ADULT & CHILDREN SERVICES COMMITTEE

21 August 2013

Agenda Item	5i.
Report No	ACS/63/13

Revenue Budget – Final Outturn 2012/13 and Monitoring 2013/14

Report by Director of Education, Culture and Sport Service

Summary

This report sets out the Revenue Budget unaudited final outturn position for the financial year ending on 31 March 2013 and the monitoring position for the 3 months to 30 June 2013.

1. BACKGROUND

- 1.1 The un-audited net expenditure position for the non-devolved sectors of the budget at the end of last financial year was an under-spend of £0.002M, (0.0%), the details of which are contained within **Appendix 1**. The corresponding figure reported to the March 2013 ECS Committee was a projected under-spend of £0.119M. During a period of relative financial austerity, budget holders continue to manage their budgets effectively and this prudent management, under-pinned by the solid support provided by colleagues in the Finance Service, has been central to ensuring a positive outturn.
- 1.2 Under the terms of the Devolved School Management (DSM) scheme schools are permitted to carry forward a surplus of up to 5% or a deficit of up to 3% of their devolved budget.
- 1.3 At the end of financial year 2012-13 the total surplus figure carried forward by schools was £2.27M. The corresponding figure carried forward from financial year 2011-12 was a surplus of £2.77M. As a result there has been a net decrease of £0.50M in DSM balances. **Appendix 2** provides details of the year-on-year changes by sector. The key statistics are as follows:
 - DSM surpluses decreased by 18.1%
 - 92.2% of Primary Schools carried forward a surplus into the new financial year (92.9% in 2011-12)
 - 63.3% of Secondary Schools carried forward a surplus into the new financial year (79.3% in 2011-12).
- 1.4 The above carry forward figures provide evidence that Head Teachers continue to adopt a relatively conservative approach to budget management by ensuring that there are surpluses available to mitigate (albeit on a short term basis) any reductions in devolved school budgets in future years.
- 1.5 This report outlines the main budget pressures encountered during the previous financial year and the management actions taken to off-set these pressures. The report also highlights the underlying budget pressures which are present in this

financial year and proposed mitigating actions. The budget monitoring statement for the 3 months to 30 June 2013 is appended at **Appendix 3**.

- 1.6 Progress with the 2013/14 Budget savings is outlined within **Appendix 4**.

2. FINANCIAL YEAR 2012-13

- 2.1 The un-audited net variance at the end of financial year 2012/13 was an under-spend of £0.002M. The following sectors each over-spent by more than £0.100M:

	£M
○ Additional Support Needs	0.386
○ School Transport	0.113
○ Catering Cleaning & FM	0.111

- 2.2 **Additional Support Needs (ASN)** - The pressures on the ASN budget continue to grow with just under 20% of the overall non-devolved budget expenditure relating to this sector. This is a result of an on-going increase in the number of children with severe and profound needs entering the education system. As previously reported to this Committee the Service is currently making the transition to a budget model for ASN that is based on annual assessment of identified need. This approach has 2 main benefits, it will identify where financial resources are required and the overall financial quantum required to meet these needs. This approach is not dissimilar to the current formulae-based model used to allocate devolved budgets to schools. It is proposed that the transition to this needs based approach is completed by April 2015 at the latest. One of the main challenges associated with implementing this model is the annual requirement to adjust budgets, and by implication staffing levels, to meet the assessed level of need in each Area. This approach, therefore, will result in annual budgets being adjusted in accordance with the needs identified in the allocation model.

- 2.3 **School Transport** – in relative terms, the overspend on School Transport is modest (0.85% of the School Transport budget). The over-spend relates mainly to increases in the cost of public service contracts which were utilised by approximately 2,275 school pupils on a daily basis during 2012/13. Whilst the use of public service transport routes represents the best value for the Council overall, there is an on-going need to identify more cost effective options for transporting children to school. This work is on-going in conjunction with colleagues in TEC Services and management actions will be implemented at the earliest opportunity in the current financial year to reduce expenditure on school transport.

- 2.4 **Catering** – the challenges facing the School & Welfare Catering budget resulted in an over-spend totalling £0.30M which was off-set to an extent by extensive management actions elsewhere within the overall Catering, Cleaning & Facilities Management (CCFM) budget. The main challenges facing the Catering budget include increased food costs, meeting increased income targets and reduced turnover volume within the Council, including non-educational business. On average, year-on-year, food costs have increased by 6p per meal in the Secondary sector and 5p per meal in the Primary sector. Such increases are significant within the context of 2.88 million school meals being provided annually.

The increased costs relate to fresh meat, poultry, fresh milk, fresh fruit, vegetables and free range eggs. Out-with increased costs, compliance with new environmental health legislation resulted in increased expenditure in school kitchens.

- 2.5 A budget pressure not apparent in Appendix 1, because it is subsumed within the reported under-spend in Schools General, relates to absence cover costs for teaching staff. Changes to national terms and conditions, implemented during 2012, resulted in teachers undertaking short term absence cover (up to 5 working days) being paid at the lowest point on the basic teacher's pay scale should in theory have resulted in a reduction in absence cover costs during financial year 2012/13. In practice however, the actual level of teacher absence cover top-up provided within the current scheme of devolved school management was £0.817M which was £0.235M above the budget provided. The actual level of top-up required was some £0.258M higher than the corresponding figure in financial year 2011/12. If this level of expenditure is maintained in the current financial year then there is an under-lying budget pressure. As a result, the teachers' absence cover expenditure will be monitored closely on a monthly basis throughout the financial year and regular updates provided to Members. In addition, data on the pattern of teachers' absence over the past 5 financial years is currently being compiled in order to identify specific trends and the underlying reasons for absence. This information will also be used to inform management actions.
- 2.6 In recognition of the above budget pressures the ECS Management Team was asked, throughout the financial year, to deliver compensatory savings. As a result, a range of under-spends were achieved across a number of budget headings which resulted in a balanced budget being delivered at the end of the financial year. The main under-spend related to the PPP budget heading which delivered an under-spend totalling £0.213M. This under-spend, which was reported to Members throughout the financial year, related to a periodic review of insurance premiums payable which resulted in a significant reduction reflecting current market conditions.

3. FINANCIAL YEAR 2013-14

- 3.1 **Appendix 3** provides details of the net expenditure recorded in the ledger during the 3 months until 30 June 2013.
- 3.2 During the first quarter of the financial year the main effort is focussed on closing the 2012/13 accounts. For this reason the level of budget monitoring activity is relatively low. However, it is apparent that the more significant budget pressures identified within the un-audited 2012/13 outturn statement remain in the current financial year.
- 3.3 As a result management actions will focus on these areas of greatest risk in order to take the appropriate remedial or compensatory actions. This course of action will identify the extent to which all known budget pressures can be addressed. The outcome of this exercise will be reported in detail to the September Adult & Children Services Committee.
- 3.4 Whilst the majority of existing budget pressures will be identified as a result of the above exercise, a number of expenditure headings will not be predictable until

nearer the end of the financial year. These relate mainly to absence cover costs for front-line delivery staff including teachers, pre-school staff and those supporting pupils with complex and severe additional support needs.

4. BUDGET SAVINGS 2013-14 – PROGRESS REPORT

- 4.1 **Appendix 4** provides details of the savings achieved to date, including a risk analysis relating to the relative deliverability of each savings target. Where it is identified that an individual savings target cannot be delivered in full then compensatory savings will be identified elsewhere.
- 4.2 At this stage in the financial year the main risks relate to the extent to which the savings targets relating to absence management and absence cover can be delivered in full. As a result compensatory savings will be sought from other budget headings in anticipation of these targets not being met.
- 4.3 At the time of writing this report some uncertainties exist in relation to the savings targets categorised as “amber”. A further update will be provided at the September Committee by which time the extent to which these savings can be delivered during this financial year will be better understood.

5. IMPLICATIONS

- 5.1 There are no legal, equality or climate change implications arising from this report. The resource and risk implications are as set above.

6. RECOMMENDATIONS

- 6.1 The Committee is asked to:-

- Note that the Service delivered a balanced budget for financial year 2012/13;
- Note that the overall surplus carried forward by schools at the end of financial year 2012-13 decreased by £0.50M (18.1%);
- Note the projected variances at the end of the first quarter of the new financial year and the commitment to identify compensatory budget savings and other management actions required to off-set these pressures by the end of the financial year; and
- Note the progress with the achievement of the 2013-14 savings target and the commitment to identify compensatory savings where required.

Designation: Director of Education, Culture and Sport

Date: 5 August 2013

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

Background Papers:

Appendix 1 – The unaudited Revenue Budget monitoring statement for financial year 2012-13.

Appendix 2 – Devolved School Management balances - comparative analysis year-on-year

Appendix 3 – The Revenue Budget monitoring statement for the 3 months to 30th June 2013.

Appendix 4 – Progress report with the achievement of the 2013/14 savings targets.

EDUCATION, CULTURE & SPORT REVENUE MONITORING REPORT

ADJ-13	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Variance
BY ACTIVITY			
Primary Education DSM	53,888	54,201	(313)
Secondary Education DSM	69,132	68,924	208
Special Education DSM	3,414	3,426	(12)
Nursery Education DSM	4,530	4,545	(15)
TOTAL DSM	130,963	131,095	(132)
Schools General	2,998	3,091	(93)
Learning & Teaching	2,379	2,424	(45)
Class Contact Reduction	3,183	3,261	(78)
PPP	24,751	24,964	(213)
Additional Support Needs	20,487	20,102	385
Hostels	1,013	1,010	3
Transport	13,445	13,332	113
Management Team	1,349	1,348	1
Pan Service	3,007	2,951	56
Resources Teams	1,660	1,659	1
Catering, Cleaning & Facilities Management	10,305	10,194	111
Client Manager & Retained Activities	1,787	1,833	(46)
HLH Management Fee	14,756	14,730	26
Grant & Management Fees	3,196	3,277	(81)
Gaelic	376	386	(10)
TOTAL NON DSM	104,692	104,562	130
OVERALL TOTAL	235,655	235,657	(2)

	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Variance
BY SUBJECTIVE			
Staff Costs	160,209	159,481	728
Other Costs	86,635	86,048	587
Gross Expenditure	246,844	245,529	1,315
Grants	(3,386)	(2,879)	(507)
Other Income	(7,802)	(6,993)	(809)
Total Income	(11,189)	(9,872)	(1,316)
NET TOTAL	235,655	235,657	(2)

Devolved School Budget - comparative analysis

Appendix 2

	2011-12 Number in surplus	2011-12 Number in deficit		2012-13 Number in surplus	2012-13 Number in deficit		Change Number in surplus	Change Number in deficit
Primary Schools	170	13		167	14		-3	1
Secondary Schools	23	6		19	10		-4	4
Special Schools	3	1		3	1		0	0
Pre School Units	113	37		110	41		-3	4
Plockton School of Trad. Music	1	0		0	1		-1	1

	2011-12 Net Surplus	2012-13 Net Surplus		Net Change
Primary Schools	1,712,044	1,526,032		-186,012
Secondary Schools	909,282	656,629		-252,653
Special Schools	58,414	15,471		-42,943
Pre School Units - Note 1	80,367	73,538		-6,829
Plockton School of Trad. Music	9,527	-6,626		-16,153
Overall Total	2,769,635	2,265,044		-504,591

EDUCATION, CULTURE & SPORT REVENUE MONITORING REPORT

Jun-13	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Primary Education DSM	10,436	52,558	52,558	0
Secondary Education DSM	15,702	67,598	67,598	0
Special Education DSM	834	3,443	3,443	0
Nursery Education DSM	1,121	4,516	4,516	0
TOTAL DSM	28,093	128,115	128,115	0
Schools General	434	5,142	5,346	204
Learning & Teaching	699	3,019	3,019	0
Class Contact Reduction	768	3,286	3,251	(35)
PPP	4,265	25,222	25,222	0
Additional Support Needs	5,366	21,361	21,589	229
Hostels	215	1,017	940	(77)
Transport	1,940	13,437	13,437	0
Management Team	303	1,205	1,097	(108)
Pan Service	1,031	2,441	2,454	13
Resources Teams	330	1,945	1,822	(123)
Catering, Cleaning & Facilities Management	2,622	10,223	10,421	198
Client Manager & Retained Activities	103	1,713	1,680	(33)
HLH Management Fee	(103)	14,474	14,474	0
Grant & Management Fees	1,471	3,313	3,313	0
Gaelic	(818)	(247)	(247)	0
TOTAL NON DSM	18,627	107,553	107,821	268
OVERALL TOTAL	46,720	235,669	235,937	268
BY SUBJECTIVE				
Staff Costs	39,054	159,968	159,788	(180)
Other Costs	10,236	85,746	85,932	186
Gross Expenditure	49,290	245,714	245,720	6
Grants	(1,176)	(3,019)	(3,003)	16
Other Income	(1,394)	(7,027)	(6,781)	246
Total Income	(2,570)	(10,046)	(9,784)	262
NET TOTAL	46,720	235,669	235,937	268

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Summary of 2013/14 Savings Measures
Education, Culture & Sport
Jun-13

APPENDIX 4

			Savings	
Ref.	Activity Heading	Savings Proposal	2013/14 £m	SAVINGS ACHIEVED
1	Primary Devolved	Utilities - positive impact of bio-mass boilers and improved efficiency of existing heating systems, leading to lower energy costs	0.198	0.051
2	Secondary Devolved	Utilities - positive impact of bio-mass boilers and improved efficiency of existing heating systems, leading to lower energy costs	0.165	0.042
3	Schools General	Nursery non devolved - remove unused budget	0.003	0.003
4	Schools General	Parent Council - realign budget for administrative support to expenditure	0.025	0.025
5	Schools General	Conclusion of Service Development Project Fund and PPP transitional sports pitch funding at Dingwall Academy and Millburn Academy, as projects complete	0.029	0.029
6	Schools General	Student placement scheme - realign budget based on recent expenditure trend.	0.020	0.020
7	Vehicles	Replacement schedule for vehicles based on out-right purchase via Capital, leading to cost savings	0.080	0.025
8	PPP	A saving of £0.030M from 2013 onwards in relation to flexible use hours.	0.030	0.030
9	Schools General	Savings from efficiencies relating to changed service delivery arrangements for training.	0.015	0.015
11	Schools General	Gifted Children Bursaries - discontinue scheme based on uptake. Future applications would still be considered on an exceptional basis on merit.	0.032	0.032
12	Schools Lets	Reduce costs including overtime and increase income from school lets	0.100	0.040
13	CLL	Reduce budget for independent museum support, including removal of 0.2 FTE vacant post	0.008	0.008
14	Gaelic Culture	Reduce budget for Gaelic grants by 3% per annum. No impact on Adult Gaelic Education budget	0.006	0.006
15	Grants and Management Fees	Reduce Community Facility Grant budget by 3% per annum, with 13/14 savings implemented 1 August	0.005	0.005
16	Primary Devolved	Mothballing schools where low rolls give rise to concerns re educational and social opportunities.	0.100	0.050
17	Devolved budgets	Supply Cover - further impact of revised terms and conditions	0.133	0.000
19	Hostels	Saving for 2013/14 to be achieved by reducing operational budgets (training, equipment, bedding, furnishings etc) in all Hostels. Saving for 2014/15 to be achieved by cost reduction target of 10% including staffing.	0.040	0.040
20	Schools General	In consultation with the Housing and Property Service realign the budget for the Skye handyman with the current level of service provision.	0.013	0.013
21	Special Devolved	Revised staffing formulae to introduce reduction equivalent to 3% with effect from August 2013.	0.064	0.000
22	Schools General	SOA recharge contingency no longer required based on recent expenditure trend	0.042	0.042
23	School Transport	For those routes with significant unit costs, identify where alternative provision could be made including consolidation of routes.	0.100	0.100
24	Absence Management	Reduce absence rate by providing increased support for staff through closer liaison with Personnel service, Occupational Health and Employee Development Unit.	0.050	0.000
26	Resource Management	Restructure resource management structures and related operational budgets in line with future business needs	0.208	0.208
27	School Transport	Introduce charging for those pupils not entitled to transport provision	0.080	0.080
28	Curriculum Support	Align Determined to Succeed budget with future need. The budget to be targeted at specific areas of activity.	0.145	0.145
29	Curriculum Support	Align Learning & Teaching budget with projected future need.	0.040	0.040
30	CLL	Reduce the repairs and maintenance budget by 20%	0.026	0.026
36	Grants and Management Fees	Reduce grants to Eden Court and Inverness Leisure by 3% per annum with effect from April 2013.	0.047	0.047
37	Income generation	Income generation through targeted sponsorship arrangements between schools and local companies to be explored, with links to employability opportunities for pupils where possible e.g. the sustainable energy industry	0.025	0.000
38	High Life Highland	Target of 3% pa efficiency for Highlife Highland funding arrangement	0.385	0.385
41	Secondary Devolved	A 1% efficiency saving from secondary staffing through changes to the staffing formula. This saving can be achieved without detrimental impact on the national teacher numbers agreement.	0.350	0.350
42	Cleaning	A 2% p.a. efficiency saving target for the building cleaning budget. To be achieved on a managed basis through vacancies/turnover of staff	0.060	0.060

	2.624	1.917
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0.183	0.000
0.912	0.388
1.529	1.529
2.624	1.917