

The Highland Council
ADULT & CHILDREN SERVICES COMMITTEE

25 September 2013

Agenda Item	6i.
Report No	ACS/84/13

Revenue Budget - budget monitoring position as at 31st July 2013 and year-end outlook

Report by Director of Education, Culture and Sport Service

Summary

This report sets out the Revenue Budget monitoring position for the 4 months to 31st July 2013 and the year-end outlook position.

1.0 BACKGROUND

- 1.1 **Appendix 1** contains details of net expenditure for the 4 month period until 31st July 2013 and the related year-end estimated outturn position for each sector. The current year-end estimated position is a projected over-spend totalling £0.855M. However, further management actions are being progressed which may reduce this figure by a further £0.200M.
- 1.2 Section two of the report provides commentary on the underlying issues that contribute towards
- 1.3 Section three of the report outlines proposed management actions that will at least mitigate the projected over-spend position and are already reflected within the July monitoring statement
- 1.4 Progress with the 2013/14 budget savings is outlined in section four of the report with the related details provided in **Appendix 2.**

2.0 ISSUES

- 2.1 The projected over-spend in the current financial year is attributable to the following sectors:

£M

- | | |
|----------------------------|-------|
| ○ Additional Support Needs | 0.921 |
| ○ School Transport | 0.456 |
| ○ Catering Cleaning & FM | 0.363 |

Additional Support Needs – as previously reported the pressures on this sector continue to grow. Staffing resources for pupils with identified needs are allocated to schools on the basis of pre-determined assessment criteria which recognise the specific needs of the pupil and also existing staffing resources available within the school. In addition, Area Education Managers and the Principal Officer Additional Support Needs & Early Education, regularly review the deployment of existing staffing resources when faced with demands for additional resources. At a

strategic level a review of Additional Support Needs is currently being progressed. The related details of timescales and the review methodology were reported to the August Adult & Children Services Committee. In the interim, until this review produces recommendations on the strategic direction for Additional Support Needs provision, there is a need to establish and quantify the level of resource required to adequately provide for existing demands. On this basis the Area Education Managers have been asked to quantify the level of resource required from April 2014 taking into account any additional needs likely to enter the education system from August 2014.

2.3 School Transport – as reported to the previous Adult & Children Services Committee the underlying pressure relating to school transport is attributable to increased costs associated with public service routes. The following courses of action are currently being pursued to mitigate the impact of these increased costs on the ECS Revenue Budget, namely:

- Identifying alternative school transport provision, for example uses of school minibuses driven by school staff and, where available, use of community-owned and operated vehicles;
- TEC Services assuming responsibility for the day-to-day management and deployment of the Sutherland School Transport fleet of coaches and minibuses in order to achieve better value and a more efficient deployment of vehicles;
- Introducing alternative transport provision, for example the use of trains where appropriate;
- Reviewing the basis on which shared public service routes are allocated to the ECS Service.

The above actions require a dedicated resource in order to oversee the actions required. It is proposed that options for funding a dedicated resource to deliver efficiencies in the deployment of school transport are progressed in conjunction with the Director of TEC Services.

2.4 School Catering – the impact of increased food costs, the Council's food sourcing strategy and the loss of income associated with non-schools catering have resulted in this budget heading being faced with significant on-going pressures. The challenges facing this budget are significant and it is proposed that consideration be given to a twin-track strategy that quantifies the additional costs associated with sourcing foodstuffs locally and also establishing the net cost of providing a school meals service on a school-by-school basis. This work will progress at a pace during the autumn with further updates and recommendations to the November Adult & Children Services Committee and thereafter during 2014.

2.5 School absence cover – a budget pressure that emerged towards the end of last financial year related to the level of budget top-up required to school devolved budgets across the board. The current policy is that budget top-ups are provided where individual school expenditure on absence cover on long term illness and maternity cover exceeds predetermined thresholds. Reviewing the relationship between the centrally-held budget available and the demand for additional funding at last financial year-end the level of top-up required was £0.817M against a budget totalling £0.582M, thereby resulting in an over-spend totalling £0.235M. If

this expenditure level is maintained in the current financial year then there is the prospect of a similar level of budget pressure.

- 2.6 **Devolved school budgets** – at the end of each school year devolved school budgets are adjusted in accordance with the current devolved school management policy. For example, where a school has a deficit in excess of 3% of its devolved budget it is entitled to a budget top-up to return it to the 3% deficit figure. Conversely, where a school has a deficit in excess of 5% of its devolved budget the budget is reduced to ensure that the surplus carried forward does not exceed a 5% surplus figure. In recent years the level of budgets returned has exceeded the additional funding allocated. However, a risk remains that there is the potential for an adverse impact in relation to this at the year end. In the interim devolved budgets will be closely scrutinised to avoid this situation arising.

3.0 OTHER PROPOSED MANAGEMENT ACTIONS

- 3.1 In recognition of the urgent requirement to off-set the above budget pressures an instruction has been issued by the Director that only essential expenditure should be incurred and, wherever possible without impacting on front-line service delivery and any health, safety and well-being issues filling of vacant posts should be delayed.
- 3.2 The largest discretionary budget heading is the non-devolved repairs and maintenance budget where it is agreed in the short term that only essential expenditure relating to health and safety issues will be incurred. A saving of £0.400M has been assumed from this budget heading, although there are risks associated with the delivery of the total figure.
- 3.3 Management actions to identify compensatory savings will continue throughout the financial year to ensure that every effort is made to deliver a balanced budget by the end of the financial year. This includes progressing an exercise to establish the difference between the net additional cost of employing probationer teachers for academic year 2013/14 and the level of funding support for this purpose provided by the Scottish government. Confirmation is awaited over the actual level of Scottish Government funding to support probationer teachers. It is expected that the level of funding will exceed the Council's direct costs. If this is the case then a report will be prepared for FHR Committee to consider the allocation of surplus funds to help address the budget position.

4.0 BUDGET SAVINGS 2013-14 – PROGRESS REPORT

- 4.1 **Appendix 2** provides details of the savings achieved to date, including a risk analysis relating to the relative deliverability of each savings target.
- 4.2 The updated RAG analysis indicates that the following financial values reside within each category:
- Red - £0.183M – it is unlikely that any savings will be achieved and therefore alternative savings will have to be identified;
 - Amber - £0.385M – it is likely that savings will be partially achieved and the figure achievable has been included within the analysis;

- Green - £2.056M – the budget saving has been achieved in full and the amounts in question have been removed from the appropriate budget headings.

5.0 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.

6.0 RECOMMENDATIONS

6.1 The Committee is asked to:-

- Note the current year-end position and the management actions identified so far to partially off-set the known budget pressures;
- Note the actions being progressed in relation to the Additional Support Needs budget;
- Agree that options for funding a dedicated resource to deliver efficiencies in the deployment of school transport are progressed in conjunction with the Director of TEC Services;
- Note the actions being progressed in relation to School Catering, in particular the analysis of the net cost of school meal provision on a school-by-school basis;
- Note the progress being made with achievement of budget savings in the current financial year.

Designation: Director of Education, Culture and Sport

Date: 16th September 2013

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

Background Papers:

Appendix 1 – The Revenue Budget monitoring statement for the 4 months to 31st July 2013.

Appendix 2 – Progress report with the achievement of the 2013/14 savings targets.

EDUCATION, CULTURE & SPORT REVENUE MONITORING REPORT

Jul-13	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Primary Education DSM	14,586	52,991	52,991	0
Secondary Education DSM	20,933	68,129	68,129	0
Special Education DSM	1,109	3,457	3,457	0
Nursery Education DSM	1,529	4,516	4,516	0
TOTAL DSM	38,157	129,094	129,094	0
Schools General	570	3,681	3,405	(276)
Learning & Teaching	792	2,958	2,958	0
Class Contact Reduction	1,061	3,286	3,235	(51)
PPP	6,291	25,336	25,361	25
Additional Support Needs	7,222	21,361	22,282	921
Hostels	289	1,001	949	(52)
Transport	3,039	13,437	13,893	456
Management Team	405	1,198	1,174	(24)
Pan Service	1,171	2,441	2,502	61
Resources Teams	476	2,028	1,551	(477)
Catering, Cleaning & Facilities Management	3,612	10,222	10,585	363
Client Manager & Retained Activities	182	1,884	1,834	(50)
HLH Management Fee	(103)	14,637	14,637	0
Grant & Management Fees	1,529	3,403	3,363	(40)
Gaelic	(775)	(247)	(247)	0
TOTAL NON DSM	25,761	106,626	107,481	855
OVERALL TOTAL	63,918	235,721	236,575	855
	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY SUBJECTIVE				
Staff Costs	52,545	160,154	160,871	717
Other Costs	14,261	85,701	85,633	(69)
Gross Expenditure	66,805	245,855	246,504	648
Grants	(1,251)	(3,087)	(3,089)	(2)
Other Income	(1,637)	(7,047)	(6,839)	208
Total Income	(2,888)	(10,134)	(9,928)	206
NET TOTAL	63,918	235,721	236,575	855

Ref.	Activity Heading	Savings Proposal	Savings	
			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	0.198
2	Secondary Devolved	Utilities - positive impact of bio-mass boilers and improved efficiency of existing heating systems, leading to lower energy costs	0.165	0.165
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	0.100
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 saving 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	0.064
22	Schools General	SQA 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	0.000
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	0.025
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	2.156
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0.183	0.000
0.385	0.100
2.056	2.056

2.624

2.156