

**The Highland Council**  
**ADULT & CHILDREN SERVICES COMMITTEE**  
**13 November 2013**

Agenda Item	5i.
Report No	ACS/95/13

**Revenue Budget - budget monitoring position as at 30<sup>th</sup> September 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 6 months to 30<sup>th</sup> September 2013 and the year-end outlook position.

**1.0 BACKGROUND**

- 1.1 **Appendix 1** contains details of net expenditure for the 6 month period until 30<sup>th</sup> September 2013 and the related year-end estimated outturn position for each sector. The current year-end estimated position is a projected over-spend totalling £0.737M (the corresponding figure reported to September Committee was an over-spend totalling £0.855M). Further management actions are being progressed which may reduce this figure during the second half of the financial year. This will involve reviewing all Service budgets, including schools, to identify what opportunities are available
- 1.2 Section two of the report provides commentary on the underlying issues that contribute towards the projected over-spend.
- 1.3 Section three of the report outlines proposed management actions that will at least mitigate the projected position and are already reflected within the September 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( projected pressures in excess of £0.100M):

	£M
○ Additional Support Needs	0.946
○ School Transport	0.446
○ Catering Cleaning & FM	0.440

**Additional Support Needs** – the underlying reasons for the projected over-spend have been previously reported. On the basis that the projected figure has not

varied significantly from the corresponding figure reported to the September Committee it is fair to conclude that all known pressures have been identified. On this basis the only additional pressures that could emerge during the second half of the financial year would be as a result of inward migration or a change in the assessed condition of an existing pupil. Discussions are on-going within the Service to identify the levels of need from the start of next academic year which in turn will enable the corresponding levels of funding to be identified at an early stage in the 2014/15 Revenue Budget setting process.

- 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. In order to off-set these increases a strategy is being pursued that identifies alternative more cost effective transport options which can be implemented to replace existing provision. In order to deliver efficiencies of the magnitude required a dedicated resource will be allocated to the Transport Co-ordination Unit to ensure that the appropriate capacity is available. Alternative provision may include utilising existing transport within the Council and/or partnership arrangements with local community transport organisations
- 2.4 **School Catering** – the projected over-spend has increased by 20% since the previous Committee in September. The main contributory factor is an increase of 12% in the price of butcher meat from 30<sup>th</sup> September 2013. The net cost of service provision on a school by school basis will be available by mid-December and this information will be made available to Committee Members at that time.
- 2.5 The following factors have to be taken into account when considering factors which may influence the final year-end position:-
- There are no further demands on the ASN budget
  - The devolved budget refresh based on the September 2013 school census data, due to be completed by the end of November 2013, is in accordance with budgeted expectations;
  - The Supply Cover top-up figure assumed in the September monitoring will be exceeded by the year-end;
  - A severe winter will result in the expenditure on snow clearing and gritting being significantly higher than the figures anticipated (to be funded from the Repairs & Maintenance budget)
- 2.6 Looking forward to next financial year, it is now apparent that the underlying budget pressures relating to ASN, School Transport and Catering will continue for the foreseeable future. This combined total budget pressure is approximately £2.0M. It is important therefore at this stage to highlight this issue in order that rectification options can be considered as part of the 2014/15 Revenue Budget setting exercise.

### **3.0 PROPOSED MANAGEMENT ACTIONS**

- 3.1 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. An indication of the level of the Scottish Government funding to support probationer teachers has now been received. The likely level of funding to be received will exceed the Council's direct costs. Previous expectations assumed that surplus funds would total £0.300M. It is now estimated that this figure will be £0.990M. When a confirmed final figure is available a report will be prepared for FHR Committee to consider the allocation of surplus funds to help address the budget position. However, in the interim it has been agreed with the Director of Finance that the £0.990M surplus funding has been included within the Schools General line in the September monitoring statement.

- 3.2 During the course of November discussions will take place with all budget holders in order to identify where further short-term measures to delay expenditure can be implemented in recognition of the magnitude of the budget pressures that the Service has to address for the foreseeable future. These discussions will include representation from the Head Teachers Executive Group.

#### **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 and the commitment to continue with the identification of further savings;
- Note the concerns re the underlying budget pressures attributable to Additional Support Needs, School Transport and School Catering and the need to address those as part of the 2014/15 Revenue Budget setting exercise;
- Note the progress being made with achievement of budget savings in the current financial year.

Designation: Director of Education, Culture and Sport

Date: 4<sup>th</sup> November 2013

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

### **Background Papers:**

**Appendix 1** – The Revenue Budget monitoring statement for the 6 months to 30<sup>th</sup> September 2013.

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

## EDUCATION, CULTURE &amp; SPORT REVENUE MONITORING REPORT

Sep-14	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
<b>BY ACTIVITY</b>				
Primary Education DSM	25,208	53,033	53,033	0
Secondary Education DSM	33,782	68,201	68,201	0
Special Education DSM	1,650	3,457	3,457	0
Nursery Education DSM	2,257	4,516	4,516	0
<b>TOTAL DSM</b>	<b>62,896</b>	<b>129,207</b>	<b>129,207</b>	<b>0</b>
Schools General	873	3,374	2,792	(582)
Learning & Teaching	1,789	3,284	3,256	(27)
Class Contact Reduction	1,557	3,286	3,244	(41)
PPP	10,333	25,336	25,361	25
Additional Support Needs	10,762	21,361	22,307	946
Hostels	433	1,001	940	(60)
Transport	3,711	13,423	13,869	446
Management Team	627	1,227	1,237	10
Pan Service	1,375	2,441	2,526	84
Resources Teams	944	2,004	1,592	(412)
Catering, Cleaning & Facilities Management	5,418	10,255	10,695	440
Client Manager & Retained Activities	487	1,884	1,834	(50)
HLH Management Fee	7,270	14,637	14,637	0
Grant & Management Fees	1,589	3,403	3,363	(40)
Gaelic	(756)	(247)	(247)	0
<b>TOTAL NON DSM</b>	<b>46,413</b>	<b>106,669</b>	<b>107,407</b>	<b>737</b>
<b>OVERALL TOTAL</b>	<b>109,309</b>	<b>235,876</b>	<b>236,614</b>	<b>737</b>
	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
<b>BY SUBJECTIVE</b>				
Staff Costs	78,392	160,553	161,179	626
Other Costs	35,469	85,781	85,948	167
<b>Gross Expenditure</b>	<b>113,861</b>	<b>246,333</b>	<b>247,127</b>	<b>794</b>
Grants	(1,981)	(3,410)	(3,662)	(252)
Other Income	(2,570)	(7,047)	(6,851)	196
<b>Total Income</b>	<b>(4,551)</b>	<b>(10,457)</b>	<b>(10,513)</b>	<b>(56)</b>
<b>NET TOTAL</b>	<b>109,309</b>	<b>235,876</b>	<b>236,614</b>	<b>737</b>

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

	<b>2.624</b>	<b>2.156</b>
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0.183	0.000
0.385	0.100
2.056	2.056

**2.624** **2.156**