

# **WEST DUNBARTONSHIRE COUNCIL**

## **Report by the Executive Director of Educational Services**

**Council: 27 January 2010**

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**Subject: Educational Services: Current Financial Position and Projected Out-turn for 2009/10**

### **1. Purpose**

- 1.1** This report provides Members with an update on the department's current financial position and projected out-turn for 2009/10.
- 1.2** This report also informs members of the action plan in place for this year and future years which will address the projected overspend.

### **2. Background**

- 2.1** A report entitled "2009-10 Revenue Estimates – Budgetary Control Report for the Period 1 April 2009 to 15 November 2009" was submitted to the Education and Lifelong Learning Committee on 13 January 2010. The Committee instructed that a report providing an updated financial position and projected out-turn should be submitted to the Council meeting of 27 January 2010. The Committee further instructed that the report include an action plan detailing the steps to be taken by the department to address the current year overspend.
- 2.2** This report covers the period from 1 April 2009 to 31 March 2010.

### **3. Main Issues**

- 3.1** The original departmental budget for 2009/10 was £91,883,160. This has now been adjusted to £91,312,110 to take into account the departmental share of management savings allocated. The projected out-turn is £92,625,010. This means that there is an overall adverse variance of £1,312,900 or 1.44% of the current budget.
- 3.2** The updated financial position to 15 December 2009 is currently in line with probable outturn. The position as at 15 January 2010 has still to be finalised and will be reported to Council 24 February 2010.
- 3.3** The most significant projected variances by service area are as follows:

#### Schools Primary - £530k Adverse

This adverse variance is mainly due to higher than anticipated cover costs (due to levels of sick leave and maternity leave) and higher than anticipated

utility costs (due to charges paid in 2009/10 for usage in 2008/9 being more than recharged into the old year).

#### Schools – Secondary - £447k Adverse

This adverse variance is mainly due to higher than anticipated cover costs (due to levels of sick leave and maternity leave) and school meal income being less than that budgeted (due to demand for school meals by pupils having reduced, a situation which is currently being reviewed). Grant income is also less than originally anticipated, particularly with regard to ring-fenced grants under Determined to Succeed.

#### Schools - Special - £438k Adverse

This adverse variance is mainly due to the number of residential places being greater than anticipated in the budget. An average of 1.5 placements has been budgeted for. However, there are currently 4 placements. The length of these placements can vary.

Cover costs are also higher than anticipated due to an increase in long term sickness and maternity leave.

#### Community Learning and Development - £71k Favourable

This favourable variance is mainly due to vacancies.

#### Miscellaneous - £82k Adverse

This adverse variance is due to higher than anticipated spend on equipment and apparatus, which benefits budget lines within other service headings. Miscellaneous also includes prior year savings targets awaiting allocation to individual services. Some of these savings targets have not been achieved in the current year. These adverse variances have been partially offset by a further allocation to capital within the Schools Regeneration Team and by savings in Hungry for Success and Schools Regeneration.

#### Pre-five Service - £61k Favourable

This favourable variance is mainly due to general savings within supplies and services.

#### Cultural Section - £87k Favourable

This favourable variance is mainly due to vacancies.

### **3.4 PPP Sinking Fund**

The sinking fund is used to smooth the costs of the unitary charge over the lifetime of the PPP contract. The initial annual allocation of these receipts into revenue was based on assumptions made during the build up of the PPP contract. This included pupil rolls (affecting staff numbers, DMR budgets etc),

inflation and current burdens such as energy and NDR costs. During 2009/10 not all the original assumptions regarding likely savings levels materialised. Thus, in order to smooth the cost of the PPP contract, additional sums have been allocated from the sinking fund to revenue in 2009/10. An additional allocation from the sinking fund has also been assumed in 2010/11. Action requires to be taken prior to 2011/12 in order to identify sources which will fund this shortfall going forward. The remaining balance in the sinking fund has been assessed as adequate to cover the smoothing process for the outstanding life of the PPP contract.

### **3.5 Actions Taken to Minimise Overspend – Current Year**

Management has implemented some short term measures which, together with the recent increase in sales, fees and charges should help to minimise any overspend by the end of the financial year. In line with Council policy, the actions below have been implemented and as such the probable outturn assumes these will deliver the targeted savings level for Education of £0.477m. This target has been allocated to particular spending lines throughout the Educational Services budget. However, it is felt that reviewing priorities and spending requests elsewhere in the budget could result in further savings, the extent of which is still under evaluation; a verbal update on this matter will be available at the Council meeting. Savings will be achieved by a range of means which are detailed below.

- 3.5.1** A strict spending freeze has been implemented. All orders for supplies, services and admin costs must be justified prior to approval by the appropriate Head of Service before they can be ordered.
- 3.5.2** A freeze has been imposed on the filling of all non teaching vacancies unless these are considered to be essential posts.
- 3.5.3** Some permanent teaching posts have also been frozen or filled on a temporary basis pending decisions to be made at the budget setting Council meeting on 28 January 2010.
- 3.5.4** At present the current Scheme of Delegation policy allows an element of the annual funding not spent in year to be available to schools in future years. The DMR processes are under review and may be amended, limiting the funding carried forward by each school and allocating any net underspend to the educational year end position.

### **3.6 Action Taken to Secure Financial Position in Future Years**

The departmental action plan in place to secure the financial position in future years is detailed in the following paragraphs. Some of these are ongoing actions and others are new.

- 3.6.1** The budget for special schools has been increased to reflect current burden levels to address the high charges being incurred from residential schools.

- 3.6.2** Utility costs and school meal income budgets have also been reviewed and amended to take account of probable prices and current usage.
- 3.6.3** Overall, cover budgets have been increased for 2010/11. A more detailed monitoring system has been developed and introduced to allow earlier identification of cover projections to allow immediate action where appropriate.
- 3.6.4** A representative of Corporate Finance, together with the department's Section Head Finance will attend departmental senior management team meetings on a regular basis to scrutinise the budget. This will ensure that any adverse budgetary concerns can be raised and addressed in a timely manner.
- 3.6.5** The Head of Service (Resources) and Section Head Finance will meet on a regular basis with budget holders and school AFAs to closely scrutinise and discuss all in-year expenditure. This system of regular communication to schools and other educational service managers will be developed to ensure that it is clearer, more specific, more detailed and covers the overall education budgetary position.
- 3.6.6** Head of Service Resources and Section Head Finance will work with budget holders to review and develop user needs to allow services to adopt more efficient use of resources incorporating best practice identified both within and outwith the council.
- 3.6.7** The scheme of delegation to schools is currently under review and will be amended as necessary in order to match more closely the requirements of the financial management of schools. Consideration will be given to an introduction of a phasing of expenditure in schools to allow a greater degree of central control over school budgets.
- 3.6.8** Spend will be more clearly defined in budget lines with fewer ad hoc and generic budget lines. This will facilitate clearer and more detailed budget monitoring.

#### **4. Personnel Issues**

- 4.1** There are no personnel issues.

#### **5. Financial Implications**

- 5.1** The overall adverse variance as reported suggests that net expenditure is going to exceed budget. Details are provided in Appendix 1.
- 5.2** However, management action where possible will be taken to help reduce this projected overspend.
- 5.3** The aim, as always, will be to minimise any adverse variance and to ensure spend is within the Council's budget as agreed by Members.

## **6. Risk Analysis**

- 6.1** The actions detailed in this report will ensure stricter monitoring of the revenue budget thereby allowing any potential adverse variances to be more efficiently identified at the earliest possible stage in order that appropriate management action can be taken to reduce any financial risk.

## **7. Conclusions and Officers' Recommendations**

- 7.1** The report has compared year to date expenditure and income with the approved budget to date, for Educational Services.
- 7.2** As stated at 3.1 there is an overall adverse variance of £1,312,900 or 1.44% of the budget to date. Actions to minimise this overspend and to ensure that similar situations do not occur in future years are detailed in sections 3.5 and 3.6 of this report.
- 7.3** Members are asked to note the contents of this report.

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**Appendices:** Appendix 1: Revenue Estimates Summary 2009/10

**Background papers** Report to Education and Lifelong Committee 13 January 2010 "2009-10 revenue Estimates – Budgetary Control Report for the Period 1 April 2009 to 15 November 2009"

**Wards Affected:** All Wards