

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Educational Services

Council: 24 March 2010

Subject: Educational Services: Budgetary Control Issues 2009/10

1. Purpose

- 1.1** This report provides Members with the current financial issues facing Educational Services and the action plans in place to minimise the risk of the current overspend happening in future years.

2. Background

- 2.1** A report entitled "Educational Services: Current Financial Position and Projected Out-turn for 2009/10" was submitted to Council on 27 January 2010. Council instructed that a further report be submitted to March Council at the latest outlining how the situation occurred in the first instance. The report should also provide details of the financial checks implemented by the department to ensure that the situation does not recur in the future.

3. Main Issues

- 3.1** The Executive Director of Educational Services gave a verbal update to Members at the Council of 27 January 2010 advising that, of the £1,312,900 projected overspend (1.44% of budget) the department expected to claw back around £300,000 prior to the year end through the measures that had been adopted immediately following identification of the extent of the estimated overspend.
- 3.2** The updated financial position to 15 February 2010 is that £270,000 of the £300,000 claw back has already been achieved and it is anticipated that the full £300k saving will be realised. Within this estimate is the teachers' absence cover line. Whilst the Council's Maximising Attendance policy is being closely adhered to, the budget line for teaching cover remains reactive and so expenditure on this line can fluctuate greatly on a monthly basis. The current estimate for cover is based on previous years' spend profile, whilst also taking into account this years spending pattern. From this there could potentially be a further saving of £50,000.
- 3.3** Following scrutiny of various budget lines within the Miscellaneous mainhead the anticipated expenditure on certain lines is expected to be less than previously reported and this could result in a further saving of up to £225,000 by year end, thereby reducing the overall estimated adverse variance from £1,312,900 to around £737,900 (0.81% of the department's budget).

- 3.4** The above estimates and adjustments should be viewed in the knowledge that there are a number of variable factors which could arise between now and 31 March and which could further affect the year end results. This position is being closely monitored by the department.

3.5 How the Problems Arose

- 3.5.1** Whilst it is acknowledged that responsibility of the situation remains with the Executive Director, it should be recognised that a major contributory factor to the current position is the fact that in the past three years there has been a large turnover of staff at Section Head level within the finance section. There have also been staff changes and restructuring at Senior Management level. Quality of information shared during these transitional periods has created some difficulty in understanding how certain budget lines had been established. In addition to this a change to the Resource Management System (RMS), previously known as Delegated Management Resources (DMR), was implemented. Time and effort spent on implementation and understanding of the new system had to be integrated with the daily workload within the section.

- 3.5.2** Within the current budget setting there is a mainhead called “miscellaneous”. Within the miscellaneous mainhead there is also a cost centre called “miscellaneous”. This has caused problems as a range of non mainline budgets including previous years’ management savings have been held there with no overall responsibility lying with any one Head of Service within the department.

- 3.5.3** Other uncontrollable issues facing the department relate to unanticipated high costs in relation to special school placements outwith the Authority and Utility costs which have risen more steeply than anticipated across the Authority.

3.6 Financial checks implemented to ensure that the budget remains on line in future.

- 3.6.1** Monthly meetings are being undertaken involving the Executive Director, the Head of Service (Resources), Section Head (Finance) and a corporate finance manager. These meetings involve discussion on all financial matters and allow Corporate Finance to raise any issues or concerns that they may have. Formal notes are taken of meetings detailing any necessary actions and the notes are distributed to appropriate parties including the Chief Executive and the Head of Finance.

- 3.6.2** The Head of Service (Resources) and/or Section Head (Finance) will continue to meet regularly with budget holders and budget managers to discuss budgetary control matters.

- 3.6.3** The detail of the spending freeze from 1 April 2010 has already been cascaded to all staff including Head Teachers. All budget lines affected by the freeze will be closely monitored and should any problem areas arise then the appropriate budget holder(s) will report to the next budgetary control

meeting on the position, providing details of any necessary action required to mitigate any adverse variances.

- 3.6.4** The Head of Service (Resources) and/or Section Head (Finance) will meet with budget holders at the outset of the new financial year to agree on the expected monthly spend profile of each mainhead over 2010/2011.
- 3.6.5** The budget for 2010/2011 has been increased for Special Schools to meet the current higher level of demand.
- 3.6.6** Higher Utilities costs have been included in 2010/11 estimates to reflect current charging levels.
- 3.6.7** The miscellaneous mainhead will now only be used for ring fenced grants and will therefore no longer show unallocated estimates. All other budgets previously held within this mainhead have been allocated to the appropriate areas within the budget.
- 3.6.8** All management savings and spend freeze savings for 2010/11, apart from the £500,000 savings requirement from the Michael O'Neill restructure report, have been allocated to the appropriate mainheads within the budget.
- 3.6.9** Delegated Management of Resources (DMR) budgets will be downloaded to schools on a 6 monthly basis to allow closer monitoring of budgets to be undertaken and also to assist with identifying the spend freeze allocations that must be met within the first 6 months of the financial year.
- 3.6.10** The review of the scheme of delegation for non-teaching staff in schools is ongoing. It is anticipated that this review will assist with the financial management of the department.

4. Personnel Issues

- 4.1** There are no personnel issues.

5. Financial Implications

- 5.1** The overall favourable variance to probable as reported suggests that net expenditure is going to underspend on probable outturn. Details are provided in a separate report to Council.
- 5.2** Ongoing actions may result in an improved underspend although this cannot be fully identified until year end.
- 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. Equalities Impact

- 7.1** No significant issues were identified in a screening for potential equality impact of these measures.

8. Conclusions and Officers' Recommendations

- 8.1** The report has compared year to date expenditure and income with the approved budget to date, for Educational Services.
- 8.2** As stated at 3.2 and 3.3 above, Educational Services' anticipated adverse variance of £1,312,900 is now estimated to be around £737,900 (0.81% of the department's budget). This is due to the mitigating actions taken by the department and explained within this report.
- 8.3** Actions to minimise this overspend and to ensure that similar situations do not occur in future years are detailed in sections 3.4 and 3.5 of this report.
- 8.4** Members are asked to note the contents of this report.

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Appendices: None

Background papers 1. 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"

2. Report to Council 27 January 2010: "Educational Services: Current Financial Position and Projected Out-turn for 2009/10".

Wards Affected: All Wards