

**NORTH LANARKSHIRE COUNCIL  
REPORT**

To: ENVIRONMENTAL SERVICES COMMITTEE		Subject: REVENUE MONITORING REPORT CATERING TRADING ACCOUNT 1 APRIL – 24 JUNE 2011 (PERIOD 3)
From: EXECUTIVE DIRECTOR OF ENVIRONMENTAL SERVICES		
Date: 26 JULY 2011	Ref: PJ/GP/RC/DW/P3	

**1. Purpose of Report**

1.1. This report advises Committee of the Catering Trading Account's approved revenue budget for 2011-2012 and projected performance against this from 1<sup>st</sup> April to 24<sup>th</sup> June 2011. In line with existing Financial Regulations, details of year-to-date and projected outturn variations are explained.

**2. Approved Revenue Budget 2011-2012**

2.1. The Trading Account has a net Revenue Budgeted Surplus of £319,789 for this financial year. Whilst the 2011-2012 budget process recognised various budget pressures facing Services, it also resulted in the Catering Trading Account contributing around £823,000 towards the Council's approved 2011-2012 efficiency savings. Further details regarding this year's budget are available from appendix 1.

**3. Summary of Financial Position**

3.1. As at period 3 ending 24<sup>th</sup> June 2011, the Service is projecting a year-end surplus of £338,594, which is £18,805 higher than budget. This increased surplus is the re-allocation of the projected underspend of the Services' Directorate and Support function. This underspend is deemed to be out-with the Facility Support Services business managers' control and cannot be spent.

**4. Risks and Uncertainty**

4.1. As highlighted in the Revenue Budget 2011-2012 report of 10<sup>th</sup> February 2011, unprecedented levels of savings combined with the uncertainty surrounding the current economic climate make it extremely challenging to provide Services within existing budgetary provision. At this early stage of the financial year, there are currently no significant risks relating to the Catering Trading Account which are likely to impact upon the overall financial position of the service. This position will continue to be reviewed during the remainder of the financial year.

**5. Major Variations from Budget**

5.1. A summary of the major variances projected at year-end is outlined within table 1 below.

<i>Service</i>	<i>Outturn Position (£s)</i>	<i>Analysis</i>
Catering	338,594	£18,805 increased surplus

Table 1

5.2. The key points to note regarding the projected outturn position include:

5.2.1. Paid school meal uptake during periods 1 to 3 has shown a reduction in primary and secondary schools in comparison to the same period in 2010/11, although there is evidence of recovery in period 3 in secondary schools after a very disruptive pattern of holidays. With the introduction of a 10p per meal price increase in April 2011, the meal equivalent price is now 6% higher and, all things being equal, cash receipts now equate to fewer meal numbers. Secondary paid meal numbers have declined by 0.9% more than would have been expected by the meal equivalent price change alone. There are three potential factors to consider:

- The price increase having a negative impact on paid meal uptake;
- An extremely disruptive pattern of holidays causing trade drop-offs; and
- The impact of the exam programme on pupil numbers.

As this is still an early stage in the financial year, and a period when meal uptake tends to be lower than normal, it is difficult to predict the impact of each of these factors on trade to date and how the price increase will affect meal numbers when schools return in August. Based on the uptake for periods 1 to 3 alone, the net effect of the cash income reduction would be a £241,000 net shortfall against the full year budget. However, the service anticipates that meal numbers will show a recovery after schools return in August, and are currently projecting a net shortfall of £122,000 against the budget for school meals income. The service will continue to monitor income levels and will review labour costs to bring the overall spend in line with budget.

5.2.2. Food prices continue to rise, with the latest available national statistics showing an annual rise of 6.9% on food groups as at June 2011. As an example of how this impacts on the service, recently concluded contract negotiations between Scotland Excel and Brake Brothers Limited on frozen food items returned price increases that represent a potential annual increase of £46,000 based on current purchasing levels. This follows a previous negotiation by Scotland Excel in February 2011 on the same contract which had already added a potential £64,500 annual increase on prices. The service will continue to monitor price rises to determine the impact on service delivery. However, expenditure on food ingredients is currently projected to be lower than budget by £352,000 as a result of reduced activity within Social Work catering, civic and leisure catering, and school meal numbers being lower in the first quarter of the 2011/12 financial year.

5.2.3. Civic and leisure catering is showing a significant overspend due to reduced income. Overall, a net overspend of £195,000 is projected as a result of the re-opening of Motherwell Theatre not now scheduled till later in 2011, reduced cash income in staff restaurants following price increases, and function income being lower following restrictions on internal hospitality. In addition to this, the month of May had several periods of prolonged rain which had an adverse effect on country park income in comparison to the same period for 2010/11. The service has scheduled a review of performance based on the data available up to period 3 to determine the required action to address the overspend.

5.2.4. The Catering trading account incorporates a staff turnover requirement of £275,808, equivalent to 14.24 FTE. As at period 3, there are currently 18.62 FTE vacancies within the service, which can be considered management action, as stricter controls have been put on vacancies across the service. The potential gross saving associated with these vacancies for the year is £297,050 resulting in a surplus of £21,242. However, taking into account additional employee cost savings in line with a reduction in projected income, there is a current forecast underspend in employee costs of £329,453. It is anticipated that the service may be able to achieve an increased underspend against employee costs as the year progresses through the phased implementation of savings measures required to

deliver upon 2012/13 budgeted targets. The service will continue to monitor projected employee expenditure to identify savings as they arise.

## **6. Management Actions**

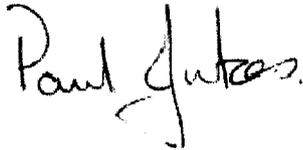
- 6.1. Management are continuing to monitor vacancy levels and assess the necessity for new appointments. Sickness absence levels are also being monitored in accordance with the Council's policy.
- 6.2. Management action is also being taken to ensure spend remains within budget, through maximising income and minimising non essential expenditure.

## **7. Financial Concurrence**

- 7.1. Prepared in accordance with the Scheme of Financial Delegation, the financial information contained within this report has been agreed with the Head of Financial Services.

## **8. Recommendations**

- 8.1. Members are asked to note the Service's approved 2011-2012 budget and projected performance against this as at 24<sup>th</sup> June 2011.



**PAUL JUKES**  
**EXECUTIVE DIRECTOR OF ENVIRONMENTAL SERVICE**

Local Government Access to Information Act: for further information about this report, please contact Robert Colquhoun, Business Service Manager, Finance & Technology Solutions 01236 632444.

NORTH LANARKSHIRE COUNCIL

CATERING TRADING ACCOUNT

FINANCIAL MONITORING REPORT - SUBJECTIVE ANALYSIS

1st APRIL 2011 - 24th June 2011 (PERIOD 3)

ENVIRONMENTAL SERVICES COMMITTEE

LINE NO. (1)	DESCRIPTION (2)	BUDGET TO DATE (3)	ACTUAL TO DATE (4)	YEAR TO DATE VARIANCES (5)	
		£	£	£	
1.	EMPLOYEE COSTS	2,108,871	2,121,467	(12,596)	Overspend
2.	PROPERTY COSTS	48,937	34,172	14,765	Underspend
3.	SUPPLIES & SERVICES	951,039	746,192	204,847	Underspend
4.	TRANSPORT & PLANT	147,139	21,480	125,659	Underspend
5.	ADMINISTRATION COSTS	469,930	464,370	5,560	Underspend
6.	PAYMENTS TO OTHER BODIES	5,975	0	5,975	Underspend
7.	REVENUE FINANCING COSTS	0	0	0	On Target
8.	CAPITAL FINANCING COSTS	4,787	0	4,787	Underspend
9.	OTHER COSTS	9,366	737	8,629	Underspend
10.	TOTAL EXPENDITURE	3,746,044	3,388,418	357,626	Underspend
11.	INCOME	3,345,122	3,112,349	(232,773)	Under-Recovery
12.	NET SURPLUS/(DEFICIT)	(400,922)	(276,069)	124,853	Increased Surplus

ANNUAL BUDGET (6)	PROJECTED OUTTURN (7)	PROJECTED OUTTURN VARIANCE (8)		% (9)	ANALYSIS (10)
£	£	£		%	
9,060,836	8,731,383	329,453	Underspend	4%	£16k underspend within Social Work catering due to reduced activity. £38k underspend within Civic and Leisure catering due to reduced activity. £275k saving against education catering due to controlling staffing levels in line with reduced income.
231,206	173,217	57,989	Underspend	25%	Reduced expenditure on cash uplifts.
4,943,313	4,562,692	380,621	Underspend	8%	£220k underspend against food and consumable purchases within Civic and Leisure catering in line with reduced income. £70k underspend on food purchases within Social Work catering due to reduced activity. £90k underspend on food and consumable purchases within education catering due to reduced income.
637,645	656,562	(18,917)	Overspend	-3%	Additional spend on hires projected.
2,421,529	2,410,638	10,891	Underspend	0%	
34,445	5,000	29,445	Underspend	85%	Reduced payments to school funds in line with lower income.
7,205	7,205	0	On Target	0%	
20,370	20,370	0	On Target	0%	
40,598	40,598	0	On Target	0%	
17,397,147	16,607,666	789,481	Underspend	5%	
17,716,936	16,946,260	(770,676)	Under-Recovery	-4%	School meal cash income lower than budget by £183k due to a fall in paid meal uptake following the 10p price rise implemented in April 2011 and a particularly disruptive trading pattern of school holidays. Function income within education catering units is projected to be lower than budget by £55k due to a reduction in internal demand. Social Work catering income projected to be lower by £79k due to reduced activity - directly related to expenditure incurred. Civic and Leisure income is lower by £453k due to the continued closure of Motherwell Theatre, a reduction in function income, a reduction in cash income in staff restaurants following price rises implemented in April 2011, and a reduction in function income.
319,789	338,594	18,805	Increased Surplus	6%	