

To: EDUCATION COMMITTEE		Subject: REVENUE BUDGET MONITORING REPORT Education, Youth and Communities
From: ASSISTANT CHIEF EXECUTIVE (EDUCATION, YOUTH AND COMMUNITIES)		
Date: 20 January 2017	Ref: IB/TOH	1 April to 6 January 2017 (Period 10)

1. Purpose of Report

- 1.1. This report provides a summary of Education, Youth and Communities financial performance for the period 1 April to 6 January 2017 (Period 10). The report illustrates the projected outturn as at 31 March 2017, with major outturn variances highlighted and explained per the Council's approved Financial Regulations.

2. Background

- 2.1. The Council's approved Financial Regulations require Assistant Chief Executives to remain within their approved budgetary provision, and to report all significant deviations - defined as the higher of £25,000 or 5% - within their budget monitoring reports. Where significant deviations are identified, Assistant Chief Executives must provide explanatory commentary, outline the action required to rectify such deviations and where relevant, must also highlight the impact this has on other budget headings.

3. Summary of Financial Position

- 3.1. The Council approved its General Fund Revenue Budget on 25 February 2016, of which £409.477m represented the approved Revenue Budget for the Service. The Service's net expenditure budget has since increased to reflect additional Scottish Government budget support for the 1+2 Languages strategy and probationer teachers, the annual realignment of Fleet Operations budgets and adjustments for services that transferred from the former Corporate Services.
- 3.2. Education, Youth and Communities is currently projecting an underspend, and will deliver a year-end surplus of £5.260m, representing a movement of £3.534m from the position reported at the previous Committee. This movement is primarily attributable to lower than anticipated demand for 2 year old childcare places, the curtailment of non-essential expenditure, additional Scottish Government support for the probationer teacher programme, synergies between core/grant funded activity, ongoing vacancy savings, lower than anticipated utility costs and lower than anticipated teacher pension costs. Paragraph four below and appendices one to five of this report further explain the significant budget variations contributing to this outturn position.
- 3.3. Education, Youth and Communities 2016/17 budget incorporates £13.461m of budget savings previously approved by the Council on 25 February 2016. The savings value achieved in the current financial year is £10.668m (79%). The current year shortfall is primarily linked to one-off timing delays during 2016/17 to ensure employees and trade unions were fully consulted during the implementation of staff savings. The Service is confident that the full savings value will be achieved in future years.

4. Analysis of Significant Variations

- 4.1. Education, Youth and Communities has a total employee cost budget of £270.611m with an underspend of £1.996m currently anticipated. The service is currently achieving its turnover requirement primarily as a result of vacancies within the Facility Support division. Employee budgets are analysed in greater detail below:-

- 4.1.1. Devolved Teaching Staff: The devolved teacher budget is £168.766m. Under the devolved management scheme, establishment posts within schools are fully funded and the budgets are delegated to headteacher management.
- 4.1.2. Devolved Support Staff: This includes administrative support staff, ASN assistants, classroom assistants and technicians. Staff are allocated to schools on the basis of an agreed formula or individual ASN needs. The overall budget is £44.346m. Within the devolved management scheme posts included within this grouping are fully funded and the salaries are delegated to headteacher management.
- 4.1.3. Staff not devolved to schools: This category includes Education HQ functions, Community Learning & Development posts, Facilities Support, Employability and Modern Apprentices. The aggregate budget of £57.499m equates to 1,634 FTE posts. Currently this area is experiencing a total turnover equivalent of 143.95 FTE, the vast majority of which are in Facility Support.

The anticipated underspend of £1.996m within employee costs is largely attributable to vacancies, low demand for 2 year old childcare places, lower teachers average salaries, additional Scottish Government support for the probationer teacher programme and lower than anticipated teacher retiral costs. The underspend is partially offset by the delay in achievement of staffing savings and increasing demand for ASN Assistants.
- 4.2. The Service anticipates an underspend of £1.734m in property costs following the release of funding set aside to support the fluctuation in school rolls, underspends associated with the phasing of repairs and maintenance works and trends showing lower than anticipated utility costs, which are partially offset by a timing delay in the achievement of property savings.
- 4.3. Following representation from Parent Council, Heads of Establishment and elected members the Service proposes an amendment to the DSM scheme whereby primary and special schools are allocated an additional £150 annually per establishment to further support the increasingly important role Parent Councils have in the life of their local school. The cost of this proposal (£19,950) will be funded from HQ resources that can be released following the stabilisation of pupil numbers in recent years.
- 4.4. Within Supplies and Services the phasing of anticipated maintenance costs for cashless meals systems and curtailment of non-essential expenditure results in an anticipated underspend of £0.104m. This is partially offset by higher food costs. The higher food costs are offset by income accruing from an increase in the number of paid meals.
- 4.5. Additional cost pressures associated with the primary 5 swimming programme have contributed to the anticipated overspend of £0.063m within Transport Costs. These costs are fully offset by management action within other budget headings.
- 4.6. Within Administration Costs the Service anticipates an underspend of £0.808m on HQ educational development budgets following the curtailment of non-essential expenditure and synergies with externally funded programmes.
- 4.7. Payments to Other Bodies are detailed in Appendix 3. These account for £16.005m of Education, Youth and Communities annual budget and are currently expected to outturn with an underspend of £0.125m. This is largely attributable to lower than anticipated contract costs for Speech and Language Therapy and the curtailment of non-essential expenditure which is partially offset by increased costs associated with the completion of PVG disclosure checks for staff and the partner payments for 2 year old childcare places. Additional grant fully supports the increased costs of childcare places.
- 4.8. A small underspend is currently projected within Other Expenditure of £0.059m mainly as a result of lower than anticipated HQ costs in Early Years development and strategy.
- 4.9. The Service anticipates an over-recovery of income of £0.356m as a result of higher volumes of paid meal income and maximisation of external grants. These are partially

offset by the reconciliation of European grant funding awards following the completion of programmes.

5. Earmarked and One-off Resources

5.1. In finalising the Council's draft accounts to 31 March 2016, Education, Youth and Communities was given approval to earmark £9.404m of resources to fund key projects and initiatives. The largest element of earmarked resources includes the schools carry forward and Youth Investment Programme. Since spend against earmarked resources is met from balance sheet funds, the totals shown within Appendix 4 are excluded from the anticipated outturn underspend of £5.260m.

6. 2016-2017 Budget Savings

6.1. Education, Youth and Communities uses a variety of information, records and processes to monitor achievement of its approved budget savings of £13.461m. As at Period 10 it anticipates £10.668m (79%) of its approved savings will be delivered by the financial year-end.

6.2. Appendix 5 provides further commentary regarding savings which have been partially achieved during 2016/17 and the short-term management actions being taken to address the resultant budget gaps. As highlighted in paragraph 3.3 above, the current year shortfall has been caused by one-off timing delays.

7. Management Actions

7.1. The service is taking a range of corrective management action to ensure it contains expenditure within its approved 2016/17 budget provision, including:

7.1.1. Vacancy management.

7.1.2. Creating efficiencies through use of grant/external funding.

7.1.3. Curtailment of non-essential expenditure.

7.1.4. Application of reserves and earmarked resources to offset cost pressures.

8. Risks and Uncertainty

8.1. All activities undertaken by the Council are subject to risk, and in acknowledging the Council's approved Risk Management Strategy (September 2012), Services manage these as part of their overall corporate and service planning processes. The current economic climate, in particular, has the potential to impact upon the Council's ability to provide quality services within approved budget levels.

8.2. Reflecting the risk analysis matrix included within the Risk Management Strategy, the Service is not aware of any specific risks which will have a significant impact on the forecast outturn position for the current financial year.

9. Financial Concurrence

9.1. This report has been prepared by service-based Financial Solutions personnel in consultation with budget managers, in accordance with the Financial Regulations.

10. Recommendations

10.1. The Education Committee is recommended to:

(i) Note the financial position of the Education, Youth and Communities revenue budget.

(ii) To approve a budget increase of £150 per annum for primary and special schools to reflect the key role of Parent Councils.

Isabelle Boyd

Assistant Chief Executive (Education, Youth and Communities)

Education, Youth and Communities
 Revenue Budget Monitoring Report - Objective Analysis
 1 April - 6 January 2017
 Period 10

DIVISION OF SERVICE (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	YEAR TO DATE VARIANCE (4)	ANNUAL BUDGET (5)	PROJECTED OUTTURN (6)	PROJECTED OUTTURN VARIANCE (7)	% (8)	PERIOD MOVEMENT (9)	ANALYSIS (10)
EARLY YEARS	£ 15,419,603	£ 15,419,603	£ 0	20,997,219	20,997,219	0	0.0%	0	Balanced Budget
PRIMARY SCHOOLS	94,332,533	94,332,533	0	130,148,914	130,148,914	0	0.0%	0	Balanced Budget
SECONDARY SCHOOLS	86,607,319	86,607,319	0	116,377,286	116,377,286	0	0.0%	0	Balanced Budget
SPECIAL SCHOOLS	11,961,969	11,961,969	0	16,880,929	16,880,929	0	0.0%	0	Balanced Budget
SKILLS, LIFELONG LEARNING & YOUTH EMPLOYMENT	30,632,094	30,618,598	13,496 FAV	47,964,771	47,964,771	0	0.0%	0	Underspends associated with the curtailment of non-essential expenditure, vacancy savings and an over recovery of income in relation to staffing secondments. This has been offset by additional sessional staffing costs within CLD, delay in achievement of savings and confirmation of final European grant allocations.
STANDARDS & INCLUSION	15,562,148	14,128,432	1,433,715 FAV	21,530,495	19,692,778	1,837,717 FAV	8.5%	1,641,244	Lower than anticipated demand for 2 year old early childcare places, curtailment of non-essential expenditure, secondment income and underspends associated with the additional grant support. These are partially offset by the delay in achievement of savings and increasing demand for ASN Assistants,
RESOURCE SOLUTIONS	34,815,577	33,016,724	1,798,852 FAV	57,366,138	53,944,300	3,421,838 FAV	6.0%	1,893,589	Underspends associated with the release of funding set aside to support fluctuations in the pupil roll, teacher average salary costs, lower than anticipated teacher pension lump sums, repairs, maintenance and utility costs across the estate and an over-recovery in paid meal income.
NET EXPENDITURE	289,331,243	286,085,178	3,246,064 FAV	411,265,752	406,006,197	5,259,555 FAV	1.3%	3,534,832	

FAV = Favourable variation, underspend etc

ADV = Adverse variation, overspend etc

Education, Youth and Communities
Revenue Budget Monitoring Report - Subjective Analysis
1 April - 6 January 2017
Period 10

CATEGORY (1)	BUDGET TO DATE (2) £	ACTUAL TO DATE (3) £	YEAR TO DATE VARIANCE (4) £		ANNUAL BUDGET (5)	PROJECTED OUTTURN (6)	PROJECTED OUTTURN VARIANCE (7)	% (8)	PERIOD MOVEMENT (9)	ANALYSIS (10)	
EMPLOYEE COSTS	198,980,557	197,487,489	1,493,069	FAV	270,611,486	268,615,058	1,996,428	FAV	0.7%	1,487,419	Lower than anticipated demand for 2 year old childcare places combined with reduced teaching average salaries, vacancy savings and reduced overtime, partially offset by overspends associated with the delay in the achievement of staffing savings, increasing demand for ASN Assistants and sessional staff within CLD.
PROPERTY COSTS	44,876,064	43,910,206	965,858	FAV	68,383,243	66,649,620	1,733,623	FAV	2.5%	799,101	Underspends associated with the release of funding set aside to support fluctuations in the pupil roll, anticipated slippage in repairs and maintenance works, utility costs and underspends from the curtailment of non-essential expenditure.
SUPPLIES & SERVICES	30,004,118	29,991,731	12,386	FAV	49,389,582	49,285,278	104,304	FAV	0.2%	328,362	Curtailment of non-essential expenditure and underspends associated with the phasing of anticipated maintenance costs for cashless meal systems are partially offset by the impact of delays in the achievement of savings and an overspend on food costs.
TRANSPORT & PLANT	9,329,676	9,367,489	(37,813)	ADV	13,078,931	13,141,622	(62,691)	ADV	(0.5%)	19,107	Additional cost pressures associated with the Primary 5 swimming programme. This is fully offset by management action within other budget headings.
ADMINISTRATION COSTS	3,503,647	2,888,747	614,900	FAV	10,452,421	9,644,620	807,801	FAV	7.7%	739,394	Underspends within educational development budgets following the curtailment of non-essential expenditure and within additional grant funding in support of Named Person legislation. These are partially offset by an increased overhead recharge within Facility Support Services
PAYMENTS TO OTHER BODIES	10,968,240	10,894,329	73,912	FAV	16,005,066	15,879,627	125,439	FAV	0.8%	76,151	Underspends associated with curtailment of non-essential expenditure and lower than anticipated contract costs for Speech and Language Therapy have been partially offset by increased cost to the service associated with PVG disclosure checks and partner payments for 2 year olds.
TRANSFER PAYMENTS	1,634,402	1,634,402	0		2,184,141	2,132,279	51,862	FAV	2.4%	51,862	Underspend in relation to reduced demand for clothing grants
CAPITAL FINANCING COSTS	18,526,906	18,526,906	0		29,505,053	29,505,053	0	0.0%	0		Balanced Budget
REVENUE FINANCING COSTS	0	0	0		7,205	7,205	0	0.0%	0		Balanced Budget
OTHER EXPENDITURE	1,774,456	1,688,363	86,092	FAV	7,649,828	7,503,074	146,754	FAV	1.9%	89,107	Underspend in the provision for nursery capacity changes within Early Years and curtailment of non-essential expenditure.
TOTAL EXPENDITURE	319,598,066	316,389,662	3,208,403	FAV	467,266,956	462,363,437	4,903,519	FAV	1.0%	3,590,504	
INCOME	30,266,823	30,304,484	37,661	FAV	56,001,204	56,357,240	356,036	FAV	0.6%	(55,672)	Synergies associated with grant funded programmes, over-recovery in paid meal income, staff secondment income and increased grant recovery for the modern apprentice programme are reconciliation of European grant funding awards following the completion of programmes.
NET EXPENDITURE	289,331,243	286,085,178	3,246,064	FAV	411,265,752	406,006,197	5,259,555	FAV	1.3%	3,534,832	

FAV = Favourable variation, underspend etc

ADV = Adverse variation, overspend, income under-recovery etc

Education, Youth and Communities
 Revenue Budget Monitoring Report - Payments to Other Bodies Analysis
 1 April - 6 January 2017
 Period 10

DESCRIPTION (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	YEAR TO DATE VARIANCES (4)		ANNUAL BUDGET (5)	PROJECTED OUTTURN (6)	PROJECTED OUTTURN VARIANCE (7)		% (8)	PERIOD MOVEMENT (9)	TYPICAL AREAS OF EXPENDITURE/ANALYSIS OF VARIATIONS (10)
	£	£	£		£	£	£				
Other CMMT of the Council	868,673	864,366	4,307	FAV	1,009,519	1,004,519	5,000	FAV	0.5%	5,000	Direct charges from other services within the Council . Minor variance.
Other Local Authorities	275,262	258,376	16,887	FAV	1,543,326	1,517,996	25,330	FAV	1.6%	0	Payments to other local authorities and partner organisations for provision of education to pupils with additional support needs and the primary school swimming programme. Minor underspend.
Scottish Qualification Authority	1,813,385	1,804,869	8,516	FAV	1,805,974	1,797,458	8,516	FAV	0.5%	662	Fees to the Scottish Qualification Authority for pupil exam entry. Minor variance.
Voluntary Organisations	2,022,027	2,020,527	1,500	FAV	2,139,326	2,137,826	1,500	FAV	0.1%	0	Community Learning & Development grants to community groups. Minor variance.
Private Contractors	2,493,596	2,440,629	52,967	FAV	4,596,986	4,526,363	70,623	FAV	1.5%	28,403	Payments to independent providers of education and speech / language therapy to pupils with additional support needs. Underspend through reduced costs in the contract with NHS Lanarkshire to provide Speech and Language Therapy sessions.
Assistance to Individuals	76,769	76,747	22	FAV	61,850	61,850	0		0.0%	(1,011)	Payments for Pupil Supported Study schemes.
Other Payments	41,134	41,134	0		132,992	132,992	0		0.0%	0	Research and School Board administration.
General School Activities	799,214	745,290	53,924	FAV	861,242	796,181	65,061	FAV	7.6%	65,061	Exchange Visits, Summer/Easter schools, provision for orchestras and bands and educational excursions. Underspend associated with curtailment of non-essential expenditure in centrally funded activity.
Pre School Commissions	1,646,162	1,771,056	(124,893)	ADV	2,348,917	2,498,917	(150,000)	ADV	(6.4%)	(150,000)	Payments to partner nurseries for NLC placements. Overspend within 2 year old partner placements. This is fully offset within the grant funding support for 2 year old childcare provision.
Duke of Edinburgh Award Scheme	6,286	21,671	(15,385)	ADV	33,030	49,030	(16,000)	ADV	(48.4%)	4,000	Payments to support the participation in the Duke of Edinburgh Award Scheme. Increased costs associated with the Duke of Edinburgh award offset by reduced HQ costs.
Medical Fees	85,169	85,169	0		107,202	107,202	0		0.0%	0	Occupational Health assessments.
Payments Other Bodies - General	125,379	127,383	(2,005)	ADV	214,040	215,904	(1,864)	ADV	(0.9%)	0	Community grants and lifelong learning initiatives. Minor variance.
Agency Fees	715,184	637,112	78,072	FAV	1,150,662	1,033,389	117,273	FAV	10.2%	124,036	Activity includes vocational education programmes, inclusion support, Early Years projects and initiatives, disclosure checks, standardised school testing, Skillforce and Princes Trust. Underspend attributable to curtailment of non-essential expenditure partially offset by costs associated with the PVG disclosure check scheme.
TOTAL EXPENDITURE	10,968,240	10,894,329	73,912	FAV	16,005,066	15,879,627	125,439	FAV	0.8%	76,151	

FAV = Favourable variation, underspend etc

Education, Youth and Communities
 Status of Earmarked Resources
 1 April - 6 January 2017
 Period 10

Description of Earmarked Resource	Value of Earmarked Resource	Projected Spend, 2016/17		Further Carry Forward Proposed	Commentary regards usage
		Value	%		
Schools Carry Forward	3,323	3,323	100.00%	0	£2.383M to be returned to schools as part of DSM procedures. £0.939M to be used towards offsetting the impact of delayed savings implementation in school based posts.
Utility Spend to Save / ICT Investment	1,084	1,004	92.62%	80	MS Licence Costs 2017/18
External Bodies	160	160	100.00%	0	
Grants	718	518	72.14%	200	Funding of known commitments April - June (staffing, pupil transport) for academic year 2016/17 in support of Development Scotland's Youth Workforce.
Early Years	220	220	100.00%	0	
Scottish Attainment Challenge	357	357	100.00%	0	
Early Years Collaborative	437	437	100.00%	0	
Former Growth	604	604	100.00%	0	
Youth Investment Programme	2,011	2,011	100.00%	0	
Equally Well	8	8	100.00%	0	
Work Programme	262	262	100.00%	0	
Modern Apprentices	220	220	100.00%	0	
Total Expenditure	9,404	9,124	97.02%	280	

**Education, Youth and Communities
Budget Savings Monitoring Report
Period 10 - 2016/17**

Description/Reference	APPROVED SAVINGS		
	Target Value	Value Deliverable	Saving Gap
	£000	£000	£000
LLS002 : Review of administration and transaction services within HQ and consider alternative delivery models	69	38	31
LLS007 : All Employees & Councillors within NLC will pay for their own PVG Disclosures	92	0	92
LLS011a : Review Classroom Assistants on a Cluster Based Model	750	177	573
LLS012 : Review Business Support Functions within Schools	686	259	427
LLS019 : Review Community Learning & Development Services	750	321	429
LLS24 : Payments to independent providers	317	159	159
LLS027 : Cease Service Provided by Attendance Officers	292	173	119
LLS035 : Review Special Education & Behavioural Needs Education	53	27	27
LLS045 : Review Early Literacy Posts within Early Literacy Base	599	108	491
LLS050 : Re-design 0-2 year old provision in Family Learning Centres	300	113	187
LLS060 : Review Additional Support Needs	315	158	158
LLS063 : Review Education Computer Centre	107	94	13
RES18a : Review of FSS management	55	46	9
HR Payroll	79	0	79
Approved savings expected to be delivered	8,997	8,997	0
Totals	13,461	10,668	2,793

REPLACEMENT SAVING/FUNDING		Budget Gap	Commentary
Description	Value		
	£000	£000	
Management action re curtailment of non essential expenditure	31	0	Delayed implementation of new staff structures
Management action re curtailment of non essential expenditure	92	0	Original saving plan will not be implemented and is replaced by management action
Contribution from schools carry forward within Earmarked Reserves and management action re curtailment of non essential expenditure	573	0	Delayed implementation of new staff structures
Contribution from schools carry forward within Earmarked Reserves and management action re curtailment of non essential expenditure	427	0	Delayed implementation of new staff structures
Staff secondments to grant funded programmes	429	0	Delayed implementation of new staff structures
Management action re curtailment of non essential expenditure	159	0	
Management action re curtailment of non essential expenditure	119	0	Delayed implementation of new staff structures
Synergies associated with grant funded programmes and curtailment of non essential expenditure	27	0	Delayed implementation of new staff structures
Synergies associated with grant funded programmes and curtailment of non essential expenditure	491	0	Delayed implementation of new staff structures
Synergies associated with grant funded programmes and curtailment of non essential expenditure	187	0	Delayed implementation of new staff structures
Contribution from schools carry forward within Earmarked Reserves and management action re curtailment of non essential expenditure	158	0	Delayed implementation of new staff structures
Management action re curtailment of non essential expenditure	13	0	Delayed implementation of new staff structures
Other Employee cost savings	9	0	Delayed implementation of new staff structures
Management action re curtailment of non essential expenditure	79	0	
	2,793	0	