

North Lanarkshire Council Report

Education and Families Committee

Agenda item _____ approval noting Ref DB Date 26/02/19

Revenue Budget Monitoring Report

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Executive Summary

This report provides a summary of the financial performance of the previous Education, Youth and Communities (EY&C) Service for the period 1 April 2018 to 4 January 2019 (Period 10). The report illustrates the projected outturn as at 31 March 2019, with major outturn variances highlighted and explained per the Council's approved Financial Regulations.

The Council approved its General Fund Revenue Budget on 23 February 2018, of which £411.524m represented the Net Revenue Budget for EY&C. The Service is currently projecting an underspend of £1.860m for the financial year. In addition, the 2018/19 EY&C budget incorporates £8.886m of savings previously approved by the Council. It is currently anticipated that £7.558m of savings (85.05%) will be realised by the financial year-end.

Recommendations

It is recommended that the Education and Families Committee:

- (1) note the financial position of the 2018/19 EY&C revenue budget; and
 - (2) note the contents of the report
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Supporting Documents

Council business Improve the Council's resource base.
plan to 2020

Appendix 1	Objective Analysis
Appendix 2	Subjective Analysis
Appendix 3	Payments to Other Bodies
Appendix 4	Earmarked Reserves
Appendix 5	Budget Savings

1. Background

- 1.1 The Council's approved Financial Regulations require Executive Directors to remain within their approved budgetary provision, and to report all significant deviations - defined as the higher of £100,000 or 5% - within their budget monitoring reports. Where significant deviations are identified, Executive Directors 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.
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2. Report

2.1 Summary of Financial Position

- 2.1.1 The Council approved its General Fund Revenue Budget on 23 February 2018, of which £411.524m represents the approved Revenue Budget for EY&C. During 2018/19 the budget has seen an overall increase of £0.026m to £411.550m as follows; additional £0.135m Scottish Government funding for access to free sanitary products in schools offset by a reduction of £0.109m rates relief for stand-alone nursery buildings.
- 2.1.2 The Service is currently projecting an underspend of £1.860m at financial year end, which is equivalent to 0.5% of the EY&C budget. Paragraph 2.2 below and Appendices 1 to 5 of this report further explain the significant budget variations contributing to this outturn position.
- 2.1.3 The 2018/19 budget incorporates £8.886m of savings previously approved by the Council on 23 February 2018. It is presently anticipated that £7.558m of savings (85.05%) will be generated by financial year-end. Further information regarding particularly challenging savings is included in Appendix 5.

2.2 Analysis of Significant Variations

- 2.2.1 The Service has a total employee budget of £262.551m, and an underspend of £2.623m is currently anticipated primarily as a result of unallocated Early Years grant. The underspend is partially offset by timing delays in implementing staffing savings, increased demand for the provision of ASNA's and maintaining the number of Modern Apprentices at comparable levels to the previous year.
- 2.2.2 Service employee budgets are partly devolved to establishments per the Devolved School Management (DSM) scheme, with the remaining budgets held at HQ level.
- 2.2.3 The devolved teacher budget is £171.942m. Under the DSM scheme, teaching posts within schools are fully funded and the budgets are delegated to Headteacher management.
- 2.2.4 Schools also receive a non-teaching devolved budget of £36.227m. School support staff are allocated to schools on the basis of agreed formulas and individual pupil needs. Within the DSM scheme posts included within this

grouping are fully funded and the budgets are delegated to Headteacher management.

- 2.2.5 Non-School staffing budgets of £51.883m include HQ functions, Early Years Grant, Community Learning & Development posts, Regeneration, Employability and Modern Apprentices.
- 2.2.6 In addition there is funding of £2.499m within employee budgets which is not aligned to specific staff posts at this stage of the year. This includes funding for school absence cover.
- 2.2.7 The Service is currently projecting an overspend of £0.131m within Property Costs due to the delay in CLD staff relocating from the Orbiston Centre to Bellshill Academy (£0.098m) and other minor overspends across other budget lines (£0.033m).
- 2.2.8 The Service is currently projecting an overspend of £0.104m within Supplies and Services due to increased costs associated with hardware and software licences (£0.136m) and food costs relating to the Club 365 strategy (£0.080m). These costs are partially offset by a reduction of costs for IT equipment purchases (£0.100m) and other minor underspends across other budget lines (£0.012m).
- 2.2.9 The Service is currently projecting an overspend of £0.863m within Transport and Plant primarily due to increased costs for the provision of demand led ASN transport (£0.520m), consortium travel for secondary pupils (£0.440m) and transport costs associated to the continuation of the Primary 5 swimming programme to June 2018 (£0.029m). These costs are partially offset by a reduction of costs within the SPT mainstream contract (£0.065m) and minor underspends across other budget lines (£0.061m).
- 2.2.10 The Service is currently projecting an underspend of £0.244m within Payments to Other Bodies due to reduced demand for external ASN placements (£0.102m) along with a reduction in costs associated with curriculum (£0.177m) which is partially offset by the costs of the Primary 5 swimming programme (£0.035m).

2.3 Earmarked and One-off Resources

- 2.3.1 In finalising the Council's draft annual accounts to 31 March 2018, EY&C was given approval to earmark £12.580m of resources to fund key projects and initiatives. The largest elements of earmarked resources include the Schools DSM carry forward, Pupil Equity Fund (PEF) carry forward, Local Development Plan and Youth Investment Programme. It is anticipated that £8.197m of these reserve balances will be utilised in the current year, and agreement on the remaining funding will be considered as part of the 2018/19 annual accounts process.
- 2.3.2 As expenditure within these programmes is met from balance sheet funds, the totals shown within Appendix 4 are excluded from the financial outturn position reported in this paper.

2.4 2018/19 Budget Savings

- 2.4.1 The Council approved total savings for the year of £20.017m, of which £8.886m relates to EY&C. The Service uses a variety of information, records and processes to monitor achievement of its approved budget savings and as at

Period 10 the Service anticipates £7.558m (85.05%) of its approved savings will be delivered by the financial year-end.

2.4.2 The unachieved savings of £1.329m have predominantly arisen as a result of temporary timing delays in implementing the new staffing structures. The largest element (£1.021m) of the unachieved saving is linked to the previously approved reduction in Classroom Assistants which from a financial perspective is recovered over 2 financial years. Committee has also been previously advised that staff within this cohort have been given opportunities to re-train and transfer into posts elsewhere within the Service in areas such as ASN and Early Years. Given this range of options it is anticipated the full Classroom Assistant saving will be achieved from 2019/20 onwards.

2.4.3 Appendix 5 provides further commentary regarding these challenging savings and the actions being taken to address the funding gaps which have arisen.

2.5 Management Action

2.5.1 The Service has taken a range of corrective management actions to ensure it contains expenditure within its approved 2018/19 budget provision, including:

- a) Delays in recruiting non-essential staff.
- b) Creating efficiencies through use of grant/external funding.
- c) Curtailment of non-essential expenditure.
- d) Application of reserves and earmarked resources to offset one-off cost pressures.

3. **Equality and Diversity**

3.1 **Fairer Scotland**

There are no actions required per the Fairer Scotland duties included in this report.

3.2 **Equality Impact Assessment**

There are no Equality Impact Assessments required per the content of this report.

4. **Implications**

4.1 **Financial Impact**

4.1.1 There is no significant financial impact on the Service which has been identified at this stage in the financial year. Known burdens have been addressed through taking management action.

4.2 **HR/Policy/Legislative Impact**

4.2.1 There are no HR/Policy/Legislative impacts linked to the content of this report.

4.3 **Risk Impact**

4.4.1 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.

4.4.2 Reflecting the risk analysis matrix included within the Risk Management Strategy, the Service considers further delays or amendments to savings proposals could present an ongoing risk in future years.

4.4.3 To minimise the risk this report has been prepared by service based Financial Solutions personnel in consultation with budget managers, in accordance with the Financial Regulations.

5. **Measures of success**

5.1 The Service operates within approved budget resources.



Joint Interim Executive Director Education and Families

Education And Families
Revenue Budget Monitoring Report - Objective Analysis

Period 10 (2018/2019)

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)	%	PERIOD MOVEMENT (9)	ANALYSIS (10)
	£	£	£				(8)		
EARLY YEARS	16,614,398	16,614,398	0	20,535,843	20,535,843	0	0.0%	0	Balanced Budget
PRIMARY SCHOOLS	93,610,611	93,613,235	(2,623) ADV	123,886,748	123,886,748	0	0.0%	0	Balanced Budget
SECONDARY SCHOOLS	88,430,759	88,432,508	(1,750) ADV	116,962,360	116,962,360	0	0.0%	0	Balanced Budget
SPECIAL SCHOOLS	12,502,628	12,502,628	0	17,448,575	17,448,575	0	0.0%	0	Balanced Budget
BUSINESS PLANNING PROJ & COMM	18,946,294	17,912,552	1,033,742 FAV	69,599,029	68,065,336	1,533,693 FAV	2.2%	165,701	Underspend within employee costs partially offset by increased transport costs for ASN and School Consortium travel
CURRICULUM LEADERSHIP IMPR'NT	15,476,722	15,524,553	(47,830) ADV	31,851,696	31,928,045	(76,349) ADV	-0.2%	118,990	Overspend relates to delay in the delivery of the approved savings
INTERVENTION INCL & C LEARNING	9,229,215	8,975,451	253,763 FAV	27,536,152	26,693,356	842,796 FAV	3.1%	286,429	Increased demand for ASN hours partially offset by lower than anticipated costs required to support the 0 - 2 year nursery provision
COMM'S & DIGITAL LEARNING	2,130,455	2,220,424	(89,969) ADV	3,729,209	4,169,807	(440,598) ADV	-11.8%	(141,571)	Overspend relates to delay in the delivery of the approved savings and service restructure
NET EXPENDITURE	256,941,082	255,795,749	1,145,333 FAV	411,549,612	409,690,070	1,859,542 FAV	0.5%	429,548	

FAV = Favourable variation, underspend etc

ADV = Adverse variation, overspend etc

Period 10 (2018/2019)

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	188,627,929	186,912,996	1,714,934	FAV	262,551,237	259,928,593	2,622,643	FAV	1.0%	367,127	Lower than anticipated uptake of 2 year nursery provision and synergies associated with grant funded programmes fully offset turnover savings, and delayed savings implementation
PROPERTY COSTS	44,615,130	44,639,070	(23,940)		67,089,682	67,220,705	(131,023)	ADV	-0.2%	(66,361)	Delay of relocation of staff from Orbiston Centre offset with other minor underspends
SUPPLIES & SERVICES	27,009,175	26,895,642	113,533	FAV	40,534,384	40,638,767	(104,383)	ADV	-0.3%	(120,119)	Increased costs associated with hardware and software licences and food costs associated with Club 365 partially offset by reduced costs for IT equipment purchases and other minor underspends
TRANSPORT & PLANT	8,889,475	9,568,648	(679,173)	ADV	12,610,082	13,472,703	(862,621)	ADV	-6.8%	58,420	Increased transport costs for ASN and School Consortium travel along with transport costs in relation to the P5 swimming programme to June 2018 partially offset by underspend in mainstream SPT contract
ADMINISTRATION COSTS	1,961,406	1,984,920	(23,514)	ADV	11,225,948	11,301,639	(75,691)	ADV	-0.7%	(60,354)	Minor Variance
PAYMENTS TO OTHER BODIES	11,197,534	11,078,105	119,429	FAV	17,566,489	17,322,030	244,459	FAV	1.4%	190,488	Reduced costs in relation to ASN external placements and curriculum delivery partially offset by costs in relation to P5 Swimming Programme to June 2018
TRANSFER PAYMENTS	2,013,331	1,927,150	86,181	FAV	2,668,141	2,578,141	90,000	FAV	3.4%	20,000	Minor Variance
CAPITAL FINANCING COSTS	0	0	0		29,163,344	29,163,344	0		0.0%	0	Balanced Budget
OTHER EXPENDITURE	3,232,260	3,229,693	2,567	FAV	9,691,622	9,690,738	884	FAV	0.0%	884	Minor Variance
TOTAL EXPENDITURE	287,546,240	286,236,223	1,310,017	FAV	453,100,929	451,316,660	1,784,268	FAV	0.4%	390,085	
INCOME	30,605,158	30,440,474	(164,684)	ADV	41,551,317	41,626,591	75,274	FAV	0.2%	39,463	Minor Variance
NET EXPENDITURE	256,941,082	255,795,749	1,145,333	FAV	411,549,612	409,690,070	1,859,542	FAV	0.5%	429,548	

FAV = Favourable variation, underspend etc

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

Education And Families
Revenue Budget Monitoring Report - Payments to Other Bodies

Appendix 3

Period 10 (2018/2019)

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	986,107	986,107	0	926,131	926,131	0	0.0%	0	Balanced Budget
Inter Authority Payment ASN	90,346	63,422	26,924 FAV	1,439,019	1,388,769	50,250 FAV	3.5%	0	Reduced costs in relation to ASN external placements
Scottish Qualification Authority	1,791,057	1,791,057	0	1,806,750	1,806,750	0	0.0%	0	Balanced Budget
Voluntary Organisations	1,621,876	1,621,876	0	1,948,649	1,959,056	(10,407) ADV	-0.5%	(10,407)	Minor Variance
External Contracts	2,233,601	2,208,878	24,723 FAV	4,937,132	4,885,812	51,320 FAV	1.0%	0	Reduced costs in relation to ASN external placements
Pupil Support	16,458	16,458	0	11,712	11,712	0	0.0%	0	Balanced Budget
School Board Payments	29,774	29,774	0	95,271	95,271	0	0.0%	0	Balanced Budget
General School Activities	1,322,629	1,357,691	(35,062) ADV	1,766,127	1,812,307	(46,180) ADV	-2.6%	(11,118)	Costs associated with the continuation of P5 Swimming Programme to June 2018
Pre School Commissions	1,946,721	1,958,081	(11,360) ADV	2,818,441	2,818,441	0	0.0%	0	Balanced Budget
Duke of Edinburgh Award Scheme	24,423	24,423	0	33,030	33,030	0	0.0%	0	Balanced Budget
Parenting Strategy	19,629	19,629	0	29,000	29,000	0	0.0%	0	Balanced Budget
Medical Fees	72,075	72,075	0	117,252	119,442	(2,190) ADV	0.0%	(2,190)	Minor Variance
Payments Other Bodies - General	191,136	191,136	0	303,721	244,931	58,790 FAV	19.4%	71,327	Minor Variance
Agency Fees	851,702	737,498	114,204 FAV	1,334,254	1,191,378	142,876 FAV	10.7%	142,876	Reduced costs in relation to curriculum delivery
TOTAL EXPENDITURE	11,197,534	11,078,105	119,429 FAV	17,566,489	17,322,030	244,459 FAV	1.4%	190,488	

FAV = Favourable variation, underspend etc

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

Education And Families
Earmarked Reserves

Period 10 (2018/2019)

Description of Earmarked Resource	Value of Earmarked Resource	Spend to Date	Projected Spend 2018/19		Reserves No Longer Required	Reserves Required for 2019/20	Check	Commentary regards usage
			Value	%				
Service Specific Earmarked Reserves:								
School Carry Forward/ICT refresh	5,090	3,458	3,652	71.75%	1,416	22	OK	£3.076m funding returned to schools per maximum allowed under DSM procedures. Funding of £0.512m will be used to offset savings in the school/nursery estate and other Service burdens and expenditure in future years and £0.064m will support strategic projects during 2018/19.
Pupil Equity Fund (PEF)	3,229	3,194	3,229	100.00%	0	0	OK	£3.229m carry forward for PEF as per Scottish Government guidelines
LDP (Additional Funding)	1,378	0	0	0.00%	1,378	0	OK	LDP Capital now being funded from Community Participatory Budgets
Scottish Attainment Challenge	138	138	138	100.00%	0	0	OK	B/Fwd from 2017/18 to support expenditure in current year
ESF Match Funding	1,302	0	210	16.13%	200	892	OK	The required reserve has been recalculated following confirmation of the new 4 year grant programme.
Youth Investment Programme	540	91	330	61.11%	0	210	OK	B/Fwd from 2017/18 to support expenditure in current and future years
Grants - Developing Scotlands Young Workforce	158	37	37	23.42%	50	71	OK	B/Fwd from 2017/18 to support expenditure in current and future years
Teacher Salary Conservation	224	168	224	100.00%	0	0	OK	B/Fwd from 2017/18 to support expenditure in current and future years
School Insurance	151	68	151	100.00%	0	0	OK	B/Fwd from 2017/18 as new school build not scheduled for completion until September 2018 and pupil transport required until this date along with required resources for school opening
Muirfield Revenue	93	21	93	100.00%	0	0	OK	B/Fwd from 2017/18 to support expenditure in current year
Local Development plan	160	25	133	83.13%	27	0	OK	LDP Capital now being funded from Community Participatory Budgets
Community Engagement - Citizens panel	117	0	0	0.00%	117	0	OK	Incorporated into wider community programmes
Total Expenditure	12,580	7,200	8,197	65.16%	3,188	1,195		

Education And Families
Budget Savings

Period 10 (2018/2019)

Description/Reference	APPROVED SAVINGS			Reasons for Savings Gap	REPLACEMENT SAVING/FUNDING		Revised Savings Gap	Any additional information
	Target Value	Value Deliverable	Gap in Approved Savings		Description	Value		
	£000's	£000's	£000's		£000	£000		
Approved Savings (February 2018)								
Workforce Deployment	427,697	330,057	97,640					
Workforce Changes 23/01/18	427,697	330,057	97,640	Timing delay in relation to staff reductions. Saving will be fully achieved in 19/20.	Shortfall supported from underspends within other Service areas and alternative post identified for deletion	97,640	0	
Base Budget Adjustments	195,000	65,000	130,000					
Corporate Communications and Digital Learning Review (EYC15)	95,000	0	95,000	Savings target identified has not been achieved via staffing reductions.	Shortfall supported from underspends within other Service areas and alternative savings options identified from operational budgets and management action.	95,000	0	
Advertising income	100,000	65,000	35,000	Timing delay in relation to income generation. Saving expected to be fully achieved 2019/20.	Shortfall supported from underspends within other Service areas and management action.	35,000	0	
Savings approved 2017/18 with full year impact in 2018/19 (approved February 2017)	1,190,000	89,111	1,100,889					
Review of School Support Functions (EYSE02) - Classroom Assts	1,110,000	89,111	1,020,889	This cohort of staff are being retrained to take on posts linked to the expansion of early years. Non achievement of saving reflects timing delay of placing staff in these new posts.	Shortfall supported from 1140 hours grant as Local Authorities are allowed to use funding to support general capacity building for 2020.	1,020,889	0	
Corporate Communications & Digital Learning Structure Review	80,000	0	80,000	Savings target identified has not been achieved via staffing reductions.	Shortfall supported from underspends within other Service areas and alternative savings options identified from operational budgets and management action.	80,000	0	