

North Lanarkshire Council Report

Education and Families Committee

approval noting

Ref DB

Date 21/05/19

Revenue Monitoring Report (Provisional Outturn)

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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 31 March 2019 (Provisional Outturn). The report illustrates the provisional outturn as at 31 March 2019, with major outturn variances highlighted and explained per North Lanarkshire Council's approved Financial Regulations.

North Lanarkshire 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 anticipating an underspend of £2.988m for the financial year, equivalent to 0.7% of available resources.

In addition, the 2018/19 EY&C budget incorporates £8.886m of savings previously approved by the Council. It is currently anticipated that £7.554m of savings (85.01%) will be realised by the financial year-end.

Recommendations

It is recommended that the Education and Families Committee:

- (1) Note the Provisional Outturn position of the 2018/19 revenue budget.

Supporting Documents

The Plan for North
Lanarkshire

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 North Lanarkshire 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 North Lanarkshire 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 had an aggregate increase of £1.676m to £413.200m as follows; additional £0.135m Scottish Government funding for access to free sanitary products in schools, £0.066m transport and £0.066m uplift of waste realignments and £1.518m Teacher Induction Scheme grant offset by a reduction of £0.109m rates relief for stand-alone nursery buildings.
- 2.1.2 The Service is anticipating an underspend of £2.988m at financial year end, which is equivalent to 0.7% 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 £7.554m of savings (85.01%) 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 £264.936m, and an underspend of £3.485m 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, costs associated with maintaining the Modern Apprentices programme at previous years levels and activity linked to grant funded programmes.
- 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 £176.026m. 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 £44.373m. 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 £43.515m include HQ functions, Early Years Grant, Community Learning & Development posts, Regeneration, Employability and Modern Apprentices.
- 2.2.6 The Service is anticipating an overspend of £0.487m within Property Costs due to increased utility costs (£0.424m) and the delay in CLD staff relocating from the Orbiston Centre to Bellshill Academy (£0.105m) partly offset with reduced expenditure across other budget lines (£0.042m).
- 2.2.7 The Service is anticipating an underspend of £0.225m within Supplies and Services due to curtailment of non essential expenditure (£0.115m) and an underspend in catering and food costs (£0.110m).
- 2.2.8 The Service is anticipating an overspend of £1.614m within Transport and Plant primarily due to increased costs for the provision of demand led ASN transport (£0.983m), consortium travel for secondary pupils (£0.530m), transport costs associated to the continuation of the Primary 5 swimming programme to June 2018 (£0.029m) and minor overspends across other budget lines (£0.072m).
- 2.2.9 The Service is anticipating an underspend of £0.337m within Payments to Other Bodies due to reduced demand for external ASN placements (£0.451m) along with a reduction in HQ costs associated with curriculum development activities (£0.080m), partially offset by increased demand for out of authority nursery placements for 3-5 year olds (£0.127m) and costs of the Primary 5 swimming programme and other school activities (£0.067m).
- 2.2.10 The Service is anticipating an underspend of £0.253m within Other Costs primarily due to synergies associated with external grant funded programmes (£0.190m) and minor underspends across other budget lines (£0.063m).
- 2.2.11 The Service is anticipating an over recovery of £0.700m within Income primarily due to increased chargeable activity to grant programmes (£0.930m) offset by expenditure and additional booking income for the Kilbowie Outdoor Centre (£0.082m). The over recovery of income is partially offset by lower demand from other Local Authorities for North Lanarkshire ASN provision (£0.249m) and lower than anticipated advertising income (£0.063m).

2.3 Earmarked and One-off Resources

- 2.3.1 In finalising North Lanarkshire 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 £8.420m 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 North Lanarkshire 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 13 the Service anticipates £7.554m (85.01%) of its approved savings have been delivered.
- 2.4.2 The unachieved savings of £1.332m have predominantly arisen as a result of temporary timing delays in implementing new staffing structures. The largest element (£0.996m) 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 Early Years and ASN.
- 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 During the year there were no significant financial issues which had a detrimental impact on the overall Service outturn position. Known burdens were addressed through taking appropriate 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 North Lanarkshire Council are subject to risk, and in acknowledging North Lanarkshire 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 North Lanarkshire 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.



Derek Brown
Executive Director, Education and Families

Education and Families
Revenue Budget Monitoring Report - Objective Analysis

Provisional Outturn (2018/19)

DIVISION OF SERVICE (1)	ANNUAL BUDGET (5)	PROJECTED OUTTURN (6)	PROJECTED OUTTURN VARIANCE (7)	%	ANALYSIS (10)
				(8)	
EARLY YEARS	23,049,864	23,049,864	0 FAV	0.0%	Balanced Budget
PRIMARY SCHOOLS	130,452,763	130,452,763	0 FAV	0.0%	Balanced Budget
SECONDARY SCHOOLS	122,810,452	122,810,452	0 FAV	0.0%	Balanced Budget
SPECIAL SCHOOLS	18,064,139	18,064,139	0 FAV	0.0%	Balanced Budget
BUSINESS PLANNING PROJ & COMM	64,606,467	63,405,816	1,200,651 FAV	1.9%	Underspend within employee costs partially offset by increased transport costs for ASN and School Consortium travel
CURRICULUM LEADERSHIP IMPR'NT	33,061,695	32,893,524	168,171 FAV	0.5%	Underspend relates to curtailment of non essential expenditure partially offset by delay in the delivery of approved savings
INTERVENTION INCL & C LEARNING	17,390,929	15,800,580	1,590,349 FAV	9.1%	Underspend relates to synergies within grant funding, reduced costs in relation to ASN external placements and lower than anticipated costs required to support the 0 - 2 year nursery provision partially offset by increased demand for ASN hours
COMM'S & DIGITAL LEARNING	3,764,417	3,735,908	28,509 FAV	0.8%	Minor Variance
NET EXPENDITURE	413,200,727	410,213,046	2,987,681 FAV	0.7%	

FAV = Favourable variation, underspend etc

ADV = Adverse variation, overspend etc

Education and Families
Revenue Budget Monitoring Report - Subjective Analysis

Appendix 2

Provisional Outturn (2018/19)

CATEGORY (1)	ANNUAL BUDGET (5)	PROJECTED OUTTURN (6)	PROJECTED OUTTURN VARIANCE (7)		% (8)	ANALYSIS (10)
EMPLOYEE COSTS	264,936,002	261,451,495	3,484,506	FAV	1.3%	Lower than anticipated uptake of 2 year nursery provision and synergies associated with grant funded programmes partially offset by turnover savings, and delayed savings implementation
PROPERTY COSTS	67,264,963	67,752,335	(487,372)	ADV	-0.7%	Increased utility costs and the delay of relocation of staff from Orbiston Centre partially offset by other minor underspends
SUPPLIES & SERVICES	40,764,479	40,539,357	225,122	FAV	0.6%	Curtailment of non essential expenditure and reduced costs for school meals/overheads recharges partially offset by increased costs associated with food costs
TRANSPORT & PLANT	12,766,865	14,381,005	(1,614,140)	ADV	-12.6%	Increased transport costs for ASN and School Consortium travel along with costs in relation to the P5 swimming programme to June 2018 and other minor overspends
ADMINISTRATION COSTS	10,580,737	10,557,164	23,573	FAV	0.2%	Minor Variances across a number of budget lines
PAYMENTS TO OTHER BODIES	18,846,898	18,509,974	336,924	FAV	1.8%	Reduced costs in relation to ASN external placements and curriculum delivery partially offset by costs in relation to P5 Swimming Programme to June 2018 and increased costs for other school activities
TRANSFER PAYMENTS	2,418,141	2,352,150	65,991	FAV	2.7%	Minor Variance
CAPITAL FINANCING COSTS	29,163,344	29,163,344	0		0.0%	Balanced Budget
OTHER EXPENDITURE	8,989,200	8,736,033	253,167	FAV	2.8%	Synergies associated with grant funded programmes and other minor underspends
TOTAL EXPENDITURE	455,730,628	453,442,857	2,287,771	FAV	0.5%	
INCOME	42,529,901	43,229,812	699,910	FAV	1.6%	Over recovery of income from increased activity within external grant programmes, Kilbowie Outdoor Centre partially offset by lower demand from Other Local Authorities for North Lanarkshire ASN places and lower than anticipated advertising income
NET EXPENDITURE	413,200,727	410,213,046	2,987,681	FAV	0.7%	

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

Provisional Outturn (2018/19)

DESCRIPTION (1)	ANNUAL BUDGET (5)	PROJECTED OUTTURN (6)	PROJECTED OUTTURN VARIANCE (7)	%	TYPICAL AREAS OF EXPENDITURE/ANALYSIS OF VARIATIONS (10)
	£	£	£	(8)	
Other CMMT of the Council	967,575	963,075	4,500 FAV	0.5%	Minor variance
Inter Authority Payment ASN	1,439,019	1,097,835	341,184 FAV	23.7%	Reduced costs in relation to ASN external placements
Scottish Qualification Authority	1,806,750	1,793,641	13,109 FAV	0.7%	Minor variance
Voluntary Organisations	1,870,261	1,855,882	14,379 FAV	0.8%	Minor Variance
External Contracts	4,757,594	4,648,010	109,584 FAV	2.3%	Reduced costs in relation to ASN external placements
Pupil Support	31,513	43,498	(11,985) ADV	-38.0%	Minor variance
School Board Payments	112,449	110,364	2,085 FAV	1.9%	Minor variance
General School Activities	2,178,023	2,244,854	(66,831) ADV	-3.1%	Costs associated with the continuation of P5 Swimming Programme to June 2018 and increased costs in relation to other school activities
Pre School Commissions	2,889,722	3,016,748	(127,026) ADV	-4.4%	Increased demand for out of authority nursery placements for 3 - 5 year olds
Duke of Edinburgh Award Scheme	33,030	70,840	(37,810) ADV	-114.5%	Minor variance
Parenting Strategy	29,000	25,208	3,792 FAV	0.0%	Minor Variance
Medical Fees	117,252	128,747	(11,495) ADV	0.0%	Minor Variance
Payments Other Bodies - General	794,198	759,299	34,899 FAV	4.4%	Reduced costs in relation to curriculum delivery offset by other minor overspends
Agency Fees	1,820,512	1,751,974	68,538 FAV	3.8%	Reduced costs in relation to curriculum delivery
TOTAL EXPENDITURE	18,846,898	18,509,974	336,924 FAV	1.8%	

FAV = Favourable variation, underspend etc

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

Education and Families
Earmarked Reserves

Provisional Outturn (2018/19)

Description of Earmarked Resource	Value of Earmarked Resource	Projected Spend 2018/19		Reserves No Longer Required	Reserves Required for 2019/20	Commentary regards usage
		Value	%			
Service Specific Earmarked Reserves:						
School Carry Forward/ICT refresh	5,090	3,647	71.65%	1,443	0	£3.076m funding returned to schools per maximum allowed under DSM procedures. Funding of £0.495m 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	3,229	100.00%	0	0	£3.229m carry forward for PEF as per Scottish Government guidelines
LDP (Additional Funding)	1,378	0	0.00%	1,378	0	LDP Capital now being funded from Community Participatory Budgets
Scottish Attainment Challenge	138	138	100.00%	0	0	B/Fwd from 2017/18 to support expenditure in current year
ESF Match Funding	1,302	612	47.00%	200	490	B/Fwd from 2017/18, as grant term is a three year programme, to support expenditure in current and future years
Youth Investment Programme	540	340	62.96%	0	200	B/Fwd from 2017/18 to support expenditure in current and future years
Grants - Developing Scotlands Young Workforce	158	43	27.22%	50	65	B/Fwd from 2017/18 to support expenditure in current and future years
Teacher Salary Conservation	224	198	88.39%	0	26	B/Fwd from 2017/18 to support expenditure in current and future years
School Insurance	151	93	61.59%	0	58	There is a small element of residual works in 2019/20
Muirfield Revenue	93	50	53.76%	0	43	B/Fwd from 2017/18 to support expenditure in current year
Local Development Plan	160	70	43.75%	27	63	B/Fwd from 2017/18 to support LDP revenue expenditure in current and future years
Community Engagement - Citizens panel	117	0	0.00%	117	0	Incorporated into wider community programmes
Total Expenditure	12,580	8,420	66.93%	3,215	945	

Provisional Outturn (2018/19)

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	36,947	158,053					
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	36,947	63,053	Timing delay in relation to income generation. A further review of staffing and operations is currently being undertaken.	Shortfall supported from underspends within other Service areas and management action.	63,053	0	
Savings approved 2017/18 with full year impact in 2018/19 (approved February 2017)	1,190,000	114,047	1,075,953					
Review of School Support Functions (EYSE02) - Classroom Assts	1,110,000	114,047	995,953	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.	995,953	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	
	1,812,697	481,051	1,331,646			1,331,646	0	