

North Lanarkshire Council Report

Education and Families Committee

approval noting

Ref DB

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Revenue Budget Monitoring Report

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Executive Summary

This report provides a summary of the financial performance of Education and Families for the period 1 April 2019 to 16 August 2019 (Period 5). The report illustrates the projected outturn as at 31 March 2020, 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 2019, of which £414.858m represented the Net Revenue Budget for Education and Families. The Service is currently forecasting an overspend of £0.977m to the end of the financial year.

The 2019/20 Education and Families budget now incorporates activity in respect of Justice and Children's Services which were previously part of the Social Work Service.

In addition, the 2019/20 Education and Families budget incorporates £8.477m of savings previously approved by the Council. It is currently anticipated that £7.305m of savings (86.17%) 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 Education and Families revenue budget.
- (2) Note the contents of the report.

The Plan for North Lanarkshire

Priority Improve North Lanarkshire's resource base

Ambition statement (25) Ensure intelligent use of data and information to support fully evidence based decision making and future planning

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 2019, of which £414.858m represents the approved Revenue Budget for Education and Families.
- 2.1.2 The Service is reporting an overspend of £0.977m to the financial year end. Section 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 2019/20 budget incorporates £8.477m of savings previously approved by the Council on 23 February 2019. It is presently anticipated that £7.305m of approved savings (86.17%) will be generated by financial year-end. The Service has taken in year management action to address the savings gap. 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 £273.794m and an underspend of £1.289m is anticipated. The key contributors to this underspend are the phasing of grant awards and linked activity in areas such as 2 year old nursery provision. This underspend is reduced by increased demand for ASN staff, costs associated with maintaining the Modern Apprentice programme at previous years' levels, and timing delays in implementing staffing savings.
- 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 £179.145m. Under the DSM scheme, the budget for teaching posts within schools is delegated to Headteacher management.
- 2.2.4 Schools also receive a non-teaching devolved budget of £47.879m. School support staff are allocated to schools on the basis of agreed formulas and individual pupil needs. Within the DSM scheme, these budgets are delegated to Headteacher management.
- 2.2.5 Non-School staffing budgets of £46.770m include HQ functions, as well as temporary grant funded posts in areas such as Early Years expansion, Scottish Attainment Challenge (SAC) programmes and Apprenticeship programmes.

- 2.2.6 The Service is anticipating an overspend of £1.159m within Transport and Plant primarily due to increased costs for the provision of demand led ASN transport and consortium travel for secondary pupils.
- 2.2.7 The Service is anticipating an overspend of £1.389m within Payments to Other Bodies due to increased demand for fostering and kinship payments partially offset by reduced demand for external ASN placements.

2.3 Earmarked and One-off Resources

- 2.3.1 In finalising North Lanarkshire Council's draft annual accounts to 31 March 2019, Education and Families was given approval to earmark £5.601m of resources to fund key projects and initiatives. The largest elements of earmarked resources include the Schools DSM carry forward and Pupil Equity Fund (PEF) carry forward. It is anticipated that £5.326m of these reserve balances will be utilised in the current year, and agreement on the remaining funding will be considered as part of the 2019/20 annual accounts process.

2.4 2019/20 Budget Savings

- 2.4.1 North Lanarkshire Council approved total savings for the year of £27.066m, of which £8.477m relates to Education and Families. The Service uses a variety of information, records and processes to monitor achievement of its approved budget savings and as at Period 5 the Service anticipates £7.305m (86.17%) of its approved savings will be realised in the current year.
- 2.4.2 The unachieved savings of £1.172m have predominantly arisen as a result of temporary timing delays in implementing new staffing structures and phased introduction of savings to reflect the school academic calendar. In year management action has been taken to address this savings gap during 2019/20, with savings expected to be fully achieved next financial year.
- 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 will continue to review and implement management actions through to financial year end with the aim of achieving a balanced budget position by financial year end. These actions will include:-
- 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.
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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 The Service has identified a number of financial burdens, which are predominantly demand led, at this early stage in the financial year. The Service will attempt to mitigate these costs through taking management action, and updates will be incorporated into future monitoring reports.

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

4.3.1 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.

4.3.2 Reflecting the risk analysis matrix included within the Risk Management Strategy, the Service considers further delays or amendments to savings proposals and increased costs linked to demand led service provision could present an ongoing risk in future years.

4.3.3 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.

6. Supporting Documents

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



Derek Brown
Executive Director, Education and Families

Period 5 (2019/20)

DIVISION OF SERVICE (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	YEAR TO DATE VARIANCE (4)		ANNUAL BUDGET (5)	FINAL OUTTURN (6)	PROJECTED OUTTURN VARIANCE (7)	% (8)	PERIOD MOVEMENT (9)	ANALYSIS (10)	
	£	£	£								
EARLY YEARS	7,907,782	7,907,782	0		22,811,576	22,811,576	0	0.0%	0	Balanced Budget	
PRIMARY SCHOOLS	38,337,306	38,337,306	0		131,912,955	131,912,955	0	0.0%	0	Balanced Budget	
SECONDARY SCHOOLS	35,919,601	35,919,601	(0)		124,349,266	124,349,266	0	0.0%	0	Balanced Budget	
SPECIAL SCHOOLS	6,440,810	6,440,810	(0)		19,643,391	19,643,391	0	0.0%	0	Balanced Budget	
EDUCATON & FAMILIES SERVICE DELIVERY	7,946,460	7,764,492	181,968	FAV	96,931,119	96,382,434	548,685	FAV	0.6%	548,685	Lower than anticipated of 2 year old nursery uptake and synergies associated with grant funded programmes partially offset by increased costs in relation to ASN and consortium travel.
CHILDREN'S SERVICES SOCIAL WORK	7,139,929	7,921,454	(781,525)	ADV	19,152,487	20,892,106	(1,739,619)	ADV	-9.1%	-1,739,619	Increased children and family placements resulting in overspends on fostering and kinship care
JUSTICE SERVICES	356,944	355,659	1,285	FAV	56,769	(156,945)	213,714	FAV	376.5%	213,714	Admin Fee recovery
NET EXPENDITURE	104,048,831	104,647,104	(598,273)	ADV	414,857,563	415,834,782	(977,219)	ADV	-0.2%	(977,219)	

FAV = Favourable variation, underspend etc

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

Period 5 (2019/20)

CATEGORY (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	YEAR TO DATE VARIANCE (4)		ANNUAL BUDGET (5)	FINAL OUTTURN (6)	PROJECTED OUTTURN VARIANCE (7)		% (8)	PERIOD MOVEMENT (9)	ANALYSIS (10)
	£	£	£								
EMPLOYEE COSTS	97,495,476	96,961,178	534,297	FAV	273,793,950	272,666,690	1,127,260	FAV	0.4%	1,127,260	Lower than anticipated uptake of 2 year nursery provision and synergies associated with grant funded programmes
PROPERTY COSTS	2,917,604.96	2,904,181.24	13,424	FAV	65,418,317	65,393,674	24,643	FAV	0.0%	24,643	Minor Variance
SUPPLIES & SERVICES	11,620,887	11,602,226	18,661	FAV	43,500,479	43,426,776	73,703	FAV	0.2%	73,703	Minor Variance
TRANSPORT & PLANT	4,289,154	4,869,705	(580,551)	ADV	13,230,571	14,389,989	(1,159,418)	ADV	-8.8%	(1,159,418)	Increased demand for ASN transport and consortium travel for secondary pupils.
ADMINISTRATION COSTS	1,172,233	1,143,278	28,956	FAV	3,983,616	3,911,606	72,010	FAV	1.8%	72,010	Minor Variance
PAYMENTS TO OTHER BODIES	9,841,549	10,477,463	(635,914)	ADV	30,644,881	32,034,275	(1,389,394)	ADV	-4.5%	(1,389,394)	Increased demand for fostering and kinship associated payments, partially offset by reduced demand for external ASN placements
TRANSFER PAYMENTS	1,555,412	1,538,711	16,701	FAV	3,191,659	3,136,876	54,783	FAV	1.7%	54,783	Minor Variance
CAPITAL FINANCING COSTS	0	0	0		29,329,185	29,329,185	0		0.0%	0	Balanced Budget
OTHER EXPENDITURE	52,364	22,963	29,402	FAV	8,684,940	8,608,496	76,444	FAV	0.9%	76,444	Minor Variance
TOTAL EXPENDITURE	128,944,681	129,519,706	(575,025)	ADV	471,777,598	472,897,567	(1,119,969)	ADV	-0.2%	(1,119,969)	
INCOME	24,895,850	24,872,601	(23,249)	ADV	56,920,035	57,062,785	142,750	FAV	0.3%	142,750	Criminal Justice grant admin fee recovery offset by minor income under recovery in other areas
NET EXPENDITURE	104,048,831	104,647,105	(598,274)	ADV	414,857,563	415,834,782	(977,219)	ADV	-0.2%	(977,219)	

FAV = Favourable variation, underspend etc
ADV = Adverse variation, overspend, income under-recovery etc

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

Period 5 (2019/20)

TO BE UPDATED											
DESCRIPTION (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	YEAR TO DATE VARIANCES (4)		ANNUAL BUDGET (5)	FINAL OUTTURN (6)	OUTTURN VARIANCE (7)	%	PERIOD MOVEMENT (9)	TYPICAL AREAS OF EXPENDITURE/ANALYSIS OF VARIATIONS (10)	
Other CMMT of the Council	964,635	963,075	1,560	FAV	967,575	966,015	1,560	FAV	0.2%	1,560	Minor Variance
Other Local Authorities	337,917	286,794	51,123	FAV	1,934,478	1,792,101	142,377	FAV	7.4%	142,377	Lower than anticipated expenditure in external inter-authority special school placements
ScottisL Qualification AutLority	1,785,113	1,785,113	0		1,806,750	1,806,750	0	0.0%	0	Balanced Budget	
Voluntary Organisations	80,203	78,665	1,538	FAV	919,294	914,294	5,000	FAV	0.5%	5,000	Minor Variance
External Contracts	624,938	609,198	15,740	FAV	4,606,878	4,546,619	60,259	FAV	1.3%	60,259	Minor Variance
Pupil Support	2,211	2,211	0		2,483	2,483	0	0.0%	0	Balanced Budget	
School Board Payments	8,128	8,128	0		81,582	81,582	0	0.0%	0	Balanced Budget	
General School Activities	430,203	430,203	0		1,718,868	1,718,868	0	0.0%	0	Balanced Budget	
Pre School Commissions	1,073,013	1,073,013	0		7,231,904	7,231,904	0	0.0%	0	Balanced Budget	
Duke of Edinburgh Award Scheme	3,750	3,750	0		23,030	23,030	0	0.0%	0	Balanced Budget	
Medical Fees	50,993	50,993	0		117,252	117,252	0	0.0%	0	Balanced Budget	
Payments Other Bodies - General	158,368	158,368	(0)		576,828	576,828	0	0.0%	0	Balanced Budget	
Agency Fees	345,805	345,805	0		1,335,595	1,335,595	0	0.0%	0	Balanced Budget	
Community Care Development	1,466	1,466	0		15,028	15,028	0	0.0%	0	Balanced Budget	
Family Placements	3,151,805	3,640,588	(488,783)	ADV	7,674,126	8,637,004	(962,878)	ADV	-12.5%	(962,878)	Increased children and family placements resulting in overspends on fostering and kinship care
Residential / Secure Accommodation	794,775	1,011,868	(217,093)	ADV	1,546,477	2,182,189	(635,712)	ADV	-41.1%	(635,712)	Increased placements within Residential/Secure Accommodation
Sectional Payments (Social Work Scotland Act)	28,224	28,224	0		86,733	86,733	0	0.0%	0		
TOTAL EXPENDITURE	9,841,549	10,477,463	(635,914)	ADV	30,644,881	32,034,275	(1,389,394)	ADV	-4.5%	0	

FAV = Favourable variation, underspend etc

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

Period 5 (2019/20)

Description of Earmarked Resource	Total Earmarked Reserve	Initial 2019/20 Allocation	Adjustments In Year	2019/20 Approved Reserve Total	Spend to Date	Projected Spend 2019/20		Reserves No Longer Required in 2019/20	Reserves Required for 2020/21	Comments
						Value	%			
Service Specific Earmarked Reserves:	£000	£000	£000	£000	£000	£000	£000	£000	£000	
School Carry Forward / Support	2,723	2,723		2,723	2,680	2,723	100.00%			0 Full spend anticipated
Pupil Equity Fund (PEF) Carry Forward	2,036	2,036		2,036	842	2,036	100.00%			0 Full spend anticipated
Scottish Attainment Challenge (SAC)	155	155		155		155	100.00%			0 Full spend anticipated
Grants - Developing Scotland's Young Workforce	65	65		65		65	100.00%			0 Full spend anticipated
School Insurance	58	58		58		58	100.00%			0 Full spend anticipated
Muirfield Revenue	43	43		43		43	100.00%			0 Full spend anticipated
Access to Free Sanitary Products - Schools	111	111	(76)	35		35	100.00%	76	76	Balance required to c/f to future year
Seemis Replacment Project Team	279	279	(199)	80		80	100.00%	199	199	Balance required to c/f to future year
1140 Hours	131	131		131	131	131	100.00%			0 Fully spent
Totals	5,601	5,601	(275)	5,326	3,653	5,326	100.00%	275	275	

Period 5 (2019/20)

Description/Reference	APPROVED SAVINGS			Reasons for Savings Gap	REPLACEMENT SAVING/FUNDING		Revised Savings Gap	Any additional information
	Target Value	Value Deliverable	Gap in Approved		Description	Value		
	£000's	£000's	£000's		£000	£000		
Approved Savings (February 2019)								
Base Budget Adjustments	700	301	399					
Leadership Framework	200	165	35	Revamped Learning Festival scheduled to take place in May 2020	Management Action in other areas of budget to offset in 2019/20	35	0	
Service Review - Support across Schools and Communities (Flexibility)	500	136	364	Full year saving applied with August implementation within Service due to academic year agreements.	Management Action in other areas of budget to offset in 2019/20	364	0	
Approved Savings (February 2019)	918	778	140					
Review of School DSM Budgets	650	571	79	Full year saving applied with August implementation within Service due to academic year agreements. Saving will be fully achieved in 2020/21.	Management Action in other areas of budget to offset in 2019/20	79	0	
CIO / School Support Review	219	207	12	Timing delay in relation to staff reductions. Saving will be fully achieved in 2020/21.	Management action will be taken in relation to vacancies and other areas of budget to offset in 2019/20	12	0	
Technician's Centre Term Time Max	49	0	49		Vacant NLC3 vacant post within Technician's Centre and reduction applied to miscellaneous budget	49	0	
Transformation Savings Target 2019/20	1,164	531	633					
Review PPP Unitary Charges	230	0	230	Delay in saving due to timing of contractual negotiations.	Availability deductions, partial gain share and fluctuations included in the inflation model	230	0	
Redesign of CLD	934	531	403	Timing delay in relation to staff reductions. Saving will be fully achieved in 2020/21.	Management action will be taken in relation to vacancies and other areas of budget to offset in 2019/20	403	0	
	2,782	1,610	1,172			1,172	0	