

# North Lanarkshire Council Report

## Education and Families Committee

approval  noting

Ref DB

Date 12/11/19

## Revenue Budget Monitoring Report

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### Executive Summary

This report provides a summary of the financial performance of the Education and Families Service for the period 1 April 2019 to 11 October 2019 (Period 7). 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. This budget included £8.477m of savings previously approved by the Council. It is currently anticipated that £7.023m of savings (82.85%) will be realised by the financial year-end.

In addition, the 2019/20 Education and Families budget incorporated activity in respect of Justice and Children's Services which were previously part of the Social Work Service.

The Service is currently forecasting an overspend of £0.901m to the end of the financial year.

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### Recommendations

It is recommended that the Education and Families Committee:

- i. Note the financial position of the Education and Families revenue budget.
- ii. Note the contents of the report.

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### 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. During 2019/20 the budget has seen an overall increase of £19.742m to £434.600m following finalisation of the teachers pay award (£19.744m) and a small budget reduction within property rates (£0.002m).
- 2.1.2 The Service is anticipating an overspend of £0.901m 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 £7.023m of approved savings (82.85%) 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 £305.707m and an underspend of £1.678m 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 £201.344m. 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 staffing budget of £48.812m. 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 £55.551m 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 £1.290m 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 underspend of £0.176m within Administration Costs due to the recovery of additional subsidy within the Community Justice grant (£0.144m) along with other minor underspends across the Service (£0.032m).
- 2.2.8 The Service is anticipating an overspend of £1.592m within Payments to Other Bodies due to increased demand for fostering and kinship payments (£1.144m) and costs in relation to Residential schools (£0.855m). These financial pressures are partially offset by reduced demand for external ASN placements (£0.142m), lower than anticipated uptake of 2 year old nursery provision (£0.108m) along with a reduction in HQ costs associated with curriculum development activities (£0.090m) and other minor underspends across the Service (£0.067m).

### 2.3 Earmarked and One-off Resources

- 2.3.1 In finalising North Lanarkshire Council's draft annual accounts to 31 March 2019, the Education and Families Service 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 the Education and Families Service. The Service uses a variety of information, records and processes to monitor achievement of its approved budget savings. As at Period 7 the Service anticipates £7.023m (82.85%) of its approved savings will be realised in the current financial year.
- 2.4.2 The unachieved savings of £1.454m 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, and these savings are expected to be fully achieved during 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 minimising the overall financial burden. 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 There are no actions required per the Fairer Scotland duties included in this report.
- 3.2 There are no Equality Impact Assessments required per the content of this report.

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### **4. Implications**

- 4.1 The Service has identified a number of financial burdens, which are predominantly demand led, at this 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 There are no HR/Policy/Legislative impacts linked to the content of this report.
- 4.3 There are no Environmental impacts linked to this report.
- 4.4 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.
- 4.4.1 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.
- 4.4.2 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.

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### **5. Measures of success**

- 5.1 The Service operates within approved budget resources.

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### **6. Supporting documents**

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| 6.1 | Appendix 1 | Objective Analysis       |
|     | Appendix 2 | Subjective Analysis      |
|     | Appendix 3 | Payments to Other Bodies |
|     | Appendix 4 | Earmarked Reserves       |
|     | Appendix 5 | Budget Savings           |



**Executive Director, Education and Families**

Period 7 (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)	ANALYSIS (10)
	£	£	£							
EARLY YEARS	11,462,134	11,462,134	0		23,862,333	23,862,333	0		0.0%	Balanced Budget
PRIMARY SCHOOLS	72,652,879	72,652,879	0		139,480,659	139,480,659	0		0.0%	Balanced Budget
SECONDARY SCHOOLS	70,125,830	70,125,830	0		134,149,691	134,149,691	0		0.0%	Balanced Budget
SPECIAL SCHOOLS	10,186,416	10,186,416	0		20,809,366	20,809,366	0		0.0%	Balanced Budget
EDUCATON & FAMILIES SERVICE DELIVERY	21,530,431	21,170,673	359,757	FAV	97,089,107	96,119,608	969,499	FAV	1.0%	Lower than anticipated uptake of 2 year nursery provision and synergies associated with grant funded programmes.
CHILDREN'S SERVICES SOCIAL WORK	9,769,746	10,957,390	(1,187,643)	ADV	19,152,487	21,166,694	(2,014,207)	ADV	-10.5%	Increased demand for fostering and kinship payments and self directed support (SDS)
JUSTICE SERVICES	271,600	217,399	54,201	FAV	56,769	(87,008)	143,777	FAV	253.3%	Anticipated surplus in administration subsidy within the Community Justice grant
NET EXPENDITURE	195,999,036	196,772,720	(773,685)	ADV	434,600,412	435,501,343	(900,931)	ADV	-0.2%	

FAV = Favourable variation, underspend etc

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

Period 7 (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)	ANALYSIS (10)
	£	£	£							
EMPLOYEE COSTS	156,275,702	155,297,803	977,899	FAV	305,707,355	304,029,592	1,677,763	FAV	0.5%	Lower than anticipated uptake of 2 year nursery provision and synergies associated with grant funded programmes
PROPERTY COSTS	27,971,529.34	27,964,936.61	6,593		65,544,494	65,530,125	14,369	FAV	0.0%	Minor Variance
SUPPLIES & SERVICES	18,355,802	18,376,253	(20,450)	ADV	43,531,346	43,551,781	(20,435)	ADV	0.0%	Minor Variance
TRANSPORT & PLANT	5,049,109	5,917,639	(868,530)	ADV	13,222,716	14,512,319	(1,289,603)	ADV	-9.8%	Increased demand for ASN transport and consortium travel for secondary pupils.
ADMINISTRATION COSTS	1,450,475	1,428,837	21,638	FAV	3,768,945	3,592,563	176,382	FAV	4.7%	Anticipated surplus in administration subsidy within the Community Justice grant along with other minor underspends across the Service
PAYMENTS TO OTHER BODIES	14,165,151	15,115,048	(949,898)	ADV	29,370,133	30,961,897	(1,591,764)	ADV	-5.4%	Increased demand for fostering and kinship associated payments, partially offset by reduced demand for external ASN placements
TRANSFER PAYMENTS	1,895,950	1,880,210	15,740	FAV	3,191,659	3,105,151	86,508	FAV	2.7%	Minor Variance
CAPITAL FINANCING COSTS	0	0	0		29,329,185	29,329,185	0		0.0%	Balanced Budget
OTHER EXPENDITURE	127,161	125,451	1,710	FAV	6,009,056	6,005,880	3,176	FAV	0.1%	Minor Variance
<b>TOTAL EXPENDITURE</b>	<b>225,290,878</b>	<b>226,106,177</b>	<b>(815,299)</b>	<b>ADV</b>	<b>499,674,889</b>	<b>500,618,493</b>	<b>(943,604)</b>	<b>ADV</b>	<b>-0.2%</b>	
<b>INCOME</b>	<b>29,291,844</b>	<b>29,333,458</b>	<b>41,614</b>	<b>FAV</b>	<b>65,074,477</b>	<b>65,117,149</b>	<b>42,672</b>	<b>FAV</b>	<b>0.1%</b>	Minor Variance
<b>NET EXPENDITURE</b>	<b>195,999,035</b>	<b>196,772,719</b>	<b>(773,685)</b>	<b>ADV</b>	<b>434,600,412</b>	<b>435,501,343</b>	<b>(900,931)</b>	<b>ADV</b>	<b>-0.2%</b>	

FAV = Favourable variation, underspend etc

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

Period 7 (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)	% (8)	TYPICAL AREAS OF EXPENDITURE/ANALYSIS OF VARIATIONS (10)
Other CMMT of the Council	125,000	125,000	0	129,500	129,500	0	0.0%	Balanced Budget
Other Local Authorities	366,053	312,818	53,235 FAV	1,934,478	1,792,101	142,377 FAV	7.4%	Lower than anticipated expenditure in external inter-authority special school placements
Scottish Qualification Authority	1,793,993	1,793,993	0	1,806,527	1,806,527	0	0.0%	Balanced Budget
Voluntary Organisations	146,035	148,502	(2,467) ADV	914,294	916,761	(2,467) ADV	-0.3%	Minor Variance
External Contracts	1,299,088	1,280,977	18,111 FAV	4,903,071	4,841,252	61,819 FAV	1.3%	Minor Variance
Pupil Support	13,804	13,804	0	25,243	25,243	0	0.0%	Balanced Budget
School Board Payments	12,684	12,684	0	90,168	90,168	0	0.0%	Balanced Budget
General School Activities	1,563,729	1,583,838	(20,110) ADV	2,076,962	2,114,573	(37,611) ADV	-1.8%	Minor Variance
Pre School Commissions	3,037,411	2,985,649	51,762 FAV	5,541,904	5,434,081	107,823 FAV	1.9%	Lower than anticipated uptake of 2 year nursery provision
Duke of Edinburgh Award Scheme	4,658	4,658	0	23,030	23,030	0	0.0%	Balanced Budget
Medical Fees	80,223	80,223	0	117,252	117,252	0	0.0%	Balanced Budget
Payments Other Bodies - General	206,116	203,039	3,077 FAV	623,719	600,937	22,782 FAV	3.7%	Minor Variance
Agency Fees	569,705	510,101	59,604 FAV	1,861,621	1,771,177	90,444 FAV	4.9%	Reduction in HQ costs associated with curriculum development activities
Community Care Development	4,811	4,811	0	15,028	15,028	0	0.0%	Balanced Budget
Family Placements	4,149,117	4,899,881	(750,764) ADV	7,674,126	8,818,496	(1,144,370) ADV	-14.9%	Increased children and family placements resulting in overspend on fostering and kinship care
Residential / Secure Accommodation	757,778	1,120,190	(362,412) ADV	1,546,477	2,401,189	(854,712) ADV	-55.3%	Increased placements within Residential/Secure Accommodation
Sectional Payments (Social Work Scotland Act)	34,947	34,882	65 FAV	86,733	64,583	22,150 FAV	25.5%	Minor Variance
<b>TOTAL EXPENDITURE</b>	<b>14,165,151</b>	<b>15,115,048</b>	<b>(949,898) ADV</b>	<b>29,370,133</b>	<b>30,961,897</b>	<b>(1,591,764) ADV</b>	<b>-5.4%</b>	

FAV = Favourable variation, underspend etc

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

Period 7 (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	%			
<b>Service Specific Earmarked Reserves:</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	
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	1,236	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/fwd to future year
Seemis Replacment Project Team	279	279	(199)	80		80	100.00%	199	199	Balance required to c/fwd to future year
1140 Hours	131	131		131	131	131	100.00%			0 Fully spent
<b>Totals</b>	<b>5,601</b>	<b>5,601</b>	<b>-275</b>	<b>5,326</b>	<b>4,047</b>	<b>5,326</b>	<b>100.00%</b>	<b>275</b>	<b>275</b>	



Period 7 (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		
<b>Approved Savings (February 2019)</b>								
<b>Base Budget Adjustments</b>	<b>780</b>	<b>149</b>	<b>631</b>					
Free Fruit - Synergy with Grant Funding	80	9	71	Delay in implementation due to a combination of academic year and timing of procurement framework	Management Action in other areas of budget to offset in 2019/20	71	0	
Leadership Framework	200	140	60	Timing delay due to academic year and revamped Learning Festival not due to take place until May 2020	Management Action in other areas of budget to offset in 2019/20	60	0	
Service Review - Support across Schools and Communities (Flexibility)	500	0	500	Delayed implementation to August 2019 coupled with ongoing demand pressure.	Management Action in other areas of budget to offset in 2019/20	500	0	
<b>Approved Savings (February 2019)</b>	<b>1,308</b>	<b>1,118</b>	<b>190</b>					
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	Timing delay in relation to staffing restructure	Alternative option to term time working will have less impact on service delivery	49	0	
Additional recovery of support costs and identifying synergies in external programmes	390	340	50	Timing delay in relation to implementation. Saving will be fully achieved in 2020/21.	Management Action in other areas of budget to offset in 2019/20	50	0	
<b>Transformation Savings Target 2019/20</b>	<b>1,164</b>	<b>531</b>	<b>633</b>					
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	
	<b>3,252</b>	<b>1,798</b>	<b>1,454</b>			<b>1,454</b>	<b>0</b>	