

North Lanarkshire Council Report

Education and Families Committee

approval noting

Ref DB

Date 25/02/20

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 3 January 2020 (Period 10). 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.

Following the realignment of activity between Council services coupled with additional grant funding the Education and Families budget is currently £403.828m.

The approved savings linked to the current budget total £6.093m. It is anticipated that £4.860m of these approved savings (79.76%) will be realised by the financial year-end.

The Service is currently forecasting an underspend of £0.127m to the end of the financial year.

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.

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.

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 represented the approved Revenue Budget for Education and Families. During 2019/20 the budget has seen an overall decrease of £11.030m to £403.828m which is detailed as follows. There has been realignment of budget (£26.943m) to Enterprise and Communities for activity in relation to Culture and Leisure NL (CLNL) and Community Learning and Development (CLD) (£6.686m) along with a small budget reduction within property rates (£0.002m). Funding has been incorporated into the budget following finalisation of the teachers pay award (£19.744m) and to reflect the recent grant award of £1.044m from the Scottish Government in respect of Additional Support for Learning Implementation. Finally, a further realignment of budget (£1.813m) from Social Work to Education and Families has taken place to reflect the continuing integration of Children's Services.
- 2.1.2 The Service is anticipating an underspend of £0.127m 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 current 2019/20 budget now incorporates £6.093m of savings previously approved by the Council on 23 February 2019. It is presently anticipated that £4.860m of approved savings (79.76%) 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 £302.437m and an underspend of £2.431m 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 £195.416m. 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 £48.602m. 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 £58.419m 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 underspend of £0.287m within Supplies and Services primarily due to a lower than anticipated catering recharge (£0.030m) and curtailment of non essential expenditure (£0.301m) partially offset by increased costs associated with hardware and software licences (£0.044m).
- 2.2.7 The Service is anticipating an overspend of £1.354m within Transport and Plant primarily due to increased costs for the provision of demand led ASN transport and consortium travel for secondary pupils.
- 2.2.8 The Service is anticipating an underspend of £0.157m within Administration Costs due to the recovery of additional subsidy within the Community Justice grant (£0.162m) along with other minor overspends across the Service (£0.005m).
- 2.2.9 The Service is anticipating an overspend of £1.490m within Payments to Other Bodies due to increased demand for fostering and kinship payments (£1.168m) and costs in relation to Residential schools (£0.835m). These financial pressures are partially offset by reduced demand for external ASN placements (£0.220m), lower than anticipated uptake of 2 year old nursery provision (£0.141m) along with a reduction in HQ costs associated with curriculum development activities (£0.112m) and other minor underspends across the Service (£0.040m).

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. Following the realignment of budget in relation to CLNL and CLD the revised value of earmarked resources is £5.558m. The largest elements of earmarked resources include the Schools DSM carry forward and Pupil Equity Fund (PEF) carry forward. It is anticipated that £5.283m 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. The Education and Families is currently responsible for the implementation of £6.093m of these savings. The Service uses a variety of information, records and processes to monitor achievement of its approved budget savings. As at Period 10 the Service anticipates £4.860m (79.76%) of its approved savings will be realised in the current financial year.
- 2.4.2 The unachieved savings of £1.233m 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 Management will continue to review and implement actions through to financial year end with the aim of ensuring the Service operates within available budget resources. 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.

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.

4. **Implications**

4.1 The Service has identified a number of financial burdens, which are predominantly demand led during the financial year. To date the burdens have been managed within the Services overall budget resource. This position will continue to be monitored and updates reported to future Committees.

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.

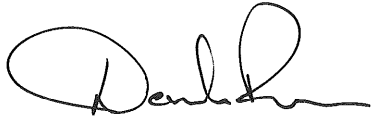
4.4.2 To minimise the risk this report has been prepared by service based Financial Solutions personnel in consultation with budget managers, in accordance with the Financial Regulations.

5. **Measures of success**

5.1 The Service operates within approved budget resources.

6. Supporting documents

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



Derek Brown
Executive Director, Education and Families

Education and Families
Revenue Budget Monitoring Report - Objective Analysis

Period 10 (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	16,611,112	16,611,112	0		23,754,040	23,754,040	0	0.0%	Balanced Budget
PRIMARY SCHOOLS	102,297,186	102,297,186	0		136,837,180	136,837,180	0	0.0%	Balanced Budget
SECONDARY SCHOOLS	94,908,612	94,908,612	0		129,501,234	129,501,234	0	0.0%	Balanced Budget
SPECIAL SCHOOLS	14,323,988	14,323,988	0		20,618,035	20,618,035	0	0.0%	Balanced Budget
EDUCATION & FAMILIES SERVICE DELIVERY	22,184,305	20,745,485	1,438,819	FAV	72,095,186	70,203,185	1,892,001 FAV	2.6%	Lower than anticipated uptake of 2 year nursery provision and synergies associated with grant funded programmes.
CHILDREN'S SERVICES SOCIAL WORK	15,469,335	16,500,761	(1,031,425)	ADV	20,965,318	22,969,168	(2,003,850) ADV	-9.6%	Increased demand for fostering and kinship payments and self directed support (SDS)
JUSTICE SERVICES	549,495	478,287	71,208	FAV	56,769	(182,246)	239,015 FAV	421.0%	Anticipated surplus in administration subsidy within the Community Justice grant and synergies associated with external funding
NET EXPENDITURE	266,344,033	265,865,431	478,602	FAV	403,827,762	403,700,596	127,166 FAV	0.0%	

FAV = Favourable variation, underspend etc

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

Period 10 (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	215,720,064	213,550,541	2,169,522	FAV	302,436,728	300,005,720	2,431,008	FAV	0.8%	Lower than anticipated uptake of 2 year nursery provision and synergies associated with grant and external funded programmes
PROPERTY COSTS	37,286,064	37,284,744	1,320	FAV	65,299,489	65,254,771	44,718	FAV	0.1%	Minor Variance
SUPPLIES & SERVICES	14,835,792	14,698,702	137,091	FAV	25,006,866	24,720,175	286,691	FAV	1.1%	Curtailment of non essential expenditure partially offset by increased costs associated with hardware and software licences
TRANSPORT & PLANT	8,089,477	9,096,447	(1,006,971)	ADV	13,481,261	14,834,938	(1,353,677)	ADV	-10.0%	Increased demand for ASN transport and consortium travel for secondary pupils
ADMINISTRATION COSTS	2,057,843	2,016,340	41,504	FAV	3,702,955	3,545,863	157,092	FAV	4.2%	Anticipated surplus in administration subsidy within the Community Justice grant along with other minor underspends across the Service
PAYMENTS TO OTHER BODIES	21,672,747	22,557,518	(884,771)	ADV	31,420,049	32,910,068	(1,490,019)	ADV	-4.7%	Increased demand for fostering and kinship associated payments, partially offset by reduced demand for external ASN placements
TRANSFER PAYMENTS	2,563,769	2,520,673	43,096	FAV	3,697,310	3,610,802	86,508	FAV	2.3%	Minor Variance
CAPITAL FINANCING COSTS	0	0	0		23,107,136	23,107,136	0		0.0%	Balanced Budget
OTHER EXPENDITURE	26,914	21,319	5,595	FAV	3,285,478	3,277,043	8,435	FAV	0.3%	Minor Variance
TOTAL EXPENDITURE	302,252,670	301,746,283	506,387	FAV	471,437,272	471,266,515	170,757	FAV	0.0%	
INCOME	35,908,637	35,880,852	(27,785)	ADV	67,609,510	67,565,919	(43,591)	ADV	-0.1%	Minor Variance
NET EXPENDITURE	266,344,033	265,865,431	478,602	FAV	403,827,762	403,700,596	127,166	FAV	0.0%	

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 (2019/20)

DESCRIPTION (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	YEAR TO DATE VARIANCES (4)	ANNUAL BUDGET (5)	FINAL OUTTURN (6)	OUTTURN VARIANCE (7)	%	TYPICAL AREAS OF EXPENDITURE/ANALYSIS OF VARIATIONS (10)
Other CMMT of the Council	125,000	125,000	0	125,000	125,000	0	0.0%	Balanced Budget
Other Local Authorities	145,612	85,379	60,233 FAV	1,934,478	1,752,101	182,377 FAV	9.4%	Lower than anticipated expenditure in external inter-authority special school placements
Scottish Qualification Authority	1,789,593	1,789,593	0	1,806,890	1,806,890	0	0.0%	Balanced Budget
Voluntary Organisations	672,940	711,810	(38,870) ADV	1,029,850	1,072,416	(42,566) ADV	-4.1%	Minor Variance
External Contracts	1,981,092	1,962,981	18,111 FAV	4,866,837	4,779,018	87,819 FAV	1.8%	Minor Variance
Pupil Support	17,161	17,161	0	20,583	20,583	0	0.0%	Balanced Budget
School Board Payments	19,419	19,419	0	87,980	87,980	0	0.0%	Balanced Budget
General School Activities	2,055,467	2,055,467	0	2,644,332	2,636,332	8,000 FAV	0.3%	Minor Variance
Pre School Commissions	5,384,617	5,373,634	10,983 FAV	5,541,904	5,434,081	107,823 FAV	1.9%	Lower than anticipated uptake of 2 year nursery provision
Medical Fees	104,741	104,741	0	117,252	117,252	0	0.0%	Balanced Budget
Payments Other Bodies - General	774,749	759,297	15,452 FAV	1,186,774	1,155,638	31,136 FAV	2.6%	Minor Variance
Agency Fees	932,995	856,834	76,161 FAV	2,141,805	2,025,993	115,812 FAV	5.4%	Reduction in HQ costs associated with curriculum development activities
Community Care Development	6,744	6,744	0	15,028	15,028	0	0.0%	Balanced Budget
Family Placements	6,528,013	6,917,049	(389,035) ADV	8,268,126	9,435,985	(1,167,859) ADV	-14.1%	Increased children and family placements resulting in overspends on fostering and kinship care
Residential / Secure Accommodation	1,089,705	1,727,511	(637,806) ADV	1,546,477	2,381,189	(834,712) ADV	-54.0%	Increased placements within Residential/Secure Accommodation
Sectional Payments (Social Work Scotland Act)	44,899	44,899	0 FAV	86,733	64,583	22,150 FAV	25.5%	Minor Variance
TOTAL EXPENDITURE	21,672,747	22,557,518	(884,771) ADV	31,420,049	32,910,068	(1,490,019) ADV	-4.7%	

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

Period 10 (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	0	2,723	2,680	2,723	100.00%	0	0	Full spend anticipated
Pupil Equity Fund (PEF) Carry Forward	2,036	2,036	0	2,036	1,697	2,036	100.00%	0	0	Full spend anticipated
Scottish Attainment Challenge (SAC)	155	155	0	155	0	155	100.00%	0	0	Full spend anticipated
Grants - Developing Scotland's Young Workforce	65	65	0	65	0	65	100.00%	0	0	Full spend anticipated
School Insurance	58	58	0	58	0	58	100.00%	0	0	Full spend anticipated
Access to Free Sanitary Products - Schools	111	111	(76)	35	0	35	100.00%	76	76	Balance required to c/f to future year
Seemis Replacment Project Team	279	279	(199)	80	0	80	100.00%	199	199	Balance required to c/f to future year
1140 Hours	131	131	0	131	131	131	100.00%	0	0	Fully spent
Totals	5,558	5,558	(275)	5,283	4,508	5,283	100.00%	275	275	

Period 10 (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	780	130	650					
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	121	79	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	79	0	
HQ Support to 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	
Approved Savings (February 2019)	1,308	955	353					
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	0	219	The restructure will be phased over two financial years with full implementation in 2020/21.	Management action will be taken in relation to vacancies and other areas of budget to offset in 2019/20	219	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	384	6	Timing delay in relation to implementation 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	6	0	
Transformation Savings Target 2019/20	230	0	230					
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	
	2,318	1,085	1,233			1,233	0	