

North Lanarkshire Council Report

Education and Families Committee

approval noting

Ref DB

Date 15/07/20

Revenue Budget Monitoring Report

From Derek Brown, Executive Director, Education and Families

Email BrownD@northlan.gov.uk

Telephone 01698 302534

Executive Summary

This report provides a summary of the financial performance of the Education and Families Service for the period 1 April 2020 to 26 June 2020 (Period 3). The report illustrates the projected outturn position as at 31 March 2021, 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 24 February 2020, of which £447.435m represented the Net Revenue Budget for Education and Families.

The 2020/21 Education and Families budget now incorporates activity in respect of Justice and Children's Services which were previously part of the Social Work Service.

The approved savings linked to the current budget total £8.231m. It is currently anticipated that £7.969m of savings (96.82%) will be realised by the financial year-end.

The Service is currently forecasting an overspend of £7.919m to the end of the financial year. This position includes net additional costs as a result of the COVID-19 pandemic of £9.934m as detailed in Appendix 6. The underlying position of the Service excluding the impact of the pandemic is therefore a projected underspend of £2.015m. The costs shown in Appendix 6 are included within the Council's overall return to Scottish Government via COSLA on the net additional costs as a result of COVID-19.

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 24 February 2020, of which £447.435m represented the approved Revenue Budget for Education and Families. During 2020/21 the budget has seen an overall increase of £0.671m to £448.106m which is detailed as follows. There has been realignment of budget to Enterprise and Communities (£1.266m) in relation to the approved saving for janitorial provision recharges and an allocation from the Scottish Government Food Fund (£1.937m) to support continuing provision of Free School Meals during the COVID-19 lockdown period.
- 2.1.2 The Service is reporting an overspend of underspend of £7.919m to the financial year end, including direct expenditure as a result of initiatives introduced to deal with the COVID-19 pandemic. The underlying position of the Service excluding the impact of the pandemic is therefore a projected outturn of £2.015m. Section 2.2 below and Appendices 1 to 6 of this report further explain the significant budget variations contributing to this outturn position.
- 2.1.3 The current 2020/21 budget now incorporates £8.231m of savings previously approved by the Council on 24 February 2020. It is presently anticipated that £7.969m of savings (96.82%) will be generated by financial year-end with a further £0.262m replacement savings also being achieved. 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 £317.985m with a projected overspend of £5.114m anticipated including COVID-19 costs of £6.571m. Excluding COVID-19 costs the Service is projecting an underspend of £1.457m. The key contributors to this underspend are the phasing of grant awards and linked activity in areas such as 2 year old nursery provision.
- 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 £196.117m. 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 £40.857m. 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 £81.011m include HQ functions, as well as temporary grant funded posts in areas such as Early Years expansion and Scottish Attainment Challenge (SAC) programmes.
- 2.2.6 The Service is anticipating an overspend of £0.332m within Supplies and Services, including COVID-19 costs of £0.602m. Excluding COVID-19 costs the Service is projecting an underspend of £0.270m across a number of budget lines due to curtailment of non-essential expenditure.
- 2.2.7 The Service is anticipating an overspend of £0.979m within Transport and Plant, including COVID-19 costs of £0.366m. Excluding COVID-19 the Service is projecting an overspend of £0.613m primarily due to increased costs for the provision of demand led ASN transport (£0.625m) and other minor underspends across the Service (£0.012m).
- 2.2.8 The Service is anticipating an underspend of £0.174m within Administration Costs due to curtailment of non-essential expenditure (£0.150m) along with other minor overspends across the Service (£0.024m).
- 2.2.9 The Service is anticipating an overspend of £1.362m within Payments to Other Bodies, including COVID-19 costs of £2.056m. The majority of this expenditure is linked to the roll out of the FSM voucher scheme as a direct response to the COVID-19 pandemic. Excluding COVID-19 the Service is projecting an underspend of £0.694m predominantly as a result of synergies and efficiencies in the delivery of core and externally funded projects.
- 2.2.10 The Service is anticipating an under recovery of Income of £0.362 including the impact of COVID-19 of £0.322m. The under-recovered income includes Kilbowie (£0.156m), music provision (£0.087m) and CPD training courses (£0.079m) along with other minor income under recoveries 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 2020, the Education and Families Service was given approval to earmark £11.556m 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 and ring-fenced 1140 Hours grant. It is anticipated that £8.414mm of these reserve balances will be utilised in the current year with approval already given to carry forward £3.000m for 1140 Hours grant to 2021/22 and agreement on the remaining funding will be considered as part of the 2020/21 annual accounts process.

2.4 2020/21 Budget Savings

- 2.4.1 North Lanarkshire Council approved total savings for the year of £31.214m. The Education and Families is currently responsible for the implementation of £8.231m of these savings. The Service uses a variety of information, records and processes to monitor achievement of its approved budget savings and as at Period 3 the Service anticipates £7.969m (96.82%) of its approved savings will be realised in the current year.
- 2.4.2 The unachieved savings of £0.262m have predominantly arisen as a result of temporary timing delays due to COVID-19 in areas such as increasing charges to parents/carers for music provision, 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 2020/21, 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 COVID-19 Costs

- 2.5.1 As a direct response to the COVID-19 pandemic the Council has introduced a number of initiatives in accordance with guidance issued by the Scottish Government, UK Government and COSLA.

- 2.5.2 The costs of £9.934m shown in Appendix 6 are the net COVID-19 costs incurred by the Education and Families Service and includes expenditure relating to the FSM voucher scheme, provision of School Hubs for vulnerable children and the children of key workers. These costs are included within the Council's overall return to Scottish Government via COSLA on the net additional costs as a result of COVID-19.

2.6 Management Action

- 2.6.1 Management will continue to review and implement actions through to financial year end with the aim of ensuring the Service minimises cost pressures. 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 A number of financial burdens have been identified which are predominantly linked to the Service Covid-19 response. 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 increased operating costs linked to the Covid-19 pandemic will present an ongoing financial risk during the current financial year.
- 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
- Appendix 6 COVID-19 Costs

Derek Brown
Executive Director, Education and Families

Period 3 (2020/21)

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	4,621,112	4,621,112	0		22,553,591	22,553,591	0		0.0%	Balanced Budget
PRIMARY SCHOOLS	27,750,766	27,750,766	0		121,249,823	121,249,823	0		0.0%	Balanced Budget
SECONDARY SCHOOLS	28,128,419	28,128,419	0		124,368,272	124,368,272	0		0.0%	Balanced Budget
SPECIAL SCHOOLS	4,528,217	4,528,217	0		17,048,692	17,048,692	0		0.0%	Balanced Budget
EDUCATON & FAMILIES SERVICE DELIVERY	8,081,427	9,832,164	(1,750,737)	ADV	125,610,948	133,945,321	(8,334,373)	ADV	-6.6%	Costs in relation to the COVID-19 response offset by management action, synergies associated with external funding and curtailment of non-essential expenditure.
CHILDREN'S SERVICES SOCIAL WORK	6,811,571	6,730,761	80,810	FAV	37,217,454	36,817,485	399,969	FAV	1.1%	Reduced demand within family placements management action and curtailment of non-essential expenditure.
JUSTICE SERVICES	145,864	136,864	9,000	FAV	56,779	41,779	15,000	FAV	26.4%	Synergies associated with external funding
NET EXPENDITURE	80,067,376	81,728,303	(1,660,927)	ADV	448,105,559	456,024,963	(7,919,404)	ADV	-1.8%	

FAV = Favourable variation, underspend etc

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

Period 3 (2020/21)

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	70,807,390	71,538,434	(731,044)	ADV	317,985,035	323,099,340	(5,114,305)	ADV	-1.6%	Predominantly costs associated with one year temporary teaching contracts offered to all finishing probationers as part of the COVID-19 response offset by synergies in external grants.
PROPERTY COSTS	1,456,904	1,448,288	8,615	FAV	66,162,925	66,154,310	8,615	FAV	0.0%	Minor Variance
SUPPLIES & SERVICES	649,332	701,257	(51,925)	ADV	27,647,010	27,978,682	(331,672)	ADV	-1.2%	COVID-19 costs partially offset by synergies associated with external funding and curtailment of non essential expenditure.
TRANSPORT & PLANT	2,279,029	2,523,679	(244,650)	ADV	14,402,976	15,381,945	(978,969)	ADV	-6.8%	Minor Variance
ADMINISTRATION COSTS	781,341	712,379	68,962	FAV	4,138,916	3,964,939	173,977	FAV	4.2%	Curtailment of non-essential expenditure to offset COVID-19 costs and reduced costs associated with family placements.
PAYMENTS TO OTHER BODIES	9,992,584	10,527,838	(535,254)	ADV	41,365,399	42,727,087	(1,361,688)	ADV	-3.3%	COVID-19 costs in relation to FSM voucher scheme during school closures offset by synergies in external grants and curtailment of non-essential expenditure.
TRANSFER PAYMENTS	575,086	547,085	28,000	FAV	3,570,240	3,523,119	47,121	FAV	1.3%	Minor Variance
CAPITAL FINANCING COSTS	0	0	0		42,845,976	42,845,976	0		0.0%	Balanced Budget
OTHER EXPENDITURE	16,352	16,663	(311)	ADV	8,754,710	8,755,242	(532)	ADV	0.0%	Minor Variance
TOTAL EXPENDITURE	86,558,018	88,015,623	(1,457,606)	ADV	526,873,187	534,430,639	(7,557,452)	ADV	-1.4%	
INCOME	6,490,642	6,287,321	(203,321)	ADV	78,767,628	78,405,676	(361,952)	ADV	-0.5%	As a direct impact of COVID-19 reduced income in relation to Kilbowie Outdoor Centre, music provision and continuing professional development training courses.
NET EXPENDITURE	80,067,376	81,728,303	(1,660,927)	ADV	448,105,559	456,024,963	(7,919,404)	ADV	-1.7%	

FAV = Favourable variation, underspend etc

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

Period 3 (2020/21)

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	0	0	0	125,000	125,000	0	0.0%	Balanced Budget
Other Local Authorities	72,759	72,567	192 FAV	1,714,700	1,713,867	833 FAV	0.0%	Minor Variance
Scottish Qualification Authority	1,776,004	1,776,004	0	1,806,750	1,806,750	0	0.0%	Balanced Budget
Voluntary Organisations	40,161	40,161	0	784,377	784,377	0	0.0%	Balanced Budget
External Contracts	8,816	6,917	1,899 FAV	4,396,577	4,365,577	31,000 FAV	0.7%	Minor Variance
Pupil Support	69,394	46,317	23,077 FAV	1,021,667	921,667	100,000 FAV	9.8%	Minor Variance
School Board Payments	627	627	0	82,132	82,132	0	0.0%	Balanced Budget
General School Activities	24,886	24,886	0	132,029	132,029	0	0.0%	Balanced Budget
Pre School Commissions	3,164,140	3,164,140	0	12,701,661	12,701,661	0	0.0%	Balanced Budget
Medical Fees	5,910	5,910	0	214,450	214,450	0	0.0%	Balanced Budget
Payments Other Bodies - General	320,146	174,069	146,077 FAV	2,354,742	1,721,742	633,000 FAV	26.9%	Synergies associated with external funding and curtailment of non-essential expenditure to offset COVID-19 costs
Agency Fees	2,047,342	2,664,291	(616,949) ADV	4,451,048	6,190,888	(1,739,840) ADV	-39.1%	COVID-19 costs in relation to FSM voucher scheme during school closures offset by synergies associated with external funding and curtailment of non-essential expenditure
Community Care Development	679	679	0	15,028	15,028	0	0.0%	Balanced Budget
Family Placements	1,997,120	1,947,839	49,281 FAV	9,889,500	9,675,811	213,689 FAV	2.2%	Reduced demand within family placements
Residential / Secure Accommodation	455,624	594,086	(138,462) ADV	1,589,005	2,189,005	(600,000) ADV	-37.8%	Increased placements within Residential/Secure Accommodation
Sectional Payments (Social Work Scotland Act)	8,975	9,345	(370) ADV	86,733	87,103	(370) ADV	-0.4%	Minor Variance
TOTAL EXPENDITURE	9,992,584	10,527,838	(535,254) ADV	41,365,399	42,727,087	(1,361,688) ADV	-3.3%	

FAV = Favourable variation, underspend etc

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

Period 3 (2020/21)

Description of Earmarked Resource	Total Earmarked Reserve	Initial 2020/21 Allocation	Adjustments In Year	2020/21 Approved Reserve Total	Spend to Date	Projected Spend 2020/21		Reserves No Longer Required in 2020/21	Reserves Required for 2021/22	Comments
						Value	%			
Service Specific Earmarked Reserves:	£000	£000	£000	£000	£000	£000	£000	£000	£000	
School Carry Forward / Support	3,072	3,072		3,072		3,072	100.00%			0 Full spend anticipated
Pupil Equity Fund (PEF) Carry Forward	2,132	2,132		2,132		2,132	100.00%			0 Full spend anticipated
Access to Free Sanitary Products - Schools	20	20		20		20	100.00%	0		0 Full spend anticipated
Seemis Replacment Project Team	242	242		242		90	37.19%	0	152	Balance required to c/f to future year
1140 Hours	6,000	3,000		3,000		3,000	100.00%	0	3,000	Balance required to c/f to future year
Kilbowie Decommissioning	100	100		100		100	100.00%	0		0 Full spend anticipated
Totals	11,566	8,566	0	8,566	0	8,414	98.23%	0	3,152	

Period 3 (2020/21)

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 2020/21								
Approved Savings (February 2020)	469	283	186					
Management Review	150	75	75	Delay in implementing revised structure as a result of response to Covid19. Saving will be fully achieved in 2021/22.	Management Action in other areas of budget to offset in 2020/21.	75	0	
Review of extra curricular music service provision	186	130	56	Delay in applying revised charging to parents/carers as a result of Covid19 school closures and physical distancing.	Management Action in other areas of budget to offset in 2020/21.	56	0	
Cessation of funding to Road Safety Team	133	78	55	Timing delay in relation to implementation. Saving will be fully achieved in 2021/22.	Management Action in other areas of budget to offset in 2020/21.	55	0	
Savings approved 2019/20 with full year impact in 2020/21 (approved February 2019)	170	94	76					
Education and Families Review	170	94	76	Delay in implementing revised structure as a result of response to Covid19. Saving will be fully achieved in 2021/22.	Management Action in other areas of budget to offset in 2020/21.	76	0	
	639	377	262			262	0	

Area	Projected Outturn			Mar-20	Proj
	Recurring	One-off	Total		Recurring
	£'000	£'000	£'000	£'000	£'000
(SERVICE) COVID19 Costs	283.998	0.539	284.537	283.998	7,793.481
Project Costs					
Food Fund	323.020		323.020	323.020	2,097.512
Busines Grants	0.000		0.000		0.000
Shielding	0.000		0.000		0.000
Other	0.000		0.000		0.000
Project Costs Total	323.020	0.000	323.020	323.020	2,097.512
Funding					
Flexible use of (RING FENCED GRANT)			0.000		
TOTAL NET COST	607.018	0.539	607.557		9,890.993

Education and Families
 Budget Monitoring Report - COVID19 Costs

Period 3 (2020/21)

Projected Outturn		Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20
One-off	Total							
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
42.514	7,835.995	914.484	881.917	1,015.175	553.545	553.545	553.545	553.545
	2,097.512	669.705	719.725	708.082				
	0.000							
	0.000							
	0.000							
0.000	2,097.512	669.705	719.725	708.082	0.000	0.000	0.000	0.000
	0.000							
42.514	9,933.507							

Appendix 6

Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
£'000	£'000	£'000	£'000	£'000
553.545	553.545	553.545	553.545	553.545
0.000	0.000	0.000	0.000	0.000

Total COVID-19 Costs		
Recurring	One-off	Total
£'000	£'000	£'000
8,077.479	43.053	8,120.532
2,420.532	0.000	2,420.532
0.000	0.000	0.000
0.000	0.000	0.000
0.000	0.000	0.000
2,420.532	0.000	2,420.532
0.000	0.000	0.000
10,498.011	43.053	10,541.064