

North Lanarkshire Council Report

Education and Families Committee

approval noting

Ref DB

Date 24/11/20

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 2020 to 16 October 2020 (Period 7). 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 £7.903m of savings (96.02%) will be realised by the financial year-end.

The Service is currently forecasting an overspend of £6.738m to the end of the financial year. This position includes net additional costs as a result of the COVID-19 pandemic of £10.393m as detailed in Appendix 6. The underlying position of the Service excluding the impact of the pandemic is therefore a projected underspend of £3.655m. The costs and funding shown in Appendix 6 are included within the Council's overall return to the Scottish Government via COSLA on the net additional costs incurred 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 net decrease of £20.437m to £426.997m which is detailed as follows. There has been realignment of budget to Enterprise and Communities (£22.374m) in relation to janitorial, cleaning and school meals along with a budget uplift (£1.937m) in respect of the Scottish Government Food Fund to help support the continuing provision of Free School Meals during the pandemic.
- 2.1.2 The Service is reporting an overspend of £6.738m to the financial year end, which includes direct expenditure as a result of initiatives introduced to deal with the COVID-19 pandemic of £10.393m. The underlying position of the Service excluding the impact of the pandemic is therefore a projected underspend of £3.655m. 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 £7.903m of approved savings (96.02%) will be generated by financial year-end, with the remaining in-year shortfall of £0.328m being addressed via management action. 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 £327.336m and currently anticipates a projected overspend of £4.326m including COVID-19 costs of £6.503m. Excluding COVID-19 costs the Service is projecting an underspend of £2.177m. The key contributors to this underspend are the phasing of grant awards and linked activity in areas such as nursery expansion.
- 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 £203.529m. 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 £47.563m. 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 £76.244m 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 £0.203m within Supplies and Services, including COVID-19 costs of £0.365m. Excluding COVID-19 costs the Service is projecting an underspend of £0.162m due to synergies associated with external funding and curtailment of non-essential expenditure.
- 2.2.7 The Service is anticipating an underspend of £0.473m within Transport and Plant, including COVID-19 costs of £0.023m. Excluding COVID-19 costs the Service is projecting an underspend of £0.496m which reflects actual payments made during lockdown period and projected payments from August 2020 to March 2021.
- 2.2.8 The Service is anticipating an overspend of £0.161m within Administration Costs, including COVID-19 costs of £0.408m. Excluding COVID-19 costs the Service is projecting an underspend of £0.247m primarily due to reduced costs associated with family placements and the curtailment of non-essential expenditure (£0.170m) along with other minor underspends (£0.077m) across a number of central support functions.
- 2.2.9 The Service is anticipating an overspend of £1.969m within Payments to Other Bodies, including COVID-19 costs of £2.431m with the majority of this expenditure related to the introduction of FSM voucher schemes during the pandemic. Excluding COVID-19 the Service is projecting an underspend of £0.462m predominantly as a result of synergies developed between core and externally funded programmes.
- 2.2.10 The Service is anticipating an underspend of £0.167m within Transfer Payments, including COVID-19 costs of £0.014m. Excluding COVID-19 the Service is projecting an underspend of £0.181m predominantly as a result of management action and curtailment of non-essential expenditure.
- 2.2.11 The Service is anticipating an under recovery of Income of £0.727m including the impact of COVID-19 of £0.647m. The under-recovered income includes Kilbowie charges (£0.155m), music provision (£0.239m), nursery wrap around hours (£0.097m) and CPD training courses (£0.156m) along with other minor income under recoveries across the Service (£0.080m).

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 £8.465m of these reserve balances will be utilised in the current year with approval already given to carry forward £3.000m of 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 Service 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 7

the Service anticipates £7.903m (96.02%) of its approved savings will be realised in the current year.

- 2.4.2 The unachieved savings of £0.328m have predominantly arisen as a result of temporary timing delays due to COVID-19 in areas such as 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 2020/21 costs of £10.393m 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 operates within approved 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 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 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

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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 | Challenging Budget Savings |
| | Appendix 6 | Net COVID-19 Costs |



Derek Brown
Executive Director, Education and Families

Education and Families
Revenue Budget Monitoring Report - Objective Analysis

Period 7 (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	12,082,793	12,082,793	0		22,623,905	22,623,905	0		0.0%	Balanced Budget
PRIMARY SCHOOLS	62,273,928	62,273,928	0		126,145,834	126,145,834	0		0.0%	Balanced Budget
SECONDARY SCHOOLS	64,387,866	64,387,866	0		126,399,778	126,399,778	0		0.0%	Balanced Budget
SPECIAL SCHOOLS	9,312,856	9,312,856	0		19,019,752	19,019,752	0		0.0%	Balanced Budget
EDUCATON & FAMILIES SERVICE DELIVERY	(6,683,875)	(2,374,022)	(4,309,853)	ADV	95,533,926	103,711,344	(8,177,418)	ADV	-8.6%	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	17,503,645	16,743,291	760,353	FAV	37,217,454	35,927,569	1,289,885	FAV	3.5%	Reduced demand within family placements, management action and curtailment of non-essential expenditure.
JUSTICE SERVICES	(277,181)	(344,783)	67,602	FAV	56,779	(92,722)	149,501	FAV	263.3%	Synergies associated with external funding
NET EXPENDITURE	158,600,031	162,081,928	(3,481,897)	ADV	426,997,428	433,735,460	(6,738,032)	ADV	-1.6%	

FAV = Favourable variation, underspend etc

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

Period 7 (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	153,693,751	154,971,613	(1,277,862)	ADV	327,336,048	331,662,038	(4,325,990)	ADV	-1.3%	Predominantly costs associated with one year temporary teaching contracts offered to all finishing probationers as part of the COVID-19 response offset by synergies associated with external funding.
PROPERTY COSTS	27,511,123	27,506,404	4,719	FAV	55,778,751	55,770,187	8,564	FAV	0.0%	Minor Variance
SUPPLIES & SERVICES	2,738,408	2,918,631	(180,223)	ADV	18,901,811	19,104,543	(202,732)	ADV	-1.1%	COVID-19 costs primarily in relation to IT requirements to support learning at home during schools closures partially offset by synergies in external funding and curtailment of non-essential expenditure.
TRANSPORT & PLANT	4,772,421	4,626,738	145,683	FAV	14,370,168	13,896,804	473,364	FAV	3.3%	Minor Variance
ADMINISTRATION COSTS	1,227,561	1,267,733	(40,172)	ADV	4,081,608	4,242,451	(160,843)	ADV	-3.9%	Curtailment of non-essential expenditure to offset COVID-19 costs and reduced costs associated with family placements.
PAYMENTS TO OTHER BODIES	18,576,642	20,381,941	(1,805,299)	ADV	41,805,961	43,775,087	(1,969,126)	ADV	-4.7%	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.
TRANSFER PAYMENTS	2,160,448	2,087,333	73,115	FAV	3,570,240	3,403,235	167,005	FAV	4.7%	Curtailment of non-essential expenditure and management action to offset COVID-19 costs.
CAPITAL FINANCING COSTS	0	0	0		42,845,976	42,845,976	0		0.0%	Balanced Budget
OTHER EXPENDITURE	93,079	94,257	(1,178)	ADV	4,867,799	4,868,977	(1,178)	ADV	0.0%	Minor Variance
TOTAL EXPENDITURE	210,773,433	213,854,650	(3,081,216)	ADV	513,558,362	519,569,299	(6,010,937)	ADV	-1.2%	
INCOME	52,173,402	51,772,721	(400,681)	ADV	86,560,934	85,833,838	(727,096)	ADV	-0.8%	As a direct impact of COVID-19 reduced income in relation to Kilbowie Outdoor Centre, music provision, wrap around nursery hours and continuing professional development training courses.
NET EXPENDITURE	158,600,031	162,081,928	(3,481,897)	ADV	426,997,428	433,735,460	(6,738,032)	ADV	-1.6%	

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 7 (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	125,000	125,000	0	125,000	125,000	0	0.0%	Balanced Budget
Other Local Authorities	48,375	72,567	(24,192) ADV	1,714,700	1,777,267	(62,567) ADV	-3.6%	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	71,700	101,163	(29,463) ADV	808,277	862,994	(54,717) ADV	-6.8%	Minor Variance
External Contracts	809,744	678,608	131,136 FAV	4,527,294	4,392,167	135,127 FAV	3.0%	Predominantly synergies associated with external funding
Pupil Support	416,407	228,714	187,692 FAV	1,047,306	847,306	200,000 FAV	19.1%	Projected underspend within School Counselling
School Board Payments	2,636	2,636	0	79,035	79,035	0	0.0%	Balanced Budget
General School Activities	71,689	71,689	0	393,619	358,627	34,992 FAV	8.9%	Minor Variance
Pre School Commissions	5,767,429	5,767,429	0	12,701,661	12,701,661	0	0.0%	Balanced Budget
Medical Fees	21,359	21,359	0	214,450	214,450	0	0.0%	Balanced Budget
Payments Other Bodies - General	557,682	530,228	27,453 FAV	2,365,135	2,176,724	188,411 FAV	8.0%	Synergies associated with external funding and curtailment of non-essential expenditure to offset COVID-19 costs
Agency Fees	3,062,793	5,300,418	(2,237,625) ADV	4,442,468	6,729,261	(2,286,793) ADV	-51.5%	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	879	879	0	15,028	15,028	0	0.0%	Balanced Budget
Family Placements	4,942,569	4,715,893	226,676 FAV	9,889,500	9,468,530	420,970 FAV	4.3%	Reduced demand within family placements
Residential / Secure Accommodation	855,676	971,937	(116,261) ADV	1,589,005	2,189,005	(600,000) ADV	-37.8%	Increased placements within Residential/Secure Accommodation
Sectional Payments (Social Work Scotland Act)	46,702	17,417	29,285 FAV	86,733	31,282	55,451 FAV	63.9%	Minor Variance
TOTAL EXPENDITURE	18,576,642	20,381,941	(1,805,299) ADV	41,805,961	43,775,087	(1,969,126) ADV	-4.7%	

FAV = Favourable variation, underspend etc

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

Period 7 (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	2,150	3,072	100.00%	0	0	Full spend anticipated
Pupil Equity Fund (PEF) Carry Forward	2,132	2,132		2,132	1,219	2,132	100.00%	0	0	Full spend anticipated
Access to Free Sanitary Products - Schools	20	20		20	20	20	100.00%	0	0	Fully spent
Seemis Replacment Project Team	242	242		242	76	141	58.26%	0	101	Balance required to c/f to future year
1140 Hours	6,000	3,000		3,000	1,385	3,000	100.00%	0	3,000	Balance required to c/f to future year
Kilbowie Decommissioning	100	100		100	30	100	100.00%	0	0	Full spend anticipated
Totals	11,566	8,566	0	8,566	4,880	8,465	98.82%	0	3,101	

Period 7 (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								
Base Budget Adjustments	477	386	91					
Review of External Education Provision	477	386	91	Additional Employee Costs incurred to facilitate closure of building combined with non achievement of income due to Covid	Management Action in other areas of budget to offset in 2020/21.	91	0	
Approved Savings (February 2020)	469	278	191					
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	125	61	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.	61	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	33	137					
Education and Families Review	170	33	137	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.	137	0	
	1,116	697	419			419	0	

Education and Families
Revenue Budget Monitoring Report - Forecast COVID19 Costs 2020/21

Period 7 (2020/21)

AREA	BUDGET £'000	PROJECTED OUTTURN £'000	PROJECTED OUTTURN VARIANCE £'000	PERIOD MOVEMENT £'000	COMMENT
Service Specific					
Mobilisation Costs	0	2,163	2,163	0	£0.854m School Hubs £0.351m Supplies & Services inc IT solutions £0.931m Employee Costs £0.027m Miscellaneous
Lost Income	0	647	647	0	£0.155m Kilbowie £0.156m Training loss of income £0.239m Music saving delay & lost income Apr to Dec £0.097m Wrap Around Nursery Hours Apr to Aug
Recovery Costs	0	5,439	5,439	0	£4.810m Retained NQTs £0.304m school estate £0.287m Free school meal vouchers for self-isolating pupils £0.038m Non School Miscellaneous
Reduced Costs	0		0	0	
Other	0		0	0	
Service Specific Total	0	8,249	8,249	0	
Project Costs					
Food Fund / Summer FSM Grant	2,879	5,023	2,144	0	Free school meal voucher scheme (including universal P1-3 provision Apr to Jun)
Business Grants	0	0	0	0	
Other	0	0	0	0	
Project Costs Total	2,879	5,023	2,144	0	
TOTAL ADDITIONAL COST	2,879	13,272	10,393	0	