

North Lanarkshire Council Report

Education and Families Committee

approval noting

Ref DB/TO'H

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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 2021 to 7 January 2022 (Period 10). The report illustrates the projected outturn position as at 31 March 2022, 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 2 March 2021, of which £412.879m (51.4%) represented the Net Revenue Budget for Education and Families.

The Council has also approved a Covid Recovery Budget during 2021/22 and this funding has been included in monitoring reports (Appendix 6) from period 4 onwards.

The revised in-year savings linked to the current budget total £4.274m. It is currently anticipated that £2.613m (61.14%) of the revised savings will be realised by the financial year-end.

The Service is currently forecasting an underspend of £2.310m to the end of the financial year.

Recommendations

It is recommended that the Education and Families Committee:

- i. Review the financial position of the Education and Families revenue budget.
- ii. Review 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 2 March 2021, of which £412.879m (51.4%) represented the approved Revenue Budget for Education and Families. During 2021/22 there has been a net budget increase of £6.280m to £419.159m following the allocation of approved Covid recovery funding (£6.961m) and realignment of activity (£0.681m) to Enterprise and Communities in relation to internal transport, CCTV, catering overheads and Breakfast Clubs food costs.
- 2.1.2 The Service is forecasting a net underspend of £2.310m to the end of the financial year.
- 2.1.3 The current 2021/22 budget incorporates £6.118m of savings previously approved by the Council on 2 March 2021. However, due to the impact of Covid £1.844m of these savings have been rephased to future years resulting in a revised in-year savings target of £4.274m. It is presently anticipated that £2.613m of approved savings (61.14%) will be generated by financial year-end, with the remaining in-year shortfall of £1.661m 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 £347.742m and currently anticipates a projected underspend of £4.310m predominantly as a result of the roll out of a finalised Early Years operating model, coupled with the implementation of Secondary School and HQ staffing structures.
- 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 £192.754m. 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 £56.544m. School support staff are allocated to establishments 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 £98.444m include HQ functions, as well as temporary grant funded posts in areas such as Scottish Attainment Challenge (SAC) programmes and Covid grant received for the recruitment of additional teachers.
- 2.2.6 The Service is anticipating an overspend of £0.542m within Property Costs which reflects the increased costs of utilities across the school estate.

- 2.2.7 The service is anticipating an underspend of £0.145m within supplies & services, due to the accumulation of minor underspends, mainly across the children & families directorate.
- 2.2.8 The Service is anticipating an overspend of £1.689m within Transport and Plant which reflects ongoing demand pressures within ASN transport (£1.323m), increases to mainstream transport contract rates (£0.350m) and other minor overspends across the Service (£0.016m).
- 2.2.9 The Service is anticipating an underspend of £0.359m within Administration Costs primarily due to the curtailment of non-essential expenditure and other minor underspends across a number of central support functions.
- 2.2.10 The Service is anticipating an underspend of £0.177m within Payments to Other Bodies predominantly as a result of the finalisation of the Early Years (£1.254m) operating model and Family Placements (£0.459m) partially offset by ongoing costs for out of authority ASN provision (£1.706m) and other minor underspends across the Service (£0.170m).
- 2.2.11 The Service is anticipating an under recovery of Income of £0.523m in relation to continuing professional development training courses (£0.212m) during Covid, and fewer cross-boundary ASN placements within NLC (£0.327m) partially offset by other minor over recovery of income across the Service (£0.016m).

2.3 Earmarked and One-off Resources

- 2.3.1 In finalising North Lanarkshire Council's draft annual accounts to 31 March 2021, the Education and Families Service was given approval to earmark £23.743m 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. Future monitoring reports will provide updates on use of these reserves during 2021/22.

2.4 Budget Savings

- 2.4.1 North Lanarkshire Council approved total savings for 2021/22 of £20.110m. The Education and Families Service was initially targeted with delivering £6.118m of savings during 2021/22. However, due to Covid £1.844m of these savings have been rephased to future years resulting in a revised in-year savings target of £4.274m. The Service uses a variety of information, records and processes to monitor achievement of its approved budget savings and as at Period 10 anticipates £2.613m (61.14%) of its revised savings target will be realised in the current financial year.
- 2.4.2 The unachieved savings of £1.661m have predominantly arisen as a result of temporary timing delays in areas such as implementing new staffing structures, the phased introduction of savings to reflect the school academic calendar, and operational uncertainties resulting from Covid. In year management action has been taken to address this savings gap during 2021/22, and these savings are expected to be fully achieved during future financial years.
- 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 continues to operate within approved budget resources. These actions will include:-

- a) Vacancy management.
- 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. **Public Sector Equality Duty and Fairer Scotland Duty**

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. **Impact**

4.1 **Financial Impact**

4.1.1 A number of financial burdens have been identified which are predominantly linked to the Service's Covid response. This position will continue to be monitored and updates reported to future Committees.

4.2 **HR Policy / Legislative Impact**

4.2.1 There are no HR/Policy/Legislative impacts linked to the content of this report.

4.3.1 **Technology / Digital Impact**

4.3.1 There are no implications linked to the content of this report.

4.4 **Environmental Impact**

4.4.1 There are no implications linked to the content of this report.

4.5 **Communications Impact**

4.5.1 There are no implications linked to the content of this report.

4.6 **Risk Impact**

4.6.1 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 and Covid pandemic in particular has the potential to impact upon North Lanarkshire Council's ability to provide quality services within approved budget levels.

- 4.6.2 Reflecting the risk analysis matrix included within the Risk Management Strategy, the Service considers increased operating costs linked to the Covid pandemic will present an ongoing risk during the current financial year.
- 4.6.3 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

- 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 Forecast COVID-19 Impacts

Derek Brown
Executive Director, Education and Families

Period 10 (2021/22)

DIVISION OF SERVICE (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	YEAR TO DATE		ANNUAL BUDGET (5)	FINAL OUTTURN (6)	PROJECTED OUTTURN			ANALYSIS (9)
			VARIANCE (4)				VARIANCE (7)	% (8)		
EARLY YEARS	£ 22,364,844	£ 22,364,844	£ 0		30,986,994	30,986,994	0		0.0%	Balanced Budget
PRIMARY SCHOOLS	89,372,564	89,372,564	0		126,895,939	126,895,939	0		0.0%	Balanced Budget
SECONDARY SCHOOLS	90,497,609	90,497,609	0		126,039,393	126,039,393	0		0.0%	Balanced Budget
SPECIAL SCHOOLS	13,928,941	13,928,941	0		19,356,373	19,356,373	0		0.0%	Balanced Budget
EDUCATON & FAMILIES SERVICE DELIVERY	16,732,787	16,748,237	(15,449)	ADV	78,996,725	79,127,130	(130,405)	ADV	-0.2%	Predominantly increased costs for SPT transport and utilities across the school estate along with increased costs and demand within ASN provision partially offset by underspends associated with realigned HQ staffing structures along with core Early Years budgets and vacancy management
CHILDREN & FAMILIES	26,257,882	24,299,077	1,958,805	FAV	36,826,441	34,629,356	2,197,085	FAV	6.0%	Management action and curtailment of non-essential expenditure
JUSTICE SERVICES	279,637	89,533	190,105	FAV	56,771	(186,220)	242,991	FAV	428.0%	Projected over-recovery of external funding
NET EXPENDITURE	259,434,265	257,300,805	2,133,460	FAV	419,158,636	416,848,965	2,309,671	FAV	0.6%	

Period 10 (2021/22)

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 (9)
	£	£	£							
EMPLOYEE COSTS	240,982,128	237,528,846	3,453,282	FAV	347,742,354	343,432,069	4,310,285	FAV	1.2%	Predominantly underspends associated with realigned HQ and Early Years staffing structures along with vacancy management
PROPERTY COSTS	35,683,043	36,007,131	(324,089)	ADV	60,750,959	61,292,988	(542,029)	ADV	-0.9%	Increased costs of utilities across school estate
SUPPLIES & SERVICES	6,944,137	6,843,364	100,773	FAV	20,187,450	20,042,446	145,004	FAV	0.7%	Accumulation of minor underspends mainly across children & families.
TRANSPORT & PLANT	9,516,015	10,587,878	(1,071,863)	ADV	13,553,616	15,242,512	(1,688,896)	ADV	-12.5%	Increased demand for ASN transport and rises to SPT base values
ADMINISTRATION COSTS	2,330,338	2,066,921	263,417	FAV	5,203,857	4,844,841	359,016	FAV	6.9%	Primarily due to the curtailment of non-essential expenditure
PAYMENTS TO OTHER BODIES	25,948,800	25,872,507	76,293	FAV	40,586,188	40,409,240	176,947	FAV	0.4%	Increased costs in relation to out of authority ASN provision partially offset by reduced costs within core early years budgets as a result of 1140 hours roll out
TRANSFER PAYMENTS	3,144,509	3,119,855	24,654	FAV	4,321,425	4,272,493	48,932	FAV	1.1%	Minor variance
CAPITAL FINANCING COSTS	0	0	0		34,004,805	34,004,805	0		0.0%	Balanced Budget
OTHER EXPENDITURE	139,826	128,761	11,065	FAV	8,111,632	8,088,128	23,503	FAV	0.3%	Minor Variance
TOTAL EXPENDITURE	324,688,797	322,155,262	2,533,534	FAV	534,462,285	531,629,523	2,832,762	FAV	0.5%	
INCOME	65,254,532	64,854,458	(400,074)	ADV	115,303,649	114,780,557	(523,091)	ADV	-0.5%	Reduced income in relation to continuing professional development training courses and fewer cross-boundary ASN placements within NLC
NET EXPENDITURE	259,434,265	257,300,805	2,133,460	FAV	419,158,636	416,848,965	2,309,671	FAV	0.6%	

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

Period 10 (2021/22)

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 (9)
	£	£	£		£	£	£			
Other CMMT of the Council	125,000	125,000	0		125,000	125,000	0		0.00%	Balanced Budget
Other Local Authorities	(33,693)	142,514	(176,207)	ADV	1,932,110	2,149,493	(217,383)	ADV	-11.25%	Increased costs in relation to out of authority ASN provision
Scottish Qualification Authority	727	727	0		1,806,750	1,806,750	0		0.00%	Balanced Budget
Voluntary Organisations	973,273	1,071,818	(98,546)	ADV	1,103,185	1,278,628	(175,443)	ADV	-15.90%	Increased costs in relation curriculum delivery
External Contracts	757,614	962,387	(204,773)	ADV	2,526,558	2,792,763	(266,205)	ADV	-10.54%	Increased costs in relation to out of authority ASN provision
Pupil Support	453,373	453,373	0		992,972	992,972	0		0.00%	Balanced Budget
School Board Payments	22,389	22,389	0		80,462	80,462	0		0.00%	Balanced Budget
General School Activities	391,498	389,589	1,909	FAV	358,999	353,999	5,000	FAV	1.39%	Minor Variance
Pre School Commissions	10,515,212	9,364,192	1,151,020	FAV	12,401,661	11,147,300	1,254,361	FAV	10.11%	Underspend within historic core budget for Early Years
Medical Fees	63,716	63,716	(0)		184,450	184,450	(0)		-0.00%	Balanced Budget
Payments Other Bodies - General	1,289,266	1,428,022	(138,756)	ADV	2,922,555	3,083,664	(161,109)	ADV	-5.51%	Increased costs in relation curriculum delivery
Agency Fees	2,179,497	2,118,326	61,171	FAV	3,162,924	3,062,924	100,000	FAV	3.16%	Reduced cross boundary costs
Community Care Development	11,130	(0)	11,130	FAV	15,028	(0)	15,028	FAV	100.00%	Management action and curtailment of non-essential expenditure
Family Placements	7,698,540	7,574,227	124,313	FAV	10,391,944	9,933,208	458,736	FAV	4.41%	Reduced demand within family placements
Residential / Secure Accommodation	1,439,520	2,131,203	(691,684)	ADV	2,494,857	3,380,512	(885,655)	ADV	-35.50%	Increased placements within Residential/Secure Accommodation
Sectional Payments (Social Work Scotland Act)	61,738	25,022	36,715	FAV	86,733	37,116	49,617	FAV	57.21%	Reduced demand for eligible expenditure
TOTAL EXPENDITURE	25,948,800	25,872,507	76,293	FAV	40,586,188	40,409,241	176,947	FAV	0.44%	

Education and Families
Revenue Budget Monitoring Report - Earmarked Reserves

Period 10 (2021/22)

Description of Earmarked Resource	Total Earmarked Reserve	Initial 2021/22 Allocation	Adjustments In Year	2021/22 Approved Reserve Total	Spend to Date	Projected Spend 2021/22		Reserves No Longer Required in 2021/22	Reserves Required for 2022/23	Comments
						Value	%			
Service Specific Earmarked Reserves:	£000	£000	£000	£000	£000	£000	£000	£000	£000	
School Carry Forward / Support	4,545	4,545		4,545	2,208	4,545	100.00%	0	0	Full spend anticipated
Pupil Equity Fund (PEF) Carry Forward	3,984	3,984		3,984	2,379	3,984	100.00%	0	0	Full spend anticipated
Seemis Replacment Project Team	139	139		139	84	139	100.00%	0	0	Full spend anticipated
1140 Hours	11,256	11,256		11,256	0	0	0.00%	0	11,256	Balance required to c/f to future year
Kilbowie Decommissioning	100	100		100	6	100	100.00%	0	0	Full spend anticipated
CYPMHW Framework	89	89		89	89	89	100.00%	0	0	Full spend anticipated
Shotts Prison	30	30		30	0	0	0.00%	0	30	Balance required to c/f to future years
Schools Contractual Obligations	3,600	3,600		3,600	0	0	0.00%	0	3,600	Long term funding model - Balance required to c/f to future years
Totals	23,743	23,743	0	23,743	4,766	8,857	37.30%	0	14,886	

Period 10 (2021/22)

Description/Reference	APPROVED SAVINGS			Reasons for Savings Gap	REPLACEMENT SAVING/FUNDING		Revised Savings Gap	Any additional information
	Target Value	Value Deliverable	Gap in Approved Savings		Description	Value		
	£000's	£000's	£000's			£000		
Approved Savings 2020/21								
Base Budget Adjustments	400	100	300			300	0	
Residential / Family Placements / Throughcare	400	100	300	Current demand for places is in excess of budget provision.	Management Action in other areas of budget to offset in 2021/22.	300	0	
Approved Savings (February 2020)	1,679	318	1,361			1,361	0	
Reducing Out of Authority Placements - Residential (2600)	500	0	500	Current demand for places is in excess of budget provision.	Management Action in other areas of budget to offset in 2021/22.	500	0	
ASN Transportation Review	600	200	400	To date efficiencies in curricular travel and the extension of parental mileage allowance have been applied. Work is ongoing to identify additional efficiencies.	Management Action in other areas of budget to offset in 2021/22.	400	0	
Management Models for Future Campuses	279	29	250	The impact of Covid has delayed the roll out of this programme.	Funded from Management Action in other areas and Covid Recovery Budget for 2021/22.	250	0	
Merger / Rezoning School Catchments	300	89	211	The impact of Covid has delayed the roll out of this programme.	Management Action in other areas of budget to offset in 2021/22.	211	0	
2021/22 Revised Savings Target	2,079	418	1,661			1,661	0	
Approved Rephasing	1,844	0	1,844			1,844	0	
Reconfiguration of Secondary School Week to Facilitate Transformative Practice	550	0	550	The impact of Covid has delayed the roll out of this programme.	Approval to rephase saving and delay full implementation until 2022/23. Management Action in other areas of budget to offset in 2021/22.	550	0	
Merger / Rezoning School Catchments	375	0	375	The impact of Covid has delayed the roll out of this programme.	Approval to rephase saving and delay full implementation until 2022/23. Management Action in other areas of budget to offset in 2021/22.	375	0	
Review the secondary school library operating model.	419	0	419	The impact of Covid has delayed the roll out of this programme.	Approval to rephase saving and delay full implementation until 2022/23. Management Action in other areas of budget to offset in 2021/22.	419	0	
Digital Classroom	500	0	500	The impact of Covid has resulted in Digital Learning becoming a key feature of future education provision.	Approval to rephase saving and delay full implementation until 2022/23. Management Action in other areas of budget to offset in 2021/22.	500	0	
	3,923	418	3,505			3,505	0	

NORTH LANARKSHIRE COUNCIL
Revenue Budget Monitoring Report - Forecast COVID-19 Impacts
Period 10 (2021/22)
Education and Families Service

DESCRIPTION OF COVID-19 COSTS	BUDGET £000	PROJECTED OUT-TURN £000	PROJECTED OUT-TURN VARIANCE £000	PERIOD MOVEMENT £000	Commentary
Costs:					
Increased Costs	20,827	20,827	0	0	£13.873m Retained NQTS £1.577m FSM vouchers Holiday Programmes £1.104m Summer Activities £0.943m Community Justice - Pandemic Recovery work £0.883m Probationers Aug - Mar vacancy replacement £0.632m Digital Learning support £0.490m Shielding & pregnancy cover £0.450m PPE, H&S, additional cleaning and janitorial £0.328m FSM vouchers Easter Holidays £0.200m Mental Health for Children & Young People £0.188m ASN transport additional Covid measures £0.142m Extended IT contracts £0.017m FSM vouchers isolating pupils
Reduced Costs	0	0	0	0	
Lost Income	360	360	0	0	£0.218m Music £0.084m CPD courses & training £0.042m Student Social Workers £0.016m Seven Day Centre
Income Over-Recovery	0	0	0	0	
Delay in Achievement of Savings	229	229	0	0	Future campus models
Unavoidable Investment Commitments	1,235	1,235	0	0	Retained NQTS
Other	1,300	1,300	0	0	Probationer saving
Investment Proposals Agreed	0	0	0	0	
Contingencies	0	0	0	0	
Service Costs Total	23,951	23,951	0	0	
Income:					
Earmarked COVID Funding	(8,436)	(8,436)	0	0	£5.384m Retained NQTS £1.300m Probationer saving £0.632m Digital Learning support £0.450m PPE, H&S, additional cleaning and janitorial £0.328m FSM vouchers Easter Holidays £0.200m Mental Health for Children & Young People £0.142m Extended IT contracts
Service Contributions	(7,611)	(7,611)	0	0	Service contribution to Retained NQTS
NLC Use of Reserves	0	0	0	0	
21/22 COVID Funding - GRG	0	0	0	0	
21/22 COVID Funding - Directed Service	(943)	(943)	0	0	Community Justice - Pandemic Recovery work
Service Income Total	(16,990)	(16,990)	0	0	
TOTAL NET COSTS FUNDED FROM COVID BUDGET	6,961	6,961	0	0	