

Report

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| Report to: | Education Resources Committee |
| Date of Meeting: | 3 March 2020 |
| Report by: | Executive Director (Finance and Corporate Resources) Executive Director (Education Resources) |

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| Subject: | Education Resources - Revenue Budget Monitoring 2019/2020 |
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide information on the actual expenditure measured against the revenue budget for the period 1 April 2019 to 3 January 2020 for Education Resources.
- ◆ provide a forecast for the year to 31 March 2020.

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the forecast to 31 March 2020 of an underspend of £2.985m before transfers to reserves, as detailed in Appendix A of the report, and the forecast after transfers to reserves of an overspend of £0.038m, be noted;
- (2) that an underspend of £2.988m as at 3 January 2020, as detailed in Appendix A of the report, and the overspend of £0.035m, after transfers to reserves, be noted; and
- (3) that the proposed budget virements be approved.

3. Background

- 3.1. This is the fourth revenue budget monitoring report presented to the Education Resources Committee for the financial year 2019/2020.
- 3.2. The Resource has completed its formal probable outturn exercise for the year. This exercise identifies the expected spend to the 31 March 2020. Details are included in section 6.
- 3.3. The report details the financial position for Education Resources in Appendix A, including the probable outturn position, and the position to 3 January 2020, along with variance explanations.

4. Scottish Attainment Challenge Funding

- 4.1. The current budget for Education contains £9.278million awarded for Pupil Equity Funding (PEF) and £1.964million for Scottish Attainment Challenge (SAC) as part of the schools programme. The total budget for these two items for 2019/2020 is £11.242 million and this is contained within this reported position.

- 4.2. In relation to PEF funding, the £9.278m represents £1.534m 2018/2019 carry forward allocation and £7.744m for 2019/2020 allocation. Spend and commitment to date, as at 3 January 2020, is £6.972m, with £2.306m still to spend. Staff costs are included and reflect known costs for the period 1 April 2019 to 31 March 2020.
- 4.3. 2019/2020 PEF funding is fully committed to spend by the end of the academic year June 2020 in line with the guidance. It is estimated that £1m will require to be carried forward at 31 March 2020 and used in April to June next year. This will be transferred to reserves at 31 March 2020 to meet spend and commitment in schools in line with 2019/2020 School Improvement Plans. Schools continue to maximise spend where possible in line with these plans and, therefore, this will be monitored across the financial year.
- 4.4. In relation to SAC funding, spend and commitment to date is £1.639m with £0.325m still to spend. Staff costs are included and reflect known costs for the period 1 April 2019 to 31 March 2020. As this is a specific grant allocation, funding will be received based on actual spend.

5. Employee Implications

- 5.1. None

6. Financial Implications

- 6.1. **Probable Outturn:** Following the Council's formal Probable Outturn exercise, the Resource position before any transfers to reserves is an underspend of £2.985 million. The Resource previously reported a £1.500 million underspend in respect of Pupil Equity Fund (PEF), and this has been updated based on the latest spend plans to £1.000 million. Therefore, the outturn position is showing an additional underspend of £1.985 million.
- 6.2. This is mainly due to the timing of expenditure on the delivery of Early Years' 1140 hours expansion and school counselling projects, underspends in property costs and supplies and services and an over recovery of income from Early Years' fees. These are partially offset by an overspend on Teachers' salaries due to pupil growth and the cost of school transport.
- 6.3. The Resource is proposing transfers to reserves totalling £3.023 million. These have been approved by Executive Committee on 29 January 2020, and take the reported position **after transfers** to reserves to an overspend of £0.038 million. The transfers and the overall position are detailed in Appendix A.
- 6.4. The outturn position includes an estimate of the costs which will be incurred in relation to the Early Years' Job Evaluation exercise, which is expected to conclude before the end of the financial year. These costs, including an element for back pay, are being funded from the current budget, and reserves held for Early Years' expenditure.
- 6.5. Since the Probable Outturn exercise, Education Resources have been notified of an allocation of £0.959 million for Additional Support for Learning. This has been included within the budget virements in Appendix A. Due to the timing of the notification, this funding is unlikely to be spent in the current year. Any underspend will be transferred to reserves to meet commitments in future years.
- 6.6. **Position as at 3 January 2020:** Appendix 1 shows the position as at 3 January 2020, being a £2.988 million underspend against the phased budget. This is the position **before** transfers to reserves.

- 6.7. This underspend relates to Early Years' recruitment; PEF underspend; underspends within property costs relating to utilities, offset by overspends in ASN transport and external placements. ELC 1,140 hours specific funding will be transferred to reserves to meet the costs of Early Years in the future and PEF and Counselling funding will be carried forward to the next financial year as outlined in paragraphs 4.3 and 6.2 above as at 31 March 2020. This position is shown in Appendix A.
- 6.8. The Resource position as at 3 January 2020 **after** transfers to reserves are taken into account, is an overspend of £0.035 million. This is in line with the forecast overspend to 31 March 2020, **after** transfers to reserves, of £0.038 million.
- 6.9. Virements are proposed to realign budgets across budget categories and with other Resources. These movements are detailed in Appendix A of this report.
- 7. Climate Change, Sustainability and Environmental Implications**
- 7.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.
- 8. Other Implications**
- 8.1. The main risk associated with the Council's Revenue Budget is that there is an overspend. The risk has been assessed as low given the detailed budget management applied across the Resources. The risk is managed through four weekly Budget Monitoring Meetings at which any variance is analysed. In addition, the probable outturn exercise ensures early warning for corrective action to be taken where appropriate.
- 9. Equality Impact Assessment and Consultation Arrangements**
- 9.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and therefore no impact assessment is required.
- 9.2. There is also no requirement to undertake any consultation in terms of the information contained in the report.

Paul Manning
Executive Director (Finance and Corporate Resources)

Tony McDaid
Executive Director (Education Resources)

29 January 2020

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ None

List of Background Papers

- ◆ Financial ledger and budget monitoring results to 3 January 2020

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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SOUTH LANARKSHIRE COUNCIL

Revenue Budget Monitoring Report

Education Resources Committee: Period Ended 3 January 2020 (No.10)

Education Resources Summary

| Budget Category | Annual Budget | Forecast for Year BEFORE Transfers | Annual Forecast Variance BEFORE Transfers | Annual Forecast Variance AFTER Transfers | Budget Proportion 03/01/20 | Actual BEFORE Transfers 03/01/20 | Variance 03/01/20 | % Variance 03/01/20 | Note |
|--|-----------------|------------------------------------|---|--|----------------------------|----------------------------------|-------------------|------------------------|-----------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | | |
| Employee Costs | 264,001 | 264,092 | (91) | (167) | 192,784 | 192,838 | (54) | over | 0.0% 1,a,b,c,e,g |
| Property Costs | 25,394 | 24,385 | 1,009 | 1,009 | 21,685 | 20,817 | 868 | under | 4.0% 2,a,c,g |
| Supplies & Services | 10,155 | 8,983 | 1,172 | (329) | 7,019 | 5,775 | 1,244 | under | 17.7% 3,c,e,g |
| Transport & Plant | 10,633 | 11,519 | (886) | (886) | 8,066 | 8,730 | (664) | over | (8.2%) 4,g |
| Administration Costs | 1,940 | 1,861 | 79 | 79 | 1,356 | 1,315 | 41 | under | 3.0% c,g |
| Payments to Other Bodies | 20,081 | 19,033 | 1,048 | (398) | 14,004 | 12,927 | 1,077 | under | 7.8% 5,d,e,g |
| Payments to Contractors | 34,415 | 34,407 | 8 | 8 | 22,546 | 22,541 | 5 | under | 0.0% e,g |
| Transfer Payments | 2,291 | 2,244 | 47 | 47 | 2,225 | 2,189 | 36 | under | 1.6% f,g |
| Financing Charges | 339 | 333 | 6 | 6 | 80 | 76 | 4 | under | 5.0% g |
| Total Controllable Exp. | 369,249 | 366,857 | 2,392 | (631) | 269,765 | 267,208 | 2,557 | under | 0.9% |
| Total Controllable Inc. | (31,094) | (31,687) | 593 | 593 | (28,358) | (28,789) | 431 | over recovered- | (1.5%) 6,d,f,g |
| Net Controllable Exp. | 338,155 | 335,170 | 2,985 | (38) | 241,407 | 238,419 | 2,988 | under | 1.2% |
| Transfer to Reserves (as at 03/01/20) | | | | | - | 3,023 | 3,023 | Over | |
| Position After Transfers to Reserves (as at 03/01/20) | | | | | 241,407 | 241,442 | (35) | over | |

Variance Explanations

- The position represents the net effect of an overspend in Teacher's salaries due to pupil growth which is partially offset by underspend due to the timing of recruitment of Early Years posts.
- The variance is due to timing of rates charges and gas costs, partially offset by an overspend on electricity costs.
- This variance is due to the Pupil Equity Fund and less than anticipated expenditure on the provision of lunches in Early Years establishments which will be carried forward at the end of the financial year. This is partially offset by an overspend on classroom materials in schools due to pupil growth.
- The transport overspend relates to the cost of transporting children to school; both ASN and mainstream transport. This is a demand led service.
- The variance is partially due to less than anticipated expenditure on Counselling funding and also an underspend on Early Years expansion funding and both streams will be transferred to reserves to meet ongoing programme commitments and Early Years expansion going forward. This is partially offset by an overspend from the increased cost of Independent School Placements as a result of the new Scotland Excel Pricing Framework.
- The over recovery in Early Years' fees relates to the increased uptake of nursery places.

Budget Virements

- Additional budget in respect of auto enrolment and rates poundage. Net Effect £0.791m: Employee Costs £0.495m and Property Costs £0.296m.
- Funding received in respect of support for Additional Support for Learning. Net Effect £0.959m: Employee Costs £0.959m.
- Transfer from reserves for Early Years Job Evaluation and MCR Pathways funding. Net Effect £1.952m: Employee costs £1.780m, Property Costs £0.001m, Supplies and Services £0.002m and Administration Costs £0.169m.
- Establish budget to reflect the receipt of Pupil Equity Funding. Net Effect £0.000m: Payments to Other Bodies £0.163m and Income (£0.163m).
- Realignment of budget to reflect current service delivery. Net Effect £0.000m: Employee Costs £1.189m, Supplies and Services (£0.140m), Payments to Other Bodies (£0.869m) and Payments to Contractors (£0.180m).
- Realignment of Education Maintenance Allowance budget. Net Effect £0.000m: Transfer Payments £0.148m and Income (£0.148m).
- Realignment of DMS. Net Effect £0.000m: Employee Costs £0.471m, Property Costs £0.052m, Supplies and Services (£1.090m), Transport and Plant £0.064m, Administration Costs £0.233m, Payments to Other Bodies £0.390m, Payments to Contractors £0.005m, Transfer Payments £0.101m, Financing Charges £0.006m and Income (£0.232m).

Transfers to Reserves (£3.023m):

- ELC 1140 Specific Grant (£1.493m)
- Counselling (£0.489m)
- Sanitary Products (£0.041m)
- Pupil Equity Fund (£1.000m)