

Agenda Item	9.
Report No	EDU/24/20

HIGHLAND COUNCIL

Committee: Education

Date: 18 November 2020

Report Title: Revenue Budget Monitoring 2nd Quarter 2020/21

Report By: Executive Chief Officer – Education and Learning

1. PURPOSE/EXECUTIVE SUMMARY

- 1.1 This report provides a revenue budget monitoring forecast to members for Q2 of the 2020/21 financial year, covering the period to 30 September 2020. Against a budget for the Education Service of £211.904m, the year-end forecast is an overspend of £0.720m or 0.3% of that annual budget.
- 1.2 While that represents a significant movement from the £12.924m overspend reported at Q1, the main improvements had been anticipated and referred to within the Q1 report to the 30 September Committee, and included a range of anticipated improvements to Covid-19/school recovery costs, plus the impact of additional Scottish Government funding received. The further factors now reflected within the Q2 position are the re-allocation of Covid-19/School Recovery costs in relation to School Transport and Property/Cleaning/Catering/FM to their 'home' Service. This latter factor is presentational only, and while improving the reported position for the Education Service does not alter the overall financial position of The Highland Council.
- 1.3 Covid-19 and School Recovery continues to have a significant negative impact on the financial position for the Service, with residual risks and uncertainties which could impact on the reported position. This year in particular, due to the unprecedented nature of the Covid-19 crisis, forecasts for the remainder of the year are even more open to change.

2. RECOMMENDATIONS

- 2.1 Members are asked to:
- i. consider the revenue budget outturn forecast for the year; and
 - ii. note the improvement in forecast as a result of adjustment in costs and additional funding.

3. IMPLICATIONS

- 3.1 **Resource** – as set out within the report and accompanying appendices. The figures are being regularly reviewed and revised as a consequence of the continued uncertainty around the impact of Covid-19 and the potential for future local and/or national lockdowns. The Q2 position reflects a number of improvements to cost forecast and the effect of Scottish Government funding which had been referred to in the Q1 report. As noted in the risk section below, there however remain significant risks and uncertainties relating to financial forecasting during the Covid-19 pandemic. Budget holders will continue to work to deliver an improved position by the year end. This will be reflected in future reports to Committee.
- 3.2 **Legal** – there are no implications to highlight.
- 3.3 **Community (Equality, Poverty and Rural)** – no implications to highlight.
- 3.4 **Climate Change / Carbon Clever** – no implications to highlight.
- 3.5 **Risk** – as noted within the report, Covid-19 represents a significant risk and uncertainty impacting on financial forecasts, with the risk that financial forecasts differ as a result of changed or unforeseen events ie heating, PPE and staff absence due to covid. There remain significant financial risks and uncertainties arising from Covid-19 and financial implications arising from future lockdowns or case increases.
- 3.6 **Gaelic** – no implications to highlight.

4. INTRODUCTION

- 4.1 This report and **Appendix 1** sets out the revenue budget monitoring report for Q2 of the 2020/21 financial year, covering the 6 months to 30 September 2020. This report therefore captures the bulk of the first term of school return, and the associated costs related to Covid-19 and school recovery.
- 4.2 Many of the improvements in forecast reflected within this report were anticipated and referred to in the Q1 report to Members, given the relatively late scheduling of that Committee on 30 September. So, while this report refers to Q2, most of the movements within the quarter are in line with those matters referred to in the Q1 report. This report does provide an explanation of the movement between Q1 and Q2 below.
- 4.3 A notable change which has a material impact on the Education Service figures, is presentational in nature and relates to a re-allocation of cost across Council Services. Management and Budget responsibility for School Transport and Property, Cleaning, Catering and FM costs sits with Infrastructure & Environment and Property & Housing Services respectively. With the initial response to Covid-19 and School Recovery being managed as a single cross-Service programme, all costs and forecasts were being managed at programme level and reported for Q1 against the Education Service. This included costs for activities which under normal practice would have been reported against their relevant Service. With schools now back and term 1 complete, relevant costs are now being reported against their relevant 'home' Service rather than as a single programme. Which has reduced the costs and overspend attributed to the Education Service at Q2.

5. MOVEMENTS Q1 TO Q2

- 5.1 As described above there are a number of factors representing the movement between quarters, many aspects of which had been referred to in the Q1 report. The main elements are as detailed below, accounting for the forecast overspend reducing from £12.924m at Q1 to £0.720m at Q2.

	£
Re-allocation of Covid-19/School Recovery costs to their 'home' Service:	* -
- School Transport to Infrastructure and Environment Service	4.743m
- Property/Cleaning/Catering and FM to Property & Housing	-4.032m
ELC 1140 expansion – additional in-year costs to continue expansion as reported to 30 September Committee	0.500m
Eden Court – removal of Q1 forecast pressure due to additional Scottish Government support for the sector	-0.350
High Life Highland – reduction in forecast deficit based on management action being taken.	** - 1.800
Shielding staff – reduction in forecast cost of backfill for shielding staff due to changes in Scottish Government position on shielding	-0.487
Revised costs for supply staff retention scheme payments	0.603
Scottish Government Covid-19 additional funding for teachers (£2.2m total of which £1.470m relates to 2020/21)	-1.470
Re-allocation of ex Care and Learning savings between Education and Health & Social Care Services	-0.661

*figure is the overspend forecast at Q1, a revised and improved position at Q2 will be reported against Infrastructure and Environment Service.

**subsequent to Q2, and as referred to in the High Life Highland (HLH) performance report separately on the agenda, further improvement to the HLH financial position is anticipated reducing the deficit further from the £1.5m deficit assumed at Q2.

6. SERVICE BUDGET VARIANCES

- 6.1 Following explanation of the main movements between quarters above, this section provides further explanation of the main variances against budget as reported at Q2.
- 6.2 School Recovery and Covid-19 response – as shown within **appendix 1** there remains £2.850m of overspend attributable, the main elements of which are (i) schools PPE, (ii) keyworker critical childcare provision during lockdown, (iii) supply retention scheme payments during lockdown. These represent additional and exceptional Covid-19 costs, and those not covered by existing budget or Scottish Government additional funding.
- 6.3 Service Management Team and Support – the overspend shown reflects the impact of agreed budget savings relating to management restructuring, which have been delayed as a result of Covid-19 impact. Members will be aware of Council wide plans for management restructuring to be taken forward during the course of this financial year, as part of Council recovery, with these savings to be delivered as part of that approach.
- 6.4 Commissioned High Life Highland Services – the overspend shown is the current deficit forecast by HLH, taking account of the improvement through management action referred to earlier. A separate report on this agenda provides further information on HLH activity during the current financial year.

- 6.5 School Crossing Patrollers/School Transport Escorts - the underspend shown has been referred to in past reports and relates to an underlying level of underspend that has existed for some years. Posts are in place based on need, and a risk assessed basis, and any vacancies are being progressed for recruitment where required.
- 6.6 Schools General – as a result of lockdown and school closures in the first part of the year, there are underspends in a number of school general budgets which are being held to offset the overspends and additional costs associated with schools return.
- 6.7 Learning and Teaching – savings as a result of vacancies in central education posts and pending wider service restructuring (see 6.3 above).
- 6.8 Early Learning and Childcare – forecast underspend due to Covid-19 delays in further rollout of 1140 hours and reflecting the updated programme for 1140 hours rollout as reported to the 30 September Committee, and part year impact of 1140 provision in a number of settings. As noted at paragraph 6.2, distinct from the ELC programme underspend, there are additional and exceptional costs related to Keyworker childcare provision and schools return costs, which the flexibility given by Scottish Government in relation to ELC funding, has allowed this underspend to partially mitigate these exceptional costs.
- 6.9 Additional Support Special Schools – the forecast is consistent with recent financial years, though with actions taken over the past 18 months there has been improvement in the prior year out-turn and the current year position, with further action being taken. Re-basing of Education Service budgets, and the development of an updated DSM scheme, will also assist in establishing updated and more reflective budget allocations for these schools going forward.

Designation: Executive Chief Officer Education and Learning

Date: 27 October 2020

Author: Brian Porter, Head of Resources

Appendices: Appendix 1 – Revenue Budget Monitoring Report

APPENDIX 1

EDUCATION MONITORING STATEMENT 2020-21

30/09/2020	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Service Management Team & Support	1,057	601	2,009	1,408
Pensions, Insurance and Other Pan-Service Costs	1,120	2,206	2,073	(133)
Commissioned HLH Services	7,374	16,170	17,670	1,500
Grants to Voluntary Organisations	606	1,026	976	(50)
Hostels	443	1,100	1,030	(70)
Crossing Patrollers/School Escorts	265	764	530	(234)
Secondary Schools	35,651	73,746	73,746	0
Primary Schools	31,582	66,862	66,825	(37)
Schools General	(1,990)	5,305	4,352	(953)
Learning and Teaching	290	1,335	981	(354)
Early Learning & Childcare	(9,998)	8,349	4,852	(3,497)
Additional Support - Schools	12,035	26,467	26,502	35
Additional Support - Special Schools	2,403	4,771	5,112	341
Specialist Additional Support Services	1,109	2,275	2,189	(86)
COVID-19 Response	2,767	927	3,777	2,850
Grand Total ECO Education	84,714	211,904	212,624	720
BY SUBJECTIVE				
Staff Costs	95,351	196,633	193,663	(2,968)
Other Expenditure	16,602	42,342	46,384	4,042
Gross Expenditure	111,953	238,975	240,048	1,075
Grant Income	(27,037)	(26,425)	(26,856)	(431)
Other Income	(202)	(645)	(568)	77
Total Income	(27,239)	(27,070)	(27,424)	(355)
NET TOTAL	84,714	211,904	212,624	720