

Agenda Item	9.
Report No	EDU/06/21

HIGHLAND COUNCIL

Committee: Education Committee

Date: 11 February 2021

Report Title: Revenue Budget Monitoring 3rd Quarter 2020/21

Report By: Executive Chief Officer – Education and Learning

1. Purpose/Executive Summary

- 1.1 Covid-19, School Recovery and the latest lockdown, continues to have a significant negative impact on the financial position for the Service, and significant additional costs being faced. There are also other ‘school return’ Covid-19 costs which relate to other key support activities, such as Catering, Cleaning, Facilities Management and School Transport which are managed out with the Education and Learning Service, and the financial impact is reported to the relevant Strategic Committee. There remain considerable ongoing residual risks and uncertainties related to Covid-19 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. This report also contains details of the funding received to date from the Scottish Government to support some of the additional costs.
- 1.2 This report provides a revenue budget monitoring forecast for quarter 3 of the 2020/21 financial year, covering the period to 31 December 2020. **Appendix 1** sets out the forecast for the year.
- 1.3 Significant additional Covid-19 related costs, and indirect Covid-19 implications, continue to put financial pressure on the core Education and Learning Service position, with in year mitigation against these events arising due to in year improvement in the High Life Highland and Early Learning and Childcare (ELC) position, both of which are expected to be in-year benefits only. In relation to ELC, the in-year underspend is reflective of external impacts such as the initial Covid-19 lockdown last year and resulting delays in the main owing to the shutdown of the construction industry but as detailed on a separate report on this agenda, The Highland Council remains committed to and positively moving forward with ELC 1140 hours expansion. It is important to note that the Council’s progress is now in line with the majority of Councils.
- 1.4 The forecasts reflect previously advised Scottish Government funding to support Covid-19 which have been utilised to support the Education and Learning Service. At the time of writing this report some further Scottish Government funding support has been

announced, the implications of which are still being assessed. This is set out within this report, with further update to be provided to Committee on the day.

2. Implications

- 2.1 **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 as recently evidenced the further lockdown now applying. Past reports to Committee have set out the forecast at each quarter end and in turn provided commentary and explanation on movement and basis of forecasts. The Quarter 3 position does also reflect a number of improvements to cost forecast in particular aspects of the budget, as detailed later within this report. As noted in the risk section below, there however remain significant risks and uncertainties relating to financial forecasting during the Covid-19 pandemic, with the latest lockdown an example of how readily circumstances can change. Budget holders will continue to work to contain cost, and deliver an improved position by the year end, subject to the need to maintain priority services and respond to the pandemic.
- 2.2 **Legal** – there are no legal implications to highlight.
- 2.3 **Community (Equality, Poverty and Rural)** – no implications to highlight.
- 2.4 **Climate Change / Carbon Clever** – no implications to highlight.
- 2.5 **Risk** – as noted within the report, Covid-19 represents a significant risk and uncertainty impacting on financial forecasts, with the most recent lockdown an example of how readily circumstances can change. While the in-year position is reflective of an underspend, the main contributory aspects of this are short term or one off in nature, with the High Life Highland position a result of staff furlough and cost saving as a result, but the expectation of a significant deficit position in 2021/22 due to the impact on income levels, and in turn the ELC underspend related to a significant degree to the phased nature of 1140 hours expansion, and the impact of Covid-19 this year. But with expansion progressing, and current expectation of Scottish Government legislating for August 2021, The Highland Council will be budgeting for more significant and full year costs for 1140 hours across settings in 2021/22. The duration of the current lockdown remains uncertain, and in turn ongoing implications for Service delivery and the budget which may well extend beyond the current financial year, and no certainty around funding or other mitigation that may assist in the next financial year. Specific areas of activity and budget where particular Covid-19 risks apply are referred to within section 6 of the report.
- 2.6 **Gaelic** – no implications to highlight.

3. Recommendations

- 3.1 Members are asked to:
- i. consider the revenue budget outturn forecast for the year;
 - ii. note the improvement in forecast and the reasons as set out within the report; and
 - iii. note the remaining risks and uncertainties relating to the financial position as a result of Covid-19, and in particular the risks relating to the ongoing impact of the current lockdown, and continuing pressures that will be faced for the remainder of this financial year, and potentially extending into 2021/22.

4. Introduction

- 4.1 This report and **Appendix 1** sets out the revenue budget monitoring report for quarter 3 of the 2020/21 financial year, covering the 9 months to 31 December 2020. At the time of preparing this report the country has moved into further lockdown in late December due to the pandemic, and as far as is practicable and predictable, the impact of this latest lockdown on the financial forecasts to the year-end are reflected within this report. At this time the timing of an easing/end of lockdown is unknown, and in turn the timescale and process for schools return has yet to be confirmed. A likely phased return to school, subject to national direction and expectations, may have additional risks and costs not as yet known or factored into these figures. Paragraph 6.1 below provides further narrative around the Covid-19 specific costs and pressures being incurred, and commentary on risks and ongoing pressures that may arise as a result. Clearly there remains a considerable risk and uncertainty on financial forecasts due to the ongoing effect of the pandemic, and the timing of this report and duration of current lockdown and its financial effect being unpredictable.
- 4.2 Mainly the improvements in the forecast reflected within this report are not related to core Education and school return activity, instead relating to High Life Highland and ELC budgets in the main. With these further improvements expected albeit not wholly quantifiable at the Quarter 2 position.
- 4.3 In relation to Scottish Government funding support related to Covid-19 and education recovery, members will be aware of the following funding streams previously reported to members, which are assumed within the figures reported today.
- Education additional teacher funding (£2.2m for Highland £1.470m 2020/21 and £0.735m 2021/22). As reported to 30 September Committee and supporting 52 FTE posts. With the funding and posts being temporary in nature.
 - Connecting Scotland tranche 1 – Digital inclusion funding. (£1.188m capital and £0.205m revenue for 2020/21). As reported to 30 September Committee and providing one-off or short-term funding for additional Chromebook devices and ‘mifi’ devices for pupils, as well as additional digital support, software and resources.
 - Childcare Transitional Support fund – grant support administered by The Highland Council and passed through to registered childcare providers based on application process. £0.4m allocated to Highland. As reported to 18 November Committee.
- 4.4 In addition to the above, there are also further Scottish Government funding streams which are supporting Covid-19 and education recovery activity which falls out with the remit of the Education Committee e.g. free school meals, school transport, cleaning, PPE etc. These will continue to be reported to the relevant Strategic Committee.
- 4.5 Finally, on 13 January the Deputy First Minister announced to Parliament a further £45m nationally in the current financial year, with subsequent information stating the purpose as follows “to further support education recovery in providing funding for local authorities to deploy more support to their schools and families as they deal with the challenges of remote learning during lockdown.” It is understood that this funding stream will have 3 elements, albeit also with some expected flexibility around use within those criteria. (i) to purchase additional digital devices, (ii) to recruit additional staff and (iii) to provide additional family support. Distribution basis and allocation to Authorities has yet to be agreed, but The Highland Council would expect an allocation of around £2.061m from the £45m. Further details are awaited, and meantime officers are assessing how this

funding can help support The Highland Council's Covid-19 and education recovery response, including the pressures currently being faced.

5. Movements Quarter 2 to Quarter 3

- 5.1 As described above there are a number of factors representing the movement between quarters, with HLH and ELC being the most significant two. As noted within this report these are both in-year improvements only, with significant deficit in 2021/22 expected relating to HLH. Without the expected in-year (and one-off) benefit from the improvement in the HLH and ELC position, the Service as a whole would be reflecting an overspend, and that being almost exclusively down to the Covid-19 impact. The table below provides an explanation of the improvement from the last Quarter.

Quarter 2 estimated overspend against budget	£0.720m
Quarter 3 in-year improvement in High Life Highland position	-£1.500m
Quarter 3 in-year improvement in the Early Learning and Childcare budget	-£1.254m
Quarter 3 net increase adjustments to school DSM budgets to reflect census roll figures	£0.265m
Quarter 3 – various other smaller in quarter changes across budgets	-£0.128m
Quarter 3 estimated underspend against budget	-£1.897m

6. Service Budget Variances

- 6.1 Following explanation of the main movements *between* quarters as set out above, this section provides further explanation of the main variances shown on **Appendix 1** and forecast *for the year*.
- 6.2 School Recovery and Covid-19 response – the forecast at Quarter 3 of £2.834m is broadly the same as at Quarter 2, with their remaining significant additional Covid-19 related costs and overspend, including (i) schools PPE, (ii) keyworker critical childcare provision during lockdown one, (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. Pending further clarity about return to school following the current lockdown, and the potential for phased return and a blended learning approach, there is a significant risk that further additional costs and financial implications may arise as a result.
- 6.3 Service Management Team and Support - another area of overspend is that linked to of the agreed management restructure budget savings, which have been delayed as a result of Covid-19 impact. Members will be aware of Council wide plans for Council management restructuring to be taken forward during the course of financial year 2021/2022, as part of Council recovery, with these savings to be delivered as part of that approach.
- 6.4 High Life Highland Services – as a result of HLH utilising the Coronavirus Job Retention Scheme (CJRS), internal HLH management measures, cost reductions and the support of High Life members that continued to pay their subscriptions during lockdown, the monitoring statement now shows a balanced budget in the current year. With the majority of HLH staff returned to furlough leave due to lockdown, continuing CJRS income is assumed by HLH which further mitigates in-year against the impact of lockdown and additional decline in income. It is important to note that this is the in-year position, and the benefit of CJRS is expected to be short-term only. Looking into next

year, and as we come out of lockdown and facilities re-open, HLH forecasts are for a significant deficit position in 2021/22 due to the decline in income, and the expectation it will take some time to return to pre-Covid-19 levels.

- 6.5 Schools General – as a result of lockdown and school closures in the first part of the financial year, there are underspends in a number of centrally held budgets which have been utilised to offset the overspends and additional costs associated with schools return. As referred to in section 5, there has been additional budget feeds into schools DSM budgets to reflect the updated Census school rolls, due to staying on rates being much higher which have impacted on this central budget and reduced the underspend reported here for quarter 3.
- 6.6 Learning and Teaching – savings as a result of vacancies in central education posts and pending wider service restructuring (see 6.3 above).
- 6.7 Early Learning and Childcare – as detailed in past reports, and a further update report on ELC on this agenda, work continues to progress the 1140 hours expansion programme notwithstanding the latest Covid-19 lockdown. The Highland Council is making positive progress in relation to that expansion programme, with latest plans indicating that over 90% of Highland settings will be delivering 1140 hours by April, and there are now only 19 settings with August 2021 as the expansion date. The Highland Council is therefore progressing in line with Scottish Government and national expectations regarding 1140 hours. In terms of national context, the ELC Joint Delivery Board noted in December 2020, as part of national 1140 readiness review, that 14 of 32 Councils at that time were planning for August 2021 for full roll out. As has been reflected in other quarter forecasts, the phased nature of the expansion programme, and the impact of Covid-19 in delaying elements of that last year, have led to a significant in-year underspend against the ELC budget. Further refinement of cost forecasts, and review against the latest expansion programme plans, has led to an updated position for Quarter 3 and increase in underspend. With rollout progressing, and subject to the pandemic, the majority of settings delivering 1140 hours from April, and all from August 2021, it is expected that expenditure in 2021/22 against the ELC budget will be in line with budget.
- 6.8 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: 13 January 2021

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Appendices: Appendix 1 – Education Monitoring Statement 2020/21

EDUCATION MONITORING STATEMENT 2020-21

Appendix 1

31/12/2020	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Service Management Team & Support	1,591	601	2,057	1,456
Pensions, Insurance and Other Pan-Service Costs	1,594	2,206	2,074	(132)
Commissioned HLH Services	6,844	16,170	16,170	0
Grants to Voluntary Organisations	819	1,025	894	(131)
Hostels	750	1,099	1,038	(61)
Crossing Patrollers/School Escorts	421	764	561	(203)
Secondary Schools	53,538	74,308	74,308	0
Primary Schools	46,426	67,515	67,426	(89)
Schools General	(1,620)	4,247	3,559	(688)
Learning and Teaching	557	1,335	902	(433)
Early Learning & Childcare	(3,196)	8,349	3,598	(4,751)
Additional Support - Schools	18,080	26,467	26,504	37
Additional Support - Special Schools	3,617	4,771	5,116	345
Specialist Additional Support Services	1,730	2,275	2,194	(81)
COVID-19 Response	1,402	754	3,588	2,834
Grand Total ECO Education	132,553	211,886	209,989	(1,897)
BY SUBJECTIVE				
Staff Costs	144,083	197,329	193,090	(4,239)
Other Expenditure	23,216	42,837	45,271	2,435
Gross Expenditure	167,299	240,166	238,361	(1,805)
Grant Income	(34,308)	(27,665)	(27,922)	(256)
Other Income	(438)	(615)	(451)	164
Total Income	(34,746)	(28,280)	(28,373)	(93)
NET TOTAL	132,553	211,886	209,989	(1,897)