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| Agenda Item | 9.       |
| Report No   | EDU/4/22 |

## HIGHLAND COUNCIL

**Committee:** Education Committee

**Date:** 24 February 2022

**Report Title:** Revenue Budget monitoring for Quarter 3 of 2021-22

**Report By:** Executive Chief Officer – Education and Learning

### 1. Purpose/Executive Summary

- 1.1 This report provides Members with a revenue monitoring position and year end forecast as at Quarter 3 of the current financial year.
- 1.2 The year-end forecast is an overspend of £2.293m, representing 1.1% of the annual budget. This contrasts with a forecast overspend of £2.529m at Quarter 2, therefore an improvement of £0.236m over the quarter.
- 1.3 The monitoring statement continues to reflect significant additional costs related to Covid-19, with the year-end forecast of £6.5m of specific costs attributable to Covid-19, in addition to those costs being met from core budgets. There is a specific budget line shown on the monitoring statement “Covid-19 response” where this circa £6.5m of spend is shown. The ongoing impact of current pressures and future service demand into the new financial year continues to be assessed, and considered as part of budget planning for 2022/23.

### 2. Recommendations

- 2.1 Members are asked to:
- i. note the forecast revenue position for the 2021/22 financial year, including the additional scrutiny and management action being taken and the risks and uncertainties set out within the report; and
  - ii. note the progress update provided in relation to budget savings delivery;

### 3. Implications

- 3.1 **Resource (Budget and Staffing):** the report and appendices provide an up to date

forecast of the financial position, including progress with delivery of savings. As noted below in the risk implications narrative, there remains ongoing uncertainty and challenges in financial forecasting as a result of the pandemic. Consequently, the current forecasted

out-turns have the potential to change as the year progresses. There also remain significant Covid-related High Life Highland budget pressures, currently forecast at £2.4m. While these have reduced significantly over the year to date, these remain a likely call on Council reserves, with the Council having recognised this risk in setting its reserve levels for the year.

3.2 **Legal:** no particular implications to highlight.

3.3 **Community (Equality, Poverty and Rural):** the budget position, including the ongoing Covid-19 response, reflects the Services response and actions to deliver and sustain Service, and support Education recovery across our Highland communities.

3.4 **Climate Change / Carbon Clever:** no particular implications to highlight.

3.5 **Risk:** this report and appendix reflects best available information and assessment of expected service impacts, including those related to the Covid-19 pandemic. Despite the easing of restrictions, there remains the risk of changes in circumstance that may have an adverse variance on financial forecasts. There are further potential risks regarding the teachers' pay claim for the year.

3.6 **Gaelic:** no particular implications to highlight.

#### 4. Overview

4.1 **Appendix 1** sets out the monitoring statement for Quarter 3, the period to end December 2021. As noted above, the forecast overspend is an improvement of £0.236m compared to the position as at Quarter 2.

4.2 The main factors in the movement between Quarters are as summarised below. With further explanation in the following paragraphs.

- £0.266m improvement in the forecast deficit for High Life Highland (HLH).

4.3 The following paragraphs provide further narrative on the main forecast variances across the budget monitoring statement.

4.4 **Service Management Team and Support:** as reported to the previous Committee, there has been re-alignment of budget within the Service, as part of the re-design of service structures, and to ensure budget holding codes are correctly allocated against the service activity headings to which they relate. At quarter 2 that activity had reduced the overspend against this budget heading, with this being an ongoing process, and with further budget adjustment over the course of this year to take place.

4.5 **High Life Highland (HLH) Services:** as per previous Committee reports, Members will recall that in setting the Council budget this year, the Council had noted the risk arising from the pandemic's significant impact on HLH. HLH were forecasting a £5.4m

deficit at the start of the year, which after allowing for offsetting by their own reserves, resulted in a potential £3.4m impact on the Council. This had been taken account of in setting the Council reserve levels for the year. HLH have reported a continuing improvement in forecast through the year, with customer and income levels improving ahead of expectations, and ongoing cost control. The deficit has further reduced and as at Quarter 3 is now forecast at £2.4m. There does remain the risk and uncertainty relating to 2022/23 and how quickly HLH can return to a sustainable and balanced financial position. Senior Officers from Council and HLH continue to meet regularly to review the financial position.

- 4.6 **School Hostels:** there is an increase in the level of overspend shown at Quarter 3, as a direct consequence of additional staffing costs and staff cover as a result of the Covid-19 pandemic.
- 4.7 **Early Learning and Childcare (ELC):** the underspend shown has been broadly consistent in reports to this Committee over the course of this year. As noted in past reports to Committee, with some settings only moving to delivery of 1140 hours from August, this has resulted in a one-off in-year underspend against budget with the Council not facing full year cost increases in those settings. All other things being equal, these underspends would not be expected to recur into 2022/23 with full year costs applying. The current year underspend also needs to be considered in the context of the proposed Scottish Government ELC grant funding for 2022/23, with a reduction in the quantum of funding at national level, and impacts from the Council's distribution formula share, resulting in an expected £2.2m reduction in Scottish Government ELC funding for next year. The implications of which are still being assessed as part of budget planning for 2022/23.
- 4.8 **Additional Support – Special Schools:** Consistent with the position reported in previous Quarters, there is a forecast overspend against the Council's three special schools, albeit the level of pressure is considerably lower than circa 2-3 years ago due to action taken over recent years.

## 5. **Additional Scottish Government Funding**

- 5.1 In relation to further update regarding Scottish Government funding for Education staffing, the following update is provided.

Education Recovery funding £3.3m 88.6 FTE teachers and support staff – members will recall from past reports and updates of the plans being taken forward regarding recovery funding. Through this report to confirm to members that staff were recruited from October 2020 onwards and will remain in post until the end of this school session (June 2022) in line with the funding provided.

First 100 Days' Additional Teachers and PSAs Funding £3.0m and additional further SG teacher and support staff funding £3.5m. Plans for use of this funding are in place, with some of the staff allocations committed and in place, and with others being taken forward in parallel with the ongoing DSM scheme review due to report to the June

Council meeting. The funding across the two elements equates to circa 108 FTE. The conclusion of the DSM scheme review will provide opportunity to revise and embed recurring funding within DSM staffing formulas. Plans for all funding as per recovery funding have been, and will continue to be, co constructed in collaboration with Head Teachers.

## **6. Budget Savings Delivery**

6.1 Consistent with recent reports to this Committee, the previously agreed savings relating to the current financial year are on track for achievement, with an overall saving value totalling £5.5m

Designation: Executive Chief Officer – Education and Learning

Date: 19 January 2022

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EDUCATION & LEARNING MONITORING STATEMENT 2021-22

Appendix 1

| 31/12/2021                                      | £'000<br>Actual<br>YTD | £'000<br>Annual<br>Budget | £'000<br>Year End<br>Estimate | £'000<br>Year End<br>Variance |
|---|------------------------|---------------------------|-------------------------------|-------------------------------|
| <b>BY ACTIVITY</b>                              |                        |                           |                               |                               |
| Service Management Team & Support               | 1,470                  | 1,666                     | 1,960                         | 294                           |
| Pensions, Insurance and Other Pan-Service Costs | 1,560                  | 2,031                     | 2,029                         | (2)                           |
| Commissioned HLH Services                       | 6,705                  | 16,816                    | 19,216                        | 2,400                         |
| Grants to Voluntary Organisations               | 822                    | 1,075                     | 934                           | (141)                         |
| Hostels   | 887                    | 1,018                     | 1,176                         | 158                           |
| Crossing Patrollers/School Escorts              | 455                    | 615                       | 589                           | (26)                          |
| Secondary Schools                               | 52,993                 | 75,256                    | 75,256                        | 0                             |
| Primary Schools                                 | 46,996                 | 67,764                    | 67,702                        | (62)                          |
| Schools General                                 | 1,373                  | 4,260                     | 4,171                         | (90)                          |
| Learning and Teaching                           | 552                    | 703                       | 643                           | (60)                          |
| Early Learning & Childcare                      | (5,495)                | 6,625                     | 6,308                         | (317)                         |
| Additional Support - Schools                    | 19,174                 | 24,744                    | 24,757                        | 13                            |
| Additional Support - Special Schools            | 3,733                  | 4,760                     | 5,051                         | 291                           |
| Specialist Additional Support Services          | 1,688                  | 2,319                     | 2,128                         | (191)                         |
| COVID-19 Response                               | 1,484                  | 6,486                     | 6,512                         | 26                            |
| <b>Grand Total ECO Education</b>                | <b>134,398</b>         | <b>216,139</b>            | <b>218,432</b>                | <b>2,293</b>                  |

|                          |                 |                 |                 |              |
|--------------------------|-----------------|-----------------|-----------------|--------------|
| <b>BY SUBJECTIVE</b>     |                 |                 |                 |              |
| Staff Costs              | 149,570         | 202,604         | 201,820         | (784)        |
| Other Expenditure        | 23,704          | 46,983          | 50,026          | 3,043        |
| <b>Gross Expenditure</b> | <b>173,274</b>  | <b>249,587</b>  | <b>251,846</b>  | <b>2,259</b> |
| Grant Income             | (38,223)        | (32,419)        | (32,461)        | (42)         |
| Other Income             | (652)           | (1,029)         | (953)           | 76           |
| <b>Total Income</b>      | <b>(38,876)</b> | <b>(33,448)</b> | <b>(33,414)</b> | <b>34</b>    |
| <b>NET TOTAL</b>         | <b>134,398</b>  | <b>216,139</b>  | <b>218,432</b>  | <b>2,293</b> |