

Agenda Item	11.
Report No	EDU/12/22

HIGHLAND COUNCIL

Committee: Education Committee

Date: 15 September 2022

Report Title: Revenue Budget Monitoring - Final Out-turn for 2021/22 and Quarter 1 Forecast for 2022/23

Report By: Executive Chief Officer – Education and Learning

1. Purpose/Executive Summary

- 1.1 This report provides Members with a final revenue monitoring out-turn position for the prior 2021/22 financial year, and a first forecast for Quarter 1 of the current 2022/23 financial year. Details are set out on **Appendix 1**.
- 1.2 The year-end forecast is an underspend of £0.059m, representing 0.03% of the annual budget. This contrasts with a forecast overspend of £2.293m at Quarter 3, therefore an improvement of £2.352m by the financial year end. The main factors in the improved position are set out within this report.
- 1.3 In relation to the current financial year, Quarter 1 represents the first forecast for the year. The monitoring statement reflects an estimated overspend of £0.353m, representing 0.15% of the Service budget. The report provides explanation for this position and the contributory factors. Details are set out on **Appendix 2**.
- 1.4 The report also provides an update on delivery of agreed budget savings, with this set out on **Appendix 3**.
- 1.5 Being a first quarter report, and with significant uncertainties relating to pay awards, inflationary and other pressures, there is significant risk and uncertainty applying to these forecasts, and the report being based on best available information and assumptions at this time.

2. Recommendations

- 2.1 Members are asked to:
 - i. note the final out-turn for the 2021/22 financial year, as set out on **Appendix 1**.
 - ii. Note the forecast revenue position for Quarter 1 of the 2022/23 financial year, as set out on **Appendix 2**.

- iii. Note there are significant risks and uncertainties relating to current financial year forecasts, relating to pay award, inflation and other pressures.
- iv. note the progress update provided in relation to budget savings delivery as set out on **Appendix 3**.

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 section, there remains ongoing uncertainty and challenges in financial forecasting, in particular relating to pay award, inflationary and other pressures. Consequently, the current forecasted out-turns have the potential to change as the year progresses.
- 3.2 **Legal:** no particular implications to highlight.
- 3.3 **Community (Equality, Poverty and Rural):** the budget position reflects planned spending and service delivery to deliver and sustain Services, 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 2** reflects best available information and assessment of expected service impacts. As noted elsewhere in this report, there remain significant risks and uncertainties relating to pay awards, inflation and other pressures, and the impact on the Service budget.
- 3.6 **Gaelic:** no particular implications to highlight.

4. Final Out-turn 2021/22

- 4.1 **Appendix 1** sets out the final out-turn statement for the 2021/22 financial year.
- 4.2 The final out-turn was an underspend of £0.059m, this representing an improvement of £2.352m against the Quarter 3 forecast. The main factors in the movement between Quarters are as summarised below. With further explanation of the overall out-turn position in the following paragraphs.
 - -£0.758m being an improvement in the year end position of HLH. It had been assumed at Quarter 3 there would be a £2.4m deficit as the organisation continued its Covid-19 business recovery, which by year end had improved to £1.5m and addressed as set out in the following narrative. Over the course of the year, an initial forecast of a gross £5.4m deficit by HLH had reduced to £1.5m by year-end.
 - -£1.500m being an improvement through the drawdown from reserves of this sum, to fund the agreed deficit support payment to HLH as agreed by the March Council. This drawdown was only formalised in the March budget report and therefore had not been assumed in forecasts during the year.

- -£0.591m being an increase in the underspend against the Early Learning and Childcare (ELC) budget. This was from a variety of factors including reduced level of meal provision in partner centres against forecasts, and improvements in costs within Council settings with the rollout of 1140 hours concluded in year.
- +£0.497m of overspend versus forecast across a number of budget headings. This included additional costs of staffing and staff cover in School hostel residences, and additional overspend against Special School budgets.

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 previous Committees, there are service and corporate savings relating to staff and other costs which are held centrally in this budget, but are in practice being met from across the Service budget headings (underspends in other parts of the budget). In the new financial year, to aid transparency, such new budget savings are being shown separately on the monitoring statement.

4.5 **High Life Highland (HLH) Services:** prior reports to Committee had provided detailed explanation, with the Council in setting its budget for 2021/22, noting the risk arising from the Covid-19 pandemic and 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 had reported a continuing improvement in forecast through the year, with customer and income levels improving ahead of expectations, and ongoing cost control. The deficit by the financial year end had further improved such that the level of deficit support required was a sum of £1.5m. There remained a small final overspend against the budget relating to some one-off costs and prior year adjustments addressed as part of the year end position. As noted in the Quarter 1 narrative later in this report, there remains ongoing risk and impact on HLH recovery such that a deficit in the 2022/23 year is being forecast.

4.6 **School Hostels:** there remain some pressures in this budget relating to increased staffing costs to provide for pupils with Additional Needs, and to address staff absence and Covid related staffing pressures. Work is also ongoing to explore opportunities in relation to letting of hostels outwith term time to meet pre-existing income targets.

4.7 **Early Learning and Childcare (ELC):** an underspend had been forecast during the course of the year, reflective of the level of uptake of service and revised cost forecasts with the rollout of 1140 hours concluded in year (and some one-off underspends as a result of some settings only moving to 1140 hours in the later stages of the year). Some additional underspend also relates to the level of meal provision in partner settings being lower than forecast. Aspects of the underspend are expected to be one-off in nature, with the 2022/23 financial year reflecting the first full year of 1140 provision across settings and partner centres. Budget savings were also agreed by

the Council for 2022/23 in recognition of some of the cost improvement and efficiency reflected in the budget forecasts.

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. As part of ongoing work to review budgets and linked to the DSM scheme review, further work is being taken forward to develop a new budget model for our 3 special schools.

5. Quarter 1 Forecast 2022/23

5.1 At Quarter 1 an overspend of £0.353m is forecast, this reflects a variance of 0.15% against budget. The main variances, factors and action being taken are described below.

5.2 £0.684m relating to Corporate Staffing Savings – this reflects the Service share of savings agreed by the Council in March. These savings will ultimately be delivered from across the service budget, and at this time the saving target is being held centrally. More recent work since the Quarter 1 figures were prepared has identified the means of delivering this saving, the financial effect of which will be reflected at Quarter 2.

5.3 NIL variance shown against High Life Highland (HLH) - HLH is at present forecasting a year-end deficit of £0.870m due to customer income being lower than budgeted. The projected outturn figure could vary dependent on factors including the 22/23 pay award and being able to continue income growth within the context of the wider economic environment and cost of living challenges for households. In setting the budget for this year in March, the Council recognised the ongoing deficit risk in relation to HLH, and earmarked £1m in reserves as a result for this purpose. On the advice of Finance, and the assumption that this earmarking can be drawdown to apply to the HLH position, a NIL variance against the Education and Learning budget is shown at this time. While HLH continue working to reduce the forecasted deficit, there is a significant risk that the deficit could increase.

5.4 £0.138m School Hostels overspend – as noted in section 4 relating to the prior year, there remain staffing budget pressures and income targets to be delivered relating to school hostels. Review of both is taking place to develop actions and recommendations relating to this budget pressure area.

5.5 £0.448m Underspend against Early Learning and Childcare – an underspend against ELC is forecast at this stage in the year, however there remain a number of risks and uncertainties which could impact on this budget going forward, including the review of funding paid to ELC partners and childminders, levels of ELC uptake including ongoing national promotion around provision for eligible 2 year olds. Final recommendations relating to the ELC partner rate review are expected to be considered by full Council, as part of wider budget and financial planning matters.

- 5.6 £0.284m Ovespend against Special Schools – consistent with the out-turn position for the prior year, there remains a legacy need to review the basis of budget allocation to our 3 Special schools, to ensure that level of provision and budget align. This work is being taken forward with the intention to conclude this year and bring change into effect for the new financial year.
- 5.7 Covid-19 Recovery – while there is no variance of note to report, this line represents a dedicated budget line relating to Covid-19 recovery. This budget consists of some elements of Scottish Government funding which are still being held centrally, and supporting school staffing. It is expected there will be some allocation out of this budget in Quarter 2 once finalised staffing figures and costs are available and budget adjustments reflected. There are also some residual PPE and other Covid-19 related costs being met from this budget line.

6. Budget Savings Delivery

- 6.1 Also enclosed with this report is an updated assessment of progress with delivery of budget savings, including corporate savings as currently allocated to the Service. **Appendix 3** sets out a Red/Amber/Green (RAG) assessment of those savings.

Designation: Executive Chief Officer – Education and Learning

Date: 17 August 2022

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EDUCATION & LEARNING MONITORING STATEMENT 2021-22

Appendix 1

31/03/2022	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Service Management Team & Support	(109)	(392)	(109)	283
Pensions, Insurance and Other Pan-Service Costs	2,026	2,030	2,026	(4)
High Life Highland HLH Services	19,044	18,902	19,044	142
Grants to Voluntary Organisations	977	1,075	977	(98)
Hostels	1,272	1,037	1,272	234
Crossing Patrollers/School Escorts	656	661	656	(5)
Secondary Schools	77,387	77,387	77,387	(0)
Primary Schools	69,622	69,624	69,622	(1)
Schools General	2,962	2,929	2,962	33
Learning and Teaching	726	754	726	(28)
Early Learning & Childcare	5,540	6,448	5,540	(908)
Additional Support - Schools	26,339	26,314	26,339	26
Additional Support - Special Schools	5,211	4,872	5,211	339
Specialist Additional Support Services	2,224	2,346	2,224	(121)
COVID-19 Response	3,586	3,535	3,586	50
Grand Total ECO Education	217,464	217,523	217,464	(59)
BY SUBJECTIVE				
Staff Costs	205,358	205,540	205,358	(181)
Other Expenditure	50,156	49,965	50,156	191
Gross Expenditure	255,514	255,505	255,514	10
Grant Income	(37,109)	(36,965)	(37,109)	(144)
Other Income	(942)	(1,017)	(942)	75
Total Income	(38,051)	(37,982)	(38,051)	(69)
NET TOTAL	217,463	217,523	217,463	(59)

EDUCATION & LEARNING MONITORING STATEMENT 2022-23

Appendix 2

30/06/2022	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Service Management Team & Support	494	1,668	1,608	(60)
Corporate Staffing Savings	0	(684)	0	684
Pensions, Insurance and Other Pan-Service Costs	476	2,064	2,064	0
High Life Highland HLH Services	35	17,899	17,899	0
Grants to Voluntary Organisations	444	925	860	(65)
Hostels	279	984	1,122	138
Crossing Patrollers/School Escorts	137	577	547	(30)
Secondary Schools	16,270	80,109	80,109	0
Primary Schools	14,732	69,552	69,528	(24)
Schools General	4,109	9,447	9,398	(49)
Learning and Teaching	11	573	487	(86)
Early Learning & Childcare	6,878	6,804	6,356	(448)
Additional Support - Schools	6,634	28,193	28,193	0
Additional Support - Special Schools	1,276	4,962	5,246	284
Specialist Additional Support Services	585	2,267	2,267	0
COVID-19 Response	1,249	2,718	2,727	9
Grand Total ECO Education	53,610	228,058	228,412	353
BY SUBJECTIVE				
Staff Costs	51,209	209,596	209,929	334
Other Expenditure	8,012	50,039	49,867	(172)
Gross Expenditure	59,220	259,635	259,796	162
Grant Income	(5,325)	(30,545)	(30,555)	(10)
Other Income	(287)	(1,032)	(830)	202
Total Income	(5,612)	(31,577)	(31,385)	192
NET TOTAL	53,610	228,058	228,412	353

Service Ref	Budget Area	Savings Description	2022/23 £m	2023/24 £m	2024/25 £m	Total £m	Saving RAG
C&L/7a	Specialist Teachers	Integrating services by maximising the deployment of specialist teachers to support mainstream teaching staff in meeting the needs of pupils with a high level of need	1.000			1.000	G
C&L/16	Funding for external sports culture and leisure organisations	Revised funding for Sports, Leisure, Culture and Community organisations	0.100			0.100	G
E&L/4	ELC	One off savings from Phasing of 1140 Implementation	-0.500			-0.500	n/a
E&L/5	ELC	ELC phase 1 into phase 2 Implementation	0.449			0.449	G
E&L/14	DSM	Job Sizing Review Promoted Teaching Posts	0.728	0.257		0.985	G
E&L/3	Service Wide	Reduction in Service Level Agreement relating to management services provided to playgroups	0.037			0.037	G
E&L/6	Service Wide	Realigning non DSM budget to match spend	0.336			0.336	G
E&L/10	ELC	Re-alignment of early level class provision	0.095			0.095	G
E&L/12	DSM	Alignment of primary teacher band 16-19	0.104			0.104	G
E&L/15	Primary Education	Review of school provision – declining school rolls	0.150			0.150	G
E&L/16	ELC	Re-alignment of ELC budget to deliver efficiency savings and mitigate grant funding reduction	1.000			1.000	G
R&F/8 - Allocation	Finance	Salary sacrifice saving from newly introduced AVC scheme	0.010			0.010	G
Corp/2 - Allocation	Managed Print Service (MPS)	Reductions in printing Printing/Photocopying and reduce Multi-Function Devices (MFDs) in offices and schools	0.190			0.190	G
Corp/7 - Allocation (Relocation Exps)	Staff Benefits	Review of staff benefits in particular around relocation expenses and meals and refreshment expenditure across the Council	0.100			0.100	G
Corp/20 - Allocation	Realignment of staffing	Removing unspent budget associated with historic vacancies	0.173			0.173	G
Corp/21 - Allocation	Corporate- staffing	Staff alignment, agility and redesign	0.345			0.345	G
Corp/22 - Allocation	Corporate- staffing	Reduction in overtime	0.001			0.001	G
Corp/23 - Allocation	Corporate- staffing	Recruitment timelines- removal of budget to reflect recruitment process timelines	0.338			0.338	G
Corp/24 - Allocation	Corporate- non staffing	A review of non-staffing spend has identified opportunities for savings across services from improved contract management, stopping/reducing demand, alternative delivery, and actions relating to suppliers, specification, productivity, process, negotiation, contracts and analysis	0.080			0.080	G
Corp/26 - Allocation	Corporate- full cost recovery	Full cost recovery and commercialisation - school hostel residences commercial letting income opportunity	0.100			0.100	A

TOTALS **4.836** **0.257** **0.000** **5.093**