

**REPORT TO EDUCATION AND CHILDREN'S SERVICES COMMITTEE –
3 DECEMBER 2020**

QUARTER 2 FINANCIAL PERFORMANCE: EDUCATION AND CHILDREN'S SERVICES

1 Reason for Report / Summary

- 1.1 This report provides the Committee with the revenue and capital financial performance information pertaining to the areas of service delivery for which this Committee has responsibility for.

2 Recommendations

The Committee is recommended to:

- 2.1 Consider and discuss the Revenue and Capital Financial Performance for Quarter 2;**
- 2.2 Approve the budget movements as set out in Appendix 2;**
- 2.3 Note progress in achieving agreed budget savings set out in Appendix 5;**
- 2.4 Note the review of the Devolved Education Management reserve commitments;**
- 2.5 Agree the Devolved Education Management carry forward to be funded from reserves; and**
- 2.6 Note the ongoing work to satisfy the recommendation of External Audit report.**

3 Purpose and Decision-Making Route

- 3.1 The purpose of this report is to provide the Committee with the financial performance position in relation to the services which fall within the Committee's remit.
- 3.2 The Committee will receive further reports on the financial performance throughout the financial year. This is specifically relevant as Full Council on 19 November 2020 agreed to re set the Council's Revenue and Capital Budgets and report these through Policy Committees.

4 Discussion

Revenue Budget

- 4.1 On 18 March 2020 Full Council approved a Revenue Budget of £341.817 million in respect of those services for which Education and Children's Services Committee is responsible. It further agreed that £2m of expenditure relating to

the Education and Children's Service directorate be funded from borrowing, therefore reducing the overall budget to £339.817 million.

- 4.2 Since the budget was agreed, PEF funding of £1.166 million that was unspent in 2019/20 has been drawn down from reserves and reflected in the primary, secondary, and special education budgets. The allocation per service area is shown in **Appendix 3**.
- 4.3 The Finance Service are in the process of centralising accounts payable processing, this was successfully introduced for all primary schools last year. The next area of the service to be centralised is secondary schools and to adequately resource this process it is proposed that £10,300 be transferred to Finance. The removal of this finance processing function will allow for the reallocation of ECS staff time to focus on service delivery. This virement, subject to the appropriate approval, and previously agreed virements as reflected in **Appendix 2** will result in a revised budget of £340.995 million.
- 4.4 The year to date budgeted expenditure on service delivery to 30 September 2020 was £175.917 million, the actual expenditure incurred during the first six months was £175.860 million, therefore expenditure is within budget by £0.057m. Covid-19 expenditure to the 30 June 2020 was £3.512m

Appendix 1a provides a summary of the financial performance and a breakdown by spend classification e.g. staffing, supplies and services. **Appendix 1b** provides a breakdown by budget page with the Covid-19 expenditure separately identified.

Revenue Expenditure

- 4.5 Revenue budget expenditure for Quarter 2 is within budget by £0.057m.

The impact of the pandemic and the additional associated costs and together with the loss of income has made it difficult to measure performance against the previously anticipated profile of expenditure and income as well as the previously proposed expenditure classifications.

The key challenges that the service has faced in this quarter are as follows: -

Admin and Management

Lower than anticipated staff turnover together with severance payments in this period have resulted in staff costs being higher than the phased budget.

As part of the agreed review of the presentation of financial information, staffing costs of some £400,000 that were previously reflected within the Secondary Education budget page have been transferred to the Admin and Management budget to better reflect line management and budget responsibility, this has resulted in a temporary budget pressure, the budget will be transferred and adjusted for in Quarter 3 as part of the revised Medium Term Financial Strategy review.

Catering Service

The catering service provides several functions, including providing paid and free school meals in primaries and secondaries, early years meals to nurseries, day care and luncheon club meals, as well as having vending machines in academies.

The income generated by each of these functions have been impacted by COVID. Costs have however continued to be incurred, predominately for staffing. Cash payments of £550,000 made to pupils entitled to free school meals during the term time lockdown (April to June) have been reflected within the Service expenditure. Payments of £411,626 made to pupils out with the term time are reflected in the Covid costs in paragraph 4.7 below.

Although schools have now reopened, vending machines continue to be out of operation. Therefore, although income generation has resumed from paid school meals in primaries and academies, vending machine income is unlikely to resume this financial year.

Early Years

The Early Years Budget encompasses several services, including early years provision within Council establishments, payments to early years partner providers, Out of School Care and Creches, all of which have been impacted by the pandemic.

As reported to Committee on 8th October 2020, delays in the expansion of early years provision to 1140hrs has resulted in an under budget position to Quarter 2. Although an underbudget position is forecast for the next two quarters, it is expected to be lower than that of the first two quarters as the 1140hr provision is rolled out across the authority.

The anticipated income for the first two quarters of the year for Out of School Care was £429,973, some £56,710 was received.

Primary and Secondary Music Service

The anticipated income for the first two quarters of this financial year was around £263,000, £14,000 due to the suspension of lessons during lockdown. Small savings have been made in other areas as the service continues to adapt to providing lessons remotely.

Special Education

Recruitment of teachers within the Support for Learners Network continues to be a challenge resulting in an under budget position in this area.

Children's Out of Authority Placements

The current level of provision for out of authority placements has been static because of Covid. This provision is however above budget levels and may continue for some time. The budgetary provision for the remainder of this financial year and for 21/22 will be considered as part of the revised Medium Term Financial Strategy process.

Pupil Equity Funding (PEF)

- 4.6 Pupil Equity Funding is additional funding allocated to specific schools based on Free Meal Entitlement and targeted at closing the poverty related attainment gap. The Scottish Government has committed to this funding as part of the Scottish Attainment Challenge programme. The overall funding available for 20/21 is £4.075m and is reflected within the revised base budget figures. This includes £1.166m funding brought forward from 19/20. PEF funding is ring fenced funding and must be spent in accordance with the conditions of the programme.

The expenditure incurred to the end of quarter 2 is £0.978m. It should be noted that whilst the current spend looks relatively low, schools may have committed to spend the funding in the last two quarters.

Previously, schools were permitted to carry forward any unspent funding to the next financial year, the Service awaits confirmation from the Scottish Government as to whether this will apply this year.

	Budget	Exp to Q2	Funding remaining
	£m	£m	£m
Primary Education	3.143	0.754	2.389
Secondary Education	0.841	0.203	0.638
Special Education	0.091	0.021	0.070
Total	4.075	0.978	3.097

COVID Expenditure

- 4.7 Expenditure incurred to date because of COVID is as follows: -

Type of Spend	Revised Base Budget	YTD Budget	Actual	Variance YTD Budget Less Actuals
01.Staff Costs	-		2,518,887	(2,518,887)
02.Premises Costs	-		1,853	(1,853)
03.Transport	-		13,930	(13,930)
04.Supplies & Services	-		279,816	(279,816)
05.Third Parties	-		698,104	(698,104)
09.Grants	-			
Total	-		3,512,590	(3,512,590)

The previously reported Quarter 1 position was £1,544,959, therefore an additional £1,967,634 has been incurred in Quarter 2.

The reasons for the spend are shown below: -

- **Staff costs**

Additional staff costs, teachers, PSA and other support staff.

- **Transport**

Payments for staff travel

- **Premises Costs and Supplies and Services**

PPE and Cleaning materials.

- **Third Party Payments**

Cash payments to recipients of free school meals Q2	£344,001
Childcare support grants	£267,250
Additional care for children	£19,228

Note

<i>Cash payments to recipients of free school meals Q1</i>	<i>£67,625</i>
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4.8 The Service together with Finance are reviewing all additional income streams receivable pertaining to support during the pandemic period and the associated conditions of receipt, to ensure that additional expenditure is correctly classified, and the correct amount of funding claimed which may result in a change to the amounts presented in Quarter 3.

4.9 Whilst the focus of this report is financial performance of service delivery against the budgeted expenditure and income, the Covid-19 pandemic has impacted significantly on and will continue to impact on the costs of service delivery.

4.10 In recognition of these challenges the Council will consider an updated Medium Term Financial Strategy position on 19 November 2020, which will encompass the current financial challenges as well as those forecast to impact on the 2021/22 Financial Year.

Devolved Education Management (DEM) Reserve

4.11 In June 2020, the Council considered the draft revenue outturn position for 2019/20. To achieve a near breakeven position the use of several reserves was approved, one of those reserves was the DEM reserve of £2.288m.

4.12 The DEM reserve was formed as a result of the devolvement of some budgetary allocations to Head Teachers to allow them to manage and spend within the current financial year or make efficiencies and then carry forward money for

school spending initiatives in future years. These initiatives could be for school improvements, purchase of equipment or the employment of additional staff.

- 4.13 In recognition of the agreed commitments for these initiatives there is an ongoing exercise to agree the 2019/20 entitlement, which will be required to be considered by Committee. The Service and Finance are concluding the final amounts per school, the overall total carry forward value in accordance with the current scheme is around £1.8m, however considering current budget pressures it is proposed that this be capped at £1m. As previously agreed, this will require to be funded from reserves.
- 4.14 A further report will be brought to Committee detailing the individual schools' entitlements.

Capital Budget Monitoring

- 4.15 Education and Children's Services Capital Budget for monitoring purposes for 2020/21 was agreed on 18 March 2020 by Council at £22.47 million. The revised budget is £25.971 million due to £3.501 million of project slippage from the last financial year and other project acceleration. Details are in **Appendix 4**.
- 4.16 To the end of September 2020, actual capital expenditure was £5.692 million. The overall projected delays for the year are expecting to be in the region of £8.914 million lower than the revised budget due to delays within the capital programme because of Covid-19. Any movements to this position will be reported back to a future Committee meeting as and when identified.

20/21 Budget Savings

- 4.17 Progress with achieving the agreed budgetary savings is shown in **Appendix 5**. Whilst progress continues in achieving the savings, it is recognised the COVID-19 has delayed progress with the planned efficiency reviews.

External Audit interim report progress update

- 4.18 Work continues with budget holders to review the budget pages (**Appendix 1b**) and cost allocation headings (**Appendix 1a**) with a view to amending to better align with service (non-financial) performance information. The changes will be reflected over the next two quarters.

5 Council Priorities, Implications and Risk

- 5.1 This report helps deliver the Strategic Priorities Education under the Pillar "Our People" and Economy and Enterprise under the Pillar "Our Economy" and the principle that underpins them of responsible financial planning.
- 5.2 The table below shows whether risks and implications apply if the recommendations are agreed.

Subject	Yes	No	N/A
Financial	X		
Staffing		X	

Equalities			X
Fairer Scotland Duty			X
Town Centre First			X
Sustainability			X
Children and Young People's Rights and Wellbeing			X

- 5.3 An Equalities Impact Assessment and a Town Centre Impact Assessment are not required for this report as the report deals with the monitoring of expenditure against budgets which have been approved previously, and the re-profiling of some expenditure.
- 5.4 There are no staffing or children and young people's wellbeing implications arising from this report.
- 5.5 The following Risk has been identified as relevant to this matter on a Corporate Level: Budget Pressures ([Corporate Risk Register](#)).
The following Risk has been identified as relevant to this matter on a Strategic Level: Balancing the Books ([Directorate Risk Registers](#)).

Actions being taken to mitigate these risks are set out in the report.

6 Scheme of Governance

- 6.1 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and are satisfied that the report complies with the [Scheme of Governance](#) and relevant legislation.
- 6.2 The Committee is able to consider this item in terms of Section E.1.1 of the List of Committee Powers in Part 2A of the Scheme of Governance as it relates to resource matters (within agreed budgets) that have been delegated to the Committee.

Laurence Findlay

Director of Education and Children's Services

Report Prepared by Mary Beattie

Date: 18 November 2020

List of Appendices

Appendix 1a and 1b – Revenue Monitoring as at 30 September 2020

Appendix 2 – Budget Movements

Appendix 3 – Budget Movement Details

Appendix 4 – Capital Financial Performance as at 30 September 2020

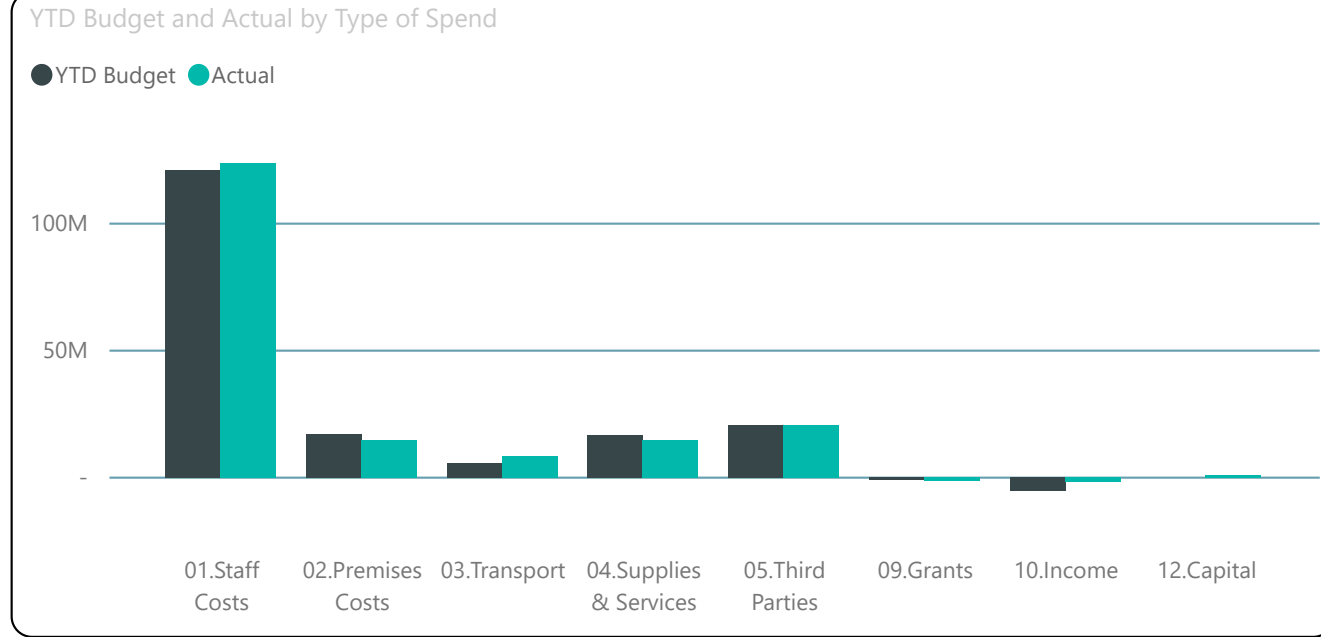
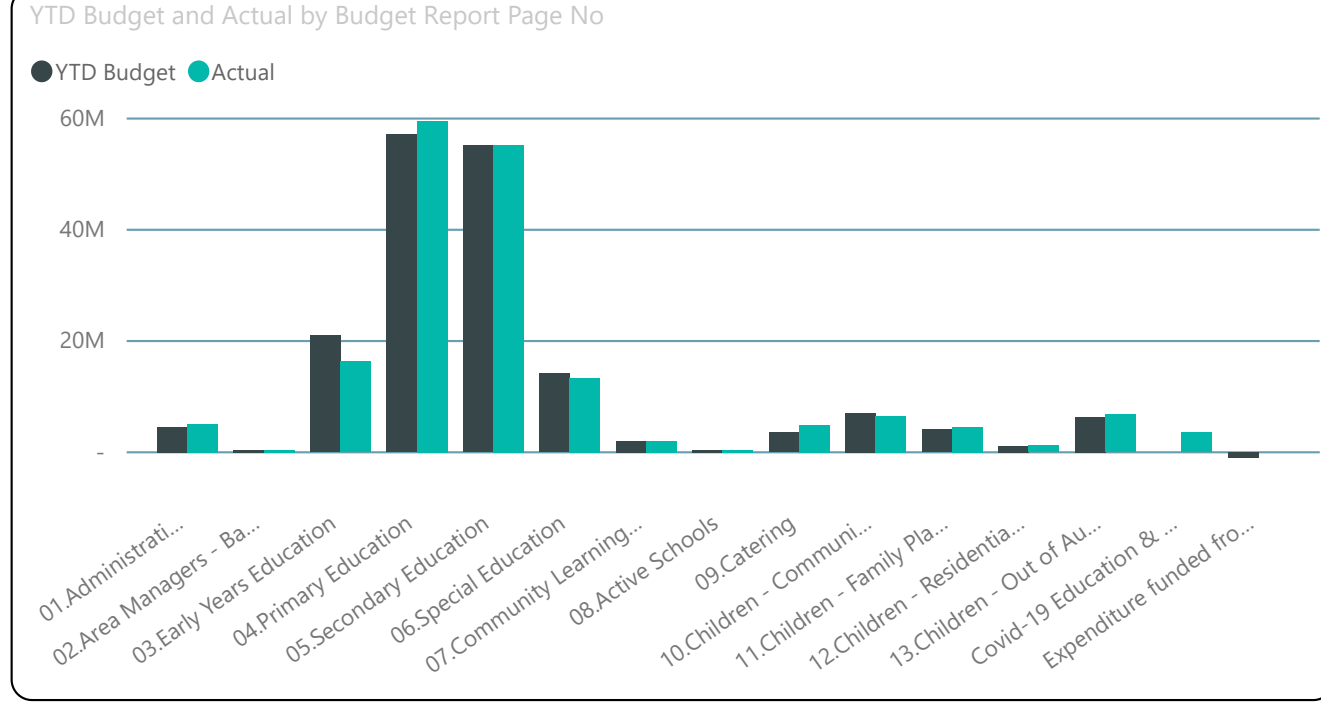
Appendix 5 – Savings agreed at Council 18 March 2020



Committee	Revised Base Budget	YTD Budget	Actual	Variance YTD Budget Less Actuals
Education & Children's Services	340,995,490	175,917,918	175,859,931	57,987
Education & Children's Services - Covid	-	-	3,512,590	(3,512,590)
Total	340,995,490	175,917,918	179,372,521	(3,454,603)

Service	Revised Base Budget	YTD Budget	Actual	Variance YTD Budget Less Actuals
Education & Children's Services	340,995,490	175,917,918	175,859,931	57,987
Education & Children's Services - Covid	-	-	3,512,590	(3,512,590)
Total	340,995,490	175,917,918	179,372,521	(3,454,603)

Type of Spend	Revised Base Budget	YTD Budget	Actual	Variance YTD Budget Less Actuals
01.Staff Costs	242,413,176	121,234,247	123,900,878	(2,666,631)
02.Premises Costs	25,257,119	17,206,880	14,777,189	2,429,691
03.Transport	15,631,176	5,808,405	8,291,358	(2,482,953)
04.Supplies & Services	31,196,806	16,711,197	14,580,726	2,130,471
05.Third Parties	41,290,328	20,838,916	20,807,986	30,930
08.Financing Costs	-	-	-	-
09.Grants	(3,892,672)	(726,029)	(1,343,940)	617,912
10.Income	(10,900,443)	(5,155,698)	(1,641,751)	(3,513,947)
12.Capital	-	-	21	(21)
99.Closed	-	-	55	(55)
Total	340,995,490	175,917,918	179,372,521	(3,454,603)

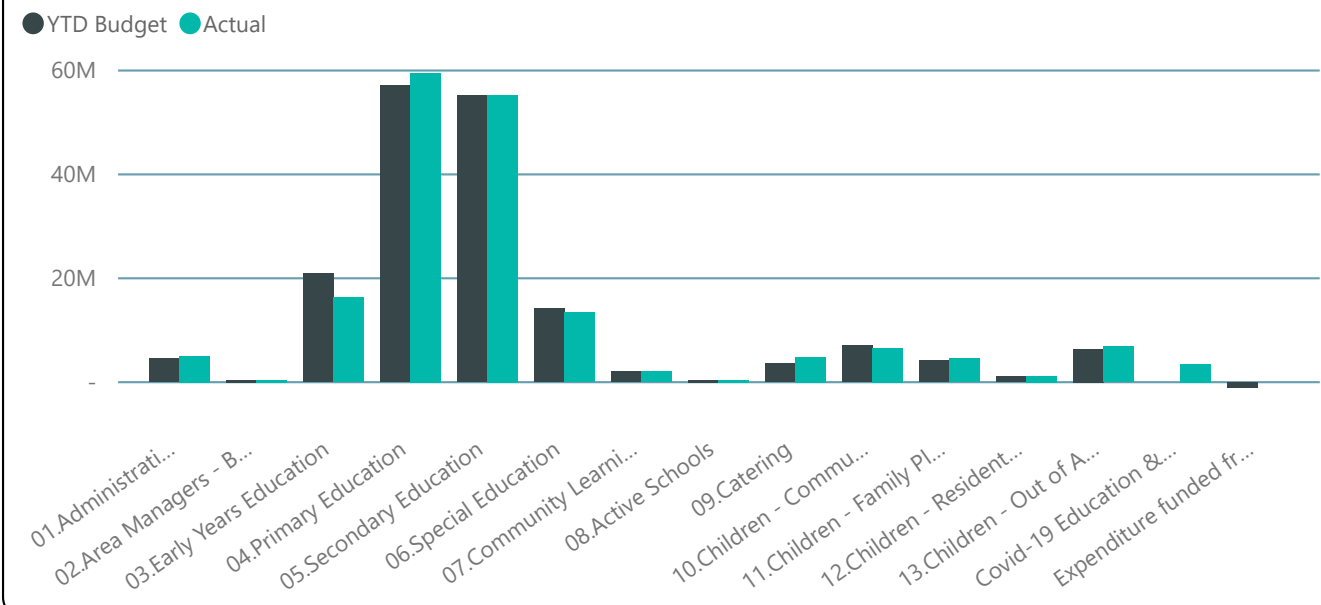




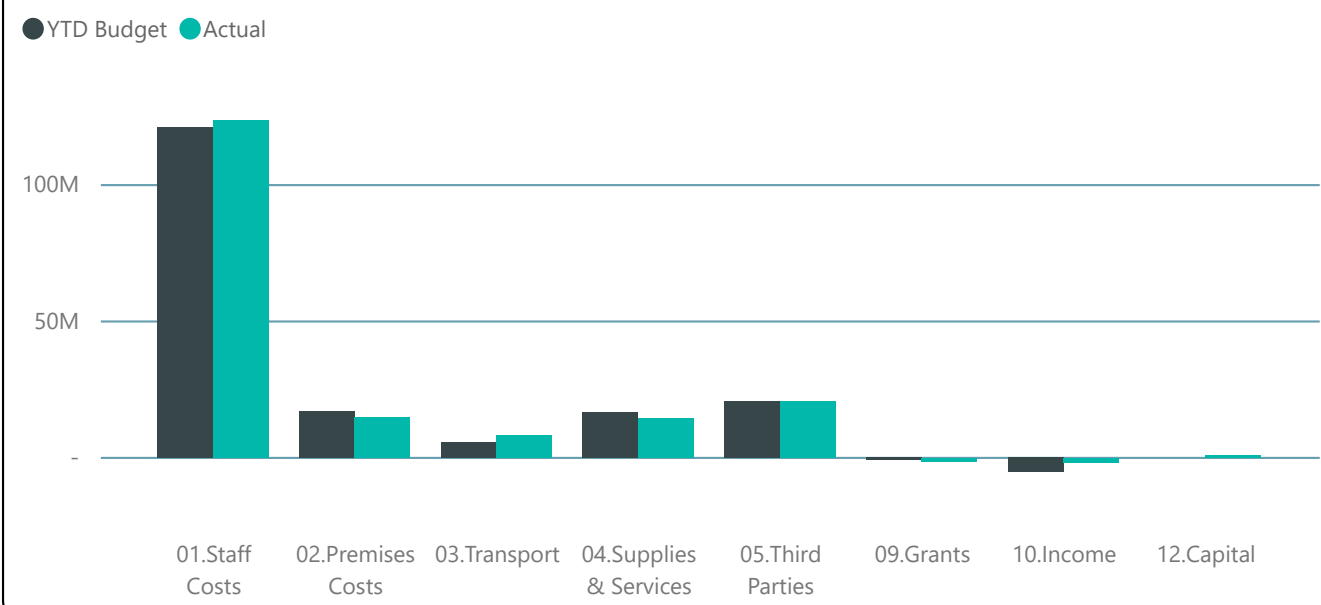
Committee	Revised Base Budget	YTD Budget	Actual	Variance YTD Budget Less Actuals
Education & Children's Services	340,995,490	175,917,918	179,372,521	(3,454,603)

Budget Report Page No	Revised Base Budget	YTD Budget	Actual	Variance YTD Budget Less Actuals
01.Administration & Management	8,395,700	4,545,541	5,068,806	(523,265)
02.Area Managers - Banff & Buchan and Garioch	837,258	433,657	330,510	103,147
03.Early Years Education	41,125,000	20,978,672	16,298,444	4,680,228
04.Primary Education	109,965,374	57,122,214	59,515,681	(2,393,467)
05.Secondary Education	105,373,170	55,149,597	55,274,380	(124,784)
06.Special Education	29,243,632	14,179,579	13,390,774	788,805
07.Community Learning and Development	4,010,000	2,065,689	2,003,149	62,540
08.Active Schools	195,356	206,855	33,840	173,015
09.Catering	6,545,000	3,581,974	4,878,339	(1,296,365)
10.Children - Community Care	14,186,000	7,069,358	6,553,009	516,349
11.Children - Family Placement	8,235,000	4,112,848	4,514,598	(401,750)
12.Children - Residential Care	2,170,000	1,112,936	1,194,120	(81,184)
13.Children - Out of Authority Placements	12,714,000	6,356,998	6,804,277	(447,279)
Covid-19 Education & Children's Services	-	-	3,512,590	(3,512,590)
Expenditure funded from borrowina - ECS	(2,000,000)	(998,000)	-	(998,000)
Total	340,995,490	175,917,918	179,372,521	(3,454,603)

YTD Budget and Actual by Budget Report Page No



YTD Budget and Actual by Type of Spend





Movements in the Base Budget
From Agreed Budget at March 2020 to 31st March 2021

Budget Report Page No	Base Budget as at Mar 2020 Committee	Budget Adjustments	Additional Scottish Government Funding	Budget Virements	Reserves Allocated	Revised Base Budget 20/21
▲						
01.Administration & Management	8,299,000	-		96,700		8,395,700
02.Area Managers - Banff & Buchan and Garioch	831,000	6,258				837,258
03.Early Years Education	41,125,000	-		-		41,125,000
04.Primary Education	108,837,000	-	-	157,000	971,374	109,965,374
05.Secondary Education	105,467,000	-		(264,000)	170,170	105,373,170
06.Special Education	29,219,000	-	-	-	24,632	29,243,632
07.Community Learning and Development	4,010,000	-		-		4,010,000
08.Active Schools	179,000	-		16,356		195,356
09.Catering	6,545,000	-				6,545,000
10.Children - Community Care	14,186,000	-		-		14,186,000
11.Children - Family Placement	8,235,000	-		-		8,235,000
12.Children - Residential Care	2,291,000	-		(121,000)		2,170,000
13.Children - Out of Authority Placements	12,593,000	-		121,000		12,714,000
Expenditure funded from borrowing - ECS	(2,000,000)	-				(2,000,000)
Total	339,817,000	6,258	-	6,056	1,166,176	340,995,490

Aberdeenshire Council - Education & Children's Services Committee
Financial Performance - Revenue Budget

Appendix 3

Virements for approval by Policy Committee

Reference	Description and Budget Pages	Amount
Q1 agreed	Allocation of PEF Budgets - moved to budget page where expenditure incurred Administration & Management Secondary Education	107,000 (107,000)
Q1 agreed	Allocation of 1&2 Languages Budgets - moved to budget page where expenditure incurred Primary Education Secondary Education	157,000 (157,000)
Q1 agreed	External Placement Costs moved to budget page where expenditure incurred Children - Out of Authority Placements Children - Residential Care	(121,000) 121,000
Q2 proposed	Trf 0.5 F post from ECS to Finance due to academy invoice volumes - 9 months Administration & Management	(10,300)
	Total for approval by Committee	(10,300)
	<u>Reconciliation of Virements to 30 September 2020</u>	
	Director Virements	16,356
	Agreed to Appendix 2	6,056

Reserve Movements to be approved by Full Council (for noting at Policy Committee)

The following values have been drawn down from Earmarked Reserves to match expenditure incurred to 30 September 2020

Pupil Equity Funding Reserve	1,166,176
Agreed to Appendix 2	1,166,176

EDUCATION SERVICES COMMITTEE - FINANCIAL PERFORMANCE: 2020/21 NON-HRA CAPITAL PERFORMANCE Q2 (SEPTEMBER 2020)

APPENDIX 4

	APPROVED BUDGET MAR '20 2020/21 £000	BUDGET Incl. 19/20 Final Outturn 2020/21 £000	REPORT UPDATES 2020/21 £000	REVISED BUDGET 2020/21 £000	Q2 ACTUAL EXPENDITURE 2020/21 £000	20/21 BUDGET REMAINING +/- £000	PROJECTED YEAR END VARIANCE £'000
EDUCATION & CHILDREN'S SERVICES							
1 Early Learning Childcare (1140 Hours Projects)	13,284	11,600	0	11,600	3,602	7,998	(3,310)
2 Early Learning Childcare (Children & Young Peoples Bill)	460	1,205	0	1,205	104	1,101	(1,198)
3 Early Learning Childcare (Digital Devices and Connectivity)	0	0	1,170	1,170	410	760	0
4 ECS Enhancements	3,541	4,400	0	4,400	732	3,668	(2,176)
5 Capitalisation of Other Projects	2,000	2,000	0	2,000	0	2,000	(833)
6 Improved Disabled Access (Education)	550	899	0	899	108	791	(454)
7 Inverurie Community Campus	1,698	2,404	0	2,404	176	2,228	(661)
8 Learning Estates Improvements	100	100	0	100	0	100	(100)
9 Kinellar Primary School	0	218	0	218	1	217	0
10 Kintore Primary School	0	358	0	358	0	358	0
11 Markethill PS Replacement	0	169	0	169	2	167	(167)
12 PFI Lifecycle Replacement (CFCR)	1,114	1,114	0	1,114	557	557	0
13 Portlethen/Hillside PS Causeymouth Rd Upgrading Works	0	18	0	18	0	18	(15)
14 Uryside Primary School	0	316	0	316	0	316	0
Education & Children's Services Total	22,747	24,801	1,170	25,971	5,692	20,279	(8,914)

Education and Childrens Services - Agreed budget savings 2020/21

Appendix 5

Number	Service area	Service change required to deliver proposed saving	Original saving as agreed at Council 18 March 2020 £(000)	RAG Status
1	Early Years	Alternative delivery models Early Learning and Childcare, management staff will have responsibility for two early years settings	400	Green
2	Admin & Management	Letting Income increasing charges and actively encouraging utilisation of the available facilities	25	Red
3	Community Learning & Development	Reduction in Grant Awards to third party providers	17	Green
4	Children - Community Care	% reduction in staffing	20	Green
5	Children - Community Care	Self Directed Support management of SDS funding allocation through new provision/funding of packages	10	Green
6	Primary & Secondary	Music Tuition increased use of technology for teaching and increased charges	100	Green
7	Admin and Management	Vacancy Management in Admin & Management, CLD, Area Offices, Quality Improvement - most vacancies will not be filled	500	Red
8	Education & Children's Services	Fast track efficiency reviews and cost control measures, including FM Review	500	Red
			1572	

