

**REPORT TO EDUCATION AND CHILDREN'S SERVICES COMMITTEE -
1 SEPTEMBER 2022.**

FINANCIAL PERFORMANCE AS AT 31 JULY 2022

1. Executive Summary/Recommendations

1.1 This report presents the revenue and capital financial performance information pertaining to Education & Children's Services for the period ending 31 July 2022. The report details income received, and expenditure incurred to 31 July and provides a forecast outturn for the year. The report also highlights the financial risks that may require mitigations to be identified as the financial year progresses.

1.2 The Committee is recommended to:

1.2.1. Consider and comment on the Revenue budget position as of 31 July 2022;

1.2.2. Consider and comment on the Capital budget position as of 31 July 2022;

1.2.3. Endorse the budget movements set out in Appendix 2;

1.2.4. Consider and comment on the progress in achieving the agreed savings; and

1.2.5. Consider and comment on the Statement of Reserves.

2. Decision-Making Route

2.1 The purpose of this report is to provide the Committee with an update on the financial information as of 31 July 2022 in relation to budgets, income, and expenditure for the services for which the Education & Children's Services Committee has responsibility.

2.2 The information contained within this report will be reported in summary at Full Council meeting on 29 September 2022.

3. Discussion

3.1 The table below provides a summary of the revised revenue and capital budgets and reserves relating to Education & Children's Services (ECS) as of 31 July 2022, the actual year to date (YTD) expenditure as of 31 July 2022 and a forecast outturn for the full year 2022/23.

	Council Revised Budget 2022/23 £'000	ECS Revised Budget 2022/23 £'000	ECS YTD JUL Budget 2022 £'000	ECS Actual YTD JUL 2022 £'000	ECS Forecast Outturn 2022 £'000
Gross Revenue Budget	696,198	386,036			
Service Savings	(11,603)	(2,201)			
Net Revenue Budget	684,595	383,835	134,956	134,838	385,295
Capital	136,063	17,915	17,915	1,064	12,657
Reserves*	81,513*	6,506*			-

*Draft figure for 2022/23

Final figures to be confirmed once 2021/22 Annual Accounts finalised.

3.2 Revenue Budget

3.2.1 The revenue budget for 2022/23 for Education & Children's Services approved in March 2022 was £371.5 million after agreed savings. In arriving at this figure, it was estimated that some £2m of expenditure will be reclassified from revenue to capital during the financial year and be funded from borrowing.

3.2.2 The revised budget after budget movements is £383.8 million. The forecast outturn for the year is £385.3m resulting in an estimated variance of £1.46m over budget. The actual year to date (YTD) expenditure for period to 31 Jul 2022 totalled £134.8m.

3.2.3 Budget movements are summarised in the table below.

Type of Budget Movement	Description	£'000
Budget Virement between Services	Remove Energy Management Internal charges	(144)
Budget Virement between Services	Centralise Printing budgets in Operational buildings.	(3)
Additional Funding Virement	Scottish Government additional PEF funding allocated for 2022/23.	387
Additional Funding Virement	Scottish Government additional funding provided for Free School Meals £3,034, removing Core Curricular Charges £381, and removing Music Tuition Fees £633.	4,048
Reserve Draw down	Pupil Equity Funding (PEF) b/fwd. balances to schools from 31.3.2022.	2,181
Reserve Draw down	Devolved School Management b/fwd. balances to schools from 31.3.2022	4,826
Reserve Draw Down	Education Recovery Covid-19 additional costs for period April-July 2022	875
Reserve Draw Down	Project budgets within Community Learning & Development £108 and Active Schools £11	119
TOTAL Movements		12,239

- 3.2.4 **Budget Virements** - Two budget virements between services reduced the base budget. Internal charges for Energy Management have been removed and will no longer be charged and printing budgets within operational buildings moved to a central budget, the costs for these printers will be charged to a central code.
- 3.2.5 **Scottish Government funding** – Additional funding for Free School Meals, removing Core Curricular Charges and removing Music Tuition fees was expected but not included in the original settlement, the funding for 2022/23 has been confirmed and received through the General Revenue Grant, and allocated to budget pages.
- 3.2.6 **Reserves Draw Down** – The school Academic year runs from August-July, whereas the financial year runs April-March. Underspends on Devolved School Management (**DSM**) budgets and Pupil Equity Funding (**PEF**) at the end of the financial year to 31 March are transferred to Reserves and brought forward in the new financial year. The funds brought forward are PEF £2.18m and DSM £4.83m. The draw down reduces the reserve and increases the revenue expenditure budgets within Schools.
- 3.2.7 **Devolved School Management Scheme (DSM)** – The DSM scheme was introduced in 1993 to enhance and improve the management of resources at school level. The scheme has evolved over many years, the latest review concluded in 2022 and was agreed at ECS Committee on 17 March 2022. [Revised Devolved School Management Scheme](#)
- 3.2.8 **Pupil Equity Funding (PEF)** is funding from the Scottish Government allocated to specific schools targeted at closing the poverty related attainment gap. PEF funding is ring fenced and expenditure must be in accordance with the conditions of the programme.
- 3.2.9 Aberdeenshire schools received PEF allocations of £3.240m in the current financial year 2022/23, this is in addition to unspent funding carried forward from previous years of £2.18m. The Grant conditions allow unspent funds to be carried forward. The table below illustrates the current allocations and monies that have been spent as at 31 Jul 2022. Plans are being progressed to utilise all the available monies in the new academic year ending 06 Jul 2023.

PEF Funding 2022/23 £'000	PEF Funding b/fwd £'000	PEF Total funding available £'000	PEF Expenditure 31 July 2022 £'000
3,240	2,181	5,421	1,103

- 3.2.10 **Out of School Care** is budgeted to be an income generating service, however due to Covid-19 there has been a reduction in demand and therefore a reduction in the income received over the last two financial years which has resulted in a forecast over budget position estimated at £0.68m. A review of out of school care provision is in progress within the Service.
- 3.2.11 **The Catering Service** is facing several financial challenges this year, the first being the current cost of catering supplies which are more than that reflected in the budget. The costs charged for the processing of card payments for school

meals is more than that forecast when the budget was set, and there has been a reduction in the uptake of paid meals in secondary schools. The estimated out of balance position is £0.48m. The service will continue to monitor closely.

3.2.12 **Children's Services** responds to specific demands. Projected spend based on the current level of demand estimates £0.6m pressure on the budgeted amount for Family Placements. The pressure is currently being offset in part by £0.3m savings from staff vacancies in Community Care. The service continues to monitor the level of need.

3.3 Revenue Budget Risks

3.3.1 In addition to the pressures noted there are risks identified that may result in further budget pressures. These are listed below and will continue to be monitored and reported in future financial performance reports to this committee.

3.3.2 **Early Years** - The demand for Early Years 1140 hours provision has continued to increase impacting on the cost of delivery. Requests for Nursery places in Council settings has increased this is offset in part by a smaller reduction in Partner Provider places being requested. There is a risk this financial year that demand and cost will exceed the budget provided. The service will continue to monitor closely and are reviewing the Nursery staffing model to ensure efficient use of staffing resources.

3.3.3 **Energy** - The energy market remains volatile with the risk that costs will exceed budget The Energy Management Team continue to monitor the position and provide regular updates to Strategic Leadership Team.

3.3.4 **Pay Award** - The public sector and teachers pay awards are currently under negotiation as part of the national pay discussions. A pay award provision of 3% was reflected in the Council's 2022/23 budget for all staffing groups. In the absence of additional Scottish Government Funding anything over and above this will result in a budget pressure which will require to be funded.

3.3.5 **School Transportation** - School Transportation contract costs for Primary and Secondary will increase in August 2022 in line with transportation inflation. There is a financial risk due to the increasing fuel costs that the increase in contract costs will exceed budget, and a further related risk that some transport operators will 'hand back' contracts. Any savings from optimising bus routes will be offset against inflationary pressures the effect will be known towards the end of August when the contracts are revised.

School Transport Budgets and prior year costs for comparison

Education Service	Annual Budget 2022/23 £'000	Budget to Jul 22 £'000	Exp to Jul 22 £'000	Total Expenditure 2021/22 £'000
Primary	6,359	1,504	1,368	5,688
Secondary	11,017	2,663	2,735	10,211
Special	3,034	655	699	2,531
Total	20,410	4,822	4,802	18,430

3.3.6 **Capital Funded from Revenue** - The 2022/23 budget included values for Capital Funded from Revenue for Education and Children’s Services of £2m. There is a risk this amount will not be achieved this year, due to supplier shortages and delays and the significant works required within the Capital Plan and IFS2. The focus on the capital plan will result in less capacity to undertake the smaller works. The challenge with this expenditure is that this is usually only identifiable in Quarter 4 in schools as they know what funding they still have available after resource requirements are considered.

3.4 Savings

3.4.1 The 2022/23 revenue budget included £2.102m of efficiencies and savings to be achieved in the current financial year.

The RAG status indicates the progress in achieving these savings.

- Red - indicates saving will not be achieved,
- Amber - indicates in progress
- Green - indicates on target full saving will be achieved.

Budget page	Savings value £	Saving description	Progress	RAG Status Jul 22
Primary	66,000	Administration review	In progress	Amber
Primary	165,000	Increase Class Size Maxima	Saving for Academic year 2022/23	Amber
Primary	225,000	Introduce 1% efficiency saving	The individual school allocation is currently being progressed	Green
Primary	660,000	Allocate FTE staff strictly to formula	Saving to be implemented for Academic year 2022/23 (from Aug 2022)	Green
Primary	64,000	Remove Cluster Principal Teacher Role	Saving for Academic year 2022/23	Amber
Secondary	264,000	Increase efficiency saving to devolved teaching budgets	Efficiency saving has been applied to Secondary school budgets.	Green
Instrumental Music Service	600,000	Introduce a Hybrid Model to deliver Music Tuition	In progress, staff reduction part year from Aug 22 will reduce saving achieved.	Amber
Community Learning & Development	62,000	Remove one Team leader Post	Post removed as part of staffing structure review.	Green
Children – Community Care	62,000	Remove vacant posts following review of Staffing structure.	3 part-time posts removed as part of staffing review.	Green
Children – Residential Care	33,000	Remove one Social Care Officer Post	Post removed as part of staffing review	Green

3.4.2 The Service will continue to progress work to achieve the savings agreed and provide updates on any that will not be achieved in full this financial year.

3.5 Capital

3.5.1 The Capital Budget for Education & Children's Services agreed at Council on 9 March 2022 is £17.915 million. Aberdeenshire Council will consider any slippages from 2021/22 at September's meeting and this may, subject to approval by Aberdeenshire Council, result in a revision to the capital budget.

3.5.2 **Early Years 1140 Hours** - Capital funding allocated to support Early Years 1140 hours projects is currently time bounded, and is due to expire March 2023, a request has been made to the Scottish Government to extend this date, but no decision has been made.

3.5.3 **ECS Enhancements** - Project slippages have delayed progress and rescopeing of a project has resulted in an under-budget forecast for 2022/23 as this work is now forecast for June 2023.

3.5.4 **Inverurie Community Campus** - A prolongation claim submitted by the contractor could result in funding more than the current budgetary allocation for 2022/23 being required.

3.5.5 There continues to be challenges within the construction industry around logistics, material supplies and material price increases. Rising energy costs and a warning from the construction industry of a skilled labour shortage will impact on the deliverability of capital projects.

3.5.6 Considering the above risks, the capital projects planned for 2022/23 are currently being considered for affordability and deliverability as part of a review of the capital plan to ensure value for money and service delivery.

3.5.7 Material deferral of budget to later years adds to the risk that the Capital Plan becomes unaffordable in a specific year in which case future years phasing and prioritisation of projects may require to be revisited.

3.6 Reserves

3.6.1 Earmarked reserves, which are available to support the services that fall within the remit of Education & Children's Services Committee totalled £6.506 million at 31 Mar 2022. The balances shown below are currently draft and will be confirmed on conclusion of the 2021/22 Annual Accounts audit process.

Reserve	Reserves balances at 31 Mar 22 £'000	Reserves balances at 31 Jul 22 £'000
Education Holiday Recovery Programme	1,649	1649
1+2 Languages	140	140
Children & Young People Mental Health & Wellbeing	299	299
Greenness Settlement	79	79
Education Recovery & Resilience Reserves	3,940	3,065
Scottish Government Grants	399	280
Total**	6,506	5,512

****Draft figure for 2022/23. Final figures to be confirmed once 2021/22 Annual Accounts finalised. Draw down Reserves are subject to approval of use of reserves.**

- 3.6.2 Funding is drawn down from the reserves during the financial year when expenditure is incurred. When drawn down, the reserve will reduce and the revenue budget to which the expenditure is charged will be increased.
- 3.6.3 The Education Holiday Recovery reserve was set up to provide free activities during school holidays, 'Summer of Play' and 'Tattie Holiday Fun' activities took place during 2021/22. An easter programme was delivered in April 2022 and a summer programme is currently being delivered as planned.
- 3.6.4 1+2 Languages reserve will be used to deliver a planned programme in 2022/23.
- 3.6.5 Children & Young People Mental Health & Wellbeing reserve will be used to deliver a planned programme in 2022/23 tackling mental health issues.
- 3.6.6 Greenness settlement reserve are funds retained for Monquitter Primary/Community Project.
- 3.6.7 The Education Recovery & Resilience Reserve funds were provided by the Scottish Government for Education Recovery from Covid-19 pandemic. Reserves are drawn down to match expenditure. Expenditure for the period April - July 2022 totalled £0.88m. Draw down reserves are subject to approval by Full Council on 29th September 2022.
- 3.6.8 The Scottish Government grants reserve contains funds received to deliver key ring-fenced initiatives and work continues to deliver on the committed projects.

4. Council Priorities, Implications and Risk

- 4.1 The work and outcomes delivered through the various services reporting to the Education & Children's Services Committee helps in the delivery of the following council priorities:

Pillar	Priority
Our People	<ul style="list-style-type: none"> • Education • Health & Wellbeing
Our Environment	<ul style="list-style-type: none"> • Infrastructure • Resilient Communities
Our Economy	<ul style="list-style-type: none"> • Economy & Enterprise • Estate Modernisation

- 4.2 The table below shows whether risks and implications apply if the recommendations are agreed.

Subject	Yes	No	N/A
Financial	X		
Staffing		X	
Equalities and Fairer Duty Scotland			X
Children and Young People's Rights and Wellbeing			X
Climate Change and Sustainability			X
Health and Wellbeing			X
Town Centre First			X

The financial implications have been discussed throughout the report. There are no direct staffing implications.

- 4.3 The screening section as part of Stage One of the Integrated Impact Assessment process has not identified the requirement for any further detailed assessments to be undertaken. The report deals with the monitoring of expenditure against budgets which have been approved previously, and the re-profiling of some expenditure. There will be no differential impact, as a result of the report, on people with protected characteristics.
- 4.4 The following risk has been identified as relevant to this matter on a Corporate Level: Budget Pressures ([Corporate Risk Register](#)). On a Directorate level the following risk has been identified: We live within our means and use public money to maximise outcomes for communities ([Directorate Risk Register](#)). Actions being taken to mitigate these risks are set out in the report.

5. Scheme of Governance

- 5.1 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.
- 5.2 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 & Children's Services

Report prepared by Diane Bain, ECS Business Partner
Date: 17/08/2022

List of Appendices:

- Appendix 1 – ECS Revenue Budget and Forecast July 2022
- Appendix 2 – ECS Revenue Budget and Forecast by Type of spend July 2022
- Appendix 3 – ECS Budget movements year to date (YTD) July 2022
- Appendix 4 – ECS Capital Plan Budget and Forecast July 2022

Aberdeenshire Council

Education & Children's Services Revenue Budget & Forecast to Jul 2022

Appendix 1

Committee Budget Page 22-23	Revised	Full Year	Projected
	Budget	Forecast	Variance (x)
	£000	£'000	Over £'000
01a.Administration & Management	7,697	7,697	0
01b.School Crossing Patrollers	385	385	0
02.Area Managers - Banff & Buchan and Garioch	816	816	0
03.Early Years - Nurseries	20,089	20,089	0
04.Early Years - Central Costs	20,267	20,267	0
05.Out of School Care	(273)	407	(680)
06a.Primary Schools	120,589	120,589	0
06b.Primary Support and Initiatives	2,443	2,443	0
06c.Instrumental Music Service	1,738	1,738	0
07a.Secondary Schools	119,859	119,859	0
07b.Secondary Support and Initiatives	2,477	2,477	0
08a.Special Schools	7,379	7,379	0
08b.Support For Learners Cluster	20,610	20,610	0
08c.Inclusion,Equity & Wellbeing, Capacity Building & Resources	1,720	1,720	0
08d.Additional Support Needs Specialists	2,238	2,238	0
08e.Psychologists	1,624	1,624	0
08f.Special - Out of Authority	225	225	0
09.Community Learning and Development	3,680	3,680	0
10.Active Schools	180	180	0
11.Catering - General	1,367	1,447	(80)
12.Catering - Primary & Early Years	6,578	6,698	(120)
13.Catering - Secondary & Vending	1,569	1,849	(280)
14.Catering - Special	164	164	0
15.Catering - Support Staff	479	479	0
16.Children - Community Care	13,606	13,306	300
17.Children - Self Directed Support	1,683	1,683	0
18.Children - Family Placement	9,262	9,862	(600)
19.Children - Residential Care	2,413	2,413	0
20.Children - Out of Authority Placements	14,098	14,098	0
29.Expenditure to be funded from Borrowing - ECS	(2,000)	(2,000)	0
Covid-19 Education & Children's Services	874	874	0
	383,836	385,296	(1,460)

Aberdeenshire Council
Education & Children's Service Revenue Budget & Forecast to Jul 2022

Appendix 2

Type of Spend	Revised Budget £'000	Full Year Forecast £'000	Projected Variance (x) Over £'000
01.Staff Costs	263,335	263,135	200
02.Premises Costs	27,170	27,170	0
03.Transport	21,022	21,022	0
04.Supplies & Services	47,753	48,033	(280)
05.Third Parties	43,611	44,111	(500)
08.Financing Costs	0	0	0
09.Grants	(9,769)	(9,769)	0
10.Income	(9,286)	(8,406)	(880)
11.Other	0	0	0
12.Capital	0	0	0
99.Closed	0	0	0
Grand Total	<u>383,836</u>	<u>385,296</u>	<u>(1,460)</u>

Aberdeenshire Council
Education & Children's Services Committee (ECS) Virements for Approval

Appendix 3

Director Approved Budget Virements

Cross Service	Service Pages		Reason for Movement	Amount £	Approver	Committee	Date
	From	To					
No	Active Schools	Active School	Transfer budget from MacMillan to Health & Wellbeing Code	1,600	Director	ECS Committee	1.9.2022
No	Sport & Leisure	Administration & Management	Transfer Staff budgets to align with staff costs	134,210	ECS Committee	ECS Committee	1.9.2022
No	Community Learning & Development	Secondary Support & Initiatives	Transfer Deens Projects budgets from CLD to Secondary Projects	285,000	ECS Committee	ECSC ommittee	1.9.2022

Budget Movements approved by Full Council

Cross Service	Service Pages		Reason for Movement	Amount £	Approver	Committee	Date
	From	To					
Yes	Various Pages	Business Services- Printing	Centralised Printing Budgets from Operational Buildings and remove from Services.	3,000	Full Council	Subject to approval	29.09.2022
Yes	Various Pages	Business Services - Property Construction Services	Remove Energy management internal charges	144,000	Full Council	Subject to approval	29.09.2022

Additional Funding Virements

Cross Service	Service Pages		Reason for Movement	Amount £	Approver	Committee	Date
	From	To					
No	Additional Funding	Primary, Secondary & Special Schools	Additional Scottish Government PEF funding for 2022/23	386,400	Full Council	Subject to approval	29.09.2022

No	Additional Funding	Primary, Secondary & Special Schools	Scottish Government additional funding for Free School Meals, removing Core Curricular Charges and removing Music Lesson charges.	4,048,000	Full Council	Subject to approval	29.09.2022
No	Additional Funding	Primary	Scottish Government additional allocation of PEF funding for school	1,225	Full Council	Subject to approval	29.09.2022

Movements from Reserves

Cross Service	Service Pages		Reason for Movement	Amount £	Approver	Committee	Date
	From	To					
No	PEF Reserve	Primary, Secondary & Special Schools	Drawdown PEF b/f balances to schools	2,181,227	Full Council	Subject to approval	29.09.2022
No	Government Grants Reserve	Community Learning & Development	Drawdown Project reserves for 2022/23	108,369	Full Council	Subject to approval	29.09.2022
No	Government Grants Reserve	Community Learning & Development	Drawdown Project reserves for 2022/23 (correction of period)	216,739	Full Council	Subject to approval	29.09.2022
No	DEM Reserve	Nursery, Special & Secondary schools	Drawdown b/f devolved balances to schools budgets	2,951,974	Full Council	Subject to approval	29.09.2022
No	DEM Reserve	Primary	Drawdown b/f devolved balances to schools budgets	1,873,604	Full Council	Subject to approval	29.09.2022
No	Fishermens Mission Reserve	Community Learning & Development	Draw down to match expenditure Apr,May	5,874	Full Council	Subject to approval	29.09.2022
No	Education Recovery Reserve	Covid -19 Education Recovery	Drawdown from reserve to match expenditure Apr,May,Jun 22	676,600	Full Council	Subject to approval	29.09.2022
No	Fishermens Mission Reserve	Community Learning & Development	Drawdown to match expenditure Jun,Jul	5,154	Full Council	Subject to approval	29.09.2022
No	Education Recovery Reserve	Covid -19 Education Recovery	Drawdown to match expenditure July 22	197,600	Full Council	Subject to approval	29.09.2022

Aberdeenshire Council

Education & Children's Service Capital Plan Budget Budget & Forecast to Jul 22

Appendix 4

	Revised Budget £'000	Full Year Forecast £'000	Projected Variance £'000
Capital Project			
Early Learning Childcare (1140 Hours Projects)	4535	645	3,890
Early Learning Childcare (Children & Young Peoples Bill)	200	200	0
ECS Enhancements	3850	2482	1,368
ECS PC/Laptops	600	600	0
Capitalisation of Other Projects	2000	2000	0
CO2 Monitors (Grant Funded)	0	0	0
Improved Disabled Access (Education)	550	550	0
Inverurie Community Campus	326	326	0
Bget+B5:M21	333	333	0
Learning Estates Improvements	50	50	0
New Build Primary - Fraserburgh	699	699	0
New Build Primary and Special School - Stonehaven	604	604	0
Peterhead Community Campus	1942	1942	0
PFI Lifecycle Replacement	2226	2226	0
Education & Children's Services Total	17915	12657	5,258
Infrastructure Fund 1			
Education & Children's Services	2600	2481	119
	2600	2481	119
Infrastructure Fund 2			
E&CS Projects	4897	4382	515
	4897	4382	515