

REPORT TO EDUCATION & CHILDREN'S SERVICES COMMITTEE – 1 FEBRUARY 2018

FINANCIAL MONITORING AS AT 31 DECEMBER 2017

1. Recommendations

1.1 It is recommended that the Committee:

1. Note the revenue and capital budget monitoring as at 31 December 2017.
2. Approve the virements set out in Appendix 3 and note the revenue budget adjustments, some of which will be reported to Full Council for approval.

2. Discussion

- 2.1 The Council's Scheme of Governance aligns service budget responsibility with Policy Committee responsibility. This report covers the 2017/18 forecast position as at 31 December 2017 for both revenue and capital budget monitoring.

Revenue Budget Monitoring

- 2.2 The Education & Children's Services revenue budget for monitoring purposes in 2017/18 for net revenue expenditure is £301,084,000. This excludes the budgets available for Visitor Attractions, Active Aberdeenshire, Sports & Leisure Management Client and Sports & Leisure Management Contractor. Although these budgets are managed by Education & Children's Services the Visitor Attractions budget has been reported to the Infrastructure Services committee and the Active Aberdeenshire and Sports & Leisure Management Client and Contractor Budgets will be reported to the Communities Committee.
- 2.3 The forecast revenue expenditure to the end of the financial year is £300,857,000 which is under budget by £227,000. The financial position is shown in more detail in **Appendix 1** with accompanying narrative detailing the reasons for major variances on **Appendix 2**.
- 2.4 Whilst the overall education budget is showing an underspend there is a recurring pressure in respect of out of authority placements for children with specific needs from independent educational and residential.
- 2.5 E&CS Directorate Team has discussed the forecast, and the following actions are being proposed to address the situation in relation to out of authority placements:
- Robust identification of non-critical areas of expenditure within Education budgets; and
 - A redirection of part of the funding to Child and Adolescent Mental Health Services (CAMHS) to invest in four CAMHS type workers employed by the Council with a view to reducing the amount spent on Out of Authority placements.

- 2.6 A number of budget virements are proposed for approval. Details of these are shown in **Appendix 3**. **Appendix 3** also includes a reconciliation of the original budget approved by Full Council in February 2017 to the Revised Budget in this report. The Revised Budget is subject to the approval of the virements in the reconciliation by the appropriate Committees and officers.

Capital Budget Monitoring

- 2.7 Education & Children's Services Revised Capital Budget for the year 2017/18 is currently £32,797,000. This budget figure alters during the year, as and when changes to the profile of capital expenditure from one year to another are agreed and adjusted.
- 2.8 This is because the Capital Budget is set over a long term, multiple year timeframe, as the projects will often take more than one financial year to complete, or will start in one financial year and end in the next. Consequently there is the need to reprofile the capital expenditure and so the revised capital budget for the current year 2017/18 will be updated to reflect the latest alterations in timings as set out in **Appendix 4**, subsequent to this Committee noting them.
- 2.9 The current forecast capital expenditure for 2017/18 is £28,607,000 which is £4,190,000 less than the Revised Budget figure. The reasons for the major variances are detailed in **Appendix 5** and these also confirm that the delayed spending will take place in 2018/19.
- 2.10 The Monitoring Officer has been consulted and her comments are incorporated within the report and is satisfied that the report complies with the Scheme of Governance and relevant legislation.

3. Scheme of Governance

- 3.1 The Committee is able to consider and take a decision on 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.

4. Equalities, Financial and Staffing Implications

- 4.1 An Equalities Impact Assessment is not required for this report as the report deals with the monitoring of expenditure against budgets which have been approved previously, and the reprofiling of some expenditure.
- 4.2 The monitoring position for revenue is forecast to be £227,000 within budget for 2017/18 and capital expenditure is forecast to be £4,190,000 higher than the revised budget, with details and explanation of variances contained within the appendices to this report.
- 4.3 There are no direct staffing implications arising from this report.

Maria Walker

Director of Education & Children's Services

Report prepared by Susan Donald, Accountancy Finance Manager
25 January 2017

Appendix 1

SUMMARY OF REVENUE MONITORING 2017/18 TO 31/12/2017 - EDUCATION & CHILDREN'S SERVICES COMMITTEE

	Revised Budget 2017/18 £000	Forecast 2017/18 £000	Forecast Higher than Budget £000	Lower than Budget £000	Net Variance £000	NOTES
E&CS COMMITTEE						
Administration and Management Area Managers (Banff & Buchan and Garioch)	7,724	8,073	349	0	349	A
	848	803	0	(45)	(45)	
	8,572	8,876	349	(45)	304	
Education & Learning						
- Nursery Education	19,480	17,858	0	(1,622)	(1,622)	B,C,D,E,F,G,H,I,J,N
- Primary Education	101,237	101,047	0	(190)	(190)	B,C,E,F,G,I,J
- Secondary Education	97,687	96,745	0	(942)	(942)	B,C,E,F,G,I,J,K,L,M,O
- Special Education	26,818	25,927	0	(891)	(891)	B,C,E,F,G,I,J,P
- Community Learning & Development	4,592	4,616	24	0	24	
- Active Schools	182	216	34	0	34	
- Aberdeenshire Life	0	0	0	0	0	
- School Catering	6,448	6,837	389	0	389	Y
	256,444	253,246	447	(3,645)	(3,198)	
Children						
- Children - Community Care	12,298	12,773	475	0	475	Q,R,S
- Children - Family Placement	7,365	7,673	308	0	308	T,U
- Children - Family Centres	0	0	0	0	0	
- Children - Youth Services	0	0	0	0	0	
- Children - Residential Care	2,090	2,278	188	0	188	V
- Out of Authority Placements	8,200	10,179	1,979	0	1,979	W
	29,953	32,903	2,950	0	2,950	
Leisure						
- Arts Development	505	482	0	(23)	(23)	
- Grant Aid	101	6	0	(95)	(95)	
- Libraries	4,858	4,748	0	(110)	(110)	X
- Museums	651	596	0	(55)	(55)	
	6,115	5,832	0	(283)	(283)	
Political Priorities						
- Youth Work	0	0	0	0	0	
- Teacher & Early Years Recruitment	0	0	0	0	0	
	0	0	0	0	0	
TOTAL E&CS COMMITTEE	301,084	300,857	3,746	(3,973)	(227)	

Appendix 2 - Variance Analysis

<u>Note</u>	<u>Forecast</u>	
	<u>Over (within) budget</u>	<u>Narrative</u>
	<u>2017/18</u>	
	£'000	
A	159	Headquarters Administration - is forecast to be over budget by £159,000 as a result of additional posts within the structure. Work is ongoing and permanent virements will be applied to offset this variance following agreement from the budget holder.
B	124	Permanent Teachers - are forecast to be over budget by £124,000 The forecast overspend within Primary Education (£1,105,000) can be attributed to the recurring impact of increasing pupil numbers within the Primary Sector and includes an estimated £723,000 to account for the effect of the increase in Primary pupil numbers from August 2017. Secondary education is also forecast to be £38,000 over budget. These additional costs have been offset by the ongoing difficulty in recruiting teachers particularly within Special Education (within budget by £545,000). Also the implementation of the new staffing model within Nursery Education has resulted in an underspend within Nursery Teachers of £474,000 as Teachers are replaced by Early Years Lead Practitioners / Early Years Practitioners. Nursery Teachers have been transferred to Primary Education to fill vacancies within the Primary Sector.
C	(1,445)	Supply Teachers - Across all sectors the supply teachers budget is forecast to be within budget by £1,445,000. Within Primary Education this is due to the ongoing issues being experienced with the recruitment of teachers. In Secondary Education this variance is due to the devolvement of the previously non-devolved supply budget and represents the balance within the budget that was not devolved to schools. Further discussion is required with the Budget Holder to determine if this variance is recurring and if so, decide further action necessary to offset the increased costs within Teachers budgets as a whole.
D	(290)	Non Teaching Staff Costs - are forecast to be within budget by £209,000. This is mainly attributed to the Early Years Staffing Review. As a result of the review, £3,105,000 was vired from the Nursery Teachers budget into the Early Years Practitioners budget to offset the initial forecast overspend. The underspend is a result of the on-going transitional period of the new model and more consistent application of staffing ratios applied across settings. The underspend has been reflected as a one off until the review is fully implemented and stabilised.
E	265	Rent, Rates and Insurance - is forecast to be over budget b £265,000. This is made up of overspends in Hire of Temporary Accommodation (£175,000) and Rates (£106,000), offset by an underspend in Rent (£16,000). The overspend on Temporary Accommodation can be attributed to on-going requirements within various primary schools and £200,000 savings being applied to this budget not being achieved. The overspend in rates can be attributed to the increase in the rateable value for a number of establishments as part of the revaluation on non-domestic subjects performed every 5 years.
F	(160)	Repairs and Maintenance - Improvements - are forecast to be within budget by £160,000. This is a one off underspend principally within the primary sector. This is attributed to the delay in a project scheduled to be carried out during the summer holidays which had a budgeted cost of £189,000. The timescales required to complete the relocation of the toilets and office within the school will result in this project not being undertaken during this financial year.

<u>Note</u>	<u>Forecast</u>	
	<u>Over (within) budget</u>	
	<u>2017/18</u>	<u>Narrative</u>
	£'000	
G	163	Administrative Staff Costs - is forecast to be over budget by £163,000. This is a recurring pressure in secondary due to a permanent virement being applied in 2014/15 to Business Services (HR & OD) to fund the centralised Core Recruitment Team. This resulted in the Secondary budget being reduced by £157,000 with no reduction in FTE within Secondary schools. Further discussion is required with the Budget Holder to identifying means of addressing this pressure during 2017/18. Within Nursery there is a net £175,000 overspend resulting from additional officers required as part of the implementation of the 1,140 hours, of which no funding has been vired.
H	(527)	Early Learning and Childcare - 1,140 Hours Expansion - is forecast to be within budget by £527,000. By 2020/21 Local Authorities must be in a position to deliver 1,140 hours of funded Early Learning and Childcare to eligible children and as a consequence, additional funding was made available. £1.242m was vired to the nursery budget to offset the additional costs of addressing the increase in hours from 600 to 1,140 to all 3 and 4 year olds and eligible 2 year olds. The service have produced a service delivery plan to ensure that there is adequate provision across Aberdeenshire to meet these additional responsibilities. Expenditure incurred to date and estimated for the remainder of the financial year indicates that there will be a forecast underspend of £527,000. This has been reflected as non-recurring as the expansion is anticipated to gain momentum in future years
I	(546)	Heat and Light - is forecast to be within budget by £546,000 based on previous years' expenditure, adjusted for inflation and for estimated energy costs against new school premises. This is the result of budgets having inflationary increases applied over a number of years which have not been realised in the Energy expenditure incurred. This variance does not impact on service delivery and has been reflected on a one off basis as over time Energy Prices are anticipated to increase and Budget Savings placed against this line in the current year will need to be met. However, further discussion with the Budget Holder is required as this budget has been within budget for a number of years which would suggest that there is scope to vire budget to other areas with recurring pressures.
J	317	Hired Transport - Is forecast to be over budget by £317,000. This budget was increased by £509,000 in 2017/18 to reduce the pressure on Hired Transport caused by the re-tendered contracts that came into effect in August 2015. However, ongoing pressures exist within Hired Transport as pupil numbers rise and new contracts are tendered. Work continues to review the Home to School Transport across all 17 Networks with a view to identifying further economies of scale that could be achieved to alleviate the pressures forecast on this budget.
K	(451)	PFI/PPP Schools - is forecast to be within budget by £451,000 based on the current monthly unitary charge for each of the PFI / PPP Schools and assumes similar variation and maintenance costs will be incurred as last financial year. The terms and conditions of these contracts permits deductions to be made until conditions are met by the Contractor. It should be noted that no further contract deductions have been assumed when estimating the projected spend for 2017/18. December's forecast does, however, include contract deductions to date of £145,000. The remaining variance is due to lower inflationary increases being applied than have been provided for in the budget process as well as the Council's contribution towards the Alford Campus contract not being fully required in the earlier years of the contract. This anticipated expenditure has no impact on service delivery and as inflation may exceed budget provision in future years, this has been reflected as one-off.

<u>Note</u>	<u>Forecast</u>	
	<u>Over (within) budget</u>	<u>Narrative</u>
	<u>2017/18</u>	
	£'000	
L	(122)	Examination Fees - is forecast to be within budget by £122,000. This can be attributed to inflationary increases being applied to the budget whilst exam fee charges from the Scottish Qualifications Authority (SQA) have remained fixed since 2014/15. As there is no guarantee that the agreement concerning exam fee rates will be extended into 2018/19 this underspend has been reflected on a one off basis and does not impact on service delivery.
M	(160)	Learning Teaching and Moderation - is forecast to be within budget by £160,000 due to an Education Officer vacancy that exists and the impact that this has on progressing the project and associated budget spend.
N	(232)	Pre-School Commissioned Places - is forecast to be within budget by £232,000 as a result of the fluctuations in the number of places required through partner providers. As this is a demand led budget there will be no impact on service delivery and the variance has been reflected as one-off due to the nature of this budget.
O	(170)	Improvement Planning - Is forecast to be within budget by £170,000. The forecast has been based on the spend to date and estimated costs for planned expenditure for the remainder of the financial year. The forecast had been reflected as non-recurring as discussions are required with the Budget Holder on how best to utilise this budget or to identify if any permanent savings can be achieved to offset permanent pressures elsewhere.
P	(102)	Contributions from Other Local Authorities - This budget is forecast to generate additional income of £102,000 based on the current number of pupils with Additional Support Needs from Other Local Authorities attending Aberdeenshire Council schools. The forecast had been reflected as non-recurring as the number of pupils can vary through-out the year.
Q	169	Children - Community Care - Salaries & Wages, Superannuation and National Insurance - Is forecast to exceed budget by £169,000. The forecast spend is in line with actual spend in 2016/17 contained within the Community Care, Family Centres and Youth Services sectors, and has been based on expenditure through to date. Analysis indicates that an estimated £14,000 of the pressure can be attributed to savings applied during previous budget processes not being achieved. Previously there would have been posts that were difficult to fill that would have contributed to turnover savings. However, successful recruitment campaigns have resulted in fewer posts remaining vacant. A further £155,000 can be attributed to the full year effect of the Crisis Support Team which was created in 2016/17. The funding for the creation of this Team was to come from savings from the Out of Authority Placement Budget. Whilst the work of the Team will be avoiding additional Out of Authority Placements there are no savings being realised, with the Out of Authority Placement Budget currently forecast to exceed budget by £1,980,000. Further discussions will be held with the budget holder to analyse staffing requirements and vacancy management to establish whether any savings can be achieved to offset the pressure.
R	614	Children - Community Care - SDS - Payments to Individuals and Suppliers - is forecast to be over budget by £614,000. Discussions with the Budget Holder had anticipated that as more clients are transferred onto the Self Directed Support pathway additional costs would be incurred. Recent investigations indicate there are over new 120 families claiming under SDS in comparison to the previous financial year. Increased costs within SDS should result in Client costs in other areas decreasing as the uptake increases, therefore, any findings resulting from this investigative work may require this forecast to be amended and this will be reported in future monitoring reports.

<u>Note</u>	<u>Forecast</u>	
	<u>Over (within) budget</u>	
	<u>2017/18</u>	<u>Narrative</u>
	£'000	
S	(305)	Children - Community Care - Wrap Around Care - is forecast to be within budget by £305,000. Whilst it is proposed to expand this service to other areas this has yet to be progressed and as a result of this a one-off saving has been applied which assumes expansion will be progressed but not until later in the financial year. Further discussion will take place with the budget holder and the forecast may be amended in future monitoring depending on the actual implementation of these proposals
T	123	Children - Family Placement - Allowances - are forecast to be over budget by £123,000 mainly due to an increase in demand and because birthday and holiday allowances are now paid from this budget. Continuing discussions with the budget holder will take place to establish how the forecast pressure will be managed in the current financial year.
U	262	Children - Family Placement - External Care Placements - is forecast to be over budget by £262,000. This forecast expenditure is in line with last year as a result of a significant increase in the number of children being placed in external care. As a consequence of this level of demand continuing discussions with the budget holder will take place to establish how the forecast pressure will be managed in the current financial year.
V	133	Children - Residential Care - External Care Placements - is forecast to be over budget by £133,000. A Foster care client placed in External Residential Care in 2016/17 is expected to remain there during the current financial year. Due to pressures on the External Care Placements budget noted above, there is no capacity to vire budget in to cover this additional expenditure.
W	1,979	Children - Out of Authority Placements - This budget relates to the costs associated with the provision of individual tailored packages for children with specific needs from independent educational and residential providers. Based on the current expenditure through to date and the costs incurred during 2016/17 this budget is forecast to overspend by £1,979,000. Analysis in January has indicated there are six new packages, one package coming to an end and various changes to existing packages. This has resulted in the budget pressure increasing by £560,000 since September 2017. The initial forecast pressure of £1,420,000 is anticipated to be recurring as costs are in line with those incurred during previous financial years. The remaining £560,000 has been reflected as one-off until further information is sought. Finance will continue to work with the Budget Holders and the Commissioning & Contracts Officer to determine the effect of changes in the number of placements and rates agreed with providers. Any changes required as a consequence of these discussions will be reflected in future monitoring.
X	(110)	Libraries - are forecast to be within budget by £110,000 based on the costs incurred to date and assuming a similar spend pattern for the remainder of the financial year. Analysis undertaken has indicated that costs incurred in the first 6 months of 2017/18 are approximately 5% lower when compared to the same period in 2016/17. Anticipated costs in Branch Libraries, Network Libraries, General Administration and HMP Grampian are all forecast to be lower in the current financial year when compared to 2016/17 levels. Further discussion between the Budget Holder and Finance will be undertaken to establish the reasons for the low level of expenditure and pending the outcome of this it has been assumed that this variance is one-off.

	<u>Forecast</u>	
	<u>Over (within) budget</u>	
<u>Note</u>	<u>2017/18</u>	<u>Narrative</u>
	£'000	
Y	389	School Catering - is forecast to be over budget by £389,000. £119,000 of this relates to costs of relief and additional staff allocated to Catering Staff without any additional budget provision being identified. In addition to this there is forecast to be £441,000 less income recovered from student meals which reflects a similar income pattern to last year. These are partially offset by a reduction in the forecast for repairs and maintenance of £200,000 based on commitments to date.

SUMMARY OF REVENUE MONITORING VIREMENTS		Appendix 3
		£'000's
Virements Planned as Part of the Budget Process:		0
1	Planned - Virement for 80% of Schools DSM Energy underspend to Energy Conservation Budget.	
	Nursery Education	(4)
	Primary Education	(153)
	Secondary Education	172
	Special Education	(15)
2	Planned - Scottish Government Income for Alford Academy to PPP/PFI Contract Costs	
	Secondary Education - Other Income	(929)
	Secondary Education - PFI/PPP contracts	929
Virements Made in Year in Response to Unplanned Situations:		
Education and Children's Services		
1	Write off of School DSM overspend balances carried forward from 2016/17 to 2017/18	
	Nursery Education	(1)
	Primary Education	57
	Secondary Education	(56)
Education and Children's Services -		
2	Unplanned - Realignment of budget to reflect improvement plan for the year	
	Administration & Management	5
	Nursery Education	(238)
	Primary Education	158
	Secondary Education	102
	Special Education	(5)
	Community Learning & Development	(22)
3	Unplanned - Realignment of budget to reflect across services to reflect spend	
	Nursery Education	(74)
	Primary Education	74
	Secondary Education	294
	Special Education	(294)
Reconciliation of Budget		
	Opening Budget	299,455
	Cross-Service Virements (as above)	0
	Additional Budgets to be Approved by Full Council from Earmarked Reserves:	
	Special Education - Business Transformation Fund	(85)
	Community Learning & Development - Revenue Grants	3
	Secondary Education - Revenue Grants	34
	Additional Virements to be Approved by Full Council:	
	Primary Education - RSG	158
	Primary, Secondary and Special Education - RSG	314
	Nursery Education - RSG	1,242
	Virements Approved by the Director:	
	Children Services - Family Placements	(57)
	Children Services - Community Care	58
	Children Services - Residential Care	(1)
	Primary Education	168
	Nursery Education	1
	Secondary Education	120
	Community Learning & Development	(71)
	Administration and Management	(293)
	Special Education	9
	Sport and Leisure Management Trading Account	0
	Arts Development	46
	Virements to be Approved by the Head of Finance:	
	Museums (Aden Parks for People Project) - Parks and Open Spaces	(5)
	Arts Development (Aden Parks for People Project) - Parks and Open Spaces	(5)
	Secondary Education - Extended Academy SAN maintenance - Information Communications Technology	(6)
	Rounding Adjustments	(1)
	Closing Budget	<u>301,084</u>

EDUCATION & CHILDREN'S SERVICES CAPITAL BUDGET 2017/18 MONITORING & CAPITAL PLAN 2017-2032 UPDATE - 31/12/17

	Original Budget Full Council 9/2/17 2017/18 £000	Revised Budget 2017/18 £000	Forecast Outturn 2017/18 £000	Variance 2017/18 £000	Changes to Future Years £000	Note
PLANNED EXPENDITURE						
Education & Learning						
1140 Hours Projects	0	1,774	1,400	(374)	374	1
Children & Young Peoples Bill	3,820	3,000	65	(2,935)	2,935	2
Drumoak PS	0	21	21	0	0	
E&CS Enhancements	3,164	1,900	1,383	(517)	517	3
Education CFCR	150	0	0	0	0	
Improved Disabled Access (Education)	889	1,199	1,199	0	0	
Inverurie Community Campus	2,000	3,000	3,000	0	0	
Kinellar Primary School	7,994	7,346	7,346	0	0	
Kintore Primary School	0	1,050	1,050	0	0	
Markethill PS Replacement	3,522	2,447	2,447	0	0	
Mearns Academy	0	10	10	0	0	
Peterhead Academy Multi-Functional Learning Space (SFT)	0	10	10	0	0	
PFI Lifecycle Maintenance (CFCR)	2,144	2,144	2,144	0	0	
Portlethen/Hillside Primary School New Build	1,000	750	750	0	0	
School Meals P1-P3	0	150	50	(100)	100	4
Support for Learners	0	264	0	(264)	264	5
Uryside Primary School	246	314	314	0	0	
Children	7,258	5,580	5,580	0	0	
Scalloway Park Children's Home	0	41	41	0	0	
Westfield Community Hub	1,769	1,797	1,797	0	0	
TOTAL PLANNED EXPENDITURE	33,956	32,797	28,607	(4,190)	4,190	

Appendix 5

EDUCATION & CHILDREN'S SERVICES CAPITAL BUDGET 2017/18 MONITORING & CAPITAL PLAN 2017-2032 UPDATE - 31/12/17

<u>Significant Variance Analysis</u>	Variance Revised Budget 2017/18	<u>£'000</u>	<u>Narrative</u>
<u>Note</u>	<u>Budget</u>		
1	1140 Hours Projects	(374)	In order to utilise the grant awarded earlier this financial year a programme of works was compiled taking into account the Children and Young Persons programme of works which was also being progressed. Some of the CYP projects have been diverted to this budget but full spend will not take place in 2017/18. Scottish Government has allowed the funding to be delayed until 2018/19. As a result budget of £374,000 requires to be delayed until 2018/19.
2	Children & Young Peoples Bill	(2,935)	Works originally planned to be funded from this budget were diverted to the 1140 Hours Programme, The Service has progressed a programme of works to utilise the budget but the majority of these will not happen until 2018/19. As a result, budget amounting to £2,935,000 requires to be delayed until 2018/19.
3	E&CS Enhancements	(517)	There has been a delay in obtaining costs for various projects and as result programming of works has to be carefully managed to reduce impact on the schools. This means that budget amounting to £517,000 requires to be delayed until 2018/19.
4	Portlethen/Hillside PS Causeymouth Road Upgrading Works	(100)	Works have been delayed to dovetail with the formation of a new pitch near the roadworks and sustainable transport measures. As a result budget amounting to £100,000 requires to be deferred until 2018/19.
5	School Meals P1-P3	(264)	The budget will part fund the proposed new school kitchen at Ellon Primary together with developer obligations. Budget amounting to £100,000 requires to be delayed until 2018/19.