

The Highland Council
Education, Children and Adult Services Committee
14 January 2015

Agenda Item	4.
Report No	ECAS 01/15

Revenue Budget 2014/15 – Monitoring

Report by Director of Care and Learning

Summary

This report provides the Care and Learning budget monitoring for the period to the 30th November 2014 and the forecast year-end position.

1. Background

- 1.1 The Care and Learning service revenue budget for 2014-15 currently stands at £383.3m which equates to around two thirds of the Council's total expenditure.
- 1.2 This report provides detail of the forecast year-end spend against that budget and identifies significant areas of overspend, underspend and management actions taken.

2. Forecast spend

- 2.1 The current monitoring statement can be seen at **Appendix 1** and shows a forecast year-end overspend of £0.740m - equivalent to a variance of 0.2%. This compares with an overspend of £1.417m which was last reported to this Committee in November.
- 2.2 The most significant factors causing this improvement include reductions in the forecast spend in Childcare and Early Learning, a reduced forecast overspend in Looked After Children and additional income received in Adult Services.

3. Care and Learning Budget

- 3.1 The current budget for Care and Learning is £383.301m. This compares with a budget of £382.604m as reported to the November Committee, and therefore reflects a budget increase of £0.697m in the period.
- 3.2 As requested at November's committee, **Appendix 2** provides a summary of all the budget virements that have taken place between September and November, reconciling the overall increase in budget.
- 3.3 The overall increase in the Care and Learning budget can be explained by the following items:
 - Managed Print Services - increase of £0.497m. A decision was taken corporately to transfer all budgets relating to printing costs to services- previously a proportion of the cost was picked up by central budgets. The intention of this transfer was to make individual budget holders more aware of the full costs of printing, thereby reducing costs which are significantly in excess of the budget held for this purpose. It should be noted that the transferred budget does not meet the current level of demand, particularly in schools.

- School Office review project - increase of £0.047m. This sum was allocated to the Service from the Strategic Change and Development Fund to fund the project management costs associated with this review.
- Funding for Heads of Service - increase of £0.037m. Additional funding has been allocated to the Care and Learning Service to fully reflect the changes that are consequent to the review of Service structures undertaken in 2013.
- Drawdown of funds from earmarked balances - increase of £0.116m. Funding has been drawn down from balances earmarked in 2013-14 in relation to the Commonwealth Games Legacy Fund and the Highland Culture Fund. This funding reflects unspent funds from these budgets in 2013-14, set aside to cover expenditure made in 2014-15.

4. Service area analysis

- 4.1 The monitoring statement for Care and Learning is broken down into five sections, each reflective of the different areas of the Service.
- 4.2 The sections below identify the main areas of budget pressure and mitigating actions in each area.

5. Education

- 5.1 The Education area of the budget primarily covers all primary and secondary schools and is showing a broadly balanced year-end position.
- 5.2 As in previous years the level of additional funding received for probationer teachers provides some flexibility in terms of the costs of placing those teachers in schools. This additional funding should offset the budget pressures mentioned below. This funding stream cannot be guaranteed in future years and a national intention to increase the number of trainee teachers next year may see the benefit from these funds diminish over time.
- 5.3 As reported at the previous committee, there are two main pressures in Education. A pressure in relation to year-end supply cover top-ups of £0.416m is forecast. Under the DSM scheme, a school meets the first part of any supply cover overspend from its devolved budget with any excess topped up centrally.
- 5.4 In addition, unachieved budget savings relating to education total £0.534m. The largest element of this relates to the proposal to create group school Head Teachers to manage larger groupings of schools. This proposal has not been progressed, due to problems identifying further appropriate clusters, the revised management and supervision levels required at each individual school, and recruitment challenges which in part relate to job sizing and remuneration.
- 5.5 As in previous years, the risk remains that a number of schools may exceed their maximum DSM carry forward deficit at year end. This situation may be exacerbated by further budget savings removed from school budgets this year and falling rolls in secondary schools.

6. Adult Services

- 6.1 The Council has agreed savings from the establishment of new care homes in Tain and Muir of Ord, and these are already being achieved. This figure has increased from the September position as a result of charging order income received

retrospectively for fees incurred by residents prior to the handover.

- 6.2 The budget for Commissioned Adult Services agreed with NHS Highland stands at just over £93m. NHS Highland's period 8 monitoring statement shows a potential overspend of £0.684m. This position that has been improving over the course of the year, and members will be aware that Highland Council has agreed a 3 year settlement to take account of the challenges on this budget.

7. Service Management and Resources

- 7.1 A number of factors are contributing to a forecast £1.884m overspend in this area of the service, although the overall position has shown some improvement from the September position.
- 7.2 An overspend of £1.094m is forecast against the school transport budget. This has arisen as a result of a recurring pressure brought forward from 2013-14 and some additional pressures in the current year.
- 7.3 Delivery of an approved budget saving of £0.420m in the current year from route consolidation has been delayed pending further work by the Integrated Transport project.
- 7.4 An overspend of £0.601m is forecast in the Catering, Cleaning and Facilities Management budget. This pressure is caused by a recurring overspend brought forward from 2013-14 relating to increased food costs, a shortfall in the school meals income target and budget pressures associated with the roll-out of the new Facilities Management (FM) model. As members will be aware, there is a separate agenda report which sets out a proposed terms of reference for a review of the FM model.
- 7.5 The Council will receive additional funding for delivery of Free School Meals in P1-3 from January. As previously reported, the level of funding received is expected to be sufficient to cover implementation. However, this position will be kept under review from January onwards, in particular in relation to the level of take-up (assumed to be 90%).
- 7.6 Further pressures in this area arise as a result of unachieved savings from school hostels, additional costs as a result changes to PVG (staff disclosure checking) requirements for staff, costs associated with refreshing ICT in schools and relocation costs for newly recruited teachers.

8. Children's Services

- 8.1 This area is forecast to be underspent by £0.487m at year end, a significant change from the near balanced position previously reported.
- 8.2 The pressure in looked after children has reduced from £1.5m to £1.375m. Ongoing work in this area has seen a reduction in the overall number of children in out of authority placements, with some children now in supported living arrangements within Highland. Other changes have been made to the placements of children still out of authority to less costly provisions, while still providing the necessary level of care and education leading to better outcomes. Given the proximity to year end, the effect of these changes is part year only, and further financial benefit may be seen in the new financial year.

- 8.3 The Childcare and Early Learning budget has seen a significant increase in funding as a result of the Children and Young People's Act. Take up of 600 hours nursery education from eligible two year olds has proved to be slower than anticipated and as such the rate of expenditure is lower than had been anticipated in year. A number of those children taking their provision have been accommodated in existing council services and so limited additional services have been required to date.
- 8.4 Other mitigating action has arisen from the finalisation of the Family Team structures funded by preventative spend monies and recruitment to those posts part way through the year. Vacancy management and delayed recruitment to posts in other areas, benefits from the review of support work and underspends against training budgets, have provided a further positive impact on the overall position.
- 8.5 The commissioned child health service budget is reported to the Finance & Resourcing Officer Group. This is included in the assurance report presented to this meeting of the Committee.

9. Additional Support Needs

- 9.1 An overspend of £0.271m is forecast in this section of the service. This overspend has increased by £0.104m from the position previously reported as a number of vacant posts have been filled earlier than was previously forecast.
- 9.2 Pressures remain in the special schools as a result of increased demand and the additional staff that have been employed as a result. These pressures have been mitigated to some extent from underspends against staffing budgets in other areas of the service.

10. Implications

- 10.1 **Resource implications-** the overall forecast overspend position for the Care and Learning service has been reducing over the course of the year and it is anticipated that this general trend of improvement will continue until year end.
- 10.2 **Legal, Equalities, Climate Change/Carbon Clever, Risk, Gaelic and Rural implications-** this report does not have any specific implications in this regard.

11. Recommendation

11.1 The Committee is asked to:

- Approve the monitoring statement;
- Note the areas of budget pressures and mitigating actions to date.

Designation: Director of Care and Learning

Date: 24 December 2014

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CARE AND LEARNING SERVICE REVENUE MONITORING REPORT	£'000	£'000	£'000	£'000
Nov-14	Actual YTD	Annual	Year End	Year End
BY ACTIVITY	YTD	Budget	Estimate	Variance
Education Services				
Secondary Schools	44,608	66,660	66,660	0
Primary Schools	36,915	56,921	56,852	(69)
Schools General	1,415	3,692	3,733	41
Learning and Teaching	1,794	2,033	2,033	0
	84,732	129,306	129,278	(28)
Adult Services				
Commissioned Adult Services	46,776	93,153	93,153	0
Commissioned HLH Services	10,855	14,526	14,526	0
Other Leisure Services	212	284	272	(12)
Services for Vulnerable Adults	2,133	3,782	2,894	(888)
Grants to Voluntary Organisations	2,684	3,202	3,202	0
	62,660	114,947	114,047	(900)
Service Management and Resources				
PPP	14,523	25,716	25,710	(6)
School Transport	5,630	12,988	14,082	1,094
Catering, Cleaning and Facilities Management	7,951	11,264	11,865	601
Pensions, Insurance and Other Pan-Service Costs	1,905	2,636	2,663	27
Resources Teams and Property Costs	3,222	4,704	5,030	326
Service Management Team and Support	1,468	2,591	2,277	(314)
Hostels	631	865	1,021	156
	35,330	60,764	62,648	1,884
Children's Services				
Looked After Children	13,785	18,545	19,920	1,375
Family Teams	9,589	15,674	15,258	(416)
Childcare and Early Learning	7,262	13,254	12,404	(850)
Other Services for Children	2,821	5,457	4,861	(596)
Commissioned Children's Services Income from NHS	(4,359)	(8,659)	(8,659)	0
	29,098	44,271	43,784	(487)
Additional Support Services				
Additional Support- Schools	17,420	26,605	26,831	226
Specialist Additional Support Services	4,859	7,408	7,453	45
	22,279	34,013	34,284	271
TOTAL CARE AND LEARNING	234,099	383,301	384,041	740
	£'000	£'000	£'000	£'000
	Actual	Annual	Year End	Year End
	YTD	Budget	Estimate	Variance
BY SUBJECTIVE				
Staff Costs	128,853	198,715	197,937	(778)
Other Costs	118,943	208,516	208,873	357
Gross Expenditure	247,796	407,231	406,810	(421)
Grants	(2,276)	(3,600)	(3,593)	7
Other Income	(11,421)	(20,330)	(19,176)	1,154
Total Income	(13,697)	(23,930)	(22,769)	1,161
NET TOTAL	234,099	383,301	384,041	740

Appendix 2 (contd.)

Reasons for budget virements

- A. Drawdown of funds from earmarked balances
- B. Additional budget for Head of Service
- C. Managed Print Services
- D. School Office review
- E. Utilities budgets allocations to schools
- F. DSM funding adjustments- primary schools
- G. DSM funding adjustments- secondary schools
- H. DSM funding adjustments- nursery schools
- I. Probationer funding in schools
- J. Family Firm- preventative spend- changed reporting area
- K. Leisure premises- property budgets- changed reporting area
- L. HLH management fee adjustments
- M. Who Cares Scotland- changed reporting area
- N. Skye and Lochalsh and Sutherland Young Carers- changed reporting area
- O. NHS Children's services- budget quantum adjustments
- P. Transfer of H&SC business support to central C&L budget