

Agenda Item	9.
Report No	EDU 19/20

HIGHLAND COUNCIL

Committee: Education

Date: 30 September 2020

Report Title: Revenue Budget Monitoring 1st Quarter 2020/21

Report By: Executive Chief Officer Education and Learning

1. Purpose/Executive Summary

- 1.1 This report provides the first revenue budget monitoring forecast to Members for Quarter 1 of the 2020/21 financial year. Against a budget for the Education Service of £209.941m, the yearend forecast is an overspend of £12.924m or 6.2% of that annual budget. Of that forecast overspend, £12.792m relates to additional and separately identifiable Covid-19 and schools re-opening cost forecasts, therefore taking out those exceptional aspects, the Service overall would have been broadly in line with budget under normal circumstance.
- 1.2 As has been previously reported to Members at the Corporate Resources Committee and Council, the negative impact of Covid-19 on The Highland Council's budget has been and is expected to continue to be significant during 2020/21.
- 1.3 In an 'ordinary' year the assumptions made as part of the Quarter 1 monitoring around activity and income for the remainder of the year are often subject to a fair degree of variability. This year in particular, due to the unprecedented nature of the Covid-19 crisis, forecasts for the remainder of the year are even more open to change.
- 1.4 While this report sets out the Quarter 1 position, to end June 2020, given the relatively late re-scheduling of this Committee at the end of Quarter 2, and with more recent financial updates provided to the 10 September Council meeting, the narrative of this report also provides more up to date context and an assessment of the position post-Quarter 1.

2. Recommendations

- 2.1 Members are asked to:
 - i. consider the revenue budget outturn forecast for the year; and
 - ii. note that further reports will be considered by Council in relation to mitigating actions to address the overall budget gap facing The Highland Council.

3. Implications

3.1 Resource

As set out within the report and accompanying appendices. The figures are being regularly reviewed and revised as a consequence of the continued uncertainty around the impact of Covid-19 and the potential for future local and/or national lockdowns. It is highly likely that the projections will change as a result, and as reflected within the report there are a number of important factors that have arisen following the quarter end, and have implications for future financial forecasts. At this time these post-quarter end updates reflect an improvement to the Quarter 1 position. As noted in the risk section below, there however remain significant risks and uncertainties relating to financial forecasting during the Covid-19 pandemic. Budget holders will continue to work to deliver an improved position by the year end. This will be reflected in future reports to Committee.

3.2 Legal

There are no legal implications to highlight.

3.3 Community (Equality, Poverty and Rural)

No implications to highlight.

3.4 Climate Change/Carbon Clever

No implications to highlight.

3.5 Risk

As noted within the report, Covid-19 represents a significant risk and uncertainty impacting on financial forecasts, with the risk that financial forecasts differ as a result of changed or unforeseen events. While the report highlights a number of post-quarter end updates, which reflect an improvement to the Quarter 1 position, there remain significant financial risks and uncertainties arising from Covid-19 and financial implications arising from future lockdowns or case increases.

3.6 Gaelic

No implications to highlight.

4. Introduction

4.1 This report, and **Appendix 1**, set out the first revenue budget monitoring report for Quarter 1 of the 2020/21 financial year.

4.2 As highlighted in the Executive Summary, and as Members will be aware from other financial reports to Corporate Resources Committee and The Highland Council, Covid-19 has had very significant implications upon The Highland Council's financial outlook, and in turn creates a number of risks and uncertainties relating to forecasting. The implications for The Highland Council as a whole, and in relation to scenario planning at Council level were covered in the report to Corporate Resources Committee on 12 August and in turn the report to Council on 10 September. This report deals exclusively with the budget position relating to the Education Service, and consistent with reports to those other meetings.

4.3 Costs associated with Covid-19 and schools return are being regularly reviewed and updated, and as at the date of drafting this report schools have been back for 4 weeks and there is now further clarity around aspects of school return costs, and Scottish Government additional funding, which were not known at the time the Quarter 1

estimates were prepared. The narrative report provides further context around these changes and further clarifications, and implications for future forecasts.

5. Covid-19 Response and Schools Return

- 5.1 The costs and forecast overspend separately identified as the Service Covid-19 response, including forecast costs associated with schools re-opening, amount to an actual to date at quarter 1 of £1.668m and a year-end overspend forecast of £12.792m. The main factors within that forecast cost position are as follows:
- additional home to school transport costs, taking account of social distancing and capacity implications on transport, and the expected requirement for additional vehicle capacity, additional routes, etc;
 - additional property, facilities management and cleaning costs, taking account of water safety measures, additional cleaning and FM provision, additional PPE for cleaning and FM staff, additional signage, screens and other installations;
 - additional staff costs taking account of the impact of shielding and other Covid-19 implications;
 - additional PPE for schools;
 - costs of school trip refunds to parents (Q1 position pre-dates decision to utilise Hardship Fund);
 - additional costs associated with Keyworker provision during lockdown as per the report to Corporate Resources Committee in June 2020; and
 - additional ICT costs to support Digital Learning.
- 5.2 At the time of the Quarter 1 forecast being prepared, The Highland Council had not had confirmation of additional funding from Scottish Government related to schools return, and, as such, no funding is assumed within the forecasts referred to above. Being a Quarter 1 position, these costs also reflect the working assumptions and estimates at that point in time, and in many respects pre-date the physical re-opening of schools' week commencing 12 August and in turn subsequent revisions and clarification of cost that has taken place.
- 5.3 As noted in the report introductory comments, there are a number of risks and uncertainties as a result of Covid-19, and the fast moving and dynamic position regarding schools re-opening in particular, makes cost forecasting more challenging than would ordinarily be the case, and requires regular review. Central to the assumptions within this report is the baseline position being schools open for the remainder of this financial year. Lockdowns, school closures, or a return to blended learning would require a fundamental review of cost forecasts.
- 5.4 Cost estimates are being constantly refined, to reflect latest and best information available. In some cases, this is expected to lead to an improvement in the forecast position, and as noted later in the report there is already some improvement expected as a result of revision of cost assumptions, and in turn expected additional Scottish Government funding. On the other hand, the degree of risk and uncertainty continues to mean there is the potential for new or increased costs to arise, for example, if further case spikes or lockdowns create added costs.
- 5.5 In relation to further refinement to cost assumptions, and as reflected within the budget report to Council on 10 September, it is estimated that the costs associated with schools' return may improve by £2.5m. This is as a result of latest estimates based on actual experience since schools re-opened. The improvement includes costs related to school transport, with the original Quarter 1 forecast assuming the (at the time) greater

impact of social distancing on school transport than is now applying. Some improvement to property and other school return costs has also been reflected.

- 5.6 Also as reported to the 10 September Council meeting, since the Quarter 1 report was prepared, further announcements have been made by Scottish Government in relation to funding to support schools return. Not all elements have yet been confirmed to The Highland Council in relation to its funding share, but as per that Council report, the following additional funding is estimated.

Education funding - additional teachers	£1.431m (August to March)
Education funding - schools reopening	£1.200m
Education funding - school reopening	£1.800m
Total	£4.431m

- 5.7 The monitoring statement also reflects the expected Covid-19 implications on Eden Court and High Life Highland, which as at Quarter 1 are shown as forecast overspends of £0.350m and £3.300m respectively. As reflected within the 10 September Council report, the latest assessment of the Covid-19 implications on both organisations have improved, with Eden Court expected to break-even due to additional Scottish Government support for the sector, and the HLH position improved and now a £1.5m forecast overspend due to management action.

- 5.8 In summary, the effect of the various financial updates described above are as follows.

Post-quarter 1 improvements as referred to above: -	
- Schools return costs	-2.500
- Scottish Government additional funding	-4.431
- Eden Court and HLH improvements	-2.150
Total identified improvements at this time	-9.081

- 5.9 While the updates referred to above reflect potentially positive improvements to the position as reported at Quarter 1, there clearly remain further risks and uncertainties which could see a significant deterioration in the position. The forecasts are predicated on schools return, and a future lockdown would have additional financial consequences not reflected in the forecasts, including for example further Keyworker and Vulnerable Young People provision.
- 5.10 The Quarter 2 monitoring position will take account of the changes referred to above, and also further updates or refinements to the forecast at that point in time.

6. Service Budget Variances

- 6.1 This report, rightly, focuses on the Covid-19 and schools' return implications which represent exceptional costs and as at Quarter 1 account almost wholly for the overall overspend for the Service. As can be seen in **Appendix 1**, there are however other significant variances across Service budget headings, which are described in further detail below.
- 6.2 Service Management and Resources – the overspend shown reflects the impact of agreed budget savings relating to management restructuring, which have been delayed as a result of Covid-19 impact. Savings are based on an estimated allocation of ex Care and Learning management restructuring savings across the Education and Health and Social Care Services. Members will be aware of Council wide plans for

management restructuring to be taken forward during the course of this financial year, as part of Council recovery, with these savings to be delivered as part of that approach.

- 6.3 Transport – the underspend shown relates to school crossing patrollers and school escorts and is reflective of the trend of budget underspend in these budget headings in recent years. In both cases the level of actual cost is reflective of a needs or risk assessed basis and given the recurring trend of underspend suggests a review of base budget may be appropriate. A review and re-alignment of budget headings is taking place and where appropriate, will result in budget re-allocations where the level of budget held is out of line with the underlying level of need. Underspends would be re-allocated to address overspends in other areas of the budget and reported back to Members through this format of report.
- 6.4 Schools General – as a result of lockdown and school closures in the first part of the year, there are underspends in a number of schools' general budgets which are being held to offset the overspends and additional costs associated with schools return.
- 6.5 Learning and Teaching – savings as a result of vacancies in central education posts and pending wider service restructuring (see 6.2 above).
- 6.6 Early Learning and Childcare – forecast underspend related to the removal of the Statutory Duty to deliver 1140 hours from August 2020, and the resulting delayed ELC expansion programme. Further details relating to ELC and the 1140 hours programme are set out in a separate paper on this agenda. As noted at paragraph 5.1, distinct from the ELC programme underspend, there are additional and exceptional costs related to Keyworker provision and schools return costs, which the flexibility given by Scottish Government in relation to ELC funding, has allowed this underspend to partially mitigate these exceptional costs. It was agreed at Council on 10th September to accelerate the programme to deliver 1140 hours across more settings. Details are contained within another report to this Committee. The expected impact on the revenue budget is costs within the region of £500k.
- 6.7 Additional Support Special Schools – the forecast is consistent with recent financial years, though with actions taken over the past 18 months there has been improvement in the prior year out-turn and the current year position, with further action being taken. Re-basing of Education Service budgets, and the development of an updated DSM scheme, will also assist in establishing updated and more reflective budget allocations for these schools going forward.

Designation: Executive Chief Officer Education and Learning

Date: 7 September 2020

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Appendices: Appendix 1 – Education Monitoring Statement 2020-21

EDUCATION MONITORING STATEMENT 2020-21

Appendix 1

30/06/2020	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Service Management Team & Support	487	159	2,227	2,068
Pensions, Insurance and Other Pan-Service Costs	604	2,206	2,033	(173)
Commissioned HLH Services	(8)	16,170	19,470	3,300
Grants to Voluntary Organisations	503	1,026	1,376	350
Hostels	203	1,100	1,008	(92)
Transport	123	764	494	(270)
Secondary Schools	16,486	73,602	73,602	0
Primary Schools	13,984	66,757	66,735	(22)
Schools General	179	5,554	4,467	(1,087)
Learning and Teaching	69	1,201	949	(252)
Early Learning & Childcare	5,484	8,383	4,442	(3,941)
Additional Support - Schools	6,019	25,046	24,980	(66)
Additional Support - Special Schools	1,204	4,771	5,161	390
Specialist Additional Support Services	508	2,275	2,203	(72)
COVID-19 Response and Schools Return	1,668	927	13,718	12,792
Grand Total ECO Education	47,512	209,941	222,865	12,924
BY SUBJECTIVE				
Staff Costs	47,853	194,759	191,641	(3,117)
Other Expenditure	3,505	41,894	58,033	16,140
Gross Expenditure	51,359	236,652	249,674	13,023
Grant Income	(3,749)	(26,066)	(26,245)	(179)
Other Income	(97)	(644)	(564)	80
Total Income	(3,846)	(26,710)	(26,809)	(99)
NET TOTAL	47,512	209,941	222,865	12,924