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| Report To: | Education & Communities Committee | Date: | 21 May 2024 |
| Report By: | Chief Financial Officer and Corporate Director Education, Communities & Organisational Development | Report No: | FIN/29/24/AP/MM |
| Contact Officer: | Mary McCabe | Contact No: | 01475 712257 |
| Subject: | 2023/24 Education Revenue Budget Update | | |

1.0 PURPOSE AND SUMMARY

- 1.1 ☐ For Decision ☒ For Information/Noting
- 1.2 The purpose of this report is to advise Committee of the projected position for the 2023/24 Revenue Budget and highlight the reasons for the increase in the projected overspend and action being taken by officers.
- 1.3 The total Education Revenue Budget for 2023/24, excluding Earmarked Reserves, is currently £105.033m. The latest projection is an overspend of £939,000 (0.9%), an increase in overspend of £778,000 since last Committee. This significant movement is largely due to an increase in teacher costs of £421,000, an increase in catering related projections of £503,000 and a further increase in ASN Transport costs of £103,000 partly offset by a reduction in CLD Resources spend.
- 1.4 Section 3 of the report provides more detail of the reasons for the late adverse movement in the projection. The Chief Financial Officer and Corporate Director are investigating the underlying reasons for this and the potential impact on the 2024/25 Budget and will provide an update to the next meeting. The 2023/24 outturn, together with any material movements from this report, will also be reported to Committee after the summer recess.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that the Committee note the current projected overspend for 2023/24 of £939,000 and the £778,000 increase in overspend since the last Committee. A report will be brought to Committee after the summer recess on any expected impact on the 2024/25 Budget.
- 2.2 It is recommended that the Committee note that the Communities part of the Committee is currently projecting an underspend of £193,000 which partly offsets the projected overspend for the Education part of the Committee.
- 2.3 It is recommended that the Committee notes that the 2023/24 outturn will be reported to Committee after the summer recess.

Alan Puckrin
Chief Financial Officer

Ruth Binks
Corporate Director
Education, Communities & ODHR

3.0 BACKGROUND AND CONTEXT

- 3.1 The purpose of this report is to advise Committee of the probable out-turn of the 2023/24 Revenue Budget and to highlight the main variances contributing to the projected overspend of £939,000.
- 3.2 The current Education Revenue Budget for 2023/24 is £105.033m, which is an increase of £9.918m from the Approved Budget, largely due to allocations from the Inflation Contingency. Appendix 1 provides more details of the budget movement.
- 3.3 Expenditure to date and projections are based on figures available at the date of submission of this report. It should however be noted that the 2023/24 accounts closedown is ongoing and final accruals and adjustments are not necessarily included, although where known they are reflected in the projection. The final outturn will be reported to Policy & Resources Committee in August and to this Committee after the summer recess with any material changes being highlighted.

3.4 2023/24 Projected Outturn (£939,000 overspend 0.9%)

The main projected variances contributing to the £778,000 increase in overspend since the last Committee are explained in more detail below.

3.5 Teacher Salaries

Teacher salary projections have increased by £421,000 since the last report to Committee. Whilst this represents just 0.8% of the Teacher salary budget, in cash terms it is a significant movement. Around half the movement relates to an error by the Finance team where the budget against which the previous projection was calculated was overstated by £200,000. The remainder largely relates to increased spend within the Teacher Supply budget. The reason behind the latter issue is being investigated between Finance and Education teams and will form part of the report back to the next Committee.

In the interim the Head of Education is working with Schools and Finance Services to identify the main reasons for the increase in expenditure, with any required action implemented as early as possible.

3.6 Catering

Catering spend has been significantly understated in ongoing financial monitoring reports throughout 2023/24. This is due to a combination of an under budgeting for the cost of Early Years catering due to inconsistent assumptions within the Finance team of the amount to be allocated for catering from the formerly ring fenced 1140 hours budget as well as errors in the way officers within Finance projected catering provision costs. This has resulted in an adverse movement in the Committee's catering expenditure of £503,000 since the last report.

A movement of this scale so late in the year is highly unusual and the Chief Financial Officer and Finance Manager (Education & Communities) are reviewing how budgets are created and monitored in this area as a matter of priority. On the positive side it is believed that much of this overspend will be able to be contained from 2024/25 onwards but this will be confirmed in the next update to Committee.

3.7 ASN Transport

ASN Transport is projected to overspend by £306,000, an increase of £103,000. This is net of £100,000 funded from the ASN Smoothing Reserve. This movement is due to an increase in costs associated with the SPT contract of £52,000 confirmed by SPT in March, and increased taxi costs outwith the SPT contract amounting to £51,000. A Delivering Differently review of ASN Transport is ongoing looking at options to reduce this budget pressure. This is due to be reported to Committee before the end of 2024.

3.8 Underspends

The above movements are partly offset by a reduction in non-teachers employee costs of £106,000 (now £82,000 underspent) a reduction in CLD resources spend of £74,000 (now £85,000 underspent), a reduction in water charges of £52,000 (now £98,000 underspent) plus increases in income from School Meals of £28,000 (projecting £11,000 under recovery) and Other Local Authorities for placements of £33,000 (now £93,000 over recovered).

3.9 Earmarked Reserves

Appendix 4 gives an update on the operational Earmarked Reserves, ie excluding strategic funding models. Spend to date on these operational Earmarked Reserves is 103% of phased spend and 100% of the projected expenditure for 2023/24.

3.10 Virements

There are no virement requests this Committee cycle.

4.0 PROPOSALS

- 4.1 The Chief Financial Officer and Corporate Director are continuing to investigate improvements to the Budget monitoring process in the specific areas identified to ensure that in 2024/25 any issues are flagged up much earlier. In addition, it is intended to highlight any knock-on impact to the 2024/25 Budget to the next meeting of the Committee.
- 4.2 It should be noted that the Communities part of the Committee is currently projecting an underspend of £193,000 which partially offsets the projected overspend for the Education part of the Committee.

5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendations are agreed:

| SUBJECT | YES | NO |
|---|-----|----|
| Financial | X | |
| Legal/Risk | X | |
| Human Resources | | x |
| Strategic (Partnership Plan/Council Plan) | | x |
| Equalities, Fairer Scotland Duty & Children/Young People’s Rights & Wellbeing | | x |
| Environmental & Sustainability | | x |
| Data Protection | | x |

5.2 Finance

The projected overspend of £939,000 will have an impact on the overall 2023/24 Budget out-turn which will be included in the Annual Accounts currently being prepared. In addition to this the primary focus will be to identify any ongoing impacts to the 2024/25 Budgets in order that any action required can be identified as early as possible in 2024/25.

One off Costs

| Cost Centre | Budget Heading | Budget Years | Proposed Spend this Report | Virement From | Other Comments |
|-------------|----------------|--------------|----------------------------|---------------|----------------|
| N/A | | | | | |

Annually Recurring Costs/ (Savings)

| Cost Centre | Budget Heading | With Effect from | Annual Net Impact | Virement From (If Applicable) | Other Comments |
|-------------|----------------|------------------|-------------------|-------------------------------|----------------|
| N/A | | | | | |

5.3 Legal/Risk

The catering provisions and teaching salary Budgets are both key Budget risks and have been reported to CMT throughout 2023/24. The processes used to arrive at projections will be reviewed and amended as required before the first 2024/25 monitoring report.

5.4 Human Resources

There are no specific human resources implications arising from this report.

5.5 Strategic

There are no specific strategic implications arising from this report.

6.0 CONSULTATION

- 6.1 The paper has been jointly prepared by the Chief Financial Officer and the Corporate Director Education, Communities, and Organisational Development.

7.0 BACKGROUND PAPERS

- 7.1 There are no background papers for this report.

Education Budget Movement - 2023/24

| Service | Approved Budget | Inflation £000 | Virement £000 | Movements | Transferred to EMR £000 | Revised Budget |
|-----------------------|-----------------|-------------------|------------------|----------------------------------|-------------------------------|-----------------|
| | 2023/24 £000 | | | Supplementary Budgets £000 | | 2023/24 £000 |
| Corporate Director | 159 | 14 | | | | 173 |
| Education | 77,969 | 8,008 | (388) | 871 | (300) | 86,160 |
| Inclusive Education | 16,874 | 1,412 | 235 | 108 | (50) | 18,579 |
| Facilities Management | 113 | 8 | | | | 121 |
| Totals | <u>95,115</u> | <u>9,442</u> | <u>(153)</u> | <u>979</u> | <u>(350)</u> | <u>105,033</u> |

Movement Detail

£000

External Resources

Probationer Teachers
 Psychologist Probationer
 School Training
 Music Grant
 CLD Summer of Fun

859
 15
 12
 35
 58

979Virements

School Libraries to Public Libraries
 Cleaning Virement
 CLD to Comm Safety

(115)
 (28)
 (10)

(153)Inflation

SEMP Unitary Charge
 Teachers Pay Award
 Non Teacher Pay Award
 Catering Provisions
 Refuse Collection
 SPT Buses
 Speech & Language Therapy
 NDR Inflation

789
 6,110
 1,779
 100
 189
 18
 10
 447

9,44210,268

EDUCATION**REVENUE BUDGET MONITORING REPORT****CURRENT POSITION**

| 2022/23 Actual £000 | Subjective Heading | Approved Budget 2023/24 £000 | Revised Budget 2023/24 £000 | Projected Out-turn 2023/24 £000 | Projected Over/(Under) Spend £000 | Percentage Over/ (Under) |
|---------------------------|--|---------------------------------------|--------------------------------------|--|--|--------------------------------|
| 53,195 | Employee Costs - Teachers | 49,143 | 55,631 | 55,702 | 71 | 0.1% |
| 32,482 | Employee Costs - Non Teachers | 30,509 | 33,822 | 33,740 | (82) | (0.2%) |
| 19,328 | Property Costs | 21,105 | 22,749 | 22,617 | (132) | (0.6%) |
| 6,795 | Supplies & Services | 6,118 | 6,724 | 7,179 | 455 | 6.8% |
| 2,552 | Transport Costs | 2,331 | 2,383 | 2,875 | 492 | 20.6% |
| 693 | Administration Costs | 672 | 665 | 661 | (4) | (0.6%) |
| 6,613 | Other Expenditure | 5,409 | 6,499 | 6,822 | 323 | 5.0% |
| (25,131) | Income | (20,172) | (23,090) | (23,274) | (184) | 0.8% |
| 96,527 | TOTAL NET EXPENDITURE | 95,115 | 105,383 | 106,322 | 939 | 0.9% |
| 0 | Earmarked Reserves | 0 | (50) | (50) | 0 | |
| 0 | DMR | 0 | (300) | (300) | 0 | |
| 96,527 | TOTAL NET EXPENDITURE EXCLUDING EARMARKED | 95,115 | 105,033 | 105,972 | 939 | 0.9% |

| 2022/23 Actual £000 | Objective Heading | Approved Budget 2023/24 £000 | Revised Budget 2023/24 £000 | Projected Out-turn 2023/24 £000 | Projected Over/(Under) Spend £000 | Percentage Over/ (Under) |
|---------------------------|---|---------------------------------------|--------------------------------------|--|--|--------------------------------|
| 173 | Corporate Director | 159 | 173 | 186 | 13 | 7.5% |
| 68,420 | Education | 66,917 | 74,619 | 74,992 | 373 | 0.5% |
| 114 | Facilities Management | 113 | 121 | 123 | 2 | 1.7% |
| 10,799 | School Estate Management Plan | 11,052 | 11,841 | 11,846 | 5 | 0.0% |
| 79,333 | TOTAL EDUCATION SERVICES | 78,082 | 86,581 | 86,961 | 380 | 0.4% |
| 12,766 | ASN | 12,225 | 13,588 | 14,258 | 670 | 4.9% |
| 2,028 | Community Learning & Development | 2,602 | 2,758 | 2,551 | (207) | (7.5%) |
| 2,227 | Other Inclusive Education | 2,047 | 2,283 | 2,366 | 83 | 3.6% |
| 17,021 | TOTAL INCLUSIVE EDUCATION | 16,874 | 18,629 | 19,175 | 546 | 2.9% |
| 96,527 | TOTAL EDUCATION COMMITTEE | 95,115 | 105,383 | 106,322 | 939 | 0.9% |
| 0 | Earmarked Reserves | 0 | (50) | (50) | 0 | |
| 0 | DMR | 0 | (300) | (300) | 0 | |
| 96,527 | TOTAL EDUCATION COMMITTEE EXCLUDING EARMARKED RESERVES | 95,115 | 105,033 | 105,972 | 939 | 0.9% |

REVENUE BUDGET MONITORING REPORT

[illegible]

EARMARKED RESERVES POSITION STATEMENT**COMMITTEE: EDUCATION**

| <u>Project</u> | <u>Lead Officer/ Responsible Manager</u> | <u>Total Funding 2023/24</u> | <u>Phased Budget 31-Mar-24 2023/24</u> | <u>Actual 31-Mar-24 2023/24</u> | <u>Projected Spend 2023/24</u> | <u>Amount to be Earmarked for 2024/25 & Beyond</u> | <u>Lead Officer Update</u> |
|--|--|--------------------------------------|--|---|--|--|--|
| | | <u>£000</u> | <u>£000</u> | <u>£000</u> | <u>£000</u> | <u>£000</u> | |
| Beacon Arts | Tony McEwan | 60 | 0 | 0 | 0 | 60 | Contingency Balance not required in 2023/24, balance c/f. |
| Early Years 1140 | Michael Roach | 635 | 572 | 572 | 572 | 63 | Spend now complete, £63k remaining balance will be written back to General Reserves. |
| Covid Recovery - Extra Duke of Edinburgh Opportunities - 2 years | Ruth Binks | 62 | 52 | 52 | 52 | 10 | Spending now complete, £10k to be written back to General Reserves. |
| New Scots Funding | Michael Roach | 383 | 121 | 141 | 141 | 242 | Remaining balance c/f to fund EAL Teachers in 2024/25. |
| Total | | 1,140 | 745 | 765 | 765 | 375 | |