
Report To: Education & Communities Committee **Date:** 8 September 2015

Report By: Chief Financial Officer, Head of Education, Head of Inclusive Education, Culture & Corporate Policy, Head of Safer & Inclusive Communities **Report No:** FIN/74/15/AP/IC

Contact Officer: Iain Cameron **Contact No:** 01475 712832

Subject: Education 2015/16 Revenue Budget-Period 3 to 30 June 2015

1.0 PURPOSE

- 1.1 To advise Committee of the 2014/15 final out-turn and the 2015/16 Revenue Budget position as at Period 3 to 30 June 2015.

2.0 SUMMARY

- 2.1 In 2014/15, excluding the carry forward of Earmarked Reserves of £5,545,000, primarily for the School Estates Management Plan and Primary Schools Multi Use Games Areas (MUGAs), there was an underspend of £910,000 against a budget figure of £73,097,000. This equates to 1.2% of the total budget and was £87,000 less expenditure than reported to Committee in May 2015.

The main variances for 2014/15 were –

- (a) Employee Costs underspend £236,000. An overspend of £33,000 for Teachers was offset by an underspend of £269,000 for Non Teachers, mainly within Early Years Education where a number of Nurseries were not operating at full capacity.
- (b) Underspend of £132,000 for Property Costs mainly made up of £20,000 underspend for Non Domestic Rates (NDR), £50,000 underspend for Utilities, £33,000 underspend for Biomass, £32,000 underspend for Janitors.
- (c) £28,000 overspend for Transport mainly made up of £53,000 overspend for Pupil Consortium Travel, £51,000 underspend for ASN External ASN Transport and £37,000 overspend for Internal Transport provision.
- (d) £25,000 underspend for ASN Placements, £12,000 underspend for Hospital Tuition and £19,000 underspend for ASN Resources.
- (e) £407,000 underspend for Children & Young People (Scotland) Act 2014 funding for 600 hours free nursery provision.
- (f) £16,000 underspend for Community Learning & Development resources.
- (g) £16,000 underspend for 1+2 Languages Resources.
- (h) £23,000 underspend for Early Years Education Partner Providers.

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- (i) £16,000 shortfall in income from Other Local Authorities for places in Inverclyde Special Schools.
 - (j) £78,000 over recovery of School Meals Income.

2.2 The total Education budget for 2015/16, excluding planned carry forward for Earmarked Reserves, is £75,119,000. The School Estate Management Plan accounts for £14,572,300 of the total Education budget. The latest projection is an underspend of £236,000.

2.3 The main reasons for the 2015/16 underspend are –

- (a) Projected overspend of £241,000 for Teachers. The projected Teacher numbers for the new academic year in August 2015 are 10.4fte more than budget. 3.6fte Teachers are required due to successful placing request appeals, 2.8fte due to increased roll within ASN Schools and Units, 2.0fte due to surplus Head and Depute Head teachers and 2.0fte due to unachieved budget saving required for the School Estate Management Plan (SEMP) A report on the additional Teachers is being prepared for the Corporate Management Team and an update will be provided to the next Committee.
- (b) Projected underspend of £246,000 for Non Teacher Employees. The majority of the underspend relates to vacant posts within Early Years Education. A number of nurseries continue to operate at less than their Care Commission registration capacity, similar to the position reported in 2014/15. In addition, St John's Nursery Port Glasgow, budgeted to open in August 2015, has now been delayed until January 2016 resulting in an underspend of the Children & Young People (Scotland) Act 2014 funding allocated to Employee Costs. The remainder of the CYPB budget allocated to resources and non-recurring Legislative expenditure will be fully spent in 2015/16. £200,000 of this budget will be removed as a budget saving in 2016/17.
- (c) Projected overspend of £69,000 for Water. The majority of this relates to Property Drainage charges at the two PPP Secondary Schools. Following an investigation of the onsite drainage system by Scottish Water it has been established that neither building qualifies for a discount. Officers of the Council are hopeful that modifications can be carried out and the costs recovered, at which point the projection will be updated.
- (d) Projected underspend of £230,000 for Utilities (Electricity £60,000 underspend and Gas £170,000 underspend.) A Corporate review of Utilities budgets will be undertaken and reflected in the next Committee report.
- (e) Projected underspend of £17,000 for Non Domestic Rates (NDR) mainly as a result of St John's Primary School being vacant during refurbishment.
- (f) Projected overspend of £12,000 for IT Recharges.
- (g) Projected over recovery of School Meal Income of £65,000.

2.4 Earmarked Reserves for 2015/16, excluding those for Asset Plans and Strategic Funds, total £2,465,000 of which £1,911,000 is projected to be spent in the current financial year. To date expenditure of £21,000 (1.1%) has been incurred. The spend to date per profiling was expected to be £21,000, therefore there is no slippage.

3.0 RECOMMENDATION

- 3.1 That the Committee note the final out turn for 2014/15.
- 3.2 That the Committee note the current projected underspend of £236,000 for the Education Revenue budget as at Period 3 to 30 June 2015.
- 3.3 That the Committee note the proposed £67,000 Modernisation Earmarked Reserve to be created from the P1-P3 Free School Meals funding, subject to a report to the Policy & Resources Committee.

Alan Puckrin
Chief Financial Officer

Ruth Binks
Head of Education

Angela Edwards,
Head of Inclusive Education, Culture & Corporate Policy

John Arthur,
Head of Safer & Inclusive Communities

4.0 BACKGROUND

4.1 The purpose of this report is to advise Committee of the current position of the 2015/16 Revenue Budget as well as the 2014/15 final out turn and to highlight the main issues contributing to the £910,000 underspend in 2014/15 and the projected underspend of £236,000 for 2015/16.

5.0 2014/15 OUT TURN

5.1 The underspend for 2014/15, after adjustments for Reserves, was £910,000. The main factors contributing to the underspend were:

	Revised Budget 2014/15	Out Turn 2014/15	Variance to Budget	P11 Projected Variance	Movement Since P11 Projection
Corporate Director	137	150	13	10	3
Education Services	61,546	60,836	(710)	(829)	119
Inclusive Education	9,587	9,452	(135)	11	(146)
Safer Inclusive Communities	1,827	1,749	(78)	(15)	(63)
TOTAL NET EXPENDITURE	73,097	72,187	(910)	(81)	(87)

The main variances are explained in greater detail below.

Employee Costs:

Total underspend for Employee Costs was £236,000 (0.5%)

The underspend was mainly due to Early Years Education where a staffing budget is provided based on their Care Commission registration capacity. A number of Nurseries were operating at a level below this capacity resulting in an underspend. There were additional underspends in Early Years as a result of efficiencies in the introduction of the Children & Young Peoples Bill 600 Hours free nursery provision.

Property Costs:

Total underspend for Property Costs was £132,000 (0.8%)

£20,000 underspend for Non-Domestic Rates (NDR) mainly due to Community Learning & Development building being funded from I-Youth Zone Greenock Big Lottery Fund Grant.

£114,000 overspend for Water was due to higher than anticipated property drainage charges and higher consumption in schools.

£31,000 underspend for Electricity due to lower than expected consumption partly due to the operation of the wind turbine at Inverclyde Academy.

£133,000 underspend for Gas due to lower consumption as a result of the milder than expected winter.

£33,000 underspend for biomass fuel at Port Glasgow Community Campus due to system only operating for part of the year.

£32,000 underspend for contract janitors across Education buildings.

Supplies and Services:

Total overspend for Supplies and Services was £8,000 (0.2%)

This was mainly due to an overspend on Education IT Re-Charges.

Transport Costs:

Total overspend for Transport Costs was £28,000 (1.1%)

£53,000 overspend for Pupil Consortium Travel (transportation between schools for curriculum subjects)

£51,000 underspend for SPT ASN Transport provision and a £32,000 overspend for internal Council ASN Transport provision.

Other Expenditure:

Total underspend for Other Expenditure was £495,000 (10.4%)

£407,000 underspend on implementation of Children & Young People (Scotland) Act 2014 600 hours free nursery provision. Service was fully implemented using fewer resources than anticipated and should be noted that a saving of £200,000 has already been taken from this funding from 2016/17 onwards.

£25,000 underspend for ASN Placements due to fewer than expected placements.

£16,000 underspend for Community Learning & Development resources.

£16,000 underspend on 1+2 Languages resources.

£23,000 underspend for Early Years Partner Providers due to a decrease in placements.

£12,000 underspend for Hospital Tuition due to a reduction in numbers in hospital.

Income:

Total over recovery of Income was £89,000 (2.9%)

£78,000 over recovery of school meal income due to uptake being higher than expected.

The budget for School Meal Income was reduced due to the loss of income from the implementation of Free School Meals for all P1 to P3 children. However, the overall income from meals has remained at historical levels overall.

6.0 2015/16 PROJECTION

- 6.1 The total Education budget for 2015/16, excluding planned carry forward for Earmarked Reserves, is currently £75,119,000. This is an increase of £1,144,000 from the approved budget. Appendix 1 gives details of the budget movement responsible for this increase.
- 6.2 The main issues to highlight in relation to the 2015/16 projected underspend of £236,000 are:

Employee Costs: Teachers

The total budget for Teachers Employee Costs is £36,694,000 and the latest projection is an overspend of £241,000. Projected teacher numbers for the new academic year in August 2015 are 10.4fte more than budget. 3.6fte Teachers are required due to successful placing request appeals, 2.8fte due to increased roll within ASN Schools and Units, 2.0fte due to surplus Head and Depute Head Teacher and 2.0fte due to unachieved budget saving required for the School Estate Management Plan (SEMP) A report on the additional Teacher numbers is being prepared for the Corporate Management Team and an update will be provided to the next Committee.

It should be noted that this projection does not include Inverclyde's share of the £10 million Scottish Government funding for maintaining Teacher numbers and Teacher / Pupil ratios. Following the School Census in September 2015 and confirmation of the level of funding for Inverclyde, the projection will be updated accordingly.

Employee Costs: Non Teachers

The total budget for Non Teacher Employee Costs is £15,901,000 and the latest projection is an underspend of £246,000. The majority of the underspend relates to vacant posts within Early Years Education. A number of nurseries continue to operate at less than their Care Commission registration capacity and the opening of St John's Nursery Port Glasgow, budgeted to open in August 2015 has now been delayed until January 2016. In addition to Early Years Education, there is a saving within Inclusive Education due to a seconded 1fte post being backfilled on a 0.6fte basis.

Water

The Water budget for 2015/16 is £247,120 and the latest projection is an overspend of £69,000. The majority of the overspend relates to property drainage charges for Clydeview Academy and Notre Dame High School. Following site visits by Scottish Water to investigate the drainage systems at the schools, it was determined that neither school qualifies for a property drainage discount which is built in to the budget. Officers are in discussion with the PPP Schools Facilities Management provider and it is hoped physical changes can be made to the drainage system to allow qualification for the discount and recovery of costs. An update will be provided to the next Committee and the projection adjusted accordingly.

Utilities

Utilities budget for 2015/16 is £1,420,200 (Electricity £756,000 and Gas £664,200)

Latest projection is an underspend of £230,000 – underspend of £60,000 for Electricity and underspend of £170,000 for Gas. The projected underspend for electricity is partly due to the operation of the Inverclyde Academy wind turbine reducing consumption by approximately 12% compared to the budgeted consumption. The projected underspend for gas is in line with the out turn for the previous year and is dependent on similar winter weather for this year.

A Corporate review of Utilities budgets will be undertaken and an update provided to the next Committee.

Non Domestic Rates (NDR)

The budget for Non Domestic Rates (NDR) is £3,246,290 and the latest projection is an underspend of £17,000. The majority of the underspend relates to empty relief for St John's Primary School during refurbishment.

IT Charges

The 2015/16 budget for IT Charges is £190,670 and the latest projection is an overspend of £12,000. This budget is used to fund the cost of internet data lines to schools and charges from Education Scotland for desktop PC software licences. The projected out turn is in line with the previous year's expenditure.

P1-P3 Free School Meals Funding

Free School Meals for all P1 to P3 pupils was introduced in January 2015 with all costs being fully funded by the Scottish Government. Total funding for 2015/16 is £703,000. Following the allocation of amounts to fund the increased number of meals being provided and the loss of school meals income, there was a balance of £185,000 remaining. The majority of this funding will be used to implement cashless catering in seventeen Primary Schools that do not currently have this function. The latest projection anticipates that this work can be completed for £118,000. The remaining budget of £67,000, subject to a report to the Policy & Resources Committee, will be used to create a Modernisation Earmarked Reserve at the end of 2015/16.

Children & Young People (Scotland) Act 2014 Resources

A budget of £345,000 is available for resources required for the implementation of 600 hours free nursery provision required by the Children & Young People (Scotland) Act 2014. A report to the Education & Communities Committee in May 2015 highlighted the use of £150,000 of funding for one-off Legislative Training expenditure and unallocated funding of £50,000 for 2015/16. Since then, £11,000 has been used to fund additional cleaning required at nurseries as a result of the increase in children numbers. The remaining £39,000 has been unallocated to the new St John's Nursery for the purchase of equipment and resources. It should be noted that this £200,000 allocated to non-recurring expenditure has been removed as a budget saving from 2016/17.

School Meal Income

The total budget for School Meal Income is £831,860 and the latest projection is an over recovery of income of £65,000. The projected income for 2015/16 is £157,000 less than the out turn for 2014/15 due to the full year impact of lost income due to all P1 to P3 children receiving free school meals. The reduction in income is fully funded by the Scottish Government.

Appendices 2 and 3 provide more details on the projected variances.

7.0 EARMARKED RESERVES

7.1 Earmarked Reserves excluding those for Asset Plans and Strategic Funds total £2,465,000, of which £1,911,000 is projected to be spent in 2015/16. Spend to date at the end of Period 3 is £21,000 or 1.1% of the projected spend for this Financial Year. Spend to date per profiling was expected to be £21,000 so there is no slippage to report. Appendix 4 provides more details of the individual Earmarked Reserves.

8.0 VIREMENTS

8.1 The £50,000 virement shown in Appendix 1 of this report is a movement between the Communities and Education sections of this Committee. The virement was approved by Inverclyde Council on 29 January 2015 as part of the funding package for The Beacon.

9.0 IMPLICATIONS

9.1 Finance

All financial implications are discussed in detail within the report above.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend This Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs / (Savings)

Cost Centre	Budget Heading	Budget Years	Proposed Spend This Report £000	Virement From	Other Comments
N/A					

9.2 Legal

There are no specific legal implications arising from this report

9.3 Human Resources

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

9.4 Equalities

There are no equalities issues with this report.

9.5 Repopulation

There are no repopulation issues with this report.

10.0 CONSULTATION

10.1 The paper has been jointly prepared by the Chief Financial Officer; the Corporate Director Health & Social Care Partnership and the Corporate Director Environment, Regeneration & Resources.

11.0 BACKGROUND PAPERS

11.1 There are no background papers for this report.

Education Budget Movement - 2015/16**Period 3: 1st April - 30th June 2015**

Service	Approved Budget	Movements			Revised Budget	
	2015/16 £000	Inflation £000	Virement £000	Supplementary Budgets £000	Transferred to EMR £000	2015/16 £000
Corporate Director	137					137
Education	69,776		50	988	(7,349)	63,465
Inclusive Education	9,569			107		9,676
Safer & Inclusive Communities	1,842			(1)		1,841
Totals	81,324	0	50	1,094	(7,349)	75,119

Supplementary Budget Detail

£000

External ResourcesRaising Attainment Funding
1+2 Language Grant591
104Internal ResourcesInternal Transport Re-allocation
Teachers Pension Funding(1)
400Savings/Reductions

1,094

EDUCATION**REVENUE BUDGET MONITORING REPORT****MATERIAL VARIANCES****PERIOD 3 : 1st April 2015 - 30th June 2015**

<u>Out Turn</u> <u>2014/15</u> <u>£000</u>	<u>Budget</u> <u>Heading</u>	<u>Budget</u> <u>2015/16</u> <u>£000</u>	<u>Proportion</u> <u>of Budget</u>	<u>Actual to</u> <u>30-Jun-15</u> <u>£000</u>	<u>Projection</u> <u>2015/16</u> <u>£000</u>	<u>(Under)/Over</u> <u>Budget</u> <u>£000</u>	<u>Percentage</u> <u>Over / (Under)</u>
36,506	Employee Costs - Teachers	36,694	8,954	8,978	36,935	241	0.7%
14,728	Employee Costs - Non Teachers	15,901	3,909	3,791	15,655	(246)	(1.5%)
3,148	Non Domestic Rates	3,246	3,246	3,233	3,229	(17)	(0.5%)
372	Water	247	62	39	316	69	27.9%
702	Electricity	756	143	0	696	(60)	(7.9%)
546	Gas	664	131	89	494	(170)	(25.6%)
199	IT Charges	191	48	102	203	12	6.3%
(1,054)	School Meal Income	(832)	(169)	(134)	(897)	(65)	7.8%
Total Material Variances						(236)	

EDUCATION**REVENUE BUDGET MONITORING REPORT****CURRENT POSITION****PERIOD 3 : 1st April 2015 - 30th June 2015**

2014/15 Actual £000	Subjective Heading	Approved Budget 2015/16 £000	Revised Budget 2015/16 £000	Projected Out-turn 2015/16 £000	Projected Over/(Under) Spend £000	Percentage Over/(Under)
36,506	Employee Costs - Teachers	35,825	36,694	36,935	241	0.7%
14,728	Employee Costs - Non Teachers	15,424	15,901	15,655	(246)	(1.5%)
13,707	Property Costs	7,602	7,602	7,424	(178)	(2.3%)
3,678	Supplies & Services	3,865	3,845	3,860	15	0.4%
2,615	Transport Costs	2,384	2,395	2,395	0	-
416	Administration Costs	442	440	440	0	-
3,726	Other Expenditure	18,138	18,250	18,247	(3)	(0.0%)
(3,189)	Income	(2,356)	(2,659)	(2,724)	(65)	2.4%
72,187	TOTAL NET EXPENDITURE	81,324	82,468	82,232	(236)	(0.3%)
	Earmarked Reserves	0	(2,621)	(2,621)	0	
	Loan Charges / DMR	0	(4,728)	(4,728)	0	
	TOTAL NET EXPENDITURE excluding Earmarked Reserves	81,324	75,119	74,883	(236)	

2014/15 Actual £000	Objective Heading	Approved Budget 2015/16 £000	Revised Budget 2015/16 £000	Projected Out-turn 2015/16 £000	Projected Over/(Under) Spend £000	Percentage Over/(Under)
146	Corporate Director	137	137	129	(8)	(5.8%)
53,950	Education	55,204	56,242	56,050	(192)	(0.3%)
6,886	School Estate Management Plan	14,572	14,572	14,572	0	-
60,836	TOTAL EDUCATION SERVICES	69,776	70,814	70,622	(192)	(0.3%)
8,040	ASN	8,185	8,243	8,243	0	-
1,413	Other Inclusive Education	1,384	1,433	1,409	(24)	(1.7%)
9,453	TOTAL INCLUSIVE EDUCATION	9,569	9,676	9,652	(24)	(0.2%)
1,573	Community Learning & Development	1,612	1,610	1,599	(11)	(0.7%)
179	Other Safer & Inclusive	230	231	230	(1)	(0.4%)
1,752	TOTAL SAFER & INCLUSIVE	1,842	1,841	1,829	(12)	(0.7%)
72,187	TOTAL EDUCATION COMMITTEE	81,324	82,468	82,232	(236)	(0.3%)
	Earmarked Reserves	0	(2,621)	(2,621)	0	

EARMARKED RESERVES POSITION STATEMENT

COMMITTEE: Education & Lifelong Learning

<u>Project</u>	<u>Lead Officer/ Responsible Manager</u>	<u>Total Funding 2015/16</u>	<u>Phased Budget To Period 3 2015/16</u>	<u>Actual To Period 3 2015/16</u>	<u>Projected Spend 2015/16</u>	<u>Amount to be Earmarked for 2016/17 & Beyond</u>	<u>Lead Officer Update</u>
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	
Creative Scotland Match Funding	Angela Edwards	200	0	0	100	100	Year 2 of 3 funding for The Beacon Place Partnership match funding. First £50k for 2015/16 will be paid in P4.
Beacon Contract and Core Funding	Angela Edwards	1,950	0	0	1,675	275	Funding agreed by Inverclyde Council in January 2015. Expected that the majority of the payment will be made in Period 7.
Funding for I Youth Zone Port Glasgow & Gourock	John Arthur	271	7	8	92	179	Port Glasgow I-Youth Zone is fully operational and Gourock I-Youth Zone will open later in 2015. YTD costs are staff costs for the Port Glasgow facility
Early Years Change Fund	Angela Edwards	34	14	13	34	0	Will fund Early Years Collaborative Programme Manager for until November 2015. After this date the post will be funded until March 2016 by CYPB.
Beacon Arts Development Post Funding	Angela Edwards	10	0	0	10	0	Funding for final year of Arts Development post.
Total		2,465	21	21	1,911	554	