



EDUCATION FOR LIFE SCRUTINY COMMITTEE - 8TH JANUARY 2019

SUBJECT: BUDGET MONITORING 2018/19

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION & CORPORATE SERVICES

1. PURPOSE OF REPORT

- 1.1 To outline the projected 2018-19 outturn position for the Directorate of Education and Lifelong Learning (LL), based on the most recent information available.

2. SUMMARY

- 2.1 The report identifies projected under / overspends currently forecast for 2018-19 (full details attached in Appendix 1), together with an update with regards to any issues relating to the progress of the 2018/19 savings targets.

3. LINKS TO STRATEGY

- 3.1 The report considers the use of resources within the Directorate to ensure that key strategies are achieved.
- 3.2 Effective financial planning and financial controls contribute to the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015. In particular as follows:

A healthier Wales, supporting vulnerable learners can improve their well-being and educational achievement.

A more equal Wales, a society that enables people to fulfil their potential no matter what their background is; and

A Wales of cohesive communities, improving quality of life with attractive, viable, safe and well connected communities.

4. THE REPORT

- 4.1 The report deals with the budget monitoring information for Education and Lifelong Learning (LL). The revenue position for the Directorate is summarised in Appendix 1, with a breakdown for the 3 service areas of Planning & Strategy; Learning, Education and Inclusion (LEI); and LL respectively.
- 4.2 The projected outturn position is based on actual income and expenditure details to the end of October 2018, together with data used to forecast income and expenditure. Account is also taken of the outturn position for 2017-18 and information available following discussions with Managers.

4.3 A net overspend of £813k is currently forecast, details with regards to each of the service areas are outlined below. To advise, £518k relates to the in year variance position and £295k relates to the projected deficit on closure of Cwmcarn High School.

4.4 Members are advised that the projected outturn position for Corporate Services is an underspend of £1.091m, consequently overall the projected outturn position for Education and Corporate Services (excluding the Cwmcarn High position which will be treated separately) is an underspend of £573k. The details with regards to the Corporate Services position will be reported to Policy & Resources Committee in January 2019.

4.5 **Planning & Strategy (Including Home to School Transport) – (Overspend £530k)**

4.5.1 The main variances in this service area relate to the following:

	£'000 (Under / (Over))
<i>Cwmcarn High School (On-Closure)</i>	(295)
Relief Supply Cover (SRB's & Maternity)	(221)
Retirement / Severance School Based Staff	(53)
Rationalisation / Vacant Properties	(39)
Management & Support Service Costs	68
Net Other	10

Total	(530)
-------	-------

4.5.2 In February 2018, as part of the 2018/19 budget process, Members will recall that agreement was made to set aside £1.4m from the General Fund to meet the then projected deficit on closure of Cwmcarn High School. This projected deficit position is now updated to a figure of £1.7m. Since the financial position is not concluded (low value invoices are still being received), a final update on the deficit at closure will be included as part of the outturn report for 2018/19. The variance of £295k represents an additional cost in excess of the £1.4m. Consequently an update will be provided to Cabinet which will include funding options. The options could include the following:

- General Fund Reserves
- Education & Lifelong Learning (General) Reserves
- LMS Contingency Reserves

4.5.3 Due to the unpredictability of sickness in our Special Resource Bases and maternity absences across all school sectors, the relief supply cover spend on school based staff is always very closely monitored. Whilst it is very difficult to be able to forecast an outturn position, current data identifies an increase in maternity absences in our schools and previous trends suggest there will be an increased sickness pressure in the winter months. Monitoring is on-going due to the volatility and uncertain nature of the spend. The level of projected overspend has increased by circa £100k since the previous update, however due to the uncertain nature of this spend the budget position could improve or deteriorate further by the end of the financial year. This projected in year overspend has already been reduced on the assumption that the Directorate will need to access funding of £39k in balances (Relief Supply Equalisation Account – this is the full balance currently held in balances for this purpose).

4.5.4 The projected overspend of circa £53k, on the early retirement pension costs budget for school based staff, is impacted by staff losses resulting from the closure of Cwmcarn High School. In addition there are £39k of costs linked to the rationalisation of the Oakdale, Pontllanfraith and Cwmcarn sites, these are unavoidable costs linked primarily to short term security of the Pontllanfraith and Cwmcarn sites.

- 4.5.5 The underspend in relation to Management & Support costs relates predominantly to in year savings on staff costs. This variance is due largely to in year vacancies that are not on-going as posts are linked to delivering support through SLA Agreements with our Schools.
- 4.5.6 Members will recall that in September we reported a potential budget pressure (circa £18k) relating to the Home to School College Transport Budget. As Members are aware this area of the service is managed by the Engineering Division (with any variances ring fenced to Education). The update is currently a breakeven position.
- 4.5.7 In summary the net projected variance for Planning & Strategy is an overspend of £530k, this includes £295k relating to the closure of Cwmcarn High.

4.6 Learning, Education & Inclusion – (Overspend £571k)

- 4.6.1 The most significant variances within LEI are as follows:

	£'000 (Under / (Over))
Psychological Service	38
14 – 19 Initiative Transport	24
EOTAS / Adn. Support / Out of County	(879)
Early Years – Rising 3's	75
Early Years Central Team	94
Support Services & Resources	49
Music Service	(30)
Education Achievement Contract	28
Education Improvement Grant (Match)	27
Net Other	3
<hr/>	
Total	(571)

- 4.6.2 The underspend in the Psychological Service is linked to in year staff savings. This is largely attributable to delays in recruitment due to a shortage of appropriately qualified staff.
- 4.6.3 The projected underspend on 14-19 transport (which allows pupils wider course access between Schools), is a trend that continues into 2018-19. This spend will continue to be monitored and is part of the Directorates savings proposals moving forwards.
- 4.6.4 The significant cost pressure within the Directorate continues to be in relation to the EOTAS (Education Other Than at School) provision. The provision accommodates learners who are unable to attend and learn in a mainstream school setting. In reviewing the continuum of additional support provided to pupils, our alternative EOTAS provision and Out of County Placements, the projected overspend against this budget heading is currently estimated at £879k (this is an increase of £49k on the previously reported projection). A review of demand, costs and structures is on-going. In recent years, savings in other areas of the Directorate have contributed towards funding this pressure, with the Directorate underspending as a whole. Based on projections for 2018/19 this will not be possible in the current financial year and going forwards. This pressure has been recognised in the Budget Proposals 2019/20 for the Authority.
- 4.6.5 The spend on Early Years – Rising 3's is very much demand led, as it is driven by the number of age 3 pupils who access nursery provision in the term following their 3rd birthday. This can vary from year to year, with spend based on the birth rate and parental choice with regards to accessing this “early” provision. Current projections do not indicate a significant increase in uptake, consequently based on recent trends the current projection is a saving of £75k. The Budget proposals 2019/20 include a budget reduction of £50k based on realignment to trend.

- 4.6.6 The projected underspend against the Early Years Central Team is consistent with the position in 2017/18 and is largely due to successfully accessing grant funding to contribute towards supporting specific posts within the Team. This update is an improved position and again a £20k budget reduction is part of the Proposals for 2019/20.
- 4.6.7 The variance against Support Services & Resources relates predominantly to in year vacancy gaps. The position in the Music Service relates to a mix of additional expenditure and reduced income to the original predication.
- 4.6.8 In 2018-19, the charge on the main contract with the Education Achievement Service is less than current budget provision. Similarly the budget for the Authority's match funding requirement against the Education Achievement Grant is greater than required. These variances are part of savings proposals for future years.
- 4.6.9 In summary, the net projected variance for Learning, Education & Inclusion is an overspend of £571k. Overall this is a marginal variance to the £586k reported in September.

4.7 Life Long Learning – (Underspend £288k)

- 4.7.1 In 2018-19 the main budget variances are as follows:

	£'000 (Under / (Over))
Community Education (Adult & Youth)	107
Library Service	181
Net Other	Nil
<hr/>	
Total	288

- 4.7.2 The projected underspend within Community Education is a mix of both the Adult Education and Youth Services. In adult education an underspend of £41k is attributable to a vacant management post following a retirement and a further in year vacancy gap. The Youth service underspend of circa £65k relates largely to in year gaps in the part time youth service. These vacancies form part of the MTFP budget proposals in 2019/20.
- 4.7.3 The Libraries variance relates primarily to a one off rebate for NNDR (National Non Domestic Rate) charges of £130k. This refund relates to 4 libraries covering financial year 2010/11 through to 2017/18. A further projected net saving of £51k relates largely to in year vacancies and supply cover arrangements.

4.8 Progress Made Against the 2018/19 Revenue Budget Savings Targets

- 4.8.1 The 2018/19 revenue budget settlement for Education and Lifelong Learning included a specific savings target of £1,221k. Managers have progressed implementation of the targets set and there are currently no significant issues causing concern. The impact has been referenced in the narrative of this report and the projected outturn position for 2018-19.
- 4.8.2 Members will be aware that the revenue budget of £333k for Maintenance of School Buildings (50/50 Funding with Schools) formed part of the £1,221k savings target for 2018-19. In 2018-19, the Authority has continued to support building maintenance projects on a 50/50 basis with our Schools by accessing funds from LMS Contingency balances. The details of planned expenditure are contained in the Education Capital Report 2018/19, which went to Education for Life Scrutiny on 26th February 2018.

5. WELL-BEING OF FUTURE GENERATIONS

- 5.1 Effective financial management is a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.

6. EQUALITIES IMPLICATIONS

- 6.1 Equality Impact Assessments (EIA's) have been completed for all the savings proposals in 2018/19 that are anticipated to have a public impact.

7. FINANCIAL IMPLICATIONS

- 7.1 In summary, based on information currently available there is a projected revenue overspend for Education & Lifelong Learning of £813k. This includes £295k linked directly to the deficit on closure of Cwmcarn High School. The net balance is £518k is significantly impacted by the current spend position on our most vulnerable learners and this has been recognised in the Budget Proposals for 2019/20.
- 7.2 In 2018/19 there are a number of one off savings which have assisted with regards to reducing the projected overspend position, most notably an NNDR net refund of £130k within the Library Service. In addition current projections assume that circa £39k is utilised from an earmarked equalisation account. However it's important to be clear that the pressures relating to Relief Supply & Maternity costs is not linked to a mismatch with regards to the number of school days that fall in the 2018/19 financial year.
- 7.3 Overall the current projected outturn position for Education & Corporate Services is an underspend of £573k.

8. PERSONNEL IMPLICATIONS

- 8.1 In 2018-19 the Directorate will continue with the strategy of prudent vacancy management.
- 8.2 The budget proposals include provision to pay the living wage, as agreed by Council.
- 8.3 In striving to achieve these budget proposals the service area will have regard to the Council's Workforce Flexibilities Policies. However, should employees still be placed at risk, either through the achievement of any agreed budget savings or grant funding reductions, they will be supported via the Council's agreed HR policies to address any issues.

9. CONSULTATIONS

- 9.1 There are no consultation responses that have not been reflected in this report.

10. RECOMMENDATIONS

- 10.1 Members are requested to note the contents of this report and the detailed budget monitoring information contained in Appendix 1.

11. REASONS FOR THE RECOMMENDATIONS

- 11.1 The Council Budget is based on the achievement of both expenditure and income targets. In order to ensure that these are met and the Council's financial integrity maintained Directors are required to review income and expenditure trends.

12. STATUTORY POWER

12.1 Local Government Act 1972.

- Author: Jane Southcombe, Finance Manager (Education, Lifelong Learning & Schools)
E-mail: southj@caerphilly.gov.uk
- Consultees: Richard Edmunds, Corporate Director for Education & Corporate Services
Keri Cole, Chief Education Officer
Sue Richards, Head of Education Planning & Strategy
Sarah Ellis, Lead for Inclusion & ALN
Sarah Mutch, Early Years Manager
Paul Warren, Strategic Lead for School Improvement
Councillor Philippa Marsden, Cabinet Member for Education and Achievement
Nicole Scammell, Head of Corporate Finance & Section 151
Steve Harris, Interim Head of Business Improvement Services, Corporate Services
Robert Tranter, Head of Legal Services & Monitoring Officer
Councillor Barbara Jones, Deputy Leader and Cabinet Member for Finance, Performance and Governance
Mike Eedy, Finance Manager (Environment Directorate)
Anwen Cullinane, Senior Policy Officer (Equalities & Welsh Language)
Julie Baker, Principal Finance Officer (Schools)
Mike Lewis, Principal Accountant Education
Lynne Donovan, Head of People Services
Dave Roberts, Principal Group Accountant (Financial Advice & Support)
- Appendices:
Appendix 1: Projected Revenue Outturn Figures 2018-19