



CHILDREN, YOUNG PEOPLE & EDUCATION COMMITTEE

Thursday, 11 March 2021

REPORT TITLE:	CAPITAL AND REVENUE BUDGET MONITORING QUARTER 3 (APRIL- DECEMBER 2020)
REPORT OF:	DIRECTOR OF CHILDRENS SERVICES

REPORT SUMMARY

This report sets out the financial monitoring information for the Children, Young People & Education Committee. The report provides Members with an overview of budget performance for the area of activity which falls under the remit of the Committee. The financial information details the projected year-end revenue position, as reported at quarter 3 (Apr-Dec) 2020/21.

RECOMMENDATION/S

The Children, Young People & Education Committee are requested to note the projected year-end revenue forecast position of £0.433m favourable and the capital position of £1.89m favourable, as reported at quarter 3 (Apr-Dec) of 2020-21.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Regular monitoring and reporting of the Revenue and Capital Budgets, savings achievements, and Medium-Term Financial Strategy (MTFS) position enables decisions to be taken faster, which may produce revenue benefits and will improve financial control of Wirral Council.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options have been considered.

3.0 BACKGROUND INFORMATION

- 3.1 The overall financial forecast for Children, Families and Education shows a full year favourable position of £0.433m. This is a significant change to the forecast position at quarter 2 (Adverse £2.058m). As at quarter 2, national assumptions for the additional demand for Children's Social Care were noted, and Wirral's forecast reflected that, however, the demand has not materialised at this high rate, and therefore the forecast has been reduced by £0.771m. In addition to this, the increased costs associated with children requiring transport, to ensure social distancing is maintained, has been fully funded by COVID-19 grants, which has reduced the core pressure previously presented by £0.976m. The remainder of the improved position has been through expense slippage because of delayed implementation of various contracts for Modernisation and Early Help and Prevention services, as services have been diverted to the Covid-19 response.
- 3.2 The service continues to manage the high placement costs but have an adverse forecast variance at quarter 3 of £0.6m for Looked After Children's Placements and allowances. This is offset by favourable variances in Early Help and Prevention and Modernisation and Support of £0.384m and £0.425m due to staff being budgeted for higher costs and some projects and contracts being delayed due to the current government restrictions. The use of £0.275m reserves to fund project and salary costs also contribute to the position.
- 3.3 It should be noted that the Children's, Families and Education directorate also monitor the Schools budgets on behalf of the Council, however, these budgets are delegated to schools, who retain control of the expenditure. This has previously been reported as part of the Directorate, but as the scale of the grant (£173.96m) is significant on both the Non-pay and reserves position, it has been segregated from this reporting to improve transparency.

TABLE 1 2020/21 Children, Families and Education – Service Budget & Forecast

	Budget	Forecast	Variance (+ Fav, - Adv)	Adv/Fav
	£000	£000	£000	%

Children and Families	48,496	49,172	(676)	-1%	Adverse
Early Help and Prevention	11,772	11,388	384	3%	Favourable
Modernisation and Support	5,032	4,606	425	8%	Favourable
Schools - Core	11,545	11,520	24	0%	
Directorate Surplus / (Deficit)	76,844	76,686	157	0%	Favourable
Support / Admin Building Overhead	7,238	7,238	0	0%	
Movement on Reserves	0	(275)	275	0%	
Total Surplus / (Deficit)	84,082	83,649	433	1%	Favourable

- 3.4 **Children and Families:** Adverse variance of £0.676m consisting of £0.905m pressure on placements particularly on residential and semi-residential placements. This is mainly due to new, high-cost placements and extensions of other placements with time limited funding and rate increases. Placement costs are closely monitored monthly with work ongoing to address the highest cost placements, by driving the costs down to a more sustainable level. This is offset by a £0.373m forecast favourable variance on staffing due to vacancies and to allow for staff who are not at the top of their pay scales.

Placements and allowances also have a contingency for a 5% increase in demand due to Covid-19 amounting to £0.3m (for the remaining 3 months January to March). Also £0.17m adverse variance on Allowances and Inter Agency Adoption fees. The allowances are addressed monthly to make sure the payments are not excessive and are sustainable on a longer-term basis.

- 3.5 **Early help & Prevention:** Favourable variance forecast of £0.384m. This surplus is mostly due to staff not at the top of their pay scales, on maternity leave and not paying into the pension scheme. There was also a delay in the implementation of the PAUSE program until November 2020. This surplus forecast would have been more favourable, but for demand pressures in Emergency Duty Team meaning additional staffing costs and Agency staff covering vacancies and other duties. A new Emergency Duty Team staffing model, which has the aim of reducing costs, was to be implemented in April 2020 but has been delayed until January 2021.
- 3.6 **Modernisation and Support:** The full-year favourable forecast variance of £0.425m is due to staff not at the top of their pay scales, maternity leave and staff not paying into pension scheme across the department. A saving proposal of £0.102m has been included within the 2021/22 budget which will reduce the staff budget accordingly. There are also several contracts to modernise services that will not be fully utilised this year due to timing delays in setting up contracts due to Covid-19 impact on the service.
- 3.7 **Schools – core:** The full-year position for 2020-21 is forecast to be balanced as it is expected that services will be delivered within a small favourable variance on

Education Psychologist and Special Educational Needs (SEN) Assessment due to staffing vacancies. In Quarter two, it was expected that there would be increased costs associated with children requiring transport, to ensure social distancing is maintained, which has been fully funded by COVID-19 grants, which has therefore reduced the core pressure previously presented by £0.976m. Since quarter 2, two services have moved from the Resources Directorate to Schools Core, these are Kingsway PFI scheme and “Step Up to Social Work”.

TABLE 2 2020/21 Children, Families and Education – Subjective Budget & Forecast

	Budget	Forecast	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Income	(17,910)	(19,956)	2,046	11%	Favourable
Expenditure					
Employee	39,323	38,522	801	2%	Favourable
Non Pay	30,542	32,569	(2,027)	-7%	Adverse
Cost of Care	24,888	25,551	(663)	-3%	Adverse
Total Expenditure	94,754	96,642	(1,889)	-2%	Adverse
Directorate Surplus / (Deficit)	76,844	76,686	157	0%	Favourable
Support / Admin Building Overhead	7,238	7,238	0	0%	
Movement on Reserves	0	(275)	275	0%	
Total Surplus / (Deficit)	84,082	83,649	433	1%	Favourable

- 3.8 **Income:** Favourable forecast variance of £2.046m. Children's services have received grant during the year that were not included in the base budget as they were contingent on expenditure activity in the financial year, this favourable income variance is off set by the expenditure incurred and has no impact on the bottom-line position. Income on Children and Families (£1.396m) is forecast to overachieve mainly due to holding no budget for Adoption Support Fund against in-year activity (£0.482m), Unaccompanied Asylum-Seeking Children grant income (£0.194m), additional grant income (£0.324m), which mostly relates to Early Help and Prevention grants from the National Lottery, funding voluntary organisations, Community Coaches, additional Troubled Families projects and Holiday Activities and Food Programme grant. Schools core is forecast to overachieve on income (£0.189m) due to the receipt of additional grants in the year which were not originally expected.
- 3.9 **Employees:** Favourable forecast variance of £0.801m. There are surpluses in all areas due to vacancies, staff not at the top of their pay scales although the budget is set assuming that this is the case, maternity leave and staff not paying into the pension scheme reducing the Council's contribution to the pension scheme.
- 3.10 **Non pay:** Adverse forecast variance of £2.027m. Children and Families have incurred expenditure for grant funded activities that is offset by grant income of £1.8m. This adverse position is due in the main to the expense incurred from the £0.483m from Adoption Support Fund (netted off with Income) and Step up to Social Work £0.720m (grant funded). There is £0.324m of Non pay expenditure being

funded through grants reported in income and a £0.125m pressure on Inter Agency Adoption fees.

- 3.11 **Cost of Care:** Cost of care illustrates a forecast adverse variance of £0.663m. This is due to new high cost and extended existing placements, as well as allowances and on Unaccompanied Asylum-Seeking Children (offset by grant in income line).
- 3.12 **Reserves:** Reserves show a forecast variance of £0.275m. A £0.203m call on reserves is predicted to fund a Capacity Project, encompassing a complete overhaul of the early help branding, language, partner engagement, communications, digital platforms (website and apps development), online self-assessment for early help and reflection tool for own early help plan. There is also an expectation that £0.071m from schools' core will be required as a reserve release to meet unbudgeted pay costs of £0.094m, which is offset by a movement to reserves for as yet unutilised grant income of £0.023m.

TABLE 3 2020/21 Children, Families and Education – Dedicated Schools Grant (DSG)

	Budget	Forecast	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Schools Block	108,739	108,739	0	0%	
Schools de-delegated	1,744	1,734	10	1%	Favourable
Central School Costs	2,139	2,129	10	0%	Favourable
High Needs	40,116	42,062	(1,946)	-5%	Adverse
Early Years	21,208	21,179	29	0%	
Directorate Surplus / (Deficit)	173,946	175,843	(1,896)	-1%	Adverse
DSG Grant Income	(174,590)	(174,423)	(167)	0%	
Movement on DSG Reserves	644	(1,419)	2,063	320%	
Total Surplus / (Deficit)	0	0	0	0%	

- 3.13 **Schools Block** - expenditure is forecast to be in line with budget. Any variances against schools' DSG allocations are off set with the school's own balances and not the general DSG reserve. Thus, financial pressures facing schools e.g., excess COVID costs are not reflected in the DSG financial statement but rather in the movement of the overall school balances. The cumulative schools reserve brought forward were £7.9m and it is expected that these will reduce by £0.8m to £7.1m by the end of the financial year.
- 3.14 **De-delegated funds** are a deduction from a school's budget share and are held centrally to fund relevant services. No significant variances are expected for 2020-21

- 3.15 **Central Schools Costs** relate to central functions carried out on behalf of maintained schools and academies e.g., School Admissions. No significant variances are expected for 2020-21.
- 3.16 **High Needs Block** – there are significant pressures on High Needs services mainly due to increases in demand and complexity. The demand for Independent School Places is forecast to overspend by £0.9m, Top-Ups to school place funding is forecast to overspend by £0.6m and additional support for resourced provision is expected to overspend by £0.4m.
- 3.17 The **Early Years** budget is used to provide Early Education to those 2 yrs. old and 3/4-year-old children who are entitled to receive it free of charge. Local authorities have been required to maintain funding to providers at pre-COVID levels and it is expected that this will be reflected in the funding from Education and Skills Funding Agency (ESFA), although the final grant allocation will not be confirmed until summer 2021.
- 3.18 **DSG income:** The 2020/21 budget includes an estimate for unpaid Early Years grant from the previous financial year. The actual grant received was £167k less than expected and this has generated a shortfall of income against budget for 2020-21.
- 3.19 **DSG reserves:** When the 2020/21 budget was set it was expected that there would be excess funding in the High Needs Block of £0.644m and this was to be transferred into the cumulative DSG reserve at the end of the financial year. Net costs for the financial year are currently forecast to be £1.4m greater than budget thus the year-end reserves position will reflect a usage of the DSG reserve rather than a contribution to reserve. The additional costs are mainly due to pressures in the High Needs Block.
- 3.20 The DSG reserve at the beginning of the financial year held a deficit balance of £1.3m and this is forecast to rise to a £2.7m cumulative deficit by the end of the financial year due to the £1.4m in-year forecast draw-down. In line with DfE requirements, Council officers are currently developing a DSG management plan that aims to bring expenditure back in line with funding by year 3 and to recover the deficit by year 5.
- 3.21 **Capital Budget**

Table 4: Capital Budget and Forecast Position

Programme	Approved Budget £m	Forecast £m	Variance £m	Variance %
Children, Families & Education	5.5	3.61	-1.89	-34%

- 3.22 Table 4 provides an update on the 2020/21 capital Programme. Several variations have arisen since the programme was agreed in March 2020. The School Condition Allocation [SCA] programme has slipped due to the COVID-19 pandemic which resulted in the Construction Industry and Supply Chain shutting down. Construction

material production also ceased, and several Asset Management staff resource were seconded to tackle the COVID-19 issues which took priority across the Authority. When the Government announced a relaxing of the restrictions the Construction Industry and Supply Chain commenced the lack of materials produced had a knock-on effect on the Construction industry and the programmed planned works and therefore, the SCA capital programme is 9 months behind programme. An accelerated programme is being drawn up for 2021-22 to catch up with this works not completed in 2020/21 and this will be added to the planned programme for 2021-22.

4.0 FINANCIAL IMPLICATIONS

- 4.1 This is the revenue budget monitoring report that provides information on the forecast outturn for the Children, Young People & Education Directorate 2020/21. The Council has robust methods for reporting and forecasting budgets in place and alongside formal Quarterly reporting to the Policy & Resources Committee, the financial position is routinely reported at Directorate Management Team meetings and corporately at the Strategic Leadership Team (SLT). In the event of any early warning highlighting pressures and potential overspends, the SLT take collective responsibility to identify solutions to resolve these to ensure a balanced budget can be reported at the end of the year.

5.0 LEGAL IMPLICATIONS

- 5.1 The provisions of section 25, Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the chief finance (s.151) officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. This is in addition to the personal duty on the Chief Finance (Section 151) Officer to make a report, if it appears to them that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 There are no implications arising directly from this report.

7.0 RELEVANT RISKS

- 7.1 The possible failure to deliver the Revenue and Capital Budget is being mitigated by:
1. Senior Leadership / Directorate Teams regularly reviewing the financial position.
 2. Availability of General Fund Balances.
 3. Review of existing services and service provision.
 4. Capitalisation directive.
 5. Capital review and monitoring of the programme by the Capital and Asset Group

8.0 ENGAGEMENT/CONSULTATION

- 8.1 The priorities in the Council Plan 2025 were informed by stakeholder engagement carried out in 2019.

9.0 EQUALITY IMPLICATIONS

- 9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision, or activity.
- 9.2 There are no equality implications arising specifically from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 The Wirral Plan 2025 includes a set of goals and objectives to create a sustainable environment which urgently tackles the environment emergency. These are based on developing and delivering plans that improve the environment for Wirral residents. The performance report will include information on key areas where environment and climate related outcomes are delivered.
- 10.2 No direct implications. The content and/or recommendations contained within this report are expected to have no impact on emissions of Greenhouse Gases.

REPORT AUTHOR: **Steven Prytherch**
(Senior Finance Business Partner)
telephone:
email: stevenprytherch@wirral.gov.uk

APPENDICES

none

BACKGROUND PAPERS

- 2020/21 Revenue Budget Monitor for Quarter Three (Apr - Dec)
- Revenue Budget 2020/21 and Medium-Term Financial Plan (2021/22 to 2024/25)

SUBJECT HISTORY (last 3 years)

Council Meeting	Date