



CHILDREN, YOUNG PEOPLE & EDUCATION COMMITTEE

Tuesday, 15 June 2021

REPORT TITLE:	CAPITAL AND REVENUE BUDGET MONITORING QUARTER 4 (APRIL - MARCH 2021)
REPORT OF:	DIRECTOR FOR CHILDREN, FAMILIES AND EDUCATION

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 4 (April-March) 2020/21.

RECOMMENDATION/S

The Children, Young People & Education Committee are requested to note the projected year-end revenue forecast position of £1.476m favourable and the capital position of £2.8m favourable, as reported at quarter 4 (April-March) of 2020-21.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Regular monitoring and reporting of the Revenue 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 Other reporting frequencies could be considered, but quarterly reporting is standard practice.

3.0 BACKGROUND INFORMATION

- 3.1 The overall financial forecast of Children, Families and Education shows a full year favourable position of £1.476m. This is a positive change to the forecast position at quarter 3, December 2020 (favourable £0.433m). There are several reasons for this as set out below.
- 3.2 There were a number of one-off implications of Covid actions and funding in 2020/21 which have impacted on the service and financial outturn in a positive way. Grants have been provided outside of the council's budget for crisis management and providing food during school holidays and during school's closures. The humanitarian service has been funding community services that have benefited the families that would normally use many of the service that are provided by Children Services. Also due to the Covid-19 response and the other council initiatives the service has seen a decrease in some budgets that are normally significantly overspent in previous years. An example of this is the children in need budgets which often go to help families in significant poverty by providing food and other essentials. This cost has been picked up by Covid-19 spend from winter pressures and the various tranches of covid grant throughout the year. This saving is not repeatable.
- 3.3 An increase in universal credit of £20 per week reduces some of the pressure on family incomes and therefore it is suspected that a reduction in family breakdowns/family poverty has impacted favourably on the demand for the service. As at quarter 3, 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. Early indication suggest that demand was only deferred, and a rise is expected still in 2021/22
- 3.4 The service continues to manage the high placement costs but have a favourable forecast variance at quarter 4 of £0.775m for Looked After Children's Placements and allowances. Also there are favourable variances in Early Help and Prevention and Modernisation and Support of £0.929m and £0.529m due to staff being budgeted for higher costs and some projects and contracts being delayed due to the

current government restrictions. The use of £0.721m reserves to fund project and salary costs also contribute to the position.

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

	Budget	Outturn	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Children and Families	48,490	47,715	775	1%	Favourable
Early Help and Prevention	11,770	10,840	929	8%	Favourable
Modernisation and Support	5,032	4,502	529	11%	Favourable
Schools - Core	11,552	11,589	-36	0%	Adverse
Total Surplus / (Deficit)	76,844	74,646	2,197	4%	Favourable
Support / Admin Building Overhead	6,388	6,388	0	0%	
Movement on Reserves	0	721	-721	0%	
Total Surplus / (Deficit)	83,232	81,756	1,476	1%	Favourable

- 3.5 **Children and Families:** Favourable variance of £0.775m (-£0.676m in Quarter 3). Throughout the year placements and allowances have been forecasting a contingency for a 5% increase in demand due to Covid-19. This demand has not arisen in 20/21 due to extra help and funding for families on the edge of care due to the Covid -19 pandemic. Some of the initiatives around residential care during Covid-19 have helped keep costs significantly lower than would be anticipated. Also, the in year establishment of the semi-independent living units which have produced a saving in advance of the planned budget saving next year.
- 3.6 Placements are £0.252m overspent but this was lower than previously forecast due to the in year average price being lower than the regional average. The 20-21 demand for looked after children has been lower than forecast due to the impact of Covid-19 and the interventions from Covid-19 related monies as well as activities in the community including monies and services that have target vulnerable families.
- 3.7 The service has underspent in staffing due to unfilled vacancies of approximately £1m. some are filled by agency, but some posts are not filled due to difficulties in recruiting permanent staff and this includes a pension adjustment surplus of £0.34m in several areas staffing is reporting as underspending because there is a

number of externally funded projects. The service has drawn in additional external funding but where it is possible also held vacancies in the core structure. This is to ensure that when this short-term funding stops these staff can be slotted back into our internal structure.

- 3.8 **Early help & Prevention:** Favourable variance forecast of £0.929m (£0.384m in Quarter 3). This surplus is in part due to various employee budget variances. There was a delay in the implementation of the PAUSE program resulting in a surplus of £0.193m. The PAUSE program has been implemented to help vulnerable women and is a voluntary programme for women who have experienced, or are at risk of, repeat removals of children from their care.
- 3.9 **Modernisation and Support:** The full-year favourable forecast variance of £0.529m (£0.425m in Quarter 3). This relates to favourable variances on employee budgets and delays in establishing contracts to modernise services due to the impact of Covid-19.
- 3.10 **Schools – core** is an adverse position of £0.036m against a budget of £11.6m. The Schools core service budget includes Private Financing Initiative (PFI) which overspent by £1.5m against a budget of £1.4m which is due to the recognition of both in-year and future liabilities to reflect the 'closed' status of Kingsway School. The PFI position includes the final instalment (£0.16m) of £1.2m of additional funding and the continuation of the annual grant of £0.941m both of which have been secured from Department of Education to reflect the closed status of Kingsway School. The Council must meet the annual PFI costs whilst the building is non-operational, and it is not expected that this status will change during the coming year. Under advice from the Council's auditors, the full value of the potential liability has been recognised in the financial year 2020/21 and this accounts for £1.3m of the of the £1.5m PFI overspend.

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

	Budget	Outturn	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Income	18,760	-21,972	3,211	17%	Favourable
Expenditure					
Employee	39,321	36,613	2,708	7%	Favourable
Non Pay	31,394	35,053	-3,659	-10%	Adverse
Cost of Care	24,888	24,952	-64	0%	Adverse
Total Expenditure	95,604	96,618	-1,014	-1%	Adverse
Total Surplus / (Deficit)	76,844	74,646	2,197	4%	Favourable
Support / Admin Building Overhead	6,388	6,388	0	0%	
Movement on Reserves	0	721	-721	0%	
Total Surplus / (Deficit)	83,232	81,756	1,476	2%	Favourable

3.12 **Income:** Favourable forecast variance of £3.211m. 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.

3.13 Income on Children and Families (£1.484m) is forecast to overachieve mainly due to holding no budget for Adoption Support Fund against in-year activity (£0.323m), Unaccompanied Asylum-Seeking Children grant income (£0.228m), Step up to Social Work (£0.857m) additional grant income (£0.076m), 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. School's core is forecast to overachieve on income £0.789m

due to the receipt of additional grants in the year which were not originally expected.

- 3.14 **Employees:** Favourable forecast variance of £2.708m. 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. Also, the amount of pension the council is required to contribute into the pension scheme reducing the Council's contribution to the pension scheme. Teachers historic pension costs is less than expected. These costs reduce on an annual basis and the reduction in 2020-21 was more than expected. In addition, this budget attracts one-off pension costs and the value of these can fluctuate significantly year on year. In several areas there are vacancies due to there is a number of externally funded projects utilising the employees and where the service has drawn in additional external funding where it is possible also held vacancies in the core structure. This is to ensure that when this short-term funding stops these staff can be slotted back into our internal structure.
- 3.15 **Non pay:** Adverse forecast variance of £3.659m. Children and Families have an adverse variance on Non pay costs of £0.5m. This is due to expenditure for grant funded activities that is offset by grant income of £1.3m. This adverse position is due in the main to the expense incurred from the Adoption Support Fund £0.323m (netted off with Income) and Step up to Social Work £0.874m (grant funded), Private Placements £0.135m overspent due to high fees from providers in year. This is offset by underspend on Leaving Care Grant £0.147m due to demand being less than forecast and a one off in year underspend on the Active8 Contract of £0.153m, £0.190m underspend on Car Leasing costs and Adoption in Merseyside Recharges, which were subject to a previous year one off adjustment.
- 3.16 **Cost of Care:** Cost of care illustrates a forecast adverse variance of £0.064m.
- 3.17 **Reserves:** Variance of £0.721m. Reserve movement during the year include
- A £0.169m call on reserves is predicted to fund a Capacity Project, encompassing an 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:
 - A reserve of £0.193m has been created to help catch up with the delay to the pause programme due to Covid 19 pandemic in 21-22;
 - a contribution to capitalisation works for Birkenhead Children's Centre of £0.067m plus a call on £0.056m for troubled family's income.
 - A contribution of £0.246m to support SEND High Needs in 21-22.
 - School Improvement underspend £0.3m due to slippage of activity into 2021-22,
 - School Improvement Monitoring & Brokerage Grant for academic year 2020-21 of £0.214m.

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

	Budget	Outturn	Variance (+ Fav, - Adv)		Adv/Fav
	£000	£000	£000	%	
Schools Block	108,514	108,514	0	0%	
Schools de-delegated	1,744	1,691	53	3%	Favourable
Central School Costs	2,139	2,100	39	2%	Favourable
High Needs	40,073	41,446	-1,374	-3%	Adverse
Early Years	21,208	20,645	563	3%	Favourable
Total	173,678	174,397	-719	0%	Adverse
DSG Grant Income	-174,321	-173,982	-339	0%	Adverse
Movement on DSG Reserves	644	-414	1,058	164	Adverse
Total Surplus / (Deficit)	0	0	0	0%	

3.18 Schools Block:

Individual school balances have been carried forward to 2021/22 in the designated schools reserve thus delivering an in-year balanced position. The cumulative schools reserves brought forward were £7.9m and this increased by £5.6m to £13.5m by the end of the financial year.

3.19 **De-delegated funds:** No significant variances. Small favourable variance due to business rates differentials being less than expected.

3.20 **Central Schools Costs:** relate to central functions carried out on behalf of maintained schools and academies e.g., School Admissions and has a small favourable variance due to staff vacancies.

3.21 High Needs Block:

Adverse variances of £1.373m due to additional demand in both volume and complexity. In particular:

- specialist/individual educational needs are overspent by £0.679m due to an increase in demand particularly in latter half of the year

- top-ups to school budgets for post-16 SEN pupils is overspent by £0.326m due to an increase in school places
- exceptional needs support is overspent by £0.405m due to the growth in applications since September 2020
- the cost of independent school places have exceeded budget by £1.033m due to places being 31 more than planned. It is expected that the increased demand will continue into 2021/22 thus the relevant budgets have been increased to reflect this.

3.22 Adverse variances are partially offset by special school places where the additional 40 places agreed for 2021/22 had not been fully allocated in 2020/21 (£0.301m), additional demand for Alternative Provision top-ups being less than expected (£0.191m). In addition, savings due to staff vacancies and additional recharges/contributions from other budgets underspent by £0.487m. This is a priority area for the service and although it is difficult to recruit to a number of posts due to the current employment market the service plan is to staff this service fully.

3.23 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. The 20-21 underspend mainly reflects the reduction in attendance due to COVID-19. The underspend is partially offset with the shortfall of DSG income.

3.24 **DSG income:** Shortfall due to adjustment to reflect expected final grant for Early Years. The final grant income will be confirmed in July.

3.25 **DSG reserves:** The planned transfer to reserve of £0.644m reflects the expected underspend on High Needs. The actual outcome reflects a total net overspend of £0.414m resulting in a use of reserve rather than a contribution to reserve. The opening DSG reserve balance reflected a deficit of £1.264m which, after including the in-year deficit of £0.414m, gives a closing deficit position of £1.678m.

3.26 Capital Budget

Table 4: Capital Budget and Forecast Position

Programme	Approved Budget £m	Actual spend £m	Variance £m	Variance %
Children Families and Education	5.5	2.7	2.8	51%

- 3.27 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 Covid-19 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 the 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's ,Young People and Education Directorate for 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 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.

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 refreshed Wirral Plan 2021-2026 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.

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.

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APPENDICES

None

BACKGROUND PAPERS

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

SUBJECT HISTORY (last 3 years)

Council Meeting	Date