

**CHILDREN, YOUNG PEOPLE & EDUCATION COMMITTEE****Wednesday, 10 March 2022**

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|----------------------|---|
| <b>REPORT TITLE:</b> | <b>2021-22 BUDGET MONITORING FOR QUARTER THREE (1 OCT – 31 DEC)</b> |
| <b>REPORT OF:</b>    | <b>DIRECTOR OF CHILDREN, FAMILIES AND EDUCATION</b>                 |

**REPORT SUMMARY**

This report sets out the financial monitoring information for Children, Families and Education as at quarter 3 (Oct-Dec) of 2021-22. The report provides Members with an overview of budget performance to enable the Committee to take ownership of the budgets and provide robust challenge and scrutiny to Officers on the performance of those budgets.

The Committee is accountable for ensuring that the budgets remain within the relevant funding envelope and will take collective responsibility via the Policy and Resources Committee to ensure that the whole Council budget remains in balance at all times and should a deficit be forecast, agreeing mitigating actions to bring the budget back into balance.

The projected year-end revenue outturn, recorded as part of Quarter 3 financial monitoring activity, represents a favourable variance of £0.890m against revenue budget of £86.679m.

**RECOMMENDATION/S**

The Children, Young People & Education Committee is recommended to:

- (1) Note the forecast year-end revenue position of 0.890m favourable as reported at quarter 3 (Apr – Dec) of 2021/22.
- (2) Note the progress on the achievement of approved savings and the year-end forecast position at quarter 3 (Apr – Dec) of 2021/22)
- (3) Note the reserves allocated to the Committee for future commitments.
- (4) Note the forecast year-end capital position of as reported at quarter 3 (Apr – Dec) of 2021/22.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION/S**

- 1.1 It is vitally important that the Council has robust processes in place to manage and monitor the in-year financial position, to ensure it delivers a forecast balanced position at the end of the year
- 1.2 Regular monitoring and reporting of the revenue and capital budgets, reserves, savings, and achievement of the 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 The Committee can decide to establish their own process for monitoring the 2021/22 in-year budget. This would need to be agreed at the next Policy and Resources Committee which reduces the time available to implement mitigating actions, where an adverse 2021/22 forecast maybe found.

### **3.0 BACKGROUND INFORMATION**

#### **Revenue Forecast Position**

- 3.1 This section provides a summary of the projected year-end revenue position as at the end of Quarter 3 (Apr - Dec) of financial year 2021/22.
- 3.2 The projected year-end revenue outturn, recorded as part of Quarter 3 financial monitoring activity for Children, Families and Education, represents a favourable variance of £0.890m on a revenue budget of £86.679m.
- 3.3 The service continues to manage demand with financial pressures being mitigated by in-year cost savings and use of specific related reserves. In-year favourable variances arising on employee related spend across the service and efficient use of grant funding have contributed to the reported position. The forecast position reflects delivery of most of the 2021/22 saving proposals.

**TABLE 1: 2021/22 Children, Families and Education – Service Budget & Forecast**

|  | Budget<br>£000 | Forecast<br>Outturn<br>£000 | Variance<br>(+ Fav / - Adv) |           | Adverse/<br>Favourable |
|--|----------------|-----------------------------|-----------------------------|-----------|------------------------|
|  |                |                             | £000                        | %         |                        |
| Children and Families                  | 50,569         | 50,707                      | -138                        | 0%        | Adverse                |
| Early Help and Prevention              | 10,949         | 10,054                      | 895                         | 8%        | Favourable             |
| Modernisation and Support              | 5,055          | 4,788                       | 267                         | 5%        | Favourable             |
| Schools - Core                         | 12,668         | 12,802                      | -134                        | -1%       | Adverse                |
| <b>Directorate Surplus / (Deficit)</b> | <b>79,241</b>  | <b>78,351</b>               | <b>890</b>                  | <b>1%</b> | <b>Favourable</b>      |
| Support / Admin Building Overhead      | 7,438          | 7,438                       | 0                           | 0%        |                        |
| <b>Total Surplus / (Deficit)</b>       | <b>86,679</b>  | <b>85,789</b>               | <b>890</b>                  | <b>1%</b> | <b>Favourable</b>      |

## Divisional Summaries

### 3.4 Children and Families

3.4.1 An adverse forecast variance of £0.138m is reported for 2021/22. External funding of £0.338m has been secured by officers to support the delivery of specific initiatives that are expected to deliver both financial and service delivery benefits in future years and contribute to managing service pressures.

3.4.2 The budget for this service includes £24.779m of care costs. Care costs reflect the demand led elements of the service which are expected to be managed within the 2021/22 budget. An increase in the number of children in residential settings has led to a slight increase in the forecast since Quarter 2. Overall, performance data indicates that the CLA rate has been stable in recent months and has now started to fall slightly. This is as expected and feeds into forward planning for the next year (see tables below). However, it should be noted that the nature of CLA costs can be unpredictable and future demand requirements could lead to further budgetary pressures. This service also includes expenditure to support unaccompanied asylum seekers with grant income forecast to cover the associated costs.

|                            | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Number of Children in Care | 824    | 822    | 825    | 823    | 825    | 821    | 819    | 814    | 795    |

|  | 19/20 | 20/21 | Jun-21 | Sep-21 | Dec-21 | National (19/20) | North West (19/20) | Statistical Neighbourhoods (19/20) |
|--|-------|-------|--------|--------|--------|------------------|--------------------|------------------------------------|
| Children Looked After rate per 10,000 population | 120   | 121.6 | 121.3  | 120.6  | 117.8  | 67               | 97                 | 101                                |

### 3.5 Early Help & Prevention

3.5.1 A favourable forecast variance of £0.895m is reported for 2021/22. The favourable variance is mainly due to efficient use of grant funding and staff vacancies arising during the year, as well as the youth offer review being implemented later than planned. The circumstances that drive these variations are subject to change and the staff costs savings are non-recurring.

### 3.6 Modernisation and Support

3.6.1 A favourable forecast variance of £0.267m is reported for 2021/22. The favourable variance is mainly due to staff vacancies that have arisen during the year. The circumstances that drive these variations are subject to change and the staff costs savings are non-recurring.

### 3.7 Schools – core

3.7.1 An adverse forecast variance of £0.134m is reported for 2021/22. The main variances are detailed below.

3.7.2 Schools PFI £0.520m adverse forecast variance which is due to the on-going annual costs that are being incurred in relation to the non-operational status of the Kingsway School building. Use of the site for educational purposes is currently in development with a view to it being operational by September 2022.

3.7.3 The adverse forecast variances have been partially mitigated by £0.273m of savings against Teachers historic pensions costs where the actual reduction in on-going commitments is greater than expected. Further general cost savings across the service of £0.133m have resulted in a total operational adverse variance of £0.134m.

### 3.8 Budget Virements

3.8.1 There have been no budget variations requiring committee approval in this Directorate in Quarter 3.

**TABLE 2: 2021/22 Children, Families and Education – Subjective Budget & Forecast**

|  | Budget        | Forecast<br>Outturn | Variance         |            | Adverse/<br>Favourable |
|--|---------------|---------------------|------------------|------------|------------------------|
|  |               |                     | ( + Fav / - Adv) |            |                        |
|  | £000          | £000                | £000             | %          |                        |
| Income                                 | -19,299       | -23,618             | 4,319            | -22%       | Favourable             |
| <b>Expenditure:</b>                    |               |                     |                  |            |                        |
| Employee                               | 40,564        | 39,281              | 1,283            | 3%         | Favourable             |
| Non Pay                                | 33,197        | 36,853              | -3,656           | -11%       | Adverse                |
| Cost of Care                           | 24,779        | 25,835              | -1,056           | 0%         | Adverse                |
| <b>Total Expenditure</b>               | <b>98,540</b> | <b>101,969</b>      | <b>-3,429</b>    | <b>-3%</b> | Adverse                |
| <b>Directorate Surplus / (Deficit)</b> | <b>79,241</b> | <b>78,351</b>       | <b>890</b>       | <b>1%</b>  | Favourable             |
| Support/Admin Building Overhead        | 7,438         | 7,438               | 0                | 0%         |                        |
| <b>Total Surplus/ (Deficit)</b>        | <b>86,679</b> | <b>85,789</b>       | <b>890</b>       | <b>1%</b>  | Favourable             |

**TABLE 3: 2021/22 Children, Families and Education–Dedicated Schools Grant (DSG)**

|  | Budget         | Outturn        | Variance        |            | Adverse/<br>Favourable |
|--|----------------|----------------|-----------------|------------|------------------------|
|  |                |                | ( + Fav, - Adv) |            |                        |
|  | £000           | £000           | £000            | %          |                        |
| <b>DSG Expenditure:</b>                |                |                |                 |            |                        |
| Schools Block                          | 117,102        | 117,102        | 0               | 0%         |                        |
| Schools Block De-delegated             | 1,560          | 1,540          | 20              | 1%         | Favourable             |
| Central School Services Block          | 2,153          | 2,098          | 55              | 3%         | Favourable             |
| High Needs                             | 43,874         | 46,180         | -2,306          | -5%        | Adverse                |
| Early Years                            | 21,644         | 22,295         | -651            | -3%        | Adverse                |
| <b>Total Gross Surplus / (Deficit)</b> | <b>186,333</b> | <b>189,215</b> | <b>-2,882</b>   | <b>-2%</b> | <b>Adverse</b>         |
| <b>DSG Income:</b>                     | -189,016       | -188,896       | -120            | 0%         | Adverse                |
| <b>Movement in DSG Reserve</b>         | 2,683          | -319           | 3,002           | 112%       |                        |
| <b>Total Net Surplus / (Deficit)</b>   | 0              | 0              | 0               | 0%         |                        |

**3.9 Dedicated Schools Grant (DSG)**

- 3.8.1 **Schools Block:** A balanced position is forecast for 2021/22. Schools Block expenditure is in line with budget as year-end variances against schools' DSG allocations are offset with the schools' ring-fenced balances.
- 3.8.2 **Schools Block De-delegated:** A favourable forecast variance of £0.020m is reported mainly due to vacancies. De-delegated funds are a deduction from a school's budget share and are held centrally to fund relevant services.
- 3.8.3 **Central Schools Costs:** A favourable forecast variance of £0.055m is reported mainly due to vacancies. Central Schools Costs relate to central functions carried out on behalf of maintained schools and academies e.g., School Admissions.
- 3.8.4 **High Needs Block:** An adverse forecast variance of £2.306m is reported for 2021/22. The adverse variance is mainly due to an increase in demand and complexity. In particular, SEN additional resources are expected to overspend by £1.480m in line with the increase in requests for EHCP.
- 3.8.5 **Early Years:** An adverse forecast variance of £0.651m is reported for 2021/22. The adverse variance is due to an increase in high needs support from the Inclusive Practice fund (£0.463m) and additional expenditure to help providers to make reasonable adjustments in their settings for children with disabilities (£0.188m). The £0.188m overspend for children with disabilities have been offset by use of unspent Disability Access Funding from prior years and which has been set-aside in the DSG reserve for this purpose.
- 3.8.6 **DSG income:** An adverse forecast variance of £0.120m is reported for 2021/22. The adverse variance relates mainly to a change in funding to reflect updated pupil information.
- 3.8.7 **DSG reserve:** The 2021-22 budget includes a planned surplus of £2.683m in the High Needs Block that is to be carried forward into the reserve at the end of the financial year. Due to the forecast adverse variance of £3.002m, a use of reserve of £0.319m will be required. The DSG reserve balance reflects a deficit position of £1.679m and this is forecast to increase to £1.998 by the end of 2021/22.

### 3.10 Budget Saving Achievement Progress

- 3.10.1 Within each Committee's revenue budget there are a number of savings proposals, that were based on either actual known figures or best estimates available at the time. At any point during the year, these estimated figures could change and need to be monitored closely so that, should an adverse position be identified, mitigating actions can be taken immediately to ensure a balanced budget position can be reported to the end of the year.

**TABLE 4: 2021/22 Children, Families and Education – Budget Savings**

| Savings Title                                   | Agreed value   | Forecast value | RAG Rating                                 | Comments   |
|---|----------------|----------------|--|--|
| Semi-independent living                         | £0.500m        | £0.500m        | Green                                      | On target to be achieved   |
| Pause Programme                                 | £0.567m        | £0.567m        | Amber,<br>(Green with mitigations applied) | The benefits of the pause programme are not expected to be fully realised in 2021/22. These have been offset by additional grant income, staff vacancies and pay scale variations. |
| Modernisation & Social Care efficiencies        | £0.102m        | £0.102m        | Green                                      | On target to be achieved   |
| Childrens containing demand pressure mitigation | £1.000m        | £1.000m        | Green                                      | On target to be achieved   |
| Explore reduction in Youth Provision            | £0.100m        | £0.100m        | Green                                      | On target to be achieved   |
| YOS   | £0.025m        | £0.025m        | Green                                      | On target to be achieved   |
| <b>Total Savings</b>                            | <b>£2.294m</b> | <b>£2.294m</b> |  |  |

3.10.2 £2.294m of savings have been identified for the budget to break-even in 2021/22. The forecast position at Quarter 2 assumes that £2.294m savings will be achieved. The vast majority of the savings (£2.067m) relate to projects reducing the demand impact on the Social Care system. £0.127m relates to departmental efficiencies. A further £0.100m is to achieve sponsorship within the Youth Service.

### 3.11 Earmarked Reserves

3.11.1 Earmarked reserves are amounts set aside for specific purposes or projects.

**TABLE 5: 2021/22 Children, Families and Education – Reserves**

| Service                        | Opening Balance 2021-22 £000 | Movement in reserves   |                        |                     | Closing Balance £000 |
|--------------------------------|------------------------------|------------------------|------------------------|---------------------|----------------------|
|                                |                              | Reserves Increase £000 | Reserves Call Out £000 | Total Movement £000 |                      |
| Children, Families & Education | -2,347                       | 0                      | 46                     | 46                  | -2,301               |
| Schools – DSG                  | 1,679                        | 0                      | 319                    | 319                 | 1,998                |
| <b>Total</b>                   | <b>668</b>                   | <b>0</b>               | <b>365</b>             | <b>365</b>          | <b>303</b>           |

3.11.2 Children, Families and Education reserves reflect funds that have been set aside for specific projects and activities. Calls on these reserves for 2021/22 of £0.046m have been identified in relation to a project reducing violence (£0.035m) and (£0.012m) SEND Improvement / action plan following the recent OFSTED inspection.

3.11.3 Schools DSG reserve reflects a deficit balance which is mainly due to the cumulative effect of cost pressures from previous years. It is expected that balance will now increase by £.0319m and increasing the overall deficit to £1.998m.

### 3.12 Capital Forecast Position

3.12.1 Capital budgets are the monies allocated for spend on providing or improving non-current assets, which includes land, buildings, and equipment and which will be of use or benefitting in providing services for more than one financial year.

| Capital Programme  | 2021/22             |                     |                  | 2022/23        | 2023/24        | 2024/25        |
|--|---------------------|---------------------|------------------|----------------|----------------|----------------|
|  | Q2 Forecast<br>£000 | Q3 Forecast<br>£000 | Variance<br>£000 | Budget<br>£000 | Budget<br>£000 | Budget<br>£000 |
| <b>School Capital Grants:</b>  |                     |                     |                  |                |                |                |
| Condition/modernisation (SCA)  | 2,564               | 2,564               | 0                | 7,520          | 2,500          | 2,500          |
| Basic Needs  | 600                 | 900                 | 300              | 388            | 0              | 0              |
| SEN and disabilities   | 500                 | 0                   | -500             | 829            | 0              | 0              |
| <b>Others:</b>   |                     |                     |                  |                |                |                |
| School remodelling and additional classrooms (School Place Planning) | 500                 | 500                 | 0                | 437            | 0              | 0              |
| Healthy Pupils Capital Fund  | 18                  | 18                  | 0                | 0              | 0              | 0              |
| Children's System Development  | 423                 | 423                 | 0                | 403            | 0              | 0              |
| Family Support   | 0                   | 0                   | 0                | 157            | 0              | 0              |
| High Needs Provision   | 500                 | 927                 | 427              | 120            | 0              | 0              |
| Capital PFI  | 0                   | 33                  | 33               | 52             | 0              | 0              |
| Transforming Care - Short Breaks                                     | 600                 | 600                 |                  | 266            |                |                |
| <b>TOTAL</b>   | <b>5,705</b>        | <b>5,965</b>        | <b>260</b>       | <b>10,172</b>  | <b>2,500</b>   | <b>2,500</b>   |

#### 3.12.2 School Capital Grants:

- **School Condition Allocation (SCA)** - the purpose of this funding is to maintain and improve the condition of school buildings, so that children can learn in a safe and effective environment. The current funding includes:
  - £1.055 million worth of Roofing works are scheduled for this year for a number of school sites.
  - £0.350 million of works on school sites including boiler installation, sites include Mount Primary, St George's, Bidston Village C of E Juniors, Heswall Primary, St Bridget's Primary.
  - A significant contribution towards a proposed total cost of £1.600 million is to be allocated from this funding towards the redevelopment of Riverside Primary School (Phase 1).



- Regarding fire alarm enhancement, schemes totalling £0.200 million have been identified.
- £5.020 million of reprofiling has been applied due to factors including the availability of contractors and problems with the building supply chain, therefore school Capital projects have been on hold/subject to delay, with budget deferred into 2022/23. Scheme costs may increase as a consequence of supply chain issues and budgets will be monitored and aligned accordingly.
- Basic Needs – the purpose of the basic need funding is to support the capital requirement for providing new pupil places by expanding existing maintained schools. This is un-ringfenced capital funding that is not time-bound, so that local authorities can make the best decisions for their local area. £0.300m Budget originally reprofiled into 22/23 has been brought back into the current year to finance higher than originally forecast activity within 21/22.
- High Needs Provision Capital - Investment plan to provide 137 high needs places in special schools. Works scheduled include those at Pensby Park Resource Centre to provide 66 SEN places and the Home Education Service relocation. A further 71 places are to be delivered across other sites. The budget has been reprofiled to account for this.
- Special Educational Needs and Disabilities – Grant funded scheme to invest in providing new places or to improve existing provision for pupils and students with high needs across a range of different education settings. The investment in the provision of places for pupils. The need for additional classroom requirements by Foxfield are currently being assessed as pupil numbers increase but works are not anticipated to start until 22/23. The £0.829m grant awarded to fund this scheme has therefore now been reprofiled into 2022/23 for delivery..

### 3.12.3 Children's Schemes:

- **Children's System Development** – this project relates to the replacement of the CAPITA system.
- **Family Support** – the final schedule of works for this project has been re-scheduled and the budget reprofiled into 2022/23.
- **PFI** – this funding is allocated for potential works at PFI schools.
- **Transforming Care Short Breaks** - The aim for Wirral Children and Young People's short breaks therapeutic facility is to provide a specialist service to deliver support to up to three young people, male or female aged 11-18 years who demonstrate complex and challenging behaviour. A suitable property has been identified and an offer has been made, which was accepted in November 2021. The purchase is still progressing; however, it is not certain that the purchase will be completed by 31 March 2022. Estimated refurbishment costs of £0.266 million have been reprofiled into 2022/23.

## 4.0 FINANCIAL IMPLICATIONS

- 4.1 This is the Quarter 3 budget monitoring report that provides information on the forecast outturn for the Children, Families and Education Directorate for 2021/22. The Council has robust methods for reporting and forecasting budgets in place and alongside formal quarterly reporting to 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 Council must set the budget in accordance with the provisions of the Local Government Finance Act 1992 and approval of a balanced budget each year is a statutory responsibility of the Council. Sections 25 to 29 of the Local Government Act 2003 impose duties on the Council in relation to how it sets and monitors its budget. These provisions require the Council to make prudent allowance for the risk and uncertainties in its budget and regularly monitor its finances during the year. The legislation leaves discretion to the Council about the allowances to be made and action to be taken.
- 5.2 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.
- 5.3 It is essential, as a matter of prudence that the financial position continues to be closely monitored. In particular, Members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered and that new expenditure is contained within the available resources. Accordingly, any proposals put forward must identify the realistic measures and mechanisms to produce those savings.

## **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

- 6.1 At this time, there are no additional resource implications as these have already been identified for the proposals agreed and submitted. However, where the budget is unbalanced and further proposals are required, then there will be resource implications, and these will be addressed within the relevant business cases presented to the Committee.

## **7.0 RELEVANT RISKS**

- 7.1 The Council's ability to maintain a balanced budget for 2021/22 is dependent on a static financial position. This is an impossible scenario due to estimated figures being provided in the calculation for the 2021/22 budget, albeit the best estimates that were available at the time, plus any amount of internal and external factors that could impact on the budget position in year. Examples of which are new legislation,

increased demand, loss of income, increased funding, decreased funding, inability to recruit to posts, ongoing impact of the pandemic etc

- 7.2 A robust monitoring and management process for the 2021/22 budget is in place. If at any time during the year an adverse position is forecast, remedial action must be agreed and implemented immediately to ensure the budget can be brought back to balanced position.
- 7.3 The risk of this not being able to be achieved could mean that the Council does not have enough funding to offset its expenditure commitments for the year and therefore not be able report a balanced budget at the end of the year. This could result in the Section 151 Officer issuing a Section 114 notice.

## **8.0 ENGAGEMENT/CONSULTATION**

- 8.1 Consultation has been carried out with the Senior Leadership Team (SLT) in arriving at the governance process for the 2021/22 budget monitoring process and the 2022/23 budget setting process.
- 8.2 Since the budget was agreed at Full Council on 1 March, some proposals may have been the subject of further consultation with Members, Customer and Residents. The details of these are included within the individual business cases or are the subject of separate reports to the Committee

## **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 At this time, there are no further equality implications as these have already been identified for the proposals agreed and submitted. However, where the budget is unbalanced and further proposals are required, then there may be equality implications associated with these, and these will be addressed within the relevant business cases presented to the Committee.

## **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

- 10.1 At this time, there are no additional environmental and climate implications as these have already been identified for the proposals agreed and submitted. However, where the budget is unbalanced and further proposals are required, then there may be environment and climate implications associated with these that will be addressed within the relevant business cases presented to the Committee.

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## APPENDICES

### BACKGROUND PAPERS

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

### SUBJECT HISTORY (last 3 years)

| <b>Council Meeting</b>                         | <b>Date</b>  |
|--|--------------|
| Children's, Young People & Education Committee | 13 Nov 2021  |
|  | 15 June 2021 |
|  | 11 Mar 2021  |
|  | 15 Jan 2021  |