

CHILDREN, YOUNG PEOPLE & EDUCATION COMMITTEE**Tuesday 23 July 2024**

REPORT TITLE:	2023/24 BUDGET MONITORING QUARTER 4 FINANCIAL OUTTURN
REPORT OF:	DIRECTOR OF CHILDREN, FAMILIES AND EDUCATION

REPORT SUMMARY

This report provides a summary of the year-end revenue and capital position for the Children, Young People and Education Committee for the 2023/24 financial year as at the end of March 2024. The report provides Members with an overview of budget performance, including progress on the delivery of the 2023/24 saving programme and a summary of reserves and balances, 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 year-end revenue outturn for 2023/24, represents an adverse variance against the Committee revenue budget of directorate revenue budgets of £1.974m, which is a £1.609m deterioration from the quarter 3 forecast.

This matter affects all Wards within the Borough and is not a key decision.

The report contributes to the Wirral Plan 2023-2027 in supporting the organisation in meeting all Council priorities.

RECOMMENDATIONS

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

1. Note the draft, unaudited 2023/24 outturn adverse Directorate variance of £1.974m, which has been managed corporately by utilising the contingency budget, savings from reduced energy costs and use of flexible use of capital receipts.
2. Note the progress on delivery of the 2023/24 savings programme.
3. Note the use of earmarked reserves, as detailed in table four.
4. Note the draft, unaudited 2023/24 capital outturn position detailed in table five.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 Regular monitoring and reporting of the revenue and capital budgets and savings achievements enables decisions to be taken in a timely manner, which may produce revenue benefits and will improve financial control of the Council.
- 1.2 This report presents timely information on the full year financial position for 2023/24, prior to final audit engagement.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The Policy and Resources Committee has previously determined the budget monitoring process and this report details the agreed course of action.
- 2.2 In striving to manage budgets, available options have been evaluated to maintain a balance between service delivery and a balanced budget.

3.0 BACKGROUND INFORMATION

- 3.1 At the meeting on 27 February 2023, the Council agreed a net revenue budget for 2023/2024 of £366.6m to be met by government grants, council tax, and business rates. In quarter 1, a favourable £2.000m variation against the funding relating to an adjustment of Business Rates Section 31 grants, increased the revenue budget to £368.6m.
- 3.2 The Council's Quarter 1 monitoring report, presented on 12 July 2023 to the Policy & Resources Committee, highlighted growing in-year pressures of £3.6m, which had risen to £7.2m by Quarter 2 and £7.97m by Quarter 3. Several potential mitigations were identified that could be used to present a balanced budget at the end of the year. This report sets out the updated revenue financial position for the Children, Young People & Education Committee at the end of the year.

Economic Context

- 3.3 Throughout 2023/24 the headline consumer price inflation (CPI) continued to decline from 8.7% at the start of the year to 3.4% in February but was still above the Bank of England's 2% target.
- 3.4 Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased the Bank Rate to 5.25% in August 2023 and it has remained at this level through to March 2024. Although financial markets have shifted their interest rate expectations downwards, with expectations of a cut early in the new year, the MPC's focus remains on maintaining the current interest rate in order to control inflation over the medium term.
- 3.5 The overall risk environment remained particularly challenging throughout 2023/24, with subdued economic activity, poor outlooks for growth and inflation and increased geopolitical tensions, all placing significant pressures on finances and restricting the ability to forecast and plan, with confidence.

Revenue Outturn Position

3.6 At the end of 2023/24, against the Directorate’s revised net revenue budget of £88.307m there is an adverse variance of £1.974m, which can be managed corporately by utilising the contingency budget, savings from reduced energy costs, and utilisation of flexible use of capital receipts, along with reserves management.

TABLE 1: 2023/24 CHILDREN, YOUNG PEOPLE & EDUCATION REVENUE BUDGET & OUTTURN

Service Area	Budget £'000	Outturn £'000	Variance	
			£'000	%
Children and Families	56,569	61,100	4,531	8%
Early Help and Prevention	11,001	9,154	(1,847)	(17%)
Modernisation and Support	4,518	4,371	(147)	(3%)
Schools -Core	16,219	15,656	(563)	(3%)
Directorate Deficit/(Surplus)	88,307	90,281	1,974	2%

3.7 Children and Families adverse variance of £4.531m

The adverse variance is predominately due to Children Looked After placement costs. As at the year end, the number of Children Looked After (CLA) has slightly decreased to 776, however there are still significant pressures from the CLA placement costs. Whilst the number of CLA has decreased, there has been a 24% increase in residential placements since the beginning of the financial year.

3.8 Early Help and Prevention favourable variance of £1.847m

The Family Matters service claimed additional income from the Supporting Families grant which has been invested in preventative services as well as contributing to social care activities during the year. The Outturn position includes a £0.67m contribution from the Public Health Grant towards the non-recurrent costs for Early Years and Youth activities, including Family Toolbox. There was also a release of reserves of £0.563m to help mitigate pressures across the directorate.

3.9 Modernisation and Support favourable variance of £0.147m

The favourable variance within modernisation and support is mainly due to staff being appointed to lower range of salary scales and vacancies which is above the staff salary savings target.

3.10 Schools Core favourable variance of £0.563m

The Children’s assisted travel continued to add pressures to the area with an adverse variance of £1.369m. The growth in demand in academic year 2023/24 was significantly higher than anticipated. This is offset by a favourable variance of £0.806m of teacher Retirement Costs (£0.263m) and a release of an onerous contract of £1.449m set up for the PFI contract which is no longer required.

3.11 The pressures within Children’s assisted travel and social care placements have been partly mitigated in year with underspends in early help and prevention, together with the one-off use of £1m social care reserve and additional use of Children’s reserves. The CLA placement costs and SEND related costs will continue to be a pressure into 2024/25.

Dedicated Schools Grant (DSG)

TABLE 2: CHILDREN, YOUNG PEOPLE & EDUCATION – DEDICATED SCHOOLS GRANT (DSG)

	Budget	Forecast Outturn	Variance		Adverse/ Favourable
			(+ Adv / - Fav)		
	£000	£000	£000	%	
DSG Expenditure:					
Schools Block	118,186	118,169	-18	0%	Favourable
Schools Block De-delegated	2,086	2,126	40	2%	Adverse
Central School Services Block	2,058	2,059	1	0%	Adverse
High Needs	58,575	66,705	8,130	14%	Adverse
Early Years	22,111	21,742	-368	-2%	Favourable
Total Gross (Surplus) / Deficit	203,015	210,800	7,785	4%	Adverse
DSG Income:	-202,802	-202,574	228	0%	Adverse
Movement in DSG Reserve	-213	-8,226	-8,013	3757%	
Total Net (Surplus) / Deficit	0	0	0	0%	

- 3.12 An adverse variance position for 2023/24 is resulting from the High Needs block with an adverse position of £8.13m. The adverse variance is mainly due to an increase in demand and complexity. Demand on this budget is expected to grow in line with the requests for Education, Health and Care Plan (EHCP) assessments. The number of plans issued has increased by around 35% in 2023-24 compared to the last year. The total number of the EHCP issued in 2023/24 is 1,103, compared with 817 issued in 2022/23.
- 3.13 **Schools Block:** A favourable variance of £0.018m is unspent falling rolls and growth fund in 23-24. It has been agreed at September 23 Schools Forum that the balance is carried forward to 2024/25.
- 3.14 **Early Years:** A favourable variance of £0.368m is reported for 2023/24 due to the hours in January censuses which were used for the DfE funding were higher than the actual hours. The DSG Grant income budget for the Early Years has been adjusted to the expected grant amount based on the January 24 census.
- 3.15 **DSG Income:** An adverse variance of £0.228m is reported for 2023/24 due to the grant adjustments including a High Needs import and export adjustment and Early Years 2022/23 grant adjustment difference.
- 3.16 At the beginning of 2023/24 the cumulative DSG reserve opened with a deficit balance of £4.763m. The in-year deficit of £8.226m means that the total deficit balance to be carried forward into 2024-25 is £12.989m.

Action plan

- 3.17 It is recognised that there are a number of issues within the outturn position, and particularly the variances between quarter 3 and the final outturn, which will impact on the position in 2024/25.

- 3.18 In order to ensure that these issues are appropriately managed, actions for each directorate have been recorded in conjunction with the Director and progress against these will be monitored monthly.
- 3.19 This process will also monitor the activity data within the particularly high-risk areas that have emerged as budget pressures at the end of 2023/24 within the Childrens Directorate. The management and effective mitigation of these demand led costs is critical to achieve a balanced budget position in 2024/25 and beyond.
- 3.20 The issues that have emerged during the outturn process are largely relating to business as usual activities that fall outside the main Change Programme. The resourcing of these required activities will be considered alongside the existing transformation resource in place to support the Change Programme.
- 3.21 The outputs of this work and the proposed corrective action will feed into the budget setting process for 2025/26 and the next iteration of the Medium-Term Financial Plan.
- 3.22 Enhanced procedural rigour in relation to the budget monitoring process is set out in the report titled 'Budget Monitoring and Budget Setting Processes' found later in the agenda. This outlines the stringent processes implemented for the upcoming fiscal year. The recent reorganising of financial operations has bolstered financial support and resources across the entire organisation to support these processes alongside the implementation of Oracle Fusion. This has equipped the Council with an accessible financial analysis tool. The enterprise resource planning software provides enhanced data integration, processing capabilities and reporting functionalities. With Oracle Fusion now operational, comprehensive insights can be derived from financial data through in-depth analysis, enabling more informed decision-making and strategic planning based on accurate, real-time financial information across all business units and operations.

Progress on delivery of the 2023/24 savings programme.

- 3.23 Table 3 presents the progress on the delivery of the 2023/24 approved savings. In terms of savings, £2.980m of the £4.180mm savings targets were delivered, representing 71% of the total savings target with a further 3% or £0.100m achieved through mitigation. The table below summarises the progress made by the Directorate:

TABLE 3: CHILDREN, YOUNG PEOPLE & EDUCATION DELIVERY OF 2023/24 SAVINGS

Savings	Approved Saving £m	Delivered £m	Delivered through mitigation £m	Delayed/ unachieved in year £m
Reduction in Wirral's Looked After Children numbers	-0.410	-0.410	0	0
Reduction in contributions to the Regional Adoption Agency in line with the average number of referrals	-0.100	0	-0.100	0
Reduction in Teacher's pension liabilities to the council	-0.190	-0.190	0	0
Increase the number of children looked after placed in family	-1.100	0	0	-1.100

settings as opposed to higher cost residential settings				
Redesign and restructure of the Assessment and Intervention Service	-0.655	-0.655	0	0
Review of Supporting Families funding and Early Help budgets	-1.121	-1.121	0	0
Review of contracts within Children's Services	-0.250	-0.250	0	0
Review of council's contribution towards European Funded Send Inclusion Programme	-0.220	-0.220	0	0
Reduction in financial support to Kingsway High School	-0.134	-0.134	0	0
Total	-4.180	-2.980	-0.100	-1.100

3.24 During the last quarter there was an increase in the number of the Children Looked After placed in a residential setting; this increase was more than previously anticipated. Due to the costs associated with these placements, the saving of £1.1m against placement settings was unachieved at the end of the financial year.

Reserves and Balances

3.25 Earmarked reserves represent money that has been set aside for a clearly defined purpose, and which is available to meet future expenditure in that area, Table 4 overleaf sets out the reserves within Children, Young People & Education and the movement in year.

TABLE 4: CHILDREN, YOUNG PEOPLE & EDUCATION - EARMARKED RESERVES

Reserve	Opening Balance £000	Use of Reserve £000	Contribution to Reserve £000	Closing Balance £000
Intensive Family Intervention Project	405	(405)	0	0
School Improvement -	856	(61)	0	795
Schools Causing Concern	500	(206)	0	294
SEND OFSTED Inspection Improvement Action Plan	880	(504)	0	376
Children's Centre – Outdoor Play	92	(41)	0	51
Looked After Children Education Services	111	0	0	111
Local Safeguarding Children's Board	23	0	0	23
SEND - High Needs	110	0	0	110
YOS - Remand & Mobile Youth Centre	121	0	0	121
Early Help & Play Development	117	(117)	0	0
DRIVE Safe lives & Domestic Abuse Hub	50	0	0	50
Children IT data system	127	(127)	0	0

Mersey & Cheshire ICS Pilot	20	0	0	20
Care Leaver Accommodation Development	203	(203)	0	0
Wirral Apprentice Programme	19	(19)	0	0
Help for Young People	26	(13)	0	13
Total	3,660	(1,696)	0	1,964

3.26 There were no contributions to reserves in 2023/24. As at Quarter 3, it was planned to utilise £1.132m of reserves in year. In order to reduce the overspend position, an additional £0.564m of reserves were applied in year.

Capital Programme

TABLE 5: CHILDREN, YOUNG PEOPLE & EDUCATION CAPITAL PROGRAMME 2023/24

Capital Scheme	Budget £'000	Outturn £'000	Variance £'000
Basic Needs	424	43	(381)
Children's System Development	807	549	(258)
Condition/modernisation (SCA)	5,000	5,048	48
Connect the Classroom	0	767	767
Devolved Formula Capital	0	546	546
Family Hub Transformation Fund	167	82	(85)
High Needs Provision Capital	3,468	1,612	(1,856)
School remodelling (School Place Planning)	0	27	27
School Works DfE Ringfenced Receipts	0	1	1
Transforming Care – Therapeutic Short Breaks	695	546	(149)
Total	10,561	9,222	(1,339)

3.27 **School Condition Allocation (SCA) £5.048m** – £2.4m of spend on Kingsway Academy adaptations/ Claremount move phase 1 and Castleway & Leasowe Early Years schemes. £0.83m of spend on roof replacements for various schools. Still experiencing effects of the historic backlog in jobs and increased financial costs due to inflation rises and construction supply chain issues.

3.28 **Connect the Classroom (Department for Education DfE funded) £0.767m** – This is a £200m government funded programme to improve internet speed in schools, first published on 7th June 2023. This is done by upgrading Wi-Fi access points and network switches. The programme will run until 2025 and is applied for directly by the schools.

3.29 **Devolved Formula Capital (Department for Education DfE funded) £0.546m** – This is direct funding delegated to schools to maintain their buildings and fund other small scale capital projects.

3.30 **High Needs Provision Capital £1.612m**– To deliver additional classroom provision for Special Educational Needs and Disabilities (SEND) pupils across several Special schools. The current programme includes a number of high-cost construction projects to support the creation of new High Needs places or the improvement of existing provision (for pupils with SEND) or requiring Alternative Provision (AP).

4.0 FINANCIAL IMPLICATIONS

- 4.1 This is the Quarter 4 budget monitoring report that provides information on the revenue outturn for the Council for 2023/24. The Council has robust methods for reporting and forecasting budgets in place and alongside formal Quarterly reporting to Policy and 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 is 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 2023/24 was dependent on a stable financial position. The delivery of the budget was subject to ongoing variables both positive and adverse which gave a level of challenge in achieving this outcome.
- 7.2 In any budget year, there is a risk that operation will not be constrained within relevant budget limits. Under specific circumstances the Section 151 Officer may issue a Section 114 notice, but that position has not been reached at the present time. The issuing of a Section 114 notice bans all new spending with the exception of protecting vulnerable people and statutory services and pre-existing commitments.

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 2023/24 budget monitoring process and the 2023/24 budget setting process.

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 This report has no direct environmental implications; however due regard is given as appropriate in respect of procurement and expenditure decision-making processes that contribute to the outturn position.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 In year activity will have incorporated community wealth implications. Consideration would have taken account of related matters across headings such as the following:

- **Progressive Procurement and Social Value**
How we commission and procure goods and services. Encouraging contractors to deliver more benefits for the local area, such as good jobs, apprenticeship, training & skills opportunities, real living wage, minimising their environmental impact, and greater wellbeing.
- **More local & community ownership of the economy**
Supporting more cooperatives and community businesses.
Enabling greater opportunities for local businesses.
Building on the experience of partnership working with voluntary, community and faith groups during the pandemic to further develop this sector.
- **Decent and Fair Employment**
Paying all employees a fair and reasonable wage.
- **Making wealth work for local places**

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APPENDICES

None

BACKGROUND PAPERS

Children, Young People & Education Committee Report 21 June 2023: Budget and Budget Monitoring Process Report

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Children, Young People & Education Committee	6 March 2024
Children, Young People & Education Committee	1 February 2024
Children, Young People & Education Committee	29 November 2023
Children, Young People & Education Committee	25 September 2023
Children, Young People & Education Committee	19 July 2023
Children, Young People & Education Committee	21 June 2023
Children, Young People & Education Committee	7 March 2023
Children, Young People & Education Committee	24 January 2023
Children, Young People & Education Committee	6 December 2022
Children, Young People & Education Committee	12 October 2022
Children, Young People & Education Committee	21 June 2022
Children, Young People & Education Committee	10 March 2022