

CHILDREN, YOUNG PEOPLE & EDUCATION COMMITTEE**Tuesday, 6 December 2022**

REPORT TITLE:	2022-23 REVENUE & CAPITAL BUDGET MONITORING FOR QUARTER TWO (1 APR – 30 SEP)
REPORT OF:	DIRECTOR OF CHILDREN, FAMILIES AND EDUCATION

REPORT SUMMARY

This report sets out the financial monitoring information for the Children, Families and Education Committee as at quarter 2 (1 Apr – 30 Sep) of 2022-23. The report provides Members with an overview of budget performance, including progress on the delivery of the 2022-23 saving programme and a summary of reserves to enable the Committee to take ownership of the budgets and provide robust challenge and scrutiny to Officers on the performance of those budgets.

Managing a budget requires difficult decisions to ensure that a balanced position can be presented. Regular Member engagement, which this report forms part of, is considered essential in delivering effective governance and financial oversight.

At the end of Quarter 2, there is a forecast adverse position of £2.297m on the Committees net revenue budget, of £79.234m. This position is based on activity to date, projected trends in income and expenditure and potential mitigation to offset areas of adverse/favourable variance.

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

The report contributes to the Wirral Plan 2021-2026 in supporting the organisation in meeting all Council priorities.

RECOMMENDATION/S

The Children, Young People and Education committee is recommended to:

1. Note the forecast revenue position presented at Quarter 2.
2. Note the progress on delivery of the 2022-23 savings programme at Quarter 2.
3. Note the forecast level of reserves at Quarter 2
4. Note the forecast capital position presented at Quarter 2.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 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 balanced position at the end of the year
- 1.2 Regular monitoring and reporting of the revenue budgets and savings achievements enables decisions to be taken in a timely manner, which may produce revenue benefits and will improve financial control of Wirral Council.
- 1.3 This report presents timely information on the Quarter 2 financial position for 2022/23.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The Policy & Resources Committee has previously determined the budget monitoring process to follow 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 As at the end of September 2022 (Quarter 2), the financial forecast year end position for Children, Families and Education Committee is an adverse variance of £2.297m on the Committees net revenue budget, of £79.234m.
- 3.2 There have been significant movements since the last report for quarter 2, largely due to three main issues:
 - Forecast increased costs of £1.1m from the employers proposed pay award, over and above the original 3% built into the 2022-23 budget.
 - SEND Assisted Travel contract, with inflation now estimated at over 30%.The budget assumed a 10% increase. This combined with increases in demand for the service.
 - Increased numbers of children in care, after a year of reducing numbers, particularly in young people placed in high-cost residential settings.

Some mitigations have been taken to reduce the full impact of these adverse variances. The proposed reduction in national insurance contributions from November 2022 has been factored in, along with additional grant and income for the Early Help Service and use of specific reserves. The outturn position reflects delivery of most of the 2022/23 saving proposals.

TABLE 1: 2022/23 Children, Families & Education-Service Budget & Forecast Outturn

	Budget	Forecast Outturn	Variance		Adverse/ Favourable
			(+ Fav / - Adv)		
	£000	£000	£000	%	
Children and Families	50,141	51,753	-1,612	-3%	Adverse
Early Help and Prevention	11,196	10,734	462	4%	Favourable
Modernisation and Support	4,675	4,441	234	5%	Favourable
Schools - Core	13,222	14,603	-1,381	-10%	Adverse
Directorate Surplus / (Deficit)	79,234	78,984	-2,297	-3%	Favourable

3.3 **Children and Families:** The service is forecasting an adverse variance of £1.612m. The proposed increased pay award has impacted here by moving the forecast £0.67m alongside a noticeable increase in children in care rate which is likely to be a post-covid impact that have arisen after the budgets were agreed. The forecast includes cost of living increases awarded to foster carers funded from reserves set aside for looked after children service. The underlying pressures that relate to cost of living /inflation, have been included in the Medium-Term Financial Plan (MTFP) for 2023/24.

The expenditure for this service includes £25.991m on care costs. Overall, performance data indicates that the Children Looked After (CLA) rate having been stable in previous years and declined over the last year are now starting to edge up. An increase in care numbers was anticipated to occur in 2023/24 due to post covid impact, it now appears that this along with cost of living is impacting the service earlier resulting in the increase in CLA rate and pressures in costs. This service also includes expenditure to support unaccompanied asylum seekers with grant income covering the associated costs.

TABLE 2: Number of Children in Care

Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
823	825	821	819	814	795	786	770	789

3.4 **Early Help & Prevention:** A favourable forecast variance of £0.462m is reported for 2022/23. The Family Matters service expects to achieve the budgeted grant income and invest this in preventative services. Whilst, also expecting to claim additional income from the full activity grant. This will be invested and contribute to social care activities during the course of the year. Further grant income in Contextual Safeguarding and Youth Offending Service and staff vacancies and grade point variations across the area Early Help also contribute to the favourable variance.

3.5 **Modernisation and Support:** A favourable variance of £0.238m is reported for 2022/23. The favourable variance is mainly due to staff being appointed to lower range of salary scale. Commissioned services are being reviewed to release efficiencies.

3.6 **Schools – core:** An adverse variance of £1.381m against a budget of £13.222m is reported for 2022/23. There is an adverse forecast variance mainly in relation to the Children’s Assisted Travel (£1.369m), which is due to the pressure from the contract renewal effective from September 2022 and the pressure from the demand increase. The contracts have not been uplifted for the past 4 years, and together with the current inflation rate and the fuel price increase, the new contracts are significantly higher than anticipated.

TABLE 3: 2022/23 Children, Families & Education Committee- Subjective Budget & Forecast Outturn

	Budget	Forecast Outturn	Variance		Adverse/ Favourable
			(+ Fav / - Adv)		
			£000	£000	
Income	-20,136	-24,190	4,054	-20%	Favourable
Expenditure:					
Employee	42,885	43,759	-874	-2%	Adverse
Non Pay	32,781	35,971	-3,190	-10%	Adverse
Cost of Care	23,704	25,991	-2,287	-10%	Adverse
Total Expenditure	99,370	105,721	-6,351	-6%	Adverse
Directorate Surplus / (Deficit)	79,234	81,534	-2,297	-3%	Adverse

Budget Virements

3.7 There have been no budget virement in quarter 2

TABLE 4: 2022/23 Children, Families and Education–Dedicated Schools Grant (DSG)

	Budget £000	Forecast Outturn £000	Variance (+ Fav / - Adv)		Adverse/ Favourable
			£000	%	
DSG Expenditure:					
Schools Block	119,142	119,142	0	0%	
Schools Block De-delegated	1,820	1,802	18	1%	Favourable
Central School Services Block	2,120	2,074	46	0%	Favourable
High Needs	52,379	54,367	-1,988	0%	Adverse
Early Years	20,184	20,198	-14	0%	Adverse
Total Gross Surplus / (Deficit)	195,645	197,583	-1,938	-1%	Adverse
DSG Income:	-195,355	-195,355	0	0%	Adverse
Movement in DSG Reserve	-290	-2,194	1,904	657%	-
Total Net Surplus / (Deficit)	0	0	0	0%	

- 3.8 An adverse variance position is forecasted for 2022/23 as a result of the High Needs block which shows an adverse forecast position of £1.938m. The adverse forecast 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. Requests increased by around 28% in the period to August 22 compared to last year.
- 3.9 **DSG income:** A favourable forecast variance of £0.034m is reported for 2022/23 due to the grant adjustments in High Needs and Early Years blocks.
- 3.10 The 2021-22 financial year closed with a DSG reserve cumulative deficit position of £1.690m. The 22-23 budget include an anticipated in-year deficit balance of £0.290m to be added to the reserve balance, however, the current forecast outturn position is an adverse variance of £2.194m thus delivering a cumulative £3.884m deficit position at the end of 2022-23 This is mainly due to the pressure from High Needs block. It should be noted, there is a risk that the deficit may have to be included in the Council's overall reserves as the statutory override that separated DSG deficits from the authority's wider finances is due to expire at the end of 2022/23. Local authorities are calling for an extension to the override, however, there is no announcement is made from the DfE to date.
- 3.11 From Spring 2023, the Council is participating in the Delivering Better Value (DBV) in SEND (Special Educational Need and Disabilities) programme which is the DfE's support package to help local authorities maintain effective SEND services while functioning sustainably. The aim of the DBV programme is to improve delivery of

SEND services for children and young people and to ensure that this is done so within budget.

Progress on delivery of the 2022-23 savings programme.

3.12 In terms of savings, £3.150m of the £3.150m savings targets are either delivered or on track to be delivered. The table below summarises this progress by Directorate:

TABLE 5: SUMMARY OF PROGRESS ON DELIVERY OF 2022-23 SAVINGS

Committee	Approved Saving	Green	Amber	Red	Mitigation	Actual Savings Delivered to Date
Children Families & Education	£3.150m	£3.100m	£0.050m	£0.000m	£0.050m	£1.782m

3.13 For savings rated as Amber, an equal amount of temporary in-year mitigation has been identified to cover any shortfalls which may occur. For saving rated as red, a bid will need to be made from the £3m contingency fund set up for non-achieved savings at the end of the year.

Full details on the progress on specific savings can be found in **Appendix 1**.

Earmarked Reserves

3.14 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. The use of earmarked reserves is only permitted with the approval of the Section 151 officer.

TABLE 6: SUMMARY OF EARMARKED RESERVES

Committee	Opening Balance £000	Forecast Use of Reserve £000	Forecast Contribution to Reserve £000	Closing Balance £000
Children, Families & Education	5,150	-2,210	0	2,940

3.15 **Appendix 2** provides the full list of all earmarked reserves.

Capital Monitoring

3.16 The capital programs are detailed below with some programs reprofiled into future years.

TABLE 7: 2022/23 Children, Families and Education Committee – Capital Budget & Forecast Outturn

Capital Programme	2022/23			2023/24 Budget £000	2024/25 Budget £000	2025/26 Budget £000
	Q1 Forecast £000	Q2 Forecast £000	Variance £000			
Children's System Development	1,107	313	-794	794	0	0
Family Support	157	157	0	0	0	0
Transforming Care - Short Breaks	864	864	0	0	0	0
High Needs Provision Capital	2,871	1,499	-1,372	4,010	0	0
PFI	52	52	0	0	0	0
School remodelling and additional classrooms (School Place Planning)	511	188	-323	323	0	0
Special Educational Needs and Disabilities (SEND)	799	200	-599	599	0	0
Basic Needs	354	254	-100	481	0	0
School Condition/modernisation Allowance (SCA)	5,429	4,272	-1,157	8,157	2,500	0
TOTAL	12,144	7,799	-4,345	14,364	2,500	0

3.17 Scheme Updates:

School Condition Allocation (SCA) –Funding to support condition works, including:

- £1.485 million worth of roofing works have been identified, works have started on three schools with five schools having works costed and awaiting approval.
- £1.8 million to convert the former Kingsway Academy site for Clare Mount Specialist College.
- £0.850 million allocated for DDA works.
- £0.351 million allocated for asbestos removal works.
- £0.102 million expected costs for School Condition Surveys: Programme currently being worked on.
- £0.350 million allocated for boiler installation works across 6 sites.
- Fire alarm enhancements, schemes totalling £0.205 million have been identified.
- Work currently being scoped include toilet refurbishment, sound proofing, reduction in capacity totalling £0.200 million.
- £0.500 million mobile classrooms and associated groundworks at Riverside, The Observatory and Mosslands Schools.
- An increase from £4.1 million to £5.6 million of reprofiling has been applied due to factors including the availability of contractors, building supplies and a national skill shortage. Associated school capital projects have therefore been on hold/subject to further delays with budget deferred into 2023/24 as the priority is now to focus on the larger schemes such as the Kingsway conversion..

Transforming Care - Therapeutic Short Breaks– This scheme involves the purchase of property. Unfortunately, the purchase of a suitable property identified in 2021/22 fell through with an alternative property identified. There has been a delay in purchasing the property as unfortunately the vendor passed away in July. It is still intended to progress the sale and are currently awaiting probate which is expected late October. Once this is received, it is intended to continue with the purchase of the house with an estimated completion and exchange in January 2023.

Special Educational Needs and Disabilities / High Needs Provision Capital– To deliver additional classroom provision for SEN pupils across several Special schools. The planned schemes have been reviewed at Quarter 2 resulting in work being identified as now not starting until 2023/24 due a number of larger schemes taking priority which link into each other.

4.0 FINANCIAL IMPLICATIONS

- 4.1 This is the Quarter 2 budget monitoring report that provides information on the forecast outturn for the Council for 2022/23. The Council has robust methods for reporting and forecasting budgets in place and alongside formal Quarterly reporting to Policy & Resources and Service Committees, 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 2022/23 is dependent on a static financial position. This is an impossible scenario due to estimated figures being provided in the calculation for the 2022/23 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 the significant emerging inflationary and cost of living pressures, 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 2022/23 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.

7.4 A key risk to the Council's financial plans is that funding and demand assumptions in particular can change as more information becomes available. Significant inflation and cost of living pressures have already impacted the quarter 1 forecast position. and the impact of these pressures will be reviewed and considered in the MTFP as part of routine financial management.

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 2022/23 budget monitoring process and the 2022/23 budget setting process. This report will also be shared and reviewed by the Independent Panel.

8.2 Since the budget was agreed at Full Council on 28 February, 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 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

APPENDIX 1 – Progress on the delivery of the 2022-23 Saving Programme

APPENDIX 2 – Earmarked Reserves

TERMS OF REFERENCE

This report is being considered by the Children, Young People and Education Committee in accordance with section F of its terms of reference, 'providing a view of performance, budget monitoring and risk management in relation to the Committee's functions.'

BACKGROUND PAPERS

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Children, Young People & Education Committee	12 October 2022
Policy and Resources Committee	13 July 2022
Children, Young People & Education Committee	21 June 2022 20 Mar 2022
Council	28 February 2022
Policy and Resources Committee	15 February 2022
Children, Young People & Education Committee	13 Nov 2021 15 June 2021 11 Mar 2021 15 Jan 2021

Appendix 1 - Progress on the delivery of the 2022-23 saving programme

Saving Proposal	Approved Saving	Green	Amber	Red	Mitigation	Comment	Actual Savings Delivered to Date
Reduction of Historic Teacher's Pensions Costs	£0.200m	£0.200m	£0.000m	£0.000m	£0.000m	Saving is fully achieved. This historic commitment reduces year on year as the cohort ages, budget has been reduced accordingly.	£0.200m
Alternative Accommodation Provision for Children Looked After	£1.000m	£1.000m	£0.000m	£0.000m	£0.000m	Has some risks as it is dependent on delivery of new accommodation and identifying / matching young people to places. A reserve was established at the end of 21/22 of £470k to mitigate any potential non-achievement and will be used in 22/23. Two projects are currently forecast to come on-stream towards the end of the financial year.	£0.470m
Utilisation of demand reserve for COVID pressures	£0.467m	£0.467m	£0.000m	£0.000m	£0.000m	Saving is fully achieved. Reserve has been drawdown and utilised.	£0.467m
Children's Services Redesign and posts deletion/closure	£0.294m	£0.294m	£0.000m	£0.000m	£0.000m	On target to be achieved. Redesign has been completed and implemented.	£0.290m

Saving Proposal	Approved Saving	Green	Amber	Red	Mitigation	Comment	Actual Savings Delivered to Date
Reduction in adoption orders	£0.050m	£0.000m	£0.050m	£0.000m	£0.050m	Approved saving has been delayed but will be achieved 2023-24. The saving was to be found by a reduction in Wirral's Adoption in Merseyside (AIM) budget allocation due to falling numbers of adoption placements, as a historic backlog has been cleared. Whilst some of this has come through in 2022/23, the full impact is expected to occur in 23/24. An update from in-year monitoring is that an underspend is being forecast for the Service Level Agreement (unrelated to placements). This will mitigate / offset the impact of the budgetary saving not being implemented as originally planned. The savings are expected to be delivered by underspend in AIM during the year and Wirral's contribution to AIM budget being reduced in 23/24.	£0.020m
Reduction in Looked After Children (LAC) numbers	£0.564m	£0.564m	£0.000m	£0.000m	£0.000m	On target to be achieved. Headline rate of LAC has been falling. The number of leaving care remain as expected and should deliver the savings	£0.100m
Review of Youth Offending Service (YOS)	£0.025m	£0.025m	£0.000m	£0.000m	£0.000m	Saving is fully achieved. Service has been redesigned and saving achieved.	£0.025m

Saving Proposal	Approved Saving	Green	Amber	Red	Mitigation	Comment	Actual Savings Delivered to Date
Special Educational Needs (SEND) Transport Review	£0.150m	£0.150m	£0.000m	£0.000m	£0.000m	On target to be achieved by meeting the needs of young people in a more flexible manner. Working with families and young people to reconfigure services.	£0.010m
Increase funding for placements from CCG and SEND	£0.200m	£0.200m	£0.000m	£0.000m	£0.000m	On target to be achieved. There are ongoing discussions for funding from Integrated Care Boards (ICBs) and health partners. Wirral has been successful in bidding for capital funding for valuing care residential which is included in the accommodation strategy savings. We expect Health contribution towards the funding of the unit. A more detailed focus on individual placements is also increasing funding where appropriate. Funding is now actively explored on all new placements. With joint funding 50% contribution agreed for a recent high-cost placement.	£0.000m
Redesign of Youth Offer	£0.200m	£0.200m	£0.000m	£0.000m	£0.000m	Saving is fully achieved. Youth redesign is implemented and saving delivered.	£0.200m
Total Children Families & Education	£3.150m	£3.100m	£0.050m	£0.000m	£0.050m		£1.782m

Appendix 2 - Children, Families and Education Earmarked Reserves 2022-23

Reserve	Opening Balance £000	Use of Reserve £000	Contribution to Reserve £000	Closing Balance £000
Intensive Family Intervention Project	505	-160	0	345
School Improvement -	1,094	-331	0	763
Schools Causing Concern	500	0	0	500
SEND OFSTED Inspection Improvement Action Plan	1,051	-424	0	627
Children's Centre – Outdoor Play	92	0	0	92
Help for Young People	36	0	0	36
Looked After Children Education Services	211	-135	0	76
Local Safeguarding Children's Board	23	0	0	23
SEND - High Needs	248	-100	0	148
YOS - Remand & Mobile Youth Centre	157	-157	0	0
Early Help & Play Development	123	-123	0	0
DRIVE Safelives & Domestic Abuse Hub	50	-50	0	0
Children's Transformation	32	-32	0	0
Children IT data system	127	0	0	127
Mersey & Cheshire ICS Pilot	20	-20	0	0
Care Leaver Accommodation Development	358	-155	0	203
Wirral Apprentice Programme	53	-53	0	0
Looked after Children Placement Reserve	470	-470	0	0
Total	5,150	-2,210	0	2,940

