

CHILDREN, YOUNG PEOPLE & EDUCATION COMMITTEE**Wednesday, 21 June 2023**

REPORT TITLE:	2022/23 BUDGET MONITORING FOR QUARTER FOUR (THE PERIOD TO 31 MARCH 2023) OUTTURN
REPORT OF:	DIRECTOR OF CHILDREN, FAMILIES AND EDUCATION

REPORT SUMMARY

This report sets out a summary of the year-end revenue and capital position for the 2022/23 financial year for the Children, Families and Education Committee. 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.

The year-end revenue outturn for 2022/23, represents an adverse variance of £3.471m against revenue budget of £79.234m.

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, Families and Education committee is recommended to:

1. Note the year-end revenue position of £3.471m adverse variance reported for 2022/23;
2. Note the progress on delivery of the 2022-23 savings programme;
3. Note the level of reserves at the end of 2022/23;
4. Note the capital position at the end of 2022/23.

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 3 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 March 2023 (Quarter 4), the outturn position Children, Families and Education is an adverse variance of £3.471m against a budget of £79.234m.
- 3.2 Over the year, there was a trend of increasing numbers of children in care, after a period of reducing numbers, particularly in young people placed in high-cost residential settings and more recently into independent fostering. This has now stabilised and numbers are beginning to reduce again.
- 3.3 Previously reported costs of £1.1m from the pay award, over and above the original 3% built into the 2022/23 budget and SEND Assisted Travel contract, demand and inflation pressures have also affected led to significant adverse variances. Some mitigations have been taken to reduce the full impact of these adverse variances. The reduction in national insurance contributions from November 2022, 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
	£000	£000	(+ Fav / - Adv) £000	%	
Children and Families	50,141	54,178	-4,037	-8%	Adverse
Early Help and Prevention	11,196	10,065	1,131	10%	Favourable
Modernisation and Support	4,675	4,129	546	12%	Favourable
Schools – Core	13,222	14,333	-1,111	-8%	Adverse
Directorate Surplus / (Deficit)	79,234	82,705	-3,471	-4%	Adverse

3.4 **Children and Families:** The Service Area outturn is an adverse variance of £4.037m. Since the budgets were agreed at the start of the year, an increase in children in care rate with a post-covid impact on demand and inflationary price uplifts have placed significant pressures on the service. Increases in Residential Care and more recently independent fostering combined with the impact of the higher pay award adding further costs to the adverse position. The underlying pressures of the service that relate to cost of living /inflation, have been included in the Medium-Term Financial Plan (MTFP) and the 2023/24 budget.

The expenditure for this service includes £27.952m 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 increased during the year. This has now reduced in the last few months. 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.

TABLE 2: Number of Children in Care

Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
821	819	814	795	786	770	789	804	766

3.5 **Early Help & Prevention:** A favourable variance of £1.131m is reported for 2022/23. The favourable variance is mainly due to staff vacancies and appointments at the lower range of the salary scale. In addition, the Family Matters service achieved the budgeted grant income and claimed the extra from the full activity grant. This was being invested and contributed to social care activities during the course of the year leading to an underspend in Early Help to mitigate the overspend in Childrens and Families. Further grant income in Contextual Safeguarding and Youth Offending Service has also contributed to the overall service.

3.6 **Modernisation and Support:** A favourable variance of £0.546m is reported for 2022/23. The favourable variance is mainly due to staff vacancies and appointments at the lower range of the salary scale. Commissioned services were reviewed during the year to release further efficiencies.

3.7 **Schools – core:** An adverse variance of £1.111m against a budget of £13.222m is reported for 2022/23. There is an adverse variance mainly in relation to the Children’s Assisted Travel (£1.429m), 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. This adverse variance is partly offset by the favourable variances of Teacher Retirement Costs (£0.185m) and European Funded SEND Inclusion Programme (£0.185m).

Budget Virements

3.8 There have been no budget virements requiring committee approval in quarter 4.

TABLE 3: 2022/23 Children, Families and Education–Dedicated Schools Grant (DSG)

	Budget	Forecast Outturn	Variance		Adverse/ Favourable
	£000	£000	(+ Fav / - Adv) £000	%	
DSG Expenditure:					
Schools Block	119,142	118,519	623	1%	Favourable
Schools Block De-delegated	1,820	1,745	75	4%	Favourable
Central School Services Block	2,120	2,124	-4	0%	Adverse
High Needs	52,379	55,520	-3,141	-6%	Adverse
Early Years	20,184	20,983	-799	-4%	Adverse
Total Gross Surplus / (Deficit)	195,645	198,891	-3,246	-2%	Adverse
DSG Income:	-195,355	-195,818	463	0%	Favourable
Movement in DSG Reserve	-290	-3,667	3,377	1164%	-
Total Net Surplus / (Deficit)	0	0	0	0%	

3.9 An adverse variance position for 2022/23 is resulting from the High Needs block with an adverse position of £3.141m. 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.

3.10 **Schools Block:** A favourable variance of £0.623m is due to the academy conversion of three primary schools in the last quarter in 2022/23. The DSG grant income is reduced to balance off this variance.

3.11 **Early Years:** An adverse variance of £0.799m is reported for 2022/23 due to the actual activity hours being higher than budget expectation. The DSG Grant income budget for the Early Years is increased as the funding will be adjusted to match the actual activities.

3.12 **DSG income:** A favourable variance of £0.463m is reported for 2022/23 due to the grant adjustments in the Schools and Early Years blocks as above.

3.13 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 outturn position is an adverse variance of £3.073m thus delivering a cumulative £4.763m deficit position at the end of 2022/23 This is mainly due to the pressure from High Needs block. It was announced in December 2022 that the statutory override that separated DSG deficits from the authority’s wider finances was extended further 3 years and due to expire at the end of 2025/26.

3.14 In 2023-24, 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.

3.15 In terms of savings, £2.80m of the £3.150m savings targets were delivered in year. The table below summarises this progress by Directorate:

TABLE 4: SUMMARY OF PROGRESS ON DELIVERY OF 2022-23 SAVINGS

Directorate	Approved Saving	Delivered	Delivered through mitigation	Delayed/unachieved in year
Children, Families & Education	3.150	2.800	0.050	0.300

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

Earmarked Reserves

3.17 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 5: 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	-1,489	0	3,661

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

Capital Monitoring

3.19 The capital programme remains on target except the School Condition allocation which £4.5m has been reprofiled into future years. More details are below.

TABLE 6: 2022/23 Children, Families and Education Committee – Capital Budget & Forecast Outturn

Capital Programme	2022/23			2023/24	2024/25	2025/26
	Q3 Forecast £000	Q4 Actuals £000	Variance £000	Budget £000	Budget £000	Budget £000
Basic Needs	208	88	120	1,028	0	427
Children's System Development	313	347	-34	760	0	0
School Condition Allocation (SCA)	4,272	4,861	-589	9,198	2,500	2,500
Family support	0	0	0	157	0	0
High Needs Provision Capital	1,499	1,117	382	4,392	0	0
PFI	3	0	3	52	0	0
School remodelling and additional classrooms (School Place Planning)	43	45	-2	1	0	0
Special Educational Needs & Disabilities	200	321	-121	478	0	0
Transforming Care - Therapeutic Short Breaks	864	1	863	863	0	0
TOTAL	7,402	6,780	622	16,929	2,500	2,927

3.17 Scheme Updates:

- **School Condition Allocation (SCA)** – £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.
- **High Needs Provision Capital** – To deliver additional classroom provision for Special Educational Needs (SEN) pupils across several Special schools. Current programme includes number of high cost construction projects including 0.712m spend on Hayfield mobile classroom for SEN provision.
- **Transforming Care - Therapeutic Short Breaks**– This scheme involves the purchase of property. Awaiting probate on a property but are hoping the sale completes in this financial year.

4.0 FINANCIAL IMPLICATIONS

- 4.1 This is the Quarter 3 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

APPENDIX 3 - Education Capital Progress Report

BACKGROUND PAPERS

Wirral Borough Council Constitution

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Policy and Resources Committee 15 February 2023	15 February 2023
Policy and Resources Committee	18 January 2023
Policy and Resources Committee 09 November 2022	09 November 2022
Policy and Resources Committee	13 July 2022
Policy and Resources Committee	15 February 2022
Council	28 February 2022
Children's, Young People & Education Committee	7 March 2023

Children's, Young People & Education Committee	6 December 2022
Children's, Young People & Education Committee	12 October 2022
Children's, Young People & Education Committee	21 June 2022
Children's, Young People & Education Committee	10 March 2022
Children's, Young People & Education Committee	13 September 2021
Children's, Young People & Education Committee	15 June 2021
Children's, Young People & Education Committee	11 Mar 2021
Children's, Young People & Education Committee	15 January 2021