
REPORT OF THE STRATEGIC FINANCE MANAGER
ON BEHALF OF THE CHIEF FINANCIAL OFFICER

TO CHILDREN'S SCRUTINY PANEL
ON
9th OCTOBER 2019

TITLE: **REVENUE BUDGET MONITORING 2019/20, CAPITAL PROGRAMME 2019/20**

RECOMMENDATIONS:

It is recommended that Children's Scrutiny Panel:-

- Consider the current position and forecast year-end position for the service group's revenue budget, Dedicated Schools Grant budget and Children's element of the Integrated Fund.
 - Consider the progress made towards achieving the agreed cost reductions
 - Review the current position regarding the service group's 2019/20 capital programme.
 - Request further information as necessary to help to ensure good governance.
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EXECUTIVE SUMMARY:

(a) Revenue Budget

The service group's budget for 2019/20 is £85.354m and the forecast expenditure for the year is £85.776m. Consequently, there is a forecast adverse variation of £0.422m for the financial year.

(b) Dedicated Schools Grant

The DSG allocation for central services in 2019/20 is £42.862m and the forecast expenditure for the year is £46.284m, a forecast adverse variation of £3.422m.

(c) Integrated Fund (Children's)

The latest position reported to Children's Commissioning Committee for the children's element of the integrated fund reflects the period up to the end of July 2019 and shows a budget pressure of £7.4m.

(d) Capital Programme

The service group programme for 2019/20 is currently £12.022m. The phasing of expenditure means that spend totalling £0.197m has been incurred for the period April to July 2019.

BACKGROUND DOCUMENTS:

- SAP general ledger and BI reports
 - Various documents held on the accountancy team
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ASSESSMENT OF RISK: Key risks to budgetary control and savings are identified in this report.

SOURCE OF FUNDING: Sections in this report consider the Revenue Budget and Capital Programme

LEGAL ADVICE OBTAINED: Not applicable

FINANCIAL ADVICE OBTAINED:

This report concerns key aspects of the Council's revenue finances and has been produced by the Finance Division.

WARD(S) TO WHICH REPORT RELATE(S): None specifically

KEY COUNCIL POLICIES: 2019/20 Revenue Budget, 2019/20 Capital Programme

1 Introduction

1.1 This report is set out in four main sections.

- Section 2 sets out the current position of the revenue budget and forecasts the year end position, highlighting any risks/sensitivities.
- Section 3 sets out the current position of the Dedicated Schools Grant (DSG) and forecasts the year end position, highlighting any risks/sensitivities.
- Section 4 provides an update on savings requirement
- Section 5 provides an update of the Capital Programme.

2 Revenue budget

2.1 The current position and year end forecast for the Revenue Budget is set out in **Table A** below. Agreed savings (discussed in section 4) have been built into the budget figures. Expenditure data reflects salaries, wages and other expenditure up to 31st July 2019.

2.2 At this stage of the financial year it is not possible to project income and expenditure with absolute certainty. There is therefore a risk of unforeseen variations to the forecast outturn.

2.3 **Table A: Revenue budget to 31 July 2019**

Division of service	Annual budget £000	Forecast outturn expend £000	Variance £000	Budget Pressure – Integrated Fund £000	Risk assessment
Leadership & Safeguarding	2,149	2,144	1	4	● (GREEN)
Specialist Services	33,817	33,849	(32)	(7,321)	● (RED)
SEN, Access & Inclusion	27,930	28,115	(185)	(448)	● (AMBER)
Education & Helping Families	21,742	21,585	(67)	108	● (GREEN)
Total	85,354	85,637	(283)	(7,661)	● (RED)

2.4 It is forecast that the Children’s Services (non pool) revenue budget will overspend by £0.365m. This position is mainly due to underachievement of external income targets, however it is anticipated that this pressure will reduce during the year.

2.5 In 2019/20 the Council and Salford CCG expanded its pooled budget arrangements through the creation of an integrated fund covering a range of Children’s, Adults and Primary Care services. Under the terms of the associated risk share agreement each partner would contribute to the cost of budget pressures in proportion to the contributions made to the pool for each service area. This means that rather than the budget pressures falling directly upon the council, the council will instead contribute its

share of any budget pressures with the Children's and Adults Services to the integrated fund.

The latest position reported to the Children's Commissioning Committee for the children's element of the integrated fund reflects the period up to the end of July 2019. Childrens Services face budget pressures of £7.6m offset partly by savings on the CCG element of the pool. The overall forecast adverse pool position is £7.4m which is largely due to continued demand pressures within the looked after children area of the budget, particularly in regard to costs of outside placements. Members will be aware of the work being undertaken to address some of these pressures such as the No Wrong Door model. However, should the year end position reflect the current forecast the council would be expected to contribute just over £5m towards these pressures.

3 Dedicated Schools Grant (DSG)

3.1 The year-end forecast for centrally held Dedicated Schools Grant budgets is set out in **Table B** below.

3.2 At this stage of the financial year it is not possible to project income and expenditure with absolute certainty. There is therefore a risk of unforeseen variations to the forecast outturn.

3.3 **Table B: DSG dedicated schools grant forecast**

DSG funding block	2019/20 Allocation £000	Forecast outturn expend £000	Forecast variance £000	Risk	Forecast balance 31 st Mar 20 £000
High needs	23,406	26,321	(2,916)	● (RED)	(12,996)
Early years	15,242	15,592	(350)	● (AMBER)	(127)
Schools	4,214	4,371	(156)	● (GREEN)	(619)
Total	42,862	46,284	(3,422)	● (RED)	(13,742)

It is forecast that in-year expenditure will be over budget by £3.422m by year end. This is due in the main to a forecast overspend on the High Needs block of £2.9m and £0.4m on Early Years.

The projected overspend on the High Need block is a continuation of the pressures experienced in the previous years with a deficit balance having been carried forward from 18/19 of £10.1m. The total projected deficit on the High Need block at the end of 19/20 therefore being £13m.

Commissioned by the Local Government Association, ISOS research into trends in spending for children and young people with SEND quantifies the current pressure on budgets for children and young people with SEND and explores the reasons behind the increasing expenditure on high needs funding. <https://www.local.gov.uk/have-we-reached-tipping-point-trends-spending-children-and-young-people-send-england>

The projected over spend is as a result of a number of factors which are outlined below

- **Increasing level of need in the city**

Of the population in Salford, 19.1 % are in receipt of some form of provision for their Special Educational Needs. This is far higher than the England average of 14.6%.

There are:-

Type of Support	%of Total Census Population
No SEND	80.9% (All England -85.4 %)
SEN Support	15.7% (All England – 11.7%)
EHC Plan	3.4% (All England -2.9 %)

- 1792

children and young people (0-25) with an EHC Plan.

- 627 children and young people placed in maintained or academy Special Schools
- 128 children and young people attending non-maintained or Independent Special Schools.
- 177 young people with EHCPs attend General Further education or Sixth Forms
- 29 young people attend Specialist post 16/19 settings
- 27 young people are undertaking supported internships
- 9 children and young people who have EHC Plans are electively home educated

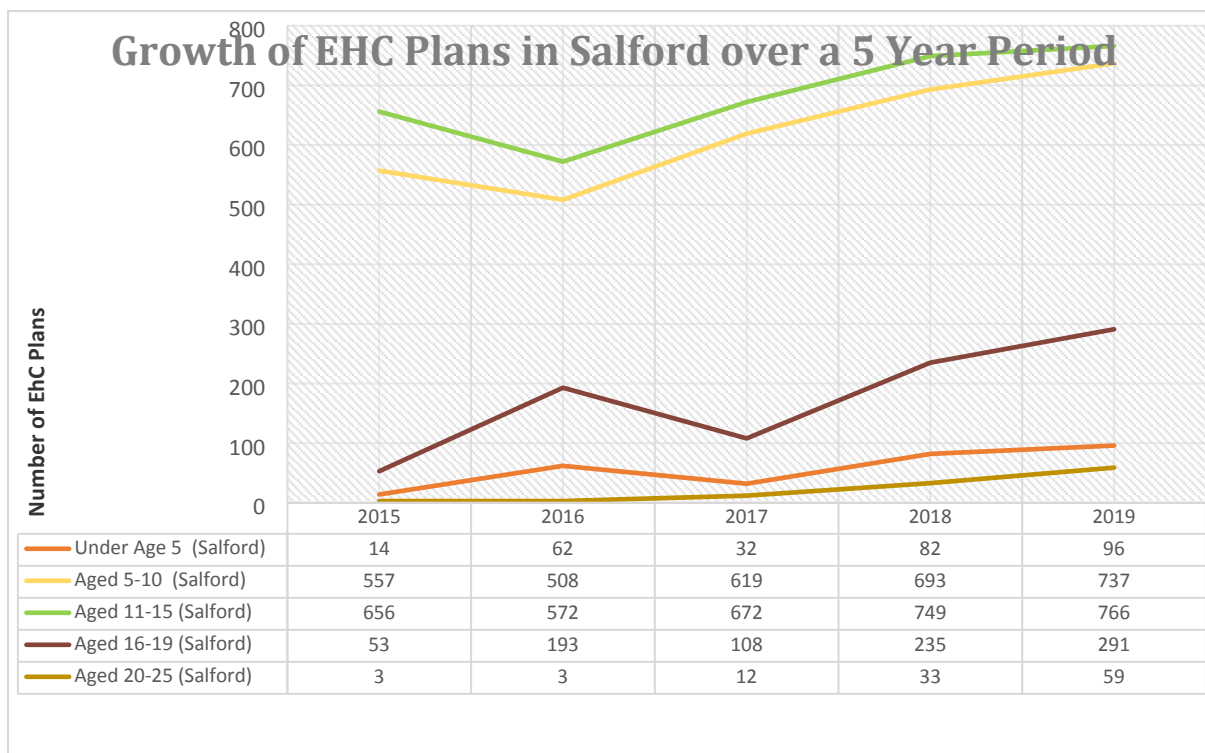
The age breakdown for children and young people with an EHC Plan is

- 0-5 years 80 (5% of all EHC Plans)
- 5-10 years 643 (36% of all EHC Plans)
- 11-15 years 672 (38% of all EHC Plans)
- 16-19 years 303 (17% of all EHC Plans)
- 20-25 years 61 (4% of all EHC Plans)

Nationally, EHC Plans are most prevalent at age 15, where 3.8% have an EHC Plan. In Salford the percentage of 15 year olds with an EHC Plan is 4.6%, higher than the England average.

In Salford there is generally an incremental rise in the number of children and young people with an EHC Plan in each age group from 3 to 16 and then numbers drop with a sharp decline from age 20 to 25. However, this will begin to grow as the cohorts move through the system.

The number of children or young people with a statement of SEND or requiring an Education Health and Care Plan (EHCP) has risen nationally by 35% between 2014 and 2018. In Salford the rise is 46%.



- Rising unit costs of provision**

Nationally, young people over the age of 16 constitute 23% of all EHCPs and 17% of high needs expenditure. In Salford, young people over the age of 16 constitute 18% of all EHCPs and 10% of high needs expenditure. At the same time as rising numbers of children and young people with SEND, ISOS research found evidence that the unit costs of providing support were also rising. This is true in Salford also as more children presenting with complex needs attract higher banding levels thus pushing up the overall unit cost. ISOS recorded that of particular concern to local areas is the increased reliance on the INMSS sector as local special schools have reached capacity, because of the relatively high cost of this provision. While only 6% of children and young people with EHCPs are in INMSS, information supplied by some of their fieldwork authorities suggests that these placements account for on average 14% of expenditure. In Salford the position is even more challenging as 16% of the high needs block is expended on the independent and non-maintained sector, which is for 7% of children and young people with EHCPs.

- Increase in overall population**

Over recent years there has been an increase in the overall children and young people population. This has had a more significant impact in some areas than in others, the impact of the population growth on the need to spend is not evenly felt. Some local areas have experienced much higher population growth than others. This presents an issue because, prior to the introduction of the high needs funding formula in 2016-17, high need block allocations were tied to historical spending patterns and were not based on population change. Even since the introduction of the new funding formula only half the high needs block allocation is subject to a formula calculation (with the remaining 50% still based on historical spending patterns) which arguably still leaves those experiencing rapid population growth with a funding gap. By way of illustration, the ten local authorities which have seen the highest population growth in pupils recorded on the school census since 2014 have experienced an average reduction in their per capita high needs budget from £717 per head to £640 per head. Salford has experienced the 11th highest population growth in pupils recorded on the school census of all Local Authorities.

- Pressure on school budgets**

Prior to April 2018, there was no restriction on the movement between blocks. However, from 2018/19 there was a requirement that funding from the Schools Block had to be allocated to schools but Local Authorities (LAs) were able to transfer up to 0.5% of their school block funding into another block, with the approval of Schools Forum. Where the LA wanted to move more than 0.5% of the Schools' Block, the LA had to submit a disapplication request to the Secretary of State. With the

agreement of Schools Forum, Salford has transferred 0.5% in 18/19 and for 19/20. Schools Forum were not supportive of Salford submitting a disapplication request for 2018/19 to move higher amount from the Schools Block to the High Needs Block as this would have a detrimental impact on school's budgets.

The pressure on the Early Years block budget is as a result of:-

- Implementation of the National Funding formula in Early Years, which restricts the level of 3 and 4 year old grant allocation which can be retained by the council for central expenditure to 5%.
- Previous budget decisions to switch budget to Early Years DSG

5 Capital

5.1 Introduction

This report advises Children's Scrutiny Panel of recent developments regarding the capital programme.

5.2 Expenditure to Date

Children's Scrutiny Panel is asked to note the following summary of actual expenditure against expected expenditure as at the end of July 2019.

Table 1 – Actual Spend Against Profile

High Level Summary	Current Programme	Expected spend to date	Actual spend to date	Variance
	£m	£m	£m	£m
Basic Need	5.476	0.069	0.069	-
Capital Maintenance	4.546	0.127	0.127	-
SEND	1.000	0.001	0.001	
Social Care Management System	1.000	-	-	
Total	12.022	0.197	0.197	-

5.3 2019/20 Capital Programme Adjustments

Table 2 – Programme

High Level Summary	Original	Current	Variation	Comments
	£m	£m	£m	£m
Basic Need	5.476	5.476	-	
Capital Maintenance	4.546	4.546	-	
SEND	1.000	1.000	-	
Social Care Management System	1.000	1.000	-	
Total	12.022	12.022	-	-

Table 3 – Resources

High Level Summary	Last month	Current	Variation	Comments
	£m	£m	£m	£m
Unsupported borrowing - self financing	-	-	-	
Unsupported borrowing - general support	1.000	1.000	-	
Subtotal - Internal resources	1.000	1.000	-	
Grants	11.022	11.022	-	
Other contributions	-	-	-	
Subtotal - External resources	11.022	11.022	-	
Total resources	12.022	12.022	-	

5.4 Issues/Risks

At this stage of the year there are no issues / risks to report. The capital programme will continue to be closely monitored to identify any budget pressures at an early stage.

6 Recommendations

It is recommended that Children's Scrutiny Panel:-

- Consider the current position and forecast year-end position for the service group's revenue budget and Dedicated Schools Grant budget
- Review the current position regarding the service group's 2019/20 capital programme.
- Request further information as necessary to help to ensure good governance.