

3 November 2020

**Corporate financial performance – Quarter 2 (period 5 – August 2020): Financial monitoring position for 2020/21**

Ward(s) All

**Portfolio:** Councillor Chris Towe – Education and Skills**1. Aim**

To provide the budget monitoring position for Period 5 2020/21. The Chair requested that this item be considered by the Committee.

**2. Recommendations**

- 2.1 To note the revenue and capital forecast for the financial year end 2020/21 for the services under the remit of the committee
- 2.2 To note the mitigating actions being taken to address the overspend.

**3. Report detail – know**

- 3.1 The current net revenue forecast position, after the net use of reserves, would be an overspend of **£0.543m**, which results from pressures within Home to School transport. After mitigating actions of (£0.543m) the forecast position is net nil.
- 3.2 Regular reports are prepared during 2020/21 for both Children's Services Overview and Scrutiny Committee and the Education Overview and Scrutiny Committee. For services under the remit of this Committee, the forecast revenue position is net nil as at Period 5 (August 2020). For completeness, the forecast revenue overspend for services under the remit of the Children's Services Overview and Scrutiny Committee is net nil. This gives a total net nil position for Children's Services directorate as at 31 August 2020.
- 3.3 Reasons for the current position are shown in Table 1 below:

<b>Table 1- Explanations of overspend</b>	
	<b>£m</b>
Home to school transport pressure, £0.665m primarily resulting from an increase in out of borough demand, (£0.122m) saving on route costs resulting from a reduction in the number of children currently being transported due to COVID-19. The current FYE cost of current children transported is £3.684m, this position utilises all of the £1.000m investment.	0.543
Use of central action plan to mitigate overspends detailed above	(0.543)
<b>Total</b>	<b>0.000</b>

3.4 The forecast revenue position by service is shown in Table 2 below:

<b>Table 2- Forecast Revenue Outturn 2020/21</b>					
<b>Service</b>	<b>Annual Budget £m</b>	<b>Year End Forecast £m</b>	<b>Planned Use of Reserves £m</b>	<b>Action Plan £m</b>	<b>Variance after Reserves &amp; Action Plan £m</b>
<b>Access &amp; Inclusion</b>	3.207	4.846	(1.639)	0.000	0.000
<b>Home to School Transport</b>	3.584	4.127	0.000	(0.543)	0.000
<b>Children's Services Sub Total</b>	<b>6.791</b>	<b>8.974</b>	<b>(1.639)</b>	<b>(0.543)</b>	<b>0.000</b>
<b>Education funding - accountable body</b>	(0.532)	0.295	(0.827)	0.000	0.000
<b>Total Children's Services</b>	<b>6.260</b>	<b>9.269</b>	<b>(2.466)</b>	<b>(0.543)</b>	<b>0.000</b>

### 3.5 Reserves

The total allocated reserves in 2020/21 are £4.992m, of which £2.466m (49.4%) has been used or committed to date.

Table 3 below details the current net use of reverses included within the forecast.

<b>Table 3 - Summary of use of reserves and transfer to reserves</b>				
<b>Reserve Details</b>	<b>Allocated reserve</b>	<b>Use of reserve</b>	<b>Transfer to reserve</b>	<b>Balance of reserve</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Education funding-accountable body	3.089	(0.827)	0.000	2.262
Access & Inclusion	1.903	(1.639)	0.000	0.264
<b>Total Reserves</b>	<b>4.992</b>	<b>(2.466)</b>	<b>0.000</b>	<b>2.526</b>

### 3.6 Risks

For the services under the remit of the Committee, there are a number of risks totalling **£0.352m**, which have not been included within the above forecast. At this stage the risks are not certainties and as such are not included in the monitoring as an under or overspend. High risks of **£0.223m** are included in the corporate monitoring report to CMT. If the risks become certainties, they will need to be included in the forecast position as overspends unless alternative action can be identified to mitigate these costs. A summary of the risk assessment is table 4 below.

<b>Risk</b>	<b>Value (£m)</b>	<b>Ongoing</b>	<b>One Off</b>	<b>Actions to manage risk</b>
<b>High</b>	0.223	0.000	0.223	Childrens Services continue to review possible in year mitigations if this were to materialise. Home to school transport budget is under review as part of Council's MTFO plan
<b>Medium</b>	0.000	0.000	0.000	
<b>Low</b>	0.129	0.040	0.089	
<b>Total</b>	<b>0.352</b>	<b>0.040</b>	<b>0.312</b>	

The main high risks (Red risks) that could negatively impact the current forecast position if they occur are:

<b>Service</b>	<b>Reason / explanation of risk</b>	<b>£m</b>
Home to School Transport	Additional Home to School transport costs for all children to return to school in COVID-19 safe transport in September. This is pending review while the service is drawing up various options on all children returning to school in September	0.223
	<b>Total High Risks</b>	<b>0.223</b>

### 3.7 Capital Summary

The total capital programme related to this portfolio is £40.939m. The current forecast position is projected to £13.991m. The carry forward on Basic Need of £26.640m is committed to future school expansion schemes. The carry forward on Capital Maintenance of £1.297m will be used to further improve the school estate in Walsall. A summary is detailed in the table below:

<b>Table 6- Forecast Capital Outturn 2020/21</b>					
<b>Service</b>	<b>Annual Budget</b>	<b>Actual Year to Date</b>	<b>Forecast</b>	<b>Year End Variance</b>	<b>Proposed carry forward to 2021/22</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Council Funded</b>					
School Estate Condition Survey	0.250	0.040	0.250	0.000	0.000
School Temporary Classrooms	0.250	0.016	0.250	0.000	0.000
2 Year Old Capital Funding - DSG RCCO	0.263	0.004	0.263	0.000	0.000
PRU – DSG RCCO	0.454	0.000	0.454	0.000	0.000
SENDI – DSG RCCO	0.806	0.000	0.806	0.000	0.000
<b>SUB-TOTAL</b>	<b>2.023</b>	<b>0.060</b>	<b>2.023</b>	<b>0.000</b>	<b>0.000</b>
<b>Externally Funded</b>					
Devolved Formula Capital	2.159	0.104	2.159	0.000	0.000
Capital Maintenance*	3.491	1.134	2.194	(1.297)	(1.297)
Basic Need**	30.839	0.700	4.198	(26.640)	(26.640)
Universal Infant Free School Meals	0.010	0.000	0.010	0.000	0.000
Academies – Darlaston	0.346	0.000	0.346	0.000	0.000
Healthy Pupil Capital Fund	0.064	0.016	0.064	0.000	0.000
Special Provision Fund	1.626	0.000	1.626	0.000	0.000
Section 106	0.381	0.000	0.381	0.000	0.000
<b>SUB-TOTAL</b>	<b>38.916</b>	<b>1.953</b>	<b>11.969</b>	<b>(27.937)</b>	<b>(27.937)</b>
<b>TOTAL - EDUCATION</b>	<b>40.939</b>	<b>2.014</b>	<b>13.991</b>	<b>(27.937)</b>	<b>(27.937)</b>

\* Additional Capital Maintenance funding was announced by the Department for Education in August 2020. The revised budget of £4.227m will be reflected in future reports, bringing the total budget of the portfolio to £41.675m. Children's Services and Integrated Facilities Management have a 5-year rolling programme for projects to be funded from the Capital Maintenance grant. Therefore, a request will be made to carry the remaining funds forward to next financial year.

\*\* Regarding further Basic Needs allocations, it should be noted that the DfE have confirmed they will not be able to announce the allocations for places needed beyond September 2022 due to lack of clarity around school capital budgets from Central Government. Historically, the DfE has tried to announce allocations 3.5 years ahead of when places are needed in order to allow local authorities sufficient time to plan ahead and complete works in time for when additional pupil places are required.

Details of proposed capital carry forwards are detailed in the table below:

<b>Table 7 - Proposed Capital Carry Forwards to 2021/22</b>		
<b>Capital Schemes</b>	<b>Amount to be c/f (£m)</b>	<b>Comments</b>
Basic Need	26.640	Carry forward is committed to future Basic Need expansion schemes.
Capital Maintenance	1.297	Carry forward will be used to further improve the School Estate in Walsall.

### 3.8 Capital risks

The total risk for the service is currently £3.117m.

<b>Table 8 – Capital Risks 20/21</b>				
<b>Risk</b>	<b>Value (£m)</b>	<b>Ongoing (£m)</b>	<b>One Off (£m)</b>	<b>Actions to manage risk</b>
Medium	0.500	0.000	0.500	Potential increase in school expansion costs. For previous school expansion schemes, final costs have been higher than previously expected.
Medium	1.626	0.000	1.626	Special Provision Fund expenditure is dependent on the review of the SEN Strategy. If eligible schemes are not identified and money spent by 31 March 2021, then this grant funding may need to be paid back.
Low	0.992	0.000	0.992	Goldsmith Academy 2 year old places. Legal Agreement yet to be drawn up so that funding can be released to the Academy Trust.
<b>TOTAL</b>	<b>3.117</b>	<b>0.000</b>	<b>3.117</b>	

## 4. Financial information

- 4.1 The financial implications are as set out in the main body of this report. The Council has a statutory responsibility to set a balanced budget and to ensure it has an adequate level of reserves. The council will take a medium term policy led approach to all decisions on resource allocation.

## 5. Reducing Inequalities

- 5.1 Services consider and respond to equality issues in setting budgets and delivering services. Irrespective of budgetary pressures, the Council must fulfil equal opportunities obligations

## 6. Decide

- 6.1 To approve the recommendations as set out in this report.

## 7. Respond

- 7.1 The Executive Director for Children's Services, with finance in support, will be working with Directors and Heads of service to review the forecast, to continue to implement mitigating actions for any further forecast overspends and to consider these financial implications in line with the Council's budget setting process.

## 8. Review

- 8.1 Regular monitoring reports are presented to Cabinet to inform them of the impact of Covid-19 and the financial forecast for 2020/21, including an update on risks and impact on the budget for 2021/22 and beyond.

**Background papers:** Various financial working papers

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