

Manchester City Council Report for Resolution

Report to: [Schools Forum](#)

Subject: Council Budget and Savings Options

Report of: Directorate Finance Lead – Children’s and Schools

Summary

It is anticipated the implications of COVID-19 will have a significant impact on the Council’s finances for several years, currently the Council is facing a significant funding gap for 2021/22 which is estimated to be £105m; £159m for 2022/23; and c£122m thereafter.

This report details the savings options that are deemed to potentially impact on schools.

Recommendation

Following consideration of the reports by the Council’s Executive on 11th November, an eight-week formal public consultation will be launched on specific identified options and the general consultation on all of the Council’s budget options will be launched. The general consultation will run through to the Executive in early 2021. The Council’s budget proposals for 2020/21 will be subject to further refinement following feedback from public consultation and scrutiny committees.

Schools Forum is requested to note the report.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Supporting Reports:

3 rd November 2020	Resources and Governance Scrutiny Committee
4 th November 2020	Children and Education Services Budget 2021/22 - 2024/25 Children and Young People Scrutiny Committee

1. INTRODUCTION

- 1.1. It is anticipated the implications of the pandemic will have a significant impact on the Council's finances for several years, currently the Council is facing a significant funding gap for 2021/22 which is estimated to be £105m; £159m for 2022/23; and c£122m thereafter.
- 1.2. With the likely scale of funding pressures and future resource reductions, it is important that the Council holds a robust position on reserves and maintains the ability to deal with issues that arise during the financial year. It must be stressed no figures for the national Financial Settlement for 2021/22 have been confirmed at this stage and so these figures are an estimate, and the position will change as more information becomes available.
- 1.3. The Council's budget proposals for 2021/22 and onwards will be subject to further refinement following feedback from public consultation and scrutiny committees. In addition, the figures may be subject to change following the contents of the local government Finance Settlement which is expected mid-late December 2020. At this point an indicative date has not been provided for the likely publication of the Settlement. Final budget proposals will be made to Scrutiny and Executive in February 2021.
- 1.4. This report details the savings options that are deemed to potentially impact on schools.

2. BACKGROUND

- 2.1. On 21st October, the government announced the Spending Review will be published at the end of November and will be for one year only, in order to prioritise the response to COVID-19 and the focus on supporting jobs. Detailed funding allocations for the Council will only be made available as part of the provisional Local Government Finance Settlement, normally late in December.
- 2.2. Due to the scale of the budget gap some decisions will be required in advance of the Spending Review and the Local Government Finance Settlement to enable the budget to be balanced next year. A programme of c£50m cuts are therefore being put forward by officers for consultation now so they can be fully delivered in time for 2021/22. Where possible these are designed to protect front line services. It is likely there will be some further support in the Spending Review although due to the extent of the financial gap further cuts will be required in the future. It is not known what funding the Council will get after 2020/21 and work will be required to ensure that where possible further cuts are carefully planned as part of the Future Shape of the Council work.
- 2.3. The table below provides the savings by Directorate subject to consultation:

	Amount of Saving Option
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	2021/22	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000	£'000
Adults Services	20,000	0	0	0	20,000
Population Health	0	0	0	0	0
Children Services	12,656	(152)	(1,309)	100	11,295
Homelessness	2,835	739	0	0	3,574
Neighbourhoods (Incl. Highways)	7,083	493	100	100	7,776
Growth and Development	2,024	591	604	(905)	2,314
Corporate Core	6,455	672	0	0	7,127
Total Savings Options	51,053	2,343	(605)	(705)	52,086

3. SAVINGS OPTIONS POTENTIALLY IMPACTING ON SCHOOL ACTIVITY

3.1. **Service Level Agreements with Schools** - Education Services have reviewed their Service Level Agreements with schools. It is proposed that:

- The Newly Qualified Teacher offer current charge has been benchmarked against other providers and it is believed that the charge can be increased without reducing take-up.
- Key Stage Two writing moderation is currently free to all our schools. It is proposed primary academies are charged £200 for MCC to be the moderation provider.
- Quality Assurance, the Council currently pay for every school to have a Quality Assurance Professional visit. This is a key aspect of the Council's assurance of our school system. It is proposed academies are charged 50% of the £475 cost per visit.

It is anticipated the activity above would generate **£30k** 2021/22 onwards.

3.2. **Schools Quality Assurance** - The School Improvement grant is currently £420k per annum. Part of the grant could be used to fund School Quality Assurance officers in order to release capacity in the council budget. It is proposed that **£300k** is saved in 2021/22. This would reduce to **£150k** 2022/23 onwards as this would ensure Education is able to retain some of the quality assurance model which has been highly successful and effective in ensuring an improving school system built on a high level of trust with MCC. The current use of the grant allows for strategic intervention with our schools on maths, phonics and reading, leadership support all with evidenced impact and based on risk assessments and other data for all Manchester schools. Reduced funding within the school improvement grant would therefore mean that there were fewer interventions available and a far more targeted approach would be required.

- 3.3. **Free Travel** - A local authority has a statutory duty to provide transport assistance if the nearest available school is not within statutory walking distance of the child's home as set out in the Education Act 1996 (as amended) or to certain children whose families are on a low income (Schedule 35B to the 1996 Education Act). Otherwise, the provision of transport assistance is at the local authority's discretion. Only where children meet the criteria in this policy will they be entitled to transport assistance between their home and school. This policy does not apply to children with Education Health Care Plans. The proposal is that a **£400k** saving is made from the Free Travel budget 2021/22 onwards based on the current level of applications made to free travel following a review of the free travel policy and the creation of more secondary school places across the city.
- 3.4. **Early Years Speech and Language Commission** - The original scale of investment in Early Years **speech and language**, £436k is not required in the medium term as a key aspect of this commission involves training of the Early Years' and health workforce, which has already been delivered at scale. A revised speech and language therapy pathway that maintains a commitment to early intervention and prevention and Wellcomm screening will be redesigned with our partners. This will allow us time to respond to the disproportionate impact arising from COVID-19. It is proposed there would be a phasing to the reductions incrementally over a three-year period, starting in 2022/23 at a rate of **£100k** per annum.
- 3.5. **Dedicated Schools Grant (£1m)** - Contribution to support to multi-agency placements has been reduced in 2020/21 and will be drawn down upon on a one-off basis in 2021/22.
- 3.6. **The School Catering (£450k)** - The service is in a position of terminal decline as schools opt for cheaper providers, resulting in continuously reducing economies of scale. The income from the service has reduced considerably. The net budget in 2018 was for surplus income of £620k with a service being provided to 90 schools. The service is now being provided to 74 schools with a net income target of just £60k. The budget includes a contribution of £434k from reserves which means that the service costs £374k to operate. A report is being prepared to go to Executive in December 2020 with a proposal to accelerate the withdrawal of the Council's offer for the school meals provider market in 2021/22 in order to avoid the need for further revenue support to the school meals function. Cost avoidance is c£450k. Staff directly employed in this service will transfer, either to the school or if the school preferred to commission the service, to another provider.

4. FUTHER AREAS FOR CONSIDERATION SUBJECT TO THE OUTCOME OF THE LOCAL AUTHORITY SETTLEMENT

- 4.1. The outcome of the spending review is presently unknown. However, given the anticipated deficit in the Local Authority's budget, other options are being developed, for Children and Education Services Directorate potentially total

£7.381m. Subject to feedback from the consultation arrangements, these would be options the Directorate would seek to avoid but dependent upon Manchester City Council's settlement may have to be given due consideration. These options will have to a lesser or greater extent have the following impact/risks:

- Adversely impact the most vulnerable children in the City
- Capacity to sustain progress and limiting the scope to reform/innovate
- Reduce work with schools which could impact on the positive relationship which currently exists between schools and LA and risks fragmentation of the school system in the City.
- Increase numbers of young people not in education, employment or training
- A significantly reduced preventative service/offer leading to compromised specialist services, increases in social work caseloads, quality of practice, unmet need, edge of care leading to:
 - Increased care costs
 - Judicial costs/review
 - Reduced effectiveness and efficiency of the Directorate
 - Potential reputational harm for MCC

5. NEXT STEPS AND RECOMMENDATION

- 5.1. Following consideration of the reports by the Council's Executive on 11th November, an eight-week formal public consultation will be launched on specific identified options and the general consultation on all of the Council's budget options will be launched. The general consultation will run through to the Executive in early 2021. The Council's budget proposals for 2020/21 will be subject to further refinement following feedback from public consultation and scrutiny committees.
- 5.2. Schools Forum is asked to note the report.