

## **Appendix one**

### **Budget Overview**

The Children and Education Services net annual budget for 2021/22 is £118.701m and is illustrated in Table one and two alongside the indicative budgets through to 2024/25.

**Table one: Base budget 2021/22**

<b>Service Area</b>	<b>2021/22 Gross Budget</b>	<b>2021/22 Net Budget</b>	<b>2021/22 Budgeted Posts (FTE)</b>	<b>2022/23 Net Budget</b>
	<b>£'000</b>	<b>£000</b>		<b>£000</b>
LAC Placements	54,761	40,326	34	47,359
LAC Placements Services	7,394	6,507	86	6,495
Permanence & Leaving Care	23,260	14,633	15	14,853
Children Safeguarding Service Areas	43,087	35,698	742	37,378
Education Services	6,860	5,642	70	6,289
Home to School Transport	10,232	10,161	127	10,245
TYSS	841	341		841
Children's Strategic Management and Business Support	5,497	5,393	117	5,380
<b>Total</b>	<b>151,932</b>	<b>118,701</b>	<b>1,191</b>	<b>129,021</b>

### **Medium Term Financial Plan**

The Council's medium term financial plan shows that the budget is expected to increase to over £135m by 2024/25 as it supports demand and demographic pressures expected to materialise over the next three years.

**Table Two: Indicative Three-Year Budget**

		2022/23			2023/24			2024/25		
Service Area	Net Budget	Savings	Other changes	Net Budget	Savings	Other changes	Net Budget	Savings	Other changes	Net Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
LAC Placements	40,326	-2,375	9,408	47,359		3,481	50,840		2,134	52,974
LAC Placements Services	6,507	-43	32	6,495			6,495			6,495
Permanence & Leaving Care	14,633	-2	222	14,853			14,853			14,853
Children Safeguarding Service Areas	35,698	1,076	604	37,378	-100		37,278	-100		37,178
Education Services	5,642	625	22	6,289			6,289			6,289
Home to School Transport	10,161	-30	294	10,425		285	10,710		285	10,995
TYSS	341	500		841			841			841
Children's Strategic Management and Business Support	5,393	-41	28	5,380			5,380			5,380
<b>Total</b>	<b>118,701</b>	<b>-292</b>	<b>10,611</b>	<b>129,021</b>	<b>-100</b>	<b>3,766</b>	<b>132,687</b>	<b>-100</b>	<b>2,419</b>	<b>135,006</b>

The 2021/22 budget process saw the Council develop savings and efficiency plans of over £48m over the three years to 2023/24. Overall, savings of £12.359m were agreed, and have mostly been achieved other than:

- Supported Accommodation - £1m of the £1.767m is delayed and will be achieved next year in full as more suitable provision with registered housing providers becomes made available November 2021.
- Multi-Agency Placements – almost 60% of the £1m has been achieved, it is not yet known whether this saving will be achieved in full next year, this will be dependent on the agreements made at panel.

### **Approved Budget Changes Agreed in 2021/22**

The following budget changes were approved as part of the 2021/22 budget setting process:

- **£1.050m savings 2022/23** relate to placements. Some of the savings are the full year impact of 2021/22 placements. There is a level of confidence that the options presented were reflective of the Directorate's budget strategy promoting a preventative, focused and purposeful intervention and delivering value for money. This includes delivering services to children with high/complex needs who need to be 'looked after' by the council through transforming services and increasing the range and choice of placements (sufficiency). Most of these options are underpinned by commissioning activity. 2023/24 and 2024/25 savings total £100k per annum.
- **£2.611m of the 2021/22 and £1.409m of the 2022/23 savings** are one-off and reverse in the following year. The 2021/22 budget planning process acknowledged that not all the options could be fully realised in 2021/22-2022/23 and it was approved that the reserves can be used on an one-off basis to smooth out transition reductions in budget. These reserves have now been used and the expenditure will be funded by increasing the available budget.
- To balance the 2021/22 budget, the Directorate reviewed their reserves. Following the review, the Directorate were able to support their budget position by **£7.135m**. The medium-term financial plan assumes this will be funded from mainstream budget 2022/23 onwards and represents an increase in the funding supported corporately and an increase in the Children's Services net budget.
- **£2.293m for Demographic Growth** - Changing levels of demand through population growth and complexity of need are calculated and provision made within the budget, overall, the population of children in the city is expected to increase by 3%. The 2023/24 and 2024/25 demographic changes total £2.357m and £2.419m, respectively.

The following budget changes are new pressures or savings and are part of the 2022/23 budget setting process:

- **Staff budgeting and vacancy factor review - £444k saving** - Except for senior graded posts (SS1 and above) positions are currently budgeted at the top of grade less a vacancy factor. This factor is 2.5% in many service areas, higher vacancy factors are adopted in a limited number of service areas (where appropriate). A 1% increase to the vacancy factor would more accurately reflect the fact that many employees are not at the top of the grade and the current levels of turnover and would generate budget savings.
- **Early Years £400k** - In 2012, as part of the austerity cuts, the Council took the decision to withdraw from the direct provision of day-care services to move to a new model, with the Council acting as commissioner of day-care services. As the condition of the estate has deteriorated maintenance costs are higher than day care providers anticipated and can afford. A review of the current arrangements with tendered day-care has been concluded and Executive have agreed a capital investment of £3m to improve the condition of these buildings. However, this is a 3-year programme and current projections indicate an ongoing budget shortfall.
- **National Insurance increase £318k** - The Government has confirmed that National Insurance rates will rise from April 2022, a change which was initially announced in September. There will be a new 1.25% tax on workers and employers to fund health and social care. Added cost to the employer has been recognised in the budget.
- **Annual Fostering Uplift £457k** - Children Services has worked to deliver a more attractive offer to foster care, an effective marketing campaign, develop skills within the in-house fostering service and plan for conversion of external foster carers to become internal foster carers as part of the new procurement framework arrangement being developed in the North West. An external commission to review the current offer to in-house foster carers compared to external agencies was completed by 31st January 2019. The current offer from Manchester City Council's Fostering Agency is increasingly positive and comparable to external agencies. In order to maintain this the service is seeking to uplift in-house foster care offer by 2.1% to be applied April 2022 onwards. Alongside this there is a continued focus on Special Guardianship Orders, this will be achieved through increased confidence in the 'offer' and 'conversion' from long-term fostering arrangements.

**The net impact of the changes above resulted in proposed budget increases of £10.319m in 2022/23, a further £3.666m in 2023/24 and additional £2.319m 2024/25, the table below outlines the movement in the budget since last year.**

**Table Three - Budget Movement 2021/22 - 2022/23**

	<b>Changes</b>	<b>Budget £m</b>
<b>2021/22 Baseline Budget</b>		<b>118.701</b>
<b>Budget Adjustments Agreed 2021/22</b>		
<b><u>Savings</u></b>		
Full Year Impact of 2021/22 savings	-1.050	
Reversal of One-off Savings	2.611	
One-off Savings that impact 2022/23	-1.409	
		0.152
<b><u>Growth</u></b>		
Previously Funded from a reserve	7.135	
Demography	2.293	
		9.428
<b>Budget Adjustments Proposed 2022/23</b>		
<b><u>Savings</u></b>		
Staffing and Vacancy Factor Review	-0.444	
		-0.444
<b><u>Growth</u></b>		
Early Years	0.400	
National Insurance increase	0.318	
Fostering Uplift	0.465	
		1.183
<b>Sub Total</b>		<b>10.319</b>
2022/23 Budget		129.020

## **Investment**

The report to January Executive set out that the funding announced for 2022/23 makes available £12m to fund additional pressures and emerging risks and that, in line with the agreed approach, "this is used across a three-year period. Full detail of suggested priorities for funding will be presented to the Executive in February 2022. This could include priorities such as anti-poverty measures, waste and street cleaning".

In line with the updated Corporate Plan included elsewhere on the agenda and reflecting the political priorities of the Council, the budget includes a proposal to invest a further £500k into youth provision. The planned use of that funding will be developed with the purpose of strengthening youth provision in every ward and to ensure the ongoing operation of the Woodhouse Park active lifestyle Centre.

Whilst Youth and Play is included in the scope of the committee it is not part of the Children's and Education Services budget. The investment outlined in the paragraph above is therefore not included in the budget tables provided in the report.

## Emerging Pressures

- **Looked After Children placement costs** - There continues to be a growing child population in Manchester with increasing need for a statutory intervention – as showed by the growth in SEND, requests for Social Care intervention and Short Breaks (17%, 12%, 69% respectively). This attributed to increased vulnerabilities in the community such as family poverty, domestic violence and detrimental impact on mental health and associations with the impact of COVID. To manage the increased need of children and their families for services there has been continued investment in targeted, 'front door', edge of care services and approach to permanency. Up to now this has had a positive impact on managing these increased pressures. This coupled with an ongoing high performing Early Help/Edge of Care services indicate the Directorate has shown a certain level of resilience in the response to the increase in children and families needs because of COVID. However, due to the pandemic there is an emerging risk of increased need for children to require a specialist intervention and becoming looked after; leading to placement costs being over and above those factored in the budget already. The Council holds both general and earmarked reserves which include contingencies to manage budget risk. To manage risk of significant rises in placement costs next year it is proposed that the Directorate's current underspend is placed in a reserve.
- **Legal Costs £1m** - Legal proceedings are taking 14 weeks longer than they did at pre-pandemic and due to this there is an increase in the reported overspend as additional external legal support is being commissioned from another council. An internal review of costs is currently underway to better understand and respond to reissued Public Law Outline (national guidance). It is anticipated that the learning from the review will help the Legal team and Children Services to manage down the current overspend. At this stage it is planned that the budget funding Children's solicitors and externalised legal will be moved to the area managing the solicitors and commissioning externalised legal support; this is anticipated to increase oversight and control of financial spend. A final decision on the necessary virements and budget adjustments will be proposed to Executive once the work has been finalised.
- **Home to School Transport** – Where a pupil is entitled to receive free home to school transport this is for the journey at the start and end of the school day. In response to representation from families the Council has launched a review of elements of the transport assistance offer and delivery of it. It is expected that the review recommendations will be known later in the year. There is a risk that the review recommendations will lead to additional expenditure. This would place additional pressure on the Children's Services budget.

- School Improvement Grant – The School Improvement Grant**, £50m is allocated annually to Councils to provide school improvement for maintained schools. It is allocated based on the number of schools which continue to be maintained by the Council and covers an academic year. In 2021/22 Manchester's school improvement grant was £398k this covers 110 schools. In early January 2022, the Department of Education confirmed that it will cut the grant by 50% next year and remove 100% of the grant by April 2023. Manchester is seeking to manage to the 50% reduction in grant through efficiencies.
- School Condition Surveys £100k** - The Council is committed to raising standards of attainment in all schools and believes that the quality of school premises plays a key part in achieving this aim. The survey should be undertaken every 5 years and would be used to: identify what work is needed to maintain the estate; consider how much works might cost; prioritise work within available funds, understand if the nature of the buildings change. This will also inform and ensure that the Council is in a stronger position to submit capital bids, such as the Priority School building programme. This investment will deliver improvements in conditions, reduce health and safety risks, and make a substantial contribution towards the Council's energy and carbon reduction targets. The surveys will be undertaken at community, voluntary controlled and foundation schools where the council is the responsible body. Surveys will be completed in batches with the first 10 schools per annum prioritised for a visit based on data, age of building and known issues.

**Table Four – Subjective Analysis 2021/22 - 2022/23**

	<b><u>2021/22 Budget</u></b>	<b><u>2022/23 Indicative Budget</u></b>
<b>Subjective Heading</b>	<b>£'000</b>	<b>£'000</b>
<b>Expenditure:</b>		
Employees	60,005	59,879
Running Expenses	429,091	459,868
Capital Financing Costs	-	-
Contribution to reserves	51	52
<b>Total Subjective Expenditure</b>	<b>489,147</b>	<b>519,799</b>
<b>Less: Other Internal Sales</b>	<b>-</b>	<b>-</b>
<b>Gross Expenditure</b>	<b>489,147</b>	<b>519,799</b>
<b>Income:</b>		
<b>Government Grants</b>	<b>352,552</b>	<b>380,440</b>
<b>Contributions from Reserves</b>	<b>10,552</b>	<b>2,966</b>
<b>Other Grants Reimbursements and Contributions</b>	<b>6,050</b>	<b>6,050</b>
<b>Customer and Client Receipts</b>	<b>1,275</b>	<b>1,275</b>
<b>Other Income</b>	<b>47</b>	<b>47</b>
<b>Total Net Budget</b>	<b>118,701</b>	<b>129,021</b>