

## EDUCATION, YOUTH & CULTURE OVERVIEW AND SCRUTINY COMMITTEE

<b>Date of Meeting</b>	Thursday 5 <sup>th</sup> November 2020
<b>Report Subject</b>	Budget 2021/22 – Stage 1
<b>Cabinet Member</b>	Leader of the Council and Cabinet Member for Education
<b>Report Author</b>	Corporate Finance Manager, Chief Executive and Chief Officer (Education & Youth)
<b>Type of Report</b>	Strategic

### EXECUTIVE SUMMARY

A report to Cabinet in October provided an update on the financial forecast for 2021/22 and the following two financial years. The report is attached as Appendix 1.

A full review of the forecast has been undertaken to build an accurate and robust baseline of cost pressures that will need to be funded. The review has taken into full account the ongoing impacts of the emergency situation including the speed of recovery of income against set targets.

Due to the current level of uncertainty scenarios have been presented in a range of low to high.

The report also sets out the limited solutions available to fund these cost pressures. The funding strategy is highly dependent on sufficient national funding for local government, a position which is unchanged since the budget for 2020/21 was set.

The details of the cost pressures for the Education and Youth portfolio are included in this report. The Committee is invited to review the cost pressures and risks, and to advise on any potential efficiency options to explore.

A slide presentation will be made at the meeting.

## RECOMMENDATIONS

1	That the Committee reviews and comments on the Education, Youth and Culture Portfolio cost pressures.
2	That the Committee advises on any areas of cost efficiency it would like to be explored further.
3	That the Committee reviews and advises on the overall budget strategy.

## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE FINANCIAL FORECAST</b>
1.01	A report to Cabinet in October provided an update of the overall financial forecast for 2021/22.
1.02	Due to the current level of uncertainty scenarios have been presented in a range of low to high.
1.03	As in recent years the budget for 2021/22 will be considered in stages. This is a first stage report which details the forecast and the cost pressures which make-up the total budget requirement.
1.04	<b>Revisions to the Forecast</b>  All inflationary, demand-led service and other cost pressures have been reviewed and evaluated.  The cost pressures have been categorised as: <ul style="list-style-type: none"><li>- Prior Year Decisions/ Approvals</li><li>- Loss of Income</li><li>- Legislative/Unavoidable Indexation</li><li>- Issues requiring national resolution</li><li>- National Funding Requirements (Pay Awards)</li><li>- Strategic Considerations</li></ul>

1.05 The full details of the forecast are attached to this report in Appendix 1. A summary is given below.

**Table 1. Revised Summary 2021/22**

Summary of Pressures	21 / 22		
	L	M	T
	£m	£m	£m
Prior Year Decisions/Approvals	1.257	1.257	1.257
Income Loss	0.708	0.876	1.261
Legislative/Unavoidable Indexation Pressures	0.576	0.576	0.576
National Resolution Pressures	3.652	4.359	7.079
National Funding Requirement (Pay)	5.787	6.949	8.073
Strategic Decisions	2.444	5.619	9.090
<b>Total Pressures</b>	<b>14.423</b>	<b>19.636</b>	<b>27.336</b>

1.06 This report sets out in detail the schools cost pressures and those within the portfolio of this Committee.

**Table 2: Education and Youth Portfolio Pressures**

Pressure Title	£m	Note
<b>Strategic</b>		
ALN Reforms	0.144 - 0.597	1
Plas Derwen PRU new build (increased capacity)	0 - 0.074	2
Plas Derwen PRU build – Revenue Costs	0.027	2
Joint Archive Service – Revenue Costs	0-0.039	3
Home Education	0.046	4
Primary Learning Advisor	0.080	5

**Note 1**

ALN reforms – the pressure reflects additional resources required to implement the Additional Learning Needs & Education Tribunal Act 2018 (ALNET) and operational code in 2021/22. New systems must run parallel with the existing legislation for a period of 3 years. There are named statutory posts which will need to be recruited to and additional staffing requirements to respond to the extension of statutory duties to include pre-school children and adults up to the age of 25. The range has been calculated based on differing scenarios regarding, timing of recruitment and level of support provided to schools.

**Note 2**

The Plas Derwen Pupil Referral Unit (PRU) new build is a new facility which will open in September 2021 with increased capacity. To meet current demand and fully utilise the new facility additional staffing will be required. The range has been calculated based on no increase meaning the facility would not be fully utilised in 2021, the top would allow full utilisation and capacity for 25 additional pupils, and the medium would enable a proportionate increase. An increase in capacity would result in less children having to go to expensive out of county providers.

In addition there are site cost pressures relating to grounds maintenance and NNDR.

**Note 3**

Joint archive service - The Flintshire Archive service has now merged with the Denbighshire Archive service to become a new joint service - North East Wales Archives. As the newly merged service is still in transition there are additional costs being incurred as we seek to deliver a successful outcome of the National Lottery Heritage Fund (NLHF) capital development bid.

**Note 4**

Home Education - the Council has a statutory duty to arrange suitable full-time education for permanently excluded children and for other children who because of illness or other reasons are unable to attend. The demand for services has increased in recent years resulting in a budget pressure.

**Note 5**

Primary Advisor – the efficiencies made in recent years resulted in all of the school improvement function invested in a single post (Senior Manager for School Improvement). The workload in relation to the school improvement function has become unmanageable and is a risk to the Council in terms of resilience and maintaining quality of service delivery.

1.08

**Table 3: Schools**

<b>Pressure Title</b>	<b>£m</b>	<b>Note</b>
<b>National Funding Requirement</b>		
NJC Pay Award Estimate	0.709 - 1.134	1
NJC Pay Award Estimate - 20/21	0.206	1
Teacher Pay Award Estimate	1.798- 2.438	2
Teacher Pay Award Estimate – 20/21	0.536	2
<b>Strategic</b>		
Secondary School Funding Review	0 - 1.529	3
Secondary School Deficits	0 - 2.948	4

ALN Schools	0 - 0.825	5
Free School Meals – Demand	0.253	6
Free School Meals - Increase in allowance	0 - 0.174	6

### **Note 1**

NJC Pay Award – the national negotiations for annual cost-of-living agreed pay for 2021/22 have not yet started. A range of potential outcomes from 2% to 3.5% have been modelled. The figures also include the estimated impact of the 2020/21 pay awards over and above the 2% provision in the 2020/21 budget.

### **Note 2**

Teacher Pay Award – the estimate includes the impact of the September 2020 pay award which was funded at 2% the actual pay award was an average of 3.1%. The national negotiations for teacher pay for the period from September 2021 are unlikely to be concluded until next summer. A range of potential outcomes from 2% - 3.5% have been modelled.

### **Note 3**

Secondary Schools Funding Review – the pressure reflects the estimated funding required to address the funding difficulties in secondary schools and enable a review of the funding formula to ensure that all schools are receiving sufficient funding to deliver the curriculum. The financial pressures facing secondary schools have arisen due to demographic changes, partial funding of pay and inflation costs due to austerity measures, and the growing challenges of ALN in schools. As this pressure is one that we could phase, the range has been modelled on zero, 50% and 100% of estimated requirement.

### **Note 4**

Secondary Schools Deficits – the Estyn inspection of 2019 highlighted the long term nature of deficits in certain secondary schools and made a recommendation that the Authority address the deficits. Two secondary schools have significant deficits which they will not be in a position to repay. The timing of addressing the pressure is yet to be agreed and the range has been modelled on zero, 50% and 100% of estimated deficits.

### **Note 5**

ALN schools – funding is delegated to schools to provide support to pupils with additional learning needs. The current funding is insufficient to meet the demand for the additional support required. This places a significant cost pressure on schools and impacts on the level of support schools are able to put in place to meet the needs of individual pupils. As the level of funding support is yet to be agreed, the range has been modelled on zero, 50% and 100% of the estimated cost pressure.

**Note 6**

Free School Meals (Poverty) – One of the strategic priorities for the Council is to address childhood poverty. It has been highlighted that the current cost of £2.35 is not enough to provide an adequate amount of sustenance for a secondary school pupil. As this is a choice the range has been modelled on zero increase, £2.75 medium and £3.00 top.

Free School Meals (Demand) - since the Covid-19 pandemic there has been a general increase in demand for FSMs and it is estimated that this trend will continue into next financial year placing pressure on the schools FSM budget.

1.09 **Table 4: Summary of Pressures**

Portfolio	Low (£m)	Medium (£m)	Top (£m)
<b>Education &amp; Youth</b>			
Strategic	0.297	0.554	0.863
<b>Schools</b>			
National Funding Requirement (Pay)	3.249	3.782	4.314
Strategic	0.253	3.011	5.729
<b>Total</b>	<b>3.799</b>	<b>7.347</b>	<b>10.906</b>

1.10 Although not included as a cost pressure at this stage the ongoing risk of increasing costs for Out of County placements is being closely monitored.

1.11 **Strategic Funding Solutions**

The solutions available to the Council to fund the cost pressures outlined in the report are three-fold:-

- Government Funding (Aggregate External Finance)
- Local Taxation and Income
- Service Transformation and Efficiencies

We can also consider suppressing the budget requirement by not making full budget provision for some risks and treating them as 'Open Risks' to be managed in-year.

The funding strategy is highly dependent on sufficient national funding for local government.

1.12 **Budget Timeline**

The draft Welsh Government Budget has provisionally been set for 8 December 2020 with the Final Budget set for 2 March 2021. However, UK Government has recently announced that they will not be publishing an

autumn budget as planned, so the Welsh Government dates may be subject to change.

An outline of the local budget timeline at this stage is set out in the table below:

**Table 5: Budget Timeline**

<b>Date</b>	<b>Event</b>
November	Overview and Scrutiny Committees
8/9 December	WG Draft Budget/Provisional Settlement
15 December	Cabinet
19 January	Cabinet
16 February	Cabinet and Council
2/3 March	WG Final Budget/Settlement

## **2.00 RESOURCE IMPLICATIONS**

2.01 As set out in the report.

## **3.00 CONSULTATIONS REQUIRED / CARRIED OUT**

3.01 As set out in the report.

## **4.00 RISK MANAGEMENT**

4.01 As set out in the report.

## **5.00 APPENDICES**

5.01 Appendix 1 - Cabinet Report 20<sup>th</sup> October 2020 – Medium Term Financial Strategy and Budget 2021/22

## **6.00 LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**

6.01 Cabinet Report 20<sup>th</sup> October 2020 – Medium Term Financial Strategy and Budget 2021/22

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7.00	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Specific Grants:</b> An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.</p> <p><b>Annual Settlement:</b> the amount of its funds the Welsh Government will allocate annually to local government as a whole, as part of its total budget and to individual councils one by one. The amount of Revenue Support Grant each council will receive is based on a complex distribution formula for awarding Aggregate External Finance (AEF). The formula is underpinned by assessments of local need based, for example, of population size and demographics and levels of social deprivation.</p> <p><b>Financial Year:</b> the period of 12 months commencing on 1 April</p> <p><b>Revenue:</b> a term used to describe the day to day costs of running Council services and income deriving from those services. It also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.</p> <p><b>Budget:</b> a statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and capital programme and any authorised amendments to them.</p> <p><b>ALN:</b> Additional Learning Needs</p> <p><b>FSM:</b> Free School Meals</p>