

Meeting date: 3rd October 2022

Report to: Resources & Delivering Value Scrutiny Board

Subject/report title: Review of the Council's Financial Position, including the impact of financial pressures in Children's Services

Report from: Director of Resources & Deputy Chief Executive and the Interim Director of Children's Services

Report author/lead contact officer: Paul Johnson, Director of Resources & Deputy Chief Executive
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Wards affected:

- All Wards | Bickenhill | Blythe | Castle Bromwich | Chelmsley Wood |
 Dorridge/Hockley Heath | Elmdon | Kingshurst/Fordbridge | Knowle |
 Lyndon | Meriden | Olton | Shirley East | Shirley South |
 Shirley West | Silhill | Smith's Wood | St Alphege
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Public/private report: Public

Exempt by virtue of paragraph: N/A

1. Purpose of Report

- 1.1 The Scrutiny Board has asked to receive a report on a review of the Council's financial position, including the impact of financial pressures in Children's Services.
- 1.2 This report includes two attachments with supporting appendices for review by the Board:
- A report considered by the Children's Services, Education & Skills Scrutiny Board on 12th September, on the financial position for Children's Services.
 - A report that was due to be considered by Cabinet on 8th September on the period 4 financial position for the Medium Term Financial Strategy.

2. Decision(s) recommended

- 2.1 The Scrutiny Board is asked to determine whether there are any comments that it wants to be passed to the Budget Strategy Group, to be taken into account as part of this year's Budget process.

3. Matters for Consideration

- 3.1 On 24th February 2022, Full Council approved a new Medium Term Financial Strategy (MTFS) for 2022/23 – 2024/25, which showed a balanced financial position across all three years. Since the approval of the MTFS, the Council has experienced significant financial pressures, mainly due to increased demand in Children's Services and also in Adult Social Care, high inflation, energy costs and the 2022/23 pay award. Details of the impact for each portfolio are set out in the attached reports.
- 3.2 The period 4 financial position shows a forecast adverse variance on the Core Council of £2.619 million in relation to the Children and Education portfolio and an in year adverse variance of £3.585 million for the Dedicated Schools Grant (DSG). All other portfolios are forecasting a balanced position, but each portfolio is assuming a higher than budgeted use of reserves to get to this position.
- 3.3 The medium term forecast for Children's Services (in the separate Children's Services report), shows a funding requirement of £19.591 million over the three years 2023/24 – 2025/26, including £7.004 million for 2023/24.
- 3.4 The MTFS forecasts do not include the extra costs of the current year pay award. The pay award has not yet been agreed but the current offer averages out at around 5.5%, compared to our budget provision of 2%. This would add an additional £2.9 million to our financial pressures, which would also feed through into future years.
- 3.5 Given all of these financial pressures, in May this year, the Corporate Risk for 'failure to deliver the MTFS' was increased to a net 9 Red risk. By the time the Council presents an updated MTFS to Full Council in February 2023, this risk will need to reduce.

4. What options have been considered and what is the evidence telling us about them?

- 4.1 On 12th September, following consideration of the attached report on the Children's Services Medium Term Financial Plan, the Children's Services, Education & Skills Scrutiny Board made the following recommendation:

'This committee recognises the hugely significant pressures on Solihull Council's budget from Children's Services and resolves to call upon the Cabinet to ensure resources are fully aligned with the risks as identified in this report.'

- 4.2 This recommendation will be passed to the Budget Strategy Group and then through to Cabinet as part of this year's updated budget proposals. The Budget Strategy Group will meet on three occasions in October and November to decide on how all of the financial challenges outlined in this report might be dealt with. Recommendations from the Budget Group will then be presented to the Members Budget Seminar on 1st

December 2022, with details then feeding through to individual Scrutiny Boards early in 2023.

- 4.3 The Resources & Delivering Value Scrutiny Board is asked to determine whether there are any comments that it wishes to be passed to the Budget Strategy Group, for it to take into account in looking at budget options.

5. Reasons for recommending preferred option

- 5.1 All Budget proposals are taken through the Budget Strategy Group before being presented to Scrutiny Boards, Cabinet and then Full Council.

6. Implications and Considerations

- 6.1 Implications are detailed in the two attached reports.

7. List of appendices referred to

- 7.1 Attachment 1, plus appendices – Children’s Services Medium Term Financial Plan
- 7.2 Attachment 2, plus appendices – Medium Term Financial Strategy Position as at period 4 (July 2022) 2022/23.

8. Background papers used to compile this report

- 8.1 None

9. List of other relevant documents

- 9.1 None