

**Meeting date:** 8<sup>th</sup> November 2022

**Report to:** Cabinet Portfolio Holder for Children and Education

**Subject/report title:** Revenue and Capital Monitoring 2022/23 as at 30<sup>th</sup> September 2022

**Report from:** Director of Childrens and Education Services and the Director of Resources and Deputy Chief Executive

**Report author/lead contact officer:** Sarah Cheale, Childrens and Education Services Finance Manager

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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:**

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**1. Purpose of Report**

- 1.1 To inform the Cabinet Portfolio Holder of the financial position for the core service and Dedicated School Grant (DSG) budgets as at Period 6 2022/23.

**2. Decision(s) recommended**

- 2.1 To note the financial position for the Portfolio as at Period 6, 2022/23 and endorse the actions as set out to mitigate the identified risks.
- 2.2 To note that on 6<sup>th</sup> October 2022, Cabinet approved the allocation of £192,000 from the Budget Strategy Reserve in 2022/23 to support the implementation of Early Help Level 2.

**3. Matters for Consideration**

- 3.1 This report provides an update on the latest Medium Term Financial Strategy (MTFS) position for 2022/23.

## **Childrens and Education Services Financial Position at Period 6 2022/23**

- 3.2 The Childrens and Education Portfolio position at Period 6 is set out in Appendices A and B.
- 3.3 In respect of the core budget, the forecast position is a £7.204 million adverse variance. These pressures can be partially funded by fully using the Directorate's £2.500 million risk reserve during the year, and the 6<sup>th</sup> October 2022 Cabinet approved £0.192m allocation from the Budget Strategy Reserve for Early Help Level 2 implementation, leaving a net adverse variance of £4.512 million.
- 3.4 As outlined in the financial update report including MTFS implications presented to Cabinet 6th October 2022, this portfolio is facing significant financial challenges in this financial year and beyond. These challenges include but are not limited to:
- Social Care Demand impact on staffing requirements
  - Home to School Transport
  - Children's Placements and Section 17 support.
- 3.5 The key risks are set out in Appendix A.
- 3.6 Children's Services is experiencing unprecedented demand for placements, forecasting a £1.616 million adverse variance in 2022/23. The current placements position is not unique to Solihull, with Local Authorities nationally reporting pressures.
- 3.7 A 'per child' Placements model informs the current forecast. The forecast on children's placements can be volatile with changes in the number of children requiring care, and changes in individual child needs costing, or saving, material sums.
- 3.8 Some children in the care system have needed to be placed in more expensive provision. The market impact on costs, remain a high risk in delivering 'step down' arrangements and sourcing placements for new children being looked after.
- 3.9 For children's placements, we may not yet have reached our peak number of CLA and therefore costs. There is a high risk that the pressure will increase further in-year linked to numbers and case complexity, and we continue to manage the lasting effect that covid has had on cases. Placements will be an on-going pressure into future years. The improvement journey should turn this around, other factors remaining stable, but it would be some years before the impact would be seen in Placements expenditure. This will be looked at in more detail as part of future year Budget Strategy considerations.
- 3.10 Other Children's social care services are forecasting a £4.751 million adverse variance. This includes allocating additional staffing resources to manage demand levels, and improvement activities including recruitment of internal foster carers, and the development of internal residential home places. Further detail is shown at Appendix A, but as an example, Legal costs have escalated. Larger case volume

linked to higher caseloads, compounded by high profile and complex cases, including an increase in DOLS (Deprivation of Liberty Safeguarding) and Secure Placements requiring QC and barristers, has increased costs for the last few years. Despite efforts, increasing demand and complexity have kept this pressure high. This will continue until a strong Early Help and intervention service is in place and active.

- 3.11 Home to School Transport is another key financial issue, with a forecast adverse variance of £1.289m. There are three major cost pressures:
- Driver shortages - which is leading to considerably reduced competition on route tenders
  - Fuel inflation – which has led to requests for price variations on contracted routes.
  - Continued increase in demand linked to increased number of pupils with an Education Health Care Plan (EHCP). Where a pupil, because of an EHCP, does not attend their local school, there will almost always be a legal duty to provide home to school transport assistance in some form.
- 3.12 Following a major review of all aspects of the Transport Service by the Corporate Business Improvement Team, four major initiatives to constrain costs are underway: Major revaluation of routes, using new route planning software from Sep-22; only using guides on vehicles where necessary for pupil safety; maximising usage of Council fleet options. However, these initiatives will not mitigate the current pressure, at best they will act to constrain the current level of spend.

### **Dedicated School Grant (DSG) Financial Position at Period 6, 2022/23**

- 3.13 The DSG position at Period 6 is set out in Appendix B.
- 3.14 The forecast for this year continues at £3.585 million adverse variance, taking the forecast cumulative deficit to £16.797 million, which is reported in the unusable DSG adjustment account reserve, in line with regulations.
- 3.15 The Council has reported adverse variances against the High Needs Block of the DSG budget since 2018/19. The financial pressures have arisen because of increased demand for Education Health Care Plans (EHCPs), to meet the needs of children and young people with special educational needs and disabilities.
- 3.16 A detailed update on the High Needs Block financial position was presented to the Cabinet 9<sup>th</sup> December 2021, in the SEND Improvement Journey Update. Following financial year end 2021/22, Cabinet was updated on the 2021/22 outturn. On 28<sup>th</sup> July 2022 the linked Strategy for Inclusive Education was presented to Cabinet Member for Children and Education.
- 3.17 High Needs budgets nationally continue to come under significant pressure. Solihull's comparative position is not as severe as some Local Authorities with higher adverse balances, which are subject to the Department for Education (DfE) Safety Valve Programme, to recover their DSG deficits over a period of 3-5 years within a DSG Financial Management Plan.

- 3.18 Solihull have agreed to participate with the DfE's Delivering Best Value programme, supporting our work towards balancing the in-year financial position in the High Needs Block of the Dedicated Schools Grant (DSG) in future years. This is a voluntary arrangement to review data and service provisions in Solihull. We have started the first phase of this work with Newton, the DfE appointed consultants. In this phase we are working with Newton to review our data to support next steps in the programme.
- 3.19 The Department for Education have advised that the DSG deficit is a potential financial risk for all Councils to meet from their own reserves from 2023/24, if the statutory override arrangements currently in place do not continue. Solihull has responded to a Department of Education national consultation return regarding this risk, on 18th August 2022, but no announcement has yet been made. A significant number of local authorities would be impacted materially if the override was not continued.

## **Capital**

- 3.20 Appendix A also sets out the Capital Programme position at Period 6. The impact of inflation on capital projects is being reviewed, with pressures on the Childrens and Education Portfolio capital programme in future years. Projects currently underway have agreed contract prices, so the impact of inflation will be felt for new project contracts in the medium term.

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

- 4.1 The Childrens and Education Portfolio is facing unprecedented pressures in several business areas. The financial impact of these pressures is unmanageable within Portfolio. While some one-off funds have been secured, the short and medium-term implications of responding to the Joint Targeted Area Inspection (JTAI) and subsequent Improvement Notice issued by the Secretary of State, the National Panel Review into the deaths of Arthur Labinjo-Hughes and Star Hobson and findings of further independent reviews in Solihull are considerable. They are, however, highly necessary to safeguard and support the vulnerable children, young people, and families in the borough as we continue our improvement journey and establish our preventative offer.
- 4.2 The Service is managing forecast 2022/23 costs within the minimum possible envelope. Officers are monitoring this carefully and considering how this position will be funded at year end. The on-going needs are also being discussed as part of future year MTFs development.

## **5. Reasons for recommending preferred option**

- 5.1 The current forecast 2022/23 expenditure is necessary to fund the improvement journey that the Service is undertaking and necessary to safeguard children.

## 6. Implications and Considerations

6.1 State how the proposals in this report contribute to the priorities in the [Council Plan](#):

Priority:	Contribution:
<p>People and Communities:</p> <ol style="list-style-type: none"> <li>1. Improving outcomes for children and young people in Solihull.</li> <li>2. Good quality, responsive, and dignified care, and support for Adults in Solihull when they need it.</li> <li>3. Take action to improve life chances and health outcomes in our most disadvantaged communities.</li> <li>4. Enable communities to thrive.</li> </ol>	<p>The additional financial investment currently being made into the Portfolio is essential to deliver this priority.</p>
<p>Economy:</p> <ol style="list-style-type: none"> <li>5. Develop and promote the borough's economy, with a focus on revitalising our town and local centres.</li> <li>6. Maximising the opportunities of UK Central and HS2.</li> <li>7. Increase the supply of affordable and social housing that is environmentally sustainable.</li> </ol>	<p>N/A</p>
<p>Environment:</p> <ol style="list-style-type: none"> <li>8. Enhance our natural environment, improve air quality, and reduce net carbon emissions.</li> </ol>	<p>N/A</p>
<ol style="list-style-type: none"> <li>9. Promote employee wellbeing</li> </ol>	<p>N/A</p>

6.2 Consultation and Scrutiny:

6.2.1 The updated financial position for 2022/23 and the potential impact for the 2023/24 three-year MTFS was presented to:

- Children's Services Scrutiny on 12<sup>th</sup> September 2022
- Resources & Delivering Value Scrutiny on 3<sup>rd</sup> October 2022
- Cabinet on 6<sup>th</sup> October 2022.

These considerations are now incorporated within the Council's annual MTFS process led by the Council wide Budget Strategy Group, chaired by the Deputy Chief Executive and Director for Resources.

### 6.3 Financial implications:

6.3.1 These are set out in the report above. The cost pressures for Core and DSG Services are significant. Arrangements are in place to monitor and manage these.

### 6.4 Legal implications:

6.4.1 N/A

### 6.5 Risk implications, including Risk Appetite:

6.5.1 The budget monitoring report takes account of known forecast variances. In addition, there may be pressures which are currently being monitored and managed by budget managers that could affect the final outturn position for 2022/23.

6.5.2 There are significant financial risks for this Portfolio in demand led services, as highlighted in this report. These risks extend not just to the direct provision of services but also to the number of officers required to deliver statutory requirements and keep children safe.

6.5.3 The improvement journey requires work at pace and a high level of responsiveness, which makes forecasting complicated. The forecast covers the key known Portfolio risks, which have been analysed at a high level. A full Portfolio forecast is being progressed, for this financial year.

6.5.4 As mentioned in section 3 of this report there are several substantial financial risks that the authority is facing because of external economic conditions which will be included in the Council's Budget Setting Process.

6.5.5 The Corporate risk relating to the delivery of the MTFS is now at a net level 9. The new MTFS that will be presented to Full Council in February 2023 will need to reduce this risk to at least a net level 8.

6.5.6 Covid-19 Funding has now all been committed, and any further pressures will need to be managed within the Portfolio.

### 6.6 Equality implications:

6.6.1 N/A

### 6.7 Linkages to our work with the West Midlands Combined Authority (WMCA), Local Enterprise Partnership or the Birmingham & Solihull Integrated Care System (ICS):

6.7.1 N/A

## 7. List of appendices referred to

7.1 Appendix A - Core Position

7.2 Appendix B - DSG Position

**8. Background papers used to compile this report**

8.1 N/A

**9. List of other relevant documents**

9.1 N/A