

Meeting date: 14th February 2023

Report to: Cabinet Portfolio Holder for Children and Education

Report title: Revenue and Capital Monitoring 2022/23 at 31st December 2022

Report from: Director of Childrens and Education Services and the Acting 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 |
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Public/private report: Public

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1. Executive Summary

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 9 2022/23.

1.1.1 In respect of the core budget, the forecast position is a net adverse variance of £5.781 million after utilising all available contingencies and appropriate reserves.

1.1.2 The 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.

1.1.3 Cabinet on the 9th of February 2023 will be asked to approve the use of the Budget Strategy Reserve to balance the budget shortfall in the Children and Education

portfolio. A verbal update of the outcome will be given in this meeting.

- 1.1.4 In respect of the Dedicated Schools Grant, the forecast position is a £2.731 million adverse variance, reflecting demand for high needs support. This will take the forecast cumulative deficit to £15.943 million, which is currently reported in the unusable DSG adjustment account reserve, in line with regulations.
- 1.2 The government has extended the statutory override which allows the Council to carry forward the DSG deficit for a further three years to 2025/26. If it is not extended beyond that point then the Council would be required to fund the deficit from its own unearmarked reserves from 2026/27.
- 1.3 Children's Directorate have been working with the DfE's Delivering Best Value programme, supporting our work towards resolving the financial position in the High Needs Block in future years.

2. Decision(s) Recommended

- 2.1 To note the financial position for the Portfolio as at Period 9, 2022/23 and endorse the actions as set out to mitigate the identified risks.
- 2.2 To approve the grant submission for £1.0 million under the Delivering Best Value programme (DBV), to support building capacity in places and improve inclusion for Solihull Children and Young People with SEND.
- 2.3 To approve delegated responsibility for appropriate officers to sign the DBV grant terms and conditions, which have not yet been made available, subject to being satisfied that the Council can meet those terms and conditions.

3. Matters for Consideration

- 3.1 This report provides an update on the latest Medium Term Financial Strategy (MTFS) position for 2022/23.
- 3.2 The Childrens and Education Portfolio position at Period 9 is set out in Appendices A and B.
- 3.3 **Childrens and Education Services Core Revenue Financial Position at Period 9, 2022/23**
 - 3.3.1 The forecast position is a £8.473 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 6th of October 2022 Cabinet approved £0.192m allocation from the Budget Strategy Reserve for Early Help Level 2 implementation, leaving a net adverse variance of £5.781 million.
 - 3.3.2 As outlined in financial update reports, including MTFS implications, presented to Members since the first report to Children's Scrutiny on 12th September 2022, and up to Cabinet on 9th February 2023, 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.

- 3.3.3 Cabinet on the 9th of February 2023 will be asked to approve the use of the Budget Strategy Reserve to balance the £5.781 million shortfall in the Children and Education portfolio for 2022/23. A verbal update of the outcome will be given in this meeting.
- 3.3.4 The key risks are set out in Appendix A.
- 3.3.5 Children's Services is experiencing unprecedented demand for placements, forecasting a £1.872 million adverse variance in 2022/23. The current placements position is not unique to Solihull, with Local Authorities nationally reporting pressures.
- 3.3.6 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.
- 3.3.7 Some children in the care system have needed to be placed in more expensive provision. The market impact on costs remains a high risk in delivering 'step down' arrangements and sourcing placements for children being looked after (CLA).
- 3.3.8 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 some 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. An estimate of the impact for future years has been made in the MTFs that will be presented to Cabinet on the 9th of February 2023. However, the further into the future we forecast, the bigger the risk in forecasting accurately, due to the volatility.
- 3.3.9 The remainder of Children's social care services are forecasting a £6.046 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.
- 3.3.10 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. The MTFs proposals seek to rebase the Social Care Budgets to reflect demand growth and general investment in the service being made.
- 3.3.11 Home to School Transport is another key financial issue, with a forecast adverse

variance of £1.332m. 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.

3.3.12 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 September 2022; only using guides on vehicles where necessary for pupil safety; maximising usage of Council fleet options. However, these initiatives cannot mitigate the current pressure, at best they are constraining the current level of spend. The MTFs proposals seek to rebase the Home to School Transport Budget to reflect this growth.

3.4 Dedicated School Grant (DSG) Financial Position at Period 9, 2022/23

3.4.1 The DSG position at Period 9 is set out in Appendix B.

3.4.2 The forecast for this year is a £2.731 million adverse variance, taking the forecast cumulative deficit to £15.943 million, which is reported in the unusable DSG adjustment account reserve, in line with regulations. This position reflects increasing numbers of Children and Young People with ECHPs, and the resultant increase in service demand, a picture which is replicated nationally.

3.4.3 The Department for Education announced in December 2022 that the DSG statutory override arrangements currently in place will continue for another three years to 2025/26. If it is not extended beyond that point then the Council would be required to fund the deficit from its own unearmarked reserves from 2026/27.

3.4.4 The £2.731m total DSG in-year net adverse forecast variance is made up of:

- Schools Block positive variance of (£854,000) due to a recent increase to the Pupil Growth Allocation. This allocation is committed to be spent in 2023/24 to fund additional pupil places in mainstream schools from September 2023. This will need to be ring-fenced and carried forward.
- High Needs Block (HNB) in-year adverse variance of +£3.585m. This includes a one-off +£936,000 adverse variance from restructuring and performance improvement at Summerfield PRU, prior to its recent academisation. The HNB forecast excluding the one-off costs, would be +£2.649m. This is less than the +£3.950m 2021/22 HNB outturn.
- Central Block Services positive variance of (£41,000), which also remains ring-

fenced.

- Early Years currently forecasting a nil variance.

3.4.5 This will take the DSG accumulated deficit to +£15.943m, including +£16.676m accumulated against the HNB.

3.4.6 The net ongoing DSG forecast 2022/23, excluding the Pupil Growth carry forward request and one-off costs of the PRU restructure, is +£2.649m.

3.4.7 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 remaining 3-year period, within a DSG Financial Management Plan.

3.4.8 Solihull have been participating in the DfE's Delivering Best Value programme, in the High Needs Block of the Dedicated Schools Grant (DSG). This is a voluntary arrangement to review data and service provisions in Solihull.

3.4.9 We have completed the second phase of the DSG work with Newton, the DfE appointed consultants. We are entering the third and final phase, preparing a grant application for up to £1 million to support SEND to deliver change over the medium term, to mitigate some of the future costs predicted under the DBV programme.

3.4.10 Approval is sought for this £1 million grant application under the Delivering Best Value programme from the Department for Education.

3.4.11 Approval is sought for delegated responsibility to appropriate Officers to sign the grant terms and conditions, which have not yet been made available, subject to being satisfied that the Council can meet those terms and conditions.

3.4.12 The grant is to provide resources to:

- Support Schools inclusivity with data analysis; engaging schools with inclusion champions; providing and signposting training for schools based on their needs analysis.
- Supporting inclusion of Children and Young People with SEND in schools which best support their needs and improving service access through SEND digital platforms.

3.4.13 The application for this grant is essential to our strategy under the DBV programme.

3.5 Childrens and Education Services Capital Financial Position at Period 9, 2022/23

3.5.1 Appendix A also sets out the Capital Programme position at Period 9. Projects currently underway have agreed contract prices, so the impact of inflation will be felt for new project contracts in the medium term. Some rephasing will be required at year

end due to delays in projects and project reshaping and this is not unusual.

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.
- 4.2 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.
- 4.3 The financial impact of these pressures is unmanageable within Portfolio. 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.
- 4.4 The Service is managing forecast 2022/23 costs within the minimum possible envelope. Officers are monitoring this carefully. Cabinet on the 9th of February 2023 will be asked to approve the use of the Budget Strategy Reserve to balance the £5.781 million shortfall in the Children and Education portfolio for 2022/23, and to approve the investment required over the next three years to meet current demand levels and inject the investment required into the service to improve outcomes for children and young people. A verbal update of the outcome of Cabinet’s decision will be given in this meeting.
- 4.5 To manage the DSG on-going in-year High Needs financial pressure, Solihull are voluntarily engaging in the DFE’s DBV Programme, as set out above. The issue of the accumulated deficit, which will be added to while actions being taken seek to improve the on-going in-year deficit take time to take effect, will need to be considered strategically and nationally.
- 4.1 Reasons for recommending preferred option
- 4.2 The current forecast 2022/23 expenditure is necessary to fund the improvement journey that the Service is undertaking and necessary to safeguard children.

5. Implications and Considerations

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

Priority:	Contribution:
People and Communities: 1. Improving outcomes for children and young people in Solihull.	The additional financial investment currently being made into the Portfolio is essential to deliver this priority.

Priority:	Contribution:
2. Good quality, responsive, and dignified care and support for Adults in Solihull when they need it. 3. Take action to improve life chances and health outcomes in our most disadvantaged communities. 4. Enable communities to thrive.	
Economy: 5. Develop and promote the borough's economy, with a focus on revitalising our town and local centres. 6. Maximising the opportunities of UK Central and HS2. 7. Increase the supply of affordable and social housing that is environmentally sustainable.	N/A
Environment: 8. Enhance our natural environment, improve air quality and reduce net carbon emissions.	N/A
9. Promote employee wellbeing	N/A

5.2 Consultation and Scrutiny:

5.2.1 The updated financial position for 2022/23 and the potential impact for the 2023/24 three-year MTFs was / will be presented to:

- Children's Services Scrutiny on 12th September 2022
- Resources & Delivering Value Scrutiny on 3rd October 2022
- Cabinet on 6th October 2022
- Children's Services Scrutiny on 5th January 2023
- Cabinet on 9th February 2023

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

5.3 Financial implications:

5.3.1 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.

5.4 Legal implications:

5.4.1 N/A

5.5 Risk implications, including Risk Appetite:

5.5.1 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.

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

5.5.3 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.

5.5.4 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, with each iteration covering more detail and more actual know outcomes.

5.5.5 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 are now included in the Council's Budget Setting Process.

5.5.6 The MTFS report to Cabinet on 9th February 2023 sets out a balanced potential position for 2023/24, including managing the demand and investment pressures for this Portfolio.

5.5.7 The Corporate risk relating to the delivery of the MTFS has recently been reduced to a net level 8 following the fourth Budget Strategy Group meeting where a balanced budget was proposed for the new MTFS period, subject to approval by Full Cabinet 9th February 2023 and Full Council on 23 February 2023.

5.6 Equality implications:

5.6.1 The investment in children's Services and Education will contribute to reducing the inequalities experienced by children and young people with additional needs.

5.7 Linkages to our work with the West Midlands Combined Authority (WMCA), Local

Enterprise Partnership or the Birmingham & Solihull Integrated Care System (ICS):

5.7.1 N/A

6. List of appendices referred to

6.1 Appendix A – Core Position

6.2 Appendix B – DSG Position

7. Background papers used to compile this report

7.1 N/A

8. List of Other Relevant Documents

8.1 N/A