Meeting date:	13th January 2021
Report to:	Children, Education and Skills Scrutiny Board
Subject/report title:	MTFS Update – Budget Strategy 2021/22 – 2023/24
Report from:	The Director of Resources and Deputy Chief Executive and the Director of Children's Services and Skills
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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

Public/private report:	Public
Exempt by virtue of paragraph:	Select an Exemption paragraph from the Quick Parts drop-down list

1. Purpose of Report

1.1 To seek comments on the budget proposals identified for 2021/22 to 2023/24 within the Children, Education and Skills cabinet portfolio to go forward to the Resources and Delivering Value Scrutiny Board and the Full Cabinet in February 2021.

2. Decisions recommended

2.1 Note the pressures and mitigating actions set out in Appendix A and agree any comments to be fed back to the Resources and Delivering Value Scrutiny Board and the Full Cabinet in February 2021.

2.2 Consider the budget proposals outlined in the report and agree any comments to be fed back to the Resources and Delivering Value Scrutiny Board and the Full Cabinet in February 2021.

2.3 Consider the schedule of fees and charges proposed for 2021/22, as attached at Appendix B, and agree any comments to be fed back to the Resources and Delivering Value Scrutiny Board and the Full Cabinet in February 2021.

3. Matters for Consideration

3.1 The focus of the budget strategy this year has been on reset and recovery in the light of the wide-ranging impact of the Covid-19 pandemic. To that end, cabinet portfolios have not been asked to propose savings to meet a corporate target, but instead have identified options for mitigating service pressures, which were considered by the Budget Strategy Group at three meetings in October and November.

3.2 As part of their work, the Budget Strategy Group considered some specific pressures and agreed to recommend the permanent realignment of budgets within the Children's Services and Skills and Economy and Infrastructure portfolios, at a cost of £4.050 million per annum from 2023/24. In addition, the Group received updates on the financial impact of Covid-19 on future years' budgets, and agreed to include £10.353 million of projected costs and associated grant funding in the updated MTFS.

3.3 The government has confirmed that regional pilots of 100% business rates retention will continue into 2021/22. It is anticipated that the participating authorities will once again benefit from some temporary windfall income in 2021/22 as a result, which it is proposed would be contributed to a business rates windfall contingency as in previous years.

3.4 As the actual amounts receivable in respect of each year will not be confirmed until after the outturn position is reported, no commitment can be made in respect of the proposals for the 2020/21 windfall resources until June 2021. However, the Budget Strategy Group agreed to endorse the use of £2.250 million of the forecast windfall funding to top up reserves in the Children's Services and Skills and Economy and Infrastructure portfolios.

Budget proposals

3.5 As in previous years, the strategy is to manage any movement in the first two years of the MTFS as one-off adjustments, using the budget strategy reserve to smooth the profile of the funding pressures so that there is no impact on the savings targets already being delivered for 2021/22 and 2022/23.

3.6 The Spending Review published on 25 November contained a number of announcements in respect of local government funding, including new one-off grants, confirmation of the continuation of other funding streams into 2021/22 and council tax thresholds for 2021/22 and 2022/23. The precise implications for individual authorities were unclear but the updates to the MTFS considered by the Budget Strategy Group included the estimated impact of relevant announcements, resulting in an ongoing funding gap for 2023/24 of £2.738 million. The specific funding allocations receivable for Solihull are expected to be outlined in the provisional finance settlement and a verbal update will be provided at your meeting.

3.7 At the time of the Members' Seminar, significant uncertainty around future funding levels remained, with the announcement of the provisional finance settlement not expected until mid-December and the tax base and business rates forecasts yet to be finalised. It was therefore agreed to schedule a fourth meeting of the Budget Strategy Group for 11 January, once further clarity was available, to recommend a strategy for addressing the funding gap. The outcome of this meeting will be reported to the Full

Cabinet for consideration on 11 February, alongside details of the impact of the provisional settlement announcements on the MTFS.

3.8 This will not affect the pressures and mitigations detailed at Appendix A, on which the scrutiny board is asked to provide comments for consideration by the Resources and Delivering Value Scrutiny Board on 8 February. The overall position will then be reported to the Full Cabinet on 11 February, when Members will be asked to agree a budget recommendation to go forward to the Full Council on 25 February.

Service Pressures and Mitigations

3.9 The challenges facing the portfolio are largely unchanged from those reported last year and are particularly driven by increasing demand, as set out below. The current MTFS has recognised some of these challenges and additional funding has been allocated in the MTFS. For Children's Placements, this is via a Reserve Fund of £2.045 million and in the Special Educational Needs and Disability (SEND) service, £1.2 million split over 3 years to support the delivery of Education, Health and Care planning.

3.10 The government has confirmed that the current social care grant will continue along with a new tranche of funding. Some £2.394 million of the current grant underpins several of the pressures set out in the attached Appendix A.

3.11 There is some good news from government in respect of funding for unaccompanied asylum seeking children (UASC). A surprise announcement earlier in the year has seen some positive changes to the grant rates for UASC. Subject to the next update of the financial model, it is expected that this will remove the anticipated deficit for this financial year.

3.12 The current MTFS has no savings earmarked from this portfolio up to 2022/23.

Children's Social Care Placements

3.13 This remains a red risk given the increase in Children in Care (CiC) numbers, the increase in high cost placements, the pressure on availability of specialist placements (in particular welfare secure) with a consequent impact on providers' price demands and the potential for a post Covid spike in cases.

3.14 It is difficult to predict the longer term impact on costs from increasing Children in Care numbers. It is clear that CiC numbers are rising significantly (up from 403 local children in April this year to 462 in mid December, an increase of 14.6% in just over seven months). However, it is difficult to determine the underlying trend given the impact of Covid on both numbers (e.g. due to delayed discharges from care) and costs (because of changes in need and placement supply).

3.15 What is clear though is that the issue of complexity and supply in relation to placements requiring specialist residential care has become critical. Three years ago, the average weekly cost for our children in the 20 most costly placements was £3,385 per week. Today the average weekly cost of our "top 20" placements is £5,781 per week – an increase of 71% with an equivalent additional full year cost per annum of £2.5 million.

3.16 Pressures here are reflected nationally and there is clear evidence of this and the reasons why. We currently do well with both the volume and timeliness of our adoptions and other court orders (that bring an end to a child being looked after). The weekly cost of placements across a range of provision compares favourably to our benchmark authorities and there is no evidence that we take children into care whom we should not.

3.17 Furthermore, there has been an impact from the Covid crisis on placements in terms of cost and availability. We have had to place some children in more expensive accommodation and we've also been unable to step down some others, for example from a residential placement to fostering. Key though is the difficulty in the discharging of some children from care due to delays in the court process – with Covid restrictions, courts are prioritising bring children into care to ensure their safety, and this is one of the factors behind our increasing CiC numbers.

3.18 We have a 3 year model to forecast costs and can model the impact of rising numbers. Our Top 60 placements are now reviewed monthly by senior officers and weekly updates are provided to Finance and the DCS on new placements, placement changes and searches to ensure the model is current. We do have arrangements in place to step-down clients from residential to fostering although as mentioned above, Covid is impacting upon these. The Permanency Hub, one of the proposals funded by the new Social Care grant, is now underway. This will develop our connected carer arrangements over the next two years and look to reduce the numbers of children formally in the care system.

3.19 Work on the new regional secure unit may now slowly move forward following the announcement in the settlement of £24m available nationally to improve the current secure estate and take forward proposals for new facilities in London and the West Midlands. However, further detail is awaited on how this initial allocation will be distributed but the total funding available nationally would not be sufficient to meet the estimated £35m cost for a West Midlands "Safe Centre". Options, now at a more advanced stage, are also being considered for establishing our own residential provision (homes that would accommodate two children) but these would not be at the secure end of our provision needs.

3.20 This work is underpinned by the new Placements and Sufficiency Strategy and Delivery Plan approved by the Cabinet Member CES on 21 October 2020. We will look to increase commissioning and contract capacity on a 'spend to save' basis.

3.21 The new Family Support Service is up and running. Furthermore, we have been accepted into the Department for Education's Strengthening Families Programme and will partner with Leeds City Council on this. However, national decisions on the timing for various authorities to commence activities means that we are unlikely to see any funding even for preliminary work before summer 2021. Any impact will likely be in 2022/23 at the earliest.

3.22 Despite this, our ability to meet the current demand remains a risk. This is exacerbated by the current uncertainty due to Covid-19. Whilst further modelling work will inform the impact on future costs, the current adverse position is not likely to reduce short term.

3.23 As such, we have recommended that the MTFS reflect an ongoing increase in the Children's Placements Budget (to re-base the budget) of £1.2 million in 2021/22, increasing to £1.8 million in 2022/23 and increasing to £2.0 million in 2023/24.

3.24 Furthermore, as a safety net, as referred to in paragraph 3.4 the Budget Strategy Group endorsed a £1 million top-up to the Children's Reserve in 2021/22 from the business rates windfall for 2020/21. This would only be made if the windfall funding materialises.

Special Educational Needs and Disabilities (SEND) transport

3.25 There are continued expenditure pressures as a result of SEND demand and the resultant impact on transport costs which is a core Council cost.

3.26 With pressures on our internal placements (particularly around autism), transport to provision outside of the borough remains expensive and problematic.

0 to 25 SEND

3.27 The legislation under the Children and Families Act 2014 continues to create demand issues which have a commensurate impact within both the High Needs Block (HNB) and core budgets.

3.28 The demand for Education, Health and Care plans (EHCPs - which have replaced Statements of Special Educational Need) continues to rise and there is a 20 week statutory deadline in which to complete and issue plans. Furthermore, all current EHCPs require an annual review and the backlog of reviews can be detrimental not only to children's outcomes but to ensuring we have the right children in the right placements or with the right support at the right time.

3.29 The increasing demand for EHCP assessments, the current number of actual EHCPs and the need to review these annually continues to place a significant burden on the Statutory Assessment and Review Team (StART). In 2018, the caseload of each StART Plan Co-ordinator was 182. The current number of EHCPs has created a caseload of 238 which is continuing to rise.

3.30 The EHCP process has also put pressure on our Education Psychology Service to deliver its statutory responsibilities as part of the assessment process. We have seen an increase in demand for this support under the new framework.

3.31 Demand for services directly and through personal budgets is increasing and is having a significant impact on costs.

3.32 A key driver here is to reduce the numbers of young people coming into the system. This includes a robust 'front door' at the stage when an EHCP assessment is requested, however it should be noted that there is a relatively "low bar" for agreement to assess. The additional funding allocated via the MTFS has enabled us to establish a more adequately resourced team to support this although the pace of increase is currently outstripping capacity. The key task now remaining is to determine the long term requirements based on the anticipated flow of new EHCPs and the resources required to provide support to the annual review process.

3.33 Furthermore, it was clear that we needed to improve service management, and have some specialist legal and commissioning support to navigate through both the EHCP process and the development of the HNB Recovery Plan. A contribution from the budget strategy reserve of £1.2 million to support this was approved by Cabinet on 10 October 2019. A key element has been the appointment of a new Assistant Director for SEND to focus on the key changes and improvements required within the service and to work more closely with Schools. We now have a new Head of Service in post and appointed a new permanent Team Manager who starts in January 2021.

3.34 However, given the issues outlined above, a further business case has been drafted setting out the potential resource impact. This is costed at some £320,000 per annum and is reflected in the attached Appendix A and we will look to fund essentially from grant.

3.35 Our Educational Psychology service is designed to cover our ‘front door’ requirements, support annual reviews and provide specific support to schools. However, Covid-19 has impacted on our ability to trade at planned levels with schools and has seen resources diverted to help with impact of Covid-19 on our young people. We also recognise the increasing demand on our statutory duties and that pressure is also reflected in Appendix A.

School Improvement

3.36 Over many years our school Ofsted profile has ranked us in the top 10 percent of schools nationally. However, this has declined in recent years, with only 81% of schools now judged “good” or better and just 78% of primary and secondary aged pupils attending a “good” or “outstanding” school. A number of schools have dropped category to “requires improvement” in the last two years. To compound the situation, we have also had four schools who have received their second “requires improvement” judgement and, whilst in all of those reports improvements were noted, the pace of change has been too slow. 16% of schools are currently judged as requiring improvement, with one school graded inadequate.

3.37 The school improvement team has reduced significantly in recent years with reductions in funding and changes to government policy. The service has gone from thirteen FTE school improvement advisers to 4.6 FTE. This has had a significant impact on the support the team is able to give those schools which need it.

Education Services Grant

3.38 Children’s Services require £1 million annually from retained grant and schools to support statutory education services under the new National Funding Formula (NFF) arrangements. The Solihull Schools Forum must approve this annually as required in the NFF regulations and this was agreed at the meeting on 9 December 2020. However, continued academisation will see further reductions to this funding which are outside the control of the Portfolio. As such, the draft MTFS includes a sum to reflect the loss of funding based on the academisation of a group of aided schools from April next year.

4. Dedicated Schools Grant (DSG) – High Needs Block (HNB)

4.1 Cabinet received the first DSG Recovery Plan in February 2020. Whilst work has continued on the plan, there has been a direct impact of Covid-19 on our ability to deliver in line with original estimate of timescales. The DFE has removed the formal requirement to submit a Recovery Plan to them but has set out future conditions in new Regulations for 2021/22.

4.2 The HNB Board, chaired by the Director of Resources and Deputy Chief Executive, has continued to meet and has re-set the plan timetable to reflect the impact of Covid-19 on the plan's delivery. The latest version of the Recovery Plan was approved at Full Cabinet on 5 November 2020.

4.3 We had indications of a further £2.5 million funding into the High Needs Block in 2021/22 during the autumn. The recent settlement indicated that £2.2 billion further funding had been indicated for schools. We await the details and particularly whether this includes the allocation already notified.

Employment and Skills

4.4 The Employment and Skills service has been successful in being awarded significant funding from the European Social Fund (ESF) which has enabled MTFS savings to be delivered from core Council funding. However, due to our exit from the EU, the service is in the final stages of grant funding, with all ESF funding ending by 31 December 2023. This places a financial pressure on service delivery, estimated at £350,000 over 2021/22 and 2022/23 and rising to £440,000 in 2023/24.

4.5 The service, although it remains within the Children, Education and Skills portfolio, moved to the Public Health Directorate in late 2019/20 because of the vital role that skills and access to employment can play in improving life chances and reducing health inequalities of those furthest away from the labour market. Service activities are a valid use of Public Health grant where there is a link to medium to long-term health impact and delivering the objectives of the local Health and Well-being Strategy. It is proposed that the service pressure for Employment and Skills is met from the estimated annual increases to Public Health grant, plus a one-off contribution of £90,000 from the Employment and Skills reserve in 2023/24. The service will explore opportunities for continued external funding where this meets local objectives in the Council Plan and Health and Wellbeing Strategy. Further proposals on this are in development and will be brought for decision making in due course.

Covid-19 Impact

4.6 The main impact of Covid-19 to date on this portfolio's financial position has been in terms of increased costs of £379,000 and loss of income of £500,000 as detailed in Appendix A.

4.7 The figures in Appendix A assume that the current restrictions associated with the control of Covid-19 are lifted by the beginning of April 2021. Officers have also considered the potential implications of these restrictions remaining in place until July or October 2020. The headline net pressures under each of those scenarios are £144,000 and £266,000 respectively.

4.8 There is clear sensitivity with the financial position to different scenarios and highlights the ongoing uncertainty resulting from the evolving response to Covid-19. Members will be updated on the financial implications as the situation continues to develop during the course of the budget process.

Troubled Families programme

4.9 This programme is in the final year of operation. The recent settlement indicated that it would be extended for one year into 2021/22. This programme supports some £700,000 per annum of resources going into the new Family Support Service. We await confirmation of the actual funding. As such, this remains a risk.

Fees and charges

4.10 As part of the Council's fees and charges policy, the charges levied by the Council need to be approved annually as part of the budget setting process. A schedule of fees and charges for this scrutiny board is attached at Appendix B to this report. These fees and charges take into account the guidance set out in the Council's policy and have been reviewed in the light of the pressures faced by the Council and with reference to current and forecast inflation.

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

5.1 In developing the budget proposals for review by the Budget Strategy Group, the directorate leadership teams worked with the cabinet portfolio holders to establish the scale of the pressures and identify mitigating actions within each service area. Background information was provided for each cabinet portfolio to give the Group further context for the consideration of the budget proposals.

5.2 The indicative budgets for the services relating to this scrutiny board are attached at Appendix C, together with an overview of the projected reserves position. This information will assist members in considering the budget proposals put forward as part of this process.

6. Reasons for recommending preferred option

6.1 As outlined in section 4 above, the recommendations of the Budget Strategy Group are based on the consideration of the particular financial constraints and service delivery context of each individual service area. In determining its recommendations the Group sought to balance the requirements of each service area within the forecast funding envelope set out by the updated MTFS.

7. Implications and Considerations

7.1 State how the proposals in this report contribute to the priorities in the Council Plan:

Priority:	Contribution:
Economy: 1. Revitalising our towns and local	The MTFS provides the financial framework which supports the delivery of the Council

centres. 2. UK Central (UKC) and maximising the opportunities of HS2. 3. Increase the supply of housing, especially affordable and social housing.	Plan.
Environment: 4. Enhance Solihull's natural environment. 5. Improve Solihull's air quality. 6. Reduce Solihull's net carbon emissions.	The MTFS provides the financial framework which supports the delivery of the Council Plan.
People and Communities: 7. Take action to improve life chances in our most disadvantaged communities. 8. Enable communities to thrive. 9. Sustainable, quality, affordable provision for adults & children with complex needs.	The MTFS provides the financial framework which supports the delivery of the Council Plan.

7.2 Consultation and Scrutiny:

7.2.1 The budget proposals have been shared with all members at a seminar in December 2020 and each scrutiny board is now asked to consider the proposals which relate to their cabinet portfolios in more detail.

7.2.2 At the recent Members Budget Seminar, Cllr Thomas asked about the risk of the Troubled Families funding coming to an end and would this mean the end of the programme. The current position is discussed in paragraph 4.9 above.

7.2.3 The Budget Strategy Group has agreed that consultation with the public will take place on key specific savings proposals. There are no savings proposals as such this year, but the budget recommendations outlined here have been shared with the unions and feedback will be presented to the Resources and Delivering Value Scrutiny Board on 8 February and the Full Cabinet on 11 February.

7.3 Financial implications:

7.3.1 In order to set a balanced budget, the authority's limited resources need to be targeted at the Council's priorities and any unfunded service pressures will have to be met from corresponding budget reductions elsewhere.

7.4 Legal implications:

7.4.1 The budget proposals attached at Appendices A to C were developed with regard to legal implications where applicable.

7.5 Risk implications:

7.5.1 Based on the information provided, it is officers' opinion that the significant risks associated with failure to deliver the medium term financial strategy have been identified and assessed

7.6 Equality implications:

7.6.1 The budget proposals will be screened for 'due regard' to equality and, where appropriate, will be subject to a Fair Treatment Assessment before implementation.

8. List of appendices referred to

8.1 Appendix A: Pressures and Mitigating Actions 2021/22 to 2023/24

8.2 Appendix B: Proposed Fees and Charges 2021/22

8.3 Appendix C: Indicative Service Budgets 2021/22

9. Background papers used to compile this report

9.1 None

10. List of other relevant documents

10.1 None