Staffordshire County Council

Medium Term Financial Strategy 2024-2029

Report of the Medium Term Financial Strategy (MTFS) Working Group

December 2023

CIPFA Financial Scrutiny Practice Guide (2020)

Scrutiny is a critical part of the overall governance framework. Effective financial scrutiny is one of the few ways that councils can assure themselves that their budget is robust and sustainable, and that it intelligently takes into account the needs of residents.

Scrutiny can provide an independent perspective, drawing directly on the insights of local people, and can challenge assumptions and preconceptions. It can also provide a mechanism to ensure buy-in – or at least understanding – of the touch choices that councils are now making.

Staffordshire County Council

Chairman's Foreword

Staffordshire County Council, in common with many local authorities and other publicly funded bodies, faces a significant financial challenge to set a balanced budget, affected by increasing costs, increased demand for services and other pressures.

We are mindful of the Council's vision and the pledge: 'to deliver value for money for residents and businesses and live within our means.' There remains to be uncertainty when preparing the Medium-Term Financial Strategy (MTFS) including the level of funding, inflation and interest rates and the increasing demand on social care. The largest proportion of the revenue budget continues to be allocated to the care sector. The aim must continue to be to live within our means and set reasonable expectations in line with the current year.

It is important to take a residents' view when considering the MTFS and preparing the report and recommendations to Cabinet. Increasing inflationary pressures and increasing demand in some services this year mean that expenditure plans would exceed resources. Resources can be allocated through one-off funding from reserves to ensure services are maintained for residents and that the figures will balance.

I would like to thank all the elected members and officers who presented to the MTFS Working Group.

I would also wish to personally thank all the cross-party members of the group who have studied and scrutinised various reports as part of this process, culminating in key recommendations that appear within this report, and which will be presented to the Cabinet.

I would also like to thank both Rachel Spain (Chief Accountant, Corporate Finance Unit) and Deb Breedon (Scrutiny and Support Manager) for their guidance and support in the writing of this report.

It has been a real privilege for me to have chaired this working group.

Councillor Mike Wilcox

Chair of the MTFS Working Group

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Membership of the MTFS Working Group

Councillor Mike Wilcox

Chair of the MTFS Working Group

Councillor Jeremy Pert

Councillor Gill Heath

Councillor Bernard Peters

Staffordshire County Council

Councillor Samantha Thompson

Councillor Nigel Yates

Context

Medium Term Financial Strategy

1. The Medium-Term Financial Strategy MTFS is a five-year projection of expenditure plans and the resources available to fund those plans. It is the cornerstone of the Council’s overall strategy to set a good and balanced budget and the planning framework for major decisions on future services, pay and jobs.

2. The MTFS is agreed in advance of setting the budget for the coming year, unless there are major changes to the figures which require urgent consideration. It is a living model which helps manage the finances and is updated regularly for new circumstances and assumptions.

3. Corporate Overview and Scrutiny Committee monitors the current budget quarterly to shine a spotlight on issues and check that Cabinet has identified pressures and adjusted the finances accordingly.

4. Each year, the Corporate Overview and Scrutiny Committee establishes a MTFS Working Group to look at the financial position and planned spend for the next five years to inform the annual budget setting process. The approach to identifying assumptions and making reasonable (not optimistic or pessimistic) assumptions for the next five years is important. Confidence in the model must be assured not assumed.

5. This report presents the process, findings, conclusions, and recommendations of the working group.

Scope of the review

6. To scope this work, we considered an overview of the current MTFS position 2023-24 and the changes since February 2023. Evidence was also provided about the MTFS assumptions for 2024- 25, the approved MTFS, the pressures on the short and medium-term plan, the risks to setting a balanced budget, the approach to address the risks and the use of general balances and reserves in the context of stability.

7. The working group agreed to review key areas of concern that had been highlighted during questioning and to look at assumptions made and plans to mitigate risk.

Schedule of meetings

Focus	Evidence
30 August 2023 Scene setting current MTFS position and scoping session • Integrated Performance Report Q1 2023-24 to Cabinet 19 July 2023	Chief Accountant
13 September 2023 • 22/23 Outturn: Underspends • Tracking 2022-23 MTFS recommendations and outcomes	Chief Accountant
27 September 2023 Scene setting and evidence gathering. • Dedicated Schools Grant High Needs Block (HNB)	Assistant Director for Education Strategy & Improvement Head of SEND
4 October 2023 Interview with the Cabinet Member Education (and SEND) • Dedicated Schools Grant High Needs Block (HNB)	Cabinet Member Education (& SEND) Assistant Director for Education Strategy & Improvement
25 October 2023 Evidence and interview with the Leader, Cabinet Member for Finance and Resource and the Director of Finance. • Risk Based Budget Setting and Investment Programme approach • Update on Q2 performance	Leader of the Council, Cabinet Member for Finance and Resources Director of Finance
15 November 2023 • Summary of findings • Draft recommendations	Chief Accountant
4 December 2023 • Finalise report	Working Group
18 December 2023 • Corporate Overview and Scrutiny	Overview and Scrutiny Committee

8. Last year, the working group gained a greater understanding of how the MTFS ensures the Council's financial stability and makes best use of its resources, at a time when inflation was rising and interest rates going up. It made recommendations

relating to three key areas, (i) Capital Programme and Assets, (ii) Reserves and (iii) SEND Transport.

9. We reviewed progress against these recommendations and found SEND Transport continues to be a challenge and that actions are progressing. Further questions raised about asset disposal and SEND Transport.

10. The Announcement of the Provisional Settlement is expected from the Secretary of State, late in December. The impact of the settlement on the draft budget will be considered and reported to Cabinet on 24 January 2024.

Scene setting - Current MTFS Position 2023-28

11. The Medium-Term Financial Strategy MTFS 2023-28 has been monitored and adjusted through the financial year. Staffordshire County Council has set a balanced budget for 2023/24, with a balanced MTFS period and £6.7m of headroom in 2024/25.

12. There are external factors that have impacted on progress to deliver services and transformation, and there is a need to challenge the robustness of assumptions made which may impact on the balanced position. In addition, there are a number of other local authorities who are experiencing financial difficulties, some to the extent of issuing S114 notices. Whilst Staffordshire is not in this situation, this external context makes the Working Group's scrutiny of the MTFS even more important and the recommendations more valuable as a result.

13. The current position was considered using recent financial information and a risk-based approach. Quarterly integrated performance monitoring is scrutinised and reported to Cabinet. We considered evidence of services which are struggling to keep spending within budget and priorities for 2024-29 MTFS. The risk-based assessment included all services, not just those with the largest budgets.

    - Social Care Market: there is capacity to meet demand.
    - Children in Care remains a pressure, showing as overspend.
    - SEND (Education) remains a pressure, showing as overspend.
    - Social Care reform: has been postponed and the position will be monitored.
    - Funding reviews/ spending reviews: these figures are not yet known.
    - Single year settlement: Announcement of one year settlement in December 2023, multiple year settlement would be better.
    - Inflation: continues to have impact but the Council is also getting a good rate on investments.

Areas of focus:

14. Underspend in services in 2023-24 we indicated a need to look in more depth to understand why there had been underspend in some areas and if there was evidence to demonstrate that objectives had been met or if there was more to do, and to align work with the strategic plan.

Progress on Actions 2022-23 recommendations:

- Assets Disposal Strategy check that sufficient priority was given to achieving capital receipts, if the economic situation meant that the full value of land was not being received and if so whether sufficient consideration was given to retention of land assets to assist the climate change agenda, i.e., tree planting, biodiversity and providing revenue through tourism.
- SEND Transport Further evidence was requested to establish why this remains a pressure and the progress made to reduce number of single occupancy taxi's and rationalise routes.

15. MTFS Pressures – We understand that it is not always possible to control the numbers and demand on a service, but wanted to check how confident we could be in the assumptions made in the MTFS. It is prudent to consider the efficiency of a service and the workforce delivering services (numbers and demographic), also to monitor transformation of services in Children and SEND (Education). Additional funding had been allocated for demand pressures and inflation in 2022/23.

16. Dedicated Schools Grant (DSG) - The forecast of DSG deficit in the MTFS period is a major concern and we indicated that DSG High Needs Block in Staffordshire should be a priority for the work group to consider the approach to unmitigated deficit.

17. Disabled Facilities Grant (DFG) and the cumulative underspend in some District and Borough Councils was suggested for scrutiny but it was explained that although £10m DFG passed through SCC it was determined by District and Borough Councils and would not be a focus of this working group.

18. Benchmarking had been undertaken by MTFS working group in 2022 evidence gathering which had enabled members to contrast other ways of working to inform the recommendations. This year the working group focus is to challenge the robustness of the budget process and to carry out checks and balances on assumptions and mitigation proposals.

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Evidence gathering and findings

Focus on 22/23 Outturn - Underspends

22/23 Outturn:	Underspends	(% savings of budget)
Wellbeing & Partnerships	£0.768m saving	(9.83%)
Business & Enterprise	£0.141m saving	(6.20%)
Skills	£0.113m saving	(4.21%)
EI&S Business Support	£0.1m saving	(8.75%)

19. Evidence was provided to outline circumstances for underspends.

Wellbeing and Partnerships

20. The service has an outturn saving position of £768,000. This reflects the fact that existing staff were utilised to respond and administer the government funded Afghan resettlement ‘Bridging Accommodation’ programme and these are covered in the staffing budget. This resulted in some work being delayed and then some annual leave being bought back or carried forward, due to the urgent nature of the work. The forecast for 23/24 Q2 Wellbeing & Partnerships is an underspend of £118,000 which is 1.4% of the budget.

21. We were satisfied that this was a one-off fund provided for a specific event. The underspend would not have to be paid back and would be used to offset overspends elsewhere.

Business and Enterprise

22. There were some temporary vacancies that arose during the year, as well as one-off income to the Farms budgets and to the Regen team (back dated officer costs recovered from the A50 scheme). There were funding surpluses related to ERDF funding, which has now ended, and slippage on the Kingswood Lakeside Road adoption costs. Most of these items were only identified at Q4 or outturn and were included in quarterly reporting as they arose.

23. Any areas of underspend that were expected to be ongoing have been reviewed in 23/24 alongside the need to make provision for pressures arising related to the ending of ERDF funding and SBEN membership fees, and revenue costs related to i54. A new post is being created which is being financed partly by the creation of a vacancy factor which will reduce the likelihood of underspends in the future related to temporary vacancies. Where new service provision/activity has been proposed it has been argued that existing budgets have enough flexibility to allow for an element of over-programming which will make the budgets work harder and reduce the likelihood of underspends at year end in the future.

24. We were satisfied that could not have been foreseen and was identified through quarterly monitoring.

Skills

25. There was some additional funding from government funded programmes, such as Multiply and SEND Internships. Both were new schemes in 22/23 and we did not understand the full budget implications until Q3 when the underspend was reported. There was also income being generated from Data entry work provided to Community Learning providers, which was also new for 22/23. While these income streams are expected to continue in 23/24 they have been identified in the current forecast, and the funding has been earmarked for the continuation of the Ignite Student Start up scheme. The underspend forecast at Q2 relates to temporary vacancies and is 3% of the budget currently.

26. We were satisfied that this was a one-off situation, identified through quarterly monitoring.

EI&S Business Support

27. The overspend in this area came about because of a review of bad debts, and this pressure was first identified at Q3. In 22/23 a requirement for an increase in the bad debts provision in EI&S created an overspend. However, across the EI&S budget there was a net underspend, so this was an affordable cost. We don't have the information to forecast the change to our bad debts provision until Q3 so this is something that will always mean variances developing later in the financial year in this area. The forecast at Q2 for this service is a very small (£5,000) underspend.

28. We were satisfied this came about because of a review of bad debts and was effectively monitored.

29. We are satisfied that the underspend areas identified in the final outturn 2022/23 were all due to one off circumstance and were not likely to repeat in the next budget period. It was recognised that the budget is set for a period of time and that things will happen after the budget is agreed. It did highlight the need to adequately look at all risks before setting the budget and to monitor.

Focus on Assets Disposal Strategy

30. A list of disposable assets was provided detailing site, estate value, cost of sale, current position, anticipated year of delivery and district/area of site.

31. We highlighted the need to check that sufficient priority was being given to achieving capital receipts, if the economic situation meant that the full value of land was not being received and if so whether sufficient consideration was given to retention of land assets to assist the climate change agenda, i.e. tree planting, biodiversity and providing revenue through tourism.

32. We referred scrutiny of the list of disposable assets and questions raised by the working group to Corporate Overview and Scrutiny Committee to consider in its work programme.

Focus on Dedicated Schools Grant High Needs Block (HNB)

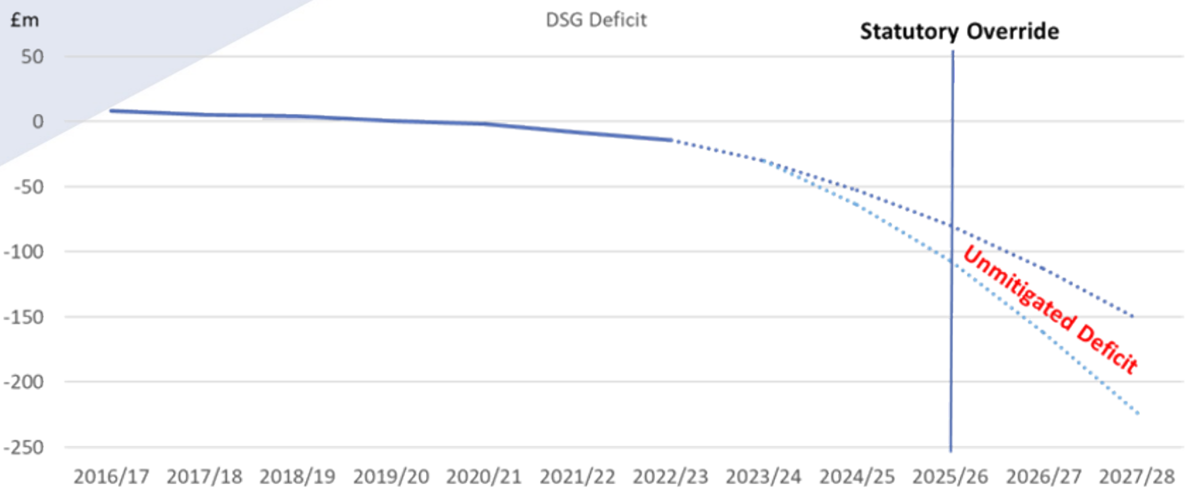
33. The Education Green Paper was published on 29 March 2022, it made changes to the special educational needs and disabilities (SEND) and alternative provision (AP) system in England. Dedicated Schools Grant (DSG) provides funding for all LEA schools, Early years, and High Needs Block (SEND).

34. Academies receive DSG direct from Government and Staffordshire County Council (SCC) funding reduces. All SEND provision is funded from ringfenced DSG money (High Needs Block). Academies receive funding for their SEND requirements from SCC's DSG allocation.

35. Across the Country academies and special schools funding requirement has far outweighed the grant that schools receive, and many Local Authorities have not cleared the backlog, the national DSG deficit is between £2.6 - £3.6 billion. The Government has put in place a 'statutory override' requiring accumulated DSG deficits remain ringfenced separate to the Council's other reserves, this has been extended to the end of 2025/26. If not extended further, many LA's will face bankruptcy, if the accumulated DSG deficit exceeds the amount held in reserves.

36. The risk of the statutory override being removed is a problem. Staffordshire would not qualify for the 'Safety Valve' agreement. Work was ongoing to predict future SEND numbers and activities and actions were planned. There would still be a deficit with measures being put in place and there is a significant risk that savings will not be achieved in full.

37. The projected deficit position in Staffordshire relates to the High Needs Block (SEND), it is a significant risk to setting a balanced budget in future years.



38. The Dedicated Schools Grant (DSC) as at 1 April 2023 is in deficit by £14.2m. This is expected to increase to c£32m in deficit at the end of the current financial year, given the latest forecast overspend in High Needs for 2023/24 c£20m and forecast to increase to c£120-150 million by end of 2027/28 because the funding is not enough to repay the deficit and meet the growing demand. The statutory override

means that SCC reserves or income is not required at this stage to address the deficit and SCC can only monitor and report it. A deficit repayment plan has been set up following a government visit.

39. It is important to acknowledge the current difficult situation for local government finance, with Nottingham Council becoming the latest in a succession of local authorities to issue a section 114 notice.

Focus on Deficit Management Plan

40. The Council's Deficit Management Plan (DMP) aims to mitigate, as far as possible, the accumulated DSG deficit over the next four years. It is unlikely that the existing gap can be bridged completely without additional Government support. The deficit plan has identified savings as part of a wider package of proposals targeted to reduce costs by 27/28. Anticipated financial savings will increase gradually over the time and, over the next four years 2024/25 – 2027/28, are forecast to deliver c £34m cash reductions.

41. We welcome the Deficit Management Plan (DMP) which is based on the Council's SEND Strategy and Accelerated Progress Plan (APP) and that appropriate measures were being put in place with Staffordshire Enhanced District Inclusion Support Teams (SEDIS) and Enhanced Assess-Plan-Do-Review (EAPDR) block. We are assured that work with the APP and SEND strategy is linked to the HNB funding and aims to stabilise the system. We further noted that the DMP would not address the accumulated deficit and that the Department of Education recognised SCC's plan as best practice.

42. We understand that the measures aim to develop a more inclusive system where more Children and Young People (CYP) with Special Education needs and disability (SEND) access mainstream education - wherever possible within their local community - and if appropriate with specialist support. We are assured that this will provide for a more sustainable model, with better outcomes for CYP and reduce reliance on the non-maintained and independent sector. We understand, however, that parents perception may need to change for them to accept the long term benefits to their children remaining within the mainstream education system.

43. SEDIS supports the school to support the child to remain in mainstream school. Special school places are for children with special needs not for children with moderate learning needs. Members considered that the benefits of children remaining in mainstream school is that children would be with peers of their own age and better social skills with the right support.

44. SEDIS puts a team around the young person, a concern was that that additional teachers could not be put in place to support existing teachers in schools. Members noted that the teacher role was difficult but were assured that support from educational psychologists was available and the enhanced model to assess, plan and review support around the child was in place.

45. All state funded schools and academies had processes in place, early intervention, outreach, and in-reach work in an inclusion support model. The schools have governor bodies who determine admissions. The LA asks the governor body to encourage inclusiveness. The education banding tool is the system to determine funding. We wish to stress the importance of inclusivity within all schools, including academies, and look to ensure the number of children with ECHP's is fare and proportionate to schools irrespective of academy status.

46. We understand this will take time to impact and, in order to limit the extent of the accumulated deficit arising over the next few years, the DMP also includes a range of interventions and policy reviews that will provide for additional resource / reduce costs in the short and medium term.

47. We highlight the Deficit reduction plan as a major risk to setting a balanced budget in future years and emphasise the needs to monitor closely all aspects of the plan.

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Children & Families Pressures					
Children in Care Placements	8.700	7.600	6.100	5.000	2.400
SEND Transport:					
Inflationary pressures	0.647	1.127	1.634	1.925	2.435
Underlying overspend 23/24	2.800	2.800	2.800	2.800	2.800
Demand pressures	1.500	3.100	5.000	7.300	9.500
Deficit reduction plan - agreed actions	0.000	-0.600	-1.400	-2.500	-3.200
Deficit reduction plan - savings target	-1.500	-2.500	-3.600	-4.800	-6.300
School days changes	0.300	0.090	-0.030	0.300	-1.390
Total Childrens & Families	12.447	11.617	10.504	10.025	6.245

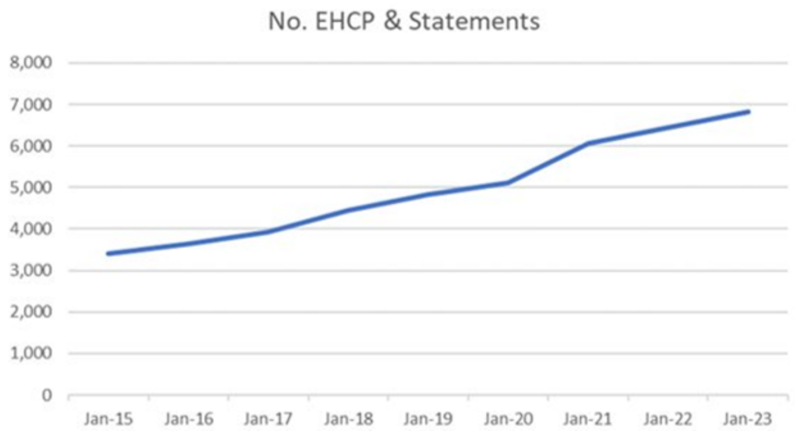
Focus on Education Health Care Plan (EHCP)

48. An Education, Health and Care Plan (EHCP) is a document used in England to outline a child or young person's special educational needs (SEN) and the provision that should be made to meet those needs.

49. We understand that meeting the child's needs before an EHCP is triggered is a priority to reduce assessment requests and welcome the strategy as a good mitigation against risk and note the success in appointing educational psychologists to work with children earlier.

50. The number of assessment requests for EHCPs has doubled in the last eight years, and this demand is linked to the change in societal knowledge, people are more aware and in more recent times the impact of COVID years and investment in early years has identified a greater number of children who require support. The finance attached to EHCPs is important to schools to support the child.

51. There are currently 7260 EHCPs in place, 2000 (28%) of which are female and 72% male. There is a rise in female secondary sector EHCPs relating to social emotional health, particularly in autism and a specialist girl's provision is being considered in Staffordshire.



52. The Local Authority has a legal duty to consider all requests for assessment to determine if a child or young person up to the age of 25 who might have additional need and if they might need additional resources. Members found that this threshold for assessment is too broad and lacks definition, and although the Council says no to 53% of EHCPs following assessment often the decision is appealed by parents at tribunal. Almost 33% applications have been turned down at tribunal. It was established that it is important to have earlier intervention and support at an early stage may avert the need for an EHCP.

53. We welcome that the Council is doing all it can to develop pre-statutory (pre- EHCP) provision by enhancing support in mainstream schools SEND support without the need for an EHCP.

54. We endorse meeting the needs of the child in mainstream education, the practice to work with parents who may not agree with mainstream education and the process for parents to appeal, but that 33% of appeals were difficult to challenge. We were assured that work was ongoing with SENCOs to provide early support and prevent the need to escalate children to EHCP's and we feel there is a need for the Council to better understand how the £3.4 million is currently being used by schools to do this. We suggest that exclusions data may reveal where there may be an unmet need.

55. We note that there needs to be an inclusive SEN policy in schools but that not all schools are as inclusive as they could be. A correlation may be seen between schools with high reserves and low levels of EHCPs and the Cabinet Member may wish to identify those schools who are not including a proportionate number of children with EHCPs based on need within their area.

56. We welcome that early intervention strategies can potentially reduce the number of Education Health Care Plans (EHCPs) overall and, importantly, a greater proportion of children educated within their local school setting. This will reduce the dependency on 'independent' provision which we anticipate to gradually stabilise and then reduce over the next few years.

Focus on Deficit Management Plan (DMP) spend profile

57. The DMP aims to address the balance: We can support SEND pupils in mainstream schools which would reduce the current reliance on independent school places. We want to change so that children can be educated locally and not transported all over the County. Children were assessed for all kinds of placement to find what was right for them.

Independent Placements:

58. The cost for independent provision is increasing year on year, in the main this is due to increasing overheads and the fees are increasing. The are currently 136 pupils in independent school placements, the average cost is £57k per place (but one placement is 180k). The challenge is not just about new attendees, the challenge is all placement fees are increasing. LA can pay all of education funding, majority of parents pay fees, LA pays special needs funding.

59. Many pupils in independent schools have more complex needs, however there is growing pressure from parents who choose independent schools. On average the independent schools are three times the cost of special school provision. Some independent school pupils could be in mainstream provision with the right support in place. SCC schools can meet the pupils needs but parents' challenge and tribunals are sensitive to the parent/child case rather than the LA.

60. The LA pays for top up fees not the independent school fees. In independent special schools the LA would pay the fees and these can be £60-70k, these are children with a variety of special needs. Scale of the challenge – there had been significant change to re-calculate top up funding. As Government funding slows down demand for provision does not. There has been drift to the top end of funding from £5m to £7m.

61. Where it was considered a child's needs could be met in a LA special school they would be challenged. It was confirmed that the LA is not subsidising independent special schools, the costs for independent special schools were rising with a 5% uplift each year.

Special School placements

62. We have provision in special schools, the challenge is not to create more provision but to support more children in mainstream school system where there is a viable option to meet the child's needs.

63. The priority is to meet the child's needs and protect the public purse.

64. We highlight the need to closely monitor delivery of the actions in the DMP, which links the work within the APP and SEND strategy to the HNB funding. The Accelerated Progress Plan (APP) is in place to drive deep and wide systems change to mitigate the financial risk and is critical to setting a balanced budget in the MTFS period.

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	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Reduce / Reprofile EHCPs to increase mainstream provision and reduce Independent provision	**0.9**	**4.2**	**10.3**	**18.6**
Review non-statutory provision	0.9	2.3	2.8	2.8
Alternative funding / partner contributions	0.8	0.8	0.8	0.8
0.5% funding switch (from Schools block to High Needs)	3.4	3.5	3.6	3.7
	6.0	10.8	17.5	25.9

65. We are disappointed that Schools Forum on 8 November 2023 has resolved not to approve the transfer of 0.5% (c £3.4 m) funding from the schools block for high needs in 2024/25 given the continuing SEND demand, and growing deficit. This forms a key part of the Council's DMP. It repeats previous years requests to the Schools Forum, which consists predominantly of Headteachers who are unlikely to change their position. Last year the Council submitted a disapplication request for the block transfer which was not supported by the Secretary of State for Education because Schools Forum had not approved it, an application for judicial review was unlikely to change the decision.

Focus on SEND Transport

66. We referred to the 2022-23 MTFS working group recommendations relating to SEND Transport and would encourage more pace to move the SEND transport review forward. We welcome:

- the report on school transport and Q routes software to consider single route taxi journeys to reduce costs and that Q routes is being implemented in a number of schools which has resulted in fewer school routes.
- that urgent work is undertaken to review all single occupancy journeys and subject to individual need and ability combine routes to reduce the number across the county.
- the focus on educating CYP locally to reduce SEND transport costs and training for SEND key workers to support parents getting children to school and where possible use of Personal Travel Assistance Budgets (PTABs).
- Staffordshire residents name local schools first on the schools admission form to secure local school places.
- We look forward to hear the outcomes of consultant report on use of Council owned vehicles in SEND Transport.

Focus on Risk Based Budget Setting

67. The MTFS (Medium Term Financial Strategy) Working Group welcome the presentation and early sight of the draft MTFS 2024-29 which highlighted the position as at February 2023 and the risks in planning the five year strategy when yearly settlements and unknown funding make longer term financial planning difficult. It was acknowledged that major funding streams can be estimated reasonably accurately but that the next spending review (25/26 onwards) could be a major risk to the balanced position.

68. Spending pressures: The spending pressures identified before mitigations/ use of grant amount add up to approximately £33m to be funded in the five year MTFS period.

69. We are mindful of the many unknown factors, pressures and risks when drafting the MTFS 2024-29. We understand that the Council is in a reasonably good place for the next two years and there is a reasonable understanding of grants and other factors but feel there is a need to be more cautious for the remainder of the five year period and keep a close eye on the risks and external factors. The MTFS planning assumptions seem optimistic about some factors in the current climate including delivery of all savings and programmers, rate of inflation, estimated funding levels and the DSG override remaining in place.

70. The Mitigations:

- Existing MTFS savings programmes must be delivered.
- DSG Deficit reduction plan to be revised.
- SEND Transport volume/demand increases to be managed.
- Allocate balance of social care grant.
- Interest on cash balances to offset inflationary pressures.
- Reduced contingency level in line with the risk assessment.
- Targeted use of reserves to smooth out fluctuations in inflation impact and general funding profile.

71. The Risks:

- Funding Reviews
- Spending Review 2025 – particularly re: Social Care Grants continuing
- Adult Social Care Market (capacity to meet demand, recruitment and retention, focus on FCoC)
- Adult Social Care & Safeguarding, Liberty Protection Safeguards
- Social Care Reform
- Social Care Client System Contract
- Our Children in Care – numbers and cost of children in care
- SEND Transport
- High Needs Block spending exceeding funding
- Levelling up/bidding approach
- On-going reductions in DfT highways capital funding
- Inflation

72. We are acutely aware from the evidence presented that the use of reserves to balance the budget is not sustainable beyond the current MTFS period and that whilst use of reserves is net nil over the 5 year period, beyond 2028/29 there needs to be consideration of savings and transformation of current service delivery to manage those pressures emerging.

Draft MTFS 2024-29 Summary:

73. We welcomed the openness of discussion and the summary from the Leader and The Cabinet Member for Finance and Resources:

- Still much uncertainty.
- Maintaining a balanced five-year MTFS.
- The use of reserves during the MTFS period is affordable. Continued use of reserves beyond the MTFS period is not sustainable.
- Longer term planning will require the consideration of a savings programme.
- Many risks – also drives the requirement to consider a savings programme for future years.
- Transformation of service delivery is essential – start the thinking now.
- Delivery of key programmes (children's, SEND Transport, DSG (Dedicated Schools Grant) Deficit reduction) is essential.
- Scope for some targeted investments.

Investment Programme

74. We welcome the Investment Programme Approach, the policy criteria, the principles/rules, and the priorities considered by Cabinet and endorse the targeted priorities and approach for investment of funds proposed in the draft MTFS 2024-29.

Conclusions

75. We welcome the draft MTFS as a starting position on a long journey ahead and highlight the following comments and conclusions of the working group on the evidence presented for Cabinet to take into consideration in advance of determining the MTFS 2024-29:

- Members felt the draft MTFS is optimistic when there is uncertainty of the governments funding and growing demands on services. There is a high risk of assumptions not being met. It calls for close monitoring and delivery of the savings programme, transformation programmes, and services must remain in their budgets.
- There is no Plan B to factor in a different approach should some mitigations not be delivered, or if another emergency such as the COVID pandemic or financial crisis emerges as reserves cannot be used on an ongoing basis. It would be prudent to have a back-up plan should something unforeseen occur.
- Many of the unknowns are outside the Councils reach. What are the areas that this Council influence and things that we can do to ensure the transformations are achieved within the timeframe.
- We want to have confidence about the assumptions and to have assurance that all have options been considered using a combination of factors and scenarios.
- To assume LAC (currently 1271 excluding UASC) will reduce to circa 979 by 28/29 needs further evidence, 23% reduction seems unrealistic.
- Use of reserves to balance the budget is not sustainable beyond the current MTFS period.
- Has Climate Change/ de-carbonisation/flood defence been factored into the strategy and investments.
- ASC reform has not achieved national consensus, once achieved it can move forward which will require both SCC and ICS to gain consensus.
- We made recommendations last year relating to SEND Transport and want assurance that there is sufficient capacity in the team to move actions forward to reduce SEND Transport costs. There is no sense of pace on SEND transport.
- Is there a need to lobby MPs on change of Government policy on EHCPs/SEND Transport; to clarify and strengthen guidance in relation to providing support and resource. Lobbying the Chairs of the LGA and CCN would also support this.
- Children's transformation – Can we be assured that things are progressing to deliver it. What are the KPI's and is performance being monitored.
- We welcome the DMP and work to offer earlier support for parent and children in early care.
- There is some breathing space to target investments effectively.

Further evidence gathered to inform recommendations

76. We asked to see the five-year trend data for budget and outturn on two key areas of focus in the draft MTFS, Children's Services and SEND Transport. This being to

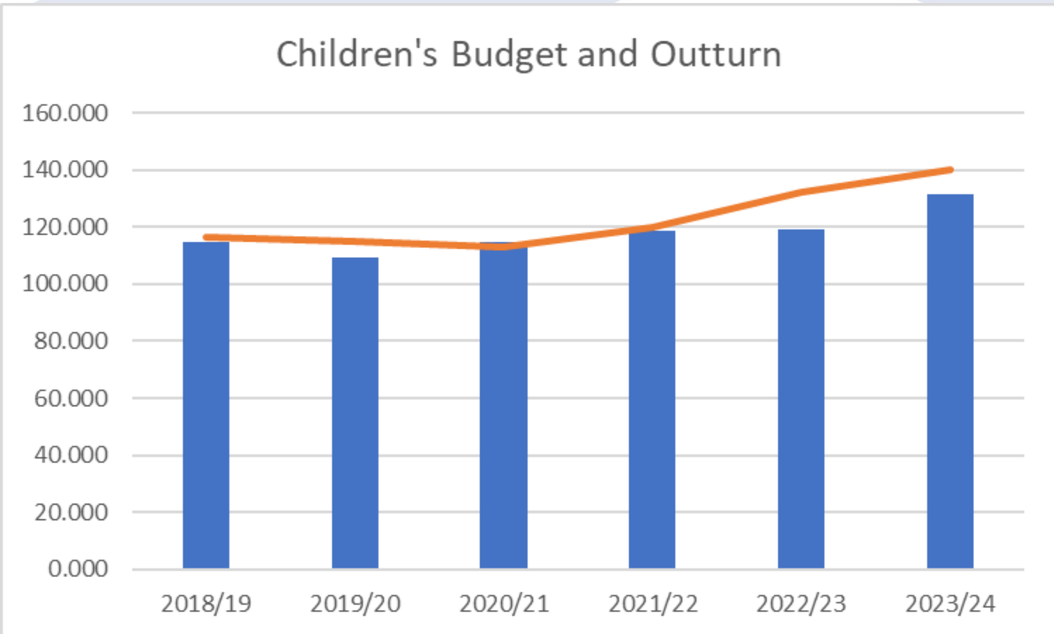
check direction of travel and whether the information provides confidence in the assumptions made in the draft MTFS.

Children's Services Budgets and Outturn 2018/19 to 2023/24

	Budget at Year End	Actual at Year End	Over / - Under Spend	Year on Year Growth - Budget £	Year on Year Growth - Budget %	Year on Year Growth - Actuals £	Year on Year Growth - Actuals %
	£m	£m	£m				
2018/19	114.822	116.513	1.691				
2019/20	109.115	115.026	5.911	-5.707	-5.0%	-1.487	-1.3%
2020/21	114.824	113.207	-1.617	5.709	5.2%	-1.819	-1.6%
2021/22	118.696	120.159	1.463	3.872	3.4%	6.952	6.1%
2022/23	119.405	132.285	12.880	0.709	0.6%	12.126	10.1%
2023/24	131.364	140.155	8.791	11.959	10.0%	7.870	5.9%

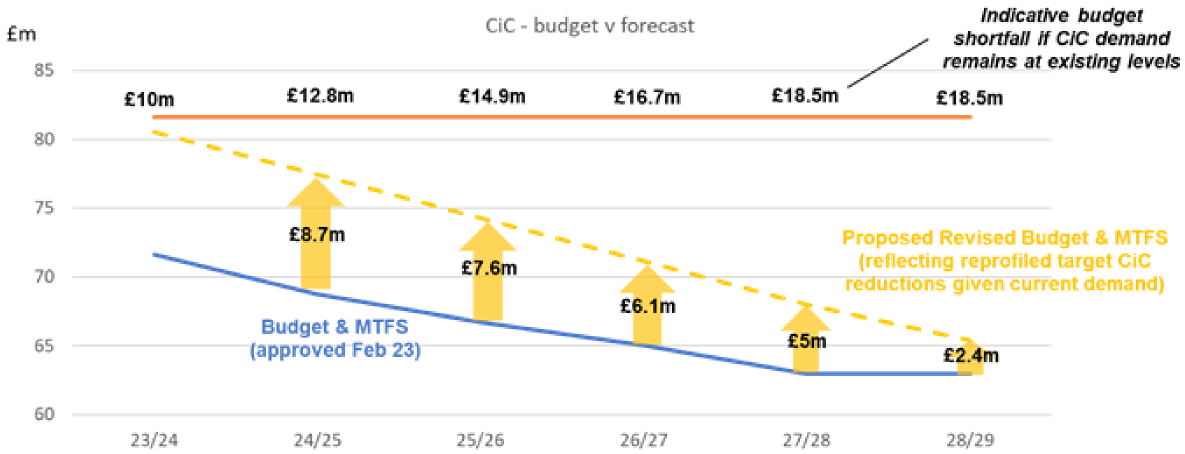
Overall Growth from 18/19 to 23/24 - Budget - 16.452m - Actuals - £23.642m

Children's Services Budgets and Outturn 2018/19 to 2023/24



Blue bars indicate Budget at year end - Orange line indicates actual at year end

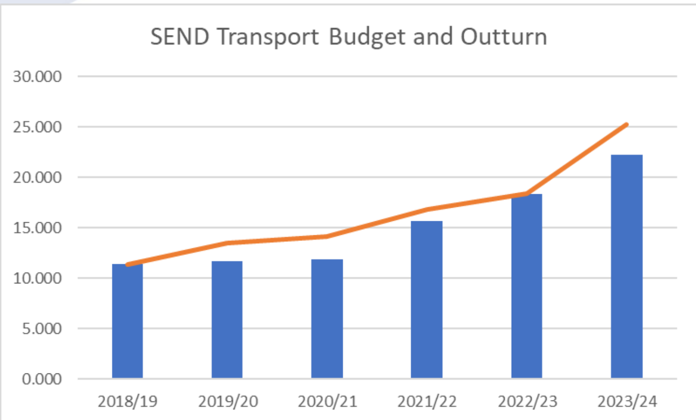
Children's Placement Costs



SEND Transport Budgets and Outturn 2018/19 to 2023/24

	Budget at Year End	Actual at Year End	Over / - Under Spend	Year on Year Growth - Budget £	Year on Year Growth - Budget %	Year on Year Growth - Actuals £	Year on Year Growth - Actuals %
	£m	£m	£m				
2018/19	11.382	11.407	0.025				
2019/20	11.700	13.464	1.764	0.318	2.8%	2.057	18.0%
2020/21	11.888	14.126	2.238	0.188	1.6%	0.662	4.9%
2021/22	15.631	16.789	1.158	3.743	31.5%	2.663	18.9%
2022/23	18.325	18.424	0.099	2.694	17.2%	1.635	9.7%
2023/24	22.218	25.209	2.991	3.893	21.2%	6.785	36.8%

SEND Transport Budgets and Outturn 2018/19 to 2023/24



Blue bars indicate Budget at year end - Orange line indicates actual at year end SEND Transport Budget

77. We found the information surprising; it shows a continuous trend in overspend in the services and an upward trajectory. We consider that further work can be undertaken for each of the MTFS planning assumptions to check 5-year trend data to inform Cabinet.

78. We are mindful that these savings targets are in areas that affect some of the most vulnerable in our society, we must ensure that there are commensurate performance measures that demonstrate that any changes in operational procedures that are changed by the savings targets do not result in a deterioration of the service that we provide, and ideally demonstrate a measurable improvement in service provision.

Staffordshire County Council

Recommendations

I recommend to Cabinet:

1. **Plan B** - that Cabinet considers preparing a contingency plan to refer to if Plan A goes off track. Not a replacement but a plan that offers an alternative to compliment the risk-based approach on what we know so far 2024-26, assumptions from five-year trend and performance data. With so many uncertainties in the coming years, combined with some significant risks, it would be useful to have the assurance from Cabinet that a Plan B exists.

2. **Children's Transformation -** that the Children's Transformation programme continues at pace and delivers a reduction in numbers of children in our care, in line with the assumptions in the MTFS. It is recommended that Cabinet and Corporate Overview and Scrutiny Committee receive quarterly monitoring as part of the integrated performance updates, as follows:

   a. High-level dashboard monitoring of the transformation programmes performance.
   b. Exception reporting and corrective actions planned.
   c. A breakdown of the target savings against delivery dates

3. **SEND Transport** – that Cabinet be requested to inject more pace to move forward on SEND transport work and encourage exploring new ways to engage with parents to find provision for their child nearer to home.

4. **EHCP Guidance** - that Cabinet be requested to challenge the lack of clarity in the guidance when determining EHCP's and make representation to the Secretary of State for Education to review policy and guidance in the interests of clarity and consistency in EHCP process.