

Medium Term Financial Plan for Children's Services

Lead Officer: Peter Lewis

Author: Peter Lewis, Director of Finance

Contact Details: 01823 359028

Cabinet Member: Mandy Chilcott, Cabinet Member for Resources

Division and Local Member: All

1. Summary

- 1.1. The report summarises the key messages from the Medium Term Financial Strategy (2019-22) report presented to Cabinet on 19 December 2018 to enable Scrutiny of relevant service areas ahead of the more detailed budget report being presented to Cabinet and Full Council in February 2019.
- 1.2. The Council recognises the on-going financial challenges confronting it and hence the importance of setting a robust budget for 2019/20 as well as laying foundations for the financial plans for 2020/20 and 2021/22. That means that all the known funding and service demand pressures have been reflected in the budget alongside proposals for reducing spend and hence producing a balanced budget for 2019/20. This produces indicative budgets for each service and this report focuses on those services for which this Scrutiny Committee is responsible.
- 1.3. By way of context, it is important to be aware that since the Cabinet Strategy paper was prepared, the provisional Local Government Financial Settlement has been published by the Ministry of Housing, Communities and Local Government (MHCLG), on 13 December 2018. The final Settlement can be expected early in the new year, although significant change is not anticipated. Alongside the core funding announcements issued in the Settlement, the Council has also received confirmation of several Special and Service specific grants from Government departments. The County's district and borough authorities (the Council Tax collecting authorities) have further up-dated their estimates for the numbers of properties liable for Council Tax next year.
- 1.4. Full details for the funding that the Council will receive will be included in the Cabinet and Full Council reports being prepared for February 2019, while this paper focuses on understanding the services spending requirements and proposed further savings required to be delivered.
- 1.5. It is important for Members to understand the on-going risks within approved budgets, the levels of reserves, balances and contingencies, as well as the mitigations aimed at limiting the impact on core services, especially those prioritised in the County Plan. Relevant links will be drawn out in the detail below.

2. Issues for consideration / Recommendations

- 2.1. Against a gross revenue budget of more than £800m annually, and a net revenue budget need for 2019/20 of £338m, (as reported in December 2018), the MTFP Strategy paper showed that funding falls short of spending need by

£28m across the next three years. This means the Council must consider what it delivers and how it is delivered to reduce spending in line with funding.

- 2.2. After applying proposed corporate solutions, details of which will be set out in the February 2019 Revenue Budget report, there remained a gap between spending requirement and funding available across all services of £15m in 2019/20 (before the implications of the recent Settlement are factored in). It is not anticipated that these will make a significant difference to the overall financial challenges the Council faces as most of the improved figures are not envisaged to be sustainable beyond 31 March 2020. However, there may be some opportunity to partially replenish some earmarked or General reserves, which would then have a beneficial impact on the resilience of the Council rather than directly on core services.
- 2.3. In the meantime, this paper sets out the relevant service pressures and movements that made up that gap as well as details of the relevant service additional savings to be considered to produce a balanced budget for 2019/20.
- 2.4. This Committee is therefore **requested** to review the proposed budget and specific proposals for change relating to Children's Services so that they can comment on them, offer assurance to Cabinet and/or identify any matters for consideration that they would like to highlight to the Cabinet.

3. Background

3.1. Spending and Savings Assumptions

- 3.1.1. This section sets out the main changes to spend and the forecast to deliver previously planned savings for Children's Services, followed by a summary of the indicative budgets across the MTFP period (2019-22).
- 3.1.2. The movements represent changes from the existing MTFP (2018-21) agreed in February 2018 and adopt the previously Cabinet agreed key principle of ensuring robust, transparent budgets are set for 2019/20 onwards. This will place the Council in the best position to effectively monitor service spending needs and funding.
- 3.1.3. For each service, the heading in the following paragraphs reflects the net budget for 2019/20 alongside the net movements for service pressures and savings proposals for each of the three years of the MTFP: 2019/20, 2020/21 and 2021/22

3.2. Children’s Services: Indicative net budget for 2019/20 £84.884m, net movements (compared to original 2018/19 budget): 2019/20 £18.988m; 2020/21 £0.052m; 2021/22 £1.440m

Commentary from Director of Children’s Services

Following the Corporate Peer Review the Local Government Association, in agreement with the Council, funded PeopleToo to conduct a review of the Children’s Services budget, both children’s social care and education. PeopleToo working with the Service has developed a three-year programme of savings based on a statutory children’s service offer and the continuing transformation of services.

Significant elements of the three-year programme were approved at Cabinet in September 2018 based on a statutory children’s service offer.

The work with PeopleToo has allowed a rebasing of the Authority part of the Children’s Services budget. This will ensure that from 2019/20 (and indeed from the later part of 2018/19) managers have budgets for which they can be held to account allowing for more effective budget monitoring.

3.2.1. Pressure movements:

Table 1 below sets out the incremental service pressures within Children’s Services budgets over the MTFP period followed by an explanation for each.

Table 1: Pressure movements by type for Children’s Services

Pressure Type	2019/20 (£m)	2020/21 (£m)	2021/22 (£m)
Demand	21.947	-	0.015
Demography	0.549	0.607	0.459
Inflation (Contract)	1.076	0.937	0.981
Prior Year Savings Unachievable	4.836	1.155	-
Total	28.407	2.683	1.440

3.2.2. Demand (Pressure tab) £21.947m/-£0.015m/£0.000m

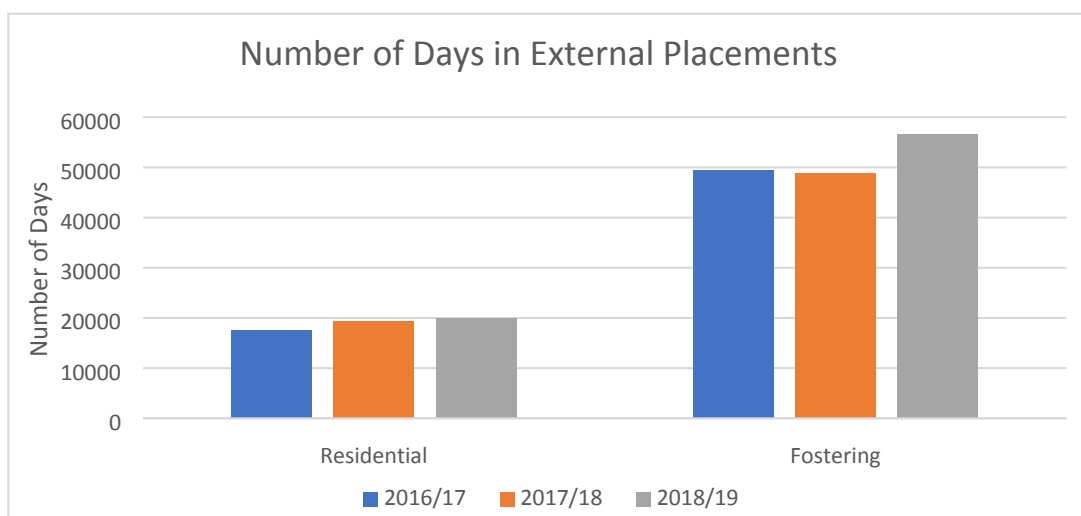
In 2016/17 the Council approved the Children and Young People’s plan (CYPP), which set out the vision for service delivery over a 3-year period. The plan set out the financial resources available to the Service, indicating that additional one-off investment of £6m was needed in year 1, reducing to £3.3m and £0.9m in the following years following the inadequate Ofsted rating received in March 2015. However, the overspend during those 3 years increased from £3.9m in year 1 to the £22m that was reported in month 4 of this year as illustrated in Table 2 below:

Table 2: Children’s Services net budget 2013/14 to 2018/19

Financial Year	Budget £m	Expenditure £m	Variance £m
2013/14	67.465	66.061	-1.404
2014/15	64.703	67.350	2.647
2015/16	72.370	77.068	4.698
2016/17	76.532	80.469	3.937
2017/18	73.846	83.565	9.719
2018/19	66.314	88.635	22.321*

*Prior to one-off rebase of £17.951m (£5m from contingency and 12.951m from latest rebase), also includes all MTFP savings for 2018/19

These overspends have primarily been in relation to the increasing number of external placements for looked after children and increasing costs of placements. The Director of Children's Services reports that the increased placement costs relate to three elements – the sufficiency of foster and residential care placements for children with complex needs – the impact of child exploitation and associated abuse - and the legacy of poor practice for a number of children when the Council was 'inadequate' for children's services. The chart below shows the increasing length of time children were in external residential and fostering placements since 2016/17; an increase of 14% and 15% respectively.



3.2.3. The average weekly cost of these placements has also increased by 18% and 5% with an average residential placement currently projected at £4,176 per week and a fostering placement £876 per week.

3.2.4. The level of financial resource included in the CYPP for frontline staffing was based upon 1,778 cases and a caseload ratio of 14:1. The number of cases held by the service has increased by 24% to the current level of 2,203 (although this has peaked at 2,541 during 2018/19). The increase in cases has required an increase in baseline establishment to ensure effective service provision whilst keeping the caseload ratio at the target levels. Another factor that has influenced the level of expenditure in the service has been the continuing challenge of recruiting a permanent social work workforce which has resulted in the need to appoint locums at an average additional cost of £0.025m per FTE, a significant financial impact on the Council.

- 3.2.5. The commissioning function within Children's Services was primarily staffed under an invest-to-save agenda, which, due to the financial position of Children's Services as a whole, did not lend itself to these posts securing permanent funding.
- 3.2.6. Additional statutory burdens set out by central government such as Special Guardianship, Staying Put and Unaccompanied Asylum Seeking Children have been placed upon the service with significantly insufficient funding. For those burdens where there was grant funding, such as the SEND Reform grant, the funding has now ceased, but the statutory duties remain unchanged. Approval was also given by Cabinet for improvements to the fees and allowances scheme for foster carers in October 2017, but no additional funding was allocated to the service at that time.
- 3.2.7. Over a number of years the service, as with the rest of the Authority, was not allocated funding for demography or inflation and this has cumulatively impacted on the service, especially given that a significant element of the budget relates to contractual costs for external placements and transport.
- 3.2.8. To address these deficiencies, the budget has been rebased and aims to ensure that Children's Services has a budget that is appropriate for the current and projected level of activity and statutory duties. The additional requirement is £21.388m.
- 3.2.9. The increased number of SEND places commissioned at independent and mainstream Further Education colleges and additional routes required to transport young people between the Bridgwater and Taunton College sites have increased costs and require an additional £0.474m to ensure a budget that covers the full year cost.
- 3.2.10. Due to the cessation of the Special Educational Needs and Disability (SEND) Reforms grant, and our statutory duties under the Children and Families Act 2014 and Code of Practice 2015 remaining unchanged, there is a need to continue to fund the work of our Local Offer platform which is not currently included within the base budget. This along with the anticipated one-off cost of the forthcoming Ofsted SEND inspection requires an additional £0.085m.
- 3.2.11. Demography (Pressures tab) - £0.549m/£0.607m/£0.459m

Projected growth in the number of children coming into the care of the local authority (CLA) has been calculated at £1.236m across 3 years. This is based on population forecasts using the £ per head published in the Local Authority Interactive Tool (LAIT) and the methodology validated by Peopletoo.

Growth in SEND school transport has been calculated based on an additional 25 maintained special school places in 2019/20

- 3.2.12. Inflation (Contract) (Pressures tab) - £1.076m/£0.937m/£0.981m

The annual contractual cost of being part of the regional adoption agency (Adopt SouthWest) is £0.185m higher than the cost of the adoption service previously provided by Somerset County Council. As part of the contract it was also agreed that any annual increase in cost will be charged to the 4 partner authorities as set out in the inter-authority agreement. This is projected as an annual increase of 2% per annum subject to annual review by the board.

Contractual inflation for external placements of looked after children has been calculated as 2% per annum based on Independent Provider Agreements (IPAs) currently in place. It should be noted that inflationary increases are not automatically applied to all contracts.

Contractual inflation for transport has been calculated based on current contracts at 4.3% as per guidance from the Transporting Somerset.

3.2.13. Prior Year Savings Unachievable - £4.836m/£1.155m/£0.000m

3.2.14. Due to the overall financial position of the Council, the service was required to put forward MTFP savings which were agreed without sufficient plans in place for delivery. Ultimately some of these savings remain unachievable and only contribute to the service overspend.

3.2.15. As such the savings for Technology and People (TAP), reducing the commissioning function in Support Services for Education (SSE) and a number of Home to SEND transport savings have been reversed.

3.2.16. The TAP programme was originally intended to be a 5-year programme commencing late in 2016 and due to conclude in 2021 having made workforce related savings of approximately 10% of salary costs (£7.58m) in that time. To date the programme has achieved £600k of directly attributable savings and a further £294k of partially attributable savings

3.2.17. The programme has also significantly contributed to service savings made across the organisation as an enabler for example, reduction in travel expenditure due to the introduction of Skype for Business. Furthermore, a conservative estimate of 600 working hours have been saved daily from faster power up and log speeds further to the introduction of new devices and Windows 10 functionality.

3.2.18. The programme closed before the anticipated end date due to the financial imperative focus which has reviewed future MTFP saving targets and reset the 2019/2020 budget. This resulted in a decision to reabsorb the future years attributed service TAP related savings into an overall organisational target. This decision was based on a confident assumption that the foundation has been laid and tools made available for ongoing technology and people transformation aligned to the organisational redesign which will determine the shape and size of the organisation in the future. Fundamental to delivering ongoing savings and future sustainability will be a focus on the behavioural shifts necessary to change the cultural mindset of the organisation.

3.3. Other movements:

Table 3 below sets out the incremental service movements (savings and adjustments) within Children's Services budgets over the MTFP period followed by an explanation for each.

Table 3: Other movements by type for Children’s Services

Type of movement	2019/20 (£m)	2020/21 (£)	2021/22 (£)
In-Year Savings	- 6.979	- 1.476	-
Prior Year Savings	- 2.440	- 1.155	-
Total	- 9.419	- 2.631	-

3.3.1. In Year Savings -£6.979m/-£1.476m/£0.000m

In September 2018 Cabinet agreed £5.033m of MTFP 2 savings in Childrens Services as a result of the in year forecast financial position of the authority. In addition, Peopletoo identified £3.422m of savings as part of a 3 year financial improvement plan.

The 2019/20 value (£6.979m) includes £1.987m of savings already being delivered in 2018/19.

3.3.2. Prior Year Savings -£2.440m/-£1.155m/£0.000m

These savings are for TAP (£1.440m/£0.855m) and Transport (£1.000m/£0.300m). They were put forward without detailed plans in place to achieve them and therefore are reversed in full under the heading “Prior Year Savings Unachievable” above.

3.4. **Indicative Service Budgets:**

After reflecting the movements above, the indicative budgets for the MTFP period (2019-22) are set out in the table below.

Table 4 Three-year budget for Children’s Services compared to the current 2018/19 budget.

Service	2018/19 Budget £m	2019/20 Indicative Budget £m	2020/21 Indicative Budget £m	2021/22 Indicative Budget £m
Children’s Services	65.895	84.884	84.937	86.376

3.5. **Further Savings Proposals**

The MTFP Strategy report to Cabinet in December 2018, showed that there was a funding shortfall of £15m to produce a balanced budget for 2019/20. Services have developed proposals for further reductions in service budgets that would ensure a balanced budget for 2019/20 and that, in some cases, also contribute to additional savings in 2020/21.

3.5.1. Savings proposals totalling £8,512m are being proposed, of which £1,701m relate to Children’s Services. These proposals are detailed in the table below and all require a saving decision to take effect from 1 April 2019. Of the Children’s Services savings proposals, £926k are ongoing. A summary table of all the

Proposals for Change can be found in Appendix A (Summary of Children's Savings Proposals from 2019/20)

- 3.5.2. For Children's Scrutiny the detailed proforma's for the relevant Proposals for Change for this committee can be found at Appendix B
- 3.5.3. Within the budget for each year is a revenue contingency, which is aimed to provide some resilience in the event that some savings cannot be delivered to the extent planned. It has been assessed, through the use of confidence factors, that the contingency sum is sufficient to address any potential shortfalls to allow for a balanced budget in 2019/20

4. Consultations undertaken

- 4.1. The savings proposals contained within this report do not require consultations. Within appendix A the proposals and values of savings can be seen

5. Implications

- 5.1. There are significant financial implications and these are identified throughout the report.
- 5.2. The detailed proposals for change can be seen in appendix B2. These detail any legal implications associated with each change proposal.
- 5.3. The nature and scale of the savings required means that there will be HR implications arising from this report these can be seen within the detailed proposals for change in appendix B2.

6. Background papers

- 6.1. Revenue Budget 2019/20 and MTFP Strategy Report to Cabinet 19 December 2018

Note: For sight of individual background papers please contact the report author

Appendix A: Summary of Children's Savings Proposals from 2019/20

£,000	Proposals for Decision				Proposals requiring consultation				TOTALS for Proposals for Decision and Proposals Requiring Consultation			
	No. Proposals for Change	Max 19/20	..of which is ongoing savings	<u>Additional</u> ongoing savings from 20/21	No. Proposals for change	Max 19/20	..of which is ongoing savings	<u>Additional</u> ongoing savings from 20/21	No. Proposals for change	Max 19/20	..of which is ongoing savings	<u>Additional</u> ongoing savings from 20/21
Service												
Children's Services	6	1701.0	925.7	0.0	0	0.0	0.0	0.0	6	1701.0	925.7	0.0
TOTALS	6	1701.0	925.7	0.0	0	0.0	0.0	0.0	6	1701.0	925.7	0.0

