**Title: Update on Children’s Services Finance**

**Report of the Operational Director, Care and Support**

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<th>Open Report</th>
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**Accountable Divisional Director:** Ann Graham

**Accountable Director:** Helen Jenner

**Summary:**
This report provides an update on the financial position of Children’s Services. This will include background information on the various pressures facing the service and an update on the savings proposals that have been agreed to mitigate the pressures.

**Recommendation(s)**

The Committee is recommended to:

(i) Note the continued demand and demographic pressure facing Children’s Services, and,

(ii) Note the work undertaken to date by both the service and the SAFE programme to identify and develop solutions to contain costs and manage demand pressure.

1. **Introduction and Background**

1.1 In July 2015, Cabinet considered the first Budget Monitoring report of the 2015/16 year which highlighted a projected overspend for Children’s Services of £7.1m. The Director of Children’s Services implemented a number of initiatives to address the overspend and to reduce demand. To support this it was identified that additional capacity would be required and an Outline Business Case was presented to the October 2015 Cabinet.

This proposed a formal cost saving programme including management and business analysis capability. The Outline Business Case was approved on 2nd October 2015. As a result the Social Care Ambition and Financial Efficiency (SAFE) Programme commenced.

1.2 The SAFE project team has been working closely with the service since that time and a number of key programmes have been introduced with the aim of containing costs whilst at the same time not compromising the Council’s statutory obligations regarding children’s safety.
To drive down costs the SAFE Programme identified actions in the following key areas:

- **Demand Management & Service Cost Modelling** – understand and forecast demand and service costs thereby enabling more effective planning and partnership working to more effectively manage demand on limited resources.

- **Commissioning** – conduct a value for money review across all social care services and present options for meeting the needs of children more efficiency.

- **Early Help & MASH** – focus is to safely reduce the number of contacts & referrals escalating to tier 3 and consider alternative support pathways, working across the agencies and services that make contacts and referrals to social care.

- **Effective workforce** – increase the permanent staff within the service to facilitate lasting change and reduce costs of agency staff.

- **Care Management & Assessment** – increase effective and efficient working practices within these areas and, where possible, reduce the cost of Placements.

- **No Recourse to Public Funds and Unaccompanied Asylum Seeking Children** – safely reduce the number of families and children, especially in 16+ and 18+ and ensure only those that qualify for support, receive it.

1.3 The programme was successful in containing costs in 2015/16 reducing the original forecasted overspend of £7.1m to £4.8m by outturn. There was particularly good progress made in recruitment reducing the overall number of agency staff employed by the section from over 100 to under 60. The Council also had particular success in containing the costs of NRPF by employing an embedded officer to work closely with the home office to speed up claims and ensure all claims were legitimate.

1.4 Children’s Services in LBBD is similar to other London Boroughs in facing continued increases in demand both in numbers and the complexity of the cases they have a statutory duty to deal with.

In February 2016 the service undertook a base budget exercise to review the underlying pressures facing the service in order to develop a base budget for 2016/17

2. **Financial Update for 2016/17 – Children’s Social Care**

2.1 **Pressures**

As stated above the service undertook a base budget review in February 2016. This identified that there were underlying pressures facing the service of £9.5m at the beginning of the 2016/17 financial year.
These pressures were reflective of a number of different factors:

- **Staffing**: As stated the service has made good progress in 2015/16 in recruiting permanent staff to most roles. Like a number of other London Boroughs however the recruitment of Qualified Social Workers continues to be a challenge and the staffing pressure primarily from additional agency costs is reflective of this situation.

- **Placements**: Continued Demand and the increased complexity of cases has caused this to be a pressure on the service for a number of years. The service has in place a robust governance arrangement which ensures every placement is fully scrutinised before costs are committed which has successfully contained costs. The number of contacts and referrals have increased significantly over the last few years resulting in increased demand pressures on placements.

- **Transport**: In July 2015 SEN transport was forecasting an overspend of approximately £0.5m due to the volume and cost of providing home to school transport. A review in September 2015 restructured transport routes, increased travel training and introduced new eligibility criteria following consultation. This action saved £0.45m in a full year leaving a small remaining pressure on the original budget.

- **Legal**: The 2015/16 budget for legal was inadequate to cover the cost of court cases and counsel. This has resulted in a forecast overspend of £0.5m. The service is working closely with legal services to deliver a more cost effective solution to partially mitigate this pressure.

- **UASC**: The 2015/16 budget assumed that the cost of UASC children would be fully met from the grant received from the home office. This is not the case as the Council does not receive funding for all cases and the home office also does not fund the cost of cases that have been rejected following an age dispute. This service has a net annual cost of £1.1m and there is an ongoing risk due to continued uncertainty in world events that this pressure will increase.
- **NRPF:** This was an unfunded pressure in 2015/16. The service have made good progress in the last year both containing the number of families in this category through the work of the embedded officer and procuring more cost effective accommodation for those clients that we have a duty to house.

- **Project Team and Recruitment Cost:** The one off pressure of £0.89m for this area was an original estimate at the inception of the project. The service has now identified in-house project leads which have significantly reduced this one off cost. (see below)

- **Independent Review Officers:** There is a staffing overspend in this area primarily due to the additional costs of a high number of agency staff.

2.2 **Savings Identified**

The Service and SAFE project team have worked together to identify savings proposals to mitigate £5.9m of the pressures set out above. Work will continue to review progress on all the savings areas to identify if further targets can be applied to close the remaining gap.

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<tr>
<th>Children’s Care and Support</th>
<th>Total Planned Savings (£000s)</th>
<th>Description</th>
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<tbody>
<tr>
<td>Reduction in Agency Costs</td>
<td>-1,311</td>
<td>Reduction in agency costs through the recruitment of permanent social workers and a review of the total days per year worked by agency workers</td>
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<tr>
<td>Freezing Vacancies</td>
<td>-405</td>
<td>Reduction through freezing vacant posts across the service where possible</td>
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<tr>
<td>Staffing</td>
<td>-340</td>
<td>Reduction of staffing costs including deletion of vacant posts and reviewing admin support</td>
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<tr>
<td>Leaving Care</td>
<td>-492</td>
<td>Reduce number of 18+ and 16+ children in accommodation, moving those suitable to live independently out of LAC. The speed of reduction is dependent on suitable housing being identified</td>
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<tr>
<td>Reducing the Number of Children in Social Care</td>
<td>-300</td>
<td>Reduce the number of children in social care thereby reducing staffing and agency costs</td>
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<tr>
<td>LAC Placements</td>
<td>-1,134</td>
<td>Review of LAC placements ensuring children receive the most appropriate and cost effective level of care for their circumstances</td>
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<tr>
<td>Running Cost budgets</td>
<td>-100</td>
<td>Review of operational running cost budgets</td>
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<tr>
<td>DCT Placements</td>
<td>-214</td>
<td>Review of payments made to DCT clients</td>
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<tr>
<td>Demand Forecasting</td>
<td>-300</td>
<td>Reduction in the forecasted growth originally included in the budget for placements</td>
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<tr>
<td>Transport</td>
<td>-180</td>
<td>Further efficiencies through reviewing routes and transport costs</td>
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<tr>
<td>Legal</td>
<td>-213</td>
<td>Legal Service to procure an in-house resource thereby reducing the cost of expensive external consultancy</td>
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<tr>
<td>NRPF</td>
<td>-342</td>
<td>Reduce the number of families through the work of the embedded officer. Jointly work with Housing to identify the most cost effective accommodation solution</td>
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<td>Project Team and recruitment costs (one off costs)</td>
<td>-500</td>
<td>In-house leads have been identified to run projects. The original model assumed agency costs in this area so has now been reduced. PENNA were originally commissioned to assist the recruitment of permanent social workers. This contract has now ended with resultant savings from the revised model.</td>
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<tr>
<td>Independent Review Officers</td>
<td>-80</td>
<td>A review of the structure of the service is anticipated to generate savings in 2016/17</td>
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<td>Total Planned Savings</td>
<td>-5,911</td>
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<td>Funding gap</td>
<td>-3,555</td>
<td>The Service will continue to work hard to close the funding gap between pressures and identified savings</td>
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3. **Current Budget Monitoring Position**

At this stage it is anticipated that the overall Children’s position is a forecast of an overspend of £3.295m against a budget of £61.46m.

The Education Service is forecast to be on budget. The service is reporting a risk to the achievement of Education Income (£0.05m). This service generates income by LBBD staff contributing to OFSTED in schools outside of the Borough. There is a risk to achieving its budgeted income target due to vacancies in the service. This pressure will be managed from an underspend (£0.05m) within the Advisory Teachers service which is due to vacant posts.

The Commissioning and Safeguarding Service is forecasting a nil variance to budget. The service is managing pressure of £0.102m within the Child Protection and Reviewing Service caused by difficulty in recruiting permanent staff and the need to use agency staff. This pressure is being managed from within the service by holding a post vacant and reduced spend on commissioning.

In Children’s Social Care it is forecasted that the SAFE programme will fully deliver the target savings of £5.911m and exceed the original target on placements. The number of unaccompanied asylum seeking children (UASC) the Council supports
has increased which has resulted in an additional pressure of £0.225m on the budget. This gives an forecast for 2016/17 of £3.295m overspent at year end.

Good progress has already been made towards achieving the targeted SAFE reductions particularly in placements where costs have been reduced significantly from the anticipated levels at the start of the year. The Service has made particular progress in containing the cost of LAC placements. Whilst the reduction in costs is welcome it should be noted that this is a volatile budget and could be subject to future increased statutory demand requirements.

There has also been progress on reducing staffing costs by the freezing of a number of posts and careful vacancy management. The main saving on staffing however will be the reduction of agency costs through the recruitment of permanent social workers and as yet limited progress has been made in that area.

The service has reduced the cost originally predicted for the project team and recruitment by using more permanent staff to support the programme and bringing the social worker recruitment process back in house.

4. Financial Implications

4.1 Financial implications are implicit in this report.

5. Legal Implications

5.1 Local authorities are required by law to set a balanced budget for each financial year. During the year there is an ongoing responsibility to monitor spending and ensure the finances continue to be sound. This does mean as a legal requirement there must be frequent reviews of spending and obligation trends so that timely intervention can be made ensuring the annual budgeting targets are met.

6. Safeguarding Children

6.1 This report provides an update on Children’s Services finance and the progress made towards savings targets. The Council will aim to reduce costs where possible in this area but it is fundamentally important to reinforce that the Council will continue to fully meet all its statutory duties with regard to safeguarding children and there will be no movement from this position.

List of Appendices

None.