Title: Update on Children’s Services Finance

Report of the Director of Operations, Children’s Care and Support

Open Report For Information

Wards Affected: All Key Decision: No

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Accountable Strategic Director: Anne Bristow, Strategic Director for Service Development and Integration

Summary

This report provides an update on the financial position of Children’s Services in particular the successful action taken this year to address the long-standing pressures and the risks and issues that remain going forward. It will also provide an update on Education funding for Barking and Dagenham.

Recommendation(s)

The Committee is recommended to note the:

(i) Continued demand and demographic pressures facing Children’s Care and Support Services;

(ii) Impact of the action taken this year to address those pressures; and

(iii) Remaining risks and issues for the service including those relating to Schools and Education funding.

Reason

The CSSC requested this report as part of its 2016/17 Work Programme.

1. Introduction and Background

1.1 Barking and Dagenham has an usually youthful demographic profile with one of the highest proportion of under 18s in the population. This means that spending on both Social Care and Education services for Children and Families is a very
significant part of the overall budget. The Children’s Care and Support budget for 2016/17 is £48.573m of which £39.172 is the Operational Service and a further £4.4m of Council budget is spent on Education, Youth and Childcare Services. In addition the borough receives around £250m Dedicated Schools Grant.

1.2 The under 18 population has been growing steadily over recent years and this demographic pressure together with the high level of need in the borough and other issues has resulted in the slow build up of financial pressures in the Care and Support service in particular. This lead to a very significant overspend being forecast for the service in 2015/16. It was recognised by the service and the Council as a whole that the scale of these challenges required a formal programme approach to ensure that the pressures could be fully addressed.

1.3 The Social Care Ambition and Financial Efficiency (SAFE) programme was therefore established and provided with management and business analysis capacity to support the Operational Director and her service managers.

1.4 This approach has been successful and the pressures within the service have been contained and a significant level of savings have been found. This is expected to result in a forecast outturn position of £2.75m for Children’s Care and Support Operations. In addition, savings have also been found within Children’s Care and Support Commissioning that will further reduce this forecast to an overall position of £2.1m. However, this service is by nature inherently high risk and will continue to require close monitoring and strong management.

1.5 The borough’s education funding will also be affected in the medium term by wider changes to the national funding system. These changes are not currently expected to be as bad as the most pessimistic forecasts suggested but they will still present challenges for local schools and related services. This report provides an update based on the latest information released by the Department of Education.

2. 2016/17 Children’s Care and Support Budget

2.1 The Children’s Care and Support budget for 2016/17 is £48.573m of which £39.172 is the Operational Budget. A full budget risk assessment was carried out for this service in February 2016 (i.e. before the beginning of the current financial year) and this revealed a potential outturn variance of £9.5m of which £9.0m was within Operations. The main drivers of this variance were identified as including:

- High demand for services at all levels of need (that is Children in Need, Child Protection and Looked After)
- High numbers of Unaccompanied Asylum Seeking Children and families with No Recourse to Public Funds.
- High cost of some placements especially residential placements (the number of such placements is fairly small but these can be very high cost.)
- Dependency on agency staffing paid at higher rates than permanent social work staff.

2.2 The SAFE programme therefore working with Service Managers put in place a range of actions to tackle these issues while still maintaining the safety and quality of the service. This resulted in a savings programme of £5.9m that was agreed by Finance and budget holders to be robust and realistic. The budget was set on this
basis so that if managers delivered fully on the savings programme there would be no variance on the individual budget lines. This left a budget gap of £3.1m which was held centrally within Children’s Services. Effectively this meant that the service began the year with a forecast of this level of variance.

2.3 The savings programme was made up of 23 initiatives that can be grouped into six main themes:
- Review of high cost placements for Looked After Children
- Young People’s Housing Options
- Review of care packages for Disabled Children
- A new approach to Families with No Recourse to Public Funds
- Children In Need Case Reduction and consequent staff restructure (no savings expected in 2016/17 but this will contribute £250k to the 2017/18 savings)
- Recruiting and Retaining Permanent Staff

2.4 Throughout the year Service Managers worked with the programme team and others to deliver the actions set out in the SAFE plan. Progress against the plan was closely monitored and the overall plan was reviewed in August. This review showed that the savings on the first four measures were being achieved and the first group was in fact over achieved. At that point there was little progress on the sixth group. The review of the plan resulted in a change in the targets set for each project and an overall reduction in the in year savings target of £0.5m.

2.5 However, in addition to the specific actions in the plan there has also been a visible improvement in the strength and consistency of financial management within the service linked to the existence of a more stable permanent service management team. This resulted in the delivery of around £1m cost reductions in other aspects of the budget – most notably in the services provided under section 17 and section 20 of the Children’s Act to Children in Need.

2.6 The net result therefore is a forecast outturn variance for Children’s Care and Support Operations of £2.7m as shown in the table below.

Table 1: Children’s Care and Support Operations – Forecast Outturn

<table>
<thead>
<tr>
<th>Details</th>
<th>2016-17 Budget</th>
<th>2016-17 Forecast</th>
<th>Current 2016-17 Variance</th>
<th>2016-17 Further Savings</th>
<th>2016-17 Final Projected Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency/Staffing</td>
<td>15,283</td>
<td>16,896</td>
<td>1,613</td>
<td>-192</td>
<td>1,421</td>
</tr>
<tr>
<td>Placements</td>
<td>22,565</td>
<td>20,636</td>
<td>-1,929</td>
<td>0</td>
<td>-1,929</td>
</tr>
<tr>
<td>Transport</td>
<td>1,928</td>
<td>2,177</td>
<td>249</td>
<td>0</td>
<td>249</td>
</tr>
<tr>
<td>Legal</td>
<td>437</td>
<td>437</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>NRPF</td>
<td>1,009</td>
<td>998</td>
<td>-11</td>
<td>0</td>
<td>-11</td>
</tr>
<tr>
<td>UASC</td>
<td>1,098</td>
<td>969</td>
<td>-129</td>
<td>0</td>
<td>-129</td>
</tr>
<tr>
<td>Unattributed savings/ funding gap¹</td>
<td>-3,148</td>
<td>0</td>
<td>3,148</td>
<td>0</td>
<td>3,148</td>
</tr>
<tr>
<td>Total C&amp;S Operations</td>
<td>39,172</td>
<td>42,114</td>
<td>2,942</td>
<td>-192</td>
<td>2,750</td>
</tr>
</tbody>
</table>
2.7 As the table shows, in addition to the inherent £3.15m budget gap there is an underspend within the placements budget (where the saving is being overachieved) and an overspend within the staffing budget (where the saving has not yet been achieved) and in Transport. Furthermore, the budget shows only the in year impact of the savings initiatives. The SAFE team estimate the full year effect of the savings to be an additional £2.4m above this. It would therefore follow that when the staffing saving is achieved in full the inherent budget gap should reduce to in the region of £0.3m to £0.5m.

2.8 A note of caution is necessary as the staffing saving has not yet been achieved. To achieve all the organisation related savings, we are reliant on replacing agency staff with permanent staff. This has been, and remains, far from straightforward due to the shortage of experienced social workers and competition within the market. Several mitigating actions to address this issue are being worked on, and these include: ensuring our offer is competitive; reducing caseloads; running a dedicated recruitment marketing campaign; re-designing our branding and launching a social media campaign; re-invigorating our pipeline of student and newly qualified social workers; streamlining our recruitment and onboarding processes and enhancing our training and development opportunities. It may not be the case therefore that the service begins next year with this saving fully achieved and the budget pressure will persist until this happens.

2.9 It must also be remembered that this is a demand led service that will always be exposed to changes in population size, external need pressures and market forces. The service’s priority must always be to safeguard the most vulnerable children and this may from time to time result in financial pressures that must be managed safely. The Council must therefore continue to closely monitor both demand and service cost and act on early warnings of pressure.

3. **Children’s Services in the Medium Term Financial Strategy**

3.1 As set out in the MTFS report to Cabinet in November the Council is embarking on a programme of ambitious change to address the financial pressures it will face over the next four years. A key part of this is the creation of a Community Solutions service to provide Early Intervention, Advice and Prevention to support Families at an early stage and so avoid later demands on the statutory services. This is expected over the long term to provide benefits for Children’s Services. This will also need to be carefully monitored.

3.2 In 2017/18 Children’s Care and Support are required to make savings of £0.49m. These will be found from a restructure of part of the service and savings in commissioning and placements. These savings will build on the successes of the SAFE programme including the reduction in numbers of Children in Need.

4. **Education Funding**

4.1 The Department of Education is in the process of a large scale reform of Education Funding which will have long lasting impacts on all schools in the country. The main source of funding for 5-16 Education in Schools, provision for students with High Needs and Childcare for 2, 3, and 4 year olds are three blocks of the
ringfenced Dedicated Schools Grant. All three blocks are being reviewed in linked but separate reviews.

4.2 The **Early Years Block** funds 15 hours of free education and childcare for eligible two year olds and all three and four year olds. Funding is allocated to Local Authorities for distribution to local providers according to a local formula. This system will continue but the government has reviewed the funding distribution between local areas which was previously highly variable and based on historic factors rather than current need. This review has been very favourable to Barking and Dagenham as this area has been underfunded compared with other London Boroughs. Funding has increased by £2.5m. This will be passed onto providers in the form of a much increased hourly rate.

4.3 However, there are new restrictions introduced on the level of funding that can be retained centrally by Local Authorities. For LBBD this means a reduction from £1.67m to a maximum of £1.081m in 2017/18 and £0.77m in 2018/19. The Council is therefore reviewing the services formerly funded from this pot.

4.4 The **High Needs Block** has also been historically underfunded in Barking and Dagenham. The allocation for 2017/18 has been increased by the government resulting in a net effective increase of just over £1m. The DfE has recently opened the second stage of a consultation on a new formula for allocating this funding to Local Authorities. The consultation suggests that the formula should be favourable to Barking and Dagenham as it will better recognise the rising school age population and levels of need in the area. If the consultation figures are fully implemented eventually this should result in an increase of around £4.7m – however any increase will be phased in over a number of years. The first year increase would be £0.7m. This increase is welcome but the block will need very careful managing as there is a risk that needs will continue to increase at a faster rate than the funding change.

4.5 Of course the largest element of the DSG is the Schools Block. The DfE are proposing to introduce a fixed national funding formula removing all scope for local flexibility. The second stage of consultation on the National Funding Formula (NFF) was announced just before Christmas. The impact of the NFF as set out in the consultation is less severe than had been feared. London schools have seen their funding reduce on average but the loss has been limited to a maximum of 3% and for Barking and Dagenham this is partly offset by high allocations for deprivation and other needs factors.

4.6 The DfE have published illustrative values for all schools in the country using the proposed formula but 2016/17 data. It must be recognised that these figures can be indicative only as the data used will change. On this illustration basis, primary schools in LBBD will all lose some funding – mostly in the region of 2% to 3% once the formula is fully implemented. Transitional protection will apply and so in the first year the loss is capped at 1.4% per school. However, secondary schools would gain between 0.2% (Barking Abbey) and 5.7% (The Warren, Sydney Russell) eventually, although in the first year this will be limited by the cap.

4.7 It should be noted that the difference in outcome seems to be driven by the high level of need indicators in the secondary schools such as deprivation and low prior attainment. This means that if there are changes to these factors then secondaries
too could see reductions in funding. It is also still at the consultation stage and may change based on the responses received by the DfE.

4.8 However, the biggest issue for Schools funding as a whole is that the Government has only provided cash protection to the budget overall. This means that Schools have absorbed or will need to absorb the following costs with no additional funding:

- Increase in employers National Insurance contributions
- Introduction of apprenticeship levy
- Teachers and other staff Pay awards
- Energy and other costs inflation.

This amounts to a significant real terms cut for all schools even those that appear to be gaining in cash terms.

4.9 On the whole, schools in Barking and Dagenham are managing their budgets well and some have substantial surpluses. However, the next few years will be more challenging for them.

5. **Financial Implications**

5.1 This is a finance update and so the financial implications are set out in the main body of this report.

6. **Legal Implications**

6.1 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.

7. **Other Implications – Safeguarding Children –**

7.1 This report provides an update on Children’s Services finance and the progress made in addressing the financial pressures. The Council does aim to reduce costs where possible but will also continue to have the safeguarding of vulnerable children as a priority.

**Public Background Papers Used in the Preparation of the Report:**

None.

**List of appendices:**

None.