



Report to the Finance, Performance and Resources Select Committee

Title:	Financial pressures on Children's Social Care & Learning
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Purpose of Agenda Item

This report is to inform the Finance, Performance and Resources Select Committee of the financial pressures on the Children's Social Care & Learning Business Units budgets.

Background

The 2014 Member Led Task & Finish Group (MLT&FG) and the 2014 Council Medium Term Financial Planning (MTFP) process, related to OFSTED improvement requirements in particular, resulted in significant increases in budgets for Children's Care Services in 2015/16 including a significant amount of non-recurrent improvement budget. However significant savings, especially around Client Transport were also agreed as part of the MTFP process along with not insignificant Future Shape transformation savings targets.

The net budget of the Business Unit is just over £90m in 2015/16.

Summary

The draft Business Unit budget at 30th November 2015 is indicating a net pressure before the use of contingencies of £4.1m. As the table below shows c £3m of this is in Children's Social Care and c. £1m in Education and Skills. A more detailed breakdown of this is shown in **Appendix 1**.

	Current budget	Current forecast	Current variance
C1 Cabinet - Children's Services	55,093,388	58,120,103	3,026,715
C2 Cabinet - Education and Skills (LA)	37,869,469	38,930,307	1,060,838
C3 Cabinet - Education and Skills (DSG)	-2,247,001	-2,247,001	-0
Grand Total	90,715,856	94,803,408	4,087,552

All non-statutory areas have been reviewed and savings of over £0.5m found already, plus non-essential spend freeze savings have added at least £0.4m of savings on top of that. The pressures on budgets are so great though, that the figures indicated above are after these have been taken into account.

Children's Services

Children's Care pressures are mainly due to the high number of agency staffing with c.60 Full Time Equivalent (FTEs) needed to meet the statutory needs of children following the recommendations made by OFSTED. This is the single largest staffing budget in the Council.

There has been a considerable effort to recruit and retain staff also, so that the more expensive agency staff numbers can be reduced, however there is stiff market competition locally due to a shortage of suitable workers and demand from other authorities also under OFSTED scrutiny. Agency staff have a cost premium of between 30% and 50% typically. The current spend on agency staff is c £5m per year, which results in a premium of c £1.5m more than the equivalent for permanent staff.

There is a pressure on the cost of looking after children in care (whether in residential or foster care) and significant growth in some of this demand led service. This includes some pressures from unaccompanied asylum seeking children and families with no recourse to public funds. The increases in asylum seekers nationally have put pressures on beds which has led to price increases and lack of local supply. This not only impacts on the placements budget but also on staff time and travel costs to visit them. Cases are also getting more complex and therefore more expensive, especially those involving child sex exploitation.

There has been considerable attention to provide effective demand management through the use of resource panels to challenge recommendations before they are agreed and once agreed to ensure value for money in the procurement of services.

The number of external residential placements has been stable for 3 years, however the number of external fostering cases has increased significantly over the last 3 years. In 2015/16 the number is 27 higher than in 2014/15, which is a 16% increase. This is due to a lower number of available in house foster carers. Additionally the unit cost of external residential places has increased significantly as the cases in residential have become more complex on average and the competitive market has made it harder to get a good price.

Appendix 2 shows key trends in these.

Education & Skills (BCC side)

On the Education side, the pressure is predominantly due to client transport pressures due to growing numbers particularly in SEN and pressures on contract prices. Pressure on historic premature retirement costs (for staff who in the main left years ago) has also been exposed this year, having been offset by non-recurrent savings in the past.

It has also been challenging to deliver Future Shape savings targets, even with the help of Headquarters in the timescales required. This affects both Children's Care and Learning & Skills Portfolios within the Business Unit.

- Action is being taken by the service to reduce the overspend by increasing the number of payers, both pre and post 16, particularly targeting Milton Keynes families and accelerating the implementation of personal budgets for Special Educational Needs and Disabilities (SEND) home to school transport.
- A SEN strategy for the next 5 years is being developed in late 2015/16 for 2016/17 onwards. This will look to alleviate pressures caused by SEN on education and client transport budgets.
- The Business Unit is also working with HQ colleagues on progressing transformation savings and is currently undertaking a major restructure as part of this.

Education & Skills (DSG side)

Dedicated Schools Grant (DSG) activities are also forecasting significant pressures especially due to high needs budgets (special schools, independent schools places etc) due to funding from the Department for Education not adequately recognising the growth in places needed and the pressure caused by Education & Health Care Plan (EHCP) changes which result in our responsibility extending from 0 years of now and to 25 years now.

Schools are also under increasing pressures financially with freezes in funding per pupil against National Insurance and Pension changes affecting staff costs before any pay award is agreed, plus the impact of the national living wage when it comes in. This means schools are (through the Schools Forum) challenging all spend agreed out of the Dedicated Schools Grant, that does not directly go to schools. The DSG reserve is currently forecasting to be empty by the year end, having had over £10m on reserves two years ago.

These forecasts are based on complex and volatile volumes and therefore forecasts may move significantly by year end (c. £+/- £0.5m on both Children's Care and Client Transport)

Key issues

- Statutory demand pressures for children's care services and education (SEN especially)
- Significant price pressures due to market forces for staff, placements and transport.

- Inadequate funding from DfE for new burdens
- Inadequate allowance in MTFP assumptions for growth and inflationary pressures
- Limited scope for significant further savings, given high proportion of costs are client costs and the associated staff to meet statutory requirements.
- Balancing the budget in year is not possible and balancing future years will require significant changes to some activities which may be very challenging for the Council and which may reduce the ability of the Council to reduce demand for services in future.

Financial and Resource Implications

The current budget position is the best forecast at this point in time. The placement activity is volatile and the unit costs have risen significantly in the last year for the reasons mentioned above.

A lot of work has been done to reduce our costs through commissioning more effectively but despite this the competitive market situation has driven up costs for residential placements. So despite not increasing our number of children in residential care for 3 years our costs have risen by 15 %. Against the national trend our numbers of looked after children have not significantly risen in the last year.

Contingency bids have been submitted for some areas:

- £250k client transport pressure
- £500k recruitment & retention pressure
- £500k placements pressures (Plus additional £300k)

The limited reserves for SEN reform, adoption reform and OFSTED improvement are all fully committed and any in year use would require additional budgets to be built in to MTFP assumptions in future years. There is limited ability to generate income or raise prices.

Most of the pressures are recurrent. This means that the MTFP has to reflect these as pressures in future years.

Appendix 1 Draft end of November Budget for CSCL by activity

	Current budget	Current forecast	Current variance
▣ C1 Cabinet - Children's Services	55,093,388	58,120,103	3,026,715
C1-8CCPPC LA Children & Families Commissioning	4,445,204	4,274,946	-170,258
C1-8CCPPE LA External Placements	14,590,568	16,745,739	2,155,171
C1-8CCPPL LA Legal	1,572,569	1,749,569	177,000
C1-8CSAAAD LA Family Resilience	1,123,866	979,984	-143,882
C1-8CSBBBC LA CWD	2,524,439	2,370,328	-154,111
C1-8CSBBBF LA First Response	3,162,750	3,395,119	232,369
C1-8CSBBBN LA CiN North	3,097,642	3,337,723	240,081
C1-8CSBBBS LA CiN South	3,747,173	3,939,328	192,155
C1-8CSCCCL LA Children in Care	3,816,740	4,113,368	296,628
C1-8CSDDDA LA Permanence	2,893,507	3,002,672	109,165
C1-8CSDDDF LA Fostering	2,413,653	2,474,718	61,065
C1-8CSDDDH LA First Step	646,180	723,609	77,429
C1-8CSDDDR LA Residential	586,935	559,810	-27,125
C1-8CSDDDS LA Supervised Contact	998,603	935,689	-62,914
C1-8CSDDDT LA SGOs	1,017,862	1,097,500	79,638
C1-8CSNNNM LA Management & Overheads - C & F	5,363,761	5,373,138	9,377
C1-8CSNNNP LA YOS	681,267	681,267	0
C1-8CSNNNS LA BSCB	136,309	137,943	1,634
C1-8CSRRRQ LA Quality, Standards & Performance	2,372,107	2,227,653	-144,454
(blank)	-97,747	0	97,747
▣ C2 Cabinet - Education and Skills (LA)	37,869,469	38,930,307	1,060,838
C2-7CXEEE Client Transport Central Costs	1,600,345	1,600,000	-345
C2-8CCCCC LA CYPT Programme	517,684	495,827	-21,857
C2-8CCCCD LA Children's Centres	-1,963	0	1,963
C2-8CCCCP LA Policy & Equalities	167,800	171,800	4,000
C2-8CCFAFF LA Fair Access	378,928	394,766	15,838
C2-8CCFAFY LA Youth Provision	1,498,794	1,382,314	-116,480
C2-8CCLLLD LA Business Development	0	0	0
C2-8CCLLLS LA School Improvement	2,910,582	2,916,582	6,000
C2-8CCMMM LA Management	810,618	983,968	173,350
C2-8CCMMMP LA Schools PRC	2,494,139	2,772,608	278,469
C2-8CCMMMX LA Obsolete (Lrng Skills & Prevention)	0	0	0
C2-8CCNNNE LA Education Psychology	1,065,409	1,108,699	43,290
C2-8CCNNNN LA SEN	567,167	566,311	-856
C2-8CCPPPC LA School Commissioning	154,861	116,726	-38,135
C2-8CCPPPE LA Early Years Commissioning	1,160,434	969,434	-191,000
C2-8CCPPPL LA Legal	292,824	292,824	0
C2-8CCPPPM LA Managed Properties	-5,488	-117,100	-111,612
C2-8CCPPP LA Learnng, Skills & Prevention Commissng	11,063,592	10,954,504	-109,088
C2-8CCPPPQ LA Pooled Budgets	1,451,580	1,387,971	-63,609
C2-8CXMMMC Client Transport Income	0	0	0
C2-8CXMMMF Further Education HTST	112,000	174,190	62,190
C2-8CXMMMP Primary HTST	1,665,000	1,652,905	-12,095
C2-8CXMMMS Secondary HTST	3,939,170	4,026,772	87,602
C2-8CXMMMT Special HTST	6,100,000	6,699,441	599,441
C2-8CXMMMU Pupil Referral Units	275,000	395,816	120,816
(blank)	-349,007	-16,051	332,956
▣ C3 Cabinet - Education and Skills (DSG)	-2,247,001	-2,247,001	-0
Grand Total	90,715,856	94,803,408	4,087,552

Appendix 2

Key budget volume and unit cost data for 5 years

Row Labels	Sum of	Sum of	Sum of	Sum of	Sum of					
	FTE 2011- 12	FTE 2012- 13	FTE 2013- 14	FTE 2014- 15	FTE 2015- 16	14/15 costs	15/16 costs	14/15 spend	15/16 spend	change
FCAL052 Ext Placements - Residential	35	41	50	50	49	£ 137,848	£ 188,114	£ 6,889,011	£ 9,183,164	£2,294,153
FCAL072 Ext Placements - Fostering	119	139	158	166	193	£ 43,611	£ 42,433	£ 7,257,527	£ 8,198,521	£ 940,994
FCAL073 Staying Put	1	1	1	1	1	£ 69,324	£ 53,314	£ 70,844	£ 29,279	-£ 41,565
FCAL082 Ext Placements - Mother & Baby	1.2	1.8	1.1	5.9	7.2	£ 55,987	£ 52,310	£ 331,630	£ 377,174	£ 45,545
FCAL152 Ext Placements - Sec Accom.	0.5	0.2	1.0	0.5	1.2	£ 287,099	£ 202,751	£ 154,955	£ 241,528	£ 86,574
FCCL371 CiN Clients North	-	-	-	1	2	£ 38,346	£ 38,047	£ 49,272	£ 81,812	£ 32,540
FCCL375 No Recourse to Public Funds	-	-	-	0	0	£ 19,554	£ 19,607	£ 8,250	£ 6,000	-£ 2,250
FCDL152 S20 and S31 CWD	-	-	-	-	1		£ 40,260		£ 38,830	£ 38,830
FCES181 First Response Team	-	-	-	-	1		£ 39,214		£ 31,286	£ 31,286
FCNQ121 After Care Client Cost	-	-	0	3	2	£ 52,733	£ 47,716	£ 172,503	£ 115,248	-£ 57,255
FCNS044 CiC Client Costs	-	1	15	13	10	£ 40,268	£ 42,102	£ 536,279	£ 417,569	-£ 118,710
FCRF952 Asylum Seekers - Unaccompanied Children	3	5	13	22	19	£ 41,138	£ 38,158	£ 897,599	£ 721,140	-£ 176,459
FCRL100 CiN Clients South	1	1	1	3	4	£ 64,691	£ 42,151	£ 200,807	£ 171,483	-£ 29,324
Grand Total	160	190	241	267	291			£16,568,676	£19,613,035	£3,044,359