



Children and Young People Select Committee

Children & Young People's Directorate – Financial Stabilisation Plan

Date: 22 September (Children and Young People Select Committee)

Key decision: No.

Class: Part 1

Ward(s) affected: All

Contributors:

Mala Dadlani, Strategic Business Partner (Children & Young People)

Lucie Heyes, Director Children's Social Care

Angela Scattergood, Director of Education

Pinaki Ghoshal, Executive Director Children & Young People's Services.

Outline and recommendations

This report seeks to provide Members with an update on the work carried out by the Children and Young People's Directorate to improve budget management and reduce the trend in recent years towards significant overspends. The report provides an overview of the budget and outturn position for 2019/20 and 2020/21. In addition it provides more detail about the ongoing work that is taking place to provide good quality outcomes for children and young people through making the most efficient use of the budget.

Services provided by the directorate are heavily governed by statute. Changes in national and local policy both in terms of outcomes and funding impact on the service that is delivered. The CYP directorate has undertaken significant steps to reduce spend as outlined in this report. 2020/21 demonstrated the commitment from the service towards reducing the cost base. The cost reduction required from the service is ambitious but achievable in the medium to long term. The report also outlines certain risks that could potentially impact on achieving the savings.

The report outlines the current situation with the Dedicated School's Grant and in particular the financial risks with the High Needs Block which primarily provides funding for children with special educational needs or a disability (SEND).

This report should be read in conjunction with the parallel report coming to this committee which provides more detailed information about Children's Social Care.

1. Summary and Policy Context

- 1.1 Across the country local authority children's services have been struggling with increased demand, in particular the number of young people in the care system and with the number of children who have an Education Health & Care plan. Over recent years both groups of children have increased significantly and the financial demand that follows from this has meant that it is common for children's services to overspend.
- 1.2 The most significant demand on the Council's General Fund has been the national increase in the number of children in care. Between 2010/11 and 2017/18 there was a 26% increase in children with a child protection plan and a 15% increase in the number of children in care. Between 2013/14 and 2017/18 the number of children in residential care increased by 9.2% but cost increased by 22.5%. The average weekly cost for all residential care increased from £2,999 in 2011/12 to £4,705 in 2017/18. In 2017/18 91% of LAs overspent on children's social care, a total of £872M.
- 1.3 The situation in Lewisham has been no different to other local authorities. However, Lewisham has traditionally had a higher number of children in care and as the Ofsted inspection of 2019 noted practice has required improvement to be good.
- 1.4 In the summer of 2020 it was identified that without any firm action the directorate was at risk of overspending in excess of £12M. A stabilisation plan was quickly put in place monitored by the Cabinet Members for Finance and Resources and for Children's Services and School improvement. As a consequence the scale of the overspend reduced significantly and actions initiated at that time are also leading to longer term reductions in spend across the directorate.

2. Recommendations

- 2.1 Members are asked to note and comment upon the contents of this report.

3. 2019/20 & 2020/21 Budget and Outturn Position

- 3.1 In 2019/20 the CYP directorate General Fund net budget was set at £59.1m with an overspend position of £5.8m. for 2020/21, the CYP directorate General Fund net budget was set at £60.3m with a final spend of £69.1m.

Table 1 2020/21 outturn position

Service Area	Net budget 2020/21	Final Outturn 2020/21	Final Outturn Variance (Under) Spend 2020/21	Final Outturn Covid-19 related Variance 2020/21	Final Outturn Non Covid-19 related Variance 2020/21
	£m	£m	£m	£m	£m
Children's Social Care	41.1	48.8	7.7	3.5	4.2
No Recourse to Public Funds	2.9	1.6	(1.3)	0.0	(1.3)
Education Services	10.7	14.0	3.3	0.9	2.4
Joint Commissioning / Early Help	6.9	6.0	(0.9)	0.3	(1.2)
Schools	(1.3)	(1.3)	0.0	0.0	0.0
Total	60.3	69.1	8.8	4.7	4.1

- 3.2 Against this budget position, the initial forecast for 2020/21 suggested a forecast overspend of £12.4m (of which costs relating to CSC was £10m). £2m related to transport and £0.4m to other areas. In addition to this, an early estimated of additional costs expected as a result of Covid was projected to be £10.1m, giving an overall projected overspend of £22.5m.
- 3.3 It should be noted that the £10.1m projection, was made early on in the pandemic and was an initial broad-brush estimate that covered costs that impacted on other funding streams in addition to the General Fund, such as the DSG. By the second monitoring report to members this had been refined to a projection of a £5.7m additional pressure on the General fund.
- 3.4 This projection prompted a series of management actions by the Executive Director for CYP supported by the senior directorate team and colleagues in Finance to mitigate the over spend position. The final outturn was a much improved position of £8.8m. Of this £4.7m was linked to the increased pressures due to the covid-19 pandemic and £4.1m was against the General Fund.
- 3.5 It should be noted that of the £4.7m Covid spend, £2.4m was indirect i.e. costs which the service might have incurred anyway and may do so in future years. Table 2 provides more detail about the financial movements during the year.

Table 2 – Reconciliation between the original estimated outturn position and final outturn

The movement can be summarised as follows:

CYP Forecast Overspend Summer 2020	£12.4m
Transferred to Covid – unmet savings and Business as usual savings paused due to capacity constraints and increased burdens elsewhere	(£2.0m)
Management action including recruitment and retention controls	(£1.7m)

Price, Volume reduction on placements and additional income from partners	(£2.1m)
NRTPF -reduction in families and young people requiring support	(£1.3m)
Underspend in Joint commissioning and Early Help	(1.2m)
Final General Fund Overspend	£4.1m

3.6 There were a number of areas where management action led to the reduction in the projected overspend. The key actions were as follows:

- Review of Data management systems in particular a new system called Controcc, to ensure improved performance management information was able to monitor financial pressures and bring action in place quickly to address it
- Review and re-alignment of historic budget and coding structures including budget holder responsibility
- Implementation of a placements tracker system to facilitate data capture and reconciliation with sub-systems e.g Controc, Oracle etc. This also ensured that we didn't continue to pay for a placement after it had ceased and movements of children across placements was linked to procurement and contract management decisions
- Fortnightly high cost placement panel review meetings –attended by various stakeholders including Health, Housing, SEN etc. The meetings are chaired by the Executive Director of CYP and provided a strong forum for review of high cost placements including review of partner funding.
- A joint programme with Housing to provide suitable accommodation for young people who become homeless and care leavers. Actions currently underway will also lead to reductions in spend in future years as investment is made in more appropriate accommodation and new joint protocols to support this
- Working with young people and external providers to ensure that the fee structure for housing young people over the age of 18 includes maximisation of income from housing benefits.
- Improve data capture and timely submissions to the Home Office to maximise income from a grant that supports children and young people who are unaccompanied asylum seekers
- Improving recruitment and retention process for social workers thereby reducing dependency on agency workers which are more expensive
- Focus on effective commissioning to drive down average costs of placements, this includes working with the South London Consortium to agree best price structure.
- Building new early help and prevention services that support children and families earlier on.
- Developing clear strategies and priorities, including a Prevention & Early Help Strategy, a refreshed Childcare Sufficiency Strategy, a Corporate Parenting Strategy and an Asset Management Strategy.

Children's Social Care

- 3.7 Focusing on CSC in 2019/20, there was a General Fund budget of £41.5m, against this budget the service spend was reported at £45.8m, reflecting an overspend position of £4.3m. It should be noted that in addition to the £41.5m budget an additional £7m had been made available at the beginning of the financial year from the Councils Corporate Resources to support the expected demand positon.
- 3.8 For 2020/21 the budget was set at a net £41.1m with a continuation of £7m support from the Councils Corporate Resources plus a further £1.2m to support increased demands in respect of placements, and other demand led costs, such as other care costs and legal costs, previously offset by an underspend on the Nil Recourse To Public Funds budget.
- 3.9 At the end of 2020/21, Children's Social Care reported an overspend of £3.5m after adjusting for Covid related costs. The overspend was solely within the placements budget and represented a £0.8m improvement on the previous year's position.

4. 2021/22 and future years

- 4.1 Table 3 below shows the general fund available to the CYP directorate and includes additional Social Care grant and continuation of funding from the corporate resources reserves.

Table 3 - General Fund and Corporate Resources for CYP

	£m
2020/21 General Fund	60.64
Savings - Agreed Round 1	-1.21
Savings Agreed - Round 2	-1.43
Pressures	0.41
Corporate Funding including Social Care grant	11.43
Total Funding for CYP from LBL	69.84

- 4.2 As part of the Medium term planning process (and including as part of the Councils overall savings target), there continues to be an understanding that the CYP directorate may overspend by a maximum value of £4m. The expectation is that the service will achieve the overall savings targets set for this year and demand led savings to progress towards a balanced budget as soon as possible.

Table 4 Summary of General Fund and spend requirements

	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m
General Fund Starting Position	60.64	60.64	58.41	56.40
Savings		-2.64	-2.02	-1.30
Net Pressures		0.41		

Revised Baseline	60.64	58.41	56.40	55.10
Corporate funding including Social Care grant	9.09	11.43	11.43	11.43
Total funding from Lewisham	69.7	69.84	67.83	66.53
Projected Spend	-73.80	-72.94	-67.83	-66.53
Net under/overspend	-4.1	-3.10 <i>*note 1</i>	0.00	0.00
Movement from 2020/21		-0.86	-5.97	-7.27

*note 1, current projected position, however up to £4m has been included in the MTFS position.

- 4.3 The position above shows that if all things are equal the service will need to generate real term reduction of approximately £7.3m relative to the 2020/21 spend position. Whilst this is ambitious, the directorate believes that if current strategies and plans are continued this is potentially achievable in the longer term. Collegiate working with other departments within the council and external stakeholders will be pivotal in driving forward with change.
- 4.4 There are however risks attached with the above illustration including:
- **Increase in demand.** There are various reasons that may increase demand for services provided including the socio-economic position within the borough with the potential for increased family breakdown.
 - **Local or National Policy** Potential impact of changes in either, for example the potential impact of the DfE drive towards schools converting to academy status
 - **Recruitment and retention issues** (including skills shortage resulting in upward pressure on costs).
 - **Price increases** including inflation, supply and demand variations.
 - **Changes in funding** that support the spend areas for CYP including the Social Care Grant, Dedicated Schools Grant, Troubled Families Grant, UASC grant, health funding etc.
- 4.5 It is anticipated that the targeted support and initiatives being progressed by the CYP directorate should contain some of the risk areas noted above. The table below shows the projected 2021/22 to 2024/25 position allowing for pay award and inflation. The table also shows movement in funding where this is known. It should be noted that the pay award for 2021/22 is currently being considered by Trade Unions at 1.75%.

Table 5 Medium term funding projections

	Staff Pay award	1.75%	2.00%	2.00%
	Inflation	1.40%	2.00%	2.00%

Spent on :	2020/21 Outturn	2021/22	2022/23	2023/24
		Forecast	Forecast	Forecast
	£m	£m	£m	£m
Employee costs	39.1	39.4	40.2	41.0
Premises	4.6	4.7	4.8	4.9
Transport	4.7	3.5	3.6	3.7
Supplies /Services	109.4	110.1	112.3	114.5
Third Party Payments	78.1	82.6	89.0	91.9
	0.0			
Total Spend	235.9	240.3	249.8	256.0
Corporate Recharges	1.3	1.3	1.3	1.3
Revised Total Spend	237.2	241.6	251.2	257.4
MTFS savings agreed 2021-2024		-2.64	-4.66	-5.9
Savings related to CSSB		-0.38	-0.9	-2.9
Prior year savings (2019/20)			1.4	1.4
Funded Pressures		0.41	0.4	0.4
Revised Total Spend	237.2	239	247	250
Unfunded pressure (potential)		0	5.4	5.4
Funded by :	£m	£m	£m	£m
General Fund	-60.3	-58.4	-56.4	-55.1
COVID grant used to offset ongoing cost	-4.7			0.0
Corporate resources	-9.8	-11.43	-11.43	-11.4
Estimated uplift for inflation at 2% (Pay and non pay)			-4.7	-9.5
Additional Corporate Resources to fund pressure agreed only for 2021/22	-4.1	-4.00	0.0	0.0
Corporate funding to support pay award	0	-0.68	-0.68	-0.68
DSG – CSSB (note1)	-4.6	-4.26	-3.7	-1.7
DSG – High needs	-55.0	-61.5	-66.4	-67.7
DSG EY	-23.9	-23.9	-23.9	-23.9
Recharges	-9.7	-9.70	-9.7	-9.7
Government & Other Grants	-55.8	-55.75	-55.8	-55.8
Income	-9.4	-9.38	-9.4	-9.4
Total Budget Income	-237	-239	-242	-245

4.6 Table 5 assumes inflationary pressure will be met as part of the MTFS. This assumption is clearly linked to wider Government fiscal policy over the next few years including key funding announcements such as the Revenue Support Grant, policy on business rates, Social Care Grant, supporting grants including UASC, School Improvement and Brokerage Grant, Supporting Families Grant and the Central Budget aspects of the Dedicated Schools Grant.

- 4.7 We anticipate a challenging few years with regards Governments fiscal policy. The main known issue around funding pertinent to CYP relates to the Central Schools Services Block (this is part of the Dedicated Schools Grant). Further details are provided below.

5. 2021/22 Medium Term Financial Strategy

- 5.1 At the time of writing this report a review of the CYP savings requirement for 2021/22 appears positive. Currently we are forecasting that £5.7m of the total £6.9m saving is very likely to be achieved. This represents 82% of the overall savings target.
- 5.2 Work is continuing to progress on the remaining areas, including a cross council Transport Panel chaired by the Executive Director for Finance & Resources.

Table 6 2021/22 CYP Savings

	CYP target	Achieved	Unachieved
Savings	-£1,521	-£1,486	-£35
Thematic	-£1,119	-£456	-£664
Demand Reduction	-£4,300	-£3,739	-£561
Total Savings	-£6,940	-£5,681	-£1,260
As a percentage		82%	18%

- 5.3 The key area of financial focus within the directorate continues to be the costs linked to the placement of children in care and those leaving care. This is covered in more detail in the report on placement sufficiency for children in care and care leavers, being considered at the same meeting of the CYP Select Committee.

6. Special Education Needs and Disability (SEND)

- 6.1 The second largest financial risk area for CYP relates to children with SEND. Since September 2014, the new reforms that came into place have given a greater responsibility to Local Authorities with regards to the provision of Special Education Needs and Disability. The reforms meant for example, that Local Authorities responsibility for pupils with high needs extended to 0-25 (previously 5 to 19), clearer and tighter timescales for issuing Education Health care plans (ECHP), and increased parental preference. A post implementation review by government has been anticipated for some years but continues to be deferred. Local Authorities across the country have been struggling to contain the financial demands they are facing following this reform.
- 6.2 The table below shows the trend in EHCP numbers in Lewisham. CYP in partnership with Schools Forum is actively working on a mitigation plan, however as can be noted from this data, the demand is placing ongoing pressure on the

High Needs Block of the Dedicated Schools Grant, together with an ongoing pressure on the General Fund to resource non-school related costs such as the increase in assessments that the council is responsible for and an increase in the number of children requiring specialist transport.. Assuming the increase in EHCP continues at the present rate, it is very likely that that High Needs Block could have a cumulative deficit position of circa £11m. This is still however less than many other London boroughs.

Table 7 High Needs Block

	Gross Budget	Increase relative to 2019/20		Net Budget	ESFA top slice	Spend	Overspend	Cumulative Overspend on HNB	EHCP	Average cost
	£m	£m	%			£m	£m	£m		£
2019/20	£51.498			£50.711	-£0.787	£52.340	£1.629	0.629	2627	£19,924
2020/21	£55.586	£4.087	7.9%	£54.985	-£0.601	£59.556	£4.571	£5.20	3006	£19,812
2021/22	£62.132	£10.634	20.6%	£61.520	-£0.612	£65.520	£4.000	£8.20	3256	£20,123
2022/23	£66.993	£15.495	30.1%	£66.382	-£0.612	£69.382	£3.000	£11.20	3506	£19,789
Movement to baseline	£15.495			£15.7		£17.042	£13.200		879	

£1m from schools block in each year

250 increase in EHCP estimate at £15k a place

7. Dedicated Schools Grant –Central Schools Services Block (CSSB)

- 7.1 On the 19th July the DfE circulated their provisional allocations for 2022/23. This is ahead of the final settlement which will be confirmed in December 2021. Alongside this document the DfE also published the consultation on the National Funding Formula and the move towards what they describe as a 'hard formula'. The two documents confirm the DfE's intention to review the CSSB

Table 8 Changes to the CSSB

	Ongoing Duties	Historic Baseline	Total
	£m	£m	£m
2019/20	£1.46	£3.96	£5.42
2020/21	£1.48	£3.16	£4.64
2021/22	£1.73	£2.53	£4.26
2022/23	£1.71	£2.03	£3.74

2023/24	£1.71 Note 1*	£0.00	£1.71
Movement to 2019/20	£0.25	-£3.96	-£3.71
Movement to 2020/21	£0.23	-£3.16	-£2.93

*Note 1 – This is part of the DfE consultation and could potentially reduce and transfer to the Revenue Support Grant

- 7.2 The CSSB is split into two elements. Element 1 is funding to support ongoing statutory and regulatory work. The DfE is looking to review the services and only fund LA for statutory functions that apply to both maintained and academy schools. The guidance suggests that this grant will be streamlined into the main Revenue Support Grant. The historic cost element is expected to cease. Each Local Authority has varying values attached to the historic funding as the funding supports local priorities that pre-date 2012/13. For Lewisham this is potentially a reduction of £3.16m at 2020/21 funding levels. The grant has been reducing since 2019/20. The CSSB has been identified in the forecast table as a savings requirement on CYP, but is likely to require a far more detailed consideration as part of the MTFS.

8. Financial Implications

- 8.1 The report notes the services commitment towards achieving the savings which are required as part of the councils MTFS. Steady progress is noted in this report. It remains important that the service continuous to undertake management action to deliver fully on the savings agenda. Additionally, the report notes pressure on other areas specifically high needs and Central services to schools, which must also be supported with the necessary action to remain within budget.

9. Equalities implications

- 9.1 The CYP directorate has a responsibility to support improved outcomes for all children and young people across the borough. But the majority of spend is directed to groups of children and young people who are at risk of having poorer outcomes, including those in the care system and those with additional learning needs. This report sets out how the directorate is seeking to achieve this while also reducing its overall spend.

10. Health and Wellbeing implications

Not applicable

11. Social Value implications

Not applicable

12. Climate change and environmental implications

Not applicable

13. Legal implications

Not applicable

14. Report Author and Contact

Mala Dadlani, Strategic Business Partner (Children and Young People)

Lucie Heyes, Director Children's Social Care

Angela Scattergood, Director of Education

Pinaki Ghoshal, Executive Director Children & Young People's Services.