

<b>Report of:</b>	Deputy Mayor and Executive Member for Children's Services Interim Executive Director of Children's Services
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<b>Submitted to:</b>	Executive
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<b>Date:</b>	14 February 2023
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<b>Title:</b>	Children's Services Financial Improvement Plan
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<b>Report for:</b>	Decision
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<b>Status:</b>	Public
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<b>Strategic priority:</b>	Children and young people
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<b>Key decision:</b>	Yes
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<b>Why:</b>	Decision(s) will incur expenditure or savings above £150,000
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<b>Urgent:</b>	No
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<b>Why:</b>	Not applicable
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### **Executive summary**

This report presents the financial position regarding Children's Care services and identifies the process undertaken to establish the budget position for 23/24. The report seeks approval for the Children's Services Financial Improvement Plan and associated actions required to progress delivery of the plan.

In summary the following is requested:

- Executive note the contents of the report
- Executive approve the implementation of the Children's Financial Improvement Plan
- Executive approve the actions required to deliver the improvement plan, namely the commissioning of a single managed team, the development of an in-house team for delivery of edge of care.

## **Purpose**

1. To approve the Children's Services Financial Improvement Plan, and in order to progress delivery of the plan to approve:
  - To commission a single managed project team, linked to saving 2 on the plan
  - To develop an in-house family support team.

## **Background and relevant information**

2. In preparation for budget setting, focussed work has been undertaken within the arena of Children's care. This work has consisted of the following:
  - Review and complete a forecasting exercise for 23/24 to understand the realistic budget based on an "as is" basis.
  - Review the savings proposals for 23/24 to determine deliverables and identify any "at risk" savings.
  - Develop a children's financial improvement plan for 23/24 and 24/25 which will incorporate the "at risk" savings and identify new savings opportunities to be progressed.
3. The detail of those elements is included within the narrative below.

### ***Budget Forecasting for 23/24***

4. Extensive work has been completed to identify the required budget for children's care for 23/24. In conducting this exercise clear methodologies have been developed for forecasting the potential demand on both residential placements and the use of Independent Fostering Agencies. The staffing position has been based on current resources, including current expenditure on agency based provision.
5. The assessment of the forecast is based on an "as is" position if no action is taken to address some high areas of spend.
6. The process has been subject to a number of challenge sessions, which has resulted in scrutiny of the financial assumptions.
7. The budget forecast for 23/24 has identified the need for a further £9.8million of investment into the service. These pressures are outlined below:
  - £3.3million – Agency costs.
  - £1.7million – Edge of care
  - £4.2million – increases in unit cost and demand projections - residential and fostering
  - £0.6million – increase in in-house fostering rates
8. Agency staff costs are higher than that of a permanent budgeted staff member. Due to the number of agency staff within post, and the cost of managed project teams the overall staffing budget is significantly higher than previously budgeted. A combination of the current Ofsted rating and the urgency to deliver the improvement journey has led to utilisation of agency staffing resource. Whilst progression has been made to stabilise the

workforce with the workforce market supplement, further work is required to promote the benefits of permanency within the staffing establishment. The outcome of any future Ofsted inspection, along with improved processes for recruitment and retention is aimed at reducing future reliance on agency staff.

9. Services linked to Edge of care seek to provide support to prevent progression of care proceedings, and also stabilise placements. However the requirement for this can often be reactive and urgent. There is currently a very limited market within the independent sector offering this type of support, and as such it attracts high unit costs for delivery. This is an issue reported by local authorities across the region.
10. Unit costs of residential care placements are increasing, along with forecasted demand. There is a supply and demand issue, where demand outstrips supply resulting in high demand for a limited number of places, causing the increase in fees, alongside national issues such as the energy crisis. Placement issues are a national concern being experienced by all local authorities across the country. A clear methodology has been utilised to forecast this increase, which has included determining the projected number of children requiring residential placements over the year ahead (based on trend data) and the number of children exiting care arrangements based on age related indicators.
11. An increase in in-house fostering rates has been approved to stabilise our in-house foster carer sector.

### ***Review of Savings***

12. To provide assurance regarding the financial position a review of the current savings for 23/24 and 24/25 has been undertaken. A number of these savings have been identified “at risk” for the following reasons:
  - a) The saving is not cost effective in that the impact of the saving would result in more significant cost elsewhere in the system i.e a reduction in family group conferencing is likely to lead to an increase in children entering care
  - b) The savings impact on the ability to meet our statutory obligations i.e reduction of short break provision
13. Clear milestone plans have been developed for all the savings identified as being able to be delivered, and these will be closely monitored as part of the corporate approach. However those savings “at risk”, in accordance with the reasons outlined above have been calculated and the totality of the saving has been incorporated within the Children’s Service Financial Improvement plan. In summary the value of the saving felt to be at risk is:
  - For 23/24 - £982k
  - For 24/25 - £711k
14. Following conclusion of the above exercises further work has been undertaken to develop a Children’s Services Financial Improvement plan, a copy of which is included within Appendix A. This plan is supported by individual business cases and will be delivered in accordance with the project management principles being utilised for the wider savings initiative.

15. The Financial Improvement plan will deliver the following:

- 23/24 – Total saving £2.854million. Net saving £1.872million ( following deduction of the “at risk saving above)
- 24/25 – Total saving £1.868million – net saving £1.157million (following the deduction of the “at risk” saving above)

16. The Financial Improvement plan seeks to target the key areas of expenditure noted within budget forecast work, namely:

- Agency Spend – through the reduction of managed teams and improved recruitment processes
- Edge of care Expenditure – through the development of a more cost-effective in-house resource
- High-cost residential placements – through the development of more cost effective in-house model

17. The plan will factor in implementation time for the delivery of the projects and as a result savings are forecasted across the two financial years. A narrative summary for each of the projects is provided within Appendix 1.

18. In order to deliver the saving for initiative 1, reduction in the cost of external family support, the service will need to develop an in-house resource consisting of 16 staff at a cost of £700k. However this in house resource will be more cost effective in meeting the requirements of our edge of care demand and furthermore ensure that quality in delivery of service can be monitored and assured.

19. In order to deliver saving 2, reduce the reliance on externally commissioned project teams, the service will be decommissioning 3 managed teams during the course of the year and seeking to recruit internal resources and commission one single project team pending work on recruitment issues. The single managed team will cost approx. £1million, and will be secured through a procurement compliant route.

20. In order to deliver saving 6, increase in the in-house residential offer, there will be a requirement for capital expenditure. This will be outlined within the forthcoming budget setting report as part of the wider capital strategy

21. Any expenditure required such as cost of borrowing, cost of in-house team delivery etc have been factored in when arriving at the overall saving position.

22. To ensure focus upon and strengthen delivery of the above savings, a supporting delivery plan will be developed and the activity required to deliver the savings will be monitored in-line with the overarching savings programme governance and the well-established corporate performance management arrangements..

23. The delivery plan will either adhere to the corporate Programme and Project Management Framework, or have robust milestone plans to be assessed against, with progress against delivery of the activities required to achieve savings, monitored on a monthly basis and reported to all members quarterly via all-member briefings and as part of the quarterly Strategic Plan update reports to Executive and Overview and Scrutiny Board.

24. The savings proposed have been assessed as not requiring public consultation as they relate to alternative delivery models and as such have no impact on the delivery of front line services in 23/24.
25. The overall service is projected to be re-inspected by Ofsted within the next few months, as a result these savings have also factored in a number of key considerations such as maintaining the improvement journey, and continuity of staff working with vulnerable children.

### **What decision(s) are being recommended?**

That the Executive:

- Note the contents of the report
- Approve the implementation of the Children's Financial Improvement Plan
- Approve the actions required to deliver the improvement plan, namely the commissioning of a single managed team and also development of an in-house team for delivery of edge of care.

### **Rationale for the recommended decision(s)**

26. The service area has conducted due diligence in regard to proposed savings and completed focussed work to identify the projected expenditure for 23/24. Through this planning the position is understood as part of budget preparation, as opposed to a position of significant overspend in-year. The plan presented seeks to mitigate in part the impact of increasing spend.

### **Other potential decision(s) and why these have not been recommended**

27. Do nothing – the projected increase in investment has been based on the “as is” position, therefore if no action were taken the £9.8million would need to be factored into the budget preparation with no mitigating actions, along with the consideration that a number of savings have been identified as “at risk” for delivery.

### **Impact(s) of the recommended decision(s)**

#### ***Legal***

28. Legal services will be consulted on each project as part of project delivery and requirements to meet statutory duties. The only initiative which involves the termination of a contract is the reduction of funding to the Pause project, which works with pregnant mothers. This contract is currently led by Newcastle City Council and a number of regional partners are withdrawing support. Newcastle City Council will manage the cessation of the contract, however internally the pre-birth team will consider lessons learnt from the project to build into ongoing practice. With regard to the development of in-house solutions such as the increase in capacity of residential care model, these will follow existing council processes i.e) the asset acquisition policy, recruitment processes etc.

## **Strategic priorities and risks**

29. The Children's Financial Improvement Plan links to the following Strategic Plan priorities:

**Children and Young People:** *We will show Middlesbrough Children matter and work to make our town safe and welcoming and to improve outcomes for all children and young people*

**Quality of Service:** *We will ensure that we place communities at the heart of what we do, continue to deliver value for money and enhance the reputation of Middlesbrough*

30. Whilst this plan seeks to ensure services are delivering better value for money through achieving the same outcomes in a more cost-effective way, it also addresses, through improved delivery models, better quality of provision which links to better outcomes.

31. As a project plan is developed for each element, a risk log will be developed to capture any key risks to delivery. This will be monitored closely through the project management arrangements. Risks may include inability to identify suitable properties for in-house development, time delays in recruitment of in-house teams etc

## **Human Rights, Equality and Data Protection**

32. The Financial Improvement Plan is targeted at Children's care provision and as such links to vulnerable children and young people. However the savings identified are achieved through alternative delivery models and more cost effective provision and therefore there is no impact on the targeted group. An Equality Impact Assessment has been complete for Pause which identify no adverse impact. A copy is provided in Appendix 2.

## **Financial**

33. The financial detail is provided above, the investment required to the service area for 23/24 is £9.8million. A total of £1.6million (over the two years) of previously proposed savings are "at risk". The financial plan in totality will deliver £4.7 million of efficiencies over the two years.

34. Savings for individual elements of the plan are detailed within appendix 1.

35. This plan has been factored into the budget setting process and therefore is a component part of the proposed budget setting report. There will be a capital ask, in order to achieve the development of the residential model. Capital considerations have been factored within the budget setting report.

## **Actions to be taken to implement the recommended decision(s)**

<b>Action</b>	<b>Responsible Officer</b>	<b>Deadline</b>
Development of detailed project plans for each initiative	Louise Grabham	31 <sup>st</sup> March 2023

## **Appendices**

<b>1</b>	Children's Service Financial Improvement Plan
<b>2</b>	Equality impact Assessment for contract cessation
<b>3</b>	

## **Background papers**

<b>Body</b>	<b>Report title</b>	<b>Date</b>

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