Leicestershire County Council

CHILDREN AND FAMILIES OVERVIEW AND SCRUTINY COMMITTEE – 19 JANUARY 2021

MEDIUM TERM FINANCIAL STRATEGY 2021/22 – 2024/25

MINUTE EXTRACT

Medium Term Financial Strategy 2021/22 – 2024/25

The Committee considered a joint report of the Director of Children and Family Services and the Director of Corporate Resources which provided information on the proposed 2021/22 to 2024/25 Medium Term Financial Strategy (MTFS) as it related to the Children and Family Services department. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

The Chairman welcomed Mrs. D. Taylor CC, Lead Member for Children and Family Services, to the meeting for this item.

Arising from the discussion, the following points were raised:

Service Transformation

i) The department was embarking on proposed significant transformation comprising of four main programmes – the High Needs Development Programme, Defining Children and Family Services for the Future, Children's Innovation Partnership and departmental efficiencies. These would deliver substantial cost efficiency savings and enable a sustainable, cost effective operating model whilst improving outcomes for children and young people.

ii) It was reported that the Children's Innovation Partnership had capital investment of up to £2.5m to create up to 12 placements and a member asked for more specific clarity around what this entailed. The Director stated that the service had identified the need for some homes for children in Leicestershire and the first phase of the Children's Innovation Partnership Residential Design Brief had identified the need for an investment of up to £2.5m in order to purchase or build properties that would be used to either place young people or as assessment beds.

iii) The department had gone into partnership with Barnardo's in 2018 and the Children's Innovation Partnership had been established for the department to work alongside a partner to improve outcomes for children. This was being developed through design briefs, the first of which was the Residential Design Brief. The majority of work undertaken to date had related to developing a number of programmes, including family group conferencing and work during the summer holidays. The Residential Design Brief focussed on improving the sufficiency of places and quality of residential provision as a result of a specific brief looking at the number of children in residential provision and how that provision could be improved. £2.5m capital had been invested to purchase a number of properties and it was projected that there would be some savings in light of the scheme due to placement costs being lower than what was currently being paid.

iv) The Children's Innovation Partnership Residential Design Brief was welcomed but a member commented that this was a complete turnaround from when the County Council had outsourced its children's homes. In response, the Director stated that the County Council was not looking to open and operate children's homes itself. Consideration was being given to developing a different kind of residential provision for children based on understanding their needs. Part of the strategy included continuing to work with the private sector providers to ensure that there was a wide range of provision for children. However, the County Council was also looking to develop more provision through Barnardo's as a delivery partner.

<u>Proposed Revenue Budget</u>

v) The total gross proposed budget for 2021/22 was £338m with contributions from specific grants, health transfers and service user and partner contributions of £249m projected. The proposed net budget for 2021/22 totalled £89.1m. Net budget increases of £1.88m had been made during the 2020/21 financial year and had now been adjusted for in the updated original budget. This comprised of the staff pay award and fostering placement inflationary increases.

<u>Growth</u>

vi) Growth over the next four years totalled £23.1m, including £10m in 2021/22. The majority of the growth requirement related to continued increases in demands (and complexities) for children's social care services culminating in increased placement costs and social workers. A member raised a query around the pattern of growth and why there was such a large increase in 2021/22 followed then by smaller growth in the ensuing three years. The Director confirmed that the amount in 2021/22 was largely due to the overspend in the current financial year. In relation to the growth for social care placements, the increased unit cost had not previously been built into the budget and was therefore not reflected adequately. The projected growth requirement had been based on what the department assumed unit costs would be and the number of children coming into care, taking into consideration the previous patterns. However, the local authority had very little control over the increased unit costs and cost of provision. Some concern was raised around this, although it was anticipated that the work being undertaken with Barnardo's would look at bringing some control over costs back in house.

vii) In relation to G1 – Social Care Placements, costs for placements were being incurred beyond the £3m growth originally provided for, primarily as a result of an increase in the average unit cost. As a result, the Children's Social Care placement budget in 2020/21 was projecting a £2.9m overspend resulting in growth required to address the current year shortfall and to support the forecast growth for future years. In response to a query around the cause in growth in placements, it was stated that there were a number of factors, including a demographic increase and a greater number of complex cases. There had been an increase in the number of older children coming into care and a change in departmental responsibilities.

viii) Change to case law and court directives had had an adverse impact on the current budget situation. There had been an increase in demand for parent and baby placements and increased pressure on courts to keep parents and children together. There were also other market pressures, such as the impact of Covid-19. The Defining Children and Family Services for the Future and Children's Innovation Partnership programmes included a focus on prevention, drift and ensuring the right setting first time. This included creating an Assessment and Referral Team and Hub and additional residential multi-functional capacity which would have a positive impact on placement availability and suitability, reducing the reliance on out of county placements. This was reflected in the increased savings.

ix) Investment in additional frontline social care staff was required to ensure statutory duties continued to be met. During the current year, positive progress had been made in recruiting social workers and reducing the reliance on agency staff, although Covid-19 had impacted the scale to which this had been achieved. Growth in relation to G3 – Social care staff market premia remained unchanged, other than that it had been extended for a further year.

x) The growth requirement for G4 – Unaccompanied Asylum Seeking Children – had been reduced. The levels of demand and costs had largely been contained within the budget for the current financial year and this had been helped by the Home Office increasing its funding rates. Increased demands were still a risk, although there were no current known factors to suggest that the previous growth was required at that level.

xi) The School Place Planning service had been supported from the creation of a specific reserve which had now been depleted and Basic Need Funding had been decreased. Budget growth was required to continue to deliver the school accommodation programme at the same level. A review was underway to determine whether any resources could be recharged to the capital programme.

xii) Attention was drawn to G6 – increased demand for legal costs. Over the past year, there had been a significant increase in the number of care proceedings lodged with the Court which had resulted in a forecast overspend of £0.4m in 2020/21. There were no indications that the level of demand would reduce in the near future.

xiii) The Lead Member for Children and Family Services confirmed that the Children’s Social Care review had recently been launched by Government, and this would take into consideration a number of the issues raised.

Savings

xiv) Proposed savings totalled £3.75m in 2021/22 and £16m over the next four years in total. The High Needs Development Plan aimed to ensure sustainable services for children and young people with special educational needs within the High Needs Block of the Dedicated Schools Grant (DSG); to achieve this, costs reductions of £25.8m would be required over the period of the MTFS. It was also proposed that significant savings would be achieved through the Defining Children and Family Services for the Future programme, the Children’s Innovation Partnership and departmental efficiency savings.

Dedicated Schools Grant/ Schools Block

xv) For 2021/22, the DSG remained calculated in four separate blocks – Schools Block, Central School Services, High Needs and Early Years. The 2021/22 MTFS continued to set the overall Schools budget as a net nil budget at local authority level. However, in 2021/22, there was a funding gap of £5.6m on the High Needs Block which would be carried forward as an overspend.

xvi) With regard to the Schools Block, there was a further movement towards the National Funding Formula which would fund all pupils at the same rate irrespective of the authority in which they were educated. The National Funding Formula used pupil characteristics, each with a nationally set funding rate to generate school level funding to local authorities. Funding levels between local authorities and individual schools within local authorities varied as a result of pupil characteristics rather than national funding levels. It was noted that school funding remained a ‘soft’ school funding formula for 2021/22 but the Department for Education had confirmed its intention to move to a ‘hard’ formula as soon as possible.

xvii) The allocation of funding received for the initial revenue costs of commissioning additional school places in 2020/21 was £3.3m and this would reduce to £2.4m in 2021/22. In the medium to long term, 26 new primary and three secondary schools were expected to be built in Leicestershire. The revenue requirement for new schools was difficult to assess, although early estimates suggested that the cost could be managed within the existing grant. Expenditure was expected to rise annually from 2021/22 and to peak at £5m in 2023/24. Annual underspends in growth funding would be set aside in the DSG Earmarked Fund to meet the peak.

School Funding Formula

xviii) It was reported that nationally, schools would receive a minimum per pupil increase in funding of 2% per pupil. Despite the overall increase in budget, there would still be 40% primary and 9% secondary schools funded at the minimum funding level and these would experience a real terms decrease in income.

High Needs

xix) It was noted that 2021/22 was the second of a three year settlement for school funding and nationally, high needs funding had increased. Local authorities had a guaranteed minimum increase of 8% per head of population; Leicestershire had received the minimum and remained on the funding floor. The provisional High Needs DSG was £83.1m and the forecast position on the High Needs element of the DSG was presented. National research showed that high needs deficits were growing within almost all local authorities in a deficit or close to position. The Department for Education had undertaken a review of the SEND system but it was yet unknown when any findings from the review would be published.

xx) The funding position included a transfer from the Schools Block DSG to High Needs in 2022/23 of £2m. Schools would be engaged in developing proposals for the transfer in 2021 before entering into consultation and seeking approval from the School's Forum.

xxi) Nationally, early years funding had been increased by £66m and the grant remained determined by the number of children participating in early years education. The increase in funding equated to £0.08 per hour for two year olds and £0.06 per hour for 3 and 4 year olds. Leicestershire continued to receive the lowest rate per hour.

xxii) In relation to the SEND review, this was seen as a positive step nationally. It was generally being seen that the number of children in receipt of an Education Health and Care Plan was increasing along with the unit costs. The review was looking at the system as a whole to ensure that it met the needs of children along with the pressure on budgets. Leicestershire was advocating with the DfE that the current position and funding gap was not a sustainable position for any local authority. A number of national discussions were taking place to highlight these concerns.

Capital Programme

xxiii) The proposed capital programme totalled £84.4m for which the majority external funding was expected. The programme continued to focus on the delivery of additional school places and additional places to be delivered to support the High Needs Development Plan. Reassurance was sought from a member that there would be sufficient S106 developer contributions to provide the required additional school places for local children, particularly in the Oadby area. The Director reported that the S106 money and the development of school places was based on a need of school places for children who reside in Leicestershire. Currently, there were sufficient places for all children who lived in Leicestershire and provision was good. There were issues in specific areas, where the ability to get a place was difficult, particularly where a family moved into the area mid term. In terms of what was built around school places, this could only be based on the number of children projected would move into an area where there were S106 developments.

RESOLVED:

a) That the report and information now provided be noted;

b) That the comments now made be forwarded to the Scrutiny Commission for consideration at its meeting on 29 January 2021.