



**CHILDREN AND FAMILIES OVERVIEW AND SCRUTINY COMMITTEE - 3
NOVEMBER 2014**

MTFS SAVINGS AND THE EDUCATIONAL PSYCHOLOGY SERVICE

REPORT OF THE DIRECTOR OF CHILDREN AND FAMILY SERVICES

Purpose of Report

1. The purpose of this report is to address issues raised by the professional association of educational psychologists (AEP) in its letter to the Chair of the Overview and Scrutiny Committee regarding decisions about the Medium Term Financial Strategy (MTFS).

Policy Framework and Previous Decisions

2. The Children and Families Overview and Scrutiny Committee considered the proposals for departmental MTFS savings at its meeting on 20 January 2014 and again on 1 September 2014.
3. The County Council's budget, including the current MTFS, was agreed at the full County Council meeting on 19 February 2014.

Background

4. The reports to the Overview and Scrutiny Committee about the MTFS 2014/18 have identified that the Children and Young People's Service had made savings of just over £30m during the financial years 1st April 2010 to 31st March 2014, primarily in education services. The MTFS savings for the financial years 2014/18 for the new Children and Family Services total £13.24m and are set out in Table 1 below. The 2015/16 savings target includes an agreed saving of £240k for the Educational Psychology Service.

Table 1

	Children and Young People's Service £000	Youth Offending Service (YOS) £000	Children and Family Services £000
2014/15	3,400	0	3,400
2015/16	8,290	350	8,640
2015/16	1,000	90	1,090
2017/18	0	110	110
	12,690	550	13,240

5. The Committee was also informed in the September report that the Department has created a coherent transformation programme for the 19 separately identified savings areas, plus the YOS, and that this includes 4 major areas of transformation:

- a) remodelling children's social care;
- b) remodelling early help services;
- c) remodelling special educational need and disability services;
- d) remodelling other education services.

6. The individual services contained in d) above were set out in the previous reports as service teams in scope of redesign and are:

- Pupil services team
- Education of Children in Care team
- Oakfield School (Pupil Referral Unit – primary phase)
- Special Educational Needs Assessment (SENA) service
- Disabled children's service
- Specialist teaching services
- Educational psychology service

The Committee was informed that “the deliverables and benefits are currently being defined.”

7. On 7 October 2014, the Regional Office of the Association of Educational Psychologists wrote to the County Council requesting that various matters be brought to the attention of the members of the Children and Families Overview and Scrutiny Committee. That letter is attached at Appendix A. The key questions in the report are:

- a) why has the agreed MTFs saving of £240k, as agreed by the County Council, now risen to £391k without Member approval?
- b) why this was not mentioned at the meeting of the Overview and

Scrutiny Committee on 1st September, when there is a minute of an officer meeting on 20th August 2014 that the savings target was now £391k?

- c) who has been consulted and what has the response been? How, if at all, have their views been taken into account in this proposal?
8. Additional comments to be addressed in the report are that:
- a) schools are not aware of the full implications of the proposals;
 - b) now is not the time to cut the role with a view to the requirements of the Children and Families Act;
 - c) AEP is confident that the £240k in savings could be achieved through income generation.

Questions raised by AEP and responses

Why has the agreed MTFs saving of £240k, as agreed by the County Council, now risen to £391k?

- 9. During the summer and autumn period 2013, the Director, in setting out the financial challenges for the County Council and the department, requested that all service managers go through an exercise to identify a minimum of 10% savings in their budgets. The intention being to look at this option as a starting point towards finding even greater savings through a more strategic approach. The Educational Psychology Service identified savings of £240k and this was incorporated into the MTFs process.
- 10. Subsequently, the service manager, in discussion with the Director, explained that this would mean stopping services for some children part way through the academic year as the budget operates to the financial year. The Director agreed that this should be avoided and agreed that the service could continue to offer support until the end of the academic year 2015, but that the savings would still need to be met in full in the financial year 2015/16. Schools were informed by the service and the service manager started discussions with staff.
- 11. It was also agreed that this was an opportunity to fully review the current format and functions of the Service to achieve clarity about what are statutory functions, 'core' functions and other functions. Initial proposals were presented to the departmental management team for discussion on 4th June 2014 and options on proposals were presented to the departmental transformation board on 23rd July 2014. This is attached at Appendix B.

12. Two options were presented by the Service Manager: one totalling a saving of £391,011; the other achieving an additional savings of £3000. The paper also stated that “It is understood that the staffing structure in place on 1st August 2015 may continue as a permanent reduction.” (page 6, paragraph 1). The minute from the meeting is attached at Appendix C. It was agreed that an action plan be initiated to include both options.
13. At the next meeting of the departmental transformation board on 20 August, as a note on the review of the minutes of 23 July 2014, it was stated that: “The Board noted that the agreed saving for 2015/16 was £391k and (will) remain for the period of the MTFS”. This is an internal minute as part of the deliberations regarding the MTFS planning for the future where it is already known that there will be a need to make savings beyond the current £13.24m target. The plans for further savings will be taken through the proper process for political decision making. Nevertheless, regardless of future need, the requirement to achieve the full savings in the current MTFS for this service (£240k), and fulfil the obligation made to schools, at the request of the service, to continue provision until the end of the academic year 2015, will require an action plan to save £391k.

Why this was not mentioned at the meeting of the Overview and Scrutiny Committee on 1st September, when there is a minute of an officer meeting on 20th August 2014 that the savings target was now £391k?

14. The papers for the Overview and Scrutiny Committee on 1 September 2014 were completed prior to the departmental meeting on 20 August 2014. There was no specific discussion at the Overview and Scrutiny meeting about the Educational Psychology Service. In any case, it would not have been appropriate to discuss plans for the next MTFS at this meeting as this was not the subject of the agenda item. Proposals for the next MTFS will be the main agenda item for the January meeting of the Overview and Scrutiny Committee, prior to decisions by the Cabinet and approval of the budget at the County Council meeting.

Who has been consulted and what has the response been? How, if at all, have their views been taken into account in this proposal?

15. The Service Manager has been in discussion with her staff since the MTFS was approved earlier this year.
16. The papers presented to the departmental management meeting in June 2014 and the departmental transformation board in July set out the plan to “start formal dialogue with schools, settings, families and partners.”
17. The minutes of the departmental transformation board meeting on 23 July

2014 note an agreement to: “start a formal dialogue with schools (including trading dialogue), settings, families and partners about the future shape and function of LPS.”

18. Formal consultation with staff will start once the final draft Action Plan has been agreed.

Additional comments from AEP and responses

Schools are not aware of the full implications of the proposals.

19. Schools were first contacted in May with a view to ascertain the level of service that they might wish to purchase from the Service in future, in light of the changes proposed as a result of the need to save £240k from the 2015/16 budget. Schools have since been contacted again. Agreement has been given to begin formal discussions with schools as set out in paragraph 15 above.

Now is not the time to cut the role with a view to the requirements of the Children and Families Act.

20. Unfortunately, the Children and Families Act, whilst bringing additional duties to the County Council does not bring additional resource. The significant savings required by Children and Family Services needs to respond to new legislation whilst also fulfilling statutory duties. The current service provided by the Educational Psychology Service offers the statutory function, plus additional ‘core’ functions, plus traded functions. In the proposed revised structure, the ‘core’ functions will still be provided free of charge to schools over and above the statutory role of the Service.

AEP is confident that the £240k in savings could be achieved through Income generation.

21. The original analysis of traded income for the Educational Psychology Service showed that the large majority of this income was being provided by other internal departmental services, all under their own budgetary pressures and so this cannot be relied on in the future. Additional income from schools accounted for a small percentage of the traded income in comparison.
22. Schools were approached in May 2014 in order to ‘test’ the market for trading. The results of this showed that:
 - 29 schools returned the questionnaire (10% of all schools);
 - 16 indicated that they would purchase a service.

The analysis regarding the income that this would generate on a full cost recovery basis is yet to be considered by the department. Full details of the questionnaire are contained in Appendix B at pages 10 and 11.

23. If it could be demonstrated that the income from trading could provide the required income, at full cost recovery, to maintain staff roles this could be considered as part of the Action Plan. However, the traded activity cannot include those elements of the role that constitute the statutory function of the local authority.
24. As set out in the paper to the Overview and Scrutiny Committee in September 2014, "There is interest from a number of service areas within the Department to trade their services, particularly in the area of training provision for school based staff where there is a limited supply of other high quality providers. This is currently being explored but must be able to be a fully cost-recoverable option and cannot be established as an alternative form of funding for services that must be provided as a statutory responsibility of the Local Authority."

Engagement and Consultation

25. In accordance with HR procedures, full consultation with staff will commence once the draft Action Plan is finalised.

Background Papers

26. Cabinet – 15 January 2014 - Medium Term Financial Strategy 2014/15 2017/18

[http://politics.leics.gov.uk/Published/C00000135/M00003986/AI00036650/\\$4ProvisionalMTFS201415201718.docxA.ps.pdf](http://politics.leics.gov.uk/Published/C00000135/M00003986/AI00036650/$4ProvisionalMTFS201415201718.docxA.ps.pdf)

Children and Families Overview and Scrutiny Committee – 20 January 2014 – Medium Term Financial Strategy 2014/15-2017/18

[http://politics.leics.gov.uk/Published/C00001043/M00003905/AI00036688/\\$MediumTermFinancialStrategy.docxA.ps.pdf](http://politics.leics.gov.uk/Published/C00001043/M00003905/AI00036688/$MediumTermFinancialStrategy.docxA.ps.pdf)

Children and Families Overview and Scrutiny Committee - 1 September 2014 - Implications of MTFS Savings

[http://politics.leics.gov.uk/Published/C00001043/M00003905/AI00036688/\\$MediumTermFinancialStrategy.docxA.ps.pdf](http://politics.leics.gov.uk/Published/C00001043/M00003905/AI00036688/$MediumTermFinancialStrategy.docxA.ps.pdf)

Circulation under Local Issues Alert Procedure

27. None

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List of Appendices

Appendix A - Letter from AEP 7th October 2014

Appendix B - Paper to departmental transformation board 23rd July 2014

Equality and Human Rights Implications

28. The majority of the work of Children and Family Services is targeted towards vulnerable and disadvantaged children, young people and families. Where proposed savings are likely to have an adverse impact on service users protected under equalities legislation, an Equality and Human Rights Impact Assessment (EHRIA) is carried out prior to any final decisions being made. At this stage in the transformation programme there are no specifically identified adverse implications for protected groups, and the opportunities to innovate are providing mitigation. However, the EHRIAs are re-visited at various stages in the project plans and so any adverse implications that may arise can be identified and taken into account.

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