Report Title:	Children and Education Finance Update 2023/24 (October 2023) - Period 7
Meeting for:	Children & Young People Scrutiny Commission
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<u>Report Summary</u>

This report provides an annual update to the CYP Scrutiny Commission on the Children & Education financial position and identifies the key financial issues and risks.

Children and Families Services (CFS)

The report highlights the 2023/24 forecast outturn financial position for CFS at the end of October 2023 (period 7). After the use of grants and reserves, CFS are expected to overspend by £3.8m. This position has increased by £0.6m from period 6 with the main pressures reflected in Corporate Parenting and relates to increases in the number of children but also increases in provider rates and the number of high cost placements for children with complex needs.

Hackney Education (HE)

HE is forecasting to overspend by circa £4.3m at the end of October. The overspend is mainly as a result of a £4.7m forecast overspend in Special Educational Needs and Disabilities (SEND) and an overspend of circa £0.7m within Early Years, offset by a forecast £1.1m underspend in other areas of the wider Hackney Education portfolio. Demand for services for children with SEND has grown substantially since the introduction of the Children and Families Act 2014. However, the Government's high needs funding allocations have not kept up with this increase in demand, leaving many local authorities with significant deficits.

Officers are looking at developing cost reduction plans and these will take time to implement. It is important to note the cost reduction proposals will not bring the forecast back in line with the budget, and this service will require significant levels of additional Government funding to address this long-standing issue. Further information on Hackney's participation in the Delivering Better Value (SEND) programme is also provided within this report.

Outcomes, Business Intelligence & Strategy (OBIS)

The OBIS directorate is expected to break even after the use of £0.5m reserves specifically set aside for the transformation programme.

Children’s & Education Forecast - October 2023

Table 1: Summary Table - Children’s & Education Forecast (£’000)

Original Budget	Virement	Revised Budget	Service Area	Forecast Variance Before Reserves	Approps to Reserves	Reserves Usage	Forecast Variance After reserves	Changes in Variance from Sept 2023
23,721	30	23,752	Corporate Parenting [Fostering, Placement, Permanency and Edge of Care]	4,055	-	(1,355)	2,700	640
7,354	49	7,402	Family Intervention Support Services [Children in Need and NRPF]	1,445	-	(1,030)	415	48
5,538	7	5,545	Disabled Children Services	370	-	(200)	170	24
5,153	50	5,204	Access & Assessment and Multi Agency Safeguarding Hub	237	-	-	237	11
5,047	39	5,087	Looked After Children and Leaving Care Services	943	-	(500)	443	42
2,953	30	2,983	Safeguarding and Quality Assurance	182	-	-	182	(1)
1,817	21	1,837	Clinical Services	(152)	-	-	(152)	(19)
304	3	308	City & Hackney Children Safeguarding Partnership	39	-	(39)	-	-
-	-	-	Family Learning Intervention Programme	(16)	-	-	(16)	-
-	-	-	Teaching Partnership	-	-	-	-	-
-	-	-	Contextual Safeguarding	-	-	-	-	-
-	-	-	CLG Building Foundations UASC	-	-	-	-	-
51,888	**230**	**52,117**	**Children’s Social Care subtotal**	**7,102**	**-**	**(3,123)**	**3,978**	**746**
7,169	46	7,215	Young Hackney	(70)	45	-	(25)	(51)
1,708	18	1,727	Directorate Management Team	211	-	(276)	(66)	(116)
1,585	23	1,608	Youth Justice	(109)	149	-	40	32
1,052	12	1,064	Children’s Commissioning & Business Support Team	(8)	-	-	(8)	(6)
667	394	1,061	Domestic Abuse Intervention Service	(128)	-	-	(128)	1
535	5	540	Family Support Services	349	-	(351)	(2)	4
64,603	**729**	**65,332**	**Children's Services Total**	**7,347**	**194**	**(3,751)**	**3,790**	**611**

Original Budget	Virement	Revised Budget	Service Area	Forecast Variance Before Reserves	Approps to Reserves	Reserves Usage	Forecast Variance After reserves	Changes in Variance from Sept 2023
68,123	111	68,234	High Needs and School Places	4,668	-	-	4,668	(206)
799	(99)	700	Education Operations - Hackney Education	46	-	-	46	5
45,815	(460)	45,355	Early Years, Early Help and Wellbeing	666	-	-	666	101
2,120	(50)	2,070	School Standards and Performance	5	-	-	5	-
10,329	(655)	9,674	Contingencies and recharges		-	-		-
138,233	1,130	139,363	Delegated school funding to maintained mainstream schools		-	-		-
(239,086)	850	(238,236)	DSG income	(1,130)	-	-	(1,130)	-
-	-	-	Less: HE variance driven by DSG overspend*	(4,255)	-	-	(4,255)	(100)
26,333	**827**	**27,160**	**Hackney Education Total**	**-**	**-**	**-**	**-**	**-**
85	121	206	CFS Transformation - OBIS	464	-	(464)	-	-
2,279	24	2,303	Education Operations - OBIS	-	-	-	-	-
2,364	**145**	**2,509**	**Outcome, Business Intelligence & Strategy Total**	**464**	**-**	**(464)**	**-**	**-**
93,300	**1,701**	**95,001**	**Children's and Education Total**	**7,811**	**194**	**(4,215)**	**3,790**	**611**

Children and Families Services (CFS)

Children and Families Services (CFS)

CFS are forecasting a £3.8m overspend as at the end of October 2023 after the application of reserves totalling £4.0m and inclusion of the Social Care Grant allocation of £13m. The forecast has increased by £0.6m since September driven mainly within Corporate Parenting due to an increase in the number of children and young people but also an increase in the cost of a number of placements due to increasing provider rates. Although annual rate increases are always challenged, increases to unit costs do have to be negotiated and agreed.

As has been the practice since the announcement of the Social Care grant in 2019/20, allocation for both Children's and Adult Social Care has been split equally across both services. In 2023/24, the grant was increased by a further £1.5bn nationally, Hackney's allocation is a total of £26.7m this year, which represents a £9.7m increase from 2022/23. Except for a specific Independent Living Fund element of £0.7m which has been allocated to Adult Social Care the remaining £26m has equally shared between Children's Services and Adult Social Care.

Staffing

There is a gross budget pressure in staffing across CFS of £1m. In 2023/24 corporate savings of £500k have been agreed with a further £500k to be delivered in 2024/25. The service is working towards implementing these proposed changes to the structure from January 2024 via a review of services that will achieve the following:

- Provide best outcomes for children and families
- Enhance the development of the service
- Protect front line practice
- Simplify and provide clearer management oversight
- Creating career development opportunities for staff
- Ensure service resilience and meet business continuity requirements
- Provide cost savings

As previously mentioned, the main areas of pressure in CFS is in Corporate Parenting which is forecast to overspend by £2.7m after the use of £1.4m reserves. Since 2019/20, the unit costs in different placements types has continued to be monitored and has seen significant increases during this period. This is illustrated in the table below.

	LAC Residential Average		Independent Fostering Average		LAC Semi Independent Average		LC Semi Independent Average	
Unit Costs	**Per Week**	**No. of Young People**	**Per Week**	**No. of Young People**	**Per Week**	**No. of Young People**	**Per Week**	**No. of Young People**
2019-20	£3,725	32	£967	143	£1,211	41	£390	104
2020-21	£3,979	35	£987	126	£1,309	36	£529	103
2021-22	£5,399	35	£1,080	131	£1,667	40	£515	166
2022-23	£6,346	30	£1,241	114	£1,996	35	£558	162
2023-24 (at period 5)	£6,122	29	£1,348	114	£2,618	43	£543	96
% increase over 5 year period	**64%**		**39%**		**116%**		**39%**	

The increase in unit costs has been coupled with a relative increase in the profile of placements linked to the complexity of care for children and young people coming into the service. For example, children with very complex mental health needs, which can carry a constant risk of self-harm and require round the clock supervision. In addition, a limited supply nationally coupled with higher demand, results in an extremely competitive market for placements, which has driven up costs. At the start of 2023/24, while there was a reduction in the number of residential placements, overall placement costs continue to increase both in residential care and semi-independent placements due to care providers being faced with the challenges of rising inflation linked to the cost of living crisis. The forecast has increased by £0.6m since September due to an increase in individual placements in a very challenging market.

The forecast is susceptible to variation due to the demand led nature of the service. Depending on the complexity of the arrangement, new clients can add a considerable cost especially during holiday periods in summer and winter which historically experience spikes in demand and pressure on the budget where care arrangements break down. This combined with carers having holiday plans makes finding new care arrangements particularly challenging often leading to the use of more expensive residential homes rather than foster care.

The Family Intervention Support Services is showing an overspend of £0.4m which is related to over established posts and agency staff, as well as higher spend in LAC incidental costs.

The Access and Assessment and Multi Agency Safeguarding Hub have an overspend of £0.2m primarily related to increased staffing costs from over established staff and agency.

Looked After Children & Leaving Care Services are expected to overspend by £0.4m, and relates to an increase in commissioning costs and some staffing costs pressures linked to additional posts and agency staff usage to respond to increasing demands in the service.

The Workforce Development Board has a rolling Social Worker recruitment process which aims to address the reliance on agency premium costs and provide the successful permanent appointment of candidates. However, the competition for experienced social workers, particularly in London, is challenging. This applies both in permanent and agency recruitment. Local authorities are now frequently offering ‘golden handshakes’ and ‘retention bonuses’ along with promises of competitive salaries, career development opportunities and a variety of other benefits.

The Disabled Children Services is showing an overspend of £0.2m, and this primarily relates to the demand in short break services which is a statutory requirement.

The Safeguarding and Quality Assurance services are showing an overspend of £0.2m. The quality assurance and improvement team and the safeguarding and reviewing team both have staffing overspend primarily related to agency premium, maternity and long term sickness cover pressures.

Hackney Education (HE)

Hackney Education (HE) is forecast to overspend by around £4.255m in 2023/24. The underlying overspend across the service is £5.385m, and this is partially offset by mitigating underspends of £1.130m. The main driver is a £4.668m pressure in SEND as a result of a continuing increase in recent years of children and young people with Education and Health Care Plans (EHCPs). This increase is predicted to continue in 2023/24, but the forecast has been reviewed based on recent trends and reduced by £0.2m compared to the previous month. Discussions with Newton Europe/CIPFA, who are working on behalf of the Department of Education (DfE), and the successful securing of £1m grant through the SEND Developing Better Value (DBV) programme have both continued in 2023/24. The reward of this grant includes the development of an action plan to ensure spend is targeted towards workstreams which may help to mitigate some elements of the high needs budget pressures which have continued to contribute towards year on year overspends.

SEND Transport is forecasting a £975K budget pressure in 2023/24 due to increased activity coupled with continuing increases in fuel prices and transport costs (this is included in the overall £4.668m overspend above). Given the volatility seen in fuel prices since last financial year, this area will continue to be monitored closely. Other areas of overspend are within Education Operations (£46k) and Early Years which includes Children's Centres (£666K). Reduced income levels are expected to continue within the Early Years service as a result of lower activity levels which has been the pattern post-pandemic. There has also been a change in legislation which means previously traded services for attendance and specialist intervention provided to schools are now required to be delivered free of charge.

Outcomes, Business Intelligence & Strategy (OBIS)

Outcomes, Business Intelligence & Strategy (OBIS) directorate - the OBIS directorate has been formed with a mandate to drive transformation across Children and Education. There are two main service areas in OBIS – the Education Operations team and the OBIS Transformation team and there are four priority programmes currently in place which are planned to yield significant benefit for the organisation. These include:

- Creating a universal practice model informed by STAR principles, the aim of this work is to develop and embed a new practice model across Children & Education teams.
- Transforming our existing monitoring, supporting and improving services across C&E.
- Reviewing our traded services and increase revenue generation.
- Realising the benefits of the recent restructure across our Education Operations team
- Ensuring that the short, medium and long term operational support that is provided to schools, settings and the Education directorate is of a consistently high quality

The OBIS directorate is expected to break even after the use of £0.5m reserves specifically set aside for the transformation programme. Funding for beyond 2023/24 needs to be identified from existing resources within Children and Education.

Savings/Vacancy Factor

Savings for Children's Services and Education in 2023/24 include:

- £250k through the consolidation of the Children, Education and Health commissioning functions which will allow more effective market engagement and more effective joint commissioning,
- £500k from a review of the Children and Families staffing structure, which is expected to be in place from January 2024; any implementation later than this date will put the achievement of this saving at risk.
- A further £650k has been delivered through a wide-range of targeted and specialist interventions for young people that need extra support, as well as a range of play and sports opportunities on a universal basis, including through Youth Hubs and adventure playgrounds. The £650k is an addition to £350k of savings in 2022/23 from our early help services.
- All savings are currently forecast to be delivered this year.

Brief description	Status	2023/24 £000
Review of Children & Families' Staffing - review of the social care practice model and review of the layers of management so the structure is standardised and streamlined with fewer tiers.	Amber	500
Consolidation of the Childrens, Education and Health commissioning function across the directorate for children. New function will allow effective market engagement and an opportunity to explore joined up commissioning arrangements across the portfolio.	Amber	250
Base Budget Review of Early Help Services - the directorate offers a wide-range of targeted and specialist interventions for young people that need extra support, as well as a range of play and sports opportunities on a universal basis, including through Youth Hubs and adventure playgrounds.	Green	650
TOTAL		**1,400**

A vacancy rate savings target of £1.7m has been set for the directorate in 2023/24 (£0.9m for Children and Families and £0.8m for Education) and the forecast assumes that this will be achieved or mitigated within respective service budgets. Progress against the target is carefully monitored and tracked by the C&E Senior Management Team and this will continue to be monitored closely and reported through this monthly finance report.

Risks

Many of the financial risks to the service that were present in 2022-23 have continued into 2023-24.

One of the main risks for the directorate is the cost of living and fuel price crisis, and the potential impact that it will have on the cost of service delivery going forward. It is difficult to estimate the impact that the cost of living crisis will have across services, however we can expect care providers to seek greater inflationary uplifts to care placements than in previous years and this has had an impact in the movement in September's forecast. In Education, the trend data does illustrate that taxi fares within SEND transport are experiencing increased rates for journeys.

SEND - there is also uncertainty around the DSG high needs deficit and the treatment of any deficit post 2025/26. The brought forward SEND deficit in 2023/24 is circa £17.1m, based on current forecasts this will increase to circa £21.4m by the end of this financial year. The statutory override which allowed this deficit balance to be carried in the Council's accounts, has been extended from

31 March 2023 to 31 March 2026 by Government. However, this continues to remain a long term risk for Hackney in the event there is no further funding provided by the Department for Education (DfE) to mitigate this balance.

As stated earlier in this report Hackney is included in Tranche 2 of the Delivering Better Value (in SEND) programme which aims to help local authorities maintain effective SEND services, however the programme aims is to provide assistance on deficit recovery actions/mitigations through a grant of up to £1m, rather than provide direct funding to address the deficit, hence the potential risk to the Council. The grant will be received in December 2023.

Early Years - The National Reform of the Free Early Years entitlement is expected to have a significant impact on demand for childcare placements with the greatest shift expected to be for two year olds receiving 30 hours of care. There is likely to be significantly more demand for childcare through the proposed reform, specifically for two year olds. Further funding details are awaited and implementation of the reforms will commence from September 2024; the scale of the potential impact is to be assessed when further details are available.

Management Actions to reduce the overspend

In addition to budgeted savings further cost reduction measures have been developed for 2023/24.

For CFS, management actions of £1.5m have been identified and these have been factored into the forecast. These include reductions in the number of high cost placements (£0.5m); review of the top 30 high cost placements (£0.3m); a Foster First Approach (£0.5m); and review of agency spend through maximising permanent recruitment and greater challenge through the workforce development board (£0.2m).

For Hackney Education, the focus of cost reduction measures this year will be through further development of in-borough SEND provision and reviewing SEND transport eligibility. Detailed plans continue to be developed for these proposals, and these will be part of discussion alongside the deficit recovery plans being developed with the DfE and CIPFA.

	Serv	Initiative	Description	Target
1	CFS	Foster First Approach	There is a significant increase in children moving to in house foster care arrangements (90% of all foster care referrals and 1 in 3 children referred to residential care are supported by an in house even if it's interim basis). All children under the age of 16 to be offered a foster placement as first option. Residential and semi-independent to be agreed in exceptional circumstances.	£0.5m
2	CFS	To reduce the use of high cost placements	There continues to be an increase in the complexity of children's needs and referrals where the majority of providers are unable to meet the needs of those children (usually with MH difficulties and or Autism/ASD or learning disabilities) which continues to be a major budgetary pressure. As part of the forensic analysis of these placements, the service is targeting a reduction through a process of continual review.	£0.5m

3	CFS	Operations: Implementation of an overall panel process and review of the top 30 high cost care arrangements.	Bringing together multiple panel processes into one process, enabling closer financial oversight and strategic oversight across all operational services. The £300k cost reduction will be achieved by reviewing the top 30 high cost care arrangements and seeking a 5% reduction in costs through analysis of care package support and through targeted negotiations with care providers.	£0.3m
4	CFS	Reduce the costs of agency spend by investing in a permanent workforce.	Reviewing spend on agency staff will enable us to make savings/reduce overspend. Regular reporting and scrutiny through the Workforce Development Board for sign-off for new agency staff will enable the directorate to closely monitor the use of agency staff and related expenditure. The London Pledge which is a shared agreement of London Boroughs for agency children's social workers may also have an impact in this area in 2023/24.	£0.2m