

Summary Sheet

Cabinet and Commissioners' Decision Making Meeting – 11 July 2016

Title:

Development of Children & Young People's Medium Term Financial Strategy 2016-2021 - Update

Is this a Key Decision and has it been included on the Forward Plan?

Yes

Strategic Director Approving Submission of the Report

Ian Thomas

Report Author(s)

Ian Thomas – Strategic Director of Children and Young People's Services

Ward(s) Affected

All

Summary

- 1.1 This paper sets out an update to Members and Commissioners on progress being made towards the development of a Medium Term Financial Strategy (MTFS) over the next five years for Rotherham's Children & Young People's Service (CYPS). A robust MTFS with strong governance is inextricably linked with a robust Children and Young People's Service.
- 1.2 It is intended that Rotherham becomes a place where it is understood that children and young people represent one of the most important investments that can be made in order to secure a vibrant, healthy and productive future for its people and for generations to come.

Recommendations

That Members and Commissioners note:

1. The progress on developing a sustainable Children's Service, as set out in the CYPS Medium Term Financial Strategy 2016-2021.
2. The 'critical' review work being undertaken by peers on the robustness of the draft MTFS and the identified investment pressures
3. The proposed mechanism for the granting of any additional budgetary investment.
4. The comprehensive budget review being completed by the practice partner and which will be reported on in September 2016.

List of Appendices Included

None

Background Papers

Fifth Report by the Children's Social Care Commissioner on Rotherham Borough Council - February 2016

Ofsted Single Inspection Framework Report – October 2014

Consideration by any other Council Committee, Scrutiny or Advisory Panel

None

Council Approval Required

No

Exempt from the Press and Public

No

Title: Development of Children & Young People's Medium Term Financial Strategy
2016-2021 - Update

1. Recommendations

1.1 That Members and Commissioners note:

1. The progress on developing a sustainable Children's Service, as set out in the CYPS Medium Term Financial Strategy 2016-2021.
2. The 'critical' review work being undertaken by peers on the robustness of the draft MTFS and the identified investment pressures
3. The proposed mechanism for the granting of any additional budgetary investment.
4. The comprehensive budget review being completed by the practice partner and which will be reported on in September 2016.

2. Background

2.1 Rotherham Council, led by Commissioners, has presented a clear vision and determination to secure a safe environment for children, alongside ensuring good, sustainable services and regulation to restore healthy democratic leadership and accountability. This vision is described in the 'Fresh Start' Corporate Improvement Plan and the supporting outline 3 Year Medium Term Financial Strategy.

2.2 The Outline Medium Term Financial Strategy for Rotherham Council was approved by the Council on 2 March 2016 and has, as a first priority, the adoption of a plan for sustainable Children's Services. Further work has been undertaken to develop a draft MTFS for CYPS. The draft MTFS provides a description of how sustainable services might be achieved over a 5 year term to March 2021. This is reinforced by the refreshed Children and Young People's Service (CYPS) Improvement Plan.

2.3 In February 2015, a vision for CYPS in Rotherham was agreed, which was 'working with families and our partners for Rotherham's children's services to be rated outstanding by 2018'. With a vision to be rated 'outstanding' within three years, the challenge is enormous. The vision is aspirational and borne out of a promise to shape the services that never give up on a child.

2.4 The need to improve services and outcomes for children and young people is clear. At the same time the Council is facing large budget reductions and this means that the Council cannot continue to deliver the current model of services. To deliver a sustainable children's service a business model tied into the Council's Outline MTFS must be developed directly related to the improvement journey, drive out inefficiencies, rethink services and the way we work with families, and improve performance management.

3. Key Issues

Development of CYPS Medium Term Financial Strategy

- 3.1 The draft Medium Term Financial Strategy for CYPS sets out ambitious plans which will both drive more cost effective practices through service transformation and deliver savings over the lifetime of the plan to March 2021. Planned savings of £4.343m were agreed as part of the wider Council 3 year Medium term financial strategy and a further £12.6m have been identified as transformational savings bringing the total to £16.943m over the life of this MTFS.
- 3.2 The draft MTFS describes in detail the Directorate's improvement intentions, how resources will be managed, and services transformed so sustainable children's services are delivered which offer excellent, value for money support for Rotherham children. It describes how the Council will build a sound financial platform by understanding budget pressures, committing to re-design of services, and setting out the financial investment requirements. The document is the Directorate's professional view around need and explains how demand for services will be managed by investing in; the right support at the right time for families across early help, children's disability services, children's social care, and education settings and develop better, more affordable placement choices through a sufficiency strategy for Looked After Children (LAC).
- 3.3 The scale of the financial challenge and rigour is such that this strategy can only be delivered by an ambitious Transformation Programme. A programme of change has been developed covering 9 transformational strands which will deliver the benefits and savings outlined in the MTFS:
- Children's Social Care Improvement
 - Social Care Systems Improvement
 - LAC Sufficiency Strategy Implementation
 - Early Help
 - Special Educational Needs and Disabilities (SEND)
 - Sustainable Education and Skills
 - Commissioning (improvement through transformation of the market)
 - Workforce development and organisational development
 - Resource Management and Savings Delivery
- 3.4 Building partnership arrangements and working collaboratively with others is essential to developing new service models that join up service delivery. A strategic approach to partnerships is being developed, co-producing services and positioning and aligning money to commissioning across the system for better outcomes and economies.
- 3.5 The cash limited budget for CYPS in 2016/17 is £56m, approved by Council in March 2016 which included a net £12m investment from 2014/15. This covered historical underfunding and some of the expenditure required for the transformation of the Service. As indicated in the letter from the Commissioner for Children's Social Care to the Secretary of State for Education (February

2016) the budget for 2016/17 is unlikely to meet the forecast demands. A responsible estimate is that the 'flight path' sees Children's expenditure potentially rise by an additional £7.5m in 2016/17 but might then 'standstill' beginning in 2017/18 and reduce significantly by mid 2020.

- 3.6 The Council is committed to the delivery of financially sustainable Children's Services and believes that the overall revenue requirement can be reduced significantly. Aligned with the improvement plan, this will take five years not three and will require further additional front loaded transformational investment to deliver further significant savings in 2018/19 and 2019/20.
- 3.7 Significant efforts continue to be made by the Directorate to effect strong resource management to reduce or minimise the overall cost of services in the immediate term in 2016/17. The majority of this cost pressure is attributable to Looked After Children placements and a current over reliance on agency staff. Reduction of the agency staff costs are expected as efforts are accelerated to recruit to permanent Social Worker vacancies. Campaigns currently are in full train and are contributing to a reduction in expenditure and cost avoidance of around £700k. For Looked After Children, an Out of Borough Residential Placements Panel chaired by the Deputy Strategic Director is now gaining significant traction as each child is systematically reviewed and more appropriate use made of residential and agency fostering placements achieving cost reduction as well as better outcomes.
- 3.8 The focus is now on enhanced management oversight of decision making at the 'front door' of children coming in to care and managing the demand for residential care through a number of interventions set out in the LAC Sufficiency Strategy. For example, sufficient in-house foster care; and investment for adolescents on the edge of care to support and prevent them from coming into care.
- 3.9 Potential for savings has been identified in the review of LAC residential care and leaving care accommodation and in the report to Cabinet in June 2016 but these are subject to the necessary consultations.
- 3.10 The Directorate is on track to deliver total planned savings for 2016/17 of £1.383m across the following services:

Service	Area	Saving Approved 2016/17 £'000
Education and Skills	Education Catering	83
	Facilities Management	33
	Early Years	85
	School Planning, Admissions & Appeals	20
	School Improvement	146
Early Help	Early Help	501
Children's Social Care	Residential Care provision	515
Total		1,383

- 3.11 The first phase of savings for Early Help has delivered efficiencies of £501k, whilst reshaping services to help manage the demand pressures facing Children's Social Care. The Early Help Offer in Rotherham is being developed and whilst making rapid improvement is in its infancy. It is recognised that the Early Help offer will require collaboration and the confident practice of Schools, health, police and the voluntary, community and independent sector in supporting families.
- 3.12 A whole service review of the Education and Skills Service within the directorate (including traded services) will explore the potential to bring forward a change in the operating model following white paper appropriate to the shift to Academisation and the SEND reforms required by the Children and Families Act 2015. The scope of whole service review for Education and Skills will consider the grouping of functions. This will also touch on where these in other areas of Directorate (and in other areas of the Council) and identify potential efficiencies.
- 3.13 A Traded Services Review will be concluded during 2016/17 and will identify the potential to increase income, better develop markets, unit costs and pricing or seek to disinvest where this is not possible. Finally a Business Support services review is in progress and is expected to realise significant savings once implemented, the timing of which will have regard to the transformation of services.

Critical Review of the MTFS by Peer Local Authorities

- 3.14 The robustness of the CYPS MTFS has necessarily been subject to the critical review of external peer Local Authorities. At the time of writing the reviews are underway. Early feedback is that the MTFS is comprehensive and that the main elements of the investment and savings strategy align with what peer reviewers are doing within their own organisations. The plans are seen to be very ambitious. Deliverability of the plans is a key challenge and as such there may be scope for the profile of investment and savings to be revisited to ensure they are rigorously defined.
- 3.15 The reviewers will whether the medium term financial strategy has taken account of principles which in longer term will result in financially sustainable services. This could include:
- Prevention and Early Intervention - the extent to which Early Help services impact on the demand for social care over the life of the strategy. Including the use of Universal services to give 'the best start in life' and targeted provision to prevent escalation of need.
 - Initiatives that would focus on the quality of practice and reduce the likelihood of families being repeatedly referred to statutory services.
 - Preventative measures to stop children coming into care, but once in care ensuring local options for the provision of family based placements and permanency.

- 3.16 Also highlighted from the peer's own experience is the need for additional performance and evaluation discipline through the appropriate boards, to ensure robust implementation plans that deliver the ambition are in place.
- 3.17 In addition, Lincolnshire County Council, as Rotherham's improvement partner, is also undertaking a detailed budget review as part of the Improvement Offer. This includes identification of opportunities to reduce expenditure in the immediate term. This review is covering the whole Directorate but of particular focus will be the challenge of non-social care budgets, identifying potential for savings over and above the £1.383m already planned for 2016/17. The review will take the form of challenge sessions, a review of detailed budget information across services and other key documents.
- 3.18 The outcome of the reviews and recommendations around the level of additional investment required will be reported to Cabinet and Commissioners in September 2016.

Proposed mechanism for the granting of any additional budgetary investment

- 3.19 The granting of any additional budgetary investment would require a change to the current directorate's cash limited budget. Such an investment would need to be considered as part of the Council's overall budget process and governance framework to ensure that it is appropriately considered in relation to other competing priorities for such finite resources and recognising the significant funding gap faced by Council up until at least 2020. Equally, any approval would need to consider the mechanism for tracking and agreeing the detailed output/outcome improvements resulting from the investment.
- 3.20 The Directorate will provide a bid for additional investment in the form of a business case aligned to each identified investment area in the MTFs. This business case would clearly define and set out the total funding required for the intervention, the period of time and specific detailed information about what the funding would be used for, including the relevant performance improvement outputs / outcomes (including milestones) that are expected to be delivered and by when.
- 3.21 The total amount of investment will be identified in a report to the Commissioner in September 2016 along with appropriate permissions for delegated approval of business cases. That is, business cases will be reviewed by the Assistant Director of Finance and 'sign off' given in conjunction with the Commissioner for Children and the Cabinet Member for Corporate Services and Budgeting.
- 3.22 If supported, the investment would be financially tracked based on the actual expenditure incurred (up to the annual investment budget approved). Financial budget monitoring reports will be provided to Senior Management Team of the Council and to Cabinet every Quarter to track the investment along with headline performance information relevant to the expenditure incurred to evidence its impact on outcomes.

Delivering of the CYPS MTFS – Strengthened governance

- 3.23 In February 2016, the Commissioner for Children’s Services report to the Minister of State (DfE) noted the vision for delivery of outstanding child-centred services through a major transformation programme and his expectation that this would be widely understood and embedded by September 2016 and progress robustly managed.
- 3.24 Strengthening of the Directorate’s governance and reporting arrangements has been undertaken to provide the necessary assurance in taking forward improvements and delivering sustainable Children’s Services. This more rigorous approach takes the form of the Children and Young People Transformation Programme. This programme and project approach has articulated the vision through the Transformation Brief, and is aligning and developing plans in a standardised way to deliver and report on the change.
- 3.25 The Programme is governed by the CYPS Transformation Board which meets on a monthly basis. Membership includes the Directorate Leadership Team and key corporate officers from Finance, Human Resources, Legal, Procurement and Communications who attend the board. This will support the tracking of key financial benefits and provide the performance and evaluation discipline required to ensure that plans deliver and report on the necessary failure.
- 3.26 A key financial appointment at Head of Service level has been made by the Strategic Director of Finance and Customer Services to ensure the senior capacity is in place to support the Directorate and management team with the right skills and experience to undertake the financial modelling and resource management required.

4. Options considered and recommended proposal

- 4.1 That Members and Commissioners note:
1. Progress on developing sustainable Children’s Service set out in the CYPS Medium Term Financial Strategy 2016-2021.
 2. The critical review work being undertaken by peers on the robustness of the MTFS and the identified investment pressures
 3. The proposed mechanism for the granting of any additional budgetary investment.
 4. The comprehensive budget review being completed by the practice partner and which will be reported on in September 2016.

5. Consultation

- 5.1 The draft CYPS Medium Term Financial Strategy upon which many of the transformational savings and investments have been proposed is currently subject to the ‘critical’ review of a number of peers. The CYPS Transformation Programme Brief was previously considered by Commissioner for Children and Chief Executive and is set out in the Commissioner September Tests.

6. Timetable and Accountability for Implementing this Decision

- 6.1 This report is an update on progress towards the development of a CYPS Medium Term Financial Strategy. The MTFS will be considered for approval by Commissioners in September 2016.

7. Financial and Procurement Implications

- 7.1 The report provides an update on the development of the financial strategy to create sustainable children's services by March 2021 and highlights a gap between the current cash limit budget 2016/17 of £56m and the potential for an additional net investment of £7.5m to transform the Service and meet demand pressures for the Directorate. The draft MTFS also articulates that the Service through delivering its vision and transformation programme may be able to realise cashable budget savings of around £16.5m in the period 2020/21.
- 7.2 The Directorate is carrying out reviews to identify any further savings. This will be informed by the outcome of the "critical" reviews by the peer authorities. The final financial requirement will be the subject of a report to Cabinet and Commissioners in September 2016. Thereafter business cases will be submitted for any further additional funding.
- 7.3 Any additional investment made in 2016/17 and future years will need to be carefully considered in light of both the Council's overall financial funding gap and other competing investment priorities. The consideration and governance of the detailed investment proposals would need to be considered as part of the council's overall budget process and governance framework. In accordance with the Council's Constitution, any matters concerning a change in the budget is a matter for Full Council.

8. Legal Implications

- 8.1 None identified.

9. Human Resources Implications

- 9.1 There are no direct employee implications from the recommendations in the report. However the financial strategy takes account of activity to recruit permanently to posts occupied by agency workers, thereby reducing costs, and provide continuous professional development for social care staff which is a hallmark of high performing Children's Services.

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 The Council is ambitious for all of Rotherham's children, an aspiration set out in the strategy for a Child Centred Borough approved by councillors and commissioners in June 2016. The draft MTFS supports the strategy which seeks for every child to have a good childhood, for all partners to work together to give every child the best start in life, and to support the development of the next generation of citizens. This would include the ensuring the smooth transition into adulthood.

11 Equalities and Human Rights Implications

11.1 The CYPS Medium Term Financial Strategy will be subject to an equalities assessment. Equalities assessments will be considered in more detail as each of the key elements of the financial strategy move into implementation.

12. Implications for Partners and Other Directorates

12.1 The Programme requires commitment and involvement from across Council departments, health, police and school partners and the broader community of organisations in Rotherham.

12.2 Partnership arrangements and working collaboratively with others is essential to developing new service models that join up service delivery and deliver the potential to reduce the call on financial resources.

13. Risks and Mitigation

13.1 The draft CYPS Medium Term Financial Strategy is a key mitigation against the key strategic risk of failure to sustain the improvements and the delivery of an effective Children's Services within budget. The MTFs is aligned with the CYPS Transformation Programme which includes efficiency / savings priorities to be achieved in the medium term through a change in models of service delivery.

13.2 As an authority with an 'inadequate' Ofsted rating, the Council will need to be open to advice and requirements about further service improvements.

13.3 If additional investment is not agreed this will have an adverse impact on capacity and pace of improvement, the quality of practice, and on the ability to manage demand pressures.

14. Accountable Officer(s)

Ian Thomas, Strategic Director – Children and Young People's Service

Approvals Obtained from:-

Strategic Director of Finance and Customer Services:- Stuart Booth, Assistant Director of Finance, 07.06.2016

Director of Legal Services:- Adrian Phillips, Legal Services Team Manager 08.06.2016

Head of HR – Simon Cooper, Human Resources Manager 06.06.2016

Head of Procurement (if appropriate): Not applicable

Ian Thomas, Strategic Director for Children and Young People Services