

**Manchester City Council
Report for Resolution**

Report To: Executive – 16th February 2011
Children and Young People Overview and Scrutiny – 21st
February 2011
Resource and Governance Overview and Scrutiny – 22nd/28th
February 2011

Subject: Budget proposal for Children’s Services Directorate

Report of: Pauline Newman - Director of Children’s Services

Summary

This report provides Members with information on the proposed changes to the Children’s Services Directorate as part of the proposals for the budget and Medium Term Financial Plan. This report forms part of a suite of reports to the Executive and the Resources and Governance Overview and Scrutiny Committee for consideration at their meetings in relation to the Council budget and level of Council Tax. The report is also provided to assist the Resources and Governance and the Children and Young People’s Overview and Scrutiny Committees, which have decided to look at business plans within the responsibilities of the Director of Children’s Services.

Recommendations

1. Approve the proposals in this report to be included in the budget to be recommended to Council, and
2. Note that if the proposals outlined in this report are agreed by Council further reports will be submitted to the Executive as specified in the body of the report.

Wards Affected: All

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	New opportunities will be created through changes in provision described in this report.
Reaching full potential in education and employment	Improving outcomes for children, young people and families will remain the focus of the Children’s Directorate.

Individual and collective self esteem – mutual respect	Emotional health and well being is a key theme within our strategic plan.
Neighbourhoods of Choice	We will focus our work at a local and neighbourhood level.

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
Where appropriate Equality Impact Assessments will be completed.
- Risk Management
A risk management approach will be taken for all the proposals outlined in this report.
- Legal Considerations
These are reflected in the report.

Financial Consequences – Revenue

Financial Consequences – Capital

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Background Papers:

Report to Executive on 22 December re Provisional Local Govt Settlement
Report to Executive on 19 January on Financial Settlement 2011/12 + 2012/13.
Workforce issue
Final Local Government Financial Settlement from CLG 31 January 2011

Children's Directorate Savings Narrative

1. Introduction

- 1.1 The cash limit budget, before savings and growth proposals, and full time equivalent for 2011/12 is shown below:

Children's Services	Gross Budget £'000	Net Budget £'000	FTE No
Business, Imp and Commissioning	29,455	21,854	228
Education services Children, Young People and Families	387,723	19,923	461
Total	558,540	174,943	2,186

- 1.2 The Medium Term Financial Plan (MTFP) and associated savings set out in this report provides a new budget framework to preserve the lead role of Children's Services in the long term strategic leadership of the City and region and the reform of public services. The pace and breadth of policy changes and the scale of reductions in resource available to the service are unprecedented. These changes and reductions undoubtedly challenge our capacity to provide the necessary leadership at this critical time and the capacity for delivery of core services.
- 1.3 The reality of the Manchester context is that we are the fourth most deprived local authority area in England and Wales and yet were in the top five of authorities most badly affected by the settlement. As such, the reduction in resources cannot be met by greater efficiency alone. The existing Analyze and Improve Manchester (AIM) programme already factors into the MTFP very significant efficiency savings. Total cost and workforce reductions planned for this year (2010-11) and the next two years prior to the budget settlement was £23m and 272 FTE posts. £7m has already been saved this year (2010/11) This left a savings target of £16m for the next two years. Post settlement it increased to £45.1m an increase of £29.1m. This will require an additional reduction of 654 posts taking the total to 926 posts.
- 1.4 This budget brings forward proposals to go further and faster in the implementation of our AIM programme. However, our analysis of the impact of the local government financial settlement shows that on their own, the existing and any further efficiency measures will be insufficient. A balanced budget now requires stringent efficiency and further savings by a risk-managed reduction in specific areas of services, namely services to schools, youth, 14-19 and early years.

2. Refocusing and Reducing Resources

2.1 Leadership For Reform

2.1.1 The financial and policy context makes it imperative that Children's Services propose a MTFP and Operating Model that seeks to minimize adverse impacts, reduce our role as a deliverer of services and maximizes our collective influence and commissioning capacity. This requires new leadership. It must be done in partnership with the new Centres of Excellence and alongside and integrated with key partner agencies and stakeholders. Such a coalition will develop new models for investment, commissioning and delivery of services. It will sharpen our focus on creating the conditions for economic growth and enabling all children, young people and families to reach their potential to access jobs and economic well-being. Children's Services will prioritise supporting and influencing external leaders of universal services, particularly schools, academies, colleges and the third sector, to raise standards for all children and families. This is to ensure that, as far as possible, they play their full part in reducing dependency and promoting growth.

2.1.2 At the same time we must provide sufficient resources to provide for effective safeguarding of our most vulnerable children including those for whom we are the corporate parent. Narrowing the gap in outcomes for the most vulnerable compared to their peers is a priority. We will pioneer a radical approach to integrate targeted and specialist services to reduce dependency within families with the most complex needs and those at risk of becoming complex. We will invest in a single pot of funding, The Manchester Investment Fund, which can embrace contributions from partners, especially schools. We will stimulate and develop the private, voluntary and independent sector with education providers to try and ensure a sufficiency of universal and targeted early years and youth provision. This will provide a new community service focus integrating children's services with culture, libraries and leisure so as to ensure young children are fully prepared for school and young people gain maximum benefit from independent advice and guidance on entry into employment, education and training. Where beneficial the commissioning and delivery of services will be integrated amongst partners at a neighborhood level, providing better services at less cost (see Paragraph 2.5 Neighbourhoods).

2.2 Universal Services

Planned AIM Savings

2.2.1 The reduction of the **school improvement** service will give a savings of **£2.588m** over the next two years. This will be achieved by disestablishing posts (18 School Effectiveness Officers, 36 Learning Strategy officers, the Extended Schools Manager and advisors).

2.2.2 It was estimated that **£2m** of centrally retained DSG could be saved on external special educational needs placements following the completion of 'Building Schools for the Future' specialist provision.

2.2.3 The City Council currently provides 25% of the City's day care places. The Authority has a duty to ensure that there is sufficient provision of children's centres but does not have a duty to directly provide such a service. We currently have an unsustainable offer within our **Early Years daycare provision**. For example, we charge £126 per week for daycare that is well below the market rate of between £147-160 per week. The real cost for these places is approaching £250 per week. This represents a subsidy of £6.3m per year. The picture in neighbouring Local Authorities is very different. Over the next two year period we will be looking at alternative commissioning arrangements and plan to make savings of **£5.9m**.

Further Savings

2.2.4 Since the settlement additional savings have been identified in line with the recent Schools White paper and the Education Bill (26 January 2011) both of which signal a change in relationship between the Local Authority and Schools. Schools are seen as key commissioners of provision in their local community. We are looking at a **new enterprise as an option to respond to this changing relationship with schools**. An enterprise that is independent from the local authority and based on the nucleus of services that has traded successfully for 3 years at a full cost recovery. Increasing the use and scope of this model will contribute towards the £2m savings identified above under DSG and realize **further efficiencies £125k**. This proposal will be subject to the Council's gateway process as set out in the final report on this agenda. The proposals also help mitigate the risk of planned savings from the DSG being unachievable following future changes to school funding recently indicated by the Government. A consultation on DSG is expected in the spring 2011.

2.3 Targeted Services

Planned AIM Savings

2.3.1 We currently spend £14.9m per year on the **Youth Service and our 14-19** commissioning. The management rationalisation and combining of the existing 14-19 Strategy Team and Youth Central Team will release **savings of £529k**.

Further Savings

2.3.2 We have identified savings in **Children's Centres and Sure Start budgets**. A number of measures have been identified to yield a total of **£5.9m** further savings, as follows:

- Disestablishment of the role of Children's Centres Teachers
- Reduce current uncommitted budget in Children's Centres
- Reduce back office support for Children's Centres
- There will be additional savings found through externally commissioning contracts.

- 2.3.3 We propose to **cease to be a universal provider of Early Years activities and commission a 'targeted family offer' from local providers**. This will realise additional further savings of **£10.3m**.
- 2.3.4 It is recommended that a proposal is developed to devolve the delivery of a targeted family offer to private, voluntary and independent (PVI) providers (including schools) in the 14 localities. This would specify the broad outcomes required for 0-5 year olds, and make the staff and buildings available to bidders to use in each of the localities. Providers will then be asked to bid to meet these outcomes and deliver services in localities. These plans are radical and will generate the largest savings whilst creating greater involvement by communities and provide the prospect for at least protecting outcomes for children.
- 2.3.5 Following a needs and risk analysis a resource of around £9m has been identified to meet the targeted family offer. After the savings identified above has been made there would remain £7m of Early Years budget including the £1m for targeted day care. £6m of this would be included as part of the Manchester Investment Fund which will ensure a coordinated approach to targeted support to complex families.
- 2.3.6 It is proposed that a further £2m of funding is to come from the centrally retained DSG in 2011/12. This will smooth the transition and manage the impact on children and families currently receiving support through early years and children's centres. It will also enable a year to work with schools to incentivise them to use their DSG for targeted provision. This will minimise the significant risks of the impact of the new Early Years Single Funding Formula and provide the platform for a sustainable model beyond 2011/12.
- 2.3.7 The Local Authority would retain the role of reviewing outcomes, planning and quality assuring what is delivered. This focus ensures contracts can be performance managed and enabling the authority to effectively champion the needs of children and families.
- 2.3.8 This proposal would be subject to statutory consultation, an equality impact assessment and a recommendation to the Executive on the outcome of that process.
- 2.3.9 As part of showing how our City **values young people** we are working with Neighbourhood Services, Regeneration Services, schools, colleges and other partners to ensure a cohesive local offer for young people is delivered across the city. Whilst withdrawing from our current role as a direct provider of youth services, we will ensure as far as possible that there are no gaps in provision as the Authority retains a statutory duty to secure educational, recreational and leisure activities for young people so far as is reasonably practicable. This we will achieve by working closely with our young people and partners, particularly Neighbourhood Community based Services, to understand local need and commission very targeted street-based services for those young people most at risk of poor outcomes. We will reduce our building stock and where possible and appropriate transfer liabilities to trusted and effective third party providers. The benefit of this approach will be that it clarifies the Local

Authority's role as there will be a clear distinction between service delivery and the quality assurance of all services. This will release additional savings of **£3.5m**.

2.3.10 The existing contract with **Connexions** will be renegotiated, in an attempt to realise savings of **£1.3m** over the next two years. The revised contract will refocus delivery to provide support and engagement for vulnerable young people furthest away from the labour market.

2.3.11 We will continue working with the **Powerhouse, Willow Park Housing Trust and Harpurhey Youth Zone** to support their delivery of services and improve the impact of these services, whilst reducing the cost to the council. We are working with providers, some of which are long standing partners who have contributed to the regeneration of neighbourhoods across the city in the reshaping of the youth offer in the neighbourhood context. This proposal may require further consultation and decision making as it is developed. **Further Savings: £700k**

2.3.12 Further savings of **£2.8m** are required to **reflect loss in grant funding**, particularly for 14-19.

2.3.13 We are considering how we can use our current commissioning of **play** services in a different way. This may include proposals for reducing the level of universal provision of free play schemes and outdoor play and cease funding for PVI. This would release savings of **£375k** over the next two years.

2.4 Specialist Services Safeguarding.

2.4.1 Ensuring sufficient resource to protect vulnerable children and young people is a priority. We will use the Manchester Investment Fund (MIF) as a key commissioning and de-commissioning mechanism for specialist interventions with complex families and offenders. A key focus will be to ensure continual focus on evidence-based approaches thereby ensuring value for money.

2.4.2 Children's services have committed £11m to the MIF which is existing funding for services with vulnerable families such as the Ardwick Pilot, Early year places for disadvantaged two year olds and other 0-5 provisions through Children's Centres.

Planned AIM Savings

2.4.3 We currently spend £30m on placements for **Looked after Children** and a further £5m on internal fostering provision. Over the next two years we have already planned **£770k savings from our placement costs**.

Further Savings

2.4.4 We are renewing our relentless focus on providing high quality local placements for our Looked After Children while looking to further reduce our costs. This includes increasing the balance of foster care places compared to residential places and renegotiating contracts. Our focus is on value for money

as well as improving outcomes for this important and vulnerable group. The further savings are aimed to be **£2.3m**.

- 2.4.5 We are reviewing our current **configuration of internal residential homes**. We are planning to increase their efficiency and effectiveness, and consider alternative options where necessary. This approach has already been used successfully in some of our children's homes. This will achieve a saving of **£770k**.

2.5 Neighbourhoods

- 2.5.1 The neighbourhood focus runs through the Operating Model as a means to integrate commissioning and delivery and maximise new sources of income. Over the last year we have been working with the Neighbourhood Directorate to see how we can align our resource more effectively. This has had a particular focus on how we commission interventions with young people. We will align our service delivery within the five SRF areas and will develop local commissioning arrangements identifying the needs, key partners and solutions to fit local circumstance. Our savings plans in the area of Early Years also places a strong emphasis on local solutions designed for the local needs. This will emphasise closer working with local communities and local organizations. Working with our health partners we are looking at how we can facilitate closer working between Schools and GP's who will be key commissioners in the future.

2.6 Core

Planned AIM Savings

- 2.6.1 During the initial AIM programme **£4m** was set as a target for savings from our **back office function**. This will be achieved by:
- Establishing a new model of business support. Planned Transformational Savings AIM £1.9m
 - Restructuring our improvement and commissioning capacity. This includes the link to the development of the corporate centres of excellence. Planned Transformational Savings AIM £1.3m
 - We are establishing a flatter and flexible management structure in a number of services. Planned Transformational Savings are £314k
 - Savings of £650k to be achieved in 2012/13 from agile and flexible working and from ICT.

Further Savings

- 2.6.2 Since the settlement we have been more radical in identifying savings. From communications and programme management functions including Building Schools for the Future. This will achieve a further savings of **£1.0m**.

2.6.3 Overall this equates to a reduction of 25% and a saving of £5.2m from back office support.

3. Partnership

3.1 Children's Services will build on the existing and outstanding partnership arrangements to develop new models for investment, commissioning and delivery of services. We will prioritise supporting and influencing external leaders of universal and targeted services, particularly schools, academies, colleges and the third sector, to raise standards for all children and families. This is to ensure that, as far as possible, they play their full part in reducing dependency and promoting growth.

3.2 Children's Services has significant contract and grant funding arrangements with partners such as schools, health and the third sector. The savings from the move away from the Local Authority being a provider of universal services involve significant change for funding arrangements with the third sector and health and potentially up to 29% of contracts and grants would be reduced for the third sector and some joint arrangements with Health, such as Healthy Schools. These proposals will be subject to consultation and Equality Impact Assessments where appropriate. Although at organizational level there will be some turbulence, as services are re-commissioned there is a significant opportunity for third sector partners, schools and health to increase provision of universal and targeted services as the Authority scales back its provider function for Early Years and Youth.

4. Growth

4.1 Whilst Manchester has been successful in managing the numbers of looked after children and in ensuring effective safeguarding arrangements, the number of children and young people requiring foster care and residential placements has increased. Further investment of £6.640m is required to meet the full year effect costs of those placements made in 2010/11 and this is reflected in our budget. The Manchester Investment Fund approach should result in a reduction in placement costs over time. The Council is bringing forward its approach to reducing levels of dependency in the City and hence the demand on these budgets in the future, through the Manchester Investment Fund.

4.2 The previous MTFP approved additional funding for an increase in social work posts. The full year effect of this funding is £500k.

5. Impact on Children, Young people and their Families

5.1 These radical proposals will have a number of impacts on the lives of children, young people and families in Manchester. As part of the consultation process we will complete equality impact assessments. These could be characterised as both opportunities and reduction in services.

Reductions in services	Opportunities
1. Less universal services to the whole population.	Targeting our resource on the families in most need.
2. Removal of some services	For different voluntary organisations to take over the running of services.
3. Reduction of central services	Greater focus on local provision working with local people.
4. Loss of capacity/posts	The increase in Third sector posts based in local communities.

6. People

- 6.1 Children's Services employs 2186 FTE staff working across a diverse range of services. Prior to the budget settlement, the workforce impact of achieving AIM savings through our medium term financial plan was a reduction of 272 roles. These reductions were to be achieved over a three year period and largely through natural turnover. Post settlement, the scale, scope and timescales for reducing our workforce have increased significantly. The proposals set out in this paper could result in a reduction of circa 926 posts. There are approximately 631 staff currently in scope for potential TUPE transfers however until the detail of business models has been worked up, the precise numbers will not be known. A reduction of 926 is therefore the predicted FTE reduction and is subject to change and consultation. These reductions will be achieved over a two year time period with most being achieved within the financial year 2011/12.
- 6.2 The full extent on the impact of specific roles will not be fully identified until the details of the proposals have been worked up and engagement with staff in services has taken place. Initial discussions with Heads of Service indicate that these potential savings cannot be achieved without impact on service delivery.
- 6.3 The areas of biggest impacts are as follows:
- Changes proposed in the Education white paper will have a significant impact on the Education Services workforce. The changing relationship with schools will result in a reduced school improvement function for the local authority resulting in the disestablishment of School Effectiveness Officers, Learning Strategy Officers and Extended School team following loss of £1m grant funding. There will be a reduction of 72 FTE posts which was agreed at the Personnel Committee on 22nd December 2010. Up to an additional maximum 353 posts will be affected by the potential new employee owned option to establish an organisation separate to the local authority from which schools will commission services. The full impact on these staff will not be known until the details of the enterprise have been worked up.

- The shift in focus from direct provider to strategic commissioner and champion of children and young people will have a major impact on the workforce.
 - 112 FTE posts across youth and 14-19 provision will be reduced, up to 10 posts may transfer to the new provider. Staff will be encouraged to access VER/VS or m people where applicable.
 - An additional 594 FTE posts will be affected as we cease to be a volume provider of daycare and early years activities. Up to 268 FTE are in scope for considerations relating to TUPE to a new provider although this will depend upon the business model adopted going forward. The remaining staff will be encouraged to access VER/VS or m people where applicable.

- A further 69 posts will be reduced as a result of a range of other smaller scale changes

6.4 We will need robust workforce planning arrangements in place to ensure that as the functions and roles within Children's Services change, we are able to support the remaining workforce to develop the skills needed to deliver our target operating model.

7. Implementation and Risk Management

- 7.1 This report identifies a radical approach to achieve savings while also ensuring we focus our resource on the most vulnerable children, young people and families. It will be very important to monitor spend, interventions and outcomes through robust budget management. The balance and pace of savings provides a major challenge to our ability to improve outcomes, reduce dependency and balance the demand on our resources. Risks include the transitional effect of VS and VER on the continuity of service delivery in Early Years with the possibility of some service and building closures. The phasing of the savings over two years and the injection of some growth (see paragraph 4) mitigates some but not all of these risks. We will focus on reshaping our delivery through working closely with provider organisations to alleviate this from happening whenever possible. We will continually self-assess the impact of the savings.
- 7.2 The bigger challenge and opportunity is to maximize the outcome and financial benefits of the new Manchester Investment Fund, the new financial model to integrate the commissioning and delivery of evidence based interventions with complex families and offenders.

Proposed Savings Options

Detail of Proposal	Type of Saving	Amount of Saving		
		2011/12	2012/13	Total
		£,000	£,000	£,000
<u>CHILDREN'S SERVICES</u>				
<u>UNIVERSAL SERVICES</u>				
The future role, function and design of education services Reduction in Local Authority school improvement service to schools to respond to change in Local Authority support and intervention role as set out in Schools White paper and draft Education Bill.	Existing AIM	1,599	989	2,588
	Further Savings		125	125
Full cost recovery of costs from Dedicated Schools Grant and Schools Review of all charges to Dedicated Schools Grant and schools to ensure full cost recovery and maximising of efficiency of strategic functions with schools. A significant proportion of this saving will be achieved through success of Education Traded Services or Social Enterprise recovering more from charging schools for education services.	Existing AIM	0	2,000	2,000
Early Years Day Care - Cease to be a volume provider of universal subsidised day care, with earliest contract start date of 1st Sept 11 Price rise for a full time place from 01/04/11. Day care provision will continue until alternative provider identified in order to provide continuity for children and working parents	Existing AIM	3,250	2,650	5,900
Total Universal Services		4,849	5,764	10,613
<u>TARGETED SERVICES</u>				
Early Years and Children's Centres				
Early Years Teachers - Disestablishment of role in Children's Centres	Further Savings	750	250	1,000
Reduce current uncommitted budget in Children's Centres	Further Savings	2,000	0	2,000
Reduce back office support for Children's Centres Business and finance support in Corporate Services and Children's Services	Further Savings	380	120	500
Cease to be a universal provider of Early Years activities and outsource the delivery of a 'targeted family offer' to PVI providers and/or encourage schools to be locality leaders/providers.	Further Savings	2,130	8,170	10,300
Review of externally commissioned contracts to cease/reduce support for universal services	Further Savings	2,000	400	2,400
Youth and 14-19				
Youth and 14-19 Provision - withdrawal from direct provision of Youth Services for both universal and targeted provision.	Existing AIM	529		529
Work with Neighbourhoods Community Based Services, schools and contracted partners. Recommission Connexions for targeted services.	Further Savings	3,428	2,072	5,500
Youth Service and 14-19 specific grant reductions Further savings for loss of external grant funding which are included in the overall plan for Youth and 14-19	Further Savings	2,833		2,833
Play Service - Rationalisation and recommissioning of existing provision	Further Savings	175	200	375
Total Targeted Services		14,225	11,212	25,437

Detail of Proposal	Type of Saving	Amount of Saving		
		2011/12	2012/13	Total
		£,000	£,000	£,000
<u>SPECIALIST SERVICES</u>				
Commissioning of external placements for Looked After Children Savings from improved commissioning process and creation of centralised placement team.	Existing AIM	500	270	770
Increase in internal foster carers	Further Savings	1,000	1,200	2,200
Review of internal children's homes costs	Further Savings		100	100
	Further Savings		770	770
Total Specialist Services		1,500	2,340	3,840
Business Support Restructure and Rationalisation	Existing AIM	900	1,000	1,900
Business, Improvement and Commissioning Restructure	Existing AIM	440	921	1,361
	Further Savings	500	530	1,030
ICT - Traded service with schools	Existing AIM		150	150
Management delayering - including District Management	Existing AIM	314		314
Corporate Back Office - Agile/Flexible Working	Existing AIM	500		500
Total Back Office		2,654	2,601	5,255
Children's Total		23,228	21,917	45,145
Planned Service Transformation and Efficiencies	Existing AIM	8,032	7,980	16,012
Further efficiencies /acceleration of savings measures	Further savings	15,196	13,937	29,133
		23,228	21,917	45,145