

**THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
FAMILY AND CHILDREN'S SERVICES SCRUTINY COMMITTEE**

22 NOVEMBER 2010

**REPORT BY THE EXECUTIVE DIRECTOR FOR FAMILY AND CHILDREN'S
SERVICES**

STRONGER FAMILIES – DEEP SCRUTINY

This paper provides an update on the Family and Children's Services Stronger Families change programme with a particular focus on finance.

The paper outlines potential saving areas for 2012-2014; gives an update on the cost modelling analysis; and raises important issues for the committee to consider when scrutinising options for savings.

FOR DISCUSSION

1. INTRODUCTION

- 1.1 In 2009 the Family and Children's Services Scrutiny Committee appointed a sub-group to consider the finance and priorities of the Family and Children's Services Business Group in preparation for reductions in public sector expenditure over the next few years.
- 1.2 It was agreed in June that a period of time should be set aside at each of the meetings for deep level scrutiny of an issue previously agreed by the committee. The first topic chosen for the September meeting was the Stronger Families Transformation Programme and the report of the Finance and Priorities Sub Group. It was agreed that the November meeting should engage in a deep scrutiny of the Stronger Families Programme with a focus on the true costs of Family and Children's Services.
- 1.3 The purpose of this paper is to:
- i) Give an update on progress made on cost modelling to understand the true costs of service delivery;
 - ii) Respond to particular questions arising from the last meeting on fully loaded costs, services to schools, thresholds and three borough working; and
 - iii) Raise important issues for the committee to consider when scrutinising options for savings.

2. BACKGROUND

- 2.1 While continuing to provide services to meet the needs of children and families, FCS has committed to deliver savings totalling £2 million for 2011/2012, £4.5 million for 2012/2013 and £2.5 million for 2013/2014 and beyond.
- 2.2 The 2011/2012 savings have been identified from across the business group and represent a combination of cost-cutting measures and efficiencies within existing processes and practices. Work is now underway to manage the realisation of these savings before the end of this financial year. In addition to these 2011/2012 savings, a further saving of £1.3 million has been levied in response to the emergency budget and withdrawal of a proportion of area based grant following the Comprehensive Spending Review.
- 2.3 FCS is committed to delivering services more efficiently and making targeted savings through a managed change programme which will provide the rationale to inform and support the difficult decisions that lie ahead. Our change programme approach is based on detailed business analysis, cost modelling and benchmarking, clear identification of the benefits to be derived from the change, and a high level specification of what the future service model will be.

3. COST MODELLING

- 3.1 The aim of the cost modelling exercise is to understand how each FCS service works, what it costs, what is delivered, to whom and for how much. This work supports the development of a target operating model in the longer term by understanding in what way services could potentially be provided, whether that is at an individual service level, LA level, or an amalgamation of services with Hammersmith & Fulham and Westminster Councils.
- 3.2 The models will help us to assess the viability of services as they are currently provided, and whether we could realistically expect the public to pay fees to cover or contribute to the actual costs. In the short-term it allows us to compare relative costs of each service and provides a basis for a more targeted approach to service improvement and delivering value for money.
- 3.3 For the schools-based services, the model estimates what each service would actually cost if the schools were to pay at current service levels. This allows us to compare what the Dedicated Schools Grant (retained) and other specific grants would fund on their own, and what is supplemented by funding from the Council. Where fees are charged, such as for the Professional Development Centre and ICT/City Learning Centre, the model looks to estimate the additional amount of income required from the service to neutralise cost or to make the service generate a

profit.

- 3.4 Each FCS service is modelled in a slightly different manner, as the variables differ. For the simpler services such as admissions, numbers on the pupil roll are used to generate a cost per school. For more complex services such as Pupil Support, Education Welfare and Education Psychology, the percentage of different types of work in the various settings is estimated and the number of sessions or levels of need in the schools is assessed to provide an estimated cost for each school.
- 3.5 The play and youth service models allow us to understand the impact on incomes and costs of closing centres, altering capacity or changing fees and charges. We understand how much we would have to raise fees to neutralise the cost of the service, although this may not be possible as in doing so we might lose some of our fee paying parents/carers.
- 3.6 The library service model will eventually inform us of the impact of closing certain branches or altering opening hours around the borough. It will inform us of the numbers and residency of citizens affected by any changes and allow us to provide services where they are genuinely needed or desired.
- 3.7 Few Family Services have been modelled as yet. Services are provided to families and children by different business units, and the modelling will have to take this into account. Future modelling of Family Services is likely to support the development of a 3 borough approach.
- 3.8 The cost modelling information across all FSC services should also help us to understand where and how we might be able to strip costs out of delivery, including through corporate recharges.

4. RESPONSE TO TOPICS RAISED AT THE LAST MEETING

- 4.1 A list of topics was raised at the last scrutiny meeting. All but four of the topics were service specific and relevant officers have responded to these. The remaining four are addressed in the sections below.
- 4.2 *Fully loaded costs*
- 4.3 Schools are most certainly unaware of the true cost of delivering services to them, and while indications are that they are very satisfied with what they receive (more independent market analysis is required), there is no evidence that they would pay for the services at true cost.
- 4.4 The cost model indicates the following average costs for schools by year at present (these figures are indicative only).
 - School Improvement - £18,000 of which a small percentage is statutory provision;
 - Education Welfare - £15,000, which is statutory but which could be considered to provide services above statutory levels;

- Educational Psychology - £10,000, of which approximately 75% is estimated to be statutory provision.
 - The pupil support service, parts of which are statutory, is provided at an average cost of £35,000 for mainstream primary and £65,000 per mainstream secondary school.
- 4.5 Figures vary widely from school to school according to the level of intervention required.
- 4.6 The costs above are fully loaded costs and include FCS and corporate recharges (back office functions like HR and Finance as well as accommodation and IT). Costs of the Golborne Education Centre are included in secondary school costs.
- 4.7 Services to schools are supported by different funding arrangements. Some services are funded by the Standards Fund such as Teaching and Learning, Music Consultancy, Language Development and parts of Nursery Education. Nursery schools are formula funded by the Minimum Free Early Education Entitlement which is part of the Dedicated Schools Grant. The retained Dedicated Schools Grant also pays for Governor Support, Admissions, Special Education Needs, traveller education, the Pupil Referral Unit and alternative provision, 14-19 and some Teaching and learning work. More detailed analysis of FCS funding sources is set out in Annex 1.
- 4.8 Benchmarking analysis shows that for RBKC schools the Education budget per pupil spend at £9,625 per pupil is above the England average of £6,164 per pupil and close to the England maximum spend of £10,034 per pupil.
- 4.9 The amount of funding delegated to RBKC schools at £6,360 per pupil is the second highest in London.
- 4.10 Compared with schools rated 'outstanding' or 'good' in neighbouring boroughs, the average budget share per pupil is higher in both primary and secondary schools in RBKC than in neighbouring boroughs of Hammersmith and Fulham, Westminster and Brent. More detailed benchmarking and unit cost analysis is set out in Annex 2.
- 4.11 The Play Service model has enabled us to understand the costs of delivering play to children in the Royal Borough, in terms of management, support and delivery. For example, one of the ways play is delivered is through play centres. A typical Play Centre currently costs approximately £35,000 per annum in revenue terms, and may generate £5,000 income – but costs and unit costs vary per centre, as do levels of attendance and the proportion of parents who pay for the service. Income generation is likely to change in 2011 when new charges involving higher charges and lower thresholds will be implemented.
- 4.12 Recharges and overheads included, term time play is being supplemented at around £3 per child per session. Holiday play is supplemented at approximately £9 per child per session.

- 4.13 Looking at the service as a whole the cost model will inform discussions and decisions about the most viable path for the Play Service to take in the future.
- 4.14 Over the last 3 years 8 children's centres have been officially designated by the Department of Education. Of the 8 centres, 3 were developed on the sites of primary schools and the rest on the sites of former family centres. The 5 council run children's centres childcare element is funded through core council funding and from a contribution from Family Services to support children in need places. The commissioned services within children's centres are funded primarily via the Sure Start grant.
- 4.15 The fully loaded cost of childcare per week ranges from £280 to £460. These centres have income targets of around £700,000 per year. The income is derived from universal childcare places that are sold to the general public at £205 per week. Places are heavily supplemented by the council varying from £86 to £255 per week. There is no evidence to suggest that the general public would not tolerate a degree of fee increase as the council is currently undercutting the local Private, Voluntary and Independent sector. More analysis is required to assess this.
- 4.16 For youth centres costs and incomes vary widely. Fully loaded costs (including recharges and management costs) range from around £350,000 running costs for Lancaster Youth Centre to £30,000 for the provision of specific programmes in Harrow Youth Centre. In both cases the quality of provision, participation rates and outcomes vary.
- 4.17 Only 4 youth centres are Council run. These are: Lancaster, Golborne, Cremorne and Canalside watersport centres. It would appear that unit costs are higher in council run centres and are particularly high in the watersport centres. This may be due to the activities on offer rather than other factors. Indicative cost per attendance varies. The next step will be to map the outcomes of individual attendees to the cost of provision per person to inform the council of value for money.
- 4.18 *Giving schools free choice*
- 4.19 Schools currently have a free choice on where they access discretionary services.
- 4.20 The schools Service Level Agreement outlines what schools are currently commissioning from the Council. It also provides for additional charges to be made. However, it is rare for additional charges to be levied which means that the Council is supplementing many services to schools.
- 4.21 It is likely that, in some cases, schools would be able to buy services for less money (if the council were to charge) outside the council. However, what is not so certain is the quality of those services if delivered by external parties. From analysis conducted to date, levels of service would decrease. In some cases there would be no alternative market, leaving the

schools exposed if they needed support.

- 4.22 In some cases it may not be in the schools' interest to contract into services. For example, the council is responsible for educating excluded pupils and the pupil support and education welfare services act to prevent exclusions. If services were to opt-in on a buy back basis, there is little incentive for many schools to partake. There would be similar issues with travellers support in the Language Development Service and the 14-19 Service, where certain schools may just opt out. This could have a detrimental effect on the most vulnerable children as well as making certain services unviable in their current form. To ensure schools continue to have access to high quality services we will be consulting with headteachers to discover their views on traded services.
- 4.23 *Thresholds – when do we subsidise and how do we help the most vulnerable*
- 4.24 The majority of core funding for school services contributes to the Education Welfare, Education Psychology and Special Education Need Assessment services which are primarily aimed at more vulnerable children.
- 4.25 60 places at children's centre childcare provision are reserved for children in need. 60 places are also reserved for children referred through the Common Assessment Framework. Family Services can charge for children in need places, unless the parents are on benefits, but do not currently do so.
- 4.26 Within the term-time play service, 67% of places are free, 27% are paid at the family rate and 6% are paid for at full rate. During the holiday, full fees are paid by approximately 25% of parents/carers. The service is currently looking at options to alter the charging structure; including raising fees and ensuring that those most able to pay do so.
- 4.27 *Three borough working*
- 4.28 The work on developing proposals for sharing services with Hammersmith and Fulham and Westminster, is being managed within the Stronger Families change programme. This is to ensure that we avoid disruption to front line service delivery.
- 4.29 Lead officers for each service area have been identified and are engaged in discussions with their counterparts at the other two boroughs
- 4.30 Opportunities for financial savings and improved efficiencies through three-borough working may be delivered within the savings proposals put forward by Family and Children's services for the 2012-2014 budgets.
- 4.31 Between now and March 2011 work will focus on developing business cases for the benefits to be realised through three-borough working.

5. ISSUES FOR CONSIDERATION WHEN SCRUTINISING OPTIONS FOR SAVINGS

- 5.1 In the present financial climate maintaining the current high cost model is not sustainable. This provides an opportunity to challenge the underlying principles of the 'as is' public service offer and to consider a wholesale review of our role as a provider of public services.
- 5.2 In moving towards the definition of the future operating model for Family and Children's Services there are a number of important questions to consider such as: the degree to which services should be targeted at those most in need, the extent to which we should strive to scale back in-house provision in favour of a range of providers from the private and not for profit sector, and the extent to which high quality services continue to form an essential part of the RBKC brand?
- 5.3 Early indications suggest the new operating model for FCS will result in a more mixed economy of service providers and models of delivery. Our core directly provided services will increasingly serve the most vulnerable families and children. While this will mean scaling back the discretionary offer to focus more closely on our statutory duties, it is anticipated the expectation for providing high quality services would remain.
- 5.4 Service leads, supported by business analysts, finance teams and procurement professionals, guided by consultation with stakeholders and the local communities will help determine the final range of options to be given due consideration to enable Members to make informed decisions.
- 5.5 Some options will necessarily propose scaling back the offer to focus on more vulnerable sections of society or even ceasing existing discretionary services. In doing so a careful balance will need to be struck between the provision of preventative and targeted services to avoid any negative social and financial impacts.
- 5.6 The broader introduction of fees and charging, and a more tightly managed set of criteria for accessing services may result in negative reactions from residents, and effects on service demand and quality that will be difficult to predict. With some exceptions the current FCS focus is very much on local residents. Shared and merged services with other local authorities such as Hammersmith and Fulham and Westminster, may alter this dynamic.

6. SAFEGUARDING

- 6.1 Services to the most vulnerable children must be protected, and this includes those children who rely on the Council for their protection from any form of abuse and harm. This does not mean that those services should be protected from the rigorous search for greater efficiency. In this context Family and Children's Services have included their total resource within the remit of the transformation programme. The controlled environment of the Stronger Families change programme will enable FCS

to fully risk assess all proposed changes to services, and carefully review the impact of these changes on the well-being of all residents.

7. CONCLUSION

- 7.1 The Scrutiny Committee is provided with this information to assist in understanding the true cost of FCS services. The report is provided to support further discussion and scrutiny of the Stronger Families Transformation Programme.

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Annex 1 FCS funding sources

Annex 2 FCS budget 2010/2011 and benchmarked Section 251 unit costs