

DERBYSHIRE COUNTY COUNCIL

CABINET MEMBER FOR YOUNG PEOPLE

6 February 2018

**Report of the Strategic Director for Children's Services and Director of Finance
and ICT**

CHILDREN'S SERVICES SPENDING 2017/18

1 Purpose of the Report

To inform the Cabinet Member of the results of the latest Children's Services budget monitoring for 2017/18 and to highlight major variances.

To inform the Cabinet Member of progress on delivery of budget reductions.

To inform the Cabinet Member of the results of the latest projections of expenditure and income for the Dedicated Schools Grant for 2017/18 and to highlight major variances.

2. Information and Analysis

2.1 General

This report provides an analysis of the latest forecast year-end position for 2017-18 prepared during December 2017.

The current forecast year-end position for Children's Services expenditure funded by the Council is an overspend of £6.838 million, an increase of £0.397 million from the previous reported projection due to a further increase in the expenditure pressures driven mainly by increased numbers of children in care and children in need and an increase in the projected expenditure on transport for children with additional educational needs.

The residual Children's Services prior year underspend is able to contribute £2.053 million towards this overspend leaving £4.785 million to be met from the Council's general reserve. The department is committed to implementing the budget reductions agreed by Council and will continue to control spend by other measures such as vacancy control. However, increases in demand for

statutory services have exceeded the capacity of the current Children's Services budget for some years.

A breakdown by service area is attached as Appendix 1.

2.2 Children's Services Budgets – major variances

The forecast overspend is £6.838 million which assumes that the numbers of children in care remain unchanged and that staff remain in post until the end of the financial year unless it is already known that they are leaving.

In addition to strict vacancy control measures, actions that are being taken by officers include:

- Delivery of budget reductions when agreed by Cabinet.
- Increasing income to Children's Services by trading and maximising the use of other grants such as funding for adoption and assistance to troubled families
- A determined focus and challenge to all expenditure by senior managers within Children's Services with a comprehensive review of all spend.

The performance of the department against the allocated budget and the main reasons for the overspend are detailed below:

Early Help & Safeguarding

£7.272 million overspend

Demand for statutory services has been increasing over recent years and the gap between the budget allocated and the amount required to be spent to deliver safe services has been growing. Reasons for this include:

- Increased numbers of children in care
- Increased numbers of referrals
- Increased complexity and number of care proceedings
- Increased number of placements required for children with complex and more severe needs.
- Greater number of children living with family members but financially supported by the Authority.
- Although reducing, use of more expensive agency staff to ensure safe caseloads are maintained is still a contributory factor to the overspend.

Budget reductions have been applied to the service predicated on being able to reduce the demand for provision. With the increase in demand, this has exacerbated the overspend. In addition, support from Public Health of £0.946 million towards the operation of Children's Centres was withdrawn following a reduction to that grant; a corresponding reduction in spend on Children's Centres driven by that decision has not yet been made, and this will be looked at within the 0-5 review taking place.

This overspend is net of projected underspends of £1.812 million across Multi-agency team workers, Children's Centre staff and Youth workers where vacancies are unfilled. The projected underspends have increased by £0.120 million since the previous report.

The projected overspend for Early Help & Safeguarding has reduced by £0.248 million compared to that previously reported. Increases in the anticipated spend on legal costs associated with taking children into care and payments to disabled children and families in need have been more than offset by a reduction in the anticipated spend on Independent Fostering Agency placements and projected spend on Social Work teams

Child Protection

£0.137 million overspend

The number of children with a child protection plan and the number of referrals of children has increased the workload of the service leading to additional staff being employed to meet safe working standards. The projected overspend has reduced since the previous report.

Advisory Service

£0.780 million overspend

The budget for the service has been reduced and the service will be supported by grant income and traded income in future. The service is anticipated to overspend as working practices change and schools adjust to the provision of a traded offer. This overspend is being covered by an earmarked reserve and use of that reserve has already been reflected in the department's projected total overspend of £6.838 million.

Home to School Transport – SEN and Post-16

£0.502 million overspend

In recent years, expenditure on transport of pupils to Derbyshire Special Schools has been increasing due to both the number of children and the more specialised nature of the transport to meet their travelling needs. For 2017/18, an increase is also projected on transport to Special Schools provided by other local authorities.

Finance/HR/Information & ICT/Business Services £0.879 million underspend

Non front-line services are collectively underspent due to vacancies being held where possible. The projected underspend has increased since the previous report.

Budget Reductions still to be achieved

£0.285 million overspend

Unallocated ongoing budget reductions in 2017/18 are £3.184 million which is being offset during the year since not all of the 2017/18 growth allocation made to Children's Services will be spent in 2017/18. The unallocated budget

reductions will increase to £6.677 million for 2018/19. This is because a one-off budget allocation of £3.493 million has been made for 2017/18 to cover the gap between the budget reduction allocated to Children's Services and the total budget reductions which have been identified.

Allocations from Grants

£0.090 million overspend

The overspend is due to a shortfall in the re-pooling of contributions from schools and academies towards the Early Help offer. This is net of one-off budget support of £1.200 million to cover the early years element of the total contribution which was not agreed by Schools Forum. Now that schools have made decisions on re-pooling funds, the department is working on reshaping services in line with the level of available resources. The projected overspend has decreased since the previous report due to late notification by some schools of their decisions to re-pool.

Capital Adjustment

£0.671 million underspend

During 2016/17, reconciliation of capital allocations to projects was initiated and an overspend of £0.671 million was identified by the end of the year. This was funded by Children's Services' revenue account. During 2017/18, the full reconciliation is almost concluded and that funds will be returned to Children's Services.

Catering Service

£0.169 million underspend

The service is now projecting an increased contribution compared to that previously reported due mainly to higher sales in Secondary Schools than projected in the plan. Although an underspend is projected for 2017/18, the service is anticipating increased food costs and wages which will erode this.

2.3 Progress on delivery of budget reductions

Children's Services was allocated budget reductions of £9.656 million for 2017/18 of which £3.493 million has been abated for one year with a one-off budget allocation.

Of the £6.163 million budget reductions to be delivered in 2017/18, it is estimated that £4.623 million has been achieved. This does not take account of any additional unfunded pressures on Children's Services that have continued to emerge during 2017/18 and therefore erode the impact of the budget reductions that have been achieved. All but £0.188 million of the remaining reductions are expected to be achieved during 2018-19.

Although some further budget reductions have been identified for future years (and are detailed in the report to Cabinet 'Revised budget 2017-18 and five year financial plan'), at the time of writing it has not been determined whether

these are to be set against bringing the Children's Services department spend back in line with budget, or, the remaining £3.493 million of budget reductions for 2017-18 that have been abated for one year or against any future budget reductions are to be allocated to the department as part of the Authority's 2018-19 budget setting.

2.4 Unaccompanied Asylum Seeking Children (UASC)

The current projected expenditure on Unaccompanied Asylum Seeking Children placements is £0.279 million, net of grant funding from the Home Office. This is within the current budget allocation. The number of Unaccompanied Asylum Seeking Children (UASC) supported by the Council as at mid-December 2017 is 35, of which 25 have transferred to Derbyshire from other local authorities or direct from abroad. The UASC Social Work team retain case-holding responsibility for former UASC who have reached the age of 18 and beyond but who do not yet have long-term asylum status. For some, this can entail significant costs. At the time of writing, the scheme to move young people direct from camps in Europe (Dubs amendment), had just restarted. Recent analysis across East Midlands has shown that present Home Office funding levels cover just over half (54.8%) of the average costs incurred by local authorities in our region.

2.5 Dedicated Schools Grant

Overall, expenditure of £426.757 million is projected against a grant of £423.117 million plus use of previous years' unspent grant income (£4.535 million), a net underspend of £0.895 million. An analysis of expenditure by service area is attached as Appendix 2.

Of the net underspend, £0.243 million overspend is projected on de-delegated budgets of mainstream schools, due mainly to overspending on Trade Union representation, insurance and contingency support to secondary schools. This is partly offset by a projected underspend for primary schools contingency. It is intended that the Schools Forum be asked that any net overspend on these budgets be offset against the accumulated reserves from previous years' de-delegated budgets, which currently stand at £0.859 million.

An underspend of £1.585 million is projected on Early Years block budgets of which £1.395 million is the projected underspend on actual payments for hours attended to schools, academies and PVI settings for 2, 3 and 4 year-olds at those settings. The DSG Early Years block allocation and budget has been set based on the DfE's expected attendance hours based on the January 2015 and 2016 census data and an estimate of the take-up of the additional 15 hours available to working parents. The DfE will recalculate the amount of DSG due to the Authority in July 2018 based on the January 2016 and January 2017 census data and there is likely to be a claw-back of this underspend.

High Needs Block budgets are projected to overspend by £0.856 million. Assuming that the majority of the Early Years block underspend is needed to meet any future DfE adjustment to the DSG in 2018-19, the projected High Needs Block overspend would have to be covered from the residual DSG balance which currently stands at £3.162 million.

The most significant area of overspend is on top-up payments for special school placements provided by other local authorities and independent and non-maintained schools. Projected expenditure is £8.879 million and reflects that expenditure on places at independent and non-maintained schools has been growing by 5.4% per year on average over the last four years and expenditure on top-ups at other local authority special schools has increased by almost 28% per year on average over each of the last four years.

In addition, post-16 top-ups are also projected to overspend by £0.471 million. The overspend is mainly on the top-ups paid to further education colleges and relates to additional places at Derby College for 2016-17 and 2017-18 which were not agreed by the college with the Authority until 2017-18.

3. Other Considerations

In preparing this report the relevance of the following factors has been considered: prevention of crime & disorder, equality of opportunity, human resources, legal & human rights, social value, environmental, health, property and transport considerations.

4. Key Decision?

No.

5. Background Papers

Budget monitoring files held in Children's Services Accountancy.

6. Officer's Recommendations

That the Cabinet Member notes the outcome of the latest budget monitoring and Dedicated Schools Grant projections for 2017/18, and that progress on delivery of budget reductions is noted.

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Director of Finance and ICT

Children's Services - Financial Monitoring (prepared December 2017) Appendix 1

| | Full year budget 2017/18 £ million | Forecast year end actual 2017/18 £ million | Forecast year end (Under)/Over spend 2017/18 £ million |
|--|---|---|---|
| Budget reductions unapplied | -1.048 | -0.764 | 0.284 |
| Grants & funding from Dedicated Schools Grant | -21.290 | -21.200 | 0.090 |
| Pension Commitments from previous years & redundancy costs | 5.129 | 5.222 | 0.093 |
| SMT & Resources | 3.033 | 2.862 | -0.171 |
| Safeguarding & Early Help | 70.732 | 78.004 | 7.272 |
| Schools & Learning | 25.851 | 27.201 | 1.350 |
| Performance, Quality & Partnerships | 6.974 | 6.617 | -0.357 |
| Countywide Commissioning | 3.116 | 3.071 | -0.045 |
| Use of reserves | 1.007 | 0 | -1.007 |
| Temporary savings identified at start of year | 0.671 | 0 | -0.671 |
| TOTAL | 94.175 | 101.013 | 6.838 |

Children's Services - Financial Monitoring (prepared December 2017) Appendix 2

| | Allocated Resources (£ million) | Expenditure / (Income) (£ million) | (Under) / over (£ million) |
|--|--|---|---|
| High Needs | | | |
| High Needs Block Top-ups | 36.959 | 38.223 | 1.264 |
| High Needs Block - Special School and PRU budgets | 12.266 | 12.266 | 0.000 |
| High Needs Block central services & other | 16.312 | 15.904 | -0.408 |
| | | | |
| Schools Block & Central | | | |
| Other Central Schools Block budgets | 4.549 | 4.564 | 0.015 |
| School KS1 class size fund | 1.100 | 1.100 | 0.000 |
| Schools' re-pooled budgets | 4.641 | 4.884 | 0.243 |
| Individual School Budgets (Mainstream, maintained only) | 310.427 | 310.427 | 0.000 |
| | | | |
| Early Years | | | |
| Central Early Years | 2.328 | 2.136 | -0.192 |
| 2 year-olds' provision | 4.644 | 5.078 | 0.434 |
| 3 & 4 year-olds in Private Voluntary and Independent (PVI) settings, schools and Academies | 32.994 | 31.165 | -1.829 |
| Nursery Schools allocated budgets | 1.008 | 1.010 | 0.002 |
| | | | |
| Grant Income | | | |
| 2017/18 DSG + post-16 grant | -422.693 | -423.117 | -0.424 |
| Drawdown from reserves | -4.535 | -4.535 | 0.000 |
| | | | |
| Total | 0.000 | -0.895 | -0.895 |