

DERBYSHIRE COUNTY COUNCIL

CABINET MEMBER FOR YOUNG PEOPLE

4 September 2018

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

CHILDREN'S SERVICES SPENDING 2018/19

1 Purpose of the Report

To inform the Cabinet Member of the results of the latest Children's Services budget monitoring for 2018/19 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 2018/19 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 2018-19 prepared during July 2018.

The current forecast year-end position for Children's Services expenditure funded by the Council is a £0.444 million overspend against allocated budget. As the department has no uncommitted earmarked reserves, this projected overspend would be a charge at year end against 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. Increases in demand for statutory services have exceeded the capacity of the current Children's Services budget for some years and the additional funding approved by Council for 2018/19 has ensured that the projected overspend is much lower than the £6.389 million overspend reported for 2017/18.

A breakdown by service area is attached as Appendix 1.

2.2 Children's Services Budgets – major variances

The forecast overspend is £0.444 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. It should be noted that the overspends within Safeguarding and Early Help are closely linked to rising numbers of children in care and in need and recruitment of staff with specialist skills such as Social Workers both of which are identified as risks on the Children's Services Risk Register.

Unallocated Budget

£6.670 million underspend

Of the total underspend, £3.485 million is due to the balance of budget allocated for Social Care Recruitment in 2018/19 which is not anticipated to be spent in 2018/19. The budget will be allocated to Social Care teams during 2019/20 in line with the recruitment of additional Social Workers. A further £0.339 million is the balance of budget allocated in 2018/19 for Unaccompanied Asylum Seeking Children (UASC) which is not expected to be spent in 2018/19 based on current numbers of UASC being supported in Derbyshire. A residual balance of £0.667million from the demographic growth allocated to Children's Services is held here, pending decisions on which overspends to apply this against. Children's Services was also allocated £0.402 million for the additional duties in respect of Care Leavers – this budget will be allocated to the service once the changes to the current offer to care leavers have been finalised and approved. The residual balance is due to further reductions to budgets that have been made as a result of efficiencies.

SMT & Resources

£0.165 million overspend

The largest element of this overspend is additional senior management capacity to backfill a manager who has spent the last 18 months working closely with health partners and other local authorities on joint commissioning

of Children's Services. There is also a projected overspend on Finance where income from Traded Services is projected to be below budget due to the expected conversion of schools to Academy status during the year.

Safeguarding and Early Help

£6.561 million overspend

The overspend is due to:

Increased numbers of children in care which have increased from 682 at the start of October 2017 to 743 as at August 2018. This has increased the demand for placements especially those provided externally. Expenditure on Agency Residential placements cost £200,000 per annum on average and the projected overspend is £1.022 million. Agency Fostering placements cost approximately £43,000 per annum on average and there is a projected overspend of £1.709 million.

Children's Homes are projected to overspend by £0.477 million. The overspend is due to the additional costs of providing staff who are awake in the homes overnight to ensure that children with challenging behaviours are appropriately supervised.

Social Care Teams are projected to overspend by £1.781 million. This is due to the additional costs incurred as a result of employing agency staff rather than permanent employees. Agency staff are being employed as a temporary measure until recruitment has taken place and to provide a short-term solution to ensuring that there is an appropriate mix of experienced and newly qualified social workers in each locality.

Legal Charges are expected to be overspent by £0.673 million due to the increased costs of proceedings – both court process fees and the use of barristers to present cases on the Authority's behalf. This is due to the complex nature of cases and the increase in the number of proceedings.

Offsetting these overspends, there are underspends in the Early Help services due to vacancies of £1.106 million and an underspend of £1.101 million against the allocation for UASC where the number of placements required to date this year is fewer than estimated when the budget was set.

Schools and Learning

£1.242 million overspend

Home to School Transport – SEN is projected to overspend by £1.081 million. This is due to a shortfall between the budget currently allocated to the service and the expected expenditure which has increased significantly since 2016/17. During 2017/18, temporary budget support of £1.290 million was allocated to Children's Services for Home to School Transport. Although the department is working on proposals to reduce expenditure, these are not anticipated to

deliver reductions in expenditure until 2019/20 at the earliest, due to the need for consultation and advance notice of policy changes to parents/carers.

Sport and Outdoor Education service is projected to overspend by £0.222 million. Although the service has a number of actions to reduce net expenditure further during 2018/19, these have not yet been confirmed so are not reflected in this current projected outturn.

Countywide Commissioning £0.385 million overspend

The overspend is due to a greater number of complex placements being allocated to the joint pooled budget with health partners which exceeds the capacity of the pooled funds. The amount shown represents the Authority's share of the projected overspend.

Pay Award budget allocation £1.260 million underspend

At the time of the forecast being prepared, local government-employed staff had received their April pay rise, however the allocation of the additional budget to fund this increase in costs was not able to be distributed to individual budgets before this forecast was prepared. This has now been done and will be reflected in the next forecast reported to the Cabinet Member.

2.3 Progress on delivery of budget reductions

Children's Services was allocated budget reductions of £2.906 million for 2018/19. Budget reductions have been identified and allocated to services for the total reduction, and it is estimated that £2.249 million will be achieved in 2018/19 with £1.722 million of these confirmed and reflected in the outturn projections, and a further £0.527 million that are expected to be achieved during the year, however a full year effect is not expected in 2018/19. This is because either the actions will not take place until the second half of the year or that demand pressures are already occurring which is eroding the value of any reduction in expenditure. Actions to deliver a further £0.470 million have also commenced and it is anticipated that these savings will start to materialise in 2019/20.

Budget reductions totalling £0.355 million in SEN staffing structures and various Youth participation activities are now not being progressed at this stage. Although the Catering Service expects to achieve increased savings, this is required to offset anticipated additional costs within the service due to pay and food inflation.

2.4 Growth Allocations to Children's Services 2018-19

Children's Services received additional allocations to its revenue budget for 2018-19. A summary of the allocations received and their utilisation is shown below:

Children's Services Demographics - £7.000m plus one-off funding of £4.000m

This allocation has been applied to close the gaps between demand-led expenditure in Children's Services and the budget allocation. This gap had previously been managed by applying reserve funding from underspends generated in prior years however the funds available during 2017/18 were insufficient to cover the department's overspend of £6.389 million.

Children's Social Care Remodelling - £1.300m plus one-off funding of £4.000m

A recruitment plan utilising this growth has been prepared and new Social Workers are expected to be joining the Authority from September to help bring caseloads down to the levels expected by Ofsted.

Unaccompanied Asylum Seeking Children - £1.000m

At the time of writing, 35 UASC are in the care of the Authority with a further 3 placements that have now ended. The number of UASC care leavers being supported by the Authority in accommodation is 15, however there are approximately a further 20 care leaver UASC known to the Authority who will receive support from services as needs arise. The Home Office grant is currently projected to cover 92% of placement costs. In addition, the Authority is incurring other costs of £0.532 million supporting UASC and the associated overheads of this support. This is funded by the budget allocation from the Council.

Care Leavers - £0.402m (one-off)

A review of the offer to care leavers and how it is provided is underway. This will inform how the Authority intends to fulfil its additional duties for Care Leavers and the design of the future offer to care leavers.

Child Protection Staff - £0.150m (one-off)

Staff are now in post. In addition, processes are being reviewed so that the Authority ensures that child protection plans are robust, appropriate and that intended outcomes are clear and measurable.

Organisation models for small schools £0.380m (one-off, for two years)

The department is continuing with its targeted 'Team Around the School' meetings based on projections of both school expenditure and school funding. These ensure that 'at risk' schools are identified early and the department

engages with governor's and school leaders to ensure a robust financial recovery plan is in place, that appropriate HR actions are taken and that impact on the curriculum offer for the pupils of the school is also assessed.

2.6 Dedicated Schools Grant

Overall, expenditure of £410.393 million is projected against income plus use of reserves totalling £409.782 million, a net overspend of £0.611 million. An analysis of expenditure by service area is attached as Appendix 2.

Of the net overspend, £0.303 million underspend is projected on de-delegated budgets of mainstream schools due to projected expenditure on reimbursing maternity leave costs to primary schools being below budget. It is intended that the Schools Forum be asked that the outturn on these budgets be combined with the accumulated reserves from previous years' de-delegated budgets, which currently stand at £1.213 million. These reserves will be used to fund any projected overspends on de-delegated budgets or could allow a reduction in contribution rates in future years.

An underspend of £0.025 million is projected on Early Years block budgets. The DSG Early Years block budget and forecast has been set based on the DfE's expected attendance hours based on the January 2017 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 2019 based on the January 2018 and January 2019 census data.

High Needs Block budgets are projected to overspend by £1.109 million. Assuming that the re-pooled budget underspend is ring-fenced to maintained schools, the projected High Needs Block overspend would have to be covered from the residual DSG balance.

The most significant area of overspend is on top-up payments for post-16 placements at colleges and independent providers, and is due to the impact of a number of tribunal decisions and an increase in the number of learners or the number of hours' provision for learners, compared with the expectation when the plan was set.

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 2018/19, and that progress on delivery of budget reductions is noted.

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Children's Services - Financial Monitoring (prepared July 2018) Appendix 1

	Full year budget 2017/18 £ million	Forecast year end actual 2017/18 £ million	Forecast year end (Under)/Over spend 2017/18 £ million
Unallocated budget (Social Worker & Care Leaver Growth)	5.947	-0.723	(6.670)
Grants & funding from Dedicated Schools Grant	(4.068)	(4.068)	-
Pension Commitments from previous years & redundancy costs	5.120	50.173	0.053
SMT & Resources	2.182	2.347	0.165
Safeguarding & Early Help	64.064	70.625	6.561
Schools & Learning	16.776	18.018	1.242
Performance, Quality & Partnerships	6.336	6.304	(0.032)
Countywide Commissioning	3.046	3.431	0.385
Pay Award budget allocation	1.260	-	(1.260)
TOTAL	100.663	101.107	0.444

Children's Services - Financial Monitoring (prepared July 2018) Appendix 2

	Allocated Resources (£ million)	Expenditure / (Income) (£ million)	(Under) / over (£ million)
High Needs			
High Needs Block Top-ups	38.929	39.790	0.861
High Needs Block - Special School and PRU budgets	12.071	12.071	-
High Needs Block central services & other	15.634	15.882	0.248
Schools Block & Central			
Other Central Schools Block budgets	4.470	4.482	0.012
School KS1 class size fund	1.101	1.101	-
Schools' re-pooled budgets	5.670	5.367	-0.303
Individual School Budgets (Mainstream, maintained only)	287.114	287.114	-
Early Years			
Central Early Years	2.164	2.139	-0.025
2 year-olds' provision	4.840	4.840	-
3 & 4 year-olds in Private Voluntary and Independent (PVI) settings, schools and Academies	36.664	36.664	-
Nursery Schools allocated budgets	0.945	0.945	-
Grant Income			
2018/19 DSG + post-16 grant + reserves drawn down in year	-409.602	-409.782	-0.180
Total	0.000	0.613	0.613