

DERBYSHIRE COUNTY COUNCIL

CABINET MEMBER FOR YOUNG PEOPLE

4 December 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 October 2018.

The current forecast year-end position for Children's Services expenditure funded by the Council is a £3.164 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 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 £3.164 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

£3.132 million underspend

Of the total underspend, £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 of which £0.337 million is yet to be allocated. 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 other efficiencies.

SMT & Resources

£0.216 million underspend

There is a projected overspend of £0.159 million which is partly due to 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. Offsetting this, there are projected underspends on Finance and HR due mainly to lower projected staffing costs

Safeguarding and Early Help

£4.834 million overspend

The overspend is due to:

Increased numbers of children in care which have increased to 744 as at end September 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 £2.317 million. Agency Fostering placements cost approximately £43,000 per annum on average and there is a projected overspend of £2.168 million.

A number of children are placed with extended family who are then supported by Special Guardianship payments. These generally continue until a child turns 18 and the total expenditure on this is increasing year to year. The latest projections for 2018/19 are an overspend of £0.520 million.

There is increasing pressure for support to disabled children due to the needs and number of children assessed as eligible for support. Additional costs are being incurred in meeting this need and have led to a projected overspend of £1.494 million.

Children's Homes are projected to overspend by £0.309 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. The overspend is lower than in 2017/18 due to the temporary closure of one home while it is being re-developed into more specialist in-house provision.

Social Care Teams are projected to underspend by £1.410 million. The 2018/19 budget was increased by £5.300 million for additional Social Workers, not all of which have yet been appointed. The department has incurred extra costs due to the premium paid using agency Social Workers to keep appropriate skill mixes across the teams of Social Workers, however the costs of this has been kept within the overall budget allocation.

Legal Charges are expected to be overspent by £0.939 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.

There are projected underspends in the Early Help services due to vacancies of £1.520 million.

Schools and Learning

£1.886 million overspend

Home to School Transport – SEN is projected to overspend by £1.184 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.

Adult and Community Education is projected to overspend by up to £0.360 million due to notification of grant clawback relating to academic year 2017/18. The service is re-planning to mitigate against the impact of this and anticipates being able to reduce this overspend by the close of the financial year.

Countywide Commissioning

£0.195 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.

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 £2.686 million will be achieved in 2018/19 with £2.476 million of these confirmed and reflected in the outturn projections, and a further £0.210 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.

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 now joining the Authority to help bring caseloads down to the levels expected by Ofsted.

Unaccompanied Asylum Seeking Children - £1.000m

At the time of writing, 36 UASC are in the care of the Authority with 6 placements that have ended. The number of UASC care leavers being supported by the Authority in accommodation is 10. The Home Office grant is currently projected to cover 61% of total costs of placements and other support to UASC with the balance estimated at £0.583 million being 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 has been undertaken and the department is now developing the specification of its revised offer to children in care 16+ and 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 Risks

The main risks which could impact on the portfolio's outturn position are:

Service	Risk	Sensitivity* £m	Likelihood (1 = Low, 5 = High) (1-5)
Schools & Learning	School deficits transferred to the Local Authority when becoming an Academy.	£0.2m	4
Early Help & Safeguarding – placement costs	Impact of both increased number and higher individual costs of children entering care, including UASC.	£0.8m	4
Department wide	Data security breaches and the subsequent risk of serious damage to reputation and financial impact if fines are imposed.	£0.2m	3
Department wide	Serious systemic Health and Safety failure, leading to prosecution	£0.5m	2.5
Early Help & Safeguarding - Starting Point	<p>Starting Point is the Children's Services contact and referral service and is responsible for the screening and triage of all contacts in respect of child protection, children in need and emerging needs.</p> <p>If the ability to operate from the current building was removed, for any reason, there would be a serious risk to direct service provision.</p>	£0.5m	3
Performance & Quality – Child Protection	We have seen a rising trend in the rates of children placed on child protection plans/child in need plans. There is a risk that this continues, putting pressure on services and leading to increased spending above the department's allocated budget envelope.	£0.1m	4

Service	Risk	Sensitivity* £m	Likelihood (1 = Low, 5 = High) (1-5)
Schools & Learning – Catering/Sport & Outdoor Residential or Early Help & Safeguarding – Children’s Homes	Outbreak of major food poisoning e.g. E.Coli outbreak.	£0.2m	2
Early Help & Safeguarding – Social Care teams	Failure to recruit and retain experienced social workers leading to more use of Agency staff	£0.5m	5
Schools & Learning – Home to School Transport SEN and Dedicated Schools Grant High Needs Block	Increase in number and complexity of children with high educational needs that require a contribution by the Authority for educational provision and/or transport to that provision	£1.0m	4

*Sensitivity indicates possible impact on 2018-19 outturn if the event occurred

2.7 Dedicated Schools Grant

Overall, expenditure of £396.627 million is projected against income plus use of reserves totalling £394.607 million, a net overspend of £2.020 million. An analysis of expenditure by service area is attached as Appendix 2.

Of the net overspend, £0.178 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 overspend of £0.345 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. The overspend is due mainly to a greater spend on provision of hours for 2 year-olds than the allocation from the DfE will fund.

High Needs Block budgets are projected to overspend by £1.842 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 reserves balance.

The most significant areas of overspend are on top-up payments for post-16 placements at colleges and independent providers and on expenditure of pre-16 pupils at independent or non-maintained special schools or other LA providers. 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, are factors leading to this overspend.

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 October 2018) Appendix 1

	Full year budget 2018/19 £ million	Forecast year end actual 2018/19 £ million	Forecast year end (Under)/Over spend 2018/19 £ million
Budget reductions unapplied	3.045	-0.087	-3.132
Grants & funding from Dedicated Schools Grant	-3.996	-4.100	-0.104
Pension Commitments from previous years & redundancy costs	5.120	5.159	0.039
SMT & Resources	1.703	1.487	-0.216
Safeguarding & Early Help	68.802	73.636	4.834
Schools & Learning	16.684	18.570	1.886
Performance, Quality & Partnerships	6.440	6.102	-0.338
Countywide Commissioning	3.060	3.255	0.195
Pay Award budget allocation	0.000	0.000	0.000
TOTAL	100.858	104.022	3.164

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

	Allocated Resources (£ million)	Expenditure / (Income) (£ million)	(Under) / over (£ million)
High Needs			
High Needs Block Top-ups	38.268	40.068	1.800
High Needs Block - Special School and PRU budgets	9.522	9.522	0.000
High Needs Block central services & other	16.284	16.326	0.042
Schools Block & Central			
Other Central Schools Block budgets	4.470	4.482	0.012
School KS1 class size fund	1.101	1.1	-0.001
Schools' re-pooled budgets	5.533	5.355	-0.178
Individual School Budgets (Mainstream, maintained only)	277.802	277.802	0.000
Early Years			
Central Early Years	2.164	2.045	-0.119
2 year-olds' provision	4.840	5.143	0.303
3 & 4 year-olds in Private Voluntary and Independent (PVI) settings, schools and Academies	33.678	33.839	0.161
Nursery Schools allocated budgets	0.945	0.945	0.000
Grant Income			
2018/19 DSG + post-16 grant	-391.502	-391.502	0.000
Total	3.105	5.125	2.020