

**DERBYSHIRE COUNTY COUNCIL**

**CABINET MEMBER FOR YOUNG PEOPLE**

**5 February 2019**

**Joint 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 November 2018.

The current forecast year-end position for Children's Services expenditure funded by the Council is a £4.321 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 £4.321 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 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.

### **Uncommitted Budget**

£0.971 million underspend

Of the total underspend, £0.161 million is due to drawdown of an earmarked reserve where the resources are no longer required for the original purpose. A further £0.538m relates to the contribution received by Children's Services from the Home Office for the costs of providing accommodation for Unaccompanied Asylum Seeking Children within either DCC Children's Homes or within its block contract purchased supported accommodation. As these costs are already part of the Children's Services budget, reimbursement by the Home Office grant reduces the net costs of this provision to the Authority. The residual balance is mainly due to further reductions to budgets that have been made as a result of other efficiencies.

### **SMT & Resources**

£0.184 million underspend

There is a projected overspend of £0.162 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

£3.809 million overspend

The net overspend is due to:

Increased numbers of children in care which have increased to 770 as at the end of December 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 £1.793 million. Agency Fostering placements cost approximately £43,000 per annum on average and there is a projected overspend of £2.242 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 £0.537 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 £1.761 million.

Children's Homes are projected to overspend by £0.329 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.

Legal Charges are expected to be overspent by £1.299 million due to the increased costs of representation in care proceedings. This is due to the complex nature of cases and the increase in the number of proceedings and also includes approximately £0.500 million of payments relating to work undertaken in 2017/18.

There is a shortfall of £1.328 million against income re-pooled from school budgets to contribute to the Early Help services.

These overspending budgets are offset by:

Social Care Teams are projected to underspend by £2.195 million. The 2018/19 budget was increased by £5.300 million for additional Social Workers, not all of whom 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.

There are projected underspends in the Early Help services due to vacancies of £1.430 million.

The budget allocated towards the expected net costs of supporting Unaccompanied Asylum Seeking Children is underspent by £0.858 million. This is due to the lower numbers transferring to Derbyshire from other Authorities.

The drawdown of Troubled Families grant to contribute to the costs of the Early Help teams working with these families is £0.800 million higher than the current budget assumes. This is to help reduce the projected overall Children's Services overspend.

#### Schools and Learning

£2.048 million overspend

Home to School Transport – SEN is projected to overspend by £1.917 million. This is mostly 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. In addition, the Authority has re-examined its approach to transport costs for pupils who attend PRUs. The costs of transport from home to PRU is now being charged to the Authority and this has added an estimated £0.450 million to these transport costs. These costs were previously charged to the Dedicated Schools Grant High Needs Block.

The next, most significant overspend, is against the teams that assess and review children with Education, Health and Care plans or that require informal additional support within schools. There has been a rise in the number of children with an Education Health and Care plan and this, coupled with increased complexity of the work in completing plans, has led to additional staffing costs to respond to the current workload. The projected overspend is £0.293 million.

#### Countywide Commissioning

£0.132 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 £2.219 million will be achieved in 2018/19 with £2.010 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. The one-off funding is being converted to base budget funding over future years.

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 28.

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:

<b>Service</b>	<b>Risk</b>	<b>Sensitivity* £m</b>	<b>Likelihood (1 = Low, 5 = High) (1-5)</b>
Schools & Learning	School deficits transfer 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 breach 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

<b>Service</b>	<b>Risk</b>	<b>Sensitivity* £m</b>	<b>Likelihood (1 = Low, 5 = High) (1-5)</b>
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
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

<b>Service</b>	<b>Risk</b>	<b>Sensitivity* £m</b>	<b>Likelihood (1 = Low, 5 = High) (1-5)</b>
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 who require a contribution by the Authority for educational provision and/or transport to that provision	£0.5m	4

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

## **2.7 Dedicated Schools Grant**

Overall, expenditure of £394.903 million is projected against income plus use of reserves totalling £392.534 million; a net overspend of £2.369 million. An analysis of expenditure by service area is attached as Appendix 2.

Of the net overspend, £0.131 million overspend is projected on de-delegated budgets of mainstream schools. There are overspends projected on contingency allocations to secondary schools and on the re-pooled insurance cost. 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 the projected overspend on de-delegated budgets or could allow a reduction in contribution rates in future years.

An overspend of £0.171 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 £2.053 million. The Department for Education announced additional High Needs Block funding in late-December 2018 for 2018/19 and for 2019/20. Derbyshire's allocation is £1.599m for each year. The amount receivable in 2018/19 will be applied against the projected High Needs Block overspend for 2018/19 leaving an



overspend of £0.454 million which will be met 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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**Strategic Director for Children's Services**

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**Director of Finance and ICT**

**Children's Services - Financial Monitoring (prepared November 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
Uncommitted budget	0.761	-0.210	-0.971
Grants & funding from Dedicated Schools Grant	-3.996	-4.100	-0.104
Pension Commitments from previous years & redundancy costs	5.124	5.155	0.031
SMT & Resources	1.703	1.519	-0.184
Safeguarding & Early Help	71.155	74.964	3.809
Schools & Learning	16.603	18.651	2.048
Performance, Quality & Partnerships	6.440	6.000	-0.440
Countywide Commissioning	3.060	3.192	0.132
<b>TOTAL</b>	100.850	105.171	4.321

**Dedicated Schools Grant - Financial Monitoring (prepared November 2018)**  
**Appendix 2**

	<b>Allocated Resources (£ million)</b>	<b>Expenditure / (Income) (£ million)</b>	<b>(Under) / over (£ million)</b>
<b>High Needs</b>			
High Needs Block Top-ups	38.268	40.160	1.892
High Needs Block - Special School and PRU budgets	9.522	9.522	0.000
High Needs Block central services & other	16.284	16.445	0.161
<b>Schools Block &amp; Central</b>			
Other Central Schools Block budgets	4.470	4.485	0.015
School KS1 class size fund	1.101	1.100	-0.001
Schools' re-pooled budgets	5.484	5.615	0.131
Individual School Budgets (Mainstream, maintained only)	275.778	275.778	0.000
<b>Early Years</b>			
Central Early Years	2.164	2.045	-0.119
2 year-olds' provision	4.630	5.143	0.503
3 & 4 year-olds in Private Voluntary and Independent (PVI) settings, schools and Academies	33.888	33.665	-0.223
Nursery Schools allocated budgets	0.945	0.945	0.000
<b>Grant Income</b>			
2018/19 DSG + post-16 grant	-389.429	-389.429	0.000
<b>Total</b>	<b>3.105</b>	<b>5.474</b>	<b>2.369</b>