

MEETING:	CHILDREN'S SERVICES SCRUTINY COMMITTEE
DATE:	1 OCTOBER 2010
TITLE OF REPORT:	REVENUE BUDGET MONITORING REPORT 2010/11
PORTFOLIO AREA:	CHILDREN'S SERVICES

Wards Affected

County-wide

Purpose

To report on the monitoring of the Children's Services revenue budget for 2010/11 at the end of quarter one. To provide comparisons to 2009/10 budget and outturn so that Scrutiny Committee can assess and comment upon the budget management of Children's Services.

Recommendations

THAT the Committee comments and scrutinises the figures contained herein.

Key Points Summary

- The current projected outturn is an over-spend of £590k. This is largely due to increased pressures within Safeguarding, particularly the need to use independent provision to meet the needs of children and young people, and related spending on children with complex needs.
- The financial constraints are increasing and pose particular challenges for Children's Services where much of the work is statutory in nature and in many cases has been grant funded until now. Some grants have already been cut or un-ringfenced and further changes are anticipated to come into effect from April 2011.
- The proposed restructure model of the Children and Young People's Directorate (CYPD) has been completed and is in consultation from 8th September to 7th October 2010. The restructure will rationalise service delivery to re-focus available resources and deliver savings to meet the anticipated cuts from the autumn strategic spending review.
- The current restructure will not be the final outcome and further changes are expected over the next two to three years as additional service changes are made to meet the new focus and financial constraints of the new government.
- The budget setting process for CYPD for 2010/11 included a full review of all budgets and resulted in revised budgets reflecting a more accurate budgeted cost of the service delivery. A savings target of £857k was included within the central directorate budget (3.6% of total budget).
- The interim Director of Children's Services (DCS) tasked all Heads of Service with finding 10% savings and these have more than covered the savings target but are not sufficient

Further information on the subject of this report is available from
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to cover the additional pressures largely due to increasing numbers of children and young people requiring independent provision. The savings comprise a combination of vacancy management, contract reviews and seeking opportunities to generate income for services where appropriate. In respect of income generation it is anticipated that the benefits from this will arise in 2011 and beyond.

- The 2009/10 financial year showed an average increase in numbers of children in either agency fostering or residential placements of 9 from 30.8 for 2008/09 to 39.8 for 2009/10, a 29% increase. Figures for April to July of 2010/11 show a further average increase of 1.4 children (3.5%), however this does not yet include two sibling groups (each comprising 3 children) who were placed in independent placements during August.
- Some grants and funding bodies have already been stopped by the new government and many grant funding streams are due to end at 31 March 2011. Decisions by the new government which may affect either the continuation of grants or levels of funding going forward will follow the outcome of the comprehensive spending review. Further changes are inevitable but cannot be predicted at the current time.

Alternative Options

- 1 This report is a monitoring report for the committee to scrutinise and comment upon.

Reasons for Recommendations

- 2 To enable Scrutiny Committee to carry out its function in relation to the Children's Services revenue budget for 2009/10.

Introduction and Background

- 3 Appendices A to C provide an overview of the budget sources and areas of expenditure. With 2009/10 comparative figures.
- 4 For additional information Appendix D shows in a graphical format the changing profile for numbers of looked after children and proportion of local authority spend (budget and forecast by service delivery area).

Key Considerations

- 5 In the following figures it should be noted that the corporate recharges and the related budgets are only allocated at the end of the financial year. The tables in Appendices A-C show comparisons for 2010/11 versus 2009/10 reports last year excluding corporate recharges for ease of comparison.
- 6 Please note that to ensure consistency with other corporate reports all overspends have been shown in brackets (), under-spends are shown as positive figures. This is a change of approach from last year and brings consistency of format between Council and PCT reports.

Local Authority Expenditure

- 7 Appendix A shows the budget and forecast expenditure for 2010/11 with 2009/10 comparisons. The forecast outturn currently projects an overspend of £590k. Details of the principal variances between outturn and budget are provided in the following section:

- 8 External agency fostering and residential placement costs continue to rise. An additional £508k has been allocated to this budget in 2010/11 to reflect the additional numbers of children. However during August there were some significant increases in the numbers of children looked after. Some of these were short term placements but the forecast overspend reflects the additional cost for two sibling groups (x 3 children each) in independent placements for the balance of the year.
- 9 The fostering and other looked after children costs budget has increased due to additional support costs to specific families (£50k) and increased payments to kinship carers (£50k). This has been partially offset by reduced numbers of young people requiring supportive lodging saving £55k and using available grants to help to fund Halo leisure passes for looked after children.
- 10 Family Assessment and Support shows an under spend of £55k relating to savings in special guardianship costs based upon current numbers of children (but offset by increased kinship care costs). In addition there are approximately £52k of adoption costs relating to agency fees for two hard to place children. Other savings to offset the increase have been identified through contract savings and reductions in section 17 budgets spend.
- 11 The Children with Disabilities team (non joint agency managed cases) is expecting savings of £19k due to staff vacancies. Safeguarding staffing costs show an under spend versus budget of £17k.
- 12 The forecast does not include the anticipated additional cost for the interim social workers who are being brought in to deal with the increased numbers of referrals and resolve issues highlighted in the recent unannounced inspection. A bid has been made for an additional £75k of funding to cover these costs to the corporate centre.
- 13 The Complex Needs Solution budget (formerly known as JAM) has historically under spent its budget, although to a diminishing extent year on year. The budget for 2010/11 has been set at the same level as for 2009/10 however additional numbers of cases are being considered year on year which create commitments for up to 7-8 years at a very high cost per case. Current case numbers cannot be managed within the existing financial budget and there is a predicted over-spend of £300k for both the local authority and DSG funded elements. As this commitment is likely to increase in 2011/12 and beyond additional funds will be sought from all three parties (LA/ DSG/PCT) and also all options to reduce costs explored. The Children's Commissioning Group, made up of representatives from the directorate and integrated commissioning have established an initial event involving a variety of staff, including school representatives to develop a strategy to enhance Herefordshire's provision and reduce the reliance on independent provision.
- 14 Children's Services has made a successful bid for extra funds to bring in additional resources in placement planning, commissioning and contract management. This will enable the work identified in point 13 above to be done in addition to further work on contracts to deliver further savings.
- 15 Savings in Special Educational Needs the Education Welfare service and School Improvement (c£150k in total) all relate to staff vacancy management and the maximisation of available grants to offset Local Authority costs.
- 16 The Youth Service is currently expecting to spend to budget but is exploring opportunities to generate income from outdoor activities as a way of offsetting the need to make cuts in

this area.

- 17 The PPD staff budget now reflects the transfer of the business support staff for Safeguarding into the centralised CYPD business support function. Savings in year are due to vacancies being held particularly within the performance team in order to cover the costs of the posts previously funded by Contact Point grant (this grant is being withdrawn during 2010/11) and the initiative has been stopped.
- 18 Home to school transport costs are reflecting savings as a result of the recent route reviews with 62 routes being rationalised down to 41. This will generate in year savings of approximately £117k with other savings arising from actual invoices being lower than estimated costs.
- 19 The Community Operations budget has been increased year on year to reflect the new senior management structure which has been put in place to deliver locality working. Some locality grants have been unringfenced and savings of £196k are anticipated as a result of being able to utilise these grants and charge some costs to other grants. This is a one off benefit as the future of the Think Family grants post 31/3/11 is still unclear.
- 20 Central Management costs show a predicted over spend of £81k, which relates to the recruitment of a new DCS and incremental costs for the interim DCS.
- 21 The target saving forecast has been reduced as a result of savings identified and reported across the directorate. £300k of the balance to be found relates to additional funding currently held centrally but which is anticipated will be transferred to CYPD.
- 22 Other central costs include additional HR support costs (£35k) for the restructure work and expected budget adjustment in respect of corporate travel savings (£20k)

Dedicated Schools Grant (DSG)

- 23 The Department for Education (DfE) have confirmed the Dedicated Schools Grant for 2010/11 (based on pupil numbers of 22,564) at a total £90.304m. This is £10k more than the planning assumptions used to set school budgets. Recoupment of grant for the Hereford Academy is estimated at £2.987m although this has yet to be confirmed by the DfE.
- 24 Herefordshire received a 3.6% cash increase in DSG compared to the national average increase of 4.1% - the difference is due to falling pupil numbers and represents a loss of grant of £813k and amply demonstrates the continuing financial impact of falling pupil numbers. The changes in pupil numbers are set out below:

Pupil Numbers	2010/11	2009/10	Difference	%
Primary	12,001	12,119	-118	-1.0%
High	9,209	9,266	-57	-0.6%
Special	231	219	+12	+5.5%
Other	1123	1148	+25	+2.2%
Total	22,564	22,752	-188	-0.8%

- 25 Overall primary budgets have increased by 3.2%, high school budgets by 3.6% and special school budgets by 5.8%. Due to falling pupil numbers in individual schools almost half of Herefordshire schools received percentage budget increases of less than the 2.3% teachers' pay inflation and less than general inflation.
- 26 Indicative funding increases for 2011/12 and 2012/13 were published prior to the general election and indicated that all schools will be expected to have to find 0.9% efficiency savings. Announcements on DSG funding allocations for 2011/12 are not due until the autumn however it is clear that all schools face a much tighter settlement and for schools with falling rolls budget reductions will be inevitable

	2010-11	2011-12	2012-13	Average
Increase per pupil	4.3%	1.9%	2.3%	2.1%
Cost pressures	3.1%	1.9%	1.3%	1.6%

Table: DfE published Indicative DSG increases and cost pressures

- 27 Cost pressures have already been identified within the Joint Agency Management budget for children with complex medical, social and educational needs and a £300k overspend in the cost allocated to DSG is forecast in 10/11. Revaluations of school business rates (after school budgets had been issued) has resulted in increased costs of £198k. The DSG 2009/10 under-spend of £128k has been allocated to meet the increased costs for Pupil Referral Units introducing the minimum 25 hour tuition from September 2010. All of these additional costs are expected to feed through into 2011/12 and given the expected reduced DSG settlement in the autumn, difficult budget decisions will be necessary.

Academies

- 28 The government initially offered the opportunity for outstanding schools to opt into the academies programme. This is now available to all maintained schools upon the introduction of the Academies Act. There will be a financial impact on both the DSG and the local authority budget if schools opt for Academy status. It is estimated that for a large high school the local authority budget will be top sliced by between £250k and £300k and the DSG reduced by approximately £225k for a full year. The top-slice of local authority budgets is based on the budget for school improvement and strategic management and is estimated by the DfE at £270 per pupil. This is comparable with Gloucestershire (£299 per pupil) and Worcestershire (£317 per pupil).
- 29 The DSG will be reduced in-year for schools taking academy status in 10/11 however the LA budget will not be reduced until 2011/12. The DfE will be consulting authorities on the final methodology for academy recoupment in the autumn. Depending on the number of schools opting for academy status there could be a significant financial impact on both the DSG and LA budget although this cannot be calculated accurately until the numbers of schools transferring are known. The potential impact of academies has been included in the Council's Medium Term Financial Strategy so that the potential cost is recognised in the budget process.

Grant Funded Expenditure

- 30 To provide members with a full overview of the use of grants by the Directorate Appendix C sets out the major grant funded activities.

- 31 The three principal funding streams for Children's Services (other than Council and DSG) are the Area Based Grant for which there is a budget of £3.689m, Standards Fund (DCSF) of £17.611m and Surestart for which the grant is £5.217m for 2010/11.
- 32 In addition following the abolition of the Learning Skills Council (LSC) and the creation of the new Young People's Learning Agency (YPLA) all funding for post 16 education is passed through the Council to the relevant colleges.
- 33 The DCSF is also providing £360k in various grants this year from its Think Family programme as well as other minor programmes.
- 34 Children and Young People's Directorate receives various grants from the Children's Workforce Development Council and the Training and Development Agency which encompass the development of both teaching and non-teaching staff totalling £426k,
- 35 It has already been confirmed that the Contact Point grant is being withdrawn and it has also been confirmed that there will be no Playbuilder revenue grant (originally £18k allocated). As previously reported there are likely to be further changes to grant funding as a result of the comprehensive spending review which will impact on 2011/12 – with possible implications for 2010/11.

Community Impact

- 36 The work of the Children and Young People's Directorate, including schools and early years settings have wide ranging community impacts, benefiting children and young people and their families across Herefordshire.

Financial Implications

- 37 These are contained in the body of the report. The projected outturn is based upon results to the end of July 2010.

Legal Implications

- 38 The use of budgets including grants must comply with the legal requirements associated with each funding stream and the conditions of specific grants.

Risk Management

- 39 The risks are set out in the body of the report, in terms of the potential overspend. The report notes the actions planned to address this potential overspend and some of the work in terms of the restructure and establishment of a Herefordshire approach to address the use of independent placements. Vacancy management will be closely monitored to ensure that the affects on service delivery and staff workloads are carefully assessed and regularly reviewed.

Consultees

- 40 Not applicable

Appendices

Appendix A – Budget and Projected Local Authority Expenditure for 2010/11 with 2009/10 Comparatives

Appendix B – Budget and Projected Dedicated Schools Grant Expenditure for 2010/11 with 2009/11 Comparatives

Appendix C – Major Grant Funded Activities

Appendix D – Numbers in Children's Agency Residential and Fostering Placements / CYPD Forecast Spend 2010/11

Background Papers

None identified.