

MEETING:	CHILDREN'S SERVICES SCRUTINY COMMITTEE
DATE:	10 DECEMBER 2010
TITLE OF REPORT:	REVENUE BUDGET MONITORING REPORT 2010/11
REPORT BY:	ASSISTANT DIRECTOR: PLANNING, PERFORMANCE AND DEVELOPMENT

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.

Recommendation

THAT the Committee comments and scrutinises the figures contained herein.

Key Points Summary

- The overall forecast shows a net over spend of £1081k. This is almost entirely due to the pressures on external placements and placements for children with complex needs. These two budget headings comprise £1022k of the total over-spend (£721k and £300k respectively). In both cases this is due to additional cases coming through the system with further increases in agency placements since the last report to Scrutiny Committee in September. (see appendix D for graphical picture of trends)
- Significant other savings across the directorate have already delivered the target saving set at the start of the financial year of £857k as well as the 5% saving included in the local authority budget for vacancy management (£493k).
- The Joint Management team has recently introduced cost savings measures council wide to address the current financial issues including a freeze on all discretionary spend, and options for staff reducing hours (Reducing the Paybill initiative). The Children's Services directorate is currently working through the implications and it is anticipated that further savings will be identified to reduce the deficit, however to completely eliminate the projected overspend will be extremely challenging.
- The consultation period for the Children's Services restructure ended in October and the final agreed structure has been published. Work is currently underway to interview affected staff and confirm people in the new posts. This work is expected to be completed by December for all internal recruitment. The directorate leadership team has agreed that, due to the current financial uncertainties, any posts which cannot be filled by existing staff will only be recruited to on an interim basis.

Further information on the subject of this report is available from
Chris Baird, Assistant Director, Planning, Performance and Development, Children and Young People's
Directorate cbaird@herefordshire.gov.uk, 01432 260264

- The directorate management team is working to minimise the effects of the restructure on current staff through a number of initiatives including options for more flexible working (reduced hours – where appropriate to service delivery) and identifying potential alternative roles for those affected.
- Additional service changes will be made to meet the focus and financial constraints of the new government, including the agenda that comes from the Education White Paper due in December 2010.
- Although the CSR 2010 outcomes have been announced in many cases these were headline figures and the true impact on Children's Services is not yet known. It is clear that many of the grants currently targeted to support children, young people and families will cease to exist. Some will be absorbed into base budgets, other may be consolidated into Dedicated Schools Grant (DSG) for example Standards Fund Grants, with others moving into a new Early Intervention Grant. The challenge will be that ringfencing is removed and in many cases it may not be easy to identify the elements or amounts relating to the services for children and young people within the overall allocation to Herefordshire.

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 children with complex needs.

Key Considerations

- 5 There have been some budget virements since the last Scrutiny report and the last forecast figures have been adjusted where applicable to reflect the reported variance to budget, as virements had been taken into account when producing the forecast.

Local Authority Expenditure

- 6 Appendix A shows the budget and forecast expenditure for 2010/11 with 2009/10 comparisons. The forecast outturn currently projects an overspend of £1081k. Details of the principal variances between outturn and budget are provided in the following sections:
- 7 External agency fostering and residential placement costs continue to rise with an expected overspend of £721k. Although additional funds were allocated to reflect the pressures the numbers of children have shown a significant increase over the past four months with a corresponding increase in costs. At the end of October there were 62 children in either independent residential or foster care placements compared to 42 at the end of March 2010 an increase of almost 50%. Most of these children have been placed

in agency fostering placement. The Safeguarding team is working to mitigate the costs in the medium term through a recruitment drive to increase the number of Herefordshire foster carers through a recruitment drive. It should however be noted that there is a national decline in the number of foster carers with an ageing population, although Herefordshire numbers have fallen from 79 to 76 in the past year there are a number of potential new carers currently under consideration.

- 8 The Council's fostering and other looked after children costs budget is now expecting a small underspend of £17k. Savings from court costs and post 16 accommodation partially offset by increased costs for fostering and kinship carers (£64k).
- 9 Family Assessment and Support shows an under spend of £112k relating to savings in special guardianship costs of £41k based upon current numbers of children (but offset by increased kinship care costs). Other savings to offset the increase have been identified through contract savings and reductions in section 17 budgets spend.
- 10 The Children with Disabilities team (non joint agency managed cases) is expecting savings of £18k due to staff vacancies of £34k, partly offset by increased cost for direct payments (£20k), with the balance of the savings coming from section 17 payments.
- 11 The forecast now reflects the costs of redundancies following the restructuring of the Safeguarding team which was completed in early September (cost £70k), and also the additional costs for the interim social workers. Additional agency social workers have been brought in to provide cover for vacancies and also to provide additional experience to support the high number of newly qualified social workers. Due to a national shortage of social workers hourly rates are increasing and the cost per hour is at least 50% more than employing own staff. This has resulted in increased staff costs within the Safeguarding area with a predicted overspend of £339k.
- 12 As previously reported 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 (see Appendix D for projections). Current case numbers cannot be managed within the existing financial budget and the predicted overspend of £300k remains unchanged at the current time 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.
- 13 Savings have been created in the Early Years budget through savings identified within the Surestart grant to offset staff costs for the quality and improvement team totalling £42k.
- 14 Savings in the Education Welfare service. School Improvement team and the Youth Offending team arising from vacancies total £106k.
- 15 Other savings within the management section of Improvement and Inclusion relate to offsetting costs against available grants £53k which offset the projected overspend of £27k relating to the closure of the jointly funded (with Worcestershire) Awards and Grants service at the end of the current financial year (National service has been redesigned and transferred to single body).

- 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 £107k with additional savings generated through additional income, largely due to increased numbers of young people attending college, and some savings from an overestimate of outstanding invoices at year end. Two less school days in the current financial year also contribute to the savings.
- 19 The Community Operations budget is expected to make savings of £145k this year due to utilising the Think Family and Surestart grants.
- 20 Central Management costs show a predicted over spend of £129k, which relates to the recruitment costs for a new DCS and incremental costs for the interim DCS. There are additional costs related to the staff consultation and the restructure. It should be noted that a decision has now been made to continue with an interim DCS for 12-18 months which will have budget implications for 2011/12.
- 21 The target saving forecast has been reduced as a result of savings identified and reported across the directorate. CYPD has now received the additional £300k previously reported for locality costs. The balance of the target savings forecast relates to estimated in year savings (Q4) following the completion of the restructure as these cannot be identified by department at the current time. Other central costs include additional HR support costs (£35k) for the restructure work.
- 22 There are a number of initiatives and activities currently underway to identify and deliver further savings in order to reduce the deficit. As these are quantified they will be reflected in future forecasts.

Dedicated Schools Grant (DSG)

- 23 Appendix B provides details of the Dedicated Schools Grant (DSG). Within the central element of the DSG an over spend had been previously forecast relating to the educational element of complex needs cases, discussed above. The same overspend as for LA applies (3/7th total spend) at £300k. Vacancies within the Additional Needs and Travellers Children teams are forecast to release savings of £127k. Other savings have been identified within Early Years of £66k, and on inter-authority re-couplement of £95k which have significantly reduced the projected overspend to a net £24k overspend.
- 24 It has now been confirmed that Wigmore High and Primary schools have applied for academy status (likely to take effect from 1st April 2011) this is in addition to John Kyrle which becomes an academy in January. It is currently estimated that the financial effect would be £300k in DSG funding and £400k on local authority budgets (from April 2011). An early estimate is that potentially up to 50% of the shortfall could be recovered by charging for services but that the remainder could not be absorbed by CYPD. However the details of which services will be top-sliced has still to be confirmed by the Department for Education and the implications worked through in detail with the affected service

areas.

Grant Funded Expenditure

- 25 To provide members with a full overview of the use of grants by the Directorate Appendix C sets out the major grant funded activities.
- 26 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 £3.957m, Standards Fund (DCSF) of £17.773m and Surestart for which the grant is £5.228m for 2010/11.
- 27 Area Based Grant has been reduced by 10% for children and young people. This has been delivered through working with the Children's Trust and Herefordshire Partnership. The Department for Education did set out that 25% had been notionally cut from Area Based Grant in-year (2010/11) relating to services for children and young people, but it was for local decisions to be made on how this was applied. The Herefordshire Partnership has worked across the different partnership groups and as a result the cut was 10% rather than 25% on services for children and young people. This has been achieved in year.
- 28 As part of the deficit reduction plans all opportunities to maximise grant expenditure are being explored and some significant costs have already been attributed to grants within the current forecasts and further charges will be identified and actioned in the coming months.

Implications for 2011/12 and beyond

- 29 As part of the Comprehensive Spending Review (CSR) the government has announced that many grants are being unringfenced and from 2011/12 will either be rolled into the formula grant or into the new Early Intervention grant. Details are emerging but the full picture is not yet clear in terms of some of the grants, however Surestart grant is to be protected in cash terms and DSG remains a ring-fenced grant.
- 30 The DfE has announced that non schools spending will fall by 12% in over the next four years, but details of where the cuts will be made have not yet been confirmed.
- 31 It is clear from information received to date that the savings to be delivered are heavily weighted into 2011/12 and 2012/13. This will have additional implications for the overall council budget and will require close scrutiny of the priorities for children's services as for all council services.
- 32 Children's Services are actively pursuing options to identify income generation opportunities which will support the ongoing delivery of current service levels, to drive out efficiencies through contract reviews and re-negotiations, and cost prevention, for example through more early intervention to reduce social care costs.

Community Impact

- 33 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

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

Legal Implications

- 35 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

- 36 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

Not applicable

Appendices

Appendix A, B, C and D are attached and referred to in the body of the report.