

<b>MEETING:</b>	<b>CHILDREN'S SERVICES SCRUTINY COMMITTEE</b>
<b>DATE:</b>	<b>11 MARCH 2011</b>
<b>TITLE OF REPORT:</b>	<b>REVENUE BUDGET MONITORING REPORT 2010/11</b>
<b>REPORT BY:</b>	<b>ASSISTANT DIRECTOR: PLANNING, PERFORMANCE AND DEVELOPMENT</b>

### **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 three. 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**

#### **2010/11**

- The overall forecast shows a net over spend of £647k and this represents a reduction in the projected overspend of £434k since the last report to scrutiny in December 2010. As previously reported the overspend is almost entirely due to the pressures on external placements for looked after children and young people and placements for children with complex needs.
- Looked After Children (LAC) residential and agency fostering placements are currently predicted to overspend the allocated budget by £1245k. This is due increased demand for placements for children at risk of harm and a doubling in the number of agency placements between April (25 children) and the November peak of 53 children. Both December and January have seen reductions in agency placement numbers with the January figure down to 42 following the return home of one sibling group with another sibling group moving into in house foster care. The downward trend is positive, but further placement needs this year cannot be eliminated and this emerging trend only has a part year effect on the overall costs for 2010/11.
- Pressures on the Safeguarding staffing budget due to a reliance on agency social workers covering vacant posts (16.5 vacant posts on 1 January 2011), long term sickness and addressing service pressures within key teams identified during the 2010 inspections (18.5 agency staff employed to cover these aspects). Other savings within the Safeguarding vulnerable children service have been made and cover this pressure.
- Five new Complex Needs cases have been accepted in year resulting in a total cost of

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Further information on the subject of this report is available from  
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£2818k which is an over spend of £770k versus budget and an increase of £972k compared to the actual expenditure for 2009/10. £330k of the overspend falls in the Local Authority budget.

- Total savings across the directorate of £1812k 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) and made a significant impact on offsetting the budget pressures arising from Complex Needs and LAC.
- The Joint Management team in November 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 actively reducing discretionary spend with the three month period November to January showing a 26% or £116k reduction compared to the same period in 2009/10. Part of the discretionary spend this year will include fitting out costs of the multi agency collocation offices, which is funded from national government grant and cannot be spent on anything else.
- The consultation period for the Children's Services restructure ended in October and the final agreed structure has been published. Most internal recruitment has now been completed, however in the light of the 2011/12 settlement and significant grant reductions a number of vacant posts will not be filled. Essential posts, those with specific technical skills which it has not been possible to fill internally, are being advertised externally, but posts not filled through internal recruitment will be recruited on an interim basis.
- The directorate management team continues to work 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. A small number of staff have opted for voluntary redundancy and will be leaving the organisation before 31<sup>st</sup> March 2011.
- The Children's Commissioning group has three targeted workstreams (Looked After Children, Complex Needs and Edge of Care) which are focused on reducing the ongoing need for high cost interventions, improving service delivery and driving down the costs.

## **2011/12**

- The CSR settlement was worse than anticipated as the government front loaded the cuts. Herefordshire Council has seen a cut of 13% in formula grants, with a further 9% reduction expected in 2012/13. For Children's Services there are an additional impacts resulting from cuts in the new Early Intervention Grant and reduction in the dedicated schools grant (DSG) arising from falling pupil numbers and a reduction in the minimum funding guarantee. These reflect the changes in policy of the government, the cessation of a number of national programmes and initiatives which were implemented locally, and the expectation for schools to be more autonomous and therefore not require some of the activity previously funded by grants. These changes have profound implications for the relationship between the local authority and schools, the role of the local authority as a provider of services, and also on the staffing and resources available to the local authority.
- The Directorate Leadership Team (DLT) is currently working through the options in relation to the budget cuts in order to maintain essential services and operate within

the reduced financial budgets. In view of the extent of the budget reductions further reductions in posts are highly likely. This work includes a consultation with schools and private and voluntary sector nursery place providers on options for delivering a balanced DSG budget.

## **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 2010/11.

## **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 £647k. 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 £1245k. 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 January there were 59 children in either independent residential or foster care placements compared to 42 at the end of March 2010 an increase of 40%. Most of these children have been placed in agency fostering placements as these were the most appropriate placements to meet the needs of the children and also because our own foster care placements were fully utilised. The Council is developing its own framework agreement with independent suppliers which will manage costs in the medium term.
- 8 The Council's fostering and other looked after children costs budget is now expecting a small underspend of £13k. Savings from court costs and post 16 accommodation partially offset by increased costs for fostering and kinship carers.
- 9 Family Assessment and Support shows an under spend of £373k. Following the removal of ring fencing from grants it has been possible to offset contract costs for the Action for Children contract and the Women's Aid contract which have delivered £105k of savings.

Further reductions in contract expenditure totalling £110k have been delivered by a review and contract re-negotiations. Approximately £66k of savings have been identified within the adoption service, whilst the costs for advocacy have also been offset against area based grant.

- 10 The Children with Disabilities team (non joint agency managed cases) is expecting savings of £56k due to staff vacancies of £54k, and a reduction in the Barnardo's contract of £20k partly offset by increased cost for direct payments (£20k).
- 11 The forecast currently includes the costs of redundancies following the restructuring of the Safeguarding team which was completed in early September (cost £70k). It may be possible to capitalise these costs if government permission is given, but this is not yet confirmed. Additional 18.5 agency social workers (as at 1 January 2011) have been brought in to provide cover for vacancies, address key service areas highlighted in the OfSTED inspection in 2010, 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 £432k.
- 12 A total of five new placements have been made to date this year and result in the budget being over spent by a total of £770k of which £330k is charged to the local authority budget. Work is continuing to develop options for reducing costs and numbers of children requiring this high cost intervention.
- 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 £72k.
- 14 Savings in the Education Welfare service, School Improvement team and the Youth Offending team arising from vacancies and cost control measures total £159k.
- 15 Other savings within the management section of Improvement and Inclusion relate to offsetting costs against available grants £107k and cost savings of £50k 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 totalling £153k 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.
- 18 Home to school transport costs are reflecting savings of £515k as a result of the recent route reviews with 62 routes being rationalised down to 41 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 fewer school days in the current financial year also contribute to the savings as do savings in escort costs.
- 19 The Community Operations budget is expected to make savings of £148k this year due to utilising the Think Family and Surestart grants.

- 20 Central Management costs show a predicted over spend of £315k, of which £104k 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 totalling £30k for additional HR resources. The balance of the overspend relates to the original savings target which was held at directorate level and savings have been delivered across all service areas..

### **Dedicated Schools Grant (DSG)**

- 21 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 £330k. A further budget pressure of £145k relates to increased needs for additional support in schools for children with additional educational needs which is provided via banded funding. Vacancies within the Additional Needs and Travellers Children teams are forecast to release savings of £158k. Other savings have been identified within Early Years of £103k, fees to independent schools of £17k and on inter-authority re-couplement of £141k which have significantly reduced the projected overspend to a net £53k overspend.
- 22 Wigmore High and Primary schools plus John Kyrle became academies on 1<sup>st</sup> January 2011. The estimated top slice on the DSG budget relating to this change in status is £37k for quarter 4 but which has not yet been confirmed and is therefore not reflected in the DSG table.
- 23 As more schools become academies there will be further top slices to the DSG budget in year as central services are expected to charge academies for services previously provided free through the DSG.

### **Grant Funded Expenditure**

- 24 To provide members with a full overview of the use of grants by the Directorate Appendix C sets out the major grant funded activities.
- 25 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 £3,633k, Standards Fund (DCSF) of £17,785k and Surestart for which the grant is £5,228k for 2010/11.
- 26 The Area Based Grant budget has been reduced by 8% for children and young people reflecting the in year savings identified by the directorate.
- 27 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**

- 28 The final budget settlement for the directorate is almost confirmed, subject to decisions regarding the dedicated schools grant. The total impact on the CYPD local authority budget between 2010/11 and 2011/12 is estimated to be approximately £3,300-3,600k arising from:
- Star Chamber savings of £1,747k including actions to mitigate / reduce pressures on

LAC & complex needs budgets, and the estimated savings from the CYPD restructure.

- Continued pressures on LAC and complex needs budgets which are estimated to be in the region of £1500-1600k before savings from directorate actions.
  - Impact of academies top slice on CYPD, total cut £650k of which £300k will be allocated to CYPD.
- 29 The new Early Intervention Grant (EIG) at £6,472k for 2011/12 is a reduction of £2,000k compared to comparable grants received in 2010/11. Some savings have been implemented in 2010/11 to anticipate this reduction (c.£800k)
- The principal impact of EIG cuts falls on the School Improvement service as grants previously included within the area based grant have been stopped. These include grants for primary and secondary national strategies, behaviour and learning, extended schools activities, extended rights to travel (decision pending), and particular posts such as the choice advisor role (even though currently the statutory duty to provide remains).
  - The decisions by national government to stop certain grants and activity are part of the policy shift set out in the Education Bill, which proposes greater freedom and autonomy for individual schools. The relationship with the local authority will therefore fundamentally change, with schools expected to be able to deliver improvements in education and opportunity without as much reliance on local authority services. The local authority has expanded its range of traded activities to enable schools to purchase services that they require to assist them in their work. However, other service areas will cease and CYPD will be reorganising its workforce accordingly for 2011/12
- 30 Decisions in relation to grants for Music Service (was Standards Fund £292k in 2010/11) and Extended Rights to Travel grant (Area Based Grant -ABG funding total value £330k in 2010/11, £100k impact on CYPD) are still outstanding.
- 31 The Dedicated Schools Grant (DSG) settlement was 0% per pupil and -1.5% minimum funding guarantee (MFG) which was worse than hoped for.
- 32 The central DSG funded budgets (principally staffing related for additional needs and admissions) will be subject to a top slice estimated at £226k plus a 3% cut to close the funding gap, in total approximately £300k cut.
- 33 Pressures on the overall DSG budget total approximately £1 million as a result of falling rolls and pressures predominantly on the Complex Needs budget and banded funding (additional support to schools for children with special educational needs).
- 34 Schools budgets initial projections in September 2010 indicated that up to 50% of our schools were predicting deficit budgets within two years.
- 35 In 2011/12 Standards Funds cease to exist as a separate grant stream and the majority will be rolled into the per pupil amounts funding for schools in DSG. There are cuts within the standards fund grants principally linked to national strategies for school improvement.
- 36 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.

37 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**

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**

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

## **Legal Implications**

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**

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.