

# **Audit & Governance Committee**

## **24<sup>th</sup> March 2020**

### **Overview of Childrens Services budget 2020/21**

Choose an item.

**Portfolio Holder:** Cllr A Parry, Children, Education and Early Help

**Local Councillor(s):** n/a

**Executive Director:** Theresa Leavy, Lead for Children's Services

**Report Author:** Paul Ackrill  
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**Report Status:** Public

**Recommendation:** That the committee note and comment on the contents of the report.

#### **Reason for Recommendation:**

##### **1. Executive Summary**

1.1 This report is presented for information. The report sets out an overview of the 2020/21 Childrens Services budget and associated risks and pressures.

##### **2. Financial Implications**

2.1 No new financial implications arise as a result of this report.

##### **3. Climate implications**

3.1 No new climate implications arise as a result of this report.

#### **4. Other Implications**

4.1 Not applicable

#### **5. Risk Assessment**

Having considered the risks associated with this decision, the level of risk has been identified as:

Current Risk: HIGH

Residual Risk: HIGH

The risk assessment is shown as 'HIGH' based on the Dorset Council risk scoring matrix: specifically where a financial risk of greater than £0.5m is defined as 'HIGH'.

#### **6. Equalities Impact Assessment**

6.1 Not applicable

#### **7. Appendices**

7.1 Not applicable

#### **8. Background Papers**

8.1 Dorset Council Cabinet budget 2020/21 proposals – 28<sup>th</sup> January 2020

#### **Footnote:**

Issues relating to financial, legal, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.

## 1. Background

- 1.2 The December meeting of this Committee resolved to ask “That the Executive Director of People, Children’s, Executive Director of People, Adults, and relevant portfolio holders attend the meeting of the Audit and Governance Committee on 24 March 2020, when the next finance report is considered, in order to hold a discussion on issues in these areas.”
- 1.3 This report is presented for information. The report sets out an overview of the 2020/21 Childrens Services revenue budget and associated risks and pressures.
- 1.4 This scope of this report does not cover the Dedicated Schools Grant (DSG) position for 2020/21. A separate report on this subject can be produced, if that is the wish of the Audit and Governance Committee.
- 1.5 This scope of this report does not cover the Childrens Services capital budget position for 2020/21. A separate report on this subject can be produced, if that is the wish of the Audit and Governance Committee.

## 2. Background to the 2020/21 budget build for Childrens Services – current year position and forecast

- 2.1 The Childrens Services (CS) budget position for the current year, 2019/20, at the end of quarter 3 is as follows:

• Budget (net)	£64.196m
• Forecast of out-turn	£73.244m
• Forecast of overspend	£9.048m

- 2.2 The overspend is made of variances across the four main CS budget headings as follows:

• Care & Protection	(£7.868m) forecast of overspend
• Commissioning and Partnerships	£0.477m forecast of underspend
• Directors services	(£1.108m) forecast of overspend
• Education & Learning service	(£0.549m) forecast of overspend

• Total	(£9.048m) forecast of overspend
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- 2.3 It should be noted that these numbers exclude Dedicated Schools Grant (DSG) expenditure.

- 2.4 Reasons for projected overspends are discussed below.

2.5 It can be seen at 2.2 above that the majority of the current year overspend relates to the Care & Protection budget. The single largest cost driver in this area is children in care (also known as Looked After Children, or LAC) who are put into external placements. The table shows the budget for external placements in this year and number of placements as at 31<sup>st</sup> December 2019, together with cost implications.

Table 1 - children in external placements - budget 2019/20 vs actual as at 31st December 2020

	Budgeted Number of Placements	Budget 2019/20	Actual Number of Placements	Forecast Position	Forecast Under/ (Overspend)
		£		£	£
Independent Fostering Agencies	81	3,272,200	103	4,782,594	(1,510,394)
Parent & Child (placement average 20 weeks)	3	100,000	3	118,591	(18,591)
Residential Care	37	5,860,400	49	8,953,080	(3,092,680)
Secure Accommodation	1	272,900	0	246,729	26,171
High Cost Supported Accommodation	6	800,000	16	2,044,856	(1,244,856)
Alternative Placements	0	0	3	1,984,684	(1,984,684)
<b>All Children - external placements</b>	<b>128</b>	<b>10,305,500</b>	<b>174</b>	<b>18,130,534</b>	<b>(7,825,034)</b>

2.6 It can be seen in Table 1 above that children in external placements account for the majority of the overspend in this area.

2.7 Children in external placements are a sub-set of overall numbers of LAC. The table below shows the direction of travel in overall LAC numbers since the beginning of Dorset Council:

Table 2 - overall numbers of LAC since April 2019

April	May	June	July	August	September	October	November	December
427	442	442	440	453	444	456	463	470

2.8 The 2019/20 “savings to be identified” for Commissioning & Partnerships, Schools & Learning and Director’s Services have been consolidated into this area. These savings to be identified total £1,088k, £775k that were not achieved from the 2018/19 savings programme and £313k are from the 2019/20 budget set. These unachieved savings targets form the majority of the projected overspend in this area.

2.9 Lastly, the Education and Learning budgets are forecast to overspend by 549k. This is primarily due to costs arising from increased transport costs for SEND children (Special Educational Needs and Disabilities).

### 3. Budget build 2020/21

3.1 The proposed budget for 2020/21 has been the subject of an informal budget scrutiny ('café') and also been formally through Cabinet on 28<sup>th</sup> January 2020 and full Council on 18<sup>th</sup> February 2020.

3.2 The proposed budget for 2020/21 adds just over £10m to the Childrens Services budget. This is broken down as follows:

	£
Add in Overspend	8,500,000
Inflation	1,621,085
LGPS Adjustment	357,200
Graduate Placements	17,500
Increase in growth of LAC	835,583
Increase in EHCP's - transport	527,000
Savings proposals	-1,600,000
<b>Total - Proposed increase in base budget</b>	<b>10,258,368</b>

3.3 The Dorset Council approved 2020/21 budget includes Inflation assumptions across all services as follows:

- Pay award 2.75%
- General inflation / CPI 1.2%
- Income 2.3%

3.4 It can be seen that £8.5m additional funding has been added into the base budget, based on the overspend position at end of quarter 2 (when the budget build work was taking place).

3.5 It can be seen that the proposed budget includes a sum for increasing numbers of LAC, which is an allocation of funding based on what appears to be reasonable (based on direction of travel of LAC numbers and costs) and the funding envelope available to Dorset Council.

3.6 Similarly, the proposed budget includes an additional sum for transport costs of SEND children, based on direction of travel in the current year.

3.7 Finally, the approved budget includes savings targets of £1.6m, across six project/budget headings. These are explored further in the next section.

#### 4. Savings

4.1 The Childrens Services savings target of £1.6m for 2020/21 is made up of six projects/headings as follows:

Changes to operational model

Impact of new delivery model	-250,000
Contact Service	-150,000

Restructure

Blueprint for Change	-450,000
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Income generation

Health Contributions to Placements	-400,000
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Contract reductions

Contract reductions (19/20 full-year)	-150,000
5% contract reductions for 2020/21 renewals	-200,000
<b>Total</b>	<b>-1,600,000</b>

4.2 Details of the savings projects are not discussed here, as this report is primarily focused on overall financial risk.

4.3 At the time of writing, all six projects are “in flight” and an assessment will be needed at a later date to determine whether the savings targets will be met.

#### 5. Demand led budget risks/pressures

5.1 The main pressure in the Childrens Services proposed budget 2020/21 relates to the costs arising from numbers of LAC. Whilst the general direction of travel in numbers of LAC is known, the exact numbers of LAC, and the timings of when LAC numbers increase, cannot be predicted with certainty. In addition, the costs for LAC vary depending on the relative needs (and complexity of needs) for each LAC (with complex needs costing more) and the availability of places / capacity for dealing with the LAC in question (with external placements with the (profit driven) private sector being more expensive).

- 5.2 It can be seen that, whilst additional funds for LAC have been added to the 2020/21 budget proposals, LAC numbers (and therefore costs) have continued to increase between quarter 2 and quarter 3. It is fair to say that placements (in terms of number of placements and cost of placements) remains a budget risk.
- 5.3 Current modelling suggests that, in a worse case, total LAC in Dorset could reach around 510 in total, adding around £3.6m per annum of unfunded costs to the council budget.
- 5.4 In terms of cost mitigation, the council are unable to fully mitigate against increases in LAC numbers, which are driven by circumstances and demand. We are investing in more cost-effective local settings, which will help to reduce the overall costs of LAC, however development of these additional settings requires capital investment and will take a number of years before the projects can be completed and reduction in costs starts to take place.

## **6. Residential sufficiency**

- 6.1 Audit & Governance are asked to note that Cabinet recently (03/03/2020) a proposal to build a new Childrens Home in Weymouth, provide a No Wrong Door hub in Weymouth, and provide a care leaver hub in Weymouth.
- 6.2 The business case produces payback four years after becoming operational, with cost reductions primarily coming from avoiding external placements. Annual ongoing savings will be in the region of £1.7m by 2022/23.

## **7. In-built pressures**

- 7.1 Childrens Services continue to have a 5% vacancy factor applied to their base budget, although this is not applied to social care pay budgets. These amount to almost £583k of further savings to be met from vacancy management.
- 7.2 Other in-built pressures, such as the cost of increments (for which no central funding is provided) is estimated to add a further £380k of cost pressure.

## **8. Blueprint for Change**

- 8.1 Blueprint for Change (BfC) is not primarily a financial savings project and is mentioned specifically here in the context of being a major change programme, and therefore Audit & Governance are asked to note the risks that are normally associated with major change programmes.
- 8.2 The Blueprint for Change programme to establish place based multi-disciplinary integrated teams and strengthened commissioning and quality assurance arrangements is advanced, with implementation imminent. Interviews for the extended senior leadership team will be completed by the end of March 2020 and all people will be in place by September 2020, when the new operating model will go live.

- 8.3 The extent to which savings will be achieved from BfC will depend on which individuals are appointed to which posts. It is anticipated that direct savings from the BfC restructuring will arise in two stages: upon go-live, and then again 18 months after go-live, when any pay protection arrangements will cease.
- 8.4 The focus on improving quality has remained a priority throughout the implementation of this change programme. Following the completion of a thorough self-assessment, a directorate improvement plan is in place and overseen by the leadership team. This will continue throughout the implementation of blueprint for change and beyond. Implementation of practice improvements, following the focused visit by Ofsted in 2019, including a strengthened quality assurance and performance framework is progressing well and leaders have a greater line of sight on practice than previously.
- 8.5 Multi-agency governance arrangements have been created to strengthen all services for children and families in the local area, chaired by the Chief Executive of Dorset Council, with the first meeting on March 26th. The Board will meet 6 weekly to ensure pace of delivery is maintained.

## **9. Risk management issues**

- 9.1 Marc Eyre, Service Manager for Assurance, will address risk management issues in a separate report for this same committee meeting.

## **10. Safe and Legal**

- 10.1 Whilst not directly a financial / budgetary issue, the Committee may wish to note that Childrens Services are currently facing challenges regarding being safe and legal. Those issues are not explored further here.

## **11. Recommendation:**

- 11.1 That the committee note and comment on the contents of the report.