

## CHILDREN'S SERVICES DIRECTORATE

### REVENUE BUDGET MONITORING – NOVEMBER 2006

#### 1. Introduction

1.1 This report explains the forecast position for the directorate in 2006/07 based on the revenue budget monitoring returns for November.

#### 2. Forecast Outturn 2006/07 based on November 2006

2.1 The latest returns from budget managers indicate that the directorate will overspend by £2,410,200. After taking into account the management action described in paragraph 5 the expected overspend is £1,903,200

2.2 The major areas of over/under spending contributing to the net forecast overspending of £2,410,200 are shown in Table 1.

**Table 1**

Cost Centre & Budget Heading	Net Current Budget £000's	Forecast Outturn £000's	Forecast Over/(Under) Spend £000's
<b>Learning and Achievement:</b>			
11463 Early Years Team	703	592	-111
11464 Nursery Education Payments	4,864	4,968	104
19585 School Reorganisation Fund	120	0	-120
<b>Young People:</b>			
AM1A2 Family and Adolescent Centre	493	366	-127
<b>Children's Care:</b>			
CT30M Looked After Children Team	414	530	116
BB15M Foster Payments	3,364	3,264	-100
BB93M Private & Voluntary Fostering	760	1,401	641
10404 SEN Recouplement	730	902	172
10410 Independent/Non-Maintained Schools	2,256	3,202	946
10412 SEN Home to School Transport	2,797	3,304	507
CT55M Child Protection Team	852	976	124
<b>Children's Services Management:</b>			
19572 Directorate Contingency / Savings Target	-1,168	-958	210
<b>Schools Retained Funding &amp; Grants:</b>			
16524 Maternity & Paternity Leave	247	347	100
19580 School Contingency Fund	-28	99	127
<b>Quality Assurance:</b>			
18552 Performance & Communications Team	263	151	-112

2.3 The key movements that have contributed to the increase are as follows:

Net reductions of £77,700 across a range of headings

Managers have been aware for some months that savings need to be found to reduce the directorate's forecast overspend and this requirement was reinforced by the recent introduction of a council-wide moratorium. Managers have taken action to avoid non-essential costs or delay spending until the next financial year where this will not impact on front-line services.

Home to school transport for mainstream pupils (reduction of £48,800)

The increased underspend on this heading takes into account the cost of transport arrangements put in place at the start of the new academic year and reflects the fact that fewer pupils are entitled to transport than had been expected.

Fostering services (reduction of £38,900)

The forecast includes a reduction of £100,000 based on the latest numbers of foster carers receiving payments from the authority. However, this has been offset by an increase in the number of children fostered in the private and voluntary sector which has increased from 28 in September to 29 in October, (plus a further child placed for part of the month). The forecast on this heading has increased by £71,300 and the expected overspend now stands at £645,800. The number of children requiring a placement in the private and voluntary sector has increased significantly since 2005/06 as follows:

<u>Month</u>	<u>Number of Placements</u>
April 2005	12
September 2005	17
March 2006	27
October 2006-	29

Residential placements (reduction of £45,800)

The number of children placed in residential care in the private and voluntary sector has reduced from 15 in September to 14 in October leading to a reduction in the forecast by £38,600. Further reductions in the forecast expenditure on the Old Vicarage and Aut Even produce an overall reduction on residential placements of £45,800.

SEN recoupment costs (increase of £95,700)

The increase in the forecast takes account of the most recent changes in pupil placements and a change in the charging policy of Kent County Council. The latter accounts for £86,000 of the increase and reflects a decision by KCC to charge on the basis of the average cost of a place in their special schools rather than the specific cost of educating each child. This is a legitimate way of calculating recoupment charges and is in fact the method that Medway uses to calculate its own charges.

Fees for SEN children placed in independent/non-maintained schools (increase of £153,700)

The number of stated children placed in independent and non-maintained schools increased from 88 in September to 92 in October leading to an increase in the forecast by £102,000. There was a further increase of seven placements in November leading to a further increase of £51,700.

The increase in placements in the independent and non-maintained sector reflects the shortage of suitable places available in Medway's special schools or specialist provision within mainstream schools. When local provision is not available placements are sought in Kent maintained special schools or SEN units but, as in Medway, these are now generally oversubscribed.

The directorate is undertaking a review of Medway's SEN provision that will be concluded in April. The review will identify the numbers of children that require a place, the nature of their needs and the provision currently available within Medway schools. This will help to clarify the issues and establish priorities for expanding provision so that recommendations can be placed before Members.

Home-to-school transport for SEN children (increase of £98,000)

The increase in the forecast overspend this month reflects the latest data provided by the Integrated Transport Team and includes additional SEN pupils in receipt of transport since last month. There are now 973 SEN children in receipt of transport at an average cost of £2,875 each. Most of these children qualify for free transport because of the distance from their home to the nearest appropriate school and consequently there is little scope for reducing expenditure on this heading.

Youth Offenders Team (increase of £90,000)

The YOT budgets have been restructured to enable the team managers to have more effective control of income and expenditure. However, the detailed analysis undertaken to complete this exercise has shown that there is already a significant pressure on YOT services in the current year.

Adoption (reduction of £123,400)

The change in the forecast is due to a reduction of £97,600 in adoption fees, together with a reduction in post-adoption costs (£11,900) and a reduction in spending on supplies and services (£13,900) in accordance with the council-wide moratorium.

Disability Services (reduction of £99,500)

The reduction has been caused mainly by vacancies for a senior practitioner and social worker (£33,100) and lower than expected costs of support packages for children with a disability (£47,300).

Maternity and Paternity Leave (increase of £42,600)

Schools are entitled to have their budgets reimbursed for the costs of staff absent on maternity or paternity leave. Although the number of cases this year is similar to previous years the actual costs vary according to the salary levels of the staff

involved. The cases this year are more expensive than the average in recent years and the increase in the forecast overspend this month reflects this.

#### Pensions and Redundancy Costs (increase of £48,200)

The increase in the forecast this month results from confirmation of the payments due to non-teaching staff who were made redundant by schools in the summer. The costs involved are subject to an actuarial assessment by the Local Government Pension Scheme, confirmation of which normally takes two to three months.

#### Audit and Review Team (increase of £60,700)

Previous forecasts were based on the assumption that some Independent Review Officer posts would remain vacant until the end of the year but the successful appointment to these vacancies means that the forecast has had to be revised.

## **4 Schools Delegated Budgets**

- 4.1 Schools are not required to supply a further budget monitoring statement until February and consequently there has been no change to the position reported last month. In total, schools are expecting to spend £1.7 million more than their allocations for the current year. This will have the effect of reducing their reserves from £6.7 million in April 2006 to £5.0 million by the year end. As a proportion of schools' delegated funding this represents a reduction from 4.1% to 3.3%.

## **5 Management Action**

A number of actions to reduce the forecast overspend on the directorate's budget have been agreed in previous months and the directorate continues to seek savings in line with the Council-wide spending moratorium. The savings expected from management action have been included in the latest forecast from budget managers with the following exceptions:

- some reductions in this month's forecast are attributable to the appointment of permanent staff to replace agency social workers. Although the current forecast assumes agency workers in post to the end of the financial year the directorate will be strongly pursuing opportunities to secure full time staff in place of high cost agency workers. Any reductions released as a result of this activity will be included in future forecasts.
- savings arising from current vacancies at the Family and Adolescent Centre have been built into the forecast but no further savings have been assumed from the review of this service
- last month's report referred to a legal challenge that had been made to establish which local authority is responsible for the funding of a particular child's placement in the independent sector. The action has been successful in principle and Medway will receive reimbursement of approximately £337,000 in due course. However this could be subject to an appeal and there is still some clarification required over the respective responsibilities of the other local authority involved and the primary care trust before the income can actually be received so the reimbursement has not been included in the manager's forecast yet.

- the social care team is currently rolling out an improvement programme in response to the JAR inspection and in January 2007 KPMG (funded by the DfES) will be undertaking an assessment of the children's care workforce. This work aims to identify opportunities for remodelling posts to release social workers from more administrative tasks and to make significant improvements to social care processes and management arrangements. These are unlikely to affect spending significantly in the current year but may produce some savings in the medium term.
- the Council agreed a savings target for Children's Services of £170,000 in March. The directorate has already identified significant savings to offset the budget pressures that have emerged this year and consequently there is limited scope to make further savings of £170,000. However, CSDMT has agreed to allocate the savings target across the directorate budget pro-rata and to encourage budget managers to identify ways in which they can achieve their share of the savings. This will be difficult to achieve as a large part of the directorate's budget is funded by external grants (including the Dedicated Schools Grant and Standards Fund) and savings cannot be applied to these headings. Many of the remaining budgets are already overspending and the savings target represents a significant proportion of the remaining headings. Nevertheless managers will be asked to find ways of achieving these savings before the end of the financial year.

Therefore, the management action that can be quantified at this stage amounts to £507,000 as detailed in the bullet points above