

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Lead Member for Children's Services
Date of Decision:	11 March 2010
Decision Title:	Children's Services Department 2009/10 Revenue Budget Monitoring – Period 10 (end of January 2010) and 2010/11 update
Decision Reference:	1254
Report From:	County Treasurer and Director of Children's Services

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1. Executive Summary

- 1.1. The purpose of this paper is to set out for the Executive Lead Member for Children's Services the current position on the Children's Services revenue budget for 2009/10 as at the end of January (period 10).
- 1.2. The report outlines the key financial pressures faced by the department in 2009/10 relating primarily to activity led areas, currently resulting in a forecast pressure of £1.4m (£464,000 underspend against the Schools Budget and £1.8m overspend against the non-schools budget). This is a reduction of £1.1m compared to the revised budget position reported to the Executive Lead Member on 15 January 2010.
- 1.3. This position reflects changes in both anticipated demand against some budget headings as well as various management actions undertaken to identify further budget savings (approximately £1.5m net), reducing the underlying overspend previously reported across the department.
- 1.4. However, a further increased pressure of approximately £0.4m has emerged against the Children Looked After budget since November, partially offsetting these additional savings. This movement is mainly due to an increase in the number of children and young people who are looked after by the County Council, as well as changes in the number of these that are being supported in higher cost placements.

2. Contextual information

- 2.1. The 2009/10 budget was agreed by the County Council on 19 February 2009.
- 2.2. Appendices are listed at paragraph 12.1.

3. 2009/10 Revenue Budget Summary as at 31 January 2010 (period 10)

- 3.1. The overall 2009/10 cash limited budget for Children’s Services has increased since the original budget was set in February 2009 as outlined below:

	Schools £000	Non- Schools £000	Total £000
Original Agreed Cash Limited Budget	803,587	166,654	970,241
Approved Changes:			
Grant adjustments and other minor changes	6,773	2,969	9,742
Current Cash Limited Budget*	810,360	169,623	979,983

*Excludes assumptions around Schools Budget carry-forward to 2010/11.

- 3.2. The projected outturn reported for 2009/10 is an overspend of £1.4m. This is a reduction of £1.1m compared to the revised budget position reported to the Executive Lead Member on 15 January 2010.
- 3.3. The variance reported by each branch and by Schools Budget and non-schools budgets is as follows:

	Period 8 £000	Period 10 £000	Change £000
Performance & Resources	-1,711	-1,935	-224
Education & Inclusion	+695	-358	-1,053
Children & Families	+3,515	+3,650	+135
Total	+2,499	+1,357	-1,142
<i>Broken down by:</i>			
Schools Budget	-	-464	-464
Non-schools budget	+2,499	+1,821	-678
Total	+2,499	+1,357	-1,142

3.4. A number of significant issues contribute to the position currently reported for the service. Many of these were outlined within the reports presented to the Executive Lead Member for Children's Services in October and December 2009. These reports can be found at <http://www.hants.gov.uk/decisions/decisions-docs/091015-excsed-R1008105631.html> and <http://www.hants.gov.uk/decisions/decisions-docs/091217-excsed-R1210124332.html>. However, key contributing factors continue to include:

- an increase in the number of children and young people supported in the activity led budget areas such as:
 - Special Educational Needs (SEN) and Out County Special School Placements. A number of strategies are currently being explored to address the level of overspend reported for Out County placements (e.g. re-negotiation of school fee levels with providers). However, it is not expected that these will impact on the service until the 2010/11 financial year at the earliest
 - Home to School Transport. An increase of 2.8% in the number of pupils supported by this budget between December 2008 and 2009 has resulted in an increase in the number of season tickets (+6.2%) and contracts (+7.6%). Home to School Transport is a key focus for the Corporate Efficiencies targets and Children's Services will be working closely with the Corporate Efficiencies Board and Environment Department to effect the target savings in contract costs. These savings will not be available to offset any existing departmental pressures as they are part of the central efficiencies targets. At the same time Children's Services will be reviewing policy, entitlement and exceptions activity and the impact of SEN decisions on costs and these efficiencies will remain within the department. There is also potential for consideration of a restructure of the process between Children's Services and Environment Grouping, that, if supported by changes to IT systems, could produce savings in administrative costs
 - Children Looked After. A further increase in the number of children in the care of the County Council since November has resulted in a significant financial impact against this budget. Further information is provided at paragraph 5.35 onwards.

- the continued low bank base rate, which means that there is an estimated £0.5m shortfall on the budget for Interest on School Balances
 - lower levels of staffing vacancies during 2009/10 than in previous years has also placed additional pressure on employee budgets
 - increased costs in relation to some services, especially Home to School Transport, where increasing fuel prices may impact on some contract prices (despite the current economic climate), and Special Educational Needs (SEN) Out County Placements where inflation increases have been agreed regionally at a 2.8% increase for residential schools (0.3% above the inflation allocation of 2.5%).
- 3.5. Various budget savings have been identified, including changes in the expected level of demand against some budgets as well as a review of previously planned expenditure, as part of the department's budget recovery plan. These changes amount to a further net reduction in the forecast outturn of approximately £464,000 against the Schools Budget and £1.1m against non-schools budgets and include:
- savings achieved through further staff turnover experienced and very close scrutiny of recruitment to vacancies as they arise
 - a further review of planned IT development and other support services expenditure
 - savings achieved by Business Units enabling return of some 'core' contributions provided to them by the department.
- 3.6. However, an increase in the current forecast expenditure against the Children Looked After budget of approximately £426,000 has offset a significant proportion of this reduction. This change is primarily due to a further increase in the number of children looked after by the County Council and changes in the proportion of children who are placed within more costly types of arrangements such as purchased residential care.
- 3.7. Key changes since the last report are outlined within section 5, which includes a more detailed summary of the contributing factors relating to the increase in forecast expenditure against the Children Looked After budget.
- 3.8. A number of emerging factors are expected to further affect the final position. As previously outlined, the department has already taken steps to reduce the budget pressure and these actions are reflected in the outturn position reported. The department will continue to review all service budgets with the aim of identifying savings to further offset the wider department pressure reported through a combination of:

- reviewing some team structures to bring these in line with the budget available
- further scrutiny of decisions to recruit to vacancies across the department as they arise with a view to achieving one-off savings during 2009/10
- implementation of strategies intended to reduce the need to bring children in to care
- reviewing existing service provision to ensure it is effectively meeting the needs of children and young people whilst achieving value for money (e.g. social care packages for care leavers and provision of transport to support contact arrangements with Children Looked After by the County Council)
- consideration of invest to save opportunities.

4. Key Activity, Performance and Workforce information

- 4.1. The department is developing links between budgets, performance and human resource information and has implemented an integrated planning approach that embraces these elements.
- 4.2. Appendix 2 provides details of activity data from which is extracted the key activity led/high risk budgets that are reported to Cabinet. Appendix 2(c) shows the figures for the first six months of the year (April – September 2009) that were reported to Cabinet on 21 December 2009. The trends in activity and spend are explored in more detail in section 5.
- 4.3. The Children's Services department has been judged as *performing well* in the annual rating from Ofsted, published as part of the Comprehensive Area Assessment (CAA) in 2009. As part of this assessment Ofsted identified a number of strengths, including:
 - the overall effectiveness of the large majority of inspected services and settings as good or better
 - performance in social care settings and services is consistently above the national average and above, or in line with similar areas
 - fostering and adoption services and private fostering arrangements are good
 - nine of the council's ten children's homes are good
 - the proportion of good or better childminder and childcare settings is above national levels
 - the large majority of the county's schools are good or better
 - performance against 93% of National Indicators is above, or in line with, similar areas and the national average

- most children have a good start in life and achieve well at school.
- 4.4. Areas identified for further improvement in 2010 include:
- the educational achievement of some vulnerable children and young people, particularly those in care
 - addressing areas for development as raised in Ofsted's unannounced inspection of arrangements for contact, referral and assessment (August 2009).
- 4.5. These are already being addressed through the department's improvement plan for safeguarding.
- 4.6. Quarter 3 data is now available for 25 (or 36%) of the Children's Services National Indicators. This information demonstrates a steady positive trend since quarter 2, with 52% of these showing improvement, 8% unchanged and 40% showing a small fall in performance and these will continue to be monitored closely. In particular, improvements have continued to be observed in placement stability of children looked after and repeat child protection plans. However, this remains a key area for further improvement.
- 4.7. In addition, quarter 3 data is also available for five Local Area Agreement (LAA) targets, 80% of which demonstrate an improvement since 2008/09.
- 4.8. During the current year there has been an increase of 195 FTEs in the workforce since the end of quarter 4 (2008/09) funded from either grant, Dedicated Schools Grant (DSG) or additional growth and these mainly relate to the following planned changes:
- the appointment of additional staff in the Children and Families branch to support front line social workers following the additional budget growth received in relation to safeguarding
 - the continued roll out of Children's Centres and associated staff appointments
 - appointment of visiting music teachers funded by schools
 - the appointment of a number of new clerks to governors posts as part of the Business unit to enable them to begin training which has been funded from within the Schools Budget
 - the filling of a number of Personal Adviser posts (Connexions)
 - a number of posts, grant funded, that have enabled the appointment of staff on fixed term contracts.
- 4.9. Retention of staff is generally higher than in the past, resulting in pressures on some staff budgets where it had been assumed that there would be similar turnover levels as in previous years. As at 30 September 2009, the total number of employees was 3.7% higher than budgeted numbers, whereas the overall staff budget shows a

pressure of 0.6%. This is explored in more detail in appropriate budgets in section 5.

- 4.10. However, recruitment activity has slowed in recent months and this is partly due to closer scrutiny around decisions to recruit to vacant posts, ensuring that these are considered against the wider context of the department. In addition some recruitment difficulties exist within certain areas of the county and particular specialisms (e.g. qualified social workers) and further targeted recruitment campaigns will be undertaken to respond to this.
- 4.11. The overall sickness figures for the department continue to show a small upward trend. Whilst better recording may account for some of this, it is clear that continued close monitoring is required, including ensuring that managers at all levels are holding return to work discussions and supporting proactive absence management. Financial impacts are highlighted within relevant budget areas in section 5.

5. Major budget variations

- 5.1. The main variations of the forecast outturn based on the position as at the end of January (period 10) against the cash limit are outlined in the following table, with the most significant changes shown in bold, for which detailed comments follow:

	Cash Limit £000	Period 10 Variance £000	Period 10 Variance %	Period 8 Variance £000	Change £000	Report para
<u>Schools Budget:</u>						
LMS Contingency	9,065	-393	-4.3	-693	+300	5.3
Teachers Threshold Payments and Performance Related Payments	19,084	-440	-2.3	-190	-250	5.9
Education Inclusion Service	8,718	+235	+2.7	+441	-206	5.11
Statemented Pupils	9,176	-345	-3.8	-268	-77	5.16
Out of County Special Schools	8,764	+591	+6.7	+680	-89	5.17
<u>Non-Schools Budget:</u>						
Interest on Schools Balances	-490	+510	+104.0	+510	0	
Information Technology	7,376	-432	-5.9	-250	-182	5.21
Support Services - Admin	2,639	+107	+4.1	+121	-14	

	Cash Limit £000	Period 10 Variance £000	Period 10 Variance %	Period 8 Variance £000	Change £000	Report para
Workforce Development	1,940	-296	-15.3	-224	-72	
Commissioning and Co-ordination Unit	3,020	-126	-4.2	-49	-77	
Performance and Planning	3,217	-185	-5.8	-126	-59	
Early Education and Childcare	2,457	-759	-30.1	-675	-84	5.22
Education and Inclusion branch budget	5,571	-400	-7.2	-150	-250	5.23
Primary and Secondary National Strategy Co-ordination	1,577	-377	-23.7	-297	-80	
Home to School Transport	24,414	+1,083	+4.4	+1,177	-94	5.25
Building Schools for the Future	1,014	-125	-12.3	-75	-50	
Commissioning and Social Work	14,098	-518	-3.7	-329	-189	5.32
Children Looked After	32,623	+3,286	+10.0	+2,860	+426	5.35
Family Support Services	8,117	+305	+3.8	+198	+107	5.70
Youth Justice (includes Secure Unit)	381	-235	-61.7	-175	-60	
Other Children's Services	7,589	+1,076	+14.2	+1,055	+21	5.75
Services for Young People	11,608	-128	-1.1	-12	-98	
Government Grant (relating to 2008/09)	165	-165	-100.0	-165	0	
Unallocated Budget	822	-584	-86.7	-707	+123	

5.2. The following paragraphs provide details on significant changes to forecasts since the last report and those services which continue to report a material variance against the overall cash limited budget.

Schools Budget

Local Management of Schools (LMS) Contingency-£393,000 (-4.3%)

5.3. This is a change of +£300,000 since the revised budget.

5.4. This position assumes that £1.9m of Schools Budget will be carried forward to 2010/11 to meet future pressures, including Equal Pay claims.

- 5.5. The revised budget position reflected an expectation that overall the Schools Budget would balance following identification of further savings. To achieve this, these further anticipated savings were reflected against the LMS contingency budget. As at the end of January additional savings have now been identified across other areas of the Schools Budget resulting in a reduction in the underspend reported against this budget heading.
- 5.6. This budget includes amendments made to schools' budget allocations, as well as Nursery School payments, money for excluded pupils and payments to schools for newly qualified teachers.
- 5.7. A significant proportion of the underspend reported relates to an increase of £196,000 in the cash limit against the LMS contingency in respect of Schools Budget which had previously been allocated to Early Years (for the New Opportunities Fund) but which is no longer required for this purpose. This is, therefore, now available to offset other pressures within the Schools Budget.
- 5.8. The remaining underspend of £197,000 relates to:
 - the net effect of a combination of budget share amendments (including those for rates and temporary classrooms), and allocations for newly qualified teacher mentoring which, has been lower than originally budgeted for (£134,000)
 - an unexpected insurance claim in respect of a Special School following a court case (£63,000).

Teachers Threshold Payments and Performance Related Payments
-£440,000 (-2.3%)

- 5.9. An increase in underspend of £250,000 has been reported since the end of November.
- 5.10. The current estimate for Teachers Threshold Payments is based on claims received to date (the majority of claims for the Spring term have now been received), as well as a forecast for the remainder of the year. The underspend has arisen due to a lower number of claims being received than was originally envisaged. It is currently estimated that approximately £95,000 will need to be carried forward to 2010/11 to meet the cost of backdated claims.

Education Inclusion Service **+£235,000 (+2.7%)**

- 5.11. This represents a reduction of £206,000 from the position reported at the end of November.
- 5.12. This change is predominately due to the identification of additional income in respect of unwell and/or emotionally vulnerable children, where budget share funding can be reclaimed from schools.

- 5.13. In addition, further Teacher Pay Reform funding not previously anticipated has been confirmed, together with some schools intervention funding being secured toward meeting cost pressures arising within some of the Education Centres.
- 5.14. A significant proportion of the underlying forecast overspend relates to staff expenditure to provide cover for absent staff as well as responding to the increased number of children being supported through the service.
- 5.15. There has been an 7% increase in the overall average number of pupils educated by the EIS compared with the same period last year, and this is due to an increase in the number of unwell and/or emotionally vulnerable pupils. Based on previous statistics, the summer term is when demand for services is greatest and it is anticipated that the number of pupils will reduce over the following two terms (information for the Autumn term is currently being collected and verified). This could lead to a reduction in the level of spending, but it is too early to determine if this trend will continue this year.

Statemented Pupils

-£345,000 (-3.8%)

- 5.16. An increase in underspend of £77,000 has been reported since the end of November. This change has mainly arisen due to lower inter-authority recoupment charges being received from other local authorities for support provided to Hampshire pupils with Special Educational Needs (SEN) than originally expected (£45,000), and savings achieved due to delays experienced in starting an SEN Early Years project.

Out County Special Schools

+£591,000 (+6.7%)

- 5.17. This reflects a reduction of £89,000 since the end of November. This change is primarily due to the inclusion of additional income received from the Learning and Skills Council, and changes to the forecast expenditure for future potential placements.
- 5.18. Activity information clearly demonstrates that there has been an increased demand for Out County Placements over the past two academic years, although a slight reduction has been experienced in January 2010 compared to the previous year.

	Number of placements				
	2006	2007	2008	2009	2010
January	-	214	221	234	229
April	-	227	234	245	-
September	218	211	222	227	-

5.19. It should also be noted that inflation increases for 2009/10 above the 2.5% budget increase allocated will have further contributed the increased unit cost and overspend reported against this budget (the regional fee negotiation process has set exceptional fee levels at a maximum of 2.8% for residential school placements).

5.20. A number of strategies are currently being explored to address the level of overspend reported for Out County Placements (e.g. re-negotiation of school fee levels with providers). However, it is not expected that these will impact on the service until the 2010/11 financial year at the earliest.

Non-Schools Budget

Information Technology (IT) -£432,000 (-5.6%)

5.21. As part of the 2009/10 budget strategy a proportion of the 2008/09 underspend carried forward to the current financial year was allocated toward meeting the cost of a number of IT development projects. As part of the department recovery plan, some development projects have been scaled back or delayed and this has resulted in savings of approximately £432,000 now being reported (an increase of £182,000 since the end of November). The most significant reason for this change relates to the ContactPoint programme (£100,000) which has experienced delays nationally.

Early Education and Childcare Unit -£759,000 (-30.1%)

5.22. An increase in underspend of £84,000 from the position reported within the revised budget at the end of November. This relates to the non-schools budget funded element of the service and has occurred for a number of reasons:

- a projected underspend of £502,000 has emerged against the proportion of the Sure Start, Early Years and Childcare Grant (SSEYCG) originally allocated toward funding the Children's

		Number as at December 2008	Number as at December 2009	Increase %
Pupils transported (A)	Mainstream	11,976	12,284	+2.6
	Special / EIS	2,386	2,485	+4.1
	Total	14,362	14,769	+2.8
Season Tickets (B)		2,260	2,399	+6.2
Pupils transported by contract (A) – (B)		12,012	12,370	+3.0
Number of Contracts	Mainstream	746	814	+9.1
	Special / EIS	641	678	+5.8
	Total	1,387	1,492	+7.6

5.28. This table demonstrates that a significant proportion of the growth in pupil numbers (4.1%) since December 2008 relate to an increase in those educated in either special school provision (SEN pupils in mainstream are included with the mainstream pupil numbers) or other non-mainstream school arrangements such as pupil referral units.

5.29. The forecast overspend includes:

- **escort costs** are expected to be retained within the revised budget. This position reflects updated salary information for the end of December, as well as the impact of Pay & Benefits for school escorts
- £1,069,000 (5.0%) in respect of **contract costs**, reflecting an increased number of contracts, particularly within the Special and EIS sectors. It includes the effects of above inflation price rises, offset by planned transport reviews and spend to save initiatives

- **season ticket** costs are forecast to overspend by £14,100 (1.0%) as a result of estimated increases in respect of entitlement to season tickets in secondary and FE sectors.

- 5.30. It is currently assumed that **income** will be in line with the revised budget position. Income is primarily received from parents who are not eligible to receive free transport, but who pay a contribution to use available transport where capacity exists.
- 5.31. Further information outlining the key issues which contribute to the current position reported is contained within the previous report.

Commissioning and Social Work **-£518,000 (-3.7%)**

- 5.32. This represents an increase in underspend of £189,000 since the end of November. A number of minor changes across the social care fieldwork teams have contributed toward this overall net reduction in forecast outturn. This includes adjustments to recruitment assumptions made against vacant posts, which are either considered unlikely to be filled this year or have experienced delays in people starting in post. In addition the expected use of agency staff for the remainder of the year has been reviewed.
- 5.33. Despite the initial recruitment success experienced early on in the year, this updated forecast reflects the ongoing recruitment and retention difficulties experienced by the department in relation to qualified social workers.
- 5.34. In addition, the overall position reflects a forecast underspend against the additional safeguarding budget received in 2009/10 (approximately £122,000), mainly due to new staff not being in post from the beginning of the financial year.

Children Looked After **+£3,286,000 (+10.1%)**

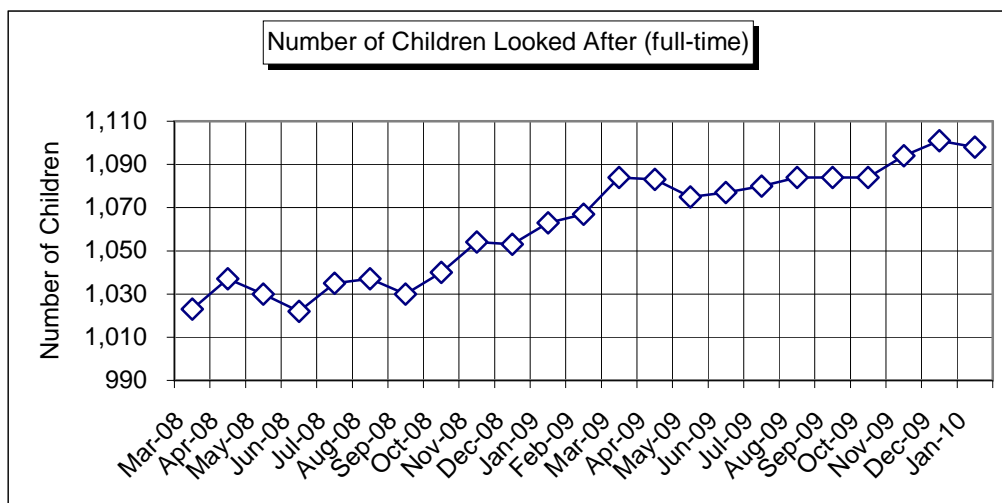
- 5.35. The position as at the end of January 2010 reflects a further increase in forecast expenditure of £426,000 since the end of November as outlined below:

	November 2009 Variance £000	January 2010 Variance £000	Change £000
Purchased Residential Care (Non-County Placements (NCPs) and Secure Welfare*)	+148	+138	-10
Purchased Fostering (IFPs)	+1,591	+1,905	+314
HCC Fostering	+366	+296	-70
HCC Children's Homes	+501	+474	-27
Other Residential	+254	+473	+219
Total	+2,860	+3,286	+426

*Expenditure on Secure Welfare amounts to approximately £257,000 of the forecast outturn reported against purchased residential placements

5.36. This is based on an assumption that current activity levels will remain stable throughout the remainder of the financial year. Further information on the changes reported against each of these individual budget headings is provided within paragraphs 5.52 to 5.69 of the report.

5.37. Activity levels for Children Looked After (CLA) steadily increased over the latter part of 2008/09, from 1,023 as at 31 March 2008 to 1,084 at 31 March 2009 (an increase of 6.0%). Since the beginning of the current financial year (2009/10) activity levels had remained relatively stable until November, but further growth was experienced during November and December (as demonstrated in the graph below). Whilst it is too early to say if these numbers have now peaked, during January a slight reduction was observed. As at the end of January 1,098 children were looked after by the County Council (a net increase of four since November).



- 5.38. The trends in Hampshire are consistent with national trends and are also linked to a range of other workload pressures in relation to vulnerable children.
- 5.39. There have been a number of drivers for these developing pressures but the two most prominent factors have been the public and professional reaction to the Baby P tragedy in Haringey and the impact of the recession. Further possible factors include changes in the legal process (the 'public law outline'), the improved early identification of risk and need in relation to children, and the fact that these are national issues meaning that, on occasions, demand for placements far outstrips supply. This latter point adds an inflationary factor to the costs of placements on top of the simple quantitative pressure.
- 5.40. The following table outlines various comparisons between the number of children placed with in-house foster carers and Independent Fostering Providers, including the Foster Care business case base line assumptions and the business case target for January 2010.

Number of Children in Provision	Business Case Baseline	Adjusted Business Case Target Jan 2010	Client numbers at Mar 2009	Client numbers at Jan 2010	Increase in numbers from target position Jan 2010
In house foster care	534	600	630	632	+32
Independent Fostering providers (IFP)	142	139	175	186	+47
In house children : 1 IFP	3.76	4.31	3.60	3.39	-0.92

- 5.41. Overall, an additional 32 placements have been made as at the end of January 2010 with in-house foster carers than had originally been envisaged when the business case was developed. This demonstrates the success of the foster care investment strategy so far in terms of avoiding additional expenditure which might have otherwise been incurred from an even greater use of IFP placements.
- 5.42. Whilst this comparison demonstrates a lower ratio of children placed with in-house foster carers to those with IFPs for December 2009 than the business case target (3.39:1 compared with 4.31:1 respectively), this needs to be considered alongside the wider context of increasing numbers of CLA.
- 5.43. Additional investment has continued during 2009/10 on marketing campaigns targeted at recruiting new and experienced foster carers to the service and it is envisaged that further capacity will continue to

created within the service during 2009/10 in to 2010/11. Provided Children Looked After activity levels do not rise further, it is anticipated that, whilst a further budget pressure may emerge against the HCC fostering service, any additional capacity generated (in particular for older children) will contribute toward achieving a reduction in the number of IFP placements required. This should in turn enable budget savings to be delivered. However, as indicated above this will be dependent upon future activity levels and demand for foster care placements stabilising.

- 5.44. It is of significant professional concern that IFPs also appear to be reaching capacity and more frequently are unable to place children we have referred to them. Intelligence within the service suggests that a regional increase in the number of children looked after across local authorities is leading to a high demand that is outstripping supply and leading to higher charges.
- 5.45. This shortage of foster placements has led to some children being placed in residential children's homes in an emergency when a foster placement cannot be found. The children's homes have been operating at near full capacity for some time. They have been managing high risk placements as well as emergency admissions which in most cases is outside of their statement of purpose and makes management of the group of young people very challenging. The 'lack of headroom' in the system and the challenging behaviour resulting from inappropriate mixes of young people has led to the recent increase in Non-County Placements (NCPs), further driving up costs as such placements again have to be purchased.
- 5.46. A significant proportion of NCPs are for children with disabilities who can no longer be maintained at home with care packages. Historically, the cost of such placements has been split between the Primary Care Trust, Special Educational Needs and Children's Social Care. Unfortunately, we are seeing increasingly small contributions from the Primary Care Trust for such packages further adding to pressures.
- 5.47. In addition to the above, Children Looked After can be placed in a variety of other arrangements such as supported lodgings, secure welfare accommodation (secure remand accommodation arrangements are not reflected within Children Looked After activity or expenditure), children placed for adoption (subject to final approval), as well as in some circumstances living at home with their parent(s) on care order.
- 5.48. The cost to the County Council of these different types of arrangements vary considerably and can, therefore, have a significant impact on the position reported if changes are experienced in the proportion of children accommodated in more costly types of arrangements. For example, the annual cost of supporting a child in care can range from a relatively small amount (e.g. less than £1,000) for a child living at home with their parents on a care order, to as

much as £300,000 per annum for a residential placement for a child with very complex needs.

5.49. The table below outlines the number of children looked after by type of placement as at the end of November 2009 compared with the end of January 2010.

Number of children in full-time care by children with a disability (CwD) and non-disabled children)		March 2009	%	November 2009	%	January 2010	%
Non-county placements (residential care)	Non-disabled	14	1.3	15	1.4	16	1.5
	CWD	37	3.4	43	3.9	43	3.9
	Total	51	4.7	58	5.3	59	5.4
HCC residential children's homes	Non-disabled	35	3.2	38	3.5	35	3.2
Independent Fostering Providers (IFP)	Non-disabled	163	15.0	173	15.8	175	15.9
	CWD	12	1.1	14	1.3	11	1.0
	Total	175	16.1	187	17.1	186	16.9
HCC Fostering	Non-disabled and CwD	630	58.1	620	56.6	632	57.6
Other	Non-disabled and CwD	192	17.8	191	17.5	186	16.9
		1,083		1,094		1,098	

5.50. This table demonstrates that in addition to a further increase in the overall number of CLA, the proportion of children who are supported within more costly arrangements (e.g. residential care and external foster care) has increased over the year compared with those placed within less costly arrangements (e.g. in-house foster care or other types of arrangements such as children placed at home on care orders or in supported lodgings). These changes have, therefore, have had a considerable impact on the budget pressure in 2009/10.

5.51. An analysis completed of the age profile of the Children Looked After population has identified that a further slight increase has occurred in the number of 0 to 4 year olds looked after by the County Council.

Age Group	Number of CLA as at:				
	31 March 2008	30 November 2009	31 January 2010	Change Nov to Jan Number	%
0 to 4	194	224	229	+5	+2.0
5 to 10	240	244	246	+2	+0.8
11 to 15	413	435	424	-11	-2.5
16+	176	191	199	+8	+4.2
Total	1,023	1,094	1,098	+4	

Purchased Residential Care or Non-County Placements (NCPs)

- 5.52. The forecast overspend for NCPs is £138,000, or 1.5% of the cash limit of £8,955,000. This represents a reduction in planned expenditure of £10,000 since November.
- 5.53. This budget includes both Non-County residential children's homes and school placements as well as the externally sourced secure welfare placements.
- 5.54. The forecast is based on any known changes to current activity levels with 59 placements as at the end of January 2010, a net increase of one since November 2009 (seven new placements and six recorded as having ceased).
- 5.55. Despite the net increase in activity, the overall forecast expenditure has reduced and this is primarily due to savings achieved from ended placements exceeding the anticipated cost of new placements made.

Independent Fostering Providers (IFPs)

- 5.56. The forecast outturn indicates an overspend of £1,905,000 (an increase of £314,000 since the last report), which represents +31.9% of the cash limit of £5,976,100. This cash limit includes the reduction of £300,000 forecast savings included within the 2009/10 Budget Strategy.
- 5.57. The number of children placed with IFPs has reduced by one (net) to 186 at the end of January. However, during December and January 19 new IFP placements have been made and 20 have ceased.

- 5.58. Despite net activity remaining relatively stable, the additional costs of new placements has exceed the savings achieved against placements which have ceased. Other changes in the estimated cost of existing packages, as well as a revision of the amount of expenditure that can be recovered from the Home Office in relation to Unaccompanied Asylum Seeking Children (UASC) has resulted in the overall increase reported against this budget heading.
- 5.59. Due to the sustained increase in the number of children looked after during the current financial year, the overall use of external foster care placements has been considerably higher than had been budgeted. Increased capacity generated within the in-house service has avoided the need for even higher increases, but the increasing demand for foster care placements in general this year has resulted in the expected level of budget savings (as assumed in the foster care investment business case) not being achieved.
- 5.60. Activity in this area will continue to be monitored carefully during 2009/10, as clearly any increases in CLA during the remainder of the year could have significant effects on the full year outturn.

HCC Fostering Service

- 5.61. The current forecast outturn indicates an overspend of £297,000 which represents +2.7% of the cash limit of £11,167,600. This cash limit includes the growth of £600,000 agreed in the foster care investment business case for 2009/10.
- 5.62. The position reported is based on an assumption that current activity levels will remain stable for the remainder of the year. As at the end of January, 632 children were placed with in-house foster carers, a net increase of twelve placements since the end of November.
- 5.63. Despite this increase in activity, overall the forecast variance has reduced by £70,000 since the end of November. This is mainly due to the inclusion of additional grant income anticipated to be received from the Home Office in relation to UASC, offsetting some of the reduction reflected against the IFP budget (paragraph 5.58).
- 5.64. During the year the number of foster carers has increased steadily from 540 reported at the end of March 2009 to 615 at the end of January 2010, further increasing capacity within the in-house service. However, as outlined earlier in the report, growth in the overall number of children requiring a foster care placement over the last year has clearly impacted on the service's ability to react to the full level of demand for placements within the additional capacity generated which has resulted in the continued need to procure from Independent Fostering Providers (IFPs).

Residential Children's Homes

- 5.65. The current forecast outturn indicates an overspend of £474,000, a reduction of £27,000 since the end of November. This represents +8.1% of the cash limit of £6,147,000.
- 5.66. Many of the children's homes are reporting considerable overspends for 2009/10 as a result of demands against their staffing budgets (e.g. use of overtime and agency staff to cover sickness and holidays). Higher levels of occupancy observed in some of the units during 2009/10 compared with 2008/09, together with the accommodation of some children requiring very intensive support and supervision (e.g. 1 to1 supervision and waking night staffing) has clearly impacted on the department's ability to manage within its available budget.

Other Residential

- 5.67. The current forecast outturn indicates an overspend of £473,000, an increase of £219,000. This represents +117.0% of the cash limit of £402,500.
- 5.68. This budget includes support for children in care who are placed in independent and supported living arrangements (e.g. 16 and 17 years olds).
- 5.69. The increase reported since November mainly relates to the inclusion of a court ordered residential assessment placement for a sibling group and their mother.

Family Support Services

+£305,000 (+3.8%)

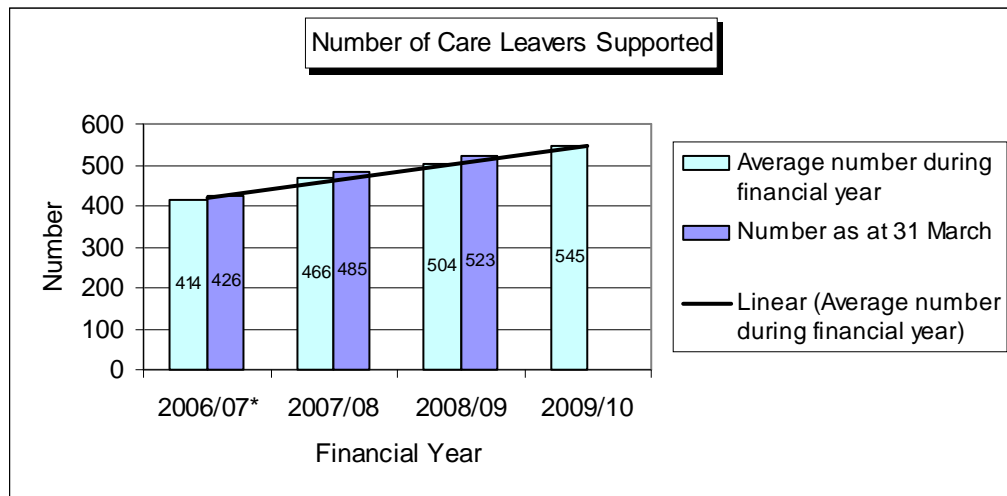
- 5.70. This represents an increase of £107,000 since the end of November.
- 5.71. The overspend reported consists of:

	November Variance	January Variance	Change
	£000	£000	£000
Direct Payments	+93	+91	-2
Day Care	-40	-24	+16
Services for Under 8s	-11	+1	+12
Home Care	+13	+16	+3
Equipment and Adaptations	0	-55	-55
Other Family Support	+143	+276	+133
Total	+198	+305	+107

*Other Family Support includes expenditure on unqualified support workers, preventative expenditure and other non-CLA placement solutions (Residence Orders, Special Guardianship Orders and Kinship Care).

children who were being financially supported through adoption allowance payments in 2008/09 was 225, compared with an average of 241 as at the end of January, an increase of 7.1%.

- 5.78. A further increase in the number of externally arranged adoption placements, offset by savings achieved against the staffing budget, have resulted in a net reduction of £16,000 on the variance previously reported.
- 5.79. The overspend against the Care Leavers budget reflects a steady increase in the number of care leavers who are continuing to be supported by the department since 2006/07. This is demonstrated in the graph below:



* Average figure for 2006/07 is based on period August 2006 to March 2007 only.

- 5.80. This change represents a 8.1% increase since 2008/09 in the average number of care leavers who continue to be supported by the County Council.
- 5.81. Since the end of November the overspend reported against this budget has reduced by £38,000 due to further review of projected expenditure on existing support packages.
- 5.82. The overspend within the Other Children's Services budget is mainly due to the provision of social care related transport for children. An increase of £75,000 has been reported since the end of November against this budget which this is primarily due to a further increase in the forecast outturn for transport as well as additional costs incurred to support new 'contact' arrangements.

6. Business Units

- 6.1. Appendix 3 shows the business units' anticipated financial position for 2009/10 as at 31 December 2009 compared with their original budget. This appendix also outlines the core contributions made by

the department to each of the business units and their current estimated reserves as at 31 March 2010.

Business Units providing services to Schools

- 6.2. Overall an in-year deficit of £970,000 is forecast for the School Business Units which would result in a reduction in cumulative reserves to £3.735m as at the 31 March 2010. This represents an reduction of £292,000 on the mid-year position.
- 6.3. Hampshire Inspection and Advisory Service (HIAS) is now projecting a deficit for the year of £736,000, a reduction of £212,000 on the position reported at the end of quarter 2. The main factors contributing to this change include an increase in the anticipated surplus at Hampshire Teaching and Leadership College (HTLC) of £52,000, together with the costs of the Soulbury pay award being lower than originally anticipated. In addition general cost saving measures and higher non-management income has reduced the level of deficit now anticipated. HIAS total reserves are, therefore, forecast to reduce to £2.2m as at 31 March 2010.
- 6.4. EdICT is now forecasting a deficit for 2009/10 of £226,000 which is slightly higher than the deficit position of £208,000 projected at the end of quarter 2. The unit's reserves are now forecast to reduce to £323,000 as at 31 March 2010.
- 6.5. The Music Service is forecasting a surplus for the year of £115,000, which is £82,000 higher than previously forecast. New local and national grants recently received have provided additional funding alongside savings in some areas of expenditure such as marketing, printing and educational supplies.
- 6.6. The Field Study Centres (Stubbington and Minstead) are both continuing to report forecast deficits for the year. However, Minstead is reporting an improvement of £9,000 since quarter 2 due to higher income projections, resulting in a deficit of £56,000 now forecast. Stubbington is projecting a deficit of £62,000, which is £17,000 higher than the position reported at the end of quarter 2. Additional salary costs have been identified following more rigorous budget monitoring by the new Centre Manager, but these have been partially offset by the generation of additional income and a reduction in spending across many of the Centres budgets.
- 6.7. Education Financial Services and Education Personnel Services continue to project in-year deficits, totalling £39,000. However, this is a reduction of £25,000 compared with the position reported at the end of quarter 2. Governor Services continues to report a small projected surplus of £34,000.

Children's Centres Business Unit

- 6.8. The Children's Centres business unit is forecasting a deficit for 2009/10 of £721,000, which is £132,000 lower than the deficit forecast at the end of the second quarter. Projected expenditure has decreased by £7,000 and income has increased by £125,000. Reserves are now estimated to reduce to £659,000 as at 31 March 2010.
- 6.9. Although centres are now projecting to spend less on staffing and premises, it is currently anticipated that these savings will mostly be offset by increased spend on supplies and services. However, it should be noted that only 60% of the projected expenditure for 2009/10 had actually been spent at 31 December 2009 and consequently centres are forecast to spend 40% of their expenditure in the final 25% of the year. There are reasons for expenditure to be weighted into this final quarter, as follows:
- some annual costs are yet to be charged
 - the level of service provided by centres is still increasing along with venue costs to offer additional activities to improve the reach of centres
 - a number of building related projects for which the preparation was being undertaken in the first half of the year
 - many managers have been cautious with spending on items until they had a better understanding of their costs and other income opportunities and will be placing orders this last quarter.
- 6.10. Most centres are still building their projections without the benefit of historical data on which to base their regular costs. Although estimates are improving as the year progresses, there are still unknown areas, for example, the cost of utilities and the confirmation of rental income from third party nurseries or payments by centres for their buildings where leases are not yet finalised. There may also be some costs and savings relating to the current weather conditions that will need to be taken into account.
- 6.11. The level of spend in the final quarter also presents further risk to the full utilisation of the grant by the Children's Centres Service. The situation is being closely monitored. However, without the benefit of full year historical costs, the service has arranged to manage as far as possible the potential outcomes to ensure the grant is fully accounted for.
- 6.12. Some of the closing balance currently reported is money centres are holding from income generation specifically to support the continuation of activities that they are building into their 2010/11 Service Delivery Plans to meet identified needs. There is also income from other sources for specific activities that may run into 2010/11 and as such should be ring fenced.

7. Partnerships

- 7.1. Within Children's Services there are three significant partnerships – Wessex Youth Offending Team (YOT), the Hampshire CAMHS Commissioning Partnership and the Hampshire Safeguarding Children Board.

Wessex YOT

- 7.2. The Wessex YOT budget for 2009/10 is £10.4m, with the majority of funding coming from partner contributions (£5.8m, of which Hampshire County Council's contribution is £3m) and Youth Justice Board (YJB) grant (£2.7m).
- 7.3. At its meeting on 2 December 2009 the Board received an update on the financial position for 2009/10 which outlined an expectation that a balanced budget would be achieved. This represents an improvement of £38,000 from the position reported to the Board in September 2010.
- 7.4. Partners also agreed a three-year strategy covering 2008/09 to 2010/11, including contribution levels. For some partners this included additional growth (including Hampshire County Council providing a further £25,000 in 2010/11, which has been approved). However, some partners have not been able to confirm their contributions in 2010/11 and the Management Board has, therefore, not been able to finalise the 2010/11 budget. The Hampshire Constabulary is proposing a significant reduction to the previously agreed figure.
- 7.5. The next Management Board is on 29 March 2010. However, it has been agreed that partners will endeavour to resolve the funding situation in advance of that meeting. The outcome will be reported to the Executive Lead Member for Children's Services as soon as possible.

Hampshire CAMHS Commissioning Partnership

- 7.6. The Hampshire CAMHS Commissioning Partnership provides services focused on promoting and restoring the emotional well-being of children and young people. The partnership is between Hampshire County Council and the Hampshire Primary Care Trust. Most services are commissioned through contract arrangements. These include NHS providers and other organisations who provide support for children and young people with emotional, social, and mental health needs.
- 7.7. At its meeting on 8 December the HCCP received an update on the financial position for 2009/10, outlining a current forecast underspend for the year of £357,000. The Board agreed the majority of this will be returned to partners. However, £51,000 will be carried forward to

2010/11 to meet the costs of the procurement exercise relating to re-tendering of services.

- 7.8. The Board also agreed to finalise the 2010/11 budget proposals at its meeting on 2 March 2010. However, partners have agreed to increase their base contributions by 1%. For Hampshire County Council this means an increase from £1.814m to £1.832m.

Hampshire Safeguarding Children Board

- 7.9. The Board has been established as a requirement of the Children Act 2004, which also sets out the partners that should be included. The Board is responsible for co-ordinating and ensuring the effectiveness of local work to safeguard and promote the welfare of children.
- 7.10. Total partner contributions in 2009/10 amount to £245,000, which includes Hampshire County Council's contribution of £148,800. Other contributing partners are Hampshire PCT, Hampshire Police, Probation, Children and Family Court Advisory and Support Service (CAFCASS) and the 11 local District/Borough/City Councils.
- 7.11. A partnership funding agreement has been drafted and partner contributions and a budget plan for 2010/11 are being prepared.
- 7.12. At its meeting on the 18 January 2010 the Board agreed that any underspend in 2009/10 would be returned to partners in line with their 2009/10 contributions. This is currently estimated at £61,000 for Hampshire County Council, and this is reflected in the outturn reported.

8. Efficiencies and Savings Targets

- 8.1. An update of the current achievement against the department's savings targets for 2009/10 of £3,558,000 is shown in Appendix 4. This identifies that £2,696,000 of this overall target is currently expected to be achieved.
- 8.2. The key areas where the target is not currently reported as being achieved are:
- £300,000 in respect of Independent Fostering Provider placements. This is primarily due to growth in the number of children who are looked after by the County Council
 - £200,000 in relation to Home to School Transport. Growth in the number of children being transported has impacted on the ability to generate budget savings
 - £362,000 of the £1,562,000 'savings to be identified' target. The department has been successful in absorbing in the region of £1.2m of this savings target. However, additional budget pressures within some services are expected to impact on the departments ability to manage within it's available cash limit.

- 8.3. Children's Services is engaging fully with the County Council efficiency programme and will be making contributions to the corporate targets in workstyle, home to school transport, contracting work, transition as well as various other measures. In addition Children's Services management team are considering what further efficiency measures can be taken that can help offset future departmental pressures.

9. 2010/11 Budget Update

- 9.1. The 2010/11 Revenue Budget was agreed by County Council on 18 February 2010. This included the following revisions to the Children's Services budget proposals previously presented to the Executive Lead Member on 15 January 2010:

- the Local Government Employers announced a pay freeze for 2010/11 in response to a union request for a 2.5% pay award. It is unclear at this stage if this decision will hold or if some small increase might still be paid. However, the Government has announced its intention to set a ceiling on public service pay awards of 1% in 2011/12 and 2012/13, but has not yet made its position clear for 2010/11. The budget had been prepared using a 1.5% pay award assumption. In view of the employers' announcement it is considered appropriate to reduce service cash limits for pay increases to zero, whilst retaining a contingency provision corporately for 1%.

In addition the local government pay award for 2009 was agreed at 1%, which was 0.2% below the allowance made in service cash limits and it is proposed that cash limits are also reduced to reflect this.

The balance of these adjustments will be transferred as a contribution to reserve toward the pay and productivity target within the overall corporate efficiency programme

- a proposal by the Leader to provide £250,000 toward funding a number of projects aimed at improving the educational outcomes for children in care.

- 9.2. In addition, it is proposed that a contingency will be set aside toward the overspend projected by the Children's Services department, avoiding the requirement to make additional savings within an already tight cash limit during 2010/11 to repay any overspend carried forward. This contingency is currently estimated at £1.250m (50% of the revised budget overspend projected of £2.499m). However, the actual amount will depend on the final outturn of the department.
- 9.3. The Children's Services budget for 2010/11 currently provides £1m growth to meet the increased costs from a higher number of children looked after. This provision is based on the department's plan to manage down current levels of activity to an average of 1,043

children during 2010/11 (1,020 by the end March 2011). However, it has been proposed to set aside a central contingency of £1m to underwrite this target, should it take longer to achieve a reduction in numbers following the increase observed after the Baby Peter inquiry. This contingency will not be added to the Children's Services cash limit at this stage.

- 9.4. At its meeting on 22 January 2010, Schools Forum agreed to the proposal of carrying forward £1.960m of Schools Budget headroom in 2010/11 to 2011/12, together with the balance of any uncommitted school surplus balances.
- 9.5. Schools Forum agreed that proposals for use of the clawback funds from 2009 (£390,000) will be considered by Headteacher Resources Groups prior to submission to Schools Forum. Should proposals not be agreed, this funding will be carried forward to 2011/12.

10. School balances

- 10.1. An analysis of predicted school balances, as at the end of March 2010 provided by schools, estimates that a high level of these will be committed against expenditure which will be incurred during 2010/11. A summary of the estimated assignment of predicted balances by schools (compared with the predicted and actual position for 2008/09) is outlined below:

Reason for retaining balance	Mid year prediction for 2008/09 year end £m	Actual balances for 2008/09 year end £m	Mid year prediction for 2009/10 year end £m
Standards Funds	1.7	4.5	3.0
Capital and Information, Communication and Technology	6.8	11.4	6.7
School Improvement Plan impacts (including changes to numbers on roll)	5.3	11.4	9.5
Renewal Funds	0.9	1.1	1.0
Uncommitted	11.0	12.2	9.0
Total	25.7	40.6	29.2

- 10.2. It should be noted that significant changes may occur to the actual level of balances held as, historically, year end figures have been substantially higher than mid year projections.

- 10.3. Schools are required to submit their final returns by 30 April 2010 and these will be subject to close scrutiny. In the meantime Education Financial Services will continue to work with those schools who face the most challenging financial positions.
- 10.4. Details of the final figures for 2009/10 will be available in May and will be reported to Schools Forum on 21 May 2010 and the Executive Lead Member for Children's Services on 14 July 2010.

11. Future direction

- 11.1. The department will continue to monitor its forecast outturn against the available cash limit throughout 2009/10 and 2010/11 using a risk based approach to reporting variances. A regular update report will be presented to the Executive Lead Member for Children's Services outlining any key or high risk issues.

12. Appendices

- 12.1. The following appendices are attached:

Appendix

- | | |
|----------|--|
| 1 | Budget Monitoring Summary |
| 2 | Activity Data (a) termly
(b) monthly
(c) Information reported to Cabinet |
| 3 | Forecast Business Unit balances |
| 4 | Savings Targets |

13. Recommendations

- 13.1. Agree the current financial issues that are being addressed within the 2009/10 budget and the management action required in the areas of particular pressure.
- 13.2. Agree the issues and latest financial position of the Wessex Youth Offending Team the Hampshire CAMHS Commissioning Partnership and the Hampshire Safeguarding Children Board.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	Yes
Corporate Business plan link number (if appropriate):	
Maximising well-being:	Yes
Corporate Business plan link number (if appropriate):	
Enhancing our quality of place:	No
Corporate Business plan link number (if appropriate):	

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Children's Services Revenue Budget 2009/10, 2010/11 and 2011/12	Item 2	21 January 2009
Children's Services Department 2008/09 Revenue Budget Final Position and 2009/10 Budget Monitoring – Period 2 (End of May 2009)	Item 1	22 July 2009
Children's Services Department 2009/10 Revenue Budget Monitoring – Period 5 (end of August 2009)	Item 2	15 October 2009
Children's Services Department 2009/10 Revenue Budget Monitoring – Period 7 (end of October 2009)	Item 4	17 December 2009
Children's Services Revenue Budget 2010/11 – 2012/13	Item 1	15 January 2010
Direct links to specific legislation or Government Directives		
<u>Title</u>	<u>Date</u>	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

1.1. Equality and diversity objectives are not considered to be adversely affected by the proposals of this report.

2. Impact on Crime and Disorder:

2.1. Crime and disorder objectives are not considered to be adversely affected by the proposals of this report.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?
 - No impact
- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?
 - No impact