

Children's Services – In year budget briefing

Please note that the following recommendations are subject to consideration and determination by the Cabinet (and confirmation under the provisions of the Council's Constitution) before taking effect.

Background

Children's Services are facing unprecedented pressures which have been increasing year on year. Senior, operational and frontline managers and staff are working tirelessly to square the circle of the relentless challenges of budget, demand and performance. It is to their enormous credit that services continue to improve, (albeit sometimes at a slower pace than we would want). For children and families, there are inevitably adverse consequences, which many members will be familiar with through constituent representations.

The position in Devon is replicated in Local Authorities across the country with large shire counties being particularly disadvantaged in their funding share.

In Devon, Children's Services have been very well supported by the executive (members and officers) and the overview and scrutiny function. This is deeply appreciated and reflects a very high level of corporate confidence in, and commitment to, Children's Services. This support is reflected in the very significant investment the Council has committed in some key areas:

- An edge of care service, designed to better respond to highly vulnerable teenagers and families who would otherwise come into care.
- In-house specialist residential capacity to help very chaotic children and young people to be placement ready, whether that placement is in residential care, foster care or at home.
- The social care improvement plan to ensure manageable caseloads for social workers and focused capacity on key improvement priorities
- Reduced in-year savings targets to enable continued investment in the Devon Inclusion Project and capacity in SEND.

At month 6 Children's Services are forecast to over-spend by £9.9 millions.

Children's Social Care

Children's Social Care is forecast to over spend by £6.5 millions. Placements continues to be the main budget pressure, with further pressure falling across the Disabled Children's short breaks, staffing and the Atkinson Secure Children's Home.

Measures are in place to prevent worsening but any reverse is very unlikely. The position assumes that remaining management action of £672,000 will be achieved although there are some risks within this. This year the service is undertaking a business process review, supported by Red Quadrant and the Councils corporate transformation team. The review is designed to further strengthen the controls in place to manage placement spend. Impacts from this work will be evident in 19/20. Some impact may be evident in the final quarter of 18/19.

Just over £1 million of expenditure relates to the agreed Service Improvement Plan. This is funding additional social work resource in the North and South of the county and the

estimated impact of increased agency costs arising from withdrawal from the Peninsula Memorandum of Understanding that capped agency rates in the region. Recruitment to the corporate parenting posts included within the Service Improvement Plan are delayed to April 2019 in response to in-year pressure.

The level of need has continued to rise. There isn't enough of the right provision for our children who have very complex needs. Two years ago, we had 38 Children Looked After in residential placements at a cost of £6.2m. In 2018/19 we are forecasting 55 Children Looked After at a cost of £11.7m. That's a 45% increase in children and an almost 100% increase in costs.

It is a similar story with supported accommodation for 16+. Two years ago, we had 61; today we are forecasting a relatively small increase to 66. But costs have gone up from £2.7m to £6.1m, an increase of 126%.

Overall, 16% of this year's cohort of Children Looked After account for 46% of the total placements cost. The placements budget is over spending by £4.6 millions.

We are also having to absorb unfunded responsibilities to Unaccompanied Asylum-Seeking Children (UASC). Whilst the number of UASC in Devon remains relatively low, the differential between the funding provided by the Home Office and our actual costs is growing significantly. Currently Devon is having to put in £500,000 per year but this will get worse as more of the children become care leavers where the funding gap is even higher.

The Disabled Children's short breaks service is forecast to over spend by £897,000. In the main, this is due to a small number of children with very high complex needs and higher average costs of packages of care. If the alternative for these children would be residential care, which would be much higher cost, the short breaks overspend can be seen as an invest to save.

The Atkinson Secure Children's Home is reporting an overspend of £462,000, after planned management action of £134,000. The Home continues to have difficulties in recruiting and retaining appropriately experienced personnel. Staff/child ratios have to be maintained hence we have had lower than budgeted occupancy levels and consequent reduced income. Management Action consists of recruiting a team of skilled agency staff to fill vacancies in the short term with a view to further permanent recruitment filling later in the year, however it is unlikely the home will be able to recover until well into 2019/20. The government intends to move to a commissioning model for the provision of secure children's homes places in 2020/21 which will significantly reduce the risk to Devon County Council.

The Council has commissioned an independent Children's Services finance health check through the LGA. The purpose is to provide assurance that the financial management and controls in place in Children's Services, are secure and deliver good value for money. The health check take place in November 2018 and will be reported to Children's Overview and Scrutiny at the earliest opportunity.

Education

Education budgets are split between 2 funding streams. The first budget comes from the Councils Core funding (General Fund) and covers the majority of the statutory responsibilities including staffing and transport. The second is the Dedicated Schools Grant (DSG) which provides funding for schools, early years settings and children with special educational needs. The DSG is a ring-fenced grant which is completely separate to other County Council funding streams.

The General Fund

The General Fund is currently predicting a small overspend which we anticipate will balance by the end of the year if the expected additional education funding from central government

is allocated to the service. The transport budget remains the highest risk area. Transport costs within a large rural county are significantly higher than those seen in more urban areas and, whilst ongoing route reviews are expected to make savings of £391,000, inflation costs have made this a significant challenge. Additionally, the rate of growth combined with the closure of some coach companies has made it difficult to find sufficient contractors to meet demand. This has meant going further afield to place contracts and accepting the impact this has on costs. The overall effect was that the general fund was forecasting an overspend of £382,000 however, efficiencies in other areas have reduced this to £171,000. It should be noted however that the efficiencies made are putting increased pressure on staff, who are already struggling with very high workloads.

The Dedicated Schools Grant (DSG)

The DSG is allocated by a nationally driven formula and covers all schools (including academies). It is split into blocks each of which has a specific purpose defined by the DfE.

- The schools block provides core funding for all mainstream schools. This includes additional funding to support children with lower levels of SEN and other vulnerable groups.
- The early years block provides funding for settings to support free childcare for eligible 2 to 4 year olds and funding for SEN within this age group.
- The high needs block supports children and young people with SEN aged 0 to 25, funding for alternative provision for those with medical needs or who have been excluded from school and funding for specialist settings. **All high needs funding is allocated directly to support childrens individual needs. Staffing and transport costs are covered from the general fund allocation.**

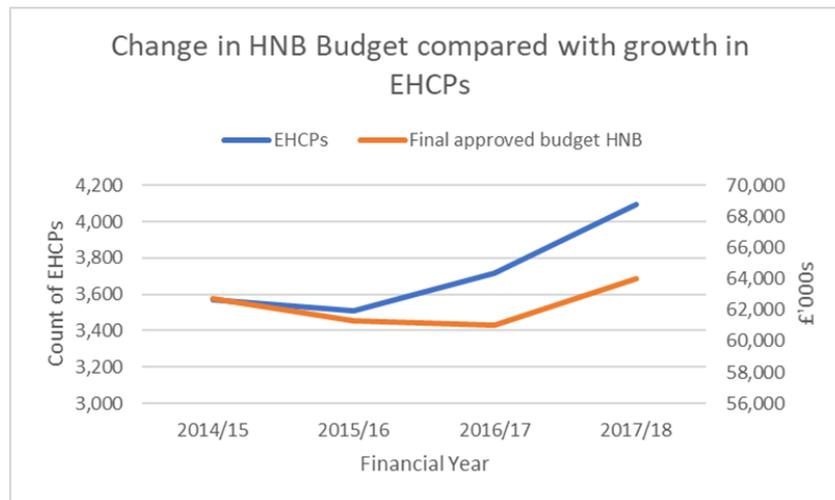
Despite government assurances that the funding going into education is more than ever before, the DSG continues to see significant budget pressures due to real term cuts. Funding within our schools is reaching crisis point with many having made large numbers of staff redundant.

The schools block and the early years block are currently in line with budget allocations, however schools' ability to support children's wider needs (mental health, pastoral and behavioural work etc) has been very severely impaired. This in turn has knock on effects for other services and the high needs block.

The high needs block is facing a significant overspend this year. There are two causal factors;

- an exponential increase in the number of children with Education Health and Care Plans (reflected nationally) which has not been matched by increased funding, and
- increased costs.

Between 2015 to 2018 the number of young people with an EHC plan has risen by 14.5%, whilst high needs block funding has only risen by 2%. The Devon numbers and budget allocations are shown year on year in the table below.



The independent sector over the past 3 years has seen the volume of learners rise from 278 in 2016 to 342 in 2018 (23% increase over last 3 years). The average costs of day (non-residential) placements in this time has increased to £44,950 per annum. Whilst children placed in the independent sector reflect a very small percentage of the school population (0.3%), these increased costs have a big impact on spend. There are 21 more children in the independent sector this year than last year but with a £2.3million increase in costs.

Special school investment over the past 3 years has seen the number of budgeted Maintained Special School places increase by 18.7%. This equates to an additional 173 places (924 places in 2015/16 to 1097 places in 2018/19) and whilst each place has a cost, if these places had not been made available the young people would have been placed in independent settings at an average additional cost of £20,000 per placement. Increasing our maintained special school places is a key plank in our strategy to control cost, but this requires capital investment.

The Local Authority is restricted in its ability to contain spend as we do not determine the number of requests for EHC plans. Additionally, our control over the educational provision required to support students with higher levels of need has been affected by the free school methodology, delays in opening new schools, restrictions on the expansion of maintained special schools and limitations to changing existing placements where schools are named in the EHC plan. This means the high needs budget is under increased pressure from both ends of the spectrum. Our legal responsibilities under the SEND code of practice, however, remain unchanged!

Savings of £3 millions have been achieved within the high needs block this year but the growth outlined above has resulted in a DSG month 6 projected overspend of £3.2 millions.

In this autumn's consultation, schools were asked to agree that 0.5% of the schools' block funding allocation be transferred to the high needs block. The outcome of this request is not yet known. We appreciate that schools themselves face intense funding pressures. The only sustainable solution is to secure more funding from the DFE to ensure the high needs block has sufficient resource to meet the growing demand and that schools are adequately resourced so they can support lower levels of need. To this end, significant work is taking place through the F40 funding group and with our MPs to make the case for additional funding.

Conclusion

Children's Services in Devon are very well supported by the Council, but nevertheless are under significant pressure.

There are no indications that the key drivers of demand and cost are going to change significantly in the coming years, which means that the pressures on families and on services are likely to continue unabated. The Council, through its medium term financial plan, will be considering prudent measures to best sustain financial resilience and prepare for the coming Spending Review.

Jo Olsson

Chief Officer for Childrens Services

Electoral Divisions: All

Cabinet Member for Children, Schools and Skills: Councillor James McInnes

Chief Officer for Childrens Services: Jo Olsson

LOCAL GOVERNMENT ACT 1972: LIST OF BACKGROUND PAPERS

Contact for Enquiries:

Dawn Stabb, Head of Education and Learning

Email: dawn.stabb@devon.gov.uk

Tel No: 01392 383000

Room: 130, County Hall