

CHILDREN AND FAMILIES SERVICE FINANCIAL SUMMARY

INTRODUCTION

1. This section provides a summary of SERVICE forecast outturn positions on revenue and capital budgets at the mid-year stage, and a summary of the debt position at 30 September. It highlights the key budget pressures facing the Council, and remedial actions taken and planned, and summarises progress against savings policy proposals contained in the 2011-12 budget.

OVERALL REVENUE SUMMARY

Table 1 - Service Revenue Outturn Forecasts

	Net Budget £000	Variance from Budget £000	SRE's for Approval £000	Net Projected Variance £000	Forecast at First Quarter £000	Change from First Quarter £000
<u>Children & Families</u>						
Directorate	1,110	584		584	-1,413	1,997
Safeguarding & Specialist Support	27,261	1,613		1,613	378	1,235
Early Intervention & Prevention	11,471	-717		-717	-472	-245
Strategy & Planning	39,714	-342		-342	249	-591
DSG - Non Schools	-22,063	1,822		1,822	1,822	0
Cross Cutting savings		0		0	408	-408
sub total	57,493	2,960		2,960	972	1,988

KEY CHILDREN AND FAMILIES SERVICE REVENUE ISSUES

1. Key issues impacting on service outturn forecasts are summarised below.

CHILDREN & FAMILIES £2.9m overspend

2. The outturn is forecast to be £2.960m overspent. The position has changed since First Quarter when Children and Families were predicting an overspend of £972k. The increase of £2.0m is due to more detailed information now being available around Cared for Children and external placements.
3. In arriving at this overspend, the service has absorbed budget pressures of £3.7m caused by the Pensions funding gap (£2.3m), the grant income shortfall (£0.8m), and cross-cutting savings (£0.6m). Without this pressure, the service would have been reporting an underspend of £0.8m.
4. The service has a proactive approach to budget management and continues to monitor expenditure closely. The Strategic Director had asked all service managers to deliver a 2% efficiency target in 2011-12 and this is being achieved in all areas with the exception of Cared for Children placements.

Managers are expected to continue to work to reduce the projected overspend and take whatever remedial action can be identified to ensure this happens.

Safeguarding and Specialist Support (SSS) £1.613m overspend

5. The service is predicting an over spend of £1.613m, however the placements budget within the service is predicting an over spend of £2.0m. This prediction does not factor in the potential reduction in costs where the plan for a child is adoption, which will help to mitigate the overspend forecast.
6. The service received £780k growth for the policy proposal to develop residential provision within the borough. Progress has been made on the scheme, the tender document is being worked up, and potential properties have been identified.
7. Some of the growth has been used to purchase an additional 3 beds in Wilkinson House for 2011-12 whilst the scheme is implemented, leaving an under spend of £466k, which is offsetting some of the placements overspend.
8. Whilst the numbers of Cared for Children had increased in the first quarter of the year, from 439 at 1 April to 452 at the end of the first quarter, the number has remained broadly constant at 456 by the mid year. This reinforces the results from comparison with nearest neighbours, that this number of Cared for Children is typical for a borough the size of Cheshire East. The number of children has increased by 4 since First Quarter review, but the predicted outturn has increased considerably due to the nature of the placement activity, and the costs associated with each individual's placement.
9. However the service is active in addressing this overspend. Proactive intervention strategies are in place to reduce the numbers needing to be taken into care; the new placement service is up and running, with regular placement panels chaired by the Principal Manager, meaning the whole placements process is much tighter. Another action has been to ensure the Emergency Duty Team had a list of Cheshire East foster carers with availability for emergency placements, thereby reducing the need to use costly external agency placements which it can then be very difficult to change. Joining Placements Northwest has enabled the Commissioning team to secure savings of £59k to date by renegotiating existing contracts.
10. The placements data is now analysed to show the cost of the placements for children aged 16 and over under Section 20. There are now 41 children in this category costing a total of £1.7m over the whole year, of which several will be as a direct result of the recent Southwark judgement. This situation has been exacerbated by recent events involving a homeless hostel in the borough where the young people have engaged the services of a solicitor to challenge their legal right to be accommodated. This has resulted in the Council being faced with a number of threats of judicial review unless the children are placed. This is being managed by educating the hostels around safeguarding and the duty of care. In addition the department have requested growth for this area in next year's budget setting process.

11. During the remainder of the year it is anticipated that a number of children will be successfully adopted, not only providing stability for that child but helping to reduce the pressure on the Council's finances. Matches between children and adoptive parents already exist in a number of circumstances, whilst finding families continues for other children. It is anticipated that the impact of the adoptions will reduce the forecast during the remainder of the year.
12. As part of the monthly management meetings between Finance and the Senior Leadership Team, the high cost placements are reviewed to ensure strategies are in place to reduce them. However it can prove difficult to return children from external placements once the child is settled. Work and reviews are in hand to replicate reductions in placement costs in the first half of the year, including wherever possible restricting the cost of new placements.
13. For example, one child has been placed on an emergency placement out of county currently costing in excess of £100k per year, however he now has an advocate and is arguing against being moved as he is now settled, accessing education, and is no longer offending. The child and advocate are demanding he remain in this placement rather than being placed in a much more cost effective placement in Cheshire East, where they claim he would be more likely to reoffend. This case would have to go before a judge and it is likely the judge would uphold the existing placement.
14. There have been several instances recently where the proposed placements have been challenged in court. The Head of Service has made arrangements to meet with the Judge to discuss the impact of the judge's rulings, and will take evidence of the cost pressures the judge is placing on the authority by placing children in external placements rather than using in house. An average external foster placement costs around £800 per week compared to internal Cheshire East carers who cost around £400.

Early Intervention and Prevention £717k underspend

15. A new Early Intervention and Prevention service has been created which encompasses Children's Centres, Family Centres, the Family Service and the First Contact service, which includes the Family Information Service and the Common Assessment Framework (CAF). The Head of Service took up post in April 2011 and implemented a wide scale restructure, investing in front line staff and moving to a locality based service.
16. This new structure came into effect in September 2011, and there has been a hold on vacancies and a directive to curtail additional spend as much as possible whilst the new structure is implemented. This is now likely to continue, and the service is predicting an underspend in the current year.

Strategy, Planning and Performance £342k underspend

17. Most of the budgets in this area are expected to net nil by year end. Unspent Standards Funds grant has been carried forward from 2010-11 to offset additional planned expenditure in the early part of this year, recognising the funding being for the academic year.

18. The area of pressure here is Business Support which has been targeted with achieving £250k savings on staffing and £250k on Supplies and Services. Early indications are that the staffing savings will be achieved. However the service has centralised the Business Support function, and will need to keep spend on supplies and services under review, bearing in mind the wider Business Management Review.

Schools / Other School Related £1.822m overspend

19. In setting the Needs Led Budget for 2011-12, no budget was set aside for early retirement, pension and redundancy costs relating to schools. These are enhancements paid to teachers but which cannot be charged to the Dedicated Schools Grant (DSG). This currently costs £2.3m per year and is a pressure on the base budget.
20. Centrally retained DSG was not fully spent in 2010-11, allowing budget of £538k to be carried forward and used to offset the budget pressures on Redundancy (£280k) and SEN contingency (£200k). An increase in the amount of DSG allocated by the DfE for 2011-12 of £430k has added to this, creating an underspend in centrally retained DSG of £478k to help offset schools related costs such as the redundancy element of the pressure identified above.
21. The Individual Schools Budget (ISB) is assumed to balance as actual spend has to equal budget, with schools retaining in full any carry forward of either an over or under spend. During 2010-11 schools generally underspent their budgets by approximately £10m, increased from approximately £8m in the previous year. The school budgets for 2011-12 will increase by £10m when the 2010-11 carry forward is applied.
22. The DSG and V1th Form budgets from the Young People's Learning Agency will be reduced in year in direct proportion to reductions following any adjustment relating to schools converting to Academies.

Emerging Pressures

23. Part of the pressure on the current budget has been caused by the decision to transfer the VR costs into 2011/12 – they were originally intended to cover retirements prior to year end but a corporate decision to delay until 2011/12 has added this pressure to the service budget in the current year.

CAPITAL PROGRAMME

24. At the mid-year review stage the Council is forecasting expenditure of £74.334m in 2011/12 against an Approved Budget of £90.983m for the year. Officers have undertaken a fundamental review of the capital programme to ensure that it only includes schemes that fulfil the Council's priorities for service delivery to be carried forward and any unspent balances were deleted from the programme enabling resources to be freed up for future allocations.
25. Table 2 shows an analysis by Directorate of the in-year Approved Budget for 2011-12, and forecast expenditure for 2011-12 and the three following years to 2014-15.

Table 2 – Capital Expenditure Forecasts

Department	In Year Approved Budget	Forecast Expenditure			
	2011-12 £000	2011-12 £000	2012-13 £000	2013-14 £000	2014-15 £000
Children & Families					
New Starts	9,943	7,257	9,582	1,511	0
Committed schemes	17,305	13,393	6,624	0	0
	27,248	20,649	16,206	1,511	0

Key Service Capital Issues

Children and Families

26. Residential Development Programme

Total Approved Budget	£1.150m
Revised Budget 2011-12	£1.500m

The requirements for residential provision for looked after children have been reviewed and three properties are to be purchased within the borough, two in the Macclesfield area and one in Congleton. It is anticipated, (dependant on the market) that a property in Congleton will be purchased before March 2012, to coincide and ensure the smooth transition of residential care following the closure of Wilkinson House. This property will include an assessment centre.

Additional funding will be required to support the property purchase prices in the designated areas to maximise the new guidance requirements, i.e., the residential provision should replicate family homes of no more than 4 bedrooms. Purchase prices in specific postcode areas have been evaluated to reflect a true reflection of the current market trends in these areas (one requiring additional space for the assessment unit). All associated costs including adaptation costs, fees, etc, have been estimated to give a gross total cost for each property.

Taking the above factors into consideration, an additional £350,000 is now required to enable the objective of providing 12 additional residential bids in the borough and to achieve the revenue savings.

27. Special School for Children with Autism Spectrum Condition

One of the priority recommendations emerging from the Special Educational Needs and Disability (SEND) review was the identified need to develop local specialist provision for children and young people with Autism Spectrum Condition (ASC). A report will be considered by Cabinet on 28th November 2011 seeking the approval in principle for the development/feasibility of specialist provision on the Church Lawton Primary School site. The capital cost for the refurbishment has been estimated at £1.617m and will be funded from the existing capital SEND allocation.

DEBT MANAGEMENT

28. Total Invoiced Debt at the end of September 2011 was £6.1m. After allowing for £1.3m of debt still within the payment terms, outstanding debt stood at £4.8m. The total amount of service debt outstanding over 6 months old amounts to £2.0m. This is unchanged from FQR, and £0.4m higher than the level of older debt at 31 March. Services have created debt provisions of £1.7m to cover this debt in the event that it needs to be written off.
29. An analysis of the invoiced debt provision by directorate is provided in Table 4.

Table 4 - Invoiced Debt

Directorate/Service	Total Outstanding Debt as at 30 th September £000	Total Debt Over 6 months old £000	Bad Debt Provision £000
Children & Families	613	292	268
Schools & Catering	63	50	15
Total Children & Families	676	342	283