

Report of Deputy Chief Executive and Director of Children's Services

Report to Scrutiny Board (Children's Services)

Date: 15th September 2016

Subject: Children's Services 2016/17 budget

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. The Children's Services Scrutiny Board on the 16th June 2016 received an update on the 2016/17 financial position for Children's Services. The Board was advised that as at Period 2 a projected overspend of £3.6m was reported to the June Executive Board. It was reported that the main areas of overspend were on the demand led budgets, in particular in relation to children looked after (CLA) and school transport. Members of the Children's Services Scrutiny Board raised concerns about the 2016/17 budget for Children's Services and requested an update on the latest financial position in relation to Children's Services and whether future budgets could be done differently.

Recommendations

2. That the Scrutiny Board (Children's Services)
 - a) Consider the information presented in this report and at the meeting
 - b) Make recommendations as deemed appropriate.

1 Purpose of this report

- 1.1 The purpose of this report is to respond to a request from the Children's Services Scrutiny Board for additional information concerning the assumptions behind the Children's Services 2016/17 budget in the context of the reported projected overspend, provide an update on the latest financial position in relation to Children's Services and whether future budgets could be done differently.

2 Background information

- 2.1 Council approved the 2016/17 Revenue Budget on the 24th February 2016. The report '2016/17 Revenue Budget and Council Tax' set out the framework for compiling the 2016/17 budget, taking into account the Local Government Finance settlement, the Initial Budget Proposals that were agreed by the Executive Board in December 2015, the results of budget consultation and other factors that have influenced the budget.
- 2.2 Detailed proposals for each service area are set out in the directorate budget reports attached to the main budget report.
- 2.3 Both the main 2016/17 Revenue Budget report and the Children's Services budget report as well as setting out the context and framework for setting the budget provide detailed information on the assumptions in setting the budget including cost pressures such as demand and demography, other pressures and the savings proposals including efficiencies, income generation and service changes. Determining the overall budget requirement for the Council has to take into account a wide range of complex factors and is based on a large number of assumptions and risks which are set out in the reports. During the year there are inevitably variations which are reported to Executive Board through the monthly financial health check report. These variations are managed in the context of the overall Council budget and the effectiveness of the Council's financial controls can be measured by the extent to which these variations are managed so that the Council's spend can be contained within the overall funding envelope. The Council has a track record in spending within the budget.
- 2.4 The Children's Services Scrutiny Board on the 16th June 2016 received an update on the 2016/17 financial position for Children's Services. The Board was advised that as at Period 2 a projected overspend of £3.6m was reported to the June Executive Board. It was reported that the main areas of overspend were on the demand led budgets, in particular in relation to CLA and transport. Members of the Children's Services Scrutiny Board raised concerns about the 2016/17 budget for Children's Services and requested an update on the latest financial position in relation to Children's Services and whether future budgets could be done differently.

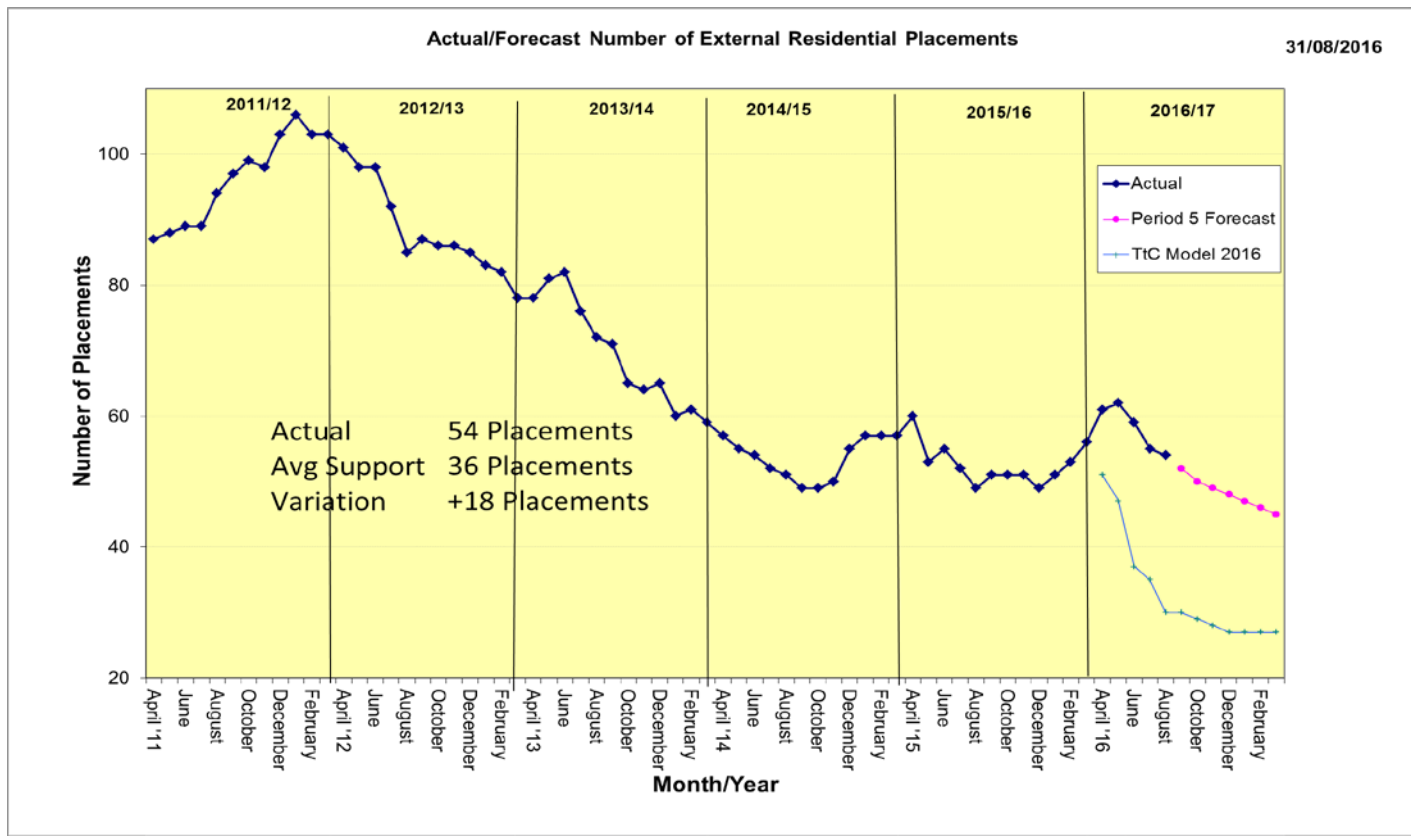
3 Main issues

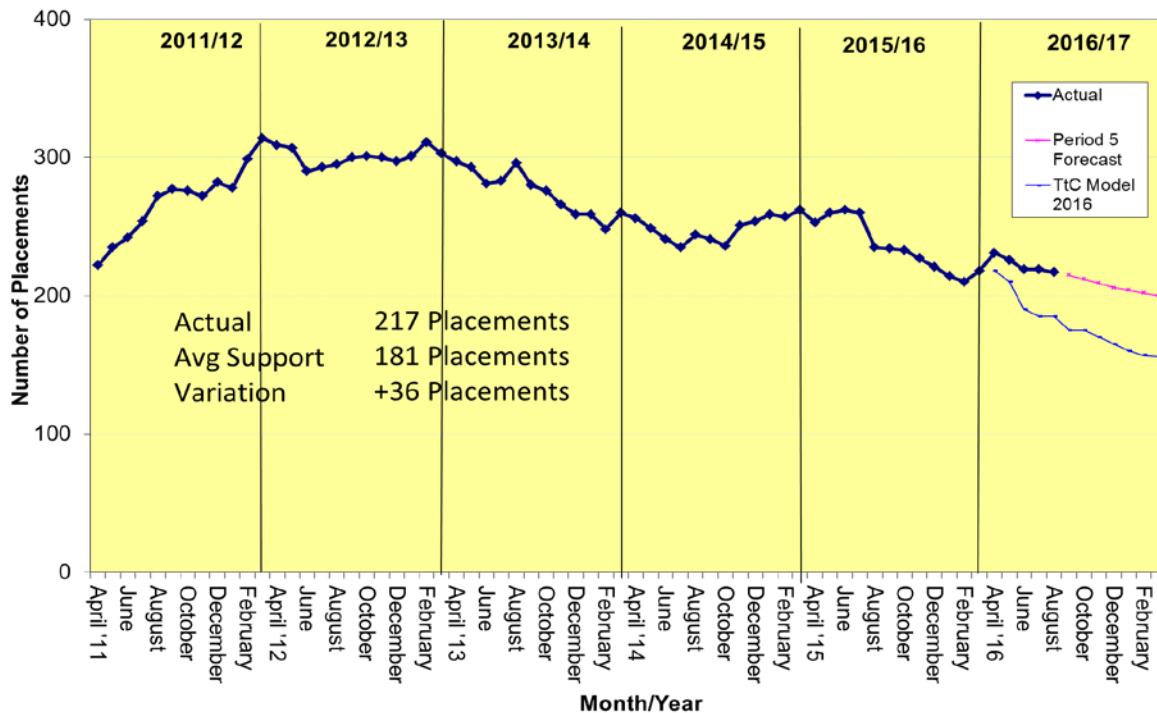
- 3.4 The projected overspend of £3.6m reported for Period 2 2016/17 is mainly in relation to the demand led budgets, in particular in relation to children looked after and transport. In terms of the CLA budgets the projected overspend is £5m and is as a result of the authority looking after an additional 56 children in external residential placements and with Independent Fostering Agencies than the budget provides for. In terms of the transport budget at Period 2 the projected overspend is £1.7m.

- 3.5 The Financial Health check report submitted to the Executive Board in July shows a projected overspend of £3.8m for Children's Services as at Quarter 1. The main areas of overspend are as outlined above, the increase in the overspend is as a result of a reduction in projected savings on staffing and running costs. This represents an overspend of 1.3% against the Children's Services gross expenditure budget of £280m. The report does note that there are a number of high risks which could lead to an increase in the overspend although the directorate is undertaking a number of actions to mitigate against these.
- 3.3 The Children's Services budget has been set in the overall context of the Service's ambition is to be a truly Child Friendly city and strategy for managing increasing demographic and demand pressures that are often a by-product of a city with a strong economy. The restorative approach requires professionals/practitioners to work *with* children and families as opposed to doing things for them or to them, providing high support and high challenge and empowering children and families to make positive decisions about their lives. The directorate's strategy has been reflected in the Children's Services budget over the last few years with increased investment in prevention to deliver future savings on the demand led budgets. Children's Services continues to face significant demographic and demand pressures as a result of:
- High birth rates, particularly within the most deprived clusters within the city.
 - Increasing inward migration into the city, particularly from BME groups from outside the UK.
 - Increasing population of children & young people with special and very complex needs.
 - Greater awareness of the risks of child sexual exploitation.
 - Growing expectations of families and carers in terms of services offered.
 - Changes in government legislation, including "Staying Put" arrangements which enable young people to remain with their carers up to the age of 21.
- 3.4 The 2016/17 Children's Services budget report acknowledged that these factors continue to put increased pressure on CLA placements budgets, spending on children and young people with complex needs and transport budgets, particularly for those vulnerable children with particularly complex needs. The 2016/17 budget proposals included additional funding of £700k to reflect this increased demand on the transport budget. Further savings were not assumed on the CLA budget and the budget was left at the level set in 2015/16 acknowledging the complexities in managing these budgets.
- 3.5 The increased numbers of young people staying put has placed significant pressures on the ability to provide foster placements across the service. There are 40 fosters carers who would, if they did not have a staying put placement. Be able to take another child therefore reducing the in house fostering capacity. Trying to find alternative placements for young people who would have been placed with internal foster carers has resulted in additional costs of £1.7m.

3.6 It is clear that the directorate's strategy is working, in 2015 Ofsted assessed Leeds Children's Services as 'good' and the DfE endorsed the directorate's strategy by awarding Leeds £4.85m of Innovation Funding to expand Family Group Decision Making and Restorative Practice further and faster. The government has acknowledged Leeds as one of only six 'exemplar' Children's Services and has asked the Directorate to become a 'partner in practice'.

3.7 In contrast to the national trend, over the last 4 years Leeds has managed to safely and appropriately reduce the number CLA. Since 2011 Leeds has reduced the number of CLA by 14.1% (from 1,450 to 1,245) whilst nationally the number of CLA has grown by 6.2% over the same period. The graphs below show the numbers of CLAs in external residential placements and Independent Fostering Agency placements since 2011/12. Whilst there has been a gradual reduction in numbers the reduction has not been uniform and there have been periods when numbers have increased for various reasons. This makes forecasting and budget setting more difficult and illustrates why this element of the budget is such a high risk.





- 3.8 This reduction in the overall number of CLA together with a significantly reduced dependence on expensive external provision means that the average annual cost of the current CLA population is approximately £15m less than the equivalent cost in 2011/12. This position has been reflected in successive budgets with significant savings being built into the budget strategy. In 2012/13 the budget for external and IFA placements was increased by £10.5m. The budget was then reduced in 2013/14 and 2014/15 in line with the directorate's strategy. In subsequent years the budget has been virtually maintained at the 2014/15 level with overall actual costs reducing from a peak of £25.3m in 2011/12 down to a projected £19.0m in 2016/17.
- 3.9 Over the last two years whilst there have been continued reductions in CLA the actual reductions have not been in line with the budgeted assumptions. The transport budget has also experienced an increase in costs, demand and the complexity of needs. It is difficult to forecast with a high degree of certainty the budget requirement for these two areas with a range of factors impacting on the actual spend. The budget report clearly recognises these risks and they also form part of determining the overall Council reserves strategy.
- 3.10 The graph below shows the number of children and young people transported and again highlights a noticeable increase in demand for transport since November 2015 which would have been at the time that the budget requirements were being determined. As with CLA numbers it is difficult to accurately identify all the trends and factors that contribute to the overall demand and budget requirement.

Numbers of Children & Young People Transported	Apr-15	Jul-15	Nov-15	Mar- 16	Jun-16	Mth 3	Increase
						proj to 31.03.17	from Nov 15
SEN	980	977	1068	1091	1116	1242	16.2%
CLA	450	438	407	428	442	445	9.3%
Post 16 SEN	139	127	71	71	79	80	12.7%
	<u>1569</u>	<u>1542</u>	<u>1546</u>	<u>1590</u>	<u>1637</u>	<u>1726</u>	<u>11.6%</u>

3.11 The 2016/17 budget requirements for CLA and transport had been determined based on the data and demand trends that suggested a budget requirement in 2016/17 which it is now clear is not sufficient to meet current and expected demand and costs for both the CLA and transport. The increase in spend on both the transport and CLA budgets did not become fully evident until into the final quarter of 2015/16.

3.12 The Local Government Act (Part II) 2003 places a requirement upon the Council's statutory finance officer (The Deputy Chief Executive) to report to members on the robustness of the budget estimates and the adequacy of the proposed financial reserves. In considering the robustness of any estimates, the following criteria need to be considered;

- The reasonableness of the underlying budget assumptions such as the:
 - the reasonableness of provisions for inflationary pressures;
 - the extent to which known trends and pressures have been provided for;
 - the achievability of changes built into the budget;
 - the realism of income targets;
 - the alignment of resources with the Council service and organisational priorities.
- A review of the major risks associated with the budget.
- The availability of un-earmarked reserves to meet unforeseen cost pressures.
- The strength of the financial management and reporting arrangements.

3.13 In coming to a view as to the robustness of the 2016/17 budget, the Deputy Chief Executive takes account of the following issues:-

- Detailed estimates are prepared by directorates in accordance with principles laid down by the Deputy Chief Executive based upon the current agreed

level of service. Service changes are separately identified and plans are in place for them to be managed.

- Estimate submissions have been subject to rigorous review throughout the budget process both in terms of reasonableness and adequacy. This process takes account of previous and current spending patterns in terms of base spending plans and the reasonableness and achievability of additional spending to meet increasing or new service pressures. This is a thorough process involving both financial and non-financial senior managers throughout the Council.
- Significant financial pressures experienced in 2015/16 have, where appropriate, been recognised in preparing the 2016/17 budget, or are subject to further actions to enable them to be delivered.

- 3.14 As part of the budget process, directorates have also undertaken a risk assessment of their key budgets, documented this assessment in the form of a formal Risk Register, and provided a summary of major risks within the directorate budget documents, many of which are significant. All directorate budgets contain efficiencies, income generation and service reviews which will require actions to deliver, and any delay in taking decisions may have significant financial implications. The overall level of risk within the 2016/17 budgets of directorates is considered to remain relatively high. Whilst this level of risk can be considered manageable, it must be on the understanding that key decisions are taken and that where identified savings are not delivered alternative savings options will be needed. This is all the more important given that the Council will face further financial challenges over the years beyond 2016/17.
- 3.15 As has been detailed, the 2016/17 Children's Services budget was determined based on an assessment of the wide range of factors that influence the budget. At the time the budget was set the trends on both CLAs and transport suggested that the budget was realistic.
- 3.16 To mitigate against the budget risks the Council's reserves are set in line with the risk based reserves strategy which identifies and quantifies the key risks in the budget for each directorate. The 2016/17 Revenue Budget and Council Tax report included the opinion that the Deputy Chief Executive considers the proposed budget for 2016/17 as robust and that the level of reserves are adequate given a clear understanding of a number of actions that will be required during the year.
- 3.17 The Council is currently developing the 2017/18 budget strategy. A true zero based budgeting approach in an organisation as large and complex as Leeds City Council would be extremely time consuming and resource intensive but the approach to developing the budget strategy in the Council does involve a full assessment and review of the key factors influencing the budget and as part of this process a number of budget pressures in Children's Services have already been identified including the CLA budget, transport and the fall out of non-recurring income. Based on the current and forecast demand and cost pressures the proposed strategy identifies the need for an increase in these budgets for 2017/18 although in 2018/19 and beyond, the demand pressures on transport and CLA would be expected to reduce in line with the Service's ongoing strategy

together with the anticipated additional innovations funding from the DfE which will enable further investment in prevention to deliver future savings. As part of the budget strategy the Council also undertakes a number of in depth service reviews which will include identifying options for the future provision of services which is similar to the zero based budgeting approach.

- 3.18 Determining the overall budget requirement for the Council has to take into account a wide range of complex factors and is based on a large number of assumptions and the reports identify the associated key risks. During the year there are inevitably variations which are reported to Executive Board through the monthly financial health check report. These variations are managed in the context of the overall Council budget and the effectiveness of the Council's financial controls can be measured by the extent to which these variations are managed so that the Council's spend can be contained within the overall funding envelope. The Council has a track record in spending within the budget

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Extensive consultation was undertaken as part of the budget setting process, as outlined in the Revenue Budget and Council Tax 2016/17 report to Full Council on the 24th February 2016. This report has no direct issues requiring consultation or engagement.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 A specific equality impact assessment of the budget at a strategic level was undertaken and was reported to Full Council on the 24th February 2016 as part of the Revenue Budget and Council Tax 2016/17 report. This report has no direct equality and diversity/cohesion issues.

4.3 Council policies and the Best Council Plan

- 4.3.1 The 2016/17 Best Council Plan's ambitions, outcomes and priorities underpin the proposed 2016/17 budget and have been used to ensure that the Council's financial resources are directed towards its policies and priorities and, conversely, that these policies and priorities themselves are affordable. Spending money wisely is one of the Council's values, with the priority being for directorates and services to keep within their budgets

4.4 Resources and value for money

- 4.4.1 There are no specific financial or resources implications arising from this report.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Chief Financial Officer to have responsibility for those arrangements.
- 4.5.2 This report does not require a key or major decision and is therefore not subject to call-in

4.6 Risk Management

- 4.6.1 The Revenue Budget and Council Tax 2016/17 report to Full Council on the 24th February 2016 outlines the key risks in the budget and provides a statement as to the robustness of the proposals. An analysis of the key budget risks is maintained and subject to monthly review. Any significant and new risks are contained in the budget monitoring reports submitted to meetings of the Executive Board, together with any identified slippage on budget savings plans.

5 Conclusions

- 5.1 This report has provided an explanation of the basis for the setting of the Children's Service budget for 2016/17, provided an update on the latest financial position for Children's Services and considered whether future budgets could be done differently.
- 5.2 The 2016/17 Children's Services budget was determined based on an assessment of the wide range of factors that influence the budget. At the time the budget was set the trends on both CLAs and transport suggested that the budget was realistic. It is now clear that the budget is not sufficient to meet current and expected demand and costs for both the CLA and transport. The increase in spend on both the transport and CLA budgets did not become fully evident until into the final quarter of 2015/16.
- 5.3 The Financial Health check report submitted to the Executive Board in July shows a projected overspend of £3.8m for Children's Services as at Quarter 1. The report does note that there are a number of high risks which could lead to an increase in the overspend although the directorate is undertaking a number of actions to mitigate against these.
- 5.4 A true zero based budgeting approach in an organisation as large and complex as Leeds City Council would be extremely time consuming and resource intensive but the approach to developing the budget strategy in the Council does involve a full assessment and review of the key factors influencing the budget. As part of the budget strategy the Council also undertakes a number of in depth service reviews which will include identifying options for the future provision of services which is similar to the zero based budgeting approach.

6 Recommendations

- 6.1 That the Scrutiny Board (Children's Services)
- a) Consider the information presented in this report and at the meeting
 - b) Make recommendations as deemed appropriate.

7 Background documents¹

- 7.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.