

Children's Services Committee

Report title:	Children's Services Finance Monitoring Report Period 6 (September) 2017-18
Date of meeting:	14 November 2017
Responsible Chief Officer:	Sara Tough Executive Director of Children's Services
Strategic impact This report provides an update on the performance and financial forecast outturn information for the 2017-18 financial year to Children's Services committee. The report sets out the financial outturn data for the period ending 31 March 2018 as at the end of September 2017 (period 6). The report sets out the variations between the approved budget for 2017/18 and the forecast spending during the year, as well as the variations between the forecast outturn information as at period 6 compared to period 5. These are described in paragraphs 2.1 and 2.2 below. The overall financial position covers the Revenue Budget, School Balances, Reserves and Provisions, and the Capital Budget for Children's Services.	

Executive summary

The main financial points within the paper are:

- The Children's Services revenue budget shows a projected overspend of £4.021m for the 2017-18 financial year;
- The Schools' revenue budget shows a projected overspend of £7.070m for the 2017-18 financial year;
- The projected level of Locally Maintained School balances as at 31 March 2018 is £12.683m;
- The expected level of unused reserves and provisions as at 31 March 2018 is £8.379m, which is a combination of £3.682m for Schools and £4.697m for Children's Services;
- The Children's Services capital budget is £67.324m following reprofiling to future years and other changes;
- Management action is being taken to reduce the projected level of overspend against both the Children's Services revenue budget and the Schools' revenue budget;
- Any overspend against the Schools' revenue budget will be funded through a loan from Locally Maintained Schools balances that will need to be repaid in future years, with proposals taken to the Schools Forum;
- A 2018-22 budget planning update.

Recommendations:

Members are invited to discuss the contents of this report and in particular to agree:

- a) the forecast outturn position at period 6 for the 2017-18 Revenue Budget for both the Local Authority Budget and Schools Budget
- b) The planned use of reserves
- c) The forecast outturn position at period 6 for the 2017-18 Capital Programme

1. Introduction

- 1.1 The children's Services Committee has a key role in overseeing the financial positions of the department including reviewing the revenue budget, reserves and capital programme
- 1.2 The financial outturn forecast for 2017-18 as at the end of August 2017 (period 5) was provided to Children's Services committee in October. This report forecast an overspend of £3.311m against the Children's Services revenue budget and an overspend of £5.093m against the Schools' revenue budget
- 1.3 In addition, it was reported that it was anticipated that the following additional in-year costs would be offset through the utilisation of one-off monies (the source of which is being investigated by officers and to be confirmed):
 - Two Children's services savings that have been rated as RED in respect of 2017-18, representing a savings shortfall of £1.182m. Delivery of savings from changes in the Education Service have been delayed due to the extended general election period, and the Troubled Families grant from Government is forecast to be lower than originally expected.
 - there is an expected overspend relating to the contract costs of specialist intervention and support for children with behavioural and mental health needs, and their families. A change in commissioning strategy has meant we are continuing with the contract and need to identify new funding

2. Detailed Information

2.1 Revenue Local Authority budget

- 2.1.1 The following summary table shows, by type of budget, the forecast spend for the year where there is a variance to the 2017-18 budget. The table shows the variance both in terms of a cash sum and as a percentage of the approved budget, and the main reasons for the variances.

Division of service	Approved budget £m	Outturn £m	+Over/- Underspend £m	+Over/ - Underspend as % of budget	Movement since last report £m	Reasons for significant variance from budget	Reasons for significant movement in variance compared to previous report
Forecast Overspends							
Looked After Children - Agency Fostering	15.091	16.322	1.231	8	-0.049	There has been a significant increase in number of children currently supported compared to the 16-17 average and since the start of 17-18. The costs have increased as a result of both the full year effect of a contract changes during 16/17 and the additional numbers of children. Part of the £9m one-off investment was allocated alongside the inflationary increase in the budget, but the allocation was based upon the assumption that Independent Fostering Agency usage would remain at 2016-17 levels	
Looked After Children - Agency Residential	11.632	11.909	0.277	2	-0.004	There has been an increase in the number of children currently supported compared to 16-17 average. Overall expenditure is forecast to be in excess of £1m higher than 16-17. Part of the £9m one-off investment was allocated alongside the inflationary increase in the budget	

Division of service	Approved budget £m	Outturn £m	+Over/ Underspend £m	+Over/ - Underspend as % of budget	Movement since last report £m	Reasons for significant variance from budget	Reasons for significant movement in variance compared to previous report
Looked After Children - In-house Fostering	8.767	9.855	1.088	12	0.075	The forecast is higher than last year's outturn due to supporting additional children fostered in-house. This shift is in line with management action during 2017-18 that aims to alter the placement mix towards in-house fostering.	Net increase of 19 placements
Looked After Children - In-house Residential	4.980	5.180	0.200	4	0.000	Additional costs due to high level of maternity and sickness	
Client costs: Social Care Looked After Children	1.764	2.181	0.417	24	0.417	The overspend is primarily due to additional costs arising as a result of market conditions	As per the budget variance explanation
Staying-put fostering	0.000	0.265	0.265	n/a	0.000	Additional net cost over and above the government grant received of £0.371m. This level of forecast spend is similar to last year for a similar number of young people supported	
Adoption allowances	1.414	1.722	0.308	22	0.135	The overall number of adopters receiving allowances has dropped compared to 2016/17, though this year has the full year impact of some allowances and some allowances have been extended	Primarily additional cases and extension to allowances

Division of service	Approved budget £m	Outturn £m	+Over/- Underspend £m	+Over/ - Underspend as % of budget	Movement since last report £m	Reasons for significant variance from budget	Reasons for significant movement in variance compared to previous report
Independent Reviewing Officers	1.609	1.769	0.160	10	0.000	Additional posts have been required over and above the agreed establishment due to the number of Looked After Children. Some have been funded as part of the £9m one-off investment.	
Children with Disabilities client costs	1.412	2.053	0.641	45	0.000	Additional costs for extensive nursing support (less health contribution) that were not anticipated when the budget was set	
Children's Services staff training	0.275	0.336	0.061	22	0.061	Additional cost of systemic training programme for social work managers	As per the budget variance explanation
Advocacy Services	0.302	0.377	0.075	25	0.075	Expansion of the advocacy service contract	As per the budget variance explanation
Sub Total of Forecast Overspends			4.723		0.710		
Forecast Underspends							
Children's Centres	10.150	9.890	-0.260	-3	0.000	Forecast in line with current contractual obligations to all providers, which has resulted in a small under-spend expected in-year due to the phasing of spend over the whole life of the contracts	

Division of service	Approved budget £m	Outturn £m	+Over/- Underspend £m	+Over/ - Underspend as % of budget	Movement since last report £m	Reasons for significant variance from budget	Reasons for significant movement in variance compared to previous report
Early Help Support	7.281	7.061	-0.220	-3	0.000	Vacancies were held in the team in readiness for the New Direction service under the remit of Barnardos	
School / College redundancy / pension costs	4.473	4.251	-0.222	-5	0.000	Reduced school redundancy costs and reduced number of pension beneficiaries. Budget has been historically reduced on a yearly basis, and will be reviewed to identify further ongoing reductions (which can differ from in-year impact)	
Sub Total of Forecast Underspends			-0.702		0.000		
Total NCC funded			4.021		0.710		

2.1.2 It remains a top priority of the local authority to reduce the numbers of children in its care. However, it is recognised that this is not something that will happen quickly and we need to give new initiatives time to have a positive impact. Officers have identified a number of actions to be taken with the intention of reducing the in-year forecast overspend and the expected impact. These actions are summarised in the table below:

Action to be taken	Expected Impact
Strengthen management arrangements in social work teams through (i) creation of locality panels; (ii) introducing different approaches to challenging practice; (iii) introducing a different approach to placements and channels into care proceedings; and (iv) looking to reduce unit cost as well as volumes	Reduce the volume of LAC placements increased scrutiny of practice and planning; reduced staff turnover resulting in improved retention of skills, knowledge and expertise; increase in effective casework that, in turn, should reduce the volume of LAC
Recruitment campaign to increase the number of local authority foster carers (including specialist foster carers)	Additional local authority foster carers will facilitate a shift in the placement mix for Looked After Children from residential to fostering, and from Independent Fostering Agencies to in-house fostering; improved matching that should reduce breakdowns and improve outcomes for children, which will result in reduced work associated with dealing with breakdowns and identifying alternative placements
Review of commissioning and placement arrangements to ensure appropriate resources and management oversight in place	Pro-active action to increase sufficiency in the market place to ensure that the right placements are available to meet the needs of the presenting children and young people
Review commissioned contracts and partnership arrangements	Identification of any in-year or ongoing reductions that can be agreed and / or clawbacks that are due
Engagement of support and scrutiny from the Local Government Association	'Critical friend' approach to provide support, advice and constructive challenge to the leadership team to identify potential areas to reduce spend
Investigate the source of one-off monies	Offset the costs resulting from (i) delays in implementation of Education Services Review implementation; (ii) unfunded contract for specialist intervention and support for children with behavioural and mental health needs and their families contract; and (iii) under-recovery of Troubled Families income
Following agreement by both Children's Services and Policy and Resources committees, a transformational demand management programme will be developed (to begin in earnest from 2018) as part of the County Council's priorities. The potential to accelerate some of the measures to achieve early outcomes in 2017-18 will be examined	Utilisation of one-off investment to achieve improved outcomes for Children and Young People and recurring cost savings

2.2 Revenue – Schools Budget

2.2.1 The Dedicated Schools Grant is a ring-fenced grant, made up of three blocks: the Schools Block, the High Needs Block and the Early Years Block that must be used in support of the Schools Budget. The Schools Budget has two main elements, the amounts delegated to schools and the amounts held centrally for pupil related spending.

2.2.2 The Dedicated Schools Grant must be accounted for separately to the other Children's Services spending and funding.

2.2.3 The following summary table shows by type of budget, the forecast spend for the year where there is a variance to the 2017-18 budget. The table shows the variance both in terms of a cash sum and as a percentage of the approved budget, and the main reasons for the variances.

Division of service	Approved budget £m	Outturn £m	+Over/- Underspend £m	+Over/ - Underspend as % of budget	Movement since last report £m	Reasons for significant variance from budget	Reasons for significant movement in variance compared to previous report
Forecast Overspends							
Post 16 Further Education High Needs top up funding	2.890	3.478	0.588	20	0.000	New additional responsibility for the local authority from April 2017 compounded by additional responsibilities from previous years. However, insufficient funding has been provided to match demand.	
Special Schools places	27.655	28.052	0.397	1	0.397	Costs of additional places that have or will open during this financial year	As per budget variance explanation
Special Education non- maintained school placements	17.553	21.611	4.058	23	0.214	Additional places in excess of budgeted provision due to the level of demand and the cost of placements, partially offset by an estimate for released DSG funding following the Education Services Review	Increase in the volume of placements
Short Stay School for Norfolk	1.791	2.870	1.079	60	1.079	Review of the forecast following the purchase of additional places to meet need and an increase in the top-up funding agreed	As per budget variance explanation

Division of service	Approved budget £m	Outturn £m	+Over/- Underspend £m	+Over/ - Underspend as % of budget	Movement since last report £m	Reasons for significant variance from budget	Reasons for significant movement in variance compared to previous report
Alternative Education provision contracts	2.811	4.710	1.899	68	0.261	Overspend primarily due to the volume of placements required due to the level of exclusions. Will potentially increase due to some children currently being without a full time school place	Increase in the volume of placements
Sub Total of Forecast Overspends			8.021		1.951		
Forecast Underspends							
Out of county recoupment	0.750	0.561	-0.189	-25	0.070	Lower than budgeted net expenditure relating to NCC children placed out of county in other Local Authority's maintained special schools, offset by income from other Local Authorities that have children placed in NCC maintained special schools	
School growth contingency	0.950	0.838	-0.112	-12	0.053	Lower than planned pupil number growth	
School contingency funds	0.500	0.155	-0.345	-69	-0.009	Lower than budgeted call on contingency funds expected	

Division of service	Approved budget £m	Outturn £m	+Over/- Underspend £m	+Over/ - Underspend as % of budget	Movement since last report £m	Reasons for significant variance from budget	Reasons for significant movement in variance compared to previous report
Permanent Exclusions Charges	-0.500	-0.588	-0.088	18	-0.088	Change in policy that increases the funding recouped from schools if a child is permanently excluded. Forecast needs to be kept under review because a reduction in overall permanent exclusions will reduce the level of income, and the start of the year has seen as significant reduction compared to the same time last year	
School staff suspensions	0.267	0.050	-0.217	-81	0.000	Costs of school staff suspensions expected to be lower than anticipated when the budget was set	
Sub Total of Forecast Underspends			-0.951		0.026		
Total DSG funded			7.070		1.977		

2.2.4 It is relatively early in the academic year and commitments against the Dedicated Schools Grant can vary as changing trends become apparent and available provision changes. Any overspend in 2017-18 will need to be funded from a loan from Locally Maintained Schools balances, that will need to be repaid in future years. A plan to reduce the under-lying overspend and to repay the loan, whilst meeting the needs of Children and Young People, is being developed and initial proposals have been discussed at Schools' Forum, with a consultation to schools upon some elements being undertaken. The outcome of this work will then be reported to future Committee meetings.

2.2.5 The Scheme for Financing Schools in Norfolk sets out the local framework within which delegated financial management is undertaken. In respect of budget plans the expectation is that schools submit budget plans at the end of the summer term, taking account, in particular, the actual level of balances held at the end of the previous financial year.

2.2.6 Based on budget information provided by schools, the projection of balances is as follows:

Projected School Balances as at 31 March 2018

Title/description	Balance at 01-04-17 £m	Forecast balance at 31-03-18 £m	In year Variance £m	Schools becoming academies
Nursery schools	0.054	0.084	-0.030	0.000
Primary schools	13.304	9.739	-3.565	-0.777
Secondary schools	1.291	0.634	-0.657	-0.389
Special schools	1.225	1.472	+0.247	0.000
School Clusters	1.693	0.755	-0.938	0.000
Total	17.567	12.683	-4.884	-1.166

2.3 Reserves and Provisions

2.3.1 A number of Reserves and Provisions exist within Children's Services. The following table sets out the balances on the reserves and provisions in the Children's Services accounts at 1 April 2017 and the projected balances at 31 March 2018. The table has been divided between those reserves and provisions relating to Schools and those that are General Children's Services reserves and provisions.

Title/description	Balance at 01-04-17 £m	Balance at 31-03-18 £m	Variance £m	Reason for variance
Dedicated Schools Grant (DSG) reserve	0.000	0.000	+0.000	
Schools				
Schools Non-Teaching Activities	0.733	0.733	+0.000	These are school funds held on behalf of schools
Building Maintenance Partnership Pool	2.001	2.001	+0.000	These are school funds held on behalf of schools

Title/description	Balance at 01-04-17 £m	Balance at 31-03-18 £m	Variance £m	Reason for variance
School Playing surface sinking fund	0.106	0.045	-0.061	These are school funds held on behalf of schools
Non BMPP Building Maintenance Fund	0.903	0.903	+0.000	These are school funds held on behalf of schools
Schools total	3.743	3.682	-0.061	
Children's Services				
Transport Days Equalisation Fund	0.101	0.494	+0.393	Due to the timing of school holidays, there is a reduced number of transport days in 2017-18 and more in 2018-19
Education Provision for Holiday Pay	0.015	0.015	+0.000	
Norfolk PFI Sinking Fund	2.418	2.418	+0.000	
School Sickness Insurance Scheme	0.102	0.052	-0.050	Children's Services contribution to additional in-year savings requested by P&R committee
IT Earmarked Reserves	0.081	0.081	+0.000	
Repairs and Renewals Fund	0.176	0.176	+0.000	
Grants and Contributions	1.746	1.353	-0.393	Prior year unconditional grants and contributions expected to be spent in 2017-18
Children's Services post Ofsted Improvement Fund	0.108	0.108	+0.000	
Children's Services total	4.747	4.697	-0.050	
Total	8.490	8.379	-0.111	

2.4 Capital

2.4.1 The approved Children's Services capital budget was £66.256m for 2017-18 and £74.727m for future years. Since the County Council set the budget in February, there have been some revisions to plans, with an element reprofiled to future years and some additional spend planned for 2017-18.

2.4.2 The table below shows the approved budget, amendments (updated for period 6) and the current capital budget for 2017-18 and future years.

Capital Programme 2017-21

	Approved budget £m	Reprofiling £m	Other changes £m	Current Capital Budget £m
2017-18	66.256	-3.234	4.302	67.324
Future Years'	74.727	3.234		77.961
Total	140.983	0	4.302	145.285

- 2.4.3 Funding for the capital programme comes primarily from grants and contributions provided by central government. These are augmented by capital receipts, developer contributions, prudential borrowing, and contributions from revenue budgets and reserves. The following table shows the expected financing for the 2017-21 Children's Services capital programme. The sources of financing may be amended as the year progresses to ensure the most advantageous usage of funds for NCC, i.e. realised capital receipts may be utilised to offset the need for prudential borrowing.

Financing 2017-21

Funding Stream	2017-18 Programme £m	Future Years' Forecast £m
Prudential Borrowing	4.963	4.815
Revenue & Reserves	0.491	
Grants and Contributions		
Department for Education	48.305	64.692
Developer Contributions	10.948	7.882
Other	2.619	0.572
Total	67.325	77.961

3. 2018-19 to 2021-22 Budget planning update

- 3.1 This Committee discussed and recommended budget saving proposals for 2018-22 in October. Policy and Resources Committee then considered the latest budget planning position for 2018-19 at its meeting on 30 October. This included the summary of all proposed savings from Service Committees, and a revised forecast of the remaining budget gap for 2018-19, which is now £7.806m. Over the four year planning period, a gap of £63.351m remains to be closed. Officers continue to work following Policy and Resources Committee to develop the 2018-19 Budget and close the gap for next year, this will include consideration of the implications of the Autumn Budget (due 22 November) and the Local Government Finance Settlement. Service Committees are not being asked to identify further savings, however in view of the remaining gap position for 2018-19, any change to planned savings or removal of proposals will require alternative savings to be identified.
- 3.2 Consultation has begun on £3.580m of savings for 2018-19, and the level of council tax for the year. Committees will receive feedback on the outcomes of the consultation in January to inform their budget setting decisions. In addition, in January, Committees will need to identify and agree the financial risks for their services that could affect the 2018-19 budget plans, and any changes in the overall planning context for the Council

4. Financial Implications

- 4.1 The forecast outturn for Children's Services is set out within the paper

5. Issues, risks and innovation

- 5.1 This report provides financial performance information on a wide range of services monitored by the Children's Services Committee. Many of these services have a potential impact on residents or staff from one or more protected groups. The

Council pays due regard to the need to eliminate unlawful discrimination, promote equality of opportunity and foster good relations.

- 5.2 This report outlines a number of risks that impact on the ability of Children's Services to deliver services within the budget available. These risks include the following:
- a) Pressure on services from a needs led service where number of service users
 - b) continues to increase
 - c) In any forecast there are assumptions made about the risk and future patterns of expenditure. These risks reduce and the patterns of expenditure become more defined as the financial year progresses and as a result of the reduced risk the forecast becomes more accurate
 - d) Impact of legislation
 - e) The ability to be able to commission the right placement at the right time at the right price due to sufficiency difficulties in the market

6. Recommendations

Members are invited to discuss the contents of this report and in particular to agree:

- a) The forecast outturn position at period 6 for the 2017-18 Revenue Budget for both the Local Authority Budget and Schools Budget
- b) The planned use of reserves
- c) The forecast outturn position at period 6 for the 2017-18 Capital Programme

Officer Contact

If you have any questions about matters contained or want to see copies of any assessments, e.g. equality impact assessment, please get in touch with:

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