

# Children's Services Committee

<b>Report title:</b>	<b>Children's Services Finance Monitoring Report Period 10 (January) 2017-18</b>
<b>Date of meeting:</b>	<b>13 March 2018</b>
<b>Responsible Chief Officer:</b>	<b>Sara Tough Executive Director of Children's Services</b>
<b>Strategic impact</b>  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 January 2018 (period 10).  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 10 compared to period 8. 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 £4.983m for the 2017-18 financial year. This includes the use of £2.591m of reserves, approved by the Policy and Resources committee, as set out in section 2.31;
- The Schools' revenue budget shows a projected overspend of £10.206m for the 2017-18 financial year;
- The projected level of Locally Maintained School balances as at 31 March 2018 is £11.950m;
- The expected level of unused reserves and provisions as at 31 March 2018 is £4.787m, which is a combination of £3.682m for Schools and £1.105m for Children's Services;
- The Children's Services capital budget is £58.445m following re-profiling 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;

## Recommendations:

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

- a) the forecast outturn position at period 10 for the 2017-18 Revenue Budget for both the Local Authority Budget and Schools Budget
- b) The forecast outturn position at period 10 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 November 2017 (period 8) was provided to Children's Services committee in January. This report showed an overspend of £6.005m against the Children's Services revenue budget and an overspend of £9.439m 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.
  - 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 purdah 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.
- 1.4 At the November meeting of the Policy and Resources committee it was approved that the use of revenue receipts, previously applied for capital purposes can be used to mitigate these overspends, up to a maximum of £2.100m.

## **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
<b>Forecast Overspends</b>							
Looked After Children - Agency Fostering	15.091	16.807	1.716	11	+0.086	There has been a significant increase in number of children currently supported compared to the 2016-17 average and since the start of 2017-18 financial year. The costs have increased as a result of both the full year effect of a contract changes during 2016-17 and the additional numbers of children. Part of the £9m 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	Increased number of placements
Looked After Children - Agency Residential	11.456	13.088	1.632	14	+0.820	There has been an increase in the number of children currently supported compared to the 2016-17 average. Overall expenditure is forecast to be in excess of £1m higher than 2016-17. Part of the £9m investment was allocated alongside the inflationary increase in the budget	Increased number of placements

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	9.700	0.933	11	-0.084	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.	Reduced number of placements
Looked After Children - In-house Residential	4.980	5.121	0.141	3	-0.013	Additional costs due to high level of maternity and sickness	Reduced sickness levels of staff
Client costs: Social Care Looked After Children	1.764	2.434	0.670	38	+0.045	The overspend is primarily due to the additional number of Looked After Children and their accommodation costs, arising as a result of market conditions	As per the budget variance explanation
Client costs: Social Care Non Looked After Children	0.468	0.683	0.215	46	+0.034	Additional therapy costs for Children in Need to prevent them becoming Looked After	As per the budget variance explanation
Client costs: Leaving Care	1.991	2.526	0.535	27	+0.181	The overspend is primarily due to additional accommodation costs arising as a result of market conditions	As per the 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
Staying-put fostering	0.000	0.273	0.273	n/a		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	1.650	0.236	17		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	
Fostering and Adoption staff costs	2.955	3.075	0.120	4	-0.054	Additional staff costs due to the use of agency staff to cover vacancies	As per the budget variance explanation
Independent Reviewing Officers	1.609	1.905	0.296	18	+0.027	Additional posts have been required over and above the agreed establishment due to the increased number of Looked After Children. Some additional posts were funded as part of the £9m investment.	As per the budget variance explanation
Children with Disabilities client costs	1.412	2.132	0.720	51		Additional costs for extensive nursing support (less health contribution) that were not anticipated when the budget was set	

[illegible]

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
Children's Centres	10.150	9.890	-0.260	-3		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	
Early Help Support	7.281	7.021	-0.260	-4	-0.040	Savings on staff vacancies were held in the teams in readiness for the New Direction service under the remit of Barnardos	Additional staff vacancies
CWD short term breaks and personal budgets	2.100	1.890	-0.210	-10	+0.090	Reduced take up of short term breaks and use of personal budgets for children with disabilities	Additional take up of short term breaks
Special Guardianship Orders (SGOs)	3.849	3.807	-0.042	-1	+0.033	Reduced number and cost of Special Guardianship Orders	Lower reduced number and cost of Special Guardianship Orders
School / College redundancy / pension costs	4.473	4.024	-0.449	-10	-0.100	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)	As per the budget variance explanation
<b>Sub Total of Forecast Underspends</b>			<b>-1.221</b>		<b>-0.017</b>		

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
<b>One-off savings</b>							
Maximising the use of grants		-0.400	-0.400	n/a	-0.400	Utilisation of grants to partially offset the Children's projected overspend	As per the budget variance explanations
Use of reserves	n/a	-2.591	-2.591	n/a	-2.591	Use of one-off PFI Sinking Fund reserve (£2.418m), School Sickness Insurance scheme reserve (£0.052m) and unrequired Unconditional Grants and Contributions reserve (£0.121m) as approved by Policy and Resources Committee	As per the budget variance explanation
<b>Subtotal of one-off savings</b>			<b>-2.991</b>		<b>-2.991</b>		
<b>Total NCC funded Services</b>			<b>4.983</b>		<b>-1.022</b>		



- 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
Following agreement by both Children's Services and Policy and Resources committees, a transformational demand management programme is being developed (to begin in earnest from 2018) as part of the County Council's priorities.	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
<b>Forecast Overspends</b>							
Post 16 Further Education High Needs top up funding	2.400	3.164	0.764	32	-0.041	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.	As per the budget variance explanation
Special Schools places	27.655	28.364	0.709	3	+0.168	Costs of additional places that have opened during this financial year	As per the budget variance explanation
Special Education non-maintained school placements	17.553	22.941	5.388	31	-0.055	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	As per the budget variance explanation
Short Stay School for Norfolk	1.791	2.683	0.892	50	-0.065	Review of the forecast following the purchase of additional places to meet need and an increase in the top-up funding agreed	As per the 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	5.853	3.042	108	+0.925	Additional contracts with alternative education providers for children who are not in full time education.	Increase in the volume of placements as result of complex needs demand that cannot be met by Norfolk's special schools as they are all full.
Early Years High Needs EHCP plans	0.000	0.135	0.135	n/a	-0.050	Additional funding to early years providers, for children subject to an Education Health and Care Plan (EHCP)	As per the budget variance explanation
Permanent Exclusions Charges	-0.500	-0.402	0.098	20		Reduced funding removed from schools due to the reduced number of excluded pupils	
<b>Sub Total of Forecast Overspends</b>			<b>11.028</b>		<b>+0.882</b>		
<b>Forecast Underspends</b>							
Out of county recoupment	0.750	0.610	-0.140	-19	-0.028	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	As per the 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
School growth contingency	0.950	0.838	-0.112	-12		Lower than planned pupil number growth	
School contingency funds	0.500	0.200	-0.300	-60		Lower than budgeted call on contingency funds expected	
School staff suspensions	0.267	0.067	-0.200	-75	-0.017	Costs of school staff suspensions expected to be lower than anticipated when the budget was set	As per the budget variance explanation
School Supply Special Circumstances	0.156	0.067	-0.070	45	-0.070	Reduced requests from schools to fund replacement teacher costs for special approved circumstances e.g. jury service etc	As per the budget variance explanation
<b>Sub Total of Forecast Underspends</b>			<b>-0.822</b>		<b>-0.115</b>		
<b>Total DSG funded Services</b>			<b>10.206</b>		<b>0.767</b>		

2.2.4 Commitments against the Dedicated Schools Grant can vary as changing trends become apparent and available provision changes.

2.2.5 Any overspend in 2017-18 will need to be funded from a loan from Locally Maintained Schools balances, (or other school balances if insufficient), 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 proposals have been discussed and agreed at the Schools' Forum, following a consultation with schools.. The outcome of this work was included within the "*Dedicated Schools Grant 2018-19*" committee paper that was discussed at the January Children's Services Committee meeting.

2.2.6 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.

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

### **Projected School Balances as at 31 March 2018**

<b>Title/description</b>	<b>Balance at 01-04-17 £m</b>	<b>Forecast balance at 31-03-18 £m</b>	<b>In year Variance £m</b>	<b>Schools becoming academies</b>
Nursery schools	0.054	0.079	+0.025	0.000
Primary schools	13.304	9.466	-1.874	-1.964
Secondary schools	1.291	0.440	-0.048	-0.803
Special schools	1.225	1.162	-0.063	0.000
School Clusters	1.693	0.803	-0.890	0.000
<b>Total</b>	<b>17.567</b>	<b>11.950</b>	<b>-2.850</b>	<b>-2.767</b>

## **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.

2.3.2 Committee agreed to endorse and recommend to Policy and Resources Committee, to approve the allocation of £2.591m reserves to revenue, to partly offset the Children's Services projected overspend. This is made up of the £2.418m balance of the PFI sinking fund reserve, the £0.052m balance of the School Sickness Insurance Scheme reserve and £0.121m unrequired unconditional grants and contributions reserve. This was approved by the Policy and Resources Committee in January 2018.

Title/description	Balance at 01-04-17 £m	Balance at 31-03-18 £m	Variance £m	Approved by P&R £m	Reason for variance
Dedicated Schools Grant (DSG) reserve	0.000	0.000	+0.000	-0.000	
<b>Schools</b>					
Schools Non-Teaching Activities	0.733	0.733	+0.000	-0.000	These are school funds held on behalf of schools
Building Maintenance Partnership Pool (BMPP)	2.001	2.001	+0.000	-0.000	These are school funds held in relation to the BMPP, run on behalf of schools by Norfolk Property Services, for building maintenance activities
School Playing surface sinking fund	0.106	0.045	-0.061	-0.000	These are school funds held on behalf of schools for the replacement of playing surface astro turf
Non BMPP Building Maintenance Fund	0.903	0.903	+0.000	-0.000	These are school funds held on behalf of schools for building maintenance activities
<b>Schools total</b>	<b>3.743</b>	<b>3.682</b>	<b>-0.061</b>	<b>-0.000</b>	
<b>Children's Services</b>					
Transport Days Equalisation Fund	0.101	0.494	+0.393	-0.000	Due to the timing of school holidays, there is a reduced number of transport days in the 2017-18 financial year and more in 2018-19
Education Provision for Holiday Pay	0.015	0.015	+0.000	-0.000	Holiday pay due to former Children's Services catering staff
Norfolk PFI Sinking Fund	2.418	0.000	+0.000	-2.418	This reserve is used to fund future years contractor unitary payments
School Sickness Insurance Scheme	0.102	0.000	-0.050	-0.052	Children's Services contribution to additional in-year savings requested by P&R committee
IT Earmarked Reserves	0.081	0.004	-0.079	-0.000	Planned use of IT reserves
Repairs and Renewals Fund	0.176	0.049	-0.127	-0.000	Funds held for future years replacement of equipment
Unconditional Grants and Contributions	1.746	0.497	-1.128	-0.121	Prior year and in year unconditional grants and contributions expected to be spent in 2017-18 financial year and 2018-19
Children's Services post Ofsted Improvement Fund	0.108	0.004	-0.104	-0.000	Funds held for the sustainable trading activities with schools to support schools improvement
<b>Children's Services total</b>	<b>4.747</b>	<b>1.105</b>	<b>-1.051</b>	<b>-2.591</b>	

Title/description	Balance at 01-04-17 £m	Balance at 31-03-18 £m	Variance £m	Approved by P&R £m	Reason for variance
<b>Total</b>	<b>8.490</b>	<b>4.787</b>	<b>-1.112</b>	<b>-2.591</b>	

## 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 re-profiled 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 8) and the current capital budget for 2017-18 and future years.

### Capital Programme 2017-21

	Approved budget £m	Re-profiling £m	Other changes £m	Current Capital Budget £m
2017-18	66.256	-13.805	5.994	58.445
Future Years'	74.727	13.805	28.365	116.897
<b>Total</b>	<b>140.983</b>	<b>0</b>	<b>34.359</b>	<b>175.342</b>

- 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	4.778	7.200
Revenue & Reserves	0.453	
<b>Grants and Contributions</b>		
Department for Education	45.406	92.971
Developer Contributions	5.013	16.189
Other	2.796	0.537
<b>Total</b>	<b>58.446</b>	<b>116.897</b>

## 3. Financial Implications

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

## 4. Issues, risks and innovation

- 4.1 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.
- 4.2 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 continues to increase
  - b) 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
  - c) Impact of legislation
  - d) 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

## **5. Recommendations**

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

- a) The forecast outturn position at period 10 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 10 for the 2017-18 Capital Programme

### **Officer Contact**

If you have any questions about matters contained in this paper please get in touch with:

**Officer Name:**  
Bruce Connors

**Tel No:**  
01603 223381

**Email address:**  
[bruce.connors@norfolk.gov.uk](mailto:bruce.connors@norfolk.gov.uk)



If you need this report in large print, audio, Braille, alternative format or in a different language please contact 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.