

Children's Services Committee

Report title:	Children's Services Finance Monitoring Report Period 8 (November) 2017-18
Date of meeting:	16 January 2018
Responsible Chief Officer:	Sara Tough Executive Director of Children's Services
Strategic impact	
<p>This report provides an update on the performance and financial forecast outturn information for the 2017-18 financial year to Children's Services committee.</p> <p>The report sets out the financial outturn data for the period ending 31 March 2018 as at the end of November 2017 (period 8).</p> <p>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 8 compared to period 6. 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.</p>	

Executive summary

The main financial points within the paper are:

- The Children's Services revenue budget shows a projected overspend of £6.005m for the 2017-18 financial year (this could reduce to £3.414m if one off use of £2.591m reserves is approved);
- The Schools' revenue budget shows a projected overspend of £9.439m for the 2017-18 financial year;
- The projected level of Locally Maintained School balances as at 31 March 2018 is £11.874m;
- The expected level of unused reserves and provisions as at 31 March 2018 is £8.294m, which is a combination of £3.682m for Schools and £4.612m for Children's Services;
- The Children's Services capital budget is £58.782m 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 8 for the 2017-18 Revenue Budget for both the Local Authority Budget and Schools Budget
- b) To endorse and recommend to Policy and Resources Committee the use of £2.591m reserves, as set out in section 2.3, to reduce the level of the Children's Services forecast revenue overspend.
- c) The forecast outturn position at period 8 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 September 2017 (period 6) was provided to Children's Services committee in November. This report showed an overspend of £4.021m against the Children's Services revenue budget and an overspend of £7.070m 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 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 reported that *"Officers have investigated the use of one-off funding sources. After some investigation, a proposed use of S106 monies was not pursued. However, officers have identified a one-off source of revenue receipts previously applied for capital purposes which can be used to mitigate these overspends, up to a maximum of £2.1m. This proposal was agreed.*

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	16.721	1.630	11	+0.399	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	Net increase of 21 placements
Looked After Children - Agency Residential	11.372	12.184	0.812	7	+0.535	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	Net increase of 14 placements

Division of service	Approved budget	Outturn	+Over/- Underspend	+Over/ - Underspend as % of budget	Movement since last report	Reasons for significant variance from budget	Reasons for significant movement in variance compared to previous report
	£m	£m	£m		£m		
Looked After Children - In-house Fostering	8.767	9.784	1.017	12	-0.071	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	5.134	0.154	3	-0.046	Additional costs due to high level of maternity and sickness	Reduced sickness levels of staff
Client costs: Social Care Looked After Children	1.764	2.389	0.625	35	0.208	The overspend is primarily due to additional LAC children and 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	0.649	0.181	39	+0.181	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	2.345	0.354	18	+0.354	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	Outturn	+Over/- Underspend	+Over/ - Underspend as % of budget	Movement since last report	Reasons for significant variance from budget	Reasons for significant movement in variance compared to previous report
	£m	£m	£m		£m		
Staying-put fostering	0.000	0.273	0.273	n/a	+0.008	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	-0.072	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	Revised allowance payment forecasts
Fostering and Adoption staff costs	2.955	3.129	0.174	6	+0.174	Additional staff costs due to the use of agency staff to cover vacancies	As per the budget variance explanation
Independent Reviewing Officers	1.609	1.878	0.269	17	+0.109	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.	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
Children with Disabilities client costs	1.412	2.132	0.720	45	+0.079	Additional costs for extensive nursing support (less health contribution) that were not anticipated when the budget was set	As per the budget variance explanation
Children's Services staff training	0.275	0.336	0.061	22		Additional cost of systemic training programme for social work managers	
Advocacy Services	0.302	0.377	0.075	25		Expansion of the advocacy service contract	
Social Care legal costs	3.454	3.622	0.168	5	+0.168	Additional legal costs due to the additional number of Looked After Children and referral cases	As per the budget variance explanation
Home to school / college transport	28.427	28.887	0.460	2	+0.460	Increased cost of special education needs transport due to transporting pupils at the new Wherry school and the increased unit cost of individual journeys.	As per the budget variance explanation
Sub Total of Forecast Overspends			7.209		2.486		
Forecast Underspends							
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	

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		Vacancies were held in the team in readiness for the New Direction service under the remit of Barnardos	
CWD short term breaks and personal budgets	2.100	1.800	-0.300	-14	-0.300	Reduced take up of short term breaks and use of personal budgets for children with disabilities	As per the budget variance explanation
Special Guardianship Orders (SGOs)	3.849	3.774	-0.075	-2	-0.075	Reduced number and cost of Special Guardianship Orders	As per the budget variance explanation
School / College redundancy / pension costs	4.473	4.124	-0.349	-8	-0.127	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
Sub Total of Forecast Underspends			-1.204		-0.502		
Total NCC funded			6.005		+1.984		

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. 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	2.400	3.205	0.805	34	+0.217	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.	Additional number of High Needs pupils in Further Education
Special Schools places	27.655	28.196	0.541	2	+0.144	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	22.996	5.443	31	+1.385	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 as result of complex needs demand that cannot be met by Norfolk's special schools as they are all full.
Short Stay School for Norfolk	1.791	2.748	0.957	53	-0.122	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	4.928	2.117	75	+0.218	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	0.185	0.185	n/a	+0.185	Additional funding to early years providers, for children subject to an Education Health and Care Plan	As per the budget variance explanation
Permanent Exclusions Charges	-0.500	-0.402	0.098	20	+0.186	Reduced funding removed from schools due to the reduced number of excluded pupils	As per the budget variance explanation
Sub Total of Forecast Overspends			10.146		2.213		
Forecast Underspends							

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
Out of county recoupment	0.750	0.638	-0.112	-25	+0.077	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
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	+0.045	Lower than budgeted call on contingency funds expected	Revised forecast
School staff suspensions	0.267	0.084	-0.183	-69	+0.034	Costs of school staff suspensions expected to be lower than anticipated when the budget was set	As per the budget variance explanation
Sub Total of Forecast Underspends			-0.707		0.156		
Total DSG funded			9.439		1.977		

- 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 is included with the "*Dedicated Schools Grant 2018-19*" paper included as a separate paper within the Children's Committee agenda.
- 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 budget information provided by schools, the projection of LMS 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	0.115	+0.061	0.000
Primary schools	13.304	9.360	-1.980	-1.964
Secondary schools	1.291	0.512	+0.024	-0.803
Special schools	1.225	1.125	-0.100	0.000
School Clusters	1.693	0.762	-0.931	0.000
Total	17.567	11.874	-1.956	-2.767

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 is asked 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.
- 2.3.3 The £2.418m use of the PFI reserve would leave a "hole" to pay future contractor unitary payments over the remaining life of the programme. An annual budget of £0.220m (plus inflation) from 2018-19 onwards would be needed to fund this shortfall.
- 2.3.4 The Schools/college pension budgets are showing a 2017/18 underspend of £0.349m. This is due to less pension claims from previous employees and reduced redundancy

payments. A budget reduction of £0.100m is planned for next year. There is therefore £0.220m budget available in the 2018/19 financial year, based on the £0.349m underspend continuing.

2.3.5 It is requested that £0.220m budget is “vired” within Children’s Services; from the schools/college pensions' budget to the PFI revenue budget, to safeguard the future funding of the PFI.

Title/description	Balance at 01-04-17 £m	Balance at 31-03-18 £m	Variance £m	To recommend to P&R £m	Reason for variance
Dedicated Schools Grant (DSG) reserve	0.000	0.000	+0.000	+0.000	
Schools					
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
Schools total	3.743	3.682	-0.061	-0.000	
Children’s Services					
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	2.418	+0.000	-2.418	This reserve is used to fund future years contractor unitary payments
School Sickness Insurance Scheme	0.102	0.052	-0.050	-0.052	Children’s Services contribution to additional in-year savings requested by P&R committee
IT Earmarked Reserves	0.081	0.058	-0.023	+0.000	Planned use of IT reserves
Repairs and Renewals Fund	0.176	0.176	+0.000	+0.000	Funds held for future years replacement of equipment
Unconditional Grants and Contributions	1.746	1.353	-0.393	-0.121	Prior year and in year unconditional grants and contributions expected to be

Title/description	Balance at 01-04-17 £m	Balance at 31-03-18 £m	Variance £m	To recommend to P&R £m	Reason for variance
					spent in 2017-18 financial year and 2018-19
Children's Services post Ofsted Improvement Fund	0.108	0.046	-0.062	+0.000	Funds held for the sustainable trading activities with schools to support schools improvement
Children's Services total	4.747	4.612	-0.135	-2.591	
Total	8.490	8.294	-0.196	-2.591	

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	-13.438	5.964	58.782
Future Years'	74.727	13.438	25.732	113.897
Total	140.983	0	31.696	172.679

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	4.776	5.000
Revenue & Reserves	0.310	
Grants and Contributions		
Department for Education	45.858	92.604
Developer Contributions	5.086	15.756
Other	2.753	0.537
Total	58.783	113.897

3. Financial Implications

4.1 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 8 for the 2017-18 Revenue Budget for both the Local Authority Budget and Schools Budget
- b) The planned use of reserves
- c) To endorse and recommend to Policy and Resources Committee the use of £2.591m reserves as set out in section 2.3
- d) The forecast outturn position at period 8 for the 2017-18 Capital Programme

Officer Contact

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