

<b>Decision maker:</b>	<b>Cabinet Member for Children and Families</b>
<b>Subject:</b>	<b>Budget Monitoring Outturn Report for 2016-17</b>
<b>Date of decision:</b>	<b>13<sup>th</sup> July 2017</b>
<b>Report from:</b>	<b>Chris Ward, Director of Finance and s.151 Officer</b>
<b>Report by:</b>	<b>Richard Webb, Finance Manager</b>
<b>Wards affected:</b>	<b>All</b>
<b>Key decision:</b>	No
<b>Budget &amp; policy framework decision:</b>	No

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## **1. Purpose of report**

- 1.1. The purpose of this report is to inform the Cabinet Member of the revenue expenditure position within the portfolio cash limit for the financial year 2016-17. This report sets out the budget position and contributing factors to the final portfolio overspend at the end of the financial year; together with details of the initial financial projection for 2017-18

## **2. Summary**

- 2.1. Following overspend positions in the previous two years, and an initial projected financial pressure of around £1.2m on the budget for this year, the portfolio finished 2016-17 with an overspend of some £0.3m.
- 2.2. The previous monitoring reports have indicated an ongoing overspend position throughout the year, at times forecast at around £1m. Despite increasing levels of placement costs, the work to reduce spending and recover income in other areas to mitigate against this have had an impact; although the majority of mitigating factors are one-off items for 2016-17.
- 2.3. Despite this improved financial position, in comparison with previous years, there remain significant underlying pressures for which strategies and plans are being developed and implemented.

### **3 Recommendations**

#### **3.1 It is recommended that the Cabinet Member:**

- 3.1.1 Notes the portfolio financial outturn position for 2016-17 of £0.335m in excess of the approved cash limit provision.**
- 3.1.2 Notes the current expectation that overspends represent a first call against the following year cash limit allocation. The overspend for 2016-17 has been accepted against corporate contingencies; given the actions that have been undertaken and continue to be developed to mitigate future overspending.**
- 3.1.3 Notes the ongoing budget pressures within the portfolio, as highlighted within the report, together with the need for continued action to reduce the service expenditure so that it can operate within its authorised cash limit for 2017- 18.**

### **4 Background**

- 4.1 At the commencement of 2016-17 the portfolio was created containing the budget areas pertaining to Children's Social Care & Safeguarding, Troubled Families and Early Years & Children's Centres.**
- 4.2 Expenditure on Children's Social Care and Safeguarding was subject to much scrutiny during 2014-15 and 2015-16; exceeding the budget provision for each year as it did. Under the approved financial arrangements, an overspend is carried forward by the portfolio into the following financial year, as portfolio's are now expected to manage their financial resources across financial years in order to encourage medium term operational and financial planning. However overspends from prior years had been subsumed corporately to provide a clean starting point for the new portfolio.**

### **5 Summary Position against Cash Limited Budget at the end of 2016-17**

- 5.1 The portfolio had a year-end net spend of £24.308m producing an overspend of £0.335m as identified in the table below, with Children's Social Care and Safeguarding service overspend of £0.545m being partially offset by an underspend of £0.211m in the Early Year's and Children's Centres service.**



Table 1

	Final Cash Limit £	Actual Expenditure £	Variation £
<i>Assessment &amp; Intervention</i>	4,141,880	3,675,599	(466,281)
<i>Looked After Children</i>	14,879,670	16,291,634	1,411,964
<i>Safeguarding &amp; Monitoring</i>	3,137,550	2,848,345	(289,205)
<i>Support Activities</i>	1,131,400	1,020,470	(110,930)
Children's Social Care And Safeguarding	23,290,500	23,836,048	545,548
Troubled Families	225,900	225,901	1
Early Years & Children's Centres	456,930	246,081	(210,849)
<b>TOTAL PORTFOLIO</b>	<b>23,973,330</b>	<b>24,308,030</b>	<b>334,700</b>

- 5.2 Troubled Families had a cash limit allocation of £226,000 and this was supplemented by significant income and grant funding of £820,000 used to meet the 2016-17 spending of £1.046m. The majority of this spending (£0.823m) related to service delivery through contracts and partner organisations.
- 5.3 Early Years and Children's Centres were funded by a combination of Public Health funding £1.367m and a cash limit allocation of £0.457m, providing an overall budget of £1.824m. Actual expenditure amounted to £1.613m, fully utilising the Public Health funding and producing a net underspend of £0.211m.
- 5.4 The underspend of £0.211m arose mainly through staff turnover and the holding of posts vacant, particularly in light of the intended service reviews. Staffing salaries were underspent by £104,000 over the year with further spending reductions in training and development expenditure of £53,000. Despite this state of flux and the reduction in staffing levels, income from traded services exceeded budget expectations by some £26,000 with general operating expenditure coming in some £28,000 below budget.

## 6 Children's Social Care and Safeguarding Analysis

- 6.1 The Children's Social Care and Safeguarding budget is the major component of the Portfolio budget and overspent by £0.545m. As identified in Table 1, this was the result of a significant overspend in respect of Looked After Children being offset by savings elsewhere within the service.
- 6.2 Analysing the variance by expenditure category across the service also demonstrates the impact of placement costs and the significant level of savings made during the year to help offset this level of spend.

Table 2

	£000
Staffing Establishment	-633
Placements	1,606
Operational	-428
<b>Total Budget Variation</b>	<b>545</b>

The position shown in Table 1 is further explained below.

### 6.3. Assessment and Intervention Service (£466,000 under spend):

- 6.3.1. Staffing turnover and the holding of vacancy levels meant staffing costs for the year were some £448,000 below budget, with some offsetting agency payments of only £16,000 being made at the beginning of the year.
- 6.3.2. Preventative spend in providing assistance to those with no recourse to public funds or children in need (under Section 17 of the Children Act 1989), exceeded the available budget provision by £35,000. Reduced secure accommodation and remand arrangements related to Youth Justice arrangements delivered further budgetary savings of £82,000, whilst other various operational costs exceeded available budget by a combined total of only £13,000.

### 6.4. Looked After Children (LAC) (£1,412,000 over spend):

- 6.4.1. This overspend position is the result of the growing demand for and increased cost of placements and particularly external residential placements for adolescent children; resulting in an over spend of £1.6m, as shown below.

Table 2

Placement Type	Budget			Outturn 2016/17			
	Average	Av Unit	Budget	Average	Av Unit	Final	Variance
	Nos	Cost	£	Nos	£	Outturn	
External Residential	9.02	116,031	1,046,600	13.19	150,398	1,983,752	937,152
Semi Ex-Residential	2.42	23,967	58,000	0	23,967	0	-58,000
Independent Fostering Agency (IFA)	49.29	44,293	2,183,200	39.62	44,759	1,773,359	-409,841
Secure Welfare			57,000			142,429	85,429
In-House Fostercare	193.95	21,055	4,083,700	206.25	23,253	4,795,853	712,153
Adoption	44.41	7,881	350,000	63.92	8,370	535,033	185,033
Residence	38.92	4,625	180,000	20.42	4,834	98,699	-81,301
Special Guardianship	101.29	5,809	588,400	131	6,289	823,865	235,465
<b>TOTAL</b>			<b>8,546,900</b>			<b>10,152,990</b>	<b>1,606,090</b>

*The table above includes roundings*

- 6.4.2. The placement table excludes Unaccompanied Asylum Seeking Children (UASC) placements where government funding is provided. Expenditure on these placements, which continued to grow throughout the year, amounted to just over £1m. Government funding is intended to meet placement costs and contribute towards other overhead costs. However funding is only provided where the Home Office accept the asylum status; and there were 17 placements at the end of the year yet to receive Home Office agreement. As a consequence the income level of £960,000 was below the level of spend incurred, leaving an overspend of £108,000 for the year - albeit with a possible £102,000 to be recovered early in 2017-18.
- 6.4.3. Care Leaver Accommodation and allowances have historically been a source of budget pressure, however the budget was increased by £100,000 for 2016-17 and expenditure was £51,000 below this amended budget following savings in contractual arrangements.

- 6.4.4. Operational costs of our own children's homes exceeded the budget by £144,000 resulting from an inability to achieve income expectations, together with increased staffing costs arising from low staff turnover and sickness cover.
- 6.4.5. Adoption costs were some £202,000 below expectations, following delays through the court process in linking adopters and children. This is likely to present as an additional pressure in 2017-18.
- 6.4.6. Overall staffing and operating costs for the social work teams working in this area of the service delivered budget savings of £194,000, largely as a reflection of recruitment delays linked with staff turnover.
- 6.5. **Safeguarding & Monitoring** (£289,000 under spend):
- 6.5.1. Support for children with disabilities presented an underspend of £176,000 following the delay and cessation of high cost support plans, recovery of unused direct payment funding, provision through alternative sources together with reduced demand for and improved recycling of high cost specialist equipment. Staff vacancies and turnover, after providing for cover arrangements, delivered savings of £29,000 with a further £84,000 arising from improved operational arrangements and reduced contractor payments.
- 6.6. **Support Activities** (£111,000 under spend):
- 6.6.1. Delays in staff training coupled with training income delivered savings of £62,000 against the budget provision, with reduced legal fees contributing a further £44,000.

## 7 2017-18 Financial Projection

- 7.1 Children's Social Care in Portsmouth continues to demonstrate good performance across key indicators in comparison with statistical neighbours. Previous financial benchmarking has also indicated that the cost of the service is low to average adding to the difficulty in identifying any substantial savings.
- 7.2 During 2016-17, the Children's Social Care and Safeguarding service reduced the over spend to £0.545m; the lowest it has been in the last four years, as shown in the table below.

Year	Budget	Spend	Deficit £	Deficit %
<b>2013/14</b>	22,989,200	25,283,275	2,294,075	9.98%
<b>2014/15</b>	22,814,517	26,670,402	3,855,885	16.90%
<b>2015/16</b>	22,724,852	24,123,104	1,398,252	6.15%
<b>2016/17</b>	23,290,500	23,836,048	545,548	2.32%

7.3 Despite the improved financial position in comparison with previous years, there remain significant underlying pressures which present significant challenges for the service; for which strategies and plans are being developed and implemented. The specific challenges include:

- ongoing placement pressures in terms of numbers and cost
- increasing demand for statutory intervention from children's social care,
- increasing numbers of unaccompanied asylum seekers
- reduced internal residential provision
- increasing expectations from external bodies

7.4 For 2017-18, the initial financial projection for the Children's & Families Portfolio is an over spend of £1.7m mainly due to the cost of placements; £1.3 million being attributable to the cost of external residential placements, as shown in the table below. Other pressures amounting to £0.450m are expected to be offset by other mitigating factors. The financial placement projection is based on the current children in placement in April 2017 and assumes that they will continue in their current placement until the end of the financial year; unless a placement end date is available. This projection is expected to change as children leave and enter placements throughout the financial year.

	FTE Nos	Annual Average Forecast Placement Costs	Total Forecast Expenditure 2017/18	Budget Available 2017/18	Potential Underlying Deficit
<b>Placements</b>					
In-House					
Foster Care	206	23,523	4,845,738	4,397,250	448,488
IFAs	32.43	44,871	1,455,152	1,941,000	-485,848
Adoption	64	8,371	535,744	1,118,400	337,883
ROs	20	4,834	96,680		
SGOs	131	6,289	823,859		
					<b>300,523</b>
External residential	16.02	163,560	2,620,229	1,237,100	1,383,129
			<b>10,377,402</b>	<b>8,693,750</b>	<b>1,683,652</b>

- 7.5 In recognition of the ongoing and growing budget pressures the service continues to review and develop strategies to reduce ongoing spending which include:
- Reducing reliance on agency staff via workforce development
  - Reducing interim care days prior to permanent care placement
  - Means testing and time limiting allowance payments
  - Creation of a Regional Adoption Agency in partnership with other Authorities
  - Maintenance of good in-house fostering service, minimising IFA usage
  - System transformation designed to better target early help and reduce demand
- 7.6 These strategies are already beginning to deliver some results with no reliance being placed on agency social workers in 2016-17, an average reduction of 69 days between entering care and introduction of permanent care arrangements, and a low reliance on residential and Independent Foster Care arrangements.
- 7.7 On the 29<sup>th</sup> June, the Director of Children's Services presented a report to Cabinet regarding the Resilience in Children's Social Care. The proposals contained within this report sought to increase social work capacity by increasing both the number of Social Workers by eight and Service Leaders by three.
- 7.8 As highlighted within that report, it is intended that this investment in resources will enable better social work decisions and more timely responses to be made with lower case-loads and robust management oversight. As a consequence, it is anticipated that this would lead to a reduction in both the current cost of placements as well as help to mitigate future high cost placements.

## **8 Equality impact assessment (EIA)**

- 8.1 An equality impact assessment is not required as the recommendations do not have a negative impact on any of the protected characteristics as described in the Equality Act 2010. There is no change to policy or service and through the budget review process equality impact assessments would be undertaken on an individual basis as required.

## **9 Legal comments**

- 9.1 There are no legal implications arising directly from the recommendations in this report.

## **10 Finance comments**

- 10.1 As stated within the report, the portfolio was projected to overspend throughout the 2016-17 financial year. There is also recognition of the work and developing strategies that the service is undertaking. This has seen the projected overspend fall from an initial forecast of £1.2m to £1.0m at the 3<sup>rd</sup> quarter, to a final outturn of £0.545m. In light of the actions that have been undertaken, and continue to be developed, to mitigate future overspending the 2016-17 overspend has been accepted against corporate contingencies for that year.

- 10.2 The financial outturn for 2016-17 is comprised of both one-off expenditure items and some recurring items. As a result of this, it is expected that based on the information available, that going into 2017-18 the service could be facing a financial pressure in the region £1.7m.
- 10.3 As noted within the report, the Director of Children's Services has proposed to increase social work capacity by increasing both the number of Social Workers by eight and Service Leaders by three. It is intended that the investment in additional resources will enable better social work decisions and more timely responses to be made with lower case-loads and robust management oversight. As a consequence, it is anticipated that this would lead to a reduction in both the current cost of placements as well as help to mitigate future high cost placements
- 10.4 Whilst it is anticipated that the proposed strategy will lead to a reduction in the cost of placements, it may take some time for the changes to embed and have a visible impact on the projected overspend. The intention is that the investment in staffing of £462,000 will be funded from the anticipated reduction in placement costs. However, there is inevitably a risk that the costs will not be fully offset by the reduction in placement costs in year 1, and that the projected overspend for 2017/2018 may increase.
- 10.5 The financial position of the Portfolio will be monitored and reported regularly to both the management team and the Cabinet Member during the financial year to enable corrective action to be taken where possible.

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**Chris Ward, Director of Finance and s.151 Officer**

**Background list of documents: Section 100D of the Local Government Act 1972**

The information upon which this report has been based has been drawn from a variety of sources; however much of the information used is held in budget files prepared by the Children and Education Finance Team. Please contact Richard Webb, Finance Manager, if required.

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the Cabinet on

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Signed by: Cabinet Member