

Decision maker:	Cabinet Member for Children's and Families
Subject:	Children and Families Portfolio Budget Monitoring Report for the Financial Year End 2017/18
Date of decision:	6th July 2018
Report from:	Chris Ward, Director of Finance and Section 151 Officer
Report by:	Bev Pennekett , Finance Manager
Wards affected:	All
Key decision:	No
Budget & policy framework decision:	No

1. Purpose of report

- 1.1. To inform the Cabinet Member of the revenue expenditure position in respect of the portfolio cash limit and capital programme for the financial year 2017-18. This report sets out the budget position and contributing factors to the final portfolio cash limit overspend at the end of the year; together with an initial financial projection for 2018/19.

2. Summary

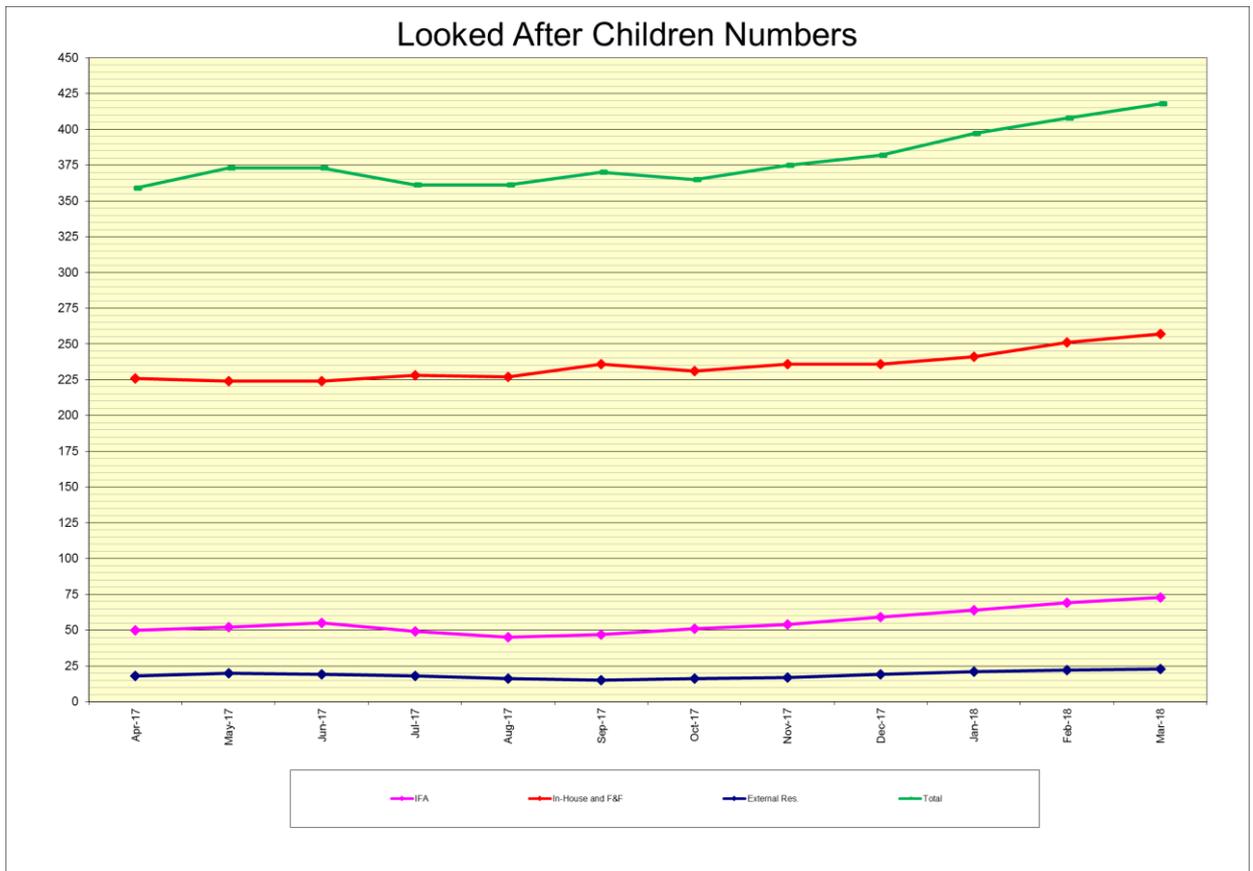
- 2.1. Following overspend positions in the previous three years, and an identified and growing financial pressure throughout 2017/18, the portfolio finished with a revenue overspend on its cash limit of £3.4m.
- 2.2. The substantial impact of increased placement requirements and costs, particularly in external residential requirements, has been identified in the financial monitoring reports during the year. These have been the key drivers of the overspend, and the identified ongoing pressure.
- 2.3. Other in-year pressures have generally been managed and offset by spending reductions elsewhere in the service, specifically staffing savings arising from turnover and recruitment difficulties
- 2.4. Whilst there were some delays within the capital programme, resulting in slippage of spending beyond 2017/18, the schemes are still expected to spend in line with the approved capital budgets.

3 Recommendations

- 3.1 It is recommended that the Cabinet Member:
 - 3.1.1 Notes the Children and Families Portfolio financial outturn position for 2017/18 of £3.383m in excess of the approved cash limit position.
 - 3.1.2 Notes the current expectation that overspends represent a first call against the following year cash limit allocation.
 - 3.1.3 Notes the ongoing budget pressures within the portfolio, as highlighted in the report, and supports the ongoing process of budget review and realignment designed to reduce the projected overspend position within the area of Children's Social Care and Safeguarding.
 - 3.1.4 Notes that the capital programme spending is line with the approved capital budget.

4 Background

- 4.1 At the commencement of 2016-17 the Children & Families 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 had been the subject of much scrutiny during 2014-15 and 2015-16; exceeding the budget provision for each year as it did, and overspent again in 2016-17, albeit at a reduced level of £0.5m.
- 4.3 Expenditure on Children's Social Care and Safeguarding was subject to much scrutiny during the last three years, exceeding the budget provision for each year as it did. Under the approved financial arrangements, an overspend is carried forward by the portfolio in the following financial year, as portfolios are now expected to manage their financial resources across financial years in order to encourage medium term operational and financial planning. However safeguarding overspends from prior years have been subsumed corporately to provide a clean starting point for the portfolio and in recognition of the mitigating work being undertaken.
- 4.4 In year monitoring during 2017/18 has identified the increasing budgetary pressures arising from the increasing placement requirements shown below.



5 Summary Position against Cash Limited Budget at the end of 2016/17

5.1 The portfolio had a year-end net spend of £27.173m producing an overspend of £3.383m as identified in the table below, with the Children’s Social Care and Safeguarding service overspend of £3.572m being marginally offset by an underspend of £0.189m in the reformed Early Help and Prevention service.

Table 1

	Final Cash Limit £	Actual Expenditure £	Variation £
<i>Assessment & Intervention</i>	4,056,500	3,791,231	(265,269)
<i>Looked After Children</i>	14,690,250	18,815,881	4,125,631
<i>Safeguarding & Monitoring</i>	1,528,650	1,582,505	53,855
<i>Edge of Care Support Service</i>	439,700	223,490	(216,210)
<i>Support Activities</i>	2,844,300	2,717,974	(126,326)
Children's Social Care And Safeguarding	23,559,400	27,131,081	3,571,681
Troubled Families	-	2	2
Early Help and Prevention	230,660	41,827	(188,833)
TOTAL PORTFOLIO	23,790,060	27,172,910	3,382,850

- 5.2 Troubled Families is fully grant funded, with 2017/18 income of £715,000 enhanced by £589,951 from prior years. Of the 2017/18 grant, £471,000 was dependent on achieving a cumulative attachment of 1,444 families to the programme by the end of 2017/18. By year end 1,480 attachments had been made.
- 5.3 Expenditure of £645,176 was incurred during the year, £415,283 on externally commissioned services, resulting in a balance of £659,775 being rolled forward towards funding the service for a further year beyond the anticipated cessation of the grant in 2019/20.
- 5.4 At the beginning of 2017/18 the Early Help and Prevention Service was developed out of the previous Early Years and Children's Centres service. It is funded by a combination of Public Health funding of £1.367m and a cash limit allocation of £0.231m, providing an overall budget of £1.598m. Actual expenditure amounted to £1.409m, fully utilising the Public Health funding and producing a net underspend of £0.189m.
- 5.5 The underspend of £0.189m arose mainly through staff turnover and the holding of posts vacant, particularly in light of the service developments being introduced in the earlier part of the year. Staffing salaries were underspent by £133,000 over the year with grants and income contributing an additional £28,000, with a variety of operational spend savings delivering the remaining £28,000.

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 £3.572m. As identified in Table 1,
- 6.2 Analysing the variance by expenditure category across the service demonstrates that this overspend can be related to the impact of placement numbers and costs, whilst increased operational costs in other areas have broadly been offset by savings in staffing costs resulting from staffing turnover, vacancies and recruitment difficulties.

Table 2

	£000
Staffing Establishment	-611
Placements	3,558
Operational	625
Total Budget Variation	3,572

The position shown in Table 1 is further explained below.

6.3. Assessment and Intervention Service (£265,000 under spend):

- 6.3.1. Staffing turnover and vacancy levels meant staffing costs for the year were some £486,000 below budget, whilst the use of agency staffing involved offsetting payments of £128,000 being incurred during 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 £51,000. Other various operational costs (such as transport requirements, linguistic services, office expenses, etc) also exceeded available budget by a combined total of £42,000.

6.4. Looked After Children (LAC) (£4,126,000 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 £3.558m, as shown below.

Table 2

Placement Type	Budget			Outturn 2017/18			
	Average	Av Unit	Budget	Average	Av Unit	Final	Variance
	Nos	£	£	Nos	£	£	£
External Residential	9.02	137,151	1,237,100	21.96	171,992	3,776,284	2,539,184
Independent Fostering Agency (IFA)	37.86	39,379	1,491,000	32.46	50,457	1,637,760	146,760
In-House Fostercare	189.10	23,253	4,483,250	223.08	22,495	5,050,997	567,747
Adoption	41.81	8,371	350,000	63.83	8,489	541,909	191,909
Residence	37.24	4,834	180,000	16.00	4,715	75,437	-104,563
Special Guardianship	93.56	6,289	588,400	144.00	5,591	805,144	216,744
TOTAL			8,329,750			11,887,530	3,557,780

The table above includes roundings

6.4.2. At the beginning of the year there was an anticipated placement pressure of £1.7m and the numbers and costs of placements continued to increase throughout the year leading to the eventual high level of overspend. This increase was particularly noticeable in the level of external residential placements where last year there were 13.19 [fte] such placements compared with 22.96 [fte] placements this year. There has been an increase in the number of cases where the child's safety requires such an "out of city" placement.

6.4.3. The placement table excludes Unaccompanied Asylum Seeking Minors (UAM) placements where government funding is provided. Expenditure on these placements, which continued to grow throughout the year, amounted to £1.625m. Government funding is provided at a fixed rate [according to age] where the Home Office accept the asylum status and amounted to £1.503m, some £122,000 below the costs incurred. The grant income is intended to also contribute towards other service costs and the 2017/18 budget assumed a contribution of £146,000. This meant an overall shortfall for the year of £268,000.

6.4.4. Also excluded from the placement table are "Secure Welfare" placements. These placements are costly but tend to be infrequent and short term in nature, hence a relatively small budget provision of £60,000. Unfortunately 2017/18 saw 7 such placements at a total cost of £529,967 - some £470,000

in excess of the budget provision. At the end of the year there were 2 such placements in existence.

- 6.4.5. Spending requirements on supporting care leavers was £135,000 below the available budget following the transfer elsewhere in the service of expenditure relating to UAMs. This also provides an opportunity to review the budget provision for 2018/19.
 - 6.4.6. Operational costs of our own children's homes exceeded the budget by £52,000 resulting from an inability to achieve income expectations, together with increased staffing costs arising from low staff turnover and sickness cover.
 - 6.4.7. Adoption costs were some £144,000 above expectations. Of this, £105,000 resulted from an inability to achieve the budgeted level of income from other agencies using PCC approved adopters as a consequence of reduced numbers of available adopters.
 - 6.4.8. Overall staffing and operating costs for the social work teams working in this area of the service delivered budget savings of £231,000, largely as a reflection of recruitment delays linked with staff turnover.
- 6.5. **Safeguarding & Monitoring** (£54,000 over spend):
- 6.5.1. Support for children with disabilities presented an overspend of £109,000 following the increased requirements of high cost support plans. Staff vacancies and turnover, after providing for cover arrangements, delivered savings of £24,000 with a further £31,000 arising from improved operational arrangements and reduced contractor payments.
- 6.6. **Edge of Care Service** (£216,000 under spend)
- 6.6.1. Whilst welfare related secure placements exceeded budget provision, those secure accommodation and remand arrangements related to Youth Justice and supported by grant income delivered further budgetary savings of £68,000, which together with an unrequired provision of £107,000 for prior year spend gave an underspend of £175,000.
 - 6.6.2. Savings arising from staffing turnover and Youth Offending operational expenditure delivered a further budgetary saving of £41,000..
- 6.7. **Support Activities** (£126,000 under spend):
- 6.7.1. Delays in staff training arising from changing workforce requirements coupled with additional training income accompanying newly qualified social workers resulted in savings of £115,000 against the budget provision, with reduced information technology and legal costs contributing a further £44,000.

6.7.2. Staffing turnover and vacancies, together with reduced operational spend, delivered savings of £151,000 in the support service which was utilised to fund spending of £135,000 on agency support.

6.7.3. Participating in the development of a Regional Adoption Agency is expected to produce a saving to the City Council. This was anticipated in the budget but has yet to be delivered resulting in an over spend of £49,000. Current plans and timescales for the new arrangements means that the savings are unlikely to be realised until 2019/20.

7 Capital

7.1 Shown below is the approved capital programme, and payments made to the end of the financial year. Revised funding for all schemes was approved by Council on 13th February 2018.

Scheme	Current Approved Budget	Actual Spend to March 2018	Forecast Spend
	£	£	£
Adaptations to Foster Carer Properties	195,000	85,724	195,000
Children's Case Management Software Replacements	1,907,000	32,805	1,907,000
Tangier Road Children's Home	495,000	161,865	495,000
Beechside Children's Home	55,000	6,056	55,000
Total	2,652,000	286,450	2,652,000

7.2 Requests for adaptations to foster care properties to facilitate extended or additional foster care placements are considered on individual merits as the opportunity is identified. This means that the timescale for spend is unpredictable with any unused funding allocation being carried forward to ensuing years.

7.3 Despite the significant work undertaken on the competitive procurement process, the unanticipated delays in signing the software replacement contract resulted in limited expenditure in 2017/18. A provider has now been identified and work is underway to implement the new system by the end of the financial year 2018/19.

7.4 Works on both children's homes commenced in 2017/18 and were expected to be completed early in the 2018/19 financial year.

8 2018-19 Financial Projection

8.1 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.

8.2 During 2017-18, the Children's Social Care and Safeguarding service was faced with placement requirements that resulted in a significant increase in the portfolio overspend and reversing the reducing trend of recent years, as shown in the table below.

Year	Budget £	Spend £	Deficit £	Deficit %
2013/14	22,989,200	25,283,275	2,294,075	9.98%
2014/15	22,814,517	26,670,402	3,855,885	16.90%
2015/16	22,724,852	24,123,104	1,398,252	6.15%
2016/17	23,290,500	23,836,048	545,548	2.34%
2017/18	23,790,060	27,172,910	3,382,850	14.22%

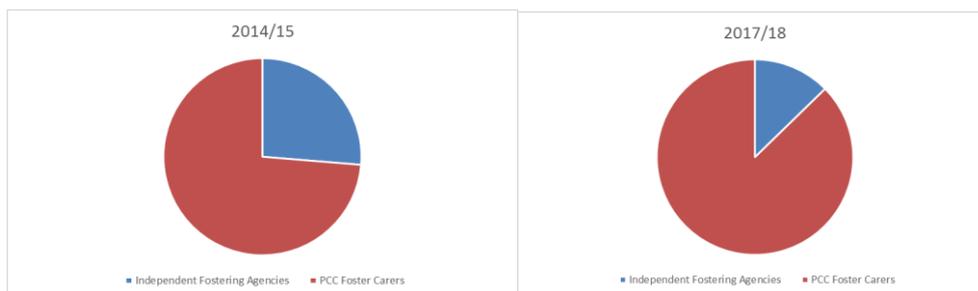
8.3 As reported throughout 2017/18 the overspend position has been growing and there remain significant underlying pressures which continue to present significant challenges for the service; for which strategies and plans are being developed and implemented. The specific challenges were identified at the end of last year, are still relevant and 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

8.4 For 2018-19, the initial financial projection for the Children's & Families Portfolio is an over spend of £4.2m mainly due to the cost of placements; £2.7 million being attributable to the cost of external residential placements, as shown in the table below. 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 2018/19	Budget Available 2018/19	Potential Underlying Deficit
Placements:					
In-House Fostercare	223	22,500	5,017,500	4,805,700	211,800
Independent Foster Agencies	37	52,500	1,942,500	1,442,000	500,500
Adoption	64	8,489	543,296	1,118,400	305,440
Residence Orders	16	4,715	75,440		
Special Guardianship Orders	144	5,591	805,104		
					1,017,740
External Residential	23	172,000	3,967,000	1,237,100	2,729,900
Total			12,350,840	8,603,200	3,747,640

- 8.5 Other pressures amounting to almost £0.5m reflect potential ongoing elements of 2017/18 issues such as secure placement requirements, income delivery issues, delay in Regional Adoption Agency savings and increased requirements for those with no access to public funds.
- 8.6 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
 - 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
 - Developing and implementing a restorative and reunification work ethos
 - Delivering "Edge of Care" support to reduce likelihood of care requirements
- 8.7 These strategies are already beginning to deliver some results, with a reduction in the number of days between entering care and introduction of permanent care arrangements, and improved proportion of foster placements delivered in-house, as shown in the chart below.



9 Summary

- 9.1 The portfolio revenue spend exceeded the available budget in 2017/18 and is projected to do the same in 2018/19. This can mainly be attributed to placement costs as described in section 5 of this report. Other pressure areas and delayed savings delivery have been broadly offset by in year savings, primarily from staffing turnover and vacancies.
- 9.2 Significant work has already been undertaken in the past to establish whether the Looked After Children and Safeguarding services more generally are costly or not, compared to our statistical neighbours. Establishing this provides a guide to the extent to which savings / efficiencies might be achievable. The evidence gathered to date indicates that the cost of Safeguarding, compared to our statistical neighbours, is low whilst performance is also comparatively low. Scope to make significant savings therefore, although possible, would appear limited.

10 Equality impact assessment (EIA)

10.1 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.

11 Legal comments

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

12 Director of Finance comments

12.1 Financial comments are contained within the body of the report.

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Chris Ward, Director of Finance and Section 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 Beverley Pennekett, Finance Manager, if required.

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

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Signed by: Cabinet Member