

DATE: 19 June 2018**CORPORATE FINANCIAL PERFORMANCE – QUARTER 4 PRE-AUDIT OUTTURN POSITION FOR 2017/18****Ward(s)** All**Portfolio:** Councillor A. Nawaz - Children's Services and Education (Pre-May 2018)
Councillor C. Towe – Education and Skills (From May 2018)**Summary of report**

The pre-audit revenue outturn for 2017/18 for Children's Services based on the financial performance for the financial year 2017/18 is a revenue overspend of **£1.357m**, (net of the use of corporate and service reserves) prior to the approval of revenue carry forwards. £0.290m revenue carry forwards have been requested to Cabinet for approval. If approved, the pre-audit revenue outturn for Children's Services will be **£1.647m**. Without the use of corporate and service reserves and implementation of the in year action plan, the overspend would be **£5.345m**.

Regular reports were prepared during 2017/18 for the Education and Children's Services Overview and Scrutiny Committee which contained the services for the whole of the Children's Services directorate. From May 2018, services within Children's directorate are now split between the Education Overview and Scrutiny Committee and the Children's Services Overview and Scrutiny Committee. For services under the remit of this Committee the pre-audit revenue overspend is **£0.280m**. For completeness, the pre-audit revenue overspend for Children's services not under this Committee is an overspend of **£1.367m**. This gives a total overspend for Children's Services of **£1.647m**.

The total capital programme for the directorate is **£16.990m** with a pre-audit outturn of **£10.414m** as at the end of the financial year 2017/18. Carry forwards totalling £6.399m have been approved leaving an overall under spend of **(£0.175m)**. This is due to an under spend associated with investment not required in year returned to the corporate centre to fund other Council capital schemes in line with Council policies. The Children's Services Capital outturn for 2017/18 is summarised in table 7.

Reason for Scrutiny

To inform the Panel of the pre-audit outturn position for 2017/18 for services within their areas of responsibility.

Recommendation

1. To note the revenue and capital pre-audit outturn for the financial year 2017/18 for services under the remit of the Education Overview and Scrutiny Committee.
2. To note the actions taken to address the areas of overspend.

Background papers

Various financial working papers.

Resource and legal considerations

The Council is required to set a balanced budget and requires services to operate within their approved budget allocation. Any variances are required to be managed as far as is reasonably possible. The revenue and capital financial monitoring is reported quarterly to Overview and Scrutiny Committees along with corrective action plans when variances arise. All accounting entries are undertaken in line with the required corporate and statutory accounting guidance and standards.

Citizen impact

Resource allocation is aligned to service activity and is undertaken in accordance with the Council's corporate plan priorities.

Environmental impact

Services within the remit of this overview and scrutiny committee have a direct influence and impact on the environment.

Performance management

Financial performance is considered alongside service targets. Managers are required to deliver their service targets within budget, wherever possible. Corrective action plans are put in place to mitigate overspends where possible, with any remaining variances against budget identified in the report.

Equality Implications

Services consider and respond to equality issues in setting budgets and delivering services. Irrespective of budgetary pressures, the Council must fulfil equal opportunities obligations.

Consultation

Consultation was undertaken as part of the budget setting process and throughout the financial year on the financial position and reporting thereof.

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1. Pre-Audit Revenue Outturn Position 2017/18

- 1.1 The pre-audit revenue outturn position 2017/18 is **£5.345m** (excluding DSG reserves of £0.146m) for the Children's Services directorate prior to any mitigating action and use of reserves. In year actions totalling **£3.988m** have been identified and carry forwards have been requested of **£0.290m**, resulting in a remaining overspend of **£1.647m** as summarised in Table 1 below.

Table 1	£m	£m
Pre-audit Outturn prior to mitigating action		5.345
Earmarked Reserves	(0.421)	
Corporate Reserves (as agreed by Cabinet)	(2.432)	
Transfer to Earmarked Reserves	0.855	
Action Plan Items Table 4	(1.990)	
Total Actions		(3.988)
Pre-Audit Revenue Outturn Position prior to carry forwards		1.357
Revenue carry forwards requested for approval		0.290
Pre-Audit Revenue Outturn Position		1.647

- 1.2 Carry forward requests of £0.290m are shown in **Table 2** below.

Table 2	£m
Access and Achievement Management – School Improvement for delays in implementation of inclusion project	0.100
Children's Social Care – Family drugs and alcohol Black Country fixed term post into 2018/19	0.034
Early Help – contract underspend to fund delay in implementation of 2018/19 operational savings	0.095
Performance Services – mosaic licence costs and further costs associated with phase 3b mosaic financials	0.061
Total carry forwards requested	0.290

- 1.3 The pre-audit revenue outturn position for the services under this scrutiny committee after mitigating action and use of reserves is £0.280m (including DSG reserves of £0.146m). The main reasons are shown in Table 3 below.

Table 3	£m
Home to school transport – additional demand	0.190
Pressure within Educational Psychologists services including shortfall on income	0.090
Total for services under this committee	0.280
Overspend relating to services not under this committee – mainly relating to additional LAC demand and associated placement costs	1.367
Total for Children's Services directorate	1.647

1.4 Table 4 summaries the action plan.

Table 4	£m
Proportion of the Early Help Model that can be funded via high needs funding Multi Disciplinary Team (delivered)	0.314
Every Penny Counts 2016/17/18 actions	1.404
Social Worker Investment not required for 2017/18 due to PYE of recruitment	0.272
Total Action Plan	1.990

1.4 There was a movement of (£0.100m) from the Quarter 3 forecast to the pre-audit outturn position mainly due to a decrease in Home to School Transport as a result of the implementation and update of the new contract framework.

1.5 Table 5 summarises the 2017/18 Pre-audit Revenue Outturn for each key service area.

Table 5							
Service	Annual Budget £m	Year End Outturn £m	Variance Before use of Reserves £m	Action Plan £m	Use of Reserves £m	Transfer to Reserves £m	Variance after Reserves & Action Plan £m
Children's Wide	3.263	4.090	0.827	(0.275)	(0.627)	0.000	(0.075)
Access & Achievement	5.544	6.469	0.925	(0.450)	(0.340)	0.000	0.135
Children's Social Care	22.918	24.970	2.052	(0.297)	(1.236)	0.000	0.519
Looked After Children	17.911	20.323	2.412	(0.798)	(0.373)	0.094	1.335
Early Help Services	3.547	2.766	(0.781)	(0.170)	(0.077)	0.761	(0.267)
Total Before Action Plan	53.183	58.618	5.435	(1.990)	(2.653)	0.855	1.647
Mitigating Action Plan	1.790	0.000	(1.790)	1.990	(0.200)	0.000	0.000
Total Children's Services	54.973	58.618	3.645	0.000	(2.853)	0.855	1.647
Education funding - Accountable Body	44.659	44.513	(0.146)	0.000	(1.115)	1.261	0.000
Total including Accountable Body	99.632	103.131	3.499	0.000	(3.968)	2.116	1.647

1.6 Included within the approved budget for 2017/18 are £3.555m of approved savings/cost reductions relating to Children's Services. An update on the achievement of these has been reported monthly to CMT as part of the corporate financial performance report. Any savings/cost reductions that were not achieved in year were required to have alternative actions identified and were managed closely through the relevant service management teams and in liaison with the relevant portfolio holder. £3.332m of approved savings have been delivered in full.

1.7 Table 6 below details the breakdown of 2017/18 unachieved (red) savings. In year mitigating actions have been identified through the Action Plan to offset these pressures

Table 6	£m
Restructure Business Intelligent Functions - Saving ref 92	0.050
Review and reduction of Children's Services Management – Saving ref 96	0.103
Redesign and reduce School Support Services - saving ref 98	0.020
Increase income from traded activity within Information, Advice and Guidance Services - saving ref 100	0.050
Total Red Savings	0.223

2 Pre-Audit Capital Outturn 2017/18

2.1 The total capital programme for the directorate is **£16.990m**. The total spend for 2017/18 is **£10.414m**. Carry forwards totalling **£6.399m** have been approved leaving an overall under spend of **(£0.175m)**. The table below shows a detailed breakdown by capital scheme.

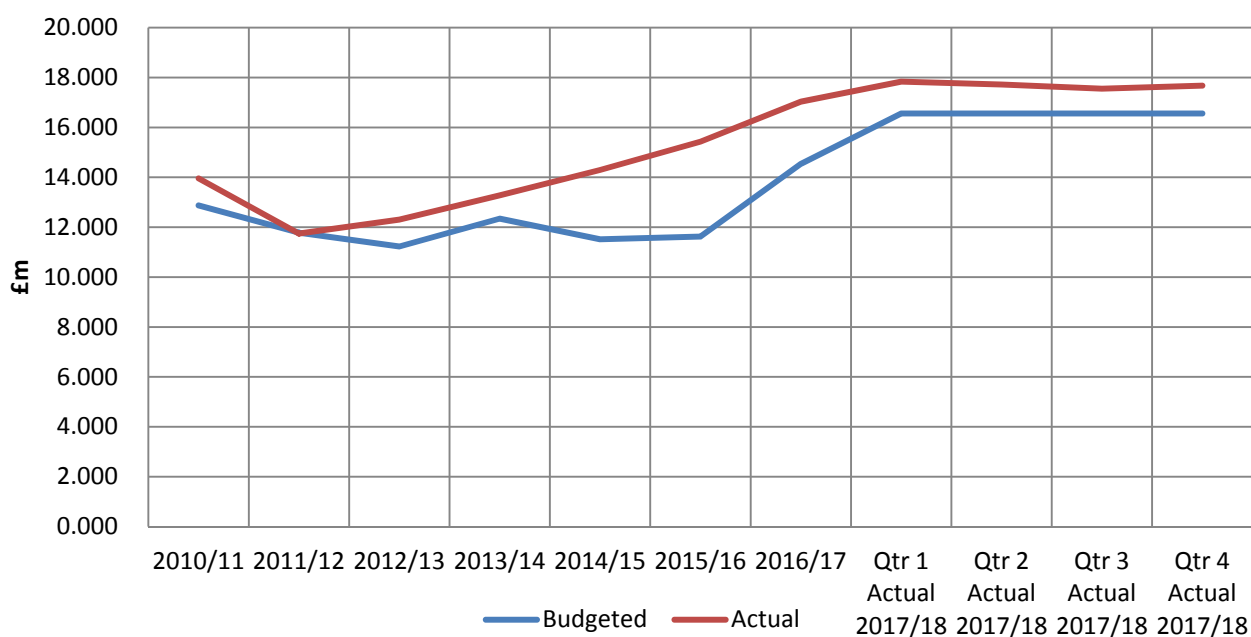
Table 7				
Service	Annual Budget	Outturn	Carry Forward to 2018/19	Variance
	£m	£m	£m	£m
Council Funded				
Looked after children out of borough placements	0.150	0.019	0.000	(0.131)
2 year old (RCCO)	1.098	0.513	0.585	0.000
Pupil Referral Units (RCCO)	0.500	0.006	0.494	0.000
Rushall Primary/EDC alterations	0.590	0.581	0.009	0.000
SEND Places Provision (RCCO)	1.000	0.177	0.823	0.000
Targeted Capital bids - Barcroft	0.044	0.000	0.000	(0.044)
Total Council Funded	3.382	1.296	1.911	(0.175)
Externally Funded				
Devolved Formula Capital	2.167	1.040	1.127	0.000
Capital Maintenance	3.222	3.221	0.001	0.000
Basic Need	1.261	0.138	1.122	0.000
Basic Need: Rowley View Nursery	0.232	0.232	0.000	0.000
Basic Need: Christ Church Enlargement	0.047	0.047	0.000	0.000
Basic Need: King Charles Enlargement	0.105	0.022	0.083	0.000
Basic Need: Fibbersley Enlargement	3.039	2.364	0.675	0.000
Basic Need: St Giles Enlargement	1.491	0.701	0.790	0.000
Basic Need: Beacon Enlargement	0.129	0.129	0.000	0.000
Basic Need: Meadow View Enlargement	0.357	0.357	0.000	0.000
Basic Need: Greenfields Enlargement	0.220	0.220	0.000	0.000
Basic Need: Kingshill Enlargement	0.248	0.148	0.100	0.000
Universal Infant Free School Meals Phase 3	0.046	0.032	0.014	0.000
Academies - Darlaston	0.351	0.002	0.349	0.000
Academies - Shelfield	0.062	0.003	0.058	0.000
Youth capital funding	0.015	0.015	0.000	0.000
Early Years Projects	0.340	0.171	0.169	0.000
Section 106	0.276	0.276	0.000	0.000
Total Externally Funded	13.608	9.118	4.488	0.000
Total Capital	16.990	10.414	6.399	(0.175)

Appendix - Looked After Children Outturn Position as at 31 March 2018

Context

- Between 2010 and 2012, LAC numbers and associated costs were seeing a decline however following an Ofsted inspection and subsequent inadequate judgement suggesting thresholds for children entering the care system being too low, these numbers began to significantly increase.
- By 2014/15, LAC numbers and the associated costs had increased to 620 (circa 140 LAC since Ofsted) and cost circa £14.3m (£2.8m above the available budget).
- Since 2014/15, the total LAC numbers have continued to increase, albeit at a more gradual rate (from 620 in 2014/15 to 644 currently), however the associated costs and overspend in CSC have increased significantly during this period. A combination of more care dependant complex children, limited lower cost internal placements, increased dependency on higher cost external placements and undelivered savings/cost reductions over recent years have all contributed to this position.
- As part of recent budget setting processes, investment of circa £6.6m has been necessary in LAC placements in order to fund cost pressures and support what remains a volatile, demand driven service.
- It should be noted that the forecast position reported in year is calculated based on the number and mix of Children at a point in time and is adjusted for identified and anticipated moves. With regard to budget setting, this takes a similar approach and includes the number/mix for a full year plus an estimated cost increase following a review of historical growth.
- The Council's key priority that Children are safe from harm, happy and learning well with self-belief, and support to be their best, is a key driver of resource allocation, with significant investment being made into children's social care. The costs of LAC are high. This is set within a context of continually decreasing resources available to fund existing council services and hence a need to identify opportunities within the council for large-scale transformation, leading to more efficient and effective practice and services. A key theme of the transformation programme is "safely reducing the numbers of looked after children", recognising that it is in everyone's interest that families are enabled to stay together safely and to reduce the number of children coming into (and staying in) care.
- The budget setting process attempts to balance known demand and pressures, with expected demand growth. It risks assesses these assumptions and this informs the level of balances set aside to deal with uncertain or unknown events.
- The graph and table presented below summarises both the available budget and the costs associated with looked after children placements since 2010/11 along with the budget position.

LAC budget & Pre-audit Outturn position



	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018
Budget	12.875	11.782	11.226	12.346	11.518	11.627	14.537	20.588*
Outturn	13.958	11.745	12.308	13.276	14.294	15.431	17.035	22.872
Variance	1.083	-0.036	1.082	0.93	2.776	3.804	2.498	2.284

Main reasons for Variance

Demand Increase	1.083	-0.036	1.082	0.93	2.707	3.099	1.655	1.911
Unachieved Savings					0.069	0.705	0.843	
Complex Cases								0.373
Total Variance	1.083	-0.036	1.082	0.93	2.776	3.804	2.498	2.284

*Note, the cohort of service areas included within the overall LAC outturn for 17/18 has increased to include Internal Residential, Supported Accommodation and care leavers payments, Special Guardianship Orders and Residence Orders £4.031m, in order to obtain an overview of LAC and Non-LAC placement costs.

Pre-audit Outturn 2017/18

The yearend overspend is **£2.284m** prior to any mitigating action and use of reserves. This includes cost reductions already achieved (Table 4). A corporate reserve was agreed to offset the overspend associated with 11 complex case children. This results in a net overspend of **£1.911m**.

Table 1	£m	£m
Overspend prior to placement moves		3.357
Cost reduction strategy to reduce LAC overspend (cost reduction reference 9 &10)	(1.073)	2.284
Corporate Reserves (Complex Cases) **	(0.373)	
Net Overspend (see table 2 for breakdown)		1.911
LAC Mitigating Action	(0.245)	
Transition & Leaving Care Mitigating Action	(0.553)	
Revised Overspend		1.113

**LAC Complex cases corporately funded is £1.218m in total inclusive of a social work team £0.390m, Complex Cases £0.373m, Legal Fees £0.339m, Management Costs £0.078m and Contact £0.038m.

The main reasons for the yearend variances are summarised in Table 2 below. Comparing full year outturn for 17/18 to budget 17/18 at a point in time when number and mix are monitored.

Table 2		£m
Placement Type		
Internal Fostering, Family & Friends	<ul style="list-style-type: none"> • Net increase of 13 in year, placement cost changes and SGO conversions 	0.214
Pre Adoption	<ul style="list-style-type: none"> • 36 Children have been adopted to date 	0.044
IFA	<ul style="list-style-type: none"> • Net increase of 24 (excluding complex cases) 	0.386
External Residential	<ul style="list-style-type: none"> • Net decrease of 12 • 16 New Children £1.551m • 11 Placement moves / weekly rates changes £0.408m • 8 Leavers / agreed placement moves (£0.972m) • Placement price / contributions (£0.275m) • 8 turned 18 (£0.451m) 	0.261
Supported Accommodation	<ul style="list-style-type: none"> • Increase of 2 children • Average length of stay increase by 8 weeks • Non-LAC supported accommodation • Non-LAC staying put 	0.761
Special Guardianship Orders	<ul style="list-style-type: none"> • 36 conversions of the 50 target • Non-LAC custodian/residence orders 	0.245
Total		1.911

CSC Action Plan

Efforts continue to be made to control the number and cost of Looked after Children, this includes:

- The 4 year transformational programme aims to safely reduce the number of Looked after Children through Intelligence, prevention, securing early permanence, increase foster care capacity and capability, commissioning, brokerage, placement and sufficiency, internal residential and workforce. The main 4 aims are:
 - Effective services to enable families to stay together and reduce the number of children coming into the care system
 - Faster exit from care into permanency either by returning children home, through Special Guardianship or via adoption
 - Efficient services that meet the needs of LAC and their families and offer better value for money (Effective social work model and better value from placements)
 - Strengthen financial controls to ensure effective financial management
- Children services working with a significant number of families to ensure that children remain with their families if possible. Implementation of multi-agency protection plans, the establishment of the Edge of Care Team and the introduction of a Gateway Panel are all in place to support this goal.
- Checks on whether decisions taken are correct and necessary continue to be carried out via the courts, Independent Reviewing Officers and case file audits taken together, these processes indicate that children are only in care when necessary and the thresholds in Walsall are correct.
- Finding suitable adopters and progressing children's cases through the approval and court processes, aimed at reducing number of children in care. Work is in place to review process and timescales for adoption to ensure effectiveness.
- Working to replace current Care Orders with ones that do not require continued Social Work involvement such as Special Guardianship Orders. The number of LAC could reduce markedly, allowing resources to be better targeted at preventative strategies.
- A fortnightly Children's Services Strategic Group is in place, chaired by the Assistant Director and attended by Children's Social Care and Safeguarding teams, to implement strategies aimed at reducing LAC and monitoring their impact. A Key element to this work is preventing children coming into care and once in, enabling them to be removed from care safely and quickly. This strategic Group is to broaden and become a Council wide Group with membership and support from across the Council.

Looked after Children, Transition & Conversion 2010/11 TO 2017/18

Placement Group	Placement Type	Number of Children															Final Outturn 17/18 Movement	Budget Cost £m	Final Outturn 17/18	Variance to Budget £m	Average Cost Per Week	
		2014/15	2015/16	2016/17	Apr 17/18	May 17/18	Jun 17/18	Jul 17/18 @ 27.7.17	Aug 17/18 @ 23/08/17	Sep 17/18 @ 22/09/17	Oct 17/18 @ 20/10/17	Nov 17/18 @ 17/11/17	Dec 17/18 @ 15/12/17	Jan 17/18 @ 18/01/18	Feb 17/18 @ 19/02/18	Mar 17/18 @ 31/03/18						Mthly Movement
Internal Fostering	Internal Fostering	211	195	197	194	194	189	197	210	212	203	209	213	223	223	231	8	34	3.631	3.713	0.082	£344
	Family & Friends	124	130	130	129	127	122	121	125	124	128	125	118	112	108	109	1	-21	1.238	1.370	0.132	£217
Pre Adoption	Pre Adoption	19	16	38	42	40	30	30	19	11	11	7	6	5	4	2	-2	-36	0.209	0.253	0.044	£258
External Fostering	IFA's	162	182	153	158	167	168	171	179	184	194	195	191	183	182	177	-5	24	6.001	6.387	0.386	£694
	Temporary placement	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-	-	-	-
	Other LA placements	10	2	0	0	0	0	0	0	0	0	0	2	2	1	1	0	1	-	-	-	£0
External Residential	External Residential	16	27	37	35	36	34	39	39	39	37	30	29	33	33	32	-1	-5	5.478	5.362	(0.116)	£2,959
	M&B Units	0	0	0	0	0	0	2	2	2	2	1	0	0	0	0	0	0	-	0.050	0.050	£1,389
	Secure Units / Remands	4	2	5	2	1	3	5	2	2	2	3	3	2	2	2	0	-3	-	0.326	0.326	£2,397
Other LAC Children	Supported Accommodation	11	7	11	15	16	14	21	18	22	28	24	18	16	13	13	0	2	0.390	0.619	0.229	£676
	Internal Residential	18	20	15	16	17	17	16	16	17	13	15	18	17	17	17	0	2	2.733	2.710	(0.023)	£3,211
	Placed with Parents	43	45	58	54	50	47	43	44	43	39	36	52	48	48	48	0	-10	-	-	-	£0
	NHS / Health Trust	1	1	5	1	1	1	1	1	1	1	2	2	1	1	1	0	-4	-	-	-	-
LAC Children Costs excluding Complex Cases		619	629	649	646	649	625	646	655	657	658	647	652	642	632	633	1	-16	19.680	20.791	1.111	£715
LAC Complex Cases **	Internal Fostering			1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	-	0.008	0.008	£156
	IFA's Actual			6	6	8	8	10	10	10	10	10	9	9	9	9	0	3	-	0.365	0.365	£800
	Possible Additional / External Residential			0	0	5	5	0	0	0	0	0	1	1	1	1	0	1	-	-	-	£0
LAC Complex Cases		0	0	7	7	14	14	11	11	11	11	11	11	11	11	11	0	4	-	0.373	0.373	£763
TOTAL LAC CHILDREN		619	629	656	653	663	639	657	666	668	669	658	663	653	643	644	1	-12	19.680	21.164	1.484	£716
Non LAC Children	Special Guardianship Order			138	135	140	147	153	155	160	162	163	162	166	166	174	8	36	0.621	0.866	0.245	£107
	Custodian / Residence Orders			37	37	37	38	44	44	45	45	45	48	48	48	50	2	13	0.194	0.177	(0.017)	£78
	Staying Put & Care Leavers								0								0	0	0.093	0.308	0.215	
	Supported Accommodation			21	21	21	21	21	21	21	21	21	21	21	16	16	0	-5	-	0.356	0.356	£338
Non LAC Children		0	0	196	193	198	206	218	220	226	228	229	231	235	230	240	10	44	0.908	1.708	0.800	£173
TOTAL Including LAC & Non LAC Children		619	629	852	846	861	845	875	886	894	897	887	894	888	873	884	11	32	20.588	22.872	2.284	£580
																		Prev Month	20.588	22.692	2.104	£588
																			-	0.180	0.180	-£8.35