

# Report

## Cabinet

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### Part 1

**Date:** 13 September 2017

**Subject** **July Revenue Budget Monitor**

**Purpose** This report details the current forecast position on the Council's revenue budget and the risks and opportunities that present themselves within the July position.

**Author** Head of Finance

**Ward** All

**Summary** As at July 2017, the Council's revenue budget is forecasting an **overspend of £1,492k**, excluding the impact of the revenue contingency budget. Applying the unused revenue budget contingency (£1,373k) to offset the general overspend achieves a pretty much balanced budget position.

Whilst balanced overall, there are significant overspends within service areas of £3,647k, excluding schools, mainly in the (i) Children's / Adults social care and Education's special education placements areas linked to increasing need and (ii) undelivered/delayed savings. These overspends have been partially offset by one off non-service area savings of £2,155k in respect of council tax rebates, council tax surplus and capital financing. This follows a similar pattern to 2016/17.

Use of all the Council's contingency budget at this stage is required to balance the budget and, at this early stage of the year, is a significant concern as on the basis of the current level of overspending gives no room for manoeuvre and provides no additional contingency for any unforeseen issues which may occur throughout the year.

In addition, budgets set by schools for 2017/18 will see them overspending their available funding by c£3m which will reduce the vast majority of school's individual reserves to almost zero, assuming they achieve spend to their budget level.

The report highlights some of the opportunities where forecasts may reduce over the coming 2-3 months and also on-going risk areas and issues. The position is very finely balanced and very challenging at this point and will need careful and diligent monitoring and management.

Following the same pattern as 2016/17, the service area overspending is now very significant and if not controlled, could have a financial resilience impact on the Council's overall finances.

**Proposal** Cabinet is asked to:

- Note the overall budget forecast position and the key assumptions and issues which underpin and impact on the Council's financial forecast position;
- Approve the use of all of the Council's contingency budget to balance the current level of overspending, which will be assessed each month on an on-going basis;

- Agree to instruct all areas of the Council to maintain robust financial management and bring forward planned underspending wherever possible to mitigate against the current position;
- Note the level of undelivered savings within each directorate and the risks associated with this;
- Note the forecast movements in reserves;
- Note and ratify the Corporate Management Team's decision to implement a targeted spending freeze for all non-essential spend;
- Agree the use of and note the balance in respect of the investment reserve which has been assumed within current forecast.

**Action by** Cabinet Members / HoF / DMT / CMT confirm plans to:

- Promote and ensure robust forecasting throughout all service areas;
- Reduce over-spending within People and Place Directorates;
- Manage/ mitigate those projects that are unable to deliver required MTFP savings.

**Timetable** On going

This report was prepared after consultation with:

Strategic Directors  
Head of Finance  
Heads of Service  
Budget Holders  
Accountancy Staff

**Signed**

## Background

### Overview and Key Assumptions

1. The current 2017/18 forecast represents variances in the following key areas:

	<b>£'000</b>
Overspending in service areas (exc. Schools)	3,647
Overspends in Schools	<u>3,000</u>
<b>Service area overspends</b>	<b>6,647</b>
Schools reserves transfer to cover school overspends	(3,000)
<i>Non Service underspends:</i>	
Savings on C Tax benefit rebates – lower claimant No's	(1,207)
Council Tax surplus saving – housing growth	(793)
Capital financing saving	(128)
Other (non-service) variances	<u>(27)</u>
<b>Net Overspend</b>	<b>1,492</b>

2. As at July 2017 the Councils revenue budget is projecting an overspend of £1,492k (June – £1,393k overspend). Although there are significant overspends within service areas, it is fortuitous that there are one off non-service area savings to offset just over half of this. All service areas (with the exception of Corporate) are currently forecasting an overspend against budget.
3. The Council's contingency budget is integral in ensuring a balanced budget at year end where overspending occurs, and alongside the non-service underspending mentioned above, use of all of the available contingency budget broadly balances the budget in 2016/17. Cabinet is asked to allocate all of the contingency to the current level of overspending and this will be monitored and updated on an on-going basis. However, it should be noted that the service area overspending in both 2016/17 and 2017/18 (forecast) far outweighs the level of contingency budget that the Council has available and the current levels of underspending in non-service areas cannot be guaranteed on-going.
4. The forecast shows the Council £1,492k over budget. Key assumptions within this are:
  - Cabinet has agreed to the use of the investment reserve (spending priorities) created at the end of 2016/17 which has been assumed in current forecasts;
  - Other approved costs to deliver planned 17/18 savings are funded from the Invest to Save Reserve.
5. As always, forecasts are subject to change and especially at this early part of the year. Key areas of both upsides and risks include:

#### Upsides

- Additional Council Tax income and therefore surplus could be achieved over and above current forecast. This will be updated again in October when 6 months data is available.
- The RIH forecast overspend on the property area is subject to review and this could reduce following that.

#### Risks

- Whilst the StreetScene forecast overspend has reduced significantly following a robust review, further work and refinement will likely change this forecast again.

- The key areas of children’s and adults social care are susceptible to changes as client numbers change from current forecast assumptions, as are education special education placements. Whilst always susceptible to change, these areas are showing particular challenges and stress this current year.

6. The following section highlights the key areas that contribute to the overall Council position:

- (i) staffing projections;
- (ii) recurring pressures identified in the 2016/17 outturn position which have not been dealt with as part of the 2017/18 budget setting process;
- (iii) delivery of 2017/18 savings to date;

In addition, given the high level of overspending in children’s out of area placements and special education placements, the Heads of Service for Children’s social care and education have prepared specific notes on the issues currently faced in their areas and actions in place to manage the situation in going forward. They are shown In Appendix 5.

**(i) Staffing**

7. Employee budgets make up 38% of the Councils gross budget. The table below illustrates that a £798k forecast saving is anticipated against the £57m overall Council staff costs budget.

OVERALL STAFFING	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Budget (£'000)	56,969	56,969	57,033	56,995	56,995	56,995	56,995	56,995	56,995	56,995	56,995	56,995
Forecast (£'000)	56,969	56,636	56,822	56,197	56,197	56,197	56,197	56,197	56,197	56,197	56,197	56,197
Variance (£'000)	0	(334)	(210)	(798)	(798)	(798)	(798)	(798)	(798)	(798)	(798)	(798)

A large proportion of this saving is in respect of late consequential funding from Welsh Government that has offset existing staff costs within the Social Services area.

**(ii) Recurring Pressures and Proposed Action**

8. As noted within the previous year (2016/17) revenue outturn report, there are a number of key areas of overspending which have continued into 2017/18 given the on-going and, in some areas, increasing demand and associated costs for services. These areas account for £3,967k (gross) of the total forecast service area overspending. The table below shows the key areas and, as set out by HoS, what action is currently planned to take place to manage these risks as best as possible.

	2016/17 Outturn	2017/18 Investment (Additional budget)	2017/18 Forecast Over/ (Under) Spend	Worsening/ (Improvement) since 2016/17 (after investment)	Notes	Proposed Action
	£'000	£'000	£'000	£'000		
<b>Children &amp; Family Services</b>						
Out of area residential placements	892	(400)	<b>1,945</b>	1,453	Budget can afford 16 placements based on average package costs whereas the service has made 22 placements currently, one of which is at a cost of £6k per week. This has the potential to increase should the number of placements not reduce towards the end of the year.	1. Currently regional and national groups in place to address the placements position across Wales. There is recognition regionally and nationally that in terms of cost, availability and quality the current position is unsustainable. 2. The overspend continues to be under constant scrutiny and all staff are fully cognisant with the risks. The service area continue to interrogate this area and apply the level of rigour required at every stage leading to such placements.
<b>Adult &amp; Community Services</b>						
Community Care	1,100	(1,044)	<b>775</b>	719	£775k is the gross overspend in this area based on current client numbers. This has been reduced by a one off benefit of £455k WG workforce grant bringing the net overspend down to £320k. Overall client numbers have increased by 19 since last month, however, this in part has been offset by additional supporting people savings. Client numbers have increased by 41 between March 2017 and June 2017.	1. The Equality, Commissioning and Outcomes (ECO) process has been strengthened and covers all service areas including the hospital. 2. A number of actions have been agreed to address the Continuing Health Care (CHC) funding reduction and some fast track cases have been successfully challenged and learning disability cases are being formally placed in dispute with by NCC. this has included the implementation of stricter CHC guidance and support available for staff.
<b>Education</b>						
Special Educational Needs (SEN)	917	0	<b>1,247</b>	330	Although the number of Out of County (OOC) placements have reduced from 173 in 2016/17 to 144 to date (2017/18) the type of pupils requiring OOC placements are for 'high end' needs which are very costly.	1. OOC placements are linked to specialist provision, expertise and therapies. Due to the need to achieve a balanced budget; a review of OOC placements has taken place to find out if more cost effective provision can be found. A list of pupils who present the lowest risks in returning to Newport has been determined. The SEN Manager and Head of Inclusion will meet with all associated parents to discuss this alternative provision. Parental agreement is essential or the LA will be at risk of SEN Tribunal. To date £300k worth of potential savings have been earmarked however at this point at £163K is largely possible. If parents agree and alternative placements are not successful, pupils will need to return to their current higher cost provision. 2. The Head of Inclusion will make the final decision on all OOC placements. 3. A spending freeze throughout the service area will support the prevention of further overspend.
<b>SERVICE AREA SUBTOTAL</b>	<b>2,909</b>	<b>(1,444)</b>	<b>3,967</b>	<b>2,502</b>		

<b>Schools</b>						
Schools - overspending position (transfer from reserves)	1,050	0	<b>3,000</b>	1,950	Budgets set by schools in 2017/18 will see them overspending their available funding by £3m which will reduce the vast majority of school balances to almost zero.	1. The schools resources team continues to support and challenge these schools and support ongoing work on deficit plans where appropriate. 2. A budget seminar for schools has been organised for the 14th September to discuss and agree a way forward to the current position.
<b>SCHOOLS SUBTOTAL</b>	<b>1,050</b>	<b>0</b>	<b>3,000</b>	<b>1,950</b>		
<b>Non Service</b>						
Savings on C Tax benefit rebates - lower number of claimants	(1,063)	400	<b>(1,207)</b>	(544)	Number of claimants will continue to be monitored. Non service savings currently offsetting significant service area overspending.	1. These budget areas continue to be closely monitored in light of new dwellings, claimants and collection rates.
C Tax surplus - housing growth	(1,539)	0	<b>(793)</b>	746	Non service savings currently offsetting significant service area overspending.	
Council wide staff savings	(1,135)	excess of £1m	<b>(798)</b>	(663)	In the main 2016/17 savings resulted from early achievement of 2017/18 saving proposals and one off funding available to fund core staffing.	
<b>NON-SERVICE SUBTOTAL</b>	<b>(3,737)</b>	<b>1,400</b>	<b>(2,798)</b>	<b>(461)</b>		
<b>TOTAL (exc schools impact)</b>	<b>(828)</b>	<b>(44)</b>	<b>1,169</b>	<b>2,041</b>		

**(iii) Delivery of Medium Term Revenue Plan (MTRP) Savings:**

9. The following table shows the forecast delivery of savings across directorates. In the main this shows good performance on achievement of these savings (to date, forecasted that 94% of the £5,575k savings target for 2017/18 will be achieved). There remain a couple of projects that are not expected to achieve the full extent of the proposed saving and currently no plan exists to mitigate.
10. The main areas of undelivered projects currently sit within the Place and People portfolio, specifically:
- Adults – the shortfall of £117k in respect of Supporting People Programme's Grant (SPPG);
  - RIH – Property services profit anticipated from the Norse joint venture agreement - £106k;
  - Streetscene - Bus routes; removal of subsidy to support specific evening and Sunday bus services - £69k;

**2017/18 Change Programme Financial Improvement Programme (FIP) by Directorate**

By Portfolio	People	Place	Corporate	Non Service	Total 17/18
<b>2017/18 MTRP Target (£) Total</b>	£2,829,000	£839,000	£734,000	£1,173,000	£5,575,000
<b>Total Savings Realised by Year End 2017/18</b>	£2,690,929	£658,833	£731,000	£1,173,000	£5,253,762
<b>Variation to MTRP Target</b>	-£138,071	-£180,167	£0	£0	-£321,238
<b>Variation % to MTRP Target</b>	-5%	-21%	0%	0%	-6%

11. In addition, there remain undelivered savings in respect of 2016/17 projects.

**2016/17 Unachieved Savings - Streetscene**

<b>2016/17 MTRP Target (£) Total</b>	£855,680
<b>Total Savings Realised by Year End 2016/17</b>	£324,634
<b>Variation to MTRP Target</b>	-£531,046
<b>Variation % to MTRP Target</b>	-62%

12. The £531k shortfall against a target of £856k relates to the following projects:
- Streetscene service review - £227k. Decision by Place board that this is unachievable and closure of project to be requested at CMT. The plan is to start up new project once mitigation is identified and target is to remain;
  - Landfill site income - £218k. Options are being investigated to generate income at the land fill site through its asbestos operations. The waste strategy board has decided to commission an asbestos contractor to enhance the commercial performance of the section;
  - Street cleansing service review - £59k. Options to mitigate in year currently being discussed with a proposal to reinstate this budget for 2018/19;
  - Waste (Special Collections) - £27k. Options to mitigate are currently being discussed;
13. In addition there is a £53k undelivered saving within RIH which relates to the Newport Norse joint venture profit share.

## Emerging Risks/ Opportunities

14. The current risk areas and areas of emerging risks are all in the areas of current budget forecasted to overspend.

### Children & Young People

- Out of County Placements – The current forecast does include provision for a further 2 additional placements. Future forecasts will update on the status of these.

### Adult & Community Services

- Community Care - Large risk in this area is the ability to permanently reduce packages of care. Many of the MTFP savings in this year and previous years are focussed on package reductions. By nature these are medium term savings rather than permanent. Clients inevitably grow older and more frail and therefore reduced packages will eventually increase as they need more support.

### Education

- SEN – A significant number of new out of county (OOC) placements have been approved over the summer term and although the number of placements have reduced from 2016/17 (173 places) to 2017/18 (144 places), the placements are for 'high end' needs which are, relatively, extremely costly compared to existing placements.
- There remains some uncertainty on the level of overspend for OOC placements, the finance team are working with Education to work through the assumptions and forecasts for these placements to clarify the position. This will be updated in the next monitoring report.

### Streetscene & City Services

- There are some operational risks in this area which are yet to be resolved and which may require unbudgeted expenditure to resolve.

## Schools

15. The current forecast for schools shows significant overspending based on schools individual budgets agreed by their Governing bodies for 2017/18. A summary of schools funding and forecast reserve movements has been included below:

	Balance 31/3/17	Budgeted in-year movement 2017/18	Balance 31/3/18	Funding 17/18	Schools in deficit as at 31st March	
Sector	£	£	£	£	2017	2018
Nursery	17	-27	-10	450	1	1
Primary *	3,135	-1,698	1,437	46,818	1	1
Secondary	1,683	-2,202	-519	38,113		4
Special	-21	-155	-177	4,149	1	1
Schools contingency	0	0	0	768		
<b>Total</b>	<b>4,813</b>	<b>-4,082</b>	<b>731</b>	<b>90,297</b>	<b>3</b>	<b>7</b>



- It should be noted that the budgeted in-year movement does not recognise any additional income (grant & other compensation) that schools may receive during the financial year. There is currently no basis for anticipating this for 2017/18 though Newport Schools have received c£1m in each of the last 2 years

## **Use of reserves**

16. Appendix 4 illustrates the planned movements in reserves throughout the year. Cabinet should note the opening balance as at 31<sup>st</sup> March 2017, forecasted planned transfers in/ (out) of reserves in 2017/18 and the forecast balance as at 31<sup>st</sup> March 2018. Current projections suggest that 22% of the Councils reserve will be used by the end of the financial year – this is a substantial in year reduction which will see reserve balances reduce by £23.6m. The following points are important to note:

- apart from the general reserves, all reserves are earmarked for specific purposes;
- the general reserve is at the minimum level required (£6.5m) representing 2% of the overall net budget;
- most earmarked reserves are allocated to specific projects, with spending plans in place and already in progress, with the exception of:
  - (i) invest to save
  - (ii) capital expenditure
  - (iii) capital receipts – can only be used for capital purposes
  - (iv) welsh language
  - (v) city economic development

## **Allocation of Funds**

### **(ii) Progress on Implementation of ‘Priorities’ Spending List**

17. Cabinet has previously approved the creation of a £1.5m investment reserve from the 2016/17 planned underspend. Cabinet are asked to review the levels of expenditure that have currently been drawn down from the reserve and the balance that currently remains:

	£'000
Investment reserve	£1,500
Streetscene	(£300)
RIH	(£183)
Corporate	(£99)
Balance remaining	£918

## **Timetable**

Ongoing

## **Risks**

Risk	Impact	of	Probability	What is the Council doing or	Who	is
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	Risk if it occurs* (H/M/L)	of risk occurring (H/M/L)	what has it done to avoid the risk or reduce its effect	responsible for dealing with the risk?
Risk of overspending	H	M	Regular forecasting and strong financial management  Revenue budget contingency	
Poor forecasting	M	M	Better forecasting in non-service areas where large variances occurred in 16/17  Review and refinement in service areas of risk based predictive models  CX/HoF setting out clear expectations	AHoF  SFBP's and budget managers  CX / HoF

\* Taking account of proposed mitigation measures

### **Links to Council Policies and Priorities**

Strong financial management underpins services and medium term financial planning.

### **Options Available and considered**

In terms of the financial position and financial management, there are no options – service areas do need to bring about improvements in their financial management and work with finance support teams to deal with base budget issues via a mixture of management action to manage issues and/or re-allocate budgets as appropriate. This will also need to include a review of budget issues to resolve in the 2017/18 budget, where required and necessary.

### **Preferred Option and Why**

Given that there may be potential for the position to worsen, SLT are asked to note the current position and the risks of this changing and decide what corrective action is to be taken to reduce the forecast overspend to budgeted levels.

### **Comments of Chief Financial Officer**

The current forecast points towards significant financial pressures in 2017/18 which will need robust management and specific actions to mitigate, as far as is possible. If it were not for non-service area underspending, the position would be serious as current service area overspending significantly outweighs the revenue budget contingency available.

Given the significant issues in place, these should be considered in the Council's work on the 2018/19 budget and this would mean and require significantly more budget savings being identified. To that end, it is important that permanent mitigation is found to avoid this, given the challenges in balancing that year's budget already, at this point.

The Council's Cabinet and Senior Management / Heads of Service need to take specific action to mitigate this position and reflect those actions in forecasts in going forward.

The current and on-going service area overspending have continued from similar patterns in 2016/17 and actually worsened. This represents a potential financial resilience risk to the Council if the position is not permanently rectified.

## **Comments of Monitoring Officer**

There are no direct legal issues coming from of this report

## **Comments of Head of People and Business Change**

The report on the revenue monitor does not show any specific staffing issues, although clearly issues will arise if robust monitoring and management of budgets does not take place.

## **Comments of Cabinet Member**

The current financial position is concerning and we need all Cabinet Members with Heads of Service to bring forward actions to address.

## **Local issues**

N/A

## **Scrutiny Committees**

N/A

## **Equalities Impact Assessment and the Equalities Act 2010**

N/A

## **Children and Families (Wales) Measure**

N/A

## **Wellbeing of Future Generations (Wales) Act 2015**

This update is against a backdrop of prolonged pressure on public services as a combination of reduced income, rising demands on services, increased expectations, compliance with new legislation and the increasing costs of running services which has seen the delivery of significant budget savings over the last five years. Any future reductions in funding will need to reflect and be consistent with the five principles underpinning the Wellbeing of Future Generation (Wales) Act 2015.

## **Consultation**

N/A

## **Background Papers**

Dated:

- Appendix 1 Revenue Summary Monitor – July 2017
- Appendix 2 Budget Monitoring Dashboards
- Appendix 3 Delivery of Medium Term Revenue Plan (MTRP) Savings
- Appendix 4 Planned Movements in Reserves
- Appendix 5 Head of Service Commentary from Childrens and Education Services

**APPENDIX 1 – Revenue Summary Monitor (July 2017)**

Summary Revenue Budget	Apr-17	Current	Projection	(Under)/Over
2017/2018	Approved Budget	Budget		
	£'000	£'000	£'000	£'000
<b>PEOPLE</b>				
Children & Young People	21,027	21,068	22,418	1,350
Adult & Community Services	41,408	41,070	41,258	188
Education	14,859	14,878	16,076	1,198
Schools	90,297	90,297	93,297	3,000
	<b>167,591</b>	<b>167,313</b>	<b>173,049</b>	<b>5,736</b>
<b>PLACE</b>				
Regeneration, Investment & Housing	9,526	9,194	9,692	498
Streetscene & City Services	17,465	17,847	18,287	440
	<b>26,991</b>	<b>27,041</b>	<b>27,979</b>	<b>938</b>
<b>CHIEF EXECUTIVE</b>				
Directorate	557	557	588	31
Finance	2,719	2,719	2,678	(41)
People & Business Change	6,232	6,321	6,304	(17)
Law & Regeneration	6,493	6,524	6,524	-
	<b>16,001</b>	<b>16,121</b>	<b>16,094</b>	<b>(27)</b>
<b>CAPITAL FINANCING COSTS &amp; INTEREST</b>				
Capital Financing Costs MRP	11,032	9,677	9,549	(128)
Interest Payable	9,085	9,085	9,085	-
Interest Receivable	(37)	(37)	(37)	-
Investment Props	-	-	-	-
PFI	8,315	8,315	8,315	-
	<b>28,395</b>	<b>27,040</b>	<b>26,912</b>	<b>(128)</b>
<b>SUB TOTAL - SERVICE/CAPITAL FINANC</b>	<b>238,978</b>	<b>237,515</b>	<b>244,034</b>	<b>6,519</b>
<b>CONTINGENCY PROVISIONS</b>				
General Contingency	1,473	1,473	1,473	-
Restructuring / Other Savings	-	-	-	-
Centralised Insurance Fund	570	570	570	-
Non Departmental Costs	5	5	5	-
Other Income & Expenditure	4,489	4,812	4,840	28
	<b>6,537</b>	<b>6,860</b>	<b>6,888</b>	<b>28</b>
<b>LEVIES / OTHER</b>				
Discontinued Operations - pensions	1,576	1,576	1,512	(64)
Levies - Drainage Board, Fire service etc	8,207	8,207	8,216	9
Non distributed grants	-	-	-	-
CTAX Benefit Rebates	12,073	12,073	10,866	(1,207)
Extraordinary Items	-	-	-	-
Charity Rate Relief	-	-	-	-
	<b>21,858</b>	<b>21,858</b>	<b>20,596</b>	<b>(1,262)</b>
<b>TRANSFERS TO/FROM RESERVES</b>				
Base budget - Planned Transfers to/(from) R	(1,001)	139	139	-
Earmarked reserves: Queensbury Loan				-
Earmarked reserves: Transfer to/(from) Capital				-
Earmarked reserves: Transfer to/(from) Schools			(3,000)	(3,000)
Earmarked reserves: Transfer to/(from) Schools Redundancy				-
Invest to Save Reserve			2,066	2,066
Invest to Save Reserve (from)			(2,066)	(2,066)
	<b>(1,001)</b>	<b>139</b>	<b>(2,861)</b>	<b>(3,000)</b>
<b>TOTAL</b>	<b>266,372</b>	<b>266,372</b>	<b>268,657</b>	<b>2,285</b>
<b>Funded by</b>				
WAG funding (RSG & NNDR)	(208,250)	(208,250)	(208,250)	-
Council Tax	(58,122)	(58,122)	(58,122)	-
Council Tax Surplus			(793)	(793)
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>1,492</b>	<b>1,492</b>

## **APPENDIX 2 – Budget Monitoring Dashboard**

Attached:

- Overall Council dashboard

## APPENDIX 3 – Delivery of MTRP Savings

### Financial Improvement Plan – July

Overall Summary	Education	Childrens	Adults	RIH	Streetscene	PBC	Finance	L&R	Non Service	Total 17/18
<b>2017/18 MTRP Target (£) Total</b>	£395,000	£930,000	£1,504,000	£409,000	£430,000	£357,000	£197,000	£180,000	£1,173,000	<b>£5,575,000</b>
<b>Total Savings Realised by Year End 2017/18</b>	£395,000	£900,000	£1,395,929	£297,833	£361,000	£357,000	£197,000	£177,000	£1,173,000	<b>£5,253,762</b>
<b>Variation to MTRP Target</b>	£0	-£30,000	-£108,071	-£111,167	-£69,000	£0	£0	-£3,000	£0	<b>-£321,238</b>
<b>Variation % to MTRP Target</b>	0%	-3%	-7%	-27%	-16%	0%	0%	-2%	0%	<b>-6%</b>

## APPENDIX 4 – Planned Movement in Reserves

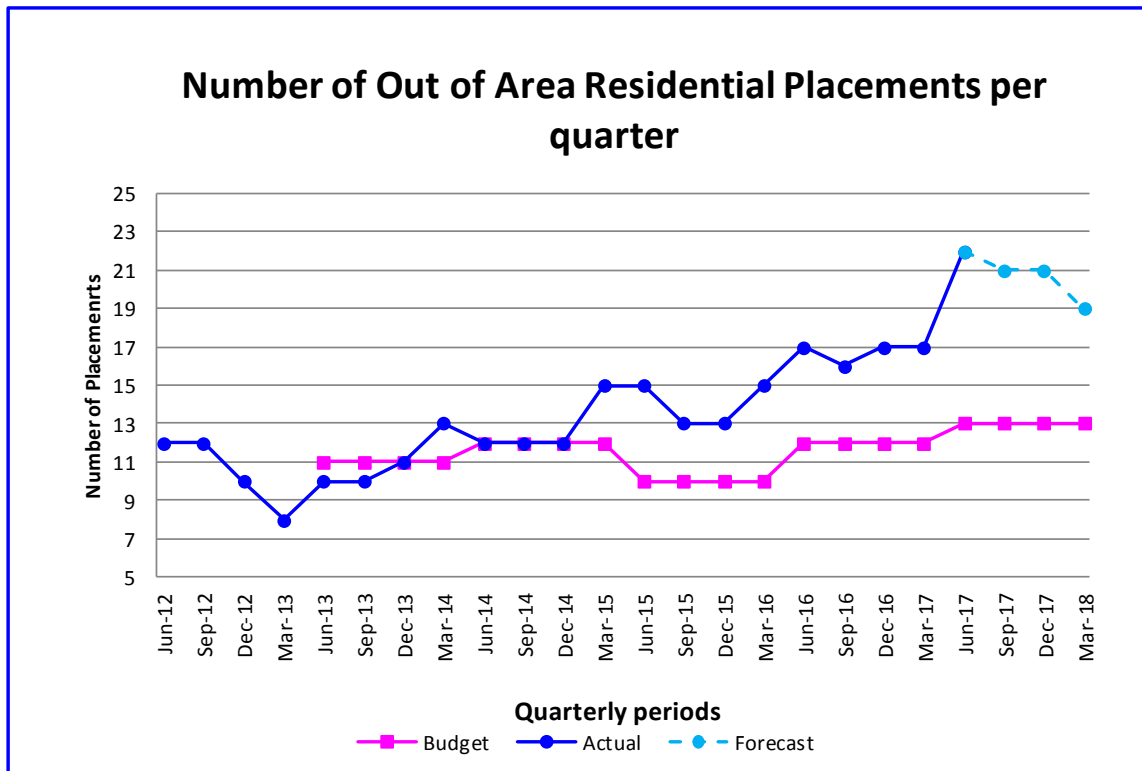
Reserve	Balance at 31-Mar-17	Planned movements in year												Balance at 31-Mar-18
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
	£'000													
Council Fund:	(6,500)													(6,500)
Balances held by schools for future use	(4,831)												3,000	(1,831)
<b>Earmarked Reserves:</b>														
Pay Reserve	(1,418)													(1,418)
Music Service	(167)													(167)
Insurance Reserve	(1,706)													(1,706)
MMI Insurance Reserve	(602)												300	(302)
Health & Safety	(16)												16	-
Education Achievement Service	(92)													(92)
Schools Redundancies	(708)				708									-
Friars Walk	(9,985)												3,750	(6,235)
NEW - European Funding I2A & CFW	(79)												79	-
NEW - Metro Bus	(9)												9	-
<b>SUB TOTAL - RISK RESERVES</b>	<b>(14,782)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>708</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,154</b>	<b>(9,920)</b>
Capital Expenditure	(5,817)												2,200	(3,617)
Invest to Save	(11,050)												2,066	(8,984)
Super Connected Cities	(670)												120	(550)
Landfill (fines reserve)	(345)													(345)
Christmas Lights	(15)												15	-
Usable Capital Receipts	(11,742)												8,000	(3,742)
<b>SUB TOTAL - ENABLING RESERVES</b>	<b>(29,638)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,401</b>	<b>(17,237)</b>
STEP School Computers	(473)												100	(373)
Municipal Elections	(154)												100	(54)
Local Development Plan	(572)												(61)	(633)
Glan Usk PFI	(1,499)													(1,499)
Southern Distributor Road PFI	(44,515)												212	(44,303)
<b>SUB TOTAL - SMOOTHING RESERVES</b>	<b>(47,214)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>351</b>	<b>(46,863)</b>





**Children Services  
Risk Area Monitoring 2017-18  
July 2017**

**Out of Authority Residential Placements**



	£
17 / 18 Budget	£1,992,542
Forecast Out-turn	£3,937,513
Variance	£1,944,971

The budget for 17/18 was set based on the average package costs for the first 6 months of 16/17 and allowed for 16 placements at an average net cost of £2,500. This also reflected a trend over the past three years. The final average weekly cost of a placement for 16-17 was £2,900 so the 17-18 budget can now only afford 13 placements at this average.

The service has requested an £800k pressure in the 18/19 MTFP which is still believed to be sufficient based on the known age profiles.

The service currently has 22 placements, one of which is costed at £7,292 per week.

The June forecast assumed a reduction in numbers towards the end of the year. Due to further anticipated changes this has now been removed and replaced by a provision for another two placements as there is a risk that additional children may need to be placed.

Due to various reasons with significant consequences, there has been an increase in the pressure put on this area.

Out of authority residential placements are always a last resort and for the majority of children occur when all other options have been tried and failed. Children are considered for in house fostering

placements then for independent fostering agency placement (IFA), then in house residential and only then are out of county residential placements (OOC) considered. IFA and OOCs placements can only be sought with the permission of HoS and placements are only agreed with the oversight of contracts and the final sign off by the HoS. All OOC placements are also considered by the multi-agency complex needs panel to ensure health and education needs and costs are being met.

The children in these placements fall into three distinct groups

- Children with multiple disabilities e.g. learning disability, life limiting illnesses, autism, medical conditions and physical disabilities
- Children with risky and/or challenging behaviours, risk of child sexual exploitation, substance misuse, frequent missing episodes, sexually harmful behaviours to other children and/or adults, physically violent behaviours
- Court ordered mother and baby assessments

The majority of the children are subject to Section 31 Care Orders and have been removed from the care of their parents because of abuse and continued risk of the likelihood of significant harm. The LA is responsible for their care and in effect has become the parent. The exception to this is some of the disabled children cared for under Section 76 of the Social Services and Well Being Act where parental responsibility is still shared with parents. This group of disabled children will inevitably become adults who are eligible for continuing health care and will never live independent lives.

The group of children, regardless of legal status, currently in OOC are all tracked on a weekly basis. All are monitored both with the Independent Reviewing Officers statutory reviews and the contracts monitoring carried out by commissioning. All are discussed at the Brighter Futures panel.

The trajectory of the number of children in OOC is historically difficult to forecast. In 2014/15 Peopletoo oversaw a project to analyse the population in OOC and the processes that led to placement. They also considered options for negotiating lower contract prices and options for children to return to Newport or move to less costly placements. The project benchmarked against both Welsh and English LAs and considered the commissioning environment. The conclusions at that time were that all options had been fully considered, contracts had been negotiated and processes were robust. Peopletoo attended some contract negotiation meetings but were unable to secure lower prices. Alternatives costed in 2014/15 were found to be as expensive because of the diverse needs of the children.

Children's Services have over the past year managed a shift with one of the in house residential units and successfully navigated a stable period of a year for four girls who were all demonstrating behaviours and repeated placement breakdowns which are the common precursors to OOC. Children's Services have costed options to consider small units locally to return children in small matching groups. Under current regulation such a unit has to be established as a standalone children's residential unit and the minimum staffing costs for a two placement unit are £328K. This is the social care element and does not include education. There is current lobbying of Welsh Government and CSSIW to shift away from standalone units to a hub and spoke model to bring down management costs but this will require regulation change. The internal work in NCC to work towards this option is ongoing.

Children's Services has a monthly critical placements meeting to assess children reaching breaking point in other placements and to build in measures to support and strengthen placements. The key emphasis is doing all possible to both avoid future placements and wherever possible return children to less costly placements. Sourcing alternatives is challenging particularly as across the UK the number of foster carers is decreasing and the market for children's placements is a providers market. The cost of placements has escalated over the past two years to the point as cited in the July monitor where £16,000 per week has recently been agreed by one Welsh LA following a court ordering the placement to go ahead.

## **Supplementary Paper for Cabinet Briefing: Education – Out of County (OOC) Expenditure 2017/18**

### **Summary**

- SEN budget provision was c£3m and overspent by c£300k in 2016/17. No budget provision to increase budget was made for 2017/18 as this area is inherently 'fluid' in terms of numbers and level of support needed. There were a significant numbers of users due to stop utilising the service, value wise, July 2017 too.
- A number of new, very high cost placements have been approved since April, with most of them starting their out of area placements from September 2017. This has resulted in a significant increase in costs and is forecasted to be c£1.3m overspent in the current year 2017/18.
- The likelihood of an overspend was forecasted and flagged up in financial monitoring in June 2017 @£500k and following a review of the underlying data used to monitor costs here, has now been increased to c£1.3m in July financial monitoring
- Newport does not have its own suitable provision to meet the identified pupils Additional Learning Needs (ALN) and as per the LA's legal duty, suitable placement had been commissioned out of area. This is documented within both formal SEN Panel and Complex Needs Panel minutes, as appropriate, and has received the appropriate 'sign-off' by Head of Service.

### **Overview**

The number of pupils being placed OOC has reduced since 2016-17 (173 pupils to 144 this year). An assumption could be made that OOC placement costs should (in total) also be reduced. This is not the case. Many pupils have returned to Newport or avoided going OOC due to the opening of the new ASD School. The opening of this facility has indeed made a 'saving'. However the need for SEBD places or other high end needs has increased. High end needs are expensive to resource as demonstrated below.

The following table has been drawn together to demonstrate the average cost of OOC placements by OOC placement type.

### **Breakdown of Need**

<b>Category of Need</b>	<b>Number of Placements</b>	<b>Estimated Cost 2017/18</b>	<b>Other LA Mainstream Placements - Average Cost 2017/18</b>	<b>Other LA Specialist Placements - Average Cost 2017/18</b>	<b>Independent Placements – Average Cost 2017/18</b>	<b>MISC Placements – Average Cost 2017/18</b>
Social Emotional Behavioural Difficulties (SEBD)	67	£2,155,144	£10,474 (10 placements)	£25,590 (9 placements)	£42,536 (42 placements)	£3,595 (6 placements)
Autistic Spectrum Disorder (ASD)	37	£1,446,090	£12,397 (3 placements)	£24,671 (16 placements)	£56,342 (18 placements)	N/A

Hearing Impaired (HI)	16	£304,393	£28,074 (1 placement)	£19,115 (14 placements)	£8704 (1 placement)	N/A
Speech Language Communication Difficulties (SLCD)	1	£178,710	£10,871	N/A	£70,000 (1 placement)	N/A
Profound Multiple Learning Difficulties (PMLD)	8	£347,941	N/A	£28,587 (2 placements)	£48,461 (6 placements)	N/A
Moderate Learning Difficulties (MLD)	6	£72,199	£10,818 (4 placements)	£14,463 (2 placements)	N/A	N/A
Specific Learning Difficulties (SpLD)	1	£3,360	£3360 (1 placement)	N/A	N/A	N/A
Visual Impaired (VI)	2	£69,399 (2 placements)	N/A	N/A	£34,699	N/A

### **Recoupment Risks:**

Newport LA will re-coup approximately £355k at the end of the financial year 2017/18 from other LA's due to their pupils attending Newport provision. This is however subject to confirmation of all pupils continued placement at the Newport Schools, which we will be unable to quantify with accuracy until schools return on 01.09.2017. Please note however that this is subject to change especially in relation to LAC from other LA's who do not necessarily remain for full financial year. It must also be noted that the re-coupment decreases year on year as Newport LA are no longer able to 'sell' specialist placement due to the lack of capacity at each provision. Please note that the current projected recoupment as per the budget set by finance is approximately £500 k. This is an historic figure which has not been appropriately adjusted to take into account that revenue will only be a maximum of £355 k in the financial year 2017/18. This is therefore a further projected deficit of a minimum of £150 k for this financial period. It has been explained previously by Education Finance that this would not be adjusted as this forms part of the overall calculation of budget for Education. Concerns have been noted previously by the SEN Manager and Assistant Head of Education (Inclusion) that this is placed the SEN Team in a deficit position as the beginning of each financial year

### **Next Steps:**

**Cost Savings:** In an aim to reduce this overspend position, the SEN Team and Assistant Head of Education (Inclusion) have reviewed all proposed September 2017 placements to ascertain if any could be prevented from commencing their OOC placements. Please note that this had already been explored by the SEN and Complex Needs Panel respectively prior to a decision being made to consult with OOC providers. It was the determination of all professionals who contribute to these Panels' that there were no appropriate placements within Newport to meet the required pupils ALN as per their legal Statement of SEN.

Despite this, alternative provision is being sought within county for these pupils. It requires formal noting that this is not felt to be in the pupils best interest nor in the interest of pupils currently placed at provision in Newport, whose access to appropriate education will be adversely affected by this decision. The related risk to this is that the LA could find themselves in a position of making more OOC placements if the 'returning' pupils were to adversely influence the currently placed pupils, which could result in a higher number of placements breaking down.

A list of pupils who present the lowest risks in returning to Newport has been drawn up. The SEN Team and Assistant Head of Inclusion will meet with each family to discuss an alternative, Newport based provision. Parental agreement must be given or Newport City Council will be at risk of SEN Tribunal.

With parental agreement, it is anticipated that an approximate saving of £163k could be achieved, although the target figure is £318,038.

### **Additional Monitoring:**

- The SEN budget will continue be a subject to detailed 'risk monitoring' with Finance Business Partners. However the process will be revised and improved.

- Additional support is being provided by finance colleagues to ensure that OOC placement recording is fit for purpose.
- Additional monitoring meetings will take place with the Interim Head of Service to ensure that all pupils at risk of being educated OOC are anticipated and recorded as a potential and additional cost pressure.

**Improving Forecasting:**

- The Business Improvement Team is developing a report on 'Out of County' placement trends. This will be used to support financial forecasting.
- The SEN Manager and Assistant Head of Inclusion are completing an analysis of 2018/19 OOC placements to support budget preparation and avoid unnecessary overspends. This information will potentially inform the MTFP.

An interim project board is currently being designed to develop a strategic OOC placement plan for the next 5 years. This will consider how SEN provision within the city needs to change in order to manage pupils more effectively, reduce forecast costs and improve value for money.

**S.Morgan : Interim Head of Education 23/8/17**