

Children's Services Committee

Item No.....

Report title:	Budget Monitoring Period 4 (July)
Date of meeting:	11 September 2018
Responsible Chief Officer:	Sara Tough Executive Director of Children's Services
Strategic impact The report sets out the Period 4 (July) financial forecast for Children's Services, and the programme of transformation and improvement that is continuing.	

Executive summary

<p>This report sets out:</p> <ul style="list-style-type: none">the financial resources to deliver the Safer Children and Resilient Families Strategy of Norfolk Futures.forecast revenue expenditure for 2018/19 <p>Recommendations: That the Committee considers</p> <ul style="list-style-type: none">(i) the service transformation and improvement achieved(ii) the forecast overspend of £3.284m for General Fund Children's Services(iii) the forecast use of Children's Services General Fund reserves and provisions(iv) the forecast overspend of £3.023m for Dedicated Schools Grant Children's Services that will need to be offset against DSG balances and recovered in future years(v) the amendments to and reprogramming of the Children's Services Capital Programme
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1. Service Summary

- 1.1 With a net budget of just under £186m Children's Services provides or oversees a wide range of services to almost 170,000 children of Norfolk. Children's Services has a statutory duty to safeguard and promote the welfare of all these children and young people. Children's Services is committed to engaging all children and young people in the process of improving services to transform lives.
- 1.2 Nationally there are considerable pressures in Children's Services. The Association of Directors of Children's Services reports that between 2010 and 2016:
 - Children assessed as being in need have increased 5%
 - Children in Care have increased by 10%
 - Children subject to a child protection plan have increased by 92%
 - 1 in 10 Children in England has a diagnosable Mental Health Condition.
- 1.3 Children's Services intention is to shift resources downstream over time through effective prevention work and supporting resilience at all levels of need. This must be achieved against a background of rising demand and the tight funding position.

- 1.4 The Children's Services budget is only part of the financial resources invested in Norfolk children. The Directorate works with partners to deliver an integrated approach. Other major sources include:
- Public Health funding
 - The five Clinical Commissioning Groups covering Norfolk commission to meet children's physical and mental health needs
 - Special Educational Needs are funded by the High Needs Block of Dedicated Schools Grant
- 1.5 The Directorate looks to maximise its service delivery across the different funding sources.
- 1.6 Children's Services vision for children and young people is that they will be safe and live with resourceful and resilient families. Helping at an early stage is a key component of delivering the vision, and reducing the demand on social work teams and the number of looked after children. This is achieved by supporting families with a range of early help and preventative services together with a wide range of partners across Norfolk. Preventative work by an integrated Early Help system that works with the right families at the time in the right place will prevent higher costs across Children's Services.
- 1.7 The Directorate's budget for Social Care is £86m. Crucial to delivering a safe, sustainable and effective service is a permanent and high achieving workforce with appropriate caseloads. Developing the Directorate's workforce is important and plans for a Social Work Academy will help attract and retain Social Workers. The Norfolk Institute for Practice Excellence is attracting newly qualified social workers to work with the Council. A wide range of initiatives, including a new social work practice model, will avoid over-reliance on agency social workers. Demand is being managed better by continuously improving our front door arrangements. A review of the Multi-Agency Safeguarding Hub arrangements is underway towards a new way of working.
- 1.8 A significant element of the Social Care budget is used to place Looked After Children. The Directorate's Transformation Plan aims to reduce numbers of Looked After Children. Children's Services will improve the offer and support to families to enable more children to remain at home where it is safe and sustainable to do so. Placement choice will be improved for Looked After Children. This will be done by increasing the number, support and skills of our foster carers. Reliance on expensive agency foster carers and residential care will be reduced. This will be achieved against a national background of the highest number of Looked After Children since the implementation of the 1989 Children's Act.
- 1.9 The Directorate has set clear trajectories to March 2022 for reducing Looked After Children numbers and improving the mix of service provision. At the end of 2017-18 there was an increase above the trajectory. The deliverability of the trajectory is kept under review.
- 1.10 The Education Service with a budget of £39m works to ensure every child has access to high quality education and training. This is a separate County budget of £595m of Dedicated Schools Grant that is passed through to schools or spent on Early Years and central school services provision. The service is responsible for many statutory functions. It also works with schools and partners to deliver a wider range of services. The budget also meets the cost of Home to School Transport.

- 1.11 The service has successfully addressed the £0.328m budget pressure in Troubled Families reported in Month 2. It is now providing this payment by results service within the grant allocation.
- 1.12 Nationally the number of children with either statements of special educational needs or the new Education, Health and Care plans has increased every year since 2010. In January 2018 the annual rate of increase was 11%. Locally increased numbers of plans create considerable assessment pressures in the service. The County's special schools are full, leading to more Tribunal decisions to place children in independent provision. There is a statutory obligation to provide home to school transport for any child with an Education, Health and Care Plan.
- 1.13 The Service monitors school performance. Important work is continuing to help schools reduce the number of exclusions. The Service also has responsibility for planning school provision to meet the needs of Norfolk's rapidly growing population.
- 1.14 Performance and Challenge with a budget of £9m delivers performance information and management systems. Its work enables the Directorate to deliver all its duties and services. The new LiquidLogic system is fundamental to delivering the Directorate's Strategy. Commissioning is being improved in order to achieve planned savings and better services.

2. Forecast Revenue Outturn General Fund Children's Services

- 2.1 An overspend of £3.284m is currently forecast for General Fund Children's Services, after taking account of the impact of management action to address pressures. This is a mid-case forecast after allowing for the impact of management action.

Forecast Revenue Outturn General Fund Children's Services			
	Expenditure	Budget £m	Variance over (+)/under £m
1	Placement costs	64.000	1.009
2	Leaving care client costs	5.443	0.946
3	Legal costs	3.310	0.600
4	Child with disabilities with extreme nursing needs	0.576	0.461
5	Staffing costs	20.457	1.819
6	Early Help vacancies	10.477	-0.113
7	IRO	1.179	0.080
8	Home to School Transport	29.082	0.450
9	PFI Budget	0.220	-0.160
10	Educational Psychology	1.056	0.350
11	School Attendance	0.414	-0.208
12	Vacant School Property Costs	0.000	0.250
13	Other budgets	49.734	0.000
14	Use of reserves and balances	0.000	-0.200
15	Schools capital funded by borrowing	0.000	-2.000
16	Total	185.948	3.284

Changes in the forecast from Month 2 to Month 4 and reasons for the changes					
	Expenditure	M2	Change	M4	Reason

		Variance £m	£m	Variance £m	(more detail in the main report)
1	Leaving care client costs	0.644	0.302	0.946	Client numbers
2	Staying put grant losses	0.273	-0.273	0.000	Resolved
3	Legal costs	0.600	0.000	0.600	No change
4	Child with disabilities with extreme nursing needs	0.312	0.151	0.461	Increased cost
5	Staffing costs	0.768	1.051	1.819	Temporary higher staffing levels
6	Troubled Families Grant Loss	0.328	-0.328	0.000	Resolved
7	Home to School Transport	0.450	0.000	0.450	No change
8	Placement costs	0.000	1.009	1.009	Continuing pressure of numbers of children
9	Early Help vacancies	0.000	-0.113	-0.113	Held vacant
10	IRO	0.000	0.080	0.080	Increased client numbers
11	PFI Budget	0.000	-0.160	-0.160	Budget not fully required
12	Educational Psychology	0.000	0.350	0.350	Increased volume of EHCP
13	School Attendance	0.000	-0.208	-0.208	Trading income and fines
14	Vacant school property costs	0.000	0.250	0.250	New pressure
15	Use of reserves and balances	0.000	-0.200	-0.200	New following review of the level
16	Schools capital funded by borrowing	0.000	-2.000	-2.000	Allows use of planned revenue contributions
17	Total variances	3.375	-0.089	3.284	

- 2.2 The budget provides over £64m to meet the cost of placements for Looked After Children. The cost of placements at Period 2 (May) was forecast based on early information. This indicated a stabilisation of placements and it was expected to deliver the original planned trajectory by the end of the financial year.
- 2.3 This was an ambitious plan given the level and pace of transformational change required. As the year has progressed, the position has been reviewed using more detailed transformation planning and demand information. Placements is now forecasting a £1.009m overspend.
- 2.4 The Directorate continues to be focused on trying to move more children from residential care into fostering. It also aims that more children will be able to return home from their fostering placements.
- 2.5 The position continues to be carefully monitored. The arrangements for placement panels have improved. Further changes are planned to increase the panels' effectiveness. Performance information in this area has been improved by the implementation of LiquidLogic, though some delays continue to be experienced in generating detailed finance reports.
- 2.6 A number of approaches are being pursued:
- A recruitment drive and marketing for in-house fostering (placement numbers have increased since the start of 2018-19);

- Developing supported semi-independent accommodation, with initial development expected to be completed within this financial year;
 - Further improving how the Multi Agency Service Hub (MASH) and the front door to Children's Services operate (the number of cases flowing through from MASH to assessment teams has seen a downward trend following implementation of early changes);
 - Redesigning social work teams to help with administration and to make the best use of professional resources;
 - Continuing emphasis on early help and preventative services;
 - Expansion of the boarding school placement model in appropriate cases.
- 2.7 The budget for semi-independent and Staying Put leaving care client costs is £5.443m and is currently forecasting a £0.946m overspend. This reflects increasing numbers of care leavers combined with insufficient funding from Central Government for the Staying Put initiative.
- 2.8 The budget provides £3.310m for legal costs. There is currently a forecast pressure of £0.600m due to the high level of court proceedings. This forecast includes the expected impact of the increased focus on managing spend in this area, including ensuring legal resource is not used for elements of case preparation that can be carried out more efficiently by other teams. There is an increased level of proceedings being experienced by most Children's Services Authorities and the additional children that are currently looked after, compared to when the budget was set, would suggest additional legal costs would be expected.
- 2.9 A single case of support for a child with disabilities requiring extensive nursing support has led to a forecast £0.461m pressure on the £0.576m budget for children with extreme nursing needs.
- 2.10 The staffing budget for operational teams is £20.457m. There is currently a forecast pressure of £1.819m. The pressure includes £0.253m for in-house residential unit staffing. Changes to in-house residential staffing levels have been necessitated to meet the complex needs of young people being supported in these settings. The pressure also includes £0.846m for NIPE salary costs prior to placement in social work teams. These pressures are offset within the total by £0.353m underspending on agency social worker top-ups reflecting reduced reliance on agency staff. It is expected £0.066m of the additional staffing costs are eligible for transformation funding.
- 2.11 The Early Help staffing budget of £10.477m shows a favourable variance of £0.113m due to vacancies. The Independent Reviewing Teams staffing budget is £1.179m. There is a pressure of £0.080m as caseload has necessitated an additional IRO.
- 2.12 Reprofiting of the workforce, including the introduction of different roles and professions, is being undertaken and is expected to enable the operational teams to manage within their base budget once complete. This work has been delayed due to the desire to get it right first time. Breckland Locality has been recruiting to vacancies in line with this reprofiling as an opportunity to gain proof of concept.
- 2.13 The budget for Home to School Transport is £29.082m. This is currently showing a forecast pressure of £0.450m based upon current pupil numbers and expected journeys within the financial year, with pressure particularly caused by the increase in special school placements.

- 2.14 Due to the profiling of payments it is expected the £0.220m budget for Education PFI will underspend by £0.160m.
- 2.15 The budget for Educational Psychology £1.056m. This is currently showing a forecast pressure of £0.350m due to the number of EHCP referrals continuing to be received and the backlog of assessments that are outstanding. Action is being taken to manage this level of referrals but it is a statutory duty to make these assessments.
- 2.16 The budget for school attendance is £0.414m and is showing a favourable variance of £0.208m due to higher than expected fines and trading income.
- 2.17 There is a pressure in vacant school property costs of £0.250m.
- 2.18 Following a review of reserves and provisions a transfer to revenue of £0.200m has been made.
- 2.19 The capital programme has been reviewed to maximise service revenue funding. £2m of planned revenue contributions in 2018/19 will instead be funded by borrowing.

3. Forecast Reserves and Provisions General Fund Children's Services

- 3.1 Projected changes to Children's Services general fund reserves and provisions are set out in the table below.

Forecast Reserves and Provisions General Fund Children's Services				
	Reserve or provision	Balance April 2018 £m	Use	Forecast Balance March 2019 £m
1	Transport days equalisation	0.494	0.081	0.413
2	Holiday pay provision	0.015	0.000	0.015
3	Repairs and renewals fund	0.147	0.075	0.072
4	Information Technology earmarked reserve	0.030	0.006	0.024
5	Post-OFSTED improvement fund	0.004	0.004	0.000
6	Grants and contributions	3.063	1.684	1.379
7	Totals	3.752	1.850	1.903

- 3.2 Of the £1.684m of grants and contributions that are forecast to be used by the end of this financial year, approximately half were set aside to fund Children's Centres in this financial year. The remainder of the funds are for a large number of differing purposes received on a one-off basis to across Education and Social Work.
- 3.3 The Transport Days Equalisation reserve is to enable each year's transport budget to reflect an average year, with the variation in the number of academic days in each financial year being taken account of by this reserve. In 2018-19 it is expected that there will be a small use of this reserve in line with its purpose.

4. Forecast Revenue Outturn Dedicated Schools Grant Children's Services

Forecast Revenue Outturn Dedicated Schools Grant High Needs Block - Children's Services			
	Expenditure	Budget £m	Variance over (+)/under (1) £m
1	Mainstream schools	36.069	2.972
2	Independent special schools	21.580	1.847
3	Alternative education contracts	4.786	0.520
4	Personal budgets	0.250	0.145
5	Post-16 FE High Needs provision	2.800	0.825
6	DSG adjustments	0.000	-3.286
7	Other budgets	15.457	0.000
8	Total budgets	80.942	3.023

Variances from Month 2 to Month 4					
	Expenditure	M2 Variance £m	Change £m	M4 Variance £m	Reason (more detail in the main report)
1	Post-16 further education high needs top-up funding	0.553	0.272	0.825	High numbers of children
2	Non-maintained special school placements	1.847	0.000	1.847	No change
3	Alternative education contracts	0.520	0.000	0.520	No change
4	Maintained special school places	0.222	2.750	2.972	See main report
5	Personal budgets	0.000	0.145	0.145	Increased clients
6	DSG adjustments	0.000	-3.286	-3.286	See main report
7	Total variances	3.142	-0.119	3.023	

- 4.1 An overspend of £3.023m is currently forecast for Dedicated Schools Grant Children's Services; this is a mid-case forecast. The Dedicated Schools Grant is ring-fenced and is split into ringfenced blocks, the schools block, the central schools services block, the high needs block and the early years block. The pressure is within the high needs block. It is proposed to discuss further with partners overall funding of Special Educational Needs and Disability provision. Much of the high needs expenditure is paid to schools and it can be difficult to predict, particularly prior to the start of the new academic year. Given the continuing pattern of pressure on the High Needs block consideration will continue corporately to how to maximise the resources that can be identified for this service.
- 4.2 A report to Policy and Resources will set out plans for capital investment in special provision. However, it may be several years before the revenue benefits of this are realised.
- 4.3 The budget for maintained special school placements is £36.069m and is showing a pressure of £2.972m. The 2018/19 High Needs budget was set after Members agreeing £2.043m of savings in 2017/18 and £4.735m in 2018/19. The 2018/19 savings included a £4.000m reduction in top-up funding to mainstream schools.

- 4.4 In July 2018 the £4.000m top-up savings were reversed. An additional £2.750m of top-ups was communicated by the Executive Director of Children Services to schools for allocation in 2018/19. This was in response to an extreme level of demand for top-up funding to enable a greater level of flexibility the management of budgets within the High Needs block. The £2.750m is included in the Period 4 forecast. £1.250m – the balance of the £4.000m - is being held centrally as a contingency. This is not reflected in the forecast. No allowance is made in the forecast for additional numbers of children requiring top-ups in the new academic year.
- 4.5 The budget for independent special school placements is £21.580m and has a forecast pressure of £1.847m. This reflects increasing numbers of pupils with Education Health and Care Plans that require special school provision, including specific placements awarded by tribunals.
- 4.6 Many local authorities are experiencing increased numbers of pupils with these needs. Concerted management action seeks to avoid additional placements and stay within budget, whilst liaising with schools to seek to avoid additional expenditure
The budget for alternative education contracts is £4.786m. There is currently a forecast pressure of £0.520m. This reflects increasing requirement for alternative education provision.
- 4.7 The budget for personal budgets is £0.250m. There is currently a forecast pressure of £0.145m. This reflects an increase in the number of personal budgets requested as an alternative to high cost placements.
- 4.8 The budget for Post 16 Further Education High Needs Provision is £2.800m. There is currently a forecast pressure of £0.825m. This reflects demand for placements exceeding the funding provided by central government.
- 4.9 It is proposed to look at the DSG outturn in its totality at the end of 2018/19. It is expected that there will be flexibility to meet an element of the forecast High Needs overspend by underspending on other blocks including the Schools Block or the Early Years block.

5. Schools balances

- 5.1 There is a projected decrease in school balances because of schools converting to academies and the use of school balances to fund expenditure within the financial year. Cluster balances are planned to decrease as the Local Authority moves away from funding Special Educational Needs through the cluster model.

Projected School Balances as at March 2019					
	Title/description	April 2018	March 2019	Variance	Schools becoming academies
		£m	£m	£m	£m
1	Nursery	0.007	0.067	+0.060	0.000
2	Primary	11.765	9.239	-2.526	-0.557
3	Secondary	0.562	0.204	-0.358	0.015
4	Special	1.402	2.375	0.973	-0.496
5	Clusters	1.230	0.235	-0.995	0.000
6	Totals	14.966	12.120	-2.846	-1.038

Headroom to fund High Needs cumulative overspend at March 2019 pending repayment			
		£m	£m
1	Schools Balances less transferring to academy	11.082	
2	Forecast Non-teaching activities (part)	1.500	
3	Balance of Building Maintenance Partnership Pool	1.400	
4	Total forecast balances available for offset		13.982
5	Overdrawn High Needs Block April 2019	8.087	
6	Forecast High Needs overspend 2018/19	3.023	
7	Total forecast requiring offset		11.110
8	Headroom for offset (row 4 -row 7)		2.872

5.2 Schools Reserves and Provisions are balances held on behalf of schools for a specific purpose. The usage currently forecast for 2018-19 is for building maintenance required by schools. The Building Maintenance Partnership Pool is currently in the fourth year of a 5-year scheme that schools have the option to buy in to.

Schools Reserves and Provisions				
	Reserve or provision	Balance April 2018 £m	Net Movement	Forecast Balance March 2019 £m
1	Non-teaching activities	0.730	0.000	0.729
2	Building maintenance partnership pool	2.582	-1.182	1.400
3	Sickness insurance scheme	0.000	0.000	0.000
4	Playing surface sinking fund	0.051	0.000	0.051
5	Non-partnership maintenance fund	0.780	-0.108	0.672
6	Totals	4.143	-1.290	2.853

6. Capital Programme

6.1 Since the capital programme was approved, there has been both reprofiling to future years from 2018-19 and other changes both in 2018-19 and in future years, as per the table below.

Children's Services Capital Programme					
	Title/description	Approved Budget £m	Reprofiling £m	Other Changes £m	Current capital Budget £m
1	2018-19	87.764	-3.924	10.040	93.880
2	Future Years' 2019-21	45.424	3.924	0.500	49.848

6.2 The main change to the 2018/19 programme is the inclusion of £6.654m of developer contributions. Reprofiling reflects slower than expected progress on a number of schools projects.

6.3 The financing of the capital programme is from a combination of sources. The financing expectations have been updated in line with the changes made to the capital programme.

Funding of the Children's Services Capital Programme

		2018-19 £m	2019-21 £m
1	Approved Budget	87.764	45.424
	Financed by		
2	Prudential Borrowing	10.427	0.325
3	Revenue and Reserves	-0.029	
4	Grants and Contributions	0.000	
5	Department for Education	58.392	46.412
6	Developer Contributions	22.428	2.532
7	Other	2.662	0.579
8	Total Financing	93.880	49.848

7. Risks

- 7.1 The financial forecast is a middle case forecast. There are however risks that will need to be carefully monitored and managed as the financial year progresses.
- Ensuring the delivery of planned transformation projects
 - The planned rapid pace of improvement in practice and delivery
 - The risk of increasing numbers of looked after children and the availability of the most suitable provision for each child
 - The risk of increasing numbers of children requiring high needs funding
 - An increased level of unavoidable legal proceedings and tribunals
 - Management actions being taken expeditiously to achieve the planned effect within the financial year
 - Continued effective working with partners to achieve coordinated and cost-effective services
 - Continuing improvement and development of the front door to serves and the Multi-Agency Service Hub
 - Attracting and retaining suitably qualified teams to deliver a wide range of services

Officer Contact

If you have any questions about matters contained or want to see copies of any assessments, eg equality impact assessment, please get in touch with:

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