

Children's Services Committee

Item No.....

Report title:	Strategic and Financial Planning 2019-20 to 2021-22
Date of meeting:	16 October 2018
Responsible Chief Officer:	Sara Tough, Executive Director of Children's Services

Strategic impact

This report provides an update on the Service Committee's detailed planning to feed into the Council's budget process for 2019-20. The Council's budget setting activity is informed by a range of documents including the Medium Term Financial Strategy, and the Council's Vision and Strategy. Together, these help to set the context for medium term service and financial planning, which support the development of a robust, balanced budget for 2019-20.

In particular, the report sets out Children's Services Committee's specific proposals for savings in the context of the approach to developing options that was agreed at the Committee's meeting in September. Savings are now presented for consideration and recommendation to Policy and Resources Committee, which will agree the savings to go into the consultation process for 2019-20 budget setting later in October.

The report also provides the latest information about the Council's overall budget planning position, including the forecast budget gap for 2019-20 to 2021-22.

Executive summary

This report forms part of the strategic and financial planning framework for Service Committees. It provides an update on the Council's budget setting process and sets out details of the actions required by Service Committees to enable the Council to set a balanced budget for 2019-20. The report details the link between the Council Strategy, the Norfolk Futures transformation programme, and the development of transformation and savings plans relevant to this Committee.

Children's Services Committee is recommended to:

- 1) Consider the content of this report and the continuing progress of change and transformation of Children's services;**
- 2) Note the Council's latest budget assumptions and pressures, and the resulting revised forecast budget gap of £45.322m, which has been updated by Policy and Resources Committee to reflect the latest available information and following Service Committee input in September (paragraph 4.3 and table 1);**
- 3) Note the revised council tax planning assumptions set out in table 2;**
- 4) Approve the proposed savings for the 2019-20 budget round for recommendation to Policy and Resources Committee in October (table 5), in particular confirming**

those savings that are recommended to require consultation as set out in paragraph 6.13.

5) Consider and identify any further key areas of risk in relation to 2019-22 budget planning for the Committee's budgets, including any additional pressures and the robustness of existing planned savings as set out in table 4, noting that any changes may impact on the overall budget gap and will require additional offsetting savings to be found;

6) Note the budget planning timetable (section 7).

1. Introduction

1.1. The County Council agreed the 2018-19 Budget and Medium Term Financial Strategy (MTFS) to 2022 at its meeting 12 February 2018, at the same time as it agreed a new Strategy for the County Council, Norfolk Futures. The Council has a robust and well-established framework for strategic and financial planning which updates the MTFS position through the year to provide Members with the latest available financial forecasts to inform wider budget setting work across the organisation.

1.2. In July 2018, Policy and Resources Committee considered how the 2019-20 budget planning process would be aligned with the Council's Strategy, Norfolk Futures. The Committee agreed: budget assumptions and key areas of risk in relation to 2019-22 budget planning, the budget planning principles and guidance for 2019-20, and commissioned Service Committees to begin developing savings proposals.

1.3. In September, Children's Services Committee:

- Agreed the proposed approach and key themes to focus on in developing savings proposals for 2019-20 to 2021-22, including how the principles of the Council's Strategy, Norfolk Futures, would inform and shape budget planning activity, having regard to the existing savings for 2019-20 and beyond which were agreed as part of the 2018-19 budget round; and
- Commissioned officers to develop detailed savings proposals to be presented to the Committee for consideration at this meeting in order to help close the forecast 2019-20 to 2021-22 budget gap.

1.4. This report builds on the position reported to Service Committees in September and represents the next stage of the Council's budget planning process. In particular, the paper sets out details of the saving proposals identified for 2019-20 and subsequent years, for the Committee's consideration.

2. County Council Strategy and Norfolk Futures

2.1. The report to Policy and Resources Committee sets out how the Council's Vision and Strategy will inform the development of the 2019-20 Budget.

- 2.2. Caring for our County, the vision for Norfolk, approved by Members in February 2018, outlines the Council's commitment to playing a leading role in:
- Building communities we can be proud of;
 - Installing infrastructure first;
 - Building new homes to help young people get on the housing ladder;
 - Developing the skills of our people through training and apprenticeships;
 - Nurturing our growing digital economy; and
 - Making the most of our heritage, culture and environment.
- 2.3. The Council's Strategy for 2018-2021 – Norfolk Futures – will provide the mechanism to enable these ambitions for the County across all of its activities.
- 2.4. Norfolk Futures will deliver these transformational commitments in a context where demand for our services is driven both by demographic and social trends, and where increasingly complex and more expensive forms of provision are becoming prevalent.
- 2.5. Norfolk Futures is guided by four core principles that will frame the transformation we will lead across all our work:
- Offering our help early to **prevent and reduce** demand for specialist services;
 - **Joining up** work so that similar activities and services are easily accessible, **done once and done well**;
 - Being **business-like** and making best use of **digital technology** to ensure value for money; and
 - Using evidence and data to **target our work** where it can make the most difference.
- 2.6. Under the banner of Norfolk Futures we will deliver sustainable and affordable services for the people who need them most. The whole Council needs to change to keep up with increasing demands and ever better ways of working.
- 2.7. These principles frame the transformation that we must lead across all our services and activities. This is all underpinned by evidence and political support, to change how the Council works and how we work with the people of Norfolk.
- 2.8. By 2021 the strategy and underpinning Service Plans will have moved the Council towards a more sustainable future with affordable, effective services. This means that we will have radically changed the ways we do some things. We will know our citizens and manage their needs effectively using the best evidence to enable the most appropriate outcomes. We will be working jointly across the Council on our biggest challenges by default, and changing the way we work to reflect new technology and ways of working. This will enable us to work smarter, better and plan long term to be the Council the County needs.
- 2.9. These principles frame the transformation across all our services and activities and we currently have 7 priorities to help us to deliver the strategy:
- Safer Children and Resilient Families;
 - Promoting independence for Vulnerable Adults;
 - Smarter Information and Advice;

- Towards a Housing Strategy;
 - Digital Norfolk;
 - Local Service Strategy; and
 - Commercialisation.
- 2.10. Further information about the Norfolk Futures priorities relevant to this Committee, and how they will inform and support 2019-20 budget planning, are set out below.

3. Service Transformation

- 3.1. This section proposes an approach for the Committee to adopt in developing saving proposals for 2019-20, and explains how this will be aligned to the Norfolk Futures principles.
- 3.2. Children's Services in Norfolk continue to operate in a challenging context. As is the case for almost all local authorities, we are experiencing high and increasing levels of need across numerous areas of service and, in particular, in relation to children with special educational needs and children at risk of harm. We are responding to new issues within society and the range responsibilities for the department is widening to tackle issues such child sexual and criminal exploitation and the threat of radicalisation.
- 3.3. We are tackling these challenges in the context of ever diminishing resources. The level of grant funding to local authorities diminishes year on year and there is now a clear national evidence base around a significant strategic funding shortfall in Children's Services, estimated by the Association of Directors of Children's Services to be growing to around £2 billion by 2020 for the nation as a whole.
- 3.4. Furthermore, the evidence shows that the pressure on, and need for, children's services are driven to a very large extent by external factors beyond the control of Children's Services. The levels of deprivation, the size of the local 0-25 population, levels of household income, levels of unemployment and levels of crime have been identified as the key contributing factors nationally and in many of these areas our own analysis of the demographics shows an increasingly challenging picture in Norfolk. We know that relative deprivation is increasing in the County, our population of children and young people is expanding and the national economic outlook is having an impact. Those trends are now beginning to translate into additional demand for services and pressure on budgets and capacity.

- 3.5. Although this is a challenging context, Norfolk County Council and its Children's Services are responding in a bold, positive and ambitious way. That began with the business case for a major investment in transformational change agreed at Policy and Resources Committee in September 2017 and the Launch of the Norfolk Futures Transformation programme as part of the committee plan at the May children service committee 2018. That high-level business case committed an allocation of £12-15million of up-front investment in Children's Services to enable the development of new service models that can respond to the changing needs in communities and allow us to continue to achieve positive outcomes for children and families.
- 3.6. More than half of total expenditure across Children's Services is on direct delivery of assessment, support and care through demand-led budgets to the most vulnerable or highest need children. That includes placements budgets of £52m for children looked after, support and care for children with special educational needs and disabilities £33.5m and Home to School Transport for children with Special Educational Needs £13.6m. In addition, a substantial proportion of the budget is spent on services and interventions that support children looked after and children with Special Educational Needs. The children looked after and transport costs are funded from Children's Services core budget and represent very significant proportion of total Children's Services funding. The SEN placements are funded via the Dedicated Schools Grant High Needs Block. It is important to recognise that there are significant inter-relationships with our base budget because sometimes the same children and young people will be receiving support (and funding) from both an SEN education perspective and from within the Children's Social Care model.
- 3.7. Given this pattern of high spend on the highest needs cohort, it is clear that our response to the financial challenge needs to focus on these major budget areas and follow the principles set out in the Norfolk Futures Strategy of ***offering our help early to prevent and reduce demand for specialist services and using evidence and data to target our work where it can make the most difference.***
- 3.8. Only by intervening effectively at the right point will we be able to unlock significant financial savings; following that principle, we are developing a comprehensive programme of transformation, as illustrated in diagram 1. This thinking was first outlined to Committee through the Demand Management & Prevention Strategy: Children's Services which was agreed at Policy and Resources Committee in September 2017 which included the allocation of £12-15m of pump-priming investment to enable transformation and change. The programme has been developed in more detail and now forms the Safer Children and Resilient Families strand of the Norfolk Futures Programme; with an update presentation was delivered to Children's Services Committee at their September 2018 meeting. Some of the key themes are summarised below.

Diagram 1: Children's Transformation Strategic Approach

Children's Transformation Strategic Approach

All teams and investments are targeted to supporting children and families to avoid the need for high intensity and high cost direct care

Majority spend is on direct delivery of care to the most vulnerable or highest need children. Overlaps between LAC, SEN and transport cohorts

Inclusion

- Investing in Specialist Resource Bases
- Additional direct inclusion work
- Increasing the proportion of children with SEN who are supported to stay in mainstream settings
- Investing in independence – enabled by technology

Prevention and Early Intervention

- Transformed model at the front door enabling more demand to be managed preventatively and the social work teams to focus only on appropriate cases
- Enhancing Early Help – with a focus on building capacity in the partnership system

Effective Practice Model

- Creating a new multi-disciplinary social work model
- Driving quality interventions through signs of safety and restorative practice
- New panels deploying resources earlier rather than at the point of crisis
- Wrapping specialist help around social work plans e.g. substance misuse, mental health and domestic abuse

Edge of Care Support and Alternatives to Care

- New therapeutic service for families with children at the edge of care (SIB)
- Turnaround short breaks alternatives to care provision
- A focus on family finding and building support networks from extended families

Increasing levels of demand in communities (in Norfolk and mirrored nationally)

Placements and Support for Looked After Children

Residential = 19.4m
 Fostering = 28.4m
 Semi-Independent = 5.3m
 SGOs = 3.9m

Home to School Transport

SEN = £13.1m
 Mainstream = £11.6m
 Post 16 = £3.1m

Education & Care for Children with SEN (HNB)

Special Schools = £31.5m
 Complex needs schools = £20m
 Alternative provision = £4.9m

Managing the care market & creating the capacity we need

- Step-change investment in Special Schools
- Creating high-quality semi-independent provision
- Family Values - using behavioural science to redesign our approach to recruiting foster carers
- Enhanced fostering model – building a network of capacity around foster carers to work with higher needs
- Valuing Care Model – robust needs analysis and outcome based commissioning of placements

3.9. Our demand management programme is driving forward projects within four broad themes:

3.9.1. Inclusion – we are working with children, their families and our partners in schools to further enable more children with additional needs to be educated locally and, wherever possible and appropriate, within their mainstream school. Our proposals include a very significant investment in Specialist Resource Bases across the county, giving access to specialist intervention and support so that children and families are not travelling great distance to access appropriate support to meet needs. We are also investing in additional capacity to support and challenge education providers, work with children and families to ensure needs are met in a timely and appropriate way, and to enable technology so that children get the extra help and equipment they need to succeed in mainstream settings. For children who have additional needs which are such that they should attend a high quality special or complex needs school, or access an alternative, specialist level of provision, our intention is to increase this capacity, locally, by further expanding existing special / complex needs schools, develop more residential opportunities and build new special schools in geographical areas of need. The aim is to intervene earlier, enable local solutions to meet need, mitigating the high volume of higher costs places in the independent/non-maintained sector, significantly reducing travel time and improving local specialism to meet need. The primary financial impact will be a reduction in the level of pressure on the High Needs Block element of the Dedicated Schools Grant funding, but the inclusion strategy will also impact positively on transport costs for children with special educational needs.

3.9.2. Prevention and Early Intervention – we are investing capacity ‘upstream’ in a range of areas to support families before their needs escalate to the point of crisis. Our plans include a transformed model at the front door with a highly skilled social work and early help duty team, enabling more demand to be managed at the point of initial contact and allowing the social work teams to focus only on appropriate higher risk cases. Our transformation of the Children’s Centre service model will specifically target additional outreach support to families whose needs might otherwise escalate – including those where mental health, substance misuse and family relationship issues are present. We are also enhancing our wider Early Help offer with a particular focus on building capacity in the partnership system to intervene effectively, and on ensuring that we develop and use community and voluntary sector support alongside our own interventions. The impact of these workstreams will be to reduce the demand flowing into the statutory social work system.

3.9.3. Effective Practice Model – we are proposing a number of improvements to the core practice model to free up capacity within teams; enabling staff to spend more time directly with families to help them to work through their challenges and effect change. We are also designing proposals to reduce the number of hand-offs and changes of lead worker that children and families experience, recognising that the stability of relationships is essential to successful work to help families keep children safe. We are continuing to drive quality interventions through our involvement in the national Signs of Safety and restorative practice programmes; as the quality of practice continues to improve we will see better outcomes for children and families. The impact of these workstreams will be seen through cases

successfully de-escalating as a result of social work support and fewer cases reaching the point where children need to be accommodated.

- 3.9.4. Edge of care support and alternatives to care – Where needs have escalated to a point where consideration is being given to taking children into care, we will look to deploy a range of new approaches as alternatives and will only take children into the care system once other options have been exhausted. Our first alternative will always be to explore the wider family and community network to find people who have the capacity to provide care, and we will be delivering a major development programme across our workforce to embed approaches to ‘family finding’ at the heart of our social work model. We are also investing in new ‘edge of care’ interventions such as an intensive therapeutic service and a time-limited short breaks offer for families who would benefit from some additional time and space in order to work through their challenges.
- 3.10. The cumulative impact of all of these proposals will be fewer children needing to be looked after and / or requiring high-level specialist SEND provision; this will deliver a corresponding financial benefit to the local authority.
- 3.11. As well as managing demand through earlier intervention, our transformation and budget planning strategy includes a strong focus on effective commissioning and market management. These proposals will follow the Norfolk Futures principles of ***being business-like to ensure value for money and using evidence and data to target our work where it can make the most difference.***
- 3.12. Our analysis of the care market for looked after children shows an over-reliance on high cost forms of care such as external residential provision, external semi-independent provision and independent foster care agencies. Therefore, there is a need to re-shape this market proactively to create the value-for-money provision we need for our children and young people. We are therefore proposing strategic capital investments in a range of placement types including additional semi-independent placements, a new enhanced fostering model, new short breaks and shared care placements and potentially in new in-house residential capacity. In addition to these major commissioning projects we are also leading a transformation of our own Fostering Service; utilising behavioural insight techniques to understand the motivations of existing and potential foster carers. This will allow us to develop a completely new approach to recruiting and retaining carers and, therefore, over time, reducing the reliance on costly external agencies.
- 3.13. Our analysis of the care market for children with Special Educational Needs also highlights sufficiency challenges and a corresponding reliance on high-cost specialist placements. We are bringing forward proposals for a step-change capital investment to develop four new special schools and additional Specialist Resource Bases attached to mainstream schools, to ensure that the right services are available in the right place, thus reducing ongoing revenue costs for the future.
- 3.14. A final strand of our response to the financial challenge is informed by the Norfolk Futures principle of ***joining up work so that similar activities and services are easily accessible, done once and done well.*** This principle is particularly important in our work alongside health partners to design services which respond to health and care needs in coherent and seamless way. To that end we have recently established integrated commissioning arrangements with our health partners and are working with them to examine our collective spend as a system,

to eliminate any duplication and to align our commissioning priorities and contracts. We are also looking to join up our operational arrangement where this can improve outcomes. In particular we are looking to create an integrated model of Children's Mental Health Services; co-designing this in the coming months with the Clinical Commissioning Groups, local Child and Adolescent Mental Health Services (CAMHS) and, of course, with children and families. These areas of work have strong potential to deliver both better outcomes through more integrated provision, and a range of financial efficiencies across the system.

4. 2019-20 Budget Planning

4.1. The Medium Term Financial Strategy (MTFS) was agreed in February 2018 including £78.529m of savings and with a remaining gap of £94.696m. The MTFS provided the starting point for the Council's 2019-20 Budget planning activity. Full details of cost pressures assumed in the Council's MTFS are set out in the 2018-19 [Budget Book](#).¹ The September report to this committee set out:

- Budget planning principles 2019-20
- Budget assumptions 2019-20
- Council tax assumptions
- Budget risks identified
- Indicative savings requirements

2018-19 budget position

4.2. The latest information about the 2018-19 budget position is set out in the budget monitoring report elsewhere on the agenda. Budget planning for 2019-20 is based on the assumption that the 2018-19 Budget is fully delivered (i.e. that all savings are achieved as planned and there are no significant overspends). Further pressures in the forecast 2019-20 Budget have been provided for as detailed later in this report.

Latest forecast budget gap 2019-20 to 2021-22

4.3. In September, following feedback from Service Committees, Policy and Resources Committee then considered the latest planning information and an updated budget position. The current position, taking into account the changes agreed by Policy and Resources Committee, and assuming that new savings can be identified at the required level of £22.089m for 2019-20, is shown in the table below. Changes in the Council's funding assumptions have mitigated some of the identified pressures.

4.4. Assuming that collectively Service Committees are successful in identifying savings at the indicative level required for 2019-20 (as identified in the July Policy and Resources report), the latest gap position indicates **a reduced forecast gap of £45.322m for the period 2019-20 to 2021-22, with a small £0.609m gap remaining to be closed in 2019-20.**

4.5. Policy and Resources Committee will receive a further update on the overall gap position for the County Council in October. The budget position and the associated

¹ <https://www.norfolk.gov.uk/-/media/norfolk/downloads/what-we-do-and-how-we-work/budget-and-council-tax/budget-book-2018-22.pdf?la=en>

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assumptions are kept under continuous review, and will be updated to reflect any changes arising from the Government's Autumn Budget, or further information about the Council's funding position as it becomes available up until budget-setting by County Council in February.

Table 1: Latest forecast budget gap 2019-20 to 2021-22²

	2019-20	2020-21	2021-22	Total
	£m	£m	£m	£m
Forecast gap as reported to September Service Committees (agreed at 16 July 2018 Policy and Resources)	22.089	48.454	24.153	94.696
Pressures				
Children's Services budget pressures including Children Looked After demographic growth	5.000	2.000	2.000	9.000
Children's Preventing Radicalisation pressure	0.120	0.000	0.000	0.120
Children's Centres saving delay	1.700	-1.700	0.000	0.000
Adult market pressures	2.000	0.000	0.000	2.000
Leap year pressure in Adult Social Care	0.550	-0.550	0.000	0.000
Property savings (including income targets) at risk	1.500	1.000	0.500	3.000
Pressure from 2019-20 national pay award and associated salary scale changes	0.345	0.000	0.000	0.345
Total new pressures	11.215	0.750	2.500	14.465
Proposed mitigations				
Collection Fund	-4.688	0.000	0.000	-4.688
Council tax tax base (additional 1.5%)	-5.918	-6.305	-6.341	-18.564
MRP pressure reprofiled	0.000	-5.000	5.000	0.000
Additional capital receipts	0.000	-10.000	0.000	-10.000
2% Council Tax increase 2021-22	0.000	0.000	-8.498	-8.498
Total mitigations	-10.606	-21.305	-9.839	-41.750
Delivery of 2019-20 savings target (as identified at 16 July 2018 Policy and Resources)	-22.089	0.000	0.000	-22.089
Latest forecast gap for planning purposes (24 September 2018 Policy and Resources)	0.609	27.899	16.814	45.322

4.6. In view of the budget gap and the difficulty in identifying future year savings, Policy and Resources Committee has been recommended to consider incorporating a planning assumption that council tax in 2021-22 be increased by 1.99% as shown in the table above. The level of council tax is ultimately subject to agreement by Full Council each year, and there will be an opportunity to consider the required level of council tax in light of any future Government announcements relating to the Fair Funding Review and Comprehensive Spending Review. The MTFs planning position set out in this paper is therefore based on the following council tax increase

² As presented to Policy and Resources Committee September 2018 (please note this does not reflect any amendments arising from Policy and Resources Committee decisions in September).
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assumptions (and also assumes there is no scope to increase the Adult Social Care precept in 2019-20 under the current terms set out by Government):

Table 2: Council Tax assumptions (as per Policy and Resources Committee 24 September 2018)

	2019-20	2020-21	2021-22
Assumed increase in general council tax	2.99%	1.99%	1.99%
Assumed increase in Adult Social Care precept	0.00%	0.00%	0.00%
Total assumed council tax increase	2.99%	1.99%	1.99%

- 4.7. The planned 2.99% increase in council tax is based on the current understanding of updated assumptions and flexibility offered by the Government in the 2018-19 local government finance settlement. Any reduction in this increase will require additional savings to be found. The assumed council tax increases are subject to Full Council's decisions on the levels of council tax, which will be made before the start of each financial year.
- 4.8. Assumptions around increases in the council tax base have been increased to 2.0% (from the original assumption of 0.5% annual growth), based on recent trends.

Key budget risks 2019-20

- 4.9. Uncertainties remain about a number of items **which have not currently been reflected in the budget planning assumptions**, but which could potentially result in an increase in the overall gap. As a result, additional pressures, which have not currently been provided for, may arise in 2019-20 relating to:
- Further pressures arising within Service Committee budgets including:
 - SEND High Needs pressures (Children's) – see section 6.1 below
 - Pressures relating to the Health system (Adults)
 - Increasing the level of the General Fund reserve; and
 - Changes in the forecast 2018-19 level of savings delivery to allow for any mitigation of undeliverable savings.
- 4.10. The risks and assumptions relating to the 2019-20 Budget will continue to be monitored and updated as budget planning activity proceeds.

5. Savings allocation

- 5.1. The following table sets out indicative savings required to close the identified gap by Committee which were agreed by Policy and Resources Committee and reported to Service Committees in September. As set out above, there may be an opportunity for the level of savings required in 2020-21 and 2021-22 to be reduced in future years based on the latest budget planning position.

Table 3: Indicative savings by Committee

	2019-20 £m	2020-21 £m	2021-22 £m	Total £m	Proposed share of new savings %
Adult Social Care	-9.626	-19.527	-9.745	-38.898	41%
Children's Services	-5.726	-12.064	-6.037	-23.827	25%
Environment, Development and Transport	-2.820	-5.988	-2.962	-11.770	12%
Communities	-1.647	-6.262	-3.115	-11.025	12%
Digital Innovation and Efficiency	-0.369	-0.736	-0.373	-1.477	2%
Business and Property	-0.154	-0.180	-0.045	-0.379	0%
Policy and Resources ³	-1.747	-3.697	-1.875	-7.319	8%
Total	-22.089	-48.454	-24.153	-94.696	

5.2. Existing savings in the Council's MTFs are shown by Committee in the table below. These are the savings agreed as part of the 2018-19 (and earlier) budget process, and will need to be delivered **in addition** to any new savings proposed to close the remaining budget gap.

Table 4: Planned net recurring savings 2018-19 to 2021-22

Committee	2018-19 Saving £m	2019-20 Saving £m	2020-21 Saving £m	2021-22 Saving £m	Total Saving £m
Adult Social Care	-27.290	-9.351	-13.700	-3.900	-54.241
Children's Services	-2.641	-4.342	-2.000	-2.000	-10.983
Environment, Development and Transport	-1.440	-0.310	-0.350	-1.850	-3.950
Communities	-1.803	-0.435	-2.786	-1.500	-6.524
Business and Property	-1.051	-2.075	-2.050	-1.150	-6.326
Digital Innovation and Efficiency	-0.726	-1.000	-0.700	0.000	-2.426
Policy and Resources ⁴	4.952	1.356	-0.387	0.000	5.921
Grand Total	-29.999	-16.157	-21.973	-10.400	-78.529

5.3 The planned net recurring savings 2019-20 to 2021-22 agreed as part of the 2018-19 (and earlier) budget process for Children's Services are shown in table 5 below.

³ Including Finance General

⁴ The net savings position for Policy and Resources Committee reflects the reversal of a number of significant one-off savings from 2017-18, such as the use of the Insurance Fund and the use of Capital Receipts totalling £11.299m. The gross savings to be delivered by Policy and Resources Committee budgets in 2018-19 are £6.347m.

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- 5.4 Please note that 2019-20 planned saving CHL041 'Remodel the children's centre service offer' is the second year of this savings target, with an initial £2m saving in 2018-19. The 2018-19 saving will be achieved through one-off measures; resulting in the recurring cumulative £5m reduction being made in 2019-20.

Table 5: Children's Services planned net recurring savings 2019-2020 to 2021-22

Reference	Savings	2019-20	2020-21	2021-22
		£m	£m	£m
CHL041	Remodel the children's centre service offer	-3.000		
CHL042	Reduction in legal expenses	-0.142		
CHL043	Reduce the reliance on agency social workers through the improved permanent recruitment and retention	-0.200		
CHL044	Reduced Looked After Children's costs through implementation of the Demand Management and Prevention Strategy transformation programme	-1.000	-2.000	-2.000
Children's Services Total		-4.342	-2.000	-2.000

6. Committee response

- 6.1. Children's Services Committee considered service-specific budgeting issues in September, including:

High Needs Block of Dedicated Schools Grant

- 6.1.1. Continuing pressure on the High Needs Block of Dedicated Schools Grant (DSG). Over recent financial years (see table 6 below) there has been a significant growth in the number of children identified as requiring special / complex needs school places to meet their needs, whilst the expansion of these places across the county has been modest and not kept pace with demand. This has resulted in reliance on placements in independent special schools, which are at much higher cost than maintained provision.

Table 6: Cumulative High Needs Block overspend 2015-16 to 2017-18

	2015/16	2016/17	2017/18
High Needs Block Dedicated Schools Grant Budget	68.055	68.914	77.048
Expenditure	72.667	77.039	87.642
Overspend	4.612	8.125	10.594
Funded By:			
Early years block underspend			-3.527
Schools block underspend	-1.059	-0.584	-1.559
DSG reserve (balance now zero)	-3.553	-4.962	
Loan from Locally Managed Schools (LMS) Balances		-2.579	-5.508
Cumulative Overspend funded by LMS loan		2.579	8.087

6.1.2. The cause of the pressures on the DSG High Needs Block (HNB) can be summarised as follows:

- The Central Government funding calculation for the HNB includes only an additional £4k p.a. for each high-cost specialist placement. This results in each of these additional placements putting pressure upon existing resources within the block, due to the additional funding allocated being only a fraction of the actual cost of each place.
- About half of the HNB calculation is based on historical spending. This allows a system of caps and floors to be operated to protect some authorities from large annual changes. A new funding formula introduced in 2018/19 has led to gains for Norfolk in the High Needs Block; however, this increase has not fully reflected the increase in demand for high-level SEND provision
- The balance of the block is distributed according to deprivation and educational achievement. These are proxy measures used by Department for Education (DFE) to assess the need to spend. The measures are, at best, indirectly linked to the increasing numbers of children requiring provision
- Past and forecast increases in the HNB do not therefore reflect the rapidly increasing numbers of children with specialist / complex needs in Norfolk
- There is insufficient maintained specialist educational provision in Norfolk. This has forced the use of much costlier independent provision. The cost differential is around £23,000 per annum for each child placed
- The HNB must also meet the cost of making alternative provision for permanently excluded pupils or for excluded pupils, from day 6 of exclusion (or day 1 for a child looked after), until they are reintegrated into a mainstream school, or a newly funded place is secured in a special / complex needs school, or other form of alternative provision

6.1.3. The current overdrawn position of the high needs block is set out in the Period 5 monitoring report elsewhere on this agenda. The overdrawn position funded by LMS balances must also be repaid. It is proposed to do so by the end of 2023/24

6.1.4. The options available to bring the HNB to a sustainable financial basis include:

- Transforming the system for Special Educational Needs and Disability (SEND) in Norfolk;
- Making transfers from other DSG blocks: (i) any such budgeted transfers are subject to external approvals and must be renewed annually; (ii) it may also be possible to use any unplanned underspends on other DSG blocks on a year by year basis.
- Support from NCC's General Fund

More information on these options is set out below:

Transforming the system

- 6.1.5. October Policy and Resources Committee is considering capital investment in the region of £120m to transform the system of SEND in Norfolk through the creation of new specialist provision and a programme to dramatically support and challenge mainstream inclusion.

Use of other DSG Blocks

- 6.1.6. The Schools Forum has agreed to make a 0.5% transfer from the Schools Block to the High Needs Block in 2019-20. The value of the transfer is forecast to be £2.388m. A similar transfer was made in 2018-19.
- 6.1.7. Schools Funding for 2019-20 is currently in consultation with school leaders and governors for the adoption of a new funding for 2019 / 20. As part of this consultation the Schools Forum Formula Working Group's recommended option to consultees includes an additional transfer from the Schools Block Funding over and above the 0.5% already agreed. The proposed value of the additional transfer is £4.552m. This is the difference between 2018-19 allocations to schools and what would be their new National Funding Formula allocations in 2019-20. The additional transfer would require Secretary of State approval.

Support from the General Fund

- 6.1.8. Further analysis and modelling is being undertaken to establish the extent of any General Fund support that may be required from 2019-20 onwards, in addition to transfers between DSG blocks detailed above. It is expected that a significant cost will be identified, but it is not possible to quantify the extent at this stage; instead this will be reported to meetings of both Policy and Resources and future Children's Services committees.

Children Looked After Placements Budget

- 6.1.9. The number of children entering care nationally continues to increase, and Norfolk is no different to other authorities. The number of children looked after and the total expenditure on associated placements and support are currently above the levels anticipated in initial budgeting, and in the forecast trajectory set out in the Outline Business Case for the Safer Children and Resilient Families transformation programme. This primarily reflects the increase in LAC numbers which occurred between December 2017 and January 2018, and, whilst the numbers have broadly stabilised since, there has not yet been any decrease and so spending is beyond budget. There is currently no demand growth built into Children's Service's budgets; the proposed pressure incorporated in the latest forecast of the budget gap for 2019-20 to 2021-22 (Table 1) recognises the growth in this financial year and expected in future financial years.

Children's Centre service

- 6.1.10 The decision previously taken to extend the existing Children's Centre service contracts for an additional 6-months prior to the implementation of the transformed model has necessitated a re-phasing of the saving planned from Children's Centre

service for 2019-20. This re-phasing has been built into the 2019-22 budget planning assumptions (Table 1).

2019-20 Budget proposals

6.2. Table 7 summarises the new proposals put forward to Children's Services committee. Further details about each proposal follows.

Table 7: New 2019-20 to 2021-22 Saving Proposals

Proposal Note: savings are shown as a negative figure	2019-20	2020-21	2021-22	2019-22 Total	Risk Assessment
	£m	£m	£m	£m	RAG
More effective and efficient commissioning of mental health assessments	-0.750		0.000	-0.750	Amber
Cost efficiencies delivered by strategic partnership and joint commissioning with Mental Health Services	-0.300	-0.200	0.000	-0.500	Amber
Move to best practice model of parenting assessments	-0.500		0.000	-0.500	Amber
Reverse CHL044 'Reduced Looked After Children's costs' and combine with Norfolk Futures Safer Children and Resilient Families Programme below	1.000	2.000	2.000	5.000	
Norfolk Futures Safer Children and Resilient Families Programme: Better outcomes for children and young people and reducing demand for services	-3.630	-1.584	-2.000	-7.214	Amber
Total new savings proposed	-4.180	0.216	0.000	3.964	

6.3. More effective and efficient commissioning of mental health assessments

Why is this being considered?

A review of our approach to the commissioning of mental health assessments has been undertaken and a more efficient approach has been identified.

What would be required?

A change to practice that embeds assessment as part of the overall therapeutic care package with increasing collaboration between providers, resulting in better trained and supported staff, whilst reducing duplication.

What are the implications of the proposal?

The proposal does not seek to reduce the amount of mental health assessments or treatment undertaken. Cost efficiencies will be delivered compared to the costs

of commissioning separately for the assessment and the care provision, releasing financial resources for other purposes.

6.4. Cost efficiencies delivered by strategic partnership and joint commissioning with Mental Health Services

Why is this being considered?

By more effective coordination and partnership it will be possible to reduce management costs.

What would be required?

A Strategic Partnership with Child and Adolescent Mental Health Services (CAMHS) has been established and are developing a more aligned and integrated care model.

What are the implications of the proposal?

The joint commissioning and partnership working will look to identified shared cost efficiencies that have no negative impact upon services delivered; thus, releasing Council resources through avoiding unnecessary management costs.

6.5. Move to best practice model of parenting assessments

Why is this being considered?

Having reviewed best practice, it is proposed that the model of parenting assessments within care proceedings is amended. Practice reviewed elsewhere shows that not only will this change achieve better outcomes, but there will also be cost efficiencies delivered.

What would be required?

A new model will be developed that allows assessments to take place in community or family home settings, as opposed to always in specialist residential and overnight settings currently utilised.

What are the implications of the proposal?

The new service model will deliver assessments within more natural contexts, providing a better way of assessing capacity, whilst offering a more positive experience for families. This model will reflect current best practice, whilst also being more cost effective by avoiding the cost of residential accommodation.

6.6. Norfolk Futures Safer Children and Resilient Families Programme: Better outcomes for children and young people and reducing demand for services

Why is this being considered?

The Norfolk Futures Safe Children and Resilient Families programme is being developed with the aim of reducing the number of children that are having to be in care and to change the mix of care placements. Further information was provided

earlier in this report in section 3, as well as in the Children's Services Transformation Paper that was part of Children's Services Committee's agenda in September 2018.

Analysis of existing placement expenditure shows a comparatively high proportion of children placed in residential or other high costs care provision.

What would be required?

The new provision includes an investment in semi-independent care for 16 and 17-year olds, the expansion of the in-house fostering service, the development of an enhanced fostering model for children and young people with more complex needs and the expansion of our boarding school placement model.

We are also working to transform the system of safeguarding services such that it builds the resilience of families, intervenes earlier, provides intensive and effective interventions for families at the edge of care and supports children to return home from care wherever this is possible.

In the short term we have a targeted focus on supporting children to return home from care safely and are changing the way we use resource panels to put interventions in place earlier and support families before they reach the point of crisis.

In the medium term our strategic investments include moving capacity 'upstream' in an enhanced Front Door model and new edge of care services, enhancing the early help offer and we are making changes to the social work model to free up capacity for teams to do the direct work which can help families to address risks and avert the needs for children to come into care.

What are the implications of the proposal?

The new service models that are being developed and implemented will achieve positive outcomes for children and families and reduced demand for services; ensuring that the right support is in the right place at the right time.

- 6.7. To provide clarity of the overall impact of the proposals, table 8 shows the cumulative impact of the previously agreed budget savings, proposed amendments to these savings, and the newly proposed budget savings.

Table 8: Summary Overall Impact of 2019-20 to 2021-22 Agreed Budget Savings and Proposals

Savings / Proposals Note: savings are shown as a negative figure	Reference	2019-20	2020-21	2021-22	2019-22 Total
		£m	£m	£m	£m
New Savings Proposed					
More effective and efficient commissioning of mental health assessments		-0.750		0.000	-0.750
Cost efficiencies delivered by strategic partnership and joint commissioning with Mental Health Services		-0.300	-0.200	0.000	-0.500
Move to best practice model of parenting assessments		-0.500		0.000	-0.500
Reverse CHL044 'Reduced Looked After Children's costs' and combine with Norfolk Futures Safer Children and Resilient Families Programme below		1.000	2.000	2.000	5.000
Norfolk Futures Safer Children and Resilient Families Programme: Better outcomes for children and young people and reducing demand for services		-3.630	-1.584	-2.000	-7.214
Proposed Amendments to Agreed Budget Savings					
Children's Centres saving delay		1.700	-1.700	0.000	0.000
Agreed Budget Savings from 2018-19 Budget					
Remodel the children's centre service offer	CHL041	-3.000			-3.000
Reduction in legal expenses	CHL042	-0.142			-0.142
Reduce the reliance on agency social workers through the improved permanent recruitment and retention	CHL043	-0.200			-0.200
Reduced Looked After Children's costs through implementation of the Demand Management and Prevention Strategy transformation programme	CHL044	-1.000	-2.000	-2.000	-1.000
Children's Services Total		-6.822	-3.484	-2.000	-12.306

Please note (as per section 5.4 above) that 2019-20 planned saving CHL041 'Remodel the children's centre service offer' is the second year of this savings target, with an initial £2m saving in 2018-19. The 2018-19 saving will be achieved through one-off measures; resulting in the recurring cumulative £5m reduction being made in 2019-20.

2019-20 Budget proposals requiring consultation

- 6.8. Our budget proposals for 2019-20 assume that council tax will increase overall by 2.99%. As in previous years we are inviting comments on this approach via our consultation hub on Citizen Space.
- 6.9. Where any of our individual budget saving proposals require public consultation we will publish them on the Council's consultation hub, Citizen Space. We will make any consultation documents available in other formats on request, make extra effort to find out the views of people who may be affected and carry out impact

assessments. Our consultation will take place between November and the end of the year. Consultation feedback on both individual budget proposals and council tax will be available for Committees in January.

- 6.10. We will promote opportunities for people to have their say on budget proposals and council tax - through the Your Norfolk residents' magazine, news releases, online publications and social media.
- 6.11. As part of the 2019-20 budget planning process, it is considered that none of these proposals require public consultation. However, consultation with relevant partners and agencies will take place where necessary.

7. Budget Timetable

- 7.1. The Council's overarching budget setting-timetable for 2019-20 was agreed by County Council in February as part of the 2018-19 Budget. The timetable is updated as further information becomes available (for example about the timing of

Government announcements). The latest version of the timetable is set out in the table below.

Table 9: Budget setting timetable 2019-20 to 2021-22

Activity/Milestone	Time frame
County Council agree recommendations for 2018-22 including that further plans to meet the shortfall for 2019-20 to 2021-22 are brought back to Members during 2018-19	12 February 2018
Spring Statement 2018 announced	13 March 2018
Consider implications of service and financial guidance and context, and review / develop service planning options for 2019-22	February – June 2018
Member review of the latest financial position on the financial planning for 2019-22	July 2018
Development of savings proposals 2019-22	June – September 2018
Member review of service and budget planning position including savings proposals	Committees in October 2018
Consultation on new planning proposals and council tax 2019-22	November to December 2018
Chancellor's Autumn Budget 2018	29 October 2018
Provisional Local Government Finance Settlement	December 2018
Service reporting to Members of service and financial planning and consultation feedback	January 2019
Committees agree revenue budget and capital programme recommendations to Policy and Resources Committee	Mid-January 2019
Confirmation of District Council tax base and Business Rate forecasts	31 January 2019
Final Local Government Finance Settlement	TBC February 2019
Policy and Resources Committee agree revenue budget and capital programme recommendations to County Council	28 January 2019
County Council agree Medium Term Financial Strategy 2019-20 to 2021-22, revenue budget, capital programme and level of council tax for 2019-20	11 February 2019

8. Financial implications

- 8.1. Potentially significant financial implications for the Committee's Budget are discussed throughout this report. Any implications of the Autumn Budget and the three changes expected to be implemented in 2020-21 will be reflected as far as possible in the Council's 2019-20 budget planning, and these impacts will need to be refined as further information is made available by Government.
- 8.2. Specific financial risks in this area are also identified in the Corporate Risk Register, including the risk of failing to manage significant reductions in local and national

income streams (RM002) and the risk of failure to effectively plan how the Council will deliver services (RM006).

- 8.3. Risks relating to budget setting are also detailed in the Council's budget papers. There is a risk in relation to the Comprehensive Spending Review and the Fair Funding Review that a failure by the Government to provide adequate resources to fund local authorities could lead to a requirement for further service reductions, particularly where the Fair Funding Review results in a redistribution between authority types or geographical areas.
- 8.4. Much of Children's Services spend is demand led, leading to associated difficulties with both accurately predicting and managing the demand, and the related costs. Action is being taken to manage and reduce demand; though the impact of doing so can take time to flow through the wider system.

9. Issues, risks and innovation

- 9.1. Significant risks, assumptions, or implications have been set out throughout the report. Further comments on the primary risks for individual proposals are set out below.

More effective and efficient commissioning of mental health assessments:

- The change to the approach is not embedded within staff teams resulting in assessments continue to be commissioning separately from care provision

Cost efficiencies delivered by strategic partnership and joint commissioning with Mental Health Services

- Redesign work is delayed due to lack of capacity or lack of engagement by some or all partners

Move to best practice model of parenting assessments

- Additional travelling time reduces cost efficiencies

Norfolk Futures Safer Children and Resilient Families Programme: Better outcomes for children and young people and reducing demand for services

- Unexpected increases in either the number of children looked after or the complexity of need
- Unforeseen legislative changes to local authorities' responsibilities
- Difficulties recruiting, training and retaining staff for the skills mix required and / or suitably qualified and experienced in-house foster carers in excess of modelled turnover

- 9.2. Equality issues were considered in the Equality Impact Assessment of 2018-19 budget proposals. Decisions about significant savings proposals with an impact on levels of service delivery will require public consultation. As in previous years, new 2019-22 saving proposals, and the Council's Budget as a whole, will be subject to equality and rural impact assessments later in the budget-setting process.

Background Papers

Norfolk County Council Vision and Strategy

<https://www.norfolk.gov.uk/what-we-do-and-how-we-work/policy-performance-and-partnerships/policies-and-strategies/corporate/council-vision-and-strategy>

Norfolk County Council Revenue and Capital Budget 2018-22 (Item 4, County Council 12 February 2018)

<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/592/Committee/2/SelectedTab/Documents/Default.aspx>

Norfolk County Council Budget Book 2018-22

<https://www.norfolk.gov.uk/-/media/norfolk/downloads/what-we-do-and-how-we-work/budget-and-council-tax/budget-book-2018-22.pdf?la=en>

Strategic and Financial Planning 2019-20 to 2021-22 (Item 10, Policy and Resources Committee, 16 July 2018)

<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/128/ctl/ViewMeetingPublic/mid/496/Meeting/1419/Committee/21/SelectedTab/Documents/Default.aspx>

Strategic and Financial Planning reports to Committees in September 2018

<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings.aspx>

Children's Services Transformation Programme (Item 8, Children's Services Committee, 11 September 2018)

<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/128/ctl/ViewMeetingPublic/mid/496/Meeting/1470/Committee/8/Default.aspx>

Strategic and Financial Planning 2019-20 to 2021-22 (Item 9, Policy and Resources Committee, 24 September 2018)

<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/128/ctl/ViewMeetingPublic/mid/496/Meeting/1420/Committee/21/SelectedTab/Documents/Default.aspx>

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