

# Children's Services Committee

<b>Report title:</b>	<b>Budget Monitoring Period 6 (September)</b>
<b>Date of meeting:</b>	<b>13 November 2018</b>
<b>Responsible Chief Officer:</b>	<b>Sara Tough Executive Director of Children's Services</b>
<b>Strategic impact</b> The report sets out the Period 6 (September) financial forecast for Children's Services, and the programme of transformation and improvement that is continuing.	

## Executive summary

This report sets out:

- the financial resources to deliver the Safer Children and Resilient Families Strategy of Norfolk Futures.
- forecast revenue expenditure for 2018/19

Recommendations: That the Committee considers, comments and notes:

- (i) the forecast overspend of £7.349m for General Fund Children's Services
- (ii) the forecast use of Children's Services General Fund reserves and provisions
- (iii) £6.508m of the £6.534m Dedicated Schools Grant Children's Services will need to be offset by
  - a. £4.314m against Locally Managed Schools' balances and recovered in future years
  - b. £2.220m against the General Fund
- (iv) the amendments to and reprogramming of the Children's Services Capital Programme

## 1. Strategic Context

- 1.1. This section of the report sets out the strategic context for the delivery of Children's Services. This includes pressures on Legal Services and all aspect of High Needs provision.
- 1.2. 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. The number of statutory duties that councils have in relation to children's services has risen from 200 in 2011 to 299 in 2018 according to the Association of Directors of Children's Services (ADCS); many of the new duties have brought funding requirements in excess of any additional funding provided for new burdens.
- 1.3. 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.

- 1.4. 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.
- 1.5. 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.
- 1.6. 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.
- 1.7. 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.***
- 1.8. 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 SEND (HNB)**

Maintained Special Schools = £30.5m  
Independent Special Schools = £21.2m  
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

- 1.9. Our demand management programme is driving forward projects within four broad themes:
- 1.9.1. 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.
- 1.9.2. 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.
- 1.9.3. 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.
- 1.9.4. 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.

- 1.10. 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.
- 1.11. 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.***
- 1.12. Our analysis of the care market for children looked after 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.
- 1.13. 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.
- 1.14. 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

## **Legal Costs**

- 1.15. The volume of legal work remains high. The main reasons behind the increased requirement for legal support are set out below.
- 1.16. There is an increased number of non-accidental injury cases. These require greater time to be spent by NPLaw as well as the need to instruct very experienced and therefore necessarily more expensive counsel to represent the Authority. Parents and the interests of the child are also represented by experienced and more expensive counsel.
- 1.17. The number of hearings being scheduled has also increased. More hearings require more time from NPLaw lawyers as well as counsel. Children Services and NPLaw have reviewed expenditure on external counsel and agree that there is scope to make savings against existing spend or at the very least to be able to stabilise the spend.
- 1.18. Local barristers' chambers in Norwich and Norfolk generally have little incentive to offer a competitive rate despite numerous attempts by NPLaw to engage with them to agree prices for a block award of work. Therefore, we will look to tender parcels of legal work to encourage competition. In addition to stabilising or hopefully reducing our spend on counsel, by relying on a group of barristers invested in a longer term commitment to Norfolk, we expect to ensure greater consistency of the approach taken in court leading to a reversal in the trend for increased number of hearings

## **Transforming the SEND System**

- 1.19. Policy and Resources Committee on 28 October 2018 has received a report on transforming the system for SEND in Norfolk for children with special educational needs in Norfolk
- 1.20. We are responsible for ensuring that every child has a school place. For children with Special Educational Needs and Disabilities there are additional duties on the local authority which mean we must ensure that appropriate educational provision is available to meet the child's educational needs. We are further responsible for planning for future demand in terms of places of the right type, in the right place across the county. The current trajectory indicates that there is likely to be further pressure on revenue funding for SEND places and specialist support, which will be challenging to meet, given the current level of provision across the county. We must therefore plan for more of the right kind of school places to meet SEND need, slow down the demand by meeting need earlier, and this could enable us to return the High Needs Block (HNB) to balanced position
- 1.21. Norfolk currently identifies more children as having special education needs than the average for other authorities. However, in comparison we place a smaller proportion of children in state-funded maintained special schools and a greater proportion in independent / non-maintained schools. State-funded special schools are consistently judged by Ofsted as Good / Outstanding and are, on average, £23,000

per place per year cheaper than the average costs in the independent/non-maintained sector, where inspection outcomes are not as strong.

- 1.22. Specifically, we have identified the need to develop up to 4 new special schools and 170 additional places within specialist resource bases (hosted by mainstream schools) and this will:
- Provide appropriate education closer to home and so reduce the time children spend travelling and the associated travel costs;
  - Improve the quality of the education provision for children with special educational needs;
  - Address current unmet need for pupils currently within mainstream schools who have been assessed as requiring special school placement;
  - Plan appropriately for predicted future need
  - Return the budget for children with High Needs (Dedicated Schools Grant High Needs Block) to balance

To achieve these plans, we require capital investment in order to secure local specialist provision. Alongside this investment, Children's Services will work with stakeholders to transform the quality of provision, timeliness of assessments, culture and behaviour across the Norfolk SEND system. We estimate that capital resources in the region of £120million are required. The programme would be delivered in 2 phases over 3 and 5 years respectively.

- 1.23. A 'do nothing' scenario has inherent risk for both individual children and young people and for Dedicated School Grant and NCC General Fund finance position. Many councils consider the current system is unsustainable. The Association of Directors of Children's Services said 68 out of 85 local authorities who responded to a survey reported an overspend on their high needs budget in 2016-17 totalling £139.5m.
- 1.24. The SEND challenge is also being felt in schools that are already grappling with an 8% real-terms reduction in funding since 2010. This may in some schools result in cuts to teaching assistants, specialist support and pastoral staff who play a vital role in supporting SEND pupils in mainstream settings.



## 2. Forecast Revenue Outturn General Fund Children's Services

- 2.1. An overspend of £7.349m is currently forecast for General Fund Children's Services. This is a mid-case forecast based upon the information currently available and after taking account of the anticipated impact of identified management actions to address pressures. Table 1 displays the overall forecast position as at the end of September (Period 6).
- 2.2. Significant areas of financial pressure remain within Social Work. These are primarily driven by spend on placements (Children Looked After, Staying Put and Leaving Care) and staffing costs. Within Education Services the pressures are primarily transport and assessment of special educational needs.

<b>Table 1: Forecast Revenue Outturn Children's Services</b>					
	<b>Budget</b>	<b>Current Forecast</b>	<b>Variance to Budget</b>		<b>Variance to P5</b>
		<b>P6 £m</b>	<b>£m</b>	<b>%</b>	<b>£m</b>
Social Work	86.214	94.572	8.358	9.7%	2.906
Early Help & Prevention	25.299	24.846	(0.453)	-1.8%	(0.340)
Performance & Challenge	5.486	5.410	(0.076)	-1.4%	(0.164)
Education	39.422	41.386	1.964	5.0%	1.022
Resources (including capital charges)	29.527	29.527	0.000	0.0%	0.000
<b>Sub-total</b>	<b>185.948</b>	<b>195.741</b>	<b>9.793</b>	<b>5.3%</b>	<b>3.424</b>
Use of Reserves		(0.444)	(0.444)		(0.033)
Schools capital by borrowing		(2.000)	(2.000)		0.000
<b>NCC General Fund Total</b>	<b>185.948</b>	<b>193.297</b>	<b>7.349</b>	<b>3.8%</b>	<b>3.391</b>

### **Social Work Variances in Period 6**

- 2.3. The budget for Children Looked After Placements is £41.777m. Early in the year, a stabilisation of Children Looked After placements was seen and it was expected that the original planned trajectory would be achieved by the end of the financial year. The trajectory has been reviewed in the light of national trends.
- 2.4. As the year has progressed, this position continues to be reviewed using more detailed transformation planning and demand information, and this has resulted in a forecast £3.814m overspend. This is a complex area to forecast, with continuous changes to the children and young people who are looked after and changes to placements to ensure that their needs are being met. The variance of £2.449m compared to Period 5 is due to increased residential placements costs of £0.655m; increased agency fostering placements costs of £0.506m; and other commissioned provision of £0.545m. The numbers of Children Looked After have remained relatively stable with some of the increase in forecast relating to reviewed packages in external placements that have seen a net increase in costs, whilst others relate to placements that commenced earlier in the year but had not previously been included within reports. Work is being undertaken to review data quality, recording practice and forecast methodologies as Liquid Logic and ContrOCC bed in and reporting improves; this is resulting in more reliable forecasts. The cost of the individual case separately reported in period 5 has been amalgamated.
- 2.5. The Directorate continues to be focused on an ambitious plan to implement transformational change at a fast pace; including aiming for more children to be able

to return home where it is appropriate for them to do so and supporting more children in foster care placements rather than in residential placements.

- 2.6. The budget for Staying Put and Leaving Care is placement costs is £4.424m, and is currently forecasting a £1.106m overspend, an increase of £0.150m compared to the prior forecast. This reflects expected short-term dual running costs as new, more cost-effective provision comes into operation.
- 2.7. There is currently a forecast staffing pressure of £2.187m, an increase of £0.300m compared to prior reporting. The pressure includes:
- £0.125m for in-house residential unit staffing due to changes to in-house residential staffing levels necessitated to meet the complex needs of the young people being supported in these settings.
  - £0.791m for Norfolk Institute of Practice Excellence (NIPE) salary costs for newly qualified social workers prior to placement in social work teams. These staff are provided with the opportunity to gain the experience, and provided with the appropriate supervision and support needed, to enable them to be placed in substantive roles
  - (£0.300m) forecast underspend on agency social worker top-ups reflecting reduced reliance on agency staff and a shift towards a more permanent workforce
  - £1.637m overspend within front line operational social work teams, due to the level of workload that is currently experienced. A reduction in throughput of workload from the 'front door' has been seen since the start of this year with changes made to the Multi Agency Safeguarding Hub (MASH). However, the number of children and young people already being supported at the edge of and within statutory services remains high. Reprofiting of the workforce, including the introduction of different roles and professions, is being undertaken. This 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 reprofiting as an opportunity to gain proof of concept.
- 2.8. The budget provides £3.310m for legal costs. There is currently a forecast pressure of £1.154m due to the high level of court proceedings, an increase of £0.404m compared to the previous forecast. 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. However, there is an increased level of proceedings being experienced by most Children's Services Authorities, and Norfolk is no different. The level of proceedings commenced this year are significantly higher compared to both 2017-18, when the budget was set. Feedback received suggests that the complexity of work is increasing. This reflects the additional number of children that are currently looked after, as well as those who are returning home. The forecast has been reviewed accordingly.

### **Early Help Variances in Period 6**

- 2.9. The forecast underspend of (£0.453m) on Early Help has increased by (£0.340m) compared to prior reporting.
- (£0.113m) underspend on staffing by vacancy management
  - (£0.340m) contract adjustments and forecasting

### **Performance and Challenge Variances in Period 6**

2.10. Performance and Challenge remains within its budget of £5.486m showing an underspend of (£0.076m).

### **Education General Fund Variances in Period 6**

- 2.11. Education General Fund Services shows a forecast overspend of £1.964m against the budget of £39.422m, an increase of £1.022m since Period 5 reporting.
- The £28.737m budget for special school transport, home to school transport and post-16 college transport is showing a net overspend of £1.550m; an increase of £1.109m compared to previous reporting. The forecast reflects additional children requiring transport to maintained special schools and to independent special schools and is based upon the data available at the time. However, this data is still quite approximate at this point in the academic year, and further detailed information is expected for Period 7 that will enable further review to ensure that the forecast is robust, whilst supporting discussions that are ongoing to maximise the efficiency of transport arrangements. The exposure to increased transport costs has been identified as a key financial risk in the 29 October 2018 Policy and Resources SEND strategy report.
  - There is an underspend of (£0.160m) on the £0.220m budget for contributing to the PFI reserve. Reprofiling of PFI contributions from 2019/20 onwards has been agreed with the Schools Forum.
  - There is a pressure of £0.606m on the £2.868m budget for the assessment of children with special educational needs. This is marginally increased compared to prior reporting. There is a high level of demand for Education Health and Care Plan (EHCP) assessment being received by the authority and a backlog of assessments is outstanding. Action is being taken to manage this level of referrals and nearly 40% of referrals do not result in an EHCP. It is a statutory duty to make these assessments where a referral has taken place.
  - Smaller variations to budget include £0.160m pressure in relation to vacant school property costs, reduced by (£0.102m) since previous reporting, and (£0.200m) increased income within the attendance team.

### **Management Action**

- 2.12. Careful monitoring of the position continues, with improvements made to arrangements for placements panels, performance information available to managers and closer scrutiny of plans for children to return home or to move from one placement type to another.
- 2.13. 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 improve 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.
- 2.14. An in-depth review of reserves, grants, contributions and provisions was undertaken at Period 5, resulting in a total of (£0.411m) being released to offset the overall position. This review work is ongoing and a further (£0.033m) of grant income,

where the conditions, have been met has been identified and released; the resulting total is (£0.444m).

2.15. The capital programme was reviewed at Period 4 with a view to maximising service revenue funding. £2m of planned revenue contributions in 2018/19 will instead be funded by borrowing.

2.16. The significant forecast variances to General Fund budget are summarised in Table 2.

<b>Table 2 – Summary of General Fund Forecast variances</b>			
<b>Expenditure</b>	<b>Budget</b>	<b>Over (+)/under</b>	<b>Primary Reason</b>
	<b>£m</b>	<b>£m</b>	
<b>Social Work</b>			
Children Looked After Placements	41.777	3.814	As the year has progressed, this position continues to be reviewed using more detailed transformation planning and demand information. This is a complex area to forecast, with continuous changes to the children and young people who are looked after and changes to placements to ensure that their needs are being met.
Leaving Care Placements & Staying Put	4.424	1.106	Number of young people accessing provision and support exceeds the central government funding provided for this purpose
Legal Costs	3.310	1.154	The budget provides £3.310m for legal costs. There is currently a forecast pressure of £1.154m due to the high level of court proceedings.
Social Care Staffing	28.461	2.187	Additional front-line staffing has been required due to the level of workload that is currently being experienced
Social Care Other Budgets	8.242	0.097	No significant variances
<b>Sub-total for SW</b>	<b>86.214</b>	<b>8.358</b>	
<b>Early Help and Prevention</b>			
Early Help vacancies	17.235	(0.113)	Underspend on staffing by vacancy management
Contract adjustments and forecasting	8.064	(0.340)	A review of some contracts has been undertaken that has identified contract adjustments to be made that will result in an underspend
<b>Sub-total for EH</b>	<b>25.299</b>	<b>(0.453)</b>	
<b>Performance and Challenge</b>			
Independent Reviewing Officers	1.790	0.105	IROs extension of agency cover additional to period 5. 4th IRO manager in post currently (above establishment) due to the present number children looked after.

<b>Table 2 – Summary of General Fund Forecast variances</b>			
<b>Expenditure</b>	<b>Budget</b>	<b>Over (+)/under</b>	<b>Primary Reason</b>
	<b>£m</b>	<b>£m</b>	
Commissioning Service	0.825	(0.074)	A delay in recruitment for the new commissioning service.
CS Quality & Effectiveness	(0.054)	(0.107)	Vacancies within the service.
P&C Other Budgets	2.925	0.000	No significant change
<b>Sub-total for Performance and Challenge</b>	<b>5.486</b>	<b>(0.076)</b>	
<b>Education</b>			
Special school transport including Post-16 SEN	28.737	1.550	Number of children requiring transport to school places, particularly those in maintained and independent special school provision.
PFI Budget	0.220	(0.160)	There is an underspend of £0.160m on the £0.220m budget for contributing to the PFI reserve. Reprofiling of PFI contributions from 2019/20 onwards has been agreed with the Schools Forum.
Assessment of Special Educational Needs	2.868	0.606	Statutory duty to meet high level of demand for assessment
Other Education Support budgets	7.597	0.032	
<b>Sub-total for Education</b>	<b>39.422</b>	<b>1.964</b>	
<b>Sub-total for Resources</b>	<b>29.527</b>	<b>0.000</b>	
Use of reserves and provisions	0.000	(0.444)	Unplanned use of reserves and provisions
School capital funded borrowing	0.000	(2.000)	Schools capital now funded by borrowing
<b>Sub-total other</b>	<b>0.000</b>	<b>(2.444)</b>	
<b>NCC General Fund Total</b>	<b>185.948</b>	<b>7.349</b>	

### **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 Table 3 below:

<b>Table 3: Forecast Reserves and Provisions General Fund Children's Services</b>			
Reserve or provision	Balance April 2018 £m	Net Movement Increase / (Decrease)	Forecast Balance March 2019 £m
Transport days equalisation	0.494	(0.081)	0.413
Holiday pay provision	0.015	(0.015)	0.000
Repairs and renewals fund	0.147	(0.136)	0.011
Information Technology earmarked reserve	0.030	(0.024)	0.006
Post-OFSTED improvement fund	0.004	(0.004)	0.000
Grants and contributions	3.063	(1.906)	1.157
<b>Totals</b>	<b>3.753</b>	<b>(2.166)</b>	<b>1.587</b>

- 3.2. Of the £1.906m 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 many differing purposes, primarily received on a one-off basis across Education and Social Work. There has been no change in forecast since prior reporting.
- 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. The remainder of the reserve is expected to be required for 2019-20, in line with its purpose.
- 3.4. The forecast in-year usage of the reserves and provisions includes £0.177m released that are no longer needed for the purposes originally identified. This release offsets the overall forecast position and contributes to the (£0.444m) shown in table 1 earlier in this report. The remainder of the (£0.444m) has been identified from a review of creditors that are no longer required and a review of grants to identify where conditions have now been met.

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

- 4.1. An overspend of £6.534m is currently forecast for Dedicated Schools Grant Children's Services as shown in Table 4 below; 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.
- 4.2. The pressure is within the high needs block. Policy and Resources has considered a report on Norfolk's SEND Strategy on 28 October 2018 setting out plans for capital investment in new special provision. However, it may be several years before the revenue benefits of this are realised. 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.
- 4.3. 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. The Council is making a disapplication request to the Secretary of State –

with Schools Forum support – to transfer an additional £4.580m from the Schools Block in 2019/20 over and above the 0.5% transfer already agreed by the Forum.

<b>Table 4 Childrens Services DSG</b>					
	<b>Budget</b>	<b>Current Forecast P6 £m</b>	<b>Variance to Budget</b>		<b>Variance to P6 £m</b>
			<b>£m</b>	<b>%</b>	
High Needs Block	69.803	79.548	9.745	0.140	0.119
Schools Block	189.768	189.031	(0.737)	(0.004)	0.000
Early Years Block	44.565	42.091	(2.474)	(0.056)	0.026
Central Schools Services Block	2.667	2.667	0.000	0.000	0.000
<b>Dedicated Schools Grant Total</b>	<b>306.803</b>	<b>268.579</b>	<b>6.534</b>	<b>2.1%</b>	<b>0.145</b>

- 4.4. The budget for Post 16 Further Education High Needs Provision is £2.783m. There is currently a forecast pressure of £0.825m. This reflects demand for placements exceeding the funding provided by central government. There is no change from prior reporting which followed a reconciliation, between Local Authorities, of whose pupils were in funded places at FE colleges.
- 4.5. The budget for independent special school placements is £21.227m and has a forecast pressure of £3.833m. This reflects increasing numbers of pupils with Education Health and Care Plans that require special school provision, including specific placements awarded by tribunals. Many local authorities are experiencing increased numbers of pupils with these needs. This is an increase of £0.047m compared to previous reporting. Although there are an additional 34 pupils in independent provision, there have been some fee reductions. Concerted management action seeks to avoid additional placements and stay within budget, whilst liaising with schools to seek to avoid additional expenditure
- 4.6. The budget for alternative provision contracts is £4.786m. There is currently a forecast pressure of £1.931m. This reflects increasing requirement for alternative education provision, which includes children who are excluded, and those who are receiving an education who are not in any other type of school. There is a small increase of £0.090m since prior reporting.
- 4.7. The budget for maintained special school placements is £26.940m and is showing a pressure of £0.278m. There is no change from prior reporting.
- 4.8. The budget for personal budgets is £0.250m. There is currently a forecast pressure of £0.228m. This is an increase of £0.049m compared to previous reporting. This reflects an increase in the number of personal budgets requested as an alternative to high cost placements.
- 4.9. The significant forecast variances on the Dedicated Schools Grant for Children's Services are summarised in Table 5.

<b>Table 5 Significant Revenue Variances DSG Children's Services</b>			
<b>Expenditure</b>	<b>Budget</b>	<b>Over (+)/under</b>	<b>Primary Reason</b>
	<b>£m</b>	<b>£m</b>	
Post 16 Further Education High Needs Provision	2.783	0.825	Demand has exceeded central government funding
Independent special school Places	21.227	3.833	Number of places currently required due to maintained special schools being full.
Alternative provision	4.786	1.931	Increased requirement for places due to the high levels of school exclusions.
Additional SEN top up funding allocated to schools	5.689	2.750	Additional SEN funding paid to mainstream schools can avert escalation to more costly solutions. Forecast includes for the costs of additional top-ups that will be identified during the year due to new referrals.
Excluded pupil income	(0.900)	(0.100)	The increase in excluded pupils has led to an increase in charges to schools
Maintained special schools	26.940	0.278	Additional pupils requiring a special school place
Personal Budgets	0.250	0.228	Additional numbers of pupils receiving personal budgets and therapy. This early intervention can reduce demand for high cost specialist placements
DSG adjustments	306.803	(3.211)	High-level assumed underspend on non-High Needs Block funding, based upon current demand trends
<b>DSG Total</b>	<b>367.578</b>	<b>6.534</b>	

Please note that due to funding mechanisms, the budget and forecast for the High Needs and Schools blocks of the DSG do not include allocations to academies

4.10. 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; a high-level assumption based upon current demand trends is included in the forecast. This position will be reviewed as the year progresses.

4.11. It is expected that £4.314m of the forecast overspend can be borrowed against maintained school balances at year end (see table 6 below). This will need to be repaid in future years. A transformation plan for SEND provision is currently being developed; this will include a proposal for significant capital investment in increased specialist provision across the county, as agreed at as part of the Meeting Special Educational Needs & Disabilities (SEND) Quality, Sufficiency and Funding paper to the July 2018 of the Children's Services Committee. The remaining £2.220m forecast overspend will be a call on NCC's General Fund, as shown in Table 6 below.



**Table 6: Headroom to fund High Needs cumulative overspend at March 2019 pending repayment**

	£m	£m
Schools Balances less transferring to academy	11.097	
Schools Balances held on behalf of schools for Building Maintenance	0.673	
Balance of Building Maintenance Partnership Pool	1.400	
<b>Total forecast balances available for offset</b>		<b>13.170</b>
Overdrawn High Needs Block April 2018	8.087	
Capital Loans to Schools	0.769	
Forecast High Needs overspend 2018/19 (to be offset against schools' balances)	4.314	
<b>Total forecast requiring offset</b>		<b>13.170</b>
<b>Headroom for offset</b>		<b>0</b>

**Table 7: Remaining Dedicated Schools Grant Overspend**

Dedicated Schools Grant overspend		6.534
Loan against Maintained Schools Balances		(4.314)
<b>Remaining overspend</b>		<b>2.220</b>

## 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. There is no significant change from Period 5.
- 5.2. It is expected, as per the Period 5 Budget Monitoring report considered by this Committee in October, that the full Locally Maintained Schools' balances will be required to offset the overspend on the High Needs Block. This is schools' delegated funding under the Scheme for Financing Schools 2018/19 and will need to be repaid in future years. This is for cash flow purposes and does not affect the usage of balances by the individual schools that they belong to.

**Table 8: Projected School Balances as at March 2019**

	April 2018	March 2019	Variance	Schools becoming Academies
	£m	£m	£m	£m
Nursery schools	0.007	0.119	0.112	0.000
Primary schools	11.765	9.099	-2.666	-0.244
Secondary schools	0.562	0.100	-0.462	0.000
Special schools	1.402	2.375	0.973	-0.577
School Clusters	1.230	0.225	-1.005	0.000
<b>Totals</b>	<b>14.966</b>	<b>11.918</b>	<b>(3.048)</b>	<b>(0.821)</b>

- 5.3. Schools Reserves and Provisions are balances held on behalf of local authority maintained schools for a specific purpose. There is no change to the forecast movements or balances compared to last month.
- 5.4. 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. £1.181m of the usage currently forecast for 2018-19 is for building maintenance required by schools, as per the purpose of the Pool. The remaining usage of £1.400m currently forecast will be used to offset part of the High Needs Block overspend forecast in this year; this loan will need to be repaid in 2019-20 for the fifth year of the scheme.

Reserve or provision	April 2018	Net Movement Increase / (Decrease)	Forecast March 2019
	£m		£m
Non-teaching activities	0.730	0.155	0.575
Building Maintenance Partnership Pool	2.581	(2.581)	0.000
Sickness Insurance scheme	0.000	0.000	0.000
Playing surface sinking fund	0.054	0.000	0.054
Non-partnership maintenance fund	0.780	(0.108)	0.673
<b>Totals</b>	<b>3.991</b>	<b>(1.289)</b>	<b>2.702</b>

## 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.

Breakdown of capital programme	Approved budget	Reprofiling	Other changes	Current Capital Budget
	£m	£m	£m	£m
2018-19	90.501	-38.100	2.716	55.117
Future Years' 2019-21	53.227	38.100		91.327

- 6.2. The main reprofiling changes to the 2018/19 programme are set out in the summary below.

Area	Main Variations	£m
A1 - Major Growth	£1m land acquisition £3m basic needs allocation slipped £2.4m project delay £1.5m scheme reprofiled	-9.724
A3 - Area Growth & Reorganisation	£5m project delayed at planning stage	-10.187
B1 - Special Education Needs	Various changes	-2.112
B2	CS Sufficiency Strategy	-3.500
C2 - Major Capital Maintenance	Condition Pots reprofiled	-11.900

<b>Table 12 Children's Services Capital Programme Changes</b>		
<b>Area</b>	<b>Main Variations</b>	<b>£m</b>
A4 - Growth Minor Adjustments		-0.130
A2 - Master Planning	Revised cost reports	-0.546
<b>All</b>		<b>-38.100</b>

- 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.
- 6.4. In addition to the SEND funding requested from October Policy and Resources, the government provided Norfolk LA with a grant of £2.7m over three years to develop and enhance provision for SEND. This grant covers both condition improvement and new place provision. Use of these resources has been reported on to previous committee meetings.
- 6.5. Basic Need Capital Funding is supporting mainstream provision, though technically not ring fenced. As we have identified the need for a significant number of new school places (mainstream) due to demographic growth and house building, all of the Basic Need Capital Funding will need to be allocated to the provision of new mainstream school places. Norfolk County Council has a statutory duty to provide sufficient school places and therefore will need to meet any shortfall in funding where the cost of new schools/places exceeds the available funding from developer contributions and Basic Need Allocations. These resources are not therefore available to support the SEND Strategy.
- 6.6. For improving Early Years provision, the government have recently invited bids from Local Authorities for a small amount of capital funding to develop nursery places in schools. Norfolk will be putting bids forward for this programme. A new Free School often includes the provision of Nursery Places as part of the school. There is no other capital funding allocation to create new Early Years places.

<b>Table 11: Funding of the Children's Services Capital Programme</b>		
<b>Funding Stream</b>	<b>2018-19 Programme £m</b>	<b>Future Years' Forecast £m</b>
Prudential Borrowing	2.968	7.784
Revenue & Reserves	-0.029	
Grants and Contributions:		
Department for Education	30.820	73.941
Developer Contributions	20.019	7.700
Other	1.340	1.901
<b>Total</b>	<b>55.118</b>	<b>91.327</b>

## 7. Risks

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

## 8. Background Papers

Meeting Special Educational Needs & Disabilities (SEND) Quality, Sufficiency and Funding (Item 12, 10 July 2018 Children's Services Committee)

<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/128/ctl/ViewMeetingPublic/mid/496/Meeting/1469/Committee/8/Default.aspx>

Transforming the system for Special Educational Needs and Disability (SEND) in Norfolk (Item 8, 29 October 2018 Policy and Resources Committee)

<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/128/ctl/ViewMeetingPublic/mid/496/Meeting/1421/Committee/21/Default.aspx>

Budget Monitoring Period 5 (August) (Item 7, 16 October 2018 Children's Services Committee)

<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/128/ctl/ViewMeetingPublic/mid/496/Meeting/1471/Committee/8/Default.aspx>

### 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:

If you have any questions about matters contained in this paper please get in touch with:

<b>Officer Name:</b>	<b>Tel No:</b>	<b>Email address:</b>
Dawn Filtness	01603 228834	dawn.filtness @norfolk.gov.uk



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