

# Children's Services Committee

Item No.....

<b>Report title:</b>	<b>Budget Monitoring Period 5 (August)</b>
<b>Date of meeting:</b>	<b>16 October 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 5 (August) 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 £3.958m for General Fund Children's Services
- (ii) the forecast use of Children's Services General Fund reserves and provisions
- (iii) the forecast overspend of £6.389m for Dedicated Schools Grant Children's Services that will need to be offset by
  - a. £4.268m against DSG balances and recovered in future years
  - b. £2.121m against the General Fund
- (iv) the amendments to and reprofiling of the Children's Services Capital Programme

## 1. Service Summary

- 1.1 The Budget Monitoring reports for Period 4 (as at the end of July 2018) to Children's Services Committee have provided details of the national and local context for Norfolk's Children's Services. The context includes the service's purpose, the financial resources available (NCC General Fund and Dedicated Schools Grant), pressures faced, and transformation work being undertaken to manage these pressures for the medium to longer term.
- 1.2 As the financial year progresses, these circumstances and pressures still remain. Whilst the work to transform services is progressing to manage these pressures for the medium to longer term, as separately reported to Children's Services Committee in September 2018, the financial pressures in the short term remain.

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

- 2.1 An overspend of £3.958m 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 August (Period 5).

**Table 1: Forecast Revenue Outturn Children's Services (General Fund)**

	Budget	Current Forecast P5 £m	Variance to Budget		Variance to P4 £m
			£m	%	
Social Work	86.214	91.666	5.452	6.3%	0.617
Early Help & Prevention	25.299	25.186	(0.113)	-0.4%	0.000
Performance & Challenge	5.486	5.574	0.088	1.6%	0.008
Education	39.422	40.364	0.942	2.4%	0.260
Resources (including capital charges)	29.527	29.527	0.000	0.0%	0.000
<b>Sub-total</b>	<b>185.948</b>	<b>192.317</b>	<b>6.369</b>	<b>3.4%</b>	<b>0.885</b>
Use of Reserves		(0.411)	(0.411)		(0.211)
Schools capital funded by borrowing		(2.000)	(2.000)		0.000
<b>NCC General Fund Total</b>	<b>185.948</b>	<b>189.906</b>	<b>3.958</b>	<b>3.4%</b>	<b>0.674</b>

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.

2.3 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. 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 £1.365m 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 £0.356m compared to prior reporting is due to a multitude of relatively small changes, alongside a review of the forecasts for those aged 18. 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.

2.4 The budget for Staying Put and Leaving Care is placement costs is £5.443m, and is currently forecasting a £0.956m overspend, a minimal increase of £0.010m compared to the prior forecast. This reflects increasing numbers of care leavers compared to previous years, combined with insufficient funding from Central Government for the Staying Put initiative.

2.5 A single case of support for a child with disabilities requiring extensive nursing support has led to a forecast £0.494m pressure on the £0.576m budget for children with extreme nursing needs.

2.6 The staffing budget for operational teams, including social work, early help and independent reviewing officers, is £32.113m. There is currently a forecast pressure of £1.862m, a small increase of £0.076m compared to prior reporting. The pressure includes:

- £0.107m 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. This is a reduction of

(£0.147m) compared to prior reporting, due to lower than previously anticipated sickness cover costs.

- £0.806m 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.
- (£0.353m) forecast underspend on agency social worker top-ups reflecting reduced reliance on agency staff.
- £1.393m 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. Reprofiling 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 reprofiling as an opportunity to gain proof of concept.

2.7 The budget provides £3.310m for legal costs. There is currently a forecast pressure of £0.750m due to the high level of court proceedings, an increase of £0.150m 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. The forecast has been reviewed accordingly.

2.8 The forecast overspend for Education Services reflects pressures on special school transport, due to the numbers of children requiring transport to school places. The other primary pressure is the assessment of costs for children with special educational needs. 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: £0.270m pressure in relation to vacant school property costs; a review of the profiling of contributions towards the PFI resulting in a one-off under-spend of (0.250m); and, forecast additional income for the School Attendance team of (£0.189m) following increases in penalty charges for pupils missing school.

2.9 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.

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.

- 2.10 A further in-depth review of reserves, grants, contributions and provisions has been undertaken following a high-level review last at Period 4. This has identified an additional (£0.211m) available that can be released; a total of (£0.411m).
- 2.11 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.
- 2.12 The significant forecast variances to budget are summarised within Table 2, alongside the movement in forecast compared to Period 4 (reported period to this Committee in September)

**Table 2: Forecast Significant Revenue Outturn Variances General Fund Children's Services**

Expenditure	Budget	Variance over(+)/under	Primary Reason
	£m	£m	
Children Looked After placements	41.777	1.365	Number of children accommodated and the complexity of need
Leaving Care and Staying Put	4.424	0.956	Number of young people in excess of funding provided
Legal costs	3.310	0.750	Number and complexity of proceedings
Children with disabilities placements	0.576	0.494	Extensive nursing support
Social Work, Early Help, and Independent Reviewing Officers staffing costs	32.113	1.862	Additional staffing due to workloads
Home to School, Special School and Post 16 College Transport	29.082	0.441	Number of children requiring transport
Assessment of Special Educational Needs	2.868	0.580	Statutory duty to meet high level of demand
Vacant School Properties	0.000	0.270	Security costs
PFI Reserve contribution	0.220	(0.160)	Reduced contribution

School Attendance team	0.376	(0.189)	Increased penalty charge income
Other	71.202	0.000	
Use of Reserves		(0.411)	
Schools capital funded by borrowing		(2.000)	
<b>Total</b>	<b>185.948</b>	<b>3.958</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 the table below:

**Table 3: Forecast Reserves and Provisions General Fund Children's Services**

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 a large number of differing purposes primarily received on a one-off basis across Education and Social Work.

3.3 The Transport Days Equalisation reserve is to enable each year's transport budget to reflect an average year, with the variation in the number of academic days in each financial year being taken account of by this reserve. In 2018-19 it is expected that there will be a small use of this reserve in line with its purpose. 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 (£0.411m) shown in table 1 earlier in this report. The remainder of the (£0.411m) has been identified from a review of creditors that are no longer required.

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

4.1 An overspend of £6.389m 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. It is proposed to discuss further with partners overall funding of Special Educational Needs and Disability provision. Much of the high needs expenditure is paid to schools and it can be difficult to predict, particularly prior to the start of the new academic year. Given the continuing pattern of pressure on the High Needs block consideration will continue corporately to how to maximise the resources that can be identified for this service. A report to Policy and Resources will set out plans for capital investment in special provision. However, it may be several years before the revenue benefits of this are realised.

**Table 4: Forecast Revenue Outturn Dedicated Schools Grant Children’s Services**

Expenditure	Budget	Current Forecast	Variance to Budget	Variance to P4	Primary Reason
Independent Special School places	21.227	25.013	3.786	1.939	Number of children needing places
Maintained Special School places	26.940	27.218	0.278	0.056	
Mainstream School SEND Top-Up Funding	5.689	8.439	2.750	0.000	Investment in support in mainstream schools
Post 16 Further Education High Needs Top -Up Funding	2.783	3.608	0.825	0.000	Demand exceed central government funding
Alternative Education contracts	5.167	7.008	1.841	1.321	Increasing requirements for provision
Personal Budgets	0.250	0.429	0.179	0.034	Increased usage
DSG adjustments	245.192	241.922	(3.270)	0.016	Latest demand information
<b>Total budgets</b>	<b>307.248</b>	<b>313.637</b>	<b>6.389</b>	<b>3.366</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.

- 4.3 The budget for maintained special school placements is £26.940m and is showing a pressure of £0.278m.
- 4.4 The budget for independent special school placements is £21.227m and has a forecast pressure of £3.786m. 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. Concerted management action seeks to avoid additional placements and stay within budget, whilst liaising with schools to seek to avoid additional expenditure
- 4.5 The budget for alternative provision contracts is £5.167m. There is currently a forecast pressure of £1.841m. 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.

The pressure has increased following a review in August of the full 2017-18 academic year spend, where a significant increase in the provision required was seen during the summer term compared to trends seen earlier in the year.

- 4.6 The budget for personal budgets is £0.250m. There is currently a forecast pressure of £0.179m. This reflects an increase in the number of personal budgets requested as an alternative to high cost placements.
- 4.7 The budget for Post 16 Further Education High Needs Provision is £5.517m. There is currently a forecast pressure of £0.825m. This reflects demand for placements exceeding the funding provided by central government.
- 4.8 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.
- 4.9 It is expected that £4.268m of the forecast overspend can be loaned against maintained schools balances at year end (see table 5 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 £2.121m forecast overspend will be a call on NCC's General Fund, as shown in table 6 below.

**Table 5: Headroom to fund High Needs cumulative overspend at March 2019 pending repayment**

	£m	£m
Schools Balances less transferring to academy	11.051	
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>13.124</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)	4.268	
<b>Total forecast requiring offset</b>		<b>13.124</b>
<b>Headroom for offset</b>		<b>0</b>

**Table 6: Remaining Dedicated Schools Grant Overspend**

Dedicated Schools Grant overspend		6.389
Loan against Maintained Schools Balances		(4.268)
<b>Remaining overspend</b>		<b>2.121</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.

**Table 7: Projected School Balances as at March 2019**

	April 2018	March 2019	Variance	Schools becoming Academies
	£m	£m	£m	£m
Nursery schools	0.007	0.067	0.060	0.000
Primary schools	11.765	9.091	(2.674)	(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	0.239	(0.991)	0.000
<b>Totals</b>	<b>14.966</b>	<b>11.872</b>	<b>(3.094)</b>	<b>(0.821)</b>

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

**Table 8: Projected Schools Reserves and Provisions**

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	2.582	(1.182)	1.400
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)	0.672
<b>Totals</b>	<b>4.146</b>	<b>(1.445)</b>	<b>2.701</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.

**Table 9: Children's Services Capital Programme**

Breakdown of capital programme	Approved budget	Reprofiling	Other changes	Current Capital Budget
	£m	£m	£m	£m
2018-19	87.764	(3.379)	6.116	90.501
Future Years' 2019-21	49.848	3.379		53.227



- 6.2 Changes have been made to the capital programme that reflect the latest information available. Updates of costs have been received, mainly for 2 schools currently in the feasibility stage of development and for another during the build stage.
- 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.

**Table 10: Funding of the Children’s Services Capital Programme**

Funding Stream	2018-19 Programme £m	Future Years' Forecast £m
Prudential Borrowing	10.427	0.325
Revenue & Reserves	(0.029)	
Grants and Contributions:		
Department for Education	55.993	48.811
Developer Contributions	22.428	2.532
Other	1.682	1.556
<b>Total</b>	<b>90.501</b>	<b>53.224</b>

## 7. Risks

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

## 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>

### Officer Contact

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

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