

Children's Services Committee

Report title:	Budget Monitoring Period 10 (January)
Date of meeting:	12 March 2019
Responsible Chief Officer:	Sara Tough Executive Director of Children's Services
Strategic impact The report sets out the Period 10 (January) 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 £12.786m for General Fund Children's Services**
- (ii) **the forecast use of Children's Services General Fund reserves and provisions**
- (iii) **the forecast overspend of £5.977m for the Dedicated Schools Grant Children's Services, which:**
 - a. **is after utilisation of the additional High Needs Block allocation of £1.803m announced in December for 2018-19**
 - b. **will need to be carried forward as a deficit, alongside previous years' deficits brought forward of £8.087m, to be recovered in future years**
- (iv) **the amendments to and reprogramming of the Children's Services Capital Programme**

1. Strategic Context

National 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 aspects of High Needs provision.
- 1.2. Children's Services in Norfolk continue to operate in a challenging context, reflecting the national picture, where the huge majority of Councils are seeing pressures on Children's Services and net increases in spending despite significant savings being delivered. This primarily reflects the demand-led budgets, specifically:
 - the safeguarding and looked after children pressures that have been a national trend for several years;
 - the rising costs of supporting children with disabilities, in part as a result of more children with disabilities, and more complex disabilities, surviving due to advances in medical science that are now translating into rising costs (both for looked after children and children supported at home);

- the Transforming Care initiative resulting in more children living in the community who would previously have been accommodated within hospital settings, with health bearing the full cost of their support;
- the previous national reforms which strengthened the rights of parents and have driven big rises in requests for Education, Health and Care plans and Special Educational Needs and Disabilities (SEND) provision;
- the resulting increased transport requirements due to the increased demand for SEND provision, including a continuing increase in the number of children and young people requiring individual transport and / or accompanied journeys.

1.3. 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.

Norfolk's Context

- 1.4. Norfolk are continuing to experience 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 continue to respond to new issues within society and the range of responsibilities for the department is widening to tackle issues such as 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 without sufficient (or any) new burdens funding, such as staying put, leaving care support and education related duties.
- 1.5. More than half of total expenditure across Children's Services (both NCC general fund and through the Dedicated Schools Grant High Needs Block) is on direct delivery of assessment, support and care through demand-led budgets to the most vulnerable or highest need children. 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 SEND education perspective and from within the Children's social care model.
- 1.6. 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

Norfolk's Response

- 1.7. 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, the Launch of the Norfolk Futures Transformation programme and the subsequent development of a comprehensive programme of transformation, as illustrated in diagram 1 below.
- 1.8. This agenda is a 3-5 year programme. It was always anticipated that the pressures on our system would persist in the short term and that the impacts on demand and cost would begin to be delivered from 2019-20 and, in particular, from 2020-21 onwards.
- 1.9. In that context, this financial year has allowed for the foundations of this work to be built and although the impact is largely still to come we have already made significant progress in several areas and are building a track-record of successful transformational change. A further full update on transformation will be provided to the March Committee meeting, but some key highlights to date include;
 - We have successfully implemented the **new Children's Advice and Duty Service** at the 'front door' to Children's Services and we are already seeing the anticipated benefits in terms of reducing the rate of referral into social work teams now being realised. This will give teams more time to focus on the direct work with families which will make the difference
 - We are starting to see a positive impact from the **focussed work on Foster carer recruitment** with numbers of enquiries on the up and now a projection for a net increase in the number of carers this year - reversing the previous trend
 - We have successfully **implemented the Valuing Care programme** – which gives us a consistent way to understand and articulate the needs of children in care and so ensure we provide exactly the right placement and support. We've already embedded this new tool in our practice model and are using the analysis to inform our strategic commissioning priorities
 - We have completed the refurbishment and **preparation work for the new semi-independent accommodation provision** and the first new places will be available for young people at the end of January
 - We have completed the design of the **new Norfolk Family Networks approach** and are moving into implementation. A new team due to start work from February delivering family group conferences and coaching team around working with extended families to prevent children from needing to be taken into care
 - The **new therapeutic support service for families at the edge of care** is also going to begin to be available within the next few weeks, offering intensive support for families with complex needs, helping them to address their challenges and stay together as a family
 - Further significant development has been undertaken in relation to the SEND workstream of the transformation programme. This workstream will focus on SEND assessment and support to schools and providers to **increase the numbers and**

complexity of children that can be appropriately supported to be educated in the mainstream sector, which will run alongside the £120m capital investment in new provision programme previously approved by Policy and Resources Committee

- 1.10. The changes made to date as part of the Safer Children and Resilient Families transformation programme for services and interventions for children at risk of harm have resulted in the numbers of children in care appearing to stabilise as this financial year has progressed, despite the rising national trends as reported in national media. This stabilisation evidences the change being seen by the department in the throughput of work to social work or early help and prevention teams; i.e. the demand is continuing to increase, but the department is managing it differently.

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

2. Forecast Revenue Outturn General Fund Children's Services

- 2.1. An overspend of £12.786m is currently forecast for General Fund Children's Services. This forecast is based upon the information currently available and after taking account of the anticipated impact of identified management actions to address previously existing pressures and new pressures that have come to light. Table 1 displays the overall forecast position as at the end of January (Period 10).
- 2.2. Significant areas of financial pressure continue to 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. Since the last budget monitoring report to this committee there has been an increase in budget of £1.705m relating to capital charges. The expected capital charges for 2018-20 have been reviewed in line with NCC's approach as we near the end of the financial years; this has resulted in an increase to the capital charges that Children's Services will receive and, therefore, the budget has been increased by the equivalent amount to ensure that there is no impact to the overall overspend position.

	Budget	Current Forecast P8 £m	Variance to Budget		Variance to P8 £m
			£m	%	
Social Work	86.239	97.212	10.973	12.7%	1.552
Early Help & Prevention	26.114	25.407	(0.707)	-2.7%	(0.537)
Performance & Challenge	4.646	5.007	0.361	7.8%	0.024
Education	39.422	44.106	4.662	11.8%	0.522
Resources (including capital charges)	31.232	31.273	0.041	0.1%	(0.015)
Sub-total	187.653	203.005	15.330	8.2%	1.546
Use of Reserves		(0.544)	(0.544)		(0.100)
Schools capital funded by borrowing		(2.000)	(2.000)		0.000
NCC General Fund Total	187.653	200.461	12.786	6.8%	1.446

Social Work Variances in Period 10

- 2.4. The budget for placements and support for children looked after and those on the edge of care and those families who would benefit from targeted services to prevent a child coming into care is £41.776m. 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 previously reported, the trajectory has since been reviewed in the light of national trends. Numbers of Children Looked After are now remaining stable, but there continues to be an increase in the complexity of the children and young people's needs (reflecting national trends), resulting in care and support costs continuing to increase and new placements regularly costing more than those ceasing for children leaving care, moving to alternative provision or returning home.
- 2.5. 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

£5.563m overspend. This is a complex area to forecast, with continuous changes to the children and young people who are looked after and supported, with regular reviews of placements and support to ensure that their needs are being met. There are overspends forecast for all placement types where numbers of placements have exceeded those originally budgeted for prior to a significant increase in children looked after in the latter quarter of 2017-18. The budget to provide targeted support services for vulnerable children and their families is overspent due to a number of elements relating to increased support within families to enable them to keep children safe at home, including care for a very small number of children with disabilities who are living with their families but have very complex needs and, thus, very expensive care packages. This type of provision and support is reducing the number of children becoming looked after by the authority.

2.6. The variance of £0.925m compared to the previously reported period is due to:

- residential placements costing an additional £0.551m: there was a net increase of 11 placements, 6 of the new places were existing remand cases, which were not correctly recorded in the transfer of data from Liquidlogic. Each placement costs an average of £0.054m per year and are normally in place for a relatively short period of time; processes are now in place to record remand placements. The remaining increase relates to 39 reviewed cases, where there has been a change in placement or a review of existing provision meeting the child's needs.
- agency fostering placements costing an additional £0.095m: the number of placements has increased by 9 and a review of 37 existing placements; new placements less costly average than those ceasing. It is expected that in the medium term, agency fostering placements will decrease with the recruitment strategy for inhouse foster carers. In house fostering placements have remained stable with a small decrease in costs of £0.018m since the last report.
- Support costs for children looked after and in need has increased by £0.297m; early intervention is part of the new operating model and keeps children safe and out of care whilst reducing demand on more expensive placements.

2.7. 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.

2.8. The budget for Staying Put and Leaving Care placement costs is £4.424m, and is currently forecasting a £1.583m overspend, an increase of £0.440m compared to the prior forecast. There has been an increase of 20 cases This budget has been under pressure since legislative changes relating to support for those turning 18 who had been looked after to provide increased levels of support as individuals move into adulthood and independent living. Whilst this support is important for young people, the additional responsibilities did not come with sufficient new burdens funding from central government. There is a semi-independent accommodation project utilising £5m capital monies to alleviate the cost pressure.

2.9. The Council is part of the national resettlement scheme for unaccompanied asylum-seeking children and receives grant funding per young person resettled. Norfolk's intake has increased recently, resulting in a forecast overspend of £0.333m for this

financial year. Planning is underway to introduce new ways of working to support these young people to secure improved outcomes within the grant funding allocated, thus removing the financial impact upon the authority.

2.10. There is currently a forecast staffing pressure of £2.270m upon the budget of £28.486m, which has seen a minimal increase of £0.067m compared to prior reporting. This has been due to the need to ensure that there are sufficient resources to meet the authority's statutory obligations whilst continuing work to proactively manage the workforce to ensure that Norfolk has a stable, suitably qualified and experienced workforce sufficiently resourced to meet the challenges faced. Both the locality and rurality of Norfolk provide the authority with some unique challenges compared to other authorities with the region; however, significant work in recent years by the department has seen a stabilisation of the workforce with reduced reliance upon agency workers, partnership working with UEA to ensure that social work graduates are prepared for the workplace, improved support for newly qualified social workers to gain the necessary workplace experience in supernumerary posts to ensure that they are ready to be successful in substantive roles. The pressure includes:

- £0.224m 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, where provision in the independent sector would incur significant additional placement costs.
- £0.809m for Norfolk Institute of Practice Excellence (NIPE) salary costs for newly qualified social workers prior to placement in social work teams. These roles are a key part of the department's workforce planning and post-holders are provided with the opportunity to gain the experience in supernumerary roles, with the appropriate supervision and support needed, to enable them to be placed in substantive roles.
- (£0.067m) forecast underspend on agency social worker top-ups reflecting reduced reliance on agency staff as the impact of the department's workforce planning comes to fruition with a shift towards a more permanent workforce. The underspend has decreased by £0.059m since the previous forecast. Work is underway to reduce agency usage to cover maternity, sickness and short recruitment gaps only.
- £1.304m overspend within front line operational social work teams is due to the level of workload that continues to be experienced. There has been a reduction of (£0.138m) in forecast since prior reporting that reflects a reduction in throughput of workload from the 'front door', which has been seen since the start of this year with changes made to the Multi Agency Safeguarding Hub (MASH) and the introduction in October of the new Childrens Advice and Duty Service (CADS). 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 but is expected to take some time to fully implement as workloads shift more towards prevention. Time is being taken to ensure that the department gets this reprofiting right first time, with the Breckland Locality taking the opportunity to gain proof of concept when recruiting to recent vacancies in line with this reprofiting.

2.11. The budget provides £3.310m for legal costs. There is currently a forecast pressure of £1.239m due to the high level of court proceedings, an increase of £0.136m

compared to the previous forecast. This forecast includes the impact of the increased focus on ensuring legal resource is not used for elements of case preparation that can be carried out more efficiently by other teams, as per the 2018-19 savings target. 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, and the increased costs year on year are a result of:

- an increased number of non-accidental injury cases – (i) 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; (ii) parents and the interests of the child are also represented by experienced and more expensive counsel;
- 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;
- 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 reducing 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.
- An increase cost in contractual work relating to placements, which will result in more cost effective revised contracts and commissioned services, thus reducing placement costs in the medium- to longer-term.

Early Help and Prevention Variances in Period 10

2.12. This service includes Contracts and Commissioned services (reported early in the year within Performance and Challenge) and the associated budget is £26.114m. The forecast underspend for Early Help and Prevention has increased by (£0.537m) to (£0.707m) compared to prior reporting. The decreased results are a result of:

- Contracts are kept continuously under review and where service provision has not met the terms of the contract we have been successful in recouping funding.
- Children with Disabilities Personal Budgets are now forecasting an underspend of (£0.309m) following a reconciliation of all service users following migration to the Liquidlogic. The staffing budget which supports this service has also seen a positive movement of (£137k); whilst the staffing establishment remains stable, a review of the funding arrangements has been undertaken resulting in an improved forecast.
- The operational teams staffing underspend has increased by (£0.049m); this is the result of vacancy turnover as the service moves towards the new CADS 'front door' service and the new social work service delivery model.

Performance and Challenge Variances in Period 10

- 2.13. The Performance and Challenge budget has reduced since prior reporting to £4.646m to take account of the move of the Contracts and Commissioned services to Early Help and Prevention. The service is forecast to overspend by £0.361m due to additional independent statutory services staffing following the increase in children looked after and printing and telephone costs for the whole department that exceeds the budget.

Education General Fund Variances in Period 10

- 2.14. Education General Fund Services shows a forecast overspend of £4.662m against the budget of £39.422m, an increase of £0.522m since prior reporting. The County is continuing to see a substantial increase in the demand for specialist SEND support and placements, in line with national trends, and with the market saturated, children and young people are needing to travel further and for longer to receive appropriate support and education. Although the funding for specialist SEND provision is part of the Dedicated Schools Grant, the responsibility for funding the transport costs is a local authority duty. These pressures have driven the increase in the forecast, with the pressures facing the service summarised below:
- The £28.737m budget for special school transport, home to school transport and post-16 college transport, which is showing a net overspend of £3.872m; an increase of £0.671m compared to previous reporting.
 - The service continues to see numbers of children requiring transport to maintained and independent specialist provision increasing; in the reporting period £0.423m relates to an additional 54 pupils requiring transport to specialist provision. Work is being undertaken to review the transport in place to ensure that maximum efficiency of transport arrangements is achieved whilst also meeting individuals' needs, and these have shown that there has been a significant increase over the last 2 years in the number of children requiring individual transport.
 - Post 16 mainstream transport has seen a reduction in parental contribution income of £0.152m as pupils change courses but the routes/buses are still required.
 - Mainstream transport has increased in costs by £0.096m as routes must be retendered and prices increase.
 - There is a pressure of £0.753m on the £2.868m budget for the assessment of children with special educational needs; an increase of £0.137m 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 explore and manage this level of referrals, where nearly 40% of referrals do not result in an EHCP, with the department investing both recurring and one-off revenue monies, alongside the capital investment in sufficiency, to increase the resources available. It is a statutory duty to make these assessments where a referral has taken place;
 - A £0.540m overspend is now being forecast for Educator Solutions following revised income forecasts of trading targets, this is an increase of £0.150m. There has been reduced take up of services provided for new academies and, with schools' budgets continuing to be stretched some schools have reduced what they purchase. Educator Solutions provides a combination of services traded with schools, academy trusts and the public, alongside meeting some statutory duties of the local authority. New products are being developed, and strategic partnerships

formed with other local authorities to promote them to schools in their authorities. Following this forecast, planning is being undertaken to ensure that products and services offered by Educator Solutions are aimed appropriately at the market in order to ensure that there is no future overspend;

- There continues to be a £0.149m pressure in relation to vacant school property costs as previously reported, this had reduced slightly by (£0.011m) as alternative site management methods are adopted.
- Partially offsetting the pressures is an underspend of (£0.167m) 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.
- In addition, there are several other budget areas reporting underspends that partially offset the overspend position. These have been reviewed as part of the 2019-20 Budget Preparation process to identify any recurring funding that is available to fund pressures

2.15 Resources

The resources general fund shows a small overspend of £0.041m this is a result of unforeseen redundancy costs following school closures.

2.16 Reserves and Provisions

A review of reserves and provisions has enabled a partial release of £100,000 of the Twinning reserve following review of funding conditions and terms being met, to offset the pressure on the NCC general fund.

Management Action

2.15. 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.

2.16. A number of approaches are being pursued:

- Recurring and one-off revenue investment in the SEND assessment provision, alongside the capital investment in sufficiency of provision, to increase the capacity for assessments and to develop working with the wider system with the aim of reducing demand for referrals that do not result in EHCPs and ensuring that referrals are done at the most appropriate stage to prevent escalation of need.
- The SEND transformation capital funding will increase SEN provision closer to a child's home reducing high transport costs.
- Planning for a new approach to supporting Unaccompanied Asylum-Seeking Children that will enable the service to be provided within the specific grant funding available whilst ensuring good outcomes for the young people concerned;
- 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, including with the introduction of the new Childrens Advice and Duty Service (CADS) – the number of cases flowing

through from MASH to assessment teams has seen a downward trend following implementation of early changes;

- Reprofiled operational teams to make the best use of professional resources, to ensure that the right work is undertaken in the right place by the right individuals, and to improve administration;
- Continuing emphasis on early help and preventative services;
- Expansion of the boarding school placement model in appropriate cases;
- Reviewing single occupancy SEND transport journeys to ensure that these are only in place where the needs of the individual require it, or it is the most cost-effective method of transportation.

2.17. An in-depth review of reserves, grants, contributions and provisions was undertaken earlier in the year, resulting in a total of (£0.544m) being released to offset the overall position, as previously reported.

2.18. 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.

2.19. The significant forecast variances to General Fund budget are summarised in Table 2 below:

Table 2 – Summary of General Fund Forecast variances			
Expenditure	Budget	Over (+)/under	Primary Reason (for variances exceeding £0.100m)
	£m	£m	
Social Work			
Children Looked After Placements	41.776	5.563	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. It also includes increased support within families to enable children to remain at home safely, as well as to provide care for a very small number of children with complex disabilities to remain at home, who would otherwise be at risk of becoming looked after
Leaving Care Placements & Staying Put	4.424	1.583	Previous legislative changes relating to provision of increased levels of support for those previously looked after who are turning 18 and moving into adulthood and independent living. Whilst this support is important for young people, the additional responsibilities did not come with sufficient new burdens funding from central government.
Unaccompanied Asylum Seeking Children	(0.063)	0.333	Increased intake from National Resettlement Scheme with costs currently exceeding funding. Planning underway to introduce new ways of working and supporting these young

Table 2 – Summary of General Fund Forecast variances			
Expenditure	Budget	Over (+)/under	Primary Reason (for variances exceeding £0.100m)
	£m	£m	
			people to secure improved outcomes within the grant funding allocated.
Legal Costs	3.310	1.239	Increased level of proceedings commenced during the year compared to 2017-18 with increased complexity
Social Care Staffing	28.486	2.270	Front line operation teams have continued to see a high demand in workload, resulting in additional costs being incurred. A reduction in throughput of workload from the 'front door' has been seen since the start of this year with changes made to the MASH and the introduction of CADS. 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. The number cost of agency staff continues to remain under-spent reflecting the positive shift to a more permanent workforce.
Social Care Other Budgets	8.306	(0.015)	
Sub-total for SW	86.239	10.973	
Early Help and Prevention			
Early Help staffing vacancies	14.752	(0.117)	Vacancy management
Contract adjustments and forecasting	13.182	(0.573)	Multiple contract adjustments aimed at achieving improved value for money
Troubled Families	(1.820)	(0.017)	
Sub-total for EH	26.114	(0.707)	
Performance and Challenge			
Independent Reviewing Officers	1.790	0.150	Additional agency cover required prior to permanent recruitment earlier in the year to ensure that sufficient staffing was in place due to the present number children looked after
Performance and Challenge Management Team	0.211	0.083	
CS Quality & Effectiveness	0.650	(0.044)	

Table 2 – Summary of General Fund Forecast variances			
Expenditure	Budget	Over (+)/under	Primary Reason (for variances exceeding £0.100m)
	£m	£m	
P&C Other Budgets	1.995	0.172	Combination of variances including increased mobile phone and printing costs
Sub-total for Performance and Challenge	4.646	0.361	
Education			
Special school transport including Post-16 SEN	13.603	4.064	The overspend is due to a significant number of additional SEN pupils being transported compared with last year, including an increase in places at the 3 new special schools as well as at independent special schools. The increase in cost is a result of several factors, differing length of journeys for each child, number of children in the vehicle, need of child (support assistant) and the price tendered. There has been a significant increase in single occupancy travellers over the last year incurring significant additional costs. Therefore, a review is taking place of the process.
Home to School and Post 16 College Transport	15.134	(0.192)	115 additional pupils compared to last year for home to school transport offset by a reduction in demand for post 16 transport
PFI Budget	0.220	(0.167)	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	0.753	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 explore and manage this level of referrals, where nearly 40% of referrals do not result in an EHCP, with the department investing both recurring and one-off revenue monies, alongside the capital investment in sufficiency, to increase the resources available.
Educator Solutions	(0.142)	0.540	Income forecasts indicate that trading targets have not been reached following reduced take up of services by new academies and reduced purchase by schools generally due to budgets continuing to be very stretched. Planning is being undertaken to ensure

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Expenditure	Budget	Over (+)/under	Primary Reason (for variances exceeding £0.100m)
	£m	£m	
			that products and services offered are aimed appropriate at the market in order to ensure that there is no future overspend.
Other Education Support budgets	7.739	(0.336)	Multiple smaller variances
Sub-total for Education	39.422	4.662	
Sub-total for Resources	31.232	0.041	
Use of reserves and provisions	0.000	(0.544)	
School capital funded borrowing	0.000	(2.000)	
Sub-total other	0.000	(2.544)	
NCC General	187.653	12.786	
Fund Total			

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:

Table 3: Forecast Reserves and Provisions General Fund Children's Services			
Reserve or provision	Balance April 2018	Net Movement Increase / (Decrease)	Forecast Balance March 2019
	£m		£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)	0.010
Information Technology earmarked reserve	0.030	(0.030)	0.000
Post-OFSTED improvement fund	0.004	(0.004)	0.000
Grants and contributions	3.063	(0.427)	2.636
Totals	3.752	(0.693)	3.059

3.2. The forecast use of grants and contributions by the end of this financial year has been revised to take account of the releasing of £0.100m funds that are no longer required for the original identified purpose and, therefore, can now offset the overall forecast position.

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 £0.277m released that are no longer needed for the purposes originally identified. This release offsets the overall forecast position and contributes to the (£0.544m) shown in table 1 earlier in this report. The remainder of the (£0.544m) 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 £5.977m is currently forecast for Dedicated Schools Grant Children's Services, as shown in Table 4 below, and represents an increase in the forecast of £0.463m compared to prior reporting. The Dedicated Schools Grant is ring-fenced and is split into four 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 considered and agreed 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 this continuing pattern of pressure on the High Needs Block, consideration has been given corporately within the Council as to how to maximise the resources that can be identified for this service. The Council made 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. Since the last report to Committee, the Council has received confirmation from the Secretary of State that this request has been agreed for the next financial year. Despite this agreement, it is anticipated that the High Needs Block will remain under pressure for a number of years to come whilst the agreed capital investment in provision and accompanying transformation work is undertaken.

	Budget	Current Forecast P10 £m	Variance to Budget		Variance to P8 £m
			£m	%	
High Needs Block	70.246	79.461	9.215	13.2	0.432
Schools Block	189.768	189.104	(0.664)	(0.003)	(0.062)
Early Years Block	43.613	41.039	(2.574)	5.9%	0.093
Central Schools Services Block	2.667	2.667	0	0	0
Dedicated Schools Grant Total	306.294	312.271	5.977	1.95	0.463

- 4.4. The budget for Post 16 Further Education High Needs Provision is £2.783m. The forecast pressure has increased to £1.020m, an increase of £0.195m, due to requests for support for an additional 41 young people and additional support for existing pupils to maintain stable placements. The pressure reflects the demand for placements exceeding the funding provided by central government following the SEN Reform Act 2014 that increased the age for support up to 25.
- 4.5. The budget for independent special school placements is £21.227m and has a forecast pressure of £4.130m. This reflects increasing numbers of pupils with

Education Health and Care Plans that require special school provision for whom places are not available in the maintained sector, including specific placements awarded by tribunals, and the number of starters during the autumn term has exceeded the number of summer leavers. The High Needs Block grant has not increased in line with the increase in demand seen nationally. There is an increase of £0.264m compared to previous reporting it is a combination of an additional 13 pupils, and a review of existing pupil provision. Concerted management action seeks to avoid additional placements and to reduce the pressure, whilst liaising with schools to seek to avoid additional expenditure.

- 4.6. The budget for alternative provision contracts is £4.786m and there is currently a forecast pressure of £1.923m. This is a small decrease of (£0.099m) since prior reporting. This is a reduction in 2 high cost pupils requiring alternative education provision.
- 4.7. The budget for maintained special school placements is £26.940m and is showing a pressure of £0.981m. There is an increase of £0.118m due to a combination of additional places funded than originally anticipated to meet current levels of demand and additional top-up funding to schools to enable them to meet the complexity of need of the children and to keep them in stable placements.
- 4.8. The budget for personal budgets is £0.250m. There is currently a forecast pressure of £0.248m, which is a minor increase of £0.030m compared to previous reporting. Personal budgets can be requested as an alternative to high cost placements for the provision of support to meet assessed SEND high needs.
- 4.9. The budget for excluded pupil income is (£1.008m), which was increased this financial year following an agreed change in policy as to the charges that would be made to schools when pupils are permanently excluded. At present there is a forecast over-recovery of income by (£0.108m).
- 4.10. There is currently a forecast overspend of £2.774m for top-up funding in mainstream schools to support children and young people with SEND high needs. A new top-up funding system was introduced on the 1 October 2018, with new banding levels set based on the level of special educational need. In advance of this system being introduced, a potential pressure was identified early in the financial year that was expected to arise as a result of the changes. The estimated pressure took account of the expected level of growth in plans requiring mainstream top-up funding that was anticipated at that time during this financial year. As this was the first year (and indeed only part year) of this funding approach, it has been a challenge to predict uptake, especially given the difference between the academic and financial years. Therefore, a review is being undertaken of those top-ups in place and those in the pipeline, and this, combined with the part-year effect of each top-up in place, may result in a reduced overspend position at year-end due to these specific, one-off circumstances. It is anticipated that once the system embeds, the mainstream top-up funding required will be in line with the initial forecasts in future years. Investment in this support can prevent needs from escalating and the subsequent for higher cost provision. There has been minimal change to the forecast compared to prior reporting.
- 4.11. The significant forecast variances on the Dedicated Schools Grant for Children's Services are summarised in Table 5.

Table 5 – Summary of DSG Forecast Variances			
Expenditure	Budget	Over (+)/under	Primary Reason (for variances exceeding £0.100m)
	£m	£m	
Post 16 Further Education High Needs Provision	2.783	1.020	Demand for places exceeding the funding provided by central government, following the increased age for support up to 25 in the SEN Reform Act 2014.
Independent special school Places	21.227	4.130	Increased numbers of pupils requiring special school provision exceeding the places available in maintained special schools
Alternative provision	7.234	1.923	Increased requirement for places due to the high levels of school exclusions
Additional SEN top up funding allocated to mainstream schools	5.689	2.774	Additional SEN top-up funding paid to mainstream schools to support SEN high needs. Support through top-up funding can avert escalation to more costly solutions.
Excluded pupil income	(0.900)	(0.108)	The increase in excluded pupils has led to an increase in charges to schools
Maintained special schools	26.940	0.981	Combination more places funded than originally anticipated due to current demand, along with additional top-up funding to enable schools to meet the complexity of need of individuals
Personal Budgets	0.250	0.248	Additional numbers of pupils receiving personal budgets and therapy. This early intervention can reduce demand for high cost specialist placements.
Other High Needs Block budgets	7.023	0.050	Demand for places exceeding the funding provided by central government, following the increased age for support up to 25 in the SEN Reform Act 2014.
Additional DfE Funding	0.000	(1.803)	
DSG adjustments	236.048	(3.238)	
NCC DSG Total	306.294	5.977	

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

- 4.12. 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 Block 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 at year-end.
- 4.13. As reported to the last Children’s Services Committee, it is anticipated that the DSG overspend at the end of this year will be carried forward to next year, along with brought forward overspend from previous years.
- 4.14. The transformation plan for SEND provision is in its early stages, including planning for significant capital investment. It is intended, overall, to reduce the current and future pressure upon the High Needs Block of the DSG, which is expected to allow the deficit to be reduced in the future. This will be dependent upon future decisions

by central government regarding DSG funding, and particularly the High Needs Block.

4.15. The deficit currently forecast to be carried forward at year end is shown in table 6 below:

	£m
Deficit brought forward from prior years as at 1 April 2018	8.087
Forecast deficit for 2018-19	5.977
Total forecast deficit to carry forward as at 31 March 2019	14.064

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, as shown on table 7 below. 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 prior reporting.

	April 2018	March 2019	Variance	Schools becoming Academies
	£m	£m	£m	£m
Nursery schools	0.007	0.112	0.105	0.000
Primary schools	11.765	9.454	(2.311)	(0.314)
Secondary schools	0.562	0.041	(0.521)	0.000
Special schools	1.402	1.224	(0.178)	(0.481)
School Clusters	1.230	0.227	(1.003)	0.000
Totals	14.966	11.058	(3.908)	(0.795)

5.2. 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.

5.3. 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. (£0.481m) of the usage currently forecast for 2018-19 is for building maintenance required by schools, as per the purpose of the Pool.

Reserve or provision	April 2018	Net Movement Increase / (Decrease)	Forecast March 2019
	£m		£m
Non-teaching activities	0.575	0.000	0.575
Building Maintenance Partnership Pool	2.581	(0.481)	2.100
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
Totals	3.991	(0.589)	3.402

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	51.845	-0.655	0.472	51.662
Future Years' 2019-21	101.521	0.655	117.632	219.808

- 6.2. The reprofiling changes relate to revisions on 7 projects; planning and delivery assumptions have been reviewed as the financial year progresses.
- 6.3. There has been an increase of £118.104m in the Capital programme since the last monitoring report. The changes are primarily a £115.200m increase for the SEND transformation programme in future years, in addition to the £4.8m included in the last monitoring report. The DfE have announced an increase in the SEN grant by £1.929m for future years. There is also an additional £0.520m to support the remodelling of buildings in the Early Childhood and Family Service.
- 6.4. The financing of the capital programme is from a combination of sources, as shown in table 11 below. The financing expectations have been updated in line with the changes made to the capital programme.
- 6.5. In addition to the SEND funding requested from October Policy and Resources, the government provided Norfolk LA with a grant of £2.726m over three years to develop and enhance provision for SEND, on 27 January 2019 a DfE announcement increased the grant to £4.629m. This grant covers both condition improvement and new place provision. Use of these resources has been reported to previous committee meetings.
- 6.6. 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.
- 6.7. 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.

Table 10: Funding of the Children's Services Capital Programme		
Funding Stream	2018-19 Programme	Future Years' Forecast
	£m	£m
Prudential Borrowing	9.585	123.697
Revenue & Reserves	0.231	0.015
Grants and Contributions:		
Department for Education	27.654	78.910
Developer Contributions	13.439	14.844
Other	0.755	2.342
Total	51.664	219.808

7. Risks

The financial forecast is based on the best available information at the time of preparation. 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, the complexity of need and the availability of the most suitable provision for each child
- The risk of increasing numbers and complexity of children requiring high needs provision
- 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, including the successfully embedding of the new Children's Advice and Duty Service as well as 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 8 (November) (Item 9, 22 January 2019 Children's Services Committee)

<https://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/128/ctl/ViewMeetingPublic/mid/496/Meeting/1473/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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