

REPORT TO THE CHILDREN AND YOUNG PEOPLE'S SERVICES POLICY AND SCRUTINY PANEL

DATE OF MEETING: 21 JUNE 2018

**SUBJECT OF REPORT: MONTH 12 CHILDREN'S SERVICES BUDGET
MONITOR**

TOWN OR PARISH: ALL

**OFFICER/MEMBER PRESENTING: FINANCE BUSINESS PARTNER (PEOPLE
AND COMMUNITIES)**

KEY DECISION: NO

RECOMMENDATIONS

- i. That the Panel notes the 2017/18 spend against budget for children's services and the risks and opportunities associated with the medium term position.

1. SUMMARY OF REPORT

- 1.1 This report summarises and discusses the 2017/18 spend against budget for children's services, highlighting key variances, movements and contextual information. It also makes reference to the principles and processes associated with the setting of the 2018/19 budget and the risk associated with delivering in line with that budget.

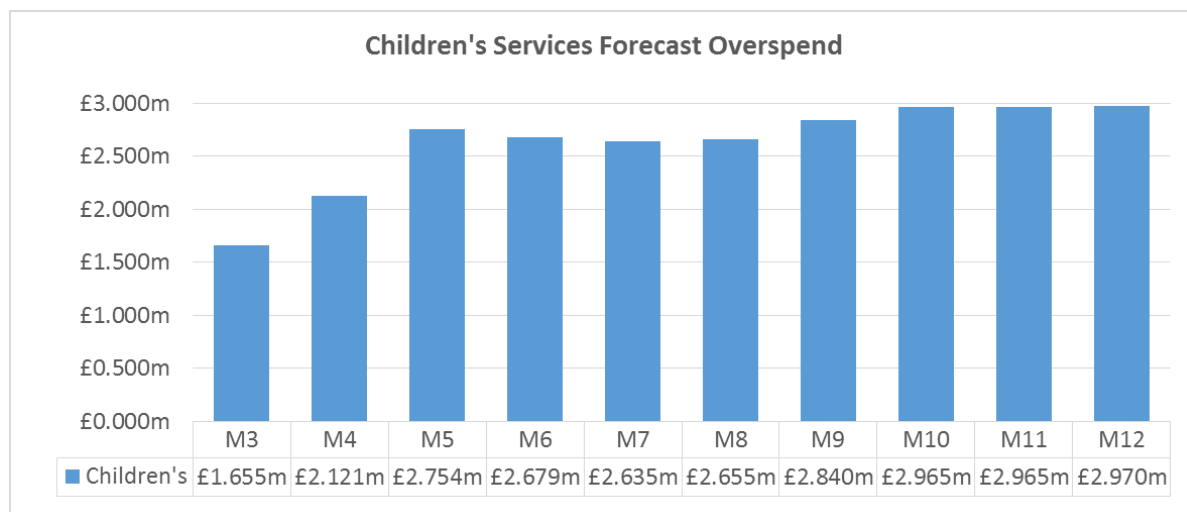
2. POLICY

- 2.1 The Council's budget monitoring is an integral feature of its overall financial processes, ensuring that resources are planned, aligned and managed effectively to achieve successful delivery of its aims and objectives. Revenue and capital budgets are set within the context of the council's medium term financial planning process, which supports the adopted Corporate Plan 2015 to 2019.

3. DETAILS

Overall position

- 3.1 The overall year end position for Children’s Services after use of earmarked reserves is net expenditure of £29.488m compared to a budgeted amount of £26.517m, giving an overspend of £2.970m (11.2%). As the graph below illustrates, this forecast position has remained somewhat stable throughout the year, although it is recognised that improvements need to be made in forecasting future spend, particularly in relation to placements of looked after children.



- 3.2 Children’s Services continues to experience budget pressures in areas which have long been established as volatile and which historically have often exceeded their budget. The main areas of overspend relate to the demand led services such as children looked after, disabled children’s respite breaks and staffing costs.
- 3.3 Expenditure on looked after children’s placements continues to be under pressure and, despite some stability in the autumn, is showing sustained increases and has reached £10m for the first time. Mitigations planned and in train, should, over time, address some of this financial pressure; these include:
- The “Edge of Care” Social impact Bond (subject to an additional report elsewhere on today’s agenda)
 - Increasing the recruitment and use of in-house fostering
 - Improving the way in which placements are commissioned and, in particular, improving the availability of local placements
 - Ensuring that there are plans to move children out of residential placements as soon as is appropriate
 - Exploring a more cost effective way of providing parent and baby placements.
- 3.4 The SIB (a review of which is included elsewhere in this agenda) only began work in May and will not have yet realised a significant cashable financial benefit, although evidence does indicate that significant numbers are being diverted from care. It is also worth remembering that the SIB only impacts on a small cohort of children and increases in placements are largely outside the scope of the SIB.
- 3.5 To quantify the position, the total overspend for placements, was £2.3m (29%) more than the £7.8m. The most material variations are Residential Placements £751k,

Independent Fostering Agencies £597k, Parent and Child £438k and Supported Living £439k. The figures also include an additional £381k where there has been a requirement for secure accommodation which is exceptional compared with previous years. Each of these areas are experiencing much higher demand than budgeted for. On the positive side, residential placements are experiencing slightly lower average costs per case than budgeted for, which goes some way to manage the costs from the increase in demand. There is also a significant underspend within the “in-house” fostering budget which equates to £401k and is indicative of a fall in the number of in-house foster carers.

- 3.6 The spend on placements for 2017/18 is an increase of around £1.4m when compared with 2016/17. This is not as a result of a significant increase in the overall number of placements, but to increases in spend in areas such as secure accommodation, parent and baby placements, secure accommodation and supported living where numbers are low, but the unit costs are substantial. There has also been a switch from in-house foster placements to independent foster placements, which are significantly more expensive.

Main Variances

- 3.7 This overspend is made up of several key variances from budget, which are shown below, and for which additional details are provided throughout the report.

Issue	Variance from budget £000
Residential Placements	751
Independent Foster agencies	597
In-house Fostering	(401)
Parent and Baby	438
Supported Living	439
Secure Accommodation	385
Family support / Disabled Children’s services	188
Locality Teams (mainly staffing)	332
Adoption Agency Fees	119

- 3.8 A summary of the **activity and unit cost data** in relation to children’s placements is as below. Understanding whether these variances are caused by changes in cost, volume or a combination of both, can help with forecasting outturn spend as well as identifying possible actions to help to address the variances. This analysis has been used to inform the 2018/19 budget setting process and Medium Term Financial Plan.

	2015/16	2016/17	2017/18 budget	2017/18 forecast	2017/18 variance from budget	2017/18 variance from prior year
Residential Placements:-						
- Average volumes	13	15	12	16	5	2
- Cost	£2,237,475	£2,839,151	£2,318,490	£3,069,380	£750,890	£230,229
Independent Foster Placements						
- Average volumes	49	60	51	61	9	1
- Cost	£1,883,975	£2,411,523	£2,113,540	£2,710,514	£596,974	£298,991
In-house Foster Placements						
- Average volumes	105	106	111	96	-15	-10
- Cost	£2,088,560	£2,068,440	£2,216,840	£1,816,035	-£400,805	-£252,405
Other Placements (Kinship, SGO, Parent and Baby, Supported Living, Secure Accommodation)						
- Cost	£945,966	£1,343,563	£1,159,720	£2,473,103	£1,313,383	£1,129,540
	£7,155,976	£8,662,677	£7,808,590	£10,069,032	£2,260,442	£1,406,355
				2017/18 budget	2017/18 forecast	2017/18 unit cost
Other placements						
- Supported Living				0.7	4.3	£122,514
- Parent and Baby				0.9	3.7	£145,287
- Secure				0.3	1.3	£359,128
- Kinship				32	31	£13,613
- Special Guardianship				63	69	£7,758

Comments on variances

- 3.9 Residential placements, have low annual volumes, but the individual case costs are high, on average c. £190,000. As a result, it takes only a small change in volumes to have a significant impact on the outturn forecast. Volumes are around 40% higher than budgeted (*16.25 FTE cases compared with a budget of 11.64 and 14.54 in 2016/17*).
- 3.10 Independent fostering agencies are also experiencing approximately 18% higher than budgeted volumes (*60.56 FTE cases compared with a budget of 51.37*). Average unit costs are also slightly higher than budgeted (£44,757 compared with £41,147) as a result of an increase in the contracted costs. Volumes in 2016/17 amounted to c. 59.78.
- 3.11 As previously reported, in-house fostering is experiencing lower than budgeted volumes (14%), with a forecast under spend of £401,000. This is a large variance from the budgeted position; increasing the number of in-house foster parents is a key part of our strategy for improvement. If costs increase here, we should see more than equivalent decreases in others areas, particularly independent foster agency placements. The average annual cost of an in-house placement is around £25k less than that of an Independent Agency placement.
- 3.12 Parent and Baby placements have experienced more activity in the year than the budget was set to address. Costs and volumes are significantly more than the budget, resulting in a forecast overspend of £438k (3.71 FTE placements at an average unit cost of £145k).

- 3.13 Supported Independent living has seen a considerable higher volume than previously and has resulted in a significant increase to the forecast when compared to previous months (4.25 FTE cases at an average unit cost of £123k).
- 3.14 Secure Accommodation has seen an increase due to an expensive transition from residential placements to this area. The result is an over spend of £380k.
- 3.15 Disabled children services has an historical budget underfunding issue and the budget has not been sufficient to contain costs within it for some years. Therefore, the budget monitoring process is focussed on understanding in detail where the over spend is occurring and whether there is any opportunity to mitigate it. After negotiations with the CCG around the complex care packages, the CCG are now meeting a greater proportion of the costs than before and this has had a marked positive effect on the forecast. The current financial position, compared to previous years appears more stable and there is greater understanding of the type of spend that is driving costs. Growth has been provided in the MTFP to address this underlying pressure.
- 3.16 One area of positive variance from budget relates to the capitalisation of approximately £75,000 of revenue costs in relation to aids equipment and adaptations, which improves the overall position of the revenue budget.

Medium Term Planning

- 3.17 As part of the Medium Term Financial Plan, growth has been established in the children's services budget to ensure that base budgets reflected demand and pressures at the time that the budget was set (see below).

Item	Growth £000s
Placements for Children Looked After	1,650
Disabled Children's care	200
Other pressures including staffing costs	500
Social Impact Bond outcome payments	200
Pay and Superannuation	387
TOTAL	<u>2,937</u>

Risks

- 3.18 To some extent, this will provide a sustainable base from which to deliver significant savings (£1.8m), although it should be noted that the growth was based on the demand pressures at the end of month 8 and this has subsequently increased by around £600k. In addition, the savings plans are challenging, particularly in relation to reducing the costs of children's placements (£850k savings target). The table below indicates that, with no change in the current placements, an overspend of c. £1.3m would be expected in 2018/19. A more detailed illustration of the activity and unit cost analysis is illustrated in Appendix 1.

	2017/18	2018/19 budget	Diff	Approx. Average Annual Unit Cost	Overspend with no change in numbers
	average numbers	average numbers	average numbers	£s	£s
In-house fostering	96	104	8	20,000	160,840
Independent fostering	61	47	-14	45,000	-608,625
Residential	16	14	-2	190,000	-426,425
Kinship	31	32	1	14,000	14,000
Special Guardianship	69	69	0	8,000	-192
Parent and Baby	3.7	2.9	-0.9	145,000	-123,549
Supported Independent Living	4.3	3.1	-1.1	125,000	-141,896
Secure Accommodation	1.3	0.6	-0.6	365,000	-234,363
	282.0	272.7	-9.4		-1,360,210

3.19 Other than measures to attempt to manage the number of placements for children looked after, the only other material areas for identifying savings are early intervention and preventative services, and staffing costs. There are significant savings proposals associated with reduction in or redesign of the provision of preventative services such as Children’s Centres, Nurseries, The Family Link Service and 0-2 year old funding and also reductions in staffing costs. All these reductions are likely to have some negative impact on outcomes for vulnerable children, reduce staff capacity and increase workloads. As with all preventative services, the key risk is that the medium term knock-on effect is an increase in the numbers of families and children requiring more formal and costly support from the Council.

Mitigation

3.20 A review of the Social Impact Bond (SIB) is included elsewhere on this agenda. It is expected that the project will have a positive impact in terms of reducing the number of children entering Foster Care and Residential Placements. Although the SIB will not remove the need for placements, it is hoped it will slow down the process of children being placed and by doing so it should create some capacity within other options such as in-house fostering. Early indications are that the SIB is operating effectively. Numbers of interventions are currently higher than the original target and this has had an impact on preventing children going into care. Targeted work with children in residential placements is also planned as, in the medium term, is the possible development of community-based assessments for babies and parents, as opposed to expensive residential placements, where appropriate. Work is also planned to improve the way in which some placements are commissioned and, in particular, to improve the availability of local placements.

3.21 Following on from the success of the approach taken in Adult Social Care, governance arrangements are being put in place to ensure that the various elements of the Children’s Services change programme are managed and monitored. A system is also being put in place to monitor the progress in delivery of the 2018/19 savings targets through the Children’s Services Management Team. Further progress will also be made with developing and embedding the “cost and volume”

approach to monitoring and forecasting and the way in which budgets are delegated to team managers will be improved to enhance transparency and accountability.

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BACKGROUND PAPERS

2018/19 Medium Term Financial Plan

Activity and Unit Cost data

Appendix 1 – Activity and Unit Cost Analysis

	2017/18 budget	2017/18 ACTUAL	2017/18 variance	2018/19 budget	2018/19 forecast	2018/19 variance		
In-house Fostering								
- Numbers	111.33	96	-15.33	104.04	96	-8.04	-£160,840	Volume variance
- Average unit cost	£19,912	£18,917	-£995	£20,000	£20,684	£684	£65,653	Price variance
- Total Cost/Budget	£2,216,840	£1,816,035		£2,080,840	£1,985,653			
- Variance		-£400,805			-£95,187		-£95,187	Total variance
Independent fostering								
- Numbers	51.37	60.56	9.19	47.04	60.00	12.97	£570,460	Volume variance
- Average unit cost	£41,147	£44,757	£3,611	£44,000	£45,653	£1,653	£99,159	Price variance
- Total Cost/Budget	£2,113,540	£2,710,514		£2,069,540	£2,739,159			
- Variance		£596,974			£669,619		£669,619	Total variance
Residential								
- Numbers	11.64	16.25	4.61	14.01	16.00	1.99	£349,010	Volume variance
- Average unit cost	£199,170	£188,885	-£10,285	£175,000	£192,663	£17,663	£282,602	Price variance
- Total Cost/Budget	£2,318,490	£3,069,380		£2,450,990	£3,082,602			
- Variance		£750,890			£631,612		£631,612	Total variance
Kinship								
- Numbers	32.13	31	-1.13	32.00	31	-1.00	-£13,012	Volume variance
- Average unit cost	£12,960	£13,613	£653	£13,012	£13,885	£873	£27,068	Price variance
- Total Cost/Budget	£416,390	£422,006		£416,390	£430,446			
- Variance		£5,616			£14,056		£14,056	Total variance
Mother & Baby								
- Numbers	0.86	3.71	2.85	2.76	2.50	-0.26	-£37,882	Volume variance
- Average unit cost	£118,198	£145,287	£27,089	£145,287	£148,193	£2,906	£7,264	Price variance
- Total Cost/Budget	£101,100	£539,015		£401,100	£370,482			
- Variance		£437,915			-£30,618		-£30,618	Total variance
Special Guardianship								
- Numbers	62.84	69.00	6.16	68.98	69.00	0.02	£186	Volume variance
- Average unit cost	£7,720	£7,758	£39	£7,758	£7,913	£155	£10,706	Price variance
- Total Cost/Budget	£485,120	£535,306		£535,120	£546,012			
- Variance		£50,186			£10,892		£10,892	Total variance
Supported Living								
- Numbers	0.74	4.25	3.51	3.11	4.00	0.89	£108,446	Volume variance
- Average unit cost	£110,040	£122,514	£12,474	£122,514	£124,964	£2,450	£9,801	Price variance
- Total Cost/Budget	£81,610	£520,684		£381,610	£499,857			
- Variance		£439,074			£118,247		£118,247	Total variance
Secure Accommodation								
- Numbers	0.3	1.27	0.97	0.63	0.62	-0.01	-£2,841	Volume variance
- Average unit cost	£250,000	£359,128	£109,128	£359,128	£366,310	£7,183	£4,453	Price variance
- Total Cost/Budget	£75,500	£456,092		£225,500	£227,112			
- Variance		£380,592					£1,612	Total variance
TOTAL							£813,526	Volume variance
							£506,706	Price variance
							£1,320,233	Total variance
- Numbers	271	282	11	273	279	7		
- Average unit cost	£28,792	£35,701	£6,909	£31,410	£35,402	£3,992		
- Total Cost	£7,808,590	£10,069,032	£2,260,442	£8,561,090	£9,881,323	£1,320,233		

Appendix 2 – Analysis of Budget, Spend and Variance

FINANCIAL ANALYSIS BY SERVICE AREA		Revised Budget				Out-turn				VARIANCE			
		Expenditure £	Income £	Reserves £	Net £	Expenditure £	Income £	Reserves £	Net £	Expenditure £	Income £	Reserves £	Net £
Family Support Services		1,185,004	(420,580)	0	764,424	1,310,026	(432,247)	0	877,779	125,022	(11,667)	0	113,355
Locality Teams		3,978,530	(103,681)	0	3,874,849	4,292,415	(85,088)	0	4,207,328	313,885	18,594	0	332,479
Looked After Children		7,472,451	(69,500)	0	7,402,951	9,890,869	(214,000)	0	9,676,869	2,418,418	(144,500)	0	2,273,918
Children and Families (Adoption)		1,469,808	(167,525)	0	1,302,283	2,044,799	(446,874)	0	1,597,925	574,991	(279,349)	0	295,642
Social work		3,238,654	(31,000)	0	3,207,654	3,248,840	(23,963)	0	3,224,877	10,186	7,037	0	17,223
Youth Justice		1,058,329	(724,907)	(21,493)	311,929	966,611	(758,257)	64,956	273,310	(91,718)	(33,350)	86,449	(38,619)
Support and Safeguarding	Sub total	18,402,776	(1,517,193)	(21,493)	16,864,090	21,753,561	(1,960,429)	64,956	19,858,088	3,350,785	(443,236)	86,449	2,993,998
Pupil and communities		302,275	(387,510)	0	(85,235)	341,929	(389,237)	0	(47,309)	39,654	(1,727)	0	37,926
Learning		233,602	(220,987)	0	12,615	216,782	(260,508)	0	(43,726)	(16,820)	(39,521)	0	(56,341)
Grants		18,890	(701,171)	0	(682,281)	18,965	(718,437)	0	(699,472)	75	(17,266)	0	(17,191)
Children's Services		2,125,706	(357,323)	0	1,768,383	2,134,345	(413,170)	(29,351)	1,691,824	8,639	(55,847)	(29,351)	(76,559)
Early Years		1,668,205	(1,106,584)	0	561,621	1,599,019	(1,046,906)	0	552,113	(69,186)	59,678	0	(9,508)
Special Education		1,206,434	(1,035,248)	0	171,186	1,196,188	(995,442)	0	200,746	(10,247)	39,806	0	29,560
Learning and Achievement	Sub total	5,555,112	(3,808,823)	0	1,746,289	5,507,227	(3,823,701)	(29,351)	1,654,175	(47,885)	(14,878)	(29,351)	(92,114)
Strategy		3,995,757	(1,147,894)	(178,600)	2,669,263	3,846,522	(948,701)	(152,944)	2,744,877	(149,235)	199,194	25,656	75,614
Strategy and Directorate		5,182,615	(188,429)	0	4,994,186	5,298,457	(295,222)	(18,000)	4,985,235	115,842	(106,793)	(18,000)	(8,952)
Other - Music		956,387	(956,387)	0	0	913,113	(983,711)	70,598	0	(43,274)	(27,324)	70,598	0
Other - Non music		418,970	(175,530)	0	243,440	463,755	(218,451)	0	245,304	44,785	(42,921)	0	1,864
Strategy and Directorate	Sub total	10,553,729	(2,468,240)	(178,600)	7,906,889	10,521,846	(2,446,085)	(100,346)	7,975,416	(31,883)	22,155	78,254	68,527
CHILDREN'S SERVICES TOTAL		34,511,617	(7,794,256)	(200,093)	26,517,268	37,782,634	(8,230,215)	(64,740)	29,487,679	3,271,017	(435,959)	135,353	2,970,411