

# **North Somerset Council**

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

**DATE OF MEETING: 11 OCTOBER 2018**

**SUBJECT OF REPORT: MONTH 4 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 forecast 2018/19 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 2018/19 forecast spend against budget for children's services, highlighting key variances, movements and contextual information. It provides further details associated with the report to the September Executive, although members will note that the Executive meeting on 16 October will receive a further update for month 5.
- 1.2 The report also makes reference to the principles and processes associated with the setting of the 2019/20 budget, which will be further considered by the Executive on 16 October.
- 1.3 Finally, as requested at the last meeting, the report outlines the costs and savings associated with the Edge of Care Social Impact Bond.

### **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 forecast year end position for Children's Services after use of earmarked reserves is net expenditure of £29.703m compared to a budgeted amount of £27.681m, giving a projected overspend of £2.021m (7%).
- 3.2 Whilst some growth was applied to the Children's Services budgets in 2018/19, this has not proven sufficient to close the gap between the budget and the demand.

The main areas of projected overspend are as follows:-

Area of overspend	£000s
Placements for looked after children	1,259
Locality and Disabled Children's Teams	292
MTFP savings not yet identified	130
External legal costs	100

#### Placements

- 3.3 Expenditure on looked after children's placements continues to be under pressure. Whilst net budget growth of £750k was provided in the current year (£1.6m of growth and £850k of savings), it is worth remembering that the final overspend in 2017/18 in this area was £2.2m due to increases in demand in the latter months of the financial year. The current forecast overspend on placements of £1.3m currently represents an actual reduction in spend from last year of around £230k as can be seen below.

	2017/18 actual	2018/19 forecast	Change
Budget	£7,808,590	£8,561,090	£752,500
Spend	£10,050,701	£9,820,539	(£230,162)
Variance / Overspend	£2,242,111	£1,259,449	(£982,662)

- 3.4 The forecast overspend is based on current placement data, plus a provision for some additional future placements, although it is difficult to estimate these with a high level of accuracy and there is a likelihood that this forecast could fluctuate.

#### Activity and Unit Cost Analysis

- 3.5 Significant work has been done to gain a better understanding of the activity and unit costs associated with the various placement types. In several cases, the market position in relation to the external provision of both residential and foster placements is restricting our ability to secure suitable and sustainable placements which has recently been raised and discussed with officials from the Cabinet Office. In addition, in-house foster care capacity remains relatively static.
- 3.6 In general terms, there is little significant movement between the forecast position for 2018/19 compared with 2017/18, the most significant change being a reduction in parent

and baby assessment placements. A detailed analysis of the activity and unit costs in relation to children's placements is shown at Appendix 1.

### Mitigation - Children's Transformation Programme

3.7 The emerging Children's Transformation Programme is designed to address some of these issues. A Programme Board chaired by the Director of People and Communities has been convened and identified the likely workstreams as:

- Commissioning and market management
- Under 10s intervention service
- Residential step-down
- Prevention and early help offer
- Research and discovery
- Workforce planning
- Workforce development; and
- System governance

Detailed scoping of each of these workstreams is underway with priority given to those that will underpin MTFP savings proposals. In the meantime, the Edge of Care Social Impact Bond (SIB), should, over time, continue to address some of this financial pressure. More details on the SIB are included in paragraphs 3.11 onwards.

### Staffing

3.8 Spending on staffing costs is forecast to be approximately £300k more than the budgeted figure of £13.1m; there are three main reasons for this:

- i. the forecast additional spend (£145k) on Social Workers undertaking their Assessed and Supported Year in Employment (**ASYEs**). The strategy of over recruiting newly qualified social workers was developed in early 2016 as a response to the local and national shortage of experienced social worker applicants. The strategy allows us to recruit, train, invest and value those new to the profession, provide a sustainable workforce in the future and, as a result, avoid future expensive agency costs.
- ii. Despite this strategy, there is still occasionally a need to supplement the permanent workforce with temporary **agency staff**, particularly for difficult to recruit and crucial front-line roles. There are currently 16 agency staff, who, on average, cost around 30% more than a permanent member of staff.
- iii. Aligned to this, when speedy filling front-line posts is imperative, the 4% **vacancy management target** (£467k) is also difficult to achieve in full.

### Savings

3.9 Budgeted savings in 2018/19 are largely centred around targeted reductions in children's placements, changes at Children's Centres and Nurseries and other reductions to staffing and preventative services. As described above, savings in placements costs are not materialising to a great extent, although there is significant cost avoidance. The projects in relation to Children's Centres and Nurseries are progressing well, although the

savings, particularly in relation to additional nursery income, may be delayed. Other savings are on track to be delivered, aside from those in relation to the reduction in the Education Services Grant, where more work needs to be done to identify further savings.

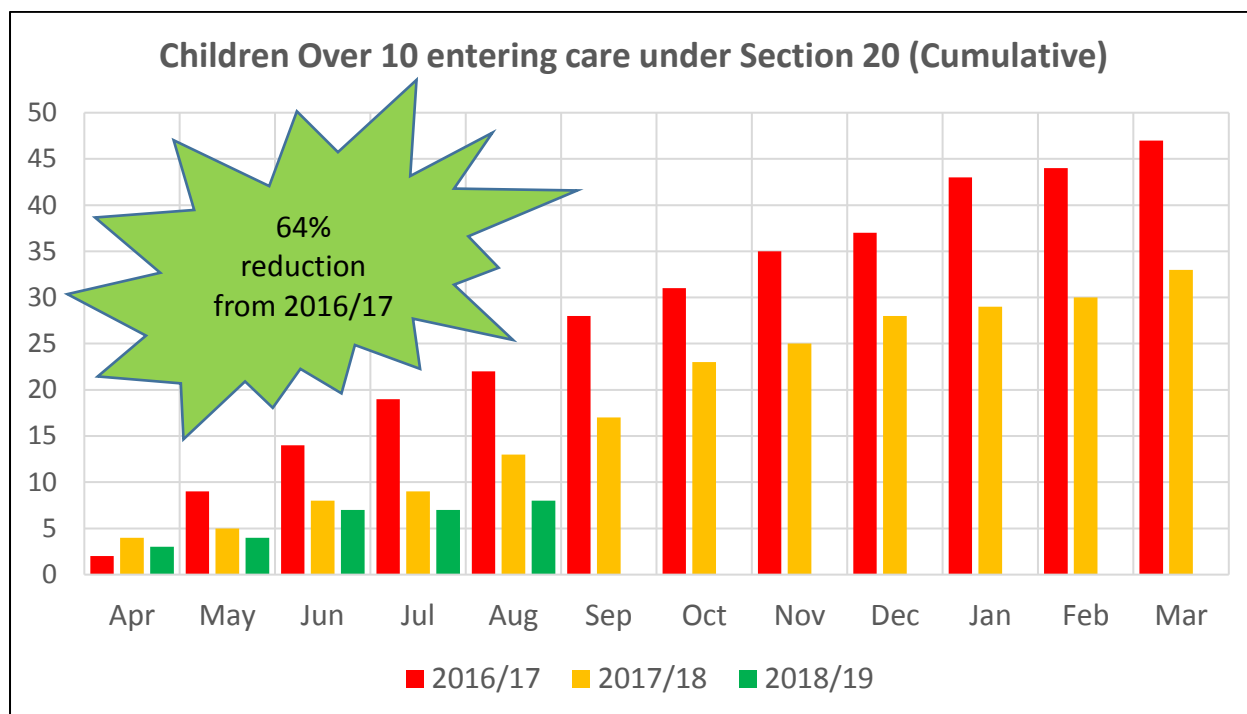
### **Medium Term Planning**

- 3.10 The 2019/20 budget setting process will see a continuation of the principle of providing budget growth to further close the gap caused by significant demand-led pressures. In addition, growth is likely to be allocated to increase resources to improve services for children with SEND following the Joint Local Area Review of SEND Services. Alongside this, the Children's Transformation Programme referred to above, will be expected to identify robust plans to deliver savings in relation to children's placements, and other savings will need to be identified as part of closing the Council's overall budget gap. Further details will be included in a report to the Executive on 16 October.

### **Social Impact Bond Costs and Savings**

- 3.11 Members will be aware that Council approved the award of a contract for the Edge of Care intervention and prevention services in December 2016. The service is delivered by Outcomes for Children (Core Assets Group) with funding being provided by the social investor Bridges Ventures.
- 3.12 Over the course of the 4-year contract, the service is designed to work with 40 children to reunify them home (cohort 1) and 200 children to avoid / divert them from care (cohort 2).
- 3.13 The service provider is paid outcome payments by the Council on completion of the intervention, and only after the child has remained out of care for specified periods. The majority of payments are made as a daily rate, so that the outcome payment is proportionate to the success of the provider in avoiding care and relates directly to the costs avoided by the Council, which, on average are approximately £120 per day per child. In addition, the Big Lottery contribute 15% to the outcome payments, although the profile of payments allows us to claim more in the early years up to the 15% maximum.
- 3.14 At the last meeting of this Panel, members received a report on the progress made with the Edge of Care Social Impact Bond, which indicated an early 80% potential success rate for cohort one (4 out of 5 referrals on track) and a 93% potential success rate for cohort two (14 of 15 referrals on track), although it must be recognised that many of the referrals are still in the early stages. At that meeting, further information was requested in relation to the costs and savings associated with the SIB arrangements.
- 3.15 Appendix 3 summarises the outcome payments and maximum notional cost avoidance savings associated with each referral over the period of the referral (74 weeks for cohort 1, 68 weeks for cohort 2). It illustrates that each successful referral generates net cost avoidance savings in the region of £50,000. A 70% success rate would equate to saving of around £35,000 per referral. The maximum cost avoidance savings are calculated on the basis every case referred would have required time in care had the intervention not taken place.
- 3.16 Appendix 4 aggregates the potential savings and shows that, over the period of the contract, net cost avoidance savings of around £8m are possible with a 70% success rate.

- 3.17 Appendix 5 illustrates the actual outcome payments made to date (invoices up to 31 March 2018) and shows that the equivalent net cost avoidance savings amount to approximately £230,000.
- 3.18 In addition to illustrating the potential cost avoidance savings, it is also worth noting that impact that the SIB has had on the number of children becoming looked after. The analysis overleaf illustrates that the number of children aged 10 and over coming into care under Section 20 of the Children Act 1989 in 2018/19 (April to August) has reduced by over 60% when compared with 2016/17.



- 3.19 The impact of overall numbers of looked after children is less clear, with the current figure (225) similar to that experienced over the last two years. However, in more recent months, we have begun to see a reduction when compared with the peak experienced earlier in the year (237). It is too early to know whether this reduction will be sustained.
- 3.20 It is possible that part of the reason for the sustained overall numbers of looked after children relates to an increase in the length of episodes in care, but more work needs to be done to verify this assumption.

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## **BACKGROUND PAPERS**

2018/19 Medium Term Financial Plan

Month 4 Budget Monitor – Report to Executive, September 2018

Activity and Unit Cost data

Edge of Care Services Award of Contract – Report to Council, December 2016

Children’s Services Social Impact Bond – Report to CYPS Policy & Scrutiny Panel, June 2018

## Appendix 1 – Children’s Placements - Activity and Unit Cost Data

	2017/18 Outturn	2018/19 Budget	2018/19 Forecast	2017/18 - 2018/19 Change
			<b>P4</b>	
<b>In-house Fostering</b>				
- Numbers	96.00	104.04	97.00	1.00
- Average unit cost	£18,917	£20,000	£20,105	£1,188
- Total Cost	£1,816,035	£2,080,840	£1,950,193	£134,158
- Variance	-£400,805		-£130,647	
Volume variance	-£305,248		-£140,840	
Price variance	-£95,557		£10,193	
<b>Independent fostering</b>				
- Numbers	60.56	47.04	57.95	-2.61
- Average unit cost	£44,757	£44,000	£47,378	£2,620
- Total Cost	£2,710,514	£2,069,540	£2,745,528	£35,014
- Variance	£596,974		£675,988	
Volume variance	£378,308		£480,260	
Price variance	£218,666		£195,728	
<b>Residential</b>				
- Numbers	16.25	14.01	16.84	0.59
- Average unit cost	£188,885	£175,000	£188,117	-£768
- Total Cost	£3,069,380	£2,450,990	£3,167,895	£98,515
- Variance	£750,890		£716,905	
Volume variance	£918,025		£496,010	
Price variance	-£167,135		£220,895	
<b>Kinship</b>				
- Numbers	31.00	32.00	36.00	5.00
- Average unit cost	£13,613	£13,012	£10,674	-£2,939
- Total Cost	£422,006	£416,390	£384,265	-£37,741
- Variance	£5,616		-£32,125	
Volume variance	-£14,627		£52,049	
Price variance	£20,243		-£84,174	
<b>Mother &amp; Baby</b>				
- Numbers	3.71	2.86	1.32	-2.39
- Average unit cost	£140,346	£140,346	£138,291	-£2,055
- Total Cost	£520,684	£401,100	£182,544	-£338,140
- Variance	£419,584		-£218,556	
Volume variance	£337,414		-£215,843	
Price variance	£82,170		-£2,713	
<b>Special Guardianship</b>				
- Numbers	69.00	68.98	72.00	3.00
- Average unit cost	£7,758	£7,758	£7,707	-£51
- Total Cost	£535,306	£535,120	£554,925	£19,619
- Variance	£50,186		£19,805	
Volume variance	£47,529		£23,460	
Price variance	£2,657		-£3,655	
<b>Supported Living</b>				
- Numbers	4.25	3.11	4.53	0.28
- Average unit cost	£122,514	£122,514	£91,936	-£30,578
- Total Cost	£520,684	£381,610	£416,470	-£104,214
- Variance	£439,074		£34,860	
Volume variance	£386,060		£173,378	
Price variance	£53,014		-£138,518	
<b>Secure Accommodation</b>				
- Numbers	1.27	0.63	1.08	-0.19
- Average unit cost	£359,128	£359,128	£387,704	£28,576
- Total Cost	£456,092	£225,500	£418,720	-£37,372
- Variance	£380,592		£193,220	
Volume variance	£319,592		£162,358	
Price variance	£61,000		£30,862	
<b>TOTAL</b>				
- Numbers	282	273	287	5
- Average Unit Cost	£35,636	£31,398	£34,251	-£1,384
- Total Cost	£10,050,701	£8,561,090	£9,820,539	-£230,162
- Variance	£2,242,111		£1,259,449	-£982,662
Volume variance	£2,067,054		£1,030,831	
Price variance	£175,057		£228,618	

NB – totals do not agree to total numbers of looked after children as they include, for example Special Guardianship Orders

## Appendix 2 – Budget and Spend Forecasts

PEOPLE & COMMUNITIES - CHILDREN & YOUNG PEOPLE		REVISED BUDGET				PROJECTED OUT-TURN				PROJECTED VARIANCE			
		Expenditure £	Income £	Reserves £	Net £	Expenditure £	Income £	Reserves £	Net £	Expenditure £	Income £	Reserves £	Net £
Family Support Services	Eifion Price	1,349,394	(468,580)	0	880,814	1,438,930	(461,580)	0	977,350	89,536	7,000	0	96,536
Locality Teams		4,168,383	(93,069)	0	4,075,314	4,365,334	(95,069)	0	4,270,265	196,951	(2,000)	0	194,951
Looked After Children		8,582,043	(289,913)	0	8,292,130	9,899,111	(259,762)	0	9,639,349	1,317,068	30,151	0	1,347,219
Children and Families (Adoption)		1,555,184	(167,525)	0	1,387,659	1,547,217	(159,500)	0	1,387,717	(7,967)	8,025	0	58
Social work		3,349,245	(61,000)	0	3,288,245	3,359,384	(61,000)	0	3,298,384	10,139	0	0	10,139
Youth Justice		1,036,802	(724,983)	0	311,819	1,094,593	(781,145)	(1,629)	311,819	57,791	(56,162)	(1,629)	(0)
<b>Support and Safeguarding</b>	<b>Sub total</b>	<b>20,041,051</b>	<b>(1,805,070)</b>	<b>0</b>	<b>18,235,981</b>	<b>21,704,569</b>	<b>(1,818,056)</b>	<b>(1,629)</b>	<b>19,884,884</b>	<b>1,663,518</b>	<b>(12,986)</b>	<b>(1,629)</b>	<b>1,648,903</b>
Pupil and communities	Eifion Price	351,004	(415,049)	0	(64,045)	326,454	(382,927)	0	(56,473)	(24,550)	32,122	0	7,572
Learning		31,000	0	0	31,000	28,000	0	0	28,000	(3,000)	0	0	(3,000)
Grants		20,090	(473,992)	0	(453,902)	20,090	(473,992)	0	(453,902)	0	0	0	0
Children's Services		2,060,206	(413,686)	0	1,646,520	2,081,135	(425,457)	0	1,655,678	20,929	(11,771)	0	9,158
Early Years		1,676,879	(1,201,423)	0	475,456	1,669,079	(1,134,487)	0	534,592	(7,800)	66,936	0	59,136
Special Education		1,193,348	(908,872)	0	284,476	1,156,911	(872,435)	0	284,476	(36,437)	36,437	0	0
<b>Learning and Achievement</b>	<b>Sub total</b>	<b>5,332,527</b>	<b>(3,413,022)</b>	<b>0</b>	<b>1,919,505</b>	<b>5,281,670</b>	<b>(3,289,298)</b>	<b>0</b>	<b>1,992,372</b>	<b>(50,857)</b>	<b>123,724</b>	<b>0</b>	<b>72,867</b>
Strategy	Mark Hughes	3,577,770	(1,252,533)	0	2,325,237	3,790,578	(1,239,982)	3,592	2,554,188	212,808	12,551	3,592	228,951
Strategy and Directorate		5,111,879	(180,000)	0	4,931,879	5,109,054	(118,283)	0	4,990,771	(2,825)	61,717	0	58,892
Other - Music		956,387	(956,387)	0	0	956,387	(956,387)	0	0	0	0	0	0
Other - Non music		378,704	(110,125)	0	268,579	389,811	(109,443)	0	280,368	11,107	682	0	11,789
<b>Strategy and Directorate</b>	<b>Sub total</b>	<b>10,024,740</b>	<b>(2,499,045)</b>	<b>0</b>	<b>7,525,695</b>	<b>10,245,830</b>	<b>(2,424,095)</b>	<b>3,592</b>	<b>7,825,327</b>	<b>221,090</b>	<b>74,950</b>	<b>3,592</b>	<b>299,632</b>
<b>P&amp;C - CHILDREN &amp; YOUNG PEOPLE TOTAL</b>		<b>35,398,318</b>	<b>(7,717,137)</b>	<b>0</b>	<b>27,681,181</b>	<b>37,232,068</b>	<b>(7,531,449)</b>	<b>1,963</b>	<b>29,702,582</b>	<b>1,833,750</b>	<b>185,688</b>	<b>1,963</b>	<b>2,021,401</b>

### Appendix 3 – Summary of Outcome Payments and Notional Cost Avoidance Savings

Trigger	Activity	Timeline (Weeks)	Outcome payment rate	Outcome Payment Paid by NSC	Outcome Payment Paid by Big Lottery	Average Daily cost of care	Cost of Care Saved	Net saving to NSC
<b><u>Cohort 1</u></b>								
0	Intervention Period	1-18	£0.00	£0	£0	£120	£15,120	£15,120
1	4 weeks after completion of intervention (flat rate)	19-22	£4,542.44	£3,861	£681	£120	£3,360	-£501
2	Remains out of care (day rate)	23-48	£37.44	£5,792	£1,022	£120	£21,840	£16,048
3	Outcome Star Score Improvement (flat rate)	34	£757.07	£644	£114	£120	£0	-£644
4	Remains out of care (day rate)	49-74	£16.64	£2,574	£454	£120	£21,840	£19,266
	<b>TOTAL</b>			<b>£12,871</b>	<b>£2,271</b>		<b>£62,160</b>	<b>£49,289</b>
<b><u>Cohort 2</u></b>								
0	Intervention Period	1-12	£0.00	£0	£0	£120	£10,080	£10,080
1	4 weeks after completion of intervention (flat rate)	13-16	£3,186.14	£2,708	£478	£120	£3,360	£652
2	Remains out of care (day rate)	17-42	£26.26	£4,062	£717	£120	£21,840	£17,778
3	Outcome Star Score Improvement (flat rate)	30	£531.02	£451	£80	£120	£0	-£451
4	Remains out of care (day rate)	43-68	£11.67	£1,805	£319	£120	£21,840	£20,035
	<b>TOTAL</b>			<b>£9,027</b>	<b>£1,593</b>		<b>£57,120</b>	<b>£48,093</b>



## Appendix 4 – Potential Net Notional Cost Avoidance Savings from SIB

	Outcome Payment Paid by NSC	Outcome Payment Paid by Big Lottery	Cost of Care Saved	Net saving to NSC
Cohort 1 per successful intervention over 74 weeks	£12,871	£2,271	£62,160	£49,289
At 70% success rate	£9,010	£1,590	£43,512	£34,502
Cohort 2 per successful intervention over 68 weeks	£9,027	£1,593	£57,120	£48,093
At 70% success rate	£6,319	£1,115	£39,984	£33,665
Total for a year of referrals:-				
Cohort 1	£128,708	£22,713	£621,600	£492,892
Cohort 2	£361,094	£63,723	£2,284,800	£1,923,706
<b>TOTAL</b>	<b>£489,802</b>	<b>£86,436</b>	<b>£2,906,400</b>	<b>£2,416,598</b>
<b>70% success rate</b>	<b>£342,861</b>	<b>£60,505</b>	<b>£2,034,480</b>	<b>£1,691,619</b>
Total for the 4-year period:-				
Cohort 1	£514,830	£90,852	£2,486,400	£1,971,570
Cohort 2	£1,805,471	£318,613	£11,424,000	£9,618,529
<b>TOTAL</b>	<b>£2,320,302</b>	<b>£409,465</b>	<b>£13,910,400</b>	<b>£11,590,098</b>
<b>70% success rate</b>	<b>£1,624,211</b>	<b>£286,626</b>	<b>£9,737,280</b>	<b>£8,113,069</b>
<u>Notes / Assumptions</u>				
- Savings are notional cost avoidance savings and cannot be "cashed" until such time as the budget is sufficient to meet the demand				
- Savings are calculated on the basis that every case referred would have required time in care had the intervention not taken place				
- Savings are calculated for the time period of the intervention / outcome payments, i.e. 74 weeks for cohort 1 and 68 weeks for cohort 2				
- The costs of care avoided are calculated at £120 / day, which represents the approximate weighted average cost of a placement				
- 70% success rate is the 'base case' in the business case				

**Appendix 5 – SIB Payments and Savings to Date (as at 31 March 2018)**

		<b>Total Outcome Payments (Cohort 2) 2017/18</b>	<b>Payments to be reclaimed from Big Lottery (15%) 2017/18</b>	<b>Equivalent cost avoidance 2017/18</b>	<b>Net notional saving 2017/18</b>
<b>Outcome 1</b>	Quantity	15		15	
	Unit	Participants		Cost of 16 weeks in care per Participant	
	Unit Rate	£3,186.14		£13,440.00	
	<b>Amount</b>	<b>£47,792.10</b>	<b>£7,168.82</b>	<b>£201,600.00</b>	<b>£160,976.72</b>
<b>Outcome 2</b>	Quantity	<b>1,846</b>		1,846	
	Unit	<b>Days</b>		Days	
	Unit Rate	<b>£26.26</b>		£120.00	
	<b>Amount</b>	<b>£48,475.96</b>	<b>£7,271.39</b>	<b>£102,230.18</b>	<b>£61,025.61</b>
<b>Outcome 3</b>	Quantity	11		N/A	
	Unit	<b>Participants</b>		N/A	
	Unit Rate	<b>£265.51</b>		N/A	
	<b>Amount</b>	<b>£2,920.61</b>	<b>£438.09</b>	£0.00	<b>-£2,482.52</b>
<b>Outcome 4</b>	Quantity	94		94	
	Unit	<b>Days</b>		Days	
	Unit Rate	<b>£11.67</b>		£120.00	
	<b>Amount</b>	<b>£1,096.98</b>	<b>£164.55</b>	<b>£11,280.00</b>	<b>£10,347.57</b>
<b>TOTAL</b>		<b>£100,285.65</b>	<b>£15,042.85</b>	<b>£315,110.18</b>	<b>£229,867.38</b>