

North Somerset Council

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

DATE OF MEETING: 29 OCTOBER 2020

SUBJECT OF REPORT: MONTH 5 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 2020/21 forecast 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 2021/21 forecast spend against budget for children's services, highlighting key variances, movements and contextual information. It provides further details on the month 5 report that is due to be presented to the Executive on 21 October 2020.
- 1.2 The report also makes reference to the principles and outcomes associated with the setting of the 2021/22 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 Corporate Plan.

3. DETAILS

Overall position

- 3.1 The growth applied to the Children's Services budgets in 2020/21 has not been sufficient to close the gap between the budget and the demand for placements for looked after children. Historic cost pressures are also continuing in other areas such as support to families with disabled children and legal costs.
- 3.2 In addition, Covid-19 continues to impact areas such as social care, early years nursery provision and the music service. Of the overall £1,548k variance, £1,204k (78%) is Covid-related, much of which relates to income losses, social care costs and MTFP savings that may not be able to be delivered.
- 3.3 The main areas of overspend are as follows and the key items are discussed in more detail in the following paragraphs. It is worth noting that much of the overspend relates to pressures that are either unavoidable or very difficult to control. Some mitigation has been achieved by controlling expenditure on staffing and deferring 2020/21 budget growth to the next financial year.

	P5 Variance £k	Covid- related £k
Placements for looked after children	690	239
Disabled Children's Services	597	330
Early Birds Nursery Private Income	351	351
Music Service (Traded Deficit)	179	179
Legal Costs (children looked after)	113	0
Schools Non-Attendance Penalty Notices	51	51
Somerset Education Services Contract	(61)	0
Deferral of 2020/21 Early Intervention Growth	(105)	0
Staffing	(262)	0
Other	(5)	54
Total	1,548	1,204

Placements - £690k Adverse

- 3.4 Children's placements overspent by c. £1.4m in 2019/20, although around £300,000 related to one-off spend. The adjustments made to the budget for 2020/21 were as follows:

Item	£000s
Growth to reflect previous increases in demand	500
Growth to reflect unit cost inflation	150
Savings plans (residential step down)	(200)
Savings plans (income from CCG)	(125)
TOTAL net growth	325

- 3.5 In addition, as part of the MTFP the way in which housing with support is commissioned has been reconfigured, with the majority of services now being funded from housing benefit. Overall this has resulted in savings of £720k in Adult Social Care budgets; £360k of the budget has been retained in Adult Social Care to offset overspends in other areas, and the other £360k of the budget has been transferred to Children's Services to cover the costs of these new arrangements for housing with support, and this is factored into the position reported here.
- 3.6 As can be seen from the table below, the growth in the budget was insufficient to offset the 2019/20 overspend (£1.4m). We have experienced an increase in numbers, especially in high cost placements in supported living, although this is largely offset by a reduction in spend on residential placements, and savings are being made by changed commissioning arrangements, particularly for children aged 16+ approaching leaving care. The forecast spend for 2020/21 is an increase in spend of just £117k when compared with last year, although this does represent an overall projected overspend against budget of £690k as illustrated below.

All	2019/20 £000s	2020/21 P5 £000s	Change £000s
Budget	8,834	9,649	815
Spend	10,222	10,339	117
Variance	1,388	690	(670)

- 3.7 It is also useful to split the forecast overspend as it relates to either expenditure or income and whether any is estimated to be a result of the impact of the Covid-19 pandemic. This is shown on the table below. Covid-related pressures relate mainly to the likelihood that some MTFP savings may not be achieved in relation to residential step down (£100k) and additional contributions from the CCG in relation to complex cases (£125k).

Overspend Analysis	Covid- related £000s	BAU £000s	TOTAL £000s
Expenditure	114	451	565
Income	125	0	125
TOTAL	239	451	690

- 3.8 An analysis of the activity and unit costs in relation to children's placements is shown at Appendix 2
- 3.9 Spending, in part, reflects the total number of children looked after, which, as illustrated in Appendix 3, plateaued at a high of around 235 - 245 during the most part of 2019/20. More recent reductions are unlikely to be sustained as an increase in referrals is expected as young people return to school.

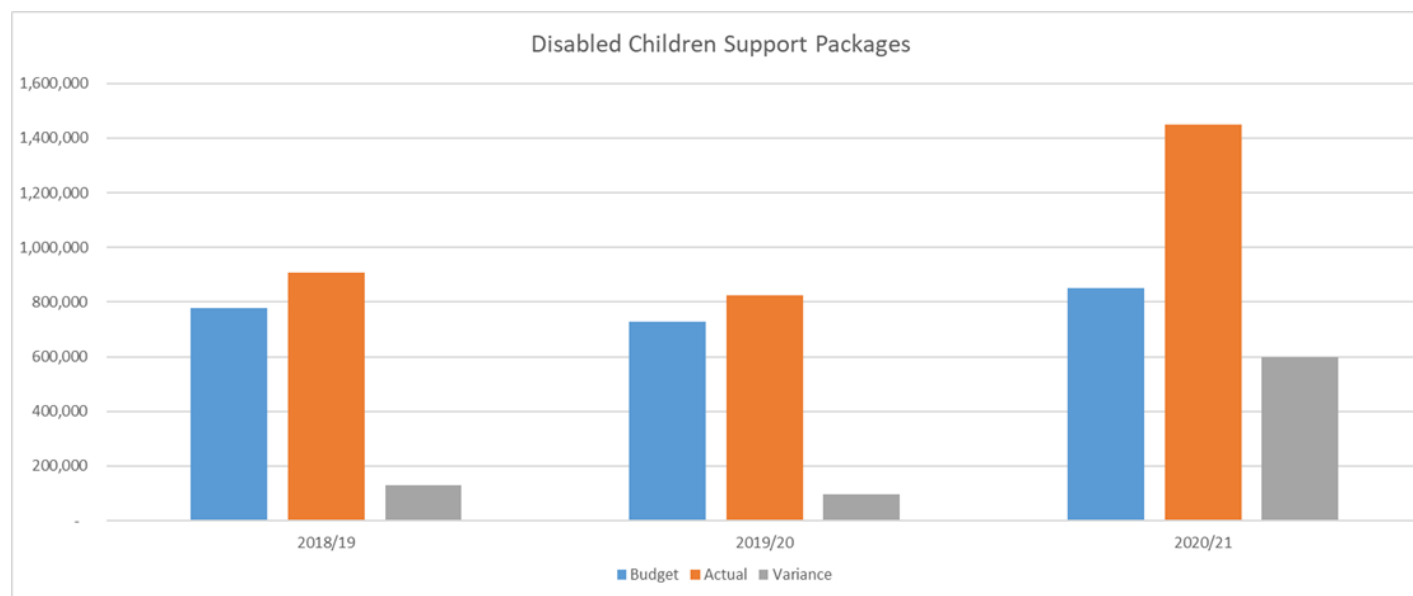
Disabled Children's Support Packages - £597k Adverse

3.10 A breakdown of the financial position highlighting the key budgets is detailed below:

Service Area	Budget £000s	Forecast £000s	Variance £000s	<i>Covid- related</i> £000s	19/20 Outturn £000s	Change in Spend £000s
Complex Packages	279,912	591,799	311,887	232,820	232,259	359,540
Direct Payments	331,368	609,744	278,376	97,408	406,014	203,730
Respite	225,796	229,816	4,020	0	164,670	65,146
Playschemes & Day Care	15,533	18,393	2,860	0	22,944	(4,551)
Total	852,609	1,449,752	597,143	330,228	825,887	623,864

3.11 Overall net budget growth of £125k was provided in 2020/21, however forecast spend has increased significantly by £624k compared to 2019/20, and this represents an overall projected overspend against budget of £597k. Worthy of note is that included in the 2019/20 outturn is a £127k one-off benefit resulting from accruals for 2018/19 spend (£66k complex packages and £61k Respite).

The chart below shows the financial position over the last few years.



3.12 Around 55% of the £597k overspend is estimated to be Covid-related, mainly driven by young people requiring more significant social care support during the pandemic, especially those not attending school. Additional spend relates to increased Direct Payments and increased complex support packages. There is also one joint-funded case with the CCG, where the Council's contribution has increased following a review.

Early Birds Nursery Private Income - £351k Adverse

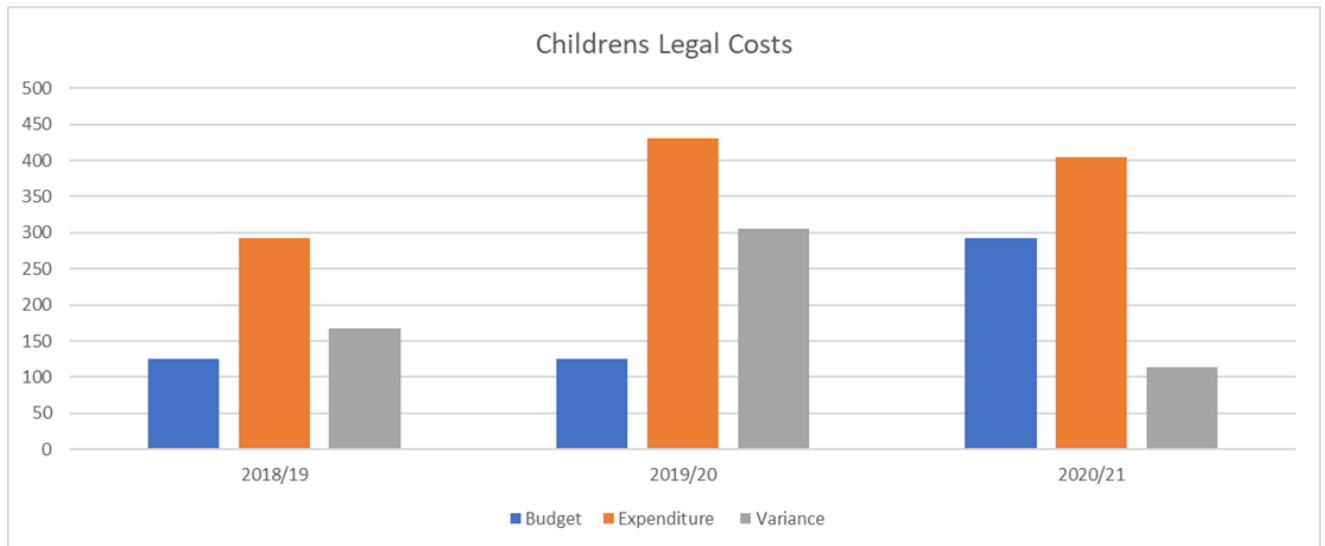
- 3.13 Early Birds nursery is one of three Council maintained nurseries, and the only one generating income from private nursery fees (as opposed to those funded by the Dedicated Schools Grant in relation to free places). The lockdown measures have had a significant impact on the service, with no uptake of fee-paying places during the initial phase and only a limited number of places from June-20.
- 3.14 Whilst bookings for September and January intakes show an increase in the number of fee paying places, hours being requested are around 25% less than before and since September there have been instances whereby parents have subsequently withdrawn their children, and some places still not yet confirmed.
- 3.15 It is also worthy of note that the nursery is mitigating some of these losses by reporting a forecast underspend of £77k on salaries, mainly due to non usage of agency and vacant posts. There may also be an opportunity to mitigate the adverse position from Government funding for losses from fees and charges (we can claim 75% of our losses but the first 5% on the total budgets we are claiming for is deductible).

Music Service - £179k Adverse

- 3.16 The Music Service is a traded service generating around 64% of its income from instrumental and vocal music lessons brokered by schools, 5% from selling services to schools, 5% selling provision directly to families and about 26% from grant funding. The Council currently contributes no direct funding to the operation of the Music Service other than some corporate overheads.
- 3.17 The majority of traded income comes from families through schools, and as a result of the school closures due to Covid-19 the predicted lost income for the Music Service is £342k. As a mitigation, the Council has been successful in applying to the government's Coronavirus Job Retention Scheme to support staffing costs, with £163k grant expected for the duration of the scheme which ends in October.
- 3.18 Even though schools have resumed there is still a considerable amount of uncertainty regarding income during terms 1 and 2, both as schools adapt to the changing circumstances and the risk of income being adversely affected where there are changes to mitigation measures. A staff consultation has also been undertaken to review service options in light of this expected reduction in trading activity. Similar to the nursery income just discussed, there may also be an opportunity to mitigate the adverse position from Government funding for losses from fees and charges.

Legal Costs - £113k Adverse

3.19 This relates to unavoidable prevention and support legal costs for looked after children (such as court fees, police disclosure fees, medical reports and parenting assessments). The chart below shows the position over the last 3 years.



3.20 Whilst £167k budget growth was given in 20/21, this has not been sufficient to cover the historic cost pressure. As shown in the chart, there was a sharp increase in expenditure in 19/20 and this is forecast to continue in 20/21:

- Similar level of court cases are expected to be issued this year, based on quarter one actual activity numbers and those in the pipeline.
- Due to reduced staffing resources in the team, more cases are being outsourced to external barristers at a higher cost.
- Lack of internal resources and expertise means Children's Social Care are outsourcing the majority of parenting and kinship assessments to agency social workers

MITIGATION

Deferral of 2020/21 Early Intervention Growth - £105k Favourable

3.21 A total of £105k growth in relation to Early Intervention services was applied to the Early Years budgets in 20/21. Due to Covid, spending plans have been delayed until 21/22, and the deferral of the growth formally agreed at the meeting of the Executive at the end of July. The growth relates to the following specific areas:

- £40k – increase in the number of parenting groups (Staffing)
- £40k – Early Help Assessments Co-ordinator (Staffing)
- £25k – capital financing costs for children's centre improvements (£250k of capital)

Staffing - £262k Favourable (excl. Music Service and Early Intervention included above)

3.22 The main areas under spending are nurseries largely due to vacancies and non usage of agency, Locality and Special Educational Needs and Disabilities (SEND) teams. It is worth noting that spend on agency staff continues to reduce compared to prior years, with the current estimated spend in 20/21 representing a 75% reduction when compared with 2016/17:

2016/17	2017/18	2018/19	2019/20	2020/21
£1,700,734	£1,158,238	£846,913	£377,532	£421,340

SAVINGS

3.23 Targeted savings in 2020/21 are largely centred around reductions in children's placements (Step Down Programme) and generating additional contributions from the CCG in relation to children with complex needs. As already described above, there is a likelihood that these savings will not be fully achieved, although the new housing with support arrangements to provide more cost effective and local support to children looked after is providing significant savings in excess of that target.

3.24 Initial analysis in relation to the SIB shows a significant reduction in the number of over 10s entering care under section 20. There was a spike during 19/20 in the overall number of looked after children, however the reduction seen in the last quarter in 19/20 has so far been sustained, but it is anticipated that "lockdown" measures may have suppressed demand and an increase is expected later in the year. The trend of numbers of looked after children is shown in Appendix 3.

MEDIUM TERM FINANCIAL PLANNING

3.25 The Council has begun its medium term financial planning for 2021/22 and beyond. One of the principles that it will continue to follow will be to close the gap between the budget and the projected spend, particularly in those areas where demand is most difficult to manage. It is expected that the key areas of overspend detailed in this report will feature in terms of budget growth.

EDUCATION – DEDICATED SCHOOLS GRANT (£6.440m projected cumulative deficit)

3.26 The Dedicated Schools Grant (DSG) is a ring-fenced grant, which must be used in support of the schools' budget. The majority of the funding is for academies and is paid direct to them by the DfE, using the formula agreed by the Strategic Schools Forum (SSF) for funding all schools in North Somerset, whether they be maintained or not.

- 3.27 The DSG is split into four blocks as follows and local authorities may only transfer limited amounts of funding from the schools block to other blocks (usually the High Needs Block) with approval from the SSF and the Secretary of State.

	2020/21
	£
Schools Block	129,968,128
High Needs Block	26,047,648
Early Years Block	11,656,425
Central Services Block	1,888,682
TOTAL DSG	169,560,883

- 3.28 At the end of the 2019/20 financial year there was a deficit of £3.847m, which was transferred into an earmarked reserve rather than impact on the council's general fund balance. The deficit relates entirely to spending on the "high needs block", which funds education for children and young people with Special Educational Needs and Disabilities (SEND) and reflects the 80% increase in the number of children with the Education, Health and Care Plans (EHCPs) from 2015 to 2019.

- 3.29 The table below shows the projected deficit balance to carry forward at year end.

Dedicated Schools Grant Balance

Area	£000s	£000s
Brought Forward deficit		3,847
In-year variances:		
- Out of Authority Placements	1,770	
- Top Up Funding	577	
- Other Intensive Support for Vulnerable Learners	312	
- Special School Place Funding	(67)	
Sum of in-year variances		2,593
Deficit to carry forward		6,440

- 3.30 The main area of forecast overspend is out of area placements arising from an increase in demand for special schools' placements and a lack of local supply. As shown in the table below, spend is forecast to increase by £734k (13%) this year, compared to last, and this is primarily driven by an increase in the average unit cost from £46,898 to £52,785. In addition, the 1920 overspend was £521k but due to other pressures in the High Needs Block and the requirement to set a balanced budget, the budget has actually decreased in 20/21 by £514k. Overall this has resulted in an estimated £1.770m overspend.

	2019/20	2020/21	Change
FTE	117	118	1
Budget	5,000,000	4,486,163	(513,837)
Spend	5,521,473	6,255,825	734,352
Variance	521,473	1,769,662	1,248,189

- 3.31 Top-up Funding is estimated to be over spent by £577k, mainly in special maintained schools due to an unbudgeted increase in the number of children. It is worth noting that placements in maintained special schools are largely more cost effective than placements in independent non-maintained special schools, so increasing place numbers here mitigates higher increases if placements were made out of area.
- 3.32 Reducing the increase in spending the high needs block is an issue for local authorities across the country and have been recognised by the Department for Education. In previous years, the overspend was partially mitigated by a significant transfer of funding from the schools block to the high needs block. However, for 2020/21, this has been reduced to just 0.5% of the DSG (c. £650k).
- 3.33 Medium term measures to mitigate spending increases include the implementation the Specialist and Alternative Provision Review, which includes the following key projects: -
- The submission and progression of a bid to the DfE as part of the Wave 13 SEND and AP Provision Free School Bid, for a 65-place Emotional and Mental Health (SEMH) Special School within North Somerset
 - The commencement of the programme and statutory process to deliver an expansion to Baytree Special School to a new site with facilities for 65 new places for pupils with severe and profound learning disabilities.
 - The commencement of the programme and statutory process to deliver expansions to Westhaven and Ravenswood Special Schools
 - The commencement of the programme and statutory process to deliver two new Specialist Units (for up to 20 pupils) to meet the needs of high functioning pupils with autism on mainstream school sites
- 3.34 Recent modelling, which takes into account forecasts for the increasing number of young people requiring specialist provision, indicates that, in the absence of a further exceptional funding injection from the government, there is little prospect of reducing the overall deficit, although it is possible that the in-year deficit could be eliminated by 2023/24.
- 3.35 Officers discussed our deficit management plan with officials from the Department for Education at the end of July. They raised no concerns about our approach and, in particular, were supportive of our intention to lead and organise an Inclusion Summit, to include various partners, in order to develop a strategy and plans to ensure that more children and young people with SEND can remain in mainstream schools with appropriate levels of support.

AUTHORS

Katherine Sokol, Finance Business Partner (People and Communities)

katherine.sokol@n-somerset.gov.uk

01934 634613

Sindy Dube, Senior Service Accountant (People and Communities)

sindy.dube@n-somerset.gov.uk

01275 888753

Appendix 1 - Children's Services Forecast Year End position

PEOPLE & COMMUNITIES - CHILDREN & YOUNG PEOPLE	REVISED BUDGET				FORECAST				VARIANCE				VARIANCE DUE TO COVID19 IMPACT			
	Expenditure £	Income £	Reserves £	Net £	Expenditure £	Income £	Reserves £	Net £	Expenditure £	Income £	Reserves £	Net £	Expenditure £	Income £	Reserves £	Net £
Adoption and Other Allowances	1,862,762	(27,000)	0	1,835,762	1,995,449	8,531	0	2,003,980	132,687	35,531	0	168,218	0	0	0	0
Care Leavers and Refugees	434,026	(248,792)	0	185,234	384,348	(307,972)	0	76,375	(49,678)	(59,180)	0	(108,858)	0	0	0	0
Children Looked After	10,578,464	(290,586)	0	10,287,878	11,052,621	(133,592)	0	10,919,029	474,157	156,994	0	631,151	114,000	125,000	0	239,000
Disabled Children	1,047,765	(394,680)	0	653,085	1,584,501	(405,295)	0	1,179,205	536,735	(10,615)	0	526,120	330,000	0	0	330,000
Locality Teams	4,026,968	(35,000)	0	3,991,968	3,939,028	(48,471)	0	3,890,556	(87,940)	(13,471)	0	(101,412)	0	0	0	0
Safeguarding and Social Work	2,699,108	(112,767)	0	2,586,341	2,733,223	(92,858)	(82,555)	2,557,810	34,115	19,909	(82,555)	(28,531)	0	0	0	0
Youth Justice	1,533,505	(990,296)	(271,165)	272,044	1,564,665	(1,039,961)	(256,012)	268,691	31,160	(49,665)	15,153	(3,353)	0	0	0	0
Support and Safeguarding	22,182,598	(2,099,121)	(271,165)	19,812,312	23,253,834	(2,019,620)	(338,567)	20,895,647	1,071,236	79,501	(67,402)	1,083,335	444,000	125,000	0	569,000
Childrens Centres	2,156,113	(397,165)	0	1,758,948	2,064,680	(374,944)	0	1,689,736	(91,433)	22,221	0	(69,211)	20,000	25,000	0	45,000
CYPS Early Years	3,023,925	(2,056,426)	(71,021)	896,479	2,778,031	(1,632,261)	57,631	1,203,401	(245,895)	424,165	128,652	306,922	0	350,858	0	350,858
CYPS Special Education	2,118,509	(550,876)	(198,950)	1,368,683	2,012,235	(494,128)	(219,840)	1,298,267	(106,274)	56,748	(20,890)	(70,416)	3,500	51,000	0	54,500
Music Service	990,209	(990,209)	0	0	928,761	(749,482)	0	179,278	(61,448)	240,727	0	179,278	0	179,000	0	179,000
Strategic Planning and Governance	1,235,847	(780,353)	0	455,494	943,984	(468,590)	(36,404)	438,990	(291,863)	311,763	(36,404)	(16,504)	5,000	0	0	5,000
Learning and Achievement	9,524,603	(4,775,028)	(269,971)	4,479,604	8,727,690	(3,719,405)	(198,613)	4,809,672	(796,913)	1,055,623	71,358	330,068	28,500	605,858	0	634,358
CYPS Strategy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CYPS Support Services	7,527,796	(592,928)	0	6,934,867	7,634,153	(564,781)	0	7,069,372	106,358	28,147	0	134,505	0	0	0	0
Strategy and Directorate	7,527,796	(592,928)	0	6,934,867	7,634,153	(564,781)	0	7,069,372	106,358	28,147	0	134,505	0	0	0	0
P&C - CHILDREN & YOUNG PEOPLE TOTAL	39,234,997	(7,467,078)	(541,136)	31,226,783	39,615,677	(6,303,805)	(537,181)	32,774,691	380,681	1,163,272	3,955	1,547,908	472,500	730,858	0	1,203,358

Appendix 2 – Children’s Placements Activity and Unit Cost Data

	2019/20 budget	2019/20 actuals	2019/20 variance from budget	2020/21 budget	budget change 2019/20 to 2020/21	2020/21 forecast this period	Change on 2019/20	Variance to budget
In-house								
- FYEs	107.72	74.14	-33.58	83.00	-24.72	76.67	2.53	-6.33
- Average Unit Cost	21,450	17,663	-3,787	17,859	-3,591	16,691	-972	-1,167
- TOTAL COST	1,478,456	1,309,555	-168,901	1,482,263	3,807	1,279,706	-29,848	-202,556
IFA								
- FYEs	66.00	64.35	-1.65	63.00	-3.00	58.67	-5.68	-4.33
- Average Unit Cost	41,004	43,239	2,236	44,117	3,114	42,209	-1,030	-1,908
- TOTAL COST	2,706,231	2,782,445	76,214	2,779,394	73,163	2,476,408	-306,037	-302,986
Residential								
- FYEs	14.99	15.97	0.98	11.00	-3.99	13.80	-2.17	2.80
- Average Unit Cost	170,944	229,935	58,991	240,227	69,283	207,033	-22,902	-33,194
- TOTAL COST	2,561,851	3,672,054	1,110,203	2,642,492	80,641	2,857,053	-815,001	214,561
Supported Living								
- FYEs	5.42	7.45	2.03	5.00	-0.42	14.33	6.88	9.33
- Average Unit Cost	105,794	169,182	63,388	241,932	136,138	164,381	-4,801	-77,551
- TOTAL COST	573,826	1,260,406	686,580	1,209,659	635,833	2,355,579	1,095,173	1,145,920
Other Areas								
- FYEs	108.83	109.16	0.33	109.25	0.42	118.57	9.41	9.32
- Average Unit Cost	13,908	10,971	-2,937	14,051	144	11,555	584	-2,496
- TOTAL COST	1,513,517	1,197,611	-315,906	1,535,099	21,582	1,370,094	172,483	-165,005
TOTAL								
- FYEs	302.96	271.07	-31.89	271.25	-31.71	282.04	10.97	10.79
- Average Unit Cost	29,159	37,710	8,551	35,572	6,413	36,657	-1,053	1,085
- TOTAL COST	8,833,881	10,222,071	1,388,190	9,648,907	815,026	10,338,841	116,770	689,934

NB - The cohort of children that are included in the Cost and Volume data are not exactly the same cohort as those children who are “looked after” (the number of these amounting to 220 at the end of August 2020). The main difference is that we include in the cost and volume analysis those children who are subject to a Special Guardianship Order; these children are not “looked after”, but the guardians are in receipt of an allowance. On average, these children number around 74.

Appendix 3 – Number of Children Looked After

