

North Somerset Council

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

DATE OF MEETING: 10TH MARCH 2022

SUBJECT OF REPORT: MONTH 10 CHILDREN'S SERVICES BUDGET MONITOR

TOWN OR PARISH: ALL

OFFICER/MEMBER PRESENTING: PRINCIPAL ACCOUNTANT (CHILDREN'S SERVICES)

KEY DECISION: NO

RECOMMENDATIONS

- i. That the Panel notes the 2021/22 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 2021/22 forecast spend against budget for children's services, highlighting key variances, movements and contextual information as at month 10.
- 1.2. The report also makes reference to the principles and outcomes associated with the setting of the 2022/23 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 overall position is one of a projected £798k underspend against net budget of £26.5m
- 3.2. The forecast underspend is mainly due to the spend on placements for children looked after being significantly less than the budget. This is representative of the fact that the budget was set when children looked after numbers were significantly higher than they are now, and, in addition, an allowance was made in the expectation that numbers would begin to rise once lockdown measures were eased; this has not yet materialised.
- 3.3. Furthermore, work on reducing costs by “stepping down” young people to more appropriate and cost-effective placements is proving extremely productive. As a result of all these factors, the forecast spend is c. £1.5m less than the budget. The number of children looked after in recent years is shown in Appendix 3.
- 3.4. There are further mitigations from reduced staffing costs through staff turnover and contribution to overheads from a number of grants from central government.
- 3.5. The main offsetting cost pressure is on support to families with disabled children. The growth applied in this area in the 2021/22 budget has not been sufficient to close the gap between the budget and demand in the current year, although this is being addressed as part of the Medium Term Financial Plan (MTFP) and budget for 2022/23. Other cost pressures are on section 17 support (placement prevention), community related support for placements, systems improvement and the SEND element of the education support services contract.
- 3.6. The main areas of underspend and overspend are as follows, and the key items are discussed in more detail in the following paragraphs:

Budget Area	Month 10 Variance £000
Placements for Children Looked After	(1,451)
Support Services for Families with Children with Disabilities	663
Systems Improvement	134
Support Services for Education Contract	122
Placements for Children Looked After (community support)	108
Section 17 Support (mainly community support placement prevention)	93
Grants - contribution to overheads	(261)
Staffing	(498)
Other	292
TOTAL	(798)

Placements - £1,451k Favourable Variance to Budget

- 3.7. Children's placements underspent by c. £400k in 2020/21 and the adjustments made to the budget for 2021/22 were as follows:

Item	£000s
Growth to reflect previous demand position	760
Growth to reflect increases in future demand	400
Growth to reflect unit cost inflation	246
Savings plans (residential step down)	(1,165)
Savings plans (increase in-house foster carers)	(100)
Savings plans (income from CCG)	(40)
TOTAL net growth	101

- 3.8. The forecast spend for 2021/22 is a decrease of £1,441k (15.4%) when compared with the previous year and represents an overall underspend against budget of £1,451k (15.5%) as illustrated below.

	2020/21 Spend	2021/22 Budget	2021/22 Spend	2021/22 Numbers	Year on Year Change	Variance from Budget
	£000	£000	£000	FTE	£000	£000
In-house Foster Care	1,204	1,598	1,208	81	4	(389)
Independent Foster Care	2,198	2,489	1,836	42	(362)	(653)
Residential	2,489	2,488	2,523	13	34	36
Supported Living	2,116	466	625	3	(1,491)	160
Housing With Support	0	588	351	14	351	(237)
Contingency	0	0	100	0	100	100
Other	1,348	1,739	1,271	87	(77)	(468)
TOTAL	9,355	9,366	7,915	241	(1,441)	(1,451)
					-15.4%	-15.5%

- 3.9. The biggest reduction in spend is in supported living placements and this reflects the MTFP savings plans in relation to changed commissioning arrangements for children aged 16+ approaching leaving care to commission more cost-effective placements, primarily in housing with support. Cost benefits of c. £960k have been realised to date against a target of £1.2m.
- 3.10. It is worth noting that despite the extremely positive progress made to date, the full year projection now shows a £200k shortfall on the target, when looking at the specific cohort originally targeted for step down, but other factors are ensuring that the forecast spend is significantly less than the budget. More cost benefits are anticipated overall across residential placements which will in effect offset this shortfall. There is also a reduction in independent foster care placements, with offsetting increases in residential and in-house foster care.
- 3.11. The position includes a £100k contingency to mitigate against a future increase, and this will be reviewed and adjusted for in future periods. A more detailed analysis of the activity and unit costs in relation to children's placements is shown at Appendix 2.

3.12. Spending also largely reflects the total number of children looked after, which, as illustrated in Appendix 3, peaked at about 220 to 225 during 2020/21 and is currently averaging 200 in 2021/22. There remains some uncertainty on the numbers and the reductions are unlikely to be sustained.

3.13. Estimates for future years' expenditure in relation to placements for children looked after and families with disabled children (see below) were a key focus of the 2022/23 MTFP and budget setting process.

Placements Support - £108k Adverse

3.14. The main spend relates to additional community related support provided to existing placements, and mainly in foster care. The type of support provided includes therapy and mentoring, enabling activities, transport, clothing and equipment. This additional support ensures placement stability.

Section 17 Support - £93k Adverse

3.15. The main spend relates to community support provided to young people and families, including where there has been a reunification from care. This primarily involves edge of care prevention work, and in other instances the support is also substituting short break and day care provisions for young people with special educational needs and disabilities. The support provided acts as a catalyst in preventing children coming into care and is more appropriate and value for money than a placement.

Disabled Children's Support Packages - £663k Adverse

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

Budget Area	Budget	Forecast	Variance	2020/21 Outturn	Year on Year Change
	£000	£000	£000	£000	£000
Complex Care Packages	434	919	485	601	317
Direct Payments	543	721	178	829	-108
Respite	226	226	0	138	88
Total	1,202	1,865	663	1,568	297

3.17. The budget over spent by c. £400k in 2020/21 and the adjustments made to the budget for 2021/22 were as follows:

Item	£000s
Growth to reflect previous increases in demand	475
Savings plans (income from the CCG)	(110)
TOTAL net growth	365

- 3.18. The net budget growth has not been sufficient to meet the increased in-year demand and spend has increased by £297k compared to 2020/21. This represents an overall projected overspend against budget of £663k. Worthy of note is that the 2020/21 budget included one-off Covid grant funding of £330k to mitigate additional costs as a direct result of the pandemic.
- 3.19. In addition to the target to increase income from contributions from the CCG noted above, there are further cost reduction opportunities from reviewing and commissioning more cost-effective care agency rates, although this aspect is unlikely to be fully developed and implemented until next financial year.

Systems Improvement - £134k Adverse

- 3.20. One of the priorities in the Children’s Improvement Plan is to improve effective use of management information systems to develop and support high quality social care practice. One-off funding was provided during 2020/21 and currently projecting a cost pressure of £134k in 2021/22. Ongoing funding has been provided as part of the 2022/23 MTFP and budget setting process.

Somerset Education Services Contract - £122k Adverse

- 3.21. Part of the projected overspend relates to an unbudgeted increase in the contract value from September 2021. The main change is that the contract will now provide for 28 EHCP assessments per month, an increase of 3 per month from the current 25 to manage the ongoing increase in demand for assessments. During the interim period, April to August, one-off locum resource has been procured to manage demand.
- 3.22. Whilst current projections are locum usage will reduce for the rest of the year, detailed work is under way by the service to fully assess the ongoing gap between the assessments being provided under the contract and demand. The 2022/23 MTFP and budget setting process includes growth of £75k to partly address this underlying pressure.

MITIGATION

Staffing - £498k Favourable

- 3.23. The main areas under spending are Family Wellbeing and Family Support and Safeguarding locality teams due to vacancies. A number of vacancies have been recruited to part way through the year by newly qualified social workers as part of a recruitment initiative. It is also worthy of note that agency spend has reduced overall over the last few years with the estimated spend in 2021/22 representing a 48% reduction when compared with 2017/18 as shown below:

2017/18	2018/19	2019/20	2020/21	2021/22
£1,158,238	£846,913	£377,532	£704,287	£596,648

Grants - contribution to staffing and overheads - £261k Favourable

- 3.24. These are contributions from various central government grants received in year, after accounting for direct costs of services.

SAVINGS

- 3.25. Targeted savings in 2021/22 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, the new housing with support arrangements to provide more cost effective and local support to children looked after has already provided significant savings to date. Whilst the work on increasing CCG contributions is progressing, further work is required to fully quantify the savings.
- 3.26. Analysis in relation to the Edge of Care Social Impact Bond (SIB) shows a significant reduction in the number of over 10s entering care under section 20. The reduction seen in 2020/21 has so far been sustained, but as explained earlier, it is anticipated that lockdown measures may have suppressed demand and an increase is expected later in the year. The SIB contract has now been extended for two years.

MEDIUM TERM FINANCIAL PLANNING

- 3.27. The Council has completed its medium term financial planning for 2022/23. One of the principles that has continued to be followed is to close the gap between the budget and the projected spend, particularly in those areas where demand is most difficult to manage.
- 3.28. Additional growth of £460k has been provided to close the existing gap in relation to supporting families with disabled children. Other new investment of £1.1m is being included within the budget to support the council's improvement plan for social care and children with special educational needs and disabilities. The budget for placements has been reviewed and subsequently reduced by £960k to reflect the current underspend resulting from a reduction in the number of children looked after.

EDUCATION – DEDICATED SCHOOLS GRANT (£12.592m projected deficit)

- 3.29. 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.
- 3.30. 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.

	2021/22
	£
Schools Block	141,092,716
High Needs Block	28,552,328
Early Years Block	11,813,242
Central Services Block	1,793,442
TOTAL DSG	183,251,728

- 3.31. At the end of the 2020/21 financial year there was a deficit of £7.150m (£278k was an underspend from the Schools Block which is likely to be spent within that block during 2021/22). During 2021/22 the deficit is projected to increase to £12.592m.
- 3.32. The deficit balance is transferred to an unusable reserve rather than impact on the council's general fund balance. The DfE has made it clear that councils are not expected to use general funding to support the DSG, but there is an expectation that Councils have deficit management plans. The deficit relates 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 108% increase in the number of children with the EHCPs from 2016 to 2021 and a 23% increase in the last year.
- 3.33. The table below shows the forecast deficit balance to carry forward to 2022/23.

Dedicated Schools Grant Balance

Area	£000s	£000s
Brought Forward deficit		7,150
In-year variances:		
- Out of Authority Placements	2,393	
- Top-up Funding	1,340	
- Bespoke Education Packages	989	
- Schools Block Contingencies and Growth Funding	278	
- Delegated Place Funding	332	
- Other	109	
Sum of in-year variances		5,441
Deficit to carry forward		12,591

- 3.34. The main area of 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 overleaf, spend is forecast to increase by £1,322k (21.55%) this year, compared to last. This is driven by a combination of an increase in the average unit cost from £51,693 to £53,102 and an increase in numbers of 21 FTE. In addition, the 2020/21 overspend was £1,508k but due to other pressures in the High Needs Block and the requirement to set a balanced budget, the 2021/22 budget has only increased by £436k. Overall this has resulted in a £2,393k overspend.

	2020/21	2021/22	Change
FTE	119	141	21
Budget (£)	4,625,234	5,061,649	436,415
Spend (£)	6,133,309	7,454,963	1,321,653
Variance (£)	1,508,075	2,393,314	885,238

3.35. Top-up Funding is forecast to be overspent by £1,340k, 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.

3.36. 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 2021/22, this has been reduced to just 0.5% of the DSG (c.£675k).

3.37. 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 reduce by 2024/25.

3.38. Officers discussed our DSG Management Plan with officials from the Department for Education at the end of July 2020 and again in September 2021. They raised no concerns about our approach, although they are keen to monitor progress against the five key themes of our plan, which are as follows:

- Identifying SEND earlier
- Supporting increased inclusion in mainstream schools
- Early Help - right support, right time, right place
- Developing local provision
- Evaluating outcomes and improving the value of high-cost placements

3.39. On 17 February, the Council received notification that we are invited to take part in the "safety valve" intervention programme with the DfE in 2022/23. The aim of the programme is to agree a package of reform to the high needs system in order to address the DSG deficit. The programme requires local authorities to develop substantial plans for reforms with support and challenge from the DfE to place the DSG and the high needs system as a whole on a sustainable footing.

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Appendix 1 - Children's Services Year End position

CHILDRENS - CHILDREN & YOUNG PEOPLE	REVISED BUDGET				PROJECTED OUT-TURN				PROJECTED OUT-TURN VARIANCE			
	Expenditure £	Income £	Reserves £	Net £	Expenditure £	Income £	Reserves £	Net £	Expenditure £	Income £	Reserves £	Net £
Coporate Parenting	12,997,485	(573,072)	0	12,424,413	11,979,624	(1,210,017)	11,090	10,780,697	(1,017,861)	(636,945)	11,090	(1,643,716)
Front Door	608,994	(20,800)	0	588,194	583,749	(20,800)	0	562,949	(25,245)	0	0	(25,245)
Family Wellbeing	5,280,419	(2,786,082)	(112,647)	2,381,690	5,665,335	(3,395,098)	42,659	2,312,895	384,916	(609,016)	155,306	(68,795)
Children With Disabilities	1,862,666	(504,680)	0	1,357,986	2,426,882	(422,119)	0	2,004,763	564,216	82,561	0	646,777
Children With Disabilities Occupational Therapy	219,475	0	0	219,475	203,623	0	0	203,623	(15,852)	0	0	(15,852)
Family Support and Safeguarding	3,471,926	(296,110)	170,000	3,345,816	3,435,583	(333,211)	228,000	3,330,372	(36,343)	(37,101)	58,000	(15,444)
Quality Assurance and Safeguarding	424,550	(30,717)	0	393,833	362,660	(38,846)	56,279	380,093	(61,891)	(8,129)	56,279	(13,741)
Adoption	738,950	(27,000)	0	711,950	667,103	(45,000)	0	622,103	(71,847)	(18,000)	0	(89,847)
Social Work Development	281,822	(90,540)	0	191,282	249,022	(95,782)	6,800	160,040	(32,800)	(5,242)	6,800	(31,242)
Contracts and Commissioning	576,523	0	0	576,523	572,892	0	0	572,892	(3,631)	0	0	(3,631)
Youth Justice Service	1,645,311	(1,044,204)	(322,816)	278,291	1,615,812	(1,269,991)	(49,966)	295,855	(29,498)	(225,787)	272,850	17,564
Children's Support and Safeguarding Assistant Director	28,108,121	(5,373,205)	(265,463)	22,469,453	27,762,286	(6,830,865)	294,861	21,226,283	(345,834)	(1,457,660)	560,324	(1,243,170)
Education Inclusion Service and Virtual School	2,086,976	(555,781)	(139,563)	1,391,632	2,305,520	(555,401)	(128,971)	1,621,149	218,544	380	10,592	229,517
Music Service and Education Hub	1,021,311	(1,021,311)	0	0	888,060	(902,408)	14,348	0	(133,252)	118,903	14,348	(0)
Early Years	521,033	(186,594)	0	334,439	461,098	(133,980)	0	327,118	(59,935)	52,614	0	(7,321)
Strategic Planning and Governance	1,809,321	(1,382,850)	3,892	430,363	1,766,023	(1,454,181)	39,804	351,646	(43,298)	(71,331)	35,912	(78,717)
Education Support Services	1,788,834	(568,456)	0	1,220,378	1,804,453	(578,654)	(10,216)	1,215,584	15,619	(10,197)	(10,216)	(4,794)
Education Partnerships Assistant Director	7,227,475	(3,714,992)	(135,671)	3,376,812	7,225,154	(3,624,623)	(85,035)	3,515,496	(2,321)	90,369	50,636	138,684
Children's Services Directorate	879,543	0	(45,811)	833,732	1,121,319	0	(15,811)	1,105,508	241,776	0	30,000	271,776
CYPS Support Services	1,573,425	(983,685)	0	589,740	1,569,796	(935,306)	(9,686)	624,804	(3,629)	48,379	(9,686)	35,064
Children's Services Directorate	2,452,968	(983,685)	(45,811)	1,423,472	2,691,115	(935,306)	(25,497)	1,730,312	238,147	48,379	20,314	306,840
CHILDRENS - CHILDREN & YOUNG PEOPLE TOTAL	37,788,564	(10,071,882)	(446,945)	27,269,737	37,678,556	(11,390,794)	184,329	26,472,091	(110,008)	(1,318,912)	631,274	(797,646)

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

	2020/21 budget	2020/21 actuals	2020/21 variance from budget	2021/22 budget	budget change 2020/21 to 2021/22	2021/22 forecast this period	Change on 2020/21	Variance to budget
In-house								
- FYEs	83.00	74.16	(8.84)	87.00	4.00	81.37	7.21	(5.63)
- Average Unit Cost	17,859	16,235	(1,623)	18,363	505	14,850	(1,385)	(3,513)
- TOTAL COST	1,482,263	1,204,017	(278,245)	1,597,607	115,344	1,208,378	4,361	(389,229)
IFA								
- FYEs	63.00	51.75	(11.25)	58.00	(5.00)	42.42	(9.33)	(15.58)
- Average Unit Cost	44,340	42,466	(1,874)	42,907	(1,433)	43,278	812	371
- TOTAL COST	2,793,394	2,197,614	(595,780)	2,488,604	(304,790)	1,835,871	(361,743)	(652,733)
Residential								
- FYEs	11.00	11.99	0.99	12.00	1.00	12.92	0.93	0.92
- Average Unit Cost	251,590	207,623	(43,967)	207,309	(44,281)	195,303	(12,319)	(12,005)
- TOTAL COST	2,767,491	2,489,397	(278,094)	2,487,706	(279,785)	2,523,319	33,923	35,613
Supported Living								
- FYEs	5.00	10.32	5.32	2.27	(2.73)	3.12	(7.20)	0.85
- Average Unit Cost	241,932	205,013	(36,918)	205,000	(36,932)	200,367	(4,646)	(4,633)
- TOTAL COST	1,209,659	2,115,739	906,080	465,564	(744,095)	625,146	(1,490,593)	159,582
Housing with Support								
- FYEs	0.00	0.00	0.00	20.49	20.49	13.61	13.61	(6.88)
- Average Unit Cost	0	0	0	28,679	28,679	25,775	25,775	(2,903)
- TOTAL COST	0	0	0	587,600	587,600	350,802	350,802	(236,798)
Other Areas								
- FYEs	109.25	117.54	8.29	115.49	6.24	87.06	(30.48)	(28.43)
- Average Unit Cost	14,051	11,473	(2,579)	15,060	1,008	14,601	3,128	(459)
- TOTAL COST	1,535,099	1,348,488	(186,611)	1,739,174	204,075	1,271,138	(77,350)	(468,036)
Contingency	0	0	0	0	0	100,000	100,000	100,000
TOTAL								
- FYEs	271.25	265.76	(5.49)	295.25	24.00	240.50	(25.26)	(54.75)
- Average Unit Cost	36,084	35,202	(883)	31,724	(4,361)	32,909	(2,293)	1,186
- TOTAL COST	9,787,906	9,355,255	(432,650)	9,366,255	(421,651)	7,914,655	(1,440,600)	(1,451,599)

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 191 at the end of January 2022). 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 61.

Appendix 3 – Number of Children Looked After

