

North Somerset Council

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

DATE OF MEETING: 20TH OCTOBER 2022

SUBJECT OF REPORT: MONTH 5 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 2022/23 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 2022/23 forecast spend against budget for children's services, highlighting key variances, movements and contextual information. It provides further details on the month 5 report which will be presented to the Executive on 19th October 2022.
- 1.2. The report also makes reference to the principles and outcomes associated with the setting of the 2023/24 budget and on-going financial risks.

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 (Summary)

- 3.1. The overall position is one of a £1,473k overspend (5.5% of the net budget).
- 3.2. The overspend is mainly due to the spend on placements for children looked after being significantly more than the budget. Part of the overspend is due to an unbudgeted increase in higher cost residential placements, primarily due to lack of supply of more cost-effective foster care provision. The other main cause is due to forecasts costs of c.£750k for one young person with extremely complex needs, who came into the council's care during the latter part of 2021/22 and after the 2022/23 budget setting process was completed.
- 3.3. Furthermore, the budget for placements was also reviewed and subsequently rebased and reduced by £960k in 2022/23 to reflect the underspend resulting from a reduction in the number of children looked after. As a result of all these factors, the spend on placements is c. £1.2m more than the budget and an increase of 19% compared with the previous year.
- 3.4. The other main cost pressure is on support to families with disabled children. The further growth applied in this area in the 2022/23 budget has not been sufficient to close the gap between the budget and demand in the current year. There are also cost pressures on support to care leavers and unaccompanied asylum seeking children, due to an increase in activity and spend compared with the previous year.
- 3.5. There are mitigations from reduced staffing costs through staff turnover and reduced costs on support provided for placements for children looked after.
- 3.6. The main areas of variance are shown in the table below and the key items are discussed in more detail in the following paragraphs:

Budget Area	P5 Variance £000
Placements for Children Looked After	1,219
Placements for Children Looked After Support	(177)
Support Services for Families with Children with Disabilities	344
Support for Care Leavers	143
Support for Unaccompanied Asylum Seeking Children	54
Maintained Nurseries (including salaries)	7
Staffing (excl. Nurseries included above)	(311)
Other	193
TOTAL	1,473

- 3.1. The deficit on the Dedicated Schools Grant is estimated to grow from £13.447m at the beginning of the year to £17.734m by the end of the financial year. The main overspend relates to out of area placements and top-up funding.
- 3.2. The fundamental shift in the national economic environment is having an impact on all areas of the council, and the exceptionally challenging financial outlook for the 2022/23 financial year is likely to continue into the medium-term, which means that the council will

need to make some very difficult decisions in order to deliver both a balanced budget in this year and then to be able set a balanced budget for next year. Specifically in Children's, whilst we continue to have a low number of children in care compared to previous years, there is a growing pressure in relation to the increasing costs of placements.

Placements - £1,219k Adverse Variance to Budget

- 3.3. Children's placements underspent by c. £1,578k in 2021/22 and the adjustments made to the budget for 2022/23 were as follows:

Item	£000s
Growth to reflect unit cost inflation	67
Rebase budget to reflect previous and future demand position	(960)
Savings plans (increase in-house foster carers)	(214)
Savings plans (income from CCG)	(100)
TOTAL net reduction	(1,207)

- 3.9 The spend for 2022/23 is an increase of £1,520k (19%) when compared with the previous year. The 2022/23 spend also represents an overall overspend against budget of £1,219k (15%) as illustrated in the table below.

	2021/22 Spend	2022/23 Budget	2022/23 Spend	2022/23 Numbers	Year on Year Change	Variance from Budget
	£000	£000	£000	FYE	£000	£000
In-house Foster Care	1,221	1,316	1,207	76	(14)	(109)
Independent Foster Care	1,841	1,900	1,926	42	85	25
Residential	2,592	2,056	3,196	13	605	1,140
Supported Living	526	647	524	6	(2)	(122)
Housing With Support	415	371	1,036	9	620	665
Other	1,509	2,115	1,735	166	225	(380)
TOTAL	8,104	8,405	9,624	314	1,520	1,219
					18.8%	14.5%

- 3.10. The biggest increase in spend is in residential placements, largely due to a small number of short term 'emergency' but very high cost placements (these placements average £8k per week whereas the current average cost of a residential placement is c. £4.5k per week). The forecast position factors in proposed step down of these placements, and others identified as appropriate.
- 3.11. The other big increase in spend is in housing with support resulting from costs for one young person with extremely complex needs whose costs were not until after the 2022/23 budget setting process was completed. Their needs have increased such that their forecast cost in 2022/23 is £750k.
- 3.12. A more detailed analysis of the activity and unit costs in relation to children's placements is shown at Appendix 2.

- 3.13. The reduction in total number of children looked after continues to be sustained, as illustrated in Appendix 3 numbers averaged 200 in 2021/22 and are currently averaging 198 in the current year. There remains some uncertainty and inherent risk on the numbers increasing, and the reductions may not be sustained.
- 3.14. The forecast spend on placements includes an uplift to the Special Guardianship, Adoption and Child Arrangement Orders Allowances from 1 April 2022 to ensure that they match those of foster carers. In 2022/23. This is being funded by a contribution from the salary underspend in the SEND team as a result of the delay in implementing the new structure.

Disabled Children's Support Packages - £344k Adverse Variance to Budget

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

Budget Area	Budget	Forecast	Variance	2021/22 Outturn	Year on Year Change
	£000	£000	£000	£000	£000
Complex Care Packages	774	1,066	292	896	170
Direct Payments	576	628	52	580	48
Disabled Children Support (Respite)	226	226	0	132	94
Total	1,575	1,920	344	1,607	312

- 3.16. The budget over spent by c. £405k in 2021/22 and the adjustments made to the budget for 2022/23 were as follows:

Item	£000s
Growth to reflect previous increases in demand	460
Growth to reflect direct payments inflation	33
Savings plans (income from the Integrated Care Board (ICB))	(100)
Savings plans (reduced costs on community care agency costs)	(20)
TOTAL net growth	373

- 3.17. The net budget growth has not been sufficient to meet the increased in-year demand, and overall, the forecast overspend against budget is £344k. Spend under this budget relates primarily to payments made to care agencies to support children with very complex needs and often requiring 1:1 support, and in some cases 2:1 support, from registered nurses and healthcare assistants. In this area, numbers are low, but unit costs are high, and demand is needs-led.
- 3.18. As noted above, the 2022/23 budget includes further savings to increase contributions from the ICB and there are further cost reduction opportunities from reviewing and commissioning more cost-effective care agency rates. Both of these saving plans are still under-developed and not anticipated to be delivered fully during this year in this budget area.

Support for Care Leavers - £143k Adverse Variance to Budget

- 3.19. Expenditure under these budgets mainly relates to accommodation and living support costs for care leavers. The main areas of overspend are payments for rent and transport related costs. Further analysis is being undertaken to understand the trends and cause of the increase, and more details will be provided in future reports.

Support for Unaccompanied Asylum Seeking Children (UASC) - £54k Adverse

- 3.20. The council receives a Home Office grant to support UASC and current rates are £114 per day per young person, and an additional £29 per day for those part of the National Transfer Scheme from the South Coast. For over 18 UASC leaving care, the rate is £270 per week.
- 3.21. In prior years the grant received has been sufficient to meet all spend on support provided for UASC, however the current forecast position is as £54k overspend. The main reasons for the increased costs are as follows:
- The number of UASC has increased since the start of 2022/23, numbers are averaging 21 to date compared with an average of 14 during 2021/22.
 - Higher placement costs due to an increased level of need and support being provided.
 - A delay in the Home Office processing asylum claims, which means a higher number of over 18 UASC leaving care remain with no recourse to public funds, and in the interim are being fully supported by the council.
 - Increased staffing resource in the social work teams to support the increase in UASC.

Maintained Nurseries - £7k Adverse Variance to Budget

- 3.22. Early Birds is the main council maintained nursery generating income from private nursery fees. Ashcombe and Little Waves nurseries are predominantly funded by the Dedicated Schools Grant in relation to free places, and both nurseries also have an element of budgeted private fee income mainly for contributions from parents towards meals.
- 3.23. The council has continued to experience significant difficulties in recruiting staff to deliver services at its maintained nurseries, such that the extent to which the services can be maintained in the future has recently been considered and a decision made to reduce the operating capacity at Early Birds nursery.
- 3.24. This is adversely affecting the level of income being generated and overall the income losses across the nurseries are c.£200k, however this is being more than offset by a favourable variance on salaries and other expenditure.

MITIGATION

Staffing - £311k Favourable Variance to Budget (excl. Nurseries included above)

- 3.25. The main area under spending is the SEND team due to delayed implementation of the SEND growth provided in the 2022/23 MTFP (as noted earlier in the report, an additional £154k of this is being used to mitigate the increase in spend in relation to Special Guardianship Allowances). There are also underspends in social work teams due to vacancies.
- 3.26. The table below provides an overview of agency spend since 2018/19, and shows that whilst there was an initial reduction in the successive years, the forecast 2022/23 spend is at similar levels to 2018/19:

2018/19	2019/20	2020/21	2021/22	2022/23
£846,913	£377,532	£704,287	£739,356	£805,082

Placements Support - £177k Favourable Variance to Budget

- 3.27. 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.

SAVINGS

- 3.28. Targeted savings in 2022/23 are largely centred around reductions in children's placements costs through increased in house foster carer capacity, generating additional contributions from the ICB in relation to children with complex needs as well as commissioning more cost effective care and support agency rates. Whilst the S10 Complex Care joint arrangement has already provided some contributions from the ICB (c.130k to date), at this stage further work is required to quantify the ongoing savings overall and there is a high likelihood the savings will not be fully delivered in the current year
- 3.29. 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 was sustained in 2021/22 with 27 children in the cohort entering care in 2021/22, compared with 46 in 2016/17 prior to the Edge of Care Service starting. The SIB contract has now been extended until May 2023.

MEDIUM TERM FINANCIAL PLANNING

- 3.30. The Council has begun its medium term financial planning (MTFP) for 2023/24. One of the principles that has continued to be followed is to close the gap between the budget and the spend, particularly in those areas where demand is most difficult to manage. Work will continue to try and predict, in particular, the budget requirement in relation to children's

placements. In overall terms, as has been reported to the Executive, a large budget gap is currently predicted and the process for identifying savings and / or additional income has begun in earnest. Separate all member budget scrutiny sessions will cover the MTFP process.

EDUCATION – DEDICATED SCHOOLS GRANT (£17.734m deficit)

- 3.31. 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.
- 3.32. 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.

	2022/23
	£
Schools Block	145,657,000
High Needs Block	28,818,000
Early Years Block	11,640,000
Central Services Block	1,670,000
TOTAL DSG	187,785,000

- 3.33. At the end of the 2021/22 financial year there was a deficit of £13.447m and during 2022/23 the deficit is projected to increase to £17.734m. 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
- 3.34. 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.
- 3.35. 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 below, spend has increased by £1,014k (14%) this year, compared to last. This is driven by a combination of an increase in the average unit cost from £53,205 to £57,009 (7%) and an increase in numbers of 8 FYE (6%). In addition, the 2021/22 overspend was £2,446k but due to other pressures in the High Needs Block and the requirement to set a balanced budget, the 2022/23 budget has only increased by £141k. Overall this has resulted in a projected £3,320k overspend.

	2021/22	2022/23	Change
FYE	141	149	8
Budget (£)	5,061,649	5,202,555	140,906
Spend (£)	7,508,123	8,522,845	1,014,722

Variance (£)	2,446,474	3,320,290	873,816
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- 3.36. Top-up funding is projected to overspend by £932k. The main overspend of £1,397k is in mainstream schools due to an increase in the level of support provided to young people to meet their needs. It is worth noting that placements in local authority provision are largely more cost effective than placements in independent non-maintained special schools, and mitigates higher increases if placements were made out of area.
- 3.37. 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, since 2021/22 this has been reduced to just 0.5% of the DSG (c.£724k in 2022/23).
- 3.38. 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 in the short term, although it is possible that the in-year deficit could reduce by 2025/26.
- 3.39. Officers discussed our DSG Management Plan with officials from the Department for Education (DfE) 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 SEND Improvement plan, which are as follows, and for us to quantify the likely positive impact on the DSG deficit:
- 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
- 3.40. 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. Our initial meeting with the DfE has been scheduled for early October.

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Appendix 1 - Children's Services Forecast Year End position as of 31st August 2022

CHILDRENS - CHILDREN & YOUNG PEOPLE	REVISED BUDGET				FORECAST				FORECAST VARIANCE			
	Expenditure £	Income £	Reserves £	Net £	Expenditure £	Income £	Reserves £	Net £	Expenditure £	Income £	Reserves £	Net £
Coporate Parenting	12,512,366	(988,072)	(36,669)	11,487,625	15,147,562	(2,309,139)	(90,991)	12,747,432	2,635,196	(1,321,067)	(54,322)	1,259,807
Front Door	615,281	(20,800)	0	594,481	658,768	(20,800)	0	637,968	43,487	0	0	43,487
Family Wellbeing	10,535,665	(7,751,267)	(273,605)	2,510,793	12,092,778	(9,290,506)	(323,325)	2,478,947	1,557,113	(1,539,239)	(49,720)	(31,846)
Children With Disabilities	2,348,815	(604,680)	0	1,744,135	2,552,017	(429,694)	0	2,122,323	203,202	174,986	0	378,188
Children With Disabilities Occupational Therapy	221,246	0	0	221,246	225,361	0	0	225,361	4,115	0	0	4,115
Family Support and Safeguarding	3,642,416	(86,110)	(215,000)	3,341,306	3,527,236	(98,100)	(209,156)	3,219,980	(115,179)	(11,990)	5,844	(121,325)
Quality Assurance and Safeguarding	496,318	(56,286)	0	440,032	510,667	(66,286)	8,250	452,631	14,348	(10,000)	8,250	12,598
Adoption	578,268	(27,000)	0	551,268	550,524	(27,000)	0	523,524	(27,744)	0	0	(27,744)
Social Work Development	239,667	(119,944)	0	119,723	259,499	(141,696)	0	117,803	19,832	(21,752)	0	(1,920)
Contracts and Commissioning	611,910	0	0	611,910	562,580	0	0	562,580	(49,330)	0	0	(49,330)
Youth Justice Service	2,042,354	(1,630,826)	(92,015)	319,513	1,995,572	(1,723,985)	44,469	316,056	(46,782)	(93,159)	136,484	(3,457)
Children's Support and Safeguarding Assistant Director Sub total	33,844,306	(11,284,985)	(617,289)	21,942,032	38,082,564	(14,107,206)	(570,753)	23,404,605	4,238,258	(2,822,221)	46,536	1,462,573
Education Inclusion Service and Virtual School	2,537,345	(615,205)	0	1,922,140	2,811,707	(805,991)	(86,501)	1,919,215	274,362	(190,786)	(86,501)	(2,925)
Music Service and Education Hub	923,777	(923,777)	0	0	971,896	(950,671)	(21,225)	0	48,119	(26,894)	(21,225)	0
Early Years	539,650	(146,037)	0	393,613	543,554	(147,089)	0	396,466	3,904	(1,052)	0	2,852
Strategic Planning and Governance	1,416,470	(1,004,584)	0	411,886	1,443,245	(1,040,889)	(15,000)	387,357	26,775	(36,305)	(15,000)	(24,530)
Education Support Services	1,730,339	(425,530)	0	1,304,809	1,767,438	(481,788)	0	1,285,650	37,099	(56,258)	0	(19,159)
Education Partnerships Assistant Director Sub total	7,147,581	(3,115,133)	0	4,032,448	7,537,841	(3,426,427)	(122,726)	3,988,688	390,260	(311,294)	(122,726)	(43,761)
Children's Services Directorate	1,052,937	0	0	1,052,937	1,136,282	0	(65,597)	1,070,685	83,346	0	(65,597)	17,749
CYPS Support Services	128,858	(179,685)	0	(50,827)	160,345	(174,700)	0	(14,355)	31,488	4,985	0	36,473
Children's Services Directorate Sub total	1,181,795	(179,685)	0	1,002,110	1,296,628	(174,700)	(65,597)	1,056,331	114,833	4,985	(65,597)	54,221
CHILDRENS - CHILDREN & YOUNG PEOPLE TOTAL	42,173,681	(14,579,803)	(617,289)	26,976,590	46,917,032	(17,708,333)	(759,076)	28,449,623	4,743,351	(3,128,530)	(141,787)	1,473,034

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

	2021/22 Budget	2021/22 Actuals	2021/22 Variance From Budget	2022/23 Budget	Budget Change 2021/22 to 2022/23	2022/23 Forecast This Period	Change On 2021/22	Variance To Budget
In-house								
- FYEs	87.00	80.17	(6.83)	87.00	0.00	76.36	(3.81)	(10.64)
- Average Unit Cost	18,363	15,229	(3,134)	15,127	(3,236)	15,803	574	676
- TOTAL COST	1,597,607	1,220,926	(376,681)	1,316,044	(281,563)	1,206,741	(14,185)	(109,303)
IFA								
- FYEs	58.00	43.08	(14.92)	42.00	(16.00)	42.48	(0.60)	0.48
- Average Unit Cost	42,907	42,726	(181)	45,249	2,342	45,336	2,610	87
- TOTAL COST	2,488,604	1,840,632	(647,972)	1,900,473	(588,131)	1,925,916	85,284	25,443
Residential								
- FYEs	12.00	12.81	0.81	10.00	(2.00)	12.87	0.06	2.87
- Average Unit Cost	207,309	200,457	(6,852)	205,636	(1,673)	248,272	47,815	42,636
- TOTAL COST	2,487,706	2,591,685	103,979	2,056,355	(431,351)	3,196,248	604,563	1,139,893
Supported Living								
- FYEs	2.27	3.12	0.85	3.50	1.23	6.15	3.03	2.65
- Average Unit Cost	205,000	168,658	(36,342)	184,718	(20,282)	85,288	(83,370)	(99,430)
- TOTAL COST	465,564	526,213	60,649	646,513	180,949	524,349	(1,864)	(122,164)
Housing with Support								
- FYEs	20.49	14.25	(6.24)	12.92	(7.57)	9.42	(4.83)	(3.50)
- Average Unit Cost	28,679	28,931	252	28,679	0	109,933	81,002	81,254
- TOTAL COST	587,600	415,445	(172,155)	370,535	(217,065)	1,035,900	620,455	665,365
Other Areas								
- FYEs	153.98	122.51	(31.47)	171.92	17.94	166.28	43.77	(5.64)
- Average Unit Cost	13,350	12,321	(1,030)	12,300	(1,050)	10,433	(1,888)	(1,867)
- TOTAL COST	2,055,642	1,509,422	(546,220)	2,114,600	58,958	1,734,766	225,345	(379,833)
TOTAL								
- FYEs	333.74	275.94	(57.80)	327.34	(6.40)	313.57	37.63	(13.77)
- Average Unit Cost	29,013	29,370	357	25,676	(3,338)	30,692	1,322	5,016
- TOTAL COST	9,682,723	8,104,323	(1,578,400)	8,404,519	(1,278,204)	9,623,919	1,519,596	1,219,400

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 205 at the end of August 2022). The main difference is that we include in the cost and volume analysis those children who are subject to Special Guardianship, Child Arrangement and Adoption orders; these children are not “looked after”, but the guardians are in receipt of an allowance. On average, these children number around 134.

Appendix 3 – Number of Children Looked After

