

North Somerset Council

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

DATE OF MEETING: 24TH FEBRUARY 2023

SUBJECT OF REPORT: MONTH 9 CHILDREN'S SERVICES BUDGET MONITOR

TOWN OR PARISH: ALL

OFFICER/MEMBER PRESENTING: FINANCE BUSINESS PARTNER (ADULTS & 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.
- 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 £1,789k overspend (6.3% 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.£700k 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. £1.5m more than the budget and an increase of 19% compared with the previous year.
- 3.4. Despite the increase in spend in 2022/23 when compared with last year, it is worthy of note that when looking at the more medium term history, the forecast spend on placements for 2022/23 is, in fact, still around £930k (9%) less than it was in 2019/20. The MTFP growth for 2023/24 has been revised to be more reflective of the current estimated spend.
- 3.5. 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 SEND tribunal expert legal fees, support for care leavers, childcare legal costs and maintained nurseries.
- 3.6. There are mitigations from reduced staffing costs through staff turnover.
- 3.7. It is also worth noting the budget supporting Unaccompanied Asylum Seeking Children as an emerging issue. Whilst this is currently not adversely impacting the budget position, there has been a significant increase in the request for age assessments which in turn has heightened service pressure and more young people coming into our care. Plans being developed to ensure there is sufficient and efficient resource to meet this demand.
- 3.8. 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	P9 Variance
	£000
Placements for Children Looked After	1,220
Support Services for Families with Children with Disabilities	695
SEND Tribunal Legal Fees	120
Support for Care Leavers	97
Legal Costs (children looked after)	88
Maintained Nurseries (including salaries)	80
Staffing (excl. Nurseries included above)	(512)
Other	29
TOTAL	1,789

- 3.9. The deficit on the Dedicated Schools Grant is estimated to grow from £11.830m at the beginning of the year to £18.224m by the end of the financial year. The main overspend relates to out of area placements and top-up funding. As members will be aware, we are currently in discussion with the Department for Education, as part of the Safety Valve Programme, to ensure that the spend on the DSG is brought back into balance, and this is discussed further in paragraphs 3.46 to 3.47
- 3.10. The fundamental shift in the national economic environment continues to have 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. This means that the council is having 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 Services, 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 - £1,220k Adverse Variance to Budget

- 3.11. 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 estimated future demand position	(960)
Savings plans	(314)
TOTAL net reduction	(1,207)

- 3.12. Despite the forecast increase in spend in 2022/23 when compared with last year, when looking at the more medium term history, the forecast spend on placements for 2022/23 is still around £930k (9%) less than it was in 2019/20, as illustrated in the table below:

	2019/20	2020/21	2021/22	2022/23 est.	Change from 2019/20	Change from 2019/20
	£000	£000	£000	£000	£000	
In-house	1,310	1,204	1,221	1,128	(181)	-13.8%
IFA	2,782	2,198	1,841	1,847	(936)	-33.6%
Residential	3,672	2,489	2,568	2,965	(707)	-19.3%
Supported Living	1,260	2,116	526	969	(291)	-23.1%
Housing with Support	0	0	412	1,034	1,034	
Other	1,533	1,670	1,512	1,682	149	9.8%
TOTAL	10,557	9,677	8,080	9,625	(932)	-8.8%
FTE	271.1	271.3	275.9	273.9	2.8	1.0%
Average cost per place	39	36	29	35	(4)	-9.8%

- 3.13. The biggest increase in spend in the current year is in relation to 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.
- 3.14. The other material 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 c. £700k. The forecast factors in a confirmed 25% contribution from the Integrated Care Board (ICB) from the S10 Complex Care pooled budget until middle of August, and a 66% contribution from the Continuing Care panel for the rest of the year.
- 3.15. A more detailed analysis of the activity and unit costs in relation to children's placements is shown at Appendix 2.
- 3.16. The reduction in total number of children looked after continues to be largely sustained. As illustrated in Appendix 3, numbers are averaging 200 in the current year, which is similar to the average in 2021/22. However, there are some signs of increases in recent months and there remains some uncertainty and inherent risk on the numbers increasing further.
- 3.17. 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, and by the MTFP in 2023/24.

Disabled Children's Support Packages - £695k Adverse Variance to Budget

- 3.18. 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	1,396	623	896	500
Direct Payments	576	668	92	580	88
Disabled Children Support (Respite)	226	206	(20)	132	73
Total	1,575	2,269	695	1,607	662

- 3.19. 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

- 3.20. The net budget growth has not been sufficient to meet the increased in-year demand, and overall, the forecast overspend against budget is £695k (44%). 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. The setting up of a new contract for this type of care should lead to lower unit costs in the future.
- 3.21. 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 not anticipated to be delivered fully during this year in this budget area, although the work on commissioning more cost-effective care agency rates for community support is progressing.
- 3.22. Further growth has been provided in the 2023/24 MTFP to close the budget gap for the ongoing increased demand.

SEND Tribunal Legal Fees - £120k Adverse Variance to Budget

- 3.23. Expenditure relates to external specialist legal advice provided at tribunal appeals, in relation to Education Health and Care Plans and special school placement decisions. Success at the tribunals usually results in young person being placed in a more cost effective special school placement, and in theory this should generate savings in the Dedicated Schools Grant high needs block, however this is difficult to quantify.

Support for Care Leavers - £97k Adverse Variance to Budget

- 3.24. 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, and expenditure fluctuates in line with demand.

Legal Costs (children looked after) - £88k Adverse Variance to Budget

- 3.25. 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).
- 3.26. The overspend is mainly due to the following factors:
- There has been an increase in the number of court cases during the third quarter and the forecast assumes the same levels for the rest of the year.
 - Reduced staffing resource in the team, more cases are being outsourced to external barristers at a higher cost.
 - Children's Social Care are outsourcing the majority of parenting and kinship assessments to agency social workers, due to lack of internal expertise.

Maintained Nurseries - £80k Adverse Variance to Budget

- 3.27. 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.
- 3.28. 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.
- 3.29. This is adversely affecting the level of income being generated and overall the income losses across the nurseries are c.£265k, however this is partly offset by a favourable variance on salaries and other expenditure.

MITIGATION

Staffing - £512k Favourable Variance to Budget (excl. Nurseries included above)

- 3.30. 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.
- 3.31. The table below provides an overview of agency spend since 2018/19 and shows that whilst there was an initial reduction in the subsequent years, the forecast 2022/23 spend shows a 63% increase (£400k of the spend relates to vacancy cover in Education Partnerships linked to the delayed implementation of the SEND growth, noted in the previous paragraph).

2018/19	2019/20	2020/21	2021/22	2022/23
£846,913	£377,532	£704,287	£739,356	£1,378,401

SAVINGS

- 3.32. 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.
- 3.33. Whilst the S10 Complex Care joint arrangement has already provided some contributions from the ICB (c.125k) and a further £225k is expected from the Continuing Care Panel, both of these contributions relate to one placement and, at this stage further work is required to quantify the ongoing savings overall.

- 3.34. Analysis in relation to the Edge of Care Social Impact Bond (SIB) shows a significant 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

- 3.35. Work on the medium term financial planning for 2023/24 is now in the concluding stages. One of the principles that has continued to be followed is to close the gap between the budget and the projected spend, with the focus on growth being Placements and Disabled Children where demand is most difficult to manage. The planned growth in the budget for placements has recently been reviewed based on revised estimated of future spend.
- 3.36. Savings amounting to £764k are also included in the plan and are largely centred around targeted efficiencies, cost reductions in staffing, and redevelopment of children’s centres into family hubs.

EDUCATION – DEDICATED SCHOOLS GRANT (£18.224m deficit)

- 3.37. 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.
- 3.38. 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.

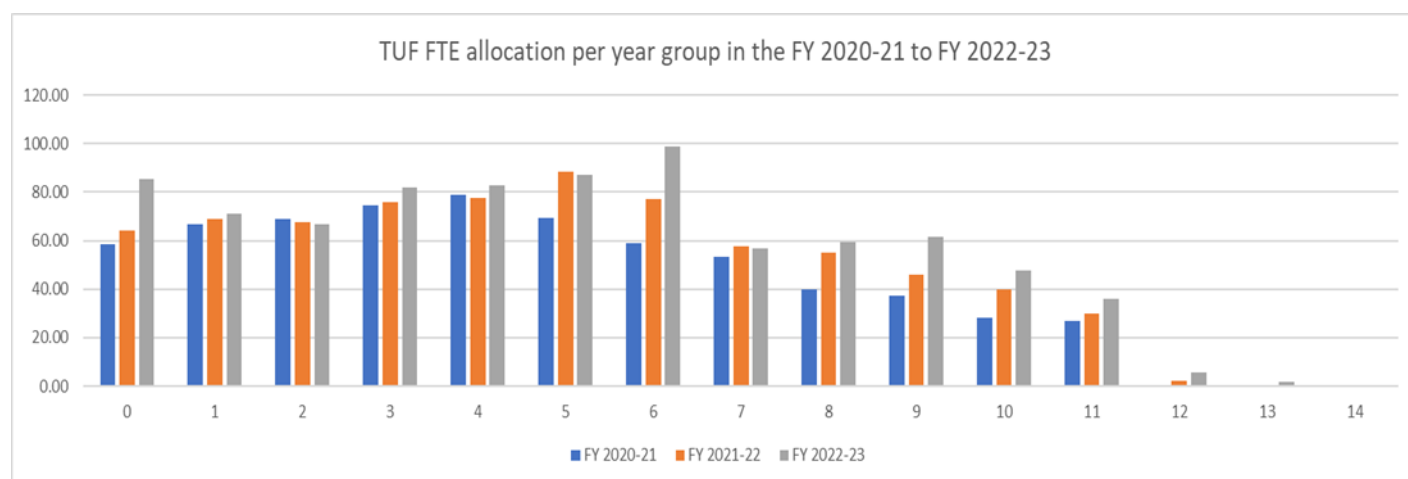
	2022/23
	£
Schools Block	145,657,000
High Needs Block	28,818,000
Early Years Block	11,640,000
Central Services Block	1,670,000
TOTAL DSG	187,785,000

- 3.39. At the end of the 2021/22 financial year there was a deficit of £11.830m and during 2022/23 the deficit is projected to increase to £18.224m. 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
- 3.40. 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.
- 3.41. 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 £0.977m (13%) this year, compared to last. This is largely driven by an increase in the average unit cost from £53,205 to £58,608 (9.3%). In addition, the 2021/22 overspend was £2.446m 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 £0.129m. Overall this has resulted in a projected £3.295m overspend.

	2021/22	2022/23	Change
FTE	141.31	144.72	3.42
Budget (£)	5,061,649	5,190,555	128,906
Spend (£)	7,508,123	8,485,397	977,273
Variance (£)	2,446,474	3,294,842	848,367

3.42. Top-up funding is projected to overspend by £2.996m. The main overspend is mainly in mainstream schools; as illustrated in the chart below this is due to an increase of early years children with TUF moving into reception and there is also an increase in the number of year 6 pupils having TUF.



3.43. 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).

3.44. 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.

3.46 On 17 February 2022, the Council received notification that we are invited to take part in the “safety valve” intervention programme with the DfE in 2022/23. The programme requires local authorities to develop substantial plans for reform to their high needs systems and associated spending, with support and challenge from the DfE, to rapidly place them on a sustainable footing (i.e. in a position to deliver an in-year balanced budget within a “reasonable” period of time).

3.47 The council will be held to account for the reforms it implements and the associated deficit reduction targets via regular reporting to the DfE. In turn, the DfE will support the council with additional funding over a period of time, which will contribute towards “paying off” the historic DSG deficit balance, although this will be contingent on delivery of the reforms. It is envisaged that an agreement will be reached before the end of the financial year. The key elements of the plan are likely to be confirmed as follows:

- i. Restrict Top Up Funding to those with EHCPs
- ii. Increase capacity in mainstream schools
- iii. Reduce use of bespoke packages of support
- iv. Increase capacity in local specialist provision
- v. Review Top Up Funding arrangements for post 16 placements
- vi. Manage increasing demand

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

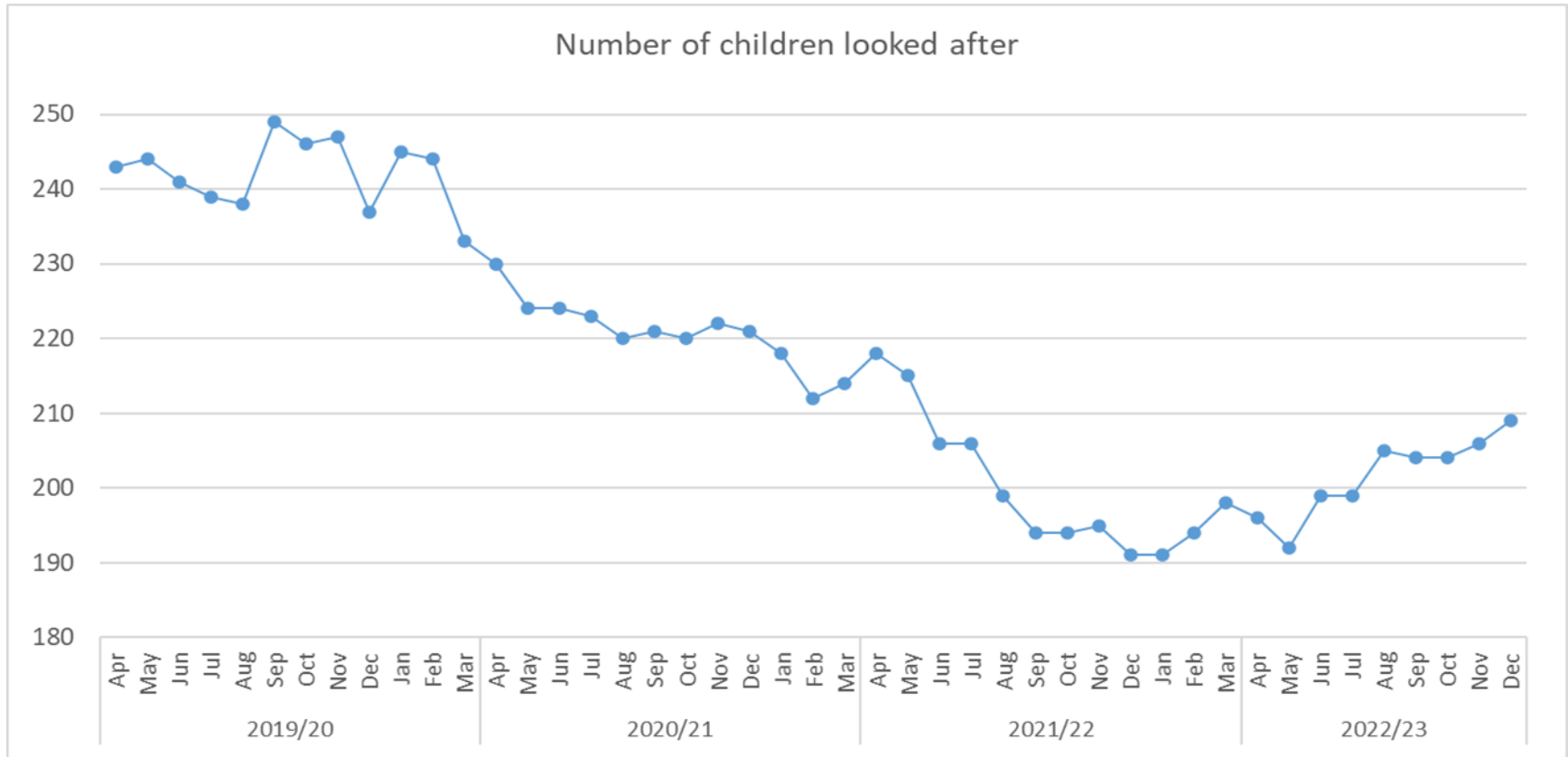
CHILDRENS - CHILDREN & YOUNG PEOPLE	REVISED BUDGET				FORECAST				FORECAST VARIANCE			
	Expenditure £	Income £	Reserves £	Net £	Expenditure £	Income £	Reserves £	Net £	Expenditure £	Income £	Reserves £	Net £
Coporate Parenting	12,674,797	(988,072)	(79,169)	11,607,556	15,541,547	(2,599,990)	(97,503)	12,844,053	2,866,750	(1,611,918)	(18,334)	1,236,497
Front Door	581,977	(20,800)	0	561,177	625,741	(75,800)	0	549,941	43,764	(55,000)	0	(11,236)
Family Wellbeing	11,972,590	(8,998,301)	(299,001)	2,675,288	12,682,190	(9,793,232)	(187,006)	2,701,952	709,600	(794,931)	111,995	26,664
Children With Disabilities	2,368,695	(604,680)	0	1,764,015	2,950,151	(429,694)	(15,933)	2,504,524	581,456	174,986	(15,933)	740,509
Children With Disabilities Occupational Therapy	224,037	0	0	224,037	218,976	0	0	218,976	(5,061)	0	0	(5,061)
Family Support and Safeguarding	3,648,316	(86,110)	(215,000)	3,347,206	3,522,732	(103,725)	(209,156)	3,209,851	(125,584)	(17,615)	5,844	(137,355)
Quality Assurance and Safeguarding	506,633	(56,286)	0	450,347	503,620	(66,286)	8,250	445,584	(3,013)	(10,000)	8,250	(4,763)
Adoption	578,268	(27,000)	0	551,268	508,275	(27,000)	0	481,275	(69,993)	0	0	(69,993)
Social Work Development	313,801	(119,944)	0	193,857	336,138	(148,757)	0	187,381	22,337	(28,813)	0	(6,476)
Contracts and Commissioning	618,880	0	0	618,880	590,100	0	0	590,100	(28,780)	0	0	(28,780)
Youth Justice Service	2,022,944	(1,630,826)	(67,941)	324,177	1,861,892	(1,702,495)	162,172	321,569	(161,052)	(71,669)	230,113	(2,608)
Children's Support and Safeguarding Assistant Director	35,510,938	(12,532,019)	(661,111)	22,317,808	39,341,362	(14,946,979)	(339,176)	24,055,207	3,830,424	(2,414,960)	321,935	1,737,399
Education Inclusion Service and Virtual School	2,455,716	(608,877)	0	1,846,839	2,939,616	(804,072)	(87,242)	2,048,302	483,900	(195,195)	(87,242)	201,463
Music Service and Education Hub	941,476	(941,206)	0	270	1,109,412	(1,147,236)	38,094	270	167,936	(206,030)	38,094	0
Early Years	624,998	(146,037)	0	478,961	553,884	(147,089)	0	406,796	(71,114)	(1,052)	0	(72,165)
Strategic Planning and Governance	1,612,532	(1,004,584)	0	607,949	1,598,964	(1,088,979)	(15,000)	494,986	(13,568)	(84,395)	(15,000)	(112,963)
Education Support Services	1,730,339	(425,530)	0	1,304,809	1,790,438	(481,788)	(10,000)	1,298,650	60,099	(56,258)	(10,000)	(6,159)
Education Partnerships Assistant Director	7,365,061	(3,126,234)	0	4,238,828	7,992,314	(3,669,163)	(74,148)	4,249,004	627,253	(542,929)	(74,148)	10,177
Children's Services Directorate	1,055,939	0	0	1,055,939	1,150,839	0	(57,543)	1,093,296	94,900	0	(57,543)	37,357
CYPS Support Services	838,698	(179,685)	0	659,013	837,937	(174,700)	0	663,237	(761)	4,985	0	4,224
Children's Services Directorate	1,894,637	(179,685)	0	1,714,952	1,988,776	(174,700)	(57,543)	1,756,532	94,139	4,985	(57,543)	41,581
CHILDRENS - CHILDREN & YOUNG PEOPLE TOTAL	44,770,636	(15,837,938)	(661,111)	28,271,588	49,322,452	(18,790,842)	(470,867)	30,060,743	4,551,816	(2,952,904)	190,244	1,789,156

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	71.16	(9.01)	(15.84)
- Average Unit Cost	18,363	15,229	(3,134)	15,127	(3,236)	15,856	627	729
- TOTAL COST	1,597,607	1,220,926	(376,681)	1,316,044	(281,563)	1,128,301	(92,625)	(187,743)
IFA								
- FYEs	58.00	43.08	(14.92)	42.00	(16.00)	41.47	(1.61)	(0.53)
- Average Unit Cost	42,907	42,726	(181)	45,249	2,342	44,529	1,803	(721)
- TOTAL COST	2,488,604	1,840,632	(647,972)	1,900,473	(588,131)	1,846,608	5,976	(53,865)
Residential								
- FYEs	12.00	12.81	0.81	10.00	(2.00)	11.81	(1.00)	1.81
- Average Unit Cost	207,309	200,457	(6,852)	205,636	(1,673)	251,032	50,575	45,397
- TOTAL COST	2,487,706	2,567,853	80,147	2,056,355	(431,351)	2,964,688	396,835	908,333
Supported Living								
- FYEs	2.27	3.12	0.85	3.50	1.23	5.85	2.73	2.35
- Average Unit Cost	205,000	168,658	(36,342)	184,718	(20,282)	165,675	(2,983)	(19,043)
- TOTAL COST	465,564	526,213	60,649	646,513	180,949	969,198	442,985	322,685
Housing with Support								
- FYEs	20.49	14.25	(6.24)	12.92	(7.57)	9.05	(5.20)	(3.87)
- Average Unit Cost	28,679	28,931	252	28,679	0	114,243	85,312	85,565
- TOTAL COST	587,600	412,263	(175,337)	370,535	(217,065)	1,033,901	621,638	663,366
Other Areas								
- FYEs	153.98	161.00	7.02	171.92	17.94	171.77	10.77	(0.15)
- Average Unit Cost	13,350	9,394	(3,956)	12,300	(1,050)	9,794	400	(2,506)
- TOTAL COST	2,055,642	1,512,470	(543,172)	2,114,600	58,958	1,682,320	169,850	(432,280)
TOTAL								
- FYEs	333.74	314.43	(19.31)	327.34	(6.40)	311.11	(3.32)	(16.23)
- Average Unit Cost	29,013	25,698	(3,315)	25,676	(3,338)	30,938	5,239	5,262
- TOTAL COST	9,682,723	8,080,357	(1,602,366)	8,404,519	(1,278,204)	9,625,016	1,544,659	1,220,497

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 209 at the end December 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 137. In addition the Cost and Volume is based on FYE numbers rather than count

Appendix 3 – Number of Children Looked After



Appendix 3a – Number of Looked After Children (12 month rolling average)

