

Appendix 2 – Children, Families & Education Services

Children & Family Services

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2023/24 Children & Family Services as at the end of March 2024 (Month 12)

2023/24 final net budget £126.3m, outturn variance of £12.3m overspend, favourable movement £2.7m from month 10.

Children & Family Services - key explanations, actions, and mitigating controls

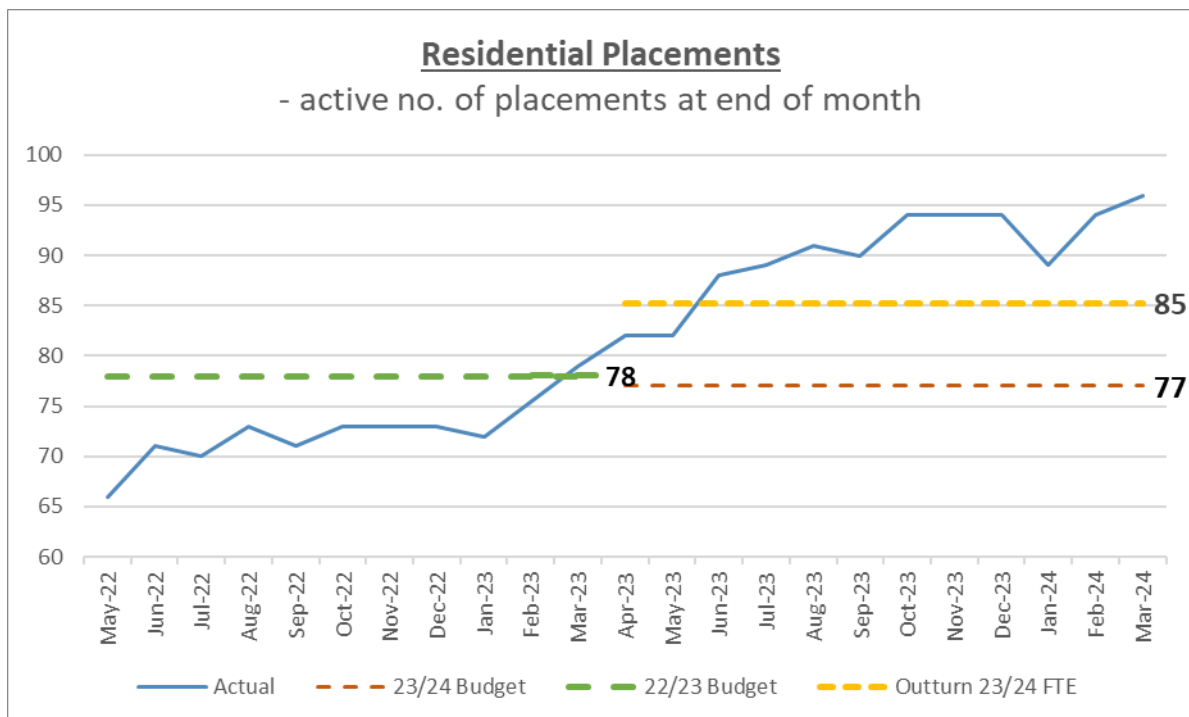
External Placements

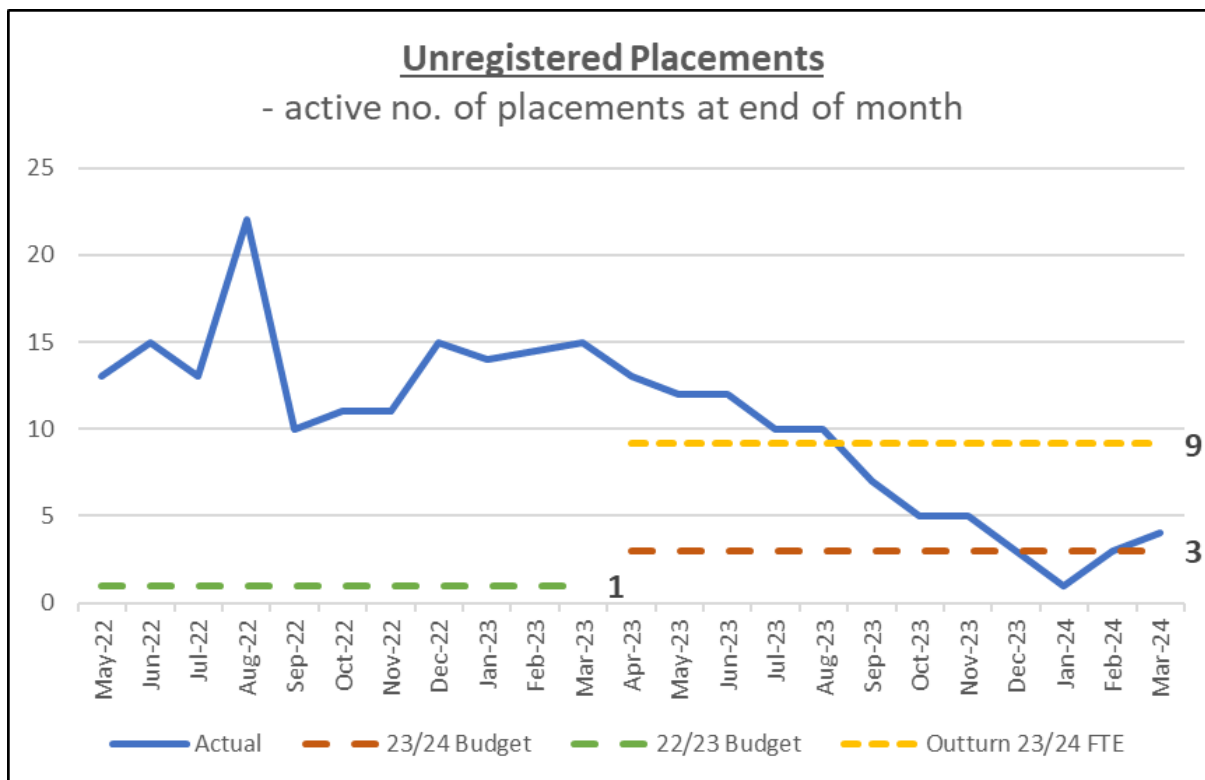
The table below provides a breakdown of the external placements budget by placement type.

The external placements budget has a total overspend of £10.3m a decrease from month 10 of £0.7m. Of this overall variance, the unregistered placement overspend is £4.4m and the residential overspend is £4.3m (net of DSG Grant income).

External Placements	23/24	Full Year	Overall	Change
	Budget	Outturn	Variance	on Month
	£m	£m	£m	10 £m
Residential Placements	24.6	29.9	5.3	0.2
Independent Fostering Agencies	8.2	7.3	(0.9)	(0.2)
16+ Supported Accommodation	5.7	7.9	2.2	0.4
Homes & Horizons	4.1	3.5	(0.5)	(0.1)
Unregistered Placements	3.7	8.1	4.4	0.4
UASC Placements	1.9	2.6	0.7	(0.2)
Residential Parent & Child	1.1	0.9	(0.2)	(0.0)
Secure	0.9	1.3	0.5	(0.0)
Other	1.3	1.8	0.4	(0.9)
Total Expenditure	51.4	63.3	11.9	-0.4
DSG Grant	(5.1)	(6.1)	(1.0)	(0.1)
UASC Grant	(2.4)	(2.8)	(0.3)	0.0
NHS Funding	(5.3)	(5.2)	0.1	0.0
Other	(0.2)	(0.5)	(0.3)	(0.2)
Total Income	(13.1)	(14.6)	(1.6)	(0.4)
Net Expenditure	38.4	48.7	10.3	-0.7

The graphs below show the trend in the numbers of residential and unregistered placements over the past 2 years.





The service has been able to move children from out of unregistered placements, however, due to complexity of their need, these children have moved to residential care placements, which although less expensive than unregistered placements have increased the pressure on residential care budgets. As at the end of March, there were three unregistered placements.

Fieldwork (Support for Children at Home)

In emergencies and when ordered to do so by the court, the service has provided 24/7 supervision of families in their own home. This is an expensive and usually externalised service. We are challenging the validity of this expenditure in the High Court.

The high number of 24/7 support at home packages has resulted in an overspend against the Fieldwork (section 17) budget of £0.8m. This pressure has been mitigated by £0.8m of Household Support Fund.

CSC Management

IMPOWER were engaged and reported in February 2023 to undertake a rapid financial diagnostic of Children's Social Care Services with the aim of identifying and quantifying opportunities for sustainable cost savings over and above those already identified by the Council. These fees are resulting in a pressure in this area of £0.6m.

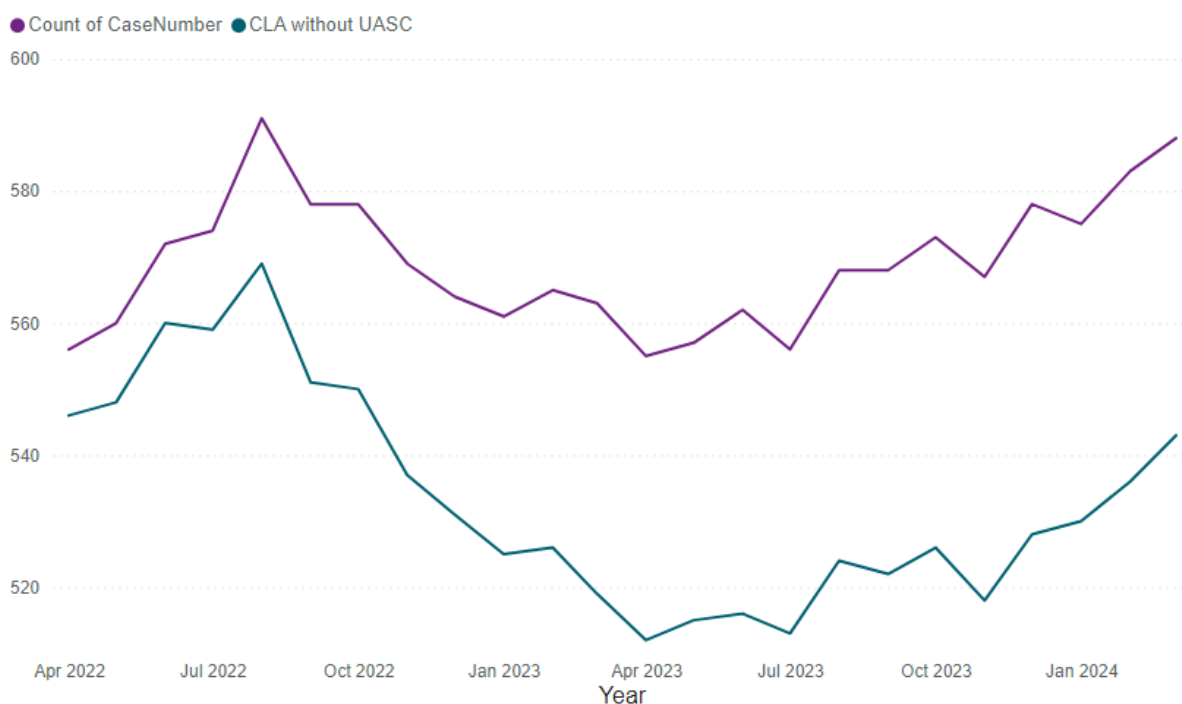
The Impower report identified potential savings including delivery of approximately six to eight step downs from residential to in house fostering over the next three years. Whilst the Impower work contributed to our current transformation programme, there are no specific savings for 2023/24 resulting in a pressure of £1m. In-house foster placements have increased by two on average for the financial year which would result in a saving of £0.4m if those young people were to have gone into residential care however the overall pressure in residential external placements eliminates any potential savings.

The DfE Staying Close grant has not been fully spent in this financial year and has an underspend of £0.4m. This will be requested to be carried forward into 24/25 in order to utilise the grant to improve outcomes for young people leaving children's residential care homes.

Children & Family Services – key performance cost drivers

Increase in numbers of children in care - The number of children in care has increased by approximately 30 since July 2023. This largely relates to sibling groups where a non-accidental injury has occurred with the majority of these children being placed in foster care during court proceedings. There is also a steady although small increase in the number of unaccompanied asylum seeking children (UASC) living in the county as part of the mandatory national transfer scheme.

CLA and CLA without UASC by Month



Increasing costs for children in care

The average weekly cost of *unregistered* placements continues to reduce and is now £17.1k, a 24% reduction on last year's average weekly cost. The average weekly cost of *residential* placements has increased by 15% from last year.

Children & Family Services - key risks, future issues, and opportunities

Children's Social Care A County Council Network and Society of County Treasurers report published on the 31 October 23 identified that, despite an increase in children service's budgets, county and large unitary authorities are predicting significant overspends in 23/24, due to rising demand and high care placement costs in a broken market.

As outlined above, there is significant increase in demand in Somerset particularly for placements for complex teenagers at high cost. An insufficiency of fostering provision compounds this as it does in most other local authorities nationally.

In parallel, there is a risk that the cost-of-living crisis and reducing budgets in partner organisations will have a significant impact on demand in children's social care

including the number of children requiring support, and therefore the cost of services. Demand is already rising and has been doing so since the beginning of the pandemic. This is not levelling out.

Education Partnership and Skills (EPS)

Somerset schools are significantly underperforming, and the Council initiated a five-year strategy in April 2023 to improve educational outcomes. The EPS service delivers a £12m trading account and in past years has delivered a healthy return, which has previously been used to generate a trading reserve. Two years of steep inflation and below inflation increases to school budgets have put unprecedented pressure on the trading account. While many businesses trading with schools have responded with significant charging increases, the council has rightly focused on balancing the viability of its own services with avoiding undue pressures on schools.

As of year-end, the EPS service is provisionally expected to meet budget (month 10 projected overspend of £0.5m). Most of the £0.5m movement from month ten relates to drawing the EPS trading reserve (£0.3m), and an agreement with LA maintained schools to allocate interest from school balances to the LA budget to reduce the cost of the 23/24 Core Offer to schools which was for an additional £0.4m.

Home to Schools Transport for Mainstream and SEN

Year end outturn is as follows:

- Home To School Transport - £0.3m favourable variance (month 10 forecast to break even). This is largely due to additional grants received for Ukrainian Children.
- SEN Transport - £1.6m adverse variance (month 10 forecast adverse variance £1.7m)

Opportunities

Our transformation programme includes the following, which taken together change the model of children's services in Somerset to improve the efficiency and effectiveness of how we use our limited resources. The transformation programme is drawing in a wide all-age partnership across health, care, and education, including:

- **Children Looked After sufficiency strategy** – describing emerging needs and response. The strategy informs the children looked after transformation work overseen by the new CLA Outcomes Transformation Board.

- **Homes and Horizons** – a strategic partnership with the charity, the Shaw Trust, to deliver up to ten homes for children, up to 20 foster homes and therapeutic education provision for the most complex children in our care. This aligns with the political ambition to ensure that children from Somerset in our care have a home in the county and allows us to bring children who have been placed elsewhere home to their communities.
- **Education for Life strategy** – with the ambition and confidence to improve outcomes for children in both our maintained and academised sector schools over the next five years. This is a central pillar of the Council’s work.
- **Our SEND strategy** – focussing with our partners on ensuring that our children with SEND are included with their peers in their schools and communities and well supported in all aspects of their lives. Two key elements of this that will help to address financial challenges are a focus on early identification and support to reduce demand for statutory support, and the focus on developing more inclusive mainstream education provision and specialist provision for children with social, emotional, and mental health needs.
- **Connect Somerset** – an early help partnership between the Council, the NHS, schools, the voluntary sector, and our communities, ensuring that professionals and communities work together to help families and residents to improve their lives. By increasing the early help accessed by families in their community, we build resilience and therefore reduce demand to expensive Council and Partner services. This work is integrated with the Neighbourhoods, Local Community Networks and Primary Care networks.

Children, Families and Education Service– Dedicated Schools Grant (DSG)

Dedicated Schools Grant - key explanations, actions, and mitigating controls

The DSG is a ring-fenced grant which is allocated in four blocks:

- **Schools** funds the Individual Schools' Budgets of Academies and Local Authority Maintained schools.
- **Early Years** funds the provision of education for children from age three up to age five and for qualifying two-year olds.
- **High Needs** funds the place budgets at special schools, Enhanced Resource schools and Pupil Referral Units within the local authority's geographical boundary and other expenditure required to support children and young people with additional educational needs.
- **Central Schools Services** funds limited central expenditure on behalf of all schools and academies plus historic commitments that have been agreed by the Schools' Forum

Table 2: DSG Outturn

The DSG is monitored monthly, and the table below shows the 2023/24 Outturn, with a comparative position showing the movement to month twelve. Note that the Early Years Block surplus is ringfenced and will be drawn down for distribution to Early Years providers in the following year.

Movement from Prior month	Original budget	Current budget	Full year projection	Month 12 Variance	RAG Status	Movement from prior month
Schools	2.5	2.5	3.0	0.5	Red	0.1
Central Schools	5.0	5.0	4.6	(0.4)	Green	(0.4)
Early Years	30.6	31.1	30.1	(1.0)	Green	(1.0)
High Needs	74.2	73.5	88.6	15.1	Red	(0.1)
Total	112.4	112.1	126.3	14.2	Red	(1.4)

Table 3: DSG Allocations 2023/24

The final gross DSG funding allocation for 2023/24 amounted to £491.8m. From this final allocation, the amounts shown in the table below have been allocated to Mainstream and Special School Academies and Local Authority Maintained Schools. The amounts allocated to Academies shown below are recouped by the Department for Education prior to payment to the Local Authority. The remaining balance is the funding available for services for 2023/24. The £2.5m on the Schools Block represents the Growth Fund allocation for the year.

In year allocations	Gross DSG funding allocation			2023/24
	2023/24	Allocated to Academies	Allocated to LA Schools	Funding available for services
Schools	372.0	(245.1)	(124.4)	2.5
Central Schools	5.0	-	-	5.0
Early Years	31.1	-	-	31.1
High Needs	83.6	(9.5)	(0.7)	73.5
Total	491.8	(254.6)	(125.1)	112.1

Table 4: High Needs Block budget 2023/24

As set out in Table 2, the main risk area for the DSG Block is High Needs Block expenditure. A detailed summary of the High Needs Block budget and the outturn position is set out below:

High Needs	Current Budget	Month 12 Outturn	Variance A/ (F)	Month 10 forecast	A/(F)	Change from Month 10 A/(F)
INMS	20.7	23.9	3.2	24.8	A	(0.9)
Special Schools	21.9	22.3	0.4	22.1	A	0.2
Mainstream Schools & Academies	10.9	13.1	2.2	12.4	A	0.7
Pupil Referral Units & Learning Partnerships	7.9	8.6	0.7	8.4	A	0.2
Post 16	6.0	7.0	1.0	6.8	A	0.2
CLA Pre 16	5.1	6.3	1.2	6.3	A	-
SEND Advisory Services	3.6	3.6	-	3.6	F	-
ASD Bases	2.2	2.1	(0.1)	2.2	-	(0.1)
Other	2.2	1.7	(0.5)	2.1	-	(0.4)
	80.5	88.6	8.1	88.7		(0.1)
Budget in Year pressure	(5.5)	-	5.5	-	A	-
Transfer from Schools Block	(1.5)	-	1.5	-	A	-
Total	73.5	88.6	15.1	88.7		(0.1)

The main areas (variances over £0.5m) contributing to the adverse forecast variance of £15.1m in the High Needs Block are:

1. Planned in year budget pressure (£5.5m adverse variance, no change from month 10)

The planned budget allocation for 2023/24 included a forecast in-year pressure on the High Needs Block of £5.5 million. Largely this is due to two related factors: year-on-year growth in the number of children and young people with an EHCP (education, health, and care plan). There has been a 95% increase in EHCPs from Apr 2019 (2,731 EHCPs) to Mar 2023 (5,329 EHCPs). The second linked factor is a lack of sufficient provision within Somerset's maintained sector for children with social, emotional, and mental health needs.

2. Contribution from Growth Fund (£1.5m adverse variance, no change from month 10)

The budgeted contribution from the Schools Block to the High Needs Block budget of £1.5m was removed in month five. This transfer has been removed because the Schools Block is now forecast to not have sufficient surplus to allow it to take place. This is due to unforeseen pressures on the Growth Fund, including the arrival of the Refugee Accommodation earlier this year.

Because it is a movement of funds between two blocks within the DSG, this transfer does not have any net effect on the overall DSG deficit.

3. Independent & Non-Maintained Schools (INMS) and Independent Post 16 Schools (£3.2m adverse variance, £0.9m favourable variance from month 10)

The effect of the significant increase in the number and cost of new INMS placements agreed through the LA's Placement and Travel (PAT) Panel or ordered by the SEND Tribunal continued in the first six months of 2023/24. In part, this has been due to insufficient availability of maintained specialist provision for pupils with social, emotional, and mental health needs. The reduction in final outturn at month 12 relates to anticipated placement growth built into previous forecasts that was not needed.

4. Mainstream Schools & Academies (£2.2m adverse variance, £0.7m adverse variance from month 10)

Continued significant growth in mainstream EHCPs along with the cost of related child specific costed packages have resulted in a further overspend at month 12 when compared to month 10.

5. Children Looked After (CLA) (£1.2m adverse variance, no movement from Month 10)

The average complexity and therefore, cost of CLA placements resulting in a contribution from education has increased above the budgeted assumptions. The adverse movement as resulted from further children moving into external placements during the month requiring educational contributions.

6. Pupil Referral Units and Learning Partnerships (£0.7m adverse variance, £0.2m adverse variance from month 10)

The HNB budget included an amount of £0.9m of income anticipated to be received from Pupil Referral Units for work with Mainstream Schools. However, there is limited capacity to undertake this work due to the high workload on school exclusions. This has significantly reduced the amount of income that could be achieved in 2023/24. The actual income received was £0.1m during 2023/24.

Schools Block monitoring

The £0.5m adverse movement on the Schools Block largely represents unplanned expenditure on asylum seeking children of £0.5m. This is a £0.1m adverse movement from month 10.

DSG deficit on 31 March 2024

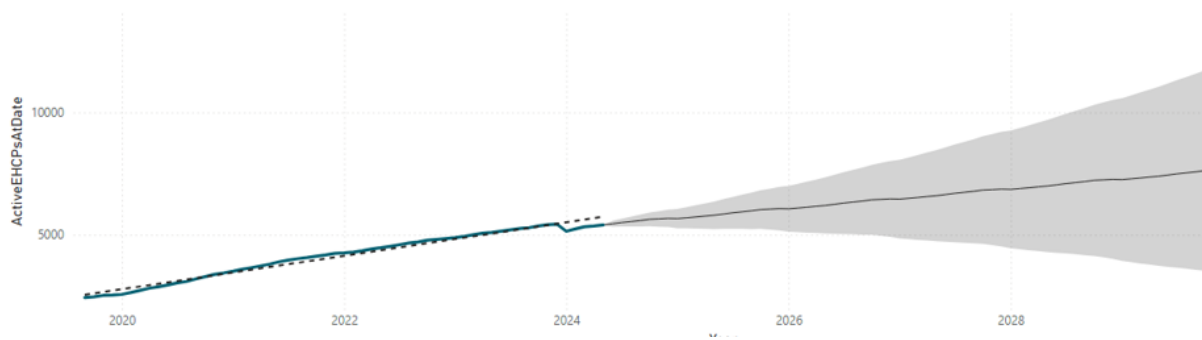
	Balance b/fwd at 1 Apr 2023 surplus/ (deficit)	NFF taken from opening reserve	Forecast in- year variance surplus/ (deficit)	Forecast carry forward 31 Mar 2024
Forecast deficit carry forward				
Schools	2.6	(1.2)	(0.5)	0.9
Central Schools	5.6	-	0.4	6.0
Early Years	0.9	-	1.0	1.9
High Needs	(29.8)	-	(15.1)	(44.9)
Total	(20.7)	(1.2)	(14.2)	(36.2)

The DSG outturn in-year deficit of £14.2m in 2023/24 gives a carried forward cumulative deficit of £36.2m when added to the brought forward balance of £20.7m. In order to fully adopt the National Funding Formula for Schools for 2023/24 it was agreed in January 2023 at Schools Forum that £1.2m would be drawn from the Growth Fund. The main area for concern continues to be the High Needs Block with a forecast in-year deficit of £15.2m. The Local Authority has recently submitted a refreshed deficit management plan.

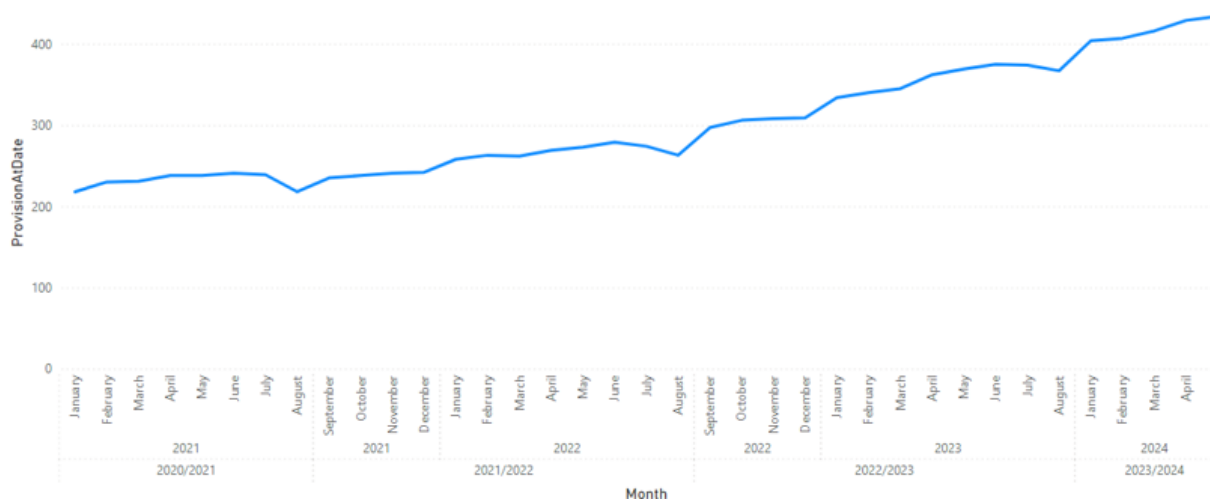
Dedicated Schools Grant - key performance cost drivers

Since 2018, Somerset has experienced a steady growth in the number of children with Education Health & Care (EHC) plans as shown below. Previously, Somerset was an outlier, nationally, with extremely low numbers of children with EHC plans, as there was a policy of allocating high needs funding to mainstream schools to support children. This policy was changed in 2018 to ensure there was better oversight and accountability for use of high needs funding. From 2018/19 to 2023/24 there was an increase nationally in the proportion of school pupils from 2.9% to 4.8%. Somerset is now above the national level at 5.2% of pupils with an EHC plan. Projections show that the numbers are expected to continue to increase in future years, although at a slower rate.

This graph shows the actual growth of EHC Plans since September 2019 and the projected number of plans up to December 2028.



The graph below shows the growth in the number of children (x axis) accessing independent non-maintained specialist (INMS) schools. INMS schools are significantly more costly (approx. £65k per pupil per year) than placements in either maintained specialist or mainstream schools. These placements are only made where there is no viable alternative placement available in a maintained setting, so the growth is a result of not having sufficient maintained provision in Somerset to meet the range of needs.



Dedicated Schools Grant - key risks, future issues, and opportunities

The key issues relating to the DSG Reserves are:

1. The projected future overspends in the High Needs Block will continue to create increasing deficits within that block and hence within the overall DSG Reserves position. This is discussed further in the High Needs Block sections below.
2. The DSG had an overall cumulative deficit of £36.2m at 31 March 2024 (£20.7m at 31 March 2023). The statutory override that allows the separation of DSG deficits from the local authority's wider finances is due to expire in March 2026 whereupon the DSG deficit will need to be recognised within the local authority's overall level of reserves.

The key risks in the High Needs Block are:

1. Increased demand for education, health, and care plans (EHCP)

The key driver for increases in high needs spending is increased demand for EHC plans. Having had one of the lowest rates of EHC plans nationally in 2018, Somerset has seen a continued increase in rates of EHC plans and the current rate of 5.2%, is now above the national average of 4.8% (2023/24 figures). Although most children with EHC plans are educated in mainstream schools, there has been a gradual movement of children from mainstream settings into specialist settings, with demand for places exceeding the growth in the provision of specialist settings.

£10.1m of DfE capital funding was made available in 2022 allowing the development of a new phase of the capital programme, which focuses on special school satellites, enhanced learning provision across the county and new therapeutic education capacity, to enable more children to access inclusive provision close to where they live. In addition, service transformation activity linked to the national Delivering Better Value (DBV) programme focuses on improving interventions and support at an early stage to prevent the need for so many EHC plans.

2. Sufficiency of provision of Social, Emotional and Mental Health (SEMH) support

There is currently insufficient SEMH provision in Somerset with the only provider currently operating significantly below capacity. This has been caused by a poor Ofsted rating for this provider. In addition, the opening of a new special SEMH free school in South Somerset has been delayed from September 2022 to September 2024. These issues result in SEMH needs being met by higher cost INMS providers. In 2022 the Council successfully applied for another SEMH special free school in the Wells area, which will cater for 64 children. However, this is not expected to be delivered until 2027. These will help to address the current lack of SEMH provision.

Transformation, Savings and Income Generation

There have been two key programmes of work to address the ongoing challenges in the high needs block. The specialist capital programme began in 2019, supported by investment from the local authority, to expand and improve Somerset's specialist estate. This has resulted in an increase of 361 additional places in specialist SEND provision across the county to date. In 2022, the Council received a £10.1 million DfE high needs capital grant, which is being used to fund further increases in specialist SEND capacity, through development of special school satellites, enhanced learning provisions in mainstream settings, and therapeutic education provision. In addition, the Council has successfully bid for two new Special Free Schools, which the DfE is responsible for delivering. The first was due to open in September 2022, but has been delayed and is now expected to open in September 2024. This will ultimately provide 120 new places. The second is due to open in 2027 and will provide a further 64 places.

Since April 2022, the service has been working with IMPOWER Consulting to identify further opportunities to improve outcomes for children and reduce pressures on high needs budgets. This work has focused on improving early

identification and support and led to the set-up of a dedicated advice line for schools to support earlier intervention, as well as a trial of the Somerset Inclusion Tool (Valuing SEND) to improve planning around transitions for children with SEND. This is helping to identify children who can remain in mainstream settings with the right support, who might otherwise have moved into more specialist settings.

Following on from this, in summer 2022, Somerset was invited to participate in the DfE-led Delivering Better Value programme. This is aimed at 55 local authorities with significant high needs deficits, but not the 20 areas with the biggest deficits (who access a different “safety valve” programme). During autumn 2022 the service worked with Newton Europe and CIPFA to develop an improved understanding of our demand and financial trajectories in relation to high needs, as well as identify opportunity areas where improvements and efficiencies could be made. This has resulted in the award of a £1m grant from DfE to support transformation and test and learn activity.

Newton’s analysis has suggested that there are opportunities for reducing high needs expenditure, which could realise a £1m benefit by the end of 2024/25, and a cumulative benefit of around £8m by the end of 2027/28. However, based on Newton’s model, it is still expected that the cumulative deficit will continue to grow each year, unless there were to be significant changes to SEND policy or funding at a national level. Newton have reported that in each of the local authorities they have worked with, they are projecting that deficits will continue to grow, so Somerset is in line with other areas in this respect.

The Department for Education still requires the Local Authority to produce a DSG Deficit Management Plan to evidence how it will reduce the in-year deficit to zero by 31st March 2026 when the statutory override expires. The activities and opportunities identified through the work with IMPOWER Consulting and the DBV SEND programme are included in Somerset’s DSG Deficit Management Plan alongside other mitigations.

Children and Family Services – Local Authority (LA) Maintained Schools Revenue Reserves

LA Maintained Schools - key explanations, actions, and mitigating controls

These reserves are regarded as being under the control of the individual schools and not the local authority and are therefore not included in the calculation of the overall DSG reserves.

The revenue reserves of the 118 Local Authority maintained schools were provisionally £17.7m at 31 March 2024 (£19.8m at 31 March 2023). Projections for 2024/25 indicate a sharp downturn in the forecast for most schools, with overall revenue reserves expected to decrease by around £8.5m during the year and move into overall deficit during 2025/26.

- At 31 March 2024, 10 schools shared a cumulative deficit position of £2.5m and 108 schools shared a cumulative surplus of £20.2m.
- Budget plans submitted by schools for 2024/25 show significant budgetary pressures with 94 plans submitted indicating projected in year deficits totalling £7.7m.
- Those schools with projected overall deficits and high in year deficits have been asked to meet with Local Authority representatives to discuss mitigations to their overspends. Action plans will be produced for individual schools.
- One school, Wadham Secondary, had a cumulative deficit of £1.4m at 31 March 2024 and does not have an agreed recovery plan. The underlying problems have now been addressed by an area restructure, but the historic deficit is too large to be recovered solely by this school. A proposal has been developed to manage down this deficit over a 5-to-10-year period. There is a risk that the local authority may be required to fund the deficit if the school is required to convert to an academy due to underperformance.

LA Maintained Schools - key risks, future issues, and opportunities

Alongside the Department for Education and Diocese of Bath and Wells (where appropriate) the local authority is managing a pipeline of academy conversions. This pipeline was put in place following a refresh of the council's policy approach to academisation in August 2023. The pipeline has been successful in giving stability and clarity to the academisation process, as well as allowing for more robust financial planning for both the council and affected trusts.

The process of academisation planning has demonstrated that it remains challenging to track school spending during the conversion process, and in a time of financial pressures this can create uncertainties for both the council and the trust. Further work is planned to consider what mechanisms could be put in place to secure this process further.

Somerset's education system is underperforming overall. However, while primary performance overall declined between 2022 and 2023 at Key Stage 2, LA maintained primary schools have improved their performance by 0.3 percentage points for all pupils achieve expected standard for Reading, Writing and Maths, and more markedly (2.5 percentage points) for children from low-income backgrounds. The introduction of a Core Offer and a stronger strategy for supporting schools to improve as stemmed the growth of inadequate and requires improvement judgements. While the local authority cannot compel LA maintained schools to accept with and engage in support, all schools that have willingly collaborated with the local authority's help have performed at or above expectation on inspection over the past year.