

24 September 2009

Financial Monitoring – 2009/10 First Quarter Forecast

Ward(s) All

Portfolios: Councillor Walker

Summary of report:

This report gives a breakdown of the Directorate's financial outturn forecast for 2009/10 including explanations of overspends and risks to the achievement of the forecast, based on the first 3 months of the financial calendar, April to June 2009. The current position shows an overspend of **£1.878m** and details the significant management action which is taking place, without which the overspend would be greater.

Background papers:

Various financial working papers.

Reason for scrutiny:

To provide an update on the 2009/10 financial performance of the Directorate's Services.

Resource and legal considerations:

The budgets were set as part of the council's budget setting process in line with the Medium Term Financial Strategy.

Citizen impact:

None directly associated with this report.

Environmental impact:

None directly associated with this report.

Performance management:

Financial performance is considered alongside service targets.

Equality Implications:

None directly associated with this report.

Consultation:

Consultation has been undertaken as part of the budget monitoring process with senior managers within the services.



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1 Forecast Revenue Outturn 2009/10 – Children and Young People

- 1.1 A forecast net revenue overspend of **£1.878m** is forecast. This is after a corrective action plan of £1.886m without which an overspend of £3.764m would be predicted. If this corrective action plan is not achieved then this position will worsen. The outturn shown is based upon actual information from the Oracle system and discussions with managers regarding year end forecast and achievement of savings. **Table 1** shows the Forecast Outturn for each service area within the directorate.

Table 1 – Projected Year-end Position for C&YP post action plan

| SERVICE | Annual budgeted spend | Annual budgeted income | Net annual budget | Forecast annual spend | Forecast annual income | Forecast annual net position | Variance Over / (Under) | |
|----------------------------------|-----------------------|------------------------|-------------------|-----------------------|------------------------|------------------------------|-------------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | % |
| Children's Services | | | | | | | | |
| Education | 241,159 | -232,247 | 8,912 | 242,686 | -233,571 | 9,115 | 203 | 2.28% |
| Specialist services | 27,456 | -2,667 | 24,789 | 29,115 | -2,794 | 26,321 | 1,532 | 6.18% |
| Universal services | 12,037 | -6,974 | 5,063 | 12,617 | -7,411 | 5,206 | 143 | 2.82% |
| Total Children's Services | 280,652 | -241,888 | 38,764 | 284,418 | -243,776 | 40,642 | 1,878 | 4.84% |

2 Analysis of Variances

2.1 Specialist Services

- 2.1.1 The forecast outturn for Specialist Services is **£1.532m**. This figure is after management have taken a series of actions to reduce the overspend by £1.886m. This action plan is being managed and individual officers are responsible for actions within that plan. Options are being continually analysed, monitored and developed to mitigate this overspend.
- 2.1.2 The most significant pressures on the service remain around Looked After Children (LAC). For the 2009/10 budget an efficiency saving of £0.372m was targeted. This was based on procuring placements at improved rates and changing mix of placements. Since the budget process has taken place there has been a significant increase in the number of LAC from 450 at which the budget was set to 480 at June 2009. This number is the highest in 4 years and continues to fluctuate. Since the beginning of the financial year an increase has been seen which is believed to be associated with revised deprivation indicators (IDACI) and the effect of reassessment of risk since the death of "Baby P". Work is ongoing and Placement Panel meets every 2 weeks to review cases.
- 2.1.3 Ongoing pressures continue on placement budgets due to mix and high level of looked after children continuing from the beginning of this financial year (as outlined above). The availability of internal residential placements will increase with the reopening of Lichfield Road Children's Home and this will reduce cost but with numbers at current levels there remains a need for independent placements.

2.1.4 With high levels of LAC, foster care recruitment activity is planned to accelerate, but in the meantime additional family placements will be required from independent fostering agencies which at c£871 per week per child or c£0.040m per annum are higher cost. For children requiring independent residential care this is c£2,764 per week per child or c£0.144m per annum.

2.1.5 Courts still have an expectation that care cases will have high levels of contact with birth families, particularly during care proceedings involving increased costs in supervision and transport. Corrective action is being implemented to reduce cost in this area but an overspend of £0.450m is anticipated. New legislative requirements stemming from a new public law outline caused costs to increase in 2008/09. It is expected that this will create an overspend of c£0.075m in 2009/10. All possible actions to mitigate this will take place.

2.1.6 Corrective action planning is being implemented in all these areas to reduce as far as possible the potential overspend without any additional risk to children.

2.2 Education

If schools follow the appropriate guidance and qualify under exact criteria then school redundancies will be charged to the Local Education Authority mainstream budgets. The level of redundancies this year has been higher than in previous years and budgets are already overspent. Actions are being taken wherever possible to mitigate these overspends but if this trend continues budgets will come under more financial pressure.

2.3 Universal Services

An overspend is forecast for Universal Services of **£0.142m**. High demand remains around areas such as Direct Payments and Family Support. These pressures are estimated at £0.289m. Management action has taken place across Universal Services and that has produced savings of £0.147m. Actions include maximising use of grant income and vacancy management.

3. Risks

3.1 Specialist Services

- Looked After Children – 480 is the highest LAC has been since July 2005. Work is ongoing in this area but the increased number of clients could increase the overspend.
- Risks of increasing care costs due to changes in the environment and individual needs of looked after children.

3.2 Education

- Further redundancy costs could be agreed and increase the forecast
- Cost of Criminal Records Bureau checks continue to be higher than budgeted.
- Excellent performance against Key Performance Indicators in the education contract can trigger increased payments. However it must be noted that there would be improved outcomes for children in Walsall if this was the case.

3.3 Universal Services

- The Integration of Young Peoples Support Services is planned for October 2009. Work is currently underway to reorganise and realign budgets to the new service. Plans indicate that this transition will be in budget, however such a significant change is being monitored closely and carries risk.

4. Savings and Investments Tracking

During the 2009/10 budget setting process a number of savings and investments were approved for CYP and are included in the revenue budget detailed above. Achievement/use of these savings/investments is monitored to assess the directorate's performance against the planned activity shown in **Table 2**:

| INVESTMENT/SAVING DESCRIPTION | FULL 2009/10 SAVING | Forecast Investment/Saving | RAG |
|---|---------------------|----------------------------|-----|
| Increase in Demand of no recourse to public funds - statutory duty under Sec 20 Children Act for children of those whose immigration status means they have no access to other public funds, obligation to fund - potential overspend if not approved | 260,000 | 260,000 | |
| Statutory requirement to provide adoption support and special guardianship (adoption and children act) | 75,000 | 75,000 | |
| Increased funding for family law cases | 224,000 | 224,000 | |
| Increased work around complex abuse cases (child protection) | 19,500 | 19,500 | |
| Closure of children's home - children accommodated in foster placements - revenue savings | - 400,000 | - 400,000 | G |
| Deletion of education support coordinator post | - 50,000 | - 50,000 | G |
| Restructure of Outreach team -Team of unqualified workers support looked after children in pursuing leisure, arts and cultural activities, promoting self esteem and encouraging participation and positive activities. Removal of Operations Manager and Team Manager posts along with 2 additional outreach workers | - 111,582 | - 111,582 | G |
| Reduction in numbers of looked after children | - 372,000 | - | R |
| Review & restructure of Emergency Response team social work services. | - 157,000 | - 157,000 | A |
| Review & Restructuring of service delivery with Youth Offending Service | - 155,833 | - 155,833 | G |
| Reduction of hours on the Walsall Children's Fund Commissioning Support Team Budget | - 2,789 | - 2,789 | G |
| Realignment of Prevention & Local Services costs with Grant income. Offset salary costs against national grant income allocated to Walsall annually to deliver Contact Point (Statutory requirement to support the delivery of Children's Services) | - 33,000 | - 33,000 | G |
| Universal Services Management Team - Maximising potential of undergraduate scheme to reduce salary costs in partnership with local university. | - 20,000 | - 20,000 | G |
| Youth service Training and Development resources | - 22,500 | - 22,500 | G |
| Youth Service Buildings Maintenance Budget | - 10,000 | - 10,000 | G |
| Youth Development Fund- Previously this budget was aligned with specific cost centres. Via a review and restructuring process, this fund is now being centralised, and efficiencies have been identified via this process. Development work maintained with greater efficiency and Strategic overview | - 15,000 | - 15,000 | G |
| Youth Offending Service(realign a YOS management post with WNF grant) Dependant on grant approval | - 27,350 | - 27,350 | G |
| Youth Offending Service(realign YOS manger with YJB grant) Dependant on grant approval | - 27,350 | - 27,350 | G |
| Youth Offending Service(realign YOS manger with YJB grant) Dependant on grant approval | - 27,350 | - 27,350 | G |
| Reduction in Youth Service activities by review of organisation and resources including the deletion of vacant posts | - 68,366 | - 68,366 | G |
| Realign services to establish integrated Young Peoples services. Economies of scale, reduction in management to include children's trust arrangements | - 96,000 | - 96,000 | G |
| Reallocation of Agency Savings | - 2,423 | - 2,423 | G |
| Net Investments/Savings | - 1,020,043 | - 648,043 | |

5.Capital Programme

The forecast capital programme outturn for the CYP as at the end of June 2009, is predicted to underspend by £1,028,148. **Table 2** provides a detailed financial analysis of the capital position by service.

Table 2

| Forecast Capital Outturn 2009/10 | | | | |
|---|----------------------|---------------------|--------------------------|--|
| Programme | Annual Budget | Year To Date | Year End Forecast | Slippage/ Underspend to 2009/10 |
| | £ | £ | £ | £ |
| Mainstream | | | | |
| Universal Services | 94,965 | 16,539 | 94,965 | 0 |
| Specialist Services | 1,339,501 | 23,531 | 311,353 | - 1,028,148 |
| Education | 15,486,529 | 2,563,381 | 15,486,529 | 0 |
| Sub-total | 16,920,995 | 2,603,451 | 15,892,847 | (1,028,148) |
| Non-mainstream | | | | |
| Universal Services | 633,600 | 44,065 | 633,600 | 0 |
| Specialist Services | - | | | 0 |
| Education | 25,420,056 | 4,063,330 | 25,420,056 | 0 |
| Sub-total | 26,053,656 | 4,107,396 | 26,053,656 | 0 |
| Total | 42,974,651 | 6,710,846 | 41,946,503 | (1,028,148) |

The projects forecast to underspend is Eldon House refurbishment. Currently there is strategic analysis taking place of how to best use capital to improve this facility or look to alternate premises.