

Children's Services
Overview and Scrutiny Committee

DATE: 02 NOVEMBER 2023

CORPORATE FINANCIAL PERFORMANCE – QUARTER 2 FINANCIAL MONITORING
POSITION FOR 2023/24

Ward(s) All

Portfolios: Cllr S Elson – Children's Services

1. Aim

- 1.1 To provide the budget monitoring position for Period 6 2023/24. The Chair requested that this item be considered by the Committee.

2. Recommendations:

The Committee are requested to:

- 2.1 Note the revenue and capital forecast for the financial year end 2023/24 for the services under the remit of the committee.

3. Report detail - Know

- 3.1 This report summarises the forecast revenue and capital financial position for 2023/24, based on the position to September 2023, for services within the remit of the Children's Services Overview and Scrutiny Committee, as reported to Cabinet on 18 October 2023. The full Cabinet report can be accessed by the following link:

[Corporate Financial Performance 2023/24 - Cabinet 18 October 2023](#)

- 3.2 The forecast revenue outturn for 2023/24 for the services under the remit of the Children's Services Overview and Scrutiny Committee is an overspend of £2.45m after the net use of reserves of £3.69m, as shown in **Table 1**. The forecast revenue outturn shown is based on actual information from the financial system as at the end of August 2023, and discussions with managers regarding year end forecast and achievement of approved savings.
- 3.3. For completeness, the forecast revenue overspend for services under the remit of the Education Overview and Scrutiny Committee is an overspend of £0.83m. This gives a total forecast position of an overspend of £3.28m for Children's Services directorate as of 30 September 2023.

Table 1: Forecast revenue analysis 2023/24 by Service						
Service	Annual Budget	Year End Forecast	Net Use of Reserves	Action Plan	Draft Outturn after use of and transfer to Earmarked Reserves	Variance to Budget
	£m	£m	£m	£m	£m	£m
Children's Wide	0.84	0.80	(0.34)	0.00	0.46	(0.38)
Children in Care (CiC), in Care costs	39.04	43.69	(2.56)	0.00	41.13	2.08
Children's Social Care	22.68	23.58	(0.22)	0.00	23.36	0.68
Early Help and Commissioning Services	4.13	4.76	(0.57)	0.00	4.19	0.06
Total Services within remit of Committee	66.69	72.83	(3.69)	0.00	69.14	2.45

Please note the year end forecast above includes mitigating actions of (£0.37m) which have been identified across the Directorate.

3.4 The main variances are summarised in **Table 2** below.

Table 2: Reasons for revenue outturn variance		
Service	Variance £m	Explanation of Year End Outturn
Children's Wide	(0.38)	Mitigating actions identified across the Directorate.
Children in Care (CiC) costs	2.08	Overspend linked to ongoing increases in costs of placements for CiC and changes in the mix of CiC, linked to placement sufficiency issues. Further detail is provided in Appendix 1.
Children's Social Care	0.68	<ul style="list-style-type: none"> £0.10m legal fees £0.20m home to school transport for CiC £0.12m unachievable social worker Recruitment & Retention saving £0.26m additional staffing costs linked to the introduction of Senior Social Worker posts and agency costs within the service.
Early Help and commissioning Services	0.06	Shortfall in traded income across performance and information services, in addition to minor variances across the service.
Total Services within remit of this Committee	2.45	

3.5 Reasons for Movements

The June forecast position reported to Cabinet in July 2023 was an overspend of £1.12m therefore there is a net increase in the overspend of £1.33m over the period. The key reasons for movements are detailed in **Table 3** below:

Table 3: Reasons for movements in variance

Service	Movement £m	Explanation of Movement in Year End Variance
Children's Wide	(0.38)	Identification of directorate action plan
Children and young people in care costs	1.57	A detailed breakdown is provided in Appendix 1.
Children's Social Care	0.14	Unachievable social worker R&R saving due to delays in recruitment and extension of current agency staff and further agency overspends.
Early Help and commissioning Services	0.00	No movement
Total Movements for Services within remit of this Committee	1.33	

3.6 Reserves

The total allocated reserves for 2023/24 for services under the remit of this committee are £5.89m, of which (£3.77m) has been used or committed to date and £0.08m will be transferred to reserves at the year-end, ringfenced for expected spend in 2024/25.

The use of reserves below is predominantly made up of:

- (£0.54m) external funding to support the Family Drugs & Alcohol Court Programme, Safeguarding Families Programme, & Regional Recovery Building Back Better Programme
- (£0.25m) corporate reserve to support the cost of complex cases for Children in Care
- (£0.96m) corporate reserve to support the cost of placement moves and uplifts for Children in Care
- (£1.10m) corporate reserve to support the cost of net inflow/ outflow pressures for Children in Care
- (£0.21m) Safeguarding Board and Youth Justice reserves
- (£0.35m) net use of Supporting Families reserve
- (£0.22m) external funding to support the Family Hubs programme
- (£0.05m) contribution towards Regional Adoption Agency

Table 4 below details the use of and transfer to reserves across the services within the remit of this committee.

Table 4: Summary of use of reserves and transfer to reserves				
Reserve Details	Allocated reserve	Use of reserve	Transfer to reserve	Balance of reserve
	£m	£m	£m	£m
Children's Wide	0.58	(0.34)	-	0.24
Children and young people in care costs	3.38	(2.56)	-	0.81
Children's Social Care	1.01	(0.30)	0.08	0.79
Early Help and commissioning services	0.92	(0.57)	-	0.35
Total Reserves	5.89	(3.77)	0.08	2.20

3.7 Risks

For the services under the remit of this committee, there are total risks of **£5.03** which are not included in the above forecast. At this stage the risks are not a certainty and as such are not included in the monitoring position. There are high risks of £2.20m relating to Services within the remit of this committee. If any risks became a certainty, they would need to be included in the forecast position as an overspend, unless alternative action can be identified to mitigate these costs. A summary of the risk assessment is shown in **Table 5** below.

Table 5: Revenue Risks 2023/24				
Risk	Value £m	Ongoing £m	One Off £m	Actions to manage risk
High	2.20	2.20	0	Additional resource in place to support with placement moves and breakdowns. Placement uplifts currently being negotiated regionally.
Medium	2.22	2.00	0.22	Savings reviewed monthly as part of the monitoring process. ICB contributions reviewed monthly with the Lead Commissioner.
Low	0.61	0.61	0	
Total	5.03	4.81	0.22	

The high risks (Red risk) that could negatively impact the current forecast position are detailed in **Table 6** below:

Table 6: High risks		
Service	Reason / explanation of risk	£m
Children and young people in care	£1.1m risk of increased placement moves and step ups over and above current position £0.5m impact of outstanding placement uplift requests £0.5m risk of continued rises in average costs	2.11
Early Help and commissioning services	Increased rates and additional complex cases within the Short Breaks service.	0.10
Total High Risks		2.21

The medium risks include the risk of current ICB contributions towards placement costs reducing at the next review date, and amber savings not being achieved by the end of the financial year.

3.8 Service Transformation Plan Benefits

Included within the budget for 2023/24 for services within the remit of this Committee are £4.02m of approved savings. **Table 7** gives an update on progress towards implementing these benefits:

Table 7: Delivery of 2023/24 approved savings – services within the remit of this Committee					
Saving	Total savings £m	Delivered £m	To be delivered by 31/03/23 £m	Not fully guaranteed £m	At High risk of non-delivery £m
OP6 – Review of current establishment and reduction in the use of agency staff, following recruitment of permanent staff	(0.63)	-	(0.33)	(0.18)	(0.12)
OP43 – Strengthening Families, Protecting Children. This is a cost avoidance scheme for future placement projections which will reduce future growth need.	(0.08)	-	(0.08)	-	-
OP44 – Adolescent service - Turning Point - reduce number of adolescents coming into care	(0.56)	-	(0.56)	-	-
OP45/51 - Further Recruitment & Retention of Internal Foster Carers	(0.63)	(0.07)	(0.24)	(0.32)	-
OP46/52 - Specialist Foster Placements – New Horizons Foster Carer Scheme	(0.39)	-	(0.26)	(0.13)	-
OP47 - Sibling Group Focus – reduce the number of sibling groups entering care	(0.20)	-	-	(0.20)	-
New – Reduce placement disruption and identify opportunities to step down placements	(1.20)	-	(1.20)	-	-
OP49 – Efficiencies from the charging of revenue costs to the Supporting Families grant	(0.33)	(0.33)	-	-	-
Total approved savings for services within remit of Committee	(4.02)	(0.40)	(2.67)	(0.83)	(0.12)

Each benefit is “BRAG” categorised as follows:

- Blue (delivered);
- Green (on track to be delivered with no issues at year end of 2023/24);
- Amber (not guaranteed at this stage but no major issues expected, some management action needed to ensure delivery) or,
- Red - (at high risk of not being achieved either in part or in full and therefore either alternative actions are required or a plan to ensure delivery is put back on track).

3.9 Capital Forecast

The capital programme for the services under the remit of the Children's Services Overview and Scrutiny Committee, as at the end of September 2023, is £0.53m. As at September, it was expected that £0.36m will be fully spent within the current financial year and the remaining £0.17m will be carried forward into 2024/25. A list of schemes within the remit of this committee is shown in **Table 8**.

Table 8: Capital Outturn 2023/24 – Services within the remit of this Committee						
Scheme	Approved Budget £m	Actual year to date £m	Forecast Outturn £m	Year End Variance £m	Proposed Carry Forward to 2024/25 £m	Variance Over / (Under) £m
Council Funded schemes						
Redesign of Children's Homes	0.13	0.03	0.13	0.00	0.00	0.00
Refurbishment of homes to support Foster Carers	0.32	0.11	0.17	(0.15)	(0.15)	0.00
Family Hubs and Start of Life	0.08	0.00	0.06	(0.02)	(0.02)	0.00
Total Council Funded Schemes	0.53	0.14	0.36	(0.17)	(0.17)	0.00
Total Capital – Services within the remit of this Committee	0.53	0.14	0.36	(0.17)	(0.17)	0.00

Children in Care (CiC) Financial Monitoring Position for Q2 as at September 2023

Overview

Local Authorities in England have a statutory responsibility for protecting the welfare of Children and delivering Children's Social Care. In more serious situations Local Authorities may use their statutory powers to place children and young people in need on child protection plans or even take them into the care of the Local Authority.

Walsall's Social Care demand led pressures are in-line with the national picture and, although costs continue to increase, extensive work has been undertaken to effectively manage demand.

On-going placement sufficiency issues continues to be the biggest challenge for the service, which has been further compromised by changes in legislation. In September 2021, new legislation was introduced stating that no child under the age of 16 should reside in a placement that is not Ofsted registered. This has resulted in several unregulated/unregistered placement providers exiting the market, which has subsequently reduced supply, heightened demand and the related costs. This has been compounded by a lack of sufficiency of foster placements locally and nationally.

In addition to this, there has been further cost pressures throughout 2023/24 mainly caused by a larger portion of adolescents entering care with complex needs and vulnerabilities including exploitation, mental health difficulties and emotional dysregulation, some of who required Deprivation of Liberty Safeguards. There are mitigations in place that include Walsall expanding the internal residential provision and the development of an offer for adolescents with complex needs. A cohort of large sibling groups also entered care in this period attributing the increased cost of placement. Overall, the number of children in care has reduced following the implantation of the family safeguarding model. The principles of the model have been applied to offers that support children to remain within families or seek to stabilise children through the provision of multi-agency coordinated support that aims to stabilise children and avoid placement moves that inevitably increase placement cost.

Children in Care of the Local Authority

It should be noted that the forecast position reported in year is calculated based on the number and mix of children and young people (C&YP) at a point in time and is adjusted for anticipated placement moves and inflow/ outflow for the remainder of the financial year.

Due to the on-going pressures described above, there was approved additional investment of £11.07m included in the budget for the financial year 2023/24, with savings of £1.86m identified during the financial year and a further £1.20m of unachieved savings carried forward from 22/23. During May, an additional £2.4m of investment was received to support with placement moves (£2m) and external residential framework provider uplifts (£400k).

As at quarter 2, the total forecast for current placement and support costs for 2023/24 is **£41.12m**. This forecast is based on the current mix of children in care and the projected future demand for the remainder of the financial year. The current budget is **£39.04m**,

therefore there is a forecasted overspend of **£2.08m**. The overspend is made up of the following:

- **£0.31m** full year impact for the increased demand over and above budget for the multiple sibling groups who entered care during January/ February.
- **£0.68m** increased demand for Remand placements and inflation (£149k offset by £59k reserve for inflationary pressures and additional remand grant allocation of £96k), with a further pressure of £685k following an extraordinary intake in January/ February of 7 YP.
- **£0.89m** pressure relating to placement moves expected during 23/24 offset by corporate reserves of **(£0.89m)**.
- **£1.70m** increased reliance on IFA, external residential, and mother and baby placements for those C&YP entering care up to Period 6, with an increasing number of sibling groups, in comparison to budget and to the prior three-year trends. See prior year trends below.
- **£1.10m** pressure if the net inflow/ outflow trends seen to date continues for the remainder of the financial year. This has been offset by corporate reserves of **(£1.10m)**.
- **(£0.31m)** additional UASC income through the increased number of hotel transfer and national transfer scheme claims, in addition to the use of lower cost placements such as supported accommodation.
- **(£0.32m)** underspend within internal residential, primarily due to vacancies, as the two new homes are not set to open until part way through the financial year.
- **£0.02m** minimal movements, primarily relating to care leaver payments.

To note, the forecast position for Period 6 now assumes the increased net inflow/ outflow seen to date within Children's Social Care Demand will continue over the remainder of the financial year. This pressure, which totals **£1.10m**, has been fully offset by centrally held corporate reserves. These reserves were previously held to offset the impact of placement moves. However, the pressure has not materialised as expected and as the position has remained static during the financial year, the reserve has been realigned to offset this emerging pressure.

Movement from June 2023

The forecasted outturn position for October 2023 has increased by **£1.57m** since June 2023. The main reasons for this movement are:

- **£0.04m** increase in remand pressures primarily due to the postponement of court dates for multiple young people due to the complexity of the case at £131k, which has been partially offset by an increase in the remand grant of (£96k).
- **£0.03m** increase in the placement move pressure, offset by (£34k) centrally held corporate reserve.
- **£1.32m** due to the increased net inflow/ outflow of C&YP entering care since P3, over and above budget. This is primarily due to an increased reliance on IFA's, External Residential and Mother & Baby placements, in addition to an increasing number of sibling groups entering care.
- **£1.10m** forecasted continuation of the increased net inflow/ outflow trends seen to date for the remainder of the financial year. This pressure has been offset by centrally held corporate reserves of **(£1.10m)**.

- **£0.18m** linked to other demand led pressures including care leaver payments, section 17 accommodation, and placement price increases linked to complex cases.

As part of the Proud Transformation Programme £1.86m of benefits have been identified during the financial year, with a further £1.20m of unachieved savings carried forward from 22/23, which specifically relate to Children in Care. £2.41m of which have been or are expected to be achieved by March 2024. There is a risk that the remaining £0.65m may not be fully delivered in this financial year. Extensive work is underway in the service to prevent further pressures on the financial position and support the full delivery of all identified benefits.

Children’s Social Care Demand trends as at Quarter 2 2023/24.

Table 1 – Total number of Children in Care (CiC)

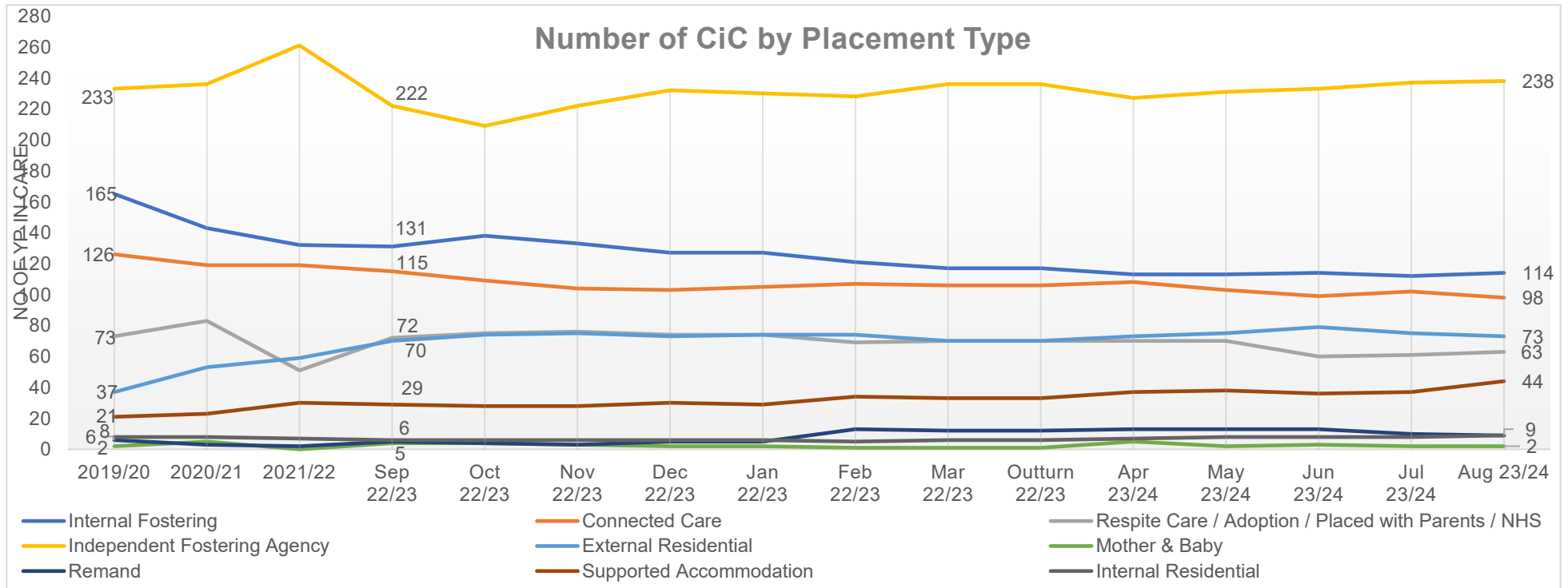
Year	2019/ 20	2020/ 21	2021/ 22	Sep 22/23	Oct 22/23	Nov 22/23	Dec 22/23	Jan 22/23	Feb 22/23	Mar 22/23	Apr 23/24	May 23/24	Jun 23/24	Jul 23/24	Aug 23/24
Total CiC	671	673	661	654	647	650	652	652	652	651	653	653	645	644	650

Since the service transformation plans were introduced in 2020/21 the number of CiC has reduced from 671 in March 2020 to 650 in August 2023/24. However, despite the overall number of CiC and net inflow/outflow of children and young people (C&YP) in Walsall decreasing and beginning to stabilise, the overall costs relating to children in care have increased.

The introduction of new legislation for non-Ofsted registered placements; a rising number of large sibling groups; an increasing number of complex children; together with a higher proportion of children in care over the age of 15 are all factors which have contributed to the increased demand within the market and continuing placement sufficiency pressures.

Table 2 – Number of CiC by Placement Type

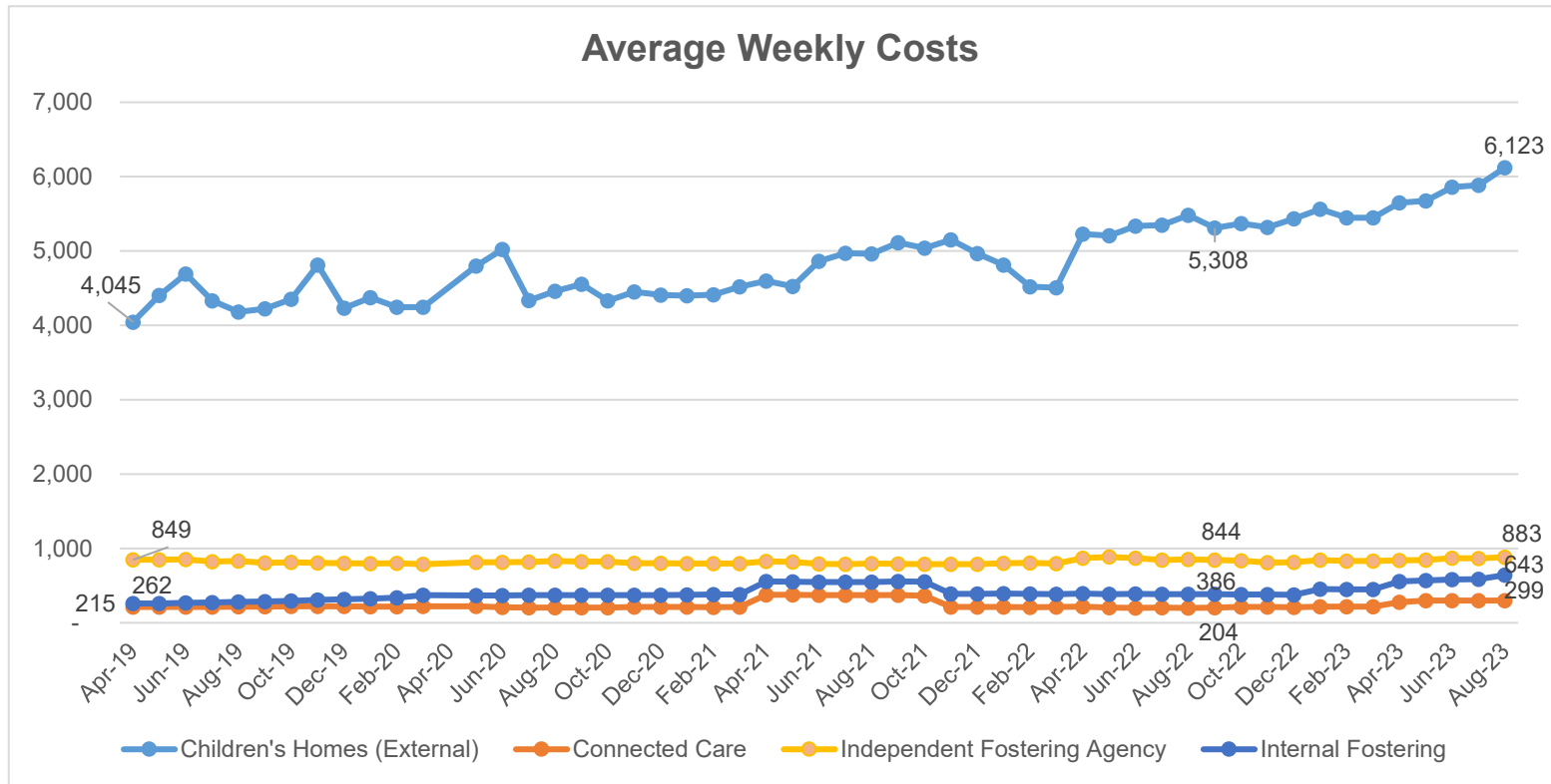
The graph below shows how although the number of CiC has decreased, the reliance on higher cost placements such as IFA’s and External Residential has increased over the 12 month and 4-year period, with the number of IFA placements increasing from 222 in September 22 to 238 in August 23 and number of External Residential increasing from 70 to 73. In comparison reliance on lower cost placements has reduced, with the number of Internal Fostering placements decreasing from 131 to 114 and number of Connected Carer placements reducing from 115 to 98.



This increased reliance on these placement types is also seen within the net inflow/ outflow figures for this financial year, see the chart below for further information.

Table 3 – Average weekly cost of the four most utilised placement types for Walsall’s CiC

As per the chart below, the average weekly cost for an external residential placement has significantly increased from £4k to £6.1k (51%) over the last 4 financial years, and from £5.3k 12 months ago. This is significantly higher than the average weekly cost of an Internal Fostering placement of £643 p/w and Connected Care placement of £299 p/w.



In recognition of the financial impacts above, the service has focussed on stepping C&YP down to lower cost placements where possible. To date there has been 59 placement step downs with further step downs planned for the remainder of the financial year. These cost reductions have reduced the impact of the placement breakdowns and step ups seen to date, which have been financially heightened due to the placement sufficiency issues described above.