

**Children's Services  
Overview and Scrutiny Committee**

**30 JANUARY 2023**

**Corporate Financial Performance 2022/23 – 7 month position ended 31  
October 2022**

**Ward(s)** All

**Portfolios:** Cllr S Elson – Children's

**1. Aim**

1.1 To inform the Committee of the updated forecasted financial position for 2022/23 based on the position to October 2022, as reported to Cabinet on 14 December 2022, to allow the scrutiny of the financial performance of the council, and specifically for the services within the committee's remit.

**2. Recommendations:**

The Committee are requested to:

2.1 Note the forecast 2022/23 year-end financial position for the council as a whole – a predicted net revenue overspend of £11.33m (an increase of £5.21m since last reported to Cabinet in October 2022), and capital break even position after re-phasing of £92.64m into 2023/24. The section 151 Officer requested that all budgets be reviewed and that services identify mitigating actions to address the revenue position. Following this review, £11.28m of mitigating actions have been identified to address this, resulting in a marginal revenue forecast overspend of £0.05m. Any on-going pressures or undelivered savings not addressed during the year will need to be considered as part of the 2023/24 budget process, putting pressure on that process. Officers are confident at this stage, based on known assumptions, that actions being taken will address this and the outturn on budget.

2.2 Note and comment on the forecast 2022/23 year-end financial position for services within the remit of this committee – a predicted net revenue overspend of £6.45m and net capital break even position.

**3. Report detail - Know**

3.1 This report summarises the forecast revenue and capital financial position for 2022/23, based on the position to October 2022, for services within the remit of the Children's Services Overview and Scrutiny Committee, as reported to Cabinet on 14 December 2022. The full Cabinet report can be accessed by the following link:

[Corporate Financial Performance 2022/23 - Cabinet 14 December 2022](#)

3.2 The Quarter 2 financial position was last reported to this Committee on 3 November 2022, with the next Quarter 3 position planned to be circulated to scrutiny members following the report to Cabinet in February 2023. Given the worsening financial position reported to Cabinet on 14 December 2022, based on the October forecast (an increase of £5.21m since last reported to Cabinet in October 2022) and the mitigation to ensure we can outturn within budget by the year end, it was felt appropriate for each scrutiny to receive this update, along with the impact on services within the remit of their committees.

3.3 The forecast revenue outturn for 2022/23 for services within the remit of this committee as at the end of October 2022, is a net overspend of £6.45m against budget, net of the use of earmarked reserves. This represents an increase of £3.17m since the position reported to this Committee on 3 November 2022. Further details are shown in **Appendix 1**.

3.4 The forecast capital outturn for 2022/23 for services within the remit of this committee as at the end of October 2022, is expected to be break even. Further details of schemes are shown in **Appendix 2**.

#### **Resource and legal considerations:**

3.5 This report represents the forecast revenue and capital outturn as reported to Cabinet on 14 December 2022.

#### **Reducing inequalities:**

3.6 Services consider equality issues in setting budgets and delivering services. Irrespective of budgetary pressures the council must fulfil its equal opportunities obligations.

### **4. Decide**

4.1 This Committee is asked to note and comment on the forecast revenue and capital forecast for 2022/23 and consider the recommendations as set out.

### **5. Respond**

5.1 This report is for noting and comment by the Committee as above.

### **6. Review**

6.1 This report is for noting and comment by the Committee as above.

#### **Background papers:**

- Various financial working papers.
- Corporate Financial Performance 2022/23, as reported to Cabinet on 14 December 2022.

**Contact Officers:**

Sally Rowe – Executive Director, Children’s and Customer, ☎01922 652081,

✉ [Sally.Rowe@walsall.gov.uk](mailto:Sally.Rowe@walsall.gov.uk)

Vicky Buckley, Head of Finance and Assurance, ☎ 01922 652326 / 07983 604698, ✉

[Vicky.Buckley@walsall.gov.uk](mailto:Vicky.Buckley@walsall.gov.uk)

Ross Hutchinson – Head of Finance – Finance Business Partnering & ESS Projects, ✉

[Ross.Hutchinson@walsall.gov.uk](mailto:Ross.Hutchinson@walsall.gov.uk)

**Forecast Revenue position 2022/23**  
**Services within the remit of the Children's Services Overview and**  
**Scrutiny Committee**

**Revenue Forecast**

The forecast revenue outturn for 2022/23 for the services under the remit of the Children's Services Overview and Scrutiny Committee is an overspend of £6.45m, net of the use of earmarked reserves of £2.95m, as shown in **Table 1**. The forecast revenue outturn shown is based on actual information from the financial system as at the end of October 2022, and discussions with managers regarding year end forecast and achievement of approved savings.

For completeness, the forecast revenue overspend for services under the remit of the Education Overview and Scrutiny Committee is an overspend of £0.75m. This gives a total forecast position of an overspend of £7.2m for Children's Services directorate as at 31 October 2022.

**Table 1: Forecast revenue analysis 2022/23 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	0.78	(0.02)	-	0.76	(0.08)
Children in Care (CiC), in Care costs	27.35	36.12	(2.10)	-	34.02	6.67
Children's Social Care	21.16	21.75	(0.49)	-	21.26	0.10
Early Help and Commissioning Services	3.59	3.69	(0.34)	-	3.35	(0.24)
<b>Total Services within remit of Committee</b>	<b>52.94</b>	<b>62.34</b>	<b>(2.95)</b>	<b>-</b>	<b>59.40</b>	<b>6.45</b>

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	(0.08)	Vacant posts
Children in Care (CiC) costs	6.67	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 3 below.
Children's Social Care	0.10	Various minor overspends across the service
Early Help and commissioning Services	(0.24)	Mitigating actions identified to support the Directorates overall position
<b>Total Services within remit of this Committee</b>	<b>6.46</b>	

## Reasons for Movements

The August forecast position reported to this committee on 3 November 2022 was an overspend of £3.28m, net of the use of reserves therefore a net increase of £3.17m over the 2 months. The key reasons for movements are detailed in **Table 3** below:

<b>Table 3 – Reasons for movements in variance</b>		
<b>Service</b>	<b>Movement £m</b>	<b>Explanation of Movement in Year End Variance</b>
Children's Wide	(0.07)	Vacant Posts not expected to become occupied
Children and young people in care costs	3.39	<ul style="list-style-type: none"> <li>• £0.92m placement moves</li> <li>• £0.47m starters and leavers (placement costs of starters higher than expected)</li> <li>• £2.00m further placement moves expected throughout the remainder of the year based on trends seen in 2022/23 to date</li> </ul>
Children's Social Care	0.09	Various minor movements across the service
Early Help and commissioning Services	(0.24)	Mitigating actions identified to support the Directorates overall position
<b>Total Movements for Services within remit of this Committee</b>	<b>3.17</b>	

## Reserves

The total allocated reserves for 2022/23 for services under the remit of this committee are £6.15m, of which (£3.3m) has been used or committed to date and £0.35m will be transferred to reserves at the year-end, ringfenced for expected spend in 2023/24.

The use of reserves below is predominantly made up of:

- Corporate reserves including Covid General fund (£0.96m) and pay award reserve (£0.55m)
- (£0.29m) external funding to support Family Drugs & Alcohol Programme & Regional Recovery Building Back Better Programme
- (£0.25m) Children in Care complex cases reserve
- (£0.15m) Safeguarding Board reserves
- (£0.84m) net use of Supporting Families reserve

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

<b>Table 4 - Summary of use of reserves and transfer to reserves</b>				
<b>Reserve Details</b>	<b>Allocated reserve</b>	<b>Use of reserve</b>	<b>Transfer to reserve</b>	<b>Balance of reserve</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Children's Wide	0.25	(0.02)	-	0.22
Children and young people in care costs	1.73	(1.70)	-	0.03
Children's Social Care	2.50	(1.01)	0.11	1.61
Early Help and commissioning services	1.67	(0.57)	0.24	1.35
<b>Total Reserves</b>	<b>6.15</b>	<b>(3.30)</b>	<b>0.35</b>	<b>2.46</b>

## **Risks**

For the services under the remit of this committee, there are total risks of **£3.09** 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 £1.23m 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.

<b>Table 5 – Revenue Risks 2022/23</b>				
<b>Risk</b>	<b>Value £m</b>	<b>Ongoing £m</b>	<b>One Off £m</b>	<b>Actions to manage risk</b>
High	1.23	1.23	0	
Medium	1.86	1.86	0	The amber risks will continue to be monitored and reviewed within the service on a monthly basis.
Low	0	0	0	
<b>Total</b>	<b>3.09</b>	<b>3.09</b>	<b>0</b>	

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

<b>Table 6- High risks</b>		
<b>Service</b>	<b>Reason / explanation of risk</b>	<b>£m</b>
Children and young people in care	£1.23m amber savings where it is not certain these benefits are achievable. The service is currently working with finance to update and refresh the original benefits and identify mitigating actions where needed.	1.23
<b>Total High Risks</b>		<b>1.23</b>

The amber risks above are linked to the risk of further placement breakdowns and cost increases for Children in Care over and above what has been included in the forecast for the remainder of the financial year.

## Service Transformation Plan Benefits

Included within the budget for 2022/23 for services within the remit of this Committee are £5.46m of approved savings. **Table 7** gives an update on progress towards implementing these benefits:

<b>Table 7: Delivery of 2022/23 approved savings – services within the remit of this Committee</b>					
<b>Saving</b>	<b>Total savings £m</b>	<b>Delivered (Blue) £m</b>	<b>To be delivered by 31/03/23 (Green) £m</b>	<b>Not fully guaranteed (Amber) £m</b>	<b>At High risk of non- delivery (Red) £m</b>
OP6 – Review of current establishment and reduction in the use of agency staff, following recruitment of permanent staff	(0.75)		(0.40)		(0.35)
OP7 – Mother and Baby Daisy Project	(0.79)	(0.23)	(0.11)	(0.45)	
OP8 – Strengthening Families, Protecting Children. This is a cost avoidance scheme for future placement projections which will reduce future growth need.	(0.46)	(0.06)	(0.08)	(0.32)	
OP9 – Adolescent service - Turning Point - reduce number of adolescents coming into care	(0.76)	(0.52)	(0.24)		
OP10 – Family drugs and alcohol court	(0.21)		(0.10)	(0.11)	
OP11 – Foster carer support to reduce placement disruption	(1.55)	(0.28)	(1.27)		
OP12 – Placement sufficiency – recruitment and retention	(0.15)	(0.15)			
OP13 – Grandparents plus- build in for future years	(0.08)	(0.06)	(0.02)		
OP29 – Children’s – To develop Power BI reports to create efficiencies	(0.12)	(0.12)			
OP107 – Independent Living	(0.37)	(0.01)	(0.01)	(0.35)	
OP3 – Development of locality partnership offer in Early Help and restructure of ‘change grow live’ following contract bought in house (implementation of restructure).	(0.10)	(0.10)			
P1 – Change, Grow Live Contract- bringing service back in house	(0.12)	(0.12)			
<b>Total approved savings for services within remit of Committee</b>	<b>(5.46)</b>	<b>(1.65)</b>	<b>(2.23)</b>	<b>(1.23)</b>	<b>(0.35)</b>

Each benefit is “BRAG” categorised as follows:

- Blue (delivered);
- Green (on track to be delivered with no issues at year end of 2022/23);
- 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);

A Walsall proud resource plan has been agreed to provide additional support towards delivery.

**APPENDIX 2**

**Forecast Capital position 2022/23**  
**Services within the remit of the Children’s Services Overview and Scrutiny Committee**

***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 October 2022, is £1.34m. As at October, it was expected that this will be fully spent in this financial year. A list of schemes within the remit of this committee is shown in **Table 8**.

<b>Table 8 – Capital Outturn 2022/23 – Services within the remit of this Committee</b>						
<b>Scheme</b>	<b>Approved Budget £m</b>	<b>Actual year to date £m</b>	<b>Forecast Outturn £m</b>	<b>Year End Variance £m</b>	<b>Proposed Carry Forward to 2023/24 £m</b>	<b>Variance Over / (Under) £m</b>
<b>Council Funded schemes</b>						
Redesign of Children’s Homes	1.07	0.50	1.07	0.00	0.00	0.00
Refurbishment of homes to support Foster Carers	0.25	0.07	0.25	0.00	0.00	0.00
Children’s Localities	0.02	0.06	0.02	0.00	0.00	0.00
<b>Total Council Funded Schemes</b>	<b>1.34</b>	<b>0.63</b>	<b>1.34</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Capital – Services within the remit of this Committee</b>	<b>1.34</b>	<b>0.63</b>	<b>1.34</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>



**Children in Care (CiC) Financial Monitoring Position for Quarter 3 as at October 2022**

**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.

Despite a challenging year due to placement sufficiency, 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.

This financial year the service has experienced on-going pressures surrounding placement sufficiency, which has been further compromised by changes in legislation. The new legislation, which came into force in September 2021 states 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.

Despite the heightened demand and subsequent costs the overall number of children entering care has reduced. This is due to extensive work undertaken to proactively manage the welfare of children within their family.

**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 budgeted inflow/ outflow for the remainder of the financial year.

In line with the rise in average costs in prior years and the current mix of children, there was approved additional investment of £3.454m included in the budget for the financial year 2022/23.

In October, the total forecast for current placement costs for 2022/23 is **£36.00m**. 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 **£27.26m**, therefore there is a forecasted overspend of **£8.74m**. This forecast includes the use of £0.96m Covid reserve, £0.24m corporate reserve for complex cases, £0.13m other corporate reserve and £0.75m children's wide action plan reducing the forecast position to **£6.66m** overspent. This is made up of the following:

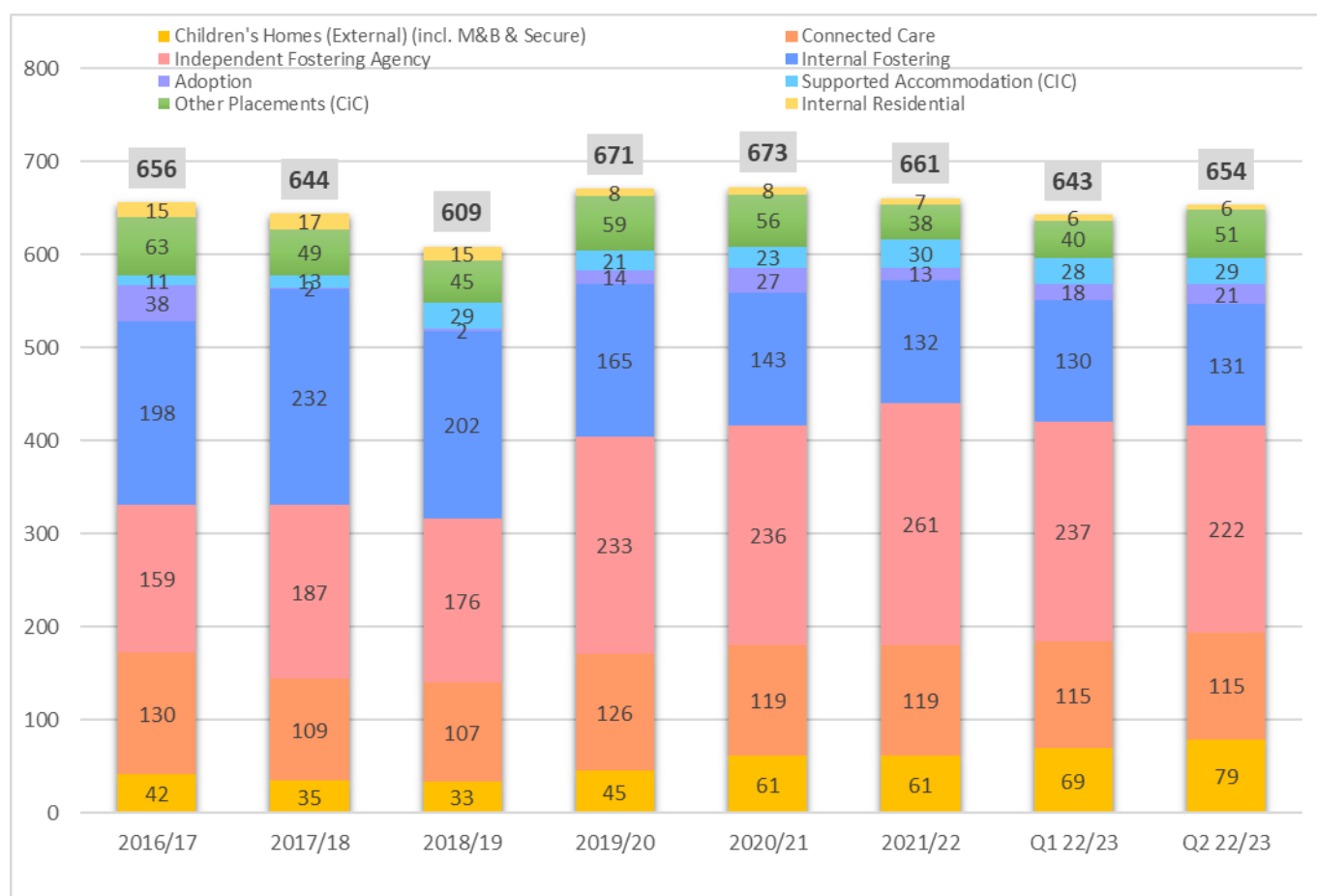
- £3.03m ongoing impact of price increases and changes in the number/mix of children in care seen in 2021/22

- £4.51m increase in cost due to placement moves and changes in costs for new placements in 2022/23
- (£0.75m) implementation of Children's Wide action plan
- (£0.13m) use of corporate reserve
- £0.96m increased costs in remand and external residential placements linked to court delays and placement sufficiency following Covid. This is offset by the use of the Covid reserve.

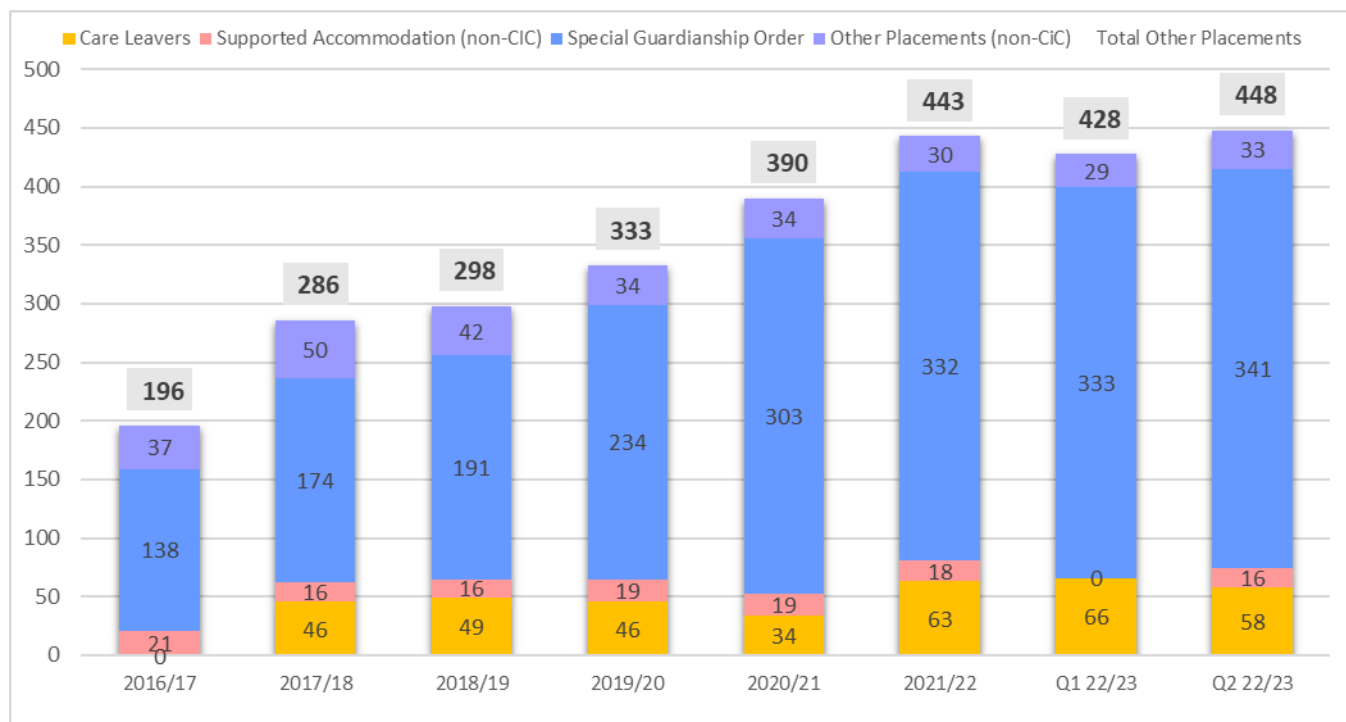
As part of the Proud Transformation Programme £4.37m of benefits have been identified specifically relating to Children in Care for 2022/23 of which £1.32mm has been achieved as at October 2022 and a further £1.82m is expected to be achieved by March 2023. Had this not been achieved this would have increased further pressure onto the budget for 2022/23. There is a risk that the remaining £1.23m 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.

Overall, there has been a gradual decrease in the number of Children in Care (CiC) since March 2021. As at October 2022, there were 654 CiC compared to 661 at the end of 2021/22 and 673 at the end of 2020/21. Table 1 and 2 below shows the mix of CiC and those in other placements as at October 2022.

**Table 1 – Mix of Children in Care 2016/17 to 2022/23**



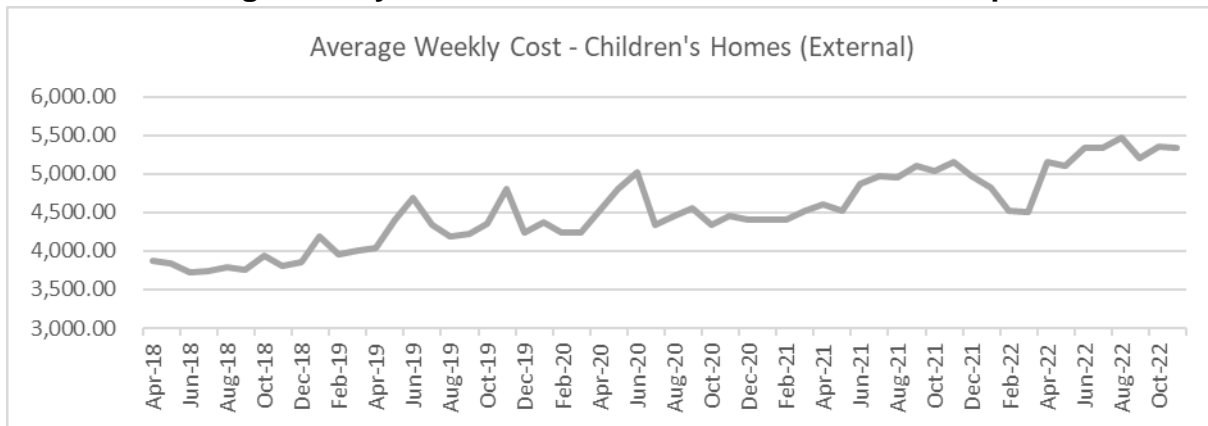
**Table 2 – Mix of Other placements 2016/17 to 2022/23**



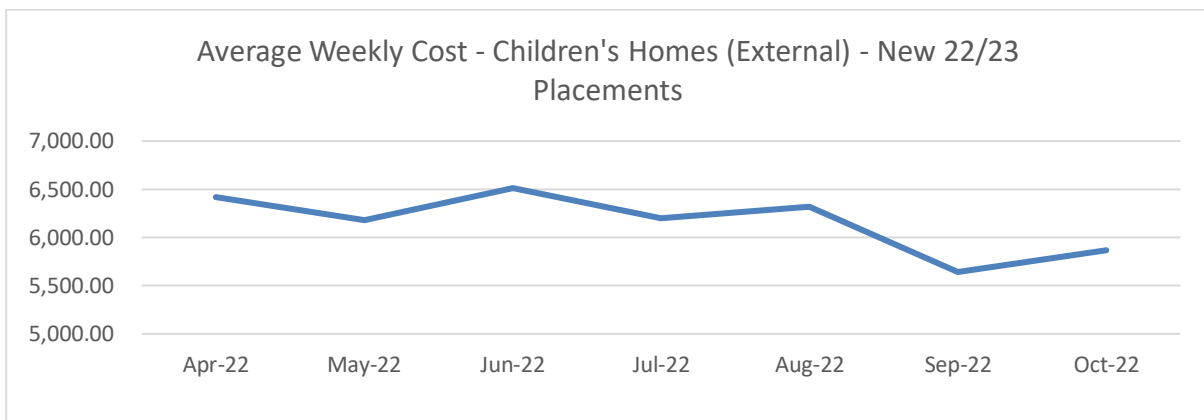
Despite the overall number of children in care and net inflow/outflow of C&YP in Walsall decreasing and beginning to stabilise through the implementation of the services transformation plans, the overall costs relating to children in care have increased due to the following reasons:

- On-going nationwide pressures surrounding placement sufficiency, which creates a reliance on higher cost placements, predominately external residential placements which have increased from 53 in 2020/21 to 70 in October 2022. In comparison internal fostering placements have decreased from 143 in 2020/21 to 131 in October 2022.
- The introduction of new legislation in September 2021, removing the use of non-Ofsted registered placements for those under the age of 16;
- An increasing number of complex children, together with a higher proportion of children in care over the age of 15, and subsequent increasing placement costs;
- An increase in the proportion of children whose first placement is external residential from 3.7% in 2019-20 to 7.7% in 2021-22;
- On-going increases to average weekly placement costs, which has significantly impacted external residential with the average weekly cost rising from £3.8k to £5.7k over the last 4 financial years, and the average cost of a new external residential placement in 22/23 increasing to between £5.7k and £6.5k. Table 3 and 4 below demonstrates these increases.

**Table 3 – Average weekly cost for all current external residential placements**



**Table 4 – Average weekly cost for new external residential placements placed in 2022/23 (inflow)**



Mitigating actions are being taken locally and there are several workstreams in place, with a focus on the following actions:

- Reducing the number of children coming into the care of the Local Authority
- Increasing Foster Carer sufficiency
- Review of the Placement Sufficiency Strategy
- Reviewing the use of contract beds with local providers
- Opening of two new residential homes in the next 3-6 months
- Review of External Placement Panel (EPP) and process for securing joint funding from health and education
- On-going review of current placements suitability and placement moves.