

**DATE: 3 November 2022**

**CORPORATE FINANCIAL PERFORMANCE – QUARTER 2 FINANCIAL MONITORING  
POSITION FOR 2022/23**

**Ward(s)** All

**Portfolio:** Councillor Wilson – Children's and Health and Wellbeing

**1. Aim**

To provide the budget monitoring position for Period 5 2022/23. The Chair requested that this item be considered by the Committee.

**2. Recommendations**

- 2.1 To note the revenue and capital forecast for the financial year end 2022/23 for the services under the remit of the committee.

**3. Report detail – know**

- 3.1 The Q2 forecast outturn position for Children's Services, after the net use of reserves and directorate action plan is an overspend of £3.68m.
- 3.2 Regular reports are prepared during 2022/23 for both Children's Services Overview and Scrutiny Committee and the Education Overview and Scrutiny Committee. For services under the remit of this committee the forecast revenue position is an overspend of £3.28m as at Period 5, after net use of reserves of c. £2.34m (see below for further details). For completeness, the forecast revenue overspend for services under the remit of the Education Overview and Scrutiny Committee is £0.40m. This gives a total forecast position of £3.68m for Children's Services directorate as at 31 August 2022.
- 3.3 Reasons for the current position are shown in Table 1 below:

<b>Table 1- Explanation of over and underspends across services</b>	
	<b>£m</b>
<p><b>£3.28m Children in Care Demand overspend (£5.30m prior to use of reserves and action plan):</b></p> <p>The total forecast for 2022/23 is <b>£32.73m</b>. 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 <b>£27.43m</b>, therefore there is a forecasted overspend of <b>£5.30m</b>. Following the use of £2.02m of reserves (£1.03m Covid reserve, £0.24m corporate reserve for complex cases and the implementation of £0.75m children's wide action plan), the forecast overspend is £3.28m. This is made up of the following:</p>	3.28

<ul style="list-style-type: none"> <li>○ <b>£1.60m</b> Ongoing impact of price increases from 2021/22 above approved budget;</li> <li>○ <b>£1.43m</b> Ongoing impact of increases in placement costs and the number/mix of young people in care;</li> <li>○ <b>£1.00m</b> placement moves to date as at end July 2022;</li> <li>○ <b>(£0.75m)</b> implementation of Children's Wide action plan.</li> </ul> <p>£0.35m (offset by reserves) unachieved savings relating to recruitment and retention of social workers due to continued reliance on experienced agency social workers.</p>	
<b>Total</b>	<b>3.28</b>

3.4 The forecast revenue position by service is shown in Table 2 below:

<b>Table 2- Forecast Revenue Outturn 2022/23</b>					
<b>Service</b>	<b>Annual Budget</b>	<b>Year End Forecast</b>	<b>Planned (Use of)/ transfer to Reserves</b>	<b>Action Plan</b>	<b>Variance after Reserves &amp; Action Plan</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Children's Wide, including mitigating action plan</b>	0.74	0.76	(0.02)	0.00	0.00
<b>Children and young people in care costs (see table 8 for breakdown)</b>	27.35	32.72	(2.09)	0.00	3.28
<b>Children's Social Care</b>	21.16	21.55	(0.39)	0.00	0.00
<b>Early Help &amp; Commissioning Services*</b>	3.93	3.77	0.16	0.00	0.00
<b>Children's Services Total</b>	<b>53.18</b>	<b>58.80</b>	<b>(2.34)</b>	<b>0.00</b>	<b>3.28</b>

### 3.5. Reserves

The total allocated reserves for Children's Services in 2022/23 are £5.64m of which (£2.99m) has been used or committed to date. It is also expected that £0.65m will be transferred to reserves to be utilised in future years. The use of reserves includes (£1.04m) Covid reserve, (£0.24m) complex cases reserve, (£0.30m) FDAC reserve, (£0.11m) safeguarding board reserve, (£0.60m) supporting families reserve & (£0.70m) other general reserves.

Table 3 below details the current net use of reverses included within the forecast.

<b>Table 3 - 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	0.24	(0.02)	0.00	0.23
Children and young people in care	1.73	(1.28)	0.00	0.45
Children's Social Care	2.21	(0.83)	0.13	1.51
Early Help & Commissioning Services	1.46	(0.86)	0.52	1.12
<b>Total Reserves</b>	<b>5.64</b>	<b>(2.99)</b>	<b>0.65</b>	<b>3.31</b>

### 3.6. Risks

For the services under the remit of this committee, there are a number of risks totalling **£6.78m** which have not been included within the above forecast. At this stage the risks are not certainties and as such are not included in the monitoring position. High risks of **£2.67m** are included in the corporate monitoring report to CMT. If the risks become certainties, they will need to be included in the forecast position as overspends unless alternative action can be identified to mitigate these costs. A summary of the risk assessment is included in Table 4 below.

<b>Table 4 – 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	2.67	2.67	0	Children's Services continue to identify possible in year mitigations and review budgets as part of Council's MTFO plan.
Medium	4.11	4.11	0	The amber risks will continue to be monitored and reviewed with the service on a monthly basis.
Low	1.83	1.83	0	Green risks are reviewed to ensure they do not progress to amber.
<b>Total</b>	<b>8.61</b>	<b>8.61</b>	<b>0</b>	

The main high risks (Red risk) that could negatively impact the current forecast position should it occur is detailed further in Table 5 below.

<b>Table 5- High risks</b>		
<b>Service</b>	<b>Reason / explanation of risk</b>	<b>£m</b>
Children and young people in care	Throughout the year some placements, mainly within fostering, break down due to various reasons and the child will move, usually to an external residential placement at a higher cost. Previously this has been managed with other placement moves	1.33

	to lower cost placements offsetting this cost increase. However, this reduction has been offset in year with the implementation of service transformation plans and achieved benefits. , Therefore, there is a risk that these placement moves could continue throughout the remainder of the financial year leading to a further increase in the current forecast spend for Children and young people in care. is based on trends seen in 2021/22 and the current average cost of an external residential placement.	
Children and young people in care	£1.34m 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.	1.34
<b>Total High Risks</b>		<b>2.67</b>

### 3.7 Service Transformation Plan Benefits

Included within the budget for 2022/23 for services within the remit of this Committee are c. £5.46m of approved savings. Table 6 gives an early indication of the progress towards implementing these benefits:

<b>Table 6: Delivery of 2021/22 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 31/03/22 (Green) £m</b>	<b>Not fully guaranteed (Amber) £m</b>	<b>Not achieved (Red) £m</b>
OP6 – Review of current establishment and reduction in the use of agency staff, following recruitment of permanent staff	0.748	0	0.398	0	0.350
OP7 – Mother and Baby Daisy Project	0.793	0	0.250	0.543	0
OP8 – Strengthening Families, Protecting Children. This is a cost avoidance scheme for future placement projections which will reduce future growth need.	0.457	0.063	0.076	0.318	0
OP9 – Adolescent service - Turning Point - reduce number of adolescents coming into care	0.760	0.200	0.560	0	0
OP10 – Family drugs and alcohol court	0.209	0	0.100	0.109	0
OP11 – Foster carer support to reduce placement disruption*	1.554	0.584	0.970	0	0
OP12 – Placement sufficiency – recruitment and retention	0.150	0.084	0.066	0	0
OP13 – Grandparents plus- build in for future years	0.076	0.057	0.019	0	0
OP29 – Children’s – To develop Power BI reports to create efficiencies	0.120	0.120	0	0	0
OP107 – Independent Living	0.374	0.007	0	0.367	0
OP3 – Development of locality partnership offer in Early Help and restructure of ‘change grow live’ following contract bought in house (implementation of restructure).	0.100	0.100	0	0	0
P1 – Change, Grow Live Contract- bringing service back in house	0.122	0.122	0	0	0
<b>Total approved savings for services within remit of Committee</b>	<b>5.463</b>	<b>1.337</b>	<b>2.439</b>	<b>1.337</b>	<b>0.350</b>

\*OP11 benefit target focuses on reduction in future placement disruption and breakdowns therefore preventing increased costs where children and young people move to residential placements. To support this, an investment of £267k has been allocated to the foster care support team in 2022/23 to fund additional staffing costs, training for staff and carers and to establish an out of hours support line.

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 a robust delivery plan is required);

### 3.8 Capital Summary

The total capital programme budget for the services under the remit of the committee is £1.34m and the forecast position projected is £1.34m for Quarter 2 (August) as detailed in Table 7 below:

<b>Table 7- Capital Forecast 2022/23</b>					
<b>Service</b>	<b>Annual Budget £m</b>	<b>Actual Year to Date £m</b>	<b>Forecast £m</b>	<b>Year End Variance £m</b>	<b>Proposed c/fwd to 2023/24 £m</b>
<b>Council Funded</b>					
Redesign of Children's Homes*	1.07	0.00	1.07	0.00	0.00
Refurbishment of homes to support Foster Carers	0.25	0.04	0.25	0.00	0.00
Children's Localities	0.02	0.03	0.02	0.00	0.00
<b>Total</b>	<b>1.34</b>	<b>0.07</b>	<b>1.34</b>	<b>0.00</b>	<b>0.00</b>

\*The Redesign of Children's Homes will see two properties purchased in the current financial year and appropriate works carried out, to bring them into use.

## **CHILDREN IN CARE FINANCIAL MONITORING POSITION FOR QUARTER 2 AS AT AUGUST 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 a number of unregulated/unregistered placement providers exiting the market, which has subsequently reduced supply and 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.

### **4.1 Children and Young People 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 at a point in time and is adjusted for identified and anticipated moves. With regard to budget setting, this takes a similar approach and includes the number/mix for a full year plus an estimated cost increase. 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

As part of the Proud Transformation Programme £4.372m of benefits have been identified specifically relating to children and young people in care for 2022/23 of which £0.995m has been achieved as at August 2022 and extensive work is underway in the service to meet this target. Had this not been achieved this would have increased further pressure onto the budget for 2022/23.

Between March 2022 and August 2022, Walsall has seen the number of Children and Young People directly in care reduce by 10, from 661 to 651. Walsall has seen a total net inflow/outflow of 50 C&YP entering care between April-Sept 2022, with 46 young people leaving care during the period.

Despite the overall number of children in care 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. This is partially due to the increases in the average placement costs, sufficiency of placements available and the mix of children in each placement type. The

number of children in higher cost placements has increased and children in lower cost placements has decreased.

The table below demonstrates External residential placement costs how the service now utilises a higher percentage of placements over £4k per week (75%) and how these average weekly costs have increased this financial year, with 24 placements (37%), costing on average £6.5k per week

Average Weekly Cost	19/20			20/21			21/22		
Under £4k	18	49%	3495	21	40%	3535	15	25%	3405
£4k - £5k	13	35%	4509	19	37%	4605	29	48%	4640
Over £5k	6	16%	5914	12	23%	5953	17	28%	6387
	37			52			61		

As at August 2022, the FY forecast of current placements is £32.73m this 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 **£27.43m**, therefore there is a forecasted overspend of **£5.30m**. This forecast includes the use of £1.03m Covid reserve, £0.24m corporate reserve for complex cases and £0.75m children's wide action plan reducing the forecast position to £3.28m overspent.

Covid-19. Has placed additional pressure on the current budget These costs have arisen due to delays to court hearings and assessments; delays in YP leaving care; sufficiency in placements; and an increase in Personal Allowances. £1.04m has been approved to offset these rising costs from the covid reserve during 2022/23. It has been difficult to step down these young people due to the complexity of their needs and ongoing insufficient fostering placements. This figure is due to decrease over the next three financial years as these YP leave care.

Table 9 below shows the historical movement in young people numbers.

# YOUNG PEOPLE NUMBERS 2016/17 TO 2021/22

Placement Group	Placement Type	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Internal Fostering	Internal Fostering	198	232	202	165	143	132
	Connected Care	130	109	107	126	119	119
Pre Adoption	Respite Care				1		0
	Pre Adoption	38	2	2	13	27	13
External Fostering	Independent Fostering Agency	159	186	176	233	236	261
	Temporary placement	0	0	0	0		0
	Other LA placements	0	1	0	0		0
External Residential	External Residential	37	33	32	37	53	59
	M&B Units	0	0	0	2	5	0
	Secure Units / Remands	5	2	1	6	3	2
Other	Supported Accommodation	11	13	29	12	20	29
	Independent Living				9	3	1
	Internal Residential	15	17	15	8	8	7
	Placed with Parents	58	48	43	59	54	38
	NHS / Health Trust	5	1	2	0	2	0
Young People in Care		656	644	609	671	673	661

2022/23			
Q1	Q2 (AUG)	Q3	Q4
131	127	0	0
118	121	0	0
1	0	0	0
17	17	0	0
244	230	0	0
0	0	0	0
0	0	0	0
64	65	0	0
4	2	0	0
2	4	0	0
27	26	0	0
1	2	0	0
6	6	0	0
40	50	0	0
1	1	0	0
656	651	0	0



Placement Group	Placement Type	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
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Non Young People in Care	Special Guardianship Order	138	174	191	234	303	332
	Custodian/ Residence Orders	37	50	42	34	34	30
	Staying Put		46	49	20	17	31
	Care Leavers				26	17	32
	Supported Accommodation (Non)	21	16	16	4	9	13
	Supported Accommodation - Section 17				4	6	3
	Independent Living (Non)				11	4	2
Total Non-Young People in Care		196	286	298	333	390	443

GRAND TOTAL	852	930	907	1004	1063	1104
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2022/23			
Q1	Q2 (AUG)	Q3	Q4

336	331	0	0
29	28	0	0
30	33	0	0
33	38	0	0
0	13	0	0
0	2	0	0
0	3	0	0
428	448	0	0

1084	1,099	0	0
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## **5. Financial information**

- 5.1 The financial implications are as set out in the main body of this report. The council has a statutory responsibility to set a balanced budget and to ensure it has an adequate level of reserves. The council will take a medium-term policy led approach to all decisions on resource allocation.

## **6. Reducing Inequalities**

- 6.1 Services consider and respond to equality issues in setting budgets and delivering services. Irrespective of budgetary pressures, the Council must fulfil equal opportunities obligations.

## **7. Decide**

- 7.1 To approve the recommendations as set out in this report.

## **8. Respond**

- 8.1 The Executive Director for Children's Services, with finance in support will be working with Directors and Heads of service to review the forecast, to continue to implement mitigating actions for any further forecast overspends and to consider these financial implications in line with the council's budget setting process.

## **9. Review**

- 9.1 Regular monitoring reports are presented to Cabinet to inform them of the financial forecast for 2022/23, including an update on risks and impact on the budget for 2023/24 and beyond.

**Background papers:** Various financial working papers

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