

## FINANCIAL MONITORING REPORT

REPORT AUTHOR: Jackie Pugh, Finance Manager

SERVICE AREA: Childrens Services

PERIOD: To the end of Period 5, 31<sup>st</sup> August 2019

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REPORT FOR: Head of Service

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### 1. Executive Summary

- 1.1 The Childrens Service forecasted outturn position for 2019/20 as at 31<sup>st</sup> August 2019 exceeds the baseline budget set by £4.801m, which equates to 23.6%. An increase of 0.511m from Period 4. The baseline budget includes an investment of £2.1m which offsets the 2018/19 undelivered efficiencies and £71k to fund the salary inflation and the increase in employers pension contributions.
- 1.2 The forecast outturn is based on actual expenditure on the ledger, commitments via eProcurement and profiled budgets.
- 1.3 The forecast outturn does not account for any future:
- Increase in Children who are Looked After (CLA), as it is a volatile budget area and very difficult to predict.
  - Future contract and commissioning uplifts/agreements.
  - Any changes to the EDT/Standby/Out of Hours service, a business case has been costed but not signed off.
  - Changes in the provision for a current secure placement, as no business case has been seen.
  - Outsourcing of the current respite provision, as no business case has been developed.
- 1.3 As part of the budget setting process Childrens Services had identified significant service pressures of £6.250m. At the end of Period 5 £5.770m have materialised, as listed below. Additional pressures for new Children who are Looked After (CLA) placements of £495.9k, which was not identified in the Finance Resource Model (FRM).

| Pressures                             | 2019/20 Total Pressure | MATERIALISED TO DATE | % MATERIALISED TO DATE |
|---------------------------------------|------------------------|----------------------|------------------------|
|                                       | £'s                    | £'s                  | %                      |
| Commitments - full year effect of CLA | -3,923,000             | -3,828,127           | 97.60%                 |
| New CLA                               |                        | -495,890             |                        |
| Agency                                | -2,290,000             | -1,779,970           | 77.70%                 |
| IDS Short-Breaks/Direct Payments      | 0                      | -112,390             | 100.00%                |
| Therapeutic Framework                 | 0                      | -50,000              | 100.00%                |
| Uplifts                               | -9,000                 | 0                    | 100.00%                |
| Other - Leap Year                     | -28,000                | 0                    | 100.00%                |
|                                       | -6,250,000             | -6,266,377           |                        |

- 1.4 To counter the pressures, savings were identified of £3.651m in the budget setting process. This report shows delivery of £530.1k, 14.52%, as below. Mitigated by increases in CLA Placement costs of £510k.

| Savings Description   | 2019/20   | ACHIEVED TO DATE | % ACHIEVED TO DATE | RAG Status |
|---|-----------|------------------|--------------------|------------|
|   | £'s       | £'s              | %                  |            |
| Shared Costs - Joint funding, Continuing Health Care                                | 190,000   | 0                | 0.00%              | Red        |
| Change of Service - Transformation of respite provision                             | 400,000   | 0                | 0.00%              | Red        |
| Reduce Costs - Home to School Transport   | 100,000   | 0                | 0.00%              | Red        |
| Ruduce Costs - External legal   | 203,000   | 0                | 0.00%              | Yellow     |
| Reduce Costs - Closer to home provision   | 700,000   | -509,937         | -72.80%            | Red        |
| Reduce Costs-Reducing CLA numbers   | 300,000   | 0                | 0.00%              | Red        |
| Reduce Costs - 10% Travel   | 20,000    | 0                | 0.00%              | Red        |
| Reduce Costs - Restructure and reduce agency/consultants                            | 1,050,000 | 553,908          | 52.80%             | Yellow     |
| Reduce Costs - Invest in in-House Fostering   | 63,000    | 0                | 0.00%              | Red        |
| Reduce Demand - ICF grant to fund Edge of Care service and outcomes of implementing | 625,000   | 486,118          | 77.80%             | Yellow     |
|   | 3,651,000 | 530,089          |                    |            |

- 1.5 The main reasons for the expenditure exceeding the baseline budget are

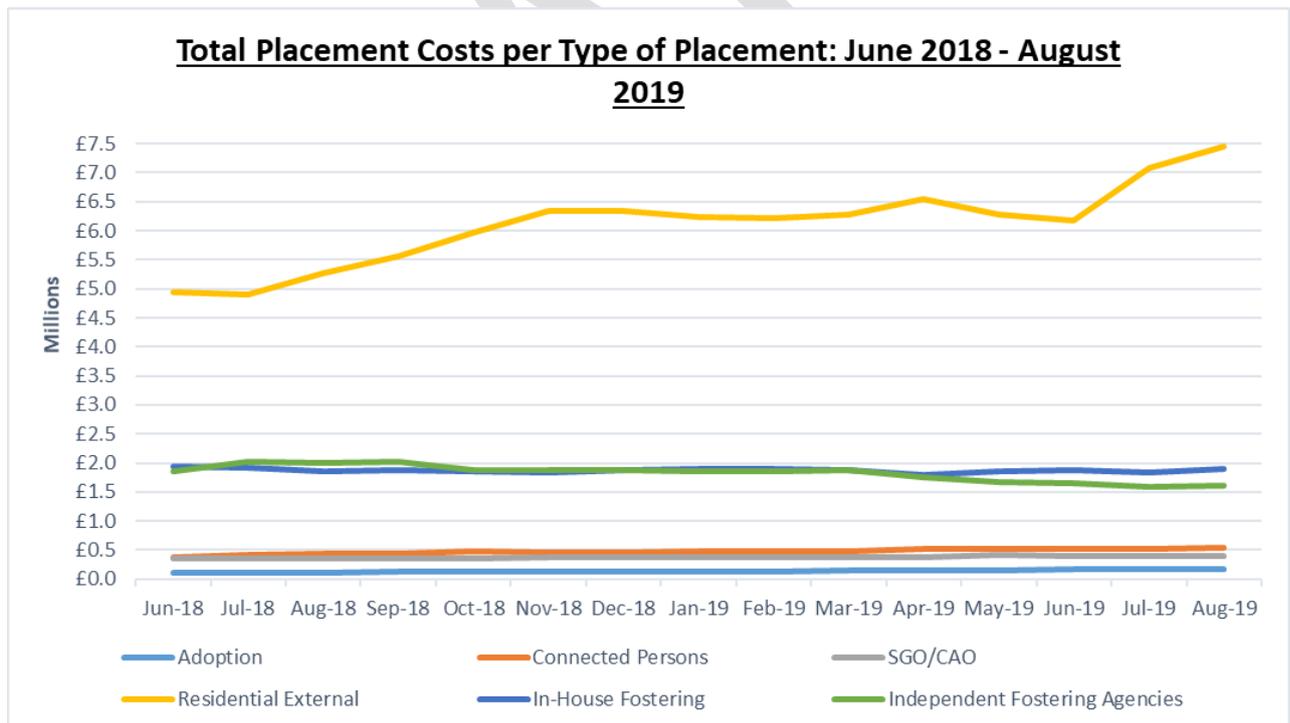
#### 1.5.1 Staff Related Costs

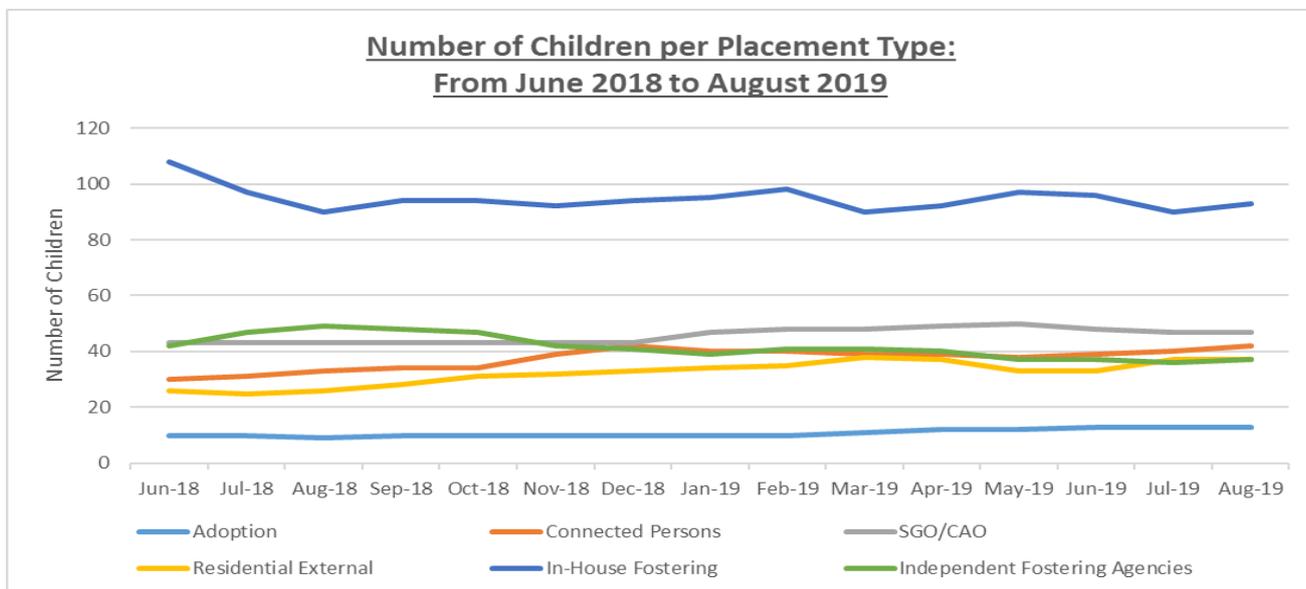
- The Childrens service was restructured in April 2019, an appropriate workforce establishment was agreed of 222 FTE's (excluding Bannau Camlas and Childrens commissioning) and although funding for this is accommodated within the service budget, many posts are being covered by agency staff at a higher cost per post or are vacant.
- The current underspend on staff related costs is £702.2k, this is due to the delay in recruitment following the restructure and additional grant that has offset the additional cost of agency workers.
  - 61.13 FTE posts are vacant. Of which 6.6 of these have been recruited to and are due to start in the imminent future.
- 41.4 of the above vacant posts are being covered by agency at a higher rate.
  - We have assumed all agency staff will continue for the duration of the financial year unless advised otherwise by the service.
  - The additional cost to contracting agency staff as opposed to permanent is forecasted to be £1.23m.
  - The current cost for the 41.4 FTE agency staff is £13.2k per day. The service is in the process of using a recruitment company to source 10 FTE permanent social workers.

- The service has utilised an additional £486k of Welsh Government Grant, Integrated Care Fund (ICF), to fund staff that are working on the Children for the Edge of Care Project. An exit strategy must be planned for when this funding ceases.
- It should be noted that £300k of the Welsh Government grant allocation for “Supporting Sustainable Social Services” is being utilised to offset against the agency costs due to workforce pressures and sustainability. This reduces the above additional net cost to £926.1k.
- As we are unable to predict when the remainder of the vacancies will be filled, we have not forecasted them forward.

## 1.5.2 Placements

- Placement expenditure exceeds the baseline budget by £4.834m. There has been a net increase of 6 children this month, therefore a net increase of 2 in this financial year. At the commencement of the financial year the full year pressure of the existing placements was £3.83m.
- The Increase in expenditure of £458k in Period 5 is in the main due to either changes in residential placements or rate increases due to change in support, and increase in placements. There was 2 new connected persons, 1 new IFA and 3 new In house Fostering Placements.

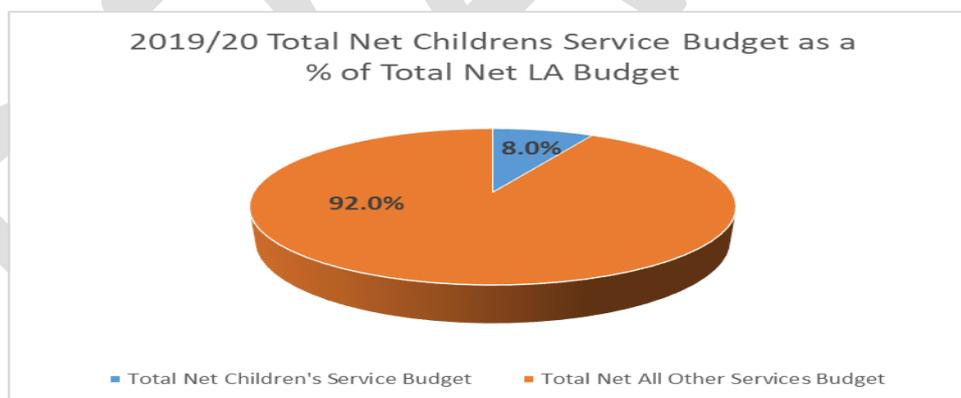




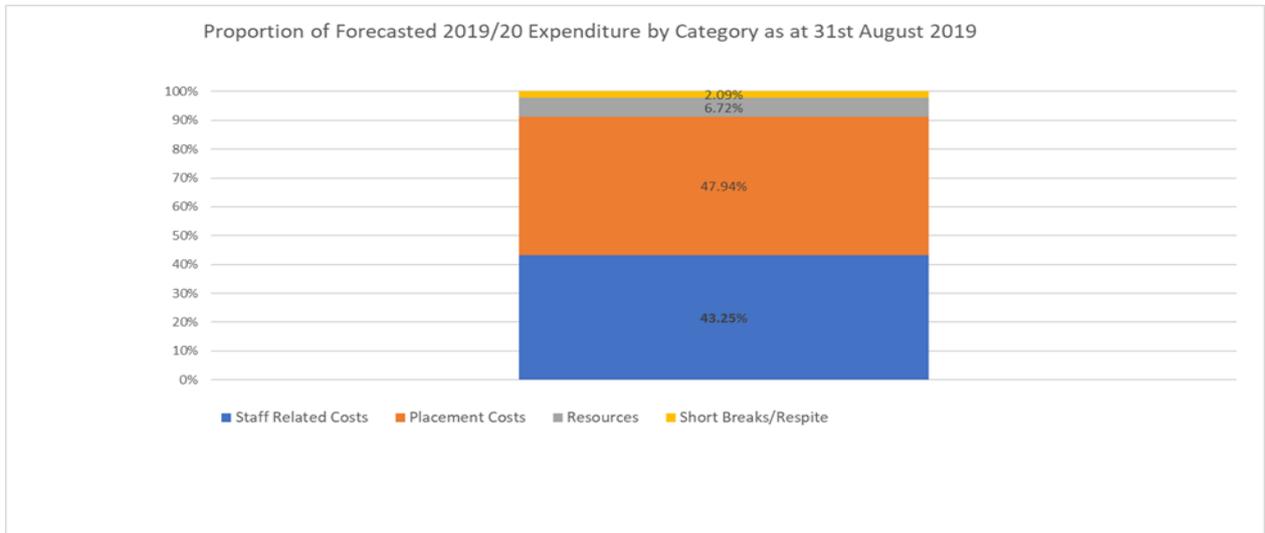
Note – The above refers to placement costs, these placements are not all CLA, It also includes Adoption and SGO/CAO. Of the 234 (as per BI report) CLA, 22 children are at NIL cost to the authority because placed with own parents or person with parental responsibility, placed for Adoption or Independent Living. Additionally, 3 of these children are in Bannau Camlas (Councils own provision), therefore the costs sit within the Residential unit.

## 2. Revenue

### 2.1 Childrens 2019/20 Net Budget

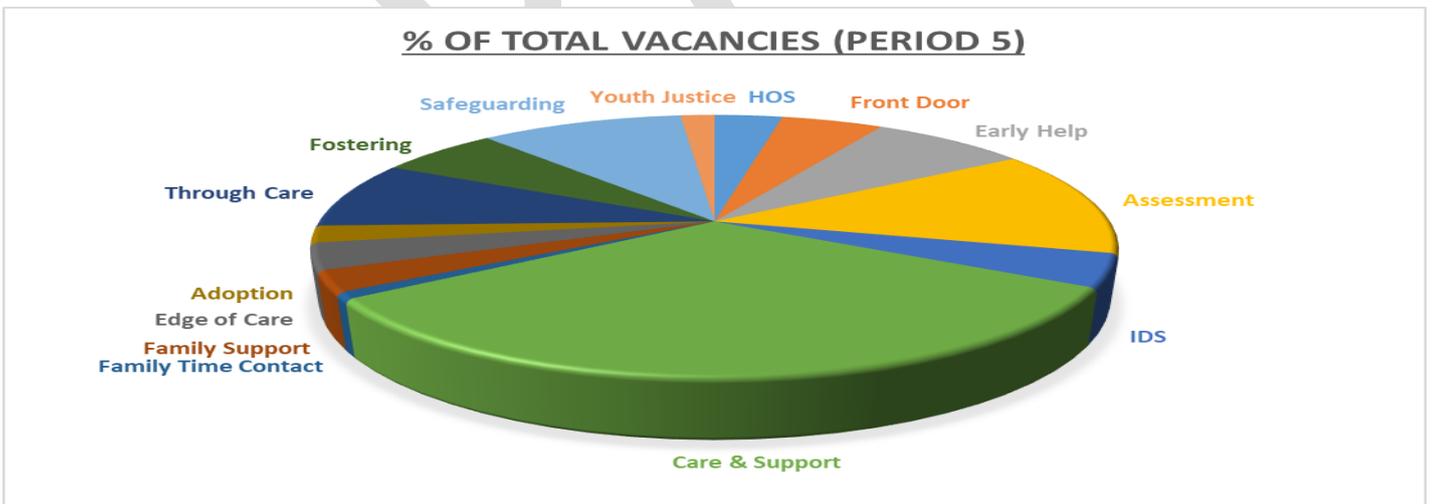


### 2.2 Percentage breakdown by category of the £25.1m Net expenditure forecasted 2019/20 position.

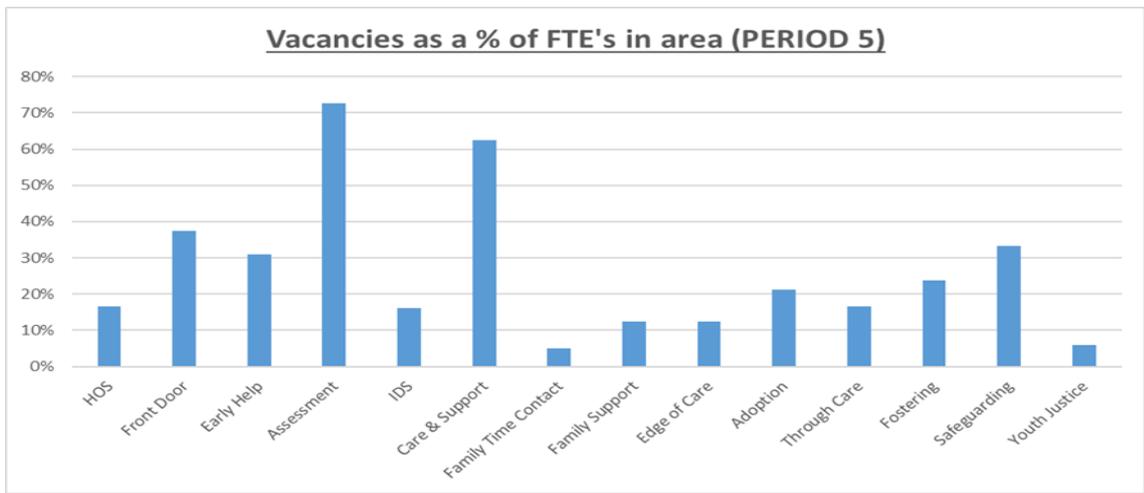


|                             | Budget 2019/20    | Forecast Outturn 2019/20 | Variance          |
|-----------------------------|-------------------|--------------------------|-------------------|
| <b>Staff Related Costs</b>  | 11,572,254        | 10,870,061               | 702,193           |
| <b>Placement Costs</b>      | 7,213,630         | 12,047,481               | -4,833,851        |
| <b>Resources</b>            | 1,308,400         | 1,688,473                | -380,073          |
| <b>Short Breaks/Respite</b> | 236,650           | 526,124                  | -289,474          |
| <b>Grand Total</b>          | <b>20,330,934</b> | <b>25,132,139</b>        | <b>-4,801,205</b> |

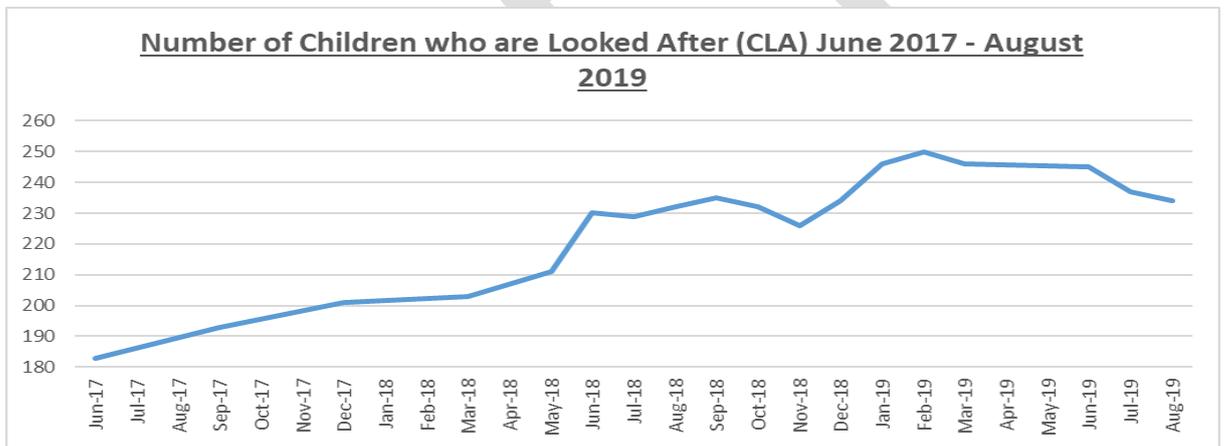
2.3 Staff vacancies 61.13 FTE - breakdown by area, Care and Support have the highest percentage of the vacancies at 32.7%.



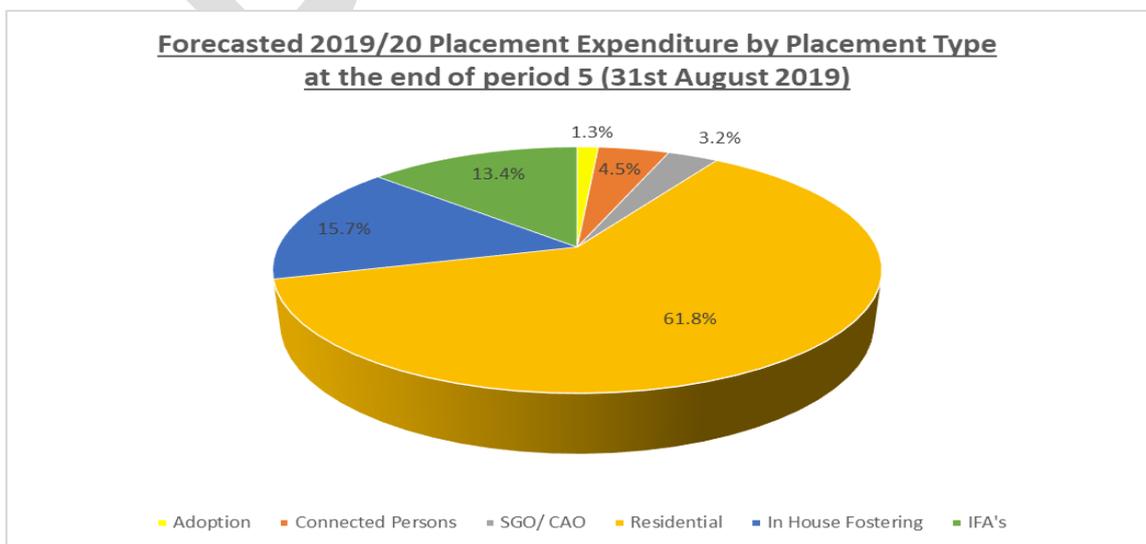
2.4 A breakdown of the vacancies as a percentage of FTE's in each service area. The Assessment team has the highest percentage of vacancies per FTE at 72.7%, of the 11 FTE positions 8 FTE are vacant.



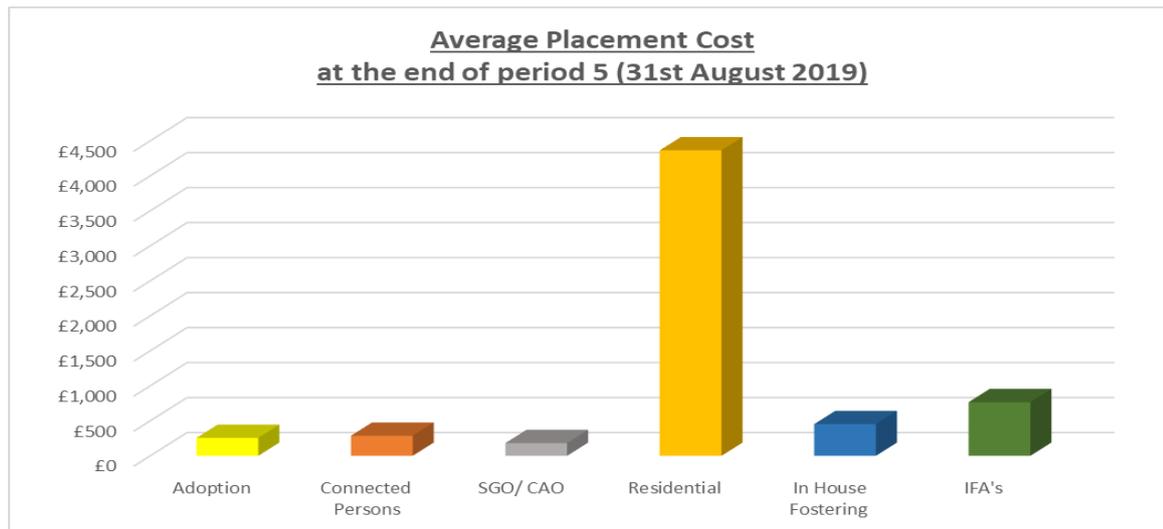
2.5 As per the Business Intelligence (BI) report, the number of Children who is Looked After (CLA) has reduced by 3 this month and is now 234 children, this is a 0.9% increase from August 2018, Appendix A.



2.6 A breakdown of the £12.1m forecast outturn for CLA shown as a percentage of placement type.



2.7 The average placement cost at 31<sup>st</sup> August 2019.



2.8 There has been an 8.7% increase in the number of children receiving Direct Payments in 2019/20, it has risen from 46 to 50 children. Additionally, in August there was a 5% increase in the number of total direct payment hours. The forecasted total expenditure exceeds the baseline budget on short breaks provision by £289.5k.

**3. Efficiencies Savings**

1.2 £98k brought forward savings/efficiencies from 2018/19, with no plans in place to deliver.

3.2 The table, para 1.4 above provides the Efficiencies/Opportunity Log for 2019/20

- Of the £3.70m Efficiencies identified to reduce the budget pressure from £6.30m to £2.60m (the agreed amount at Budget Setting to proceed with risk) £530k has been achieved to date, 14.52%.
- £554k due to the reduction of high cost consultants and the number of agency workers.
- £486k is additional Welsh Government Grant.

1.3 Mitigated by increases in CLA Placement costs of £510k rather than an efficiency/saving.

**4 Capital**

| Service            | Original Budget | Virements Approved | Virements Required by Cabinet | Virements Required by Council | Revised Working Budget 2018/19 as at 31st August 2019 (after virements approved and required) | Actuals | Commitments | Remaining Budget |       |
|--------------------|-----------------|--------------------|-------------------------------|-------------------------------|---|---------|-------------|------------------|-------|
|                    | £,000           | £,000              | £,000                         | £,000                         | £,000   | £,000   | £,000       | £,000            | %     |
| Childrens Services | 0               | 1,211              | 0                             | 0                             | 1,211   | -6      | 20          | 1,197            | 98.8% |

4.1 There is a Capital budget allocation of £1.211m and actuals and commitments to date of £14k, 98.8% outstanding.

4.2 Redevelopment of Golwg y Bannau/Camlas, work is undergoing and plans are in place to fully utilise this budget.

## **5. Management Action**

- 5.1 The Children who are Looked After (CLA) population needs to be constantly reviewed by Area Managers and Head of Service to ensure the best use of placements alongside maintaining the costs within the existing financial envelope or identify alternative funding strategies. It is essential that the review of placements is undertaken to achieve the £1m savings/efficiencies target.
- 5.2 Managers need to demonstrate that value for money has been achieved for each individual child placement, as the current cohort of children, excluding any inflationary increases, will cost approximately £60.1m from April 2020 up until they are 18 years of age for the Local Authority.
- 5.3 The Youth Justice Team should be mindful of all income streams and may need to reconfigure to ensure the budgets remain within future funding.
- 5.4 Grant Funded Expenditure
- The service is under increased financial pressure in the foreseeable future as the amount of Welsh Government (WG) funding going forward is uncertain and any allocation needs to be maximised.
  - Furthermore, these grants, particularly those from WG, will have specific conditions and need monitoring to ensure all spend (including expenditure defrayed by third parties) is eligible. There is a potential risk that if the expenditure incurred is deemed to be ineligible; the cost may have to be met by the partnership Lead Body, which in this case will be the Council.
  - Another risk is the funding of any potential redundancies due to the reductions in WG funding, which will not be as within the grant terms and conditions, so will be a liability for the authority.
- 5.5 E-Procurement - The accuracy of the budget forecast across the service area is significantly dependent on controlled use of the eProcurement commitment system. There have been instances where officers are putting commitments onto the system when the invoice is received or not a full year placement, this makes it extremely difficult to forecast accurately.
- 5.6 All off contract Agency staff need to have commitments on the system for the full financial year. They need to be correctly coded and housekeeping needs to be completed in a timely manner to ensure that the financial systems are forecasting the year-end position accurately.
- 5.7 Agency staff must be constantly reviewed in line with caseloads. The current cost is £13.2k per day which is not sustainable in the future.

## **6. HEAD OF SERVICE Comment**

## Appendix A

### Activity per BI

|   | 2017/18 |        |        |        | 2018/19 |        |        |        |        |        |        |        |        |        |        |        | 2019/20 |        |        |        |        |        |        |        |        |  |
|---|---------|--------|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--|
| NUMBER OF                                 | Jun-17  | Sep-17 | Dec-17 | Mar-18 | May-18  | Jun-18 | Jul-18 | Aug-18 | Sep-18 | Oct-18 | Nov-18 | Dec-18 | Jan-19 | Feb-19 | Mar-19 | Jun-19 | Jul-19  | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | Mar-20 |  |
| Children who are Looked After (CLA)       | 183     | 193    | 201    | 203    | 211     | 230    | 229    | 232    | 235    | 232    | 226    | 234    | 246    | 250    | 246    | 245    | 237     | 234    |        |        |        |        |        |        |        |  |
| Children in Need (CIN)                    | 589     |        |        |        |         |        |        |        |        |        |        |        |        |        |        |        |         |        |        |        |        |        |        |        |        |  |
| Children on the Child Protection Register | 94      |        |        |        |         |        |        |        |        |        |        |        |        |        |        |        |         |        |        |        |        |        |        |        |        |  |

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