

Audit Objective

To determine whether the Council has effective internal controls for the management of financial resources and employment of agency workers in Children’s Services

Assurance Opinion		Recommendation Summary		Risks Reviewed	Assessment
	<p>There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</p>	Priority	Number	<p>Budgets are not managed correctly or based on realistic assumptions and saving targets resulting in the inability to deliver expenditure within the budgetary value available.</p>	<p>Medium</p>
		Priority 1	0		
		Priority 2	6		
		Priority 3	3		
		Total	9	<p>Audit Scope</p> <p>To review the processes used by Children’s Services with regards to their Financial Management to determine if any improvement is needed.</p>	

Background

The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighted priorities. The budget is the financial expression of the authority’s plans and policies. Budget management ensures that once the budget has been approved by the Full Council, resources allocated are used for their intended purposes and are properly accounted for.

Budgetary management is a continuous process, enabling the authority to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget. By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity.

To ensure that the authority in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.

Conclusion

The financial management of budgets in Children Services has resulted in a frequent mismatch between available resources and required resources. In 2019/20, Children’s Services overspent their budget of £20.6 m by £4.65m. In 2020/21, the process used by the Council to create the budget was changed significantly. The Service calculated their budget to include the pressures they would be under during the year, e.g., pay awards and known workload increases. The Council accepted the need to cover these pressures as part of the budget. It was reported in Period 9 Financial Monitoring report for 20/21 that Children Services was still forecast to exceed the baseline budget set by £1.4m.. However, the year end outturn report for 20/21 reported that the service would underspend by £944,000. It was stated that the underspend was “predominantly due to Covid-19 related expenditure being eligible for Welsh Government Covid-19 Hardship Funding previously included in the forecast outturn”. These additional funds injected at the very end of the financial year make it very hard to determine the effectiveness of the management of the Children Services budget. In addition, there was significant amount of budget administration by Childrens Services that freed up previously committed funds. This lack of administration contribution in a lack of visibility on the true budget position throughout the year and impacted on the underspend.

Children Services has a historical pattern of failing to deliver operational plans within the approved budgets. However, changes to the process have resulted in an improvement in the general direction of travel in financial management, but there are still areas of risk. It is therefore imperative that needs are continually prioritised and that resources are fairly allocated to fulfil all legal responsibilities. It is hard to judge the performance in managing the budget for this year, due to the effect of the Covid 19 pandemic. The Council’s Business Continuity plans would have affected the Service delivery, alongside the Council receipt of Covid -19 grant from the Welsh Government.

Key Findings



Budget Setting – Creation and Allocation

- There was a regular pattern of setting annual baseline budgets that were significantly inaccurate by Quarter 1 because of the Service pressures.
- In 19/20, over half of all cost centres were overspent on their budget, although only 13 had significant overspends (see Table 1 in Appendix 2). This would suggest a misalignment between the assumption used to create the baseline budget as there is immediate pressures and overspends.
- The budget created in 19/20 was seen by the Council as a key area of financial risk. It was stated by the Deputy Head of Finance that “it was recognised that in order to improve outcomes and address the findings in the poor Children’s Service inspection report that a whole Council approach would be required. The council’s budget included a £2 million corporate revenue budget to address this potential risk.”
- In 20/21, the process of allocating the baseline budgets was changed to reflect increasing cost pressures but was then reduced by the savings to be delivered. At period 8 of 20/21, accounts display that there were 4 cost codes that significantly overspent on their annual budget by over £100,000.
- It was stated by Head of Children Services that the budget for 20/21 was the first balanced budget that had been created in a while and that the service was happy with the budget that had been created.
- A survey indicated that operational budget holders in Children Services do not feel that they have been appropriately involved with the budget setting process.

Budgets were historically not representative of the true cost of the service and were created based on a percentage increase.

Changes to the budgeting process in 20/21 have in large been successful in creating a budget that is more realistic, representative, and well communicated. However, the Auditors have not been able to draw a definitive conclusion as the 20/21 budget monitoring was affected by an unforeseen injection of Welsh Government Funding and poor administration of financial commitments. A more inclusive budget setting process by either the Finance team, Children Services Management, or both will enhance the acceptance, ownership, and delivery of the budget.



Budget Setting -Agency / Staff Costs

The workforce budget for Children Services is set based on the cost of the employees on the establishment. However, the reality is that many vacant posts are filled by Agency / Contract workers and that the cost of an FTE Agency worker is much more costly than someone on the establishment. As a result, the staff related budgets have been underspent and Contracted Services/ Agency budgets become significantly overspent because no budget is allocated during budget setting. It was stated that funds would be moved to the agency cost codes when they are needed.

The survey found that budget and cost reduction was the lowest priority considered by budget holders when appointing an agency worker or member of staff.

The Council spend £3,320,638.67 on agency costs in 19/20 and £1,472,575 up to period 8 in 20/21. There has been no budget allocated to this cost area either at the start of the year or during the year. The Council has limited budgetary control over agency costs. It was commented by the Head of Service that the estimated costs for agency workers are calculated at the beginning of the year and included within the FRM (Finance Resource Module).

There is a process for the approval of agency worker appointments which requires authorisation by the Finance team, as well as spreadsheets kept by the service to monitor the number and costs of their current agency staff. This process does little to control spending in this area as budgets are not allocated and therefore spending is not subject the normal monitoring arrangements. (See Table 2, Graphs 1-2, Appendix 2).

It is fundamental for accurate financial reporting and to comply with accounting practices that a budget is allocated to a cost centre prior to the posting of expenditure. It was stated by the Head of Finance that “There should be budget allocated to account codes that form a considerable element of the budget and this should be reviewed and amended on an annual basis, or even in year if the budget required is significant. This should be done in line with the Financial Regulations following the virement process.”

The following table was taken from the Financial Monitoring Outturn 20/21. There is capacity within the staffing budget for the Agency staff costs, however, displays that the virement process has not been followed.

Category	Annual Working Budget	Outturn	Variation from Budget
Staffing	£12,4777,330	£10,349,156	£2,128,174
Agency	£820,898	£2,597,973	-£1,777,075

The Council is failing to directly budget and control the costs of agency / contracted workers. Budgets are matched to costs retrospectively as they are incurred. This approach does not allow the Service to monitor expenditure against a target and therefore fails to encourage financial control. It is unclear why the estimated costs for agency staff cannot be included within a separate agency budget at the start of the year.



Budget Setting –Cost Reductions / Savings

- Savings were not incorporated into the baseline budget by function for the 19/20 accounts but were instead allocated to a generic non-specific budget code. This was probably because it was unclear where the savings would be found as some plans were not in place. Therefore, it was unclear which areas of the Service had to reduce costs to deliver the agreed savings. (See Appendix 2 table 4).
- A change in the budgeting process by Finance required Children Services to incorporate the cost reductions into the baseline budget. As a result, there was significant improvement in 20/21 as 90% of cost reductions were included within the baseline budget (See appendix 2 Table 5).

The process of budget setting had vastly improved in 20/21 with the prescribed budgets being a holistic representation of the financial position. This will make the reporting and monitoring of the budget position much more relevant and will give a truer picture on the delivery of the financial savings. However, the Council should still endeavour to add all savings into the baseline budgets for future years.



Budget Setting – Impact Assessments

In 19/20, the business cases could not be easily linked to the savings that Children Services were planning to make, whereas there is a clear link between the impact assessments and the cost reductions in 20/21.

Impact assessments have significantly improved which has resulted in much more visibility and support around the cost reduction programme for Children Services.



Budget Management – Maintenance including Virements

The Service uses commitment accounting through the Eprocurement for the majority of their orders. Budget Holders are required to ensure that timely housekeeping is undertaken to ensure that commitments that are no longer required are updated. The yearend outturn 20/21 report stated that there were £715,000 worth of

overstated commitments, that were no longer required were identified after period 11. These overstatements were identified to late within the year for the service to re-assign and allocate the money to other services.

Budget accuracy is dependent on 'good housekeeping' within the Eprocurement System. Closing down orders will enable services to identify and use the budget elsewhere within their areas. Good maintenance of the budget will help the service to monitor their budgets effectively.

Budget holders are provided with access to Collaborate Planning (CP), which allows them to run up to date reports on the budgetary position as well as allowing them to move their budgets around between different cost centres (virements). The devolved nature of this system gives clear responsibility to the budget holders to actively maintain their budgets rather than the Finance Service.

The responses from the questionnaire to Children Services budget holders indicated that none of the budget holders were using CP to manage their budgets and that half of them did not understand the virement process. In addition, budgets within the system were not being updated as circumstances changed throughout the year. Virements between budgetary codes should be made if there is not enough budget available in the original cost centre, but there is additional budget available from other parts of the Service or from other Services. Whilst new processes and systems have changed the way the budget is maintained across the Council, the lack of activity and the questionnaire responses indicate that Children Services may prefer a more historic approach where budget maintenance is undertaken by the Finance Team.

The ongoing budgetary information is not being regularly realigned to utilise resource from other parts of the Service. This may be due to a number of factors such as:

- contradicting views and levels of expectation on budget management between the Finance Team and Children Service,
- there is a resistance to change
- a lack of clarity and understanding around roles and responsibilities,
- a shortage of skills to undertake the process

On-going management of the budget cannot effectively take place unless the budget is realigned throughout the year to reflect changing needs and circumstances of the Council. The tools, systems and protocols are available, but Children Services have not yet embraced the potential functionality of the collaborative planning system. The failure to have accurate budgets severely affects the effectiveness of budget monitoring. If the budgets are not kept up to date, this could provide management and scrutiny with an inaccurate budgetary picture.

Failure to carry out on-going maintenance results in an incorrect budgetary position and therefore does not allow management to correct spending behaviour.



Budget Management – Reporting to Budget holders

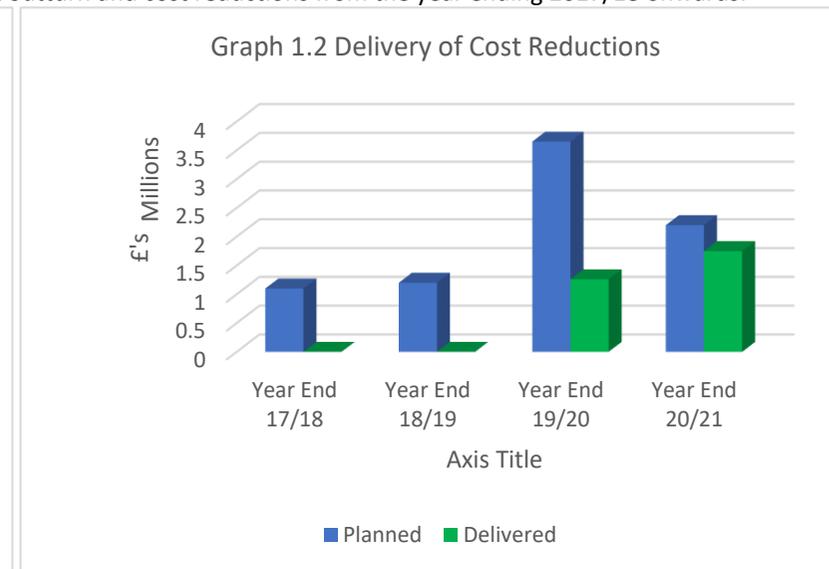
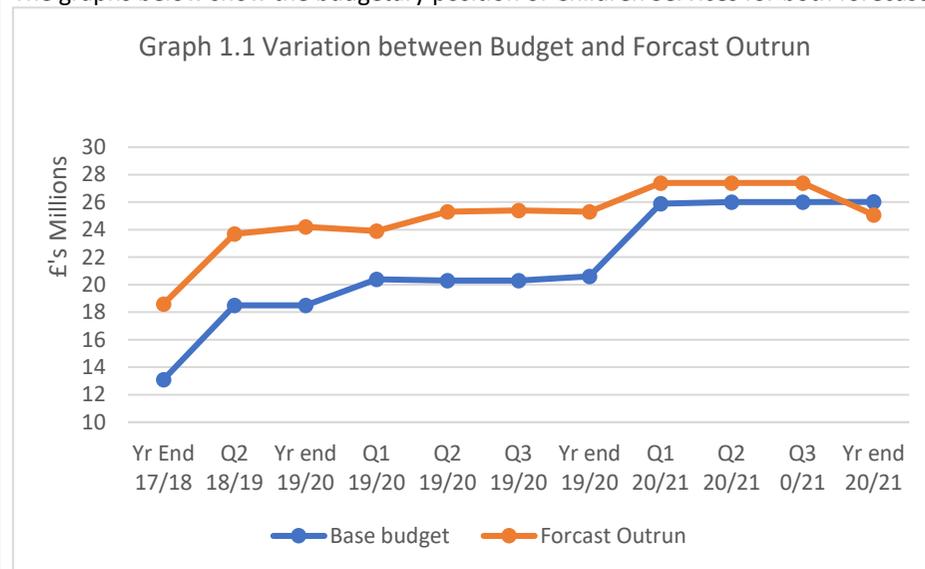
Budget holders are automatically sent monthly electronic spreadsheets displaying their current budgets. Heads of Service and Senior Management are provided with a Period end financial report by the Finance Business Partner. In addition, all budget holders should have detailed access to budgetary information through the collaborative planning system.

The Section 151 officer provides each Director / Heads of Service with timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities. The process is designed to ensure that Executive Officers and Members are advised as early as possible of pressures likely to cause significant variances from budget as well as ensuring that Service Managers have the earliest and best possible information to maximise their use of resources within authorised limits.



Budget Management – Performance

The graphs below show the budgetary position of Children Services for both forecast outturn and cost reductions from the year ending 2017/18 onwards.



Funding for Children Services has increased significantly from a baseline budget of 13.1 million in 2017/18 to 26.0 million in 2020/21. The general pattern of financial management is that the Council approve a baseline budget at the start of the year, but straight away there are service pressures that escalates the budget required before the end of quarter 1 by up to 25%. However, the budget for 20/21 formally recognised service pressures and incorporated additional finance into the baseline budget. As a result, it can be clearly seen that that the gap between the budgeted and forecast outturn has significantly narrowed. In Quarter 3, 2021 the service was forecasted a 5% deficit at year end of £1.4 million. however, at year end the service was underspend by £944,000. The end of year financial management report stated the overrun position improved after period 11 due to:

- £70,000 Additional grant funding received and utilised since February forecast outturn, which were previously forecasted baseline expenditure/core costs.
- £70,000 Grant known about in February but since utilised to offset costs already incurred, so were included as part of the period 11 forecast outturn overspend.
- Overstatement of service commitments/untimely housekeeping of commitments when no longer required as service ceased/changed - £615,000, overcharge returned in respect of advocacy contract - £46,000, funding for placement from WG - £52,000 and a reduction in Third Party Complaints provision - £35,000.
- Change in service demand -
 - Children Looked After (CLA) rate changes and dates of admission - £57,000 reduction.
 - Inhouse residential homes £34,000, reduction on overall running costs.
- Other: Children from Other Local Authority (COLA) increased income - £18,000 and Internal recharge to Organisational Development in respect of Domestic Abuse reduction - £7,000

Austerity measures have resulted in significant reductions to local government funding. Consequentially, Powys County Council has reacted by identifying a number of efficiencies, savings or cost reduction measures across all Services including Children. Graph 1.2 shows that Children Services failed to make any savings during 17/18 and 18/19 but did deliver 35% in 19/20 and 76 % in 20/21.

Examination of the data point to persistent failure to respect financial budgets. There of a number of potential factors have contributed to the failure such as:

1. the previous budgets were based on historic costs with an annual percentage increase that was not linked to service delivery plans. Simply rolling forward a flawed budget year on year will not address the budget deficit and the gap between baseline funding and actual expenditure,
2. a plan of service delivery is considered, but the financial assumptions used to build the budget underrepresent the true cost of the expected service,
3. future delivery plans are unavailable, unclear, or not supported by reasonable assumptions to enable an accurate budget to be created,
4. the Service did not modify its delivery model to take into account the financial constraints that were set in the baseline budget by the Council,
5. cost reductions were determined in a simplistic uninformed fashion without due consideration to their achievability,
6. the Service failed to effectively plan for the cost reductions and failed to deliver them,
7. mitigating actions were not proposed during the course of the year, but rather an acceptance that the budget will be in deficit,

In previous years, Children Services has consistently failed to deliver operational services within the constraints of the approved baseline budget. Whilst it cannot be concluded exactly why this failure has occurred, it is likely to be one or a combination of the points listed above. A revised approach in 20/21 to budget planning has narrowed the budget gap and delivered cost reduction, which provides optimistic signs of more effective budgetary control. It is difficult to give greater assurance even though the service was underspent in 20/21, as the underspend was mainly due to a large influx of grant money from the Welsh Government due to the Covid 19 Pandemic. . In the future, the principles of an informed and realistic baseline budget, planned and deliverable cost saving and a fortitude about making corrective actions within the agreed financial constraints are fundamental to effective management of the Children Services budget.



Budget Monitoring - Service

Each budget holder is responsible for managing the budget for each function in Children's Services. This is done by ensuring the budget is correctly aligned based on service delivery plans and that monitoring and corrective action is taken throughout the year to remain on track. The council uses commitment accounting to manage forthcoming committed costs and thus has a greater understanding of the overall budgetary position at the year end.

The Eprocurement system enables current and future costs to be correctly allocated to a budget. A decision was taken by the Council to remove the cost control gateway from the system that would have prevented budget holders from exceeding their budget. This was withdrawn because of excessive administration, but much of this administration may be caused because budgets have not been effectively allocated in the first instance or additional resources have not been moved into the budget during the course of the year. It was stated by the head of finance that costs were being placed wherever there was budget, which lead to inaccurate reporting. The override gateway was also removed from the Efinancials System, allowing users to amend committed system costs regardless of whether there is the budget. Although the gateway has been removed, budget holders are informed that they are exceeding their budgets via an override button.

The Council are not utilising the financial systems which could enforce more proactive and effective budget management and would be a useful tool in controlling budget overspends in Children Services. As a result, the Council's approach to commitment accounting is less effective.

It is the responsibility of Directors and Heads of Service to control income and expenditure within their service and to monitor performance against approved budget. They should report, in consultation with the Section 151 Officer, to the Cabinet on significant variances within their own service and take any action necessary to avoid exceeding their budget allocation.

The Finance Team provide a detailed monthly report on the budgetary position identifying significant variances from approved budgets for investigation by Budget Managers. The Service uses this information to produce an outturn report that is considered by Cabinet and Scrutiny each quarter.

There is a general pattern of failure to deliver services within budgetary constraints. The outturn reports identify reasons for this failure and identifies some form of mitigation actions. These are mostly surrounding additional funding and an update on the cost reduction measure (which should have already been included into the baseline budget). The standard of mitigation offered by Children Services is much less robust than that of other Services in the Council. It was acknowledged by the Head of Finance that the mitigating actions for all areas of the Council could be improved within the budget reports.

The Council is fulfilling its obligation under constitutional rules by producing reports showing where Children Services are unable to balance expenditure and resources within existing approved budgets under their control. The reports themselves have some explanation about why the overspends may be occurring but have minimal information around mitigating actions that can be taken. There may be acceptance that a budget deficit is the norm and that therefore limited ownership and accountability.



Budget Monitoring - Cabinet and Scrutiny

Reports are presented to Cabinet giving oversight on the failure by Children Services to deliver services within the approved budgetary constraints. It is the role of the Cabinet to ensure that public services are delivered within the confines that public finances are well managed and that budgets are respected. Explanations are provided by the Children Services to justify the budget overspend, but there are minimal proposed mitigating actions outlined to address the situation.

Likewise, reports are presented to both the Finance Scrutiny Panel and the Health and Care Scrutiny Committee so that they may fulfil their role as a critical friend in helping the Council achieve its objectives.

It was acknowledged by the Senior Management team that there is a lack of visibility within the budget reports. The Service intelligence suggested that their budget would be ok at the end of the year, however this was not have been visible from the budget monitoring reports.

References are made frequently in both of Executive and Scrutiny forums on the inability of Children Services to meet the budgetary requirements, however the current governance process appears to be having a minimal impact on changing the pattern of financial management. Both the Cabinet and the Scrutiny Committees need to have greater assurances and confirmation of the changes that are happening within the service and that Children Services can effectively deliver their planned Service within approved budgets.



Support, Guidance and Training

Children's Services have had several training sessions on financial management where most managers had taken part.

A questionnaire was sent out to budget holders to gain their understanding of the budget setting and management process. Whilst there was a limited response, we were able to conclude the following:

- 25% did not know about the Council's financial Regulations
- 50% did not understand the virement process
- 25% did not know the status of their current budget
- 87.7% had received 1:1 training
- 62.5% said the training had been adequate

- 75 % satisfied with the support from Finance
- 100% understood that budgets needed to prioritise in overspent
- 75% indicated additional pressure due to Covid-19

The Section 151 Officer has fulfilled the responsibility to ensure that all budget holders have the appropriate training to manage a budget. This is supported by the responses in the survey. However, the results also highlight a there is some specific areas where further training could be required e.g. virement. Further results from the survey can be seen in Appendix 2, graphs 2-11.

With greater emphasis being placed on the Budget holders to have greater autonomy, there needs to be a greater level of awareness and skills to ensure effective budgetary control in accordance with Council rules. Therefore, Childrens Services need to be provided with more guidance and training in some areas in order to fulfil their roles to a level that the council expects.

Findings and recommendations linked to these key findings can be found in Appendix 1 below. Appendix 2 displays details relevant findings from the data analysis.

Finding	Agreed Actions	Responsible Officer
<p><u>Budget Setting – Creation and Allocation</u></p> <p>The continuing level of overspending may be an indication that in some areas the level of budget allocated may not be reflective of the true cost of the service. In addition, a more inclusive budget setting process by either the Finance team, Children Services Management, or both will enhance the acceptance, ownership, and delivery of the budget.</p>	<p>As developed through 2020/21 budget setting process the IBP (as owned by the Service Head) drives the budget process end to end and has been further improved for 2022/23 – action to ensure this is fully embedded with Services and Finance working together</p> <p>Depending on what Cabinet / Council agree for the Service Budget (Pressures and savings targets), then we decide to proceed at Risk with some budget changes (£1.5m central budget) and may always be slightly adrift on the service budget versus demands as they change <u>over time</u></p> <p>The finance business partner is an integral part of the Children’s Services Leadership Team and meets with us weekly. She meets with CLT to identify pressures and areas for saving and works with CLT to develop the budget.</p> <p>In 2020-21 the Service was not overspent.</p> <p>The Service has strengthened the system for approving out of county residential placements (the most expensive expenditure type).</p> <p>Include budget setting in OMT specifically, rather than with each SM cluster manager group.</p>	<p>Jan Coles</p>
	<p>Priority 3 SWAP Ref:</p>	<p>Timescale</p>
<p><u>Budget Setting -Agency / Staff Costs</u></p> <p>The Council is failing to directly budget and control the costs of agency / contracted workers when the budget is set. Budgets are matched to costs retrospectively as they are incurred. This approach does not allow the Service to monitor expenditure against a target and therefore fails to encourage financial control.</p>	<p>No additional action needed.</p> <p>There is a central budget for agency costs. This is very closely monitored weekly and again monthly. The finance team and CLT are of the view that this is the most cost-effective way to effectively manage the expenditure on agency costs. Agency staff are only used to cover a vacancy that emerges against a critical post to meeting our statutory duties and which cannot be filled through a permanent member of staff. Use of agency is a mitigating action to ensure we carry out our legal functions.</p> <p>The current arrangement provides tight financial control, and the proposed change would give budget holders at Team level the impression that they have an allocated budget to spend and will encourage additional expenditure.</p>	<p>Responsible Officer</p> <p>Childrens SMT and Finance</p>
	<p>Priority 2 SWAP Ref:</p>	<p>Timescale</p>
		<p>In place</p>

<p><u>Budget Setting – Cost Reductions / Savings</u></p> <p>The process of budget setting had vastly improved in 20/21 with the prescribed budgets being a holistic representation of the financial position. However, it was seen that the Service only included 90% of the cost reductions within the baseline budget. Unidentified savings were entered into the system using the account code 'Budget to be Found'. The Council should endeavour to add all savings into the baseline budgets for future years.</p>	<p>It is the norm to centralise some savings targets until they can be allocated to a specific cost centre, at the point of budget setting it isn't always clear about who and how will benefit for the savings, these will be allocated when there is clarity as the year processes</p> <p>The nature of the work that CS do makes it impossible to predict savings in detail. For example, through the 'closer to home' work children will be stepped down to a different placement type, depending on their need at the time. Neither the specific child, nor the placement type can be predicted 12 months in advance.</p> <p>No Action needed as once we have clarity on the cost centres to be allocated the savings we do vire the budget</p>	<p>Responsible Officer</p> <p>N/A</p> <p>Timescale</p> <p>N/A</p>
<p><u>Budget Management – Maintenance including Virements</u></p> <p>On-going management of the committed budget on the Eprocurement System should take place regularly throughout the year to mirror the current need. Budget accuracy is dependent on 'good housekeeping' within the Eprocurement System.</p> <p>Closing down orders will enable services to identify and use the budget elsewhere within their areas and will help the service to monitor their budgets effectively.</p>	<p>The current approach is that managers manage their own budgets and do not vire between services. SMT could agree to vire budget and Finance would process these requests</p> <p>Further action for Finance to explain the virement rules again so managers fully understand what is required</p> <p>Service needs to review their current approach to ensure agency, Respite / short breaks and Placement detail are kept up to date on eproc and ensure that their monitoring spreadsheets are reconciled to eproc. Also establish if the spreadsheet is duplication and be stopped</p> <p>There is an action plan in place, monitored by CLT, developed following year end 2021/21.</p>	<p>Responsible Officer</p> <p>Childrens SMT</p> <p>Finance</p> <p>Childrens admin and managers</p> <p>Timescale</p> <p>During 2021-22</p>
<p><u>Budget Management – Maintenance including Virements</u></p> <p>On-going management of the budget cannot effectively take place unless the budget is realigned throughout the year to reflect changing needs and circumstances of the Council. The tools, systems and protocols are available, but Children's Services have not yet embraced the potential functionality of the Collaborative Planning system. The failure to</p>	<p>Further CP Training for managers and refresher training</p> <p>Further action for Finance to explain the virement rules again so managers fully understand what is required</p> <p>Enhance the CS induction for Managers to include financial processes and budget management.</p>	<p>Responsible Officer</p> <p>Finance</p> <p>Finance</p> <p>CLT and Finance</p>

<p>have accurate budgets severely affects the effectiveness of budget monitoring. If the budgets are not kept up to date, this could provide management and scrutiny with an inaccurate budgetary picture.</p>				
<p><u>Budget Monitoring - Service</u></p> <p>The Council are not utilising the financial systems which could enforce more proactive and effective budget management and would be a useful tool in controlling budget overspends in Children Services. As a result, the Council's approach to commitment accounting is less effective.</p>	<p>Purchase cards and use of imprest to be better controlled and administration undertaken each month. Managers to ensure appropriate and essential spend against the card / imprest accounts and managers understand the consequences on their budget</p> <p>Enhance the CS induction for Managers to include financial processes and budget management.</p> <p>Finance to support through more training if needed</p>	<p>2</p>	<p><i>SWAP Ref:</i></p>	<p>Timescale</p> <p>During 2021-22</p> <p>Responsible Officer</p> <p>Senior Managers</p> <p>Timescale</p> <p>During 2021-22</p>
<p><u>Budget Monitoring - Service</u></p> <p>The Council is fulfilling its obligation under constitutional rules by producing reports showing where Children's Services are unable to balance expenditure and resources within existing approved budgets under their control. However, there is improvement needed within reports themselves to explain why the overspends may be occurring and the mitigating actions than can be taken.</p>	<p>Appendix B is completed by the Head for cabinet and includes mitigating actions for cost reductions and alternatives to bridge the financial gap.</p> <p>This report also highlights and emerging pressures and mitigating actions.</p> <p>Children's Services manage their budget and consider how to mitigate overspends as part of their heads report each month</p> <p>Finance Business Partner meets with CLT to review progress against Savings regularly.</p> <p>Children's Services spent in line with predicted pressures in 2019-2020 and did not overspend in 2020-21</p>	<p>3</p>	<p><i>SWAP Ref:</i></p>	<p>Responsible Officer</p> <p>Jan Coles</p> <p>Head and SMT</p> <p>Timescale</p> <p>During 2021-22</p>

<p><u>Budget Monitoring - Cabinet and Scrutiny</u></p> <p>References are made frequently in both of Executive and Scrutiny forums on the inability of Children Services to maintain financial control, however the current governance process appears to be having a minimal impact on changing the behaviour of the Service. Both the Cabinet and the Scrutiny Committees need to have greater assurances and confirmation that Children Services can effectively deliver their planned Service within approved budgets.</p>	<p>Appendix B is completed by the Head for cabinet each month and includes mitigating actions for cost reductions and alternatives to bridge any financial gap.</p> <p>Scrutiny work programme requested additional financial analysis (demand, savings etc) to challenge VFM and cost drivers</p> <p>No evidence for these references has been provided. Children's Services spent in line with predicted pressures in 2019-2020 and did not overspend in 2020-21</p>	<p>Responsible Officer</p> <p>Jan Coles</p> <p>Scrutiny</p>
	<p>Priority</p> <p style="text-align: center;">2</p> <p>SWAP Ref:</p>	<p>Timescale</p> <p>During 2021-22</p>
<p><u>Support, Guidance and Training</u></p> <p>With greater emphasis being placed on the Budget holders to have greater autonomy, there needs to be a greater level of awareness and skills to ensure effective budgetary control in accordance with Council rules. Therefore, Children's Services need to be provided with more guidance and training in some areas to fulfil their roles to a level that the council expects.</p>	<p>Revised formal training programme to be presented by Finance</p> <p>Actions above relating to training and development</p>	<p>Responsible Officer</p> <p>Finance and SMT</p>
	<p>Priority</p> <p style="text-align: center;">3</p> <p>SWAP Ref:</p>	<p>Timescale</p> <p>During 2021-22</p>

Appendix 2

Data Analysis of the Budget

Table 1 – Budgeted and Actual Cost Centres for 19/20 & 20/21

The table below displays the budgeted and actual costs for some of the cost centres used by Childrens Services. The table gives an indication that there is a possible discrepancy with the budget creation process due to the size of the over and underspends within the areas.

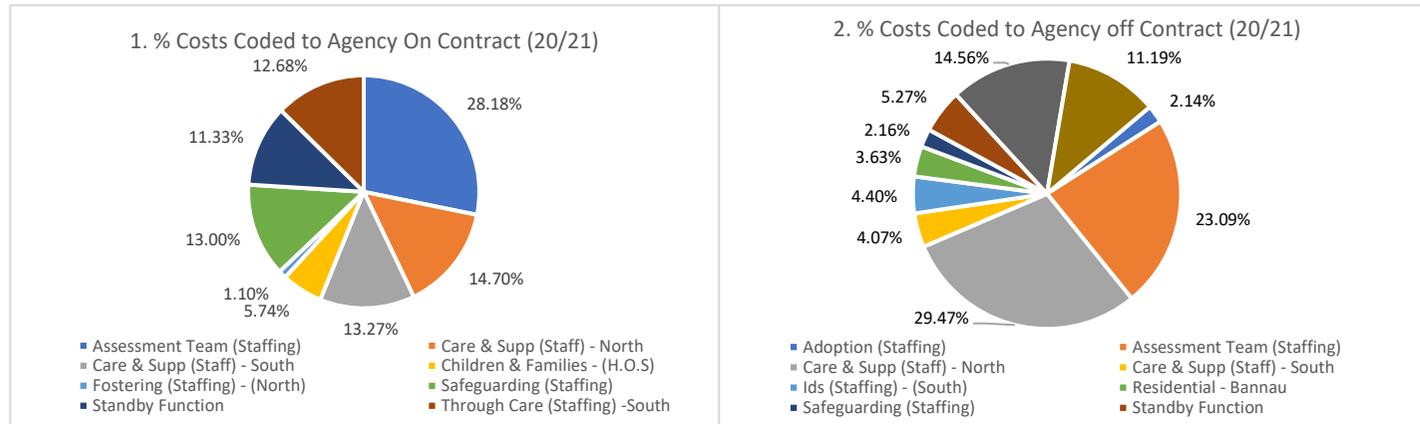
Cost Centre	Cost Centre Name	Budget 2 (19-20)	Actuals (19-20)	Overspends (19-20)	Budget 2 (20-21)	Actuals (Period 8 20-21)	Overspends (20-21)	Budget Split to P8 (20-21)	Overspends P8 (20-21)
411004	ASSESSMENT TEAM (STAFFING)	£614,860.00	£803,863.70	£189,003.70	£750,910.00	£540,032.56	-£210,877.44	£500,606.67	£39,425.89
412302	SHORT BREAKS - IDS (NORTH)	£16,500.00	£203,993.14	£187,493.14	£127,450.00	£174,927.13	£47,477.13	£84,966.67	£89,960.46
414102	ADOPTION PLACEMENT & SUPPORT	£174,800.00	£294,830.28	£120,030.28	£238,830.00	£403,818.87	£164,988.87	£159,220.00	£244,598.87
414353	CONNECTED PERSONS - (SOUTH)	£40,440.00	£297,078.35	£256,638.35	£368,870.00	£267,470.08	-£101,399.92	£245,913.33	£21,556.75
414363	RESIDENTIAL (EXT) - (SOUTH)	£1,167,030.00	£3,305,916.45	£2,138,886.45	£1,649,530.00	£1,335,543.54	-£313,986.46	£1,099,686.67	£235,856.87
414364	RESIDENTIAL (EXT) - (NORTH)	£2,122,350.00	£2,787,399.23	£665,049.23	£1,837,320.00	£2,014,004.07	£176,684.07	£1,224,880.00	£789,124.07
410001	CHILDREN & FAMILIES - (H.O.S)	£1,545,320.00	£370,697.66	-£1,174,622.34	£1,324,820.00	£496,935.94	-£827,884.06	£883,213.33	-£386,277.39
413001	FAMILY SUPPORT (STAFFING)	£433,750.00	£174,736.67	-£259,013.33	£519,370.00	£214,646.36	-£304,723.64	£346,246.67	-£131,600.31
414302	THROUGH CARE (STAFFING) -NORTH	£713,760.00	£633,372.35	-£80,387.65	£857,580.00	£524,265.74	-£333,314.26	£571,720.00	-£47,454.26
414316	16+17 ACCOMODATION	£22,500.00	£25,074.02	£2,574.02	£94,000.00	£1,223,492.19	£1,129,492.19	£62,666.67	£1,160,825.52

Table 2 – Budgeted and Actual Costs within the Account Codes for 20/21

Account Codes	Working Budget	YTD Actuals	Overspends	Period 8 budget	Overspends (p8)
Agency Off Contract	£0.00	£995,543.00	£995,543.00	£0.00	£995,543.00
Agency On Contract	£0.00	£477,032.05	£477,032.05	£0.00	£477,032.05
Cost Of Pension Strain	£0.00	£47,163.12	£47,163.12	£0.00	£47,163.12
Direct Payment	£309,150.00	£368,808.45	£59,658.45	£206,100.00	£162,708.45
Other Services	£88,404.00	£507,050.15	£418,646.15	£58,936.00	£448,114.15
Other Third Parties	£35,000.00	£189,165.00	£154,165.00	£23,333.33	£165,831.67
Other Transfer Payments	£86,090.00	£156,674.62	£70,584.62	£57,393.33	£99,281.29
Redundancy Costs Pay	£0.00	£77,275.70	£77,275.70	£0.00	£77,275.70
Residential Placements	£6,665,550.00	£4,860,451.36	-£1,805,098.64	£4,443,700.00	£416,751.36
Transporting Clients	£137,990.00	-£41,403.25	£96,586.75	£91,993.33	£96,586.75

In period 8 of this year there have already been some overspends of the working budgets within the account codes. The table to the left displays clearly displays that there is an issue with the virement process used by the Service. The working budget should be moved in order to accommodate the needs of the service and to maintain a balanced budget Four of the account £47codes display that they have no working budgets but over £47,000 spent.

Graphs 1&2 – Services that have spend the budget on Agency Costs in 20/21



The graphs to the left display which areas within children's services have coded costs to the agency cost codes within 20/21.

In 19/20 both of these areas did not have the correct budget and were overspent by £3m as shown in Table 3 below.

Account Codes	Overspends for 19/20
AGENCY OFF CONTRACT	£2,085,009.35
AGENCY ON CONTRACT	£1,235,629.32

In both the 2019/20 and 2020/21 accounts there is an account code called 'Budget Reductions to Be Found'. Cost reductions should be included within the baseline budget and not kept separately within the system. There is no incentive to budget holder to adhere to or find the savings if they are stored elsewhere within the accounting system. Neither table displays any actual costs, however it was stated by the Finance officer that when a saving has been found it would be included within the main budget. This can be seen in the budget 2 figures in 20/21.

Table 4 – Budget Reductions to be found in 19/20

Cost Centre	Cost Centre Name	Account	Account Name	Budget 2 (2019-20)	Actuals (2019-20)
371004	STANDBY FUNCTION	RE500600	BUDGET REDUCTIONS TO BE FOUND	4,330.00	-
410001	CHILDREN & FAMILIES - (H.O.S)	RE500600	BUDGET REDUCTIONS TO BE FOUND	503,340.00	-
412301	SHORT BREAKS - IDS (SOUTH)	RE500600	BUDGET REDUCTIONS TO BE FOUND	112,390.00	-
413004	YMC (YOT MANAGERS CYMRU)	RE500600	BUDGET REDUCTIONS TO BE FOUND	2,900.00	-
414334	IFA'S - IDS (NORTH)	RE500600	BUDGET REDUCTIONS TO BE FOUND	54,240.00	-
414335	IFA'S - (SOUTH)	RE500600	BUDGET REDUCTIONS TO BE FOUND	212,570.00	-
414336	IFA'S - (NORTH)	RE500600	BUDGET REDUCTIONS TO BE FOUND	438,460.00	-
414351	CONNECTED PERSONS - IDS SOUTH	RE500600	BUDGET REDUCTIONS TO BE FOUND	13,720.00	-
414353	CONNECTED PERSONS - (SOUTH)	RE500600	BUDGET REDUCTIONS TO BE FOUND	243,540.00	-
414354	CONNECTED PERSONS - (NORTH)	RE500600	BUDGET REDUCTIONS TO BE FOUND	181,710.00	-
414361	RESIDENTIAL (EXT) - IDS (SOUTH)	RE500600	BUDGET REDUCTIONS TO BE FOUND	48,070.00	-
414362	RESIDENTIAL (EXT) - IDS (NORTH)	RE500600	BUDGET REDUCTIONS TO BE FOUND	102,760.00	-
414363	RESIDENTIAL (EXT) - (SOUTH)	RE500600	BUDGET REDUCTIONS TO BE FOUND	1,373,700.00	-
414364	RESIDENTIAL (EXT) - (NORTH)	RE500600	BUDGET REDUCTIONS TO BE FOUND	1,244,980.00	-

Table 5 – Budget Reduction to be found 20/21

Cost Centres	Account Name	Budget 1 (20/21)	Budget 2 (20/21)	Period 8 Actuals
Children & Families - (H.O.S)	Budget Reductions to be Found	£256,000.00	£29,030.00	-
	National App Advocacy	-£20,480.00	£20,480.00	-
Residential - Ystrad	Budget Reductions to be Found	£0.00	£76,460.00	-

Questionnaire Results

A questionnaire was sent round to all budget holders within children's services, although the uptake of the this was limited those that did respond provided some insight that further training may be needed. As well as some areas where further improvement may help the service with the budget management.

