

## CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE  
Date 19<sup>th</sup> November 2024

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<b>REPORT TITLE:</b>	<b>Budget Forecast Position Q2 2024/25 – Social Services</b>
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<b>REPORT FOR:</b>	<b>Decision</b>
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## 1. Purpose

- 1.1 The purpose of the report is to provide an update on social services spending pressures at a national and local level. The national context draws on information from the WLGA *Summary of Social Services Financial Pressures: 25/26 and onwards*, published in November 2024. (Appendix A) The report explains the context and environment within which social services are currently working, the impact on provision, and how demand is driving costs.
- 1.2 The report outlines Powys County Council's Quarter 2 forecast outturn position for social services. Both Adult Social Care and Children's Services are forecasting a deficit position for the end of 24/25 financial year.
- 1.3 Currently, the 2024/25 Adult Social Care forecast outturn position is a £4.431m overspend. If outstanding savings/efficiencies are delivered, this would reduce the position to £3.082m overspend, which equates to 3.33% of the annual budget.
- 1.4 The 2024/25 Children's Services forecast outturn position exceeds the baseline budget set by £4.871 million. If the cost reductions of £2.126 million are delivered, then the forecast overspend will be £2.745 million, which equates to 8.93% of the annual budget.
- 1.5 This report will outline the cause of the current outturn position, the measures being taken to address the position, and virement request for monies from the risk budget and specific reserves to address the forecast position to the year end.

## 2. Current Position

### 2.1 Welsh Context

- 2.2 According to the WLGA, the estimated pressure across local government services for 2025-26 is £559m, £38m higher than previously forecast. This would require a spending increase of just over 7% in net revenue expenditure.<sup>1</sup> The pressure is equivalent to a 26% increase in council tax, or the loss of around 14,000 posts.<sup>2</sup>

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<sup>1</sup> CLLC / WLGA, Summary of Social Services Financial Pressures: 2025/26 and onwards, November 2024.

<sup>2</sup> Council Tax Levels in Wales 2024-25 Statistical Release (Council Tax Levels in Wales, 2021-22 (gov.wales)), total council tax income is currently £2.148bn. Cost of an average post is estimated at £40,000 (including

2.3 The WLGA report also highlights the significant projected in-year pressures in 2024/25, with a current projected overspend of £238m.<sup>3</sup>

2.4 Social care makes up 45% of the estimated overall additional in-year pressures currently facing Welsh Local Authorities, this equates to £106m. Recent years have seen significant social services overspends across Wales, with a £107m overspend projected this time last year for 2023-24 and a £93m overspend in 2022-23.<sup>4</sup>

2.5 The additional social care costs are attributed to increasing demand and complexity of need across both adults and children's services, including the need for high-cost placements. Children's residential placements account for £38m of the total, adult residential placements nearly £16m and adult domiciliary care £17m.<sup>5</sup>

2.6 Future financial years forecast that the significant financial pressures will continue, with a £223m pressure for Welsh Local Authorities in 2025/26, £196m in 2026/7 and £209m in 2027/8.

## 2.7 Adult Social Care

2.8 Despite the national trend, Adult Social Care in Powys has delivered a balanced, or underspend position over recent years, delivering 100% of its £4.6m proposed savings in 23/24.

2.9 The 2024/25 base budget for Adult Social Care is £92.6m, which included a % uplift of £8.6m to cover contract inflation and real living wage for providers. The cost to cover the impact of the real living wage for social care providers was included within the RSG from WG, but not hypothecated.

2.10 Within the FRM for 2024-25 the service had £1.647m of pressures held at risk, which included demographic pressures of £897k, Powys Care Homes uplift of £453k and hours on the CROFT of £297k. This risk budget will be requested through a virement for draw down to support the in-year financial position for ASC. Cost reductions of £3.814m were also included.

2.11 The Quarter 1 outturn report for Adult Social Care was showing a £214k deficit position. The Q1 report highlighted the risk of future pressures materialising in relation to the stability of commissioned providers, particularly in the care home sector, winter pressures and potential demand on home-based care and interim beds, unmet need in the community with individuals sat on the Home Care hours from the Care Transfer or Referral Form (CROFT), following assessment but lack of provision, concerns over providers requesting fees over and above our agreed rate, and future demography that was agreed to be funded from the risk reserve as part of the budget setting process. A particular risk to delivery of cost savings was

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oncosts). Quoted in CLILC / WLGA, Summary of Social Services Financial Pressures: 2025/26 and onwards, November 2024.

<sup>3</sup> CLILC / WLGA, Summary of Social Services Financial Pressures: 2025/26 and onwards, November 2024.

<sup>4</sup> CLILC / WLGA, Summary of Social Services Financial Pressures: 2025/26 and onwards, November 2024.

<sup>5</sup> CLILC / WLGA, Summary of Social Services Financial Pressures: 2025/26 and onwards, November 2024.

highlighted if hospital discharge pressures and referrals continued at the current rate.

2.12 The forecast outturn at the end of Quarter 2 for Adult Social Care, is a £4.431 million overspend at year end. Of the original cost reduction target of £3.814 million, £2.466 million has been achieved to date, 64.66%. If the outstanding savings/efficiencies of £1.348 million are delivered, then the position would be a £3.018 million deficit, which equates to 3.33% of the annual budget.

2.13 There has been a significant change since the Quarter 1 position. The increase in forecast expenditure is due to increased service demand and pressures in residential and homecare across all service areas, and costs associated with provider stability over and above what was funded in the Financial Resources Model (FRM). The spend position across the difference areas within the service is shown in the table below.

SERVICE AREA	% OF Budget	2024/25 Annual Working Budget	Forecast Outturn 2024/25	Under/(over) spend
OLDER PEOPLE	38.40	35,578,570	38,157,396	- 2,578,826
LEARNING DISABILITIES	29.93	27,725,541	30,341,382	- 2,615,841
MENTAL HEALTH	5.24	4,857,740	5,215,298	- 357,558
PHYSICALLY DISABLED	6.79	6,294,840	6,809,322	- 514,482
PROVIDER SERVICES	13.66	12,657,808	11,432,150	1,225,658
SUPPORT SERVICES	4.76	4,408,510	3,986,779	421,731
ADULTS COMMISSIONING	1.21	1,123,340	1,134,603	- 11,263
<b>ADULT SOCIAL CARE TOTALS</b>	<b>100.00</b>	<b>92,646,349</b>	<b>97,076,930</b>	<b>- 4,430,581</b>

2.14

2.15 In Older People there is currently a forecast overspend of £2.578m, compared to £1.208m in Quarter 1. The overspend in this area is outlined as follows:

- £267k due to the Powys leased care homes contract. The uplift was held at risk in the FRM and was planned to be managed through void management, however, the increased demand has meant this has not been possible.
- £2.311m due to increased demand and complexity, and reduced capacity within the marketplace.
- The service has seen an additional 50 nursing beds and 18 residential EMI placements.
- An additional 68 clients receiving home care (an increase of 1536 hours per week).
- 9 new Direct Payment packages to prevent carer breakdown (and even more expensive placements).
- Contracting in county and out of county placements has been a challenge to secure appropriate placements due to complexity of need.

- 2.16 In Quarter 1 Learning Disabilities were forecast a £0.570m deficit, at Quarter 2 this has moved to £2.616m. The overspend in this area is outlined as follows:
- £313,000, an additional 3 service users in receipt of Home Care and an additional 13 clients in receipt of non-care services e.g. transport.
  - £949,000, additional 9 new residential placements, increased existing packages costs and reduction in educational funding from Welsh Government.
  - £313,776 for contracts with a supplier that were moved onto the Collaborative Commissioning and Procurement Services (CCAPS) rate costing an additional £101,927 and new rates negotiations equating to a £209,849 pressure.
  - £34,086 due to additional tenants moving into Powys with no budget available.
  - £234,532 is part year effect for 3 new tenancies.
- 2.17 The Mental Health Service is forecasting a £0.358m overspend, compared to £0.059m at Quarter 1. This is due to the following:
- £217,00 due 2 new supported living tenants and 1-1 hours
  - £141,00 one new out of county residential placement
- 2.18 Spend on Physical Disability provision is forecast a £0.514m overspend, compared to £0.440m in Quarter 1, due to:
- £620,657 an additional 10 new service users in receipt of Home Care and full year effect of part year clients from 2023/24 offset by Residential/Nursing Care currently an underspend of £106,175.
- 2.19 Adult commissioning has seen a slight improvement in forecast position with a Quarter 2 position of £0.011m compared to £0.030 at Quarter 2.
- This is due to a £47,000 budget pressure in the Live Well Health and Social Care team for the Housing Support Grant “What Matters” project. This is currently being offset due to staff recruitment/slippage.
- 2.20 Adult Social Care expenditure to meet statutory responsibilities in the first 6 months of the 2024/25 financial year has exceeded the profiled spend. There has been an increase in demand for statutory services, with complexity of need also increasing.
- Per month the service has seen on average 10 more referrals to the hospital discharge team than last year, and an increase of approx. 25 more presentations at the front door.
  - The number of domiciliary care hours delivered has increased since April 2024, reducing the number of people waiting for a package of care and enabling people to be supported within their homes.
  - The number of placements has increased, and there has been an increase in the need for more specialist placements.

<b>Bed</b>	<b>Total active placements 1<sup>st</sup> April 2024</b>	<b>Total active placements 30<sup>th</sup> September 2024</b>	<b>Changes in active placements from the start of year</b>
Respite spots	22	22	0
Residential Elderly frail	214	208	-6
Residential EMI	107	125	18
Nursing	138	167	29
Nursing EMI	66	87	21
<b>Total</b>	<b>547</b>	<b>609</b>	<b>56</b>

2.21 The service has experienced increased costs associated with negotiating and securing care home placements, or additional 1-1 hours due to complexity of need of clients. Feedback from nursing providers indicates the Funded Nursing Care (FNC) rate is insufficient and does not cover their costs. (FNC is the rate paid by Health Boards and is agreed nationally). This is compounded by insufficient nursing workforce and ongoing general workforce pressures driving a reliance on agency workers, which compound the cost pressures. The WLGA report highlights the significant concerns around both Funded Nursing Care (FNC) and Continuing Health Care (CHC), stating that costs are being passed from the NHS onto local authorities, and that councils are having to subsidise health care, which is having a significant financial impact. <sup>6</sup>

2.22 An ageing population with increased complexity of need is outstripping nursing provision within the county and forcing the service to spot purchase out of county placements at increased rates often above the host authority rates. There is an overreliance on interim residential placements, which reduces income capacity and creates dependencies. The interim beds are often used to facilitate hospital discharges.

2.23 There is a lack of specialist residential accommodation for people with complex needs within the county, which means the services are reliant on costly out of county provision. This year there have been 9 new residential placements, and several existing providers have demanded significant uplifts above the agreed rate, many transferring to the Collaborative Commissioning and Procurement Services (CCAPS) framework, with the threat of notice being served and no alternative placements available.

2.24 The WG focus and prioritisation on hospital discharges has significant impact on social services capacity and finance. The additional work associated with the Care Action Committee, 6 Goals, 10 Best things, 50 day challenge etc. all generate significant extra work, with no additional funding for social care. Expediting hospital discharges, through moving people into interim beds because no appropriate residential or home care package is available, results in poor outcomes for patients (with 83% never then leaving their interim placement) and significant additional financial costs for social care).

## **Children Services**

2.25 Children's Services have been in a forecast deficit position at Q2 over the previous two years; with a £2.9 million variance in 2022 and just over £1.087 million in 2023, with end of year final outturn positions of £2.007 million in 2022/3 and £594,000 deficit for 23/24, following a transfer of £310,000 from the Risk Budget in regard to unaccompanied asylum seekers.

2.26 The 2024/25 Finance Resource Model shows the Children's Services base budget as £30.726m. Cost reductions of £2.4m were proposed and pressures of £3.7m were held at risk to be funded from the corporate risk budget if they materialised. Children's Services had unachieved savings of £729,160 rolled forward from the 23/24 financial year and along with the proposed savings meant

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<sup>6</sup> CLILC / WLGA, Summary of Social Services Financial Pressures: 2025/26 and onwards, November 2024.

the service started the year in a challenging financial position. With demography held at risk, from 1st April of any year, any new child or young person becoming looked after puts the service into an overspend position and reliant on access to the risk budget.

2.27 At Quarter 1 the Children's Services forecast outturn position exceeded the baseline budget set by £5.295 million, if the assured cost reductions of £3.383 million were delivered, then the forecast overspend would have been £1.912 million, which equates to 6.22% expenditure over budget. Budget underspend of £2.031m were being utilised to mitigate the overall budget forecast overspend, with a risk identified that if those underspends reduced then the overspend forecast would increase. The potential impact of placements, and high-cost placements was highlighted as a risk in terms of delivery of savings.

2.28 At Quarter 2, the 2024/25 Children's Services forecast outturn position exceeds the baseline budget set by £4.871 million, however, if the remaining cost reductions of £2.126 million are delivered, then the forecast overspend will be £2.745 million, which equates to 8.93% expenditure of the annual base budget.

2.29 The forecast spend across the service areas is shown in the table below.

L5 CC	L5 CC name	Forecast Actuals	Annual Working Budget	Forecasted Variation From Budget
410	H.O.S - Children And Families	£ 1,044,803.05	-£ 1,556,401.00	-£ 2,601,204.05
411	Early Help And Assessment	£ 2,141,470.79	£ 2,070,440.00	-£ 71,030.79
412	Care And Support	£ 4,546,591.30	£ 4,704,240.00	£ 157,648.70
413	Intervention And Prevention	£ 1,337,017.87	£ 1,602,704.00	£ 265,686.13
414	Corporate Parenting	£ 20,774,032.77	£ 17,794,487.00	-£ 2,979,545.77
415	Safeguarding And Qual. Assuran	£ 1,795,019.71	£ 2,238,300.00	£ 443,280.29
416	Legal	£ 438,234.98	£ 602,400.00	£ 164,165.02
417	Internal Residential	£ 2,758,120.41	£ 2,437,936.00	-£ 320,184.41
418	Childrens Grants	£ 763,652.61	£ 833,460.00	£ 69,807.39
<b>Grand Total</b>		<b>£ 35,598,943.49</b>	<b>£ 30,727,566.00</b>	<b>-£ 4,871,377.49</b>

2.10

2.30 Within Children's Services, the greatest impact on the forecast budget position is £3.591 million for Children Looked After (CLA) placements. This is due to new placements for children becoming looked after, and the step up in provision and increasing costs required to meet the complexity of the need of the current cohort. This is in the context of a national shortage of placements for looked after children across the UK. As a council we have corporate parenting responsibility for these children and young people, to provide appropriate and safe placements for the most vulnerable in our communities. This is an increase of £268k since Quarter 1.

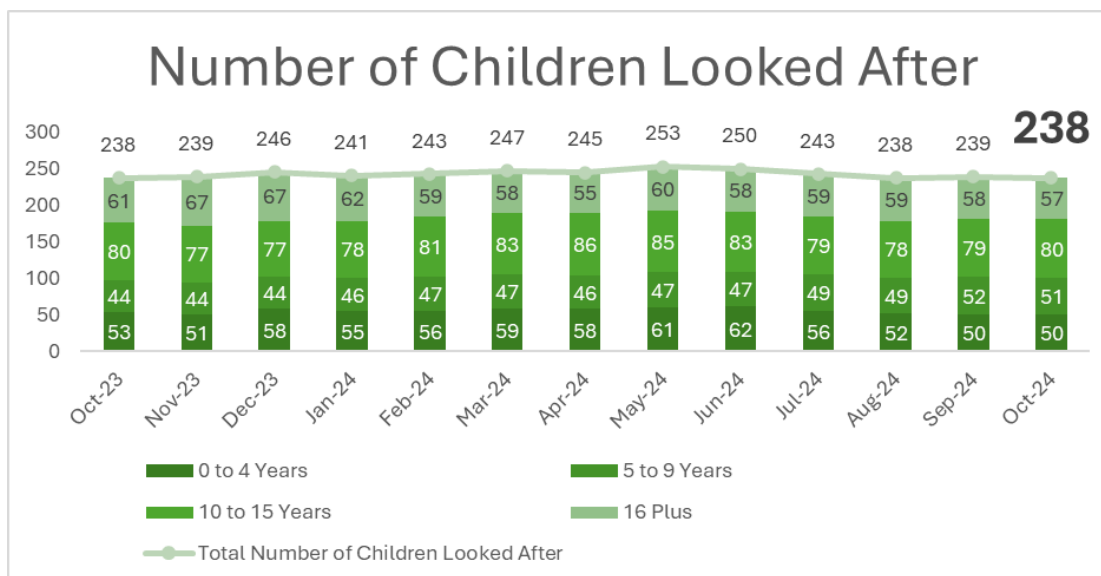
2.31 There is a predicted £209,000 overspend in Children Looked After support, including therapy, support for foster carers and adoption support, which is an increase of £43k since Quarter 1.

2.32 There is a budget pressure of £44,000 for families in need of care and support, mainly as a result of the ongoing impact of covid and trying to keep children with their families where it is safe and in their best interests to do so. This is an increase of £19k since Quarter 1.

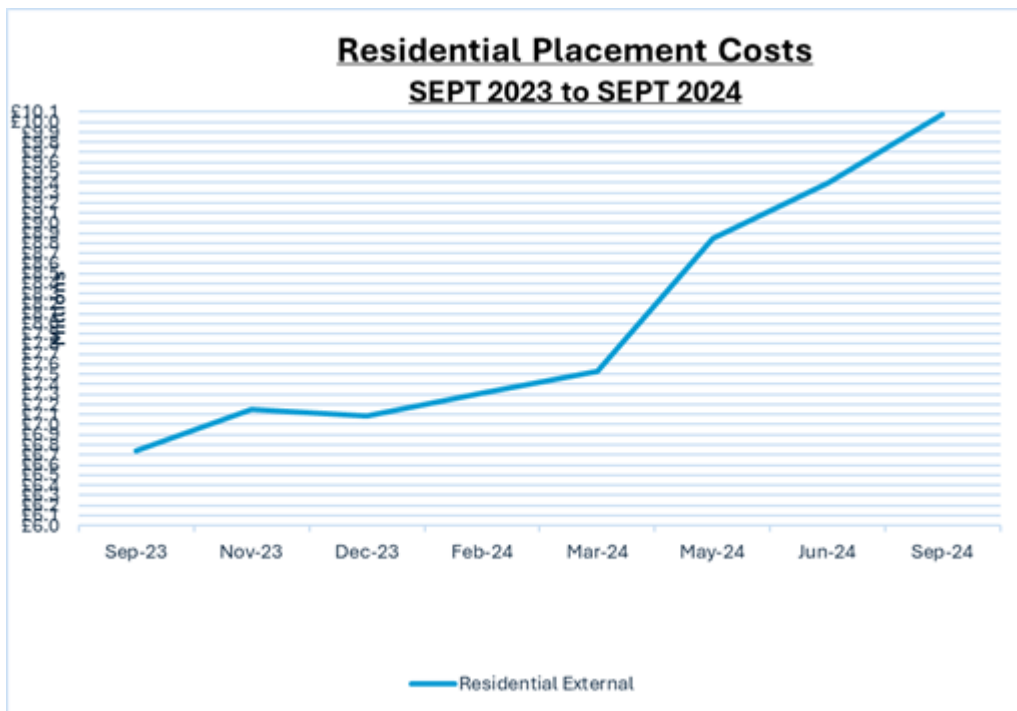
2.34 There is a forecast overspend in the in-house residential homes of £320,000, due to relief staff over and above base budget to cover rotas, unplanned employee absences, the use of overtime and agency staff due to recruitment, and escalating needs of the children, over and above that included in the original business cases. This is an increase of £109k since Quarter 1.

2.35 Corporate Parenting is the term used to describe the role that local authorities and their partners play in relation to children and young people in and leaving care. It is enshrined in legislation and statutory guidance, most recently in the Social Services and Wellbeing (Wales) Act 2014.

2.36 Corporate parenting means that when a child is being looked after by Children’s Services, the local authority has a duty to provide the kind of care and support that would be expected of any responsible parent. This goes beyond simply keeping the child safe. It means wanting the best for the child or young person. It means doing whatever it takes to make sure they have every chance to reach their potential. The number of children looked after by Powys County Council is fairly static, as is shown in the table below.



2.37 Even though the numbers are fairly stable, the placement costs for children who are looked after nationally and locally are increasing at a significant rate. The table below shows how Powys costs have increased in the last 12 months, from an annual cost of £6.7m in September 2023, to £10.1m in September 2024. The top 10 high placement costs has risen from £72,327 per week to £85,427 per week.



2.38 The service’s work on closer to home has resulted in the number of children looked after in out of county provision reducing, from 71 in October 2023 to 63 in October 2024, although within that we have seen an increase in the use of out of county children’s homes (from 14 children, to 23 children).

### **3 Mitigation and impact**

3.1 The service will take all appropriate actions to reduce spend as far as possible and improve the forecast deficit position, taking into consideration the need to deliver on assessed need and statutory responsibilities.

3.2 This is being taken seriously across the directorate, with assurance given that actions are being taken to ensure officers are held accountable for their budget areas and have the tools and support available to enable them to do so. Staff are undertaking refresher training on their financial responsibilities and HR policies are being followed as and where appropriate.

3.3 Budget Rectification Plans are being implemented that increase oversight, monitoring, and actions to reduce spend across social services. Overseen by the relevant Heads of Service, actions include a recruitment freeze (except for essential front-line positions e.g. social workers), spend controls including freeze on non-essential spend, new expenditure on placements only to be approved following sign off from Head of Service and s151 officer, review of existing placements, staff training, review of eligibility, maximising external sources of funding, and review and monitoring of contractual arrangements.

3.4 Delivering on the proposed in year cost savings will be critical, and there is renewed focus and a review ongoing into the current position. Children’s Services have delivered 46.64% of their £3.985 million savings, with Adult Social Care



delivering 64.66% of their £3.814 million target. An additional £628,000 is assured and work ongoing on the remaining £720,000.

3.5 Powys County Council has corporate parenting responsibilities, and statutory and safeguarding obligations that Social Services oversee. The service will always look to source the most cost-effective placement, however, with the current market challenges and placement availability there is often little or no choice.

3.6 The WLGA report notes the importance of, and reliance on, commissioned services to the provision of social care, and notes the financial pressures caused by the increasing costs and fees. A specific concern is the requirement for social care providers to pay the Real Living Wage, without sufficient funding being made available in the settlement from WG, adding to inflationary pressures.<sup>7</sup>

3.7 The work of social care has a significant impact on the health system, and maintaining flow of patients through the system relies on social services being able to access and provide appropriate community, home, residential and nursing care. Accessible prevention and early intervention work is also essential to reduce the flow of patients into health and statutory social care systems. Stopping, reducing or delaying spend in adult social care on these areas would have a detrimental impact on Powys Teaching Health Board and neighbouring Health Boards where Powys residents access services.

3.8 Ensuring that Welsh Government and Ministers understand the financial pressures on social care and the impact on individuals and partners of reductions in funding, is a key role for both Councillors and officers.

3.9 Of utmost importance is that the council does not undo the positive work undertaken in recent years to improve outcomes for individuals and families, and ways of working across social services. There needs to be a careful balance of meeting our statutory and financial responsibilities and requirements, without risking negative regulatory intervention.

#### **4. Resource Implications**

4.1 Pressures that were held at risk within the 2024/25 Finance Resource Model have materialised and the service now request funding from the risk budget and specific budget reserves to cover the projected in year deficit budget position. The pressures materialised include demographic pressures in both children's and adults with increased placement costs, provider uplifts and market instability, and the reduction in the backlog of people waiting on the CROFT for home care.

4.2 Adult Social Care require £1.647 million, to be funded in line with the 2024/25 Financial Resources Model from the Risk Budget; with regard to £897,000 Demography for an ageing population, £453,000 Powys Own Care homes uplift to be managed through reduction in spot purchases which has not occurred due to increased demand and £297,000 in regard to Home Care hours from the Care Transfer or Referral Form (CROFT). As all these identified pressures have materialised to date.

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<sup>7</sup> CLILC / WLGA, Summary of Social Services Financial Pressures: 2025/26 and onwards, November 2024.

4.3 A further virement request is made to utilise £948,000 from the Adult Social Care reserves to support the increase in demand.

4.4 The expectation is that other service budgets will continue to improve on their forecasts and be available to mitigate the remaining deficit of £487,000. In a worst-case scenario, an additional £1.7 million may be required before year end if the corrective actions do not have the impact expected to reduce expenditure.

4.5 Children's Services request £2.745 million, to be funded from the Risk Budget as the demography for part year effect of the children placed in 2023/24 has materialised and demography to date occurred in 2024/25. In a worst-case scenario, an additional £1.0 million may be required before year end if the corrective actions do not have the impact expected to reduce expenditure.

The virements request total £5.827 million, with £4.392 million proposed to be released from the risk budget and £948,000 from specific reserves. £487,000 will continue to be held at risk. The £3 million Risk Budget already has £816,000 drawn against it, that leaves £2.184 million available to support Social Services. A virement to this level is requested to provide a level of stability, but the service will remain overspent.

4.6 The Director of Corporate Services (Section 151 Officer) notes the content of the report and the explanation provided. Social care across Wales is under significant pressure and this was recognised when Council approved the budget back in February with an additional £8.8 million allocated to the service budgets. At that time, potential increases in further demand were also considered with £4.7m held at risk for demand against the corporate revenue risk budget. These costs are now projected to materialise and are outstripping the financial resources allocated to the services. The virement requested will provide some financial stability to Social Services to meet the full year commitments already in place.

4.7 The report highlights that the costs to support service provision are likely to increase over the remaining months of the year, it is not proposed to allocate further funding to the service at this stage, but to enable the service to operate effectively and fulfil the Councils corporate parenting responsibilities, and statutory and safeguarding obligations, Heads of Service are authorised to commit to further critical spend with oversight and approval of the Director of Social Services. These costs will be held at risk and reported as an overspend, with the position monitored on a weekly basis by the Corporate Leadership Team and reported to Cabinet on a monthly basis. Any further virements will be considered at Quarter 3.

4.8 Social Services have strengthened their financial regime and budget rectification plans are being implemented that increase oversight, monitoring, and actions to reduce spend across the services, including the delivery of the approved in year cost savings. The demand already recognised will not only impact the current year but will also add further pressure to the Councils 5-year budget model and this is currently being recalculated for consideration as Cabinet and ultimately Council finalise and approve a budget for 2025/26.

4.9 The current level of overspend and potential further pressure will impact on the Councils Outturn position, action taken across the whole Council will release underspends in other services to offset these costs, however, there is likely to be

budget shortfall that will require the release of further reserves to maintain a balanced budget for the current financial year.

4.10 The use of reserves this year will reduce the financial resilience of the Council as it moves into next and subsequent years.

4.11 The budget presented by the Chancellor on the 30th October commits to investment in public services with additional funding allocated to Welsh Government for the current financial year. There is no clarity as to whether any of this funding will be provided for Local Government and for what purpose. If provided any funding will support our position but unless that funding is recurrent it will not contribute to the ongoing budget gap and will only provide temporary support.

## **5. Legal implications**

5.1 Legal: The recommendation can be supported from a legal point of view.

5.2 The head of legal services and the monitoring officer has commented as follows: “I note the legal comment and support the recommendation.”

## **6. Climate Change & Nature Implications**

6.1 Not applicable

## **7. Data Protection**

7.1 Not applicable.

## **8. Comment from local member(s)**

8.1 This report affects the whole county of Powys.

## **9. Impact Assessment**

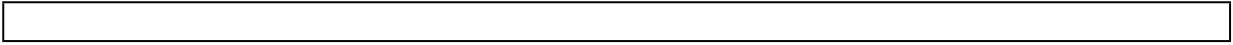
9.1 Impact Assessment not undertaken.

## **10. Recommendation**

10.1 That Cabinet notes the budget position within Social Services.

10.2 That Cabinet agree the virements requested and recommend them for approval by Full Council.

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CABINET REPORT NEW TEMPLATE VERSION 3