

**WCF EXECUTIVE LEADERSHIP TEAM
 18 DECEMBER 2019**

FINANCE UPDATE AND BUDGET 2020/21

Relevant Officer

Director of Resources

Recommendation

1. ELT are asked to note:

(a) The forecast position for WCF as at end November including the provision for accrued leave;

(b) The risks associated with and impacting upon the current financial year and future financial years.

(c) Note the draft budget 2020/21.

Background

2. The report provides ELT with an update on the financial position of WCF, the forecast for 2019/20 (on the 6-month period) and highlights the main financial issues for 2020/21. Cabinet will consider the Council's MTFP for 2020/21 on 20 December which will include the contract sum for 2020/21. This is shown in the table below.

Contract Sum	2019/20 6 months	Indicative 2020/21 Full Year
	£000	£000
Net Budget funded by WCC	49,808	100,140
<i>Other Funding passed through:</i>		
Funding added to contract (Grants / Income / Reserves)	6,708	16,521
Total Gross Cost	56,516	116,661

3. The 2020/21, gross cost is in line with the draft budget being considered by the Cabinet in December 2019. As such the net £100.1M for 2020/21 is reflective of the demand and cost pressures forecast at this stage including Transport. A further review of the funding being passed through and final support services costs is currently being undertaken and will take place between now and January 2020 when the WCF Board and then Full Council will approve the budget. As part of that exercise we will review the

Government announcements on external funding and the transfers necessary that will be reflected in the gross budget of WCF.

Current Year Forecast – November 2019 - Period 8

4. Whilst a robust process of assurance, review and authorisation surrounds the budget, some areas are clearly not without risk. Monitoring of the 2019/20 budget will continue to be critical as we have moved into the company to ensure the correct expenditure is charging in the correct entity. The Finance Team is well advanced in monitoring arrangements both with Directors and Assistant Directors within the service.

5. The latest overall position for WCF is a forecast underspend of £0.04M (0.06%) on a £56M budget, based on data to the end of November 2019. The breakdown by service area is set out in the table below. Further details are in Appendix 1.

Worcestershire Children First Budget Monitoring Statement - by Service Heading

	Latest Budget	YTD	Full-year Projection	Variance	Variance	Change since last month
	£000	£000	£000	£000	%	£000
WCF Management & Board	663	102	663	0	0.00%	0
Training	93	-3	93	0	0.00%	0
Resources Teams	1,393	342	1,340	-53	-3.78%	31
Support Service Payments	3,518	0	3,518	0	0.00%	0
Resources	5,666	441	5,614	-53	-0.93%	31
CSC Safeguarding Services	8,550	2,394	8,536	-14	-0.16%	140
Integrated Family Front Door	2,277	714	2,179	-98	-4.30%	7
Placements & Provision	22,712	6,437	22,712	0	0.00%	21
Worcestershire Safeguarding Children Board	153	-42	153	0	0.00%	0
CSC Through Care	1,654	611	1,746	92	5.55%	34
CSC Targeted Family Support	835	219	798	-38	-4.53%	19
Social Care	36,181	10,332	36,123	-58	-0.16%	220
Sufficiency & Place planning	208	62	208	0	0.00%	0
Education Safeguarding	129	0	129	0	0.00%	0
Commissioning	29	3	29	0	0.00%	0
Early Help & Partnership	3,983	856	4,017	35	0.87%	35
SEND & Vulnerable learners	1,844	657	1,884	40	2.17%	0
Education and Early Help	6,192	1,579	6,267	75	1.20%	35
Home to School Transport	8,223	2,158	8,223	0	0.00%	0
Home to School Transport	8,223	2,158	8,223	0	0.00%	0
Youth Offending Services	254	0	254	0	0.00%	0
Youth Offending Services	254	0	254	0	0.00%	0
TOTAL	56,516	14,510	56,480	-36	-0.06%	285
Contract Income	56,516	28,258	56,516	0	0.00%	0
Projected Surplus/Deficit before Corporation Tax	0	13,749	36	36		-285

6. It is very pleasing to note that Children's placements are broadly on budget, although noting that placements budget is overspending but this is offset by safeguarding staffing savings.

7. One area of current overspend is Through Care, which is due to agency cover required for staff on maternity or long-term sickness.

8. The overall Company underspend has reduced since October by £311k due to the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial period. This is required under accounting standards, for companies this is a real charge to the income and expenditure account where as in the council there is a reversal to ensure there is no impact on council tax.

Draft Budget 2020/21

9. Detailed work has progressed well on the 2020/21 budget for WCF to ensure that this aligns with the budget setting process for the County Council. WCF has taken full part in the budget setting process which included the Corporate Strategy Planning weeks in September and November.

10. There is a continued commitment by the council to invest £7.2 million to improve outcomes for children and young people (up to the age of 25) in Worcestershire, by addressing their needs holistically through early help and prevention, education provision and social care. There is a further £1.1 million set aside in earmarked reserves which was established through the 2019/20 budget process to mitigate any potential financial risk on placements for looked after children which reflect the ongoing demographic and cost pressures in the service. However, this has not been required in 2019/20 due to the strong leadership, good practice in the service and careful financial management. The budget in 2020/21 includes investment for:

- Continuing the journey of improvement in children's safeguarding with further full year investment of £4.1 million to reflect an increase in overall demographic pressures and costs.
- Funding of recurrent costs pressures of home to school transport £1 million and an increase of £0.5 million on the placements budget to address the overspend reported in 2019/20.
- A further investment £0.6 million into Special Educational Needs Transport.
- The full year effect of £0.4 million for running costs for Worcestershire Children First

11. A review of the underpinning budget assumptions for WCF is a fundamental part of every MTFP and the process for 2020/21 will be no exception. This is particularly important as the 2020/21 Budget must be approved by both the WCF Board and Worcestershire County Council.

Financial Assumptions / Principles for the 2020/21 Draft Budget

- The agreed pay award from April 2020 covers the period to March 2021, pay inflation at 2% - Any pay awards are determined nationally between employer representatives and Trade Unions. Current suggestions indicate, whilst not settled, a likely outcome could be an average increase of 2%, with more for lower paid staff. In

addition, there are pressures from both the National Living Wage and incremental increases in pay. An allowance has been made for incremental progression.

- That WCF will make employer pension contributions (LGPS) at a rate of 18.6%, as agreed with the Actuary for following confirmation of the 2019 Actuarial Review.
- Provision for inflation is only made where there is clear evidence that it will be required due either to market conditions or contractual terms.
- Forecast is for numbers to increase by around 6% from current levels by March 2021.
- Gross Average Weekly costs are also expected to rise by 9% over the same period, based on trendline

12. Collectively we have dealt with financial pressures on demand led budgets in 2019/10 alongside continuing the trajectory on our Improvement and setting up a new company.

13. We have obtained clarity from our owners over current funding to meet the cost pressures we face in 2020/21. It is important to ensure that the Company's balances are managed carefully to support the Company's financial resilience.

14. On this basis of the information above I consider the estimates robust but not without risk, but sufficient for WCF to be able to produce a balanced budget for 2020/21.

Risk Implications

15. WCF's Interim Business Plan outlines, within its appendices, an overview of the significant risks that WCF will be managing on a day to day basis. These risks will also form part of the Council's high-level risk register as the Council remains accountable. The main risks to the Company are the Home to School Transport Budget and management of the DSG High Needs Block on behalf of the Council.

Contact Points

Specific Contact Points for this report

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Appendix 1

Worcestershire Children First Budget Monitoring Statement - by Expenditure Type

	Latest Budget	YTD	Full-year Projection	Variance	Variance	Change since last month
	£000	£000	£000	£000	%	£000
Contract Income	56,516	28,258	56,516	0	0.00%	0
Sales, Fees and Charges	192	278	189	-3	-1.56%	7
Total Income	56,708	28,536	56,705	-3	-0.01%	7
<i>less expenditure</i>						
Employees	18,596	5,355	18,210	-386	-2.08%	283
Premises	357	26	351	-6	-1.77%	-6
Transport	7,658	2,134	7,688	31	0.40%	-56
Supplies & Services	7,073	960	7,183	109	1.55%	-19
Third Party Payments	22,409	6,312	22,622	214	0.95%	90
Transfer Payments	6	0	6	0	0.00%	0
Education Payments	0	0	0	0	0.00%	0
Reserves	610	0	610	0	0.00%	0
Support Services	0	0	0	0	0.00%	0
Total Expenditure	56,708	14,788	56,669	-39	-0.07%	291
Projected Surplus/Deficit before Corporation Tax	0	13,748	36	36		-285