
Report to OVERVIEW AND SCRUTINY PERFORMANCE AND VALUE FOR MONEY SELECT COMMITTEE

Children's Services – Financial Performance 2018/19 and Balancing the Budget Going Forward

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27 June 2019

Purpose of the

Report

The report provides an overview of the financial performance of Children's Social Care for the 2018/19 financial year and the measures being taken to balance the budget in 2019/20 and future years. Specifically, the report focuses on:

- The outturn position for 2018/19
- The increased resources allocated for 2019/20 and 2020/21
- Measures being taken to manage the budget in 2019/20 and future years

Executive Summary

There has been a dramatic increase in the cost base of Children's Social Care over the last three financial years, requiring both a reliance on reserves and additional resources to be added to the base budget. In 2017/18 there was an overspend of £3,420k, this was after the use of £5,235k of reserves. In response the budget for 2018/19 was increased by £8,352k, £8,063k of which was purely to prepare a balanced budget for 2018/19. In line with both regional and national trends, demand for services has continued to grow and despite the increased investment, from the very outset it was clear that expenditure would not be contained within the increased resources that had been made available, this resulted in a reported overspend of £3,967k in 2018/19, this time after using £1,401k of both ear-marked and revenue grant reserves. The majority of the use of reserves was to

support short term investment initiatives to facilitate the implementation of the Children's Services Operating Model and Structural Resources Plan in 2019/20, a three-year strategic recovery plan to fundamentally address the problems faced within Children's Social Care.

Recommendations

The Overview and Scrutiny Committee to note the report.

Financial Performance in 2018/19

1 Background

- 1.1 Children's Social Care reported an overspend of £3,967k against the revised budget for the 2018/19 financial year, this was after using £1,401k of both ear-marked and revenue grant reserves. The majority of the use of reserves was to support two short term investment initiatives; the first to stabilise services, reduce caseloads and recruit expertise followed by a second to build change capacity by strengthening placement commissioning and corporate compliance both of which were instigated to facilitate the implementation of the Children's Services Operating Model and Structural Resources Plan in 2019/20, a three-year strategic recovery plan to address the problems faced within Children's Social Care.
- 1.2 There were overspends in each of the three service areas, as illustrated in the table below, the largest proportion of which (74%) is attributable to Children in Care, the following sections offer an explanation as to the reasons for the most significant areas of financial pressure.

Service Area	Budget £k	Actual £k	Use of Reserves £k	Variance £k
Children in Care	23,911	27,036	-194	2,931
Children's Safeguarding	2,060	2,578	-173	345
Fieldwork & Family Support	10,690	12,415	-1034	691
Children's Social Care Total	36,661	42,029	-1,401	3,967

2 Children in Care

- 2.1 The table below analyses the overspend within Children in Care across the constituent cost centres/ services (actual expenditure is after the use of reserves).

Children in Care	Budget £k	Actual £k	Variance £k
Placements	12,309	14,778	2,469
Non- Residential Children with Disabilities Short Breaks	1,695	2,225	530
Semi-Independence Units	1,045	1,211	166
After Care Services	1,474	1,633	160
Children with Disabilities Staffing	834	975	140
Adoption	1,017	1,050	33
Gemini House	705	721	16
Adolescent Support Unit	763	750	-13
Permanence Team	798	765	-33
Fostering	1,169	1,109	-60
Children's Residential Homes	2,104	1,627	-478
Children's Social Care Total	23,911	26,842	2,931

- 2.2 The largest contributor in terms of both expenditure (55%) and overspend (84%) is the cumulative cost of the various types of Children's Social Care Placements with a further significant variance within Short Breaks for Children with Disabilities. Smaller variances particularly in relation to Children with Disabilities Staffing, the running of the Semi-independence Units and also After Care Services are offset by a substantial underspend within Children's Residential Homes.

Children's Social Care Placements

- 2.3 The table below provides an overview of spend on the various types of placements in the last financial year.

Placements	Revised budget	Actual	Over spend/ (under spend)
	£k	£k	£k
Allowances to Foster Carers (excluding relatives and friends)	4,869	4,988	118
Allowances to Relatives or Friends Foster Carers	770	984	214
Staying Put Scheme*	202	324	122
Sub Total Allowances To Foster Carers	5,841	6,295	454
* prior to 2018/19 staying put payments were included in allowances to foster carers			
Net cost of Out of Borough Placements	2,970	4,719	1,749
Net cost of Youth on Remand Accommodation	2	256	254
Special Guardianship Payments	506	625	119
After Care Section 24 Payments	85	106	21
Staffing Costs	170	170	1
Central Support Recharges and Amortisation charges	235	235	0
Residence Orders Payments	42	35	-7
Independent Foster Agency	2,358	2,335	-23
Unaccompanied Asylum-Seeking Children grant income	-215	-250	-35
Adoption Allowances	317	253	-64
Total	12,309	14,778	2,469

- 2.4 The largest area of placement overspend is **Out of Borough Residential Placements**; £1,749k out of a total £2,469k (71%) as illustrated in the table above. There has been a significant increase in expenditure in this area over four years 2015/16 to 2018/19 as shown in the table below:

Actual Expenditure	2015/16 £k	2016/17 £k	2017/18 £k	2018/19 £k
Net cost of out of borough placements	1,270	1,460	3,249	4,719

- 2.5 The table below shows significant increases in both numbers and cost between April 16 and March 2019. The increase in the number of placements in the latter part of the last financial year from 25 in September to 33 at the year end, demonstrates the volatility of demand in this area. The 33 recorded placements include 3 welfare secure placements which were made to immediately safeguard children between September 18 and March 19. A further 4 therapeutic residential placements were also agreed in the latter half of the financial year because the children's level and complexity of need could not be met within in-house resources.

Out of Borough Placements	Number of children	Total cost per week £	Cost per child per week £
Apr-16	9	23,409	2,601
Apr-17	16	43,568	2,723
Sep-17	18	55,674	3,093
Dec-17	18	67,822	3,768
Apr-18	24	91,712	3,821
Sep-18	25	106,625	4,265
Mar-19	33	142,870	4,329

- 2.6 The second largest area of placements overspend is in relation to **In-House Foster Care** (£454k including relatives, friends and staying put allowances), the incremental increase in expenditure over the last four years (48%) is shown in the table below:

Actual Expenditure	2015/16 £k	2016/17 £k	2017/18 £k	2018/19 £k
Allowances to foster carers	4,260	4,731	5,547	6,295

- 2.7 The table below highlights the increase in numbers in Payments to Foster Carers from April 2016 to March 19 and the resulting cost per week and cost per child per week. Fluctuations in the weekly cost per child on in-house foster care is explained by a change in the age profile of the cohort at any given time, the fostering allowance increases as a child gets older.

Payments to Foster Carers and Staying Put Allowances	Number of children	Total cost per week £	Cost per child per week £
Apr-16	267	84,102	315
Apr-17	299	99,009	331
Sep-17	307	105,062	342
Dec-17	347	112,401	324
Apr-18	351	117,217	351
Sep-18	378	121,596	322
Mar-19	351	114,557	326

- 2.8 There was a 32% increase in the number of in-house foster care placements from 267 in April 2016 to 351 in March 2019. 83.3% of children were placed in our in-house fostering

provision on 31 March 2019, which compares favourably with the England average of 73% for the previous year. The recruitment and retention of foster carers remains a priority for the Service. In the 12 months to March 2019, 14 mainstream fostering households were approved compared with 12 the previous year. The growth area is in the number of children who are placed with family members who are approved as Connected Carers; 28 households were approved in 2018/19 compared with 13 the year before. Despite the fall in the number of CLA, this has not yet had a direct impact on the availability of mainstream foster care placements because a number of children exiting care have remained with family members, either because Care Orders for children placed with parents have been discharged or children have remained with members of their extended family under a Special Guardianship Order.

- 2.9 The increase in in-house foster care placements is considerably higher than the movement in the number of **Independent Fostering Agency Placements (IFA's)**, which, whilst fluctuating, have remained relatively stable over the same period, as shown in the table below. This is a positive outcome as in-house fostering is the Authority's preferred method of caring for its Looked After Children.

Independent Fostering Agency (IFA) Placements	Number of children	Total cost per week £	Cost per child per week £
Apr-16	50	42,141	843
Apr-17	51	43,267	849
Sep-17	46	36,660	797
Dec-17	49	40,148	819
Apr-18	52	42,880	825
Sep-18	48	40,191	837
Mar-19	52	44,308	852

- 2.10 The cost per child per week has remained relatively stable for both in-house and independent foster care placements over the period April 16 to March 19.
- 2.11 **Youth on Remand** placements recorded a year end adverse variance of £254k, as a result of a large increase in demand, costs having risen to £408k in 2018/19 compared to £92k in the previous year. This is an area that is particularly hard to forecast and demand (in terms of the number of 'bed nights') can fluctuate, both up and down, considerably year on year.

Children with Disabilities Short Breaks

- 2.12 Outside of Placements but still within Children in Care there was an overspend of £530k against a budget of £1,695k on providing Non-Residential Short Breaks for Children with Disabilities, this is despite a £1,000k increase in resources for 2018/19. The overspend is mainly split between pressures on Direct Payments (£161k) and Commissioned Personal Assistants (£295k). The number of children requesting support continues to grow almost exponentially as does the amount of support per package. The table below shows that expenditure has more than doubled over the last three years (comparative data is not available for 2015/16).

Actual Expenditure	2016/17	2017/18	2018/19
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	£k	£k	£k
Children With Disabilities Short Breaks	909	1,389	1,898

Children's Residential Homes

- 2.13 Children's Residential Homes, which combines the costs of operating Rivendell and also the contract with Cambian for the two commissioned children's homes reported an 'underspend' of £478k in 2108/19, £429k of which was as a result of the closure of Fraser Street by Ofsted, in reality the reduction in the number of beds caused by the closure will have necessitated an increase in the number of Out of Borough Placements.

3 Children's Safeguarding and Fieldwork and Family Support

- 3.1 The remaining two service areas, Children's Safeguarding (£345k) and Fieldwork and Family Support (£691k), together recorded an overspend of £1,036k for 2018/19, this is analysed in the table below:

Children's Safeguarding and Fieldwork and Family Support	Variance £k
Salaries (including agency)	523
Other Staff Costs- Transport etc.	147
Supplies & services	149
Assistance to families	118
Legal costs	70
No Recourse to Public Funds	28
Total	1,036

- 3.2 The largest area of overspend was salaries (£523k), a number of service areas were over established and there was an increased reliance on agency staff (at times incurring premium rates) particularly in the latter part of the year, partially in response to the OFSTED inspection in January. In addition there was an element of advanced recruitment to the new structure to maintain operational standards. The variance in Other Staff Costs (£147k) is directly linked to the increase in numbers of staff and the number of cases.

Financial Performance in 2019/20

4 Additional Resources

- 4.1 The budget for 2019/20 has again been uplifted, this time by £4,611k, £3,000k in response to spending pressures and as previously outlined £1,611k to support the implementation of the Children's Services Operating Model and Structural Resource Plan.
- 4.2 The uplift in budget to support recurrent spending pressures in 2019/20 (£3,000k) is against an overspend of £3,967k in 2018/19, which on the face of it leaves a residual pressure in the region of £1,000k pending the impact of the revised operating model and management actions. The additional resource has therefore been allocated to areas of overspend on a risk assessed basis, the table below shows that the vast majority (£2,859k) has been applied against placements, to align the budget to anticipated levels of spend. The balance of £141k, has been allocated to items outside of the placement budgets including legal expenses and Youth on Remand.

Allocation of Additional Resources	New Investment £k	Budget 2019/20 £k	Outturn 2018/19 £k
Out of Borough Placements	2,100	5,173	5,295
Allowances to Foster parents	194	5,063	4,988
Independent Foster Agency	25	2,332	2,335
Special Guardianship Payments	210	616	625
Foster Care Placements with Relatives or Friends	210	980	984
Staying Put Scheme	120	260	324
Allocated to Placement Pressures	2,859	14,487	14,551

- 4.3 The balance of the increase in resource (£1,611k) is wholly earmarked against staffing costs pending confirmation of the final structure.
- 4.4 In anticipation of continued financial pressure and being mindful that it will take some time to embed and implement the new operating arrangements and thereby manage demand more effectively, a sum of £1,000k is ear marked within reserve to provide additional financial support if required during 2019/20.
- 4.5 Formal financial monitoring will commence at month 3 and in due course this report and those produced at month 6,8 and 9 will be brought to the committee to enable members to scrutinise the overall financial performance of the Council, including Children's Social Care
- 4.6 It may however be useful to note that the shared service agreement with Rochdale Council for Gemini House ended on 31st March 2019; creating a pressure, due to a loss of income of £426k for 2019/20. There is scope for selling beds on a spot purchase basis and Rochdale continue to use the facility, hence a potential source of income to offset the shortfall.
- 4.7 For 2020/21 there will be a further uplift to the salaries budget provide for the full year impact of the operating model offset by a savings requirement of £1,660k, to give a net reduction in the budget for Children's Social Care of £928k.

Actions to Reduce the Budget Deficit

5 The Children's Services Operating Model and Structural Resources Plan

- 5.1 Clearly the single largest factor in reducing the budget deficit is the implementation of the Operating Model. The delivery of the Structural Investment Plan will establish a permanent senior leadership team reducing the requirement to employ interim agency staff at a senior level. The consultation for the senior leadership structure has now been concluded and the proposed implementation of the Structure it is estimated will be complete in October 2019. The second phase of the Structural investment plan will see the phased roll out of the additional Social Work, Placements and Commissioning capacity to provide a fit for purpose Social Work structure that reduces the percentage of agency social work. No further agency social workers have been recruited and approximately 30% of Agency social workers have now left the authority and been replaced with permanent staff.

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- 5.2 To address the short-term financial pressures outlined in the report; The Senior Leadership team within Children’s Social Care will be actioned to reduce areas of cost pressure within their areas of responsibility. The financial tracker owned by the service will be monitored and individual Assistant Directors will be held responsible in addressing the areas of overspend and be required to ensure that a balanced budget is achieved. Progress against agreed actions against will be reviewed and reported to a monthly meeting chaired by the Director of Children’s Services with senior representation from the Service, Finance and the Project Management Office (PMO).
- 5.3 In addition, Finance and Service colleagues have been working together to review operational working arrangements with a view to ensuring practices are compliant with procedures, are robust from a stewardship and segregation of duties perspective, are an appropriate discharge of public monies and represent value for money. This has included enhanced management controls which requires all requests for expenditure to be approved by either the Director of Children’s Services or the Director of Children’s Social Care.
- 5.4 Actions identified, with work ongoing include;
- Maximising income from the CCG (for Continuing Healthcare) and Education (For educational/ SEND elements of a support plan)
 - Controlling and limiting the amount of over-time payments
 - Limiting the operation of a Petty Cash facility to ‘essential’ services only
 - Reviewing entitlement to essential Car User Allowances
 - Review of Residential Care
 - Review policies in relation to the entitlement and financial limits regarding
 - University Accommodation
 - Young Peoples Savings
 - Financial Assistance to Families
 - No Recourse to Public Funds
 - Revising of operational practices in relation, but not limited to;
 - Use of Taxis
 - Car parking
 - Reimbursement of travel costs to parents
 - Staff travel costs
- 5.5 Clearly there is a lot of work to be done which will require a concerted effort and co-operation between the Service and Finance colleagues. Whilst none of the above represent opportunities for material savings in isolation, collectively they have potential to make a noticeably reduction in the cost base of the service.

6 **Key Issues for Overview and Scrutiny to Discuss**

- 6.1 Performance in relation to outcomes for CLA and financial implications as highlighted in the report.

7 **Key Questions for Overview and Scrutiny to Consider**

- 7.1 As above.

8 **Links to Corporate Outcomes**

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- 8.1 Meeting the needs of children looked after and providing access to services and support for them is central to the Co-operative values of the Council:
- **An Inclusive Economy** where people and enterprise thrive;
 - **Thriving Communities** where everyone is empowered to do their bit;
 - **Co-operative Services** with people and social value at their heart.

9 **Additional Supporting Information**

9.1 None.

10 **Consultation**

10.1 Consultation has taken place with the Service and their input has been included in the report.

11 **Appendices**

11.1 None