

Title: Children's Social Care Financial Efficiency – November 2014

Summary:

This appendix sets out the current financial position in Children's Services, and explores options for reducing Children's Social Care spend in year.

This paper sets out:

1. The Children's Services Financial position historically
2. The current financial position (as at September 2014) and future challenge
3. The work of Children Social Care to manage demand historically
4. Areas for immediate spend/forecast reductions
5. Options to achieve a balanced budget by year end.
6. Implications for Corporate Medium Term Financial Planning

Recommendation(s)

The Cabinet is recommended to:

- (i) Accept the savings actions identified at 2.3.2, 2.8 and 2.10 and require Children's Services to bring forward further cost reductions by implementing, wherever possible, agreed savings for 2015/16;
- (ii) Consider whether radical options listed at paragraph 3 should be put forward in order to balance the Council budget this year (options outlined at 3.1.3 and 3.1.5 are recommended for consideration); and
- (iii) Agree to receive reports at its January 2015 meeting on information from the planned external reviews of spend and the impact on cost reduction to date and its March 2015 meeting on pressures and the implications for Medium Term Financial Planning and the impact on cost reduction actions undertaken.

Reason(s)

The current demographic growth is impacting on Children's Services' ability to manage within budget limits. Historically additional savings and under spends from elsewhere within the Directorate have been used to address social care pressures. This is no longer possible. Every avenue for greater efficiency within social care must be explored. In addition, the impact of this pressure must be considered in the MTFP. The Council cannot set a budget which does not balance and will therefore need to consider whether the current demographic pressure calculated as £3 million for Children's Social Care, and £1,250,000 for SEN in 2015/6 with no allocation for growth pressure beyond 2015/6 is sufficient.

1. Introduction and Background

- 1.1 Children's Social Care has experienced cost pressures for many years. These have been managed, within the overall budget for the Children's Services Directorate until now so that each year Children's Services Directorate has been able to contain expenditure within budget.. The impact of demographic pressure on the Children's Social Care budget has been raised regularly in financial monitoring reports and in reports to CMT. This has been recognised through the allocation of £9.2m growth since 2008/9 as shown below.

| Year | Description | £000 |
|---------|---|-------|
| 2013/14 | Demographic pressures in Children's Services (from Education Support Grant) | 1,700 |
| 2012/13 | Demographic pressures in Children's Services | 1,500 |
| 2009/10 | Care placements and Leaving Care | 3,500 |
| 2008/09 | Children's placements | 2,500 |

Since 2010 Children's Services have made £16,000,000 savings

- 1.2 Monthly financial monitoring this year (see paragraph 2.5 of the main Budget Monitoring report) is demonstrating that the Social Care budget pressure is unlikely to be contained within the overall Children's Services budget. Unless further urgent action is taken this could lead to a forecast overspend in Children's Services of £4,652,000 by the end of the financial year. This position is after a number of actions have been implemented plus the use of £1.5m of Children's Services reserves.
- 1.3 Table 1 sets out the budget position from 2013/4 illustrating how the budget was balanced last year, the position this year and the projected potential overspend for 2014/15, as reviewed in August 2014.

Table 1

| Division | 2013/14 | | Changes 2014/15 | | | 2014/15 | |
|------------------|-----------|----------------------|-------------------|------------|--------------------------|-----------------|---|
| | Budget £m | Variation Outturn £m | £2.7m Virement £m | Savings £m | Other Changes (pay etc.) | TOTAL Budget £m | Reporting Pressures within Social Care |
| Education | 4 | (.03) | | (.64) | | 5.5 | |
| Targeted Support | 9.7 | (1) | | (2.1) | | 0 | |
| Social Care | 33 | 6.2* | 2.4 | | | 35 | £1.0m Targeted savings £0.3m increase in NRPF (increase from 2013-14)* £0.6m Adoption Reform Grant changes £0.1m Public Health Grant (one-off) |

| | | | | | | | |
|------------------------------|-----------|----------|----------|--------------|------------|-------------|---|
| | | | | | | | £2.0m recognised pressure £3.7m Demographic effect (including legal, agency and £1.4m DSG) |
| Commissioning & Safeguarding | 4.2 | (0.6) | 0.3 | (0.2) | | 9.5 | |
| Other Management | 14 | (3) | (2.7) | (3.6)** | | 11.8 | |
| Use of Reserves | | (1.5) | | | | | |
| TOTAL | 65 | 0 | 0 | (6.5) | 0.9 | 61.8 | £5.7 Forecast overspend |

*includes £1.7m NRPF pressure

**Reduced capital charges (does not affect revenue spend)

1.4 In 2013/14 Children's Services brought in a balanced budget overall because the overspend in Children's Social Care was balanced by the following sources:

1.4.1 Planned savings were brought forward from 2014/15 including £0.64m in Education, which were service reductions, and £2.1m in Targeted Support. The latter comprised an in year £1m under spend in 2013/14 plus an additional £1.1m of service reductions in the Targeted Support area. The remaining Targeted Support budget was then split out for 2014/15 between other budget heads following the departure of the head of service. These monies (£2.1 from Targeted Support and £0.64 from Education) were therefore available to offset Social care overspends in 2013/14, but are not available for 2014/15 as they were agreed budget reductions.

1.4.2 The final adjustment was the drawdown of £1.5m from the Children's Services reserve in 2013/14 to ensure an end of year balanced position.

1.5 Moving into 2014/15 the budget position includes the following:

1.5.1 The £1m in year under spend from Targeted Support is no longer available as that was part of a saving was agreed in December 2012 to be delivered in 2014/15.

1.5.2 Growth of £0.3m growth in NRPF. The cost of NRPF has increased by approximately £2m over the last two years. The pressure was £1.7m in 2013/4 with an additional pressure of £0.3 million in 2014/5. It is estimated that c£1,7m of this pressure is due to housing costs.

1.5.3 The removal of £0.6m Adoption Review Grant which was intended to improve adoption timeliness. The length of availability of the grant has never been clear and, although it still exists, it has been reduced. These monies enabled Children's Social Care to reduce caseloads and reduce the time it took for children to be adopted. The growth in children numbers in the social care system has meant that although

timescales improved, the additional expenditure has not been able to be reduced because caseload numbers have risen.

- 1.5.4 At the end of the last financial year 2013/14, £0.1m of unspent Public Health Grant was allocated to support Pitstop. This is non-recurring in 2014/15. This remains a pressure in 2014/5 although the team are working to bring in income to reduce this cost.
- 1.6 Over and above these specific items, there is a broad “demographic pressure” across Children’s Services of £5.7m which is, in essence, a combination of the additional cost of agency staff, legal costs and additional placement costs which has been offset by £1.4m of DSG and £0.1m of SEN funding in 2014/15. This is in addition to a further drawdown of £1.5m from the Children’s Services reserve.
- 1.7 Given the scale of the financial pressures within Children’s Services, it is difficult to distinguish between what is a clear demographic pressure on the service and what could be considered inefficiency without compromising safeguarding or quality. That there is a clear element of demographic pressure has been recognised in the MTFS allocations for next year (2015/16). Those allocations, £3,000,000 for social care growth and £1,250,000 for SEN, do not fully reflect the current rate of spend within the service and the actions in section 2.4 will seek to establish the real underlying and ongoing demographic pressure. Further information on demographic pressure is contained in Annex 1.
- 1.8 Children’s Services were aware of this budget pressure and it has been addressed corporately in budget planning for 2015/16. There was an corporate expectation, based on the experience of recent years, that Children’s Services would be able to manage the 2014/15 pressures within year. The current forecasts indicate that Children’s Services will not be able to do this in 2014/15. A number of issues have arisen, including increases in referrals, more cases reaching Child Protection thresholds, an increase in children needing very expensive placements, and a reduction in the Adoption Grant. Children’s Services have working to drive down case numbers as this is the best way to reduce costs.
 - 1.8.1 As part of cost containment measures from April each residential placement and every placement out of Borough has been agreed by the Director of Children’s Services. This strategy has not yielded the expected in year savings (although there are now 21 fewer looked after children than there were in April) which should have led to a reduction of at least £700,000, based on the lowest rate of foster carer costs. Unfortunately, this has not materialised because there has been a matching increase in the proportion of children requiring residential rather than fostering placements.
 - 1.8.2 There has also been an unexpected 24% increase in cases (70 additional cases) reaching Child Protection thresholds (these cases require approximately 3 times the work of Children in Need cases).
 - 1.8.3 As these pressures have increased Children’s Services have been working to try to bring forward spend reductions.
- 1.9 By August 2014 a projected pressure across Children’s Services for 2014/15 net of £5.7m was reported to the Director and management team, after the use of £1.4m

of DSG and £0.1m of SEN funding as well as the use of £1.5m of Children’s Services reserves. This £5.7 m pressure includes pressures in Social Care and the Independent Review Services. This continuing increase in pressure led to Children’s Services accelerating work to control expenditure and identify actions to be taken immediately.

- 1.10 The September 2014 Children’s Services monitoring report includes immediate actions taken within Children’s Services to address the pressure, leading to a projected end of year figure of £4,652,000.
- 1.11 The September figure includes the use of £1,500,000 Children’s Services reserves. These reserves will not be available in 2015/16. Population projections indicate that there is likely to be continued growth in both numbers and needs in the Barking and Dagenham child population.

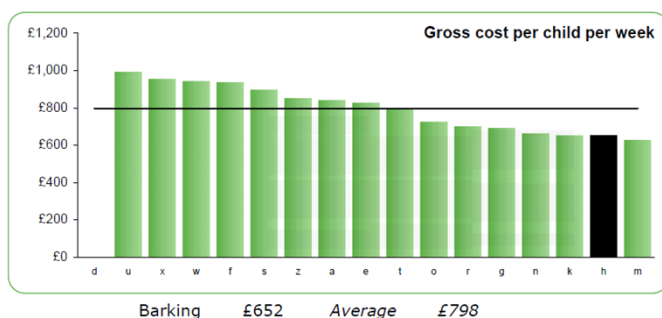
2. Financial Efficiency Strategies

2.1 From 2010-12 Children’s Social Care Efficiency Strategies focussed on managing down placement costs. Barking and Dagenham had been shown to be spending in the top quartile in this area. A range of initiatives were undertaken including robust challenge to high need placement costs and a very effective drive to recruit more in-house foster carers. This has been effective in driving down costs per placement.

2.1.1 The CIPFA¹ Benchmarking report published January 2014 shows the impact of this work on driving down cost (Barking and Dagenham is marked in black on Table 2).

Table 2

The Gross Cost of 'Children Looked After' per Child per Week



2.2 From 2012-14 Children’s Services ran a “Transforming Children’s Social Care” Programme. This programme was designed to manage demand in order to contain spend.

2.2.1 Key aims of the programme were:

1. Strength Early Intervention (Tier 2) to reduce pressure on social care, reducing the number of children progressing to need social care support, and supporting families being “stepped down” from social care to less expensive services.

¹ CIPFA (Chartered Institute of Public Finance and Accountancy)

2. Improve Quality Assurance to improve effectiveness of social work to reduce the number of children needing to be “Looked After” by the Local Authority.
3. Review Assessment and Care Management Systems to ensure as much stability for children and families’ whilst supported by social care, leading to more efficient, effective services.

- 2.2.2 This programme had mixed success. The Tier 2 programme has led to contacts to social care being relatively steady despite population growth. The number of Children Looked After has also relatively constant, despite demographic change (since the measures taken from April 2014 para 1.7 this has fallen). The efficient management of the Assessment and Care Management systems has been a less effective strand of this work.
- 2.2.3 During this period caseloads in Assessment and Care Management Teams began to reach unacceptable levels. The increased caseloads were identified as having a negative effect on the quality of social work and supervision and management. Caseloads were also being raised as contributing to difficulties in recruitment and retention.
- 2.2.4 A new Divisional Director for Complex Needs and Social Care was appointed mid February 2014. In addition the Assessment and Care Management Teams were separated to give additional focus on the work of the two departments. This has informed the work to establish the Children’s Services Driving Financial Efficiency Programme. This programme is being supported by a Cross Directorate Steering Group jointly chaired by the Chief Finance Officer and the Director of Children’s Services.
- 2.2.5 The OFSTED Inspection of Children’s Social Care and the Peer Review have led to revised action planning to address the financial and improvement agendas for the service. Both reports highlighted the need to recognise the need for corporate financial planning to meet demand and to improve within Children’s Social Care efficiency planning to reduce costs.

2.3 **Financial Recovery Strategy – Recent and Immediate Actions**

- 2.3.1 Children's Services have undertaken further in-year challenges of all budgets to identify any areas of inefficiency, this has reduced the projected overspend.
- 2.3.2 The following in-year actions have been identified to offset the projected Social Care over spend:

£50,000 Freeze Family Support Worker post
£20,000 Freeze SEN strategic post
£50,000 Catering income
£60,000 Freeze Educational Psychologist vacancy
£340,000 Freeze early years and school improvement vacancies
£200,000 reductions in Agency forecast
£150,000 reductions in Legal forecast
£250,000 Claim health contribution to complex placements
£1,120,000 TOTAL

2.3.3 These are reported in the end of September position, they demonstrate that social care pressures continue but Children's Services end of year projection has been held at £4.652m.

2.4 **Proposed Financial Strategy – Medium Term Action**

External challenge and support has been engaged to identify possible areas for further increased efficiency. This includes:

2.4.1 Isos Partnership focused on NRPF and contact arrangements (Cost £4,000 expected financial reductions c.£60,000 – full year costs).

2.4.2 LGA Support and Challenge

ELS/LGA Learning set with Newham and Havering looking at demand management first session Monday 27 October.

LGA - £10,000 grant to support evaluation of workflow and medium term financial management; Impower partnership to undertake a workflow review (cost £20,000).

The LGA have also suggested that investment in Tri-ex (a policy and procedures system) cost circa £30,000 would help ensure consistency and optimise staff effectiveness. A lack of sufficient knowledge of processes is slowing staff work, as staff are not able to locate all processes in one place and there has been high management turnover.

Two meetings held with LGA and framework agreed for analysis of demand areas.

2.4.3 The use of Impower Partnership to review Social Care Workflow to inform zero based budgeting for future MTFP and challenge social care assumptions.

2.4.4 Additional consultancy (Nicky Pace) 10 days, initial contract, to review social care practices and identify further possible areas of efficiency, and additional consultancy support in Finance (Richard Tyler).

2.4.5 An additional senior management post in Social Care to support the service during a period of high demand and management transition.

This external support and challenge will cost circa. £100,000 but is expected to reduce spend projection by up to circa £840,000 (as identified in Children's Services Driving Financial Efficiency Programme) and to support the delivery of the Children's Social Care Savings Targets (CHS/SAV/34 and CHS/SAV/35).

2.5 A spending freeze is in place across the Council, so that only essential spend is agreed. This includes all spend being authorised at predominantly Divisional Director level and all placements at Corporate Director level.

2.6 An accurate picture of spend is now fully established and all spend is controlled. All purchase orders (particularly those remaining on the system from before Oracle R12 conversion in August) are, again, being further reviewed to ensure spend predicted is accurate and only those aspects for which invoices have been received have been receipted. Children's Services will continue to repeat this exercise in order to ensure an accurate projected position continues.

- 2.7 A recruitment manager has been appointed to increase the numbers of permanent staff and reduce agency staff numbers and costs in Assessment and Care Management teams. A rolling advert and recruitment fairs are now in place. Work has been undertaken with Housing to put together an attractive key worker package to attract applicants. Since September 4 further staff have been recruited and 11 staff were interviewed on 27th and 29th October, leading to 3 future permanent appointments. Each permanent member of staff will reduce costs by around £10,000 - £20,000 per annum (agency fees). (Links to para 2.3.1 savings). A package has been put together to encourage staff to move to permanent or temporary contracts. This is currently being discussed with HR and unions.
- 2.8 Additional legal counsel for court cases can only be approved at Divisional Director level. New processes are in place to ensure that additional costs are not incurred because of delays in preparing paperwork or assessments. New legal planning processes have been established so that court work is prepared in advance and court time and costs are not wasted. This is expected to bring cost reductions of around £200,000 over a year (links to para 2.3.1 savings).
- 2.9 All NRPF placements have been reviewed to check minimum expenditure within court guidelines. Increased checks for validation of situation are in place. Work is being undertaken with Housing to find cheaper accommodation alternatives.
- 2.10 A review of all placements, with the support of the procurement team, is underway to challenge providers to reduce their costs. We are aiming for a 1% reduction which would be equivalent to £170,000 (not included in para 2.1 actions.).
- 2.11 A review group, chaired by the Divisional Director of Safeguarding and Commissioning, with representation from Environment and Adults Services, is reviewing SEN transport to drive down costs. Immediate changes to reduce the level of escort support accompanying children could lead to in year savings of £75,000 (not included in para 2.3.1 actions).
- 2.12 Every area of Children's Services possible over spend or future pressure has been reviewed and analysed with recommendations for driving down cost; ten financial challenge projects are in place (Children's Services Driving Financial Efficiency Programme).
- 2.13 Review of workflow to identify any areas where demand management can be driven down. For example, conversion of contact into social care into referrals has increased this year, can this trend be reversed? This may bring forward part of the 2015/16 proposed savings to Social Care amounting to around £100,000 full year savings (not included in para 2.3.1 savings). This work is being undertaken with iMpower consultants and the LGA.
- 2.14 Review of management practice in financial decision making and supervision of spend, with the support of the Audit Team and/or the newly appointed additional consultant for the Finance Team.
- 2.15 The total impact of these actions (including the cost of external support) could reduce Children's Services August reported potential overspend by up to £1,465,000 (an additional circa £345,000 identified to supplement the £1,120,000

identified in paragraph 2.3.1). Achieving this will be a significant challenge for the Directorate. Children's Services Directorate will continue to work to identify further areas for cost reduction as detailed in the Children's Services Driving Efficiency Programme (monthly updates are shared with Lead Members and the new Corporate Steering Group and are available on request).

- 2.16 Whilst these actions should reduce cost by at least £1,465,000 from the August position they may not be sufficient to drive down spend whilst the context in Children's Services is continuing exceptional demographic change.

3. **Radical Options and Risk Analysis**

- 3.1 In addition to the efficiencies described above a number of radical options could be considered to bring in a balanced budget.

3.1.1 **Alter social work caseloads to greater than 1:20 this could lead to an immediate reduction in agency staff**

This is considered to be a high risk option as it will take caseloads above safe levels and would reduce the likelihood of recruiting and retaining permanent staff. Current numbers of cases in social care stand at 2,419. Allowing for Newly Qualified Social Workers (who must have a reduced caseload for the first year) approximately 140 social workers are required, and approximately 25 Team Managers. Increasing caseloads to 21 could result in savings of approximately 10 social workers and 2 team managers (approximately £500,000 whole year costs). Extending caseloads to 22 would be approximately £1,000,000 (full year). However we need to be mindful that many social workers already have a caseload in excess of 20 and in the London benchmarking exercise (March 2014) with regards to CiN SW caseloads, we were ranked 30th out of 33 London boroughs, 28th for our social care vacancy rate and 27th for our social care agency rate across London. Increasing caseloads could making permanent recruitment and retention even more difficult.

The Munroe guidance was 1:12 cases as being ideal for allowing social workers sufficient time for family and court work and some of our neighbouring Boroughs offer this. Increasing caseloads could be construed as placing vulnerable children at risk.

As an alternative Children's Social Care have committed to try a savings target to make a similar reduction through using Troubled Families to reduce Children in Need figures over three years. (Proposed Saving CH/SAV/26).

3.1.2 **Refuse to meet NRPF demand at current levels**

Although this may enable short term reduction of costs it would be likely to be subjected to legal challenge very quickly. Not providing full accommodation costs could lead to families in private rented accommodation being evicted leading to increased costs as homeless families.

This option would be high risk and could lead to court challenge. It would have minimal in-year impact as previously assessed levels cannot be changed. It might be possible to make around £50,000 reduction in housing costs by year end.

As an alternative Children's Services are working with Housing colleagues to try to source cheaper accommodation.

3.1.3 Stop all case file audit activity to contain Independent reviewing officer budget (already partially implemented)

This is a medium risk option. Failure to complete sufficient audits over time to improve practice could lead to an OFSTED inadequate judgement and potential intervention. In addition file audit is an essential part of any Serious Case Review. Reducing audit and review could lead to a reduction in the number of agency staff required, but is also highly likely to impact on recruitment which is already extremely challenging. Indicative whole year savings may be around £70,000.

3.1.4 Significantly reduce Early Intervention (Tier 2 services) and delete family support roles from social care teams

An external review of the effectiveness of Tier 2 is being undertaken by Isos Partnership. October information from the Troubled Families Team shows that Barking and Dagenham's Troubled Families Programme is the fourth most effective in London in turning families around, reducing their demand on other services.

These services are co-ordinated through our Children's Centres and Early Intervention Teams. They include family support workers. Although some reduction would be a medium risk and is being explored as part of in year and already proposed cost reduction (CH/SAV/26), significant further reductions are considered to be high risk, leading to failure to deliver our Troubled Families programme (and the funding that this brings). Tier 2 services are inspected by OFSTED and too few could lead to inadequate judgements. In addition, too large a reduction in Tier 2 could lead to an increase in referrals to social care. The work undertaken since 2012 has ensured that contacts to social care have remained stable, despite demographic growth. Current budget proposals will reduce expenditure on early intervention and Children's Centres to around £3,000,000 per annum, a planned cost reduction of £1,200,000 by 2017/18. The Children's Centres and early intervention teams are working to bring this forward.

Implementing immediately is unlikely to bring savings in year as there would need to be consultation with staff as this would bring forward planned redundancies.

3.1.5 Stop non statutory SEN transport

This would lead to a reduction in provision for children under 5, over 16 and in supervision of children on some transport routes. It is estimated that this could lead to up to £75,000 savings in year.

These reductions are considered to be medium risk, although likely to cause significant objections during the necessary consultation period.

3.1.6 Reduce or remove shortbreak funding

To remove shortbreak funding is considered to be high risk. For many families this respite support is essential. Without these breaks more families caring for children with extremely complex needs may fail to cope, increasing the burden on social

care. Currently £100,000 is proposed as a full year saving from 2015 onwards. £90,000 commissioning budget has not yet been spent this year however this is expected spend and although it could be stopped this would have a significant impact on families and our voluntary sector providers. A proposal has been put together to move towards community /school leadership for The Heathway Centre and the short breaks fund. Removal of all short breaks funding and The Heathway Centre could reduce full year spend by up to £725,000, but this would leave vulnerable families at high risk.

4. Conclusions and Recommendations

- 4.1 Action has already been undertaken to reduce the projected overspend by £1,120,000. Further efficiency actions and medium risk actions (totalling £345,000) are planned for November. As soon as the 2015/16 -2017/18 proposals have been consulted on Children's Services will look to bring those agreed forward to implement as quickly as possible.
- 4.2 Cabinet should consider implementing the medium risk options (outlined in 3.1.3 and 3.1.5)
- 4.3 In addition, external challenge, through the LGA and Impower, should consider whether the risk analysis outlined above is accurate and/or whether further alternative efficiencies which are lower risk could be considered.
- 4.4 Additional detail should be brought to Cabinet regularly to show the impact of the actions taken, including external challenge, to reduce the Children's Services budget projected overspend.
- 4.5 Taking into account the demographic pressures and the actions taken to ameliorate the projected financial overspend in Children's Services, there remains a predicted Children's Services overspend of £4,652,000. Whilst this may reduce further, demographic pressures continue and Cabinet will therefore need to consider how the resulting potential Corporate overspend should be managed.

5. Equalities and other Customer Impact

- 5.1 The actions to reduce the risk of overspend are likely to impact disproportionately on children, and in particular on vulnerable groups of children i.e. those on the edge of care and those with no recourse to public funds.

6. Other Considerations and Implications

- 6.1 Risk and Risk Management - The impact of demographic change on capacity to provide services for all vulnerable children, and the cost of this, has been flagged as a Corporate and LSCB concern for some time. This risk continues.
- 6.2 Safeguarding Children - Children's Services have prioritised the need to safeguard children. This has created a financial risk for the Council. There is a need to review thresholds and practices to maintain safeguarding but to try to manage this within acceptable financial levels.

7. Consultation

- 7.1 The recommendations for reducing SEN transport will require consultation. Budget proposals referred to in this report will be consulted on through the agreed Select committee processes.

8. Corporate Procurement

Implications completed by: Martin Storrs, Head of Procurement, Elevate East London

- 8.1 Procurement has engaged with the Placements team to understand and analyse the addressable expenditure.
- 8.2 A detailed cost saving strategy will be formed to maximise the opportunity for savings.
- 8.3 It is envisaged that the following initiatives will be utilised to deliver savings:
- Supplier negotiation through greater economies of scale
 - Demand management
 - Rebates & early payment discounts
 - Dynamic purchasing (mid to long term)
- 8.4 Achieving savings in this category is challenging but it's acknowledged that the 1% savings target on addressable spend is achievable

9. Financial Implications

Implications completed by: Patricia Harvey, Interim Group Manager Children's Finance

- 9.1 This entire report covers the current financial position for Children's Services and the planned and potential options to deliver a balanced budget in the medium term.

List of appendices:

Annex 1 - Demographic pressures on Children's Services