



Meeting: Council

Date: 25th September 2014

Wards Affected: All

Report Title: Children's Services 5 Year Cost Reduction Plan

Is the decision a key decision? Yes

Executive Lead Contact Details: Mayor Oliver – Executive Lead Finance, Councillor Pritchard, Executive Lead Children's Services

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1. Purpose and Introduction

- 1.1 Torbay Council's Children's Services has faced a number of challenges over the last few years. In addition to increased demands, the service has been subject to significant budget pressures which have had to be managed in the context of reducing financial resources for all council services.
- 1.2 Torbay Council received an Ofsted judgement of inadequate in October 2010 which was in a period of uncertainty within Children Services due to the full impact of the deaths of both Victoria Climbié in 2000 and Baby Peter in 2007. After this social care across the UK became increasingly risk averse. This was borne out by the increasing number of looked after children both nationally and within the Bay: as at March 2010 there were 180 looked after children which increased to 305 by March 2013. Due to this uncertainty and disruption within the service a number of practitioners left the profession which placed an unprecedented pressure on Council budgets to fund increasing costs of care and the employment of agency social workers to manage increasing caseloads.
- 1.3 Children's Services is currently forecast to spend £28.5m by the end of March 2015. This will result in an overspend of £3.2m against the approved budget of £25.3m. This is after the application of £2m from a social care contingency and £1m from the PFI sinking reserve – both of which were approved by Council in February 2014. The Director of Children's Services is forecasting at outturn an overspend of £1.4m due to the impact of the new work packages that are currently being implemented within the service
- 1.4 Following a period of sustained improvement Torbay Council Children's Services received an adequate judgement from Ofsted in March 2013. In the subsequent

months the service has experienced a considerable increase in demand but has sustained a strong base of quality social work practice and effective arrangements with partners. This will ensure that it has both the capacity to improve outcomes for children and young people and respond to the budgetary pressures highlighted in the report.

- 1.5 The Children's Services Budget over the last 3 years and the current year is as follows:

Table 1 – Summary of Children's Services Budget 2011 to 2015

| Service Area | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|---|----------------|----------------|-------------------------------------|----------------|
| Schools (excluding Dedicated Schools Grant(DSG))* | £6.4m | £4.4m | £8.8m (including Families Services) | £2.8m |
| Commissioning & Performance | £3.3m | £2.7m | £0.9m | £1.8m |
| Safeguarding & Wellbeing | £11.4m | £13.3m \$ | £18.8m \$ | £20.6m ** |
| Total Net Budget | £21.1m | £20.4m | £28.5m | £25.2m |

*DSG is a ringfenced grant for the funding of schools and pupil related services.

** This figure excludes £2m from contingency and £1m from reserves.

\$ The £5.5m increase in budget from 2012/13 to 2/13/14 is mainly due to service reorganisation.

- 1.6 Within Safeguarding and Wellbeing, the majority of the expenditure is in the placement of children in either:-
- an in-house foster care placement where the carer is registered with Torbay Council.
 - an independent sector foster carer (fostering ISP) where the carer is registered with a private sector provider agency and the contract is with the provider agency.
 - a residential placement where Torbay Council commissions the independent sector to provide round the clock care and in some cases education.

Table 2

| Placement Type | 2012/13 Spend | 2013/14 Spend | 2014/15 forecast |
|-----------------------|----------------------|----------------------|-------------------------|
| Fostering – in house | £2.25m | £2.22m | £2.81m |
| Fostering – ISP | £3.31m | £4.09m | £3.43m |
| Residential | £3.80m | £5.47m | £5.87m |
| Total Spend | £9.36m | £11.78m | £12.11m |

| | | | |
|-----------------------------|------------|------------|------------|
| Looked After Numbers | 305 | 314 | 305 |
|-----------------------------|------------|------------|------------|

- 1.7 Audit Commission benchmarking has demonstrated that Torbay's Children's Services is out of line with its statistical neighbours in terms of the number of looked after children (LAC) per 10,000 child population.

Table 3

| Local Authority | LAC Rate/10,000 based on 2012/13 data |
|--|--|
| Blackpool | 166 |
| Torbay | 121 (134 for 2013/14) |
| Telford & Wrekin | 82 |
| Bournemouth | 82 |
| Portsmouth | 73 |
| Plymouth | 73 |
| Isle of Wight | 69 |
| Southend –on-Sea | 62 |
| Poole | 49 |
| North Lincolnshire | 46 |
| Cornwall | 45 |
| Statistical Neighbour Average | 75 |
| Average Bournemouth/Southend/Plymouth | 72 |

- 1.8 Therefore the Director of Children's Services commissioned Social Finance to support the service in identifying a number of work packages to reduce the costs within the Safeguarding and Wellbeing Service. This has enabled the service to begin the process of a fundamental cultural shift and challenge to current practice whereby social workers are able to balance risk and improve outcomes within a different set of procedures and a reshaped footprint of service provision.
- 1.9 The purpose of this report is to set out a 5 year cost reduction plan which includes new ways of working that will reduce the numbers and costs for children looked after. As this will need investment it is recommended that earmarked reserves of up to £5.1m are used to fund these new initiatives. However this could be in excess of £5.1m if the forecast spend for Safeguarding and Wellbeing for the current financial year cannot be managed within the Council's overall budget.
- 1.10 These reserves are not uncommitted funds and will be required in future years. It is essential that the reserves used are replenished as set out within this report. Members will be fully aware of the financial challenges faced by Torbay due to the continuing austerity measures and the coalition government's public sector deficit reduction

plans. If the expected cost reductions within Safeguarding and Wellbeing are not delivered it will have a major impact upon the financial resource base for the council and its Medium Term Resource Plan and will affect the resources available to deliver all other priority services.

2. Proposed Decision

2.1 Council agree to:

- a) approve the 5 year financial strategy for Children's Services – Safeguarding and Wellbeing.
- b) fund the projected overspend: in 2015/16 (£2.3m) and 2016/17 (£1.1m) from reserves as set out in within the report.
- c) note the forecast overspend of £1.4m in 2014/15 which will be managed by in-year savings.
- d) move the £2 million social care contingency into the Children's Services base budget (Safeguarding & Wellbeing) in 2014/15 and future years.
- e) the improvement actions as recommended by Social Finance as set out within the report.
- f) the Director of Children's Services and the Children's Services Finance Manager reporting back to the Mayor and the Executive Lead for Children's on a quarterly basis and present updated reports to the Overview and Scrutiny Board on performance both operational and financial.
- g) the repayment of reserves as set out within the report.
- h) the strict performance management mechanism for the changes as set out in this report.
- i) the new Head of Safeguarding Children is a joint appointment with Health and Torbay Council. This post will be funded from within existing resources but will link together the two key providers of safeguarding services and extend the scope to shape new alternative options for children in the statutory system in the future.
- j) The implementation of Family Functional Therapy (FFT) using a special purpose vehicle (SPV) and the associated setup costs of approximately £0.2m funded from corporate reserves. See appendix 4

2.2 The final budget for 2015/16 for Children's Services will be agreed in February 2015 and will, in part, be influenced by the short term delivery of the cost reduction plan.

Reason for Decision

- 2.3 Children's have had significant budget pressures for a number of years and this financial strategy has been proposed to address these issues ensuring the best use of resources is achieved and that children are adequately safeguarded.
- 2.4 The delivery of the service within its approved budget is essential for the council's medium term financial strategy.

Paul Looby

Executive Head Finance and Chief Finance Officer

Supporting Information

3. Position

Summary Budget and Spend for the previous 4 years

- 3.1 The table below lays out the budget for **Safeguarding and Wellbeing** over the last 4 years.

Table 4

| | 2010/11 | 2011/12* | 2012/13 | 2013/14 | 2014/15 forecast |
|----------------------|------------|------------|------------|------------|---------------------|
| | £m | £m | £m | £m | £m |
| Net Budget | 9.9 | 11.4 | 13.3 | 18.8 | 20.6 |
| Spend | 10.9 | 15.8 | 16.6 | 23.4 | 26.6 |
| Net Growth in S&W | 0.8 | 0.3 | 1.4 | 1.7 | 2.5 |
| Overspend | 1.0 | 4.4 | 3.3 | 4.6 | 6.0 |

*net budget changed to reflect funding changes and reorganisation of services

- 3.2 In overall terms the Safeguarding and Wellbeing Service has received Member approved growth of approx £6.7m over the last 5 years plus other one off funding totalling £3m which was also approved by Members. Although more financial resources have been applied to the service over this period to mitigate the increasing expenditure this has not kept pace with the increasing number of children being placed in care for long periods and the corresponding cost.
- 3.3 Since 2010/11 the number of children with at least one care placement has increased steadily from 243 children to 393 children. At the end of 2013/14 the number of children in care stood at 314.

- 3.4 Over the last 4 years, expenditure on placements for LAC has increased by £8.4m (average 43% p.a). Safeguarding and Wellbeing has accounted for almost all of the budget pressure in these years starting from £1m in 2010/11 increasing to £5.6m in 2013/14.
- 3.5 The main contributor to increasing spend is the length of stay in a placement which is measured in *bed weeks*; which counts the total number of weeks that any child is in a placement. The table below shows that the number of bed weeks in an independent sector foster care and residential placement has steadily increased whereas the number of bed weeks for Torbay's in-house foster carers has decreased over the same period. This has led to significant cost pressure due to the premium of placing children in the independent sector as opposed to in-house fostering.

Table 5

| Placement Type | Number of Bed Weeks |
|------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
| In-house fostering | 6,396 | 6,442 | 6,096 | 5,818 |
| Independent Sector Fostering | 2,860 | 2,748 | 4,226 | 4,840 |
| Residential Placements | 349 | 791 | 1,204 | 1,694 |

PROPOSED COST REDUCTIONS

1. Looked After Children (LAC) Target

- 3.6 As stated in paragraph 1.7 above; Torbay's LAC per 10,000 child population was 121 in 2012/13. This is significantly higher than our statistical neighbours and the latest figures show this number has increased to 134 in 2013/14. A key requirement to the delivery of the cost reductions to support the 5 year plan is the setting of challenging but realistic targets for the number of looked after children. It is proposed that a LAC target of 72 per 10,000 child population is set for 2018/19 as this is the average for similar seaside towns. Translated in to the number of LAC the target is 180. The work packages described below are key to this target being achieved. See Appendix 1
- 3.7 Converting this into actual LAC numbers is dynamic as it will change to reflect the average LAC per 10,000 over the lifetime of this plan. The current target for LAC over the next 5 years is shown below:-

Table 6

| Year | 5 year Plan | Number of LAC at | LAC rate /10,000 |
|-------------|--------------------|-------------------------|-------------------------|
| | | | |

| | | | |
|---------|--------|--------------------|-----|
| | | end of year | |
| 2012/13 | | 305 | 121 |
| 2013/14 | | 314 | 134 |
| 2014/15 | Year 1 | 305 | 122 |
| 2015/16 | Year 2 | 274 | 109 |
| 2016/17 | Year 3 | 242 | 97 |
| 2017/18 | Year 4 | 211 | 84 |
| 2018/19 | Year 5 | 180 | 72 |

- 3.8 It is estimated that the reduction of LAC over the next 5 years will remove £7.1m of expenditure from the system which is essential if the cost reduction strategy is to be successful: this is profiled in the table below and in Appendix 2:-

Table 7

| Year | Total LAC placement Cost | Reduction in spend compared to 2013/14 | Forecast Under/Overspend p.a |
|-------------|---------------------------------|---|-------------------------------------|
| 2013/14 | £12.4m | | |
| 2014/15 | £10.9m | £1.1m | £1.4m |
| 2015/16 | £9.4m | £1.6m | £2.3m |
| 2016/17 | £8.0m | £3.0m | £1.1m |
| 2017/18 | £6.6m | £4.3m | £0.2m underspend |
| 2018/19 | £5.4m | £7.1m | £3.2m underspend |

Work Packages to Support Cost Reduction Plan

2. Fostering campaign

- 3.9 Since October 2013, a campaign to recruit more foster carers was launched together with the introduction of a new flat fee for in-house foster carers. The fee is set at £400 per child and is part professional fee and part resources for the child. This has been a successful campaign with the number of foster carers standing at 96 as at July 2014 providing 189 beds. As a result the number of in-house placements has increased from 116 in October 2013 to 125 at the end of June 2014
- 3.10 The new flat fee and the more professional image of a foster carer has already resulted in a number of former independent sector foster carers transferring to in-house. The reductions in spend is in the region of £0.6m for 2014/15 on a budget for

all fostering placements of £5.4m. However, this does still leave a forecast overspend of £1.8m by March 2015. Therefore it is important that the momentum of this campaign is maintained

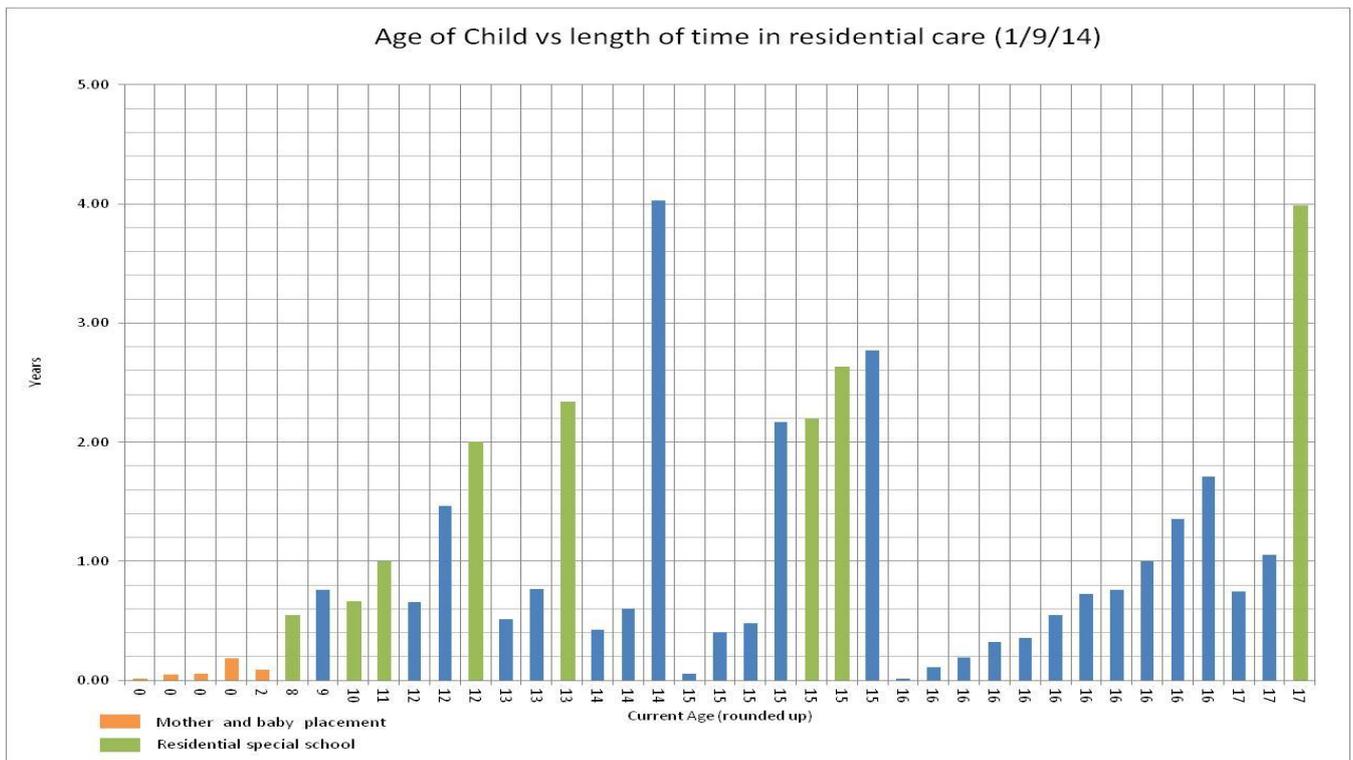
3 Migration from Residential and ISP Fostering Placements to In-house

- 3.11 This work package as proposed by Social Finance puts in place a strategy which migrates expensive residential placements to less expensive ISP fostering placements or to more cost effective in-house fostering carers. Not only will this reduce costs placing children with in-house foster carers but will provide significantly better outcomes for children in care.
- 3.12 The LAC placement mix is one of the main reasons for the increased in spend over the last 4 years. The table below profiles how this strategy will change the percentage of placement weeks over the next 5 years:-

Table 8

| Placement Type | 10/11 | 11/12 | 12/13 | 13/14 | 14/15 | 15/16 | 16/17 | 17/18 | 18/19 |
|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | % | % | % | % | % | % | % | % | % |
| In-house fostering | 51 | 40 | 36 | 36 | 40 | 43 | 47 | 51 | 55 |
| ISP fostering | 19 | 24 | 27 | 20 | 18 | 16 | 14 | 12 | 10 |
| Residential | 8 | 10 | 11 | 17 | 15 | 14 | 13 | 11 | 10 |
| Other | 22 | 26 | 26 | 27 | 27 | 27 | 26 | 26 | 25 |

- 3.13 The reduction in the number of bed weeks spent in an independent sector placement will be achieved by a combination of the weekly demand and care management meetings which are chaired by the Director of Children's Services who also authorises placement requests. These panels have been operational since June 2014. The Scheme of Delegation has also been revised, setting out how all placements are authorised to support this new process. It should also be noted from the bar chart below that due to the age profile of the current cohort of children in residential care, there will be a natural reduction of approximately 50% within the 5 year time frame of this report.



4 Therapeutic Intervention – Keeping Foster and Kinship Carers Supported (KEEP)

3.14 This proposal is still in its infancy but it is built upon evidence that has shown that it is effective in working with children already in care. The specific therapy is called KEEP and whose target population is those children in care who are displaying aggressive and non compliant behaviours

3.15 For KEEP therapy to be implemented there would need to a staffing requirement of 3.5 fte social workers plus 2 fte therapists and a 0.5 fte child psychiatrist. This would be an invest to save initiative costing approximately £220,000 per annum.

5 Development of in-house Parent and Child Assessment Placements

3.16 Torbay had 22 parent and child placements in 2013/14. Of these, 11 (55%) were in an independent sector placement at a cost of £12,000 for a 12 weeks assessment and 10 (45%) were placed in a residential setting at a cost of £20,000 for a 12 week assessment. Together the total cost was £0.8m in 2013/14.

3.17 The migration of 11 independent foster care placements to an in house placement could reduce spend by a net £74,000 per year after the employment of a social worker

and a community care worker at the Assessment and Resource Centre in Brixham (ARC).

- 3.18 The reduction in spend could be increased if parent and child assessments currently in residential settings are also brought in-house. These typically cost £20,000 for a 12 week assessment.

6 Adoption campaign

- 3.19 On average, children in Torbay are adopted 5 years after entering care. However, in the last 18 months Torbay's adoption service has doubled the number of children adopted and has moved up the national league tables as a result. In 2012/13, 10 children were adopted and in 2013/14 25 were adopted.
- 3.20 The proposal is that 25 adoptions are made each year. This will result in savings on placement costs of a net £1.2m over the remaining care journey assuming that these children are in care for 1.3 years as opposed to 5 years

7. Family Functional Therapy (FFT)

- 3.21 This is a service that can sit alongside existing early intervention services such as the integrated family support service (IFSS) which tackles immediate crises with a solution-based response but may not tackle the underlying issues. FFT would enable families to reframe their issues and change their behaviour to prevent crises arising in the future. FFT could be used to target children on the edge of care, LAC with a plan to return home, children at risk of offending and children with mental health problems. Preventing entry to care and enabling LAC to return home would represent significant savings in the region of £500,000 in avoided placement costs
- 3.22 The proposal is for this therapy to be delivered via a Social Impact Bond special purpose vehicle which would require access to £0.2m of investment to set up the arrangement. Appendix 4 to this report gives more detail on the proposal.

The Cultural Change in Children's Services

- 3.23 The Director of Children's Services has advised that the cultural change required in Children's Services – Safeguarding and Wellbeing to successfully implement this strategy is being embedded through a series of team meetings and focussed work groups. Individual team meetings provide an honest appraisal of the current financial situation, comparators with other Local Authorities and targets for the future. The focus being on the critical balance between cost and outcomes and the benefits to both from a different approach. In addition to this a set of focussed work groups are working on the current management of our existing care population (care management) and the reduction of future demand (demand management) within the statutory sector. These two groups will closely scrutinise and monitor performance and be supplemented with implementation groups for each of the projects outlined in the report.

3.24 Through this approach a large number of staff within Children's Services will not only be involved in reshaping social work practice but they will begin to own it, and it is only through this that the Director of Children's Services believes the service can ensure sustainability. The long term sustainability of the new model is also dependent on the continuing development of partnership approaches with key agencies within Torbay. Central to this will be a new shared post between Torbay South Devon Health Care Trust and the Local Authority at a senior strategic level for safeguarding children. This post will be funded from within existing resources but will link together the two key providers of safeguarding services and extend the scope to shape new alternative options for children in the statutory system in the future.

Cost Reduction Strategy and Impact upon Reserves

- 3.25 The work packages described above will remove over £1m of costs in 2014/15 and a further £600,000 in 2015/16. This is detailed in Appendix 3.
- 3.26 Members will have received the quarter 1 budget monitoring report. This identified a forecast budget pressure of £1.4m in 2014/15. To ensure the council declares a balanced budget at year end, where possible this projected position will be managed within the overall Council budget with all services identifying savings.
- 3.27 Part of the 5 year cost reduction plan is a recognition that the new work packages will require time to deliver savings and as such there is still a need to fund £2.3m of spend in 2015/16 and £1.1m in 2016/17 (see attached graph) plus £0.2m for FFT. This will be funded from earmarked reserves. This is in addition to the £1.5m of resources allocated from the PFI Sinking Reserve to fund Social Finance and associated invest to schemes and one off support for any pressures that emerge during 2014/15. Therefore Children's Services are forecast to receive £5.1m of resources from reserves. However this could increase if the current year projection cannot be managed.
- 3.28 Assuming the operational delivery of this plan is achieved by the Director of Children's Services real cost reductions will start to be delivered in 2017/18 of £0.2m and £3.2m in 2018/19. These cost reductions will be used to "pay back" the earmarked reserves. Members are asked to approve this approach and strategy and monitor the delivery of the operational changes. The delivery of these financial projections will be monitored on a quarterly basis and the Director of Children's Services will report to the Overview and Scrutiny each quarter on performance. In approving this strategy Members are accepting the risks of non delivery of the plan i.e. if the earmarked reserves cannot be replenished there will need to cost reductions to all other services. In addition Children's Services will have to budget to repay the PFI Sinking Fund approximately £200,000 per annum from 2018/19.
- 3.29 Officers are currently in the process of undertaking the annual review of reserves and a report will be presented to Members as part of the 2015/16 budget. In addition to the existing use of the PFI Sinking Reserve, the report will set out the reserves that will be earmarked to fund the forecast expenditure in 2015/16 and 2016/17 and the

risks and impact of Children's Services not delivering the required forecast cost reductions.

- 3.30 Due to the existing pressures within Children's Services it is recommended that the £2m social care base budget contingency is allocated to the Safeguarding and Wellbeing base budget in the current and future years.
- 3.31 Members will be fully aware of the financial challenges faced by Torbay due to the continuing austerity measures and the coalition government's public sector deficit reduction plans. Whilst the coalition government has made no announcements as to local government grant allocation after 2015/16 and is unlikely to do so before the General Election in May 2015, further cuts to local government are expected and it is unlikely that there will be any real terms growth in funding until the end of this decade. This has been substantiated by the Institute of Fiscal Studies who have said by the end of the current parliamentary term the coalition government would have achieved only 50% of its deficit reduction plans
- 3.32 The delivery of the forecast cost reductions within this plan by Safeguarding and Wellbeing are essential. If they not delivered it will have a major impact upon the financial resource base for the council and its Medium Term Resource Plan and will affect the resources available to deliver all other priority services. Torbay is expecting further reductions to its grant income which will also have to be managed over the short to medium term.

Performance Management

- 3.33 The Director of Children's Services has commissioned Social Finance to develop a performance management tool to ensure that progress towards the strategic goals are tracked and delivered. Details of this tool will be reported to the Children's Services Project Board (chaired by the Executive Lead for Children's Services) in September 2014 and shared with all Members. It is envisaged that this will take the form of a "dashboard" of key indicators and real time progress of their achievement.

4. Possibilities and Options

- 4.1 The alternative to using reserves is to make budget reductions to other council services to fund work packages and existing budget pressures.

5. Risks

- 5.1 Safeguarding and Wellbeing are forecast to overspend by £1.4m in the current financial year. However existing commitments indicate there are budget pressures amounting to £3.2m. Cost reductions of at least £1.8m must be achieved of over the next 6 months and there is a risk this may not be achieved.

- 5.2 The existing forecast overspend is to be managed by identifying in year savings as set out in the quarter one budget monitoring report. There is a risk that these savings will not be delivered.
- 5.3 If either of the outcomes in paragraph 5.1 or 5.2 materialise these budget pressures will have to be funded from reserves which will place further strain on the council's overall financial resources.
- 5.4 The key risk with respect to the 5 year cost reduction plan is the delivery and timing of the work packages and the profile of the cost reductions. Any delay in their implementation will have a detrimental impact upon the level of earmarked reserves and the timing for replenishing those reserves. This will have a significant impact upon the council's Medium Term Resources Plan and will mean there will have to be service reductions to all other Business Units.
- 5.5 The Director of Children's Services must continue to maintain robust financial control across all other budgets within Children's Services to ensure spend is maintained within the approved budget.
- 5.6 Any Increase numbers of looked after children over the period of the plan may offset the impact of the cost reduction measures.

Appendices

Appendix 1 – Spend estimates based upon lower LAC rates and the shift in placements to in-house fostering

Appendix 2 – LAC target – to estimate future spend

Appendix 3 – Aim to Achieve - £1.1 m savings from 8 initiatives

Appendix 4 – Family Functional Therapy Special Purpose Vehicle Proposal

Additional Information

NONE