

Review of Priorities and Resources 2014/2015

INTERIM REPORT 1: CHILDREN'S SERVICES

1. Background

- 1.1 The major challenge facing Torbay Council in the coming year is identifying the savings required to meet the continuing reducing level of public sector finance. As part of the processes around fair decision making, robust proposals must be developed which include appropriate consultation and assessment of the impacts. The Priorities and Resources Review Panel will determine which specific proposals it will review in a series of meetings in January 2014 once the Mayor's budget proposals are made available to it.
- 1.2 In addition, the Panel will consider the current position of the revenue and capital budgets through budget monitoring meetings held at the end of each quarter and will also review of the Council's forward financial plan.
- 1.3 Therefore the objective of the Review of Priorities and Resources 2014/2015 is:
 - A. To review and monitor the revenue and capital budgets for the current year.
 - B. To review and challenge the emerging proposals for delivering the Council's priorities for the 2014/2015 financial year.
- 1.4 The scope of the review is:
 1. To understand the context in which the Council must set its priorities for 2014/2015 and beyond.
 2. To review and challenge the emerging priorities of the Mayor and the Council.
 3. To review and challenge the Mayor's proposals for delivering the Council's priorities and the implications on the Council's resources.

2. Children's Services Revenue Budget 2013/2014

- 2.1 The Revenue Budget monitoring report for Quarter 1 of 2013/2014 was presented to the Panel at its meeting held on 21 August 2013. At this stage, it was noted that the Council was projecting an overspend of £3.965 million.
- 2.2 The projected overspend was primarily due to budget pressures within Safeguarding and Wellbeing in Children's Services where, based on current commitments (at the time of the report), the budget would be overspent by the end of the financial year by £3.8 million.
- 2.3 The Panel heard that a Children's Services Recovery Plan had been put in place and that underspends were being reported within Family Services. After the application of the savings from the Recovery Plan and the underspends, it was

projected that the Children's Services budget would be overspent by £2.5 million at the end of the financial year.

- 2.4 Members highlighted that there had been consistent overspends in Children's Services in recent years. The Panel was reminded that £2 million had been added to the base budget for Safeguarding and Wellbeing in 2013/2014 and that this had been in addition to the use of one-off reserves to fund pressures in the previous year. However, significant pressures still existed.
- 2.5 Moving forward into future financial years, the Panel questioned whether the authority understood the correct level of budgeting for Children's Services and what process was in place to gain this understanding.
- 2.6 The Panel was made aware of a report by the National Audit Office published in January 2013 entitled *Financial sustainability of local authorities*. Paragraph 3.34 of that report states:

The Audit Commission ...estimated that, in 2011-12, 9 per cent of local authorities experienced 'high financial stress' – meaning that they undertook unplanned in-year financial actions, for example using reserves, and were considered by their auditors as having had financial problems.
- 2.7 Torbay Council made unplanned changes to its budget in 2011/2012 (including a moratorium on non-essential expenditure and a vacancy freeze for all non-front line posts). It made further unplanned changes in 2012/2013 and used reserves to provide a balanced budget at the end of the year. It will be making unplanned changes again this year through the application of recovery plans.
- 2.8 The Panel questioned how it could have confidence that a valid and viable budget would be set for 2014/2015.
- 2.9 It was noted that Children's Services was continuing to be re-modelled to reduce the number of Looked After Children and to reduce the amount of time they spend in care. It would also reduce the number of children subject to a Child Protection Plan. This would reduce budget pressures in relation to statutory activities and placement costs. However, the changes need to be part of a long term sustainable strategy.
- 2.10 The Panel challenged the Director of Children's Services and the Lead Member for Children's Services about the number of independent sector placements, how the Directorate was achieving appropriate outcomes at an appropriate cost and the range of budget lines which were both over- and under-spent within Children's Services.
- 2.11 The Panel requested that it meet again with the Director of Children's Services and senior social workers to gain an understanding of the care packages (including the associated costs and outcomes) being approved within Children's Services and to look in more detail at the Recovery Plan.

2.12 Therefore, at its meeting held on 4 October 2013, the Priorities and Resources Review Panel considered the Children's Services Cost Reduction Plan 2014/2016 which included a number of components:

- Recruitment and Retention Strategy
- Care Placement Strategy
- Brokerage Proposal
- Demand Reduction

2.13 At this meeting, the first three components were considered and it was noted that a paper on the approach to demand reduction would be presented to a meeting in the New Year. The Lead Member highlighted that, despite efforts to reduce the unit cost of care, demand was still increasing. The Director of Children's Services discussed the need to maintain the quality of service and that this needed to be balanced with the Cost Reduction Plan. However, he asserted that inadequate practice pushed up cost and, now that the service was classed as adequate by Ofsted, opportunities to reduce costs could more effectively be sought.

2.14 The Panel heard the details of the development and implementation of a new strategic approach to care placements whereby Torbay Council would pay a flat rate of £400 per care bed per week for in-house foster placements which, it was anticipated, would attract more in-house foster carers. The system would be more straightforward to administer for both the Council and foster carers. The Council would be looking to reduce its reliance on Independent Sector Placements thus reducing costs.

2.15 The Panel felt that the targets which had been set around foster care were not as smart or as stretching as they could be and that an update should be presented to the Panel in six months time.

2.16 The Panel also considered the current position in relation to the Recruitment and Retention Strategy. The Panel heard that discussions would be held to determine whether Children's Services could recruit over its establishment in order to further reduce the need to use agency staff.

2.17 In considering how social workers were being given the capacity to create networks with other health and care professionals and in reflecting on the patterns of findings in Serious Case Reviews across the Country that agencies do not always work well together and share the information that they should, the Panel felt that partner agencies in Torbay should be invited to a future meeting to be challenged on how well the system works in Torbay and what improvement could be made.

3. Conclusions

3.1 Members especially requested that the following observations and recommendations be recorded in this report based on their joint roles of "providing Critical Friend challenge" and in "holding the Executive to account".

Strategic and Operational – Children's Services

- 3.2 The Panel expressed its appreciation for all that Richard Williams and his strategic and operational team had achieved since he was appointed to the post of Director of Children's Services. The Chairman remarked that it was clear that Mr Williams and his team enjoyed a large degree of support from the Priorities and Resources Review Panel and its parent committee, the Overview and Scrutiny Board.
- 3.3 The Panel felt that considerable progress had been made with the outcomes of the "front of office" activities with a continued good direction of travel. In general, the Panel supported the plans for the future progress building on what had already been achieved. However, Members also felt that future outcomes were being put at risk by the totally inadequate financial and accounting practices that had been adopted but which did not recognise the needs driven requirements of the services or take account of the broader "value for money" decisions within the decision making processes of the Directorate.

Financial and Accounting Functions – Children's Services

- 3.4 The Panel expressed considerable concern regarding the culture, functions and performance of the finance and accounting processes in Children's Services for the reasons set out in the following paragraphs.
- 3.5 The budget for Children's Services has, year on year for many years, repeatedly been set at levels which were not and are not needs driven – such budgets have ignored the prior years' repetitious record of failures to reflect the needs driven demand. The budgets have therefore been proven conclusively to be doomed to failure – as witnessed by the granting of additional funds to the Directorate part way through recent years. This is a feature of the Budget that the Priorities and Resources Review Panel and Overview and Scrutiny Board has regularly commented upon year after year but sadly to little effect. The setting of an unachievably low revenue budget by the Council on the advice of the Children's Services Finance Team gave the Panel considerable cause for concern as such a practice reflected neither sound financial planning nor did it produce good governance.
- 3.6 The accounting practices in the finance section of Children's Services were and continue to be perceived by the Priorities and Resources Review Panel – over a period of many years – to have reflected the thinking and mind set of a "Historian" (i.e. reporting on "What had been spent") rather than reflecting the thinking of a "Financial Navigator" who was a forward thinking financial strategist who could assist the Director of Children's Services in the preparation of a sound, robust, deliverable and believable Financial Road Map for Children's Services. This "Navigator" will need "Executive Teeth" in helping to apply the appropriate corrective action when adverse variances occur.
- 3.7 Based on the evidence of repeated failures by the Council to set a needs driven budget and the consequential inability of the front of office team to be able to

work within budget in recent years, the Panel has little confidence that matters will change unless and until a major change of culture takes place in the financial function of Children's Services.

- 3.8 The Panel was of the opinion that, on the evidence placed before them over recent years, the finance and accounting function in Children's Services was barely "fit for purpose" in the emerging environment in which Torbay Council finds itself.

4. Recommendations

- 4.1 The Priorities and Resources Review Panel unanimously recommended that the Executive Director of Operations and Finance, in consultation with the Mayor and the Executive Lead for Children's Services, give consideration to the introduction of a senior qualified financial accountant into post in Children's Services. The selected candidate should have a demonstrable track record of turning financially under-performing organisation around and with the skills to be a financial "Navigator" rather than a financial "Historian". The person chosen should work closely with Director of Children's Services in the designing, and delivering, the required performance outcomes within a believable and deliverable revenue budget.
- 4.2 The challenge to the Council will be in delegating an appropriate level of authority to enable a financial grip on Children's Services. This is likely to include a change in the governance and/or constitutional arrangements of Torbay Council. This challenge is evidenced by the continued failure of the organisation to provide this financial grip over recent years despite the continued and repeated need for such a grip.
- 4.3 The Panel is of the opinion that the year on year repetitive nature of the very serious and substantial overspend by Children's Services against its revenue budget can no longer be allowed to continue and that the Mayor (in consultation with the Executive Lead for Children's Services and with advice from the Executive Director of Operations and Finance) be recommended to ensure that in future, a robust budget is proposed and implemented that can meet and withstand the stresses and strains imposed by:
- a) The ever worsening economic climate in which Local Authorities operate;
 - b) The demand led service that is Children's Services; and
 - c) The dynamically changing market sector that is served.

This report and its recommendations were adopted by the Overview and Scrutiny Board at its meeting held on 9 October 2013.

(Subsequent to this meeting, the Overview and Scrutiny Co-ordinator agreed that the Panel should meet with the Executive Head – Finance to gain an understanding of the role of the Children's Services Finance Team. Following that meeting, an amendment to paragraph 3.8 was made but the Panel did not wish to amend its other conclusions or recommendations.)