

People's Scrutiny Committee

People's Budget Overspend Review

8 January 2016

Contents

Preface	3
Introduction	4
Recommendations	5
Summary	6
Key Issues	7
Children's Services Budget 2015/16 – The Overspend Delay in Controlling Overspend Children's Services Budget 2016/17 Interventions to Avoid Future Children's Services Overspends Monitoring Costs Social Workers Commissioning Children's Placements Best Practice	
Appendix 1	Contributors / Representations to the Review
Appendix 2	Bibliography

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Preface

Due to a self-imposed short deadline to report back before the budget for 2016/17 is finalised, interviews were carried out on one day to look at the root causes of the overspend in the current year. The most significant finding we identified was no child has been denied care at a point of most personal need as a result of lack of funds.

The welfare and safety of all children in Devon is a primary duty for the Council; this is a demand led service but there can be no excuse to let the budget overheat.

Firstly, the projected number of children coming into care was under estimated in the budget 2015/16. Secondly, it is important to remind ourselves of the timelines and improvement journey the service continues to undergo. Ofsted carried out its month long full inspection in February/March 2015 and the findings confirmed the service had transformed from inadequate to requires improvement. These findings are a credit to the Improvement Board chaired by Professor Ray Jones, the County Council's officers, members and partner agencies working together to drive service improvements for the benefit of Looked After Children in Devon.

Thirdly, during the spring 2015 day to day expenditure significantly increased and officers were unable to control these costs. This coupled with the inability to implement the in-year savings required to keep the budget in balance added to the overspend. We are aware that a team of Cabinet members are focused on both cost control and the commissioning of services across the directorate to remedy the situation and their work is still ongoing. Brokerage in children services needs to be strengthened to reach similar standards achieved in adult services.

Finally, once brokerage commissioning has been secured, budget control should be devolved to front line staff, with training provided to enable them to understand managing costs.

I would like to thank officers for their contributions and the two members who joined me on this review, the Vice-Chair Councillor Rob Hannaford and Councillor John Mathews.

Sara Randall Johnson
Chairman



**Councillor
Sara Randall Johnson**

**Chair, People's Budget
Overspend Review, People's
Scrutiny Committee**

Introduction

The Report of the County Treasurer to the Cabinet on 11 November 2015 on Budget Monitoring setting out the position at Month 6 in 2015/16 revealed that the overall forecast revenue overspend at the year-end had worsened by £2,000,000 from Month 4 and that a total overspend of £4,500,000 was now anticipated.

The Strategic Director reported that the potential total overspend for People's Services had increased to £9,100,000 as a result of the projected children's social work and child protection overspend (which had increased to £12,400,000 mainly due to a significant increase in the costs of placements of children in care which had prevented the achievement of previously identified savings); acknowledging that latter figure had in part been offset by anticipated underspendings in other People's Services budget areas resulting in the projected overspend of £9.1m.

The Strategic Director highlighted the challenges presented by increasing and more complex demands, robust regulatory frameworks and the difficulty of recruiting social work staff and referred to urgent action being taken by management to identify further savings to reduce the projected overspend.

At People's Scrutiny on 18 November 2015 the Committee agreed to establish a Task Group to look at the reasons for the overspend. Councillors Randall Johnson (Chair), Hannaford and Matthews took part in the review. The terms of reference were as follows:

1. To examine the root causes of the current People's budget overspend.
2. To evaluate the planning, forecasting and level of control over the budget from senior management.
3. To report back to the People's Scrutiny Committee on the findings of the review.

Time and resources necessitate that this report provides a snapshot approach to further highlight relating to the budget overspend with the People's budget. This brief report does not in any way pretend to be an exhaustive exploration of these issues, nor does it directly impinge upon the role of the relevant Cabinet Members overseeing appropriate management action to remedy this position.

Recommendations

Recommendation 1

That sufficient resources be allocated to Looked after Children (LAC) in all future budget preparation to ensure this demand led service is properly funded.

Recommendation 2

That more concentrated managerial attention must be given to deliver in-year savings.

Recommendation 3

That during periods of major disruption such as Ofsted month long inspections, a designated manager should be assigned to ensuring the day to day operational focus of People Services are delivered.

Recommendation 4

That urgent action is required to strengthen the brokerage of commissioning services for LAC.

Recommendation 5

That all front line staff be given bespoke training on budget management.

Summary

Across the organisation, in People and Place services, there has been considerable budgetary pressure and as a consequence in recent years overspends have occurred on both sides of the business. The last 5 years has brought previously unimaginable levels of financial stress to the County Council, which has in the main part been successfully managed, however the stress has emerged this year in relation to the £9,100,000 overspend in People's Services.

It is recognised that the children's budget is mainly demand led and difficult as a consequence to manage. It is though too simplistic to suggest Ofsted 'trumped the budget'. The Ofsted context does tend to focus the approach in that area of business and following the inspection there was possibly a different appetite for risk. While Members accept that the sudden rise in children coming into care post Ofsted was difficult to forecast, the cost of placements for Looked after Children (LAC) has been an issue for a long time and a more robust approach by People's Services to reviewing the commissioning of children's placements is welcomed.

While there is no suggestion that senior officers in People's Services did not take the situation seriously enough, the Task Group wondered if there could perhaps have been a more coordinated response to bringing the overspend under control. Nonetheless, the measures that are being undertaken including reducing staff costs through lessening the reliance on agency workers, continuing to focus on Early Help and reviewing children's placements should help both in terms of reducing costs in the longer term and most critically improving outcomes for those young people.

Children in Devon have to be safe, but it is vital the County Council does not have such a level of overspend on the People's budget again. Good financial control however is not inconsistent with good practice and there is not an association between high spending authorities and good outcomes for children. The Council needs to ensure a sustainable figure is budgeted for 2016/2017, with savings planned and properly challenged.

Key Issues

Children's Services Budget 2015/16 – The Overspend

As part of the budget appraisal process for 2015/16 £4.5 million savings were set against Children's Services. The County Treasurer expressed concern to the Leader, the Chief Executive and the Strategic Director People as to the achievability of the proposed savings. The County Treasurer was initially concerned that People's Services would not be able to respond to the challenges set out in the Peer Review at the same time as making the required savings. There was subsequently consensus among the parties that the two things could be achieved together. In retrospect Members believe savings should not have been set against this budget; it was a step too far. There had perhaps been over optimism as to what could be achieved in the time-frame necessary to make the savings in the budget.

It was acknowledged that while there is always a risk with this part of the People's budget, Officers felt that the savings were challenging but achievable, although from April 2015 there were early warnings of overspending but the speed of change was perhaps too great. Officers recognised that the budget was not going to be sufficient by the end of Quarter 1; it was apparent that there were significantly more LAC than anticipated based on the downward trend when the budget had been set to.

The significant upturn in numbers was a major factor in the overspend, in part due to taking on an increased number of younger children (0-5s), and also older children (12/13 year olds in particular) coming into care. An increase in staffing costs was also a major factor in the overspend. There was likely to be an issue with staffing as while there had been a successful move to bring in more assessed and supported year in employment social workers (AYSEs), the reduction in agency staffing numbers had taken longer than anticipated. Some of the benchmarking data used in setting the budget was also not accurate, leading to a false optimism that the savings could be realised.

The Director of Children's Services (DCS) and the County Treasurer, as Section 151 Officer, both have legal duties to adhere to, but there was no evidence whatsoever to suggest to Members that pressure had ever been applied to prevent a child from entering into care due to budgetary constraints. The Chief Executive was clear that when the DCS came to a professional view it was accepted by colleagues - although the DCS was always mindful that her statutory duty to safeguard children had to be exercised within a certain levels of means. The County Treasurer and her team were supportive to People's Services as well as offering a level of necessary challenge.

£3.5 million was set aside in the budget as a contingency, in part for this issue and also in terms of other social care funding. The £3.5 million had been used to help plug this gap. Children's Social Care was also largely on track in terms of efficiency measures that the service has agreed to implement.

Delay in Controlling Overspend

It was recognised from as early as April 2015 that there was a serious budget issue. The County Treasurer spoke to senior officers in People's Services in May and - while they undoubtedly recognised the seriousness of the issues - given the time lapse between any action initiated and results being evident the budget overspending continued to grow until September/October 2015. While the reasons for this were not clear to the Task Group it was therefore apparent that while officers in People's Services have been extremely successful in improving practice and the County Council's safeguarding arrangements, there were issues in terms of managing the overspend.

Children's Services Budget 2016/17

The strength of the resource management on adults' side gives certain amount of confidence in terms of balancing the budget. While there is a £6 million overspend on the children's side the savings on the adults' side almost balances this. It is important to look at the whole equation on the People's side of the business.

For this year Children's Services are looking to factor in a slight increase in the number of LAC into the budget above the 680 currently. It is, as has been proven this year, difficult to know the level of demand. Officers are using the last 6 months average LAC data and are also using benchmarking with statistical neighbours. The Strategic Director People is in no doubt that she can control a staffing level of 255 for Children's Social Care, and in turn manage the £2million overspend in this area. While it had been difficult to deal with the overspending, it was still the expectation that the budget would be in balance at year end, acknowledging that could be partly at the expense of the Council's reserves. Given the modest reserve levels this is an issue moving forward for 2016/17 and beyond where - in comparisons with other authorities - the ability of the Council to use reserves as a buffer is limited.

Interventions to Avoid Future Children's Services Overspends

Monitoring Costs

Children's Social Care are now receiving a lot more information in terms of placement spend which is helpful in being able to monitor costs more tightly. Financial details of LAC go into Care First and are analysed on a weekly basis as part of the meeting between Finance and Children's Social Care. Historically there have been issues about payments not going through Care First, but work has been done and more is under way to ensure the information on Care First is complete and as accurate as possible.

Social Workers

The long term strategy of 'growing our own' social workers is working. The County Council has been successful in terms of the AYSE intake, but agency staff have been kept on longer than initially thought, but this number is reducing. Agency staff cost almost twice as much at £39 per hour compared to social workers at £21 per hour. As more AYSEs come in over the next couple of years the fixed staffing costs will continue to reduce. 14 AYSEs are starting in January 2016 alongside 4 permanent staff. Better social work practice has been embedded. In terms of covering staff sickness and maternity leave, the County Council currently needs about 10 agency FTEs. The intention is for Devon to hold its own bank of reserve social workers who can cover the work currently done by Agency Staff. Helpfully work has been undertaken across the South West Peninsula upper tier Councils to get to an agreed position on Agency Rates as Somerset had been paying significantly more.

Commissioning Children's Placements

The issue in Devon is as much about paying a high price for placements as it is about the volume of LAC. It is vital that there is early planning and identification of when a child is likely to need to come into care rather than being reactive and responding when things are already in a state of emergency.

There is a need to review the Peninsula framework for commissioning. Most placements are spot purchased, which does put the service at something of a disadvantage in always buying on a supply and demand basis placements costing up to £5,000 a week. There has though been a move to block purchase places at a better rate, with providers bidding on anonymised pupils.

The Head of Social Care Commissioning is already undertaking a piece of work developing the market for children with a learning disability, as he has in terms of older people. As part of this the Interim Head of Children's Social Work & Child Protection is working to ensure care planning is improved as it is vital this is correct if the work on the market is to be a success. There needs to be rigorous assurance that Devon is paying the right amount, to the right providers. It is not always the case that expensive out of county placements meet the needs of SEND children. Also mainstream schools need to provide better support to keep pupils out of specialist provision.

Best Practice

In Hampshire (a geographically and statistically similar authority to Devon) work has been undertaken with grant funding relating to toxic trio interventions to put in drugs and alcohol workers alongside fostering teams. This has resulted in stopping the growth in Hampshire and has now actually seen the start of a downturn in the number of children coming into care. Officers are looking at how Devon uses

its drug and alcohol support service, and whether there is scope to channel some of the funding into a model of practice similar to in Hampshire

APPENDIX 1

Contributors / Representations to the Review

The Task Group met and received evidence on **8 December 2015** from the following in the order that they appeared before members:

Witness	Position	Organisation
Jennie Stephens	Strategic Director People	Devon County Council
Fiona Fitzpatrick	Head of Children's Social Work Service & Child Protection (Interim)	Devon County Council
Mary Davis	County Treasurer	Devon County Council
John Holme	Assistant County Treasurer	Devon County Council
Phil Norrey	Chief Executive	Devon County Council

APPENDIX 2

Bibliography

- **Devon County Council - Inspection of services for children in need of help and protection; children looked after and care leavers in Devon (Ofsted, May 2015)**
- **Devon Children's Improvement Plan 2015/2016 (DCC,2015)**

Copies of this report may be obtained from the Democratic Services & Scrutiny Secretariat at County Hall, Topsham Road, Exeter, Devon, EX2 4QD or by ringing 01392 382232. It will be available also on the County Council's website at:

http://www.devon.gov.uk/index/councildemocracy/decision_making/scrutiny/taskgroups.htm

If you have any questions or wish to talk to anyone about this report then please contact:

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