

Scrutiny Management Board

Children and young people directorates' budget task and finish group

Final report

Introduction

This report presents the findings and recommendations of Scrutiny Management Board's task and finish group tasked with scrutinising the in-year delivery of the council's budget for the children and young people directorate, and the development of the directorate's budget for the period 2024-25.

Background

At the meeting of the Scrutiny Management Board on 7 November 2023, the chair of the Children and Young People Scrutiny Committee raised concerns about the high levels of agency staff used by the council to operate services for children and young people, which is a major contributing factor to the Directorate's current forecast overspend of the 23/24 financial year of nearly £12m. Other committee members stated that they shared similar concerns, as well as concerns regarding the likelihood of the service making a planned £4.5million of savings in the current financial year.

The committee agreed to draft a terms of reference for a task and finish group to scrutinise the delivery of the current year's budget, the factors contributing to the large overspend in the financial outturn, and the detailed planning sitting behind the developing budget for services for children and young people for the 2024-25 financial year.

The group's terms of reference are attached to the covering report as appendix B.

The following elected members constituted the group:

- Cllr L Harvey (chair)
- Cllr P Crockett
- Cllr L Stark
- Cllr R Highfield
- Cllr R Thomas

What work did the group carry out?

The group met twice during December 2023. It heard evidence from the following officers and elected members of Herefordshire Council:

- Cllr I Powell, Portfolio Holder for children and young people
- Corporate Director, Children and Young People
- Head of Strategic Finance
- Children and Young People Finance Manager

Findings

The group examined the causes of the forecast in-year overspend in the Children and Young People directorate. The group also explored the preparatory work and actions undertaken to deliver the savings agreed for the 2023-24 financial year.

The directorate overspend for the 2023-24 financial year was first reported internally in May 2023 and publicly at quarter 1 in July 2023. It stood at £13.8 million by the end of quarter 2 (i.e. the end of September 2023). Table 1 below shows the key pressures reported at that point:

Service area	Key pressures (£million)
Looked After Children	-0.2
<i>Various</i>	-0.2
2023-24 savings targets at risk	4.5
Agency staff	3.0
Special Education Needs transport	2.0
Agency fostering	0.7
Children and young people with complex needs	0.6
Practice improvement	0.5
In-House fostering	0.5
Unaccompanied asylum seekers	0.4

Table 1: Variance against 2023-24 children and young people directorate budget at Q2

For national context, there are significant cost and demand pressures being experienced by children's services providers. The 151 local authorities that operate children's services reported a combined overspend in 2021-22 of £996.5m.

These national factors are exacerbated by the council's 'Inadequate' Ofsted rating for its services for children's social care.

What are the factors driving overspend?

The officers attending the two group meetings explained the factors driving overspend:

- **Insufficient placements and rising costs for looked after children who need residential care or have complex care needs.** Herefordshire Council, in common with most other English local authorities, relies substantially on the private sector to

provide residential care for the looked after children in its care who need this specialised form of accommodation. The supply of places nationally has not kept pace with rising demand, resulting in competition between local authorities for residential places and a resultant increase in care costs. In the financial year 2014-15, Herefordshire Council paid an average weekly cost of £2,310 for each placement. In 2022-23 this had risen to £4,860 per placement¹.

- **Recruiting and retaining staff** In September 2023 72% of Herefordshire Council's social workers were agency staff, as well as 32% of its team managers. This is not the Agency to Permanent staff ratio that is wanted, the difficulty in recruiting permanent social workers is a recognised national problem. However, the council's 'Inadequate' Ofsted rating for its services for children's social care makes it particularly difficult to attract social workers to commit to the local service.

The task and finish group heard from officers that the High Court Judgement in April 2021 relating to Herefordshire Council's services for children and young people resulted in a marked increase in the number of staff leaving the service which at the time was already becoming increasingly reliant on agency staff. In 2017, 11.4% of Herefordshire Council's frontline children's services staff were working for agencies, rising to 32% in 2021 and 55% in 2022.

The cost of High agency staffing rates place a significant burden on council finances. Each agency social worker costs Herefordshire Council on average an additional £55,572 per year to employ. The lack of progress in 2023 in moving to a more favourable mix of agency and permanent social workers has resulted in a forecast cost pressure of £3.9 million to the council for social workers alone, with an additional £400,000 forecast pressure for agency team workers, in the 2023-24 financial year.

- **Increased demand on services** Although the number of referrals to the council multi-agency safeguarding hub (MASH – the 'front door' to children's safeguarding services) fluctuates from year to year in Herefordshire, there has been growing demand for more resource intensive interventions for the cases being presented. Between 2019 and 2023, the rate of children deemed to be "children in need" rose from 243 to 561 per 10,000 children, or 5.6% of all children in the county. The rate has however fallen significantly in 2023-24 and was at 378 per 10,000 at the end of quarter 2 (falling again in quarter 3). The rate of children subject to a child protection plan rose from 31 per 10,000 in 2019 children to 66 in March 2023. It should be noted that these rates are both now lower than their peak in 2022.

However it is the growth in the number of looked after children that has placed the greatest burden of demand on resources, in particular those children who need residential or complex needs care. The number of children looked after by all local authorities has risen steadily since 2014. However the rate of increase in children looked after in Herefordshire has until recently risen considerably faster than in similar local authorities (statistical neighbours).

¹ HM Government Local Authority Interactive Tool (LAIT) 23 November 2023

That said, the number of children looked after by the council has remained stable since March 2023 at around 410-415 children. The rate at which children become looked after in Herefordshire has reduced significantly in 2023-24 with the rate ceasing to be looked after increasing. The corporate director expressed confidence that these two factors combined would contribute to a reduction in the number of children in our care in 2024-25 In this period there was a small increase in the number of unaccompanied asylum seeking children (outside the control of the council), offsetting a decrease in the number of Herefordshire children in the council's care.

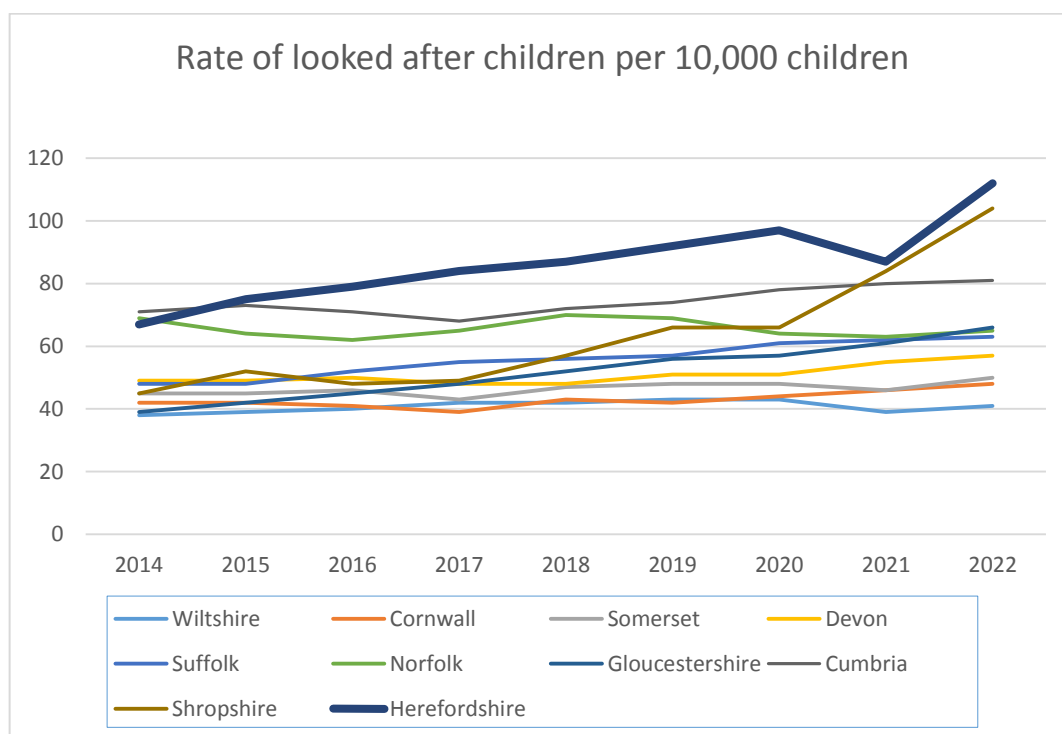


Figure 1: rate of looked after children per 10,000 children

The council is currently forecasting an overspend at P7 of £8.3 million for services to support its looked after children by March 2024.

- Growing SEN transport costs.** The council's services for children with a special education need (SEND) have also seen a steep increase in demand. The number of children assessed as qualifying for an education, care and health plan (EHCP) has risen from 2.5 children per 10,000 in 2014 to 4 per 10,000 in 2023, despite the broader cohort of children receiving SEND support remaining broadly stable in this period at around 15 children per 10,000.

A child with an EHCP is entitled to receive additional (funded) support as detailed in their tailored care plan, which may include transport to and from school. The group saw monthly commentary that detailed the unexpected increases in successful applications for home to school transport, beginning in May 2023. By October 2023 the council had a £2.0 million overspend on home to school transport.

The group were concerned by the unexpected surge in demand for home to school transport, and the additional pressure it exerted on council resources. It agreed that

this matter should be an area of focus for the Children and Young People Scrutiny Committee.

Recommendation: Children and Young People Scrutiny Committee examine how SEND Transport demand and costs are managed, including a review of operations in other rural local authorities.

- **A failure to deliver agreed savings in the 2023-24 financial year** has resulted in a contribution of £4.5 million to the directorate’s overall overspend. The 2023-24 budget included £4.5m of approved savings as detailed in Table 2 below.

A total of £2.5 million of savings targets (listed as S18) were dependent upon a reduction in the number of looked after children in the council’s care. For those children already remaining in its care, the council sought to identify those able to be relocated from residential to foster care and those able to be stepped-down to less intensive and lower-cost residential care. The savings also depended upon identifying opportunities to enable more children to stay or to move outside of the care system altogether. For those who need residential care, tighter cost control would reduce the weekly price of high-cost placements. As discussed earlier in this report, so far the service has instead not seen the planned decrease in the number of children looked after by the council, or a decrease in the price of high-cost placements.

The remaining savings of £2.0 million (listed as S19) were dependent on both reducing the proportion of agency staff employed by the council through recruitment, and reducing the overall staff headcount (agency, interim and permanent) as a result of decreased demand. As at October 2023 the service has so far been unsuccessful in reducing the number of agency social workers which were then reported as being 64 out of the budgeted 89 social workers in the directorate.

Ref	Name of proposal	Description	Saving (£000)
S18	Placement Management	Reduction in numbers of children coming into our care; increased recruitment of foster carers; review of sufficiency; tight management control of high-cost placements	2,500
S19	Recruitment and Retention	Reduction in reliance on agency staff and move to a permanent staffing establishment. Gradual withdrawal of previously added additional capacity. Revised Workforce Strategy*	2,000

Table 2: 2023-24 budgets savings proposals, children and young people directorate

Why was the directorate unable to deliver their agreed savings?

The group sought to understand why the directorate was unable to deliver the savings agreed for the 2023-24 financial year. It noted that throughout the period May-October 2023 the monthly budget monitoring showed 100% of the £4.5 million of savings being at risk of not being delivered, a position unchanged since the first outturn report in May 2023.

The group chair told the group that she had been assured in January 2023 that savings delivery plans were developed and would be overseen in their implementation by a programme delivery board reporting to the senior leadership team. However the monthly outturn reports from May 2023 did not report any progress towards delivering the savings, and the group was told that it was very unlikely that any savings would be reported as delivered by the end of the financial year,

The group heard that there were underlying reasons for the failure to deliver 2023 savings. Although the service had begun to see a small drop in the number of looked after children (excluding unaccompanied asylum seeker children), the drop had been smaller – and had arrived later in the year – than had been anticipated. Other expected drops in demands on the service had also failed to materialise, or had also done so much later than expected.

The group heard from the Children’s Commissioner that Herefordshire Council had a weak record of reuniting families quickly where this was considered possible and was slower to deliver improvements in other aspects of its service than she was expecting. The Commissioner told the group the council should focus on supporting families where children were at high risk of becoming looked after to avoid them entering the care system. The group supported the Commissioner’s observations and suggested that this area of practice could be a topic for the work programme of the Children and Young People Scrutiny Committee.

<p>Recommendation: Children and Young People Scrutiny Committee scrutinise work to step children down from residential care, and to reunify families where children have become looked after.</p>
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The combination of all the above factors has resulted in the directorate being unable to reduce the number of agency staff it hired. The council’s hire of four additional project teams, through Equinox Consulting, under the directorate’s Improvement Programme has continued beyond April 2023 when their contract had been anticipated to finish at the end of March 2023. This was due to the continuing service delivery and improvement challenges faced by the service during 2023 which were further exacerbated by continued difficulties in recruiting permanent staff. Although a number of initiatives to promote Herefordshire as a workplace for social workers have been underway for some time – including the launch of the ‘Spirit of Herefordshire’ recruitment initiative - this work had not yet translated into significant numbers of additional permanent staff being recruited.

Factors leading to the failure to deliver its saving targets

Although the group accepted the explanation for the underlying overspend members wanted to understand in more detail why the budgeted savings were not achieved.

- **Risk and uncertainty**

The group heard that budget setting took place in November 2022, some six months before the first monthly reporting period in May 2023. The group heard that budget setting took place at a time of considerable uncertainty about costs. The 2023-24 budget setting report to council on 10 February 2023 indeed noted a high risk of increasing demand for children’s services, as well as a medium risk of non-delivery of savings, but also claimed by mitigation that demand-led pressures had been accounted for in the budget setting process.

- **Insufficient management information and optimistic forecasting of service demand**

The budget setting process was hampered by weak performance management information, which has been a persistent and longstanding issue for the service. The group heard when setting the budget the service did not have a full understanding of its residential placements for it looked-after children.

- **Unexpected cost increases for SEN transport**

The council experienced a considerable and seemingly unexpected increase in the number of families with an EHCP making successful applications for home to school transport support. This was exacerbated by a shrinking number of transport companies bidding for transport contracts, which the group heard was the primary reason for rising costs. This first appears evident in the monthly budget tracking undertaken by the council and reviewed by members of the group. By May 2023 the council had an overspend of £0.9 million for SEND transport for the year ahead. It is regrettable that this increase in demand did not become apparent earlier.

How is budget setting different for 2024-25?

Herefordshire Council published an initial draft of its proposed budget for 2024-25 in early December, prior to the group’s second meeting, which afforded them the chance to review it in light of the pressures outlined earlier in this report.

As at October 2023, the forecast financial outturn for 2023, before in-year adjustments, is £64.2 million – including an overspend on budget of £11.8 million. However, the proposed budget for 2024 is £65.1 million and incorporates additional funding of £10.8m to support additional demand, costs, pay award, inflation and transformation. The proposed budget also accounts for a continued increase in demand for services of £3.5 million, including an additional £1.6 million for services supporting children with a SEND. The group heard that the budget also accounted for inflation pressures of £2.1 million, funded to 90% of the expected pressure, in line with draft budgets for other directorates. As well as proposing to deliver £2.5 million of savings in broadly the same service areas as were proposed for 2023. Table 3 below provides the outline draft budget.

	£'000
2023/24 Base Budget	50,812
Additional funding demand/cost pressures	10,750
Pay Award	1,253

Inflation pressures (90% funded)	2,121
Demand pressures	3,499
Mitigations	(800)
Planned Directorate Savings	(2,503)
2024/25 Proposed Base Budget	65,132

Table 3: 2024-25 proposed budget, children and young people directorate

The group also heard that the 2024-25 proposed base budget constituted the first year of a newly developed three-year budget plan for the directorate, which incorporates proposed savings through to March 2027

The three year plan demonstrates how the service will deliver recurrent savings over the three year period, recognising the additional funding provided in 2024/25. This is detailed in Table 4 below.

	Year 1 2024/25 £'000	Year 2 2025/26 £'000	Year 3 2026/27 £'000	TOTAL 3 Year Saving £'000
Base budget b/f	50,812	65,132	59,761	
Additional funding (£10.8m)	10,750			
Pressures (£6.9m) - Mitigations (£0.8m)	6,073			
Planned savings to reduce base budget	(2,503)	(5,371)	(2,292)	(10,166)
Base budget c/f	65,132	59,761	57,469	

Table 4: 2024-27 outline proposed budget, children and young people directorate

The group was told that the three year budget plan provides certainty of funding to the service, though it is heavily dependent upon the directorate delivering on both transformational change and service efficiencies.

The group were keen to understand how the approach taken to budget setting for 2024-25 and ongoing management action would provide assurance that the directorate would begin to operate within its budget. The group heard that the additional financial oversight, management action and ongoing delivery of the improvement plan gave the administration confidence that the proposed budgets were realistic and achievable. In particular:

- The 2024-25 budget was based on more accurate performance and finance information than was available in 2022-23. The council now had better information about high-cost placements for residential care through its mosaic system, as well as for SEND transport.

- There was much closer working between the finance team and the children and young people directorate. The council had strengthened its arrangements to support the directorate. This has resulted in considerably more detailed financial management information being available for the directorate, alongside a detailed monthly outturn report. The forecast outturn provide the directorate with details of agency staff rates, high-cost placements, monthly outturns against budget lines, and progress against savings targets.
- Demand on services was more stable, and in some cases shows evidence of dropping. The group was advised that enquiries through the multi-agency safeguarding hub, the ‘front door’ to the service, had reduced from around 2,400 in 2022 to around 1,400 in 2023, reversing the increase in demand experienced post-Covid in 2021. This was the result of closer working with the police, schools and other agencies to improve the quality of referrals. The directorate had also seen a reduction in the number of new child protection plans in 2023 compared to 2022, as well as a reduction in the rate of children assessed as being in need of additional support.²

The monthly financial outturn reporting provided by the finance directorate gives timely, comprehensive, clearly-presented information to Cabinet and the Children and Young People directorate. The group found the information to be very useful in providing insight into the factors and causes of the overspend in the directorate. The group believes that such information should be shared more widely in the service, so that all officers develop an understanding of the financial and service delivery aspects of the directorate’s operation.

Recommendation: Financial performance data to form part of the ‘measures that matter’ and performance dashboard data, and should be reported back to staff teams so that they are aware of the financial aspects of the service performance alongside other measures.

The group welcomed the production of the three-year financial plan. It agreed that this would provide the clarity of funding to allow the service to focus on its improvement journey – a journey that was expected to take 4-5 years to be realised fully.

The three-year budget plan incorporates expected savings arising from the directorate’s improvement plan, as listed in Table 5 below. The group heard that there was an expectation that as service improvements took effect, the directorate would be able to reduce the scale of the additional agency workforce by 30 full-time equivalent posts through the 2024-25 financial year.

Members were advised that the directorate had also made permanent job offers to 6 new staff in quarter 3 and that these staff were expected to begin working for the authority during quarter 4. The service would also have a cohort of newly-qualified social workers beginning work in quarter 1 2024-25. Further anticipated reductions in the number of child in need assessments received would also allow the directorate to remove an entire agency-staffed assessment team from its staff base.

² HM Government Local Authority Interactive Tool (LAIT) 23 November 2023

Members of the group offered challenge to this narrative and questioned both the three-year savings plan and the proposed in-year savings for the 2024-25 financial year. Group members wanted assurance and evidence that the proposals for the delivery of savings were more robust than in previous years, when savings and budget targets had proved to be unrealistic.

Planned activity/transformation	Year 1	Year 2	Year 3	TOTAL
	2024/25	2025/26	2026/27	£'000
	£'000	£'000	£'000	
Workforce Savings (S2 and S3)	1,344	1,477	933	3,754
Reduced Demand Children In Care (S1)	959	3,894	1,359	6,212
SEND Transport efficiencies (S4)	200			200
Total	2,503	5,371	2,292	10,166

Table 5: three-year savings plan, children and young people directorate

The group questioned the deliverability of some of the proposed savings within the 2024-25 year, as detailed in Table 6 below, given that financial forecasts out to March 2024 showed no evidence of savings even starting to be achieved. Group members acknowledged that the local authority was hampered in this regard by the national shortage in the number and nature of residential and complex needs placements available.

The council's work to commission its own locally based, dedicated high-need residential placements through a private provider, was supported by the group, which accepted that this struck a reasonable balance between the risk to the council of providing its own residential placements, and the council being entirely exposed to the market for placements.

The group also strongly welcomed the closer working between finance and the Children and Young People directorate, and the improved management information being made available to track and monitor expenditure and savings. However, the group remained concerned that performance dashboards seemed persistently difficult to obtain. Without these, it was difficult for the group to be assured that the administration, and possibly also in future scrutiny, were able to monitor change effectively, during a period where Herefordshire Council is expected to move at pace to deliver tangible improvements to children's services.

Recommendation: Dedicated financial resource to continue to be embedded within the children and young people directorate to provide challenge and assurance that day-to-day costs are being captured and forecast correctly.

Recommendation: Each monthly financial outturn report for the Children and Young People directorate, and weekly Children’s Service Analysis Tool (CHAT) be provided to the chair of the Children and Young People Scrutiny Committee.

Recommendation: The Children and Young People Scrutiny Committee undertake a piece of work to examine the robustness of the council’s data and performance management information supporting the children and young people directorate.

Are the directorate’s 2024-25 savings achievable?

Overall the group considered that, without any evidence to indicate that in-year management action was translating into savings being realised in 2023-24, the council risked challenge that its 2024-25 budget was not, in reality, balanced if it continued to rely upon £2.5m of savings being realised in 2024-25 by the directorate.

The group supports the principle of the directorate being targeted to deliver savings in 2024-25, but not for those savings to be required in order to balance the budget. Funding to balance the budget should be found from elsewhere and that funding source repaid when savings have been realised by the directorate.

Recommendation: Savings as proposed to be targeted for Children’s directorate to deliver in 2024-25 but assured funding to be found from elsewhere to balance the council’s budget.

The group suggested that scrutiny should continue to contribute to this process, through regular monitoring of budget outturns and of progress achieved in reducing agency headcount through a reduction in demand for services and increased recruitment of permanent staff.

Saving Category	Ref	Name of Proposal	Description	Saving £'000
Reduce	S1	Reduce Children’s High-Cost placements	Current activity to step down higher cost placements and reunite some families	959
Reduce	S2	Reduction in Social Worker establishment	Achieving a reduction of 14 social workers posts by 31 March 2025 based on the assumption of reduced demand	338
Transform	S3	Reduce numbers of agency social workers	Convert 30 posts from agency to permanent by end of June 2024 (Q1) to realise 3/4yr effect	1,006
Transform	S4	SEN Transport Efficiencies	Changes to contract arrangements.	200
Total Children and Young People Savings				2,503

Table 6: Children and Young People Directorate proposed savings 2024-25

Recommendations

The committee recommends that:

- Financial performance data to form part of the 'measures that matter' and performance dashboard data, and should be reported back to staff teams so that they are aware of the financial consequences of the service performance alongside other measures.
- Children and Young People Scrutiny Committee to examine how SEND Transport demand and costs are managed, including a review of operations in other rural local authorities.
- Children and Young People Scrutiny Committee scrutinise work to step children down from residential care, and to reunify families where children have become looked after.
- Dedicated financial resource to continue to be embedded within the children and young people directorate to provide challenge and assurance that day-to-day costs are being captured and forecast correctly.
- Each monthly financial outturn report for the Children and Young People directorate, and weekly Children's Service Analysis Tool (CHAT) be provided to the chair of the Children and Young People Scrutiny Committee.
- The Children and Young People Scrutiny Committee undertake a piece of work to examine the robustness of the council's data and management information supporting the children and young people directorate.
- Savings as proposed to be targeted for Children's directorate to deliver in 2024-25 but assured funding to be found from elsewhere to balance the council's budget.