

Children's Services Demand Projections and Financial Resilience to 2022/23

1. Introduction

- 1.1 Both nationally and locally pressures relating to the costs (and numbers) of Children Looked After (CLA) continue to grow.
- 1.2 After a period of relative stability in the 1990s, the number of children that need to be looked after by the state because of neglect and abuse has risen since the mid 2000s. In the period from 2008/9 onwards this has been nationally at around the rate of 5% per year. The Association of Directors of Children's Services (ADCS) has been tracking this increase and the correlating increase in child protection and safeguarding:
<https://adcs.org.uk/safeguarding/article/safeguarding-pressures-phase-6>
- 1.3 There has been growth of 6.4% in the 0-17 population in England over the last ten years which will account for some, but not all, of the increase in demand for services. This is predicted to increase further.
- 1.4 There is a predicted decrease in the 18-24 population of 7% between 2016 and 2025, although it is expected that the numbers of young people who are supported by children's services will increase. This will be driven by the increase in numbers of CLA, including Unaccompanied Asylum Seeking Children (UASC), who go on to become care leavers, and the number of children with Education Health and Care plans which continue until the age of 25.

2 Trends and Performance

- 2.1 Whilst rates of increase have varied across the range of local authorities there is no obvious pattern to be discerned, only that relative rates of increase are often determined by historical rates of children in care (historically too low / too high) and in particular exposure to either a high profile child death (leading to less risk in decision making) or an inadequate Ofsted judgement (ditto).
- 2.2 In both cases local authorities have had to pay a significant premium for the cost of failure, although it should be noted that for most of these authorities they then have a significant 'cushion' when it comes to making savings.
- 2.3 Authorities that have maintained an Ofsted rating of 'Good' or better over the period 2008 to 2017, such as Hampshire, are few and far between and their costs tend to be lower given that there has been no premium to pay for failure.
- 2.4 In April 2019 Hampshire Children's Services were inspected by Ofsted and judged 'Outstanding' across all domains, making the service top performing nationally. Ofsted noted 'Strong political and corporate support and well-targeted financial investment have helped the leadership team to implement an ambitious transformation programme. This has created the capacity, training and infrastructure to enable social workers to engage more purposefully with children and their families.'
- 2.5 The national increase in the number of children in care has been driven by a number of factors about which there is a broad consensus:
 - A much better awareness and identification of child abuse and neglect from a range of partners.

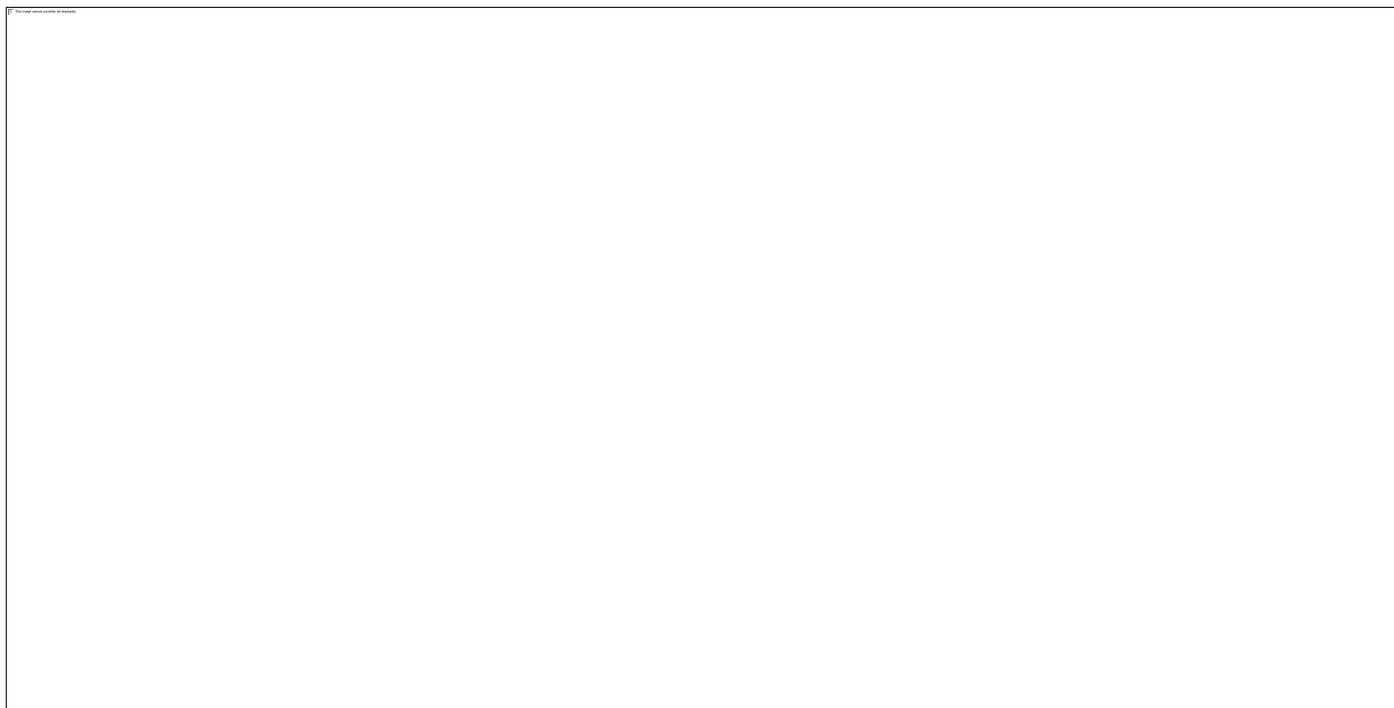
- The better application of consistent thresholds to receive help as a result of government statutory guidance ('Working Together to Safeguard Children').
- A growing professional aversion to risk from partners driven by national child care scandals ('I don't want it to be me...').
- Some evidence of the impact of recession and austerity on families, particularly in respect of the so called 'trigger trio' for adults who are parents. This includes domestic abuse, adult substance misuse and adult mental ill-health.
- Greater awareness of abuse such as child sexual exploitation, child criminal exploitation and online abuse.
- The creation of a number of new policy initiatives such as 'staying put' which allow teenagers to stay in their foster care placements.
- Children remanded to custody being treated by law as children in care.
- A range of new legal processes such as the 'public law outline' which drive local authorities to put far more case decisions before the family courts.
- A drive by the courts for all cases to conclude within 26 weeks.
- Policy drivers such as the national redistribution of UASC arriving from overseas.

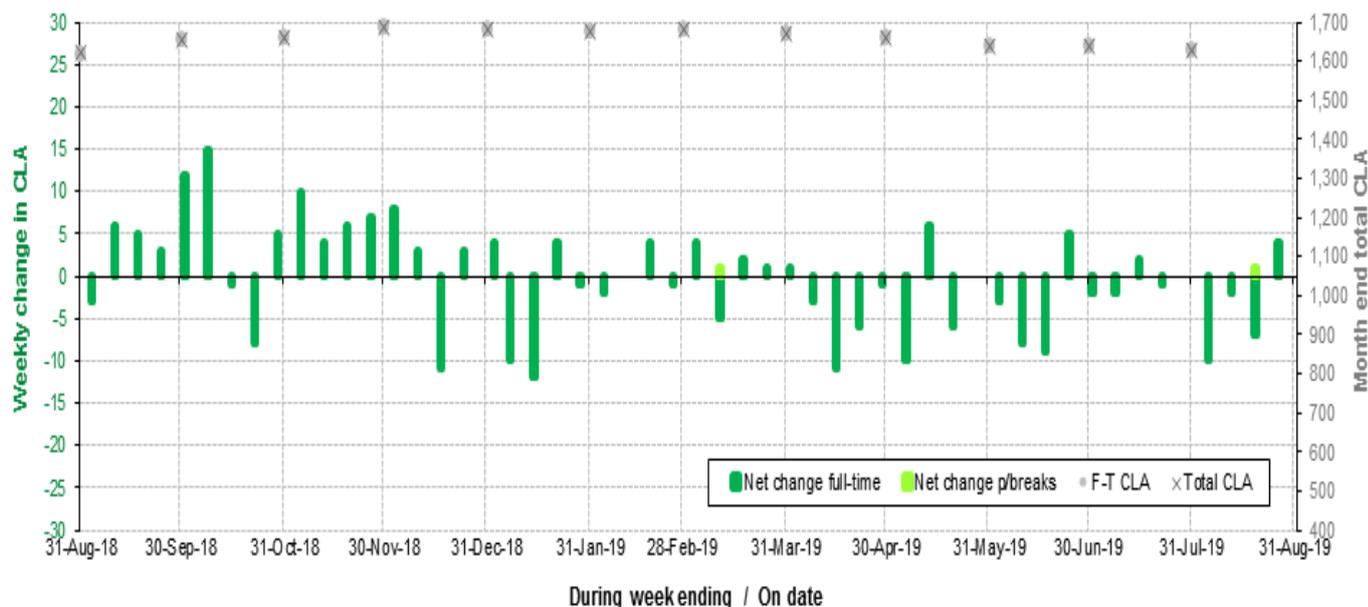
2.6 All of these policy initiatives and changes are arguably good things, but they have, it is argued, led to higher rates of awareness and activity across a wider range of risk factors leading to higher numbers of children in care both nationally and in Hampshire.

3 Placement Turnover

- 3.1 It should also be explained that the number of children in the care of the local authority is never a static figure. Every week, indeed most days, children are coming into our care but equally as important, children leave our care. Every decision to take a child into care is carefully considered and there is a 'triple lock' of accountable decision making.
- 3.2 Initially, the social worker may have concerns about neglect or abuse of a child based on a risk assessment. If the social worker is sufficiently concerned then they will request that their team manager review the case and, if there are no viable family alternatives, that the child is placed in the care of the local authority in order to protect them. If the team manager agrees then this decision is reviewed by the District Manager to ensure that the decision is sound, the right one for the child and that all alternatives have been exhausted.
- 3.3 At this point there are only two options that can effectively be pursued: either the child can be placed within local authority care with the agreement of parents (under Section 20 of the Children Act) or the local authority must apply immediately to the court for an interim Care Order in order to safeguard and place the child.

- 3.4 In the court arena the local authority's decision making is further scrutinised. Around 70% of placements are now made via the courts, a reversal of the situation of a few years ago, due to several practice rulings by the higher courts: supremecourt.uk/cases/2016-0013-judgment.
- 3.5 It should be noted that children's social care also has a gatekeeping panel to agree the non-emergency admission of children into care. This panel will include partner agencies and will look to time limit periods of accommodation with all agencies contributing to the plan to support the child returning home.
- 3.6 Children also leave care most days. Often this is because they have become 18 and are classified as 'care leavers' and will be entitled to ongoing financial and practical support from the local authority. This point about ongoing financial support for care leavers is another area where an undoubtedly positive policy development has led to significant additional costs for the local authority which has now become an ongoing financial pressure. Carefully considered and planned reunification of children to their families occurs almost daily, adding to the churn of children in care.
- 3.7 New legislation which came into effect from April 2018 extended the local authority's responsibility for care leavers until they are 25 years old. Other children are adopted (and thus leave the care of the state) and some, particularly teenagers, return home or go to live with a family member under an arrangement such as a special guardianship order which still has a cost associated with it because of the local authority's duty to financially support such arrangements.
- 3.8 Thus, the number of children in care at any one time is always a net figure reflecting new entrants and leavers. Over time the figure can be better understood as the charts below show:





4 Translating Numbers of Placements into Costs

- 4.1 Historically, officers have always tracked the number of children in care as a proxy measure for total spend. There has been a long established approximation that the 'cost' of a child in care is in the region of £60,000 per annum.
- 4.2 Previous detailed trend analysis work undertaken during a period of significant increases in the number of CLA led to recurring base budget increases in Children's Services of £12.5m in 2015/16 and £9.5m in 2017/18 as well as a further £7.2m allocated for 2017/18 to balance the year end position. 2018/19 saw an additional allocation of £9.7m.
- 4.3 As reported to Members previously, the projections of the growth in the costs of CLA used to baseline corporate funding, were based on a wide range of assumptions and predictions and given the volatile nature of these areas, a requirement to continue to monitor activity and spend closely was recognised. This continued monitoring undertaken by Finance staff and Children's Services colleagues has informed a further review of the recurring funding previously agreed. Updated projections indicate that there will be growing financial pressure over and above the £13.5m that was previously anticipated in 2019/20 of around an extra £4.6m if the growth continues at the same rate for the remainder of the year.
- 4.4 The costs in these estimations are an average of the direct costs of care (i.e. they do not include the costs of social workers, administration etc.). There are a number of types of care placement, the most common of which is a placement with a local authority recruited and trained foster carer. This tends to be the cheapest option at an average of £354 per week. A mixed market applies in fostering and there are numerous Independent Fostering Agencies (IFAs) that supply placements, sometimes specialist or niche placements, usually at a higher average cost of £889 per week.
- 4.5 Similarly, there are in-house residential placements and independent residential placements – this latter category being the most expensive at a current average

- of £4,004 per week. There are also a variety of other arrangements, in particular children in care who are placed at home with a parent or family member as part of a reunification plan; this arrangement is becoming more frequent (see below).
- 4.6 The vast majority of children in care are in foster care (over 70%) with the smallest proportion in residential care (around 10%). However, it is this latter category that is the most expensive. Almost all of the children in these placements (who are not disabled children) will be teenagers – the ‘troubled and troublesome’ category.
 - 4.7 Given that the national number of children in care has increased incrementally and significantly over the last decade, it should not be a surprise that nationally, demand has outstripped supply and that prices in the independent sector have risen. Significant effort and intelligence has been applied to reducing the costs of contracts with the independent sector as part of Transformation to 2017 (Tt2017) and further work as part of Transformation to 2019 (Tt2019). However there is undoubtedly an element of swimming against the tide on this issue.
 - 4.8 National work has recently looked at trying to better understand the changing nature of residential care homes and the independent fostering markets in terms of quality and cost, as well as availability. This indicates that private equity is driving rapid changes in the ownership, financial models and service delivery. It has also identified significant structural challenges in regulating and monitoring providers operating at scale.
 - 4.9 Key findings from this work suggest, private equity firms are funded by borrowing, significant shareholder dividends are being paid and consolidation is reducing capacity rather than increasing it. This is a concern both in terms of value and levels of risk in the system.
 - 4.10 A recent BBC news item reported on recent analysis showing that three groups (Hedge Funds) account for 45% of funds spent on independent fostering by English councils. This is clearly driving prices even higher. <https://www.bbc.co.uk/news/uk-england-49450405>. In Hampshire we have been able to limit our spend with these three groups to 32% of IFA spend, significantly below the national average.
 - 4.11 New analysis from the Local Government Association (LGA) has shown that councils budgeted for an additional £522m in 2018/19 for children’s social care. Despite this, Councils spent £770m more than planned. Significant government funding cuts, rising demand for child protection services and increasing costs means that budgets cannot keep up.
 - 4.12 It goes on to say that there are up to 1,796 referrals made to council’s children’s social care every day and that pressure on upper tier authorities from children’s and adults’ social care growth are two of the highest profile issues (along with Special Education Needs funding) on which many authorities, including Hampshire have been consistently lobbying the Government on for some time.
 - 4.13 The Government announced a one year Spending Round (SR2019) on 4 September this year and additional funding was provided for all three areas, which is set out in more detail in the main Medium Term Financial Strategy (MTFS) report. Whilst this funding is welcome and helps to address some of the current pressures we face, it is important that this is reflected in the multi-year

- 4.17 A key measure taken to safely reduce the number of children in care has been through Hampshire's transformation programme, which underpins the Department's Tt2019 target reduction in CLA costs of £18m.
- 4.18 We have developed and rolled out in depth training in the 'Hampshire Approach', a resilience, strengths-based way of working with families grounded on academic research. In support of the 'Hampshire Approach', we have developed an online toolkit that provides the tools and resources staff need to work with children and families to enable the best possible outcomes.
- 4.19 To ensure we are able to put the right support around the family and do so in a way that is sustainable in the long term, we are creating a multi-disciplinary service that makes the best use of the collective resources available for children and their families. To achieve this, we have needed to work closely with those that commission or provide other services to build a shared, joint understanding of how we can collectively work for children and families in Hampshire.
- 4.20 As part of the transformation programme there was a recognition that social workers need the capacity to develop meaningful relationships with families to then use the new tools to effect long term change and help more children stay safely at home. A £6.6m corporate investment in new social worker posts is reducing the caseloads of social workers and enabling them to deliver these new interventions. The early evidence is encouraging since the model was first rolled out in March 2019. Since that time the numbers of children in care have reduced and are now lower than they were in September 2018. This is the first time in several years we have seen a month on month reduction of children in care numbers. As a cautionary note, the new model of social work practice is still in its early stages, but the signs are positive.
- 4.21 Ofsted commented in the April 2019 inspection; 'A highly successful large-scale transformation programme has included the creation of additional social work posts and an innovative pathway of support for newly qualified social workers. The implementation of children's assessment and safeguarding teams (CAST) and specialist multi-disciplinary teams supports an increasingly holistic approach to children's needs.'
- 4.22 It is anticipated that by implementing this new approach the numbers of children in the care of the local authority will reduce, albeit that there will be demographic growth and the continued national 5% increase in the number of children in care. Given the size and scale of the changes required it is anticipated the required budget reductions will not be achieved until 2021/22, but there also remains the risk that the increasing cost of average placements, particularly in the IFA sector, will reduce the ultimate level of savings achieved, even if the target reduction in overall CLA numbers is met.

5 Future Projections

- 5.1 Between 31 March 2018 and 31 March 2019 there was a net increase of 72 children in care. However, since the planned introduction of the 'Hampshire Approach' in October 2018 there has been a sustained decrease in the numbers. This is very encouraging with regards to the impact of the transformation programme.

- 5.2 Of the 72, 25 were UASC. Firstly, the Government's national redistribution of UASC from France and some local authorities with higher than 0.07% UASC, which commenced in 2016, has seen Hampshire accepting additional children over the past two and a half years. This trend is set to continue longer term.
- 5.3 Whilst the government set target of 0.7% child population rate for UASC equates to 197 UASC for Hampshire, the average age of unaccompanied children being received is 17, meaning they quickly qualify as care leavers and then do not count against the 197 target. UASC now account for over 8% of the children in care population and over 20% of the care leaver population which is a significant increase from UASC making up 12% of the care leaver cohort in 2017/18. The Government has offered additional funding for these children but data from ADCS ('Safeguarding Pressures Phase 5 – Special Thematic Report on Unaccompanied Asylum Seeking and Refugee Children', November 2016) indicates that this meets only around 50% of the actual costs.
- 5.4 The second reason is the increase (driven by changes in case law) in the number of children subject to interim Care Orders but who are placed with parents under the supervision of the courts. There have been 128 such cases in the last six months, the rate prior to 2016 being negligible. In fact, the costs for these children are much less than those in other forms of care as there are effectively no placement costs. Therefore, these two factors account for a significant percentage of the increase of 72. The key point here is that although the numbers have increased the relationship between the net number and the overall cost projection is fractured when compared to past predictive models.
- 5.5 The model is further fractured when the types of placement available are taken into account. The flow of UASCs into the looked after system has strained placement resources nationally, and increasingly fewer IFA placements are available, forcing other placements to be made in higher cost residential settings. Of note is the fact that IFAs increasingly want to receive UASCs, as in the main they present less challenges for their foster carers given the children want to be in care. This then drives a number of local children into higher cost provision, such as Non-County Placements (NCP), simply because of the diminishing level of fostering resource that is available.
- 5.6 Two obvious conclusions can be drawn from this. Firstly, that cost prediction models for children in care are very complex and it is difficult to be able to take account of developing issues. Secondly, that significant resource and capability is applied to reshape the way in which social work with children is carried out to achieve more resilience within families in order that fewer children, especially teenagers who now constitute around 40% of the cohort of children in care, need to enter the care system; and to bear down on the costs of care placements.
- 5.7 Following the unfavourable movements in CLA numbers that started in the summer of 2016, significant work has been undertaken to develop a more appropriate costing model to inform the budget for 2018 to 2023. Children's Services staff have worked with Finance colleagues to model scenarios that take into account the changing landscape and the impact that this has on the overall number and mix of placements. Key to this is understanding the market for the different types of placements and how these align to the types of care placements needed (i.e. how supply and demand interact and the consequences for prices / costs).

- 5.8 Clearly with so many variables and unknown factors it is impossible to ever predict future trends with certainty.
- 5.9 Activity and cost predictions provided by Children's Services on a 'central case' basis indicate that CLA costs will continue to exceed the available budget and require significant further investment. An additional investment of corporate funding for 2019/20 of £13.5m, £8.6m for 2020/21 and £10.3m in 2021/22 has previously been approved through Cabinet.
- 5.10 All forecasting is being closely monitored and a refresh of the data has indicated a further funding requirement of £9.9m from 2019/20 to 2022/23. This has been factored into the MTFS and the Tt2021 forecasts and whilst the additional government funding in 2020/21 helps to meet these additional costs, the overall changes to the budget still indicate that savings of £80m will be required over the two year period.

6 Legal Costs

- 6.1 Inevitably, the volume of cases that are being dealt with by the Department and the greater number of these that are processed through the courts has impacted on the value of legal fees that are paid on a year by year basis.
- 6.2 An increase of £350,000 per annum was added as part of a previous update to the MTFS, but future forecasts show an increase in annual costs of around £1.7m. Children's Services is implementing some changes to the way in which it deals with the impact of legal costs, but it is still thought that an increase of around a further £1m per annum is required going forward. This has also been factored into the updated MTFS figures and will be built in as part of the budget setting process for 2020/21.

7 Care Leavers

- 7.1 Finally, attention needs to be drawn to the budget for care leavers. It is an obvious point that if we have had more children in care since 2008 then we will have more young people entitled to care leaver support. There are 664 care leavers aged 18 and over currently receiving a service from Hampshire Children's Services. As referenced at paragraph, 5.3, UASC make up over 20% of the care leaver cohort.
- 7.2 An analysis of the Local Authority's financial responsibilities towards care leavers highlights a wide set of statutory responsibilities covered by the relevant Legislation and Guidance. There is a requirement to:
- Provide and maintain suitable accommodation.
 - Provide a bursary to care leavers going to higher education.
 - To give a personal allowance, whilst a benefit claim is being processed.
 - To support education, employment and training expenses including travel.
 - To give a Setting-up Home allowance, up to £2,000 per care leaver.
 - Specific requirements for care leavers whilst in custody.

- Responsibilities towards UASC care leavers who have “All Rights Exhausted” and therefore require funding for all aspects of their living arrangements.
- 7.3 There are also varying degrees of expectation and guidance that add to the financial burden regarding payments that could be described as discretionary. Many of these payments can be categorised as best practice in terms of corporate parenting.
- 7.4 In addition, the new extended duties for care leavers up to the age of 25 will further drive up this number and the associated spend. This group of young people receive support from a dedicated Care Leavers service, with every young person having an allocated Personal Adviser whose responsibility is to keep in touch, to ensure that the young person is supported to access and maintain suitable accommodation and is engaged in meaningful employment, education or training, including support to access apprenticeships, and higher and further education
- 7.5 A particular challenge in Hampshire currently is to identify and support young people in accessing suitable accommodation, particularly where young people need additional support to live independently. Several new pilots are being tested with the aim of better meeting the needs of care leavers and subject to the outcomes of the pilots, the approach will be rolled out across the county.
- 7.6 In overall terms, the impact of these changes is already affecting the budget for Children’s Services. Following a detailed review of costs, £1m was added to the budget to 2017/18 to address these pressures, in conjunction with work to provide efficiencies and reduce costs. Further work is required to model potential costs for next year due to the extended duties to care leavers up to the age of 25 while longer term solutions are developed.