

Appendix 2

Placements for looked After Children – Financial Impact

Scrutiny September 2023

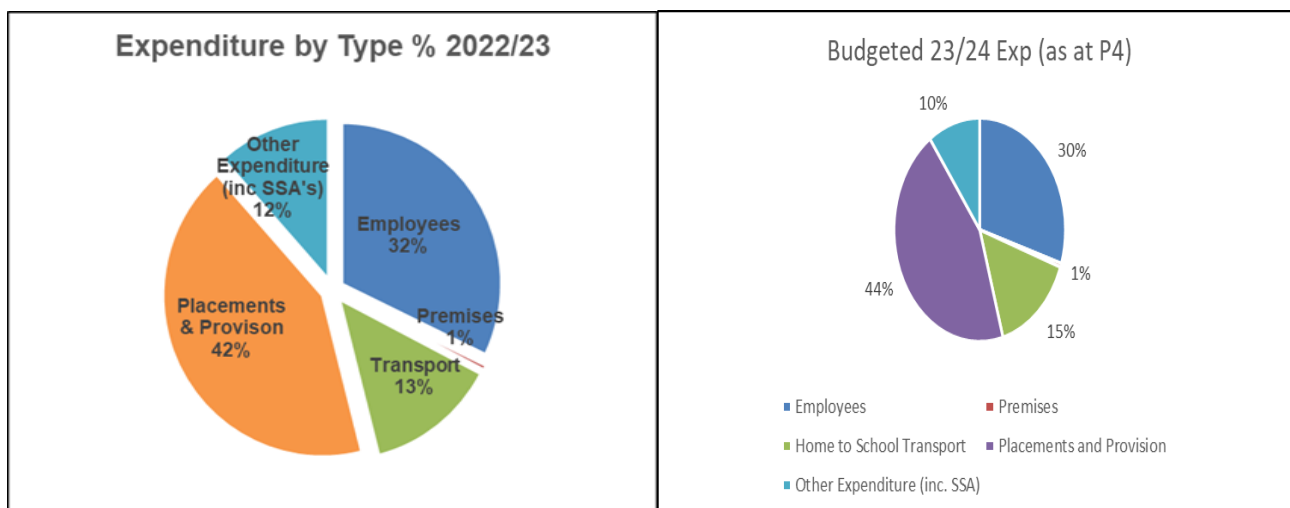
1) Placements Budgets.....3

2) Financial impact on placement costs.....4



1) Placements Budgets

1. Our 2023/24 Placements budget represents approx. 44% of the total WCF gross expenditure budget. This is an increase (both in terms of total and %) from 2022/23, where we saw Children’s, Placements account for 42% of total WCF expenditure.



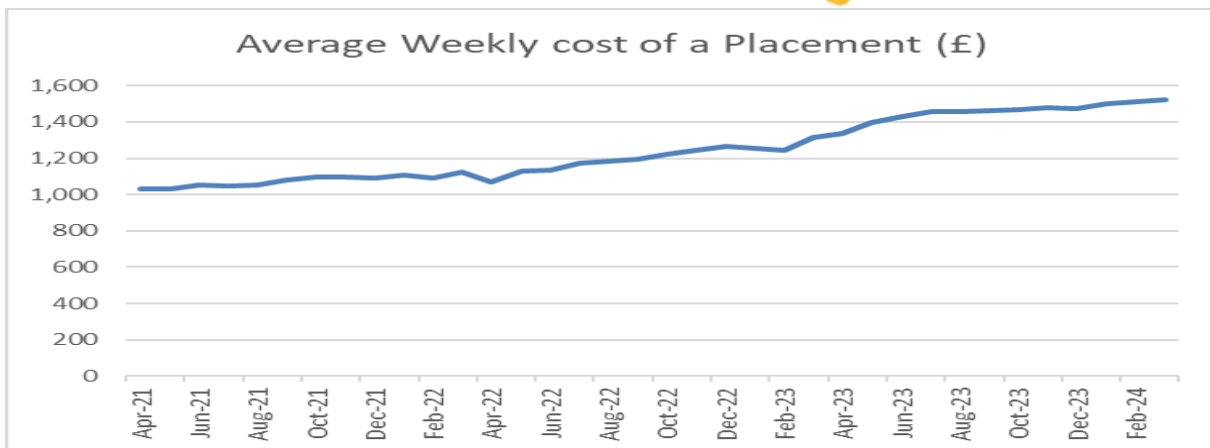
2. The 2023/24 placement budget was set at £65.784m. At Period 4 this budget is forecast to outturn with an overspend of £16m, meaning that effectively children’s placements will account for 50% of WCF gross expenditure. The £2m risk reserve will be fully utilised in order to partially offset this overspend.

Managing placement spend at best value.

3. Our robust commissioning and management approach (which was subject to an Internal Audit review in 2022/23 with an outcome of substantial assurance) has resulted in cost avoidances, and limited price increases where possible. Despite these efforts, there has been a significant rise in the average cost of a placement since budget setting proposals were drawn up in October 2022.

4. The chart below tracks average weekly costs since April 2021, and shows the increase between the budget setting period (£1,221pw) and now (£1,456pw) – a 19% increase in less than one year. To put this into perspective, in the financial year 2021/22 – which was the most recent WCF surplus – average placement cost increased by only 3% for the whole year.

5. However, the cost of placements nationally has risen substantially due to inflation and very limited availability of placement to meet complex needs which this has been reported in a wide range of research documents including the Care Review and the CNN review of placement provision.



6. The quality of our safeguarding services and relationships with independent providers means that negotiations can be effective as providers will choose WCF in some cases knowing that they will get a good quality and responsive social work intervention for the child placed with them. This is important to providers who are subject to regular Ofsted inspection themselves.

7. What we see in Worcestershire is that the most significant cost pressure is associated with the smallest number of placements. The majority of our placements have been sustained at less than £10k a week.

Quarter 1 2023-24

- 13 independent placements over £10k. **(3 same period last year)**
- 98.04% placements under £10k **(99.44% last year)**
- 1.96% placements over £10k **(0.56% last year)**

8. The change in spend is linked to the increase in placement numbers, the increasing costs of placements, the rise in the £10k+ placements and an increase in residential numbers (107 in June 22 to 141 in June 23) due to more limited foster placements and a provider market.

9. In conclusion it's clear that the high financial impact of our placements for children in care is our most significant cost pressure and yet outcomes for children in care are generally less positive.

10. **Outcomes for children are better when we can keep them at home. There is a need to invest in our child in need of support services to prevent children and young people entering care, where it is safe and in their best interests.**

2) Financial impact on placement costs

11. Placement costs cover a variety of costed care for children who are under the care and support of the local authority. These include financial support allowances for Adopted children, children subject to Special Guardianship and those in supported living leaving care. The table below shows how the spend in each of those areas has changed in the last two years:



	21/22 Spend (£)	22/23 Spend (£)	23/24 Forecast (£)	% change in expenditure over 2 years	Current Lowest Weekly Cost - Aug 2023 (£)	Current Highest Weekly Cost - Aug 2023 (£)
External Residential	25,153,995	31,833,713	44,080,690	75%	2,490.00	15,319
External Fostering Placements	12,143,793	13,541,507	14,906,440	23%	698	2,830
Safe Base, Student Accommodation, and Staying Put	575,912	321,613	317,035	-45%	138	360
External Supported Living and Supported Lodging	1,708,061	4,943,493	7,807,542	357%	215	20,987
Secure	1,444,233	410,879	341,672	-76%	0	0
Youth Reform	87,648	0	16,000	-82%	0	0
UASC (incl. UASC Care Leavers)	1,174,269	2,664,708	3,915,880	233%	215	1,584
In House Fostering (inc. Kinship)	6,271,628	6,340,654	6,516,110	4%	154	917
In House Residential	588,947	428,687	275,285	-53%	2,933	2,933
In House Supported Living (inc. Outreach)	1,363,094	1,432,236	1,714,094	26%	584	584
Special Guardianship Orders	1,107,889	1,181,601	1,337,671	21%	8	415
Child Arrangement Orders	104,538	107,010	99,417	-5%	36	237
Adoption Allowances	201,202	247,820	226,977	13%	12	466
ACE Contract	987,784	1,297,725	1,371,000	39%		
Fostering Teams and Support	1,912,740	2,201,127	1,905,346	0%		
Permanency Team	248,463	309,563	285,939	15%		
Total	55,074,195	67,262,335	85,117,099	55%		

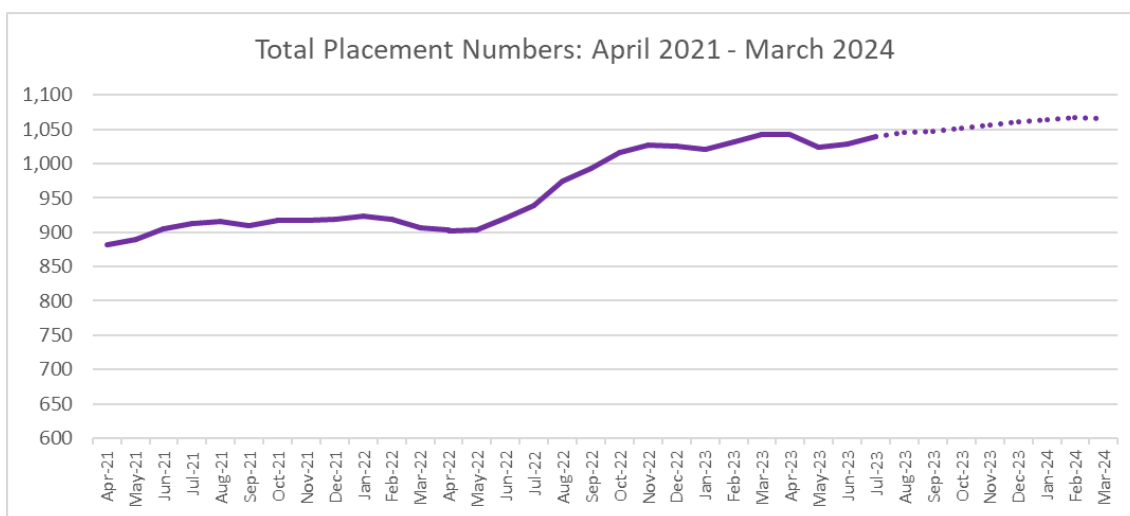
12. Placements is historically a highly volatile area both in terms of costs and demand, and this can make forecasting very difficult. One new high-cost placement can swing the in-year forecast by as much as £1m. The table below shows the breakdown of the placements budget

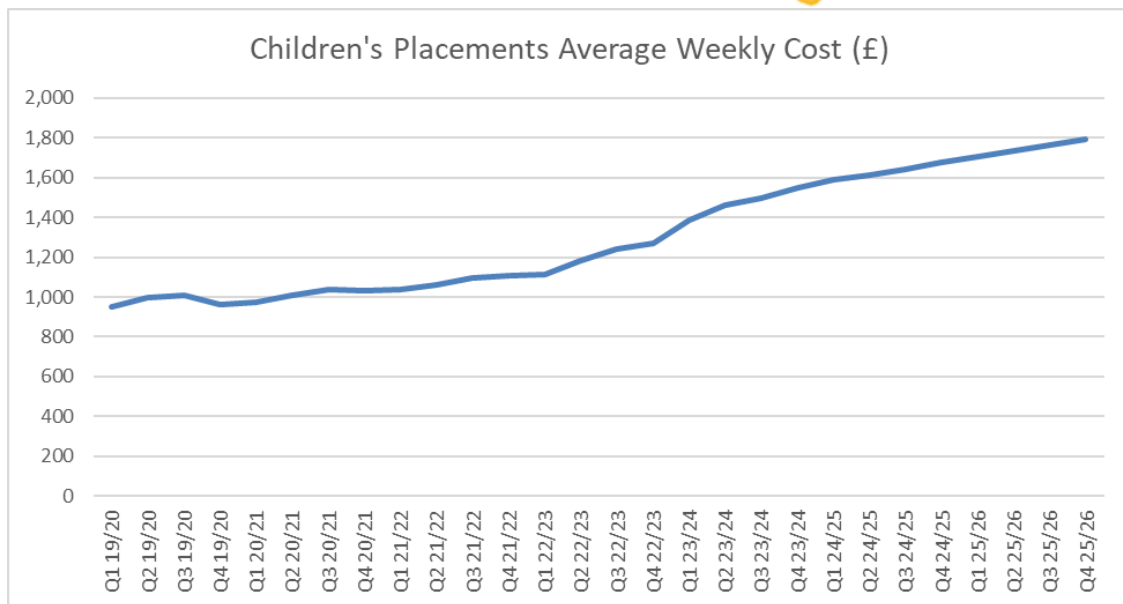
again, this time showing the current numbers and average weekly costs for each placement type. This highlights the difference in price levels across different placements.

	Numbers March 21	Numbers March 22	Current Numbers Aug 2023
External Residential	105	136	145
External Fostering Placements	282	313	308
Safe Base, Student Accommodation, and Staying Put	62	70	59
External Supported Living and Supported Lodging	23	49	49
Secure	3	1	0
Youth Reform	0	0	0
UASC (incl. UASC Care Leavers)	39	101	100
In House Fostering (inc. Kinship)	368	359	360
In House Residential	8	2	2
In House Supported Living (inc. Outreach)	36	39	38
Special Guardianship Orders	189	191	193
Child Arrangement Orders	24	17	17
Adoption Allowances	35	30	30

Financial Forecasting

13. Our methodology for forecasting has proved accurate in recent years, though it is not immune to sudden shocks and changes. We use a 12-month rolling data set for forecasting both placement numbers, and average cost, for every single placement type. These are then combined into the forecast used in budget monitoring. The charts below show how we take recorded actual data and then project a forecast trendline:





14. The benefit of using a 12-month rolling trendline is that it does not 'panic' and fluctuate too much if there is change one month to the next, as it always considers that change in context of the overall picture of the last 12 months. This means that we do not have our financial forecasts going up and down by millions of pounds each month.

15. Ultimately, since this methodology was adopted in 2019 and used in both budget setting and in-year forecasting, WCF achieved a small budget surplus in the financial years ending 2020, 2021 and 2022. In 2023, we saw a sustained period of growth in numbers and costs outside of historical norms, leading to an overspend in 2022/23 and a forecast overspend in 2023/24.

16. However even in this period, the trendline methodology allowed us to quickly understand what was happening and to forecast appropriately. This is evidenced by the fact that by Period 7 2022/23, we were reporting a £4.9m overspend in placements, compared with the final outturn of £5.0m overspend. In 2023/24, we have been reporting a forecast overspend right from the start of the year as it is apparent that the impact of the cost increases over the previous financial year is set to continue.

Tina Russell – DCS and CEO

Chris Bird – Interim Director of Resources

September 2023