

Modernising the Fostering Service – Proposed Developments in 2005/06

RECOMMENDATIONS

- 1.1 To increase current fostering allowances on 1 October 2005, as set out in this report, in order to progress towards the Fostering Network recommended minimum rates.
- 1.2 To consider the business case for a further phased increase in 2006 as part of the 2006/7 budget process or earlier if affordable following a review of the Social Services budget position in the autumn.
- 1.3 To rationalise and consolidate the range of additional payments available for foster carers into a single improved allowance.
- 1.4 To restructure and modernise the current fee structure to meet current needs and attract prospective carers for more difficult to place children.
- 1.5 To note the intention to enter into a long term agreement at a slightly reduced rate for a number of placements with independent fostering agencies (IFAs) where the placements are settled and long term, and it is not possible to move the children.
- 1.6 To bring a progress report to Cabinet in April 2006, on the impact of the changes recommended in this report on recruitment and retention.

REASONS FOR THE RECOMMENDATIONS

- 2.1 There has been a small net increase in the number of carers recruited by Derby in 2004/05 for the first time for several years and a continuing slow reduction in the number of children looked after to its lowest ever level. Pressure for new placements continues, however, and cannot be met from within current resources. We have not yet achieved a planned downturn in the use of IFAs and at present there is no certainty that without further action to improve our competitiveness and offer Derby carers a fair deal we will be able to achieve this.

A combination of paying National Foster Carer Network rates as our basic position with a simplified but extended fee structure for the more demanding children is considered the best way to enable us to offer an easily understood package to potential foster carers and place ourselves appropriately within the market where independent fostering agencies are our main competitors.

These are nationally recognised rates that are promoted as giving carers a fair allowance to cover the costs of caring for children on behalf of the Local Authority.

- 2.2 The intention is to fund this by a combination of streamlining existing extra

allowances, using the Choice Protects special grant, and whenever possible reducing over time the use of IFAs. The Choice Protects grant is time limited, but in the past grants of this nature have been consolidated into the FSS, and there is no reason to doubt that this will happen in this case. Reducing the number of placements remains a positive intention but is not yet happening.

- 2.3 However, if we take no action it is very likely that the current shortage of placements particularly for teenagers will continue and that use of the IFAs will grow at continuing cost to the council. Taking this action is a positive step to improving the position.
- 2.4 The proposal to increase rates now, and consider a further phase later in the year, is considered to be the best way forward as it spreads the costs over a longer period but also provides serious evidence of our commitment to our existing carers. The positive impact of this on our recruitment activity for new carers will also extend over this period.
- 2.5 A number of our IFA placements have been in place for 2 years or longer. It would not be in the interests of these children to seek to move them unless the care plan required this. Confirming these placements as long term can achieve an 8% reduction on the fees, and it is the intention to do this.

SUPPORTING INFORMATION

- 3.1 The need for us to improve and modernise our fostering service was clearly identified in the Best Value Review that was completed in 2003. Accordingly an additional investment of £480,000 was agreed for the fostering service in 2004/05. This investment has helped us to slow the use of Independent Fostering Agency placements and to improve our retention rates. For the first time in 5 years we ended the year 2004/05 with more carers than we commenced the year with and although this was only 3 carers, 5 placements, it is a significant change. If we are to further improve placement choice for Derby Looked After Children then we need to take this further and attract at least a further 30 carers.
- 3.2 The department currently spends £1.8 million on purchasing 43 foster placements from independent providers.
- 3.3 The City Council made significant investment in 2004/5 into in house fostering allowances and has made an above Retail Price Index increase for 2005/6. This is part of our commitment to strive towards achieving the Fostering Network recommended rates. However in 2005/6 we will still be paying almost 30% below these recommended rates on our basic allowances. Nationally over half of all Local Authorities with Social Services responsibilities are now paying at this level or above.
- 3.4 The competition continues from Independent Fostering Agencies (IFAs) who pay significantly more than the City Council and from surrounding Local Authorities. New independent providers are currently seeking to recruit carers in the Derby area and are succeeding in attracting some of our carers and social work staff. In order to address this we need to further close the gap between what carers might expect to receive from an IFA compared to ourselves. The number of people enquiring to become Derby City foster carers is again steadily reducing and we need to have clearer and more attractive financial structures in place to give us a competitive edge for marketing purposes and to retain current carers against the challenge

posed by IFAs.

- 3.5 We have had difficulties in recruiting sufficient social work staff to get prospective foster carers, trained, assessed and approved but this situation has recently improved, and all assessments can now be allocated as required.

Recruitment

- 3.6 We continue to develop our non-financial improvements to our recruitment and retention activities:

- We have a recruitment business plan, which outlines the annual programme. In the last six months we have doubled our capacity to provide pre approval training.
- The advertising profile includes 'human interest' stories linked to carer achievements throughout the year and also linked to the 'Fostering Fortnight' in May. We have bookmarks in every council tax statement in the City. Other activities include radio advertising on BBC Radio Derby; RAM FM; Capital Gold and Centre FM. We can be contacted via the Derby City Website and have leaflets and posters distributed through outlets across the authority. The most recent activity has been paid advertising on w/c 20 June 2005 in the Evening Telegraph and Burton Mail, looking for carers for teenagers.
- We have maintained interest from potential carers offering placements for younger children but are having increasing difficulty attracting carers for teenagers or children with disabilities. Carers generally have less physical space so offer fewer placements.
- Our retention profile is within acceptable parameters. The majority of carers leave because they wish to retire, move out of the area or they are specific carers whose placement has ended. Five carers in the last year have moved to independent fostering agencies, one because of an unresolved disagreement and the others because they anticipated the higher remuneration.

Basic Allowances

- 3.7 Last year we increased our basic allowance levels by 15% as part of our commitment to carers to gradually bring our allowances up to Fostering Networks recommended level. In consultation with our existing carers, it is clear that their priority is for our basic allowances to be increased. Without this, there is a sense that carers are subsidising the costs of care for Children Looked After. Government are currently reviewing fostering allowances and there are likely to be recommendations on allowance levels at some point in the future. Bringing our allowance levels up to Fostering Network levels will be a significant improvement for our recruitment and retention of foster carers.
- 3.8 A recent review of allowances has shown that a number of current separate payments could be consolidated into the basic allowances. Currently holiday allowances, "top-up" clothing allowances, extra activities payments and other minor additional payments are made separately. The consolidation of these "extras" into a streamlined and easily understood general allowance would be more efficient for both finance officers and social workers. These efficiencies however will not be cash

releasing, but should improve foster carer satisfaction with the payments system by reducing the risk of error.

- 3.9 In 2004/5 the Council began to pay all carers a £1,000 per annum retention and performance linked bonus. This has been well received by existing carers and should be maintained as both a retention and marketing strategy.

Fee based schemes

- 3.10 The City Council has had a long existing system of paying some carers a specialist fee as an addition to the basic allowance. We currently operate two fee-based schemes where carers receive a remuneration payment in addition to the allowances paid for the children placed. This is paid currently at £125.23 for 66 children with behavioural difficulties and £118.90 for 22 children with disabilities.

This has undoubtedly assisted recruitment in the past but is now rather inflexible. The system needs to be reinvigorated with a new service level agreement with carers and a range of fee levels. A new scheme should be introduced that gives greater flexibility for payment dependent on the need levels of the children and the skills required of the foster carer. Such a scheme could be met from the existing spend on fees within our current schemes, subject to the protection of 5 current carers.

Contract Carer Schemes

- 3.11 Some Authorities have introduced contract carer schemes where in addition to the allowances for children carers receive a substantial fee, usually in excess of £20,000 per year and sometimes significantly more than that. Usually such schemes are small in size, typically 4 – 10 carers and are targeted at the most difficult to place young people who would otherwise be in expensive externally purchased placements, usually in the residential sector. Currently we have only a small number of placements of this type given our strong in-house residential provision. Embarking on a contract carer scheme is not proposed at this time. Such a scheme would deliver only a small number of placements and at this point we need to concentrate on building up our stock of mainstream carers. The potential benefits of such a scheme need to be evaluated following an assessment of the improvements recommended for 2005/06 and their impact.
- 3.12 This proposal will help us to address the differentials in payments to carers between ourselves and IFAs (*Table 1*), as well as ensuring that we maintain and improve our position in relation to neighbouring councils. It is difficult to give exact comparison between ourselves and neighbouring local authorities (*Table 2*) as all have differing schemes of allowances. Discussion with colleagues in two of the East Midlands Councils, have indicated that they are also looking at ways to consolidate payment into one increased level of allowance. All our neighbours are experiencing the same or similar difficulties in recruiting new carers as we are.

Weekly Fostering Allowances 2005-06 (Table 1)

Age Group	Derby City Council Current Allowances	Fostering Network Recommended Rate	Derby City Council Current Rate +15%	IFA Payment to Carers ¹
0-4	£86	£112	£99	± £365
5-10	£98	£128	£103	± £365
11-15	£122	£159	£140	± £365
16+	£155	£193	£178	± £365

Note:¹ These placements cost the Council an average of £835 per week or £43,500 per annum to include the agency's costs.

Comparison with neighbouring local authorities 2004/05 (Table 2)

Council	Annual Project Fee or Equivalent (Weekly amount)	Annual Financial Allowance for one child age 11-15 (Weekly amount)	Total Payment for one child (Weekly amount)
Derby	£6,240 (£120)	£6,090 (£117)	£12,330 (£237)
Derbyshire	£6,240 (£120)	£5,980 (£115)	£12,220 (£235)
Leicester	£5,876 (£113)	£5,980 (£115)	£11,856 (£228)
Leicestershire	£8,840 (£170)	£5,333 (£103)	£14,173 (£272)
Nottingham	£8,840 (£170)	£4,220 (£81)	£13,060 (£251)
Nottinghamshire	£5,200 (£100)	£5,573 (£107)	£10,773 (£207)

Notes:

- 1. All figures are approximate. They do not take into account payments such as birthday allowances and loyalty bonuses, which vary from each Council.*
- 2. Exact comparison is difficult because some Councils have skill based schemes that are not a direct equivalent to our project fee. The payments are sometimes available after a period of training and not immediately as with our project fee.*
- 3. These figures are for 04/05, and will have increase again. Comparative figures for 05/06 are not available at this point. We know that within the East Midlands there are other authorities looking to increase their basic allowance further.. The East Midlands is unique in the country in being the only region where no authority is paying at fostering network rates.*

3.13 Proposals

- That the City Council increases payments to foster carers as set out in this report as part of its commitment to reach Fostering Network allowance rates. The financial implications section of this report gives details of this.

- Maintain the retention / performance payment of £1,000 per annum
- Introduce a range of fee payments at £75 / £125 / £175 per week with clear service agreements attached.

Currently, there are 5 carers who would be net losers if these proposals were implemented and their position would need to be protected for the duration of their placements.

- 3.14 The commissioning strategy behind these proposals is to enhance our capacity to provide in-house placements for all under 10s and increase our capacity to place teenagers. We may commission independent providers to provide particularly singleton placements of children and young people who due to their complex needs cannot be placed with other children. Additionally the consolidation of 15 of the IFA placements that are now long term and stable would save approximately £30,000 with around 8% reduction in fees.
- 3.15 The recruitment and retention of foster carers is crucial to the stability of the social services children's budget, and the Council's revenue budget strategy in 2006/7 and 2007/8. It is equally crucial to the Council's ability to provide safe and appropriate care for its looked after children by creating suitable placement choices to meet children's needs close to Derby. It is therefore proposed to bring a progress report in April 06, detailing progress on improving recruitment and retention, following the implementation of the recommendations in this report.

OTHER OPTIONS CONSIDERED

- 4.1 Other options have been considered, to do nothing, in relation to fees and allowances, and to increase rates to the fostering network recommended rates from October and to increased rates to the Fostering Network recommended rates in two phases, October 2005 and October 2006.
- 4.2 These options have been developed from consideration of how to continue to improve the fostering service and to reach the point where we feel we have the right payments system in place and a reasonable level of allowances and rewards to enable us to be in a better position to recruit to the in house foster care service.
- 4.3 All the options considered include the recommendation to modernise the payments system.
- 4.4 The recommendation that is being brought forward about the level of payments is a best judgement recommendation, however, rather than a scientific calculation that this is exactly the formula that will reach the perfect balance between payment and results. It does incorporate the principle that we should seek to cover the costs of care, and not expect foster carers to subsidise those costs. The national Fostering Network rates are the only guidelines available, and the number of authorities using them fully or working towards them is increasing year on year.

- 4.5 The option to do nothing has been discounted. Our judgement is that the level of financial support is one of the significant factors people consider in deciding whether to foster and whether to foster for the City Council. For the reasons already given, it is considered that the current allowances are too low to cover basic cost and to enable the Council's own service to be attractive.
- 4.6 The option to increase the rates by 30% to the full Fostering Network recommended rates in October 2005 has been discounted, as it is not yet possible to identify how it will be fully funded.
- 4.7 The option of committing now to 2 phases, one in October 2005 and another in October 2006 has been considered but the current budget position for 2006 is not sufficiently clear to allow that commitment to be made at this time. It will be considered again in autumn 2005.
- 4.8 In addition to the formally identified options the Council could chose to make any level of increase above inflation between the current rates and the Fostering Network rate. However a staged process does seem to offer a reasonable balance between cost, demonstrating commitment and obtaining results.
- 4.9 The fostering service is continuing to work on improving its advertising, its recruitment processes and its support for existing carers to improve retention. These are not optional, as they form part of the overall work programme to improve the fostering service

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Background papers:

List of appendices:

Appendix 1 – Implications

Appendix 2 – Impact if unable to recruit in-house foster carers

Appendix 3 – Impact of making the required reduction in IFA

IMPLICATIONS

Financial

- 1.1 The financial details in relation to the recommended option referred to earlier are outlined below:

15% increase from 1 October 2005

Full year costs of the proposals	£000
Additional cost of increasing allowances	230
Protection of current carers	44
Total costs	274

Full year funding available	
Consolidating current spend into allowances	(145)
Choice Protects additional grant	(129)
Total funding	(274)

2005/06 Part year effects	£000
October 2005	
Half year costs at half the increase (15%)	115
Total costs	115

Funding available	
Choice Protects additional grant	115
Total funding	115

The financial effects of a further 15% increase in October 2006 to reach National Foster Care Network rates will lead to a budget shortfall of £76,000 in 2006/07 and £191,000 in 2007/08. Reductions in IFA numbers could contribute towards these pressures. Given that on average each IFA costs £40,000 pa., double an in-house placement cost, a reduction of 4 will be needed to fund the £76,000 pressure and 10 will be needed to the £191,000 full year pressure.

1.3 Independent Fostering Agency (IFA) Placement Budgets

The budget position in 2005/06 for IFA placements is currently worse than anticipated as shown the table below. This profile requires consideration as part of the full financial picture and is further indication of the need to take further action to improve our recruitment. Despite our efforts we have not yet achieved a planned downturn in the use of IFAs.

In addition the 2006/7 and the 2007/8 Social services budget is profiled to show a reduction of £500,000, in both years, which it is anticipated would come from reducing numbers and costs of children looked after. This proposal to increase fees may improve the prospects of this but will also make the reductions required even more demanding. We continue to work with this requirement in mind.

Amongst the current cohort of children placed with IFAs there is a significant proportion (approx. 15 out of 43), where remaining in the current IFA place is likely to be in the child's best interests. For older children particularly teenagers, there is no current prospect of any of these children being placed back with Derby foster carers in the near future. For these 15 children we are intending to consolidate their placements with the current agency and negotiate a long term more favourable rate. Although this will bring some small reduction in costs, the significance of this is that these children's costs will have to be met in the medium to long term.

Our current recruitment is not attracting interest in fostering teenagers. All our current applicants are for younger children or respite placements.

2005/06	Numbers	£000
Budget		
Budgeted number of placements at as 1 April 2005	40	
Budgeted number of placements at as 31 March 2006	34	
Budgeted reduction	-6	
Budget available 2005/06 (average of 37 placements)		1,652
Projected Outturn		
Actual number of placements as at 1 April 2005	43	
Estimated number of placements as at 31 March 2006	34	
Estimated reduction	-9	
Estimated expenditure 2005/06 (assuming a reduction of one IFA placement per month from 1 July 2005 to 31 March 2006)		1,806
Projected Overspend 2005/06	0	154

The projected overspend of £154,000 in 2005/06 assumes that the target reduction to 34 IFAs will still be achieved by 31 March 2006 with a reduction of one placement a month from July 2005 to March 2006. If this profiled reduction is not achieved (i.e. the number of IFAs remains at 43) then the overspend will be £326K in 2005/6. (See Appendix 2).

If we are unable to recruit in house carers and we are forced to make additional placements through IFAs our financial risks increase significantly. An increase of 6 placements in 2005/06 to a total of 49 will increase the overspend to £564K (See Appendix 2).

Appendix 3 attached shows the impact of making the required reduction in IFA placements to fund the proposed option.

Legal

- 2.1 Legal advice would be sought in the drafting of a new service level agreement with foster carers requesting the fee payment.

Personnel

- 3.1 None.

Equalities Impact

- 4.1 Derby children will continue to be placed further from home if we cannot recruit sufficient skilled carers to maintain them locally.

Corporate Objectives and Priorities for Change

- 5.1 This accords with the Council's objective of **healthy, safe and independent communities** and furthers the priority of **modernising social care, including adult home care and the fostering service**.

SOCIAL SERVICES DEPARTMENT
BUDGET PRESSURES 2005/06, 2006/07 AND 2007/08
CHILDREN & FAMILIES

AGENCY FOSTERING PLACEMENT BUDGETS

Number of placements	Effect of reduction in placements 2005/06	Total Cost of Placements 2005/06	Annualised net cost of Placements 2005/06	Budget	Variance
	£'000	£'000	£'000	£'000	£'000
2005/06 (reduction of 9)					
Placements					
b/f 1/4/05	43	1978	1,978		
Apr-05	0	0	1,978		
May-05	0	0	1,978		
Jun-05	0	0	1,978		
Jul-05	-1	-35	1,944		
Aug-05	-1	-31	1,913		
Sep-05	-1	-27	1,886		
Oct-05	-1	-23	1,863		
Nov-05	-1	-19	1,844		
Dec-05	-1	-15	1,829		
Jan-06	-1	-12	1,817		
Feb-06	-1	-8	1,809		
Mar-06	-1	-4	1,806	1652	-154
	34	-173	1,806		
2005/06 (No reduction)					
Placements					
b/f 1/4/06	43	1978	1,978		
Apr-05	0	0	1,978		
May-05	0	0	1,978		
Jun-05	0	0	1,978		
Jul-05	0	0	1,978		
Aug-05	0	0	1,978		
Sep-05	0	0	1,978		
Oct-05	0	0	1,978		
Nov-05	0	0	1,978		
Dec-05	0	0	1,978		
Jan-06	0	0	1,978		
Feb-06	0	0	1,978		
Mar-06	0	0	1,978	1652	-326
	43	0	1,978		

APPENDIX 2

Number of placements	Effect of reduction in placements 2005/06	Total Cost of Placements 2005/06	Annualised net cost of Placements 2005/06	Budget	Variance
	£'000	£'000	£'000	£'000	£'000
2005/06 (Increase of 6)					
Placements					
b/f 1/4/06	43	1978	1,978		
Apr-05	0	0	1,978		
May-05	1	42	2,020		
Jun-05	0	0	2,020		
Jul-05	1	35	2,055		
Aug-05	0	0	2,055		
Sep-05	1	27	2,082		
Oct-05	0	0	2,082		
Nov-05	1	19	2,101		
Dec-05	0	0	2,101		
Jan-06	1	12	2,112		
Feb-06	0	0	2,112		
Mar-06	1	4	2,116	1552	-564
	49	138	2,116		

SOCIAL SERVICES DEPARTMENT
BUDGET PRESSURES 2005/06, 2006/07 AND 2007/08
CHILDREN & FAMILIES

AGENCY FOSTERING PLACEMENT BUDGETS

Number of placements	Effect of reduction in placements 2005/06	Total Cost of Placements 2005/06	Annualised net cost of Placements 2005/06	Budget	Variance
	£'000	£'000	£'000	£'000	£'000
2005/06 (reduction of 9)					
Placements					
b/f 1/4/05	43	1978	1,978		
Apr-05	0	0	1,978		
May-05	0	0	1,978		
Jun-05	0	0	1,978		
Jul-05	-1	-35	1,944		
Aug-05	-1	-31	1,913		
Sep-05	-1	-27	1,886		
Oct-05	-1	-23	1,863		
Nov-05	-1	-19	1,844		
Dec-05	-1	-15	1,829		
Jan-06	-1	-12	1,817		
Feb-06	-1	-8	1,809		
Mar-06	-1	-4	1,806	1652	-154
	34	-173	1,806		
2006/07 (Reduction of 4)					
Placements					
b/f 1/4/06	34	1564	1,564		
Apr-05	0	0	1,564		
May-05	0	0	1,564		
Jun-05	-1	-38	1,526		
Jul-05	0	0	1,526		
Aug-05	-1	-31	1,495		
Sep-05	0	0	1,495		
Oct-05	-1	-23	1,472		
Nov-05	0	0	1,472		
Dec-05	0	0	1,472		
Jan-06	0	0	1,472		
Feb-06	-1	-8	1,464		
Mar-06	0	0	1,464	1552	88
	30	-100	1,464		

APPENDIX 3

Number of placements	Effect of reduction in placements 2005/06	Total Cost of Placements 2005/06	Annualised net cost of Placements 2005/06	Budget	Variance
	£'000	£'000	£'000	£'000	£'000
2005/06 (Reduction of 10)					
Placements					
b/f 1/4/06	34	1564	1,564		
Apr-05	0	0	1,564		
May-05	0	0	1,564		
Jun-05	-1	-38	1,526		
Jul-05	-1	-35	1,491		
Aug-05	-1	-31	1,461		
Sep-05	-1	-27	1,434		
Oct-05	-1	-23	1,411		
Nov-05	-1	-19	1,392		
Dec-05	-1	-15	1,376		
Jan-06	-1	-12	1,365		
Feb-06	-1	-8	1,357		
Mar-06	-1	-4	1,353	1552	199
	24	-211	1,353		