



DERBY CITY COUNCIL

**SOCIAL CARE & HEALTH OVERVIEW AND SCRUTINY  
COMMISSION  
14 JUNE 2005**

Report of the Director of Social Services

## **Modernising the Fostering Service – Proposed Developments in 2005/06**

### **RECOMMENDATIONS**

To consider the draft proposals of the Director of Social Services in relation to Foster Allowances.

### **REASONS FOR RECOMMENDATIONS**

This matter is due to be considered by Cabinet in July and Overview and Scrutiny has asked for the opportunity to consider the issues prior to this.



DERBY CITY COUNCIL

**SOCIAL CARE & HEALTH OVERVIEW AND SCRUTINY  
COMMISSION  
14 JUNE 2005**

Report of the Director of Social Services

## **Modernising the Fostering Service – Proposed Developments in 2005/06**

### **RECOMMENDATIONS**

- 1.1 To increase current fostering allowances to Fostering Network recommended minimum rates in two phases in 2005 and 2006.
- 1.2 To rationalise and consolidate the range of additional payments available for foster carers into a single improved allowance.
- 1.3 To restructure and modernise the current fee structure to meet current needs and attract prospective carers for more difficult to place children.

### **REASONS FOR THE RECOMMENDATIONS**

- 2.1 Despite a small net increase in the number of carers recruited by Derby in 2004/05 and a continuing slow reduction in the number of children looked after to its lowest ever, pressure for new placements continues, and cannot be met from within current resources. We have not yet achieved a planned downturn in the use of IFA's 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. Moving towards this by 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 will enable us to offer an easily understood package to potential foster carers.
- 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 currently able to be evidenced by success to date.
- 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.

The option of phasing this over 2 years is considered to be the best option 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.

## 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 IFA's.
- 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.
- 3.6 **Basic Allowances**

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.

- 3.7 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 officer and social workers.
- 3.8 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.

### 3.9 **Fee based schemes**

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.

### 3.10 **Contract Carer Schemes**

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.

- 3.11 This proposal will help us to address the differentials in payments to carers between ourselves and IFA's (*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 Leicestershire and Derbyshire 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 <sup>1</sup>
0-4	£86	£112	£99	± £365
5-10	£98	£128	£103	± £365
11-15	£122	£159	£140	± £365
16+	£155	£193	£178	± £365

*Note:*<sup>1</sup> 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:

- All figures are approximate. They do not take into account payments such as birthday allowances and loyalty bonuses, which vary from each Council.*
- 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.*
- These figures are for 04/05. Comparative figures for 05/06 are not available at this point.*

### 3.12 Proposals

- That the City Council implements the payment of Fostering Network allowance rates, in two phases. The financial implications section of this report gives details of how this could be done, based on a phased approach from 1 October 2005 to 1 October 2006.
- 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.

- 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.

3.13 The commissioning strategy behind these proposals is to enhance our capacity to provide in-house placements for all under 10's 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.

## FINANCIAL IMPLICATIONS

### Financial

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

#### 4.1 15% increase from 1 October 2005, further 15% increase from October 2006

<b>Full year costs of the proposals</b>	<b>£000</b>
Additional cost of increasing allowances	416
Protection of current carers	44
<b>Total costs</b>	<b>460</b>

<b>Full year funding available</b>	
Consolidating current spend into allowances	(140)
Choice Protects additional grant	(129)
<b>Total funding</b>	<b>(269)</b>

<b>Shortfall in full year</b>	<b>191</b>
-------------------------------	------------

<b>Cost of phased implementation</b>	<b>£000</b>
<b>October 2005</b>	
Half year costs at half the increase (15%) (£460,000 / 2) / 2	115
<b>Total costs</b>	<b>115</b>

<b>Funding available</b>	
Choice Protects additional grant	115
<b>Total funding</b>	<b>115</b>

<b>Net cost for a half year</b>	<b>0</b>
---------------------------------	----------

<b>October 2006</b>	
Full year costs with a 15% increase for the first half year with an additional 15% increase from 1 October 2006 (£460,000 / 4) x 3	345
Consolidating current spend into allowances	(140)
Choice Protects Grant (full year funding)	(129)
<b>Shortfall for a full year in 2006/07</b>	<b>76</b>

Summary	2005/06 £'000	2006/07 £'000	2007/08 £'000
Phased implementation by increasing allowances by 15% from 1 October 2005 and by a further 15% from 1 October 2006	0*	76	191

*\*Note: With phased implementation costs will reduce to £115,000 in 2005/06 but the full year Choice Protects Grant will offset this in full.*

## 4.2 Commentary on Recommendation

A phased implementation of a 15% increase in October 2005 with a further 15% increase in October 2006 can be funded from the additional Choice Protects Grant allocation of £129,000 in 2005/06. This option will however result in a £76K budget pressure in 2006/7 and £191K in a full year. Any reductions in IFA's will contribute to funding any pressures. Given that on average each IFA costs £40K p.a., double an in-house placement cost, a reduction of 4 will be needed to fund the £76K pressure and 10 will be needed to the £191K full year pressure.

## 4.3 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.

Amongst the current cohort of children placed with IFA's 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 will seek to consolidate their placements with the current agency and negotiate a long term more favourable rate.

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



<b>2005/06</b>	<b>Numbers</b>	<b>£000</b>
<b>Budget</b>		
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
<b>Projected Outturn</b>		
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
<b>Projected Overspend 2005/06</b>	<b>0</b>	<b>154</b>

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 IFA's remains at 43) then the overspend will be £326K in 2005/6. (See Appendix 1).

If we are unable to recruit in house carers and we are forced to make additional placements through IFA's 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 1).

Appendix 2 attached shows the impact of making the required reduction in IFA placements to fund the proposed option.

## **Legal**

- 5.1 There are no immediate legal implications, though legal advice would be sought in the drafting of a new service level agreement with foster carers requesting the fee payment.

## **Personnel**

- 6.1 There are no direct personnel implications at present.

## **Equalities Impact**

- 7.1 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**

- 8.1 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.**

## OTHER OPTIONS CONSIDERED

- 9.1 Two other options have been considered, to do nothing, and to increase rates to the fostering network recommended rates from this October.

The option to do nothing has been discounted due to the financial risk of an increase in the overspends on IFA's.

The option to increase the rates by 30% to the Full Fostering Network Recommended rates in October 2005 has been discounted for the combined reasons of spreading the costs over a longer period and also providing serious evidence of our commitment to our existing carers.

**For more information contact:** Keith Woodthorpe 01332 256704 e-mail [keith.woodthorpe@derby.gov.uk](mailto:keith.woodthorpe@derby.gov.uk)

**Background papers:**

**List of appendices:** Appendix 1 – Implications