

Getting a grip:

A Resource Allocation System
for child placements

Introduction

Despite the huge spend on placements by local authorities, children in care continue to lag behind in every key indicator compared to children who remain at home. The placement they are in represents the biggest support package going into that child's life, sometimes at a cost of up to £10,000 a week. So why aren't outcomes better across this group?

The answer, we believe, relates to the lack of a clear needs profile for either each individual child who is looked after, or the cohort as a whole. As a result, local authorities are unable to hold placements to account to improve outcomes and reduce need as part of the contract they have to support the children in their care. This lack of control, and evidence relating to need, demand and cost, makes it almost impossible to plan for a 12-month, let alone a three-year, budget cycle.

How can a Finance Director respond to the assertion that demand is rising in both volume and complexity, and more resources are required? Without evidence, not very easily.

How can a Director of Children's Services respond to the charge that they cannot evidence such assertions (other than through Looked After Children numbers, and have lost control of an escalating placement spend which was not foreseen)? Again, not very easily.

This dynamic typifies conversations we see playing out year after year, between Finance and Children's Services Directors up and down the country. What is needed is a way of building confidence and trust between them. A way of accurately measuring the cost and value of interventions. A way of meeting the need for greater financial control whilst delivering better outcomes.

This paper is iMPower's response to that need.

"The Department [for Education] cannot demonstrate that it is meeting its objectives to improve the quality of care and the stability of placements for children through the £2.5 billion spent by local authorities; it has no indicators to measure the efficacy of the care system; and it lacks an understanding of what drives the costs of care".

- NAO report on Children in Care (November 2014)

It starts with demand

Since 2009 the Looked After Children ('LAC') population has risen by 12% (See *gov.uk National Statistics*), adding costs of approximately £350m nationally. That's over £2m per council on average. In children's services, our local research consistently reports that up to 48% of LAC cases could have been prevented with a different, more co-ordinated and more timely system response.

We set out the case for breaking this cycle (something we call 'systemic lock') through a co-ordinated demand management approach in our *Breaking the Lock* paper, last year. This involves leading a system which can confidently and safely redirect resources away from the provision of expensive crisis care to better placed early help measures.

Yet even putting aside the prevention opportunity there are further ways to make better use of resources in placements. This is because:

- Needs are not systematically collated as part of social work planning or commissioning processes.
- Needs are not systematically analysed in the context of cost and progress against outcomes that will improve a child's life.
- It cannot be shown how higher cost placements deliver better outcomes for the children concerned.
- Frontline staff, such as IROs and social workers, often don't see cost and value as part of their job.
- Even where needs are captured the response can often be to provide 'containment' support for higher need children, rather than to step their needs down over time, and

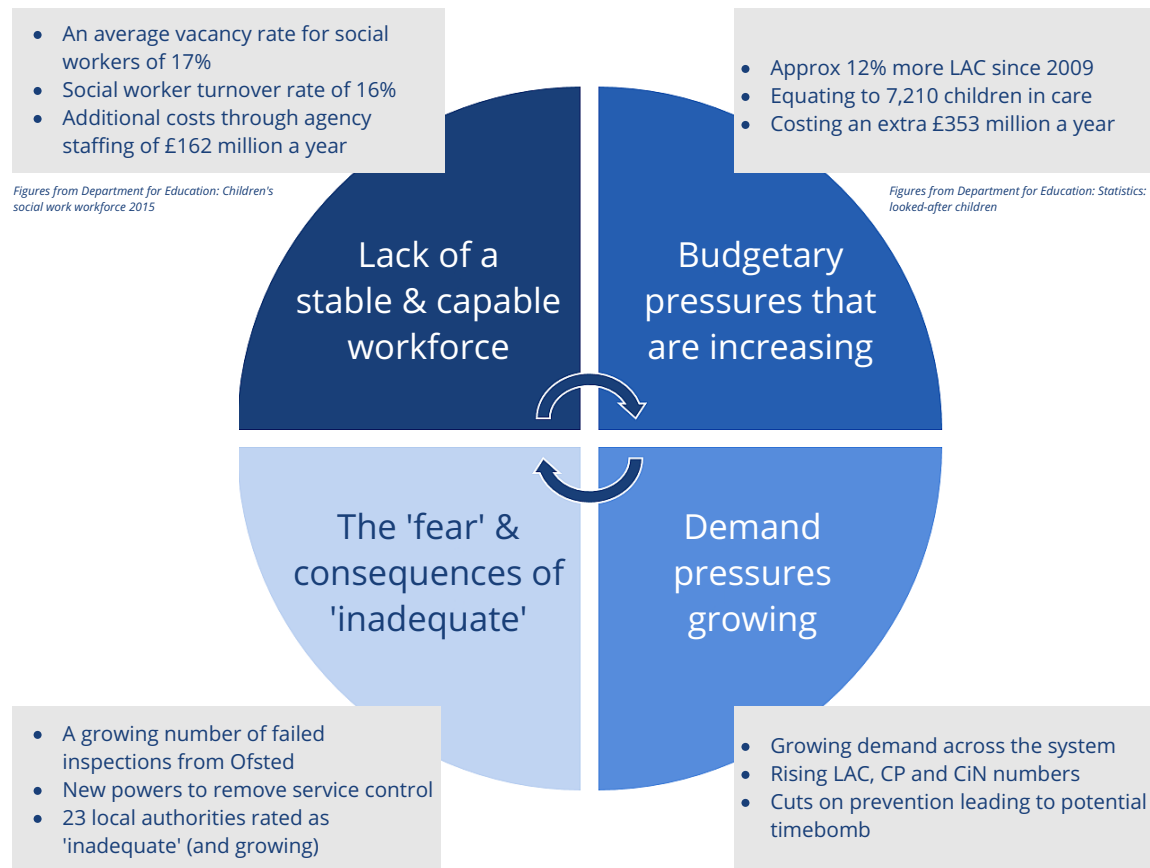
- Even when placement needs are assessed as reducing, costs do not fall, and placements are not always adjusted so they do.

To resolve these issues the first step must be to establish the link between spend and need at a system level. This can be done relatively quickly. The second is to use that strategic intelligence to identify what good and bad looks like in value terms, as the basis for defining best practice, more equitable placement commissioning and budget planning.

Once this is in place and understood, it changes the dynamic of the relationship a Director of Children's Services can have with the providers of placements for LAC – particularly those from outside the authority. It enables them to commission better, to hold agencies to account for needs, to drive outcomes and reduce cost – and critically to assess whether things are actually improving for the children in their care. Importantly, it also changes the focus of the placement support package from one of 'containment' of need, which is often escalating in complexity, to one focused on improving resilience and independence of this vulnerable group, and giving them better life chances as a result.

By developing a more systematic understanding of demand and correlating how that demand drives cost we can demystify one of the most important discussions in local government; the right level of funding for vulnerable children. **In short, the system is not set up to couch placements in the context of value.**

Image 1: In children's services, demand has created an unsustainable delivery model. Solving one of the systemic issues depicted below is not enough - a sustainable future requires more radical thinking and a whole system change.



Introducing the Resource Allocation System

A fundamental problem undermining constructive conversations and otherwise strong relationships between Finance Directors and Directors of Children's Services, is that there is little strategic analysis of what drives expenditure on vulnerable children. This actually carries a fairly simple list of considerations; the type and level of demand, the numbers of LAC, their needs and what we are trying to achieve for them, and the cost at which we provide associated placements.

Councils know what is spent on placements, by case and overall. The needs of the children in placement are known too, on a case level. Sometimes outcomes are also captured, though generally only those required for statutory returns. What councils don't do is equate spend to demand, that is, to needs and outcomes. Or, as the National Audit Office put it in the November 2014 report into Children in Care:

"Neither the Department nor local authorities have a strong understanding of the drivers of costs".

This is the root cause of many dysfunctional behaviours and business issues in placements. It prevents consistent and equitable resource allocation; obstructs outcomes-based commissioning or transformation planning and stops best value from playing a meaningful role in performance management. At its worst the

medium term financial planning discussion descends into one of 'money versus children' between the Finance Director and Director of Children's Services, in the absence of evidence and analysis. Each can retrench into their corners, and the issues concerned remain 'wicked' as they so do.

This can be addressed, however. By developing a system which shows what is currently spent on placements against what level and complexity of need, and what outcomes are achieved, we can achieve transparency. Undoubtedly, this will expose significant discrepancies. For instance, two unrelated LAC with exactly the same level of assessed need and targeted outcomes, may have very different placement types, providers and costs. One placement may have been reviewed and another not, one may be block, and another spot purchased, and so on.

What the system does is provide a strategic picture of demand. This highlights the differences in what resources we use to meet it. This allows outlying cases to be followed up (not necessarily moved) where they represent poor value, and commissioners to furnish providers with a clearer view of both the demand, and the budget available to develop supply. It provides a financial starting point for conversations and a way of measuring spend in the context of need. Over time, this can only lead to more equitable placements and better use of resources, including by developing a system in which by commissioning

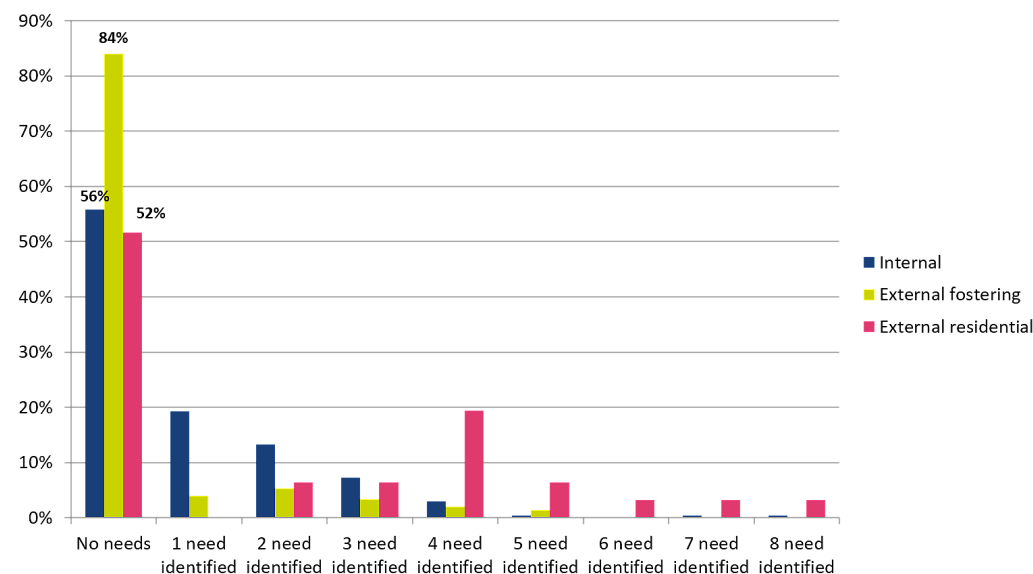
is done against a set of expected outcomes, also used to measure how well provision meets commissioners' expectations.

This is what is known as a Resource Allocation System and in children’s services it is the lever that lifts the lid on what is driving cost in placements.

Most local authorities recognise they need deeper insight into what creates cost; of the factors that drive the demand coming into the service; the economy, efficiency and effectiveness of supply with which that demand is serviced. This is what we would call ‘knowing your business’ and there is some excellent work underway across the sector in applying this approach in the provision of early help and edge of care services.

Yet, for the placement of LAC, it is underdeveloped and most authorities struggle to show how resources are allocated against needs to achieve outcomes (or sometimes even what the aspiration is). When September’s budget monitoring reports first reveal the forecast ‘overspend’ for the financial year there is often a frustration at the inevitable ‘overspend’. What explains it and what do we do? Is it really an ‘overspend’?

Graph 1: Number of needs per placement by proportion of placement type



Exemplar shows significant % of children in external care with no identified additional needs

What frustrates a more forensic discussion is the lack of analysis of the overall profile of need and cost. Few Directors of Children's Services find themselves in possession of this analysis when the time comes to discuss placement overspends. This is for two reasons:

Firstly, assessed LAC needs and outcomes are not recorded systematically, in a way which allows a meaningful comparison to costs. Outside of written case notes, usually the only 'needs' captured quantifiably are the Child in Need code and markers such as age. And the only outcomes are those required for the Department for Education or Ofsted reporting, such as placement moves and educational attainment. In other words, we only record those things required for statutory returns. Most social workers will argue that age is not a need. And a label such as 'Abuse and neglect' does not really tell us anything about what the child needs and what outcomes we are striving for. Yet this is the sum of the strategic intelligence on whose basis Directors of Children's Services are expected to direct and manage one of their largest budgets.

Secondly, placement needs are not connected to placement costs, even using the limited needs information that exists. Really 'knowing your business' involves 'knowing your customer' and the occasional comparison of how placement cost varies with the age of LAC does not achieve this.

In short, we can't currently articulate the level and complexity of need in the system. We can't therefore describe why costs vary. This is a root cause of many challenges faced by Directors and Assistant Directors. Most importantly, this lack of intelligence means that LAC placements can be highly variable. Two children with the same needs can be subject to a very different allocation of resources. In effect, one placement is ultimately at the expense of the other and this cannot be fair.

Table 1: Example of a real local authority's case review analysis exploring why the child went into care, their needs and the placement choice.

Have the child's needs improved or worsened since being in placement? If they have improved, did the child move placements to a lower level of support as a result of reviewing the placement?	Number of cases	Percentage of sample	Extrapolated for current CiC population
Significantly improved and moved	2	14%	105
Significantly improved and did not move	10	72%	540
Slightly improved and moved	0	0%	0
Slightly improved and did not move	2	14%	105
Unclear and moved	0	0%	0
Unclear and did not move	0	0%	0
Slightly worsened and moved	0	0%	0
Slightly worsened and did not move	0	0%	0
Significantly worsened and did not move	0	0%	0
Significantly worsened and moved	0	0%	0
Significantly worsened and did not move	0	0%	0

- All cases reviewed were classified as having shown an improvement in needs since being in placement
- 86% of cases did not move to a lower level of support (or lower cost) as a result of a review
- Whilst some of these children might be unsuitable for moving, and others will take time to move, negotiation of costs are a must

Making the Resource Allocation System work

To be clear, the Resource Allocation System is a simple mechanism which shows how placement resources are currently allocated, against different sets of placement needs and outcomes.

What this is not, is a resource rationing tool. This is about assisting councils to deliver a 'win-win' - securing optimum value from every pound spent, and ensuring that expenditure is actually benefitting children. This will be for 'back-office' use only, to guide budgeting /forecasting, commissioning and performance management. So it will bring many of the benefits seen in its use in adults' services, such as transparency, consistency and increased financial awareness.

From the many placement needs analyses and sufficiency strategies iMPower has helped local authorities to develop, we know there is huge variation. Many children with no additional needs are receiving placements costing in excess of placements for children with complex needs and high levels of risk. High cost provision is inevitably not being used solely for children with high levels of need, and vice versa.

A Resource Allocation System solves this problem by translating the good qualitative work done through the existing assessment process into something more quantifiable, that can then be correlated with cost. A Resource Allocation System goes beyond the limited

guidelines on best value, and offers practical cost and outcome information from which to make decisions.

Any placement provider will know that, irrespective of commissioning frameworks, actual placement cost and value are determined by a complex set of factors: educational, emotional, intellectual and social outcomes, contact requirements, behavioural needs, risks to the child and others to name only a few. These factors are already professionally evaluated at a case level through the assessment process, but that intelligence is not recorded in a form that can be used at a strategic and business level. Codifying the nature and extent of need and comparing that to cost will allow best value to be identified and poor value to be targeted for change.

Increasingly council budget owners need to see themselves as the investor, with every expenditure clearly justified by the return on that investment. A Resource Allocation System makes this possible in children's placements. Whilst a Resource Allocation System can unlock a wide range of benefits, it must be used carefully.

Culturally, it is a difficult concept for social workers to accept at first. There is a risk it is seen as diminishing the needs of vulnerable children, and reducing nuanced professional judgments to blunt

numbers. Or that there is, perhaps, even a hidden agenda to cut provision.

It is, however, meant to ensure the opposite. It adds transparency and consistency to something that already takes place – the allocation of resources to children – to direct the money to those who need it the most.

It is important to remember that we are talking about children, not widgets. A Resource Allocation System for children's services cannot be like those devised for adults under the personalisation agenda. Whilst some of the principles will be similar, the application needs to be much more nuanced, as we need to consider a complex range of mental, physical and emotional issues rarely experienced by older service users.

Whilst the concept must be introduced and implemented with care, the benefits of a Resource Allocation System are enormous. It offers a strategic analysis of demand, correlated with what is spent to meet that demand. It provides an insight into the relative value the most vulnerable extract from the system and how to deal with issues as they arise, not after the fact.

The development of a Resource Allocation System for LAC is not only a good starting point, it is an absolute necessity if councils want to achieve better use of resources in placements, which ultimately means they can generate better outcomes.

These are unprecedented times for public sector finances, and local authorities need to manage demand much more effectively in order to make services affordable and sustainable.

For children's services, we see a Resource Allocation System as an essential component of a system-wide approach to prevention, and having an accurate way of managing the cost and value of interventions.

It's time to get a grip.

Get in touch

Olly Swann, Director

oswann@impower.co.uk

020 7017 8030

iMPower Consulting

112-114 Middlesex Street

London E1 7HY

@iMPowerCONSULT