FINAL REPORT


Report prepared for the Association of Directors of Social Work

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BACKGROUND

1. This report provides an independent assessment of the need for expenditure on core children’s social work services provided by local authorities over the next Spending Review cycle, from 2007 – 2011. It has been commissioned by the Association of Directors of Social Work to inform their submission to that review.

2. A preliminary report on the issue (Midwinter 2006) demonstrated the existence of a funding shortfall between Grant Aided Expenditure (GAE), the amount that the Scottish Executive is prepared to support through Aggregate External Finance (AEF) on these services and local authority budget provision. With the high level of funding support provided by the Executive for core services – over 80% - the calculation of the GAE totals is a key element in the resource allocation process, and requires to be based on realistic assumptions regarding the cost of providing a standard service by authorities.

3. My preliminary report showed that in 2005-6 authorities were spending £148.5m above the GAE provision, at £396.7m compared with a GAE provision of £248.2m. Core children’s social work services deal with children in need of care and protection. This is a public service that is only required by a minority of children and families, most of whom suffer severe social disadvantage. It is an area in which spending is driven by demands on the service and in which political discretion over what to provide and how is greatly constrained by statutory requirements. Much expenditure results from social workers being reactive to factors out with their control.

4. This funding gap has important resource implications for councils, as it is very unusual in the major spending services – education, social work, police and roads
maintenance – for expenditure to be 60% higher than GAE, and this gap will not be a reflection of political preferences, as the gaps exist in a wide range of authorities of differing political predisposition. Rather the paper showed the gap was driven by acute expenditure need, arising from spending pressures from growing numbers of children in need of care, and increasing costs of provision in the voluntary and private sector.

5. After the passing of the Children (Scotland) Act 1995, the number of looked after children was stable until 1999 then reported as a growth trend by the Executive in 2004 (Scottish Executive 1999; 2004). This was a ‘major new body of law on looking after children’, which would require major changes in service management and delivery. However, despite extensive consultation with social work professionals, the estimates of the cost of implementing the new duties as per the financial memorandum to the bill were not reflected in GAE allocations to social work authorities, i.e. the necessary increase in funding support to meet the additional costs of fulfilling the new statutory obligations was not provided by the Scottish Office.

6. The implementation of these reforms was further complicated by dubious assumptions over potential savings arising from the reorganisation of local government in 1996, and the imposition of a funding squeeze on authorities by the building in of assumed efficiency gains to cover the cost of pay increases. In previous work, I have shown that this combination created a fiscal crisis in local government, resulting in reductions in expenditure and increases in council tax (Midwinter 1998). The situation in social work was further complicated by the ‘mismatch’ effect in the disaggregating regions, between the budgets transferred to the new authorities, and
their GAEs. Whilst overall, social work spending was 4.5% above GAE in 1995, the mismatch effect would transfer GAE surpluses as high as 23% over budget in East Renfrewshire, and GAE deficits of as much as 46.7% below budgets in Midlothian.

7. One research survey of the budgets in the new social work authorities reported that 75% were dissatisfied with the outcomes of the funding negotiations with the Scottish Office, as a result of which funding for children’s social work services fell despite an estimated cost of £25m to implement the legislation (Craig and Manthorpe 1998 p.117).

8. This survey reported two thirds of social work authorities received real reductions in budgets of between 4% and 10% in 1996-7 and 6-10% in 1997-8 and interpreted this as a ‘financial crisis in the making’ (p.121). Overall reorganisation had a ‘demoralising impact’ on social work staff (p.124).

9. The change of government in 1997 brought a budgetary standstill for two years. By 1998 – 9, the pattern of funding reported in my preliminary paper has become stabilised. This is shown below in Table 1. Whilst spending on children’s services was 43% above GAE, spending on older people was 15% below GAE, and on services for people with disabilities was 4% below GAE. Overall, social work budgets were 7.9% above GAE. This is in part the direct result of the real reductions in children’s GAE following the 1995 legislation.
### Table 1: Social Work Budgets and GAE comparisons 1998-9

<table>
<thead>
<tr>
<th>Social Work</th>
<th>Budgets</th>
<th>GAE</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children’s Social Work Services</td>
<td>£284.3m</td>
<td>£199.2m</td>
<td>+42.7%</td>
</tr>
<tr>
<td>Social Work Services for Older People</td>
<td>£424.8m</td>
<td>£501.5m</td>
<td>-15.3%</td>
</tr>
<tr>
<td>Services for people with disabilities</td>
<td>£221.1m</td>
<td>£230m</td>
<td>-4.0%</td>
</tr>
<tr>
<td>Other Services</td>
<td>£202.8m</td>
<td>£119.2m</td>
<td>+70.1%</td>
</tr>
<tr>
<td>All Social Work Services</td>
<td>£1133.0m</td>
<td>£1050.2m</td>
<td>+7.9%</td>
</tr>
</tbody>
</table>

10. This funding gap has continued to grow as my preliminary research showed, rising to 47% by 2000-1, and to 59.8% in 2005-6. In the same period, the total social work overspend fell to 6.9% in 2000-1 and to 4.7% in 2005-6.

11. Social work authorities continue to face increasing numbers of children in need of care and protection, mostly in referrals from the Scottish Children’s Reporters Administration, and increasing costs of community and residential care, mainly from external provision. Authorities have also faced ongoing problems of recruitment and retention of social workers, and an expanding programme of training and qualifications driven by the Executive. These pressures and all the requirements of the new Scottish Social Services Council need to be adequately recognised in the 2007 Spending Review, and are discussed below.

12. In addition to these demographic and cost pressures there has been a continuing flow of social work policy initiatives from the Scottish Executive, reflected in commissioned reports, legislation and guidance, all of which have financial implications for social work authorities.

13. The core duties in relation to children in need of care are set out in the Children (Scotland) Act 1995, which requires local authorities:

- to safeguard and promote the care of children who are in need in their area;
- so far as is consistent with that duty to promote the upbringing of children by their families;
- to provide a range and level of services appropriate to the children’s needs.
14. These obligations left considerable discretion to authorities over the quality of care; and there were significant variations in service levels and spending between local authorities. Recent developments have resulted in a shift in emphasis to ensure greater priority to the needs of the child over the rights of the family.

15. Furthermore, policy developments place a strong emphasis on joint working between social services, particularly health, education, social work and police, and on a joint approach for both assessment and protection, but place responsibilities on the other agencies to refer children at risk to social work departments as the lead agency.

16. Third, the Executive has developed a set of National Care Standards to ensure a common level of service across Scotland, and to raise the level of care irrespective of area of residence.

17. Fourth, in common with policy implementation across the Executive, there is now a requirement to deliver continuous improvement in service provision, and SWIA has developed a new quality improvement framework to assist the monitoring of performance.

18. The impact of these reforms was intended to streamline processes, promote earlier and more co-ordinated action by agencies, and reduce referrals to children’s hearings. At this time, however, the number of referrals continues to grow.
19. In part, this is a reflection of the impact of these reforms on staff workloads. The underlying assumption is that social workers will spend more time assisting families and less time processing cases. A whole range of such reforms placed additional duties on social work, including provisions for supporting children affected by disability, children whose parents are involved in drug misuse, and providing additional support for learning.

20. The Executive has acknowledged that this has implications for practice and therefore has funded additional training and joint working developments, and provided some additional funding for foster care. It has also recognised the problems of recruitment and retention by developing a graduate programme that will produce additional social workers in the longer term.

21. The central assumption in the Executive’s response to the proposals for the development of the social work function in Changing Lives (Scottish Executive 2006) appears to be that this can be achieved by refocusing activities in workloads, supported by funding for training. In my experience, that is an unrealistic assumption. Changing Lives notes that deprivation is growing, and this can leave social work resources ‘particularly stretched. Society will need to find long term and more effective ways to change those communities if an inexorable rise in social problems and the overload of social work services is to be halted’(p.20). In short, ‘refocusing on the core values of social work’ will not suffice.

22. Similarly, the report observes that the Social Work Inspection Agency, the Care Commission and the Scottish Social Services Council are ‘part of a bigger shift
towards setting clear and measurable standards as a means to both ensure public safety and drive up the quality of services’ (p.21).

23. Service improvements on this scale require additional funding. There is little point in ministers flagging up the ‘ways’ to improve service if they fail to provide the ‘means’. The report also notes the impact of similar pressures in recent years, because of:

- shortages of social workers able and willing to work in this demanding and highly pressured environment. While the situation is improving, it has left a legacy in some authorities of unallocated cases, high thresholds before a service can be provided, inexperienced frontline staff, and a culture of crisis intervention’ (p.23).

24. These pressures are already being recorded in SWIA inspection reports. In Fife, where the number of looked after children increased by 10% between 2004 and 2005, problems of delivery highlighted a shortage of foster care and respite families, and a need to improve services for children affected by parental alcohol or drug misuse. These pressures will require real increases in funding, as the budget for residential placements was overspent by £3.6m or 18% of the children and families budget (SWIA 2006a p.62).

25. In the SWIA inspection report on South Lanarkshire (SWIA 2006b), reference is made to actions necessary to deal with capacity problems (recruitment and retention of social workers), including enhanced pay for qualified staff, a graduate recruitment scheme payment of £9k to new staff, and the introduction of a competence initiative scheme, linking salary to competence. These add to staff costs (p.46 – 47).
26. The council also made investments in new residential child care provision, and planned further investments in foster care following the significant improvement in fees and allowances for foster carers (p.44). The Inspectorate also noted:

‘ – that a major overspend had occurred in the current child and family budget (which was increased by over £1m from 2004-5 to compensate for the previous year’s overspend). This was due to:

- an increase in the number of care packages purchased from external providers;
- increases in the level of services required to be provided due to on-going legislative requirements’ (p.51).

27. This is consistent with the identification of budget issues as one of the key challenges facing social work in the Changing Lives summary report, with the result that professional leadership has been eroded by pressure to manage services and budgets (p.9). The Executive’s response to Changing Lives acknowledges the need for investment in training for social workers, and developing the whole workforce (p.11). However, the report of the Advisory Council on the Misuse of Drugs (Scottish Executive 2006b) went further in a set of recommendations for all social work departments, which are appropriate for the entire range of children’s services.

These are:

- an integrated approach, based on a common assessment framework;
- adequate staffing of children and family services in relation to assessed needs;
- appropriate training of children and family service staff;
- a co-ordinated range of resources capable of providing care support to families;
- sufficient provision of foster care and respite care;
- efficient arrangements for adoption when this is considered the best option;
- residential care facilities that produce a genuinely caring environment for those children for whom this is the only realistic option (p.51).

28. These proposals will not be implemented if the intention is to fund them by ‘refocusing’ existing workloads. Some of these are new tasks – not alternatives - and all require training, but this also requires staffing cover during attendance at training.
As the implementation plan for ‘Getting it Right for Every Child’ (Scottish Executive 2005) observed, these proposals:

‘are a model of best practice. To achieve the standards proposed will require considerable investment in staff, systems and support structures. The time required will mean much smaller caseloads....’

29. Policy and organisational developments reflected in legislation and guidance have already added to the cost of delivering children’s social work services. Executive failure to resource these adequately has created a significant funding gap between budgets and grant support levels through GAE. If the system has been in crisis as Changing Lives concludes, the situation would have been much worse if authorities had simply budgeted for the indicative expenditure levels in GAE from 2003-4 to 2006-7.

**Spending Assessment for SR2007**

30. Decisions on how much to spend on social work services are – like all public services – matters of political judgement. This review has shown that the thrust of Executive policy post-devolution has been to reform children’s social work services into a national service locally delivered, through setting service standards and regulating authorities for their performance in delivering them, reducing the degree of local discretion in the process.

31. In the long run, this will make social work more akin to education and police as services driven by national policy initiatives, than heavily discretionary services such as leisure and recreation or public libraries. When combined with the statutory requirement to deliver continuous improvement, this change will undoubtedly push up the levels of service provision, but at a cost.
32. Setting the totals of funding provision in GAE is an imprecise task, as the information on which to base these judgements is always imperfect. What the analyst can do is to project the likely increases on costs on the basis of current trends and policies. If the funding support for local government as a whole continues the pattern of restraint set in the 2004 Spending Review, the resources required to fund these developments in children’s social work services will be difficult to deliver. A fundamental reappraisal of the financial assumptions in the local government financial settlement for SR2004 is required.

33. This problem received specific attention in the Scottish Parliament’s Finance Committee report on the Draft Budget for 2006 – 2007, highlighting the inequity in the efficiency targets set for local authorities in comparison with the Executive’s own departments and arguing for additional funding ‘to prevent inappropriate cuts in services’ (SPFC 5th Report, 2005, p.6).

34. This section sets out the sums of money required on current trends simply to maintain the current financial position. I have obtained the financial data from CIPFA for 2006-7, and it confirms the trends identified in my preliminary report. Whereas the previous trend in GAE was for real growth of 2% pre annum, the provision for 2006-7 is for growth of 0.6%, which falls to – 2% by 2007-2008.

35. In 2006-7, the cash provision in GAE is £255.1m, compared with local authority budget provision of £415.8m, which increases the funding gap between GAE and spending to £161m or 63%, whilst overall the social work excess over GAE has risen from 4.5% to 5.5%, or £110m.
36. The updated position is set out in Table 2 below.

**Table 2: Comparison of GAE and Expenditure Estimates, 2006-7**

<table>
<thead>
<tr>
<th></th>
<th>GAE (£m)</th>
<th>Actual (£m)</th>
<th>Underfunding (£m)</th>
<th>% GAE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community and Residential Care</td>
<td>143.4</td>
<td>268.2</td>
<td>-124.8</td>
<td>-87</td>
</tr>
<tr>
<td>Day Care</td>
<td>38.3</td>
<td>43.2</td>
<td>-4.9</td>
<td>-13</td>
</tr>
<tr>
<td>Casework and Administration</td>
<td>73.5</td>
<td>104.4</td>
<td>-30.9</td>
<td>-42</td>
</tr>
<tr>
<td>Total Children's Social Work</td>
<td>255.1</td>
<td>415.8</td>
<td>-160.6</td>
<td>-63</td>
</tr>
<tr>
<td>Total Social Work</td>
<td>2007.9</td>
<td>2118.2</td>
<td>-110.3</td>
<td>-5.5</td>
</tr>
</tbody>
</table>
37. The clear problem in the GAE provision is the failure to recognise the financial consequences of growing numbers of children in care, (1.5%) per annum; and the increasing costs of care provision (around 4% per annum in real terms) since 2000.

38. The mix of looked after children, however, has changed somewhat over this period, with the number at home and in residential care remaining broadly stable whilst the number of children in foster care and other community placements has grown significantly. If this trend continues it will put further pressure on the need for and recruitment of foster carers.
Table 3: Numbers of Children Looked After 2000 – 2005

<table>
<thead>
<tr>
<th>Year</th>
<th>At Home</th>
<th>Foster Care</th>
<th>Other Community</th>
<th>Residential Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>5270</td>
<td>3181</td>
<td>1274</td>
<td>1585</td>
</tr>
<tr>
<td>2001</td>
<td>4842</td>
<td>3280</td>
<td>1195</td>
<td>1582</td>
</tr>
<tr>
<td>2002</td>
<td>4909</td>
<td>3328</td>
<td>1409</td>
<td>1595</td>
</tr>
<tr>
<td>2003</td>
<td>4851</td>
<td>3468</td>
<td>1518</td>
<td>1550</td>
</tr>
<tr>
<td>2004</td>
<td>4982</td>
<td>3608</td>
<td>1518</td>
<td>1567</td>
</tr>
<tr>
<td>2005</td>
<td>5179</td>
<td>3660</td>
<td>1807</td>
<td>1539</td>
</tr>
</tbody>
</table>

Source: Scottish Executive, 2005, Children’s Social Work Statistics
39. In practice, the growth in numbers in care of itself would have increased the need for additional social workers and social work assistants to support children and their families and to service the necessary administration and casework. When combined with the pressures to retrain staff, refocus workloads, reduce caseloads, and participate in joint working, the pressures to recruit and retrain social workers have grown, and will continue to grow over the next Spending Review cycle.

40. My preliminary report also recorded the growth in costs of residential provision. This is not driven by growth in numbers, as they have remained broadly stable. So too have the numbers of residential staff dealing with children, there were 2009 in 2000, and 2037 in 2005. The growth in fee levels reflect the National Care Standards, other national policies and commercial decisions, and is clearly a difficult pressure to accommodate that is out with social work control (Children’s Social Work Statistics, 2005 Table 3).

41. Over the period 2001 to 2006, the number of social workers in post has grown from 3873 to 4787, an increase of 24%, or nearly 5% per annum. This was as per Executive policy, but only because of the growth in locally funded expenditure and council tax levels. The GAE for casework and administration grew by 3.9% per annum, or 1.2% in real terms over the period 2000 – 2005, and only stood still in 2006-7, whilst it will fall in real terms by 2% in 2007-8. By contrast, actual spending on casework and administration grew by 6.3% per annum, which would have helped accommodate the increase numbers of social workers, and the funding shortfall on GAE (see appendix one).
42. Spending Review 2007 will take place next summer. On current plans, the GAE for children social work services will fall by 2% in real terms, at a time of growing need for and cost of providing services. Cost pressures will be added to with the expansion in the number of available places in secure accommodation increasing from 93 to 125. The Scottish Executive estimated that the average cost for this type of provision was £3458 per person per week in 2004-5, making a total cost of £16.6m – an 8% increase on the previous year. If that trend of increased cost were to continue over the Spending Review cycle to 2010-11, with the higher level of provision available, the baseline figure for 2007-8 of £21m would have to be increased to £31m, and the provision for 2010-11 of £26.9m would need to increase to £39.5m. This would be an increase of 88% over the Spending Review cycle.

43. GAE is the Executive’s calculation of what authorities need to spend on children’s social work services to provide a standard level of service with an average level of efficiency. If the shortfall is not to worsen, and current expenditure trends continue, GAE will need to increase by 6.6% to £324.9m, an increase of around £57m. On current trends, the spending on children’s social work services would be £529.6m, leaving a funding shortfall of £200m by 2010-11.

44. This growing deficit is wholly exceptional for a major local authority service. Whilst the Executive has provided additional funding for new initiatives and joint working, it has neglected core funding of children’s services. Narrowing the funding gap requires much more realistic financial assumptions over the next Spending Review cycle. Reducing the gap will require above average increases in GAE over a number of years. In the overall context of tighter spending
settlements, the Executive can no longer rely on local authorities to continue to provide the additional resources necessary to safeguard vulnerable children in accordance with its policies.

Conclusions

45. The funding shortfall between GAE provision and local authority expenditure in core children’s social work services has been growing since 1995, and now amounts to £161m, or 63%.

46. This has arisen because GAE funding has failed to match the growth of numbers of looked after children, the increased costs of purchasing provision for them, and the Executive’s own policy agenda of setting and improving service standards.

47. These trends are expected to continue over the next Spending Review cycle, and the GAE for children’s social work services will require to be increased by around £218m to ensure the current funding gap does not widen any further. In addition, this would directly reduce the pressure on council tax and other council budgets.

48. Additional funding to provide a more realistic baseline will require progress over the whole Spending Review cycle. There are, however, three fundamental weaknesses in the current financial and regulatory framework.

49. First, central government’s agenda for the past decade has been to develop a mixed economy of provision with increasing emphasis on the roles of the voluntary and private sector. This is a key factor in community and residential care, and ironically, has not resulted in competitive pressure over price, but in increased
charges for care. **There is a clear need to review the funding arrangements for such care to ensure that regulation covers costs as well as standards of provision, as responsibility for policing standards without responsibility for regulating charges is not conducive to accountability.**

50. **This observation is also relevant to the lack of discretion authorities, as funding bodies, have in responding to the decisions of children’s hearings.** This too, requires review, as local tax payers face the consequences of the combined effect of such decisions exceeding funding support provided by the Executive.

51. The final concern reflects the validity of the current needs assessment model in GAE. At the moment, it is based on the assumption that it seeks to fund authorities to provide an average or similar level of service with a similar degree of efficiency. This central concept is never defined and is simply assumed to equate to average expenditure in the application of regression analysis in the client group method.

52. This would not be so problematic if the expenditure provision in a service that is essentially demand and policy led was closely correlated with estimates. It is not. **Therefore, there is a strong case for reviewing the formula for funding social work services to incorporate an assessment of the cost of funding these new standards. This should be possible. If the standards set can be measured with rigour, so can the costs of provision. This mismatch between policy and finance is at the core of this funding shortfall problem.**
53. What is clear is that the status quo is a recipe for instability and uncertainty over the funding, provision and effectiveness of children’s social work services, which are vital to the well being of children in need of care and protection.
## Appendix One

### Comparison of GAE and Expenditure Estimates in Rating Review

#### Children’s Social Work Services

**2000/01 to 2006-7**

<table>
<thead>
<tr>
<th></th>
<th>GAE (£m)</th>
<th>Actual (£m)</th>
<th>Underfunding (£m)</th>
<th>%age</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2000/01</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community and Residential Care</td>
<td>£112.1</td>
<td>£172.6</td>
<td>-£60.5</td>
<td>54%</td>
</tr>
<tr>
<td>Day Care</td>
<td>£31.2</td>
<td>£44.7</td>
<td>-£13.5</td>
<td>43%</td>
</tr>
<tr>
<td>Casework and Administration</td>
<td>£59.8</td>
<td>£80.4</td>
<td>-£20.6</td>
<td>34%</td>
</tr>
<tr>
<td>Total Children’s Social Work</td>
<td>£203.1</td>
<td>£297.7</td>
<td>-£94.6</td>
<td>47%</td>
</tr>
<tr>
<td>Total Social Work</td>
<td>£1,144.4</td>
<td>£1,223.4</td>
<td>-£79.0</td>
<td>7%</td>
</tr>
<tr>
<td><strong>2006-7</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community and Residential Care</td>
<td>£143.4</td>
<td>£268.2</td>
<td>-£124.8</td>
<td>87%</td>
</tr>
<tr>
<td>Day Care</td>
<td>£38.3</td>
<td>£43.2</td>
<td>-£4.9</td>
<td>13%</td>
</tr>
<tr>
<td>Casework and Administration</td>
<td>£73.5</td>
<td>£104.4</td>
<td>-£30.9</td>
<td>42%</td>
</tr>
<tr>
<td>Total Children’s Social Work</td>
<td>£255.2</td>
<td>£415.8</td>
<td>-£160.6</td>
<td>63%</td>
</tr>
<tr>
<td>Total Social Work</td>
<td>£2,007.9</td>
<td>£2,118.2</td>
<td>-£110.3</td>
<td>5.5%</td>
</tr>
</tbody>
</table>
References


Scottish Executive (1999) Information on Children Looked After as of 31 March 1999


