
Report to Resources and Audit Committee

Date of Meeting: 4th December 2014

Subject: Financial Performance Social Services

Report by: Depute Chief Executive

1.0 Purpose

- 1.1 The purpose of the report is to provide the '*further progress report addressing any identified governance, performance and compliance matters*' requested by the Resources and Audit Committee at its last meeting on the 25th September 2014. It also builds on recent reports to Council and Housing, Health and Care Committee in October 2014.

2.0 Recommendations

The Committee is asked to note:

- 2.1. that a significant amount of work with, and within, Social Services remains ongoing.
- 2.2. an improvement action plan was submitted to the Housing, Health and Care Committee on 20th October (Appendix 1).
- 2.3. draft Internal Audit findings (paragraph 3.5) are currently being discussed with Social Services Management Team to verify their accuracy and to ensure that the improvement action plan covers all areas for improvement.
- 2.4. the management and forecasting of demand for services is a priority for the Service and work is in hand to develop tools to assist future budget preparation (paragraph 3.8)
- 2.5. the work commenced under the chief officer peer support and challenge process to assist Social Services in further developing its Budget proposals (paragraph 3.9).
- 2.6. the planned work in Children's Services to undertake an audit review of the Joint Authority Liaison Group (JALG) and to review the transport policy (paragraph 3.9).

- 2.7. that regular monitoring and updates on progress with the improvement action plan will be provided to Housing, Health and Care Committee (paragraph 4.3).

3.0 Background

- 3.1 At the Resources and Audit Committee meeting of 25th September, the following amendment to the Council's Financial Performance report was agreed:

'In line with the R&A Committee's remit to "ensure the systematic appraisal of the Council's control environment and framework of internal control,....", Committee instructs that following the work outlined at paragraphs 4.3 and 4.4 and reports to Council and Housing , Health and Care Committee in October, a further progress report addressing any identified governance, performance and compliance matters is brought to the next meeting of this Committee with the aim of gaining assurance over the effectiveness of the Council's internal control arrangements.'

- 3.2 The original report highlighted a projected outturn for the Council by 31st March 2015 of £1.854m overspend (based on June figures). Included within this was a forecast outturn of £1.685k for Social Services. The key areas contributing to this position were detailed in the report and a number of management actions were subsequently detailed, including:

- work with Social Services to investigate the areas of overspend in greater detail and to identify potential areas to reduce the level of the anticipated overspend.
- the preparation of additional monthly outturns for Social Services.
- additional Budget Challenge sessions with Social Services.
- commencement of a ZBB exercise for Social Services.

- 3.3 A further update was also reported to the Council meeting of 23rd October. At this time, the forecast (August) outturn for Social Services was £1.519K, an improvement of £166k. This position, however, masked the fact that these figures also included additional demand over and above that previously reported in June. The report also indicated that much work had been completed, including:

- the preparation of a service action plan which will be reported to the Housing, Health and Care Committee on the 30th October 2014.
- commencement of an Internal Audit review of budgetary control including Social Services.
- commencement of a ZBB exercise which is being progressed jointly between Social Services and Accountancy.

- the identification of management savings and revised financial planning assumptions for 2014/15.
- 3.4 At this stage, all of the work has not been completed. This report, therefore provides early feedback on the ongoing work in, and with, the Service.
- 3.5 Internal Audit is currently working to finalise a report into Budget Management and Monitoring across the Council. Specific draft findings have also been set out with regards Social Services' arrangements. The draft findings indicate some weaknesses in governance and the understanding of, and compliance with, Financial Regulations in Social Services. Key draft findings include:
- the analysis of information on demand for services, and its alignment with the Service's budget requirement could be improved.
 - Due to re-structuring and staff turnover, Social Services budgets do not align with the current structures.
 - Whilst financial training for budget holders across the council has been introduced in 2014/15, there has been a lack of understanding, knowledge and awareness of Financial Regulations, budgetary control and financial management.
 - As a consequence, it appears that Social care packages are based on risk and need and have been authorised without full consideration of the financial impact.
 - Adult care at home packages have been authorised without considering the life time costs of the package. As a consequence, commitments have not always extended beyond the end of any given financial year.
 - The absence of reporting triggers has resulted in the Social Services overspend. This is outwith the delegated authority levels of budget holders.
- 3.6 Social Service Management Team are verifying the draft findings with Internal Audit and have acknowledged that the audit suggests that there are weaknesses in governance and a lack of compliance with Financial Regulations. At this stage, the Management Team believe that the key areas for improvement have been identified within the action plan which was presented to the Housing Health and Care Committee on the 20th October. However, if further areas for improvement are identified these will be added to the action plan and reported through the regular updates on progress which are scheduled for Housing ,Health and Care Committee.
- 3.7 In order to ensure that sustainable improvements are made, Social Services Management Team are considering a further three key areas: management capacity, review of policy and service redesign options and increasing demographic demand:

- in 2014, senior management team capacity was reviewed and two new Assistant Head posts established: Assistant Head of Service in Children's Services and Assistant Head of Service Adult Care. These roles have a strong focus on reviewing assessment and care planning and screening processes and managing demand and the budget.
- policy and service redesign options: in order to ensure sustainable demand and cost management for the future, it is necessary to review current policies such as reablement to ensure that they are affordable. Based on national and local forecasts in the general register of Scotland statistics, if the status quo is perpetuated, costs will continue to increase year on year. The Service Management Team is reviewing options with regards policy and service design changes through the Budget Challenge process with some additional corporate input (see paragraphs 3.8 and 3.9)
- demographic demand Children's Services: Prior to the additional investment of £750k in 2012, there had been a backlog in responding to Children's Services referrals. The Service no longer has a backlog but has experienced an increase in demand in respect of children at risk being accommodated. This is further exacerbated by a shortage of internal foster care capacity resulting in the need to utilise more expensive external foster care provision. This position has arisen in the context of a 10% increase in the level of Looked After Children in Scotland during the past year.
- demographic demand Adult Care: In Adult Care there has been a 37.5% rise in the care at home hours since April 2012, (7,094 care at home hours per week in March 2012 to 9,752 hours per week in July 2014). The number of care home placements during that same period has remained fairly static with a 5.5% increase in the total number of placements (262 in March 2012 rising to 276 in July 2014). The service is also delivering a number of care packages, which are significantly above the cost of a care placement. The main factor contributing to the increase in care at home hours is the rise in the number of cases where there are issues of co-morbidity leading to complex health and social care needs in particular dementia and long term conditions. There is also an anticipated rise in prevalence of 9% between 2013-16. The Service has already presented a paper to Health, Housing and Care Committee in August 2014 which proposed a change in policy regarding eligibility criteria in respect of Self Directed Support (SDS).

3.8 The management of current and projected increases in demand for social care services is common to the majority of councils in Scotland, and its potential solution is complex. As yet there is a lack of a common national solution, requiring the service to develop its own responses. The service has started work to develop more robust demographic modelling, drawing on the significant amount of data held within the service. Additional corporate resource has been provided to assist the service in starting this process. It is intended that this will augment the Service's commitment accounting system to provide a more robust analysis of projected budget requirements in future years. The work should also assist the service in better identifying its

workforce and commissioning requirements. This work aims to complement the ongoing zero based budget review which is intended to be complete prior to budget setting for 2015/16. Following implementation of a more robust financial management infrastructure, the Service intends to strengthen its benchmarking activity, including financial benchmarking.

- 3.9 The Council is currently working through its Budget Challenge process. As part of the revised arrangements being implemented this year, a stronger focus is being placed on peer support and challenge. In support of this principle, during November, the Head of Development and Enterprise is conducting a peer review, working with the Service. This aims to assist the service in further developing its Budget Challenge proposals which include the development of options in respect of policy development, eligibility criteria and alternative models of meeting projected demand for services.
- 3.10 In addition to the actions and progress outlined in this report and the action plan at Appendix 1, Children's Services have also planned to undertake an audit with a review of the Joint Authority Liaison Group (JALG). JALG is a joint Social Work, Education group that screens and gate keeps planned and unplanned accommodation of children (due to commence in early 2015). Plans are also in place to develop options in respect of the Children's Services transport policy.

4.0 Conclusions

- 4.1 Social Services and Resources and Governance have developed a budget action plan to reduce the impact of the current projected overspend. (Appendix 1). Detailed work is being carried out to investigate the areas of overspend and the more detailed reasons for this. The draft Internal Audit findings on Budget Management and Monitoring are being considered as an integral part of this process.
- 4.2 A key issue under consideration is the management of current and projected demand for care services. Work is in hand to develop more robust trend analysis that will better facilitate service and financial planning.
- 4.3 Much work remains ongoing. Regular updates on progress with the action plan will be reported to the Housing, Health and Care Committee.

5.0 Resource Implications

5.1 Financial Details

- 5.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate.

Yes

- 5.3 Finance have been consulted and have agreed the financial implications as set out in the report.

Yes

5.4 Staffing

6.0 Exempt Reports

6.1 Is this report exempt? Yes (please detail the reasons for exemption below) No

7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box)

The area has a positive image and attracts people and businesses	<input type="checkbox"/>
Our communities are more cohesive and inclusive	<input type="checkbox"/>
People are better skilled, trained and ready for learning and employment	<input type="checkbox"/>
Our communities are safer	<input type="checkbox"/>
Vulnerable people and families are supported	<input checked="" type="checkbox"/>
Substance misuse and its effects are reduced	<input checked="" type="checkbox"/>
Health is improving and health inequalities are reducing	<input checked="" type="checkbox"/>
The environment is protected and enhanced for all	<input type="checkbox"/>
The Council is effective, efficient and recognised for excellence	<input type="checkbox"/>

(2) **Council Policies** (Please detail)

8.0 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?
Yes No

9.0 Legality

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

10.0 Appendices

10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix 1 - Budget Recovery Action Plan

11.0 Background Papers

11.1 Have you used other document to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)
Yes (please list the documents below) No

Author(s)

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Approved by

NAME	DESIGNATION	SIGNATURE
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Social Service Action Plan- Budget Recovery Action plan

Appendix 1

Action Budget Holder	Lead	Timescale	Progress
<p>Profile and build devolved budgets for Social Services to team manager level</p> <p>Review resource panels to ensure effective financial and resource management.</p> <p>Implement financial restrictions/controls for front line staff to reduce spend</p> <p>Review of the Commitment system in Social Services (CCIS).to ensure compliance with financial authorisation levels.</p> <p>Rollout a training programme for financial monitoring for managers/budget holders</p> <p>Development of Activity/budget triggers</p> <p>Review financial Monitoring arrangements by the senior management team on a quarterly basis linked to performance reporting</p>	<p>Social Services Senior Management Team /Chief Finance Officer</p>	<p>November 2014</p>	<p>Service Managers and department accountants working to identify indicative budgets and devolve budgets to Team Manager level across Child Care and Adult Care.</p> <p>Resource panels are attended in adult service by the AHofS. This is to ensure scrutiny and monitoring of financial restrictions.</p> <p>Authorisation to accommodate a child needs to be approved by AHofS. Planned admissions to be discussed with AHofS prior to JALG.</p> <p>Approval for the use of Agency staff needs to be agreed at AHofS level or Head of Service.</p>
<p>Budget Preparation</p>			
<p>Review authorisation levels for front line staff and team managers</p> <p>Review ledger structure to more accurately reflect service delivery and revised management structures.</p> <p>Build an evidence base for growth and realignment of the budget</p> <p>Roll-out a programme of budget holder training based on Zero based budgeting and the scheme of delegation</p>	<p>Assistant Head of Service Adult Care</p> <p>Assistant Head of Service Children's Services.</p> <p>Chief Finance Officer</p>	<p>December 2014</p>	

Action Budget Holder	Lead	Timescale	Progress
Budget monitoring			
<p>Agree authorisation levels link to the scheme of delegation</p> <p>Review alignment of finance systems and CCIS to ensure more accurate financial projections commissioning and budget planning assumptions.</p> <p>Build an evidence base for growth and realignment of the budget</p> <p>Implementation of Eligibility Criteria</p>	<p>Assistant Head of Service Adult Care</p> <p>Assistant Head of Service Children's services</p>	<p>January 2015</p>	
Financial information			
<p>The preparation of additional monthly outturns for Social Services</p> <p>Internal audit review of budgetary control within Social Services</p>	<p>Chief Finance Officer</p>	<p>November 2014</p>	<p>Internal audit commenced within Adult Assessment and Care Management</p>
Demographics			
<p>Undertake an analysis of demographic pressures based on demand and activity.</p> <p>Analysis of past and future demand linked to commissioning for care at home and long term care</p> <p>The identification of management savings and revised financial planning assumptions for 2015/16</p> <p>An action plan has been agreed to build devolved budgets and a zero based budgeting model for Social Services</p> <p>Review of commissioning arrangements</p>	<p>Chief Finance Officer</p> <p>Assistant Head of Social Services</p> <p>Service Manager Strategy</p>	<p>November 2014</p>	<p>Demographic information across child care and Adult care underway. (Service manager Revenues and Benefits)</p> <p>Zero based programme commenced with financial services for Adult Care.</p>

