

**Report to Audit & Finance Committee**

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**Date of Meeting: 17 November 2016**

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**Subject: Social Services Finance Report**

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**Report by: Head of Social Services**

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**1.0 Purpose**

- 1.1. This paper provides an update on the financial performance of Social Services to date. This report focuses on revenue spend for the current financial year, 2016/17. Projected outturns up to March 2017 are set out in the report.

**2.0 Recommendations**

- 2.1. The Committee is asked to:
- 2.2. Note the Social Services projected overspend of £2.163m and the key reasons for this position (paragraph 3.2). This is a net increase of £0.210m compared to the last report.
- 2.3. Note the key pressures in Child and Adult Care services which contribute to the overspend forecast (sections 4 and 5 respectively).
- 2.4. Note the additional pressures to that reported to the committee on 15<sup>th</sup> September 2016. Specifically:
- Impact of Scottish Living Wage of £4.5k
  - Impact of increased care home placements for older people of £357k
  - Impact of MCB002 not being achieved, £373k, as care home capacity for older people is maintained
- 2.5. Note the updated recovery plan which aims to minimise the level of forecast overspend in 2016/17 (Appendix 2)

**3.0 Considerations**

- 3.1. The Social Services budget continues to be under considerable pressure. This is in line with a widespread trend across Scottish local government and one which has been widely reported. It has been suggested at a national

level for some time that these demographic pressures are likely to result in councils' expenditure on providing social services to consume an ever-increasing share of our total expenditure in coming years. On this basis, it is important that councils continue to look for new models of delivering Social Services which continue to meet statutory responsibilities in the most efficient and cost effective manner.

- 3.2. A £2m reserve for Social Services was approved at Council on 13 October and this is now included in the Annual Budget of £27.743m. The additional budget has resulted in a consequential reduction in the Service overspend previously reported to the Committee for the current financial year.
- 3.3. The service is forecasting a Revenue budget overspend of £2.163m (See Appendix 1 for detailed breakdown). This is a net increase of £0.210m compared to the last report. The majority of this increase relates 13 Adult Residential and Nursing placements commissioned since June.
- 3.4. The most significant factors contributing to the overspend position are:
  - Child Care Pressures: The service has reported widely to Finance and Audit on some of the reasons which are contributing to these difficulties. The service has delivered a reduction in the costs of external childcare placements from the 2015/16 position (31%) however this continues to be a significant budget pressure. The Head of Service, Assistant Head of Service and Senior Managers are supporting a Children's Services Scrutiny Review.
  - Adult care pressures: The service is experiencing an increase in activity in long term placements for older people and supporting service users with a learning disability in the community. In addition the implementation of the Living Wage and Scottish Living Wage is above levels anticipated at the time the budget was set and consequently a budget adjustment is required.

Further detail on the issues summarised above is set out in sections 3.5 and 3.7

### **3.5 Child Care**

#### **External Placements Provisions (EPP)**

- 3.5.1 Child Care External Placements has a projected overspend of £913k. This relates to ongoing placements from prior years which are currently being reviewed by the Service. There has been a reduction of £128k from the projection previously reported to Committee.
- 3.5.2 Social Services and Education Managers continue the increased scrutiny of External Placements by:
  - Chairing additional reviews. Service Managers have instructed reviews on all cases associated with the External Provisions budget. In addition, they meet on a fortnightly basis to ensure that financial obligations are closely

monitored, whilst ensuring the Council continues to fulfil its statutory obligations to keep the child at the centre of our decisions.

- Ensuring a multi-service approach to financial monitoring continues. Monthly meetings are held with Senior Officers from Education and Social Service where all aspects connected with high cost placements are discussed in detail including considerations of any alternative and less expensive provisions are considered. This ensures that:

1. Appropriate governance is in place
2. Decisions are agreed jointly
3. Considerations are made on best value principles
4. The sharing and informing of best practice.

3.5.3 Managers at all levels continue to meet with finance colleagues to maintain rigorous and robust budget management arrangements. The Budget is a set agenda item at all Senior Management Meetings.

3.5.4 Children Services are currently reviewing all their contracts associated with Third Sector providers. This review will ensure that the providers are delivering and achieving contract terms and its outcomes meet, and are in line with best value principles. It also aims to establish:

- 1) The current level of demand following the end of shared services
- 2) If the current model is still appropriate, is financially viable, and importantly meets quality standards.
- 3) Decisions on any future arrangements will follow a clear methodology, will be consultative in its nature with providers and will ensure that any risk is evidenced if the service was reduced or withdraw.

3.5.5 The Planning and Commissioning Team have been working with Finance to implement a revised process for ensuring provider uplift requests are part of the normal budget planning process for the future. The new arrangements will require providers to submit their uplift requests at the start of the Council budget setting process.

## **3.6 Looked After Children**

3.6.1 Looked After Children has a projected overspend of £192k.

3.6.2 The main reason for this overspend is the cost of external foster placements which has a projected overspend of £574k. Nineteen of these placements have permanency orders which will mean that there will be an ongoing pressure on the budget unless a reduction in rates from existing providers is negotiated, a higher number of internal foster carers are recruited at lower cost or a combination of both. Internal Foster and Kinship Care are forecasting underspends of £153k and £41k respectively.

3.6.3 Transport costs associated with Looked After Children is currently projecting an overspend of £67K. Predominately this is due to the number of Looked

After Children accommodated outwith the Local Authority and the subsequent school and contact arrangements. These costs are presently subject to review by the Service Manager.

- 3.6.4 The Child Care Service has also experienced a high level of staff turnover and as a result has used agency workers to maintain staffing levels, in particular to meet statutory staffing ratios. Although recruitment is ongoing and the level of agency workers has reduced, their use is still required to support the transition of newly qualified personnel.
- 3.6.5 The approval of the Business Case to redesign Children's Day Services by transferring service provision from Alloa Family Centre to the Education Service has resulted in a projected underspend of £136k for Social Services.
- 3.6.6 Throughcare and Aftercare (TCAC) is reporting an underspend of £64k on payments to individuals. This is based on the current level of young adults who are receiving support from the Service. Whilst there are a number of children entitled to the financial (TCAC) benefits, at present these children are remaining in foster care placements exercising their right under current legislation.

### **3.7 Adult Care Service**

- 3.7.1 The Adult Care Service is projecting an overspend of £1.1m. This is net of the £2m reserve that was approved at Council 13 October 2016.
- 3.7.2 The overspend relates to increased activity in long term placements for older people and home care services as a result of demographic growth pressures, savings put forward by the Service that are no longer achievable and the effect of the Scottish Living Wage being introduced 1 October 2016.
- 3.7.3 Summary of main budget pressures:

- Implementation of Scottish Living Wage: The funding available to implement the Scottish Living Wage in the third and independent sector from 1 October 2016 in Clackmannanshire is £1,080m. The cost of implementing the change is £1,037m leaving a current balance of £43k. The additional impact on sleepover rates being paid in Clackmannanshire is £47.5k for the remainder of 2016/17 and £95k for the full year assuming there are no changes to existing care packages or additional care packages commissioned. The net impact for 2016/17 is a net pressure of £4.5k.
- Long Term residential placements: The projected overspend is £920k which is an equivalent of purchasing an additional 26 placements above the available budget which can fund 228 placements. Of the 26 placements, 13 are in addition to that reported to the September committee a financial equivalent of £357k. This pressure is particularly difficult to manage given the high dependency level of the client group for those admitted from the home combined alongside the political drive related to delayed discharge and the increasingly tight timescale for discharge which is within 72 hours of being assessed as fit for discharge. The matter is further complicated by a lack of home care staffing capacity which would assist in prevention of admission at potentially lower cost.

This issue is central to the Delayed Discharge Improvement Plan that reports to the Integration Joint Board where focus is on reducing admission to hospital thus preventing delayed discharges, increasing home care capacity and encouraging greater use of Telecare technology to assist in prevention of high cost admission to long term care. Given the scenario described combined with demographic pressures it is not envisaged that this budget pressure will be resolved in the short term without a combination of further redesign and investment.

- Care at home activity is relatively stable with turnover matching the requirement for new care packages. Present budget pressure is £427k which is the equivalent of 650 hours per week. Further scrutiny of the budget for the year has highlighted that the increase in budget pressure is predominantly made up of additional spend on adult service users with a learning disability and not older people. Further scrutiny is ongoing on this matter. All home care packages are presently subject to review.
- MCB Proposals: an overspend of £373k relates to approved savings which will be unachieved this financial year. These savings are the re-design of day services (MCB002) and to a re-design of intermediate care bed provision at Menstrie and Ludgate (MCB003). The day service review has not been achieved in full due to the lack in uptake in voluntary redundancy while the bed reductions have not been implemented in order to sustain care home capacity for the growing demand of older people.

### **3.8 Shared Service Decoupling**

- 3.8.1 Clackmannanshire and Stirling Chief Executives are finalising the decoupling approach and arrangements. The financial impact will then be assessed and reported to Committee.

### **3.9 Management Action**

- 3.9.1 The committee of 15<sup>th</sup> September 2016 approved a number of key proposals that included the creation of an earmarked reserve of £2 million for Social Service pressures which is funded from General Fund uncommitted reserves and the development of a robust recovery plan. (See appendix 2 for updated version.
- 3.9.2 The recovery plan provides a combination of actions for 2016/17 and longer term actions that will take the service into 2017/18. An update of the progress on the 2016/17 actions that impact on budget efficiencies for this year are as follows (The numbers noted below correspond with the Social Services Financial Management Recovery Plan – Appendix 2):
- No 4. Review of all adult care packages: Review activity is ongoing with an expectation that all cases are to be reviewed by 31st December. The conducted review activity has highlighted unreliability of information in the social services system that requires data cleansing in order for an accurate presentation of the financial impact of reviews to be reported to members. The timescale for this to be completed by mid December.

- No. 5. Increased recruitment of foster carers and reduction in cost of external placement. Planning is in progress for a comprehensive recruitment campaign in collaboration with colleagues in corporate communications.
- No 6. Agreement that monthly budget information will be provided to the Social Services SMT from the last week in November by finance colleagues.
- No. 7. Meetings with finance colleagues are progressing in relation to providing accurate service/budget pressures that will inform the budget process for 2017/18. Timescale for completion is 18th November 2016.
- No. 9. Clackmannanshire Authority Girfec Group (AGG) continues to meet on a monthly basis and is co-chaired by a Children and Families Service Manager and an Education Improving Outcomes Manager. Decisions regarding shared Education and Social Services placements are taken on an individual case by case basis and financial costs apportioned accordingly.
- No. 13. Developing a range of carers support services. In line with the recruitment campaign referred to at No. 5 a supported carers policy and procedures will be produced and a future briefing paper provided. Housing and Social Work colleagues are working on a joint approach to address the needs of young care leavers in the community.
- No.15. Eligibility criteria for adult care services has been redistributed to all staff with Service Managers, Team Managers and main grade staff briefed on the expectation of a robust implementation of the criteria. Further operational guidance to supplement the criteria will be issued by Friday 19th November.
- No.18. Assessment and Care Management Procedures will be updated to focus on the principles of appropriate intervention, managing risk, promoting the Reablement model of care and actively managing care packages via a robust review process. Papers to be signed off by Social Services SMT by the end of November 2016
- No 19. The move to proactive, daily management of the homecare and care home services has progressed replacing the with the weekly resource panel system. The requested additional staffing is no longer required as capacity has been created via the decoupling from Stirling Council.
- No 20 Active management of absence is progressing with routine monthly reports tying absence activity and financial impact to be reported to the Social Services SMT from November 2016.
- No 21. The staffing impact of decoupling from Stirling Council has provided the opportunity to reduce the use of agency staff that cover for vacancies.
- No 22. The service will participate in a scoping exercise with Vanguard during the week of 7<sup>th</sup> November which will inform the future requirements for the design and investments for the service.
- No 23. The Chief Officer for the Integration Joint Board (IJB) presently convenes a fortnightly meeting with NHS and Social Services staff from Clackmannanshire and Stirling Councils which actively manages the process

of the Budget Recovery Plan for the IJB which in turns links directly to the Budget Recovery Plan for Social Services in Clackmannanshire.

#### 4.0 Sustainability Implications

4.1 None

#### 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

None

#### 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

Our communities are more cohesive and inclusive

People are better skilled, trained and ready for learning and employment

Our communities are safer

Vulnerable people and families are supported

Substance misuse and its effects are reduced

Health is improving and health inequalities are reducing

The environment is protected and enhanced for all

The Council is effective, efficient and recognised for excellence

(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? 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".

10.2 Appendix 1 – Social Services Revenue Budget

10.3 Appendix 2 - Social Services Recovery Plan

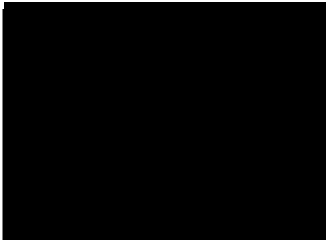

## 11.0 Background Papers

11.1 Have you used other documents 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) No

### Author(s)

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### Approved by

NAME	DESIGNATION	SIGNATURE
Celia Gray	Head of Social Services	
Nikki Bridle	Depute Chief Executive	



## Appendix one

**Table 1 - Revenue Expenditure as at 31 August 2016**

<b>Service</b>	<b>Annual Budget 2016/17</b>	<b>Projected Outturn to 31/03/17</b>	<b>Variance Outturn v Budget (as at 31/08/16)</b>	<b>Variance as at 30/06/16</b>	<b>Movement in Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Mental Health & Learning Disability	7,085	8,065	980	1,257	(277)
Elderly & Physical Disability Care	3,627	4,802	1,175	787	388
Adult Provision	2,808	3,553	745	613	132
Adult Management	(284)	(119)	165	0	165
Approved Reserve Allocated to IJB	1,807	0	(1,807)	0	(1,807)
Approved Reserve Balance	158	0	(158)	0	(158)
<b>Adults - Total</b>	<b>15,201</b>	<b>16,301</b>	<b>1,100</b>	<b>2,657</b>	<b>(1,557)</b>
Child Care Resourcing (Provided & Purchased)	4,552	4,938	386	189	197
Child Care Support	2,206	2,215	9	51	(42)
Early Years & Families	1,620	1,417	(203)	16	(219)
<b>Child Care - Total</b>	<b>8,378</b>	<b>8,570</b>	<b>192</b>	<b>256</b>	<b>64</b>
Residential Schools (Joint Budget with Education)	3,000	3,913	913	1,041	(128)
Criminal & Youth Justice Services	191	198	7	0	7
Strategy	538	585	47	0	47
Social Services Management Support	435	339	(96)	0	(96)
<b>Total Revenue</b>	<b>27,743</b>	<b>29,906</b>	<b>2,163</b>	<b>3,953</b>	<b>(1,790)</b>



## Social Services Financial Management Recovery Plan Updated

### Aims

1. to show the specific actions taken by senior managers across Social Services to address specific financial concerns raised by elected members.
2. to promote open, accountable, and effective financial practices.

Financial Pressure	What	Who	When	Met/Not met/Ongoing	Impact
1. Transitions 16/17	Analysis of costs/effects associated with transitions	Assistant Heads of Service, Service Managers, Business Manager and Finance	February 2017	Transition Projections for 2017/18 to be completed by end of November 2016.	Full year costs and projections to be managed by Social Services in order that placements are reviewed robustly and accurate projections are presented for budget planning requirements.
2. Outstanding debts for services received.	Review charging policy, processes, and levels of performance in relation to debt recovery...	Service Managers, Team Leaders, Service Accountants	February 2017	Review of the debt recovery process with the plan to reinvigorate as of 1st April 2017. Debt recovery process update to SMT during December 2016.	Closely manage the implementation of the charging policy and financial income. This will be an audit exercise which will support the service to increase revenues over the rest of 16/17

				Charging policy to be updated and presented as part of the budget process with plan to implement as of 1st April 2017.	
3. Review and monitor expected income levels for financial planning from ICF, Discharge funding, Scottish Government	A review and monitoring of expected and received funding across all areas of the business	Assistant Head of Service (Adults) / Corporate Finance	February 2017	Income levels to be reviewed as part of the preparation for budget setting for 2017/18.  To be completed by end of November 2016	Closely monitor the implementation of the charging policy and financial income. This will be an audit exercise which will support the service to increase revenues over the rest of 16/17
4. Review of all Care packages and targeting overnight living carers' allowances.	Reviewing officers in post to review high cost care packages.  Care Managers to review all allocated cases.	Assistant Head of Service – Adults.	31 <sup>st</sup> December 2016	Review Activity: Reviews are ongoing.  Financial impact of the reviews will be available from mid December and thereafter.	All cases subject to review in order to reduce service activity while maintaining care packages at safe and financially sustainable levels.
5. High cost of commissioning external, independent fostering agencies.	Increase recruitment of Foster Carers to offset dependency on external placements.  Negotiate a reduction in costs	Assistant Head of Service, Service Manager & Adoption and Fostering Team Leader	February 2017	Option Appraisal Paper to be considered by SMT, December 2016.  Meeting arranged with Corporate Communications colleagues to plan comprehensive recruitment	Reduce the high cost of commissioning external, independent fostering agencies.

	associated with external placements			campaign	
6. Financial accounting to Social Services budgets.	Monthly detailed analysis ensuring charges are attributed correctly to Social Services budgets.	Assistant Heads of Service and Finance	End of November 2016	Updates monthly to SMT from the last week in November onwards.  Financial management/budget training being provided for front line managers by service accountant and colleagues.	Increased scrutiny which will result in ensuring budgets are aligned correctly.  .
7. Certify financial monitoring by senior managers.	Monthly budgetary meetings by senior managers and Finance.	Assistant Heads of Service and Finance	End of November 2016	Monthly meetings in place in order to manage budget and to prepare detailed projections for the 2017/18 budget process.	Senior Managers will ensure financial regulations and governance procedures are in place.  .
8. Link finance systems to service activities for financial projections	a) Review of current IT systems. Options appraisal to purchase and test new system meets business needs  b) Rollout management training for managers and budget holders.	Chief Finance Officer & Head of Social Services	April 17  February 2017	Finance and Team Managers working to ensure that they have appropriate knowledge of the new One Council system.	Link the management of financial and service activity at Team Manager and Service Management level in order to improve the quality of budget management and service planning

<p>9. High cost of residential school placements shared by Social Services and Education</p>	<p>Discussions have taken place between Assistant Heads of each service to review the agreed percentage share of placements in advance of the new financial year 2017/18...</p>	<p>Assistant Head of Service</p>	<p>February 2017</p>	<p>Discussions ongoing. Decisions made on an individual case by case basis.  Clackmannanshire Authority GIRFEC Group (AGG) meeting monthly co-chaired by Social Services Service Manager and Education Improving Outcomes Manager.</p>	<p>Future apportionments of financial costs correctly aligned between Education and Social Services.</p>
<p>10. Management of spend by operational Team Managers and Service Managers.</p>	<p>Review current controls and authorisations controls for staff and implement reductions.</p>	<p>Assistant Heads of Service &amp; Finance</p>	<p>Mid November 2016</p>	<p>Financial framework for delegated spend with Social Services to be reviewed and ratified by SMT by mid of November 2016</p>	<p>Schemes of delegation to be confirmed and robustly managed...</p>
<p>11. Renewed focus on budgetary pressures and any changes in demand for service</p>	<p>Complete a detailed review of the needs of the service following the end of shared services first phase in Childcare, then Adult Services. Identifying demands and resource needs</p>	<p>Assistant Heads Children and Adult Services and Business Manager.</p>	<p>April 17</p>	<p>Scrutiny review Paper which being led by Corporate Finance is to be presented to the Finance &amp; Audit committee and Service Paper outlining actions will be reported separately to same committee. Work with Strategy Services for the Scrutiny Paper for November 2016.  Adult Care covered by IJB Strategic Plan.</p>	<p>Increased awareness of demographic trends and service demands to inform future financial planning.</p>

12. Review of cross charging arrangements following the end of shared services.	Review of current cross charging arrangements and that appropriate actions are taken to ensure end dates are correctly accounted for.	Assistant Heads of Service	December 2016	Negotiations underway with Stirling Council regarding cross charging for foster placements, staffing & learning and development.	Confirm cost for the remainder of 2016/17 and provide detail for budget process for 2017/18.
13. Develop a range of supported carer's services in order to reduce the cost of external placements.	A short life working group will develop new supporting carers' policy and strategy to recruit carers. This will inform business case.	Service Managers & Team Managers	February 2017	In paper referred to in section 11.  Discussions ongoing with Housing colleagues regarding support and accommodation needs of young care leavers. Supported carers policy and procedures are currently being worked on. Future briefing paper will be provided.	This work will support the Children (Scotland) Act 2014. Spend to save authorised of 97K.
14. Manage the potential impact of variations in uplifts of existing contracts.	A short life working group established to review and analyse anomalies across contracts	Procurement Manager and Assistant Heads of Service	February 2017	Meetings to be confirmed for the service. Contracts due for review for 17/18 require to be considered by the end of November 2016 in order that the outcome is presented to the council as part of the budget preparation for 2017/18.	Review of spend for Scotland Excel placements will continue and annual uplift arrangements will fit in with annual budget setting process.
15. Update	A review of current	Assistant Head	October 16	It has been agreed that the	This will ensure consistency of

eligibility criteria policy for adult services which meets statutory responsibilities.	eligibility criteria under SDS legislation will be presented to Committee for implementation.	of Adult Services		<p>Eligibility Criteria is fit for purpose. Briefing paper have been issued to members and staff. Memo plus eligibility criteria issued 13<sup>th</sup> October 2016</p> <p>Operational Practice notes for workers relating to, day services, home care, long term care and respite to be issued by Friday 19<sup>th</sup> November.</p>	assessment criteria applied to all service users across Clackmannanshire.
16. To identify further management savings and revise financial planning assumptions	Senior Managers across all service areas asked to review projects for further efficiency savings as part of MCB process 16/17.	Assistant Heads of Service	February 2017	<p>To continue to work with corporate services to identify efficiency savings for 2017/18.</p> <p>There has been additional efficiencies met from the service for 2016/17 as there has been a review of the family centre which has allowed for a transfer of staff into vacant posts in education identifying £97k saving</p>	Transformation Board overseeing governance of projects and business cases agreed by council budget setting.
17. Workforce planning review required in	A robust review of the current trends, demands for Social	Head of Service	December 2016	Report to Scrutiny Committee due December 2016 in relation to child care.	This will ensure that the needs of the service are appropriately designed and resourced.



relation to staffing costs	Services.			Process being duplicated for adult care within the Integration Joint Board framework.	
18. Ensure Assessment and Care Management procedures are robust	Update assessment & care management procedures to focus on appropriate intervention, managing risk and focussing on managing care packages via reviews.	Assistant Head of Services	October 2016	Updated procedures developed for the further development of Self Directed Support (SDS) to be presented to SMT for sign off by the end of November 2016	Managing risk whilst ensuring legislation responsibilities are met.
19. Ensure the effective management of Social Services resources	Review resource panel as per the committee report with a move to recruiting a temporary manager for the remainder of the financial year. Recruit by.	Assistant Head of Service Adults	October 16	<p>Additional management capacity has been identified via the decoupling from Stirling and new post is no longer required. Start date 1<sup>st</sup> November 2016</p> <p>Phased move away from current resource panel during November/December moving to Team Managers approving care packages on a day to day basis with a weekly meeting to review delayed discharges and the provision of financial updates from Corporate Finance.</p>	Improved budget management at Team Management level with care packages being implemented in line with the principles of reablement and minimum intervention.

20. Budget impact of Absence	Review of Absence Management:  Closer management of absences. Review of return to work interviews and long term absences	Assistant Heads of Service	April 17	Robust information to be presented to SMT to assist with the management of absence management issues.	Meeting to be arranged monthly with Irene Muirhead & Louise Beattie to review impact of Absence Management.
21. Financial impact of decoupling from Stirling Council	Review staff that become the full responsibility of the service following the decoupling from Stirling Council.	Assistant Heads of Service	Mid November 2016	Decisions relating to the deployment of staff in order to negate the impact of agency staff, acting up arrangements and staff vacancies within the service.	Reduced financial impact of decoupling
22. Social Services Financial Budget	The service will participate in a scoping exercise with Vanguard during the week of 7 <sup>th</sup> November which will inform the efficiency mapping proposal for the service.	Head of Service, Assistant Heads of Service, Service Managers, Corporate Finance & MCB Programme Manager	Week of 7 <sup>th</sup> November	Meetings scheduled to take place on 8 <sup>th</sup> , 9 <sup>th</sup> and 11 <sup>th</sup> November.	To inform the efficiency mapping proposal for the service.
23. Integration Joint Board Budget Recovery Plan	The Chief Officer for the Integration Joint Board( IJB) presently convenes a fortnightly meeting with NHS and Social	Chief Officer, Head of Service & Assistant Heads of Service & Service	Ongoing fortnightly meetings	Three meetings have taken place to date on 17 <sup>th</sup> October, 28 <sup>th</sup> October and 2 <sup>nd</sup> November which have scoped the work and produced a budget recovery	Financial impact to date not available.

	Services staff from Clackmannanshire and Stirling Councils which actively manages the process of the Budget Recovery Plan for the IJB which in turns links directly to the Budget Recovery Plan for Social Services in Clackmannanshire	Managers		plan.	
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**Report to Audit and Finance Committee**

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**Date of Meeting: 17 November 2016**

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**Subject: Annual Fraud Report 2015/16**

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**Report by: Head of Resources and Governance**

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**1.0 Purpose**

- 1.1. This report provides members with an update on the work that was undertaken during 2015/16 in relation to fraud.

**2.0 Recommendations**

- 2.1. The Committee is asked to note, comment on and challenge the Annual Fraud Report 2015/16.

**3.0 Considerations**

- 3.1. The Council has a responsibility to protect public funds and in doing so, all stakeholders have a role to play in ensuring fraud and corruption are minimised. With an increasing demand on Council services, reduced funding to local government and current economic environment, mitigating fraud risk is an integral part of protecting public funds to ensure that financial resources are allocated where they are needed.
- 3.2. The Council has arrangements to mitigate the risk of fraud, and where it does occur, to investigate, detect and pursue recovery of amounts fraudulently obtained. In all cases, the Council will consider sanctioning those who commit fraud. The Annual Fraud Report provides members with an overview of the:
- 2015/16 national fraud context
  - Council approach to fraud investigation
  - Key fraud investigation activities undertaken in 2015/16 by the Council
  - Outline proposals for future fraud prevention and detection activity

## Conclusion

- 3.3 The existing arrangements, as described in the attached Annual Fraud Report (Appendix A) indicate that Clackmannanshire Council remains well placed to prevent fraud and deal with it effectively when it does occur.

## 4.0 Sustainability Implications

- 4.1. There are no sustainability implications.

## 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. No

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

### 5.4. *Staffing*

- 5.5. There is some uncertainty about the future level of staffing in the Internal Audit and Fraud section

## 6.0 Exempt Reports

- 6.1. Is this report exempt? 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 type="checkbox"/>            |
| Substance misuse and its effects are reduced                             | <input type="checkbox"/>            |
| Health is improving and health inequalities are reducing                 | <input type="checkbox"/>            |
| The environment is protected and enhanced for all                        | <input type="checkbox"/>            |
| The Council is effective, efficient and recognised for excellence        | <input checked="" type="checkbox"/> |

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

Financial Regulations.

**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?  
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 A - Annual Corporate Fraud Report 2015/16

**11.0 Background Papers**

11.1 Have you used other documents 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

Fighting Fraud Locally - The Local Government Fraud Strategy

Fighting Fraud Together - The Strategic Plan to Reduce Fraud


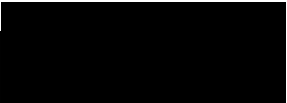
Protecting the Public Purse 2013 - Fighting Fraud Against Local Government -November 2013

The National Fraud Initiative in Scotland - Audit Scotland - July 2014

**Author(s)**

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**Approved by**

NAME	DESIGNATION	SIGNATURE
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Nikki Bridle	Depute Chief Executive	







# Clackmannanshire Council

[www.clacksweb.org.uk](http://www.clacksweb.org.uk)

## **Annual Corporate Fraud Report 2015/16**

## 1.0 Introduction

- 1.1 Clackmannanshire Council recognises its responsibility to ensure the public finances it administers are used efficiently, effectively and for the purposes they were intended. The Council recognises that it is vulnerable to fraud and corruption and, in the current economic climate, acknowledges the increased risk posed by such illegal activities against valuable public funds.

## 2.0 Fraud in the wider national context

- 2.1 The risk of fraud affects all areas across the public sectors including Local and Central / devolved government departments and the National Health Service. While fraud associated with the tax and benefits systems accounts for the largest recorded losses, there are significant losses relating to other forms of expenditure. These include procurement spending, and grants, where people seek to exploit local or national schemes for their personal gain. Fraud can be committed internally by employees or externally by suppliers, contractors and members of the public. It covers a wide spectrum of activities.

- 2.2 Previous annual fraud reports relied on information provided by the National Fraud Authority (NFA) as they provided a reliable UK global estimate of fraud losses. The NFA was dissolved in 2014 and the University of Portsmouth, in association with others, have produced an 'annual fraud indicator' using a methodology developed in line with the ground-breaking work of the now defunct NFA. The work is underpinned by a group of cross-sector fraud experts who regularly meet under a broad umbrella known as the United Kingdom Fraud Costs Measurement Committee (UKFCMC). The work of UKFCMC helps to lay down a benchmark by which year-on-year sector-specific fraud analysis –including the public sector- can be made.

- 2.3 According to UKFCMC the latest annual estimates for losses due to fraud are<sup>1</sup>

Private Sector Losses	- £144 billion
<b>Public Sector Losses</b>	<b>- £37.5 billion</b>
Fraud against Individuals	- £10 billion
Charities Fraud	- £1.9 billion

*Total estimated UK losses - £193 billion*

- 2.4 Given an overall budget of £694 billion spent on national/local Government, the Public Sector Losses of £37.5 billion translates into an estimated 5.5% loss caused by fraud over the whole of the public sector. Consequently, assuming Clackmannanshire Council also averages losses of 5.5% of its budget of £114 million it could mean that the Council is potentially losing an estimated £6.2 million through fraud or error. However, there is an alternative scenario. According to National Audit Office analysis, the UK figure is a loss of only 0.2% of expenditure through fraud, compared with estimates of 3% to 5% in the European Union and United States. Therefore, assuming the lower amount of loss as 0.2%, is accurate, it still means potential losses to the Council of around £230,000 annually.

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<sup>1</sup> <http://www.port.ac.uk/media/contacts-and-departments/icjs/ccfs/Annual-Fraud-Indicator-2016.pdf>

### 3.0 Fraud in the Local Context

3.1 Clackmannanshire Council has consistently discharged its responsibilities in relation to preventing, detecting and recovering public funds lost through fraud. The Council's zero tolerance approach to fraud is demonstrated by its existing arrangements as well as the continuous work and improvements demonstrated during 2015/16.

3.2 The Council's strategic objectives for counter fraud work are:

- **Awareness: We will prevent more fraud by achieving a step change in awareness of fraud among Clackmannanshire Council employees, the general public and organisations in the private, public and voluntary sectors.**
- **Prevention and Detection: We will prevent more fraud through stronger systems and controls and detect fraud using all legal means at our disposal.**
- **Enforcement: We will strengthen our response through deployment of the Council's Prosecutions Policy.<sup>2</sup>**

3.3 Recommendations of the former Audit Commission and those equally pertinent to Scotland include:

- retaining a capability to investigate fraud corporately and not only restricted to housing benefit;
- improving / increasing the use of data, information and intelligence to focus their counter-fraud work;
- reviewing counter-fraud arrangements in the context of the (former) NFA's strategy for local government, Fighting Fraud Locally,
- working with other registered social housing providers to improve the use of civil and criminal action to deter tenancy fraudsters;

3.4 In terms of enforcement, the council no longer investigates mainstream benefit fraud, consequently the overall caseload has reduced significantly. Council was previously advised that responsibility for benefit fraud investigations was transferred in November 2015 to the Department for Work and Pensions, along with a member of staff.

3.5 Counter fraud activity during 2015/16 has mainly involved internal investigations and has seen a more collaborative approach to investigations between counter fraud specialist staff and colleagues in HR. While no criminal activity has been identified as a result of investigations, breaches of Council financial regulations were identified in some instances and recommendations made accordingly.

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<sup>2</sup> Clackmannanshire Council 'Fraud Strategy 2013-17'.

### 3.6 Other Key achievements during the year include:-

- Preparation for participation in the 2016/17 National Fraud Initiative
- 3 successful prosecutions for high value cases (over £50k each) totalling £165,746.71 under the former benefit fraud obligations
- Ongoing internal 'corporate' investigations
- Fraud awareness sessions delivered to procurement matters group

## 4.0 Fraud Performance

### National Fraud Initiative 2014/15

- 4.1 In November 2014, Clackmannanshire Council began its bi-annual participation in the National Fraud Initiative (NFI). This targeted fraud exercise is administered by Audit Scotland, and is a collaborative initiative involving a range of Scottish public sector bodies, external auditors and the Cabinet Office. Its overall aim is to identify public sector fraud and error and where identified taking appropriate corrective action.
- 4.2 The outcome of the 2014/15 National Fraud Initiative saw the identification of £24,919 in fraud or irregularities. Of this sum, £12,058 was directly benefit related fraud and the remaining £12,861 was identified as duplicate invoice payments.

### Progressing counter fraud activity

- 4.3 As reported, the combination of welfare and tax fraud into a new Single Fraud Investigation Service continued to be rolled out during the reporting period and is expected to be completed by 2017. In Clackmannanshire's case, responsibility for investigating welfare and tax fraud transferred in November 2015.
- 4.4 The Councils Future Fraud Prevention and Detection Activity and Corporate Fraud Objectives remain as;
- Continued Participation in and Completion of the ongoing National Fraud Initiative throughout 2016/17
  - Increased use of data matching to establish possible incidences of fraud in areas such as the Council Tax Reduction Scheme
  - Ongoing roll out of a Council-wide awareness training
  - Specialist guidance on specific anti-fraud subjects e.g. Money Laundering, ID theft, Forgery etc.
  - Targeted training in anti-bribery and money laundering training
  - A comprehensive revision of the whistle-blowing policy
  - Areas considered as 'high risk' of potential fraud are;
    - Housing Allocations
    - Procurement
    - Homelessness applications
    - Council Tax Reduction Scheme
    - Insurance Claims
    - Internal Fraud

- Recruitment
  - Blue Badge Scheme
  - Direct Payments (Social Care)
  - Grants
  - Social Welfare Fund
- Provide a consultancy role for internal investigations, particularly where criminality may be involved

## **5.0 Conclusions**

- 5.1 An increasing focus on fraud prevention and detection throughout the public and private sectors nationally, demonstrates an increased importance being placed on reducing fraud, both as an additional means of addressing one of the economic pressures affecting the public sector as well as demonstrating accountability, transparency and a commitment towards the proper management and administration of public funds.
- 5.2 A major shift in the types of investigations undertaken has occurred in 2015/16, this change may require a review to be carried out of the current combined fraud and audit arrangements. Internal investigations have proven to be more human resource orientated and intensive, This change would indicate that closer analysis is required to determine where anti-fraud resources should be directed.

