Public Document Pack

Notice of Meeting

Scan here to access the public documents for this meeting

Special Overview and Scrutiny Management Commission

Tuesday 26 February 2019 at 6.30pm

in the Council Chamber Council Offices Market Street Newbury

Note: The Council broadcasts some of its meetings on the internet, known as webcasting. If this meeting is webcast, please note that any speakers addressing this meeting could be filmed. If you are speaking at a meeting and do not wish to be filmed, please notify the Chairman before the meeting takes place. Please note however that you will be audio-recorded.

Date of despatch of Agenda: Monday 18 February 2019

For further information about this Agenda, or to inspect any background documents referred to in Part I reports, please contact Stephen Chard / Jessica Bailiss on (01635) 519462/503124
e-mail: stephen.chard@westberks.gov.uk / jessica.bailiss@westberks.gov.uk

Further information and Minutes are also available on the Council's website at www.westberks.gov.uk

West Berkshire COUNCIL

To: Councillors Steve Ardagh-Walter, James Cole (Vice-Chairman), Jason Collis, Lee Dillon, Marigold Jaques, Mike Johnston, Alan Law (Chairman), Gordon Lundie, Tim Metcalfe, Ian Morrin, James Podger and Laszlo Zverko

Substitutes: Councillors Dave Goff, Carol Jackson-Doerge, Alan Macro and Virginia von Celsing

Agenda

Part I

Page No.

1. **Apologies for Absence**
   To receive apologies for inability to attend the meeting (if any).

2. **Declarations of Interest**
   To remind Members of the need to record the existence and nature of any personal, disclosable pecuniary or other registrable interests in items on the agenda, in accordance with the Members' Code of Conduct.

3. **Management Review into the in year Revenue Overspend in Adult Social Care - 2018/19** 3 - 72
   Purpose: To set out the findings of an internal review into the forecast overspend in the Adult Social Care (ASC) Revenue Budget in 2018/19.

Andy Day
Head of Strategic Support

If you require this information in a different format or translation, please contact Moira Fraser on telephone (01635) 519045.

Management Review into the in year Revenue Overspend in Adult Social Care – 2018/19

Committee considering report:	Special Overview and Scrutiny Management Commission on 26 February 2019
Portfolio Member:	Councillor Graham Bridgman
Date Portfolio Member agreed report:	31 January 2019
Report Author:	Nick Carter/ Julie Gillhespey
Forward Plan Ref:	N/A

1. Purpose of the Report

1.1 To set out the findings of an internal review into the forecast overspend in the Adult Social Care (ASC) Revenue Budget in 2018/19.

2. Recommendations

2.1 That;

(1) there should be a monthly ASC budget meeting chaired by the Head of Adult Social Care and which is minuted. Its terms of reference need broadening and its membership standardised as set out in Appendix C;

(2) the link between this meeting, CDLT and Budget Board needs to be clarified and formalised;

(3) a review is undertaken of the corporate methodology used for budget build particularly in relation to the treatment of in year overspends;

(4) the Head of Adult Social Care (ASC) in consultation with the Head of Finance and Property prepare a report which sets out proposals to enhance the budget planning capabilities within ASC so that they are in line with corporate expectations. This report needs to provide clarity as to the roles and responsibilities of all involved in the budget planning process;

(5) a model for Short Term Services should be developed by ASC for 2020/21;

(6) proposals outlined in Appendix C for refreshing and enhancing management of the modelling process be approved;

(7) enhance the existing budget monitoring to provide much greater transparency regarding spend within BCF and iBCF;

(8) investigate the possibility of using Care Director/Agresso to replace some of the spreadsheets currently used by Accountancy to track and monitor commissioning decisions and spend;

(9) review the number of virements (budget movements/corrections) to help improve transparency regarding budget trends.

(10) that a separate report covering the background to Birchwood is prepared by the Head of Adult Social Care in consultation with the Audit Manager as prescribed in the report;

(11) the Head of Adult Social Care; in consultation with the Head of Finance and Property; to prepare a report biannually to Corporate Board and Operations Board on progress with implementing the recommendations set out in this report.

3. Implications

3.1	**Financial:**	This report does not in itself have financial implications for the Council although its focus is a budgetary one. The proposal to strengthen financial management within Adult Social Care is likely to create financial pressures however, these will be the subject of a separate report.
3.2	**Policy:**	This report has no policy implications for the Council. There is a need to strengthen the governance of budget planning and management in relation to Adult Social Care.
3.3	**Personnel:**	This report has no personnel implications at this point. The need to strengthen financial management within Adult Social Care will create a need to review staffing levels but this will be the subject of a separate report at a later stage.
3.4	**Legal:**	There are no legal implications arising from this Report.
3.5	**Risk Management:**	The current overspend in Adult Social Care has created significant financial pressure for the Council both in year and going forward. Whilst the overspend itself was not avoidable part of it could have been forecast with better planning and process management.
3.6	**Property:**	There are no Property implications in relation to this Report.
3.7	**Other:**	None.

4. Other options considered

4.1 None. This Paper is a review into a financial overspend and so other options were not considered relevant.

Executive Summary

5. Introduction / Background

5.1 A 'Gross Overspend' of around £2.9m has emerged in year within the Adult Social Care (ASC) budget. Various mitigating measures are expected to bring this down to around £2.1m at outturn (as at Q2 18/19). Given the significance of the overspend the Chief Executive was asked to undertake a review to determine the cause and how such an event might be avoided in the future. The Chief Executive has been assisted by the Audit Manager in compiling this review.

5.2 The report includes a number of recommendations which are based on the conclusions set out below.

6. Conclusions

6.1 The review has drawn the following main conclusions with regard to the in year overspend:

(1) Whilst the word 'overspend' has been used to define the current problem, in reality, insufficient budget was given to ASC from the outset so 'budget deficit' is perhaps a more accurate description. It is estimated that ASC was probably around £2m 'short' when it started the Financial Year on the 1st April, 2018. Whilst much of the deficit could not have been avoided much of it could have been forecast and planned for in the preparation of the 2018/19 ASC Budget:

(2) Adult Social Care has 'overspent' for the last three years and the scale of that overspend has continued to increase. The treatment of overspend as recurrent expenditure remains a concern, and was an issue in 2018/19:

(3) Further analysis shows that ASC has a legitimate call on the ASC Risk Fund of £423k bringing the actual overspend down at Q2 to £1.75m:

(4) Two main issues are seen to drive the in year budget deficit; errors with the modelling of costs for Long Term Services; and significant budget pressures in relation to the Birchwood Care Home:

(5) Other issues driving the overspend include unmet savings (some of which have been carried forward from previous years) and rising costs in relation to transfers of care, respite provision and support for the voluntary sector:

(6) The situation has not been helped by the absence of key staff in both Adult Social Care and Finance.

(7) The model for Long Term Services is generally sound and has been extensively enhanced for 2019/20. This should build confidence:

(8) Budget monitoring is generally robust but there are a small number of proposals being made to enhance the current arrangements:

(9) There are a number of areas where governance should be improved but the biggest concern is that there is insufficient capacity and capability in Adult Social Care to undertake the required budget planning needed for a budget of such size and complexity. Far too much emphasis is placed on Finance to do the work. Their role is to challenge and scrutinise and provide the necessary ‘checks and balances’ that such a complex exercise must have in place. They cannot fulfil both roles:

(10) There needs to be a review into the resources that ASC currently has to carry out its budget management responsibilities more effectively. As more resources are allocated to a burgeoning ASC Service so it will be necessary to ensure some of those resources are allocated to the support structures required to effectively manage it.

7. Appendices

7.1 Appendix A – Data Protection Impact Assessment

7.2 Appendix B – Equalities Impact Assessment

7.3 Appendix C – Management Review into the in Year Revenue Overspend in Adult Social Care 2018/19 – Full Report.

7.4 Appendix D – Internal Audit Report covering work undertaken for the ASC Budget Management Steering Group.

7.5 Appendix E – ASC Risk Reserve 2018/19 – statement and commentary.

7.6 Appendix F – Proposed Action Plan.

Appendix A

Data Protection Impact Assessment – Stage One

The General Data Protection Regulations require a Data Protection Impact Assessment (DPIA) for certain projects that have a significant impact on the rights of data subjects.

Should you require additional guidance in completing this assessment, please refer to the Information Management Officer via dp@westberks.gov.uk

Directorate:	Resources
Service:	Chief Executive and Support
Team:	Chief Executive
Lead Officer:	Chief Executive
Title of Project/System:	Senior Management Review 2018
Date of Assessment:	N/A

Do you need to do a Data Protection Impact Assessment (DPIA)?

	Yes	No
Will you be processing SENSITIVE or "special category" personal data? Note – sensitive personal data is described as "*data revealing racial or ethnic origin, political opinions, religious or philosophical beliefs, or trade union membership, and the processing of genetic data, biometric data for the purpose of uniquely identifying a natural person, data concerning health or data concerning a natural person's sex life or sexual orientation*"	☐	☒
Will you be processing data on a large scale? Note – Large scale might apply to the number of individuals affected OR the volume of data you are processing OR both	☐	☒
Will your project or system have a "social media" dimension? Note – will it have an interactive element which allows users to communicate directly with one another?	☐	☒
Will any decisions be automated? Note – does your system or process involve circumstances where an individual's input is "scored" or assessed without intervention/review/checking by a human being? Will there be any "profiling" of data subjects?	☐	☒
Will your project/system involve CCTV or monitoring of an area accessible to the public?	☐	☒
Will you be using the data you collect to match or cross-reference against another existing set of data?	☐	☒
Will you be using any novel, or technologically advanced systems or processes? Note – this could include biometrics, "internet of things" connectivity or anything that is currently not widely utilised	☐	☒

If you answer "Yes" to any of the above, you will probably need to complete Data Protection Impact Assessment - Stage Two. If you are unsure, please consult with the Information Management Officer before proceeding.

Appendix B

Equality Impact Assessment - Stage One

We need to ensure that our strategies, polices, functions and services, current and proposed have given due regard to equality and diversity as set out in the Public Sector Equality Duty (Section 149 of the Equality Act), which states:

"(1) A public authority must, in the exercise of its functions, have due regard to the need to:

- ***(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;***
- ***(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; this includes the need to:***
  - ***(i) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;***
  - ***(ii) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;***
- ***(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it, with due regard, in particular, to the need to be aware that compliance with the duties in this section may involve treating some persons more favourably than others.***

(2) The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

(3) Compliance with the duties in this section may involve treating some persons more favourably than others."

The following list of questions may help to establish whether the decision is relevant to equality:

- **Does the decision affect service users, employees or the wider community?**
- **(The relevance of a decision to equality depends not just on the number of those affected but on the significance of the impact on them)**
- **Is it likely to affect people with particular protected characteristics differently?**
- **Is it a major policy, or a major change to an existing policy, significantly affecting how functions are delivered?**
- **Will the decision have a significant impact on how other organisations operate in terms of equality?**
- **Does the decision relate to functions that engagement has identified as being important to people with particular protected characteristics?**
- **Does the decision relate to an area with known inequalities?**
- **Does the decision relate to any equality objectives that have been set by the council?**

Please complete the following questions to determine whether a full Stage Two, Equality Impact Assessment is required.

What is the proposed decision that you are asking the Executive to make:	Management Review into the in year Revenue Overspend in Adult Social Care – 2018/19
Summary of relevant legislation:	N/A
Does the proposed decision conflict with any of the Council's key strategy priorities?	No
Name of assessor:	Nick Carter
Date of assessment:	8th January 2019

Is this a:		**Is this:**	
Policy	**No**	**New or proposed**	**No**
Strategy	**No**	**Already exists and is being reviewed**	**Yes**
Function	**No**	**Is changing**	**No**
Service	**Yes**		

1 What are the main aims, objectives and intended outcomes of the proposed decision and who is likely to benefit from it?	
Aims:	To review the in-year ASC overspend and make appropriate recommendations
Objectives:	To review; 1. the nature of the overspend; 2. how it has arisen and why; 3. the learning that can be taken from the issue; 4. to recommend what needs to be done to reduce the risk of it occurring again.
Outcomes:	1. An understanding of what the overspend is made up of and why it occurred. 2. Recommendations that reflect the learning and reduce the risk of a repetition.
Benefits:	1. Greater financial control and resilience in the future.

2 Note which groups may be affected by the proposed decision. Consider how they may be affected, whether it is positively or negatively and what sources of information have been used to determine this. (Please demonstrate consideration of all strands – Age, Disability, Gender

Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex and Sexual Orientation.)		
Group Affected	**What might be the effect?**	**Information to support this**
Age	None	None
Disability	None	None
Gender Reassignment	None	None
Marriage and Civil Partnership	None	None
Pregnancy and Maternity	None	None
Race	None	None
Religion or Belief	None	None
Sex	None	None
Sexual Orientation	None	None
Further Comments relating to the item:		
3 Result		

Are there any aspects of the proposed decision, including how it is delivered or accessed, that could contribute to inequality?	**No**
Please provide an explanation for your answer:	
Will the proposed decision have an adverse impact upon the lives of people, including employees and service users?	**No**
Please provide an explanation for your answer:	

If your answers to question 2 have identified potential adverse impacts and you have answered 'yes' to either of the sections at question 3, or you are unsure about the impact, then you should carry out a Stage Two Equality Impact Assessment.

If a Stage Two Equality Impact Assessment is required, before proceeding you should discuss the scope of the Assessment with service managers in your area. You will also need to refer to the Equality Impact Assessment guidance and Stage Two template.

Name: **Date:**

Please now forward this completed form to Rachel Craggs, Principal Policy Officer (Equality and Diversity) (rachel.craggs@westberks.gov.uk), for publication on the WBC website.

This page is intentionally left blank

Management Review into the in year Revenue Overspend in Adult Social Care – 2018/19 – Supporting Information

1. Introduction

1.1 When the first corporate budget monitoring process took place at the end of June 2018 it became evident that a significant revenue overspend was emerging in Adult Social Care (ASC) in year. By Month 6 the gross forecast overspend stood at £2.9m this being netted down to £2.1m through the use of unutilised direct payments, other in year adjustments and the use of Section 106 funding. A number of reasons for the overspend were put forward when it was first reported but a commitment was made by the Chief Executive to oversee a management review and prepare a report on the matter. The Budget Management Steering Group (BMSG) was set up in August 2018 to bring together the various Services with an involvement in the ASC budget build, modelling and monitoring. This Group continues to meet fortnightly.

1.2 Internal Audit were invited to join the BMSG given the significance of the issue. The Audit Manager has undertaken a detailed study into some aspects of this report. This report is an amalgamation of all of this work. The Audit Manager has prepared her own report which focuses on the LTS model which is discussed later. The report covering the findings of Internal Audit is set out in Appendix D.

1.3 The aim of this consolidated report is to review ASC overspend in a systematic manner and draw conclusions on exactly where this overspend has arisen and why. To aid clarity where it is felt an overspend has occurred then this is highlighted and summarised within a text box.

1.4 A second report will be produced early in 2019. This will focus on the processing of Adult Social Care invoices within the Council. This was identified earlier in 2018 as a significant problem that undermined our confidence in the financial information. Whilst poor data does not cause an overspend it does have a direct impact on both the ASC model and the quality of budget forecasts. It has therefore been reviewed in some depth and a separate paper will appear shortly on this particular issue.

2. Background

2.1 At £42.3m (net) the ASC budget is the largest of the Council's service budgets. It accounts for 35% of Council revenue expenditure. It is largely a demand led budget and is growing annually, and at a faster rate than any other Council budget. This is a national trend affecting all upper tier local authorities. In the context of this review it is perhaps helpful to separate the budget into four strands:

(1) Long Term Services (LTS) – this includes care packages for a range of clients notably the frail elderly, those with learning disabilities and also those with mental health needs. These packages can last for many years; in some cases, a lifetime:

(2) Short Term Services (STS) – this includes a range of provision most notably; reablement, respite provision; prevention based time limited interventions often termed 'Tier 2'; transfers of care from hospital; and, college placements for young Learning Disability clients:

(3) Provider Services – this includes the Council's own provision namely the Residential Homes at Willows Edge, Walnut Close , Notrees and Birchwood; the Resource Centres at Hungerford, Greenfield House and the Phoenix Centre; and our in house Reablement Team:

(4) 'Other' which includes management and staffing costs not included above and payments to carers and the voluntary sector;

2.2 These four strands vary significantly in terms of size of budget. At £26.3m Long Term Services (LTS) is by far the largest, accounting for 62% of the ASC budget. It also accounts for around 60% of the forecast 2018/2019 overspend. The budget is demand led and modelling is used to project future growth. Short Term Services (STS), at just over 3% of the budget, is much smaller but it accounts for over 23% of the forecast overspend. Like LTS it is demand led. Provider Services, namely the Council's in house provision accounts for around 15% of the ASC budget and is expected to outturn close to its revised budget of £6.3m. The Other budget encompasses a number of different functions. It accounts for nearly 20% of the budget and just over 13% of the overspend.

2.3 It should be noted that these strands are inextricably linked. Increased spend on STS can help reduce spend on LTS. Provider Services can be asked to step in and cover LTS in the event of provider failure etc.

2.4 The following chapter focuses on a detailed budget analysis since this is essential in understanding the context to, and causes of, the current in year overspend.

3. Budget Overview

3.1 Table 1a highlights the high level ASC budget trends over the past 3 years for each of the four main strands of provision. In some cases financial reporting rules require the Council to report on the budget in a particular way and this makes year on year comparisons very difficult. It also means that ASC budget information shown in other documentation may not align exactly with what is shown here.

3.2 In addition to directly Council funded ASC provision, a significant amount of Long and Short Term Services funding is provided through the Better Care Fund (BCF) and the iBCF.

3.3 The Council receives BCF and iBCF funding from Health. The general position is that what is received is spent on the provision set out in the BCF Plan. Whilst some spend is on specified areas, the vast majority of the BCF monies are used to 'protect social care services' and therefore nothing more than an income stream. In that sense it has no effect on the overspend. The BCF has provided additional funding this year for the transfers of care from hospitals, an area where improvement was required. Whilst this funding was welcome it does not alter the fact that this is, and has always been, a Council responsibility. The required improvements have been delivered but the costs were forecast to exceed the overall budget available (both Council and BCF).

Work was well progressed with asking for additional funding from the CCG but then the Department of Health stepped in with the winter pressures grant. To provide context Table 1b shows the BCF/iBCF budget from 2016/17 – 2018/19.

Table 1a – Budget Trends for the four main strands of Adult Social Care Provision

	2016/17			2017/18			2018/19			2019/20
	Revised Budget	Outturn	Difference	Revised Budget	Outturn	Difference	Revised Budget	Outturn*	Difference*	Draft Base Budget pre pressures & savings
	£m									
Long Term Care	23.9	25.0	+1.1	23.6	24.9	+1.3	26.3	28.1	+1.8	
Short Term Care	0.7	1.6	+0.9	1.1	1.8	+0.7	1.4	2.1	+0.7	
Provider Services	4.4	4.4	0	5.4	4.9	-0.5	6.3	6.4	+0.1	
Other inc. staffing & management	6.3	5.3	-1.0	7.3	7.0	-0.3	8.3	8.7	+0.4	
	35.3	36.3	+0.9	37.4	38.6	+1.2	42.3	45.3	+3.0	
Table excludes one off funding										
*** Projected at Month 6**										

Table 1b – BCF/IBCF Budget Trends 2016/17 – 2018/19

Financial Year	Original Budget	Brought Forward Funds from Prior Year	Revised Budget	Outturn	Variance at Outturn (under)/overspend	Actual Expenditure prior to carry forwards	Carried Forward Funds to Following Financial Year
2016/17	4,605,600	0	4,605,600	4,605,600	0	4,278,600	327,000
2017/18	5,784,000	327,000	6,111,000	6,111,000	0	5,636,400	474,600
2018/19	5,800,340	474,600	6,274,940	6,274,940	0		

3.4 Table 1a highlights the in year overspend and from where it is originating. Table 2 highlights the underlying trend that has emerged over the past 3 years in terms of ASC budget and outturn. The position shows that there has been an overspend in ASC for each of the last 3 years. In each of the last three years the gross overspend has been mitigated (in part) by one off items.

3.5 Reference to Table 1a shows the overspend position for the last 3 years for each of the four strands of provision. The following conclusions can be drawn;

(1) the overspend in ASC has been increasing over the past 3 years;

(2) there has also been an increasing overspend in LTS for the last 3 years;

(3) there has also been an ongoing overspend in STS which has often been in excess of 50% of the STS budget;

(4) there has been relative stability within Provider Services although further investigation shows that there is greater variation within this strand of provision;

(5) there is a similar position within 'Other' with little overspend evident until the current year. Indeed, prior to 2018/19 the budget had been underspent at outturn.

3.6 Table 2 highlights both the gross and net overspend figures for ASC over the past 3 years. There is a significant variation between the two and this should be borne in mind when reading this report since the net position can be misleading in understanding the underlying budget trends that are developing. This is commented on later.

3.7 Table 4 provides a more detailed analysis of annual variances within the ASC budget over the past 3 years. This highlights a number of notable trends:

(1) a consistent overspend in physical support for the over 65's of around £0.5m per annum over the past 3 years (LTS):

(2) consistent overspend in memory and cognition over the same period for the same age groups (LTS):

(3) consistent overspends for learning disability across all age groups (LTS):

(4) physical support for the over 65's also consistently overspends within the Maximising Independence Team (STS):

(5) whilst the overall picture varies there has in some years been significant overspends within the residential homes. In 2018/19 the overspend relates to Birchwood:

(6) elsewhere within Provider Services there are consistent underspends. There is traded activity within this strand and also some recruitment issues which are reflected on later. Some of these underspends counter overspends elsewhere,

Where there is a consistent picture of overspends it raises the question as to whether there is insufficient budget provision in place or whether there is an ongoing carry over of an overspend with no adjustment to the base. It also raises the question as to whether these patterns have been picked up previously by ASC.

3.8 Whilst the monthly budget monitoring processes appear comprehensive and result in good quality forecasts these Tables highlight a wider issue with how both ASC and the Finance use the information to monitor trends and plan the ASC budget. Whilst monitoring appears robust there is a need to ensure that budget monitoring takes a broader and more strategic perspective revealing how expenditure in ASC is moving and developing. Frequent in year budget movements and the understandable need to mitigate developing overspends tend to blur the overall picture. Whilst accepting that with a demand led service, often funded through one-off monies, budget virements are justifiable this can hinder clarity in respect of budget monitoring and future budget planning. What appears to have developed is a situation where at times you cannot ‘see the wood for the trees.’ There is a need for ASC budget monitoring to take more of a ‘helicopter view’ of what is happening with spend so that there can be appropriate challenge and clear insight into what is developing.

4. Budget Build

4.1 Table 3 provides a more detailed analysis of how the ASC budget has been built over the past 3 years across the four main strands of provision. The Table highlights the budget and outturn but also the base budget adjustments, pressures, savings and in year adjustments that have taken place. Base budget adjustments generally relate to annual increases for such items as incremental growth in staff salaries, and any annual pay award.

4.2 Further investigation shows that the savings and pressures shown in this Table align with the pressures and savings reported in the budget papers to the March 2018 Council meeting. In year adjustments are often numerous and can involve a wide range of items including the carrying forward of funds from previous years. Whilst these in year adjustments have no impact on the overspend position they are seen to be unhelpful in terms of providing clarity on the overall budget position and it is therefore being recommended that they should be reduced wherever possible going forward.

4.3 Table 2 shows more detail regarding the overspends in each year and how these were treated. Members will be aware that one-off items are often deployed to manage overspends including utilisation of risk funds. The figures show that in 2016/17 the net overspend fell to £0.5m and to £0.4m in 2017/18 after the application of one-off funding. The position in 2018/19 has yet to be agreed. At Month 6 the ASC net overspend stood at £2.2m. There is a £1.6m Risk Reserve allocated against nominated ASC risks within the current year’s budget. As at Month 6 these had yet to be deployed but this issue is commented on later in the report. It is important to distinguish between one off monies that come into the service during the year (additional grants, successful CHC claims, S106 monies etc) and one-off funding that is drawn down from the Risk Reserve.

4.4 Table 3 also provides more detailed analysis of the budget build process over the past 3 years. What this Table highlights is the ASC budget for each year, the gross outturn (before one off items are applied) and the pressures and savings added to, and taken from the budget. Based on this it would appear that the way in which the budget is prepared for the following financial year is as follows:

Current year's revised budget (minus one-off items) revised for base budget adjustments to which pressures are added and savings subtracted. A number of in year adjustments are then made.

Table 2 – Treatment of ASC budget Overspend 2016/17 – 2018/19

		£m
2016/17	Gross Overspend (inc one off expenditure £1.2m)	2.1
	One off funding	-1.6
	Net Overspend	0.5
2017/18	Gross Overspend	1.2
	Brought forward of unspent ringfenced funds from 2016/17	-0.2
	Risk Reserve	-1.0
	Carry forward of unspent BCF & iBCF funding to 2018/19	0.5
	Net Overspend	0.5
2018/19	Gross Overspend (at Q2)	3.0
	Proposed s106	-0.3
	Recoupment of unutilised direct payments	-0.3
	Other expected in year adjustments (demand)	-0.2
	Net Overspend (at Q2)	2.2

Table 3 – Detailed budget analysis 2016/17 – 2019/20

	Long Term Services	Short Term Services	Provider Services	Other	Total
2016/17 Revenue Budget	23.9	0.7	4.4	6.3	35.3
2016/17 Outturn	25.0	1.6	4.5	6.4	37.5
Base budget adjustments	-0.4	-0.1	+0.2	1.3	+1.0
Pressures	+1.7	+0.6	+0.2	0.0	+2.5
Savings	-0.8	0.0	-0.1	0.0	-0.9
In year adjustments	-0.9	-0.1	+0.7	-0.2	-0.5
2017/18 Budget	23.6	1.1	5.4	7.3	37.4
2017/18 Outturn	24.9	1.8	4.9	7.0	38.6
Base budget adjustments	-0.2	0.0	+0.6	+0.3	+0.6
Pressures	+3.5	+0.4	0.0	0.0	4.0
Savings	-0.6	0.0	0.0	0.0	-0.7
In year adjustments	0.0	-0.1	0.35	0.68	0.91
2018/19 Revenue Budget	26.3	1.4	6.3	8.3	42.3
2018/19 Projected Outturn (forecast)	28.1	2.1	6.4	8.7	45.3
Pressures					
Savings					
2019/20 Budget					
Table excludes one off funding					

4.5 Table 3 highlights the budget build in detail for the four budget strands. In 2018/19 the current projection is that the ASC budget will outturn at £45.3m. The budget was actually set as £42.3m using the methodology shown in para 4.4. As stated earlier this creates a gross overspend of £3.0m (as at Q2) which nets down to £2.2m.

4.6 The key issue with this approach is that if the budget differs from the outturn then the budget will either be too high or too low in the following financial year. In the case of ASC where the outturn has always exceeded the budget, the following year's budget would appear to be consistently set too low. The corporate budget build process is followed by ASC but it does depend on the Service following the corporate processes and submitting pressures bids where appropriate. This was not done in 2017 for the 2018/19 ASC budget.

4.7 This is demonstrated by the data in Table 3. In 2017/18 an ASC budget of £37.4m was set. It overspent at outturn by £1.2m (gross). In building the 2018/19 ASC budget, base budget adjustments of £0.6m were made entirely for Provider Services and for Management and Staffing. £4m of pressures were added (entirely for LTS and STS). Savings of £700k were factored into the budget and finally in year adjustments of £900k were added to the budget. This created an ASC budget of £42.3m for 2018/19 which is now expected to outturn at £45.3m.

4.8 Further discussions have shown that an allowance is made within the LTS model to capture any overspends that have developed during the preceding financial year. There is however a view that for 2018/19 this did not capture in full the overspend that had developed in 2017/18 largely because net rather than gross figures had been used. There remains a question as to how previous year's overspend outside the LTS model have been captured in the 2018/19 budget. Further discussions have suggested that the Council's own corporate financial budget build processes need a more fundamental review in this regard and this is reflected in the recommendations.

Table 4 – The annual variance in budget for each of the main budget lines within the ASC budget – 2016/17 – 2018/19

I.d	Primary Budget Category	Secondary Budget Category	2016-17 Variance at outturn to revised budget less one off funding £'000	2017/18 Variance at outturn to revised budget less one off funding £'000	2018/19 Variance against revised budget less one off funding £'000
LTS	Physical Support	LTS PS 18-64	(122)	(71)	(56)
LTS	Physical Support	LTS PS 65+	462	449	468
LTS	Sensory Support	LTS SS 18-64	(3)	0	12
LTS	Sensory Support	LTS SS 65+	0	19	53
LTS	Memory & Cognition	LTS M&C 18-64	43	(2)	54
LTS	Memory & Cognition	LTS M&C 65+	344	456	341
LTS	Learning Disabilities	LTS LD 18-64	249	209	494
LTS	Learning Disabilities	LTS LD 65+	208	291	213
LTS	Mental Health	LTS MH 18-64	(166)	(21)	16
LTS	Mental Health	LTS MH 65+	48	(25)	238
	Total LTS Commissioning		1,063	1,306	1,833
STS	Physical Support	STS MI PS 18-64	36	57	62
STS	Physical Support	STS MI PS 65+	266	270	197
STS	Sensory Support	STS MI SS 18-64	0	0	0
STS	Sensory Support	STS MI SS 65+	0	0	0
STS	Memory & Cognition	STS MI M&C 18-64	0	0	0
STS	Memory & Cognition	STS MI M&C 65+	2	4	63
STS	Learning Disabilities	STS MI LD 18-64	1	2	0
STS	Learning Disabilities	STS MI LD 65+	0	0	0
STS	Mental Health	STS MI MH 18-64	0	0	0
STS	Mental Health	STS MI MH 65+	0	1	0
	Total STS Commissioning Maximising Independence		305	334	322
STS	Physical Support	STS Other PS 18-64	38	(23)	94
STS	Physical Support	STS Other PS 65+	117	83	64
STS	Sensory Support	STS Other SS 18-64	1	2	1
STS	Sensory Support	STS Other SS 65+	1	0	4
STS	Memory & Cognition	STS Other M&C 18-64	36	(32)	24
STS	Memory & Cognition	STS Other M&C 65+	183	75	71
STS	Learning Disabilities	STS Other LD 18-64	54	238	15
STS	Learning Disabilities	STS Other LD 65+	2	45	24
STS	Mental Health	STS Other MH 18-64	123	(73)	93
STS	Mental Health	STS Other MH 65+	4	(7)	2
	Total STS Commissioning other (inc college placements)		558	308	392
	Provider Services (own prov	Own Homes	635	32	455
	Provider Services (own prov	Resource Centres	(197)	(187)	(83)
	Provider Services (own prov	Homecare/Inhouse Reablement	(349)	(334)	(280)
	Total Provider Services (own provision)		89	(489)	91
	Other	Adult Placements/Shared Lives (APSL)	111	5	(68)
	Other	Carers/Voluntary Prospectus	(557)	(61)	208
	Other	Healthwatch	0	0	(4)
	Other	Management & Staffing	585	(202)	272
	Total Other Services inc Staffing & Management		140	(258)	408
	Service Totals		**2,156**	**1,201**	**3,046**
	2016/17 includes approx £1m one off expenditure relating to BCF which corresponding one off budget carried forward fro				

4.9 The report now goes on to look at each of the four strands of provision in turn and to highlight what appear to be the causes of the in year overspend.

5. Long Term Services

The model

Background to the Use of a model for forecasting

5.1 The introduction of a model to assist with ASC commissioning budgets was identified as an idea in a Budget Board meeting in the summer of 2017. This coincided with the emergence of budget pressures during 2017/18. There had previously been criticisms as to the accuracy of the budget projections in ASC. The Adult Social Care Business Manager (ASCBM) commenced work on the model during the summer of 2017 and then worked with the Accountancy Team in Finance and Property to refine it. Various versions were prepared as the model was developed finally reaching Version 13 in the late Autumn of 2017. There was heavy involvement in the model build by the ASCBM and the Accountancy Team so there was a sense check as the model was refined. It is recognised that there were key staff vacancies at that time and the level of scrutiny and challenge was not as robust as that which appears to have been put in place in recent months.

5.2 From conversations there were differing views as to the owner of the model when it was first being compiled. One view was that the ASCBM created the model and this was then reviewed by the Accountancy Team as it was developed.

5.3 It is perhaps worth reflecting on the model itself at this point. In terms of what was used for the 2018/19 budget build it took the form of a spreadsheet with the following variables:

(1) Demography – effectively changes to ASC client numbers:

(2) Complexity – this was, at the time, seen as a measure of the average number of services per client – this was fixed – namely each client was seen to have 1.3 care packages. Complexity was not the correct description:

(3) Average cost of purchase orders:

(4) Client contributions – some will pay for their care and this variable seeks to measure that contribution.

(5) Inflationary increases

5.4 Table 5 sets out the basic assumptions that were used in the model for the 2018/19 budget build and contrasts that with the assumptions that are currently being used for the in the model for 2019/20. It will be shown later how the experiences of the past year have led to refinement in the model which are reflected in Table 5.

Table 5 – The assumptions used in the ASC Long Term Services Modelling for 2018/19 and 2019/20

Modelling Assumption Comparison:		2018/19	2019/20
Demographics	Age group 65+	Office National Statistics	Local PSR Growth data
Demographics	Age Group 18-64 non Learning Disability PSR	No growth	Local PSR Growth data
Demographics	Age Group 18-64 Learning Disability PSR	Six additional clients	Local PSR Growth data less known transitions
Demographics	In-house bed provision reducing external commissioning requirement	141 beds	141 beds
Conversion Formula	Average number of purchase orders across client base	Fixed formula 1.30 PO per client	Split per PSR
Average Unit Cost	Current year unit costs base for future modelling	Whole service average	Split per PSR
Average Unit Cost	Existing clients/services	Based on budget monitoring	Based on budget monitoring (PSR)
Average Unit Cost	New clients/services	Based on in year budget monitoring	Based on average cost of new services in year (PSR)
Average Unit Cost	In year budget monitoring adjustments	Included in average cost	Excluded
Average Unit Cost	Short Term Services information	Included in average cost	Excluded - separate model
Average Unit Cost	Base inflation	CPI at 3% as per MTFS	Current CPI 2.4% as per MTFS
Average Unit Cost	Super inflation: National Living Wage, supplier requests	-	Service average 2.6%*
Client Contributions	Average contributions made by clients to care packages	Assumed 16%	Split per PSR
Client Contributions	Annual increase in fees & charges	-	CPI 2.4%
Client Contributions	Capital Depleaters - no client contributions to care	-	Based on 2017/18 and 2018/19 to date
Staggered End	The full year cost of the current cohort will not be occurred in subsequent year (deaths)	-	Split by PSR
Staggered End	Deaths in current cohort will not all occur on 1st April	-	50%**
Staggered Start	Assumption that not all NEW care packages start on 1st April	50%	50%***

Notes:
*Some contracts will increase above this level, some below, this is an assumed average across the service. E.g. Autumn 2018/19 the Approved Supplier Listing for Domiciliary Care is out to tender.
** Generic assumption in absence of seasonality data
*** Generic assumption in the absence of seasonality data
**** 141 care beds across nursing and residential - Birchwood Care Home (50), Willows Edge (38), Notrees (18), Walnut Close (35)

5.5 It is now clear that issues concerning the model have been the source of some of the ASC budget overspend. It is perhaps worth seeing this from two perspectives:

(1) issues concerning data not being updated, or the model being moderated incorrectly. This could be termed human error:

(2) issues with the inherent limitations of this initial model (albeit it has been refined over the past 12 months) coupled with the clear limits to modelling itself – modelling is not a ‘crystal ball’ – it gives no guarantee as to how the future will evolve.

Demography

5.6 Demography essentially forecasts changes in the size and nature of the local population. In the context of the model developed for 2018/19 this comprised forecasting growth for the over 65 ASC client age group and for the 18-64 ASC client age group. The latter was split into learning disability clients and non-learning disability clients. Table 5 shows that for 2018/19 ONS data was used to determine growth for the over 65 age group and no growth was assumed for non-learning disability clients aged 18 – 64 years. Six additional learning disability clients were assumed for 2018/19. The level of demographic analysis has been significantly refined for 2019/20.

5.7 The assumption of no growth for the 18-64 non learning disability group has proven to be erroneous. There was a note on the model spreadsheet to say that this did not correlate with the Council's own data. This query did not appear to be followed through, and as a result the model did not reflect any growth in the size of this cohort. This accounted for a deficit in the model of £326k which is then reflected in the 2018/19 ASC overspend.

5.8 A further error occurred with the updating of the data in the model. This review has confirmed that the demographic data was last updated in October 2017. For some reason the December update did not get fed into the model which meant that the forecast for future client numbers was suppressed to the value of £448k. Again this has a resultant impact on the in year overspend. It should be noted that the figure of £448k also encompasses another issue which is referred to later in the report.

Factors contributing to the 2018/19 ASC Overspend	
Failure to update data to Quarter 3	**£448k**
Failure to include client data for 18 – 26 Other Client Group	**£326k**

Complexity

5.9 It is becoming clear that over time the care needs of ASC clients are becoming more complex. This is to a large degree a factor of increasing life expectancy and a sharp rise in the number of over 85's. It is now common for many clients to have more than one service as part of their overall care package.

5.10 This increasing 'complexity' as it was termed in 2017 was reflected in the model and took the form of a conversion factor of 1.3. What this meant was that on average each client was assumed to have 1.3 services as part of their care package. In reality this was not an assessment of complexity since this is more easily determined by looking at the cost of care packages. It is a simple assessment of the number of services per client. Table 5 shows that a more sophisticated model has now been adopted for 2019/20 although this review has not identified the more basic modelling used in 2018/19 as being the source of any overspend during 2018/19.

Average Cost and Inflation

5.11 The cost of each care package has a major impact on the overall costs that are derived from the model and it was clear when this review was initiated that inflation above that used in the model was likely to have been a contributory factor to the overspend.

5.12 Overall, a CPI inflationary increase of 3% was applied to the model for 2018/19. This was the same increase that was used across the Council's Medium Term Financial Strategy (MTFS) (See Table 5). Analysis undertaken as part of this review suggests that a figure of 5% was a more realistic inflationary increase and this is the figure that is now being used in the 2019/20 model. This comprises a base CPI figure of 2.4% (as used in the rest of the MTFS) coupled with a super inflation figure of 2.6%.

5.13 There is a view that in reality contract inflation in LTS was running at this higher level during much of 2017 so it is unclear why this was not challenged as part of the budget build. These inflationary figures were being reported through to the Council's Procurement Board and should have been very visible to senior management teams in both ASC and Finance. The lack of challenge over this low inflation figure is reflected in commentary on the governance arrangements later in this report. It should however also be pointed out that not all ASC commissioning will be visible to Procurement Board. Spot purchasing is not overseen by the Board.

5.14 It has been suggested that the increase in inflation has been exacerbated by long term contracts, with no annual inflation provision, reaching expiry and once retendered generating a notable increase in contract price. Again this would have been visible through the Procurement Board and in practice would have been invaluable intelligence to factor into the consideration as to an appropriate inflation figure to be used in the model.

Factors contributing to the 2018/19 ASC Overspend

Uplift Inflation in the model to 5% from 3% £315k

5.15 The model had originally included an element of Short Term Services 'Other' (excluding the Maximising Independence Team) but this element was subsequently removed although after the 2018/19 ASC budget was set. It should never have been included in the model since it had the effect of skewing the profiling through including a range of Short Term Services within a model that was focused on forecasting demand for Long Term Services. The net impact of including STS within the model has been to skew the average package cost and thereby dampen the model inappropriately.

Factors contributing to the 2018/19 ASC Overspend

Impact of including Short Term Services within the calculation of average unit cost within the LTS model £335k

Inappropriate Moderation

5.16 There are times when it is appropriate to moderate the model since the use of raw data, often based on past trends, can create forecasts that are clearly not appropriate. This is particularly the case where past trends have been erractic in nature. For example, the current modelling for ASC for 2019/20 does include a degree of moderation which has been properly recorded.

5.17 The 2018/19 ASC model included moderation which has subsequently been seen as inappropriate, in particular the dampening of the model to take account of various 'one off' factors which are used for in year budget monitoring purposes. In 2018/19 this inappropriate moderation has been seen to create a deficit in the model which again fed into an in year overspend. This is reflected in the figure shown in 5.8.

Factors contributing to the 2018/19 ASC Overspend
Impact of inappropriate moderation through the use of 'one off' in year mitigation factors – the financial quantum is reflected in the £448k shown in para 5.8

Client Contributions

5.18 The level of client contributions are directly linked to spend on care packages therefore, as you would expect, income is above that projected in the model. Unless it is as a result of a change in the Council's charging policy, rising client contributions should be seen as a negative indicator.

5.19 The majority of ASC services are means tested with around 80% of clients required to pay part or all of the costs of their care. Those that are required to meet the full cost fall into two groups, self funders and 'full cost clients'. Self funders do not become Council clients, they make their own care arrangements. Full cost clients have their care arranged in the same way as any other client but they pay the full cost.

5.20 The 2018/19 LTS model assumed that on average clients would effectively pay 16% of their care package themselves. In reality the proportion has been 17% and this has been driven by a number of factors including the Council increasing its fees and charges and a range of factors that could have been difficult to predict.

5.21 The impact of this additional client contributions has been to ameliorate the LTS model to the tune of around £640k as at Quarter 2. This is not seen as something which could have been foreseen and is therefore not an item that could be described as being attributable to human error.

5.22 The income ratio can however fall due to what are termed 'capital depleters'. These are clients who move from being self funded to Council funded because their own financial resources and assets dwindle to a level where they become eligible for public funding. This means the Council has to pay for the care but receive no income. 'Capital depleters' were treated as an unfunded 'risk item' in the 2018/19 budget build but for 2019/20 are now built into the model. Table 5 provides more information on how the new model for 2019/20 has been constructed with regard to client contributions.

'Staggered Start' and 'Staggered End'

5.23 The LTS model would assume, unless moderated, that all growth starts on April 1st and generates a full year financial impact. In reality this is not the case. Clients commence a care package over the course of the year. Some clients also see their care package end during the year. Whilst this does fluctuate on a monthly basis the 2018/19 model assumed that care packages would commence evenly during the year – in other words on a linear basis. This appears to have been a broadly reasonable assumption and has been taken forward into the 2019/20 model.

5.24 The 2018/19 model did not however make any assumption about a 'staggered end' assuming instead that all care packages held by the current cohort would come to an end at the end of the 2018/19 financial year. The new model for 2019/20 takes a different approach assuming instead that care packages will end on the same linear basis as they are modelled to start. It also makes more refined assumptions about the full year cost of the current cohort in subsequent years. One key factor that this element of the model has had to address is that the care costs of clients with current packages are generally notably lower than those of new clients who are receiving exactly the same level of care.

5.25 Table 6 section (a) provides a summary of the various factors that are seen to have contributed to the ASC overspend in 2018/19. Section 1 in Table 6 section (a) lists the various errors attributable to the LTS modelling which have been listed in this Chapter and which together total £1.42m. Most of these errors can be attributed to human error as opposed to the vagaries of modelling itself.

Growth in LTS Commissioning during 2018/19

5.26 Irrespective of the weaknesses of the modelling carried out for 2018/19 pressures have emerged on the LTS commissioning budgets in year which would not have been forecast by the model. These are not seen as human error but rather a reflection of the limitation of any modelling process. Issues that are most significant in terms of generating additional in year pressure in 2018/19 include;

(1) Continued inflationary pressures;

(2) Unexpected high cost cases which would have been seen as risk items

5.27 Taken together these in year demands have created a further pressure of £199k on the ASC budget in 2018/19.

Factors contributing to the 2018/19 ASC Overspend	
Forecast demand increase on LTS commissioning budget during 2018/19	**£199k**

Unmet Savings

5.28 Adult Social Care has a relatively poor track record in being able to evidence that it has delivered its agreed savings. In 2016/17 the Service failed to deliver £455k of savings which contributed to the overspend in that year. In 2017/18 the figure was £266k. The situation is compounded by the fact that savings not met in one year are sometimes carried forward into the following financial year and then sometimes not realised for a second year. The introduction of the ASC model does require a review into the way that savings are identified and delivered.

5.29 As at Quarter 2 2018/19, £406k of ASC savings were highlighted as Amber or Red. This included savings related to New Ways of Working which had been carried forward from 2017/18. It is currently being assumed that £266k will not be achieved at outturn and this figure is therefore also contributing to the in year overspend. This figure may increase.

Factors contributing to the 2018/19 ASC Overspend	
Failure to meet savings target	**£266k**

Other LTS Issues

5.30 Whilst changes in the demand and cost of most LTS are forecast through the model some elements are not and these additional LTS in year pressures are now reviewed in turn.

5.31 The model created in 2017 was designed to forecast pressures that would arise in 2018/19. The previous section has highlighted some of the errors and oversights with that modelling but it is also important to highlight growth during 2018/19 that would have fallen outside of the model. Some of these factors would have been treated as risk items and a risk reserve set against them. It is clear that some of these risks have materialised and as a result they are contributing to the in year overspend. A summary of the items identified in the Q2 budget monitoring report for 2018/19 and which relate to LTS include;

(1) Individual transition package higher cost than expected
£87k

(2) Loss of Continuing Health Care Award (CHC)
£83k

5.32 Clients with learning disabilities transitioning from Children's to Adult provision are kept outside of the LTS model since they can be modelled very accurately given that the individual clients are known to the Council. Loss of Continuing Health Care (CHC) funding can come at a high cost. The regulations provided for the CCG to review CHC cases and this can result in funding being withdrawn and responsibility for the care arrangements passing to the Council. Whilst we attend and challenge all reviews they are intensely contested by our local CCG.

It is difficult to predict the financial impact over the course of the year of the loss of CHC because we do not usually know which cases they plan to review. The £83k shown below and which contributes to the overspend relates to just one client.

5.33 These are all legitimate costs which will arise in ASC over the course of any year given that the Service is demand led and it is impossible to always accurately predict how that demand will play out.

5.34 West Berkshire Council has a policy of allocating risk reserves to provide additional budget for such eventualities. In March 2018 a sum of £1.6m was allocated to the ASC risk reserve and this is set out in detail in Appendix E. The costs shown here and which are contributing to the ASC overspend would be a legitimate call on the risk reserve. The Council has decided to not deploy the risk reserve at this point in time to help mitigate the impact of the ASC overspend in 2018/19.

Factors contributing to the 2018/19 ASC Overspend

LD – Transitions – one more client	**£87k**
LD – CHC funding – one more client	**£83k**

5.35 Birchwood is the Council's newest care home. It was transferred to the Council on 1st June 2017 and following the care providers informing the Council it was unable to continue without an additional £1m per annum. Following a CQC inspection on 29th July 2017 and 1st October 2017 it was deemed 'inadequate'. The Council voluntarily embargoed the Home so no new clients could be referred to Birchwood and as a result the Council's external commissioning costs increased as clients were placed elsewhere. Birchwood was re inspected over 2 days on 31st May 2018 and 4th June 2018 and was subsequently rated as 'Requires Improvement'.

5.36 Birchwood is a very significant contributory factor to the ASC in year overspend and this is reflected in greater detail later in this report. The cost of having to externally commission beds whilst Birchwood was Inadequate has directly contributed to the current in year overspend.

5.37 In addition to this there have also been additional reablement costs as a result of Birchwood not being available.

Factors contributing to the 2018/19 ASC Overspend	
Impact of Birchwood closure on LTS commissioning budgets and impact of Reablement vacancies on LTS commissioning budgets	**£312k**

6. Short Term Services

6.1 This is a much smaller budget than LTS but as evident from Table 1a the forecast outturn shows significantly more percentage variation from the revised budget than the LTS. STS encompasses a range of different services which, as the title suggests are relatively short term in nature (see paragraph 2.1). A number of trends can be observed with regard to the STS budget;

(1) the STS budget has consistently overspent in the past 3 years and in general the overspend is most pronounced in physical support;

(2) whilst the STS budget overspends each year the budget set in the following year does not seem to reflect the level of expenditure in the previous year. At this stage it is unclear why not;

(3) there is a link between 'the underspend in Provider Services (Homecare/in house reablement and an overspend in STS (Physical Support). This is because whilst the Council seeks to provide its own Reablement service to assist people being discharged from hospital in practice we cannot find all of the staff needed to support this Team. As a result external assistance is commissioned and the funding for this is found in part from the Provider Services budget.

6.2 STS is a good example of where budget planning was not good enough. The 'delivering care differently' strategy is very much about working with people and their carers to keep them out of LTS. Good budget planning would see more budget being moved into STS to enable this to happen.

6.3 One of the most prominent areas of expenditure within the Short Term Services are transfers of care from hospital. Delayed Transfers of Care (DTOCs) (or bedblocking as it is sometimes called) has a very high profile both with Government and the media. Adult Social Care has a statutory duty to deliver services that ensure that patients who are fit to leave hospital are not delayed from either going home with a care package or moving on into residential care often through some form of 'step down' provision. The Council has staff teams in place to work with Health colleagues, liaise with patients and their families and organise appropriate services. STS provides a key role in facilitating these hospital discharges in particular reablement services that focus on helping the patient to either fully independent living or a minimum of care. A very significant source of funding, of these services facilitating transfers of care is provided through the BCF and iBCF. West Berkshire has seen a significant improvement in its DTOCs in recent months. This however has come at a cost. Whilst the amount of funding via BCF and iBCF increased this year, with an expectation of improved performance, the additional monies proved not to be enough to cover the level of demand. Whilst the BCF and iBCF funding is most welcome we should not lose sight that the delivery of the services is a Council responsibility. Current estimates suggest that the financial impact for 2018/19 of this additional DTOC activity totals £229k as at Month 6. Discussions were held with the CCG to see if they would be willing to provide more funding however the Department of Health then stepped in with a £508k Winter Pressures Grant to be used to maintain services.

6.4 West Berkshire has seen a significant improvement in its DTOCs in recent months. This however has come at a cost. Whilst the BCF and iBCF fund the vast majority of the cost it is clear that Council funding has also had to be used. Current estimates suggest that the financial impact for 2018/19 of this additional DTOC activity totals £229k as at Month 6.

6.5 As mentioned earlier, and in addition to the above, around £187k is being spent on commissioning external Reablement services because the in house Reablement Team is unable to fill existing vacancies. This additional cost is being covered by an underspend in Provider Services which is discussed later. A discussion has taken place as to whether the current Reablement model is sustainable. The view is that the current model is the right one despite the staffing challenges. A lack of care workforce is a long standing issue for both the Council and external providers.

Factors contributing to the 2018/19 ASC Overspend	
Additional cost of reducing DTOCs funded outside of the BCF	**£229k**
Additional external commissioning of Reablement due to internal staff vacancies	**£31k**
Short Term Services Commissioning (non TOC and demand driven)	**£205k**

7. Provider Services

7.1 Provider Services do not have a history of overspending when looked at as a single expenditure block. However, the situation at Birchwood has changed that, with the Home directly creating an unexpected gross overspend in year of £616k. This is being offset by savings in other homes leaving a net figure of £363k.

7.2 As stated earlier the In House Reablement Team is underspending in year due to significant staff vacancies. At Month 6 this underspend stood at £156k but this is more than netted off by resulting commissioning costs in STS.

Factors contributing to the 2018/19 ASC Overspend	
Additional staffing costs associated with Birchwood (net of savings at other homes)	**£363k**

8. Other Services including management and staffing

8.1 The main overspends in this part of the ASC budget relate to respite provision in support of carers where there is an overspend of £177k in year. The embargo on new placements at Birchwood has had a direct impact of £115k on respite care costs this year. There were 3 respite beds at the home which could not be utilised and therefore had to be commissioned externally. In addition to this there is also a £73k pressure on the Voluntary Sector Prospectus.

8.2 The pressure in relation to the voluntary sector prospectus relates to a funding pressure in relation to West Berkshire Mencap. In the Autumn of 2017 the retendering of a Mencap contract led to a significant cost increase (the previous contract had not been inflated for a number of years). The resulting budget pressure was not picked up either by ASC or Finance and therefore is now contributing to the 2018/19 ASC overspend.

Factors contributing to the 2018/19 ASC Overspend	
Additional costs of Respite provision for carers	**£177k**
Additional cost of Voluntary Sector Prospectus	**£73k**

Table 6a – The reasons for the ASC in year overspend 2018/19 – Net

a) Expenditure	**£k**
Long Term Services	
The Model	
Failure to update data to Q3	448*
Failure to include 18-26 Other current group	326
Correct inflation in the model to 5%	315
Impact of including STS in error	335
Inappropriate moderation (reflected in £448k figure)	
	1,424
Sub total (model)	
Other	
Demand increase for LTS	199
Unmet Savings	266
LD Transitions	87k
LD CHC funding	83k
Birchwood embargo - LTS	)312
Reablement	)
Sub total (non model)	**947**
Total for LTS	**2,371**
Short Term Services	
DToC	229
Increased demand for reablement	205
External commissioning of Reablement due to internal vacancies	31
Total for STS	**651**
Provider Services	
Birchwood	363
Total Provider Services	**363**
Other	
Respite provision	177
Voluntary Sector Prospectus	73
Management & staffing vacancies	(121)
In year mitigation	(414)
Total Other	**-285**
Total Expenditure	**2,914**

Table 6b – The reasons for the ASC in year overspend 2018/19 summary table

Factors Driving the Overspend as at Quarter Two 2018-19	Budget Category	Gross Service Pressures	Offsetting Service Underspends	In Year Forecsating Adjustments	Net Service Forecast
		£000	£000	£000	£000
Underfunding of long term external commisisoning budget (model)	Long Term Services	1,424		(775)	649
External pressures to LTS budget creating additional external commisisoning demand (Birchwood embargo & Homecare Team vacancies)	Long Term Services	438	(126)		312
Forecast demand increase on LTS commissioning budget for FY 2019-20 over model	Long Term Services	241	(42)		199
Unmet savings from 2017/18	Long Term Services	266			266
LD: Transitions clients with higher costs than anticipated, one client	Long Term Services	87			87
LD: Loss of Continuing Health Care Funding (CHC), one client	Long Term Services	83			83
Transfers of Care pressure (Short Term Services should be funded via BCF)	Short Term Services	229			229
Short Term Services Commissioning (non TOC and demand driven)	Short Term Services	205			205
Vacancies in In-House Reablement increasing STS external commissioning	Short Term Services	187	(156)		31
Birchwood Care Home - increased staffing to improve care quality	Own Provision	616	(253)		363
Carers - respite care provision (preventative service)	Carers/Voluntary Sector	177			177
Voluntary Propspectus	Carers/Voluntary Sector	73			
Staffing vacancies	Management & Staffing		(121)		(121)
In Year Mitigation currently unidentified and unallocated	Management & Staffing		(414)		(414)
Total gross pressures, mitigating underspends, in year forecast adjustments and final net forecast		**4,026**	**(1,112)**	**(775)**	**2,139**

8.3 Table 6a summaries the various components of the 2018/19 ASC overspend as at Q2. It is clear from this summary that much of this is not actually overspend but a reflection of the fact that ASC commenced the 2018/19 Financial Year with a significant budget deficit. The reasons for this are explored in greater detail later.

8.4 Table 6a also includes two further areas of saving. These have not been detailed in this respect and they are not contributions to the overspend. They are:

- staff vacancies £121k
- in year mitigation £414k

The first is straight forward, the second relates to the in year savings target that was set for ASC once the corporate financial challenge was identified.

8.5 Table 6b shoes this information in a summarised form but also highlights the underlying movements. The table also demonstrates how the 'gross overspend' of £3.0m (£2.9m) moves to £2.1m through a series of adjustments totalling £775k. These adjustments are made up of the following;

- £79k net reduction through churn in the LTS client base and anticipated in year growth on LTS client base
- £296k re recoupment of utilised budgets
- £331k transfer of costs at year end to capital £S106 funding for capacity in LTS budget)
- £69k minor adjustments

In addition there is a legitimate call of £423k on the Adult Social Care Risk Reserve for 2018/19. This has yet to be deployed but it would bring the current in year overspend down from £2.2m to £1.75m

9. Budget Governance

9.1 There are monthly budget monitoring meetings which are attended by the Head of ASC, ASC Business Manager, ASC Finance Manager and ASC Senior Accountant. There is a separate monthly modelling meeting after budget monitoring closes which is attended by the Head of ASC, Head of Finance & Property, ASC Business Manager, Chief Accountant (Strategy), ASC Finance Manager and ASC Senior Accountant. This meeting focuses on the LTS model, reviews the current model and the appropriateness of the assumptions in the model. The meetings are not minuted. Before commenting on the meetings it is perhaps more appropriate to comment on roles and responsibilities since this is seen to be an issue of major concern.

9.2 Heads of Service have responsibility for managing virtually all of the Council's budget. There is an expectation that each Head of Service is responsible for making sure they have the financial resources they need to deliver their agreed service plan. This review has highlighted the fact that Adult Social Care started 2018/19 unaware that they were some £2m short of what they need. Finance were similarly unaware. This raises serious questions regarding grip and awareness of the ASC budget. It should be said that key staff were absent whilst the 2018/19 budget was being built and whilst that is an important consideration this should have been managed by the respective Heads of Service responsible for budget preparation, mindful of the risk this posed. This issue however does signify a number of broader underlying concerns.

9.3 It is worth differentiating at this point, budget monitoring from budget build and planning. The arrangements for budget monitoring in ASC appear generally sound. This was actually not a major emphasis of this review but it is important to stress that the in year budget monitoring process appears robust. One area however where further consideration is needed is how budget monitoring is undertaken at the start of the Financial Year. At the moment it commences at Month 3 and the view is that more needs to be done before then. A number of other small recommendations regarding budget monitoring are also set out later and were picked up by Internal Audit in their work. The main focus of the recommendations however relates to budget planning and build.

9.4 The most significant is that Finance are too involved in the management of ASC budgets. Whilst the ASC Business Manager is actively engaged in the budget build, most notably the development of the LTS model a great deal of work is also undertaken by Finance. Over the past six months the permanent ASC Business Manager has been on a year's sabbatical so much of the ASC budget preparation has had to be undertaken by Finance.

9.5 The corporate position is that the Service is responsible for budget build, spend and monitoring and that Finance is there to assist and provide challenge and scrutiny. It is accepted that Finance do have a retained responsibility for record keeping, reconciliations etc. The actual time spent by Finance fulfilling this role is largely dependent on the scale and complexity of the budget, and inherent risks. It is also, in part, a reflection of the budget management capabilities within the Service itself.

9.6 There would be an expectation that Finance would spend a significant amount of time supporting ASC and this is the case. However this level of support appears to have developed to a point where Adult Social Care's awareness of its own budget, the factors that influence it and their understanding of future demand has become far too limited. There is a need to now redress this. There seems little doubt that ASC will require additional capacity and capability to achieve this. Whether this involves transfer of existing resource and capability or the creation of new resources is a moot point and on that will require further consideration. It may also require appropriate training to be put in place.

9.7 In terms of governance there needs to be a single ASC budget meeting as at present but this meeting should be chaired by the Head of ASC and the meeting formally minuted. The terms of reference for the existing group need to be revisited. At the moment they are too narrow. Comment has been made in this review for a broader strategic approach to be undertaken where there is a more systematic review of expenditure, developing trends, benchmarking etc.

9.8 This meeting also needs to ensure that it focuses on matters beyond modelling given that LTS modelling issues account for only part of the in-year overspend. It is for example far from clear what discussion has taken place at this monthly meeting on STS, savings and expenditure and income trends.

9.9 Consideration also needs to be given to the role of the Communities Directorate Leadership Team (CDLT) in providing budget oversight and challenge since the issues with the 2018/19 ASC Budget have also failed to be picked up there too.

9.10 It is appreciated that more detailed meetings will need to take place in support of the ASC budget preparation and modelling – some already do. What is important is that these meetings report directly to the monthly ASC budget management meeting so that there is clear accountability and control.

9.11 Finance and most notably the S151 officer need to review how Finance supports the ASC budget process providing oversight, scrutiny and where necessary guidance. It needs to avoid doing what ASC should be doing.

9.12 There are questions regarding the corporate budget build process and the degree to which it is robust enough in picking up in year budget overspends when building future budgets. This issue has been raised as an issue in the past and there is now a need to review the approach in greater detail.

9.13 Governance already exists in respect of the LTS model and a meeting exists to support it. Further improvements have been made whilst this review has been underway. Further work is needed. In essence this relates to clarifying ownership and tightening up on process.

9.14 Weak governance has in part led to the difficulties that have been experienced in 2018/19 with the ASC budget. Perhaps the two main concerns though have been around an appropriate allocation of roles and responsibilities with too much emphasis on Finance managing the process. Staff absence in key roles has certainly not helped but there must at the end of the day be questions as to why the monthly budget meeting failed to pick up that the LTS model had not been updated and why Birchwood has not been seen as such a significant potential financial pressure in 2018/19.

10. Conclusions

10.1 Having undertaken a detailed review of the factors behind the current year's Adult Social Care overspend it would appear that the following conclusions can be drawn:

(1) Whilst the aim of this review has been to analyse the Adult Social Care overspend that has arisen in 2018/19, the reality is that the Service had insufficient budget in place on April 1st 2018. In year budget pressures account for a relatively small proportion of the 'overspend':

(2) It is the responsibility of the Service to ensure it has the resources it needs to deliver its service plan at the start of each financial year (recognising that this is more challenging in a demand led service). There is no evidence to suggest ASC thought they had started 2018/19 with a deficit. Neither was any warning raised by Finance or the Section 151 Officer. This raises significant concerns particularly given that management information was available that should have acted as an early warning of problems:

(3) The 'overspend' is driven by two main issues; errors with updating and moderating the forecasting model for Long Term Services (LTS) ; and additional costs arising from the Council taking over the operation of the Birchwood Care Home:

(4) Some additional costs have arisen in year so ASC would always have been overspent in the current financial year. However, had the budget planning been more robust and sufficient resource placed in the ASC budget then the current gross overspend of £3m would have been more like £1m. A significant element of this reduced overspend would have been have covered by the 2018/19 risk reserve:

(5) Aside from the two main contributory factors highlighted in (3) other factors contributing to the overspend include non-delivery of savings (this is an ongoing issue in Adult Social Care) and additional costs associated with the improvements in managing transfers of care.

(6) ASC has a track record of overspending and that overspend has consistently risen in recent years. The net overspend is notably lower however it remains the case that ASC has for a number of years carried forward a significant overspend into the following year's budget. It is far from clear that sufficient provision is then made in the following year to accommodate that recurrent expenditure. The same issue exists on a smaller scale for savings. In recent years savings have failed to be made in one year and are then carried forward to a following year where once again they fail to materialise. Both issues are clearly evident in the 2018/19 ASC budget and therefore assurance that this is not being repeated again in 2019/20 is critical. A review of how savings relating to the costs covered by the model are handled is required.

(7) There appears to be a corporate issue regarding the way in which Finance treat in year overspend in building future budgets. It would appear that in year overspends are not fully built into future year's budgets and this issue needs further investigation.

(8) In respect of the LTS model there were a number of human errors which led to an under provision in the 2018/19 ASC budget. Some of these were driven by a lack of key staff being in post at the time. This should have been identified as a significant risk by the relevant Heads of Service during the budget build process. The need to keep the model refreshed and up to date and to ensure that there was a robust checking mechanism in place appears to have been missed during the latter half of 2017 and this raises questions as to whether there is clarity as to roles and responsibilities associated with budget planning and monitoring in ASC. The lack of ownership over the model is symptomatic of the problem but underlying all of this is a lack of capacity and capability in Adult Social Care around budget planning and management. There are some aspects such as the budget monitoring and forecasting which operate well however strategic oversight is weak. Of greater concern is an over reliance on Finance to undertake much of the ASC budget planning work. This leaves no opportunity for 'checks and balances' across what is the most complex budget planning and management that the Council has to do. Separation of financial responsibilities between ASC and Finance is required as already exists across other areas of the Council's financial work. This issue may need looking at more broadly across the Communities Directorate.

(9) The underlying model for forecasting LTS demand and future budget is generally sound. A great deal of work has been undertaken by senior managers in both Finance and ASC over the summer and autumn of 2018 to further refine the model for 2019/20 and this has been highlighted in this report. This all

appears to be positive and adds confidence to the ASC revenue budget build for 2019/20. There is now a need to build a model for Short Term Services. That much of this work appears to have been driven by Finance. Going forward that needs to shift so that the modelling is undertaken by ASC and checked and scrutinised by Finance.

(10) Governance of the ASC budget is in place but needs to be improved and a series of recommendations are made to achieve this. Monitoring is relatively strong but the focus on budget planning and build is weak and highly fragmented. The most significant conclusions are set out below;

a. The governance needs to be based around Adult Social Care having clear ownership of its budgets, notably budget planning and the development and refinement of both the LTS and emerging STS models. There will be a need to enhance capacity and capability within the Adult Social Care Service to achieve this. It is important to recognise that as ASC becomes bigger and more complex so there will also be a need for investment in the support structure that manages an increasingly large and complex budget.

b. The monthly budget meetings should continue. There should be one meeting which looks at all aspects of the ASC budget. Some more strategic indicators are needed which give both ASC and Finance a sense of the trends that are developing whilst avoiding the temptation to 'dive into the detail'. Consideration should be given to involving Commissioning in these meetings. The meetings should be chaired by the Head of Adult Social Care and minuted.

c. The Heads of ASC and Finance & Property need to consider how staff are deployed to ensure the right people are at the right meetings to pick up on key intelligence that would enrich the budget management process. There is a sense at the moment that too much is being done by individuals in silos and that there is insufficient sharing of key information. The governance needs to support that but so do senior managers need to improve communication. Not everything can or should be done through meetings.

d. The model is now being reviewed regularly. Changes to the model need to be properly documented and the role of Members through Budget Board clarified. The role of the CDLT and ASC Portfolio Holder with regard to budget planning and monitoring should also be agreed.

(11) Birchwood remains a concern. The true costs of Birchwood were not properly factored into the 2018/19 budget and whilst this now appears to have been addressed for 2019/20, the whole situation regarding the future use and funding of Birchwood requires proper corporate discussion.

11. Proposals

Governance

11.1 The monthly ASC budget meetings should continue but there should be one meeting to discuss key financial issues such as high level expenditure and income trends, savings delivery, commissioning, modelling, benchmarking etc. The meetings should be chaired by the Head of Adult Social Care and minuted. The Head of Finance and Property should also attend, along with a senior manager from Commissioning. This meeting should also focus on year on year trend analysis in the movement of budgets and actual spend so as to help better understand the future direction of travel.

11.2 Any operational meetings concerning ASC finance should report to this monthly budget meeting.

11.3 The minutes and agendas of Procurement Board should be considered by the monthly ASC budget meeting, as should the minutes of the Good Practice Forum.

11.4 The link between the ASC Budget Meeting, the CDLT and Budget Board should be clarified. Given the complexity of the ASC budget planning and monitoring, both the CDLT and Budget Board need to have oversight and an ability to provide challenge.

11.5 A separate review should be undertaken of the methodology used by Finance regarding corporate budget build notably with regard to the treatment of in year overspends.

Resources

11.6 The Head of Adult Social Care to prepare a report in consultation with the Head of Finance and Property setting out proposals to enhance the budget planning capabilities within ASC, in line with corporate expectations. At the same time, the role of Finance needs to be redefined to ensure it can provide the required ‘checks and balances’ to both budget planning and monitoring. Responsibility for the development and operation of the models must rest with ASC.

Budget Planning and Monitoring

11.7 A model for STS should be developed by ASC for 2020/21.

11.8 The ASC Budget meeting needs to ensure that it refreshes the LTS and STS models regularly (monthly where possible).

11.9 Budget monitoring in ASC needs to include a monthly assessment of how effectively the models are tracking demand. Risk modelling should be driven where appropriate, from the models.

11.10 There should be an annual review of the models during the summer to ensure they remain relevant and fit for purpose.

11.11 Once any changes to the models are agreed at Budget Board, then these changes should be formally signed off and reflected in the minutes.

11.12 A version control log should be introduced for both models.

11.13 A short guidance manual should be produced for both models which sets out the stages required to update and maintain the models and also clarifies roles and responsibilities and timelines so as to ensure effective alignment and corporate budget timeframes.

11.14 There is a need to analyse package costs to ensure that it is clear where increases are being driven by inflation and where they are being driven by complexity.

11.15 Enhance the existing budget monitoring to provide much greater transparency regarding spend within BCF and iBCF budgets.

11.16 Investigate the possibility of using Care Director/Agresso to replace some of the spreadsheets currently used by Accountancy to track and monitor commissioning decisions and spend.

11.17 Ensure all budget virements are justified (budget movements/corrections) to help improve transparency regarding budget trends.

11.18 Ensure that the monthly budget meeting takes place every month even if formal budget monitoring has yet to start.

Birchwood

11.19 That a separate report is prepared by the Head of Adult Social Care in consultation with the Audit Manager setting out:

(1) The history and background to the Council’s management takeover of the Home, including the subsequent CQC inspection:

(2) The financial planning that was put in place prior to the Home being taken over:

(3) A review of the financial position from then until now:

(4) The current proposals regarding the future management of the Centre and the financial implications associated with this course of action.

Follow Up

11.23 The Head of Adult Social Care in consultation with the Head of Finance and Property to prepare a report biannually to Corporate Board and Operations Board on progress with implementing the recommendations set out in this report.

12. Consultation and Engagement

12.1 This Paper has been prepared in consultation with the Budget Management Steering Group which is a task and finish group chaired by the Chief Executive and including officers from Adult Social Care, Commissioning and Finance & Property.

Strategic Aims and Priorities Supported:

The proposals will help achieve the following Council Strategy aim:

☒ **P&S – Protect and support those who need it**

The proposals contained in this report will help to achieve the following Council Strategy priorities:

☒ **P&S1 – Good at safeguarding children and vulnerable adults**
☒ **MEC1 – Become an even more effective Council**

Officer details:

Name: Nick Carter & Julie Gillhespey
Job Title: Chief Executive & Audit Manager
Tel No: 2619 & 2455
E-mail Address: nick.carter@westberks.gov.uk & julie.gillhespey@westberks.gov.uk

Appendix D

REPORT COVERING WORK UNDERTAKEN FOR THE ASC BUDGET MANAGEMENT STEERING GROUP

1. INTRODUCTION

1.1 At the BMSG on 3rd September it was agreed that the initial focus for Internal Audit's involvement would be to cover the ASC process issues already identified and the invoice backlog to see if, and to what degree, they had impacted on the budget overspend position.

1.2 From subsequent discussions with the Chief Financial Accountant the Audit Manager was informed that work undertaken to review the assumptions and data used to build the Adult Social Care budget Model had been able to account for the budget shortfall. When this was discussed at the meeting of the BMSG it was agreed that the scope of audit work should be on validating the work undertaken on the reconciliation between the Model and the overspend. The following specific areas of work were agreed to be undertaken by Internal Audit:-

a) A review of the work undertaken by the Chief Financial Accountant on the Model to identify the source of the overspend;
b) A chronology showing how and when the Model developed during 2017/18.
c) A review of the governance of the process by which the ASC budget was built in 2017/18.

1.3 It was also requested that Internal Audit carry out some work around the history of the issue of the backlog of invoices. However at subsequent BMSG discussions it was agreed to put this element on hold as it was not deemed at this stage to have been a cause for the overspend. It was also agreed that Internal Audit would cover the current budget governance arrangements as part of discussions with the Heads of Service.

2. Approach to the Audit

2.1 Discussions were held with the following:-

Head of Adult Social Care
Head of Finance and Property
Chief Financial Accountant
Chief Accountant (Strategy)
Senior Accountant ASC.

We were unable to include the ASC BM in our discussions as she was on a sabbatical.

2.2 An analysis was undertaken of ASC expenditure over a number of years to try and establish if there is a trend/pattern to the increases, especially in relation to the commissioning budgets.

2.3 Budget Monitoring and forecasting tools were obtained to gain an understanding as to how budget changes are recorded and tracked and what information is taken into account as part of the budget projections for the year.

2.4 Versions of the Model used to build the commissioning budgets for 2018/19 were obtained and checked against the budget pressure submissions made via Budget Board.

2.5 The reconciliation undertaken by Accountancy was reviewed in order to provide independent validation of the work undertaken together with the outcome.

3. Summary of Findings

3.1 ASC Budget Trends

a) I was informed that from 2017/18 there have been more robust processes for profiling of the commissioning budgets and validating the information, and learning from trends. There are no exercises undertaken to review year on year spending patterns and to assist in predicting future growth requirements. I therefore tried to compile the information myself, this was not straight forward due to the ASC outturn showing a net position after journals are undertaken at year end for in year forecast adjustment changes and application of the risk fund. There is also a large number of virements undertaken during the year to reflect additional in-year funding and to re-align commissioning budget to reflect spending patterns, and also to carry out adjustments for errors. Although correct accounting, the journal movements at year end then skew the actual year end totals as it does not show the full extent of the expenditure being incurred for the ASC service.

b) I undertook some analysis of increases between years of actual spend incurred (including one-off sources of funding used to offset expenditure). This showed a variable movement between 2013/14 to 2015/16, with a steady increase after this to the current date. I was informed that as the Care Act changed the eligibility criteria for ASC services, the impact was always expected to be a steady increase in spend. In 2013/14 ASC flagged up a £3m per annum impact of this. There was a steep increase for the current year, some of which was relating to large increases in the budgets for the Council's internal provision and other ASC spend i.e. staffing. Removing these figures from the calculations showed a year on year increased pressure because of the commissioning budgets.

3.2 Budget Monitoring/Projections

a) Accountancy compile the key forecast data for the commissioning budgets. These figures are then discussed with the budget managers each month. The forecast position on all budgets is set at a meeting between Accountancy, Head of ASC and the ASC Business Manager. A suite of complex/very detailed spreadsheets is maintained to record and monitor changes in care service provision. The projections include forecasts for those services that have been agreed but not yet commenced.

b) Processes to monitor the spend involve a calculation of weekly funds available, weekly monitoring of client numbers and the Good Practice Forum where all spending decisions are subject to review and challenge. As acknowledged above, the Service is involved in reviewing and agreeing the forecasts, however, Accountancy are carrying out most of the analysis and projection work for the commissioning budgets. This is an historical arrangement, and is understandable when considering the technicalities of the spreadsheets. This does however result in a lack of check of the validity of the data, which is the usual corporate approach where Accountancy review the budget forecasts prepared by budget managers. Although it is acknowledged there is an element of data checking as part of reconciling Care Director with the forecasting spreadsheets. Taking into account the scale and complexity of ASC some deviation from the standard corporate approach is to be expected, there is however scope for improving ASC involvement in the forecasting estimates/calculation.

c) Taking into account the increase in spend on the commissioning budgets and the overall impact this is having on the Council's financial position, an element of check/review of the monitoring and projections would be advisable. This would require more involvement by the ASC service in the budget management of the commissioning budgets.

3.3 Governance over the Budget Build/Use of the Model

a) With the introduction of a Model to assist with more accurately predicting the commissioning budgets, there are now more stages involved with the ASC budget build. These were still being refined in 2018/19 as part of the budget build for 2019/20.

b) It is clear that both the ASC BM and Accountancy were involved in making and reviewing changes to the Model. From my discussions I was given differing views as to who actually owned the Model. The ownership and roles and responsibilities regarding the Model therefore need to be agreed/documented.

c) I do not consider however, that earlier clarity over ownership would have prevented the specific errors occurring that have now come to light. There was heavy involvement by both the ASC BM and Accountancy in looking at the content of each version of the Model content and this did not highlight the gaps. I think the errors slipped through the net because it was something new being set up that was very complex, and as a result some elements of the calculations were either missed or included in error.

d) There were numerous versions of the Model prepared, however it was not always clear what changes had been made on each version and why this was instigated. I do not consider that there is a need for a formal sign-off of each change made to the Model whilst it is being developed, as otherwise the management of the Model would become overly cumbersome and bureaucratic, but I do consider the changes made on each version should be listed, together with who has made the change and the reason why. This record could then be presented at the ASC monthly budget meetings. Once the Model is presented to members if there are any further changes these should then be formally signed off and this recorded in the minutes.

e) From review of the BB minutes there is evidence of discussions taking place around how the model was compiled and what were its key components. I have been able to check that budget pressures submitted to BB for commissioning budgets agreed with a version of the Model.

f) The BB minutes were not in sufficient detail for me to be able to establish whether each of the key assumption changes that had been made had been discussed and agreed. There was a specific offline meeting of a smaller number of members of the BB to discuss the ASC Model in detail, there were no minutes of this meeting for me to know what was discussed, if any actions were agreed.

3.4 <u>Implementation of the Model</u>

a) There were a number of assumptions in the Model that were based on national data/trends rather than using local/specific data, e.g. the ONS data showed no growth for the client group 18-64 (Other). Our data showed there was growth and a query had been recorded in the Model, this was not followed up and therefore the Model did not show any growth for this client grouping. The CPI figure was used for the rate of inflation, rather than taking into account actual price increases that are taking place.

b) As the Model was refined it was amended to reflect up to date client data, and changes in assumptions e.g. the rate of inflation and rate of client income received. This resulted in numerous versions of the Model being prepared. The last client data changes were made for October. The budget build approval timetable would result in a cut-off point of January for the Model to be completed, there was therefore scope for more up to date data to have been used.

c) Costs for transfers of care (DTOC) were not included in the Model as these budgets had been stable. However this changed with the Council's aim to improve the levels of delayed discharges. This resulted in a higher level of spend being incurred when commissioning these services, these costs were not included in the Model. These additional costs would therefore be part of the overspend position at period 5 in 2018/19. This situation has since changed with the receipt of the £0.5 million winter pressure funding.

d) The Council took over the running of Birchwood care home in 2017/18, the budget for which was created from the commissioning budgets that had met the cost of the 50 bed contract. When a decision was taken not to fill any vacant places, there was a knock on effect to the external commissioning budgets to meet the shortfall in placements. There is currently 12 vacant places, so we are still meeting the overhead costs for the full 50 places, but also having to meet the shortfall of 12 places by externally commissioned placements. The budget for Birchwood is not part of the commissioning budgets, and has shown a significant overspend for this year, at month 5 this was £567k, and £757k at month 7.

e) The Model also included an element for in year forecast adjustments, which consisted of two distinct elements one to reflect trends in demand (e.g. client churn) and the other to reflect reductions in expenditure due to other sources of funding being identified, this element also took into savings targets. The inclusion of the first category is reasonable as it is a trend that has been identified over a number of years, the second category should not have been included as it is skewed the actual expenditure. Later versions of the Model also included an adjustment for 'Staggered Start', which took into account that all care package increases in a year would not commence on the 1st April, this is a reasonable assumption.

f) I noted that the Outturn report for 2017/18 included reference to a 100 clients where the package had not yet commenced which were valued at approximately £1million. However, there was no downward trend in spend to reflect the £1 million approved but not yet committed. If these services had actually commenced straight after approval then there would have been an additional pressure in 2017/18 (approximately £90k), as it was, this pressure then rolled into 2018/19. The financial value cannot be included in the Model as most of these services will be agreed late in the financial year, therefore this value needs to be taken into account as well as the Model when determining the level of budget required for the forthcoming year. This situation occurs each year, so the value of the roll over from the previous year would be included in the Model, the impact on the budget would therefore only be where there is an increase in cost between years.

3.5 Validation of the Reconciliation of the Model

a) The reconciliation of the Model to the overspend undertaken by the Chief Financial Accountant provided reasonable explanations as to why the initial modelling resulted in the £2.5 million projected overspend for Long Term Services (LTS) occurring early in 2018/19.

b) An element of Short Term Services (STS) was included in the average package cost calculation, this was removed as part of the reconciliation, as the ratio of clients to the level of expenditure was different to LTS and therefore was skewing the average package cost calculations. There is therefore no formal methodology in place to predict the level of spend for STS. We noted that there is an ongoing overspend in this area, at quarter two this was £621K (of which £229k related to Transfers of Care (TOC), which was subsequently funded via external Winter Pressures funding. Therefore the net overspend position at quarter two was £392k. At Month 7 (which is yet to be reported to members), the STS overspend post funding of TOC via Winter Pressures has increased to £567K. I therefore consider there is a need for STS to be included in the Model.

c) The average package cost uses the volumes and actual values of LTS services. The calculation does not distinguish between types of service, and the large variances in the cost of these.

d) The average number of services per client is used in the Model. This figure includes the Primary Service Reason (PSR), as well as supporting services. As the PSR is likely to be the higher value package the average service cost is being reduced by taking into account the smaller valued additional services.

e) Points c) and d) above indicate that the average LTS service cost may not be quite right. If this calculation is understated, this may account for some of the overspend rather than it being down to a super-inflation figure of 7.75% which was used for the reconciliation.

f) There were two stages to the reconciliation, the first to reflect client data for quarter 3, as well as increasing the level of inflation to what was considered a more accurate figure than the CPI rate, and to include a rate of growth for the 18-64 other population category which had been omitted. This seemed a logical approach to bring the Model data content up to the point that it should have been before the commencement of 2018/19. This part of the reconciliation showed a difference of £1.4 million to the original Model. Therefore an additional pressure for this would have been identified if the original Model had included these elements at the beginning of 2018/19. One observation that was made on my draft findings was that although acknowledged that the Model should have been run right up to when the budget was set, if any further pressures were identified as part of this there is no real mechanism to be able to deal with this as part of the budget build/approval processes.

g) I therefore conclude that an element of the unpredicted overspend was as a result of the Model content not using up to date data and some elements being omitted or included in error. I think it ought to be borne in mind however that there was not an agreed/established process in place, and the errors were a result of not following due process. This was a new process that was being put together and refined as it went along, therefore it is more understandable why some elements were not quite right. The more obvious errors of the data not being up to date and the client grouping being omitted should have been identified though.

h) Further adjustments were then made to the Model to reflect the current position in 2018/19. As mentioned by the Chief Accountant, these adjustments could be made now as there is more up to date data, but this knowledge would not have been known at the point the final version of the Model was used for the 2018/19 budget build. These changes accounted for the remaining £1 million. An element of this process covered a reduction in the Staggered Start and changes in client movements generally. The Staggered Start/client movement element of the overspend was not validated as part of my work.

i) I noted that the reconciliation had taken into account up to date income levels for clients. I requested information regarding average package costs being compiled for the new Model. Although not comparing like for like because of the different approach to way the averages are calculated, the comparison showed a marked increase in the average package cost, circa £6,000. In my view this accounts for an element of the overspend position identified at period 5.

4. DETAILED FINDINGS

4.1 Budget Monitoring/Projections

a) Accountancy maintain spreadsheets covering changes to clients and their care services. These spreadsheets are used as a basis for identifying funds available for the Good Practice Forum, and to then record any agreed new services. The way that the year-end projections are calculated is by taking the total cost of long term care services agreed via the Good Practice Forum process before consideration of potential unutilised hours and churn within the client base.

b) These spreadsheets are then reconciled to Care Director and Agresso each month to feed into the budget monitoring/forecasting spreadsheets. The actuals are reviewed and compared with commitments, with under-utilisation being identified as well as approved new services where they are not yet set up on Care Director. All of this information is then fed into the monthly forecasting spreadsheet. I was informed by Accountancy that they do not attend the Good Practice Forum over year end. When they do start to attend in the new financial year, a log is maintained of what has been agreed but they do not carry out any annual forecasting of this data. This does not commence until the Funds available spreadsheet is set up after year end closure which is around late May/June time.

c) We were informed that for the commissioning budgets most of the forecasts/projections are made by Accountancy, as they maintain the Good Practice Forum monitoring spreadsheets. The figures for the commissioning budgets are then discussed with the budget managers each month. The forecast position is set at a meeting between Accountancy, Head of ASC and the ASC Business Manager

d) As highlighted by the Chief Financial Accountant this forecasting preparation is different from other services (except for Children's) and results in there not being an effective challenge on the projections, as is the case for other services. This is an historical arrangement.

e) The spreadsheets and calculations used to monitor the commissioning budgets are quite complex and need a certain skill set to be able to maintain them and also to be able to understand the data. Because of the financial nature of the spreadsheets, the responsibility for their maintenance has always sat within Accountancy, understandable, but there ought to be a greater level of service ownership of the management of these budgets even if the actual maintenance of the supporting spreadsheets remains within Accountancy.

4.2 <u>ASC Budget Trends</u>

a) As part of trying to understand the movements in the overall ASC budgets, we tried to trace through changes in budget for the current year where they were quite different to the previous year's budget and/or outturn. When discussing this with Accountancy we were informed that there are in-year budget changes and year end expenditure adjustments so these would need to be taken into account to flow through the figures between years. All of these movements are captured on Accountancy's budget monitoring spreadsheets, but as there is a large volume of movements it would take quite a bit of time to try to understand the changes made for each budget line. We therefore did not carry out any further work on this area.

b) Trying to carry out the above exercise of tracing budget movements we noted that there was a large level of virements being undertaken. These commenced almost straight after the beginning of the financial year, the largest value ones being for the BCF allocations once the budget is agreed. We also noted that some of the virements are for very small values. Virements are also being undertaken periodically to re-align commissioning budgets, so that the budget reflects predicted spending patterns. Although this assists with the month to month monitoring it confuses the picture and creates a bit of a moving target because of the sheer volume of changes being made, as we found, it is then easy to lose track of the original starting position and the rationale for all of the changes. This was mentioned to the Chief Financial Accountant who acknowledged the point and said that work was in hand to reduce the number of virements.

c) Adjustments are made where it is decided that expenditure can be met by other sources of funding e.g. S106, the risk fund and one-off funding e.g. Public Health grant. This funding is journelled into the ASC cost centres. These are very large values which are then skewing the bottom line at year end, when the reported outturn expenditure is net of the values being met from these in year forecast adjustments.

d) As part of the work being undertaken for the BMSG the Chief Financial Accountant had been asked to prepare a table covering an analysis of budgets and actuals for 2016/17, 2017/18 and predicted outturn for 2018/19 (Appendix A). I used some of the data in this table as a basis for further analysis. My first analysis was to show the gross levels of ASC expenditure (before any adjustments to actual outturn for the forecast adjustments and risk funding) for the last 6 years and the changes between years. I also wanted to see what the changes in expenditure were, specifically for the commissioning budgets. I have analysed this information on Appendix B.

e) This shows a rather unsettled picture for total spend from 2013/14 to 2015/16 (the implementation of the BCF may be the main reason for this). There is however a large increase in expenditure showing from 2016/17 including the current year’s projections, mostly because of the commissioning budgets overspending, the projected levels of spend for each are highlighted in the table and show a growing overspend position. To offset this position there has been increasing use of other sources of funding e.g. S106 and the Risk Fund. The use of these funding stream may not always be available, and I considered that using gross expenditure prior to adjustments in my figures would show the real levels of spend that are being incurred.

f) There has been a very large increase in projected overall spend for the current year (12%), not all of this is down to commissioning spend. Excluding the increase in costs for in-house provision of approximately £1million (largely due to Birchwood increased costs) and other ASC costs including management/staffing costs of £1 million, then the increase in commissioning costs is 6.2%, only a slight decrease on the previous year's 7%.

g) I have not gone into the detail of trying to understand why these changes in expenditure have come about. The reasons for the variances both positive and negative in the three earlier years may already be known, and for the three most recent years there is the known ongoing issue about commissioning package costs increasing. However, as we do not carry out any sort of trend analysis the information is not being pulled together to give an overall informed picture.

h) I also used the total expenditure figures (before year-end adjustments) to compare with the budget (excluding one off funding) to identify the shortfall in planned budget compared with the level of expenditure:-

Year	**Budget (excluding one-off funding) £000**	**Actual Expenditure (Outturn plus other funding sources) £000**	**Difference £000**
2016/17	35,377	37,533	-2,156
2017/18	37,407	40,498	-3,091
2018/19	42,311	45,358	-3,047
		Total	**-8,294**

The use of one-off budget funding and year-end adjustments for other funding adjustments (e.g. S106) and use of the Risk Fund over the 3 year period reduced the actual year-end position to £3,460,000, as detailed year by year below:-

Year	**Year End Outturn £000**
2016/17	460
2017/18	446
2018/19 (period 5)	2,554*
Total	**3,460**

* This shows actual spend rather than the net year-end outturn after any year-end adjustments

i) The implementation of the Model is a useful tool to be able to more accurately forecast the levels of spend on the most volatile of the Council's budgets, the ASC commissioning spend. I do however think it would be useful to implement some sort of trend analysis, as any historical peaks and troughs should be explainable and we should be able to apply that knowledge going forward. I also consider such analysis would provide a sense check/validation of the Model assumptions and calculations.

4.3 Background to the Use of a Model for Forecasting

a) The introduction of a Model to assist with ASC commissioning budgets was identified as an idea in a BB meeting in the summer of 2017 when the budget pressures started to emerge for 2017/18. There had previously been criticisms as to the accuracy of the budget projections, and there was a drive to have a process that more closely projected the ASC budget requirements.

b) The ASC BM commenced work on the Model, then worked with Accountancy on refining it. Various versions were prepared as the Model was refined (reached version 13). There was heavy involvement in the Model build by the BM in ASC and Accountancy so there was a sense check involved as the Model was refined.

c) From my conversations there were differing views as to the owner of the Model when it was first being compiled. I was informed that the ASC BM instigated the model then these were reviewed by Accountancy.

d) The Modelling had originally included an element of STS other (not MI), it only included the expenditure, the number of services was removed except for LD under 65 where the spend included college placements which normally span 2 years plus. This element of STS was removed in the remodelled version in 2018/19 as it was skewing the figures. There is therefore, no model being used to assess the budget projections for STS. There has been a budget pressure in this area for the last 3 years with this element of service accounting for a £900k pressure at period 5 for 2018/19.

e) The original Model had included in-house long term provision as well as externally commissioned. The in-house provision was removed (141 clients) on version 6. Taking into account that Birchwood had been mothballed and had not been used to the planned capacity of 50 beds, I had considered factoring back in the cost of the empty beds (12). However, as the reconciliation of the Model to the period 5 data already showed the Model to include 13 more clients, I decided that the Birchwood mothballing and the subsequent need to commission the beds externally had already been taken into account with the projected client growth levels.

f) The original Model had been compiled without taking into account commissioning costs for Delayed Transfers of Care (DTOC), this was decided as there had not been any issues with this budget overspending. The change in approach to improve the DTOC targets, discussed at the

Health and Wellbeing Board has resulted in lower fines but higher costs for making prompt placements. This level of commissioning increase was therefore not included in the Model and at period 5 this would have impacted on the overspend position. The subsequent receipt of £0.5 million winter pressure monies has offset this cost.

4.4 Governance over the ASC Budget

a) The ASC budget build follows the same corporate process as for all other budgets. However with the introduction of a Model to assist with more accurately predicting the commissioning budgets, there are now more stages involved with the ASC budget build. As this was a new/evolving process during 2017/18 the process has not been formalised/documented so there is clarity over ownership, what the various stages should be to ensure all data is included and updated promptly, with timelines established for this to feed into the corporate budget setting/approval process.

b) As mentioned there were numerous versions of the Model prepared. However it was not clear what the changes were on each Model without making a comparison with one version to the next, the versions were not saved with a date to make it clear when the changes had been made, or which version had been presented to Budget Board (BB).

c) There was no evidence of the changes being checked or signed off. I do not think there is a need to introduce a formal manager sign off of all changes but a Version Control Log should be kept of the changes made on each version, together with who has made the change, the reason for the changed and who checked it. This record would then provide a trail of the amendment undertaken and should be used as prompt to know when it was last updated/what had and had not been amended. The record would also be a useful tool for managers to have an oversight of what changes have been made and why.

d) I reviewed each version of the Model and logged the changes made on each one. I then reviewed the minutes of the BB where the ASC budget pressure was discussed and aligned these meetings/budget pressure values to the relevant version of the Model. This analysis is attached as Appendix C.

e) The changes made on each version of the Model showed that the Model content and assumptions were being reviewed and refined. There were a couple of additions which I do not think should have been included (details mentioned in the section 4.7).

f) The minutes of the BB were not in sufficient detail for me to be able to establish whether each of the key assumption changes that had been made had been discussed and agreed. There was a specific offline meeting of a smaller number of members of the BB to discuss the ASC

Model in detail, there were no minutes of this meeting for me to know what was discussed, if any actions were agreed.

4.5 Changes to the ASC Budget monitoring governance

a) The monthly budget monitoring meetings are attended by the Head of ASC, ASC Business Manager, ASC Finance Manager and ASC Senior Accountant. There is a separate monthly modelling meeting after budget monitoring close which is attended the Head of Finance, Head of ASC, ASC Business Manager, Chief Accountant (Strategy), ASC Finance Manager and ASC Senior Accountant. This is to review the current position as well as to review the appropriateness of the assumptions in the model. The meetings are not minuted, I've made the suggestion that they are, especially where decisions are being made as to the Model content and changes that impact on the budget pressure information.

b) The ownership and roles and responsibilities regarding the Model have not been agreed/documented. I don't think clarity over ownership would have prevented the specific errors occurring that have now come to light, as there was heavy involvement by both the ASC BM and Accountancy in looking at the model content and this did not highlight the gaps. I think the errors slipped through the net because it was something new being set up that was very complex, and some elements of the calculations were either missed or included in error. Going forward I think introducing the following will help ensure the Model is kept up to date:-

   a) establishment of ownership for its maintenance;

   b) compiling a list of the key stages that need to be undertaken and when;

   c) introduce a Version Control Log to record what changes have been made/when/why and who checked them. This log could then be used to inform the relevant group of the key changes that had been made.

4.6 Background Discussions

Where relevant I have included information from my discussions in the sections of the Findings in this report. The following section covers information obtained from the discussions that I considered useful context as well as wanting to reflect the observations of the officers involved in the implementation of the Model and the management of the ASC budget processes. As the BS ASC is on a sabbatical until next May I was unable to include her in my discussions.

4.6.1 Head of Finance and Property

a) There was an additional pressure asked for at BB for a further £600K, concerned about this and whether it was justified. There were a few separate meetings chaired by the Chief Executive specifically to discuss the ASC Model and the pressure bids.

b) The Head of Finance and Property considers that the Model has been seen as more of a ‘Finance’ tool rather than owned by ASC. He would like to see Care Director utilised more to be able to monitor and manage the movements in the ASC budgets rather than all of the spreadsheets maintained by Accountancy. The Audit Manager noted this had been the intention when the RAISE Finance Module was implemented about 6 years ago. This situation has not changed, and the spreadsheets maintained by Accountancy have become even more complex and time consuming as the budget pressures have become greater i.e. need to account for the in year forecast adjustments, use of the risk fund and detailed movements in client service provisions.

c) From his perspective there are three elements to the issues with the Model and the resulting budget overspend projections, inflation and whether there was better information around January time to be used for the forecasting. Delayed transfers of care – these have impacted on the budget as we are paying more to reduce the delays. The churn factor used looks as though it was a large value, but hasn’t been as great a benefit as in previous years due to higher cost clients generally replacing those leaving the service.

4.6.2 <u>Head of Adult Social Care</u>

a) Discussions at a BB highlighted the need for a Model, there had been criticisms about demography. Previous approaches to budget pressures didn’t take into account a rate for inflation, as Commissioning are good at holding down prices as there is no agreed contractual uplift. Pressures were decided on the funds available after GPF decisions. Previously it was agreed to use the ASC precept option and the iBCF funding as the uplift to cover the expected change in demographics/inflation.

b) There had been a trend of a downward swing each year as there is always an amount of churn and the recycling of funds. There is governance around new spend, staff can’t just use a higher cost agency and they are required to obtain 3 options for spot purchases. Accountancy provide the data for the Model, going forward the service needs to own it but Finance need to contribute.

c) There have been a number of issues that have impacted on the increase in costs, one care home we used closed, we took Birchwood in-house but have not been able to utilise it, and there is a large rent to pay. There’s a struggle generally in the market to find placements so this can impact on inflation. There were lots of discussions at the Health and Wellbeing Board about improving hospital discharges, but this then had a knock on effect to the budget. There have been more capital depleters, and care homes don’t need to notify us when this happens so we can’t plan for it.

d) In 2016/17 there were real issues in trying to meet savings targets. Going back to BB with a further pressure bid of £600k in January for 2018/19 was a big ask. Instigating the budget monitoring forecasting from month one would be useful.

4.6.3 Accountancy

a) The previous process for the budget build was to submit a pressure bid, include it on the pressures list which would then be discussed with the Finance Manager. The Chief Executive had requested more information about budget pressures generally, and the modelling conversations stemmed from that. The BM in ASC built the Model with input from Accountancy.

b) Over the last few years it had been noticed there was an increase in the profiled costs up to month 9, after which it started to fall, and an underspend position started to show. This was due to client churn, return of Direct Payment overpayments, therefore it was decided to include an element of churn in the Model to reflect this trend.

c) Accountancy had been told they needed to be more realistic with the budget, and if they know it is going to go down, to budget for this. Some trend analysis was undertaken to identify the level of churn/purchase orders cancelled etc.

d) The quarterly budget monitoring reports (blue text) include explanations as to why the actual position has changed from the projected spend. BB were provided with explanations as to how the Model worked.

e) It was considered that the ASC BM was the owner of the Model but that Accountancy reviewed and agreed the figures. Ownership now seems to be more with Accountancy, this wasn't intentional, but more as a result of the BM ASC going on sabbatical for a year from May 2017 and a suitable replacement could not be found. Accountancy does not have the resource to do this.

f) At the time of the Model build the Finance Manager was on maternity leave so a lot of the checks and review of the Model were undertaken by the Senior Accountant, with involvement also by the Chief Accountant. The Senior Accountant was acting up in the absence of the Finance Manager, her own post was not back-filled.

g) A review of 5 years of data had been undertaken as part of building the Model. CPI was applied across the Council as the rate of inflation, therefore 3% was included in the Model. Subsequent discussions about the ASC spend mentioned that the level of inflation was nearer to 8%, but these were after the budget build.

h) Maximising Independence wasn't included in the Model, as historically there wasn't an overspend in this area, but the change of emphasis on improving the bed blocking rates has changed this, the level of fines has gone down but there has been a knock on effect on commissioning expenditure which has increased.

i) When Birchwood became an in-house provision there was a pressure when there was a self-imposed embargo on using more beds following a poor CQC report.

4.7 Issues with Model

4.7.1 Client Data

a) Client data (numbers/package costs) was only taken up to October. The December data was requested by the BM in ASC. Accountancy provided it and the information was reflected in tables included in the budget monitoring data, but did not feed its way into the Model.

b) For the client category 'Adults 18-64 (other)' the Model stated that ONS data was used. There was a note on the Model spreadsheet to say this did not correlate with the Council's own data, it looks like this query was not followed through and as a consequence the Model did not reflect any growth in numbers. There was therefore an oversight/error with this being omitted from the Model. This has now been included.

4.7.2 Dampening/Churn Rate

a) The Model included provision for dampening of demand which covers client churn/Direct Payment overpayments/ deceased clients (these were included as part of the in year forecast adjustments). There has historically been a slowdown of projected costs at year end because of this, so this was why it was included in the model. Client churn levels are captured each month by Accountancy on their spreadsheets. Including this seems a reasonable assumption as it is a recognised trend.

b) From my review of the figures that made up the total for the in year forecast adjustments (£2 million in total) I noted that they included adjustments for expenditure to be met from other sources of funding e.g. S106 as well as savings. All of the in year forecast adjustments data is captured in Accountancy's spreadsheets and is used as part of the monthly budget monitoring/forecasting, this information is therefore very pertinent to the monitoring of the ASC budget. The other sources of funding/savings should not however, have been included in the calculation for the average package cost, as this results in a reduction to the unit cost and therefore does not give an accurate picture for the projected growth/budget pressure for the forthcoming year. The reconciliation correctly removed all of the in year forecast adjustment elements from the average package cost calculation.

c) The level of churn/in year forecast adjustments was revisited as part of the reconciliation, the revised figure for this was £1.15 million (rather than the £2 million). It has been removed from the average package cost calculation and included as a reconciliation with the actual budget monitoring/forecasting which seems more appropriate.

d) The term ‘dampening down’ is perhaps not the best choice as it suggests that there has been an adjustment to the figures because they are too high/unpalatable, which was the direction of some of the discussions at the BMSG meetings. From my review of the figures and the rationale as to why they have been included I did not find this to be the case.

4.7.3 Services Agreed But Not Commenced

a) From an analysis of care package volumes over the last couple of years the numbers seemed to be reasonably consistent with no major changes, except at the end of 2017/18. I noted that the Outturn report for 2017/18 included reference to a 100 clients where the package had not yet commenced which were valued at approximately £1million (FYE). The graph showing the levels of services had been adjusted to reflect the net difference between these and other changes in services e.g. new ones that had commenced and ones that had ceased. However, there was no downward trend in spend to reflect the £1 million approved but not yet committed. If these services had actually commenced then there would have been an additional pressure in 2017/18, as it was, this pressure then rolled into 2018/19.

b) These figures are included in the monthly monitoring/projections, but as they are not an actual committed cost (i.e. no purchase order raised at this stage), they are taken out of year end closure as they haven’t materialised as either an actual spend or a commitment which requires a provision to be made.

c) The Outturn budget report for 2017/18 stated ‘Although the number of open services reduced at the year end, via a combination of existing care services ceasing, and agreed care services included in the forecast not commencing by the year end, £1 million (full year effect) of services were agreed at panel and are anticipated to start in 2018/19. In response to this pressure the level of section 106 funding drawn down was reduced by £263k from the forecast draw down at Month Eleven in order to start to create capacity in the commissioning budgets in 2018/19’

d) To summarise, the impact of this statement is that the agreed package valued at £1 million were likely to materialise in the next financial year, and a provision from S106 funds was being made to offset some of the impact of this.

e) Our analysis of movement in open services showed a marked increase in quarter one of 2018/19 compared with the closing figures in 2017/18 (an increase of 190 services in one quarter). As this year end adjustment takes place each year, there may not be an impact on the next year’s budget if the value of services not yet commenced is static between years, which is not necessarily going to be the case. For 2018/19 because of the large overspend coming to light as part of the first budget monitoring exercise Accountancy carried out an exercise to analyse levels of care services/open purchase order on Care Director. This resulted in some purchase orders being removed, however there is no monitoring of the actual impact of the carry forward services on the following year to see any net impact from the previous year.

f) We considered the volume of services 'agreed but not commenced' to be high, as the 100 services accounted for 13% of the total number of services that were already in place. Accountancy had made a note that the volumes of services not commenced at the end of 2016/17 was 68, there was no value calculated for that year to know the net knock on effect there might have been for 2017/18. The recording of the number of these services and value commenced in response to the overspend position in 2017/18 and trying to more closely monitor changes that could impact on the projections. We tried to carry out an analysis of a sample of these clients to see how long there had been a delay in the package being set up, we reviewed 4 clients we found that the length of delay varied as did the reason. This was a time consuming exercise so we did not carry out any further work. This is something that should be reviewed and monitored for operational purposes but also for budget monitoring purposes.

g) This situation will occur at the end of each year, with there always being a timing difference in setting agreed services up, which will then have an impact on the next financial year. This process will have an unplanned impact on the next year where the financial value of services yet to be set up increases between years. As mentioned previously the financial outturn report for 2017/18 did include a statement to the fact that a £1m pressure could appear in 2018/19 as a result of these agreed services being set up. The financial value cannot be included in the Model as most of these services will be agreed late in the financial year, therefore this value needs to be taken into account as well as the Model when determining the level of budget required for the forthcoming year.

4.7.4 Short Term Services

The reconciliation focussed on the overspend for LTS (£2.5m), and therefore it was only the projected overspend attributable to LTS that was reconciled to the revised Model. There was a £900k estimated overspend related to STS at period 5 for 2018/19. An element of STS was included in the original model as part of the average package cost calculation (one cost centre included others not). The Chief Financial Accountant mentioned that the client numbers/average package costs for this group were very different from the LTS and therefore were removed as they were skewing the average package costs.

4.8 <u>Validation of the Review of the Model Compared with Predicted Budget overspend</u>

a) The Chief Financial Accountant undertook an exercise to review the last version of the Model used to determine the budget for 2018-19.

b) The Audit Manager held discussions with the Chief Financial Accountant to understand what the review had entailed and the outcome. From previous discussions the Audit Manager had understood that the main reasons with the overspend occurring were because the Model does not include all of the correct data as well as the assumption for inflation being too low, as it had taken into account the CPI rate rather than the actual rate seen in ASC with price changes.

c) The Chief Financial Accountant recalculated the outcome of the Model after each change was made. This resulted in a version 8 of the revised Model. I was provided with Version 8 and was given explanations as to what the reconciliation had involved and an explanation as to how the figures were compiled. I considered the approach taken to be reasonable. I then reviewed the figures and calculations and found I could flow most of them through and they agreed with the explanations and rationale I was given as to why the changes had been made.

d) The work undertaken to check the accuracy of the model covered two stages, the first was to change any obvious errors in the original Model and to update the data to use quarter three package numbers and care package costs. The second stage was to review the assumptions used at the time and to make adjustments to reflect the current situation (as at period 5 in 2018/19).

e) The first part of the exercise was amending errors that had come to light whilst the second was something that was known now at a further point in time than when the original Model had been compiled. It would therefore be unfair to expect the stage 2 elements to have been taken into account when the Model was being worked on as part of the budget build for 2018/19. Some of the figures used in the second part of the exercise were also projections, but as they were based on data from quarter one are obviously more accurate than the 2017/18 data. The table below shows the summary data in version 8 of the Model.

Reconciliation Stages	**Reason**	**£ 000**
First Stage	Restatement using quarter 3 data (with dampening removed)	448
	Changes for 18-64 Other client group	326
	Inflation change to 5%	315
	Removal of STS	335
	Total of First Stage	**1,424**
Second Stage	Super inflation of 7.75%	420
	Income (increased the percentage of income being collected)	-640

	Staggered Start (reduced as seemed too high at 50%)	1,343
	Reconciliation to the overspend for LTS	**2,547**

g) The outcome of the first stage showed there would have been an additional pressure of £1.4million. The more obvious errors in the original Model that should have been identified were not using up to date data, the omission of growth for one client group, adjusting for these elements accounted for £774k of the overspend.

h) One observation, the data/assumptions used for the Model are continuously changing as can be seen in the table above when using data from month 9 rather than month 7. Another example of this is the movement in percentage of income levels used in the Model. A revised budget pressure was submitted in January 2018 as an exercise to review the previous 5 years of data had shown that a figure of 16% would be more prudent than the 17.5% that had been included in the Model up to that time. As per Stage 2 in the revised Model figures above, the income percentage had been reviewed and then increased to 17.2%, nearer to that in earlier versions of the Model.

i) Some of the Stage 2 reconciliation and revisiting of assumptions was based on reasonableness rather than there being actual data to support it e.g. the figure of 7.75% used for inflation/super inflation. My assessment of the actual increases in levels of spend for commissioning shows a 7% increase between 2016/17 and 2017/18, and a 6.2% increase between 2017/18 and 2018/19 predicted spend. I was informed that the Model used for 2019/20 has used 5% inflation. These expenditure increases could be a sign of changes in types of care being provided (i.e. more complex service provisions which has been mentioned as a reason for the increased costs), rather than just being down to a general increase in prices.

i) The Model includes an assumption for Staggered Start, this is an adjustment to reflect that not all agreed care services will commence on the 1st April. This was set at 50%. The reconciliation of the Model to the 2018/19 overspend adjusted this to be just over 8%. I queried this when I was told that the Staggered Start in the new model is to be set at 50%. I was informed that the reduction was a reconciling figure to balance the Model assumptions back to the overspend position at period 5 of 2018/19, and included client movements generally not just staggered start. This assumption was not validated as part of my work.

j) The reconciliation checked the accuracy of most of the key assumptions (e.g. levels of client services, percentage of income received) and updated them for where the data had changed. There is one other key calculation in the model, the average package costs. I think this is the area that is likely to be the calculation that is not quite right and could account for the remaining level of overspend rather than being attributable to super-inflation of 7.75%. I requested data regarding the average package costs being prepared for the new Model. Although not comparing like for like because of the different approach to way the averages are calculated, the comparison showed a marked increase in the average package cost, circa £6,000. In my view this accounts for an element of the overspend position identified at period 5.

k) From review of the numbers of client services in place for 2016/17, 2017/18 and 2018/19 (up to period 5) although in-year fluctuations the numbers at year end are reasonably consistent. This is also supported by the comments I received regarding the complexity of care needed has increased rather the levels of services. Which supports my theory that some of the overspend attributable to super-inflation is more to do with the average package calculation not being quite right.

l) This increase has also had an impact on the churn assumptions, as although the turnover of clients may still be the same, the financial saving will have reduced because of the increase in new package costs.

m) The average package cost uses the volumes and actual values of LTS services. The calculation does not distinguish between types of services, and large variances in cost of these.

n) Clients often have more than one care package, the formula in the Model provides a ratio of 1.3 for client numbers to services per client. Each client with more than one service is likely to have one main service which is defined as the Primary Service Reason (PSR), which is likely to be the higher value service. As the Model used the volume of services rather than the PSR I think this is likely to be skewing the average Model cost as well.

5. Recommendations

5.1 Budget Setting/Monitoring

1) Carry out a year on year trend analysis/patterns of the movement in budgets and actual spend in order to have an overview of future direction. This will also assist in validating the figures calculated by the Model.

2) Reduce the number of virements (budget movements, corrections), this will help to give a clearer position as to the starting point at the beginning of the year and the level/reason for any key movements.

3) Consider implementing the budget monitoring process at the beginning of the financial year so that any unpredicted movements in budget position can be identified earlier providing more time in the year to take remedial action.

Accountancy consultation feedback – Head of Service has concern with being able to do this because of the ever shortening government accounts closure requirements by 31st May which requires the accountancy resource to be focussed on this task. Any delay could incur significant additional costs.

Accountancy consultation feedback - With current processes, this would require an increase in staffing as the team will be doing year-end and setting spreadsheets up for the next financial year, there is currently no available time to do budget monitoring in Month 1 and 2.

4) Start to track the levels/values of services agreed but not yet commenced at year end and take these into account as well as the Model results when setting the next year's budget.

5) The volume of services agreed but not yet commenced at year end needs to be monitored to ensure that there aren't any specific process issues that are causing delays in services being set up promptly.

6) Investigate the possibility of using Care Director/Agresso (as part of the planned upgrade) to replace some of the spreadsheets currently used by Accountancy to track and monitor commissioning decisions and spend. *ASC consultation feedback – Not feasible to use Care Director. The Finance Module has limited capabilities.*

5.2 Governance

1. Any key decisions taken at the monthly meetings to review the budget position and Model should be minuted to make it clear when/why any major decisions are made re the Model assumptions.

2. Any formal offline meetings (e.g. sub-group of the BB) covering the Model content should be minuted.

3. Roles and responsibilities in the ASC Model build and approval stages should be clearly defined.

4. The stages required to update and maintain the Model should be documented.

5. There should be a Version Control Log maintained of changes made to the Model, recording the reason for the change, who made it and when. Suggest that this record is then used as a supporting paper to be presented to the monthly budget monitoring meeting as well as BB.

6. Once the model is presented in the member arena, any agreed changes should be formally signed off and this should be stated in the minutes.

7. Consideration is given to reviewing the processes for preparing/reviewing the forecasting projections for the commissioning budgets, to see if the

level of involvement of ASC can be increased to allow Accountancy to carry out more of a validation/sense check role.

5.3 The Model

1. There needs to be clarity of ownership of the ASC Model.

2. Ensure the Model assumptions are reviewed on a regular basis so they are refined and checked for accuracy where possible to ensure they reflect the actual situation (most of this is now happening monthly as part of the monthly Model meetings).

3. Analyse the increases in package costs to determine what proportion is linked to inflation and the level attributable to increases in complexity of new care services. I think this is a key element of analysis that is needed to understand increases in costs.

4. A model is established to cover short term services.

5. The calculation for the average package costs is broken down by types of services to provide a more meaningful/realistic average and the PSR numbers are used rather than levels of service.

Appendix E

2018/19 Adult Social Care Risk Register
(as agreed by Budget Board on 22nd March 2018)

The ASC Risk Reserve was approved at Budget Board on the 22nd March 2018. The Reserve was increased by £406k at that time to stand at £1.6m. This figures was based on a Risk Register which set out a most likely financial provision and a worst case financial scenario for each risk. It was decided to allocate the Risk Reserve against the 'most likely' scenario' which came to a total of £1.6m. A summary of these risks is set out below. The 'worst case scenario' totalled £3.7m.

A number of the risks included in the Risk Register have materialised in 2018/19 and are set out in the Table below. These include;

- Continuing Health Care - £81k
- Provider Services (inc Birchwood) - £110k
- Unknown LD Clients 18-25 - £87k
- Care Management - £23k
- Contract Inflation - £122k

TOTAL £423k

These show that in total there is currently a legitimate call of £423k from the Risk Reserve in 2018/19. In some cases the level of risk that has materialised exceeds the 'most likely' financial allocation in the Risk Fund. In some others it remains below it. For DTOC the expectation was that iBCF would provide the necessary financial buffer. This does not seem to have happened although the allocation of some £0.5m of Government 'Winter Monies Grant' would appear to have addressed the in year pressure on DTOC budgets.

Take together the conclusions from this analysis is that ASC has a legitimate call of £423k on its £1.6m Risk Reserve and this should be factored into the current debate regarding the scale of the underspend.

	£k (most likely scenario)
DToC – Fines	119
DToC – Purchasing care to clear delays	0*
Ordinary Residence	47
CHC – losing fully funded placements	81+
CHC – local agreement reviews	192
Unknown LD clients 18-25	142+

Precarious clients	190
Legal fees	17
Safeguarding reviews	0
Provider Services (inc Birchwood)	110+
Care Management	40+
S117 – 50/50 charge – all cases	300
DoLS	67
ECH – Retender	60
Provider failure	120
Contract inflation	122+
National Living Wage – sleep in costs	0
TOTAL	**1607**

(*) this risk was set to zero because it was assumed that the iBCF budget would be used to reduce delays. This occurred but additional Council budget was then used to reduce the delay further. The Council received winter monies (£500k) in the Autumn of 2018 which covered off this overspend.

(+) this has materialised (in full or part) as a legitimate call on the 2018/19 budget. In total it is estimated that at Q2 £423k of the £1.6m ASC Risk Reserve has actually materialised.

Appendix F

Proposed Action Plan

1 Action Plan

No	Recommendation	Significance	Agreed/ Not Agreed	Client Comments	Responsible Manager/ Timescale for Implementation
	GOVERNANCE				
11.1	The monthly ASC budget meetings should continue but there should be one meeting to discuss key financial issues such as expenditure and income trends, savings delivery, commissioning, modelling, benchmarking etc. The meetings should be chaired by the Head of Adult Social Care and minuted. The Head of Finance and Property should also attend, along with a Member of Commissioning Services. This meeting should also focus on year on year trend analysis in the movement of budgets and actual spend so as to help better understand the future direction of travel	Significant	Agreed		Head of Adult Social Care – from April 2019
11.2	Any operational meetings concerning ASC finance should report to this monthly budget meeting.	Moderate	Agreed		As above.
11.3	The minutes and agendas of Procurement Board should be considered by the monthly ASC budget meeting, as should the minutes of the Good Practice Forum	Moderate	Agreed		As above.

No	**Recommendation**	**Significance**	**Agreed/ Not Agreed**	**Client Comments**	**Responsible Manager/ Timescale for Implementation**
11.4	The link between the ASC Budget Meeting, the CDLT and Budget Board should be clarified. Given the complexity of the ASC budget planning and monitoring, both the CDLT and Budget Board need to have oversight and an ability to provide challenge				Executive Director (People) in association with Head of Finance & Property
11.5	A separate review should be undertaken of the methodology used by Finance regarding corporate budget build notably with regard to the treatment of in year overspends.	Significant	TBA		Head of Finance in consultation with Chief Executive (via CB)
	RESOURCES				
11.6	The Head of Adult Social Care to prepare a report in consultation with the Head of Finance and Property setting out proposals to enhance the budget planning and monitoring capabilities within ASC, in line with corporate expectations. At the same time, the role of Finance needs to be redefined to ensure it can provide the required 'checks and balances' to both budget planning and monitoring. Responsibility for the development and operation of the models must rest with ASC	Significant	Agreed		Head of Adult Social Care and Head of Finance & Property April 2019 (via CB)
	BUDGET PLANNING & MONITORING				
11.7	A model for STS should be developed by ASC for 2020/21	Significant	Agreed		Head of Adult Social Care
11.8	The ASC Budget meeting needs to ensure that it refreshes the LTS and STS models regularly (monthly where possible).	Moderate	Agreed		As above

No	Recommendation	Significance	Agreed/ Not Agreed	Client Comments	Responsible Manager/ Timescale for Implementation
11.9	Budget monitoring in ASC needs to include a monthly review of how effectively the models are tracking demand	Significant	Agreed		Head of Adult Social Care
11.10	There should be an annual review of the models during the summer so that if necessary, they can be amended to align with the corporate budget cycle	Significant	Agreed		Head of Adult Social Care
11.11	Once any changes to the models are agreed at Budget Board, then these changes should be formally signed off and reflected in the minutes	Significant	Agreed		Head of Adult Social Care and Head of Finance and Property
11.12	A version control log should be introduced for both models	Moderate	Agreed		Head of Adult Social Care April 2019
11.13	A short guidance manual should be produced for both models which sets out the stages required to update and maintain the models and also clarifies roles and responsibilities and timelines so as to ensure effective alignment and corporate budget timeframes	Moderate	Agreed		Head of Adult Social Care April 2019
11.14	Analyse the increase in package costs to determine what proportion is linked to inflation and the level attributable to increases in the complexity of new care packages	Moderate	Agreed		Head of Adult Social Care April 2019
11.15	Enhance the existing budget monitoring to provide much greater transparency regarding spend within BCF and iBCF budgets.	Moderate	Agreed		Head of Adult Social Care March 2019

No	**Recommendation**	**Significance**	**Agreed/ Not Agreed**	**Client Comments**	**Responsible Manager/ Timescale for Implementation**
11.16	Investigate the possibility of using Care Director/Agresso to replace some of the spreadsheets currently used by Accountancy to track and monitor commissioning decisions and spend	Moderate	Agreed		Head of Adult Social Care, Finance & Property, and Commissioning from 2019/20
11.17	Reduce the number of virements (budget movements/corrections) to help improve transparency regarding budget trends	Moderate	Agreed		Head of Adult Social Care in association with Head of Finance
11.18	Ensure that the monthly budget meeting takes place every month even if formal budget monitoring has yet to start	Significant	Agreed		Head of Adult Social Care (from 2019/20)

	BIRCHWOOD				
11.19	That a separate report is prepared by the Head of Adult Social Care in consultation with the Audit Manager setting out; (1) The history and background to the Council's management takeover of the Centre, including the subsequent CQC inspection; (2) The financial planning that was put in place prior to the Centre being taken over; (3) A review of the financial position from then until now; (4) The current proposals regarding the future management of the Centre and the financial implications associated with this course of action.	Significant	Agreed		Head of Adult Social Care in consultation with Audit Manager April 2019-July 2019
	FOLLOW UP				
11.20	The Head of Social Care in consultation with the Head of Finance and Property to prepare a report biannually to Corporate Board and Operations Board on progress with implementing the recommendations set out in this report.	Significant	Agreed		Heads of ASC and Finance & Property

This page is intentionally left blank