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OVERVIEW AND SCRUTINY MANAGEMENT COMMISSION

MINUTES OF THE MEETING HELD ON TUESDAY, 26 FEBRUARY 2019

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

Also Present: Robert Bradfield (Service Manager - Commissioning), Nick Carter (Chief Executive), Andy Day (Head of Strategic Support), Steve Duffin (ASC Business Manager), Tandra Forster (Head of Adult Social Care), Julie Gillhespey (Audit Manager), June Graves (Head of Care Commissioning, Housing & Safeguarding), Andy Walker (Head of Finance and Property), Jessica Bailiss (Policy Officer (Executive Support)), Councillor Graham Bridgman (Executive Portfolio: Adult Social Care), Councillor Anthony Chadley (Executive Portfolio: Finance, Transformation and Property), Stephen Chard (Principal Policy Officer) and Councillor Quentin Webb

Apologies for inability to attend the meeting: Councillor James Podger

Councillor Absent: Councillor Lee Dillon

PART I

39. Declarations of Interest

Councillor Marigold Jaques declared an interest in Agenda Item three, but reported that, as her interest was a personal or an other registrable interest, but not a disclosable pecuniary interest, she determined to remain to take part in the debate and vote on the matter.

40. Management Review into the in year Revenue Overspend in Adult Social Care - 2018/19

(Councillor Marigold Jaques declared a personal interest in Agenda item three by virtue of the fact that she had been closely involved in the area of Adult Social Care and had some knowledge of the workings of the service. As her interest was personal and not prejudicial she was permitted to take part in the debate and vote on the matter).

Councillor Alan Law introduced the item and reported that the review into the in-year revenue overspend in Adult Social Care (ASC) had been requested for three reasons:

1. The challenge of providing and funding proper and adequate ASC was one of the biggest challenges the country was facing as population age and life expectancy was increasing.
2. Over the years financial planning and performance for ASC regularly reported a deficit by the end of quarter one, requiring the rest of the Council's services to take mitigating action adding further management and financial pressures.
3. There was an opportunity for the OSMC to be proactive and to add value to the review before recommendations were submitted to the Executive and Council for approval.

OVERVIEW AND SCRUTINY MANAGEMENT COMMISSION - 26 FEBRUARY 2019 - MINUTES

Councillor Law added that it was important that the OSMC had the opportunity to contribute to the process rather than viewing any findings in retrospect.

Nick Carter presented the report which set out the findings of an internal review into the forecast overspend in the Adult Social Care (ASC) Revenue Budget in 2018/19. He explained that the report had been prepared jointly with Julie Gillhespey whose detailed findings could be viewed under Appendix D to the report. Julie Gillhespey had focused largely on Long Term Services (LTS) and could provide more detail on this area if Members' desired.

As at month six, an overspend of £2.9m had emerged in year within the ASC budget and various mitigating measures had been put in place which were expected to bring this down to around £2.1m at outturn. Given the significance of the overspend the Chief Executive had been asked to undertake a review to determine the cause of the overspend and how a similar situation could be avoided in the future.

Nick Carter then described the conclusions (contained in paragraph 6.1) which were based on the Q2 position:

- (1) Whilst the word 'overspend' had been used to define the current problem, in reality, insufficient budget was given to ASC from the outset so 'budget deficit' was perhaps a more accurate description. It was estimated that ASC was probably around £2m 'short' when it started the Financial Year on the 1 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.

There were therefore deficiencies in the modelling which was based on out of date data. This led to inaccurate assumptions as a result of human error rather than poor processes. The processes were in the main, satisfactory, although they had since been refined.

- (2) ASC had 'overspent' for the last three years and the scale of that overspend had continued to increase. The treatment of overspend as recurrent expenditure remained a concern, and was an issue in 2018/19. It was an issue that had needed to be resolved in the budget build process. The increase in spending was something being faced by local authority ASC services across the country and was increasingly becoming a concern for Children's Services.

- (3) A exercise to determine possible risks took place on an annual basis and risk funding was not normally released by the Executive until later in the financial year.

Further analysis showed that ASC had a legitimate call on the ASC Risk Fund and the amount of risk funding that could be used by ASC had recently increased from £423k to about £600k.

- (4) As already described, two main issues were 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.

The model itself was sound however, there had been issues around failure to update the model and inaccurate assumptions had been made.

- (5) Other issues driving the overspend included unmet savings (some of which had been carried forward from previous years) and rising costs in relation to transfers of care, respite provision and support for the voluntary sector. There were legitimate demand pressures but these were not the primary reason for the overspend. Moving forward, unmet savings would be reviewed to ascertain whether they could be met in future.

OVERVIEW AND SCRUTINY MANAGEMENT COMMISSION - 26 FEBRUARY 2019 - MINUTES

- (6) The situation had not been helped by the absence of key staff in both Adult Social Care and Finance.
- (7) The model for Long Term Services was generally fit for purpose but had been extensively enhanced for 2019/20.
- (8) Budget monitoring was generally robust but there were a small number of proposals being made to enhance the current arrangements.
- (9) There were a number of areas where governance should be improved but the biggest concern was that there was insufficient capacity and capability in ASC to undertake the required budget planning needed for a budget of such size and complexity. Far too much emphasis was placed on Finance to do the work. Their role was to challenge and scrutinise and provide the necessary 'checks and balances' that such a complex exercise must have in place. They could not fulfil both roles. ASC needed to undertake the build work.
- (10) There needed to be a review into the resources that ASC currently had to carry out its budget management responsibilities more effectively. As more resources were allocated to a burgeoning ASC Service so it would be necessary to ensure some of those resources were allocated to the support structures required to effectively manage it. There was potentially a need for an independent oversight of any restructuring.

Nick Carter added that there had been reference made to unpaid invoices and early on in the review process it was suggested that this could have been a contributing factor to the problems being faced by ASC. Nick Carter confirmed that this was not the case. There were separate issues around invoicing and a report on this would be provided at a later date.

Councillor Law queried if the issues with invoicing were reflected in the data. Nick Carter explained that at one point it had been suspected that invoicing was compounding problems faced within the budget however, it was now clear that the issues around invoicing had been factored in and had no bearing on the budget build.

Julie Gillhespey reported that when the Budget Management Steering Group (BMSG) had met initially to discuss what had caused the overspend, conversations had pointed to the financial model. The Chief Accountant had reviewed the model and formed a judgement. It was agreed by the BMSG that the scope of audit work should be on validating the work undertaken on the reconciliation between the model and the overspend and the following three areas of work were agreed to be undertaken:

1. A review of the work undertaken by the Chief Accountant on the model to identify the source of the overspend;
2. A chronology showing how and when the model developed in 2017/18;
3. A review of the governance of the process by which the ASC budget was built in 2017/18.

Councillor Graham Bridgman stated that his first concern regarding the situation had been what would have happened if there had not been a 2018/19 model and the budget had been built using traditional methods. He had been informed that if this approach had been taken the budget would be in a much worse position.

Councillor Bridgman queried the overall overspend of £2.9million and noted that £2million should have been factored into the budget. Therefore he asked how the £0.9million could be influenced. He asked for clarity as to whether risk reserve funding used would offset the £2million or £0.9million. Councillor Bridgman referred to paragraph 4.3 of Appendix C

OVERVIEW AND SCRUTINY MANAGEMENT COMMISSION - 26 FEBRUARY 2019 - MINUTES

on page 17 of the report, which referred to one-off items that were often deployed to manage overspends including the utilisation of risk funds.

Councillor Bridgman commented that with accurate modelling, spending would require less contingencies to be in place and if the position was being monitored against an accurate model then any discrepancies should be identified efficiently.

Regarding Birchwood Care Home, it had been transferred to the Council on 1st June 2017 following the care providers informing the Council it was unable to continue without an additional £1m per annum. As a result of this action the provision was an improving facility.

Councillor Bridgman referred to package costs in relation to LTS. Provision such as contracted beds were much more expensive than they would have been four years ago. He highlighted that this kind of increase was something a sufficient model should be able to predict.

Councillor Bridgman concluded that it was important to recognise that ASC was a demand led service focused on people's care needs. It was important that the Care Act was not lost sight of. It was also important to consider where governance sat for ASC, the report suggested that this should sit with the Head of ASC however, in Councillor Bridgman's view this area needed further debate and could sit with the new Executive Director for People. The report referred to the need for ASC budget monitoring to take more of a 'helicopter view' of what was happening with spend so that there could be appropriate challenge and clear insight into what was developing.

Councillor Anthony Chadley reported that there was a robust budget setting process in place that happened through Budget Board. The process included probing, scrutiny and transparency.

Page 15 of the report under Table 1a showed the budget trends each year including overspend. The difference in outturn between 2016/17 and the forecast outturn for 2018/19 was £9million. Part of the reason for why the model had become inaccurate was because the area of ASC was particularly difficult to predict being demand led.

Councillor Gordon Lundie referred Members back to Table 1a where a £6.7million increase in expenditure was illustrated between 2017/18 and 2018/19, which equated to approximately 18%. Councillor Lundie felt that the commissioning element of the report was missing. He commented that he wished to further understand the budget build particularly in relation to the £2million. Councillor Lundie recalled that the last time a model was used in ASC it was for 'over 85 year olds' and an overspend was incurred.

Councillor Lundie summarised the areas he wanted more information on which included the missing £2million; the commissioning element of the report; the £616k overspend for Birchwood and finally what was driving increasing costs and how this would link to the model in future.

Councillor Ian Morrin was concerned that the consensus was that if the £2million had been accounted for when the budget for ASC was set, everything would have been fine. He noted that there were a host of people responsible to different areas of ASC and no-one in particular seemed to be solely responsible and therefore in his opinion the responsibility ultimately sat with the Chief Executive. Councillor Morrin was concerned that Children's Services were likely to face a similar situation going forward and asked what was being done to prevent this from happening.

Nick Carter stated that the situation had never been taken lightly. By month nine of 2017/18, there had been an overspend of £1.1million. If the budget had been built

OVERVIEW AND SCRUTINY MANAGEMENT COMMISSION - 26 FEBRUARY 2019 - MINUTES

correctly and the model updated at that time, the overspend would have been close to zero however, this was not the case and this error was not considered to be acceptable.

Councillor Lundie referred back to the £2million. Table 6a on page 32 of the agenda showed the breakdown of the £2.9million and the reasons for this breakdown were noted. Councillor Lundie highlighted that the first five lines of the table were owed to human error, including that the model had not been updated accordingly since October 2017. Councillor Law asked for reasoning for this. Nick Carter stated that activity had taken place throughout November and December however, data was not inputted into the model. Councillor Law stated that governance was clearly a contributory factor to the overspend. In his view it was about ownership and if somebody had been allocated ownership of the model, it would have been updated.

Councillor Law asked who had ownership of the budget. Nick Carter reported that budgets sat with Heads of Service across the Council. The expectation, with a complex area like ASC, would be that the Finance Department would monitor the budget closely however, in this event neither department had picked up responsibility. Nick Carter reported that there were a collection of areas that had not been picked up including 'checks and balances' and the real level of inflation. Inflation had been allowed for in the model but not at a level that reflected what was being experienced. Inflation had been set low, whilst inflation on contracts had been particularly high and this was not picked up or challenged.

Councillor Morrin asked how issues on inflation were normally picked up. Nick Carter reported that Procurement Board should pick up inflation matters however, in this instance it had not been challenged.

Nick Carter reiterated that there were incorrect assumptions made about the model and moderators in the model that should not have been included.

Councillor Lundie raised a question regarding the budget build and asked if this was validated between setup and implementation. Nick Carter confirmed that the budget was considered by Budget Board and pressures were continuously monitored throughout the year. In this case the figures were available however, they had not been fed into the model.

Nick Carter drew attention to the Table 6b on page 33 of the report, which showed increased demand for LTS. Nick Carter reported that if the budget build had been accurate, by the time the risk reserve funding was applied there would still have been an overspend.

Nick Carter added that fundamentally the overspend was not the result of savings targets not being met. ASC was however the area that performed the poorest in terms of achieving saving targets.

Councillor Law commented that the overall overspend would be presented to Council. Problems had been analysed and improvements had been required through mitigation measures to reach the current position. A lot of effort and resource had been dedicated to reaching this position, which would not have been necessary if the process had been correct in the first place.

Councillor Bridgman stated that it was important to remember that if the ASC budget had been built with the £2million included, this money would have needed to be sought at an earlier stage. He acknowledged that this would have meant that the budget would have started the year in a better position.

Councillor Law stated that the importance of OSMC being involved in the review was to ensure that nothing was missed in the learning process.

OVERVIEW AND SCRUTINY MANAGEMENT COMMISSION - 26 FEBRUARY 2019 - MINUTES

Councillor Mike Johnston referred to the savings targets and asked if the issues in ASC were being compounded by unrealistic ambitions around savings. Nick Carter reported compounding was an issue in the current year and savings had been carried forward. Members discussed how to tackle this issue moving forward. Councillor Johnston asked if it was likely that saving targets in ASC would ever be met or if a zero base budget approach was required. Nick Carter commented that savings in ASC were a particular challenge as it was about reducing demand and changing the way the department worked. ASC had been challenged to be innovative in its approach to making savings however, sometimes more time had been required.

Regarding risk reserves, Nick Carter explained that there was a list of areas considered to be at risk and each had a sum of money attached. If a risk was to occur, then with Members' agreement risk reserve funding would be released. Risk reserve funding was often released later in the financial year once services had been tasked with making savings.

Councillor Johnston understood that if risks did not occur then there would be a sum of money that remained in the risk reserve fund. Nick Carter confirmed that there was £1.6million in the risk reserve fund and £600k had been released so far, leaving £1million in total for 2019/20. It was clarified that this money was ring-fenced.

Councillor Bridgman drew attention to Appendix E, which highlighted the total that had been released from the risk reserve (£423k), which had since increased to £600k. Councillor Bridgman asked for clarification regarding the process for allocating sums of money for each risk.

Steve Duffin referred to the issue of savings and reported that in ASC it was difficult to evidence delivery. If successful there would be less people through the front door requiring LTS. He clarified that it was not about being unable to deliver savings but rather that savings could not be evidenced. However, delivery could be evidenced for 2019/20 savings.

Councillor Steve Ardagh-Walter referred to section 5.1 on page 21 of the report which stated that the introduction of a model to assist with ASC commissioning budgets was identified as an idea at a Budget Board meeting in the summer of 2017. This implied that modelling was carried out to assist ASC budgets prior to 2017. Areas of learning were an inevitable part of introducing a new model and Councillor Ardagh-Walter asked if modelling was used by other local authorities. He also queried if shared services could be considered in order to gain expertise and to make modelling more robust going forward.

Julie Gillhespey reported that she was not aware if other authorities were using a similar approach but felt that in West Berkshire the system was largely internally focused. Julie Gillhespey agreed that shared services was an area worth investigating however warned against a 'one size fits all' approach. Councillor Ardagh-Walter highlighted that generally models worked more effectively over larger areas. Julie Gillhespey stated that she would be concerned about using too large an area as local statistics could be missed.

Councillor Law asked what benchmarking was currently carried out. Steve Duffin reported that benchmarking did take place but was based on comparing the cost of services rather than the actual model.

Councillor Lundie felt that it was important not to dwell on the model in isolation. Nick Carter reiterated that the model was sound however, the inputs had been wrong. Councillor Lundie asked if the model was being used in a deterministic way when informing risks. Julie Gillhespey reported that the model had been submitted to Budget Board in 2018 and risk factors had been taken into account.

OVERVIEW AND SCRUTINY MANAGEMENT COMMISSION - 26 FEBRUARY 2019 - MINUTES

Councillor Laszlo Zverko asked if going forward Officers were comfortable that a person had been identified to take ownership of the budget. Nick Carter reported that this stage had not yet been reached and required further work. A review of the resources available and clarity around responsibilities were included as recommendations within the report. It was expected that the new Executive Director for People would play a lead role and it was anticipated that clarification around ownership would be reached by early summer. A new group was to be set up in ASC that would monitor these discussions.

Councillor Law referred to section 9.14 on page 36 of the report, which stated that there had been too much emphasis on Finance managing the process. Councillor Law stressed that he disagreed with this statement. He agreed that ASC should take responsibility for the work but Finance should provide guidance concerning the budget.

Councillor Zverko was aware that the budget for 2019/20 was due to be imminently approved by Council and was concerned that not all the necessary checks were included. Nick Carter stated that a huge amount of work had taken place regarding the model and Birchwood. The Finance Service had reviewed areas of concern.

Tandra Forster explained that an area of work around resources still needed to take place. The model had been refined significantly since the previous year. Areas that had required attention included hidden inflation costs of providers; the use of ONS data for working age adults rather than local data and finally unit support costs. Tandra Forster reported that the model for next year was much more sophisticated.

Councillor Law asked if Short Term Services (STS) would affect the 2019/20 budget. Steve Duffin confirmed that STS were being looked at and a budget had been put together for this area. Work to develop a model for STS had commenced.

Andy Walker reported that his confidence in the budget setting process for ASC for 2019/20 was much stronger. The LTS model was in a much better position. Pressures of £5.5million had been identified for 2019/20 and this was outlined in the Revenue Budget papers to be considered at the Council meeting on 5 March 2019.

Members referred to Birchwood and queried how costings had been reached. There was concern that pressures incurred from Birchwood were a surprise and it was asked if any contingencies were in place. Nick Carter confirmed that other provider services were underspending. Birchwood was costing more than had been budgeted for due to reasons such as the cost of agency staff. The care home had also been subject to an embargo for half a year, which had caused costs to arise outside of provider services. These issues were not accounted for in the 2018/19 budget and they should have been. As a result this had placed further pressure on the ASC budget.

Councillor Lundie noted that the Risk Register allocated a sum of £110k to Birchwood and he queried what the risks were against this amount. Steve Duffin confirmed that no risk funding had been allocated to Birchwood because it had not been considered that the care home would be rated as inadequate and the timing of the Care Quality Commission (CQC) judgement did not provide sufficient time to adjust the budget. A decision had been taken to self-embargo the care home, which had caused the need to buy beds on the open market. The cost to rectify the situation at Birchwood had been more than anticipated. Officers had been required to go back to basics to form a budget that was fit for purpose. Risks relating to the council run care homes had been placed on the Risk Register going forward for 2019/20 and would be discussed by Budget Board shortly. An audit of Birchwood would also be undertaken.

Councillor Marigold Jaques noted that the Council leased Birchwood and asked if the fabric of the building had been known when the lease was originally taken on. Tandra Forster reported that the fabric of the building had not been known. Councillor Jaques

OVERVIEW AND SCRUTINY MANAGEMENT COMMISSION - 26 FEBRUARY 2019 - MINUTES

further queried the costings. Tandra Forster reported that the beds on the ground floor would no longer be used for step down and instead beds would be bought on the open market. Modelling was based on a 95% occupancy and the care home would be fully utilised to get the best value.

Councillor James Cole asked if the model for ASC was built from scratch and Tandra Forster confirmed that it was. Councillor Cole felt that the model was on the right path to becoming a successful model. Councillor Cole noted from the report that IT seemed to be an issue and this was largely because Care Director was not fit for purpose.

Andy Walker reiterated comments that the model was in the process of being refined. There were issues with the financial systems including Care Director and Agresso in that the systems were not interfaced. This meant that other methods had to be used to ensure information was fed into the model and to inform budget monitoring.

Councillor Law asked what other local authorities used in terms of IT Systems. Tandra Forster confirmed that four local authorities in England used Care Director and it was used universally in Wales. All others used a different client management system. Tandra Forster stated that the care management system used by West Berkshire ASC was primarily designed to assist social workers. It was not currently compatible with Agresso and therefore was underpinned by staff and spreadsheets. It was confirmed that ASC did not have its own group of finance staff to manage the spreadsheets.

Councillor Lundie commented that there was a gap between the financial management function and the accountancy management function and therefore there was an issue in aligning the system to the budget. Councillor Law queried how this could be improved. Tandra Forster explained that she was in discussion on this matter with Andy Walker. Resources were also a topic for debate and that would involve the new Executive Director when in post.

Councillor Morrin had noted that the failures in ASC around budget were due to oversights. There were broader issues that needed to be tackled including who was leading the budget for ASC and also technical issues regarding how the different systems were interfaced.

Steve Duffin reported that work had taken place in the past to look at how the systems could link together. This would be revisited going forward as it had been highlighted as an action as a result of the management review into the ASC overspend. It was acknowledged that the current system was labour intensive. Julie Gillhespey pointed out that resource could be released if system improvements could be made.

Councillor Tim Metcalfe queried what the general public's view would be of the situation. He felt that Members of West Berkshire Council had not been kept informed as well as they should have been. He queried where Members' would sit in the 'helicopter' referred to by Councillor Bridgman. Paragraph 4.5 of page 54 of the report detailed the budget monitoring meetings and Councillor Metcalfe was concerned that none of these meetings involved Elected Members.

In response to the points raised by Councillor Metcalfe, Councillor Bridgman summarised that it was about setting a budget and then tracking spend against the budget whilst being able to understand and act quickly when a situation arose. The role of the Portfolio Holder was not to be involved in all operational discussions but to be reported to regarding the outcomes of these discussions at a strategic level. Councillor Law felt that although this was aspirational, he was of the view that when there was an issue within a service then those operating at a strategic level needed to get involved at all levels.

Councillor Law summarised the discussions that had taken place. He commended the report provided by Nick Carter and Julie Gillhespey, which was well presented,

OVERVIEW AND SCRUTINY MANAGEMENT COMMISSION - 26 FEBRUARY 2019 - MINUTES

researched and transparent. He acknowledged that it was a particularly difficult topic to discuss. ASC was a service that was faced with huge challenges around demand, demographics and its statutory nature and the complexity of the area had been increased further through poor budget management. Councillor Law stated that OSMC needed to form recommendations before the report was submitted to the Executive and Council. He therefore proposed that a small subset of OSMC meet prior to the 6th April 2019 to reflect on the discussion that had taken place and form recommendations. The recommendations would then be considered by the OSMC at its meeting on 9 April 2019 before being submitted to the Executive for determination.

RESOLVED that a subset of OSMC would meet prior to the 6th April 2019, to reflect on discussions that had taken place at the meeting and to form recommendations. Members of the group would include Councillors Law, Morrin, Ardagh-Walter, Lundie and Cole.

(The meeting commenced at 6.30pm and closed at 8.20pm)

CHAIRMAN

Date of Signature