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

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## 1. Introduction/Background

- 1.1 The Commission held a special meeting on Tuesday 26 February 2019 in order to consider the management review into the in-year overspend in Adult Social Care in 2018/19.
- 1.2 The Commission acknowledged that the review had been requested for three reasons:
  - (i) 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.
  - (ii) 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.
  - (iii) 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.
- 1.3 The Commission acknowledges that early in year forecasts of over spend or "under budgeting" on the scale highlighted early in 2018/19 impact right across the Council and consume significant resources both from officers and Members. The Commission is aware that delivering essential services in these financially constrained times is difficult enough without the complications of having to find further in year savings and adjustments.
- 1.4 In general the Commission considers that the report and its findings were well articulated. It was also recognised that the Council in general and ASC management in particular were conscious of the need to improve their budgeting models and processes. The Commission recognised that many lessons had been learned from the first attempt at a new Long Term Services model in 2018/19 and that these lessons will be incorporated into a much improved version for the 2019/20 financial year.
- 1.5 Whilst initial motivation for the review was the early 2018/19 financial performance and forecast for ASC, the Commission concluded that the main underlying causes were not "one-off" single year issues. They consider that there are more systemic issues that have been contributing to sub-optimal budget preparation and financial management for a number of years.
- 1.6 The Commission considers that even what looks like a "one off" event such as Birchwood, actually indicates a general lack of management focus. The

Commission considers that Birchwood should not have been a financial surprise as this situation was first highlighted as far back as July 2017. The Commission acknowledges that a separate report on Birchwood will be forthcoming.

- 1.7 Concerns about budget governance, ownership confusion and who does what is mentioned in several places in the main report. However it is only mentioned in the main conclusions in terms of insufficient budget capacity in ASC. Whilst capacity was an issue, the Commission considers that a lack of clarity of process and lack of management ownership to be even more fundamental causes and that these should have been specifically highlighted in the conclusions and Recommendations
- 1.7 A question the report does not ask: Was ASC management aware it was going into 18/19 with a significant “under budget” and if so when did it become aware and what did it try to do about it? This is important for future budget processes as a clear methodology for incorporating last minute (quarter4) issues is needed. There was a question left hanging in the report about how Q4 pressures in 2018 were identified, analysed and resolved (or not resolved) for the 18/19 budget.
- 1.8 The Commission also feel that the proposed ASC monthly meeting should be attended (chaired?) by the Communities Director and not left solely to ASC management. This would help reinforce the ownership point mentioned earlier.
- 1.9 The Commission welcomes the investigation into the possibility of linking Care Director and Agresso. However the Commission would also like to see a more general study into the benefits of using more IT computerised applications, networks and tools across the whole spectrum of delivering and managing Services.
- 1.10 In future reports and tables the Commission would like to see a column titled “original starting” Budget as well as “revised” budget. There are too many in year adjustments to the revised budget figure for it to be a proper reflection on the accuracy of the Service’s original budget process.
- 1.11 The Commission welcomes the requirement for a separate report into ASC invoicing. It is unclear why this was omitted from the list of main recommendations. The Commission would accordingly recommend that a separate report, perhaps by the new ways of working team, into the reasons for any unmet savings at year end.
- 1.12 The Commission would also like to see how West Berkshire Council ASC compares with its peer group in the rest of Berkshire and other neighbouring areas in terms of overall Budget size, spend per 1000 of population and general under /over spend comparisons. Comparison of trends in these metrics over 5 years would also be helpful.

## 2. Conclusions

- 2.1 The Commission considers that the report was well researched and presented. Analysis of the issues and causes was comprehensive and totally transparent. The Commission support the report’s conclusions and recommendations. However, the Commission considers that the recommendations could be strengthened and explicitly added to in three important respects.
  1. The Commission consider that a fundamental cause was a lack of clear Responsibility for and Ownership of the budget by senior ASC management and

the Communities directorate. Alongside this was a lack of clear budget guidance from the Finance team. These fundamentals created confusion of responsibilities, confusion of process in the Budget build process and these led to many of the oversights and human errors reported. A clear and unambiguous understanding of responsibilities and divisions of labour in the budget build and subsequent budget management process is therefore essential.

The Commission considers that it should be absolutely clear that the Service and Directorate is responsible for the work and assumptions behind the building of the budget and for the ultimate budget number and its subsequent outcome. Similarly it should be absolutely clear that Finance is responsible for clearly defining the processes involved in building the budget and then ensuring the service follows their guidance.

2. As noted in the report, the Budget Build process itself is confusing and needs clarity. In addition the Commission find the basic premise of starting with the previous year's budget (which is itself based on previous years' budgets) is flawed and thus the subsequent process of making adjustments is confusing and error prone.

This has been recognised in Long Term Services (LTS) and a new budget modelling process has been started and has been refined. Short Term Services (STS) will soon follow.

However LTS and STS only address less than 65% of the ASC budget. The Commission considers that a similar remodelling (or rebasing) needs to be applied to the other ASC areas as well to avoid any further under or over budgeting.

3. Finally, OSMC agrees as noted in the report (para 4.8) the whole of the Council's corporate Budget build processes need a fundamental review. The Commission acknowledges the last time the whole budget and Establishment was rebased was back in the 1990's. Every budget since has been a "follow-on" from that. Whilst the report's recommendation (3) seems to focus future reviews mainly on treatments of in year overspends, there is a clear need to rebase /review the main model in each service, probably every 4 years on a rolling basis.
4. OSMC recommends that the Executive agree to a root and branch review of the overall Council budget build process being undertaken and this should start with the two big "Demand led" services of ASC and Children's Services.

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### **Background Papers:**

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

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**Strategic Aims and Priorities Supported:**

The proposals will help achieve the following Council Strategy aim:

**X MEC – Become an even more effective Council**

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

**X MEC1 – Become an even more effective Council**

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