

# SOCIAL CARE BUDGET

## PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE SOCIAL CARE AND STRATEGIC HOUSING

CABINET

19TH MAY, 2005

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### Wards Affected

County-wide.

### Purpose

To advise Cabinet of the conclusions arising from the review undertaken into the causes of the increase in overspend of the Social Care Budget and the implications for 2005/06 and beyond.

### Key Decision

This is a key decision as there is the potential to result in the Council incurring expenditure above agreed budgets for the service or function (shown as a line in the budget book) to which the decision relates but allowing for virements between budget heads and savings within budget heads of up to £500,000. It was not included in the Forward Plan. A Notice in accordance with Section 15 of the Local Authorities (Executive Arrangements)(Access to Information) Regulations 2000 was sent to the Chairman of the Social Care and Housing Scrutiny Committee.

### Recommendations

That Cabinet give broad support to the actions taken to manage the over-commitment in the Social Care budget and determine the approach to be taken with regard to the overspend for 2004/05.

### Reasons

An understanding of the reasons for the movement in projected overspend is critical to ensure that effective financial management procedures are in place and any implications in terms of the 2005/06 Budget are identified.

### Considerations

1. Cabinet is aware of the increase in overspend reported in April, for the period to the end of February 2005 to £1,514,000 from the figure of £742,000 reported previously.
2. The Director of Social Care and Strategic Housing requested a review be undertaken, independent of the Directorate, to clearly establish the contributing factors to the position. Whilst the overspend, as detailed in Appendix 1, was predominantly in the area of Learning Disabilities, the review also encompassed the

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Further information on the subject of this report is available from  
Mr. I. Hyson, County Treasurer, on (01432) 260235 and Ms. S. Fiennes, Director of Social  
Care and Strategic Housing on (01432 260039)

budgetary control processes in place across all service areas. In view of the nature of the review, the County Treasurer commissioned David Keetch, Assistant County Treasurer, to undertake the task having particular regard to his previous experience in Social Care. The recommendations of Internal Audit following an audit of financial management in August 2004 were also taken into account.

3. The following paragraphs provide some background and context to the matter, conclusions from the internal reviews undertaken, the lessons learned and finally the measures in place to ensure that likely budget variances are identified at the earliest possible juncture and action determined accordingly.

## **Background**

4. Budget outturn for 2003/04 showed an overspend of £245,000 on a budget of £34,200,000, a reduction from the brought forward overspend of £582,000, i.e. a significant achievement. Additional resources of £1,000,000 were provided as part of the budget process for 2004/05, recognising the increasing demand placed on the Older People's budget.
5. At this juncture, it is important to acknowledge the fact that whilst additional resources of £1,000,000 were provided through the budget process, in recognition of the priority afforded to Older People's Services, other pressures of over £1,000,000 were reported through Budget Panel. The point here is that Social Care had identified the likelihood of budget pressures and the need for actions to manage resources accordingly.
6. It was for this reason that the Director of Social Care and Strategic Housing undertook detailed 'budget clinics' with a view of determining the actions required to realign available resources accordingly. That work was conducted during July and August and duly reflected in the first budget monitoring report to Cabinet in September. Budget clinics continued throughout the year maintaining a review of progress towards the required budget reductions.
7. Pooled budget management was in place with the Primary Care Trust (PCT) for both Mental Health and Learning Disabilities with the Council as lead authority for Learning Disabilities and the PCT for Mental Health. Protocols were in place regarding the management of these budgets and these are considered in more detail later in the report.
8. The initial budgetary control report to Cabinet in September showed a projected overspend of £700,000 with an underlying trend, if no action was taken, of an overspend of £1,450,000. Two subsequent reports, for months six and eight, saw the projected overspend maintained at broadly the same level, i.e. £742,000 with emphasis placed on the action being taken and the attendant risks. The full narrative from these reports, relating to Social Care, is attached at Appendix 2. The report for month 10, reported to Cabinet in April, saw the overspend increase to around £1,500,000.

## **Budget management arrangements**

9. Prior to considering the major factors contributing to the late increase in reported overspending, it is appropriate to consider the budget management arrangements in place. Subsequent to the identification of the potential budget difficulties through the Budget Clinic analysis, referred to earlier in the report, budget reports detailing current spend and progress against savings targets were prepared by Social Care

finance staff, in consultation with budget holders, and considered by Social Care Management Team on a monthly basis. These reports formed the basis of the Social Care element of the County Treasurer's budgetary control reports presented to Cabinet. The Social Care Finance Manager is responsible to the County Treasurer on professional accountancy matters and meets with him on a regular basis. The County Treasurer also meets periodically with the Director of Social Care and Strategic Housing and senior colleagues to discuss major financial issues.

## Key factors

10. It is clear from the review work undertaken that there is no one single factor that has resulted in the untimely reporting of the overspend, rather a combination of factors. The following aspects have each had a bearing and feature in the conclusions presented later in the report.
  - The potential for a significant overspend had been identified early in the financial year.
  - Management actions were identified to mitigate the overspend.
  - Earlier determination of the risks associated with delivering the required savings would have improved the understanding.
  - It is now evident that elements of the required savings, particularly in the area of Learning Disabilities, were not able to be delivered. A more challenging approach to the monitoring of progress would have identified this earlier.
  - The lack of qualified, experienced finance staff below the level of Finance Manager had a bearing on the above.
  - The detailed budget monitoring reports considered by Social Care Management Team are forwarded to the County Treasurer, somewhat inevitably after the deadline for finalisation of the Cabinet report.
  - The scale of issues requiring consideration by senior management within the directorate has been unprecedented. It has clearly impacted upon capacity, particularly in the area of securing budget reductions within Learning Disabilities.
  - The arrangements in place with the PCT regarding management of overspend were not sufficiently robust so as to ensure the anticipated financial contribution and emphasises the importance of closing down negotiations at a sufficiently early stage.
11. During November and December, potential overspends of some £600,000 were identified in addition to the figure previously reported to Cabinet. Whilst the budget monitoring reports outlined by Social Care Management Team reflected the potential increase in overspend, the narrative provided for the report to Cabinet merely identified this risk rather than explicitly incorporating an increase in projected outturn. The County Treasurer and Director of Social Care and Strategic Housing should have taken a less optimistic viewpoint at this stage and reported accordingly.
12. During the early part of 2005, it became clear to Social Care management that the likely outturn would increase to just in excess of £1,000,000. The Chief Executive and the County Treasurer were advised accordingly. The Cabinet Member has been kept informed of the position and the Chief Executive and the County Treasurer

informed the Leader of the position.

13. Subsequently, the inability of the PCT to deliver the anticipated funding contribution was established, which, together with the non achievement of the Learning Disabilities target savings, increased the overspend to the reported position. The Chief Executive and County Treasurer advised the Leader of the position.

## Conclusions

14. Generally speaking, the budgetary control measures in place within the Directorate are sound and the recommendations of Internal Audit have been implemented. The late increase in overspend was, as previously stated, a combination of factors not least of which was the setting of challenging targets for budget reductions. The commitments arising from new placements are recorded and reflected in financial reports. The risks associated with each savings target need to be more rigorously assessed and progress monitored accordingly, incorporating a sufficient degree of challenge. The capacity of the finance team needs to be strengthened and proposals for this to be implemented are currently being considered and should shortly be concluded. The arrangements for the management of the learning disabilities budget require review to ensure better linkage between operational and financial management and are already underway. Arrangements with the PCT need to establish precise responsibility for managing potential overspends and again discussions are well progressed but await final agreement.
15. A decision is required regarding the extent, if any, of the carry-forward of the overspend into 2005/06. Financial regulations limit the carry-forward to 2% of budget, which in the case of Social Care is £714,000. The balance of £800,000 will, in any event, therefore have to be met from the Council's general reserves. The options open to Cabinet are to write off the overspend in full, to carry forward the maximum permitted within financial regulations or a position some way between the two.
16. In considering the position, Cabinet will need to have regard to the challenges involved in containing expenditure within budget as highlighted in the following paragraphs by the Director. More specifically, should the overspend be carried forward, there is clearly the potential to impact adversely on the Council's priorities for services to Older People. Cabinet will also be mindful of the potential message to other service areas should, exceptionally, the overspend be written off. In considering the matter Cabinet will wish to be assured that containing expenditure within budget is an absolute priority for the Directorate and will be pursued with the utmost rigour notwithstanding the issues set out below.

## Impact in 2005/06

17. The Directorate Management Team has reviewed the commitments on the 2005/06 budget. Managers have been sent an instruction from the Director advising that all spending decisions on all non-staffing budgets and care placements/service budgets must be on a emergency health and safety basis, and **emergency risk basis for users and carers** (not just critical assessments but immediate emergency decisions) until further notice.
18. A critical analysis of the budget for 2005/06 has taken place, highlighting an initial potential shortfall of £1,000,000 on a net budget of £39,070,000. This shortfall would increase to £1,800,000 if the overspend from 2004/05 was carried forward in

accordance with the maximum permitted within financial regulations (i.e. 2% of budget).

19. This was based on taking into account the following:
  - Existing community care commitments for residential and nursing placements.
  - Making use of all available grants in 2005/06.
  - Additional investment targeted and ring fenced to Older People's Services.
  - Effective use of the changed STARRS and Home Care service.
  
20. This shortfall has been reduced to £300,000, (or £1,100,000 if the sum of £800,000 is carried forward) as a result of the following action:
  - No new placements unless resources are made available from existing placements.
  - Savings through Learning Disabilities commissioning.
  - Savings through re-commissioning Children's Social Care.
  - Efficiency Savings targets through the management of sickness absence.
  - A reduction in the contingency level to £200,000.
  
21. To reduce the shortfall any further would require the budget to be set without any contingency, and to continue the instruction that only expenditure of the nature of absolute emergency takes place. This approach would carry severe risk to users and carers.

### **Position within the Learning Disabilities Service**

22. In February 2005, Cabinet received a report on developing services to people with Learning Disabilities. The report highlighted the budget pressures and financial risks to the service. Cabinet agreed to support the modernisation of the service, which will include the reconfiguration of the supported housing (residential housing) sector. However, these changes will take time and full savings of this approach will not be realised until 2006/7 and beyond. Therefore, it is necessary to consider alternatives which will realise more immediate savings within Learning Disability services.
  
23. This will be achieved by by developing/redesigning existing provision and re-commissioning accordingly. This will involve making difficult decisions on the needs of individual service users, including moving people wherever possible.
  
24. To achieve the required reconfiguration of Learning Disabilities Services, additional funding has been approved, outside the Social Care budget, for change management. Three change elements have been identified:
  - Assessment practice improvement.

- Accommodation and care review.
  - Modernisation of day opportunities.
25. The change project will be managed through internal management reorganisation and appointment of project officers on fixed term contracts.

#### **Position with the Primary Care Trust**

26. The integrated services in Mental Health Services and Learning Disabilities both overspent in 2004/05. The negotiations with the PCT regarding risk sharing has now been agreed. The joint commitment is to move to full implementation of the host commissioner taking responsibility for the budget. This commitment is based on a review of investment in both services. The PCT has confirmed that it would move to a full transfer of risk in 2006/7 if agreed criteria are met and, in any event, by 2007/8.

### **Risk Management**

27. The current hold on expenditure to “emergency only” across Social Care is unsustainable over time both in terms of user and carer risk and legal challenge.
28. The service risks over time to re-commissioning Learning Disabilities Services are:
- Public support for saving potentials may be affected by the subsequent disruption to established care arrangements.
  - There may be limited capacity within the current available accommodation to respond to short and long-term needs.
  - Creating instability in the market, particularly in small homes where single vacancies may threaten overall financial viability thus further disrupting other service users.
  - The carry-forward of any element of the overspend from 2004/05 will adversely impact on the capacity to deliver a balanced budget in 2005/06 and future years.

### **Consultees**

Primary Care Trust.

### **Background Papers**

None identified.