



Finance and Best Value Overview and Scrutiny Committee

Date:	Monday, 22 December 2008
Time:	6.15 pm
Venue:	Committee Room 1 - Wallasey Town Hall

Contact Officer: Mark Delap
Tel: 0151 691 8500
e-mail: markdelap@wirral.gov.uk
Website: <http://www.wirral.gov.uk>

SUPPLEMENTARY AGENDA

2. TRANSFORMING ADULT SOCIAL SERVICES - ACHIEVING A STABILISED AND SUSTAINABLE BUDGET (Pages 1 - 12)

This page is intentionally left blank

WIRRAL COUNCIL

FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

22 DECEMBER 2008

REPORT OF THE DIRECTOR OF ADULT SOCIAL SERVICES

TRANSFORMING ADULT SOCIAL SERVICES- ACHIEVING A STABILISED AND SUSTAINABLE BUDGET

1. EXECUTIVE SUMMARY

1.1 Following a report to Committee on 22 September 2008 a request was made for further analysis to be brought forward to consider:

- (i) The projected budget overspend
- (ii) The resources necessary to monitor the budget
- (iii) The procedures to ensure robust commissioning and procurement systems exist.

1.2 This report addresses each of these elements in turn and concludes:

- (i) Whilst the projected **expenditure** for the department is broadly in line with previous calculations, previous savings proposals are taking longer than envisaged to implement. In turn based on current demands from increased activity it is anticipated that without further controls an overspending of £5.5m will occur. NHS Wirral (PCT) is working with DASS to jointly develop and fund new services, including financial commitments in the current year. All levels of management in DASS are taking actions to ameliorate this projected overspend
- (ii) The department has adequate resources that are dedicated and focused on the monitoring of the budget. It is, however, proposed to consider the role of the performance team to ensure data input is up to date and thus robust for budget monitoring purposes. A number of other initiatives including a strengthening of the departmental senior management team and closer involvement with corporate finance including procurement, audit and financial services will help further.
- (iii) It is important to recognise that the current budget position is not simply one of over commitment within this financial year. Rather a consequence of undelivered efficiencies from previous years and the determination of the current director of Adult Social services to create a stabilised and sustainable budget. However, the lead time required to implement budget measures, a number of which require complex negotiations and consultation, is reducing the impact this year. It should be noted that the scale of the budget actions required within a twelve month period set a very challenging agenda. This in the context of

changing demographics which alongside a changing health economy are adding to demand pressures.

2. BACKGROUND

2.1 The Committee, at its meeting on 22 September 2008, received a report entitled "Transforming Adult Social Services – Achieving a Stabilised and Sustainable Budget", previously considered by Cabinet on 4 September 2008. The Cabinet had resolved that:

- (i) the continuing efforts of officers to manage within resources, recognising the high probability of overspends of £3.483m in 2008/09 and £0.761m in 2009/10, which are likely to require funding from balances, be noted; and
- (ii) The Director of Adult Social Services be requested to present a further report to its meeting of 6 November 2008 on options to stabilise the department's medium term budget and deliver further efficiencies towards the corporate target.

2.2 During the debate on 22 September 2008 it was confirmed that the gross projected shortfall for 2008/09 was £9.1m, which was 10.5% above the budget. This figure included the efficiency savings required of the department in 2008/09. The Department had identified actions that would reduce the projected overspend in 2008/09 and 2009/10. However it was noted that a significant increase in activity across the Wirral health and social care economy, particularly in the acute trust with increased hospital admissions, including those for elective surgery, were placing additional demands on resources.

2.3 As a consequence it was agreed that senior managers from DASS with the cabinet member attend the next meeting of the Committee to address concerns expressed by Committee in relation to the budget shortfall.

2.4 The Chair subsequently clarified the framework in which he wanted a report back to the Committee on 22 December 2008:

- (i) To give continuing consideration to the procedures necessary to ensure that the Department of Adult Social Services remain on target for, or within the projected overspend of £3.5m reported to this Committee.
- (ii) To satisfy members that the currently available accounting resources are able to give a clear picture of commitments facing the service and that the profile and pattern of expenditure over a financial year is such to enable the department to budget accordingly.
- (iii) To consider further the circumstances in which the original over commitment arose to the extent of £9.1m and to establish whether commissioning and procurement procedures were properly followed, and to seek and receive detailed explanations.

2.5 This report considers each of these elements in turn.

3. To give continuing consideration to the procedures necessary to ensure that the Department of Adult Social Services remain on target for, or within the projected overspend of £3.5m reported to this Committee.

3.1 It has been necessary to temporarily second a member of the corporate Finance Department's management team to the Adult Social Services Department to maintain an adequate level of financial management capacity.

3.2 Working the principal manager (resources) and others a revised and prudent estimated outturn position as at 31 October 2008 has been forecast, which is set out below in comparison to the position reported in September 2008. This identifies efficiencies achieved to date and those likely to be achieved by 31 March 2009 and can be summarised:

	Position 31/08/08 Projection +/- £000	Position 31/10/08 Achieved +/- £000	Expected to be achieved +/- £000
Financial Pressure	9,100	9,100	
Efficiencies			
Fieldwork Teams	-50	-	-50
Management & Support	-100	-	-50
Staffing turnover	-150	-	-
In-house Residential Care	-550	-	-170
In-house Domiciliary Care	-550	-	-200
Out of Home Reform	-700	-225	-20
Joint Funding with PCT	-200	-200	-
Corporate Procurement	-545	-	-
Energy costs	-250	-	-
Transport Efficiencies	-200	-100	-
Staff Travel costs	-92	-	-
Grants	-480	-480	-
Community Care	-1,750	-317	-
Sub Total Efficiencies	-5,617	-1,322	-490
Deficit	3,483	7,778	7,288
Additional Funding			
PCT Funding (to meet increased demand pressures and new service models)			-1,385
Reform Unit (funded by contribution from the Investment Efficiency)			-360
Sub Total Additional Funding			-1,745
Projected Deficit			5,543

3.3 The delivery of some of key actions identified in 3.2 which would have led to further in year efficiencies have been delayed, the detail of this is set out below:

- (i) Staffing issues - preparatory work has been completed for the staff EVR/severance programmed across DASS however, in the context of other changes chief officer want to be assured of the impact of this project. A Cabinet decision is then required to confirm staff can be released after which in year savings will accrue.
- (ii) In-house Service Delivery – This will be facilitated by the decision by Cabinet noted in 3.3 (i) above
- (iii) Out of Home Reform –this work has achieved some in year efficiencies however in light of the cabinet decision to explore options to outsource care services the development of a comprehensive Programme will be developed as part of that project.
- (iv) Procurement – Efficiency savings of £545,000 were ‘apportioned’ to DASS prior to the corporate procurement unit undertaking detailed work. It has since been reported to Cabinet that approximately £300,000 has been identified as impacting on the departmental budget. It will be necessary to revise the budgeted efficiency target. Any detailed effect on costs or efficiency targets is yet to be.
- (v) Transport savings agreed for 2008/09 will partly be delivered however this is restricted by the lease agreements for vehicles; six vehicles will be returned this year. The future of transport services is now a part of the Outsourcing project, which is also linked to a corporate review of the service.
- (vi) Community Care expenditure – is affected by on on-going reviews this includes close scrutiny of individuals’ needs and circumstances. This is being taken forward with Departmental guidance, to ensure the consistent application of Fair Access to Care criteria. In addition the need to recognise health needs and for these to be funded by NHS Wirral are leading to increased investment.

3.4 In considering the issues behind the difference in the figures between the two projections the following emerges:-

- (i) The September projection was based on actual activity as at 31 August 2008, the current analysis uses actual data at 31 October 2008. This includes revised efficiencies assumptions and income levels. The significant additional demands for resources are set out in 2.2 above. However of particular note are the requirements on DASS to work as an essential part of the system. In turn the financial impacts of shorter waiting times, shorter stays in hospital and a requirement to discharge people more quickly must be recognised through different funding arrangements. These are being developed with NHS Wirral.

- (ii) In turn the projection of activity, and thus costs, whilst becoming more sophisticated still requires assumptions around levels of demand. The commitment is based on current activity levels and any changes to the actual demand will change the projection. Analysis of weekly activity levels indicates significant and consistent growth in supporting more adults with complex disabilities as they move in to adulthood. These factors alongside a larger number of older people with age related conditions such as Alzheimer's, increase costs. The department has worked with Care Services Efficiency Delivery (CSED) to produce a robust modeling tool and have applied this to Dementia. In future years this will enable more robust projections and enable better service commissioning.
 - (iii) Inflation levels in existing contracts have added in year costs. This is being addressed through the renegotiation of contracts with providers, with support from the central procurement unit. As agreed by cabinet on 10th December 2008.
- 3.5 Without further action, and the need to progress key decisions in the coming weeks, there will remain a budget shortfall of £5.5m.
- 3.6 In addition those areas of ongoing dispute with the PCT described in paragraph 5.3 below need to be considered as possibly impacting on the Council if it is subsequently found that there is income to be written off. At this stage no assumption has been made regarding this issue. The Director of Adult Social Services, raised this matter directly with the Strategic Health Authority last year however to date the matter has not been resolved.
- 3.7 It is, therefore, necessary to implement other actions to bridge the identified gap and the following areas have been identified which have potential to impact on the final outturn
- (i) DASS is working closely with NHS – Wirral to develop new service models that develop improved services for people at home. Whilst a number of these developments will take some time to fully implement there is recognition that the needs of a significant number of people include the need for health care. Formal agreements will be prepared for 2009/10 to include the joint funding of HART services, Intermediate care and general integrated personal support. In year initiatives which include the expansion of the HART service and support for people who use services with complex health conditions who have previously been supported through social care funding will have an impact in 2008/09.
 - (ii) The Director of Adult social services is actively discussing this with the chief Executive of Wirral NHS
 - (iii) Actions approved by Cabinet on 16 October 2008 are currently being implemented:

- (a) the standardisation of meals charges in day services to £2.60 per full meal
- (b) consultation on the future of Incentive Payments in day services, however this matter may be better addressed through the overarching review of all care services through the outsourcing project, which also includes the out of home reforms
- (c) the cancellation of the practice of making Holiday Grants to people with a disability
- (iv) Other management and Branch actions to include more efficient use of existing services such as:

Assistive Technology

Meals on Wheels through the Icare contract

Expansion of the HART service services. - which is improving outcomes for people and reducing ongoing costs

The use of independent sector providers for standard home care.

Augmented monitoring control systems to manage the allocation of expenditure.

Revised guidance and support to managers and staff on matching resources to assessed needs.

Increased levels of financial awareness among all managers and staff

The use of specialist review team, for learning disability services

Improved and integrated brokerage- arrangements to facilitate the correct care packages being delivered by the most appropriate and efficient care providers.

Revised funding arrangements for the health needs of people supported by DASS

Better use the third sector and well being resources.

Energy – there will be an overall report presented to Cabinet in January on fuel and energy contract renewals. The impact on the Department will be reflected in that report.

3.8 Whilst it has not been possible to offer certainty in forecasts of the above measures, a figure of least £1m must be found from these sources.

4. To satisfy members that the currently available accounting resources are able to give a clear picture of commitments facing the service and that

the profile and pattern of expenditure over a financial year is such to enable the department to budget accordingly.

4.1 There is adequate accounting resources within the Department to give a clear picture of commitments. As already recognised this is not simply an accounting resources issue and a number of other activities impact on the level of expenditure and savings proposals as described in section 5. In addition it has previously been reported that with improvements made over recent years to the department's core information system (SWIFT) and budget monitoring, it is possible to predict with increased reliability the financial commitments from activity already in the system, attrition, and projected new demand. It is these systems that have been used to produce the data in this report.

4.2 In considering the current accounting resources available to the Department of Adult Social Services the following emerges:

- (i) In the Adult Social Services Department:
- Principal Manager
 - Service Manager – currently vacant
 - 3 Management Accountants
 - 3 Assistant Management Accountants
 - Finance Support Officer – Partnerships
 - Finance Officer Infrastructure
 - Team Support Officer
- } Aligned to the 3 Locality/ Commissioning areas

This team as well as being responsible for the management accounts of the department also deals with payments to residential, nursing home, supported living and day care providers. The section also oversees the management of the petty cash system and income collection and recovery.

- (ii) In the Corporate Finance Department:
- Group Accountant
 - Senior Accountant
 - Accountancy Assistant

This team is responsible for ensuring that the activity of the Adult Social Services Department is accounted for appropriately and reflected accurately in the overall books of account of the Council.

4.3 It should be noted that the Finance and Performance Branch of the Department also has responsibility for keeping SWIFT up to date and producing accurate management information. It is proposed that senior management review the role and staffing of the performance team to ensure that sufficient resource is dedicated to ensuring that data input is up to date and thus robust for budget monitoring purposes.

4.4 The department is transforming the culture and approach to care management; however, this is a long process, for all involved. This includes public, political and professional historical expectations. It is proposed to support this transformation by increased capacity at senior management. When this has

been further developed, a number of areas including budget monitoring and business processes will be strengthened.

4.5 It should be recognised that certain actions are already embedded in the culture of the way the department conducts its activity, these include:

- (i) Training – a programme of financial awareness training has been developed and is being delivered to managers through corporate finance.
- (ii) Performance Surgeries – service managers have “one to one” meetings with relevant departmental management accountants to analyse in depth the movement of service user numbers each month and the impact on financial projections.
- (iii) Monitoring – detailed and summarised financial analysis is provided to managers at each level in the department and discussed in depth with the relevant members of the finance and performance branch.
- (iv) Robust panel arrangements - are in place to scrutinise social care commissions on a case by case basis for placements in care and support in the home.

4.6 It is proposed to develop the following initiatives:

- (i) closer, joint working between the departmental finance team and those located in the Corporate Finance Department, including procurement, financial services and audit.
- (ii) clarifying key areas of strengths of knowledge and responsibility between available staff at the appropriate level and focusing on key areas of activity.
- (iii) the Corporate Finance Department employs a number of trainee accountants whose roles are “rotated” in order to broaden their knowledge. It is proposed to consider certain project areas e.g. income, validation of domiciliary care invoices and trend analysis and allocate some of these staff to review these projects in detail. These staff will also add to the capacity of the performance unit and ensure that robust activity data is maintained within the management systems and thus enhance the validity and accuracy of the budget forecasting models.
- (iv) additional senior management capacity may release resources at a senior level that can be reallocated to strategic resource planning.
- (v) a planned and co-ordinated approach has to be applied across the whole economy in Wirral and will build on initiatives such as the work with Care Services Efficiency Delivery (CSED). Members will be aware that this work offers a national model being showcased by CSED at National Level. Future planning must reflect the systemic impacts of changes in any part of the system, in particular recognising the commitment to

invest in community services within a context of an ageing population in Wirral

5. To consider further the circumstances in which the original over commitment arose to the extent of £9.1m and to establish whether commissioning and procurement procedures were properly followed, and to seek and receive detailed explanations.

5.1 The £9.1m reported in September is not simply an “over commitment” it is a “position statement” for the department in terms of the overall action plan of areas to be addressed in 2008/09. This can be analysed as being made up of:

- (i) £2.7m - Service Re-engineering and Efficiency Plan Targets brought forward from previous years and not consolidated in previous budgets.
- (ii) £2.4m - Unbudgeted cost pressures in particular. Community Care Commitments, Contract inflation and energy price increases.
- (iii) £1.2m - Demand Pressures specifically an ageing population and increased numbers of people with learning disabilities undergoing transition to adulthood. In addition the impact of changes in health service processes including shorter waiting times for treatment and reduced bed stays, have been significant. At times bed capacity in the acute sector has required discharges to be made more quickly. This has resulted in there being more people with more complex needs, including health requirement, being supported at home
- (iv) £6.2m -The savings to be achieved as part of 2008/09 Budget Strategy

This total package required the department to deal with the realignment of approximately £12.5m in 2008/09 and progress to date, resulting in the current projected position, has nonetheless been significant.

5.2 Robust procurement systems and processes are in place. However the current director has reported to cabinet that in implementing strategies to increase quality and standards of care particularly the “star rating” system and inflation proofing fees, there have been unintended consequences resulting in budget pressures. These will be addressed through the current review of residential and nursing home fees. Additional support from corporate procurement for high cost individual packages has been agreed.

5.3 In terms of commissioning services the Department works jointly with NHS - Wirral (PCT) to ensure appropriate services are developed. However in previous years the focus on joint financial responsibility for service users has not been well documented. This has resulted in a number of recharges between the two agencies being in dispute. Indeed there currently exists a debt of £2.3m that is being disputed.. These matters date back to 2005/06 Going forward specific individuals have responsibility for ensuring that joint placements are documented and where necessary costs are shared or integrated service responses developed.

- 5.4 Joint Commissioning Strategies have been developed and implemented that provide analysis of the social and health needs of people in Wirral and areas for service redesign. Wirral's Joint Strategic Needs Analysis also provides additional information to support commissioning and procurement decisions across the Wirral economy.
- 5.5 To strengthen our commissioning approach we have introduced integrated commissioning arrangements under the management of the Director of Strategic Partnerships located in NHS – Wirral. The introduction of these integrated arrangements will ensure commissioning will be across the health and social care economy, focussed around a locality model and commissioning in Wirral will meet World Class Commissioning standards.

6. FINANCIAL AND STAFFING IMPLICATIONS

- 6.1 This report has focused on the financial position of the Adult Social Services Department. It has been highlighted that the previously projected over budget figure of £3.5m will be difficult to contain. Without further actions an amount of £5.5m has been identified as being the projected over commitment.
- 6.2 However, areas of activity already identified for further immediate action are progressing. It is anticipated these should result in further savings of £1.0m, thus bringing the expected over budget to £4.5mm. The final outcome of the Community Care budget will be dependent on the continued reducing commitment by reducing expenditure, the release of staff in year under severance/EVR and successful negotiations with Health partners' on economy wide response to demand pressures in health and social care including reviewing packages of care such as those people on section 117 of the Mental Health act, whereby people cannot be assessed to contribute to their support costs.
- 6.3 Closer working between the Adult Social Services finance staff and staff from the Corporate Finance Department has been confirmed by the Director of Finance and Director of Adult social services.
- 6.4 Whilst not a part of the controls required of revenue budgets it should be noted DASS has closed a number of operational buildings in 2008, including Rosewarne with a capital value of £150,000 and Mendell Lodge with a capital value of £150,000. Most recently Feltree House has closed and there are plans to close Esher House (currently used as office accommodation) in 2009..

7. EQUAL OPPORTUNITIES IMPLICATIONS

- 7.1 There are none arising directly from this report.

8. COMMUNITY SAFETY IMPLICATIONS

- 8.1 There are none arising directly from this report.

9. LOCAL AGENDA 21 IMPLICATIONS

9.1 There are none arising from this report.

10. PLANNING IMPLICATIONS

10.1 There are none arising from this report.

11. ANTI POVERTY IMPLICATIONS

11.1 There are none arising from this report.

12. SOCIAL INCLUSION IMPLICATIONS

12.1 There are none arising from this report.

13. LOCAL MEMBERS SUPPORT IMPLICATIONS

13.1 There are no specific implications for any member or ward.

14. BACKGROUND PAPERS

14.1 None used in the preparation of this report.

15. RECOMMENDATIONS

15.1 Note the progress made to achieve a sustainable budget for DASS

15.2 Comment on further actions being taken to deliver ongoing budget efficiencies

15.3 Receive a further report in February 2009

**JOHN WEBB
DIRECTOR OF ADULT SOCIAL SERVICES**

This page is intentionally left blank