

**CYNGOR SIR POWYS COUNTY COUNCIL**

**CABINET**

**28 February 2017**

**REPORT AUTHOR: Joint Adult Social Care and Audit Committee Working Group**

**SUBJECT: Adult Social Care Overspend**

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**REPORT FOR: Information**

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1. The Wales Audit Office requires the Audit Committee 'to review and scrutinise the Authority's financial affairs, and make reports and recommendations in relation to the Authority's financial affairs'. Once a rapidly increasing, projected overspend in excess of £5million in Adult Social Care (ASC) was highlighted in late summer 2016, the Audit Committee and Adult Social Care Scrutiny Working Group (of the People Scrutiny Committee) selected Members to form a Joint Working Group with the aim of reviewing the overspend, and the reasons for it. We took note of the suggestion from the Portfolio Holders for Adult Social Care and Finance that we should only 'adopt a monitoring role'. However we considered this to be such a significant risk to the Council that in depth consideration was required.
2. Historically, severely adverse variances have not been unusual in this area. In recent years the service has received significant input in terms of reviews, consultants' reports and substantial additional funding to enable it to transform to meet modern requirements. There is little evidence of cultural change or acceptance of financial accountability and responsibility taking place to sustain any improvements. Regrettably recommendations have not been taken on board and embedded within the Service Improvement Plan. Neither have plans for savings and efficiencies been made in a robust or timely manner. Successive Cabinets, Portfolio Holders and Directors have not successfully addressed this. The Interim Scrutiny Report of 2013 (ASC Working Group) highlights that 'significant evidence was provided with regard to financial procedures which clearly demonstrated that there are issues within the service regarding financial awareness, financial control and financial discipline'. This position still exists with a continuing lack of accountability and responsibility. If this had been addressed earlier we might not be in the position we now find ourselves.
3. The Group note that the causes for overspending over the last three years were easily identified by outside consultants from publicly available documents and found it very concerning that these were not identified within the Authority at an earlier stage. The 2016/17 budget was cash limited and supported by Portfolio Holders, Cabinet and Council. There

was little detail provided and it now appears that this was an ad hoc arrangement which inhibits financial control. There was an expectation that the Cabinet, Portfolio Holder and Strategic Director would keep within their cash limited budget and manage pressures from within that budget to enable a base from which efficiencies could be made in future years. We recognise the additional pressures, but these were foreseeable and should have been included in financial planning.

4. A Forensic Accountant was brought in to compare last year's expenditure with this year's expenditure. In his report, and our meeting with him, he identified a number of serious overspends where there was little or no understanding as to how costs would be met within the financial constraints of this year's budget. In one case we investigated, we found that there was little detailed calculation of the financial consequences of the decision and an Impact Assessment was agreed retrospectively. We would question whether these decisions were within Financial Regulations.
5. This has led to a dangerously high overspend forecast in ASC for 2016/17.
6. The current situation has developed over recent years with unachieved savings in one year being rolled forward, in accordance with policy, exacerbating the budget position. Demographics have frequently been cited as the need for additional resource contrary to both national and comparative data as previously stated by the Finance Scrutiny Panel on a number of occasions. Whilst numbers of clients have remained relatively static the budget has increased significantly (32%) in the last five years. A number of other authorities are experiencing the same pressures without showing increasing expenditure on the same scale. Evidence shows that Powys is proportionately the highest spending authority, particularly in the 18-64 age bracket where the cost per client is one third higher than the Welsh average and has soared in recent years. (Appendix A)
7. Financial data is provided to Heads of Service within seven working days of the end of the month but it is questionable whether all directorates are acting on the evidence in a timely manner. Cabinet members must avail themselves of this information. The Group are particularly concerned about the delay between Heads of Service highlighting the overspend early in the financial year and the Cabinet requesting a Recovery Plan in September 2016 when the projected overspend had reached over £5 million. This delay has prevented swift and immediate action to restrict the spending earlier in the year.
8. It is apparent that systems and processes are in urgent need of review to support the efficient running of the service and ensure accurate data, particularly financial data, is available in a timely manner. The Group was advised that data cleansing had taken place, but this had also been necessary within the last three years which reinforces the need for accurate data to be maintained and used. This in itself is insufficient without benchmarking historic and comparative trends. These concerns

have been referenced in reports dating back to 2011 and formed one of the recommendations in a 2013 scrutiny report.

9. Additional resource has been provided but delivery of transformation must be accelerated to ensure that a sustainable, high quality and financially efficient service is in place. These costs must be contained within available resources. Previous reports have identified that cultural and behavioural issues must be addressed with staff being trained and supported through the process – this must be expedited. It is acknowledged that frontline staff wish to provide the best possible service for clients, but those authorising services must have complete awareness, accountability and responsibility for the financial impact of those decisions. It seems that the service have made decisions with insufficient regard to the financial implications and that Portfolio Holders have allowed processes of increased spending to go forward. For example, by the end of September when the Chief Executive was asked to produce the Recovery Plan, he found that savings for the service in the MTFs were £2.5M in 2017/18 and £2.4M in 2018/19, totalling £4.9M. Decision making by the Cabinet at that time increased the pressures by a further £3.8M which exacerbated the financial crisis.
10. Right sizing of packages and non-dependency is essential, and more work can be undertaken on signposting clients to alternative services. The expectations of residents must also be managed. Concerns were expressed in early meetings that Resource Panels have not provided robust monitoring or challenge of decisions made by front line staff.
11. The Group are aware that there is a need for greater levels of business acumen across many services in the Authority and welcome the Recovery Plan's suggestion to create additional financial capacity, particularly within ASC. Savings proposals have not been sufficiently evidenced or fully costed. The lack of a performance management framework has been detrimental. Financial Overview and Forecast reports are inadequate - this has not enabled adequate scrutiny to take place and such reports need additional information on how issues will be addressed. These reports failed to alert the Cabinet and Service to specific issues in relation to expenditure on services for those aged under 65. It was further considered that scrutiny should have access to more specialised financial support to assist them in their role. The limited scrutiny resource was acknowledged whilst highlighting the need for more robust pre-decision scrutiny to be undertaken.
12. The Group welcome the closer working arrangements with the Powys Teaching Health Board (PTHB) although we agree with the Portfolio Holders that the ambitious targets within the Price, Waterhouse Cooper (PWC) Report are unachievable. Clearly some synergies are available and a good start has been made by the appointment of the PTHB Chief Executive as Interim Strategic Director, People. We must though be careful that any conflicts between the two roles do not hamper progress and the potential to transform the service and any efficiencies this may bring. It was noted that there were joint projects being undertaken but the Group look forward to more timely progress reports and outcomes of

assessments currently underway. However a more strategic approach is needed to take advantage of opportunities for integration of the service.

13. The Group also look forward to seeing an Action Plan, including definitive timescales and the development of robust challenge mechanisms to ensure good decisions can be made and adhered too. We have been informed that the Forensic Accountant has been completing another piece of work on this issue and we look forward to seeing this in the near future.

## **Conclusion**

14. The Group notes that a Recovery Plan has been submitted and an Action Plan is being prepared. Whilst the Recovery Plan highlights the scale of the issues, with only 60 days of the financial year remaining, significant progress is unlikely in the current year. We are unclear as to who has ownership of the Recovery Plan. It is our expectation that although actions will be identified by Management Team, the ultimate responsibility rests with the Leader, Portfolio Holder and Cabinet. We have limited assurance, unless urgent and immediate steps are taken, that an overspend will not recur. Timely action is needed to address endemic cultural issues and achieve behavioural change. Increasing the budget is unsustainable. It is time to take a holistic appraisal of expenditure. Adult Social Care has seen a huge increase in budget in recent years without a corresponding increase in clients. The service has been failing financially for a number of years and, without change there is a high probability that the potential remains for it to continue to fail.
15. The Group are very concerned about the strain on reserves and the impact on other Council services. Robust financial management must be introduced. If not addressed, the current situation has the potential to overwhelm the whole Council. Any unforeseeable expenditure should be met from a budgeted, general contingency and should not be met from reserves which are at an unacceptably low level. A proper business case must be evidenced before any funds are accessed.
16. During the course of our investigations we have been informed by Cabinet Members that the budget is approved by, and the responsibility of, full Council. Once the budget is approved it is the responsibility of the Leader and his Portfolio Holders to keep within the cash limited budget by operating tight performance and financial management. Clearly in the 2016/17 budget this has failed.

## **Joint Audit Committee and Adult Social Care Working Group**

### **Group Membership:**

County Councillors J G Morris (Lead Member), A W Davies, D R Jones, M C Mackenzie, K Roberts-Jones and Co-opted Member Mr J Brautigam

### **Interviewees:**

- Forensic Accountant
- Independent Consultant
- Portfolio Holder for Adult Social Care

- Portfolio Holder for Finance
- Chief Executive
- Interim Strategic Director, People
- Head of Operations
- Head of Transformation

**Background Papers used to prepare Report:**

- CSSIW Review of Powys County Council Adult Social Services Department (Oct 2011)
- WAO Review of Budget Forecasting and Control within Adult Social Care (April 2012)
- ASC Interim Scrutiny Review (May 2013)
- PWC Strategic Review into the Future of Adult Social Care (2015)
- Adult Social Care – Financial Position and Financial Monitoring (2016)
- Analysis of Published Expenditure and Activity Data – Adult Social Care – November (2016)
- Peopletoo (P2) – Powys County Council, Financial Improvement Plan
- Recovery Plan (2016)

**Further Analysis of Rachel Ayling's Figures – based on 2015/16 data**

**Net Current Expenditure - all age Groups**

	Powys	All Wales
Expenditure per 100k of population	£56.0k	£46.5k
Population	109,270	2,486,240

Powys Expenditure	£61.2m
Powys expenditure at Wales' avg	£50.8m
Potential saving from working at Wales' avg	£10.4m

**Net Current Expenditure - Under 65s**

	Powys	All Wales
Expenditure per 100k of population <65	£42,337*	£31,240
Population	74,630	1,859,940

Powys Expenditure	£31.6m
Powys expenditure at Wales's avg	£23.3m
Potential saving from working at Wales' avg	£8.3m

\*This rate of expenditure has risen from £31.5 – a 34% increase since 2011

**Net Current Expenditure - Over 65s**

	Powys	All Wales
Expenditure per 100k of population >65	£85.21k	£87.05k
Population	34,640	626,300

Powys Expenditure	£29.5m
Powys expenditure at Wales avg	£30.1
Potential saving from working at Wales' avg	£(0.6)

## Appendix B

The figures below need to be treated with some caution. Numbers of clients in each category are small and therefore small changes can have a large effect. Nevertheless, the large discrepancies in the proportion comparators for high value elements deserve greater examination particularly if Direct Payment expenditure is redistributed into home or residential care

### Net current expenditure on Adults <65 with a Physical Disability

Category	Powys		All Wales	
	£	per 1k Pop	£	per 1k Pop
Total Population <65	74,630		1,859,940	
Assessment & Care Management	1,024.02	13.72	18,680.64	10.04
PD Day Care	150.15	2.01	8,248.68	4.43
PD Direct Payments	2,432.23	32.59	23,149.50	12.45
PD Equipment & Adaptations	413.94	5.55	8,689.12	4.67
PD Home care	1,682.81	22.55	28,403.32	15.27
PD meals			73.70	0.04
PD nursing payments	476.16	6.38	5,414.42	2.91
PD Other	309.78	4.15	7,754.12	4.17
PD residential care	409.88	5.49	13,759.24	7.40
PD Supported & other accommodation			4,248.64	2.28
Total	6,898.97	92.44	118,421.38	63.67

### Net current expenditure on Adults <65 with a Learning Disability

Category	Powys		All Wales	
	£	per 1k Pop	£	per 1k Pop
Total Population <65	74,630		1,859,940	
Assessment & Care Management	1,745.04	23.38	24,246.86	13.04
LD Day Care	4,129.92	55.34	75,298.96	40.48
LD Direct Payments	1,547.54	20.74	24,806.54	13.34
LD Equipment & Adaptations	147.45	1.98	287.54	0.15
LD Home care	653.37	8.75	23,745.92	12.77
LD meals			12.54	0.01
LD nursing payments	378.77	5.08	2,953.72	1.59
LD Other	1,456.90	19.52	17,460.08	9.39
LD residential care	10,781.34	144.46	108,532.60	58.35
LD Supported & other accommodation	7,793.14	104.42	140,421.82	75.50
Total	28,633.47	383.67	417,766.58	224.61

### Net current expenditure on Adults <65 with a Mental Health Needs

Category	Powys		All Wales	
	£	per 1k Pop	£	per 1k Pop
Total Population <65	74,630		1,859,940	
Assessment & Care Management	1,417.67	19.00	23,962.62	12.88
MH Day Care	190.74	2.56	6,109.84	3.28
MH Direct Payments	77.11	1.03	1,773.42	0.95
MH Equipment & Adaptations	48.70	0.65	136.62	0.07
MH Home care	660.14	8.85	9,383.44	5.05
MH meals			22.88	0.01
MH nursing payments	469.40	6.29	7,697.80	4.14
MH Other	366.59	4.91	7,838.60	4.21
MH residential care	1,669.28	22.37	33,232.76	17.87
MH Supported & other accommodation			10,889.12	5.85
Total	4,899.63	65.65	101,047.10	54.33