



Infrastructure, Government and Healthcare

Bury Metropolitan Borough Council Review of Social Services budget position

August 2006

AUDIT

Introduction

1.1 Background

Effective financial management is critically important for local authorities. Social Service Departments are experiencing financial pressures nationally and they are also facing an unprecedented spotlight on budgets and spending as a result of the Government Efficiency Review. As part of our planning for the 2005/06 audit we commented that a number of underlying financial pressures had been identified in the Council's Social Services budget. The Council has recognised that this is an issue and has put in place a project board to manage/monitor actions taken to address the risks as they arise and address the financial consequence.

From April 2005 the Council established separate Adults and Children's Departments. The backward part of our review considers just the one Social Services Department but looking at 2005/06 and onwards the split into two separate Departments is reflected.

1.2 Objectives of the project

There remains a risk that this board approach may not develop sufficiently quickly to avoid overspending which may result in resources being diverted from corporate priority areas which are essential to meet strategic objectives. We will work with the Council to provide additional support to this review process. The objectives of our review are to:

- Review the main causes of budget variations;
- Assess the reasonableness of the assumptions made in the budget and action plans;
- Review the ability of the Council's financial and other management information systems to provide timely reporting of potential variances;
- Assess the relevance of the focus of the action plan and the risk assessment of savings including the robustness of arrangements to align expenditure and resources;
- Review the process for developing and maintaining the Social Services Financial Strategy, including Directorate risk management arrangements;
- Complete a health check of whether the Social Services Financial Strategy reflects key national and local issues within Social Services;
- Review the process for developing the commissioning strategy and linkages to the Social Services Financial Strategy; and
- Identify alternative good practice examples at other local authorities.

Introduction (cont)

1.3 Approach to the project

Our approach has been:

- Interview key officers including the Director of Children Services, the Director of Adult Services and the Deputy Chief Executive;
- Update progress on the Internal Audit report, Children's Agency Budget Investigation; and
- Review relevant documentation and reports to Executive.

1.4 Way forward

We will discuss the findings of the review with officers to agree an action plan to address the key issues going forward. In addition, we shall continue to work with officers to constructively challenge the delivery of action plans.

Summary of key findings

2.1 Overall conclusions

The key conclusions from our review are that:

- Social Services and the Council have recognised the significant scale of the challenge they face. The Departmental and Corporate focus on issues led to the establishment of the Project Board which then further advanced the Council's understanding of pressures and potential responses. The project Board also had a clear and appropriate focus on the implementation of responses. These arrangements have been reviewed and further developed through the establishment of Star Chambers. The Council is committed to ongoing review. This report identifies areas for consideration in relation to this ongoing consideration.
- We found that the main reasons for the historic overspends were those already reported to the Council. These were:
 - services provided higher number of looked after children than planned;
 - services provided to a higher number of adults with learning disabilities than planned; and
 - higher agency and overtime costs than planned.
- The additional factors that we believe the Council should continue to develop are:
 - finalising the detail of key processes which underpin the financial performance including the Children Services MTFS;
 - improving linkages between decisions to approve activity and financial as well as service consequences of those decisions;
 - continue embedding risk management techniques; and
 - continuing to focus on the development of short term action plans and project managing the implementation of these plans.

Summary of key findings (cont)

2.2 Key findings

Budget variations are a historic problem for Social Services in most Council's. For 2004/05 the overspend was mainly due to demand being greater than budget in a restricted number of discrete areas. In our view the main contributory factors to this were:

- budgets being set on an incremental basis that did not fully anticipate the projected demand for services; and
- weaknesses in the budgetary control process including difficulty relating financial and non-financial information systems to each other.

The Council and Adults and Children's Services are fully aware of the issues and are taking steps to address them. Critical to the success of the actions already taken will be cultural change within departments in respect of how finance and budgets are viewed. Sufficient information needs to be provided to allow effective planning. In particular, it is critically important that front line staff have sufficient information to enable them to consider resource implications as part of their decision to pursue particular care pathways.

Potential problems for 2005/06 had been identified early in the year and action plans had been put in place to try and address them. For Adults and Children's Services there are detailed plans and the Project Board is also reviewing progress on these. To enable continuous improvement there should be a formal project review of which actions have achieved their expected outcomes and identification of areas of good practice.

For 2005/06 savings of £5.9m had been identified for Adults and Children's Services. We have reviewed the robustness of arrangements to align expenditure and resources. Behind the savings targets action plans have been developed by each department. These now need to be developed further in terms of their impact on activity and include specific and measurable outcomes. The current savings action plans are for the next year and these need to be developed on a longer term basis.

Summary of key findings (cont)

As part of the development of its Medium Term Financial Strategy (MTFS) Adult Services is considering whether there are short, medium or long term solutions to the budget difficulties. As part of this process, it is important that any legal and long term implications regarding service provision are fully considered. Longer term issues are being considered, though not linked explicitly to sensitivity and impact analysis around the action plans. Importantly action plans do consider risk.

The Departments have recognised that there is enormous pressure on financial resources and there is a need to link financial management with service provision. The MTFS for Adult's Services has been finalised but the MTFS for Children's Services is still being drafted. Both plans need to show linkages between the Corporate Plan, Departmental Plans and action plans. One important area for further development is the need for explicit linkages between financial and non-financial risks inherent in the decisions being taken. This development is necessary across the Council rather than being specific to Adult and Children's Services.

2.3 Key learning points

The Council has learned a lot from its own focus on the issues underlying financial pressure in social services. The learning arising from our review to complement the Council's developments are as follows:

- The Council should further develop its approach to formally evaluating the actions implemented to address budgetary control issues. This should include more explicit consideration of actions to align front line decisions on activity and their financial consequences with respect to the shape and content of care packages.
- Departments should consider an options evaluation mechanism to consider the link between investment in services and the impact on both achieving savings and in deliver improvements in quality.
- The MTFS for Children's Services needs to be finalised and implemented. This should help link financial management and service provision.

Budget Variations

3.1 Background

The Social Services budget has been subject to significant financial pressures in recent years. The year end position for Social Services in 2004/05 was an over spend of £1.7 million and this related to a restricted number of discrete areas. These pressures continued into 2005/06 and the outturn position at month 11 was over spends of £0.359 million and £2.842 million for Adults and Children's respectively.

The Council's overall spending on Social Services is in the bottom quartile of all metropolitan councils, this is inline with the Council's total spending profile which is also in the bottom quartile of all metropolitan councils.

3.2 2004/05

The Social Services spend at the end of 2004/05 was £1.7m in excess of the revised estimate position. The main areas of overspending are detailed in the table below.

Description	Overspend (£m)
Children: Children's Agency Placements	2.301
Adult: Learning Disability Services	1.174
Adult: Services for Older People	0.297

The table above shows £3.7m of significant overspends, therefore this means there were significant underspends in other areas to reduce the total overspend to £1.7m. Section 3.4 discusses the reasons for the overspends.

3.3 2005/06

The overspend position has continued into 2005/06. The main over spend areas for Adult and Children's services are detailed in the table below. The overall overspend is £3.201m.

Description	Overspend (£m)
Children: Fostering and Adoption	0.208
Children: Children's Agency Placements	1.771
Children: Fieldwork and Support Services	0.213
Adult: Learning Disabilities	0.623

Budget variations (cont)

The table above shows £2.815m of significant overspends, further to this there was a number of other areas of smaller areas of over spends. Section 3.4 discusses the reasons for the overspends.

3.4 Reasons for budget variations

There are a number reasons that explain why the budget variations have occurred that are common to a large number of authorities. These are detailed below together with an overview of the current position at Bury.

Budget processes

- National practice information from Joint Reviews suggests that frontline teams which control and are responsible for their own purchasing budgets are most likely to use them imaginatively to get the best solutions for service users and to stay on budget. In Bury there is a more central approach to budgets. Social workers who are responsible for negotiating placements don't have immediate responsibility for the budget. As managers are not directly responsible for budgets it is more difficult to manage care pathways with respect to quality and its financial consequences
- The most effective budget setting processes for social services bring together up to date information on demand trends over a number of years with actions that have been taken to contain expenditure within cash limits. In 2004/5 provisions for inflation and increased demand were insufficient. 2005/06 Budgets were set based on a 2% uplift and didn't take explicitly take account of demand for services. The star chamber process introduced for 2005/6 budget provides the opportunity to more fully consider the risks in setting cash limited budgets where there are known volume pressures by allowing explicit consideration of efficiency improvements in compensating areas of the budget.

Budget variations (cont)

Activity data

- Accurate and timely volume and quality data is critical to effective service and financial management. There is scope to better capture activity data and expand the available finance data at Bury though the cost benefit of improving data will also need to be considered.
- When financial information is linked to activity levels a view can be taken about the value for money of the use of resources. Unit costs allow this to be taken a stage further by identifying all of the costs associated with the delivery of a unit of service and allows comparison to:
 - the costs of other similar services;
 - the cost of alternative services; or
 - the cost of alternative ways of delivering the service.

This will enable value for money of a particular service or approach. Within Social Services at Bury it has been acknowledged that unit cost information was not used comprehensively for planning purposes but the opportunity to develop this further is now being considered.

Financial systems

- The general ledger has now been replaced. It is expected that the new financial system will provide better quality information but this needs to link into activity.
- Management information was seen as poor and had been blamed for a lack of budget monitoring. There has been an issue with the inflexibility of the systems.

Budget variations (cont)

Internal Audit review

Internal Audit completed a review of why the overspend on Children's agency placements was higher than forecast and the key areas were:

- The word document used to forecast spending contained errors totalling over £400,000.
- Short term contracts were not forecast for the full year.
- Individual budgets were not set on the financial control system making it impossible to monitor spending by child.
- £500,000 of spending went through the financial system after the year end.

An action plan has been developed and the Project Board are monitoring this. Although this will improve budgetary control, they will not reduce the overspend but it will mean that better information is available.

3.5 Summary

In the context of other metropolitan councils, the Council's expenditure on Social Services is low, which is inline with the Council's total spending profile. However overspends against the budget have occurred in the past two years. The overspend was mainly due to demand being greater than budget in a few small areas. Based on the evidence gathered and discussions held we believe this position arose due to:

- budgets not being set to reflect the projected demand for services; and
- weaknesses in the budgetary control process including difficulty relating financial and non-financial information systems to each other.

Other important factors have also been identified, these are particularly around front line services having the information to identify the financial impact of the decisions they make and the financial systems which the Council operate.

Project Board and Action Plans

4.1 Background

There has been a Project Board for Social Services for a number of years and the terms of reference for this were revised at the beginning of 2005/06. Since then there has been further developments with the establishment of Star Chambers and further changes to the Project Board arrangements. This section considers these arrangements as well as the relevance of the focus of the action plan and the robustness of arrangements to align expenditure and resources. It is noted that actions are being taken by Chief Officers to address the funding problem.

4.2 2005/06 actions

2005/06 was the first year that saving plans had been identified at the start of the financial year. Savings of £2.218m and £3.700m for Children and Adult Services had been identified respectively.

For the target savings for Adults and Children's Services there was a document behind them setting out a detailed action plan for each service area.

The key issues in relation to the actions were:

- Good practice suggests action plans should include the level of cash savings, target dates, lead officer and risks. Both departments' action plans include these good practice points. However, there needs to be a greater link to activity levels as this will allow better measurement of progress on actions.
- There is no evidence to suggest that a formal long term risk assessment has taken place that considers long term and legal implications of the actions. This is important to ensure all possible implications are managed effectively as part of delivering the action.
- Good practice suggests commissioning strategies should also consider alternative methods of service provision. This should fit the Council's new role for the Project Board (as discussed in section 4.3), which includes overseeing the development and reconfiguration of services over a longer period.
- Arrangements need to be in place to measure the success of actions in the action plans once they are implemented. This will help in continuous improvement in the development of savings plans.

Recommendation 1

The Departments should develop detailed action plans to include more specific and measurable outcomes, clearly demonstrating financial savings and their impact on activity. Further to this, once actions are implemented they should be reviewed to assess their success.

Project Board and Action Plans (cont)

4.3 Project Board and Star Chambers

A Project Board was set up to address the ongoing financial pressures in both Adults and Children's Services, in particular:

- To oversee the managed reduction of the overspend from 2004-05;
- To produce accurate, consistent and shared outturn for 2005/06, reflecting ongoing spending pressures from 2004/05 and new pressures in 2005/06;
- To oversee the managed reduction of identified savings to ensure the Social Services' budget does not overspend in 2005/06 and make recommendations as appropriate to senior members and management; and
- To consider and if appropriate, endorse other savings initiatives that are brought to the Project Board's attention.
- Since these terms of reference were established other changes have occurred, most importantly Star Chambers have been established to scrutinise more closely financial performance and future budget requirements/savings. The role of star chambers will involve monitoring two key areas:
 - Budget setting, identification and resolution of identified financial pressures; and
 - Budget monitoring, including any agreed savings targets.

We have been informed Star Chambers will receive relevant activity data and performance management data as well as financial information. This will be crucial for the Star Chambers to truly address the key issues.

As a result of the changes above, the Project Board has changed its focus to overseeing the development and reconfiguration of services over a longer period and offer support and guidance in the process. This appears to be a reasonable approach as much of the previous role of the Project Board will now be completed by the Star Chambers.

4.4 Summary

Our overall conclusion is that the Council has an appropriate arrangements in place in respect of the Star Chambers and the Project Board's roles to address the financial issues in Adult and Children Services. Although some issues have been identified with action plans that need addressing, the overall arrangements are adequate to meet the challenges ahead.

Social Services Financial Strategy

5.1 Background

Financial Management is a key element of an Authority's overall management arrangements and it plays an important part in improving the performance of services. This section looks at the process for developing the Social Services Financial strategy and the risk management arrangements.

5.2 Financial Strategy

The current medium term financial strategy relates to the previous Social Services Department. The plan for Adults has recently been updated and importantly considers short, medium and long term solutions. The Council's overall MTFS arrangements have been subject to a separate review by KPMG. A revised MTFS is currently being drafted for Children Services and it is important that this is developed and implemented. We understand the draft Children's Services MTFS considers issues such as the financial consequences of activity decisions, efficiency programme and long term investment.

Recommendation 2

The Children Services' MTFS should be finalised and then implemented.

An important element of the medium term financial planning arrangements is the requirement to monitor the success of the actions taken to address the financial issues. Therefore, there should be a mechanism to monitor how investment in services is being used and whether it is delivering financial savings and/or improvements in the quality of services. Thus the links between financial management and performance management are critical.

Recommendation 3

The Departments should consider an evaluation method to measure the success of investment in services to achieve savings and improve services.

Social Services Financial Strategy (cont)

5.3 Risk management arrangements

The saving action plans consider risks in relation to the budget savings but it is also important that departments now link this with non-financial risks. As a part of the Adult Service's MTFS development, Adult Services is considering whether there are short, medium or long term solutions to the budget difficulties. In completing this it is important that any legal and long term implications regarding service provision are fully considered. This includes considering sensitivity and impact analysis around the action plans.

Therefore for all decision making options, there is a need to ensure all financial and non-financial risks are considered. The Council has recognised this through the implementation of their Risk Management Framework. Risk Management is an issue that requires development across the Council, and is subject to a separate KPMG review.

Recommendation 4

The Departments should ensure all financial and non-financial risks of decisions and options are considered and formally documented.

Good practice

6.1 Background

Social Services is an area that is experiencing financial pressures nationally and is facing an unprecedented spotlight on budgets and spending as a result of the Government's Efficiency Review. In this section we are sharing areas of good practice to help the Council in developing its own approach. However, we have not reviewed the extent to which these have been undertaken at Bury MBC.

6.2 Adult's services

We have reviewed how other Social Services Departments are changing how they provide services and examples include:

- Maximising the use of Section 31 of the Health Act Flexibilities.
- Making use of the supporting people grant, to allow people for more cost effective supported living.
- Making use of charging and other income generation schemes, whilst at the same time ensuring all service users are accessing all available benefits.
- Reviewing all major areas of expenditure by service type, and considering service redesign for significant areas.
- Reviewing all suppliers, including internal service providers to ensure value for money is being achieved in the use of the current suppliers. These reviews have also included quality of service provided as well as cost.

6.3 Children's services

Bury MBC has a high number of looked after children and they are looking to reduce these. A number of other Councils have already gone through this process. They have done this through supporting families to maintain the care of children. Good examples for implementing this include:

- Robust and timely assessments.
- Family group conferencing at the point of entry to the care system.
- Family support models, greater use of family and community support services.
- Children centres, where a range of services are available under one roof.
- Short term intensive help, including multi-disciplinary assessment, for very troubled children and young people.
- Partnership working with schools, independent sector and health to think about the whole care path way and consideration of the bigger picture in terms of the benefits of keeping supported within their own families.

Good practice (cont)

6.4 Staffing

Across both areas there are good practice suggestions relating to staff retention and the use of agency staff. The Council should think about case loads and whether there is adequate administration support for front line staff. If the recruitment of social workers is a problem, links with local universities and offering “golden handshakes” have been used at other local authorities. Staffing should be considered long term and there should be clear training routes for staff.

Recommendation 5

Where appropriate the Departments should make use of the good practice available, which is not already used to improve the financial position and quality of services.

Recommendations and Action Plan

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<i>Significant residual risk</i>		<i>Some residual risk</i>	<i>Little residual risk</i>	
	Recommendation	Priority	Management response	Responsibility and timescale
1	The Departments should develop detailed action plans to include more specific and measurable outcomes, clearly demonstrating financial savings and their impact on activity. Further to this, once actions are implemented they should be reviewed to assess their success.	**		
2	The Children Services' MTFS should be finalised and then implemented.	**		
3	The Departments should consider an evaluation method to measure the success of investment in services to achieve savings and improve services.	***		
4	The Departments should ensure all financial and non-financial risks of decisions and options are considered and formally documented.	**		
5	Where appropriate the Departments should make use of the good practice available, which is not already used to improve the financial position and quality of services.	**		