FINAL REPORT

PLACEMENTS BUDGET
SCRUTINY PANEL

DECEMBER 2010
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Membership

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Councillor Richard Sweden
Member for Endlebury Ward

Councillor Bob Sullivan
Member for Leyton Ward

Councillor Ebony Vincent
Member for Markhouse Ward
Council Officers

The following Officers supported the work of the Placements Budget Scrutiny Panel by attending the Panel meetings and providing information and data to Members of the Panel.

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Acknowledgements

The Panel Members wish to thank the Council Officers who attended the Placements Budget Scrutiny Panel meetings as witnesses and who provided a range of information to Panel Members. Panel Members noted and appreciated Officers commitment and co-operation in support of the Panel's objectives.
Executive Summary

Adult Social care Budget Overspend

The Panel inspected the Budget Outturn Reports for each of the years 2006/7, 2007/8, 2008/9 and 2009/10 and identified trend of overspending of the Adult Social Care Budget. They also heard verbal evidence that this trend had existed over a longer period than this, but did not see any value in researching further previous years.

TABLE: Adult Social Care Previous Years Over Spends

<table>
<thead>
<tr>
<th>Year</th>
<th>Adult Social Care Overspend</th>
<th>Total Overspend of Directorate</th>
<th>Source of funding Transferred to Close Budget Under provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006/7</td>
<td>£1.026 M</td>
<td>(£116,000)</td>
<td>Housing Services Budget.</td>
</tr>
<tr>
<td>2007/8</td>
<td>£4.706M</td>
<td>£121100</td>
<td>Housing Services Directorate Balances Corporate Reserve Cost Recovery</td>
</tr>
<tr>
<td>2008/9</td>
<td>£1.027M</td>
<td>£25764</td>
<td>Housing Services Culture and Leisure</td>
</tr>
<tr>
<td>2009/10</td>
<td>£1.299M</td>
<td>£845000</td>
<td>Concessionary Fares Salary Under spends Supporting People Grant</td>
</tr>
</tbody>
</table>

It can be seen from the above Table and Chart just how much the costs of Adult Social Care has been "hidden" in the overall Directorate’s Budget by underspends in other services. The re-organisation of the Directorate’s responsibilities across the whole council has exposed this problem within the current financial year. A similar case can be presented in respect of the Children’s Services placements budget.
Through the course of the Placements' Budget Panel's review, Panel Members recognised that some areas of the Children's and Adult Social Care services had been under budgeted for a number of years. It has only been through a combination of good fortune and some good areas of management practice that significant and lasting overspends have been avoided in the past three financial years.

Through the course of its investigation, the Panel therefore has reason to believe that there has been an historical problem with setting an accurate and realistic budget for both Children's and Adults' Social Service. In this context, the Panel references 'accurate' and 'realistic' in the sense that the respective service budgets reflect known and predicted service demand and pressures.

The Panel Members believe that there is currently a fundamental weakness in the Council's annual budget setting arrangements, which leads to budgets being set which do not bear any true relation to the actual operational costs associated with both services.

The Panel did recognise, however, that Children's Services had been allocated funding to the value of £1.4M to fund increased costs and demands placed on children's placements as from September 2009. The Panel also acknowledged that following the publicity and release of the Serious Case Review into the Baby Peter case, demand would, and did, inevitably grow considerably placing further pressures on the fiscal capacity of the children's placements service.

The Panel fully acknowledged the increasing pressures and demand placed on the Councils placement services, and further recognised that growing demand in these areas will inevitably exert serious pressures on the wider Council budget and fiscal support to other non-related service areas within the Council.

**Local Context**

The Panel came to address the remit given it with no prior views. The Panel established from the outset that the growing pressures placed on the Council's Children's Services and Adult Social Care placements was not unique and that this was in fact a national issue which local authorities across the country have to address with some urgency.

Demographics data is showing that the United Kingdom has an ageing population, which will inevitably impact on future demand for care and support facilitated through the local authority. In respect of Waltham Forest specifically, the evidence base detailed in the Council's report 'People aged over 50 in Waltham Forest' shows that:

**Age**

The age composition of Waltham Forest is similar to London as a whole, being home to a relatively young population. There are 59,000 people aged over 50 in the borough, making up 26% of the population. Nationally, the UK has a much greater ageing population (34%).

A breakdown of the population aged over 50 is the following:
- 32,900 people are aged 50-64
- 13,100 people are aged 65-74
• 8,300 people are aged 75-84
• 3,500 people are aged 85+

Population Projections
According to GLA demographic projections, the total population growth in Waltham Forest between now and 2031 is expected to stay below the average population growth in London (9% and 15% respectively). The number of people in Waltham Forest is expected to increase to a total of 245,800 by 2031 largely on account of the population ageing. Predictions indicate that the over 50’s population will grow from 57,900 to 79,100 (37% growth) in the next twenty years as the number of young people aged up to 17 is expected to grow by 7% and the adult population aged 18-49 is projected to decrease by 4%.  

Through the course of this review, however, the Panel came to believe that the Council’s internal financial planning, forecasting and budget setting arrangements were not conducive to setting budgets which reflected the current and projected (in year) client numbers accessing placements services; that the authority was not integrating its forecasting and intelligence data regarding transitions (and projected client numbers in future years) in any integral methodology contributing to the annual budget setting process, and that there were wider communication issues between Children’s Services and Adult Social Care in respect of joint financial planning client forecasting arrangements and client information sharing as apart of the transitions process. Ultimately, the Panel remained to be convinced that client and forecasting data was used effectively enough to support the annual budget setting process.

Finally, the Panel was of the opinion that there was inadequate formal joint reporting and liaison arrangements between Children’s Services and Adult Social Care in place to address the matters as described above.

In terms of the pressures placed on placements in both services, in its interim progress report to the Scrutiny Management Committee meeting of 13th September 2010, the Panel identified the following four principle issues as affecting accurate budget setting and wider financial management arrangements in support of placements across children’s services and adult social care:

• respective service area budgets were constrained by the lack of financial reality in setting the Medium Term Financial Strategy (MTFS);

• both services were purely demand led;

• service budgets were subject to inflationary pressures and market forces; and,

• both services were subject to unknown in-year demand.

1. Note that population projections don’t take into account short-term population movements due to the lack of such information and become increasingly uncertain the further they are carried forward and particularly so for smaller geographical areas.
At the conclusion of the review, the Panel still subscribes to the above viewpoint, whilst also acknowledging that there was an on-going budget tension between putting adequate growth into the budget versus adequate budget constraint.

This final Panel report addresses the issues above in further detail and puts forward recommendations for Cabinet’s consideration as to how these matters may be addressed in the future through the annual budget setting process and the finance arrangements supporting Children’s Services and Adult Social Care.
Background to the Panel and Methodology

The 'Review of Revenue Budget 2010/11 and Processes for the Medium Term Financial Strategy and the 2011/12 Revenue Budget' report was considered at the Cabinet meeting held on 20th July 2010, which contained the following recommendation:

'Recommend that the Overview and Scrutiny Management Committee establish a time limited scrutiny panel to undertake an urgent review of the placements budget within Adult Social Care and Children and Young People Services and the pressures within these services and to report its findings to the Cabinet'.

At its meeting of 14th July 2010, the Overview and Scrutiny Management Committee agreed to the Cabinet's recommendation to establish a time limited scrutiny panel to review the pressures placed on the placements services and the budgetary arrangements supporting the Council's placement services. The Placements' Budget Scrutiny Panel (the Panel) was comprised of Councillor Michael Lewis, Councillor Richard Sweden, Councillor Bob Sullivan and Councillor Ebony Vincent.

The Panel sat from July to November 2010 and convened formally on three occasions. The Panel took the view that if agreed by Cabinet, its recommendations be implemented as part of the wider 2011/2012 annual budget setting process.

The Panel convened meetings to facilitate question and answer sessions with Officers from the Children's Services and Adults Social Care Service areas, and the Finance Directorate. Members requested and received a range of detailed information from both service areas, as well as undertaking desktop research into other Local Authority's financial planning and service operation arrangements supporting placements services.

This report concludes the Panel's work. Through progressing the review, the Panel evolved beyond the original remit handed it to '...undertake an urgent review of the placements budget within Adult Social Care and Children and Young People Services and the pressures within these services...' through identifying the wider causes of the pressures currently placed on the respective placements budgets.
The Panel Report is divided into three sections related to age:

1. The Children's' and Young Persons Budget

2. The Adult Social Care Budget

3. The transition process from one service to the other

The Panel established that the definition of placements is different between the two services with more types of placement defined by the Adults' Social Care Directorate than in the Children's Directorate.

The Panel also looked at the age profiles of the service to see whether they could identify some “pressure points”. It found that between the ages of 18 and 24 years there can be some confusion between services as to who is responsible for a particular young person. The Panel was strongly of the opinion that the forecasting of the number of young people in “transition “and the budgeting arrangements in this area are not as robust as they should be. Panel Members took some, but very little, comfort from the fact that this authority is not alone when it comes to this problem.

The Panel also looked at an interesting scheme that the London Borough of Lewisham have developed where budgets for children in residential care follow them into transition, but unfortunately the Panel had neither the time or resources to carry out a full evaluation of this scheme.
Panel Members were also concerned that the budget for young adults who largely suffer from Learning Difficulties may not have been given enough attention when discussions are had involving adult social care; Members have mainly concentrated on the elderly care areas. The Panel also became aware that people were generally living longer and that this also is putting pressure on the authority’s placement services.
Detailed Findings

BACKGROUND

The Panel called a roundtable work planning meeting with Officers on 21st July 2010 to clarify the terms of reference and remit of the panel, and to identify the various areas of work requiring the Panels attention. A 'long list' of issues and requests for information, arose from the roundtable planning meeting. Officers from the Finance Directorate, Adults Social Care Services, Children's Services and Performance Office provided a briefing paper addressing the initial lines of enquiry for the subsequent Panel meeting of 4th August 2010.

It was evident from the Panel's roundtable planning meeting of 21st July 2010, and Panel meeting of 4th August 2010, that the terms of reference supporting the enquiry needed to be well defined in order to keep the Panel's work focussed and manageable. From the outset, Panel Members stated that the panel enquiry should lead to tangible recommendations arising for the consideration of the Cabinet.

The Panel identified a wide range of issues, which have a direct bearing on the financial management of the placements budgets within the Children's and Young People Service and Adult Social Care. These matters are addressed below.

The most fundamental issue to emerge to date form the Panels investigation relates to the setting of the Adults Social Services budget supporting Young Adults. There appears to be a systematic fault in the base budget estimate for Adult Social Services in as far as it appears to lack adequate funding for placements for Young Adults and that this has been the case for a number of years. The Panel saw evidence that it has existed for the last three years and believe the short fall has actually existed for a longer period than three years.

In essence, the budget forecasting activities and the subsequent annual budget setting processes appear to have no correlation in setting future budgets which are truly realistic and reflective of the demands and cost pressures placed on the Children's Services and Adults Social Services areas.

The Panel was unconvinced as to how the Medium Term Financial Strategy (MFTS) was used corporately as a management tool in the annual budget setting process and how the MTFS supported pro-active financial management within the two services areas throughout the financial year by, for example, responding to changing budget pressures, changing service demands, and contractual arrangements. In essence, the panel questioned the effectiveness of the MTFS as a financial tool for Council services, questioned how flexible the MTFS actually was in responding to changing fiscal environments and further questioned how the MTFS contributed to the setting of a realistic annual budget in Children's Services and Adult Social Care.
TABLE: Budget Overspend by Service Area

The Panel was very concerned that the problem of Budget overspends seemed to be worse in the 2010/11 financial year compared to previous years, and the table above shows just how each of the budget headings are over spending to date.

Transition Arrangements Between Children's and Adult Social Services

The Panel is of the opinion that there is greater scope for both service areas to work and plan together to identify the true costs involved for clients undergoing transition from one service to another. This should entail greater frequency of formal budget setting and planning activities pre transition (i.e. from 14 years) between the services. The Panel acknowledged that the issue of joint transition planning between the two service areas has been recognised as an area requiring greater joint working and that work to support this objective has been initiated. However, the Panel is of the opinion that there is still scope for greater use of predictive modelling tools between the service areas, and greater use of formal data exchange, to help predict growing client demand and areas facing extreme fiscal pressures.

The Panel has noted that early transitional care planning was particularly relevant in the case of disabled children if robust and appropriate care packages were to be
put in place in good time to help facilitate accurate and meaningful financial service planning.

1. **Transition Costs and Trends 2009/2010**

The Panel was of the opinion that transition arrangements / joint working arrangements to support transition form children’s to adults social care is not as strong as it can or should be.

Through a briefing report provided to the Panel by the Head of Children’s & Families Services, the Panel was informed that:

‘Transitions are cases that had a children’s social care package and / or educational provision and require an Adults package at 19 or two terms. Most transitions are not looked after children, though some of the higher cost Adults packages are provided for children who were Looked After Children (LAC).

*Growth for transitions was awarded in the 2008/09 to 2010/11 budget process based on all known transition cases at August 2007:*

- 2008 – 09 - £760,000 = 29
- 2009 – 10 - £747,000 = 7
- 2010 – 11 - £458,000 = 6

*The actual number of transitions in 2010-2011 is 27 according to the month 3 forecast. The cost of their adult’s packages is still being evaluated, as are the associated systems issues. As the packages are clarified, the costs will be reviewed in monthly monitors*. 2

The Panel was concerned to be advised that the existing 2010/11 budget was predicated on the Looked After Children figures from three years ago and did not take account for the differential in rising costs. Moreover, the Panel learned that it was a common feature for a number of transition cases not to have been previously identified, for example those cases where there had been no contact with adult social care whilst the client was still in a school setting; in instances where a client required adult social care support having moved into the borough and where the client had been cared for and supported in a home setting up to 19 years of age. In such instances, these cases were not accounted for in the financial transition planning stages.

The Panel was further concerned to learn that ‘early warning’ assessment system that is to be introduced will not have a positive impact on the budgeting process until 2012-13. The Panel is of the opinion that an interim system should be introduced immediately so that there can be some adjustment ahead of next years (2011-2012) annual budget setting process. The Panel also noted with some concern that the current project work being undertaken between Children Services and Adult Social Care in respect of early transition planning was not expected to have a positive impact for annual budget planning purposes until 2012/13.

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2: Children & Families Placement Report to the Placements Budget Scrutiny Panel Meeting of 30th September 2010
2. Protocols Supporting Transition Processes

The Panel established that the funding supporting the individual is not transferred with the individual client through transition from children’s services to adult social care. This area needs to be strengthened via a joint (internal) protocol arrangement between the two services in support of such placements.

3. Intelligence and Data Sharing

The Panel established that although the authority appeared to be aware of how many clients in social residential care required further placements, the total figure of transitions expected into adults was not known i.e. reference made to SEN placements within LEA controlled schools and clients cared for at home up to 19 years of age. This requires some data system to be put in place to ensure that this information is either captured via the Education Dept. and / or existing available data regarding SEN numbers is shared between Children’s Services and Adult Social Care.

The Transitions issue has highlighted that there appears to be a significant tranche of clients in their twenties who appear to be ‘under the radar’ and are not recognised early enough as part of the adults remit. The Panel were of the opinion that more work could be done this area in co-operation with other local authorities and MENCAP in respect of costings for this area of service.

The Panel established that a significant factor in the budgetary arrangements supporting transition was that the funding supporting a young person in Children’s Services did not transfer with the young person at nineteen years of age into adult social care. Through the course of the review, the Panel established that the London Borough of Lewisham followed this model whereby funding ‘followed’ the client through the transition process, but did not have the resource to fully investigate this process as an alternative to that used in Waltham Forest.

The Panel sought clarification as to how many continuing care (foster) cases from Children’s Services were transiting to Adult Services and were advised that this equated to one case. However, with the advent of new legislation (Apprenticeship Act), the majority of young people would move into residential colleges. The local authority pays for an independent setting, but the careers service (Connexions) determine the next placement, but do not pay the associated costs.

The Panel sought clarification as to at what point in the individuals placement in the residential home setting do Children’s Services talk to Adults Services regarding transition arrangements. Members were advised that this took place from five years before the transition occurred.

Furthermore, Children’s Services were working with young people and Adults Services regarding transition arrangements as part of the Transitions Protocol.

The Panel was unconvinced regarding joint forecasting and fiscal planning arrangements between Children’s Services and Adults Services in support of the range of placements. The Panel welcomed the recent appointment to the post of Assistant Director for Resources (Children and Young People and Adults Services).
and see the post holder as playing a pivotal role in addressing the joint fiscal and transition planning between both service areas.

Members sought clarification as to whether there was any contingency to be put in place if the projected savings as detailed in the report were not found, and established that there was not.

The Panel noted that both Children's Services and Adults Social Services had varying definitions as to what constitutes a 'placement', which in turn leads to some ambiguity for forward budget planning purposes concerning transition cases between the two services. Furthermore, the definition of "placement" in Adult Social Care includes all services (including domiciliary care, day services and direct payments). This is an important distinction to be made, as it may be widely assumed that the over spend in placements had been concentrated in the area of residential care, which is not the case.

Children's Services

1. **Looked After Children Arrangement's (In House / Agency / Out of Borough)**

The Panel established that placing children in Foster Care through agencies was approximately four times more expensive for the Council than was the case if placing "in borough". The Panel also believed that the Council should allocate some resource to encourage borough residents to come forward as foster parents.

The Panel further established that children with statements and placed out of borough incurred significant costs of up to £5,000 per week in exceptional cases, and potentially may be unaccounted for through the budget setting process and for Children's Services and Adult Social Care service planning purposes. The Panel strongly recommends that these matters are addressed and clarified as a matter of urgency. The Panel further recommends that the Council seeks to work in partnership with other authorities to procure such places in an effort to reduce unit cost prices.

2. **Agency Workers**

The Panel noted that the cost of employed agency workers was far higher than those for employees engaged by the Council directly. The Panel further noted that efforts were being made to reduce reliance on the use of agency staff in Children's Services.

3. **Early Intervention**

The Panel sought clarification as to what impact and effects the consequence of the 'Baby Peter' case had had on Children's Services, in terms of increased demand and pressures to intervene and take children into care, and whether this had any bearing on the Service's budget position.

The Panel found that the Council's Children's Services had experienced a doubling of child protection cases being presented and child protection plans since the 'Baby Peter' case. The ten to fifteen years of age group represented the significant
case increase, however, rather than infants. The ten to fifteen years of age group tend to be the most difficult and expensive cases to progress and have Leaving Care Act implications for the Service. Such cases fall to the Children’s Services budget, even though the cases may involve clients up to 19+ years of age. The Panel was also advised that if the young people were in further/extended education then the local authority had a duty to support them to the age of twenty four. Waltham Forest has a significant cohort falling into this category.

The Panel noted that the pilot Hackney early intervention model was viewed as ‘an invest to save’ initiative, and that the pilot was positioned as part of the council’s budget deficit reduction plan for Children’s Services. The Panel fully supported the implementation of the pilot model,

Members sought clarification as to whether there was any contingency to be put in place if the projected savings as detailed in the report (Page 4, Table 1, ‘Projected Savings Accrued as a Result of Restricting the Use of Residential Care’) did not materialise in order to avoid any potential for future budget overspends. The Panel was advised that the contingency was in the whole system approach entailed through the pilot model, which gave a realistic savings projection for future years.

Adults Social Care

1. Physical, Mental Health and Learning Disabilities

The panel noted the projected overspend against physical and learning disabilities and the projected overspend for mental health residential placements. The panel noted that accurate budget forecasting appeared problematic and sought clarification as to whether this was due to the children’s services and adult social care budgets being too inflexible at the formulation stage of budget making and through the course of the financial year.

The consensus was that the respective budgets could not be managed in a particularly flexible/reactive way. Officers alerted the panel, however, to the fact that some cases would go through to continuing care whilst other would eventually attract lower unit costs than originally envisaged. Information would essentially fluctuate over time according to the service users needs over time. Some management actions had been put in place in children’s service and adult social care. The Panel sought clarification as to whether the actions effectively addressed growing cost pressures, and what effect had the management actions had to date in containing the budget/cost pressures. The Panel remained to be convinced that the reported management actions were having the desired effect of containing the level of budget overspend across placement services.

The panel sought clarification as to how, when estimating annual client demand, the information available to the service was made integral to the annual budget setting process. The panel was advised that adult social care had lists of actual clients and that corresponding budget costs were allocated against them. There were also ‘risk lists’ detailing potential client cases which could come on line.

The Panel noted that Children’s Services had a known client cut off point from 19 years of age, whereas Adult Social Care was in effect an open ended service provider, which brought added complexities for longer term budget planning.
arrangements. Members were advised that increased joined up planning processes were in place between the two services for clients from fourteen years of age, and that in theory there were less 'surprises' for adult social care (an example being risk lists which included clients cared for at home by older carers). The Panel acknowledged the value of such processes, but was not convinced that the processes were either being fully abided by and/or communicated between the two service areas.

With regard to the use of forecasting tools and trend data, the Panel was advised that a 2007/08 Policy Review undertaken by Lancaster University provided estimated numbers of cases due to be taken by both services and this data was used as the basis for estimating future service costs. The Panel expressed concern that this was the basis for predicting client numbers (in 2010/11 and was informed that a specification for consultancy support had been drawn up to look at actual placement numbers.

The Panel identified the threats for both services as:

- respective service area budgets were constrained by the MTFS;
- both services were purely demand led;
- service budgets were subject to inflationary pressures; and,
- both services were subject to unknown in-year demand.

Taking the above into account, the Panel questioned whether both service areas should not therefore undertake service audits to test service planning assumptions in respect of future client numbers, complex needs cases, and predicted unit costs versus planned budget.

2. Continuing Care Arrangements

In respect of continuing care funding, the Panel learned that such funding via the NHS ended at eighteen years of age. The council had the option of taking a case to the Continuing Care Panel and to use the adults continuing care screening tool before the client reached eighteen years of age in order to make an assessment. If the client is in an out of borough college, the council liaises with the relevant health authority in order to undertake a continuing care assessment.

With regard to adult placements funding arrangements, the Panel sought clarification as to whether a contribution was sought / provided from the health authority. Members were advised that an assumption had been made in the Management Action Plan 2010/11 that there would be a contribution (unspecified) received from the health authority, although there was the caveat that the PCT was also experiencing cost pressures at this time.

Members noted that continuing care arrangements were subject to quasi-judicial decisions/criteria in respect of required funding arrangements for adults in conjunction with the local health provider.
The Panel sought data on the level of financial contribution received by the Council from NHS partners for supporting adult continuing care placements, but this information was not received.

The Panel was concerned that Adults Social Care did not appear to have a protocol for the management of joint funding for continuing care cases with local health service partners. This is a similar scenario to that relating to the financial management processes governing partner contributions in support of placements for profoundly sick children as reviewed by the Finance Scrutiny Sub Committee.

3 Under Collection of Income

The Panel noted a reporting in the Cabinet Financial Monitoring report for Period 2 (May, 2010) of income underachievement for Adult Social Care amounting to £819,000. In seeking further clarification around the specifics relating to the under achievement of income, the Panel was informed that there were two main areas of under achievement of income in 2009-10: the income budget for In-House Older People residential homes (£550,000), and the general community care income budget (c.£ 350,000). This was due to a number of factors including:

- The closure of two homes either side of this period resulting in a reduction in collectable income;
- A reduction in the number of self-funders;
- A reduction in clients placed by other Local Authorities in our own homes; and
- Overall budget constraints that have not allowed a reduction in income budgets to reflect these changes

Prior to the closure of two residential care homes (Edith Pearson Lodge and Walton House) in the borough during 2008/2009, it was widely believed that resultant cost savings would be released, which has subsequently been proven not to be the case. Accordingly, the Panel advises Cabinet to clarify as a matter of some urgency whether the programmed closure of the remaining five residential care homes located within the borough will lead to a further reduction in income for the Council and secondly, clarify whether this feature has been recognised and accounted for through future budget setting processes. The Panel is of the opinion that these implications need to be fully addressed through the annual budget setting process.

The Panel also sought clarification as to what arrangements were in place for reclaiming funding owed to the Council from other local authorities in respect of adult social care placements and support, and whether such contract management arrangements were embedded in the Council’s formal contract arrangements.

Having reviewed the matters detailed above, the Panel were moved to recommend that both Children’s Services and Adult Social Care undertake respective service audits to test their service planning assumptions (i.e. future client placement numbers, numbers of complex needs cases, unit cost against planned budget etc.) against known realities in these areas.
Miscellaneous

1. Funding Arrangements and Partners Contributions

The Panel was of the opinion that the Council did not pursue potential sources of funding contribution robustly enough. The Panel was of the opinion that formal protocols and criteria governing funding contributions should be explored further across both Children’s Services and Adult Social care at the initiation of the Council.

Through the evidence taken by the Panel, Members felt that scope existed for the Council to re-visit its existing contract arrangements supporting clients across a range of placement types, with a view renegotiate unit costs with the providers. The Panel was also of the opinion that there was ample scope for the Council to formally approach health partners in respect of funding contributions to support complex needs cases.

2. Direct Payments

In respect of Direct Payments, the Panel noted that the Cabinet Financial Monitoring report for Month 5, 2010 in respect of the total Adults Placements forecast the financial position as:

   i. Direct Payments Older people £550,000 Over Spend
   ii. Physical Disabilities £473,000 Over Spend
   iii. Mental Health £188,000 Over Spend
   iv. Learning Disabilities £411,000 Over Spend

Of the cumulative £6 million Over Spend in placements, £1.5 million Over Spend is attributable to Direct Payments (as detailed above). This led the Panel to question whether the Direct Payment budget setting arrangements were working correctly and raised the prospect of whether there was scope to revisit the current Direct Payment rates as supported by the Council.

3. Budget Setting and Use of Benchmarking Data in the Budget Process

The Panel received the following 3 Month Projection for Older People, Physical Disabilities and Mental Health:
Adults Current Month 3 Projections for Main Placement Types (External Placements):

<table>
<thead>
<tr>
<th>Services / Placement Types</th>
<th>Current No's</th>
<th>2010-11 Budget</th>
<th>2010-11 Forecast</th>
<th>Over / (Under) Spend</th>
<th>Net Unit Cost (Approx)</th>
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<tr>
<td>OP Residential</td>
<td>341</td>
<td>6,840,700</td>
<td>7,077,232</td>
<td>236,532</td>
<td>388.00 p w</td>
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<tr>
<td>PSD Residential</td>
<td>31</td>
<td>1,320,700</td>
<td>1,243,669</td>
<td>(77,031)</td>
<td>771.50 p w</td>
</tr>
<tr>
<td>MH Residential</td>
<td>53</td>
<td>1,306,600</td>
<td>2,144,855</td>
<td>838,255</td>
<td>772.00 p w</td>
</tr>
<tr>
<td>OP Direct Payments</td>
<td>184</td>
<td>767,000</td>
<td>1,520,000</td>
<td>753,000</td>
<td>11.00 – 12.75 ph</td>
</tr>
<tr>
<td>PSD Direct Payments</td>
<td>144</td>
<td>1,523,000</td>
<td>1,891,900</td>
<td>388,900</td>
<td>11.00 – 12.75 ph</td>
</tr>
<tr>
<td>MH Direct Payments</td>
<td>53</td>
<td>83,900</td>
<td>271,600</td>
<td>187,700</td>
<td>11.00 – 12.75 ph</td>
</tr>
<tr>
<td>Hrs/week</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OP External Home Care</td>
<td>5,000</td>
<td>2,600,900</td>
<td>3,488,400</td>
<td>887,500</td>
<td>14.00 ph</td>
</tr>
<tr>
<td>PSD External Home Care</td>
<td>700</td>
<td>591,900</td>
<td>555,400</td>
<td>(36,500)</td>
<td>14.00 ph</td>
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<tr>
<td>MH External Home Care</td>
<td>170</td>
<td>55,000</td>
<td>118,600</td>
<td>63,600</td>
<td>14.00 ph</td>
</tr>
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</table>

The Panel received benchmarking data pertaining to Adult Service placements for the 2008/09 financial year. This raised the question for the Panel regarding the budget setting process i.e. market intelligence and benchmarking data apparently not reflected in the annual setting of the service budget. The Panel was not satisfied that that the budget set truly reflected the number of people using placements services at the correct unit costs entailed.

The Panel agreed that it may be helpful for the purposes of setting future annual budgets to use a forensic audit to establish how the budget has been balanced in Children’s Services and Adult Social Care via corporate actions (i.e. virements) against the settings of the original base budget.

The Panel remained unclear at the conclusion of the review with regard to the following arrangements for payments made to adoptive parents supporting Looked After Children, and was of the opinion that the position should be clarified:
I. Does the payment for two years post adoption apply to adoptive parents who were not former foster parents?

II. Is it paid up to eighteen years of age as adopted children?

III. If so, how much is the payment per child per week?

IV. Is it a statutory requirement?

V. What does the total figure for all such cases amount to per financial year (against current payment rate)?

**CONCLUSION**

Through the roundtable planning meeting of 21st July 2010 and subsequent meetings of the Panel, Members quickly identified a number of significant issues which they felt had a detrimental impact on the accurate budget setting and ongoing fiscal management of the placements budgets in Children’s Services and Adult Social Care.

Through the evidence taken, the Panel summarised the four principle issues affecting accurate budget setting and wider financial management arrangements in support of placements across children’s services and adult social care as:

- respective service area budgets were constrained by the lack of financial reality in setting the Medium Term Financial Strategy (MTFS);
- both services were purely demand led;
- service budgets were subject to inflationary pressures and market forces;
- both services were subject to unknown in-year demand.

With the conclusion of the investigation into the underlying causes of the cost pressures placed on the Council’s placements budgets in Adult Social Care and Children’s Services, the Panel has identified a number of recommendations for the consideration of Cabinet.
Recommendations

The Cabinet is RECOMMENDED to:

1. Review the progress of implementation for those Panel recommendations agreed six months from the date of Cabinet approval.

2. Agree that an interim ‘early warning’ assessment system be introduced immediately so that there may be some adjustment prior to next years (2011-2012) annual budget setting process;

3. Ensure that forecasting models for future client numbers are reflected in the budget planning process for both Children’s Services and Adult Social Care and reflected in the final base budgets for both services on an annual basis;

4. Seek detail and clarification for the level of expected financial contribution from NHS Waltham Forest (as reflected in the Management Action Plan 2010/11) should be clarified as a matter of urgency;

5. Ensure that the annual budget forecasting for Children’s Services and Adult Social Care is made central to the Council’s annual budget setting process;

6. Direct Children’s Services and Adult Social Care to review current contractual arrangements with placements providers regarding the level of unit costs, with a view to re-opening contract negotiations wherever possible;

7. Undertake a review of the base budget for Adult Social Care in light of existing and future cost pressures through growing client numbers, whilst recognising that the historical budget overspend in this area has been managed through under spend in other service areas (traditionally housing services);

8. Ensure that processes forecasting partner organisations financial contributions are activated at an earlier stage in the annual budget setting process than is presently the case, also entailing clarification at what point in the financial year any financial contribution is expected to be signed off between partners and the funding made available to the Council;

9. Take account of the level of funding required to support actual and anticipated spend in order to fully support the client numbers requiring support across the range of placement services facilitated by the Council;

10. To establish a monthly Star Chamber challenge session, involving the appropriate Portfolio holders, Executive Directors, Service Managers and Head of Resource to ensure that the range of placements budgets continue to be capable of supporting current and projected client numbers;
11. To ensure that the inclusion of the quantified transitions pressures for forward years is included in the Medium Term Financial Strategy;

**CONTRACT AND PROCUREMENT**

12. Ensures that the Council seeks to work closer, via its Contract Management and Procurement functions, with other London Borough’s, at the Pan London and Sub Regional level, in securing Value for Money through the negotiation of its placements unit costs;

13. Direct Children’s Services and Adult Social Care to undertake further benchmarking research in respect of unit costs for all categories of placements package currently provided, to ensure that future financial assumptions / service planning is based on the most up to date unit cost information available for placements services;

14. Undertake an Annual Review by September of each year, and reported to Cabinet, in respect of Continuing Care needs in order that service demand and fiscal pressures be recognised and addressed through the annual budget setting process;

15. That Children’s Services and Adult Social Care services seek to renegotiate existing contracts with placements providers in respect of all types of placements unit costs and charges;

**ADULT SOCIAL CARE**

16. Make necessary arrangements for Adult Social Care to urgently implement a protocol with Special Educational Needs (SEN) Schools whereby all SEN transitions cases are identified by SEN establishments and brought to the attention of Adult Social Care by December of each year to allow for appropriate financial planning in Adult Social Care for the following financial year;

17. Proactively identify funding sources available through external partners to assist in addressing the current three million pounds budget overspend in the Learning Disabilities Service;

18. Undertake a ‘root and branch’ review of the Council’s Direct Payments arrangements, specifically to establish what circumstances have led to the current over spend position in Direct Payments;

19. Implement measures to ensure that the finances for each individual residential care home is put on a business footing i.e. that business accounts are put in place with corresponding financial reporting arrangements (to responsible Portfolio Members and Officers) to establish the level of Revenue fund subsidy required to support each residential care home;
20. Clarify with NHS Waltham Forest whether a funding contribution will be made in respect of adult social care placements as referenced in the corresponding Management Action Plan.

CHILDRENS SERVICES

21. That in respect of in and out of Borough SEN placements, Cabinet establishes through the LEA data sharing arrangements in respect of known out of borough and in borough SEN cases, particularly within the school setting;

22. Ensure better fiscal forecasting arrangements are established to address SEN transition cases, specifically relating to school liaison arrangements for SEN cases located in the family home setting;

23. Relaunch the advert for foster parents on the WFD phone in and advertise in WFM for foster parents;

24. Prepare a contingency strategy to support the Hackney Pilot Model for Early Intervention, in the event that the 'Hackney' model does not work operationally and / or does not deliver the level of fiscal savings envisaged;

JOINT WORKING

25. Put in place joint funding protocols (and financial assessment criteria) with all health and social care partner agencies, as applicable, for the range of care packages across Children’s Services and Adult Social Care pertaining to young adults;

26. Support Children’s Services and Adult Social Care scheduling of regular joint finance planning meetings to address the issue of transition numbers from Children’s Services (and any other external agencies) to Adult Social Care (including from outer borough);

27. Ensure that data collection processes are put in place with Schools, Council Directorates and partner agencies in respect of clients aged 19 years + who are transferring to Adult Social Care services (including out of borough placements);

28. That Children’s Services and Adult Social Care undertake respective annual service audits to test service assumptions (i.e. future client / placement numbers, complex needs demand, placement unit costs versus actual budget etc) against known realities in these areas;

29. Clarify definitions for eligibility criteria for placements between Children’s Services and Adult Social Care, if this is not already the case;

30. Actively investigate the potential for securing financial contributions for physical disability, learning disability and mental health placements from NHS Waltham Forest, hospital trusts, and all other appropriate health partners, and to formalise such funding through formal funding protocols and criteria
TRANSITION ARRANGEMENTS

31. That in respect of transition arrangements, Children's Services and Adult Social Care implements a joint annual review to establish whether:

i. both services work together in a cohesive way in addressing transition;

ii. whether respective service policies support a coherent strategy for managing transition arrangements and to review existing policies supporting the transition pathways;

iii. to review the Council's existing policies supporting the transition pathway across Children's Services and Adult Social Care to ensure that they address all points of transfer from one service to the other;

iv. that the internal annual review build on the recent government funded national transition support plan review and associated self assessment process;

v. that carers and service users be given the opportunity to contribute to the annual review; and,

Through the course of its review, the Panel also identified issues which it felt warranted further discussion and investigation. Owing to time constraints, however, this was not always possible. Panel Members believe that the nature of these issues, however, and as detailed below, should be given further consideration and followed up by the relevant Portfolio holder.

- Budget overspend in salary / wage costs and residential care.
- Budget overspend in mental health placements owing to number of clients supported.
- Budget overspend in physical and learning disabilities.