

## AUDIT COMMITTEE

MINUTES of a meeting held on 21<sup>st</sup> November, 2006.

Present: Councillor N.P. Hodges (Chairman); Councillor N. Moore (Vice-Chairman); Councillors J. Clifford, G. John, Mrs. M. Kelly Owen and C.L. Osborne.

Also present: Councillors Ms. M.E. Alexander, Mrs. M. Randall and A.J. Readman and Mr. R. Harries, Wales Audit Office.

### 530 APOLOGY FOR ABSENCE -

This was received from Councillor A.D. Dobbinson.

### 531 MINUTES -

RECOMMENDED - T H A T the minutes of the meeting held on 24<sup>th</sup> October, 2006 be approved as a correct record.

### 532 DECLARATIONS OF INTEREST -

No declarations were received.

### 533 SOCIAL SERVICES BUDGET ISSUES (DFICTP) -

The Audit Committee on 24<sup>th</sup> October, 2006 had considered a reference from Cabinet on 20<sup>th</sup> September, 2006 in the form of a report of the Director of Community Services and accompanying Action Plan outlining options for addressing the current budget issues within Social Services in the light of a projected overspend in the current financial year estimated at £5m.

As part of these deliberations, Audit Committee had felt that the role of the Committee would be best served if the Committee were to investigate the history and reasons for the current budget issues within Social Services.

Committee received an analysis of the budgeted and actual expenditure for Social Services in each of the financial years from 2003/04, including projections for 2006/07. The trend showed significant expenditure in excess of the allocated base budget, the majority of which was attributable to Children and Family Services (primarily the costs of "Out of County" placements) and Community Care and Health (where the increasing numbers and cost of care packages had impacted across all service functions, in particular Learning Disabilities).

Whilst the establishment of the £5m. Children's Management Fund in 2003/04 enabled Children and Family Services to draw upon funding whilst the Children's Placement Strategy was implemented, overspend on Community Care and Health were increasingly reliant on central support and retrospective Assembly funding (e.g. Supporting People and Residential Allowances Grants). This situation continued until 2005/06 when the Children's Management Fund was re-classified as the Social Services Reserve and brought back to a balance of £5m. All but £0.4m. of this balance was then expended during 2005/06 (£2.2m. for Children and Family Services and £2.4m. for Community Care and Health).

Of the £5m. anticipated overspend in 2006/07, as at September 2006, £2.2m. related to Children and Family Services (of which £0.6m. was due to a lower than anticipated balance in the Social Services Reserve) and £2.8m. to Community Care and Health. However, based upon the Children's Placement Strategy, the maximum draw-down in 2006/07 was projected at £1m. (and the minimum draw-down was nil, indicating break even). Whilst reports were produced on individual issues, no overall strategy was put in place to address the Community Care and Health deficit.

Monthly budget monitoring reports to both Cabinet and Scrutiny Committees had highlighted the building financial pressures within Social Services that resulted in these additional costs. In addition, annual reports on the Council's final budget proposals had emphasised the unsustainable nature of the Social Services overspend. This message had also been repeated in the Council's Medium Term Financial Plan, which had also predicted additional costs falling on the Service in future years.

The Medium Term Financial Plan 2006/07 to 2009/10 emphasised the need to ensure that a sustainable budget was achieved and funding identified for future service development. As such, it identified the Social Services overspend as being the single biggest challenge now facing the Council.

Notwithstanding the steps being taken and proposed to reduce the level of overspend, it was nevertheless essential for the Council to develop a firm view of the future resources required to run Social Services in the light of the overall resources available to the Council and its various statutory obligations and to address this as part of the 2007/08 budget process. It was also incumbent upon the Director of Community Services to deliver the required services within the allocated resources.

Councillor A.J. Readman spoke on the above with the consent of the Committee.

Following consideration of the contents of the report, it was

**RECOMMENDED -**

(1) T H A T the report be noted.

(2) T H A T the report be referred to Cabinet and that Cabinet be advised of the great concerns of the Audit Committee at the situation.

(3) T H A T Cabinet be informed of the view of the Audit Committee that it was essential for the Council to develop a firm view of the future resources required to run Social Services in the light of the overall resources available to the Council and its various statutory obligations and to address this as part of the 2007/08 budget process, and the view that it was also incumbent upon the Director of Community Services to deliver the required services within the allocated resources.

#### Reason for recommendations

To ensure that the background and reasons behind the current Social Services budget issues as they relate to the Social Services Action Plan are considered by Cabinet.

#### 534 SOCIAL SERVICES ACTION PLAN - RISK ASSESSMENT (DFICTP) -

The meeting of the Audit Committee on 24<sup>th</sup> October, 2006 had considered a reference from Cabinet on 20<sup>th</sup> September, 2006 in the form of a report of the Director of Community Services and accompanying Action Plan outlining options for addressing the current budget issues within Social Services in the light of a projected overspend in the current financial year estimated at £5m.

As part of its deliberations, the Audit Committee had resolved that the Action Plan should be the subject of a formal risk assessment. This had been undertaken in accordance with the Council's Risk Management Strategy.

Committee received a copy of the Risk Management Strategy which illustrated the matrix used to formulate the score for each risk. This was assessed according to the impact that each risk would have on both the clients and the Council's ("Magnitude"). This would include public wellbeing, environmental and social, reputational and health and safety implications as well as financial consideration. The probability of each risk occurring (likelihood) was then assessed and the two scores multiplied. The higher the resulting score, the greater the risk and the more important it was then to take appropriate action in the form of counter measures to control the risk.

Appendix B to the report showed the detailed results of the risk assessment for each of the Action Plan items. Whilst a number of options appeared to have little or no risk associated with the implementation (e.g. risks CCH8, CCH10), their projected savings in relation to the total Social Services overspend was small. A number of other options (e.g. CCH11, CF11) were considerably under-developed in their potential for delivering the savings indicated and could also have significant cost implications for the Council which had yet to be properly assessed (including their evaluation in the context of an overall Asset Management Strategy for the Council).

In addition, following discussions between the Directors of Community Services and Legal and Regulatory Services, emanating from matters relating to the Council's Policy Framework, it was reported that Action Plan proposals CCH1 and 2 had now been withdrawn. In the short term, at least, the savings of £400,000 identified in the Action Plan were not now likely to materialise.

In viewing the Action Plan as a whole, the view was expressed that many of the proposals appeared at present to be disparate and lacking any overall strategic direction for the Service. It currently fell £2m. short in addressing the current projected level of overspend and, with the withdrawal of actions CCH1 and 2, it was also far from certain that this shortfall would not now be even greater and the £1m. target for 2006/07 achieved.

If this situation was to be properly addressed, it would be essential that managers had a clear understanding of exactly why the overspends were occurring in order to be able to take the appropriate remedial action as part of a planned and structured programme of future service delivery.

For this reason, the present overall assessment of the Action Plan was that of high risk, scoring 4 for magnitude and 3 for likelihood. If allowed to continue, the level of overspend also posed a significant risk to the Council's finances and its ability to deliver services across the board.

However, both during the risk assessment process and, as a result of work undertaken separately by the Director of Legal and Regulatory Services, two significant risks had been identified that were central to the issues of the overspend on Social Services. These had not been identified in the Action Plan as options but, as indicated above, relate instead to issues surrounding the proposals made in CCH1 and 2 and also CF1.

Specifically, the risks were the review and setting of eligibility criteria for all Community Care and Health Care packages having regard to the available resources in relation to client needs for Community Care and Health and the review and successful delivery of the Children's Placement Strategy. Together with the improvements required in budgetary control as outlined in CS1, 2 and 3, taking the appropriate counter measures to control these risks as part of an overall strategy for Social Services should result in significant savings in the current level of overspend. This would be essential if services to those clients most in need were to be maintained and the interest of future clients protected.

It was reported by the Chairman that the Department of Works and Pensions was about to embark on a review of previous decisions relating to the granting of benefits. It was assumed that the general thrust of this review would be in a downwards direction, which could have a significant impact on the operation of the Council's eligibility criteria.

Following the withdrawal of Action Plan Proposals CCH1 and 2, Members were advised by the Director of Community Services that the Council's eligibility criteria was being reviewed and that a draft report would soon be available. It was acknowledged by Members that decisions relating to the

operation of the eligibility criteria could result in conflicts with the Council's Community Care partners.

It was also felt that the proposal within Action Plan CCH4 relating to the employment of a specialist nurse to challenge decisions made by the Local Health Board on Continuing Health Care Issues, would also lead to conflict with the Local Health Board.

(Councillors Ms. M.E. Alexander and A.J. Readman spoke with the consent of the Committee).

Having considered the contents of the report and discussions made, it was

RECOMMENDED - T H A T, in considering the proposals contained in the Social Services Budget Action Plan, Cabinet be requested to pay particular attention to those Action Plan references categorised as being High / Medium risk.

### 535 SOCIAL SERVICES - REVIEW OF ELIGIBILITY CRITERIA (DFICTP) -

The meeting of the Audit Committee on 24<sup>th</sup> October, 2006 had considered a reference from Cabinet of 20<sup>th</sup> September, 2006 in the form of a report of the Director of Community Services and accompanying Action Plan outlining options for addressing the current budget issues within Social Services in the light of a projected overspend in the current financial year estimated at £5m.

As part of these deliberations, Committee had resolved that a report be produced on the eligibility criteria as applied by Social Services. This related specifically to Community Care and Health as there were other considerations that influenced decisions on Children and Family Services.

Of the overall deficit projected for Social Services during this financial year, £2.8m. related to the Community Care and Health Service and in particular the number and cost of packages for both domiciliary and residential care.

The Action Plan produced by the Director of Community Services in response to the overspend included proposals to restrict the funding available for new care packages during any week to 50% of the savings identified in the previous week (Action Plan references CCH1 and CCH2 refer). However, following discussions between the Director of Community Services and the Director of Legal and Regulatory Services, emanating from issues connected with the Council's Policy Framework, implementation of these options had now been withdrawn

As a consequence of the above, extensive research undertaken by the Director of Legal and Regulatory Services (including the opinion of Counsel), had revealed considerable emphasis in Welsh Assembly Government and Department of Health guidelines on the setting of eligibility criteria for Community Care and Health Care packages that had regard to the budget available.

Having regard to these guidelines, the budget process was summarised below:

- estimate the numbers of adults currently receiving services and those who may be potentially referred to it;
- attempt to categorise those individuals needs into the four bands of the eligibility framework (critical, substantial, moderate, low);
- estimate the kinds of service that typically would be required to meet the needs of each band, including immediate needs and developing needs;
- cost this service provision with respect to prices typically faced when commissioning and purchasing services;
- add up the costs of meeting the needs falling into each eligibility band;
- starting with the critical band, if the estimated costs of providing services to individuals with needs in this band equals the resources locally available to adult social care, then the Council's eligibility framework would simply comprise the critical band (although account must be taken of the impact of not providing any services falling in the substantial band);
- consider how each band could be separated into sub-bands;
- the budget and eligibility criteria are then set accordingly;
- eligibility criteria should be reviewed at least annually in consultation with partners;
- if there were major changes or other factors then review the criteria in the year.

Further developments in respect of the assessment and provision of care packages arise from case law whereby councils can take into account resources when considering meeting needs under Community Care legislation. Officers were reviewing how best to ensure the Council's liability and statutory duty was met under this legal framework within current policy and resources available, whilst also ensuring that it was not liable for NHS continuing health care expenditure.

In the light of the above, the Director of Community Services had initiated a review of care packages across the whole of Community Care and Health. This was presently ongoing but it was important to note that this review must be undertaken as part of a clear and coherent strategy for Social Services that was coupled with strong financial management in order to ensure that services to vulnerable client groups were maintained and allocated budgets were not exceeded.

Members expressed the view that it was essential to ensure the full take-up of benefits in order that the Council's eligibility criteria could be as effective as possible, although it was acknowledged that imminent changes to the operation of the benefits assessment procedures by the Department of Works and Pensions could further impact on the Council's proposals.

Having considered the report, it was

RECOMMENDED -

- (1) T H A T the contents of the report be noted.
- (2) T H A T Committee be updated by the Director of Community Services on future developments relating to the review of the Council's eligibility criteria.
- (3) T H A T Cabinet be urged to make all efforts to ensure the full take-up of benefits.

Reasons for recommendations

- (1) To note the contents of the report.
- (2) To update Committee in the future.
- (3) To assist the implementation of the Social Services Budget Action Plan.