CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE; 29 NOVEMBER 2016

SOCIAL SERVICES OVERSPEND 2015-16 AND MONTH 6 MONITORING POSITION

REPORT OF THE DIRECTOR OF SOCIAL SERVICES

AGENDA ITEM: 4.1

Reason for this Report

1. To advise the Audit Committee of the underlying reasons for the overspend in the Social Services Directorate at 2015/16 outturn and as projected in the month 4 budget monitoring report. This follows a request from the Audit Committee Chairperson seeking explanations to that effect.

Context Overall

2. It is widely recognised that Social Services budgets across the UK are facing a critical combination of major and increasingly complex demand pressures, serious supply side scarcities (social care workforce and provider shortages) that impact on cost and quality, and structural underfunding across the whole social care system. Although there is ample independent evidence and testimony to this effect there is as yet no national agreement as to how this crisis in social care should be best addressed. In English core cities this crisis has threatened the overall sustainability of Councils – notably Newcastle and most recently in Liverpool.

3. Social Services in Cardiff has benefited from a significant level of corporate support and financial protection in terms of budget realignment and a recognition of this overall position. This reflects the Council's commitment to supporting the vulnerable.

4. Despite this support, the overall context nevertheless makes the delivery of savings acutely challenging in any social services setting and Cardiff is not alone in confronting high levels of overspend and challenges in the achievement of savings. In the current year, Bristol at quarter 1 were projecting an £11m overspend on social care. Also, Bradford Council at Q2 were reporting a £5.2m overspend on Adults and £3.1m overspend on Children. The overspends were said to be due to additional expenditure on procured care, unachieved savings and additional placements for Children.

5. It is of fundamental significance that 73% (£123m) of gross expenditure in Social Services in Cardiff is ‘commissioned spend’. In other words, spent on individual citizens and children directly; that is on packages of care or support in care settings or in people’s homes. The Directorate has had demonstrable success in reducing the cost of commissioned care by driving through tougher contractual terms, by service redesign and modernisation in pursuit of better quality and by better operational cost-effectiveness. There remains more scope in terms of securing yet more cost effectiveness through more effective commissioning and this therefore, accounts for £3.35m of targeted savings in the current financial year across the directorate.

6. Nevertheless, it must be recognised that these savings are inherently challenging and frequently rest both on assumptions about the circumstances and well-being of multiple individual citizens and children at any given time and on the predicted response to their needs by the independent sector market. This inevitably means that not all savings are achievable at the level predicted or by the targeted date, and that there is a limit to how far a commissioning-led approach can deliver cost reduction without compromising safeguarding or individual welfare.

7. It also inevitably means that the more efficient our commissioning becomes, the less scope there is to derive savings from commissioned spend. Once savings in commissioning are accounted for it is apparent that other targeted savings can only come from the remaining 27% (£47m) of the gross budget, the bulk of which is accounted for by staff.

8. Here the directorate is taking the opportunity to change the skill mix of the workforce wherever possible or taking advantage of ways to streamline and improve operating processes (Agile and Mobile working for example). Again however, there are limits to just how far this can realistically go in savings terms, simply because the majority of staff deliver direct care and support to individuals or they are the very officers who are necessary to enable savings delivery or overall back office efficiency.

9. The only realistic alternative to cost reduction over the longer term, once commissioned spend and structural efficiency are taken into account, is the further development and acceleration of an effective strategic model for Social Services overall. This needs to be a strategy that maximises prevention and prolongs personal independence, so that individuals and families have less need to turn to the council for care and support or do so much later than they do currently.

10. The development of a new strategic model for the delivery of social services over the next 5-10 years is currently the key focus of the Directorate Management Team and this is outlined later in this report.

Context – a New Social Services Directorate

11. It should be noted that prior to August 2015, the current Social Services Directorate consisted of two separate Directorates – one each for Children's Social Services and for 'Health and Social Care' (i.e. Adult Social Services) and that insofar as the 2015/16 outturn is attributable to Adult Social Services elements of the relevant overspends, this was a largely inherited position in the new Directorate overall.

12. Accounting for areas of under-delivery in terms of the Adult's Services budget over the last 12 months, specifically in relation to those savings prepared and developed prior to the establishment of the new directorate, is more challenging, since few of those in key leadership positions or who were substantially involved in proposing a significant number of given savings lines, are now in post.

13. In the opinion of the Director of Social Services, insufficiently detailed planning or testing of working hypotheses was undertaken within the previous Health and Social Care Directorate in relation to key savings lines. Some savings lines also had unintended consequences which should have been foreseeable to senior managers within the then Directorate but which in effect undermined the level of deliverability proposed.

14. Although subject to due diligence and challenge by the Corporate Director of Resources as part of the budget preparation process in the two years prior to 2015/16, the fundamentals of savings deliverability from a service perspective were not effectively captured or thought through by the Health and Social Care Directorate. It is hard to see how the challenge process could have compensated for these inherent shortcomings since it would always be reasonable for that process to assume that the Directorate understood the key financial drivers and interrelationships of its own business; moreover, this kind of understanding is not something that could be expected of non-social service professionals.

15. This became strikingly apparent when the newly appointed Assistant Director (Adults) undertook a strategic review and analysis of service delivery in mid-2015. As a result of that review it became clear that the previous Directorate's overall approach to aligning and analysing data about demand management and service delivery activity was insufficiently coherent or robust to the extent that the effective development of budget strategy and savings proposals was unlikely to provide a basis for overall financial prudence and cost reduction.

16. Clearly, none of the foregoing accounts for levels of overspend or savings underachievement in Children's Social Services and this is addressed below.

17. Going forward however, the Directorate takes full responsibility for mitigating the Directorate's overall historical position as far as this is

possible. In relation to adult services, the Directorate has met with success in stabilising the operational budget over the last 12 months.

18. The Social Services Directorate as a whole, now has a much better understanding of the complex interrelationships between demography, demand, service activity and delivery models and their financial impact. Our ability to monitor patterns of activity month on month and with greater sensitivity, provides a more reliable platform for cost control and for service review and adjustment. It also provides a better basis for planning and preparing savings proposals going forward although this remains inherently challenging for the underlying reasons alluded to in paragraphs 2-8 above.

Social Services & Well Being Act 2014 (SWWB)

19. It should be noted in addition however, that the full impact of implementing the Social Services and Well-Being Act 2014, with effect from April 2016, is yet to be fully realised or understood in financial terms. It is widely believed by professionals that in the short to medium term, Act implementation contains hidden additional costs because a root and branch transformational policy change of the sort required is capacity hungry and cannot realistically be delivered without additional resources. This is recognised in the current budget and is reflected in the Directorate's pressure bids for 2017-18. More significant and as yet little understood, is the cost associated with extending entitlements inherent in the Act and raising expectations amongst citizens and families, even while the Act also looks to ensure that over the longer term, citizens and families are less reliant on the state.

Children's Services Context

20. Further to the overall pressure outlined in paragraphs 2-8 above, there are particular factors that are significantly driving up expenditure across England and Wales in relation to children, the most acute being the rise in court proceedings.

21. In its most recent national monitoring report the Children and Families Court Advisory Service (CAFCAS) highlighted this pressure across Wales. The data is attached at Appendix I

22. CAFCAS trend and performance data clearly evidences a month on month upward trend in the number of new public law referrals (i.e. children's services) across Wales and by contrast a similar downward trend in the number of closures. The numerical tables are interesting for comparative purposes since Cardiff public law referrals appear to broadly align with relative population sizes.

23. Meanwhile, in a recent statement, the President of the Family Division of the High Court, Sir James Munby drew national stakeholders' attention to the rising pressure confronting the socio-legal system in relation to children. This was reported as follows:

- "*In a commentary about the family courts, published this week, Sir James Munby, president of the High Court's family division, described the system as "at full stretch" and facing "a clear and imminent crisis. This warning followed another record month for care applications. In the past 10 years, the number of care applications going through the courts have doubled, and 2016-17 already looks to be another record year for case numbers. "Everyone – everyone – is working as hard as they can," Munby said. "We are facing a crisis and, truth be told, we have no very clear strategy for meeting the crisis."*

- ***Caseloads rising*** *- He said the "immediate" implications would be the need to continue struggling to cope with existing resources, as it was unlikely there would be an increase in funding. He added that the "very large" increase in care cases was also driving up the costs of legal aid.*

- *He congratulated people working in the care system for first managing to drive down the time it takes to complete care proceedings and then holding time periods for cases steady in the past year, in the face of increasing demand.*

- *"To keep the [time it takes to complete proceedings] level as the caseload increased by 14% is an astonishing achievement." However, he believed that achievement could not be maintained "as caseloads continue to rise".*

24. It should be noted that despite these pressures Cardiff cases are now completed within 22 weeks of filing, some 4 weeks fewer than the nationally set maximum, making it close to the top performing rate in Wales.

25. The rising national trend reflects the increasing level of risk and complexity that is becoming more commonplace and the increase in the number of proceedings involving young infants. Needless to say these kinds of risks and trends are affected by the prevailing public mood associated with abuse 'scandals' at any given time – 'Baby Peter'; Daniel Pelka, Savile, Rochdale/Child Sexual Exploitation and so on.

Social Services Budget Outturn 2015-16

26. The 2015-16 outturn position for Social Services stood at £5.022m overspent of which £3.009m was attributable to adult services and £2.013m to children's services.

27. In adult services, this overspend was largely attributable to an underachievement of £3.975m savings against a combined target of £8.466m for savings relating to 2014-15 and 2015-16; conversely, £4.491m of the £8.466m was achieved. The savings shortfall was

offset to some extent by lower than anticipated commitments against areas impacted by activity associated with Deprivation of Liberty determinations.

28. For the most part however, adult services operational spend remained relatively stable and within budget albeit there were significant and rising cost pressures notably in relation to nursing home care bed prices, which rose by 7%; this rising cost pressure has continued into the current financial year. This suggests that overall budget control was effective particularly in the context of rising demand and complexity.

29. In terms of the underachievement of Adults savings for 2015/16 and 2014/15, the largest single shortfall (£1.7m) related to a proposal to introduce more efficient commissioning, combined with initiatives to encourage independence. This proposal was in effect based on a percentage reduction against commissioned spend but was insufficiently supported by effective working hypotheses or detailed plans across the range of commissioned provision. For instance, a number of areas were considered for possible re-tendering processes and various work-streams were established, but no significant savings were achieved. The Directorate nevertheless remains focused on delivering reduced commissioning costs but on the basis of much more realistic proposals and detailed plans.

30. There was an additional £700,000 shortfall in relation to a 2014/15 unachieved saving linked to new dynamic purchasing arrangements for residential, nursing and domiciliary care. This proposition was thoroughly researched and developed on the basis of best practice and successful cost reduction elsewhere. Given that the model put in place emulated those elsewhere it was reasonable to expect that the market would respond competitively and thereby drive down the overall price. In the event however, the prevailing market in Cardiff has not responded as modelled and the scope for savings has been very limited.

31. There was also a combined £670,000 shortfall relating to initiatives to stepping down learning disability and mental health service users to lower cost forms of care. Although, savings were achieved in these areas, as a result, they were significantly below the targets set. There was also a savings shortfall of £400,000 relating to the internal learning disability supported living service. Although, some savings from service rationalisation were realised they were also significantly below target.

32. In all three examples, the propositions rested on changing the specific care package being provided to individuals in receipt of services i.e. to alternative service provision, which is less costly. The scope for making these changes must always be driven by the extent to which the care package can meet individual needs and on the willingness in some cases, of affected adults to accept the proposed changes. In the event, very many fewer adults could in reality be ‘moved’ or were

willing to embrace changes to the nature of provision; levels of saving were much lower as a consequence.

33. In children's services the overspend was largely attributable to two factors; one an underachievement of £1.153m savings against a 2015-16 target of £2.781m. The second key factor was the rising costs of a growing looked after children population (contributing to a £782,000 overspend on external fostering budgets) which also continues into the current financial year, principally driven by factors that are apparent nationally and that were considered in paragraphs 19-25 above.

34. In terms of the underachievement of children's services savings for 2015-16, this was principally attributable to three key areas. Firstly, the targeted saving against a 'Payment by Results' scheme to the value of £476,000; secondly a proposal to reduce business support costs by a process of 'Lean Review' £327,000; and thirdly, further commissioning related savings in respect of demand management, block contracting and the 'Contact' Service.

35. **Payment by Results** - This began life as a 'Social Impact Bond' scheme in which the proposal was essentially to procure the provision of a highly intensive fostering and support model. The new design service was based on best evidence from across the UK wherein children would be returned to in-county fostering placements from high cost out-of-county residential care but provided with intensive wrap around services, delivered in foster carer homes by a multi-disciplinary team of the kind that is often found in residential settings.

36. As a result of market testing, providers indicated that they were prepared to fund the scheme on a payment by results basis rather than via a Social Impact Bond, such was their faith in the model and the clear likelihood of a beneficial return on their investment. From a Directorate point of view, this meant little risk in terms of 'up-front' investment since the provider would only be paid if they met certain targets as defined in the contract.

37. The subsequently procured private sector provider, gave the Directorate to understand that it could provide the requisite foster carers to enable the scheme to start in mid-2015. No such foster carers materialised and the scheme was drawn to a close resulting in a shortfall against savings of £476,000.

38. **Lean Review of Business Support** – this proposition was tested out through the 2015-16 year and in light of the fact that savings of £242,000 had already been secured in children's services business support during the year, it was considered necessary to further review achievability in the context of the new Social Service Directorate. What became apparent in early 2015-16 was that in earlier years, substantial business support reductions had been made in adult services in order to meet savings targets but that this had overlooked the fundamental capacity needed to deliver savings and contain costs in relation to areas of contract compliance in adult services; it became clear that if

anything additional business support would be needed to enable the new directorate to function efficiently and deliver existing savings. This is a saving target that is therefore recommended for write-off in 2017-18.

Social Services 2016-17

39. The nature and reliability of the savings developed in previous years has been considered above. Although it is acknowledged that the new Directorate had more influence over 2016-17 adult services savings proposals than those of earlier years, this was around the margins rather than substantially the case. A new management team was in the process of being established with effect from August 2015 and it would be unrealistic to have expected the team to have sufficient depth of knowledge, understanding and analysis to enable reliable testing of proposals, many of which were already well advanced.

40. Nevertheless, the work that was undertaken as part of the new management team's initial scoping and strategic review as highlighted in paragraph 15 above, did enable the Directorate to re-assess the realism of key savings lines in terms of achievability, timing and impact.

41. As a result, it became apparent that a number of savings, particularly in the case of some from 2014-15, had either been exhausted or were no longer achievable and it has been recommended that these should be written off; the total value of these written off sums across both adults and children's services, if agreed, is £872,000; these include items such as commissioned substance abuse services, central business functions, internal supported living for those with learning disabilities, and market management for placement costs.

42. In the case of other savings, it was agreed that the underlying propositions were sound but that they needed to be phased over a more realistic and deliverable timescale; this is reflected in the month 6 monitoring report having added £210,000 to the in-year monitoring position and included items such as the adolescent resource centre and direct payments management.

43. In total therefore, at month 6, the Directorate is projected to achieve £4.86m savings against a target of £7.55m.

Monitoring at Month 6

44. It is noted that committee members will have received information in respect of the month 6 budget monitoring by the time the committee considers this response to the request from the chair to explain the month 4 position in Social Services. This report is therefore, addressing the position at month 6 rather than at 4, for obvious reasons.

45. Members may note that although there is a further £360,000 overspend evident in the month 6 position, this increase is

substantially less than month 4 and indicates that the position has stabilised to a substantial degree since the first quarter. It is also significant that £210,000 of that increase is attributable to savings that have been re-phased into 2017-18 as indicated in paragraph 42 above. The remainder (£150,000) relates to the increased cost of domiciliary care and nursing bed costs for older people which have risen by 7% overall and the increased cost of external fostering placements due to a rise in looked after children numbers. These increases are illustrated in Figs 1-4 below.

46. Looking at the month 6 position potentially masks the fact that the single most significant increase driving the overspend position was identified at month 4. It is acknowledged that this was a sharp increase of £1.3m in months 3 and 4 and that this was almost entirely attributable to the growth in looked after numbers. At that time officers were concerned that this change might represent a ‘step’ which would suggest a new level of inexorable growth, rather than a ‘spike’ which is more likely to be ‘one-off’ in nature; the month 6 report appears to suggest that it was the latter but this remains uncertain since the position is volatile.

47. It is important to note that between 1st June and 17th July no fewer than 39 children were admitted into the care of the council; this is an unprecedented number. Given this highly unusual circumstance, the Director personally reviewed the antecedents of each of these admissions but was unable to challenge the appropriateness of any single admission or related care plan. Indeed, the following factors were apparent across the cohort

- A significant number were previously unknown to the service and were admitted due to significant and immediate safeguarding risks identified by the police or other statutory agencies

- There were several large sibling groups

- All cases were ‘high risk’ in nature with no alternative course of action available to them.

- In some cases, social workers had maximised support that fell short of admission prior to the actual admission taking place; this in effect means that high levels of risk were being managed by staff in the community in relation to these cases and we know that this remains the position in relation to other current cases that are not in the looked after system.

- The complexity of one case, not previously known, was such that it was immediately remitted to the High Court and continues to incur very high legal and placement costs as a result.

- A significant number of high cost placements arose as the result of the success of the Council’s Child Sexual Exploitation Strategy, in that vulnerable children not previously surfaced by previous approaches, have now been afforded appropriate protection.

48. Given that a child's average fostering placement cost stands at £39,000 per annum and that the weekly cost of residential care is no less than £3200 (£166,000 p.a.) and can be as much as £6,500 (£338,000 p.a.) it can be seen that an increase of 39 in the Looked After population can very quickly incur significant additional projections in the monitoring position.

Fig 1

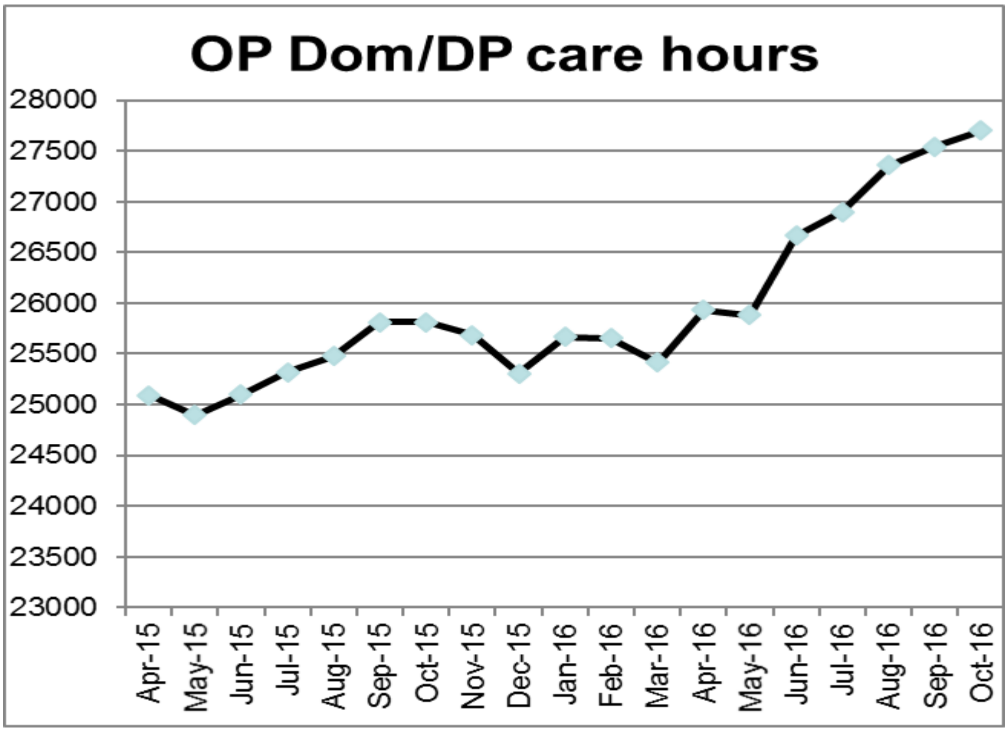


Fig 2

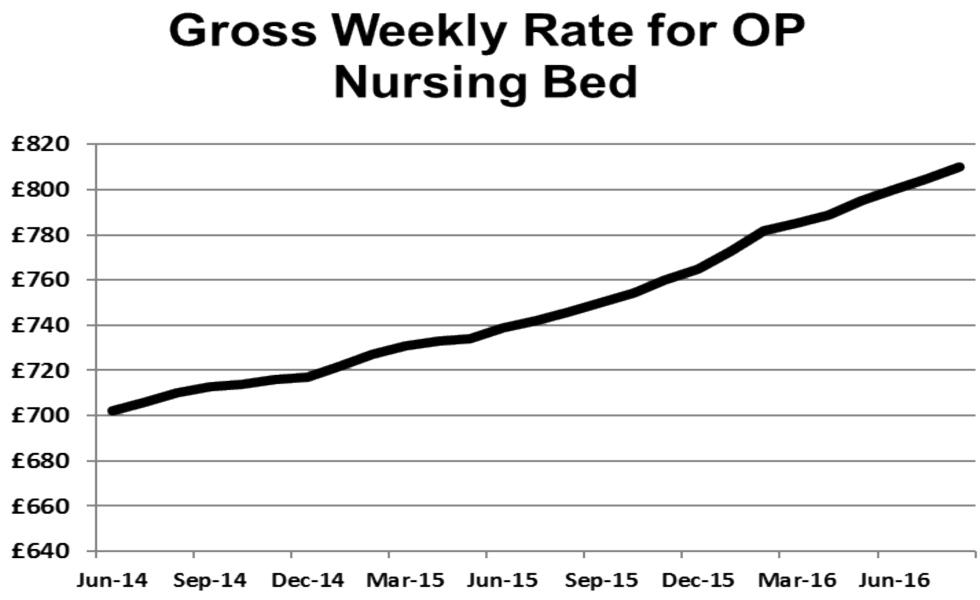
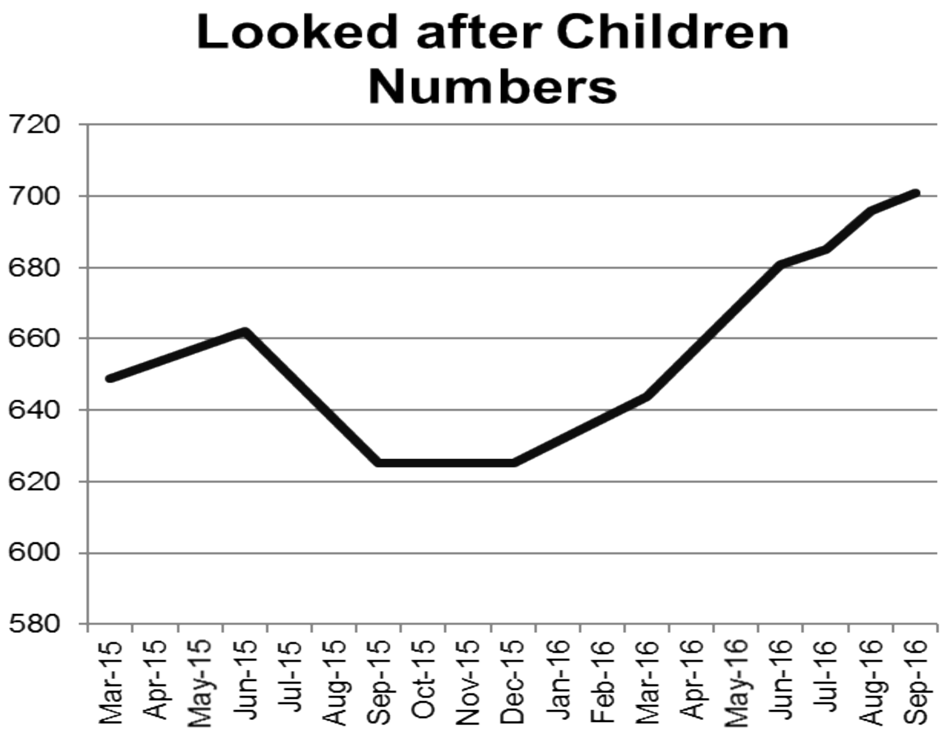

Gross Weekly Rate for OP Nursing Bed
£820
£800
£780
£760
£740
£720
£700
£680
£660
£640
Jun-14
Sep-14
Dec-14
Mar-15
Jun-15
Sep-15
Dec-15
Mar-16
Jun-16

Fig 3


Looked after Children Numbers
720
700
680
660
640
620
600
580
Mar-15
Apr-15
May-15
Jun-15
Jul-15
Aug-15
Sep-15
Oct-15
Nov-15
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Jan-16
Feb-16
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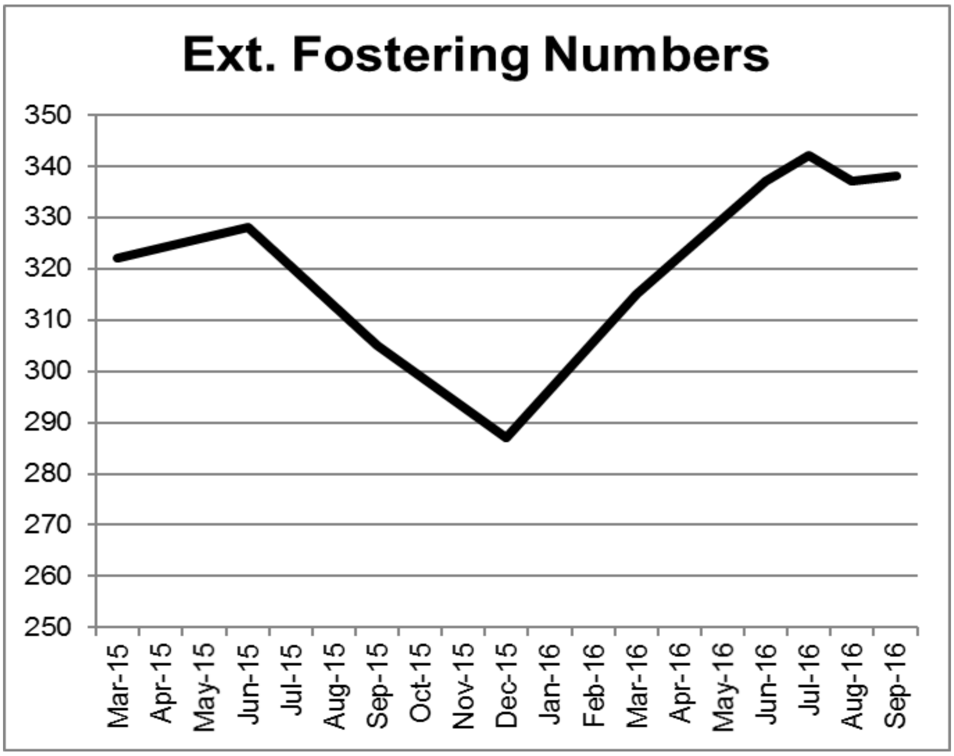
Aug-16
Sep-16

Fig 4



Key Risks and Future Strategic Direction

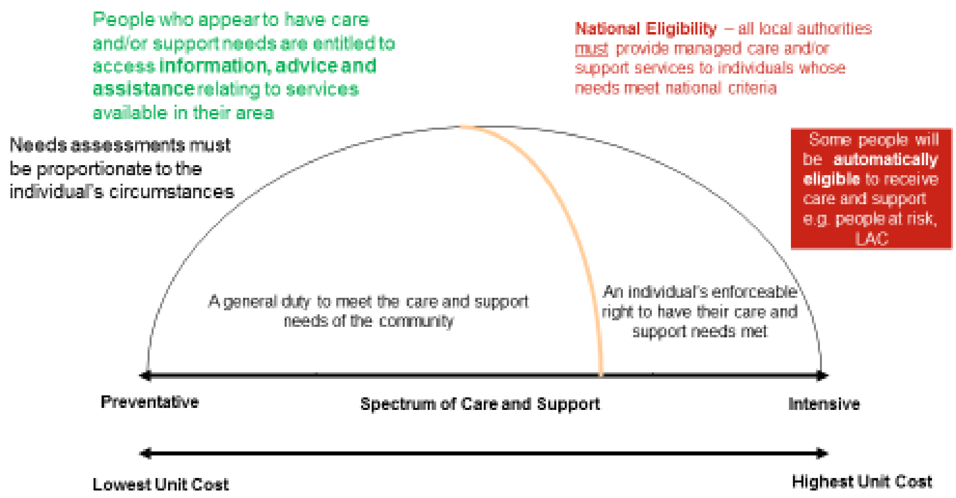
49. The key risks to financial sustainability are clearly those associated with increasing looked after numbers, the growth in domiciliary care for older people and ongoing increases the average price of nursing care beds and domiciliary hourly rates.

50. Nevertheless, in acknowledging that in the short to medium term, the costs associated with these risks are inescapable, it is also important to rethink our strategic approach to prevention particularly in relation to children and in addition to prolonging independence in relation to adults. Implementing an effective preventions strategy will provide the council with the best opportunity to mitigate unduly demographic pressures over the longer term.

The Significance of Early Help and Prevention

Fig 5

Model of care and support



51. The above model illustrates a clear relationship between levels of individual need, the spectrum of care and support from preventative to intensive services, and unit cost. There is already clear agreement that the current service offer needs to be re-balanced in favour of prevention, not least because this will support better outcomes for citizens. It follows that a well-designed re-balancing of the Cardiff offer will lead to a reduction in the costs of care and support over time. This clear proposition is already driving the development of cross directorate re-shaping within the Organisational Development Programme and is manifest in relation to the following new services:–

- First Point of Contact (live Oct 2015)
- Early Help Strategy (launched Oct 2015)
- Information, Advice and Assistance (live April 2016)
- Dewis (live April 2016)
- MASH (live July 2016)
- Signs of Safety (implementation underway)
- Locality Pilot (in development)
- Child Friendly City (imminent bid to Unicef)

52. Although a number of these developments are at the periphery of the core Social Services function and delivery they are strategically critical to future success in terms of turning the cost curve and rebalancing the overall Council's service offer to citizens within the potential spectrum of care and support.

Integrated Service and Financial Strategy

53. As part of a current strategic review in order to future proof Social Services, in so far as this is possible, it is now acknowledged that it is no longer sustainable or credible to continue on the basis of a strategic Directorate Delivery Plan as one work-stream and a set of savings targets and proposals as another.

54. As alluded to already, the substance and credibility of savings proposals put forward by the Directorate has been the subject to increasing and well-aimed challenge and although the failure to develop effective business cases under the previous adult services regime is a principal factor, the key weakness lies in a process that has been neither sufficiently service led nor based on strategic financial modelling.

55. In close collaboration with strategic finance, senior officers are therefore currently engaged in the development of a detailed and costed Service Strategy supported by much more sophisticated financial modelling than has been deployed previously. It is anticipated that this strategy will be finalised in 2017 for consideration by Cabinet. Good early progress has been made on modelling key strategic initiatives in Children's Services and work is now underway to extend this further and to apply the same discipline to Adults Services.

56. This **Integrated Service and Financial Strategy** will be driven by the following

- A strong understanding of the Directorate's mission and vision

- A review of the Directorate Delivery Plan as the basis for integration with financial planning

- A 5-10yr time frame that identifies the relationship between investment, cost reduction and 'best cost' or optimum cost projections at an agreed future date.

- Delineation and mapping of the relationship between known demographics; mandatory service standards; SSWB Act compliance; prevention/early intervention; and investment-to-outcome and savings predictions.

- Options for consideration set at different service levels and affordability 'envelopes' supported by effective deliverability risk assessments.

- A total costed draft plan as the basis for Directorate and Corporate negotiation about what is affordable and inescapable or desirable in policy terms.

RECOMMENDATIONS

It is recommended that members note the content of this report

TONY YOUNG
Director of Social Services