

Audit Summary – Budgeting, Financial Performance and Reporting – Adult Social Care (ASC)

Background and Context

- 1.1 Provision of ASC is regulated by the Care Act 2014. The white paper “People at Heart of Care” published in December 2021 set out a 10-year vision for ASC, with a plan for its implementation over next three years. The Council has embarked on an ambitious transformation of its ASC service delivery.
- 1.2 The Council has acknowledged that ASC faces constantly increasing demand, which has been further impacted by the Covid-19 pandemic. This makes strong budget management even more important.

Scope and Objectives

- 1.3 The objective of this assignment was to review the internal controls surrounding the budgeting, financial performance and reporting arrangements for ASC. The scope of the assignment included the following areas:
 - Review plans for delivery of savings by ASC
 - Review of financial reporting within ASC and beyond
 - Review of management responses to budget pressures.

The scope of the assignment excluded budget assumptions and the budget setting process.

Audit Opinion

- 1.4 Internal Audit provided ‘**Limited Assurance**’ that the risks associated with providing Adult Social Care (ASC) within the approved budget are being managed effectively.

Key Messages and Findings:

- 1.5 Internal Audit found that positively:
 - The Finance Team scrutinised and reported reasons for ASC budget pressure and overspends monthly to the Cabinet
 - The (then) People EDM and ASC DLT discussed the budget forecast and budget pressure monthly
 - There was an ASC Transformation Programme whose key objectives included delivering the ASC savings requirements as set out in the Medium-Term Financial Plan and establishing business practices which enable financial stability and control.
- 1.6 Internal Audit raised one high priority and two medium findings in respect of the following weaknesses:
 - The ASC budget was forecasting to be overspent at the end of the financial year (2022/23) even after the approval of supplementary budget estimates, which demonstrated challenges in controlling the budget
 - Based on ASC Service budget and ASC Transformation Programme savings reports, ASC were unlikely to deliver a significant part of their planned savings in the current year (2022/23) which would compromise the overall budget position of the Council
 - There was no direct interface between Controcc and ABW resulting in reliance on two members of the Finance Team to prepare budget monitoring reports and forecasts using Excel, which is inherently risky
 - Heads of Service were not confident that they and budget managers had sufficient financial skills and professional support to manage their budgets; an ASC financial performance and governance model had yet to be developed.

1.7 Internal Audit noted that the Council’s challenging overall budgetary position was worsened by the likely ASC budget overspend and possible non-delivery of savings, together with service managers’ lack of confidence in their ability to manage their budgets. Work in progress to contain the budget pressures was recognised but given the Council’s current financial position, Internal Audit considered it imperative that the then current approaches to ASC budget management and savings delivery were holistically reviewed to enable implementation of effective cost containment methodologies and development of deliverable savings plans. Based on feedback from Heads of Service, it was considered critical that financial capability was enhanced at that level.

Management Response

1.8 The findings of the report have been accepted by management who have provided agreed management actions to address them. These included:

- Savings actions and activity to continue for the remainder of the financial year with focus to try and increase the amount of savings achieved.
- Future savings for 23/24 have been identified in relation to third party care spend of £4m. This includes increased governance and control of spend
- Approach to forecasting to be raised with the Deputy Section 151 Officer for advice and guidance
- Finance to liaise with all budget holders including Heads of Service to identify Finance skills gaps and consider the resources needed to deliver a Finance upskilling and training programme. Meetings with budget holders will capture actions as appropriate.

1.9 Management have provided a further update to reflect the current position as follows.

Savings Actions and Outturn Position

1.10 As reported in the Provisional Outturn Report to Cabinet (15 May 2023), the ASC directorate reported an end of year balanced position against its revised budget of £178.0 million. The improvement of £1.4 million from the P10 forecast was driven by improvement in governance and cost management on adult purchasing budgets, along with spend control and mitigating actions in other non-adult purchasing budget areas.

1.11 It should be noted that ASC received in year supplementary estimates totalling £2.8 million to support in year pressures and initiated additional savings activities totalling £2.1 million. It also received opening technical budget virements of £3.4 million to adjust for inflation and 2021/22 pay awards. Without these budget revisions, the ASC directorate would have overspent by £8.3 million.

1.12 There are several areas that led to the improvement in the financial position in the final months of the year. These include:

- Greater delivery of savings than previously forecast
- Additional funding received in relation to People Major Systems Programme £0.2 million
- Housing related support of £0.4 million
- Improved property income of £0.2 million
- A reduced internal recharge in relation to the Emergency Duty Team of £0.2 million
- Adult purchasing budget changes of £0.3 million along with other smaller movements totalling £0.1 million.

Extract from budget report

2022/23 Outturn - Summary										
SERVICE NET EXPENDITURE SUMMARY	Full Year 2022/23				Period 10 Forecast			Movement since P10		
	Approved Budget	Revised Budget	Outturn	Projected Outturn Variance	Budget	Forecast	Variance	Budget	Forecast	Variance
	£000s				£000s			£000s		
1 - People										
14 - Adult Social Care	165,389	177,954	177,938	(16)	174,219	175,597	1,378	3,735	2,341	(1,394)

- 1.13 Future savings for 23/24 have been identified in relation to third party care (purchasing budget) spend of £4m. This includes increased governance and control of spend. Adult purchasing budgets are currently forecasting a risk of overspend, and ASC is working with delivery partner Peopletoo on a series of measures to address this. These will not be available until 11 August 2023. The service is facing the challenge of both increased cost pressures and demand in terms of managing this budget.
- 1.14 The approach to forecasting has been raised with the Deputy Section 151 Officer. The Finance Team is currently going through a restructure, and it is hoped that this will result in additional resources being deployed to ASC to address the risks related to forecasting in a highly complex environment with only limited Finance capacity currently.
- 1.15 Finance is continuing to work with all budget holders including Heads of Service to identify skills gaps and consider the resources needed to deliver a Finance upskilling and training programme. Meetings with budget holders on monthly forecasts will capture actions as appropriate.