

AUDIT COMMITTEE – 6TH NOVEMBER 2013

SUBJECT: WALES AUDIT OFFICE REPORT – EVALUATION OF SOCIAL SERVICES CONTRIBUTIONS TO THE MEDIUM TERM FINANCIAL PLAN

REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES & S151 OFFICER

1. PURPOSE OF REPORT

- 1.1 During 2012 the Wales Audit Office (WAO) conducted an evaluation of Social Services contributions to the Medium-Term Financial Plan. The fieldwork was undertaken by PricewaterhouseCoopers and a final report was issued in September 2013.
- 1.2 Members of the Audit Committee have a critical role to play in evaluating Regulator reviews and in particular understanding what difference such reviews make to improvement of services for our citizens. They also have a clear role in monitoring progress in achieving report recommendations from the wide range of reviews undertaken.
- 1.3 The purpose of this report is to provide an overview of the WAO report and a response to the recommendations and proposals for improvement.

2. SUMMARY

- 2.1 The full WAO report is attached as Appendix 1. The review concluded that: -

“Although Social Services is managing within its overall budget, the Council does not have a rigorous approach to developing business cases and setting, delivering, monitoring and evaluating savings in order to meet future demands and challenges”.

- 2.2 The main headlines of the report are as follows: -

- The potential impact of the Social Services integration with Blaenau Gwent County Borough Council was not factored into the Council's medium-term financial plan and it did not have a fully costed business case for Social Services integration.
- Except for the small overspend in the Social Services budget in 2011/12, which was due to a non-recurrent event rather than a trend, Social Services has achieved underspends every year for the past five years.
- The savings target for 2011/12 reduced due to a better than expected Revenue Support Grant settlement but the Council missed the opportunity to take a strategic view of Social Services in order to address the increasing demands upon the service.
- Although Social Services develop a range of savings options they do not consistently or robustly identify the expected and actual benefits of the savings, and monitoring the delivery of savings is poor.

- The Council undertook some analysis of statutory and non-statutory services in 2010 but it has not yet considered these as part of a strategic approach to financial planning linked to corporate priorities.

2.3 The report includes 3 recommendations and 3 proposals for improvement.

3. LINKS TO STRATEGY

3.1 Effective financial planning is a key element of delivering the Council's aims and objectives.

4. THE REPORT

4.1 The WAO report is disappointing in that it does not sufficiently acknowledge the good financial planning within the Authority to deliver savings in advance and achieve consistent balanced budgets. Social Services is a particularly volatile area and significant financial pressures can arise from small changes in demand for services. The delivery of balanced budgets, with the exception of the small overspend due to transport costs in 2011/12, has been a significant achievement.

4.2 The following paragraphs provide details of the recommendations in the WAO report and the Officer response: -

4.2.1 **R1** – When contemplating a significant change to the way in which services are delivered, the Council should prepare a fully costed business case prior to initiating major programmes to support the change.

Response – It is not always possible to prepare a fully costed business case at the early stages of considering a major service change. The proposed Caerphilly CBC and Blaenau Gwent CBC Social Services integration was an example of this in that considerable work was required to determine whether the project was feasible and this concluded that the proposed integration should not proceed due to the differing financial positions in each Authority and the risk of cross-subsidisation. In some cases, the Welsh Government mandates collaborative projects and it may not be possible to undertake a full options appraisal. Notwithstanding this, the Authority is now in the process of developing a common business case template and guidance for staff, which will be used for all major service changes. It is expected that the Corporate Management Team (CMT) will agree this template by the end of December 2013.

4.2.2 **R2** – The financial impact of significant proposed service changes should be reflected in medium-term financial plans directly where the change is certain to proceed or as a sensitivity if the change is not certain.

Response – The Authority is currently updating its Medium-Term Financial Plan (MTFP) in light of the 2014/15 Provisional Local Government Settlement announced on the 16th October 2013. Cabinet also received an update on the MTFP in June 2013 when the Welsh Government announced the likely level of cuts in Local Government funding. This update included best and worst case scenarios along with details of the level of savings required. The Authority accepts the need to factor major service changes into the MTFP and the business case template that is being introduced will ensure that there is a formal process in place to capture the information required for financial planning purposes.

In addition, as part of the work of the Information Governance Project Board, a full review of the Council's Corporate Planning cycle is being undertaken, which will include service reviews and improved self-evaluation. This will link activity and financial information in a more co-ordinated manner, linking all service changes to both the MTFP and workforce plans.

4.2.3 **R3** – The Council should ensure that Members are provided with sufficient information at the earliest opportunity to enable them to make informed decisions.

Response – A number of changes to business processes have recently been agreed. A Forward Work Programme is now clearly set out and published in detail six months in advance. All significant decisions and changes will be presented to CMT and will not be approved without rigorous scrutiny, prior to presentation to Elected Members. A procedure note has also been distributed to Officers setting out the flow of reports through CMT and on to Cabinet/Scrutiny and Council.

Changes to the Scrutiny process have recently been agreed and these changes should facilitate earlier opportunities for Elected Members to review information and proposed changes.

4.3 The following paragraphs provide details of proposals for improvement in the WAO report and the Officer response: -

4.3.1 **P1** – In order to ensure effective monitoring and evaluation of savings, the Council should implement a consistent approach to project management and monitoring savings, including benefits realisation, managing risks and identifying lessons learnt.

Response – Agreed savings are currently incorporated into budgets and monitored through routine budget monitoring reporting processes. This highlights any deviation from budget and actions that may be required. However, it is accepted that a more robust reporting process will provide greater clarity and a framework will be developed to incorporate this into the Scrutiny process. This is likely to take the form of a mid-year progress report.

4.3.2 **P2** – Social Services should continue to maintain and develop the saving initiative worksheet they have developed and the Council should consider how this approach can be shared across the Council.

Response – Agreed. As part of the review of the MTFP all Directorates are currently in the process of developing schedules of savings proposals for consideration by Scrutiny Committees in December 2013. Caerphilly CBC has shared some of its good practice on managing the Social Services budget with other Local Authorities and recently received a visit from Pembrokeshire County Council.

4.3.3 **P3** – The Council should undertake further analysis to identify the non-statutory services that it could prioritise to achieve a significant saving and those statutory services that could be re-modelled to realise benefits in line with corporate and service priorities.

Response – This is being considered as part of the ongoing review of the MTFP. However, this is not simplistic in that disinvesting in non-statutory preventative services can result in an increase in demand for other services. Furthermore, the distinction between statutory and non-statutory service provision is not always clear. Policy directives e.g. the Welsh Government Social Services & Wellbeing Bill can also complicate the position. Notwithstanding this, the Authority is currently exploring all options for service efficiencies and savings to address the significant financial challenges that lie ahead.

5. EQUALITIES IMPLICATIONS

5.1 There are no equalities implications directly associated with this report.

6. FINANCIAL IMPLICATIONS

6.1 There are no financial implications arising from this report.

7. PERSONNEL IMPLICATIONS

7.1 There are no direct personnel implications arising from this report

8. CONSULTATIONS

8.1 There are no consultation responses that have not been reflected in this report.

9. RECOMMENDATIONS

9.1 That Members of the Audit Committee note the content of this report.

10. REASONS FOR THE RECOMMENDATIONS

10.1 To ensure that the Audit Committee is informed of the findings of the WAO review and the officer response to the report's recommendations and proposals for improvement.

11. STATUTORY POWER

11.1 Local Government Measure 2009, Wales Programme for Improvement 2010

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Appendices:

Appendix 1 Wales Audit Office – Evaluation of Social Services contributions to the Medium Term Financial Plan.