

CHESHIRE EAST COUNCIL

REPORT TO: Adults Scrutiny Committee

Date of Meeting: 18 January 2012
Report of: Lorraine Butcher – Strategic Director of Children, Families and Adults
Subject/Title: Update on the Financial Outturn for 2011-12

INTRODUCTION

1. This report updates the Adults Scrutiny Committee on the financial outturn of the Adults Department, for 2011-12, building on the Mid Year Review of Financial Performance and providing further information on the management action in hand helping to reduce forecast overspends. The report also highlights some of the longer term pressures being experienced allowing the Scrutiny Committee to support the work of the Cabinet Member.
2. The report utilises the information previously shared with the Scrutiny Committee on the mid year position, which anticipated a £5.1m overspend against the £95.0m net budget available for 2011-12, updating that position with the actions and direction of travel that is helping to reduce the overspend.
3. With only three months of the financial year remaining there is limited time available to influence the spending direction during the rest of the year. However having a better understanding of those longer term funding pressures will help in terms of being able to consider possible areas for further scrutiny to provide more targeted support towards the challenge in managing the coming and subsequent years budgets.

SUMMARY

4. The table below, lifted from the Mid Year Review of Financial Performance, provides a summary of the forecasted outturn overspend position of £5.1m.

Service	Net Budget	Forecast Outturn	MYR Position
	£000's	£000's	£000's
Care4CE	0	1,074	1,074
Individual Commissioning	55,427	58,668	3,241
Strategic Commissioning (inc Cross Cutting)	39,551	40,336	785
Adults	94,978	100,078	5,100

5. Since the mid year review and leading up to the three quarter review extensive work has been undertaken across the Department, seeking new and additional mitigation aiming to reduce the forecast as much as possible. Due to some of the temporary impacts during the year it is highly unlikely that a balanced outturn will be achieved, but it is anticipated that the management action in hand will reduce the above position and in overall terms help to contribute towards the Council's goal of protecting reserves as much as possible.

CARE4CE (£1.1m overspend)

6. The underlying reason for the overspend in Care4CE remains unchanged from the First Quarter Review: delays in delivering the rationalisation of building use and the linked temporary decommissioning of ECT beds.
7. Management action is in hand to contribute to a reduced outturn, including the continuation, monitoring and reviewing arrangements in respect of staffing expenditure and stopping all non essential spend instigated corporately. It is anticipated that the overspend will reduce in the later months of the year, but will not be removed completely.
8. The rationalisation work around building usage continues, with consultation having been undertaken across the Borough, and a full report due in March. However there is a need to reduce the building stock and general capacity of service. The introduction of personalisation discussed in a little more detail below means that the traditional services available via Care4CE are increasingly being underutilised, with the Council in effect double funding both traditional provision and direct payments to individuals. We are not alone in this position. Personal choice is likely to see a continued trend away from the traditional facilities provided by Care4CE, requiring potentially further rationalisation and change. Without this the Council will continue to double fund both personalised solutions and Care4CE provision. The current Building Based Review seeks to establish facilities that are fully (assuming a reasonable level of occupancy) utilised, with funding directed to individuals. The delays in the rationalisation during 2011-12 are adding approximately £1m to the Directorate outturn and overspend position. This pressure should be mitigated if the Building Based Review, following consultation, is able to reduce the estate to a level that can be fully utilised. However consideration will be needed about operating options / models for going forward.

INDIVIDUAL COMMISSIONING (£3.241m overspend)

9. The care cost forecast position has not changed dramatically since mid year review, with the overall numbers being cared for by the Council remaining pretty stable at around 5,600 individuals. The overspend position results from two main factors, firstly increased numbers in residential and nursing care, either because they are living longer in these settings than previously, or individuals who previously supported themselves financially in residential care having depleted financial capital

and turning to the Council for care cost support. Secondly those receiving care tend to require larger packages than individuals presenting for care a year ago. It is difficult to fully explain the reasoning at a summary Council level without analysing each individual case, although it is highly likely that re-ablement is delaying the time when an individual needs care, until they are increasingly frail with a complex range of needs, resulting in a more extensive package of care and support. Work has also commenced to analyse:

- A range of re-ablement services and preventative roles
- The strict application of Fair Access to Care (FACS) /consistent frontline and signposting
- Returning self funders
- Pattern of stay in residential/nursing homes

This work has helped the service to determine the impact and to consider any remedial action. A summary of this work could be brought to Scrutiny for further consideration.

10. Direct payments (particularly relating to Learning Disability) are continuing to increase at a faster rate than originally predicted with a 60% forecast increase on 2010-11 whilst traditional care costs, predominantly delivered via Care4CE, are not reducing as much as originally predicted, described in paragraph 8 above. This is leading to a net impact of £2.5m including £0.5m recoupment of unspent monies. It is hoped that the current building based review project, which is due to report to cabinet before the end of the financial year will help alleviate this pressure for later years. .
11. The increased demand in residential and nursing, as described above, is also being driven by individuals requiring support from the Council following the depletion of their capital resources, where the numbers are currently averaging 12 individuals every 4 weeks. Just by way of example in a full year every 100 individuals requiring residential and nursing care following depletion of their own funds, adds an unbudgeted pressure of £2m. The economic climate is such that it is likely that this feature of budget pressure is likely to continue for some time. A similar issue is being experienced where individuals with property to sell are cared for by the Council, but the charges are deferred until the property is sold, and the funds available from such properties are being depressed by lower sale values.

STRATEGIC COMMISSIONING (£0.785m overspend)

12. Since the first quarter review the £3.8m care cost growth budget (£0.2m transferred to Emergency Duty Team in Strategic Commissioning), £0.5m winter pressures money, and £0.8m to support the shortfall against the planned transport savings have been transferred to Individual Commissioning.
13. There are underlying budget pressures within the Learning Disability Pooled budget, including a predicted shortfall of £0.4m income as

negotiations regarding the sharing of the projected overspend are still ongoing with Central and Eastern Cheshire PCT. The Learning Disability care overspend is reflected within Individual Commissioning.

14. The service has already taken remedial action using areas of underspend and savings to support the overall budget pressures outlined above. These areas are as follows: Supported Employment; Third Sector Contracts; Supporting People; Community Meals and Workforce Development to help alleviate the overspend. Clearly holding these underspends will have implications in other areas of the business, for example, the underspend in Workforce Development means the workforce in certain areas is struggling to cope with the complexity of need being presented by certain service users, which in the long term may have a detrimental effect on viability of services and places financial pressures then within Individual Commissioning as other support/placements is required.

CONCLUSION

15. The service continues to identify remedial action to reduce the overall outturn position, and hope to be able to report further progress between now and the year end. The nature of care provision does make it harder to identify immediate and short term remedial action that can be delivered in year, although the process of review continues, aiming to ensure that the right care is being provided to individuals and that the financial pressures do not result in unsafe safeguarding situations.
16. A review of the temporary and permanent nature of the forecast overspend is being undertaken to establish the possible impact on spending levels into later years. Three main items are impacting on the current year which are either temporary in nature or will be delivered in later years. The first are redundancy costs of £2m, secondly the Building Based Review which has been delayed of £1m and thirdly the delayed Transport Review of £800k. These three items account for the majority of the current overspend.
17. Whilst the majority of the overspend can be attributed to temporary budget pressures, the extent of growth in direct payments and resulting double running costs with Care4CE provision, the high numbers of individuals requiring care following the depletion of their capital resources and the generally increasing in the size of individuals packages of care are adding new pressures that will inevitably require careful management in later years, due to the restrained Council resources available.
18. Throughout the year the Council has been aware of the pressure being experienced across the residential and nursing sector, brought into the public domain with the collapse of Southern Cross. The Council's Residential and Nursing Contract is due to be renewed in April 2012 where it is already known that there is significant pressure from the sector for an increase in the rates paid during 2012-13. The approach adopted in determining the contract will place the budget under pressure and some allowance will be built into the budget. The negotiation process will form an important part of both the ability of the sector being able to continue to

financially deliver care for the Council within a reasonable level of financial provision.

19. Finally during the last quarter of the year the intention is to undertake a full needs based budget setting exercise that will seek to establish from the managers and portfolios of responsibility the actual budgets needed to deliver services for the following year. This approach was initiated in Children and Families during 2011-12 and has helped managers to gain a better understanding of the financial situation of the services that they are responsible for.