

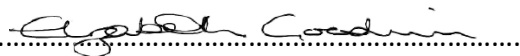
# Financial Review: The Decision to close the Kentish Road Respite Centre

## Review by Mark Somerset (Principal Auditor) – Internal Audit

Date - 5<sup>th</sup> June 2018

Approved By:

Chief Internal Auditor, Elizabeth Goodwin



### Section 1 Introduction

1. This is a supplementary report to the full independent review into the closure of the Kentish Road Respite Centre completed by Susan Allan Consultancy. The full review was commissioned by the Director of Adult Services. Cabinet had decided that there should be a review of the processes that had been followed after the final decision was made to close the centre in November 2017.
2. The scope of this review includes the original financial model which supported the decision to close the centre in 2014 and the updated model presented to Cabinet in November 2017.
3. The key issues identified as part of this review relate to:
  - i. The financial methodology used in the 2014 decision
  - ii. Lack of evidence to support the figures presented
  - iii. Lack of a suitable audit trail
  - iv. Inaccurate reporting to Cabinet

### Section 2 Executive Summary of Findings

#### Methodology

1. It is the opinion of Internal Audit that the methodology used to assess the financial implications of closing the centre in 2014 was found to be flawed. Whilst the approach was sound in that the cost of re-provision and any ongoing costs should be offset against the anticipated savings, the inclusion of the savings target figure in the calculation to leave a pot for Band 3 re-provision was not suitable.
2. The savings figure should have been the calculated balance. In using this methodology the Authority was saying we will save £200k in year 1 and any remaining funds would be used for re-provision of Band 3 clients. In reality the Authority has a legal obligation to provide this care and would have needed to meet the cost of re-provision whatever that cost may have been. It would have been more appropriate to ascertain the cost of Band 3 re-provision and used that figure to arrive at the expected savings.
3. The methodology was corrected in the 2017 calculations, whereby the full cost of re-provision for all clients was off set against the expected savings to calculate the anticipated savings figure. However it was noted that no provision for ongoing costs (previously £40k) was provided for in the 2017 calculation.
4. Whilst a consistent methodology was not used throughout the period of review this was justified as the changes lead to a more suitable model.

### **Verification of the Financial Information – 2014 Decision**

5. A spreadsheet was provided by the Finance Business Partner to support the figures relating to the initial decision to close the centre. It was noted that the spreadsheet had been compiled by a now ex-employee. Testing was unable to verify or evidence a number of figures contained within the spreadsheet.
6. Figures detailing the occupancy/usage of Kentish Road at the time of the decision could not be traced back to source information. This information included the usage of the centre split between the different bandings of client. The figures were subsequently used to calculate the re-provision cost for Band 1 and 2 clients and the indicative budget left for Band 3 clients. Discussions with staff indicated that this work was completed by an ex-employee and that no supporting evidence was available to support the figures, nor where the information had been obtained from. As such no reliance could be placed on the accuracy of the re-provision costs.
7. A saveable budget figure of £365,000 was included in the calculation. No evidence or audit trail was available to determine how that figure had been calculated. However a review of prior year's budget and actual spend concluded that the figure was prudent and reasonable.
8. A calculation to determine the per night cost of the Shared Lives service (£38) was provided within the spreadsheet. This per night cost was then used to determine the cost of re-provision for Band 1 & 2 clients. Testing was unable to evidence an audit trail detailing how the figures used were determined. This included the starting cost per night as well as deductions for housekeeping and an average client contribution. Discussions with the Business Manager confirmed that the level of housekeeping and client contribution will be different for each client depending on their circumstances. As a result no reliance could be placed on the accuracy of this figure and in turn the cost of re-provision for Band 1 & 2 limits.
9. The cost of ongoing rates and security was listed as £40k in year 1. No audit trail or supporting evidence was available to determine how this figure had been calculated.
10. The methodology employed indicated that £89k would be left to provide respite care for Band 3 clients (an equivalent of £99.80 per night) and that this would be sufficient. The report to Cabinet indicated that one option for these clients would be at Rose Road. Testing was able to determine that the cost of a night at Rose Road at that time was £277.34 per night. As such testing concluded that there was not sufficient evidence to support the assertion that the £89k would be sufficient to cover the cost of Band 3 re-provision.

### **Verification of Financial Information – 2017 Decision**

11. The Service Director for Adults, Housing & Communities provided a copy of the financial model to support the decision to close the centre in November 2017. This model provided information on each of the 43 clients the Authority was obligated to fund future respite for. It contained figures and calculations showing the number of nights respite required as well as the per night cost of future care. These were then multiplied to calculate the annual cost of re-provision. The total cost of re-provision was then off set against the savings from closure to provide an anticipated savings figure.
12. The figure to be saved by closing Kentish Road was noted as £453,000. This figure appeared reasonable based on emails with staff and prior budget figures. As in 2014 this was a prudent figure as actual spend in the previous year was £533,000.
13. Testing sought to evaluate the robustness of the figures and requested supporting information from the Service Director for Adults, Housing and Communities. Discussions confirmed that no evidence was available but that all the information could be found within

the Paris system. On the recommendation of the Service Director a meeting was scheduled with the Team Manager of the Learning Disabilities Team to review the information in Paris.

14. A sample of 15 clients was selected from the 43 contained within the model. Each client's Care Plan and/or Assessment were reviewed on Paris in order to determine if the number of nights and cost of provision were accurate.
15. Of the sample of 15 testing was able to confirm the correct number of nights for 2 clients (13%), 6 clients number of nights required were higher than stated in the model (40%) and 7 clients where the actual number of nights was under the amount stated on the model (47%).
16. Of the sample of 15
  - 6 of 15 (40%) were found to have an accurate per night cost
  - 8 of 15 (53%) had the cost per night understated in the model
  - 1 of 15 (7%) had the cost per night overstated in the model

Of the 8 that were overstated:

  - 5 were due to the cost per night at Weston Road being estimated at £190 when the true cost when it was procured was £250.
  - 1 client was allocated Shared Lives but refused and ended up going to Weston Court, therefore at the time the predicted cost was accurate.
  - For 1 client the cost of Direct payments was listed at £150 per night but was in the Care Plan as £231 and another was due to move to Rose Road where the predicted cost was £250 per night and the actual cost £373 per night
17. A comparison of the calculated cost (nights x cost per night) and the cost from Paris was conducted with the following results:
  - 1 clients overall cost was exactly as expected
  - 14 clients were not as expected due to a combination of incorrect estimates on cost per night and the number of nights required.
18. Across the 15 clients within the sample, estimations of re-provision costs contained within the model ranged from being £6910 overstated to £5977 understated when compared with the Care Plan in Paris. The net difference across the 15 clients showed that the figures in the model were understated by £6455 in terms of Year 1 cost. As no two clients are the same this figure cannot be accurately extrapolated in order to determine an estimation of how accurate the overall cost of re-provision was.
19. The summary tab of the model which was used to create the Appendix to the November 2017 report was found to be an accurate summary of the figures contained within the model. The total number of nights and calculated spend figures for all 43 clients had been accurately summarised.

#### **Accuracy of Calculations**

20. All calculations contained within the 2014 and 2017 models were found to have been accurately completed from a mathematical standpoint. This included calculations of savings and collating spending on re-provision. However due to the concerns noted in this report the overall figures cannot be said to be accurate as the source figures could not be verified.

### Accuracy of Reporting to Cabinet

21. The reports to Cabinet in December 2014 and November 2017 were reviewed in order to confirm that the information contained within the financial models had been accurately reported to Members.
22. Paragraph 7 of the 2014 report states that the cost of an overnight stay at Shared Lives was £53 per night. Testing found that £53 per night is the gross cost before client contributions. The figures within the financial model state that the cost of a Shared Lives place was £38 per night and this figure has been used in all calculations. Therefore whilst this figure is not wrong it is misleading as it is not the amount that has been used in any re-provision calculations.
23. Paragraph 15 of the 2014 report detailed the number of nights required by each band of clients. Testing found that the number of nights quoted for each band did not correspond to the figures detailed in the model.

<b>Banding</b>	<b>Model</b>	<b>Report</b>	<b>Difference</b>
Band 1	765	853	88
Band 2	489	555	66
Band 3	872	983	111
Total	2126	2391	265

The figures quoted in the report equate to 82% of capacity rather than the 73% noted on the model. Whilst these figures were not accurately portrayed in the report testing found that they were not used in and therefore did not affect any subsequent calculations.

24. Apart from where noted above all other figures quoted in paragraphs 7, 14, 15, 29, 30, 31 & 32 of the December report to Cabinet were found to be accurate.
25. A review of the November 2017 report to Cabinet found that the financial information contained in paragraphs 24, 35, 36 and Appendix 1 was an accurate reflection of the financial model.

### Overall Conclusions

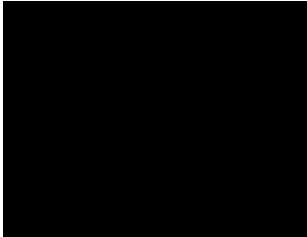
26. The financial model used to support the 2014 decision was flawed in its methodology and was not supported a robust audit trail and supporting evidence. Whilst it is accepted that at the time of this review the information is over 3 years old, given that the situation at the respite centre remained unresolved any information pertaining to its closure should have been retained.
27. Whilst a more suitable method was used in the 2017 model testing still found significant gaps in evidence and was unable to place any assurance on the accuracy of the figures in the model especially those pertaining to the estimated cost of re-provision.
28. Based on the testing conducted had there been a challenge from Members on the financial figures presented to them the Authority would not have been able to produce sufficient evidence to provide assurance that the figures were accurate or representative.

### Section 3 – Scope

1. The full scope and purpose of the independent review into the Kentish Road Respite Centre can be found in the full report produced by Susan Allan Consultancy.
2. The purpose of this review was to:

- i. Review the methodology used to devise the original and amended business plans/justifications and comment on their adequacy and consistency
  - ii. Verify the contents of the original and amended business plans/justifications to confirm the figures used were accurate and any estimations were adequately supported. To include the proposed savings from the closure of the centre and the cost of provision of alternative arrangements.
  - iii. Verify any calculations were performed accurately
3. A list of staff contacted as part of this review can be found in Appendix 1. The list of documentation used to inform this review can be found in Appendix 2.

**List of staff contacted as part of this review**



Finance Business Partner  
Finance Analyst  
Service Director Adults, Housing & Communities  
Business Manager  
Team Manager – Learning Disabilities Team

**List of Documentation and Files used to inform this review**

Report presented to Cabinet in December 2014

Report presented to Cabinet and supporting Appendix 1 in November 2017

“Kentish Road Savings” Spreadsheet detailing the 2014 Financial Model

“Kentish Road Finance Tracker v4” spreadsheet detailing the 2017 Financial Model

Documents and data within the Paris system for a sample of 15 clients

Charges for Services within the Non-Residential Charging Policy and Other Services – intranet

Finance Process for the Shared Lives Scheme - intranet