

HAMPSHIRE COUNTY COUNCIL

Decision Report

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| Decision Maker: | Executive Member for Adult Social Care |
| Date: | 18 January 2016 |
| Title: | Revenue budget report for Adult Services for 2016/17 |
| Reference: | 7197 |
| Report From: | Interim Director of Adult Services and Director of Corporate Resources – Corporate Services |

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1. Executive Summary

- 1.1. The purpose of this report is to set out proposals for the Adult Services budget for 2016/17 in accordance with the Council's Medium Term Financial Strategy (MTFS) reported to Cabinet in October 2015.
- 1.2. The County Council's early action in tackling its forecast budget deficit over the 2010 Comprehensive Spending Review (CSR) period and providing funding in anticipation of the tougher times to come, placed it in a very strong financial position and has given the time and capacity to develop and implement the next phase of savings of £98m of savings by 2017/18.
- 1.3. In line with the financial strategy that the County Council operates, which works on the basis of a two year cycle of delivering Departmental savings to close the anticipated budget gap, there is no savings target set for the department in 2016/17. Any early achievement of savings proposals during 2016/17 as part of the Transformation to 2017 Programme will be retained by the Department to use for cost of change purposes.
- 1.4. The report also provides an update on the financial position for the current year. Overall the Department is expected to achieve a balanced budget and to deliver some early savings for 2017/18.
- 1.5. The report also reviews the level of charges for the provision of services in section 5 and provides a summary of charges in Appendix 1.
- 1.6. The proposed budget for 2016/17 analysed by service is shown in Appendix 2 and the workforce implications of the budget proposals are set out in Appendix 3. The proposed budget for 2016/17 is £20.6m greater than the original budget for 2015/16.

- 1.7. This report seeks approval for submission to the Leader and Cabinet of the revised budget for 2015/16 and detailed service budgets for 2016/17 for the Adult Services Department. The report has been prepared in consultation with the Executive Member and will be reviewed by the Health and Social Care Select Committee. It will be reported to the Leader and Cabinet on 5 February 2016 to make final recommendations to County Council on 18 February 2016.

2. Context and Priorities

- 2.1 The current financial strategy which the County Council operates works on the basis of a two year cycle of delivering Departmental savings targets to close the anticipated budget gap. This means that there are no Departmental savings targets built into the 2016/17 budget. Other factors will still affect the budget, such as council tax decisions and inflation.
- 2.2 Following the General Election in May 2015, it was announced that Government Departments had been asked to draw up plans to tackle real terms reductions of 25% and 40% over the next four years. However it was always recognised that the distribution of these reductions between Government Departments and consequently different tiers of local government would not be uniform.
- 2.3 The provisional local government finance settlement was announced on 17 December, which provided figures for local authorities for the next four financial years. Unusually, the settlement included a major revision to the methodology for distributing Revenue Support Grant (RSG), which has had a major impact on Shire Counties and Shire Districts. Significant changes to methodology like this are usually consulted on by the Government over the Summer ahead of the settlement announcement, but no such warning was given this year.
- 2.4 The impact of the change in methodology is that the County Council has had a reduction in grant of £48m in 2016/17, which is equivalent to a 37.4% cut compared to an adjusted 2015/16 base level of grant. This is £29m higher than anticipated in the Medium Term Financial Strategy.
- 2.5 Part of the reason for the significant impact on the County Council is that the re-distribution of RSG takes into account the ability to raise revenue through council tax. The Government is assuming that all classes of authority will increase council tax over the next four years by the maximum permissible.
- 2.6 For Hampshire our maximum council tax increase would include the additional flexibility of 2% for social care costs on top of the referendum limit of 1.99%, a total of 3.99% per annum, which is just over £41 for a band D property in 2016/17.
- 2.7 The additional council tax flexibility of 2% on the current council tax referendum threshold would generate funding of £10.2m in 2016/17 to be used entirely for adult social care.
- 2.8 The County Council will respond to the Government's consultation on the provisional local government finance settlement, making it clear that this will have a significant impact on the County Council's ability to meet the predicted

budget deficit over the next four years, particularly in the face of rising social care costs in respect of the impact of the National Living Wage on the private social care sector.

- 2.9 Based on the figures we have been given however, the additional reduction of £29m in Government grant announced in December, offset by an assumed increase in council tax of 3.99% and collection fund surpluses still means that there is an anticipated budget gap for 2016/17 of around £55m that needs to be addressed.
- 2.10 The County Council had always planned to meet the deficit in 2016/17 by drawing on the Grant Equalisation Reserve in line with the MTFs and fortunately, sufficient funding already exists within the reserve to meet the predicted gap of £55m outlined above, however the implications on the Medium Term Financial Strategy are significant both in terms of the impact of the Transformation to 2017 Programme and the financial outlook to 2019/20, further details of which will be included in the Budget report to Cabinet in February.
- 2.11 As part of the ongoing transformation programme across the County Council, the Adult Services department has been developing service plans and budgets for 2016/17 and future years in keeping with the County Council's priorities and the key issues, challenges and priorities for the Department are set out below.

Departmental Challenges and Priorities

- 2.12 The long term challenge of social care demand has been matched by challenges with supply as the major issues ahead in the coming year. Considerable work has gone into demand management over the last few years, which is showing results for older people, but despite this the long term position is under great pressure. The costs and responsibilities of meeting the social care needs of adults have increased and have required the addition of £20.6m to the budget to cover forecast pressures due to both cost and demand in 2016/17 alone.
- 2.13 The demand from people of working age with physical and learning disabilities is growing more rapidly and although work to improve value for money in commissioning has had good results, the increase in demand through transition from childhood is beginning to outweigh this. Advances in medical care have had a positive impact and has meant that people with very complex needs are surviving into adulthood when they might not have done previously. They are also living a fuller adult life and are naturally demanding support to live independently. In the medium term, at least, the main pressure on adult services budgets will come from this area.
- 2.14 Supply issues have become more difficult over the last year or so. The supply of nurses, for example, has put considerable cost pressures on our in-house nursing homes, where we have been forced to use a much higher level of agency nurses than is desirable. Whilst the recruitment position is easing, there is still some way to go to bring this service back into budget.
- 2.15 The supply of care workers has been a gradually growing problem over the last two years. The issue was initially hidden, but the growth in demand out of

hospital last winter exposed this loss of capacity. The County Council launched a recruitment campaign 'Change Lives' in January 2015 with its providers to assist and this has had some impact. However, underlying market conditions and near full employment in many parts of the county means that it remains a major challenge, particularly in securing home care. The introduction of the National Living Wage will compel care providers to increase their rates of pay significantly beyond this base level if they are going to compete in the local labour market.

- 2.16 The increase in costs due to labour shortages and the introduction of mandatory pension contributions, combined with constraints on publicly funded care has led to a tightening of the supply of residential and nursing home placements. Although it is difficult to measure due to the fluidity of supply, it appears that fewer beds are available at local authority rates. There are reports that some providers are considering withdrawing from public sector markets to focus solely on private fee payers.
- 2.17 The last two factors have contributed to an increase in the level of delayed discharges from hospital. Historically, Hampshire has had an excellent record and has been in the best quartile for performance against our comparator authorities. Hampshire is still performing well compared with other authorities and is now in the middle of that comparator group. Demand out of hospital rose by 8% over last winter and did not decline in the spring, as would normally be expected. The rate of decline in performance, however, has caused some concern and this is an area of priority focus for the department.
- 2.18 The other key priority is the Adult Service Transformation programme, which aims to deliver £43m of savings by April 2017.
- 2.19 Pressures within social care services continue to be the highest risk and most volatile area of the County Council's budget. It is recognised that by far the most volatile area remains adults' social care which is influenced by a number of complex factors some of which are highlighted above.
- 2.20 As part of the review of the Adults' Services operating model within the Tt20017 Programme, work was undertaken to project forward the likely numbers and average package costs of clients to 2020, taking into account the measures to be implemented as part of the savings for 2017/18, together with current trend and cost data. The findings of this work, which were reported to Cabinet in December 2015, show that Adults' Services will experience ongoing budget pressure.
- 2.21 Whilst no additional funding for growth and demand is allocated on a recurring basis at this stage directly to social care during the period 2015/16 to 2017/18, the intention is that pressures are managed during that period through the use of one off funds which broadly total an additional £9m per annum in both 2016/17 and 2017/18. The projection is that this strategy will be successfully delivered during that period albeit this does then require an expected recurring base budget adjustment in 2018/19, anticipated to be in the order of £21m followed by annual increases of around £10m a year thereafter. It should be noted that these projections do not factor in the national living wage which will add to these pressures and require further funding to be allocated to Adults' Services in the medium term.

3 2015/16 Budget

- 3.1 The cash limited budget for 2015/16 included savings of £40.666m to be delivered during the year. Savings proposals were developed as part of the Transforming the Council to 2015 programme, which was formally closed in March 2015. Enhanced financial resilience monitoring has continued through monthly reports to the Corporate Management team and periodic reports to Cabinet.
- 3.2 It is now anticipated that savings of £27.396m will be achieved in 2015/16 with the shortfall against the target being made up from the cost of change reserve.
- 3.3 The main reason for the under achievement relates to:
- Better Care Fund –under delivery of recurring savings although this has been mitigated through risk share agreements.
 - Supporting People – revision of plans with a view to delivery over a longer timeframe
 - Younger Adults Extra Care – re-phasing of the plan
- 3.4 The budget for the department has been updated throughout the year and the revised budget is shown in Appendix 4. The under achievement of savings has contributed to an expected outturn forecast for 2015/16 of a balanced budget.

Budget 2016/17

4 Revenue Savings Proposals

- 4.1 In line with the current financial strategy, there are no new savings proposals presented as part of the 2016/17 budget setting process. Savings targets for 2017/18 were approved as part of the 2015/16 budget setting process and detailed savings proposals have been developed through the Transformation to 2017 Programme and were approved by Executive Members, Cabinet and County Council in September and October last year.
- 4.2 Some savings will be implemented prior to April 2017 and any early achievement of savings in 2016/17 can be retained by departments to meet cost of change priorities. It is anticipated that £30m of savings will be achieved in 2016/17, but these reductions have not yet been reflected in the detailed estimates contained in Appendix 2.

5 Review of charges

- 5.1 For Adult Services, the 2016/17 revenue budget includes income of £61m from fees and charges to service users. This is an increase of £1.3m (2.2%) on the adjusted original budget for 2015/16.

- 5.2 Details of current and proposed fees and charges (where these are specifically defined) for 2016/17 are outlined in Appendix 1.
- 5.3 Charges for in house residential and nursing care for older people have fallen behind the rate that Hampshire County Council pays externally. With the financial challenges that are currently faced it is the right time to bring these back in line. It is important to bear in mind that this will only impact those in our in house provision if they are financially assessed as being able to fund their care themselves (currently 22% of the service users).
- 5.4 The proposal is for an increase of 5.17% for nursing care and 8.86% for residential care which brings the charges in line with the external rates for 2015/16. These increases will be phased with 4% with effect from 1 April 2016, and the balance in October 2016. Processes will be reviewed to ensure that the rates do not fall behind in future.
- 5.5 Rates will need to be reviewed when the implications of the National Living Wage are better understood.

6 Other expenditure

- 6.1 The budget includes some items that are not counted against the cash limit. This includes budgets for central department support services (except where they have been given to service departments to buy services), and repair and maintenance of buildings. It also includes costs of Member Support within Adult Services and budgets that are rechargeable to Policy and Resources for corporate and democratic core services.

7 Budget summary 2016/17

- 7.1 The budget update report presented to Cabinet in December included provisional cash limit guidelines for each department. The cash limit for Adult Services in that report was £325m which was a £20.6m increase on the previous year.
- 7.2 Appendix 2 sets out a summary of the proposed budgets for the service activities provided by the Department for 2016/17 and show that these are within the amended cash limit set out above. Given the projected pressures and the risk and volatility associated with adults' social care in addition to the increase of £20.6m, further provision has been made corporately for £5.7m to be held centrally within contingencies and drawn down during the year if needed. These sums together with the estimated demand pressure of £9m that will initially be met by the Department in 2016/17 gives a total increase in the Adult Social Care resource requirement from 2015/16 to 2016/17 of £35.3m (11.6%).
- 7.3 In addition to these cash limited items there are further budgets which fall under the responsibility of this department, which are shown in the table below :-

| | 2016/17 £000 |
|-------------------------------------|-------------------------|
| Total expenditure | 439,421 |
| Income other than Government grants | (95,305) |
| Government Grants: | (205) |
| Total net expenditure | 343,911 |

- 7.4 This net position excludes central items such as repairs and maintenance, support service charges and capital charges which will be added as part of the overall budget reported to Cabinet and County Council in February.

8 Workforce implications

- 8.1 The workforce implications of the proposed budget for 2016/17 are set out in Appendix 5. At the end of 2016/17 the planned workforce for the Adult Services department is 2,711 full time equivalent (FTE) staff.

| | FTEs |
|----------------------------------------|--------------|
| Original FTE staff as at 31 March 2016 | 2,795 |
| Changes relating to early EVR | (155) |
| Transfers and other changes | 77 |
| Revised FTE staff as at 31 March 2016 | 2,717 |
| Changes relating to EVR | (6) |
| Transfers and other changes | 0 |
| FTE staff as at 31 March 2017 | 2,711 |

9 Recommendations

To approve for submission to the Leader and Cabinet:

- 9.1 The annual review of income and charges (as set out in Appendix 1).
- 9.2 The revised budget for 2015/16 (as set out in Appendix 2).
- 9.3 The summary budget for 2016/17 (as set out in Appendix 2).
- 9.4 The workforce implications of the proposed budget for 2016/17 (as set out in Appendix 3).

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

| | |
|-------------------------------------------------------|-----|
| Hampshire safer and more secure for all: | yes |
| Corporate Business plan link number (if appropriate): | |
| Maximising well-being: | yes |
| Corporate Business plan link number (if appropriate): | |
| Enhancing our quality of place: | yes |
| Corporate Business plan link number (if appropriate): | |

Other Significant Links

| Links to previous Member decisions: | | |
|------------------------------------------------------------------------------------|------------------|-----------------|
| <u>Title</u> | <u>Reference</u> | <u>Date</u> |
| Medium Term Financial Strategy Update and Transformation to 2017 Savings Proposals | 6920 | 5 October 2015 |
| Budget Setting and Provisional Cash Limits 2016/17 | 7049 | 7 December 2015 |
| Direct links to specific legislation or Government Directives | | |
| <u>Title</u> | <u>Date</u> | |
| | | |

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

| <u>Document</u> | <u>Location</u> |
|-----------------|-----------------|
| None | |

IMPACT ASSESSMENTS:

1. Equality Duty

1.1 The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2 Equalities Impact Assessment:

The budget setting process for 2016/17 does not contain any proposals for major service changes which may have an equalities impact. Proposals for budget and service changes which are part of the Transformation to 2017 Programme were considered in detail as part of the approval process carried out in September and October 2015 and full details of the Equalities Impact Assessments relating to those changes can be found in Appendices 3 to 6 in the October Cabinet report linked below:

http://www3.hants.gov.uk/councilmeetings/advsearchmeetings/meetingsitemdocuments.htm?sta=&pref=Y&item_ID=6920&tab=2&co=&confidential=

Equalities Impact Assessments are an ongoing part of the implementation of the Transformation to 2017 Programme.

2 Impact on Crime and Disorder:

2.1 No impact has been identified

3 Climate Change:

a) How does what is being proposed impact on our carbon footprint / energy consumption?

No impact has been identified

b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No impact has been identified

Department**Review of income 2016/17**

| | Total Income (16/17 Budget) £000 | Current Charge £ | Proposed Increase % | Proposed New Charge £ |
|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------------|---------------------------------|------------------------------------|--------------------------------------|
| Mandatory/National Charges: | | | | |
| Full Cost Weekly Charge (HCC in-house residential and nursing establishments, including respite services) | | | | |
| Nursing Care for Older People (per week) | 8,736 | 546.00 | 5.17 | 574.28 |
| Residential Care for Older People (per week) | 4,626 | 476.00 | 8.86 | 518.21 |
| Residential Care for Dementia (per week) | In above | 546.00 | 2.63 | 560.00 |
| Residential Care for Adults with a Learning Disability (per week) | 90 | 959.00 | 2.24 | 980.00 |
| Orchard Close (per standard week) | 40 | 805.00 | 1.77 | 819.00 |
| Meals on wheels | | 3.80 | 3.95 | 3.95 |

Discretionary Charges:

Services users contributions for non-residential care (chargeable services) are calculated on the actual cost of care provided to service users.

In line with Corporate Policy all discretionary charges will be increased by an inflation rate of 2.2%

**Department
Budget summary 2016/17**

| Service Activity | Original Budget 2015/16 £000 | Revised Budget 2015/16 £000 | Proposed Budget 2016/17 £000 |
|-----------------------------------|-------------------------------------------------|------------------------------------------------|-------------------------------------------------|
| Physical Support | 88,104 | 94,798 | 105,686 |
| Sensory Support | - | 1,770 | 1,770 |
| Memory Cognition | 42,020 | 31,474 | 36,730 |
| Learning Disabilities | 106,938 | 113,258 | 112,869 |
| Mental Health | 6,583 | 7,330 | 9,148 |
| Social Support | 322 | 1,140 | 1,136 |
| Assistive Equipment & Technology | 2,771 | 5,152 | 5,740 |
| Social Care Activities | 26,409 | 26,671 | 27,732 |
| Information & Early Intervention | 1,670 | 2,484 | 2,764 |
| Commissioning & Services Delivery | 29,553 | 25,846 | 21,414 |
| Total | 304,370 | 309,923 | 324,989 |

**Department
Workforce implications (full-time equivalent)**

| Service Activity | Original Estimate 31.3.2016 | Changes relating to early EVR | Transfers and other changes | Revised Estimate 31.3.2016 | Changes relating to EVR | Transfers and other changes | Estimate 31.3.2017 |
|----------------------------------|----------------------------------------|----------------------------------------------|--------------------------------------------|-------------------------------------------|----------------------------------------|--------------------------------------------|-------------------------------|
| Physical Support | 822 | -12 | 67 | 877 | | | 877 |
| Sensory Support | | | | | | | |
| Memory & Cognition Support | 449 | -5 | | 444 | | | 444 |
| Learning Disability Support | 304 | -33 | 12 | 282 | | | 282 |
| Mental Health Support | | | | | | | |
| Social Support | | | | | | | |
| Assistive Equipment & Technology | 89 | -4 | | 85 | | | 85 |
| Social Care Activities | 794 | -70 | | 724 | | | 724 |
| Information & Early Intervention | 12 | -4 | | 8 | | | 8 |
| Commissioning & Service Delivery | 325 | -26 | -2 | 297 | -6 | | 291 |
| Total | 2,795 | -155 | 77 | 2,717 | -6 | | 2,711 |