HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Adult Social Care
Date of Decision:	17 January 2017
Decision Title:	Revenue Budget Report for Adult Social Care 2017/18
Decision Reference:	8054
Report From:	Director of Adults' Health and Care 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 2017/18 budget for Adult Social Care in accordance with the Council's Medium Term Financial Strategy (MTFS) approved by the County Council in July 2016.

1.2. The deliberate strategy that the County Council has followed to date for dealing with grant reductions during the prolonged period of austerity, which involves planning ahead of time, making savings in advance of need and using those savings to help fund transformational change to generate the next round of savings, is well documented

1.3. In line with this financial strategy, there were no new savings proposals presented as part of the 2016/17 budget setting process and the budget was balanced through the use of the Grant Equalisation Reserve (GER). Savings targets for 2017/18 were approved as part of the 2015/16 budget setting process and detailed savings proposals were developed through the Transformation to 2017 (Tt2017) Programme and approved by Executive Members, Cabinet and County Council in September and October 2015.

1.4. The report also provides an update on the financial position for the current year and overall the Department is expected to achieve a balanced budget and to deliver some early savings for 2017/18 which will be used to cover the shortfall in the cash savings required for the Tt2017 programme.

1.5. The proposed budget for 2017/18 analysed by service is shown in Appendix 1 and the workforce implications of the budget proposals are set out in Appendix 2.

1.6. The report also reviews the level of charges for the provision of services in Section 7 which require approval and provides a summary of these charges in Appendix 3.

1.7. This report seeks approval for submission to the Leader and Cabinet of the revised budget for 2016/17 and detailed service budgets for 2017/18 for the Adults' Health and Care Department. The report has been prepared in consultation with the Executive Member and will be reviewed by the Health and Adult Social Care Select Committee. It will be reported to the Leader and Cabinet on 3 February 2017 to make final recommendations to County Council on 16 February 2017.

2. Context and Priorities

2.1. The current financial strategy that the County Council operates, works on the basis of a two-year cycle of delivering Departmental savings to close the anticipated budget gap. This provides the time and capacity to properly deliver major savings programmes every two years, with deficits in the intervening years being met from the Grant Equalisation Reserve (GER) and early achievement of savings proposals retained by Departments to use for cost of change purposes or to offset service pressures.

2.2. The County Council's early action in tackling its forecast budget deficit over the prolonged period of austerity and providing funding in anticipation of the tougher times to come, placed it in a very strong position to produce a 'steady state' budget for 2016/17, giving itself the time and capacity to develop and implement the Transformation to 2017 (Tt2017) Programme to deliver the next phase of £98m of savings by 2017/18.

2.3. The budget setting process for 2017/18 will therefore be different in that the majority of the decisions in respect of major changes to the budget were taken early. However other factors will still affect the budget, such as council tax decisions and pressures as outlined later in this report, but these will not be as significant as the savings programme that has already been put in place.

2.4. Last year the Final Local Government Finance Settlement was announced on 8 February 2016, and provided definitive figures for 2016/17 and provisional figures for local authorities for the following three financial years to aid financial planning.

2.5. The figures for 2017/18, 2018/19 and 2019/20 set out in the settlement resulted in an increase in the County Council's revenue gap to be bridged in each of these years. In 2017/18 the bottom line impact was that a further £15m was required, on top of the £98m of savings to be delivered from Tt2017 Programme to produce a balanced budget.

2.6. The July 2016 Medium Term Financial Strategy (MTFS) updated the overall position in respect of the 2017/18 budget gap and the allocation of transitional funding as a result of the final settlement announcement of £9.4m in 2016/17 and £9.3m in 2017/18 enabled the gap in 2017/18 to be closed; managed through the GER.

2.7. This position is underpinned by the delivery of Tt2017 savings and regular updates on the Programme have been provided to Cabinet during 2016. Whilst there are acknowledged timing issues, the current assessment remains that the shortfall can be made up from departmental cost of change reserves on a one-off basis as savings come on line throughout 2017/18, leading to full implementation of the programme by 2018/19.

2.8. Other assumptions included in the MTFS that have been built into the 2017/18 budget proposals are:

- A 3.99% council tax increase, 2% for social care costs on top of the referendum limit of 1.99%.
- Total inflation of £24.7m across all departments which includes the impact of the two year pay award for 2016/17 and 2017/18.
- 'Passporting' of any further losses of specific grant to the relevant services

2.9. The Adult Social Care department has been developing its service plans and budgets for 2017/18 and future years in keeping with the 'Shaping Hampshire' priorities and the key issues, challenges and priorities for the Department are set out below.

3. Departmental Challenges and Priorities

3.1. It is generally accepted that the national long term financial forecast for Adult Social Care is increasingly challenging. This assessment is also accurate locally within the Hampshire context. Indeed, the Adult Social Care department continues to face both demand and price pressures at the same time as an increasing requirement to reduce cost to offset reductions in overall Council funding. In respect of the latter the full Tt17 saving of £43.1m has been removed from the budget for 2017/18, although this is offset by additional investment of £11.1m to mitigate known areas of growth and inflation for 2017/18.

3.2. Enabling elements are currently being set up so that the new operating model for the department will commence from the 1 April 2017. It is therefore reasonable to assume that initially 2017/18 will be a transitional year allowing the new structure, ways of working and systems to embed. In the medium term it is anticipated that the new leaner structure combined with new systems and controls will better enable the department to successfully and flexibly manage the staffing resources within an environment that also promotes and facilitates sound financial management.

3.3. The supply of affordable staffing resource within the In House Residential and Nursing Care homes continues to be a major challenge for the department in part due to wider labour market challenges. There continues to be significant levels of vacancies that are covered through higher cost agency staff. The budget for 2017/18 is set on the basis of a full establishment and cover for absence and vacancies in accordance with CQC regulations. This, together with a programme of work to stabilise permanent staff numbers and cost effectively resource cover for absence is expected to remove the historic recurring pressure within this area of the department. It should be noted however that the increase in budget included within this service area represents a resource that consequently is not available to offset existing pressures elsewhere within the department.

3.4. 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 created good financial and quality outcomes, the increase in demand through transition from childhood is beginning to outweigh this. Advances in medical care have had a positive impact on life expectancy and has meant that people with very complex needs are surviving into adulthood when historically they might not have done. They are also living a fuller adult life and are naturally demanding support to live independently. In the medium term, at least, this represents the fastest growing pressure on Adult Social Care budgets.

3.5. The governments' commitment to the National Living Wage continues to have a substantial impact on the purchased care budget. From April 2017 it will increase from £7.20 to £7.50 for all working people aged 25 and over. Inevitably this will have an impact on the cost of some services purchased by the department. When taking decisions to set the 2017/18 budget the department has given balanced consideration of the likely impact this will have. It is currently anticipated that sufficient funding has been allocated to mitigate the price pressure pertaining to the National Living Wage. However, a risk does remain that this allocation may be insufficient; this will become clearer as we approach 2017/18.

3.6. The department is carrying an underlying pressure caused primarily from the demand for care outstripping the original cash limited budget. In relation to this a pressure was carried into 2016/17, which the Department is mitigating from early achievement of Tt17 savings, and a greater pressure is forecast to be carried into 2017/18 for which sufficient specific contingency is held corporately to mitigate. It is recognised that purchased care is by far the most volatile and high risk area of adults' social care as it is influenced by a number of complex factors.

3.7. The department is faced with care pressures arising both from the changing demography and complexity of clients, as well as the complex factors that change the nature of the market that suppliers and the County Council engage in. We continue to experience shortages in the availability of Residential and Nursing care at the County Councils' rates which is consequently pushing up the average cost per placement. Although difficult to attribute to any single reason it is believed that shortages in the supply of care workers, against a backdrop of high employment within the county, and reductions in the number of registered providers are both increasing costs and shifting the balance of the market. In 2017/18 a review of the departments standard rates for older persons will be concluded and implemented.

3.8. The purchase of care for clients within their own home continues to be a challenging area for the department. During 2017/18 the department are committed to refreshing the Care at Home framework that whilst it is envisaged will bring some stability to the budget it may also represent an area of financial risk in terms of greater capacity to meet a further level of demand to that met in the last two years.

3.9. The two issues above adversely affect the departments' capacity to support flow through NHS hospitals, as pressure is maintained to reduce, the number of delayed discharges from hospital. In this respect Hampshire's performance has declined and is no longer in the upper quartile against our comparator authorities. Concern about the rate of decline in performance makes this a priority area for the department.

3.10. The other key priority is the Adult Service Transformation programme, which aims to deliver £43.1m of savings by April 2018, split £30.0m by April 2017 with the remaining £13.1m delivered by April 2018. This saving programme is currently on schedule to deliver within the required timescales and is reflected accordingly within the proposed budget for 2017/18. It should be noted that this programme includes items to increase income through the reduction of subsidy costs for Meals on Wheels and a move to the full cost for residents within our in-house care homes where an individual is assessed to be self-funding.

4. 2016/17 Budget

4.1. The cash limited budget for 2016/17 currently includes early achievement of cash savings of £15.6m. These and any further savings achieved during the year can be transferred to cost of change reserves and used to fund any future cost of change and demand management.

4.2. Enhanced financial resilience monitoring, which looks not only at the regular financial reporting carried out in previous years but also at potential pressures in the system and the early achievement of savings being delivered through transformation, has continued through monthly reports to Corporate Management Team, (CMT) and periodic reports to Cabinet.

4.3. The expected outturn forecast for 2016/17 is a budget under spend of £12.2m which reflects the £15.6m early achievement of savings in 2016/17, along with recurring care related pressures of £5.8m, as shown in paragraph 4.4 below, and unutilised cost of change of £2.4m.

4.4. The main pressure areas in 2016/17 are in relation to the provision of purchased care for both Older People and adults with a disability. Plans are in place to actively manage the issues as far as possible and through the use of one off funds, departmental contingencies and the cost of change.

4.5. The budget for the Department has been updated throughout the year and the revised budget is shown in Appendix 1.

5. 2017/18 Revenue Budget Pressures and Initiatives

5.1. The department's budget has been reviewed in detail as part of the 2017/18 budget preparation process and historical contingencies have been allocated to service budgets where there are inherent pressures.

5.2. The only likely pressure that may occur during 2017/18 is in relation to the provision of purchased care which, as stated in paragraph 3.6, is sufficiently mitigated by a specific corporate contingency, should it be required. The current growth in forecast for demand pressures into later years is also sufficiently offset by growth in this contingency. Should these pressures materialise the appropriate level of contingency will be subject to a base budget adjustment into the Department.

6. 2017/18 Revenue Savings Proposals

6.1. The Department was given a savings target for 2017/18 of £43.1m which was approved as part of the 2015/16 budget setting process and detailed savings proposals were developed through the Tt2017 Programme and approved by Executive Members, Cabinet and County Council in September and October 2015.

6.2. During the last year, the Department has been progressing the implementation of these savings, which have been subject to regular reporting to Cabinet and CMT. The Tt2017 programme has been carefully managed during the year and various reviews have been undertaken to provide assurance that the full £43.1m will be delivered in 2018/19.

6.3. It is now anticipated that full year savings of £30.8m will be achieved in 2017/18 against a budget reduction of £43.1m. The difference of £12.3m is within the £13.1m that Cabinet agreed could be deferred to 2018/19. Additionally this shortfall will be offset by a corresponding allocation from the anticipated carry forward of cost of change from 2016/17. There are plans in place to deliver the full £43.1m by 2018/19.

6.4. Rigorous monitoring of the delivery of the programme will continue during 2017/18, to ensure that the Department is able to stay within its cash limited budget as set out in this report.

6.5. This early action in developing and implementing the savings programme for 2017/18 means that the County Council is in a strong position for setting a balanced budget in 2017/18 and that no new savings proposals will be considered as part of the budget setting process for 2017/18.

7. 2017/18 Review of Charges

7.1. For Adult Social Care, the 2017/18 revenue budget includes an anticipated income of £60.5m from fees and charges to service users. This is a decrease of £0.5m (2.5%) on the revised budget for 2016/17. This decrease is due to:

- A £2m reduction in income as a direct consequence of care volumes reducing to meet the Tt2017 savings programme.

Which is off-set by;

- A £0.5m general increase in client income due to benefits increases;
- An assumed £0.8m increase in the full cost for in house residential and nursing provision that reflects a shift to charging closer to the overall cost of providing care. Subject to an Executive Member decision;
- An assumed increase of £0.2m for meals on wheels from an increase in the price paid by clients of 60p per meal to meet the full cost of the meal. Subject to an Executive Member decision.

7.2 Details of current and proposed fees and charges for 2017/18 where approval is sought for changes are outlined in Appendix 3. The department will work with the individuals affected to support them in understanding their choices and making decisions about how they wish to manage their support.

8. Budget Summary 2017/18

8.1. The budget update report presented to Cabinet in December included provisional cash limit guidelines for each department. The cash limit for Adults Health and Care in that report was £350.8m, which includes budgets for Adult Social Care (£297.4m) and Public Health (£53.4m). Subsequent to the Cabinet report, as part of the Provisional Local Government Finance Settlement an additional non recurring grant to support Adult Social Care was announced. This grant will be £4.8m for the County Council in 2017/18 and has been included to create a revised cash limit of £302.1m as shown in the table below. This report focusses on Adult Social Care, with Public Health being covered in a separate report.

8.2. Appendix 1 sets out a summary of the proposed budgets for the service activities provided by the Department for 2017/18 and shows that these are within the cash limit set out above.

8.3. The cash limit is funded, in part, from specific Government Grants which fall under the responsibility of Adult Social Care. These specific grants are shown in the table below:

	2017/18 £'000	**2017/18 £'000**
Cash Limited Expenditure	398,219	
Less Income (Other than Government Grants)	(96,072)	
Net Cash Limited Expenditure		**302,147**
Funded in part by the following Government Grants:		
• Local Community Voices Grant	(211)	
• Independent Living Fund 17/18	(4,347)	
• Adult Social Care Support Grant	(4,776)	
Total Government Grants		**(9,334)**

9. Workforce implications

9.1. The workforce implications of the proposed budget for 2017/18 are set out in Appendix 2. At the end of 2017/18 the planned workforce for Adult Social Care is 2912.7 full time equivalent (FTE) staff. This compares with the estimate at the end of 2016/17 of 3020.3 FTEs which is a reduction of 107.6 FTEs as summarised below:

	FTEs
Estimate as at 31 March 2017	3,020.3
Changes relating to savings targets	(107.6)
Transfers and other changes	-
Estimate as at 31 March 2018	**2,912.7**

9.2. The main reason for this reduction is that the Adult Social Care department are completing a restructure and these workforce figures represent the budgeted establishment (including vacancies) for the department as a result of the restructure.

10. Recommendations

To approve for submission to the Leader and Cabinet:

10.1. The revised budget for 2016/17 as set out in Appendix 1.

10.2. The summary budget for 2017/18 as set out in Appendix 1.

10.3. The workforce implications of the proposed budget for 2017/18 as set out in Appendix 2.

10.4. The proposed fees and charges 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:		
Title	Reference	Date
Medium Term Financial Strategy Update and Transformation to 2017 Savings Proposals (Cabinet)	6920	5 October 2015
Medium Term Financial Strategy to 2020 (Cabinet)	7482	20 June 2016
Budget Setting and Provisional Cash Limits 2017/18 (Cabinet)	7886	12 December 2016
Direct links to specific legislation or Government Directives		
Title		Date
None		

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.)

Document	Location

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 disproportionally low.

1.2. **Equalities Impact Assessment:**

The budget setting process for 2017/19 does not contain any new 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://www.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. The proposals in this report are not considered to have any direct impact on the prevention of crime, but the County Council through the services that it provides through the revenue budget and capital programme ensures that prevention of crime and disorder is a key factor in shaping the delivery of a service / project.

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?

The County Council in designing and transforming its services will ensure that climate change issues are taken into account.

Budget Summary 2017/18 – Adults' Health and Care Department

Service Activity	Original Budget 2016/17 £'000	Revised Budget 2016/17 £'000	Proposed Budget 2017/18 £'000
Director			
Director	1,124	1,628	1,535
Strategic Commissioning and Business Support			
Strategic Commissioning	16,346	17,018	14,065
Policy and Business Intelligence	1,159	1,317	1,425
Transformation	2,676	3,553	2,384
Older People and Physical Disabilities			
Older People and Physical Disabilities Community Services	133,848	129,572	130,497
Learning Disabilities and Mental Health Services			
Learning Disabilities Community Services	109,931	105,997	102,877
Mental Health Community Services	13,758	15,374	18,767
Continuing Healthcare	199	291	301
Internal Provision and Front Door			
Internal Provision	30,590	30,817	33,289
Front Door	848	1,125	1,139
Reablement	11,125	11,258	10,910
Governance, Safeguarding and Quality			
Safeguarding	2,700	3,971	4,320
Centrally Held			
Centrally Held	685	17,694	(19,362)
Sub total – Adult Social Care	**324,989**	**339,615**	**302,147**
Public Health	**55,128**	**55,238**	**53,440**
Adults Health and Care Net Cash Limited Expenditure	**380,117**	**394,853**	**355,587**

Appendix 2

Workforce Implications Full Time Equivalent (FTE) – Adult Social Care Department

Service Activity	**Estimate 31/03/2017**	**Impact of Savings Proposals**	**Transfers & Other Changes**	**Estimate 31/03/2018**
	FTE	**FTE**	**FTE**	**FTE**
Director	4.9	-	-	4.9
Strategic Commissioning and Business Support	206.7	(27.3)	-	179.4
Older People and Physical Disabilities	439.4	(39.4)	-	400.0
Learning Disabilities and Mental Health Services	246.9	(24.6)	-	222.3
Internal Provision and Front Door	2067.7	(15.6)	-	2,052.1
Governance, Safeguarding and Quality	54.7	(0.7)	-	54.0
Total Adult Social Care	**3,020.3**	**(107.6)**	**-**	**2,912.7**

Review of Fees and Charges 2017/18 – Adult Social Care Department

	Revised Income Budget 2016/17 £'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)*	4,200	574.28	16.0	
April 2017				604.87
Oct 2017				635.46
April 2018				666.12
Residential Care for Older People (per week)*	3,991	518.21	16.0	
April 2017				545.86
Oct 2017				573.51
April 2018				601.09
Residential Care for Dementia (per week)*	In above	560.00	16.0	
April 2017				589.89
Oct 2017				619.78
April 2018				649.60
Residential Care for Adults with a Learning Disability (per week)	99	980.00	1.2	991.76
Orchard Close (per standard week)	7	819.00	1.2	828.87

	Revised Income Budget 2016/17	Current Charge	Proposed Increase	Proposed New Charge
Meals on wheels	960	3.95	15.2	4.55

Discretionary Charges:

Service 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%

*16% increase proposed to be phased in equally over three six monthly intervals