

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Adult Social Care and Health
Date:	17 January 2018
Title:	2018/19 Revenue Budget Report for Adult Social Care
Report From:	Director of Adults' Health and Care and Director of Corporate Resources – Corporate Services

Contact name: Graham Allen, Director of Adults' Health and Care
Dave Cuerden, Finance Business Partner

Tel: 01962 845875 **Email:** graham.allen@hants.gov.uk
01962 847473 dave.cuerden@hants.gov.uk

1. Recommendation(s)

To approve for submission to the Leader and the Cabinet:

- 1.1. The revised revenue budget for 2017/18 as set out in Appendix 1.
- 1.2. The summary revenue budget for 2018/19 as set out in Appendix 1.
- 1.3. The proposed fees and charges as set out in Appendix 2.

2. Executive Summary

- 2.1. The purpose of this report is to set out proposals for the 2018/19 budget for Adult Social Care in accordance with the Councils Medium Term Financial Strategy (MTFS) approved by the County Council in November 2017.
- 2.2. The deliberate strategy that the County Council has followed to date for dealing with grant reductions during the prolonged period of austerity is well documented. It involves planning ahead of time, making savings in anticipation of need and using those savings to help fund transformational change to generate the next round of savings.
- 2.3. 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 Departments in 2018/19. Any early achievement of resources from proposals during 2018/19 as part of the Transformation to 2019 (Tt2019) Programme will be retained by Departments to use for cost of change purposes.
- 2.4. The report also provides an update on the financial position for the current year. Overall the outturn forecast for the Department for 2017/18 is a budget under spend of £9.7m.

- 2.5. The proposed budget for 2018/19 analysed by service is shown in Appendix 1.
- 2.6. The report also reviews the level of charges for the provision of services which require approval and provides a summary of these charges in Appendix 2.
- 2.7. This report seeks approval for submission to the Leader and Cabinet of the revised budget for 2017/18 and detailed service budgets for 2018/19 for Adult Social Care within the Adults' Health and Care Department. The report has been prepared in consultation with the relevant Executive Members and will be reviewed by the Health and Adult Social Care Select Committee. It will be reported to the Leader and Cabinet on 5 February 2018 to make final recommendations to County Council on 22 February 2018.

3. Context and Priorities

- 3.1. 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 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) with any early achievement of savings proposals retained by Departments to use for cost of change purposes, cashflow the delivery of savings or offset service pressures.
- 3.2. The County Council's early action in tackling its forecast budget deficit over the prolonged period of austerity and providing funding in anticipation of further reductions, has placed it in a very strong position to produce a 'steady state' budget for 2018/19, giving itself the time and capacity to develop and implement the Tt2019 Programme to deliver the next phase of savings totalling £140m. This also avoids the worst effects of sudden and unplanned decisions on service delivery and the most vulnerable members of the community. Consequently there are no departmental savings targets built into the 2018/19 budget. However, other factors will still affect the budget, such as council tax decisions and inflation.
- 3.3. In 2016 the Local Government Finance Settlement provided definitive figures for 2016/17 and provisional figures for local authorities for the following three years to aid financial planning for those authorities who could 'demonstrate efficiency savings'. Following acceptance by the Department for Communities and Local Government (DCLG) of the County Council's Efficiency Plan for the period to 2019/20 the expectation was for minimal change for 2018/19 and 2019/20. No figures have been published beyond this date and there remains uncertainty around the Fair Funding Review and the future of 100% Business Rate Retention.
- 3.4. The Medium Term Financial Strategy (MTFS) approved by the County Council in November 2017 flagged that the Budget in November might contain some additional information that could impact our planning assumptions, for example around public sector pay and council tax referendum limits.

- 3.5. In overall terms, the announcements in the Budget had very little impact on the revenue position reported in the MTFs, although there were some welcome announcements in respect of the Community Infrastructure Levy and Section 106 Developer Contributions.
- 3.6. Since the Budget was announced there has been a two year pay offer for local government workers, which includes a 'core' increase of 2% and changes to the lower pay scales to reflect the impact of the National Living Wage. The overall increase in the pay bill could be in the region of 6% over the two years, and is above the allowances made within the MTFs. Depending on the final pay award that is agreed this could mean additional recurring costs of circa £5m will need to be met.
- 3.7. The offer of a four year settlement provided greater but not absolute funding certainty and the provisional Local Government Settlement announced on 19 December confirmed the grant figures for 2018/19 in line with the four year settlement. The other key elements of the provisional settlement were:
- The 'core' council tax referendum limit was increased from 2% to 3% for all authorities for the next two years (each 1% increase in council tax equates to approximately £5.7m). The arrangements for the social care precept remain unchanged.
 - Ten new 100% Business Rate Pilots were announced, one of which was for Portsmouth, Southampton and Isle of Wight Unitary Councils.
 - A Fair Funding Review consultation was announced as part of the settlement which is expected to be implemented in 2020/21.
 - A potential move to at least 75% Business Rate Retention is also planned for 2020/21, but still on the basis of fiscal neutrality.
 - No new announcements of funding for social care above those that we are already aware of but the Green Paper for adult social care is due to be published in summer 2018.
- 3.8. The key announcement related to the new referendum limit for council tax and this will be considered by Cabinet as part of the budget setting process in February.
- 3.9. Adults' Health and Care has been developing its service plans and budgets for 2018/19 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.

4. Departmental Challenges and Priorities

- 4.1. The national long term financial forecast for Adult Social Care continues to be challenging despite additional non recurrent funding being made available to Local Authorities for 2017/18 through to 2019/20. In Hampshire this short term funding has been an invaluable resource to influence and implement much needed system change. However, it is too early to be confident that the funding will have a discernible positive impact on the underlying increase in demand for clients requiring adult social care services.

- 4.2. At the same time Adult Social Care budgets face demand pressures in the form of both volume and complexity of clients the Department is also required to be innovative in its engagement with providers to maintain prices at a sustainable and affordable level. The need to maintain a fair price for services purchased from provider partners is critical for the stability of this market which in turn will allow the Department to ensure adequate services remain available to meet client needs into the future.
- 4.3. The Department continues to manage the budget facing these pressures whilst at the same time there is an increasing requirement to reduce cost to offset reductions in overall Council funding. In respect of the latter the full Tt2017 saving of £43.1m has been removed from the budget for 2017/18, with a further £55.9m set to be removed in 2019/20 in respect of Tt2019. However, these reductions in funding will be offset, in part, by additional annual investments of approximately £11m to mitigate known areas of growth.
- 4.4. Overall, in the last two years, the Department have been able to report a significantly more positive position than had been previously forecast. This has been evidenced through greater achievement on Tt2017, (as highlighted in 5.3) and significantly less call on corporate support which has allowed the Department to accrue greater levels of Cost of Change. This has been achieved through the adoption of a challenging transformation programme that at its core has been particularly successful in enabling; Social Workers to adopt a strength based approach, increased use of technology and increased supported living as an alternative to high cost residential care.
- 4.5. 2017/18 has been a period of significant change and challenge for the Department not least with the bedding in of the joining of Adult Social Care and Public Health Departments and the commencement of a new organisational design. In regard of the latter 2017/18 has seen the arrival of a new structure, that is fully funded and that is supported by adequate controls and approvals to ensure that the budget can be managed effectively. This has been seen to be successful to date with a minor under spend forecast on the operational staffing budget.
- 4.6. 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. Whilst there continues to be significant levels of vacancies that are covered through higher cost agency staff this issue has continued to lessen significantly during 2017/18. This is primarily due to improved permanent recruitment to vacant posts and more efficient rostering of staff. The budget for 2018/19 is set on the basis of a full establishment and cover for absence and vacancies in accordance with CQC regulations.
- 4.7. The demand from people of working age with physical and learning disabilities is growing more rapidly and although positive 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. Whilst in the medium term, this represents the fastest growing pressure on Adult Social Care budgets the Department are focussing efforts through the Tt2017 and Tt2019 programmes to minimise the impact of this pressure whilst improving outcomes and life experiences for service users.

4.8. The governments' commitment to the National Living Wage continues to have a substantial impact on the purchased care budget. From April 2018 it will increase from £7.50 to £7.83 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 2018/19 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 all in year price pressures pertaining to the National Living Wage including those arising from sleep in care.

4.9. 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 2017/18, which the Department is mitigating through:

Additional one off funding from:

- Integrated Better Care Fund, (IBCF)
- Adult Social Care Support Grant, in addition to recurrent funding through:
- Corporate Support made available in year.

This underlying pressure is forecast to be carried into 2018/19 where in some part it will continue to be offset by one off funding but a greater proportion will require utilisation of the available corporate support 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.

4.10. The Department is faced with care pressures arising both from the changing demography and complexity of clients, as well as the complex factors, such as tougher regulation, that change the nature of the market in which suppliers and the County Council engage. We continue to experience shortages in the availability of Residential and Nursing care at the County Council's 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. To stabilise this market additional funding has been identified through the IBCF to increase the rates paid to all providers of Residential and Nursing care to clients that have a physical disability and or are older persons. Whilst the financial impact of this increase will be recurrent, the IBCF funding is only short term until 2019/20 when the pressure will be met from within the available corporate support. In 2018/19 a review of the Department's standard rates for older persons will be concluded and implemented.

- 4.11. The purchase of care for clients within their own home continues to be a challenging area for the Department. During 2018/19 the Department is 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 three years. In some part this should be offset through the work the Department is engaged in with Tt2019 to free up provider capacity by enabling greater independence of clients to better meet their own needs. Furthermore, within the new framework the Department is committed to improving relationships with providers through streamlining and simplifying the transactional engagement with them. A new process for making payments is expected to be introduced during 2018/19.
- 4.12. The two issues above adversely affect the Department's capacity to support flow from NHS hospitals, as pressure is maintained to reduce the number of delayed transfers of care (DToC) in line with the jointly agreed trajectory. To address the national deterioration in DToC an improvement at a local level became a dependency for the additional IBCF funding from 2017/18. Even though Hampshire's performance has improved, and the County Council has contributed significantly to this, local delivery on DToC continues to be challenging and may affect the level of future IBCF allocations. The local DToC performance is being monitored closely by the government through quarterly IBCF performance outcome statements and DToC returns from the NHS. In addition it is confirmed that Hampshire is one of the selected systems that will be subject to a local system review by the Care Quality Commission (CQC) in early 2018. Given the profile of DToC in the last year, it is essential that the steps the Department has implemented or has committed to take, including working more closely and more effectively with key system partners, does result in continued performance improvements in this challenging arena.
- 4.13. The Integrated Better Care Fund, (IBCF) additional allocation for the County Council was £17.0m in 2017/18, with £13.4m in 2018/19 and £6.7m the final year, 2019/20. In June 2017 the spending plan for the full amount was approved at the Health and Wellbeing Board and subsequently agreed by the DCLG. The spending plan addresses each of the three key streams for which the funding was provided.
- Meeting Adult Social Care Needs
 - Stabilise the Social Care Provider Market
 - Reduce pressures in the NHS

Progress on these schemes has been steady and it is expected that the 2017/18 allocation will be spent in full by the end of the year.

- 4.14. The other key priority is the Adults' Health and Care Transformation Programme, which is on schedule to complete the delivery of the full £43.1m Tt2017 savings by April 2018 and this is reflected accordingly within the proposed budget for 2018/19. For Tt2019 the Department have developed a programme to deliver savings of £55.9m as presented in the Medium Term Financial Strategy Update and Transformation to 2019 Savings Proposals report that went to Cabinet in October 2017. Progress on this programme has

been firm with early cash savings of £0.7m achieved in 2017/18 and £8.6m expected to be achieved in 2018/19.

5. 2017/18 Revenue Budget

- 5.1. The cash limited budget for 2017/18 includes early achievement of cash savings for Tt2019 of £0.7m. 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.
- 5.2. Enhanced financial resilience reporting, which looks not only at the regular financial reporting carried out in previous years but also at potential pressures in the system and the achievement of savings being delivered through transformation, has continued through regular reports to the Corporate Management Team (CMT) and periodic reports to Cabinet.
- 5.3. It was agreed with Cabinet for Adults Health and Care to defer achievement of £13.1m Tt2017 savings to 2018/19 with the shortfall in 2017/18 being covered from the Departments' cost of change reserves. It is currently forecast that the cash saving shortfall in 2017/18 will only be £8.4m with full achievement expected for 2018/19. This has enabled the Department to retain a greater than expected proportion of the cost of change reserve to meet future Tt2019 costs. In light of the Departments' highly positive Tt2017 position to date and the level of confidence that the full saving will accrue in 2018/19 work is currently being undertaken to formally close the Adults Health and Care Tt2017 programme before the close of the year.
- 5.4. The forecast outturn for 2017/18 is a budget under spend of £9.7m. This favourable position is entirely within non recurrent budgets held within the Department and reflects the proportion of cost of change reserve brought into the year that is not required to meet either a savings shortfall or transformation costs. The net position on the Departments' service budgets is breakeven, although there are some key variances outlined below in paragraph 5.5.
- 5.5. The main recurrent pressures in 2017/18 relate to the provision of care, both purchased and provided in house with pressures of £3.4m and £2.3m respectively. However in year these have been offset by non recurrent funding made available through the "Meeting Social Care Needs" workstream of from the increased Integrated Better Care Fund, (IBCF) of £4.0m. The balance of £1.7m is offset from various savings across the Departments' non care budgets.
- 5.6. In addition, to reach this reported position the Department have utilised £2.1m of the £10.0m available recurrent corporate support and £4.8m from the one off Adult Social Care Support grant in 2017/18.
- 5.7. The budget for Adult Social Care has been updated throughout the year and the revised budget is shown in Appendix 1.

6. 2018/19 Revenue Budget Pressures and Initiatives

- 6.1. The Departments' budget has been reviewed in detail as part of the 2018/19 budget preparation process. Significant recurrent contingencies are not being

held by the Department as all available recurrent funding has been allocated to service budgets to meet the assessed cost for 2018/19. However, the Department is budgeted to hold centrally a proportion of the 2018/19 IBCF allocation and the planned early savings from Tt2019.

- 6.2. As with previous years the significant likely pressure in 2018/19 will come from care provision, both in house and purchased. This pressure will materialise through increases in demand and complexity of clients, and through the cessation of one off funding available in 2017/18, as highlighted in 5.5 and 5.6 above. Despite this the expected pressure is expected to be met in full from the available corporate support in 2018/19 and if required will be subject to a base budget adjustment into the Department.
- 6.3. The current growth forecast for demand pressures and reductions in one off funding for later years are both expected to be contained through the planned growth in available corporate support for the next three years.

7. Revenue Savings Proposals

- 7.1. In line with the current financial strategy, there are no new savings proposals presented as part of the 2018/19 budget setting process. Savings targets for 2019/20 were approved as part of the MTFs to 2020 by the County Council in July 2016. Detailed savings proposals to meet these targets have been developed through the Tt2019 Programme and were approved by Executive Members, Cabinet and County Council in October and November this year.
- 7.2. Some savings will be implemented prior to April 2019 and any early achievement of savings in 2018/19 can be retained by Departments to meet cost of change priorities. During the preparation of the 2018/19 budgets it was anticipated that £8.6m of savings would be achieved in year. This has been reflected in the detailed estimates contained in Appendix 1.

8. 2018/19 Review of Charges

- 8.1. For Adult Social Care, the 2018/19 revenue budget includes income of £59.6m from fees and charges to service users. This is a decrease of £0.4m (0.6%) on the revised budget for 2017/18.
 - A £1.1m reduction in income as a direct consequence of care volumes reducing to meet the Tt2017 and Tt2018 savings programmes.
Which is offset by;
 - £0.4m 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, as agreed in January 2017.
 - £0.3m general increase in client income due to benefits increases.
- 8.2. Details of current and proposed fees and charges for 2018/19 where approval is sought for changes are outlined in Appendix 2. The Department will work with individuals affected to support them in understanding their choices and making decisions about how they wish to manage their support.

9. Budget Summary 2018/19

- 9.1. 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 £396.0m which includes budgets for Adult Social Care, (£343.1m) and Public Health, (£52.9). This report focusses on Adult Social Care with Public Health being covered in a separate report.
- 9.2. Appendix 1 sets out a summary of the proposed budgets for the service activities provided by the Department for 2018/19 and show that these are within the cash limit set out above.
- 9.3. 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:

	2018/19	
	£'000	£'000
Cash Limited Expenditure	441,537	
Less Income (Other than Government Grants)	(98,430)	
Net Cash Limited Expenditure		343,107
Funded in part by the following Government Grants:		
• Local Community Voices Grant	(218)	
• Independent Living Fund	(4,210)	
• Better Care Fund	(8,412)	
• Improved Better Care Fund	(13,437)	
• War Widows Pension Grant	(539)	
Total Government Grants		(26,816)
Total Net Expenditure		316,291

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	Yes
People in Hampshire live safe, healthy and independent lives:	Yes
People in Hampshire enjoy a rich and diverse environment:	Yes
People in Hampshire enjoy being part of strong, inclusive communities:	Yes

Other Significant Links

Links to previous Member decisions:	
<u>Title</u>	<u>Date</u>
Transformation to 2019 – Revenue Savings Proposals (Executive Member for Adult Social Care) http://democracy.hants.gov.uk/documents/s6200/2017-09-21%20-%20Transformation%20to%202019%20Revenue%20Savings%20Proposals%20Report_HF000014712061.pdf	21 September 2017
Medium Term Financial Strategy Update and Transformation to 2019 Savings Proposals (Cabinet) http://democracy.hants.gov.uk/documents/s8298/Decision%20Record.pdf	16 October 2017
Budget Setting and Provisional Cash Limits 2018/19 (Cabinet) http://democracy.hants.gov.uk/documents/s9665/Budget%20Report.pdf	11 December 2017
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>
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.)

<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:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- 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 2018/19 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 2019 Programme were considered in detail as part of the approval process carried out in October and November 2017 and full details of the Equalities Impact Assessments relating to those changes can be found in Appendices 4 to 7 in the October Cabinet report linked below:

<http://democracy.hants.gov.uk/mgAi.aspx?ID=3194#mgDocuments>

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.

Climate Change:

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

No impact has been identified.

- 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 2018/19 – Adults' Health and Care Department

Service Activity	Original Budget 2017/18 £'000	Revised Budget 2017/18 £'000	Proposed Budget 2018/19 £'000
Director			
Director	1,535	1,312	1,277
Strategic Commissioning and Business Support			
Strategic Commissioning	17,399	18,884	18,061
Transformation			
Transformation	2,917	3,949	3,443
Older People and Physical Disabilities			
Older People and Physical Disabilities Community Services	123,829	119,041	125,609
Learning Disabilities and Mental Health Services			
Learning Disabilities Community Services	103,194	104,255	105,474
Mental Health Community Services	17,742	16,795	16,947
Contact Centre	0	706	665
Internal Provision			
Internal Provision	34,176	35,492	36,696
Reablement	10,868	11,341	11,408
Governance, Safeguarding and Quality			
Safeguarding	3,455	3,637	3,591
Centrally Held	(12,968)	29,350	19,936
Total Adult Services	302,147	344,762	343,107
Public Health	53,440	53,440	52,876
Net Cash Limited Expenditure	355,587	398,202	395,983

Review of Fees and Charges 2018/19 – Adults' Health and Care

	Income Budget 2018/19	Current Charge	Planned Charge (approved by Full Council Feb 2017)	Proposed Increase	Proposed New Charge
	£'000	£	£	%	£
Mandatory/National Charges:					
Full cost weekly charge (HCC in-house residential and nursing establishments, including respite services)					
Nursing Care for Older People (per week)	5,297	635.46	666.12	2.4	682.08
Residential Care for Older People (per week)	6,278	573.51	601.09	2.4	615.51
Residential Care for Dementia (per week)	In above	619.78	649.60	2.4	665.14
Residential Care for Adults with a Learning Disability (per week)	99	991.76	N/A	2.4	1,015.56
Orchard Close (per standard week)	-	828.87	N/A	2.4	848.75
Meals on Wheels	1,196	4.55	N/A	2.6	4.67

Discretionary charges:

Service user charges for non residential care (chargeable services) are calculated on the actual cost of care provided to service users.

In line with Corporate Policy based on an assumed CPI, all discretionary charges will be increased by an inflation rate of 2.4%