1. EXECUTIVE SUMMARY

1.1 Cabinet will present their revenue budget and council tax proposals to Budget Council on 22nd February 2017. A balanced budget will be set in accordance with the Local Government Finance Act 1992.

1.2 This report sets out the budget proposals for the services covered by this Policy and Accountability Committee (PAC). An update is also provided on any changes in fees and charges.

1.3 Government resource assumptions, that are used to calculate LBHF’s Government grant, model the council increasing council tax by 4% per year. However, in line with the administration’s policy of lowering the cost of the council to residents, this increase has not been proposed. Instead, the budget proposes to freeze council tax for the year.
2. **RECOMMENDATIONS**

2.1. That the Policy and Accountability Committee (PAC) considers the budget proposals and makes recommendations to Cabinet as appropriate.

2.2. That the PAC considers non-standard changes in fees and charges and makes recommendations as appropriate.

3. **SMARTER BUDGETING**

3.1 Since January 2016 the Council has adopted a new way of looking at how it spends money providing services for residents. The ‘Smarter Budgeting’ programme has focussed on developing service and cost improvement ideas to bridge the budget gap created by a reducing Government grant, new unfunded pressures from Government, inflation, and demographic changes.

3.2 Eight outcomes have been agreed with a team focussed on service improvements and efficiency opportunities for each outcome. The outcomes are:

- Economic Growth
- The best start in life for children
- Resident involvement
- Decent homes
- Reducing homelessness
- Supporting vulnerable adults
- Safer and healthier place
- Cleaner, greener, sustainable borough

A similar approach has been adopted for reviewing support services (enabling activities).

3.3 Budgets and spend has been mapped against each of the outcomes. The teams have worked together to: analyse their cost base and activities; identify new and innovative ideas; and, develop the ideas into business cases to help meet our financial challenges and improve services for residents.

3.4 Since Smarter Budgeting began brainstorming sessions have been held to generate new ideas for initiatives and money-saving exercises across the business involving staff as well as our partners. We’ve held workshops to investigate those ideas and ensure they were joined up across the council, eliminating duplication, increasing commercial acumen and putting collaboration at the forefront of our thinking.

3.5 For each outcome, a number of business cases have been developed. These include identifying new sources of income, service improvement and savings. Work is on-going to further develop and analyse proposals and the savings identified are included in this report. A case study from the Smarter Budgeting programme is set out below.
3.6 The Smarter Budgeting Programme provided a mandate for transformational service re-design. It also is supported by a corporate approach to resource management. The programme structure provided a systematic system to explore, develop and define business cases through 2016. This provided invaluable direction and support to Adult Social Care, the lead for Outcome 6 (Supporting Vulnerable Adults).

3.7 The Smarter Budgeting Programme steered the outcomes group toward a radical rethink on how front door, health and wellbeing prevention services for vulnerable adults could be re-imagined, within the context of very limited remaining opportunities to deliver further savings through price reduction or LEAN working.

3.8 Four interconnected business cases were developed based on the following strategy:

- A single commissioning strategy that brings together ASC, Public Health, Corporate and Clinical Commissioning Group (CCG) funding.
- Refocusing services towards targeted prevention, short term interventions and priority outcomes.
- Simplifying the front door system through digital development, self-service and alignment and transfer of ASC business needs to lead provider, health, and corporate front doors.
- Extending the focus on delivering a community and asset based model of service delivery.
- Establishing a cross sector analytical and demand management function.
- Ensuring the new service offer works to help reduce growing demand for care and support services

3.9 Very quickly all the opportunities that were put on the table through this rethink were developed and built into a new transformation Programme and associated savings commitments. The Department is committed to promoting independence for service users and emphasis has been placed on a community and asset model of service which aims to promote independence and where possible delay use of more expensive forms of care.

A number of initiatives were attributed to this delivery model and for 2017/18 savings totalling £0.923m are in the process of being achieved through the re-prioritisation of funding toward the priorities of this programme. The Directorate programme is led by sovereign priorities and choices but is being delivered across the Department to the same overarching principles.

Analytical work and options generation is now underway and the programme aims to deliver £1.523m of savings over the next 2 years through a focus on a major redesign and re-procurement exercise by
offering a range of services to be jointly commissioned by Health and Social Care or the third sector

3.10 There are three key challenges associated with delivering the programme from here;

- stakeholder management, particularly through the significant level of service de-commissioning that will be required
- bringing health funding and relevant resources within the scope of the re-commissioning work stream so a fully integrated approach is taken
- co-producing the future service offer with customers, some of whom will have developed a strong attachment to the current service offer that may be changing

4. THE BUDGET GAP

4.1 The 2017/18 budget gap, before savings, is £14.4m, rising to £46.3m by 2020/21.

Table 1: Budget Gap Before Savings

<table>
<thead>
<tr>
<th></th>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21</th>
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<tr>
<td><strong>Base Budget</strong></td>
<td>£160.4</td>
<td>£160.4</td>
<td>£160.4</td>
<td>£160.4</td>
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<tr>
<td><strong>Add:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Inflation (includes pay)</td>
<td>2.8</td>
<td>6.3</td>
<td>9.7</td>
<td>13.1</td>
</tr>
<tr>
<td>- headroom for future pressures</td>
<td>0</td>
<td>3.0</td>
<td>6.0</td>
<td>9.0</td>
</tr>
<tr>
<td>- Growth</td>
<td>7.3</td>
<td>7.1</td>
<td>7.1</td>
<td>7.1</td>
</tr>
<tr>
<td><strong>Budgeted Expenditure</strong></td>
<td>170.5</td>
<td>176.0</td>
<td>182.4</td>
<td>188.8</td>
</tr>
<tr>
<td><strong>Less:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Government Resources</td>
<td>(42.3)</td>
<td>(32.9)</td>
<td>(26.3)</td>
<td>(22.5)</td>
</tr>
<tr>
<td>- LBHF Resources</td>
<td>(111.8)</td>
<td>(114.8)</td>
<td>(116.8)</td>
<td>(118.0)</td>
</tr>
<tr>
<td>- Use of Developer Contributions</td>
<td>(2.0)</td>
<td>(2.0)</td>
<td>(2.0)</td>
<td>(2.0)</td>
</tr>
<tr>
<td><strong>Budgeted Resources</strong></td>
<td>(156.1)</td>
<td>(149.2)</td>
<td>(144.3)</td>
<td>(142.4)</td>
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<tr>
<td><strong>Cumulative Budget Gap Before Savings</strong></td>
<td>14.4</td>
<td>26.8</td>
<td>38.1</td>
<td>46.3</td>
</tr>
<tr>
<td><strong>Risks</strong></td>
<td>22.7</td>
<td>27.4</td>
<td>29.5</td>
<td>30.9</td>
</tr>
</tbody>
</table>
Resources Assumptions

4.2 A cash cut in **central government funding** of £8.1m from 2016/17 to 2017/18. By 2020/21 a further reduction of £19.8m is forecast.

4.3 **A Council Tax freeze** is modelled with no use of the adult social care precept. Authorities can opt to levy a maximum adult social care precept of 3% in 2017/18 and up to 6% by 2019/20. A 3% precept would raise £1.65m for LBHF. Central Government grant assumptions are based on LBHF raising council tax and the precept by a combined 4% per year to 2019/20. The administration, however, has a commitment to reduce the cost of the council to residents and will be resisting this.

4.4 **Business rates** are modelled to increase with inflation with allowance made for the Westfield expansion. The Westfield expansion is expected to open in October 2017 with floor space increasing by 40%. An allowance of £3m per annum (£0.75m in 2017/18) is made for the potential Hammersmith and Fulham share (30%)\(^1\) of the extra business rates income from the Westfield expansion.

4.5 A business rates revaluation, undertaken by the Valuation Office (central government) is effective from 1 April 2017. Gross Rateable Value in Hammersmith and Fulham is expected to increase by a total of 36% - our current baseline is £428m. The Council is deeply concerned about how this will impact local businesses. In addition, the rate increase will disadvantage the council, as it has to pay extra rates on its properties and will need to set aside extra sums for appeals from businesses. The Council gets no benefit from the extra income generated as it is redistributed to other parts of the country. The implications of the revaluation continue to be worked through.

4.6 **Property developments** have placed increased pressure on council services in recent years. The budget strategy provides for use of £2m of developer contributions to support relevant expenditure arising from developments.

5 **GROWTH, SAVINGS AND RISKS**

5.1 The growth and savings proposals for the services covered by this PAC are set out in Appendix 1 with budget risks set out in Appendix 2.

Growth

5.2 Budget growth is summarised by Service Area in Table 2.

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\(^1\) Under the current rates retention scheme Hammersmith and Fulham retains 30% of business rates growth. 50% is payable to Government and 20% to the Greater London Authority (GLA). In 2017/18 the Hammersmith and Fulham share will remain 30%. The split between the GLA and Government will change as the Government devolves more funding streams to the GLA. The GLA share will become 37% and the Government 39%. 
Table 2: 2017/18 Growth Proposals

<table>
<thead>
<tr>
<th>Service Area/ Outcome</th>
<th>£’m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult Social Care</td>
<td>4.413</td>
</tr>
<tr>
<td>Children’s Services</td>
<td>0.739</td>
</tr>
<tr>
<td>Environmental Services</td>
<td>0.255</td>
</tr>
<tr>
<td>Housing</td>
<td>0.230</td>
</tr>
<tr>
<td>Enabling/Council wide</td>
<td>1.712</td>
</tr>
<tr>
<td>Total Growth</td>
<td>7.349</td>
</tr>
</tbody>
</table>

5.3 The growth proposals include use of a new one-off Adult Social Care Support Grant of £0.922m and an ongoing increase in support through the Better Care Fund of £0.831m.

Savings

5.4 The council faces a continuing financial challenge due to overall Central Government funding cuts, unfunded burdens, inflation, and growth pressures. The budget gap will increase in each of the next three years if no action is taken to reduce expenditure, generate more income through commercial revenue or continue to grow the number of businesses in the borough.

5.5 To close the budget gap for 2017/18 savings (including additional income) of £14.9m are proposed (Table 3).

Table 3: 2017/18 Savings Proposals

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Savings £’m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enabling services (back office costs)</td>
<td>(7.108)</td>
</tr>
<tr>
<td>Increased income from Adult Learning and Skills</td>
<td>(0.095)</td>
</tr>
<tr>
<td>Children’s Services</td>
<td>(1.870)</td>
</tr>
<tr>
<td>Libraries</td>
<td>(0.382)</td>
</tr>
<tr>
<td>Housing</td>
<td>(1.256)</td>
</tr>
<tr>
<td>Adult Social Care</td>
<td>(1.885)</td>
</tr>
<tr>
<td>Environmental Services</td>
<td>(0.290)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>Public Health Investment</td>
<td>(2.000)</td>
</tr>
<tr>
<td>Total All savings</td>
<td>(14.886)</td>
</tr>
<tr>
<td>Less savings accounted for in</td>
<td>0.475</td>
</tr>
<tr>
<td>the grant/resource forecast²</td>
<td></td>
</tr>
<tr>
<td>Net Savings</td>
<td>(14.411)</td>
</tr>
</tbody>
</table>

**Budget Risk**

5.6 The Council’s budget requirement for 2017/18 is £156.1m. Within a budget of this magnitude there are inevitably areas of risk and uncertainty particularly within the current challenging financial environment. The key financial risks that face the council have been identified and quantified. They total £22.7m. Those that relate to this PAC are set out in Appendix 2.

**6 FEES AND CHARGES**

6.1 The budget strategy assumes:

- Adult Social Care, Children’s Services, Parking, Libraries and Housing charges frozen
- A standard uplift of 1.8% based on the August Retail Price index for other charges
- Case by case review for commercial services that are charged on a for-profit basis. These will be varied up and down in response to market conditions, with relevant Member approval.

**2017/18 COUNCIL TAX LEVELS**

7.1 The administration proposes to freeze the Hammersmith and Fulham’s element of 2017/18 Council Tax at £727.81 this will provide a balanced budget whilst recognising the burden on local taxpayers.

7.2 The Mayor of London’s draft budget is currently out for consultation (increase from £276.00 to £280.02) and is due to be presented to the London Assembly on 25th January, for final confirmation of precepts on 20th February.

7.3 As part of the Provisional Local Government Finance Settlement the government announced that authorities can charge a 3% adult social care precept. Council does not wish to apply this tax to residents, so it does not form part of the 2017/18 budget proposals.

² The council has undertaken business intelligence projects that have generated extra grant and council tax income of £0.475m. These are shown within the resource forecast.
7.4 Following last year’s council tax freeze, the current Band D Council Tax charge is the 3\textsuperscript{rd} lowest in England\textsuperscript{3}. The Band D charge for Hammersmith and Fulham is the lowest since 1999/2000.

8 Comments of the Executive Director for Adult Social Care on the Budget Proposals

8.1 Budget Context

- There continues to be major changes which will have a dramatic impact on the shape and size of the Adult Social Care budget:

- The number of people using our services and the levels of support they need continues to increase, bringing pressure to our budgets.

- The care market across inner London is particularly fragile and the ADASS work highlights inner London as having significant pressures across all care groups. There are several reasons why this is the case; acuity and level of complexity is increasing alongside demographic changes; workforce pressures from future increases in London Living Wage, National Living Wage, housing costs, retention, and quality of staff; improvement in the rigour of CQC regimes; prices have been driven down over the last few years and this lack of investment has compounded the markets’ ability to rise to the above challenges.

- The Care Act places broad duties on Local Authorities to ensure the care market is sustainable and diverse. To ensure full compliance of this duty, the Council must ensure that consideration is given to pressures in the care market around fees and contract uplifts. The Department must take steps to mitigate these pressures. Refusing or ignoring inflationary requests means non-compliance to the Care Act and this in turn will lead to greater risk of provider failure and withdrawal from the market. This will be counterproductive and it would be difficult to manage & influence the market to ensure its sustainability.

8.2 Spending Review

- The last Spending Review announced an increase in the Better Care Fund (BCF) with an anticipated increase from 2017/18. The Local Government Finance settlement announcement has provisionally allocated H&F £0.831m for the BCF and we are awaiting guidance on the conditions for spending this grant. The expectation is that this plan will need to follow a joint integration approach which contains improvements to the BCF but it is expected to be ring fenced to social care

\textsuperscript{3} Excluding the Corporation of London
The BCF also includes the “Social Care to Benefit Health” funding which local authorities have received for the past five years and which is being used to sustain local social services.

- The local BCF Plan has signalled agreement on the direction of travel by Cabinet members and CCG Chairs. We are looking to fundamentally transform the quality and experience of care across health and social care over the next five years. The proposal is to create new joined up support and care within communities. The BCF document sets out investment from Health for a new Community Independence Service, which commenced in November 2016, to deliver a joint service model. We are looking to drive reductions in emergency admissions to hospital and the demand for residential and nursing care, which are expensive, and instead support customers to remain in their own homes. Investment from Health, in partnership with the Council, is vital to the sustainability of Adult Social Care.

- The Local Government settlement has announced a new Adult Social Care support grant for 2017/18 only through a redirection of the New Homes Bonus Grant funding. The provisional allocation for H&F ASC is £0.922m. Budget Council will recommend that this funding be used as additional growth to mitigate budget pressures within the service – highlighted in paragraph 8.4

8.3 Adult Social Care Savings Strategy

- Our future savings plan is transformational and aims to deliver change at a time of increasing demand, uncertainty, and risk. Many of the proposed savings require partnership working with Health, Housing and service providers. Delivery will be supported by three programmes of work that focus on: our front door and prevention services, commissioned care and support services and whole systems service integration. We will work to re-design services so that they more effectively support independence, prevent demand for high cost health and social care services and meet the outcomes that are most important to our customers. Extending choice and control to more customers through Direct Payments is a key focal point. We are also working to make further efficiency savings by joining up back office and social work services with health and continuing to jointly commission services.

- The overall savings plan to Adult Social Care services totals £2.5m of which £0.189m relate to enabling cross cutting measures and £0.426m is investment funding from Public Health. ASC outcome 6 supporting vulnerable adult’s savings totals £1.885m.

- Enabling residents to remain in their home for as long as possible is an important strategy for ASC going forward. The savings relating to this strategy total £0.200m and involve a review of operating models with high value providers as a means of improving personalisation services and moving away from more traditional ways of service delivery. Another
measure which will enhance the move away from the traditional method of service provision is the procurement and implementation of a dynamic purchasing system. This system will allow a wider access to the market and best price in an automated way. It is estimated this will deliver £0.200m worth of savings.

- Adult Social Care has several services which are provided in house using Council resources and run by Council staff. These services include day care, respite and community support. The aim of this savings initiative is to ensure that the services will be delivered with leaner delivery business model, gaining community input by enhancing options surrounding community based delivery option. This would help to ensure the service is provided while having satisfied value for money criteria. It is estimated that this would deliver savings of £0.200m.

- A review of care pathways across all customer groups also aims to provide alternative housing solutions to support independent living and prioritise preventative services with the aim of reducing / delaying the need for a long term home care or residential care. This is expected to deliver savings of £0.579m.

- Other savings under the Tactical strategic and transformational Commissioning programme total £0.222m includes the need to make the service more efficient by ensuring that all payments are for activities undertaken against an agreed and assessed needs of a customer.

- The Combined Front Door and Demand Management Programme £0.344m: The measure will seek to provide independence to the client first before any new or increase in care and support. The aim of this is to enable customers to stay at home for longer while meeting care needs by considering the use of adaptations, equipment and assistive technology before subscribing to any new or increase in long term care.

- Other savings plan totals £0.140m and consist of a review of workforce costs by reviewing spend on consultancy, agency, and interim costs.

8.4 Growth

The Department has reviewed its demographic, contractual and budget pressures and has identified growth requirements for 2017/18 of £4.413m

Underlying Budget Pressures

There are underlying budget pressures within Adult Social Care due to the ever changing demographic as customers are living longer and care needs become increasingly more complex. The total pressure is estimated to be £1.03m.

Home Care Packages and Direct Payment.
There are continued pressures within the Home Care Packages and Direct Payment budgets due to the commencement of the new price of home care contracts and the implementation of the out of hospital strategy to support customer are home and avoid hospital admission. This has a proposed growth of £0.820m.

**Transition of People with Learning Disabilities**

There is additional demand within Learning Disabilities. this is due in part to existing customers are living longer with acute health needs and new customers transferring from Children’s Services with expensive care packages as relevant budgets do not transfer with customers. This additional cost has been estimated at £0.360m.

**National Living Wage.**

The National Living Wage (NLW) will impact more on London with the workforce being captured by the increase in the minimum rate, there is likely to be a knock on effect with providers wanting to maintain differential rates between roles. Providers based outside London are likely to request a rise in contract pricing to cover the additional staffing costs associated with the National Living Wage of 3% year on year increases. This has been estimated at £0.400m.

**ASC element of Travel and Care**

Re-procurement of Transport contracts had led to an increase in costs to cover the impact of inflation, minimum wage increases and volume and quality increases. This has been estimated at £0.050m.

**Adult Social Care Support Grant.**

This is a one off grant of £0.922m for 2017/18. It is proposed that this grant will be used to mitigate future demographic pressures on Adult Social Care services. It is expected that these pressures will continue as the population gets older and we continue to experience increased number of clients in future financial years.

**Better Care Fund**

As part of the spending review, the Government announced additional growth in BCF Funding of £0.831m. The Department is proposing these additional monies be used to fund shortfalls within the budget due in part to the introduction of the London Living Wage and inflationary requests from providers being higher than anticipated.

Appendix 1 shows Savings and Growth Proposals

8.5 **Risks.**

Risks have been highlighted at £2.636m in the Integrated Care Division. The risk has been partly mitigated by the additional resources from the Better Care Fund and the one off new Adult Social Care Support Grant.
in 2017/18 detailed in section 8.4 Other mitigations are set out in Appendix 2.

- Demographic pressures on Adult Social Care services would continue to increase as the population gets older. We continue to experience increases in numbers during this financial year.

- Investment from Health through the Better Care Fund of £2.0m has not yet been agreed for 2017/18. There is uncertainty over future years funding as Health budgets are also under significant financial pressures.

- A residual risk of £0.236m is included in the risk schedule to highlight the shortfall in budget to cover inflationary requests from providers above that which has been built into the budget.

- Within the overall savings plans for 2017/18, there are assumed savings totalling £0.400m which are anticipated to arise from projects within the Transformational Commissioning Programme. These projects are challenging and there is a risk that the savings may not be fully realised.

8.6 Fees and Charges.

- The Council provides meal services to eligible customers at a subsidised rate of charge. Income from charging for meals services has made a small but significant contribution to funding Adult Social Care services.

- In December 2014, as part of the Council’s commitment to social inclusion, a review of the meals service arrangements was undertaken for both the service model and charging for the delivered meals. The cost of meals was reduced then from £3 to £2. For 2017/18, it is proposed that the charge per meal remains at £2 per meal.

- The Department is proposing no increase to Careline charges for 2017/18.

Appendix 3 shows the fees and charges exceptions table.

9 Equalities Implications

9.1 An Equality Impact Analysis (EIA) assesses the impacts on equality of the main items in the budget proposals relevant to this PAC. The draft EIA is attached (Appendix 4). A final EIA will be reported to Budget Council.
### LOCAL GOVERNMENT ACT 2000
### LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

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<th>No.</th>
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Appendix 1 – Savings and Growth Proposals

Appendix 2 – Risks

Appendix 3 - Fees and Charges Not Increasing at the Standard Rate

Appendix 4 – Draft Equality Impact Assessment