

London Borough of Hammersmith & Fulham

Report to: Children and Education Policy and Accountability Committee
Health, Inclusion and Social Care Policy and Accountability Committee

Date: 27/01/2021

Subject: 2021 Medium Term Financial Strategy (MTFS)

Report of: Cabinet member for Children and Education – Councillor Larry Culhane
Cabinet Member for Health and Adult Social Care – Councillor Ben Coleman
Cabinet Member for Finance and Commercial Services – Councillor Max Schmid

Responsible Directors: Director of Children’s Service – Jacqui McShannon
Strategic Director of Social Care – Lisa Redfern
Director of Finance – Emily Hill

Summary

Cabinet will present their revenue budget and council tax proposals to Budget Council on 24th February 2021. A balanced budget will be set in accordance with the Local Government Finance Act 1992.

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

Recommendations

1. That the joint Policy and Accountability Committee (PAC) considers the budget proposals and makes recommendations to Cabinet as appropriate.
 2. That the joint PAC considers the proposed changes to fees and charges and makes recommendations as appropriate.
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Wards Affected: All

H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
Being ruthlessly financially efficient	We need to always confirm that spend fits our Council’s priorities; challenge how much needs to be spent; and achieve results within agreed budgets. Finance is everyone’s business and every penny counts.

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Background Papers Used in Preparing This Report

Not Applicable

Proposals and detailed analysis

The budget requirement and gap

1. The gross General Fund budget¹ rolled forward to 2021/22 is £528m of which the **net budget requirement of £156.9m** is funded from council resources (such as council tax and business rates) and general government grant.

Table 1 – 2021/22 budget requirement

Budgeted expenditure	£m
Housing benefit payments	111
Departmental budgets	417
Gross budgeted expenditure	528
Less:	
Specific government grants (including housing benefits and dedicated schools grant)	(243)
Fees and charges	(67)
Contributions (e.g. health, other boroughs)	(44)
Other income (e.g. investment interest, rentals and recharges)	(17.1)
Budget requirement rolled forward to 2021/22	156.9

2. The budget proposals for 2021/22, and forecast to 2024/25, are summarised in Table 2. A balanced budget is proposed for 2021/22 with a contribution to general balances, arising from one-off/ non-recurrent benefits, to enhance financial resilience, of £1.1m and set aside of a contingency for unfunded Covid-19 pressures of £1.1m.
3. The medium-term financial forecast is subject to significant uncertainty and risk. Covid-19 has had an unprecedented impact on national and council finances. As part of the Spending Review 2020 (SR20) the Chancellor of the Exchequer set out the economic crisis resulting from Covid-19. Past experience of the government austerity programme indicates that the local authority sector may bear a disproportionate share of any future austerity measures, at the same time as experiencing increased demand. The government's so-called 'levelling-up' policy is also likely to result in a significant transfer of resources away from London despite the presence of high levels of deprivation in the capital that councils are tasked with addressing. The 2021/22 budget proposals are therefore mindful of these future financial threats.
4. The Covid-19 pandemic has emphasised that councils need an adequate safety net to manage increased levels of financial risk. The experience of several councils, including Croydon and Bexley in London, has shown the difficulties that can arise when reserves are not maintained at a sufficient level.

¹ Figures exclude capital charges and internal service level agreements. These have a net nil impact on the budget.

Table 2 - Budget Summary

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Base budget	156.9	156.9	156.9	156.9
Provision for inflation	4.1	10.1	16.1	22.1
Budget pressures and priorities	5.2	11.2	17.2	23.2
Covid-19 impact provision	2.7	2.5	0	0
Net cost of borrowing	0.8	1.6	2.0	2.0
Savings and additional income	(6.7)	(7.6)	(7.8)	(8.0)
Adjustment for one-off saving	(1.1)	0	0	0
Covid-19 contingency	1.1	0	0	0
Contribution to balances	1.1	0	0	0
Budgeted expenditure	164.1	174.7	184.4	196.2
Government resources	(36.9)	(36.9)	(36.9)	(36.9)
Fair funding /grant reform (estimate)	0	4.7	9.5	14.2
Business rates (net of tariff)	(57.2)	(58.3)	(59.4)	(60.6)
Council tax	(67.3)	(68.0)	(68.7)	(69.3)
Council tax – prior year collection fund deficit	0.4	0.4	0.4	0
One-off council tax support grant	(1.4)	0	0	0
Use of developer contributions for enhanced community enforcement / safety	(1.7)	(1.7)	(1.7)	(1.7)
Budgeted resources	(164.1)	(159.7)	(156.8)	(154.3)
Budget gap	0	14.9	27.6	41.9

Budget assumptions

- 5 **Provision for contract inflation** of £4.1m is made of which £2.4m relates to adult social care. Further to the Spending Review 2020 (SR20) announcement a pay freeze is modelled.
- 6 For non-statutory **fees and charges** in recent years the policy has been that they are:
 - Frozen for Adult Social Care, Children’s Services and Housing.
 - A standard uplift of 1.7% based on the July 2020 Retail Price Index for other non-commercial and non-parking fees.
 - Commercial services that are charged on a for-profit basis, will be reviewed on an ongoing basis in response to market conditions and varied up and down as appropriate, with appropriate authorisations according to the council constitution.

- Parking charges and fines are to be set in line with transport policy objectives and not considered as part of the budget process.

However, for this budget a 'freeze' is also proposed to the fees and charges set by the Environment Department. The charges for children's services and adult social care continue to be 'frozen'.

- 7 Allowance is made for an increase in the **net cost of borrowing** in line with the 2021/22 capital programme commitments. This takes account of an announcement by the Public Works Loans Board that local authority borrowing rates (except when the primary purpose is to secure an investment yield) have fallen by 1% from 26 November. Whilst the current low interest rate environment enables Hammersmith & Fulham to borrow at low rates it also means that minimal returns are earned on the council's cash balances.
- 8 The Council has determined that a key priority area for the investment of available developer contributions, with general purposes, is the provision of enhanced community enforcement and safety arrangements. An on-going investment of £1.7m per annum is included within the financial forecast.
- 9 **Government grant funding** allocations to Hammersmith & Fulham have been cut by £63m from 2010/11 to 2021/22. As part of the SR20 announcement the Chancellor announced a 4.5% increase in local authority core "spending power" for 2021/22. But, as set out in Table 3 the majority of this increase comes from an assumed 2% increase in council tax and further 3% levy regarding the adult social care precept. Local authorities are also compensated for the government decision to freeze business rates in 2021/22 (local authorities would normally receive extra income from an inflationary increase). The net general grant increase for Hammersmith & Fulham from 2020/21 to 2021/22 is £3.3m. This includes additional one-off council tax support grant of £1.4m. All figures are subject to confirmation when the final settlement is published in late January.

Table 3 – Core spending power analysis

2021/22 additional core spending power (general grant, council tax and business rates)	National	H&F Estimate
New adults & children's social care support grant	£0.3 billion	£2.0 million
New lower tier services grant	£0.1 billion	£0.9 million
Reduction in new homes bonus grant	-£0.3 billion	-£1.6 million
3% additional adult social care precept	£0.8 billion	£1.9 million
2% council tax referendum cap	£0.3 billion	£1.3 million
One-off council tax support grant	£0.8 billion	£1.4 million
Business rates (grant compensation for a freeze)	£0.2 billion	£0.7 million
Total	£2.2 billion	£6.6 million
London spending power increase estimated at 4.3%	+4.5%	+4.0%

- 10 The spending power increases for both London and Hammersmith & Fulham are below the national average. Changes to the New Homes Bonus grant scheme (which compensated faster growing areas for delivering additional housing) reflect the government's so-called 'levelling-up' agenda. The £1.6m grant loss regarding the New Homes Bonus grant in 2021/22 was unexpected and only became apparent following the SR20 announcement. The residual New Homes Grant receivable in 2021/22 is £5.2m for Hammersmith and Fulham and there is a significant risk that this funding will reduce further in future years. A new un-ringfenced grant is receivable for local authorities (including Hammersmith & Fulham) that provide lower tier services, such as homelessness, planning, recycling and refuse collection and leisure services but it is unclear if that is set to continue in future years.
- 11 Several new specific grant allocations were announced in the SR20. The allocations are not yet known for Hammersmith & Fulham. The financial forecast assumes a neutral impact as they will be potentially matched against spend commitments. The national figures for these grants are:
- The Schools budget will increase by £2.2 billion in 2021/22 (compared to a £2.7 billion increase in 2020/21)
 - An additional £98m for local authorities to deliver the new duty to support victims of domestic abuse
 - £220m for a holiday activities and food programme.
 - £254m new funding for rough sleeping.
- 12 A number of planned reforms to the local government finance system were postponed in 2020/21. SR20 indicates that the following will be taken forward in 2021/22:
- The so-called 'Fair funding' review and a multi-year local government settlement are expected to be implemented from 2022/23 onwards
 - The government will shortly consult on the New Homes Bonus grant scheme with a view to implementing reform in 2022/23
 - Proposals are to be brought forward on reform of the adult social care system next year
 - Further significant action on public health grant will be taken in the forthcoming months
 - A final report on a fundamental review of business rates will be published in the Spring.

Significant risk and uncertainty arises from each of these potential reforms. Given the government's agenda there is a threat that substantial resources will be distributed away from London. The forecast assumes a 5% (£4m) cut in grant/ business rates resources from 2022/23 onwards and further reductions of £0.8m per annum in the New Homes Bonus grant.

- 13 **The government has modelled an adult social care precept** since 2016/17. In the first years of the levy, Hammersmith & Fulham determined not to apply the levy despite the fact the Council's funding from government was modelled on the assumption that we would. Due to the continued high levels of inflation and instability in the social care market, the impact of the Covid-19 pandemic

and the government's continued failure to propose a long-term funding solution to social care funding, the Council proposes to allow 3% of the government's adult social care levy for 2021/22. The total levy increase for Hammersmith & Fulham over the 6 years to 2021/22 will be 7% compared to the 13% increase assumed by the government. The 3% levy will generate £1.9m and Hammersmith & Fulham will use such funding to support adult social care.

- 14 **An increase in the Hammersmith & Fulham element of council tax of 1.99%** is proposed for 2021/22, as modelled by the government in their spending power calculations for local government. This will generate extra income of £1.3m in 2021/22 and £5.2m over a four-year period. This will support investment in key services for residents and, given the financial risks and threats facing H&F, support future financial resilience. The Hammersmith & Fulham Band D Council Tax charge is the third lowest in the country and 35% (£322) below the London average. As set out below, only slightly more than half of dwellings are liable for full council tax with exemptions/discounts for council tax support claimants, students, care leavers and single person households.

Table 4: Liability for council tax

Total dwellings in the borough	91,550
Reductions:	
Exemptions (mainly students, includes care leavers)	(4,161)
Council tax support claimants (elderly & working age on low income)	(12,009)
Single person discount (25% discount)	(28,180)
Dwellings liable for 100% of council tax	52%
2020/21 Band D charge for Hammersmith & Fulham	792.42
A 4.99% increase for 2021/22 is £39.54 per annum, £0.076 per week. £0.11 per day.	

- 15 Due to the economic impact of Covid-19, the council tax income forecast assumes a collection rate of 97% (compared to 97.5% for 2020/21). Allowance is also made for an increase of 1,005 (11%) in the number of local council tax support discounts awarded. There is a risk that the economic downturn may result in a lower council tax income if collection rates deteriorate or if more residents become eligible for council tax support. As part of the provisional local government finance settlement it was announced that £670m of new **local council tax support grant** funding is to be distributed in recognition of the increased costs of providing local council tax support following the pandemic. The grant will be un-ringfenced and is for 2021/22 with no commitment to it continuing in future years. The indicative allocation is £1.4m and this is included in the 2021/22 budget. Of this sum £1.1m is set aside as a **covid-19 contingency** to help address potential extra budgetary pressures.
- 16 For 2020/21 council tax income has been adversely impacted by the Covid-19 pandemic. An estimated in-year loss of £6m is currently forecast (of which the council share is £4.228m). The government have announced that this loss (**collection fund deficit**) can be spread over 3 years from 2021/22 onwards

and SR20 further announced that 75% of these irrecoverable losses will be funded by government. The estimated net charge to Hammersmith & Fulham is £0.4m per annum from 2021/22 to 2023/24. This estimate is subject to further review and confirmation of the government compensation scheme and allocations.

- 17 The government have announced a **business rates** freeze for 2021/22. Normally the business rates multiplier would increase in line with inflation and local authorities would retain a share (30% for Hammersmith & Fulham) of the resultant extra income. As set out in Table 3 the government will compensate local authorities for this decision.
- 18 The impact of Covid-19 on future business rates income is unknown but likely to be negative in the short and medium term. The financial forecast assumes that Hammersmith & Fulham will receive the minimum amount guaranteed, the safety net threshold, by government. This is £57.2m for 2021/22. For years beyond 2021/22 a 2% inflationary increase to the safety net is modelled.
- 19 Hammersmith & Fulham currently participates in the pan-London business rates pool which enables more business rates growth to be retained within London. The latest estimated pool benefit for Hammersmith & Fulham is £580,000 for 2020/21 but due to the impact of Covid-19 on businesses it is expected that the final pool benefit will be lower. An updated forecast is due in January and the final benefit will be confirmed by next September. Due to concerns regarding the impact of Covid-19 on future business rates income the financial case for pooling in 2021/22 is not strong. London Councils have sought assurances/ guarantees regarding potential pool losses from government. These have not been forthcoming and there has been a collective withdrawal from the pool.

INVESTMENT, SAVINGS AND RISKS

- 20 Investment in services (increasing the available budget) and savings proposals (reducing the available budget) for the services covered by this PAC are set out in Appendix 1 with budget risks set out in Appendix 2.

Investment

- 21 Investment is required to fund expenditure on priority areas and/ or to meet the costs associated with demographic or demand led pressures. Allowance is also made for the on-going impact of Covid-19 on council services. Investment in services is summarised by department in Table 4 and by category in Table 5. Beyond 2021/22 headroom of £6m per annum is modelled to fund new investment and a further £2.5m set aside as cover for the impact of covid-19 in 2022/23.

Table 5: 2021/22 Investment Proposals

Department	£m
Children's Services	1.6
Social Care	2.4
The Economy	1.2
Environment	1.1
Finance	0.1
Council Wide	1.5
Total	7.9

Table 6: Categorisation of investment proposals

	£m
Increase in demand / demographic growth	2.4
Resident priority	0.5
Budget pressure / increase in contingency	2.3
Impact of Covid-19 / Economic downturn	2.7
Total	7.9

Savings and Income Generation

- 22 After ten years of austerity it is increasingly difficult to identify and deliver substantive savings. However, further savings are necessary if the financial challenge of government funding cuts, unfunded burdens, inflation, and demand and growth pressures is to be met and the council will need to continue to consider all available options to operate within the funding available to it.
- 23 The proposed savings (including additional income) for 2021/22 are set out in Table 7. London Councils have also indicated that a further short-term saving of £1.1m (for 2021/22 and possibly 2022/23) will arise regarding the cost of the concessionary fares scheme (freedom pass). This is due to lower usage of the pass during lockdown and more broadly in response to the Covid-19 pandemic. As a short-term saving this sum will be added to general balances in line with the council's reserves strategy.

Table 7: 2021/22 firm savings and additional income

Department	£m
Children's Services	0.7
Social Care	2.0
Reinvestment of public health	0.9
The Economy	1.1
Environment (including Parking)	1.1
Finance	0.4
Resources	0.5
Savings	6.7

24 The saving proposals are categorised by type in Table 8.

Table 8: Categorisation of 2021/22 savings

	£'m
Service rationalisation/budget reduced in line with spend	1.1
Commercialisation/Income	0.5
Prevention	1.0
Procurement / Commissioning	1.4
Service reconfiguration	1.1
Staffing / Productivity	1.6
Total All Savings	6.7

Risk and financial resilience

- 25 An updated reserves strategy and action plan will be included within the suite of finance reports presented to Budget Council.
- 26 The current reserves forecast is set out in Table 9 and models a fall in overall general fund reserves and balances to £47.9m by the close of 2024/25. This assumes a balanced budget is set each year with no further call on reserves.

Table 9 – Reserves and general balances - cash flow forecast to 2024/25

Three-and-a-half-year Civic Campus relocation	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Opening balance	63.5	47.7	39.5	50.2	48.0
Forecast movement	(6.6)	(7.1)	12.9	(0.1)	(0.1)
Budgeted 2021/22 contribution		1.1			
Closing balance	56.9	41.6	52.3	50.1	47.9
Risks and other potential uses	(9.3)	(2.1)	(2.1)	(2.1)	0
Revised balance	47.7	39.5	50.2	48.0	47.9
Outside the forecast					
Developer contributions	16.6				

- 27 The reserves brought forward to 2020/21 are net of £19m set aside regarding the historic deficit in Dedicated Schools Grant (DSG) funding. Discussions are on-going with the Department for Education on potential financial support regarding this shortfall. Any additional funding made available will improve the current forecast.
- 28 Allowance is made within the reserves forecast for the estimated 2020/21 revenue budget overspend which includes the unfunded impact of Covid-19 (£5.7m at month 6) and further increases in the cumulative High-Needs DSG deficit. Other substantive risks include:
- The direct impact of the Covid-19 pandemic on council expenditure and income. To date the government has not fully funded the council with an in-year shortfall of £2.5m (month 6 Corporate Revenue Monitor) forecast. The government have announced that the fees and charges grant compensation scheme² will continue in the first quarter of 2021/22 and that a new un-ringfenced emergency Covid-19 pressures grant of £6.2m will be receivable in 2021/22. There is a risk that such funding will be insufficient to fully compensate the council for the extra costs incurred and income lost and/ or that the financial impact so Covid-19 measures will extend beyond the first quarter of the new financial year. The budget proposals include the set aside of £1.1m as a contingency for further unfunded Covid-19 pressures.
 - The indirect impact of the Covid-19 pandemic on the wider economy. An economic downturn will likely increase demand for needs-based council services whilst exerting downwards pressure on income streams. The council has already seen an increase in the number of residents awarded council tax support scheme discounts. The new 'tier 4' arrangements for London may result in an even deeper economic shock.
 - Government reform of the local government finance system. So-called 'Fair funding', business rates, the New Homes Bonus grant and the system for social care funding are all potentially subject to reform by 2022/23. It is expected that significant resources will be distributed away from London. For modelling purposes, the council's financial plan assumes a grant reduction of approximately 5% per annum from 2022/23 onwards.
 - The strain on public finances more generally with the Chancellor of the Exchequer stating that the Covid-19 economic crisis has just begun; from past experience any future fiscal and spend measures that seek to reset the public finances may be borne disproportionately by local government.
 - Brexit poses a further risk to public finances, inflation and economic growth.

² The scheme compensates local authority for 75% of income lost, above a 5% budget threshold, from sales fees and charges. It excludes commercial income.

- The impact of an economic downturn on major council projects, such as the Civic Campus or Education City development, and risk to future contributions from developers.
 - Departmental risks. The risks for the services covered by these PACs are set out in Appendix 2.
- 29 Reserves are also a key enabler for future service transformation. The financial challenge facing the council will require investment to deliver future efficiencies to enable the council to balance the budget in future years.
- 30 The Covid-19 pandemic has emphasised the need for reserves to be maintained at an adequate level. The lack of an adequate safety net has resulted in several councils, including Croydon and Bexley in London, across the country running into difficulties. The Council's reserve forecast includes a general balance of £19m. This represents 3.6% (equivalent to 13 days spend) of the Council's gross budget of £528m. Given the heightened financial risks facing Hammersmith & Fulham it is proposed that, over the medium-term, the council seek to increase general balances. The 2021/22 budget proposals include a contribution to general balances of £1.1m as a result of one-off benefits expected in 2021/22.

Comments of the Director of Children's Services

- 31 During the past year Children's Services have further strengthened practice and services to improve outcomes for all children and young people with an increased emphasis on rigorous performance management, transparent governance and accountability and enhanced scrutiny of activity and outcomes. Regular audit and learning reviews are now embedded practice and external scrutiny has included the Ofsted inspection of children with special educational needs and disabilities in 2018 and the 2019 Inspection of Local Authority Children's Services (ILACS). The latter judged services to be Good overall and Good in each of the three domains; help and protection, children in care and care leavers, and leadership and management. The performance in all phases of education continues to be excellent with a strong collegiate approach which is evidenced in school inspection outcomes. The 2020 Ofsted annual conversations in respect of both education and social care have been very positive.
- 32 The resilience and commitment of services has been severely tested during the pandemic and we are proud of our comprehensive, creative and sustained response to support and safeguard vulnerable children and young people, and to enable all children to learn, continue to thrive and realise their ambitions. This is documented in our Responding Together report (presented to the Children and Education Policy and Accountability Committee in July 2020) which reflects the cross cutting and adaptive partnerships which are supporting this work.
- 33 Over recent years the Children's Services department has experienced increasing demand for its services which has put significant strain on the limited resources available. Higher numbers of referrals for adolescents and demand for placements especially for older looked after children and care leavers have increased along with significant rises in the demand, complexity and statutory

responsibilities for young people with special education needs (SEN). The 2021/22 budget seeks to fund these additional pressures whilst enabling a high-quality service to be maintained and also contributing to the need for efficiencies in a way that protects young people and improves outcomes. The ongoing pandemic is likely to have a further impact on demand over the longer term as more families experience prolonged duress and the impact of economic downturns.

- 34 The department’s approach to identifying potential savings has been consistent with the vision for Children’s Services which is:

To improve the lives and life chances of our children and young people; intervene early to give the best start in life and promote wellbeing; ensure children and young people are protected from harm; and that all children have access to an excellent education and achieve their potential. All of this will be done whilst continually reviewing how to reduce costs and improving service effectiveness.

- 35 The aspiration and ambition to ensure consistent and compassionate care and improved outcomes is underpinned by a continuing commitment to protect the quality of services to the most vulnerable members of the community within the statutory framework required of the department. Equally strong is the central commitment to work with children, young people and their families in the design and development of services that affect them. This was evident throughout our response to Covid-19 and in our overarching commitment to active engagement and inclusion of all children and young people and their parents and carers.

- 36 A key priority remains to review services against the need to ensure that they are as responsive, efficient and offering the right outcomes for children and young people as they can be. We now have improved mechanisms for better understanding the drivers of demand and local needs to inform effective targeting and earlier use of resources and to proactively identify, address need and keep children and young people safe, healthy and engaged in learning. Improved performance information and business intelligence underpin this priority.

Table 10 – Children’s Services key budget changes

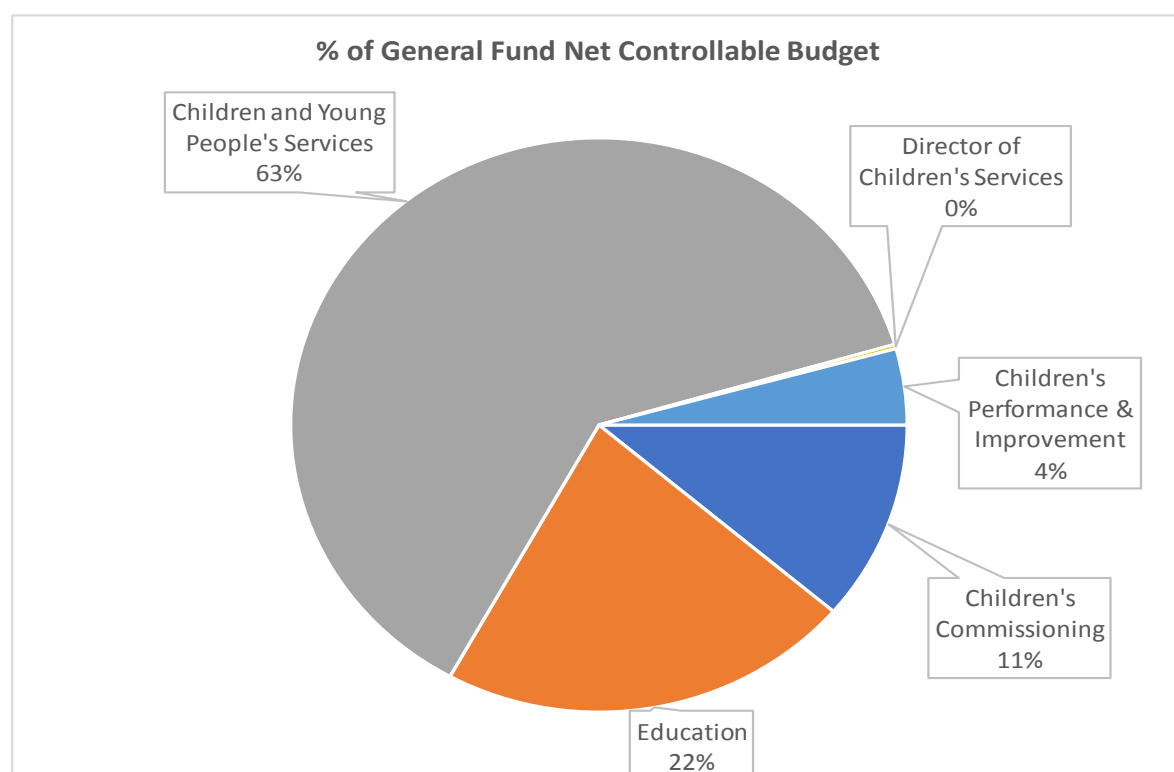
Directorate	2021-22 Savings £'s	2021-22 Contract Inflation £'s	2021-22 Growth £'s
Children's Commissioning	-80,000	108,400	0
Education	-268,000	51,100	1,010,000
Children and Young People's Services	-400,000	263,200	605,000
Director of Children's Services	0	2,100	0
Children's Performance & Improvement	0	0	0
Total	-748,000	424,800	1,615,000

- 37 The department’s proposed net budget for 2021/22 is £50.953m. Within this sum are areas over which the department has little direct control, these are

defined as non-controllable and include contributions to Corporate Services and capital charges. In total these add up to £4.879m. This means that the net direct expenditure that the department is in control of is £46.074m. The table below sets out how controllable expenditure is budgeted across the various directorates within the department showing that the greatest share of net general fund expenditure is on Children and Young People's Services, £28.769m (62%) of net controllable expenditure.

Table 11 – Children's Services 2021-22 Controllable budget

Directorate	2021-22 Expenditure £'s	2021-22 Income £'s	Total Net £'s	% share
Children's Commissioning	6,422,200	-1,239,700	5,182,500	11%
Education	104,826,500	-94,792,800	10,033,700	22%
Children and Young People's Services	35,930,100	-7,161,200	28,768,900	62%
Director of Children's Services	782,100	-668,100	114,000	0%
Children's Performance & Improvement	2,538,700	-564,300	1,974,400	4%
Total	150,499,600	-104,426,100	46,073,500	100%



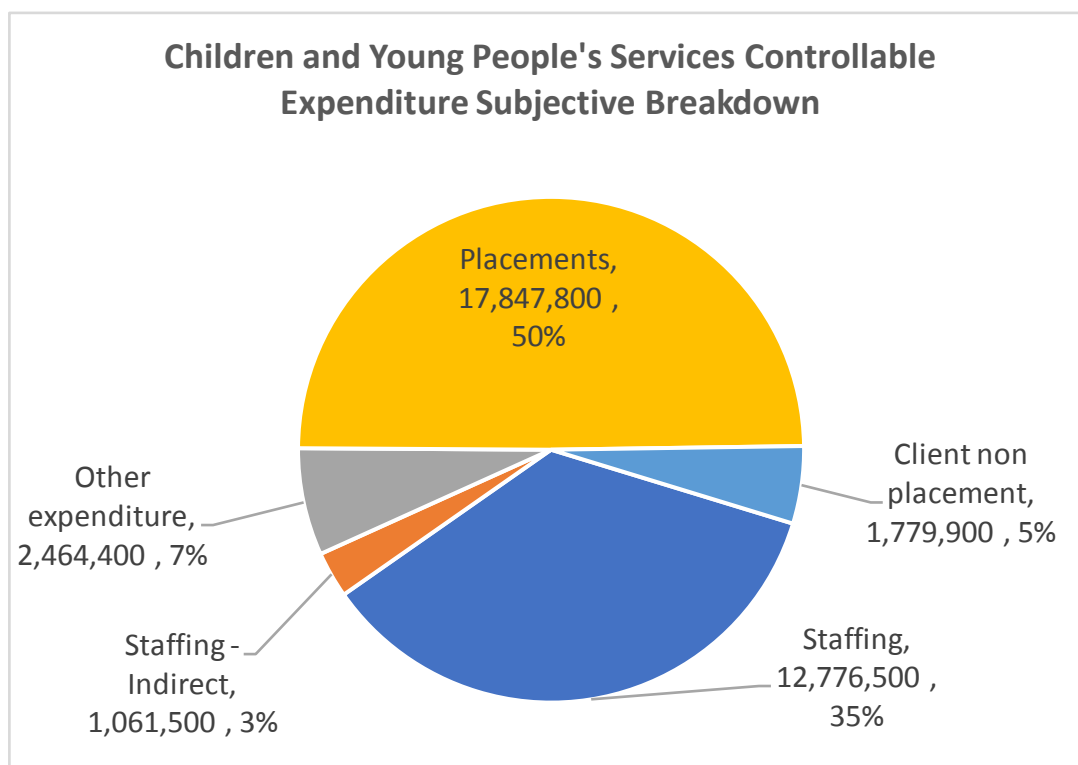
- 38 Savings totalling £0.748m have been identified for 2021/22 and are set out in Appendix 1.
- 39 The savings proposals for Children's Services will seek not only to protect frontline services and to continue to offer a service appropriate to local need, but to improve our offer to residents facing difficult circumstances such as poverty and higher levels of need. The proposals will seek cost reductions through reduced spending on costly external placements by enhancing or expanding inhouse and local provision.

- 40 At the core of all savings proposals will be services that strengthen families and support parents to care for their children whilst steadfastly remaining vigilant with regards to our duty to safeguard vulnerable children and young people taking decisive action to protect those that need it.
- 41 Appendix 1 also details £1.615m growth in 2021/22 for Children's Services. Growth is targeted at the budget pressures and rising demand experienced in 2019-20 in Travel Care and Support, the Haven, and client related non-placement costs.

Children and Young Peoples Services

- 42 Children and Young People's Services spend is primarily made up of staffing and placement costs. Increasing caseloads and complexity of cases had led to growing pressures which were met with growth of £4.118m awarded in the 2020-21 budget setting process.
- 43 The continued increasing demand that this growth was based on has not materialised in 2020-21 in part due to work by the service to reduce costs through effective move on arrangements and better value provision such as semi-independent block contract arrangements. In addition, the service has focused on supporting more young people to remain safely at home where possible and in stable and secure caring placements where this is not possible; reducing reliance on expensive placements and sourcing high quality local placements; reviewing the effectiveness and outcomes of interventions and improving support through Family Assist and the clinical team to enable children and young people to remain in their family. This has reduced the anticipated upward trajectory reported in 19/20. The 2021-22 budget setting process has targeted £1.550m of savings against the placements budget and will attempt to reduce cost and at the same time have a positive impact on service users. £0.400m are to contribute towards the MTFs and £1.150m will help mitigate client related cost pressures and departmental staffing budget pressures.
- 44 While growth has been awarded in the past for placements, client related non-placement budgets such as transport and subsistence costs as well as legal costs have not increased and the overspends have been reported in previous years and have continued into 2020-21. Growth has therefore been requested as despite cost reduction strategies being implemented, a pressure will remain. Remaining pressures not covered by growth are subject to mitigations within these areas as well as from placements savings.

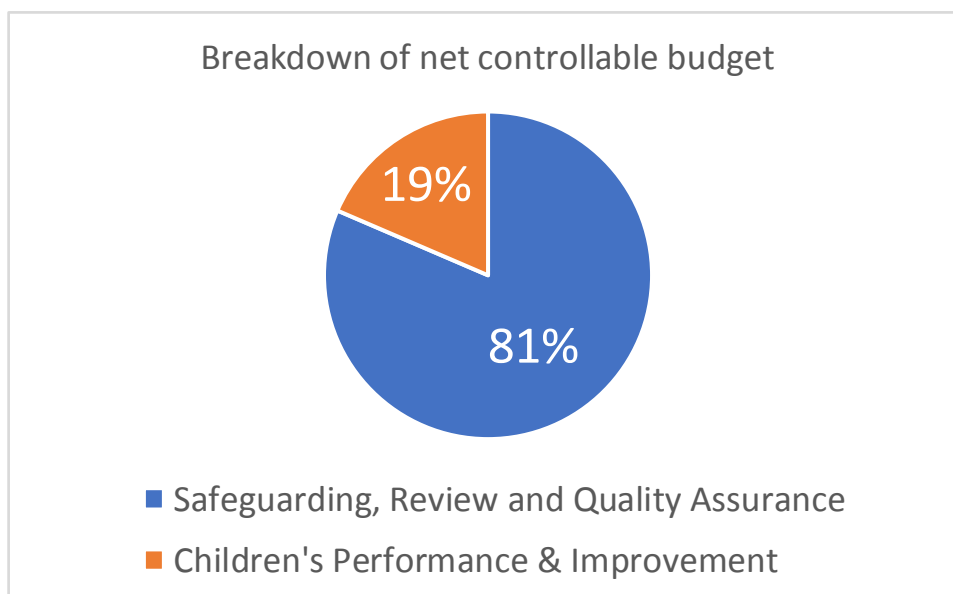
Table 12 – Children and Young People's Services controllable budget expenditure types



Safeguarding, Quality Assurance and Performance & Improvement

- 45 The Safeguarding, Quality Assurance and Performance & Improvement budget totals £1.974m with £1.609m of this for Safeguarding.

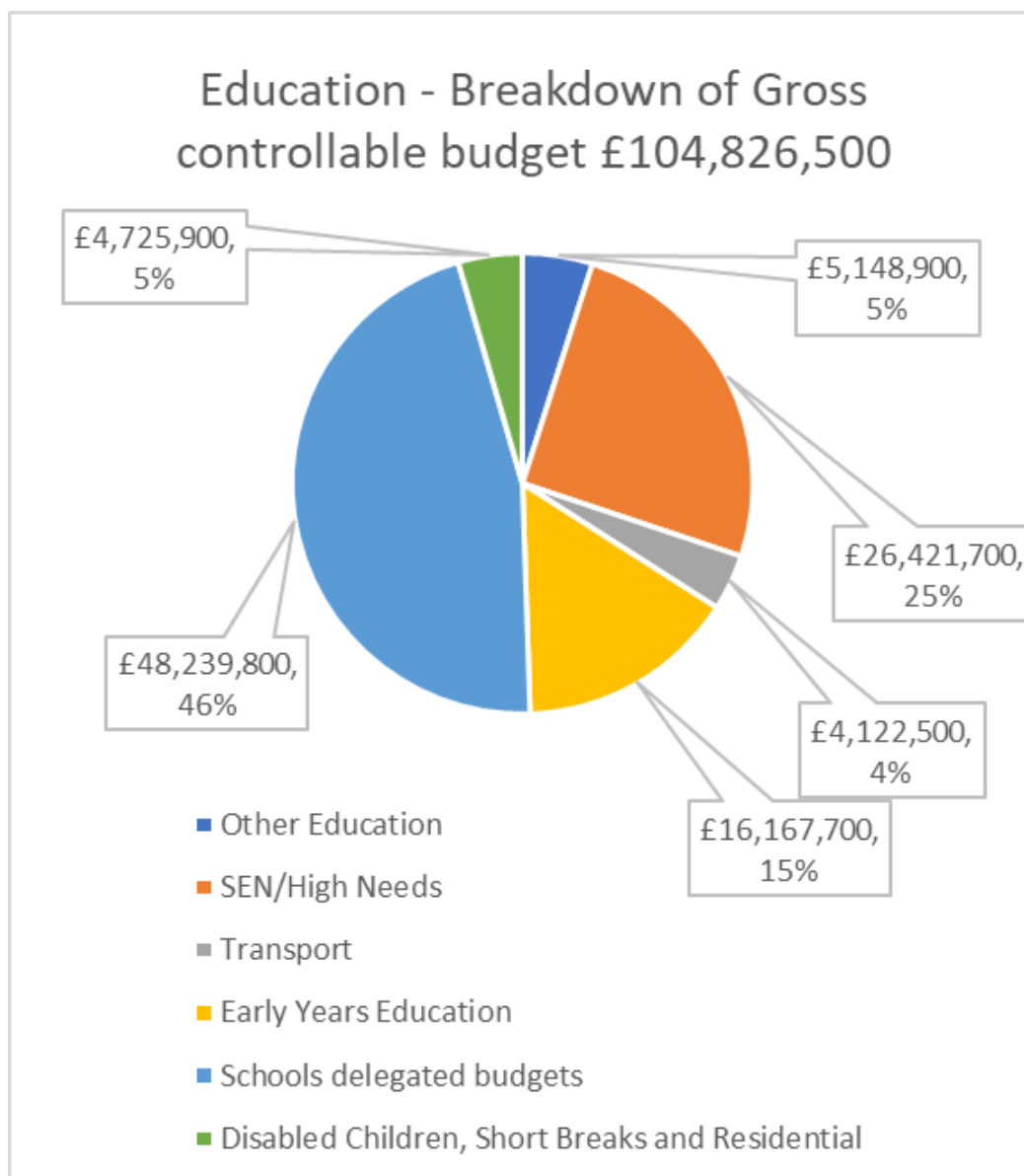
The Safeguarding, Quality Assurance and Performance and Improvement budget is primarily made up of staffing the statutory requirements of the child protection and children looked after systems and a small proportion funding independent quality assurance activity.



Education

- 46 Since September 2020 we have merged the former SEND service with the Education service to align education strategic priorities and to accelerate further reforms which include the review of High Needs Block funded expenditure, commissioning school places and outreach review. This would complete an initial phase of consolidation. In the next phase we will seek to develop further school to school support and to ensure sufficiency of places and provision in Hammersmith and Fulham.
- 47 The ongoing challenges of the pandemic and the reshaping of the education offer has increased pressure on both schools and the local authority. However, good communication has been sustained throughout the period and a collegiate response to planning contingency arrangements has been developed to maintain stability and support the most vulnerable children.
- 48 Hammersmith & Fulham Schools have remained open throughout the pandemic for both vulnerable children and key worker children. The Education service supported 4000 families throughout the summer and half term breaks in accessing hub provision, recreational opportunities and catch-up lessons.
- 49 The Ofsted Schools Framework has been suspended during the pandemic with limited assurance visits focussed on blended learning. Ofsted will start to inspect schools requiring improvement before the end of the academic year.
- 50 The Special Education Needs and Disabilities (SEND) directorate provides services for 0-25 year olds with special educational needs or disabilities. A number of its services are fully, or part funded by the DSG.
- 51 The net general fund budget of £10.034m in the Education service includes £4.123m on SEN travel care and support after proposed growth of £1.01m is proposed from 2021/22 to support SEND travel care and support as well as the enhanced service from The Haven residential home.

- 52 Short breaks and resources including care packages for disabled children, the Stephen Wiltshire Centre and the Haven account for £3.532m of the budget. Medium term budget growth of £0.513m was provided to the disabled children's placement budget in 2020/21, to address increases in demand and rising costs. Savings of £0.268m are proposed from 2021/22 and achieved via improved joint funding arrangements with the Clinical Commissioning Group (NHS) and through service redesign.
- 53 Education Assets, Operations and Planning is responsible for ensuring we have a sufficient number of school places across the borough, tackling the challenge of modernising and improving the school estate through major regeneration programmes as well as coordinating projects across the department.



Children's Commissioning

- 54 The team is responsible for a range of commissioning, transformation and service improvement activity supporting the department to shape provision using innovative approaches to ensure quality and cost effectiveness. The net controllable budget for the directorate's Commissioning function totals £5.183m. Within this total £3.636m is allocated to contract costs including early help, children's centres and youth services, £0.467m is for three Child and Adolescent Mental Health Services: early intervention, looked after children and behavioural support to prevent costly placements. The commissioning team is responsible for around 70 contracts totalling circa £60m with budgets for these contracts sitting within the respective operational areas. Contracts are split into four key areas – Prevention, Social Care, Travel/Food and SEND/High Needs/Joint Commissioning.
- 55 Commissioning is an enabler to managing cost pressures more broadly across Children's Services with direct contribution to MTFs savings through recommissioning and supporting practice changes. The team has been working across CHS to develop and deliver transformation programmes to meet budget challenge objectives to reduce general fund pressures, notably an Early Help re-design and the development of in borough placement sufficiency. In addition, a significant amount of work has been undertaken to support the High Needs programme and the redesign of early intervention pathways. Over the last year the team have also actively driven programmes of work throughout the COVID19 pandemic whilst maintaining business as usual activities. During the pandemic the team mobilised provision of food to residents, led resilience and business continuity planning for CHS, PPE distribution and mobilisation of school holiday programmes.
- 56 Staffing (after associated income) accounts for £1.081m. This year the team was restructured to bring staffing costs within budget. In doing so we have been able to fully recruit, enabling us to move away from agency staffing. The team will be up to full capacity before the end of January 21, to enable us to focus our resources on the key priorities for CHS next year including transformation programmes such as reviewing and redesigning our mental health pathways, and speech and language therapy service redesign.

Comments of the Strategic Director of Social Care

- 57 Social Care funds the social care services for 2,632 residents. 2,209 live in the community and 423 people live in residential and nursing care. Since 2016/17 Social Care has contributed savings of £13.2 million. Social Care has balanced its budget since 2017/18 but due to the initial impact of Covid-19 last year's budget was slightly overspent. Covid-19 related activity has dominated the work of Social Care since March 2020.

Key messages from Directors of Adult Social Care

- 58 The Covid-19 pandemic has exposed the fragility of adult social care and the urgent need for reform.
- 59 Covid-19 has made a fragile care market even more susceptible to market failure. The focus on rapid discharge from hospital without taking account of the needs of the whole health and care system has had consequences.
- 60 More short-term support is needed to help manage the adult social care response to the pandemic. There are increasing demographic pressures with a focus on services for working age adults. social care's future ability to make further savings is even more challenged due to the additional pressures placed on it by the pandemic.
- 61 A consistent approach is needed for funding social care and the NHS as two parts of an interlinked system, with any future NHS budget increases replicated for social care. Had Adult Social Care expenditure risen in line with Department of Health and Social Care funding increases since 2010/11, Adult Social Care expenditure would have been £3.4 billion in 2020/21 instead of the £2.6 billion budgeted expenditure across London councils. Estimates³ suggest that an extra £6-8 billion of funding (nationally) is required to support Social Care and put it on a more sustainable level to meet growth and demand for an ageing population.

Public Health

- 62 The Public Health service is fully funded by the Department of Health's grant and will remain a nil cost budget to the Council. The level of grant for 2021/22 is expected to be same as in 2020/21. The Council's base budget for public health investment in Council services is being increased from £6 million to £6.8 million as the service looks at more efficient and effective ways of delivering public health outcomes within the pandemic and the challenging financial environment.
- 63 In response to the Covid-19 outbreak, the Public Health service has been playing a key role in ensuring the safety of residents through its innovative infection control work, in implementing a Track and Trace response and making Hammersmith & Fulham the first London council to implement lateral flow testing.

Key outcomes delivered in Social Care & Public Health

- 64 Policy outcomes:
- The administration continues its commitment to making life more affordable for older and disabled residents by providing free home care, very low cost meals on wheels and not increasing careline charges.
 - The council continues to make life more affordable by paying our contractors and sub-contractors London Living Wage for their staff who provide services for our residents.

³ ADASS budget survey 2020, The impact of Covid-19 on Social Care budgets, published June 2020

65 Covid-19 outcomes:

- Positive praise by Duncan Selbie, (former Head of Public Health England), on the social care response to Covid-19. He stated “An exemplar of this has been the work of Hammersmith & Fulham Council and the leadership of the Director of Public Health and Strategic Director of Social Care. They moved early and fast to put an enhanced level of protection around social care ahead of national guidance and based on the strength of their local relationships and knowledge about what works. Their achievements include enhanced testing, financial support to prevent loss of income for care home staff should they need to isolate, and as a social services director group in North West London, the development of ‘hot hubs’ – transitional beds for people being nursed in isolation until they test negative and can safely return to their own home or care home. There is even more to be recognised on their work delivering PPE, setting up a Community Action Network to support vulnerable residents and on academic collaboration with Imperial College London. I thank them and the whole council for a thoroughly instructive and enjoyable virtual visit this week. They have much to be proud of and have undoubtedly saved lives.”
- Innovative infection control work with care homes on track and trace and on the early adoption of lateral flow testing.
- Continued excellent performance on reducing delayed transfers of care despite the impact of the pandemic, which significantly saves costs for the NHS.
- We have received 152 unsolicited compliments since April 2020 from residents (this is four times more than last year).

66 Managing the budget and performance:

- Greater leadership ‘grip’ and management support with care providers.
- Reviewing sensitively all care support in accordance with the Care Act.
- Managing the budget in an integrated way with operational managers, commissioning and finance.
- Greater use of dashboards to manage performance during Covid-19.

Market management

67 We have produced a market assessment analysing the social care market and advising the recommended inflation to be applied to social care contracts in 2021/22. Under the Care Act, there is an obligation for the council to maintain and facilitate a market for social care.

68 We are proposing a 4.5% inflationary increase due to additional cost pressures faced by care and home care providers associated with Covid-19, the increased costs for PPE, enhanced cleaning, infection control measures, staff shortages and vacancy management. Market stability is very fragile with some providers threatening to evict residents if their fees aren’t increased. Care home providers have received on average a 10% uplift due to Covid-19 in 2020/21.

Investment and Covid-19 proposals

- 69 There are two growth proposals for 2021/22. One for demographic pressures and the second for residents with learning disabilities transitioning into adulthood. In addition, we have one proposal to be funded from the Covid-19 allocation. This is to support hospital discharges, for patients who are reassessed for social care. The growth requested represents 0.4% of the revised gross expenditure for social care. Please refer to Appendix 1 for further detail of each growth proposal.

Investment	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/2025 (£000's)
Demographic pressures	471	1,283	2,119	2,978
Learning disability transitions	889	943	994	1,063
Hospital discharges (Covid-19)	1,035	-	-	-
Total	2,395	2,226	3,113	4,041

Savings strategy

- 70 There are savings of £1.95 million in 2021/22 rising to £2.2 million in 2023/24 for social care. In public health, there are savings of £0.882 million in 2021/22 rising to £1.148 million in 2023/24 which will be reinvested across departmental services.

Change and savings proposals	2021/22 Budget Change Cumulative (£000's)	2022/23 Budget Change Cumulative (£000's)	2023/24 Budget Change Cumulative (£000's)	2024/25 Budget Change Cumulative (£000's)
Social Care	1,950	2,200	2,200	2,200
Public Health	882	1,148	1,148	1,148

Social Care – total savings plan of £1.950 million

- 71 Our future savings plan aims to deliver change at a time of increasing demand, uncertainty and risk. Many of the proposed savings require a collaborative approach with residents and a range of agencies. Delivery will be supported by various programmes of work that focus on the following:
- Service re-design – savings of £1.1million.
 - Workforce efficiency programme – savings of £0.4 million
 - Commissioning and contracts- savings of £0.25 million

- Digitalisation – savings of £0.2 million.

Public Health

- 72 The impact of 2021/22 efficiencies proposals is detailed in this report. All expenditure and savings will be contained within the ring-fenced public health grant budget. The £0.882m of public health savings all relate to contract management. Please refer to Appendix 1 for further detail of each savings proposal.

Risks

- 73 We have a good track record of delivering efficiency savings and tactically managing resources to achieve a balanced budget. However, social care has identified several interrelated risks for financial management.
- 74 Firstly, increasing demand for statutory services and market price that we must provide that is over and above what we have budgeted for. There is an inherent level of risk around the modelling that we undertake and continuing risk to further reductions in market supply and increases in workforce costs with Brexit.
- 75 For our modelling of demographic pressures and learning disability transitions we have assumed a level of additional resource to be funded by the Council. There is an element that remains unfunded and must be treated as a risk. We are managing this risk through continued close tracking of each case and tight market management.
- 76 Social care is flagging up three other risks, one relating to additional pressures relating to re-procurement of additional supported living facilities and one relating to hospital discharges which puts increased pressure on the Social Care budget. The other risk relates to grant funding ending for the Independent Living Fund and we are awaiting the outcome as to whether this will be extended for another year currently ending in March 2021.
- 77 There are also significant unknown risks under Covid-19. Further modelling will be undertaken to estimate the financial risks involved. We will aim to manage these risks through tight monitoring of the budget on a monthly basis, reprioritising and changing support as appropriate and as required. Appendix 2 provides further details and mitigating actions.

Fees and Charges

- 78 Despite central government funding cuts, the administration continues its commitment to making life more affordable for older and disabled residents by providing free home care, very low cost meals on wheels and not increasing careline charges.
- 79 The cost of meals on wheels to residents is currently only £2.00 reduced from £4.50 in 2014/15. We are maintaining the £2.00 charge for a sixth consecutive year and freezing Careline charges for a fifth consecutive year. See Appendix 4 for further details.

Equality Implications

- 80 A draft Equality Impact Analysis (EIA), which assesses the impacts on equality of the main items in the budget proposals relevant to this PAC, is attached as Appendix 3. A final EIA will be reported to Budget Council.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext. of holder of file/copy	Department/ Location
	None		

List of Appendices:

Appendix 1 – Savings and investment proposals

Appendix 2 – Risks

Appendix 3 – Draft Equality Impact Assessment