



London Borough of Hammersmith & Fulham

**HEALTH, ADULT SOCIAL CARE AND SOCIAL
INCLUSION POLICY AND ACCOUNTABILITY COMMITTEE
20th JANUARY 2015**

2015 Medium Term Financial Strategy

Report of the Cabinet Member for Health & Adult Social Care

Report Status: Open

Classification: For review and comment.

Key Decision: No

Wards Affected: All

Accountable Executive Director: Liz Bruce, Tri Borough Executive Director for Adult Social Care (ASC) / Stuart Lines, Acting Tri-Borough Director for Public Health (PHS)

Report Author: Jane West, Executive Director of Finance and Corporate Governance / Rachel Wigley - Tri-borough Director for ASC Finance / Jon Laker – Business Partner for Public Health

Contact Details:

Tel: 020 8753 1900

E-mail: jane.west@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1 The Council is obliged to set a balanced budget and council tax charge in accordance with the Local Government Finance Act 1992. Cabinet will present their revenue budget and council tax proposals to Budget Council on 25 February 2015.
- 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.

2. RECOMMENDATIONS

- 2.1. That the PAC considers the budget proposals and makes recommendations to Cabinet as appropriate.
- 2.2. That the PAC considers the proposals to freeze, reduce and abolish ASC fees and charges and makes recommendations as appropriate.

3. INTRODUCTION AND BACKGROUND

- 3.1 The context for the departmental budgets that relate to this PAC, and financial background to the MTFs, were reported to this Committee in October. An updated Medium Term Financial Strategy (MTFS) forecast¹ is set out in Table 1. The 2015/16 budget gap, before savings, is £23.8m, rising to £69.7m by 2018/19.

Table 1 –Budget Gap Before Savings

	£'m	£'m	£'m	£'m
	2015/16	2016/17	2017/18	2018/19
Base Budget	181.5	181.6	181.6	181.7
Add:				
- New Burdens	0.8	0.8	0.8	0.8
- Inflation	2.5	5.3	8.1	10.9
- Contingency (Pay etc)	1.3	3.0	5.3	7.5
- Contingency (CCTV Parking)	1.0	1.0	1.0	1.0
- Current Headroom	1.3	1.2	2.4	3.6
- Growth	4.0	6.2	6.8	6.8
Budgeted Expenditure	192.5	199.1	206.0	212.3
Less:				
- Government Resources	(56.6)	(45.9)	(35.8)	(26.5)
- LBHF Resources	(112.0)	(112.4)	(114.2)	(116.1)
Budgeted Resources	(168.7)	(158.3)	(150.0)	(142.7)
Budget Gap Before Savings	23.8	40.9	56.1	69.7
Risks	12.6	20.4	21.1	21.1

- 3.2 Money received by Hammersmith and Fulham Council from central government is reducing significantly every year. From 2010/11 to 2014/15 government funding was cut by £46m. The 2015/16 funding reduction is £20.3m. Funding is forecast to reduce by a further £30.1m from 2016/17 to 2019/20. A fuller explanation of the funding forecast and spending power calculation is set out in Appendix 6.
- 3.3 Locally generated LBHF resources are council tax and the local share of business rates. Business rates are projected to increase in line with economic growth in future years. The council tax forecast assumes a 1% cut in 2015/16. The 1% cut has reduced the income forecast by £0.5m per annum. Figures for 2015/16 business rates, due to the timing of government guidance, will not be confirmed until late January. There remains a risk (a maximum of £3m) that the current budget forecast may need to be reduced.

¹ A 4 year forecast is provided as this is the time frame within which the government resource spending envelope was identified as part of the 2013 Autumn Statement.

3.4 Future resources are uncertain. Government funding reductions could be more or less than currently modelled. Likewise council tax and business rates income may vary. Sensitivity analysis has been undertaken to test the resource forecast against more optimistic or pessimistic assumptions. For example, should annual government funding reductions be 5% more than currently modelled (on going annual reduction of 10%), for 2016/17 to 2018/19, the budget gap would increase by £12m. Against this risk it is worth noting that the general fund reserve would stand at £20m following the draft proposals in the upcoming budget.

4. GROWTH, SAVINGS AND RISK

4.1 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

4.2 Budget growth is proposed in a number of areas. The growth proposals for 2015/16 are summarised by Department in in Table 2.

Table 2 2015/16 Growth Proposals

	£'000s
Adult Social Care	599
Children's Services	1,392
Environment, Leisure and Residents Services	671
Finance & Corporate Services	300
Housing and Regeneration Department	130
Budget Growth	3,092
Transport and Technical Services Growth offset against additional savings found within department	925
Total Growth	4,017

4.3 Table 3 summarises why budget growth is proposed:.

Table 3 – Reasons for 2015/16 Budget Growth

	£'000s
Government related	900
Other public bodies	375
Increase in demand/demographic growth	489
Council Priority	511
Existing Budget Pressures	1,742
Total Growth	4,017

Savings

- 4.4 Due to the funding cuts from Central Government, and the need to meet inflation and growth pressures, the council faces a continuing financial challenge. The budget gap will increase in each of the next four years if no action is taken to reduce expenditure or generate more income.
- 4.5 In order to close the budget gap for 2015/16:
- Corporate budgets have been subject to initial review and savings of £3.3m have been identified for 2015/16.
 - Savings of £20.5m are proposed for Departments.

The 2015/16 savings proposals are summarised in Table 4.

Table 4 – 2015/16 Savings Proposals by Department

Department	Savings £'000s
Adult Social Care	(6,514)
Children's Services	(4,071)
Environment, Leisure and Residents' Services	(1,395)
Libraries and Archives	(162)
Finance and Corporate Services	(2,762)
Housing and Regeneration	(982)
Transport and Technical Services	(4,307)
Public Health	(350)
Total Departmental Savings	(20,543)
Corporate Savings	(3,273)
Total All savings	(23,816)

Budget Risk

- 4.6 The Council's budget requirement for 2015/16 is in the order of £168.7m. 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 £12.6m. Those that relate to this PAC are set out in Appendix 2.

5 FEES AND CHARGES

- 5.1 The budget strategy assumes that there will be no real terms increases in any fees and charges, unless set by outside Statute or Regulation. In line with council policy, this is calculated using the Retail Price Index for inflation in the August of the year preceding the budget. Many fees and charges will be frozen in absolute terms, including charges for parking, school lunches and adult education. Some charges, such as Meals on Wheels, have been reduced. Other charges, most notably Home Care Charges, have been scrapped altogether.

5.2 In the area of Adult Social Care, all charges have been frozen, reduced or abolished. A listing is set out in Appendix 3 for comment by the PAC.

6 2015/16 COUNCIL TAX LEVELS

6.1 Cabinet propose to cut the Hammersmith and Fulham’s element of 2015/16 Council Tax by 1%. This will provide a balanced budget whilst reducing the burden on local taxpayers at a time of rising living costs.

6.2 The Mayor of London has announced his intention to set the Greater London Authority precept at £295 a year (Band D household) for 2015/16. The draft budget is currently out for consultation and is due to be presented to the London Assembly on 28 January, for final confirmation of precepts on 23 February.

6.3 The impact on the Council’s overall Council Tax is set out in Table 5.

Table 5 – Council Tax Levels

	2014/15 Band D	2015/16 Band D	Change From 2014/15
	£	£	£
Hammersmith and Fulham	735.16	727.81	(7.35)
Greater London Authority	299.0	295.0	(4.0)
Total	1,034.16	1,022.81	(11.35)

6.4 The current Band D Council Tax charge is the 3rd lowest in England².

7. Comments of the Executive Director for Adult Social Care and Health on the Budget Proposals

7.1 There are major changes which will have a dramatic impact on the shape and size of the Adult Social Care budget.

7.2 The number of people using our services continues to increase, bringing pressure to our budgets;

7.3 The changes that are set out in the Care Act will bring increased costs (as our duty to assess increases) and reduced income (as the cost of care will be capped). The costs of implementing the care act has been estimated at £1.426m for 2015/16. As announced in the 2015/16 local government finance settlement, the Council will receive £839,812 grant funding for new burdens. This funding is split into £626,550 for early assessments against the cap on care costs, universal deferred payment agreements and additional funding for Care Act implementation, including carers right’s and

² Excluding the Corporation of London

£213,262 for assessing and meeting the social care and support needs of offenders residing in prisons.

- 7.4 The balance of the funding for the estimated costs of £586,000 is funded from the Better Care Fund allocation for the Care Act and we await confirmation from government about how the extra costs for future years will be resourced.
- 7.5 The 2013 Spending Round announced a fund of £3.8bn nationally to ensure closer integration of health and care services from 2015/16. This is the Better Care Fund (BCF). The development of the plan is also an opportunity for Adult Social Care and the NHS to review its thinking around the integration of operational services encompassing community nursing, therapies and care management, which were previously part of the Tri-borough programme. The BCF is not new money, but the re-utilisation of current funding streams. As announced in the 2015/16 local government finance settlement, the Council will receive £13.184m which predominately includes existing budgeted health funded commitments of £11.6m, additional investment expected as a result of implementing the community independence service of £0.87m and Care Act new burden funding . It includes the “Social Care to Benefit Health” funding which local authorities have received for the past three years and which is being used to sustain local social services.
- 7.6 The BCF Plan has signalled agreement on the direction of travel by Cabinet members and Clinical Commissioning Groups (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 2015/16 for a new Community Independence Service (CIS) in order to deliver much larger savings. One year funding been agreed, however the CIS services are being modelled over the medium term with increased resource and therefore there is risk of uncertainty over future years funding.
- 7.7 We are looking to drive reductions in emergency admissions to hospital and the demand for residential and nursing home care. Appendix 5 highlights the additional investment expected a result of implementing the community independence service of £0.87m as well as savings expected as a result of the Better Care Fund of £1.6m
- 7.8 The Independent Living Fund (ILF) is a scheme financed by the government that aims at supporting disabled people with substantial high needs to live independently in the community rather than in residential care. ILF offers financial support to fund packages of care for those with severe disabilities. The ILF has been closed to new applications since 2010. Current ILF users will continue to receive ILF funding until 30 June 2015 if they are still eligible. From 1 July 2015 all social care support will be provided by Councils and ILF funding should be transferred to Councils via a grant. We await the details of the funding levels and there is a risk that funding would not match estimated costs.

Saving Proposals

7.9 We need to ensure we maintain control over ASC's large and complex budgets during the changes set out above, whilst also reducing our cost base to meet each Council's budget target where possible. The reduction in public sector funding has made the need to make further savings inevitable and deeper than previously experienced.

7.10 We are aiming to do this by a focus on better for less:

- i. Creating a portfolio of projects – with a focus on transforming the way service is provided through operations alignment by implementing a single operating model and organisational restructure so as to meet local service requirements (saving £0.615m); investment in preventative assistive technology with the aim of reducing costs of home care services (£0.206m);
- ii. Contract efficiencies to be achieved by renegotiation of residential and nursing placement contracts (£0.597m); reprocurring Supporting People contracts with a view to manage prices within the budget (£0.843m). This will ensure cost restraint in contracts and reduce costs where possible through a strategic and detailed approach to contract management;
- iii. Reconfiguration of services within the Learning Disabilities client group by reducing the need for expensive out of Borough supported accommodation (£0.089m), maximising in house day care provision (£0.087m) and review of residential care home facilities (£0.037m);
- iv. The department has benchmarked and reviewed a number of high unit cost services . These include review of all high cost, high needs placements for continuing health funding with a proposed saving of £0.106m.
- v. Taking a more holistic approach to the commissioning of services by working in closer partnership with health through integrated commissioning with health (£0.260m), improving outcomes and reducing dependency amongst residents through better joint services with the NHS (£0.157m) and charging Central London Community Healthcare (CLCH) for the space shared with the Learning Disabilities team (£0.100m);
- vi. Investment from health through the Better Care Fund by encouraging independence, enhancing home care services to reduce the need for hospital admissions (£2m). The BCF document sets out investment from Health for 2015/16 only and there remains significant uncertainty over future years funding;
- vii. Identification of contracts that would benefit from investment for public health for supporting people of £0.551m and third sector £0.094m;
- viii. Sharing back office functions with other London Boroughs by reviewing the senior management structure, training programme, workforce development and client affairs service (£0.464m); and

- ix. The application of technology so that we have really good advice on-line, staff can work remotely, more transactions can be performed on-line and more processes are streamlined. Allied to this, the three shared service Councils will be going live with a new Finance and Corporate Human Resources (CHR) system (Managed Services) from April 2015. We will be driving all the orders and payments through our Adult Social Care IT system (Framework i) and into the new Finance system.
- x. The scale of the savings are the largest and most complex we have undertaken to date in ASC. The scale of change cannot be under-estimated nor the work needed to track the savings whilst still improving service quality.

Growth

- 7.11 The department has reviewed its demographic requirements and estimates for 2015/16 and as a result of have identified potential growth pressures within Older People, Physical and Learning Disability client groups based on full year costs for existing clients, disabled children transferring into Adults and a 1% demographic increase, the total pressure for 2015/16 is estimated at £1.565m.
- 7.12 Given the overall Council budget position, we are proposing to request growth of £0.205m and show the balance as risk and we will continue to closely monitor these budgets.
- 7.13 For Mental Health clients, Adults are projecting to manage these pressures within existing budgets.
- 7.14 As a way of partly addressing the risks, the department will consider any underspends in 2014/15 to be carried forward to mitigate these pressures.

Fees and Charges

- 7.15 The council has been charging for homecare services provided to customers of the borough since 2009. The Council provides meal services to eligible customers at a subsidised rate of charge. Income from charging for homecare and meals services has made a small but significant contribution to funding adult social care services. In recent years, meals services have been amongst the most expensive in London and are charged at a significantly higher rate than the other two shared service councils.
- 7.16 In December 2014 the administration, as part of its commitment to social inclusion and in line with its election manifesto pledge, signalled its intention to abolish charges for home care and review charges for meals services.
- 7.17 A separate report is on the agenda of this meeting which considers the implication of Adults Social Care Charging policy and recommendations

to abolish charging for homecare and the customer, financial and staffing implications of the decisions.

- 7.18 A review of the arrangements will be undertaken for both the service model and charging for the delivered meals service with the recommendation to reduce the meals charge from £4.50 to £3 per meal which is a reduction of £1.50 per meal from the 1st April 2015.
- 7.19 Appendix 3 shows the fees and charges exceptions table

Public Health

- 7.20 Public Health has a number of priority areas which, in addition to other work, will contribute to the council's mandatory public health duties and to its wider public health duty to improve the health of the local population. These include;

- reducing smoking rates;
- reducing levels of obesity in adults and children;
- improving sexual health;
- reducing substance misuse;
- improving preventative health care; and
- improving mental well-being.

- 7.21 Public Health will continue to be funded by a ring-fenced budget; for 2015/16 this will remain the same as 2014/15 at £20.8m. Additional funds of £1.8m are expected from October 2015 to cover the cost of additional responsibilities being transferred from Public Health England for Health Visiting (0-5 programme).

- 7.22 In addition to the ring-fenced grant, £346k was budgeted in 2014/15 from the General Fund for Public Health. It is proposed this be removed from the Public Health budget to help the Council meet its savings target, thus the net budget for 2015/16 is nil.

Savings

- 7.23 A number of savings for 2015/16 have been identified, through re-commissioning of services. These savings include:
- i. Estimated savings on Genito-urinary medicine (GUM) of £274k.
 - ii. HIV contract savings of £211k.
 - iii. Contraceptive service savings of £93k.

Growth

- 7.24 A number of areas have been identified where development is needed to achieve public health outcomes. This will be achieved through a combination of re-commissioning existing services, newly commissioned services and revising budgets of mandatory functions. This includes;
- i. A recently re-tendered Health Trainers service, providing greatly increased level of activity. Additional spend will be £274k.
 - ii. A proposed increase of £217k for Community Champions is planned, this will include a new Maternity Champion service.
 - iii. A new cardiovascular risk management programme is planned with estimated costs of £200k for 2015/16.
 - iv. An estimation of the additional smoking cessation funds required, for the this mandatory service, is £23k.
 - v. Childhood obesity prevention and Healthy Family Weight Services is in the process of being re-procured and enhanced, additional costs will be £549k.
 - vi. A new Tackling Childhood Obesity programme has been established, comprising pilot schemes and programmes aimed at reducing childhood obesity, the cost for 2015/16 will be £145,000.
 - vii. In October 2015, the Health Visiting service (0-5 programme) will transfer from Public Health England to the local authorities. The estimated cost of this service for the Council is £1.8m, which is expected to be met by additional funds transferred to Public Health.

Public Health Investment

7.25 In addition to the commissioned services, it has been recognised that a number of other Council departments provide services that met both desired Public Health outcomes and the conditions of the grant.

7.26 Other departments were invited to apply for funding from unallocated Public Health funds for short term projects. The expected expenditure for 2015/16 is £2.3m.

Reserves

7.27 The combination of on-going services and planned investment in other departments for 2015/16 requires a draw-down of £0.8m from the Public Health reserves. Please see table 6 for effect on Public Health Reserve.

Table 6 Public Health Reserve

Public Health Reserve	Total	Allocated	General Ring Fenced Reserve
	£000's	£000's	£000's
Unspent funds in 13-14 allocated to: Health Protection Contingency	700	700	
PCT Legacy	229	229	
General Ring-Fenced PH Reserve	1,607		1,607
Balance at 31 March 2014	2,536	929	1,607
Expected Surplus in 14-15	717		717
Expected balance at 30 March 2015	3,253	929	2,324
Expected deficit in 15-16	(800)		(800)
Expected balance at 30 March 2016	2,453	929	1,524

8 Equality Implications

- 8.1 Published with this report is a draft Equality Impact Analysis ('EIA'). The EIA assesses the impacts on equality of the main items in the budget proposals relevant to this PAC. The draft EIA is attached, in Appendix 4. 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
1.	None		

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

Appendix 5 – Better Care Fund

Appendix 6 - Spending Power Reduction