

	<p align="center">London Borough of Hammersmith & Fulham</p> <p align="center">HEALTH, ADULT SOCIAL CARE AND SOCIAL INCLUSION POLICY AND ACCOUNTABILITY COMMITTEE</p> <p align="center">2nd FEBRUARY 2016</p>
<p>2016 Medium Term Financial Strategy (MTFS) – Adult Social Care</p>	
<p>Report of the Cabinet Member for Adult Social Care</p>	
<p>Report Status: Open</p>	
<p>Classification: For review and comment.</p> <p>Key Decision: No</p>	
<p>Wards Affected: All</p>	
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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 24th February 2016.
- 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 33% cut in meals on wheels charges and the decision to freeze other fees and charges in the areas covered by this PAC.

3. INTRODUCTION AND BACKGROUND

3.1 The current Medium Term Financial Strategy (MTFS) forecast is set out in Table 1. The 2016/17 budget gap, before savings, is £15.4m, rising to £55.8m by 2019/20.

Table 1 – Budget Gap Before Savings

	£'m	£'m	£'m	£'m
	2016/17	2017/18	2018/19	2019/20
Base Budget	167.4	167.5	167.5	167.6
Add:				
- Inflation	2.3	4.8	7.3	9.8
- Contingency (includes pay)	2.0	4.0	6.1	8.1
- Growth	6.2	10.2	10.4	10.7
- New burden – Independent Living Fund	0.9	0.9	0.9	0.9
- Investment in efficiency projects to realise savings in future years	4.0	0	0	0
Budgeted Expenditure	182.8	187.4	192.2	197.1
Less:				
- Government Resources	(50.3)	(40.2)	(30.8)	(24.0)
- LBHF Resources	(115.1)	(113.9)	(114.5)	(115.3)
- Use of Developer Contributions	(2.0)	(2.0)	(2.0)	(2.0)
Budgeted Resources	(167.4)	(156.1)	(147.3)	(141.3)
Cumulative Budget Gap Before Savings	15.4	31.3	44.9	55.8
Risks	10.2	18.0	22.7	25.5

3.2 Money received by Hammersmith and Fulham Council from central government is reducing significantly every year. Funding reduced by £18m in 2015/16 (to £57.6m) and is forecast to reduce by a further £33.6m from 2015/16 to 2019/20. Based on the Provisional Local Government Finance Settlement the 2016/17 grant reduction¹ is £8.2m. In addition, Government has imposed £2.885m of new responsibilities on LBHF without providing any funding.

3.3 As part of the Provisional Local Government Finance Settlement the government announced that authorities can charge a 2% social care precept. This would raise £1.1m for Hammersmith and Fulham and is

¹ On a like for like basis 2015./16 grant was £57.6m and will reduce by £8.2m to £49.4m in 2016/17. In addition grant of £0.9m will be receivable in 2016/17 for the new burden associated with the Independent Living Fund. Total 2016/17 grant is £50.3m.

included in Government projections of LBHF's spending power². The Council administration does not wish to apply this tax to residents, so it does not form part of the 2016/17 budget proposals.

- 3.4 Locally generated LBHF resources are council tax and the local share of business rates. The 2016/17 business rates taxbase will be confirmed in February. In future years business rates are projected to increase in line with inflation.
- 3.5 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.
- 3.6 Responsibility for supporting Independent Living Fund users transferred to local authorities, from government, in 2015/16. Estimated expenditure is £0.9m in 2016/17. It is anticipated that this will be funded by government grant for the next year, but there is no certainty over future funding following that.

4. GROWTH, SAVINGS AND RISK

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

- 4.1 Budget growth is summarised by Department in Table 2.

Table 2 2016/17 Growth Proposals

	£'000s
Adult Social Care	1,475
Children's Services	3,164
Environmental Services	269
Corporate Services	1,218
Libraries Shared Services	65
Total Growth	6,191

- 4.2 Table 3 summarises why budget growth is proposed:

² As part of the settlement announcement the government state their view of the cut in local authority spending power. As well as government funding this includes their assumption on what local authorities will collect through council tax and business rates. For council tax the 2% social care precept is assumed and a 0.8% inflation increase.

Table 3 – Reasons for 2016/17 Budget Growth

	£'000s
Government related	2,884
Other public bodies	675
Increase in demand/demographic growth	463
Council Priority	1,774
Existing budget pressures funded by virements from budget underspends/savings	395
Total Growth	6,191

Savings

- 4.3 The council faces a continuing financial challenge due to Central Government funding cuts, inflation and growth pressures. The budget gap will increase in each of the next four 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.
- 4.4 In order to close the budget gap for 2016/17 savings of £15.4m are proposed (Table 4).

Table 4 – 2016/17 Savings Proposals by Department

Department	Savings £'000s
Adult Social Care	5,321
Children's Services	3,227
Environmental Services	2,799
Libraries and Archives	20
Corporate Services	3,175
Housing	265
Council Wide Savings	1,050
Total All savings	15,857
Less savings accounted for in the grant/resource forecast ³	(455)
Net Savings	15,402

Budget Risk

- 4.5 The Council's budget requirement for 2016/17 is £167.4m. 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 £10.2m. Those that relate to this PAC are set out in Appendix 2.

³ The council has undertaken business intelligence projects that have generated extra grant and council tax income of £0.455m. These are shown within the resource forecast.

5 FEES AND CHARGES

5.1 The budget strategy assumes:

- Adult Social Care, Children’s Services, Adult Learning and Skills, Libraries and Housing charges frozen.
- A standard uplift of 1.1% based on the August Retail Price index for some fees in Environmental Services. All parking charges are frozen.
- In the future, 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.

5.2 Charges for the meals on wheels service are to be reduced from £3 to £2 (33% reduction). This and other non-standard increase in fees and charges are listed in appendix 3.

6. 2016/17 COUNCIL TAX LEVELS

6.1 Cabinet propose to freeze the Hammersmith and Fulham’s element of 2016/17 Council Tax. This will provide a balanced budget whilst recognising the burden on local taxpayers.

6.2 The draft GLA budget is currently out for consultation and is due to be presented to the London Assembly on 27th January, for final confirmation of precepts on 22nd February. It proposes that the GLA precept will reduce to £276 a year (Band D household). £12 of the £19 Band D reduction to achieve this relates to the end of the Olympic precept paid by London residents.

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

Table 5 – Council Tax Levels

	2015/16 Band D	2016/17 Band D	Change From 2015/16
	£	£	£
Hammersmith and Fulham	727.81	727.81	0
Greater London Authority	295.00	276.00	(19.00)
Total	1,022.81	1,003.81	(19.00)

6.4 As part of the Provisional Local Government Finance Settlement the government announced that authorities can charge a 2% social care precept. This would raise £1.1m for Hammersmith and Fulham and is included in Government projections of LBHF’s spending power. However,

the Council administration does not wish to apply this tax to residents, so it does not form part of the 2016/17 budget proposals.

6.5 Following last year's council tax cut, the current Band D Council Tax charge is the 3rd lowest in England⁴. The Band D charge for Hammersmith and Fulham is the lowest since 1999/2000.

7 Comments of the Executive Director for Adult Social Care 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:

- 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 recent Association of Directors of Adult Social Services (ADASS) work highlights inner London as having significant pressures across all care groups. There are a number of reasons why this is the case; Acuity and level of complexity is increasing alongside demographic changes; Workforce pressures from London Living Wage, National Living Wage, housing costs, retention and quality of staff; Improvement in the rigour of Care Quality Commission (CQC) regimes; Prices have been driven down over the last few years and this lack of investment has compounded the markets' ability to raise to the above challenges. A number of providers have exited the market in recent months and ASC expects this trend to continue. Whilst supporting the local voluntary sector is crucial in developing a mixed economy, it has also been affected by the challenges over the last few years. Market Management is now a duty for ASC under the Care Act and as such ASC is working across West London to develop strategies to mitigate the issues;
- The 2015 Spending Review announced an increase in the Better Care Fund (BCF), but this is back loaded so increases do not begin until 2017/18. The BCF includes the "Social Care to Benefit Health" funding which local authorities have received for the past four 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 in order to deliver much larger savings. We are looking to drive reductions in emergency admissions to hospital and the demand for residential

⁴ Excluding the Corporation of London

and nursing home care. Investment from Health, in partnership with the Council, is vital to the sustainability of Adult Social Care;

- The Spending Review also announced the ability for local authorities who are responsible for adult social care to introduce an adult social care precept. The precept could give local authorities the flexibility to raise council tax by up to 2% above the existing threshold to spend on adult social care, without the need for a local referendum. This authority will does not propose to increase council tax and will not apply the precept.
- The Independent Living Fund (ILF) was a scheme financed by the government to support disabled people with substantial high needs to live independently in the community rather than in residential care. From 1 July 2015 all social care support is provided by Councils and ILF funding for 2015/16 was transferred to Councils via a grant. We anticipate this will be a revenue grant in 2016/17 of £895,000 and we are awaiting the final details from DCLG;
- Phase 2 of the Care Act (the financial and funding changes) has been postponed by government until 2020.

7.2 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.

7.3 We are aiming to do this by a focus on better for less through the following:

- Creating a portfolio of projects – with a focus on reviewing: the end to end journey of the customer and removing inefficiencies; These are designed to improve frontline services and deliver on major services transformation programmes. The savings within this section total £1,608,000 and consist of customer journey and prevention strategy with the aim to reduce costs by investing in assistive technology.
- Cost restraint in contracts and reducing costs where possible through a strategic and detailed approach to contract management; These are designed to reduce contract costs and improve procurement efficiency and effectiveness. The savings within this section total £1,430,000 and consist of reviewing of Care Pathways, supporting people through the reprocurring of contracts and the review Public Finance Initiative contractual savings resulting from the renegotiation of the contract.
- Reconfiguration of Services – aims to meet the increasing demands and numbers of customers through the remodelling of existing services and extensive review of existing processes. The savings within this section total £841,000 and consist of in Borough / at home support for younger adults through Learning Disability supported accommodation, the review of all high cost and high needs placements and review of Direct Payment Packages through a case file approach.
- Investment from Health – aims to integrate care provided from Health and Social Care to benefit both these parties. The savings within this

section total £1,165,000 and consist of improved outcomes and reduced dependency amongst residents through better joint services with NHS and delivering on outcomes based commissioning and accountable care through Whole Systems approach with Health.

- Enabling residents to remain in their own homes for as long as possible through good advice and information (including improving the web offer), prevention initiatives (including Assistive Technology), intensive reablement and a new home care offer focusing on flexible support and outcomes, as well as providing a 7 day ASC service (funded by Health);
- Other Efficiencies – these are efficiencies that do not fall into the above categories. The savings within this section total £277,000 and consist of a review of Supporting People Balances and Parkview review of costs.

7.4 The scale of the savings are the largest and most complex we have undertaken to date in ASC. The scale of change cannot be underestimated nor the work needed to track the savings.

Growth

7.5 The department has reviewed its demographic requirements and estimates for 2016/17 and as a result have identified potential growth pressures within Home Care and Direct Payments due to the proposed rate increases. The total pressure for 2016/17 is estimated at £2.370m.

7.6 There are increasing pressures on the Home Care Packages and Direct Payments budgets as part of the out of hospital strategy, to support customers at home and avoid hospital admission or to enable early discharge. With a proposed growth allocation of £0.849m.

7.7 Due to the introduction of the new home care contracts, which are outcome based, decisions needs to be made regarding changing the Direct Payment rate for Home Care, to reflect the new higher contract rate in line with the London living wage to be paid to providers or to adopt an alternative method for calculating the home care direct payments rates. The DP rates could be calculated according to the Resource Allocation System (RAS) which would allocate resources based on what it costs the Council to provide and purchase services to meet the varying needs of our customers determined through the care assessment. A proposed growth allocation of £0.600m has been allowed in the budget process.

7.8 Hammersmith and Fulham took responsibility for the payment of Independent Living Fund (ILF) to 48 customers on 1st July 2015. The unringfenced grant determination issued by the Department of Communities and Local Government confirmed funding for LBHF of £0.671m, which covers the ILF payments of the 48 ILF customers for the period 1st July 2015 to 31st March 2016. We anticipate a full year revenue grant in 2016/17 of £0.895m and we are awaiting the final details from DCLG.

7.9 Appendix 1 shows the Savings and Growth schedule.

Risks

- 7.10 Risks have been highlighted as £2.846m. These risks are confined to Integrated care and consist of the following:
- Demand 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 has been agreed for 2015/16 only and there is a level of uncertainty over future years funding. There is an outline, in principle agreement, for 2016/17, subject to agreement by CCG Governing Bodies.
 - The department is anticipating residential and nursing home providers to submit above inflationary increases due to the introduction of the national living wage. A provisional risk has been set aside for such additional costs.

Fees and Charges

- 7.10 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.
- 7.11 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 review charges for meals services.
- 7.12 A review of the arrangements was taken for both the service model and charging for the delivered meals service the charge per meal was reduced from £4.50 to £3 per meal which was a reduction of £1.50 per meal from the 1st April 2015. It is proposed to further reduce by £1 with a proposed charge of £2 per meal from 1st April 2016.
- 7.13 The proposed charges for Careline are to freeze the charge as at the current year.
- 7.14 Appendix 3 shows the fees and charges exceptions table

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