


<p>London Borough of Hammersmith & Fulham</p> <p>HEALTH, ADULT SOCIAL CARE & SOCIAL INCLUSION POLICY AND ACCOUNTABILITY COMMITTEE</p> <p>31 January 2017</p>		
<p>2017 Medium Term Financial Strategy (MTFS) – PUBLIC HEALTH</p>		
<p>Report of the Cabinet Member for Finance</p>		
<p>Report Status: Open</p>		
<p>Classification: For review and comment.</p>		
<p>Key Decision: No</p>		
<p>Wards Affected: All</p>		
<p>Accountable Director: Dr Mike Robinson – Director of Public Health</p>		
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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.

- 3.6 During the Smarter Budgeting process, Public Health was identified as cutting across more than one outcome, and so was looked at on an outcomes basis across the Council.

Given the ring-fenced nature of the public health grant, it was acknowledged that savings made to core Public Health services could be re-invested into transformational funding to the other council departments delivering wider health outcomes.

- 3.7 Through the Smarter Budgeting process, a sum of £2m is being proposed as being suitable for the delivery of health outcomes elsewhere in the Council. This sum is a reflective contribution from Public Health to recognise these outcomes

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

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

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.

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 33%.

Table 2: 2017/18 Growth Proposals

Service Area/ Outcome	£'m
Adult Social Care	4.413
Children's Services	0.739
Environmental Services	0.255
Housing	0.230
Enabling/Council wide	1.712
Total Growth	7.349

- 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

Service Area	Savings £'m
Enabling services (back office costs)	(7.108)
Increased income from Adult Learning and Skills	(0.095)
Children's Services	(1.870)
Libraries	(0.382)
Housing	(1.256)
Adult Social Care	(1.885)
Environmental Services	(0.290)

Public Health Investment	(2.000)
Total All savings	(14.886)
Less savings accounted for in the grant/resource forecast ²	0.475
Net Savings	(14.411)

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.

6.2 There are no fees and charges for Public Health.

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 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 3rd lowest in England³. The Band D charge for Hammersmith and Fulham is the lowest since 1999/2000.

8. Comments of the Executive Director for Public Health on the Budget Proposals

8.1 For 2017/18 the Public Health service will continue to be fully funded by the Department of Health's grant and thus will stay a nil cost budget to the Council.

8.2 The grant for 2017/18 shows a net decrease of 2.5% when compared with 2016/17 funding levels, in addition to maintaining the ring-fence on expenditure. It is envisaged that Public Health will in future be funded locally from business rates retention, but no further details are available regarding timescales.

8.3 Given these on-going developments there will be a continual process of review of the use of the Public Health grant.

8.4 The table below shows the effects of this year's grant reductions.

PUBLIC HEALTH GRANT MOVEMENTS

	£000s
Original 2016/17 Grant	22,903
Reduction - 2.5%	<u>-565</u>
Grant award for 2017/18	<u>22,338</u>

8.5 Public Health England has indicated that the Public Health Grant will continue to reduce over the life of this Parliament, with 2.6% reductions for the next two years. In order to maintain a sustainable service there will be a requirement to reduce spending on contracted Public Health services.

8.6 A review of the current services was undertaken by the senior management team and commissioners. The following savings were put forward which will not impact upon the delivery of front-line services:

³ Excluding the Corporation of London

SERVICE	BUDGET 16/17	SAVINGS	BUDGET 17/18	PERCENTAGE CHANGE
	£'000	£'000	£'000	%
Substance Misuse	4,870	(300)	4,570	-6.2%
Sexual Health	5,768	(214)	5,554	-3.7%
Behaviour Change	2,537	(141)	2,396	-5.6%
Families and Children	6,441	(225)	6,216	-3.5%
Intel & Social Determinants	60	(27)	33	-45.2%
Salaries & Overheads	1,285	(65)	1,220	-5.1%
Public Health Investment & Transformation	2,162	2,000	4,162	92.5%
Contribution from grant balances	(607)	(1,205)	(1,812)	198.5%
TOTAL COST / GRANT FUNDING	22,516	(178)	22,338	-0.8%

- 8.7 When the 2016/17 grant figures were published, the funding for 2017/18 was also confirmed. During budget setting in 2016/17, the budget was set at £22.516m, although the grant allocation later confirmed the actual at £22.903m. This means a reduction of £0.565m (2.5%) in cash terms, and a reduction in budget of £0.178m (0.8%).
- 8.8 Substance Misuse anticipates savings of £0.3m due to a reduction in the risk and transformation fund. This was retained in 2016/17 as several large services were re-procured and contained uncertainty with demand. This has shown to be not required in 2017/18 and therefore will be reduced.
- 8.9 In Sexual Health, a pan-London project to redesign the way genito-urinary medicine (GUM) services are offered is expected to deliver part-year savings which will increase further in 2018/19 when the new service is operating fully.
- 8.10 Behaviour Change will make savings on the Health Trainers service which operates at a lower cost than budget, therefore this additional amount is now taken out of the service.
- 8.11 Families and Children contains the 0-5 Health Visiting service which transferred the authority in 2015. The re-procurement of this is expected to deliver savings in 2017/18.
- 8.12 In other areas of Public Health, small savings are anticipated in Intelligence and Social Determinants and in salaries and overheads, as the Public Health Team undergoes a staffing restructure.
- 8.13 Public Health will also increase its contribution to other council services, where public health outcomes are delivered. This additional £2m will transform services across the Council and lead to improved health outcomes and better value for money.

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 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
1.	None		

Appendix 1 – Savings and Growth Proposals

Appendix 2 – Risks

Appendix 3 – Draft Equality Impact Assessment