

Adult Social Care Committee

Item No.....

Report title:	2017-18 Budget and Medium Term Financial Planning 2017-18 to 2019-20
Date of meeting:	10 October 2016
Responsible Chief Officer:	Executive Director of Adult Social Services – Catherine Underwood

Strategic impact

This report provides an update on the Service Committee's detailed planning to feed into the Council's budget process for 2017-18. The Council's budget setting activity is informed by a range of documents including the Medium Term Financial Strategy, the County Council Plan, and the Efficiency Plan. Together these help to set the context for the Council's medium term service and financial planning, which will support the development of a robust, balanced budget for 2017-18.

Executive summary

Our current budget planning assumptions will increase spending on adult social services in 2017/18 compared to 2016/17. This includes our assumptions for new pressures facing the service including the impact of the National Living Wage, which will benefit care workers and support the resilience and sustainability of the care market in Norfolk.

More widely, the demands on adult social care provision continue to change. Much is being done across health and social care services to encourage people to stay healthy and independent in their own homes, without the need for formal care services. Those who do look to the Council's help are more often needing complex care packages. This requires significant investment in the services we provide, and we will continue to balance our commitment in this area with targeted spending to help more people to live independently.

Maintaining investment in these vital areas requires that, even with the Council spending around £1m each day on adult social services, savings have to be found.

This report forms part of the strategic and financial planning framework for Service Committees. It provides an update on the Council's budget setting process, and sets out details of the actions required by Service Committees to enable the Council to set a balanced budget for 2017-18.

Adult Social Care Committee is asked to:

- 1. Note that the Council's budget planning includes:**
 - a) an overall increase in spending on adult social care in 2017/18**
 - b) an assumed increase in council tax of 2% for the Adult Social Care precept, and an inflationary increase of 1.8% in 2017-18; and**
- 2. Recommend to Policy and Resources the use of the £4.6m 2016/17 transitional grant monies to help ameliorate the level of savings required in 2017/18**
- 3. In order to help close the 2017-18 budget gap as set out in section 2 of this report:**
 - a) agree the proposed remedial actions for 2016-17 (included elsewhere on this agenda), which will help to ensure that the 2017-18 budget is deliverable;**
 - b) agree the proposed new savings for 2017-18 as set out in in Section 3**

- c) Agree to consult, where necessary, on proposals to balance the budget for 2017/18
d) consider what scope there is for bringing forward the 2017-18 savings (b) above for implementation in 2016-17

1. Background

- 1.1 The Council's approach to medium term service and financial planning includes a rolling medium term financial strategy, with an annual budget agreed each year. In February, Full Council agreed spending and savings proposals which provided an overall surplus for the period to 2019-20, although with a gap identified for 2017-18 of £8.827m.
- 1.2 In July, Policy and Resources Committee received a paper setting out details of the progress of the Council's budget setting work and the wider financial context in which it is operating. The Committee noted the Council's progress in developing further savings proposals for 2017-18 and recommended to County Council to accept the Government's offer of a four year funding allocation, which would provide a degree of greater certainty about future budgets
- 1.3 This paper builds on the position reported to Policy and Resources Committee in July and represents the next stage of the Council's budget planning process. In particular, the paper sets out details of saving proposals identified for 2017-18 for the Committee's consideration.

2. Context for financial planning

- 2.1 County Council approved the 2016-17 Budget and the Medium Term Financial Strategy for the period 2016-17 to 2019-20 on 22 February 2016. The Medium Term Financial Strategy to 2019-20 set out a balanced budget for 2016-17, but a deficit remained of £8.827m in 2017-18, a surplus of £22.360m in 2018-19 and a deficit of £11.715m in 2019-20 (a small cumulative surplus of £1.818m). The Medium Term Financial Strategy's aim is to ensure a balanced budget to aid forward planning and help mitigate financial risk. The Medium Term Financial Strategy position is shown in the table below.

Table 1: Budget surplus / deficit as reported to Full Council on 22 February 2016

	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Additional cost pressures and forecast reduction in Government grant funding	77.475	51.353	49.354	42.454
Council Tax base increase	-20.532	-10.300	-15.265	-16.266
Identified saving proposals and funding increases	-56.943	-32.226	-56.449	-14.473
Budget gap (Surplus) / Deficit	0.000	8.827	-22.360	11.715

The £51.353m assumed cost pressures and forecast reduction in Government grant funding in 2017-18 consists of:

- Inflationary cost pressures for pay and non-pay budgets of £9.993m
- Legislative changes of £5.428m including pension revaluation costs
- Demographic cost pressures in Adult social Care of £6.134m
- NCC policy changes of £0.186m
- Forecast funding reductions of £29.613m

It should be noted that the budget gap of £8.827m in 2017-18 **assumes a CPI increase in council tax** above the 2% Adult Social Care precept, based on the assumptions used by the Government at the time of the 2016-17 local government settlement. Any reduction in this increase will require additional savings to be found. The assumed increases in Council

2.2 Tax for the Adult Social Care Precept and inflation (the OBR forecast of CPI) are set out in the table below. These are of course subject to Full Council's decisions on the levels of Council Tax, which will be made before the start of each financial year. In addition to an annual increase in the level of Council Tax, the budget assumes modest annual tax base increases of 0.5%.

Table 2: Council Tax increase assumptions in Medium Term Financial Strategy

	2017-18 £m	2018-19 £m	2019-20 £m
Adult Social Care precept (2%)	6.655	6.943	7.249
Inflation (OBR CPI forecast of 1.8%, 1.9% and 1.99%)	5.990	6.596	7.213
Total assumed Council Tax increase (from ASC precept and CPI)	12.645	13.538	14.463

2.3 Since the preparation of the Medium Term Financial Strategy, further pressures on the budget have been identified, resulting in changes to the Council's budget planning position. Alongside the assumptions about Council Tax, other key assumptions within the Council's current budget model include:

- a) Reversal of 2016-17 saving CHI001-4 £3.000m Looked After Children saving
- b) £3.000m pressure from delay of transport saving ASC003 and cost pressures in Adult Social Care
- c) Reversal of 2016-17 saving CHI012 £0.500m reducing the cost of transport for children with Special Education Needs
- d) All previously agreed savings for 2017-18 are deliverable apart from reversal of EDT036 £1.600m saving introducing locality based structure for Community and Environmental Services directorate
- e) No further pressures arising from the Better Care Fund
- f) No change in Education Services Grant
- g) No new cost pressures (e.g. from waste)
- h) Transitional funding of £4.561m in the 2016-17 Budget is retained to support delivery of the 2017-18 Budget allowing the Council to *"ease the pace of reductions during the most difficult first 2 years of the settlement."*¹

2.4 The above factors in the model mean that the actual level of savings that will be required of service committees will be in the range of £15-£20m. Officers have been working to an overall target of £20m, which has been allocated to committees for planning purposes pro-rata to net budgets.

¹ Secretary of State for Communities and Local Government's speech announcing the 2016-17 local government finance settlement: <https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2016-to-2017>

Table 3: Allocation of £20m savings to Services (by Committee and Department)

Department	Savings Target Based on 2016-17 Net Budget	Committee	Savings Target Based on 2016-17 Net Budget
	£m		£m
Adult Social Care	7.1	Adults	7.1
Children's Services	4.1	Children's	4.1
CES	5.7	Communities	1.4
Resources	0.6	EDT	4.3
Finance and Property	0.5	Policy and Resources	3.1
Finance General	2.0		
	20.0		20.0

2.5 Details of the 2016-17 budget overspend position have been reported to Policy and Resources Committee on 26 September. Details of remedial actions being taken by this service to support both the 2016-17 Budget position and the 2017-18 Budget planning process are set out in the Finance Monitoring Report elsewhere on this agenda.

3. 2017-18 Budget proposals

3.1 Our budget planning assumptions include investment in adult social care in 2017/18.

3.2 A large proportion of the increase will be to manage the ongoing cost from the 2015/16 cost of care exercise and impact of the National Living Wage. The introduction of the national living wage reflects the Government's objective of moving from a low wage, high tax, high welfare society to a higher wage, lower tax, lower welfare society. It will have a beneficial impact on the thousands of workers who deliver vital care and support each day in Norfolk and is in line with our own priority for jobs in Norfolk, as well as supporting recruitment and retention of a skilled and committed workforce in the care market. This is vital for securing the best possible care for our residents.

3.3 The Council recognises that the demands on adult social care provision are changing. Much is being done across health and social care services to encourage people to stay healthy and independent in their own homes, without the need for formal care services. Those who do look to the Council's help are more often needing complex care packages. This requires significant investment in the services we provide, and we will continue to balance our commitment in this area with targeted spending to help more people to live independently.

3.4 Maintaining investment in these vital areas requires that, even with the Council spending around £1m each day on adult social services, savings have to be found. As part of the medium term financial plan, Adult Social Services has already identified and agreed some £17.895m of savings for 2017/18.

3.5 In response to the revised financial position, as set out in section 2 above, officers have identified additional savings which is it proposed should be the subject of consultation. In identifying these, we have sought to minimise impact on the most vulnerable within the Promoting Independence strategy and have protected services where there is no alternative provision available. Our first call on savings has been finding efficiencies, and ensuring we are getting maximum value and impact out of existing contracts; we have avoided, where at all possible, reducing or stopping entirely upstream prevention activities which help to keep people close to home and which target those who may be most at risk.

- 3.6 The key focus for further work and the basis for additional proposals is to ensure that the services and support that we provide to the wider community is more clearly focussed on helping people to not require or to delay the need for formal care services and to remain independent in their communities.
- 3.7 **Building resilient lives, reshaping our work with people of all ages requiring housing related support to keep them independent. (2017-18 saving £1.1m; full year saving £4.5m)**
- 3.7.1 *Why this is being considered?*
- Promoting independence recognises the vital role of prevention funding in the community and to individuals but we also acknowledge that NCC is required to focus resources closely on prevention of care spend. We propose to review our approach to non-statutory commissioned services and reinvest a proportion of our spend to buy services that more closely support the Council's approach.
- 3.7.2 Existing investment in services for people who do not have statutory eligibility but are vulnerable, for a variety of reasons, is made by NCC in a number of wide ranging services. We currently spend £2.751m a year on floating support and £6.427m on accommodation based support. The majority of services facilitate access to non-specialist support for people in their own homes or in specific accommodation. Services in this category of spend cater for those who may not have access to statutory services, or may be excluded from mainstream society. In addition to the impacts on individual wellbeing and health, lack of support for these people in society will have direct impacts on criminal justice agencies, health and housing authorities. There is opportunity to work in partnership with others to refocus this spend and work with wider communities and district based services to help people who have the greatest likelihood of requiring formal care at a future stage.
- 3.7.3 All services are being challenged to transform, to ensure good outcomes for people within the limited funding available. This proposal would entail removing half of the investment and then working with District, community and health partners to plan and confirm how the continuing £4.5m NCC annual investment could be utilised most effectively.
- 3.7.4 *What would be required?*
- Previous consultation on removal of funding for services providing housing related support indicated that while a minority of people who responded felt that the responsibility for funding should be spread more widely across the public sector (health, districts, criminal justice etc.) many felt that these are key preventative services that support vulnerable people and therefore reducing funding was not possible.
- 3.7.5 Given the pressures on budgets this proposal suggests that, given the key nature of these services and their impact across the sector, a coalition of stakeholders considers how support can continue to be provided to those who have no statutory eligibility to services provided by the County Council.
- 3.7.6 Actions would include the development of pathways that can be used by individuals and agencies to navigate systems and support would be focused on maintaining individual independence, supporting community and individual resilience and assets. The process would also identify any additional or alternative resources that could be used to support mainstream activities.
- 3.7.7 It is proposed that a group drawn from the Health and Wellbeing Board and Sustainability and Transformation Programme participants, including service users, providers and the voluntary sector form a small working group to consider the impact and direction of service transformation with a view to making clear recommendations on the shape of services,

within the cost envelope, to Committee.

3.7.8 *Implications of the proposals*

Preventive and community support is a societal issue. We estimate that approximately 11,000 people receive some type of help or support from our non-statutory commissioned services. Our proposal requires a wider approach, working with partners and district councils who provide statutory housing services to focus reduced but coordinated investment on the schemes and approach that will have the biggest impact.

3.7.9 However, it will mean that services and support will look different and we will need the support of other organisations to mitigate potential risks to groups of people as services change and people access support in different ways – for example through information within community hubs such as at doctor's surgery rather than floating support.

3.7.10 Detailed implications would need to be identified and managed through the proposed working group.

3.7.11 The proposals do not currently include accommodation for those fleeing domestic abuse. It is considered, that given the sensitive nature of these services that separate discussions should focus on whether transformation of these services or a wider sharing of the support function is possible or desirable.

3.7.12 *Scope for early decisions and savings*

The Council consulted fully on the range of services that would be reviewed as part of the budget planning consultation for 2016/17. The proposal is therefore to use the consultation results as well as some targeted new consultation to inform the working group discussions, which will seek to refocus services and mitigate risks that were identified. It is therefore recommended that more detailed work could commence early in the budget process to enable full recommendations to be ready for February 2017. This will enable the new services to be commissioned by the end of December 2017 with an in-year saving of £1.1m.

3.8 **Remodel contracts for support to mental health recovery (2017/18 saving - £0.125m; full year saving £0.400m)**

3.8.1 *Why this is being considered?*

Delivery of Promoting Independence for working age adults with mental health issues is being undertaken through both mental health social work teams and transformation of commissioned services. Historically Norfolk has had high numbers of people with mental health problems in permanent residential care compared with comparator authorities and therefore work undertaken has focused on reducing the number of people in, and being admitted to, permanent residential care and sourcing quality alternatives.

3.8.2 As a result of this work numbers in long term residential care have reduced by 18% from 201 in March 2015 to 165 in March 2016 and the number of permanent admissions has fallen by 63% from 54 in 2014/15 to 21 in 2015/16. (DH returns), and is now more in line with those of comparable local authorities. The focus of the transformation has been to enhance the rehabilitative component of support to facilitate the care of people with more complex needs.

3.8.3 A number of key contracts, due to be re-let in 2017, offer an opportunity to continue the reshaping of the sector, to support the delivery of Promoting Independence, with explicit focus on outcomes and efficiencies of operation.

3.8.4 *What would be required?*

The focus would be on retaining provision for supported living and a contract that is due to end December 2017 will be competitively tendered in conjunction with the health and social care component of housing related floating support. The result will be a number of supported living hubs with outreach that caters for those with complex needs living in the community. Revised specifications for the support for supported living will focus on innovative delivery models that facilitate recovery and move on into the community. The housing related outreach service will then follow people to ensure movement into and maintenance of independent living.

3.8.5 We also currently provide community support through domiciliary care, day care and personal assistants. A review encompassing two key elements will cover the functionality and outcomes of services provided and a fundamental shift in the way services are provided. Combining personal assistant type support with supported living services and outreach support is forecast to deliver savings of £350k per annum.

3.8.6 *Implications of the proposals*

The proposal is aiming to deliver a more efficient and outcome focused services, with no adverse impact for service users. Continued focus will be maintained on the performance and delivery of the supported living schemes combined with outreach. These services are key to ensuring that use of care home places are minimised.

3.8.7 *Scope for early decisions and savings*

The supported living contract ceases December 2017 and savings cannot be delivered earlier than proposed. Work is already planned to review the function and sourcing for community support, which will support the specification for the retendering process.

3.9 **Recommissioning of information, advice and advocacy services (2017/18 saving £0.063m; full year saving £0.250m)**

3.9.1 *Why this is being considered?*

We currently have net spend of £0.746m on information, advice and advocacy services, through a range of mainly voluntary sector providers. This is net of funding that we receive towards this. Recent work to review the Promoting Independence savings has highlighted the need for focus on information and advice in order to signpost people to community and wider support as early as possible and help reduce or delay the need for people to require formal care assessment. Some of the contracts are coming to end during 2017/18 and there is an opportunity to merge and better coordinate some of the functions being commissioned and let more effective outcome focused contracts, with reduced spend.

3.9.2 *What would be required?*

The proposal is to merge functions of services, which could improve the operation of services through simplifying the way that people access services. Currently services are client specific with many access point – so there is opportunity to streamline service delivery and make it easy to obtain advice, information and advocacy. The target is reduce the net spend on these services through commissioning efficiencies by £0.250m, however due to the timing of the contracts it is envisaged that £0.063m of the saving can be realised in 2017/18 and a further £0.188m in 2018/19.

3.9.3 Delivery of the savings proposals would require re-specification of the services and a tender process. Consultation with individuals receiving support would be needed to mitigate any risks associated with the changes.

3.9.4 *Implications of the proposals?*

The aim of the proposal is to improve access to information, advice and advocacy and simplify the routes into services. However, this will impact on existing providers of services and consultation with both service users and providers will be needed to ensure that the remodelled services are fit for purpose and that supporting services are able to deliver within merged functions.

3.9.5 *Scope for early decisions and savings?*

The timescale for delivery of savings is planned in line with the termination dates of contracts. These range from spring 2017 to March 2018. The profiled savings are based on these dates.

3.10 **Review of commissioning structure and opportunity to review staffing requirements to reflect integrated (2017/18 saving £0.155m)**

3.10.1 *Why this is being considered?*

There is currently a Head of Locality Commissioning post vacant within the service. This post is a jointly funded post between NCC (76%) and Health (24%). In addition there are some vacancies within wider support teams. Although the current work levels remain, there is an opportunity to consider whether work could be aligned differently, particularly as there is now some changes within the health structure (through such as a shared management structure between North and South CCGs) and a new aim to coordinate work programmes across Norfolk through both the Better Care Fund (BCF) and Sustainable Transformation Plans (STP), which could reduce the amount of separate schemes required.

3.10.2 *What would be required?*

The proposal is to not fill the current vacancy in commissioning and to review other vacant posts to deliver efficiency savings. However, reducing capacity in the commissioning team will require a review of functions undertaken with a view to reallocating the workload.

3.10.3 *Implications of the proposals*

Without further review there is some risk that value for money could be affected if functions such as contract monitoring and provider liaison are not met. It will therefore be important to look at systems that can support these functions and strategically helpful to consider restructuring remaining staff to ensure the right influence and support on work with the five CCGs and engagement with the STP. There would not be any redundancy implications.

3.10.4 *Scope for early decisions and savings*

The decision to not recruit to the commissioning post could be taken immediately and the saving realised. Realisation of savings from other vacancies will require wider review and will not be achievable until April 2017.

3.11 **A consistent approach to specific laundry needs (2017/18 saving £0.055m)**

3.11.1 *Why this is being considered?*

A residual linen service is still provided in three localities (East, Norwich and West), which includes provision of transport for laundry services. This service is commissioned from Norse, but is not provided consistently across the county and it is proposed to cease the service and through support planning ensure that the service is provided within personal budgets through alternative means, where there are eligible unmet needs.

3.11.2 *What would be required?*

Actions would require notification to the laundry provider and identification of alternative provision for all service users from within existing budgets. This work is already progressing in one of the localities.

3.11.3 *Implications of the proposals*

Eligible unmet needs would still need to be supported, but this would be met within personal budgets rather than a separate contract.

3.11.4 Initial indications are that the reduction in the contract would not lead to any redundancy implications and decommissioning has been anticipated.

3.11.5 *Scope for early decisions and savings*

Work has started and it would be possible to cease the residual service in three months.

3.12 **Home care commissioning – deliver an improved framework for procuring home care services in Norfolk (2017/18 saving £0.183m; full year saving £0.732m)**

3.12.1 *Why this is being considered?*

The homecare strategy advocates that using block strategies gains NCC a better unit price due to efficiencies of scale and business continuity. Currently between 50% and 60% of the council's homecare business is purchased through spot contract arrangements and there is opportunity to reduce this with an improved framework for purchasing homecare services in Norfolk.

3.12.2 There is opportunity to work towards addressing wider issues affecting the homecare market, and whilst there are long range savings that could be expected through addressing these issues and adopting different approaches – such as a more reabling approach to home care, which could reduce care needs in the long term – there is an opportunity for more immediate benefits from a new procurement framework.

3.12.3 *What would be required?*

Work with providers would be needed to review the current provision and support specification, with a full reprocurement of central services by May 2017 and new services in place by January 2018.

3.12.4 *Implications of the proposals*

The aim will be to achieve more effective operation of the market, increase the availability of care to support people at home and improve quality of care. However, there is a need to recognise the wider issues facing the home care market and initiatives such as workforce development programme will need to encourage workers into and to remain in the sector.

3.12.5 *Scope for early decisions and savings*

The timescale is already based on work commencing immediately and no earlier savings are considered to be achievable.

Table 4: New 2017-18 Saving Proposals

Ref	Proposal	Saving 2017-18 £m	Full Year Saving £m	Risk Assessment	Impact of earlier decision / potential to bring forward savings	Remaining budget £m
001	Building resilient lives, reshaping our work with people of all ages requiring housing related support to keep them independent.	1.100	4.500	Amber	Included	4.677
005	Remodel contracts for support to mental health recovery	0.125	0.400	Amber	Included	5.163
006	Recommissioning of information advice and advocacy	0.063	0.250	Green	0.063	0.496
007	Review of commissioning structure and wider opportunities to realign staffing structures in localities	0.155	0.155	Green	0.027	Across multi budgets
009	A consistent approach to specific laundry needs	0.055	0.055	Green	0.013	0.000
010	Home care commissioning – an improved framework for procuring home care services in Norfolk	0.183	0.732	Green	0.000	48.613
Total		1.681	6.092		0.103	

3.12.6 Committee discussions about proposed additional savings will be used to inform development of the Council's overall 2017-18 Budget.

3.13 Consultation

3.13.1 Those individual savings proposals which require consultation will be published and consulted on via the Council's consultation hub Citizen Space. Targeted consultation with those who may be affected by any changes will be carried out and impact assessments will

be completed. The Council carried out a substantial consultation programme in autumn 2015 which has given a strong body of evidence of views. We will use this body of evidence, where it is still relevant and current, and supplement with additional targeted consultation with affected groups, particularly those at risk of disadvantage. Feedback will be available for Committees in January.

4. Financial Implications

- 4.1 In the March 2016 Budget, the Chancellor confirmed that the Government still has to find savings of £3.5bn in the course of this parliament. Unprotected areas, which include local government, therefore anticipated further cuts in their funding during this period. However, the new Chancellor has signaled his intention to move away from the 2020 surplus target. The autumn statement on November 23rd will give more clarity on how the Government may seek to 'reset' economic policy, but it remains unclear at this time what the implications for local government will be.
- 4.2 The Committee proposals set out in this report, for both 2016-17 remedial actions, and new 2017-18 proposals, will be reported to Policy and Resources Committee in October and November to enable an overall assessment of the Council's 2017-18 budget position to be made.

5. Issues, risks and innovation

- 5.1 There are no significant risks or implications beyond those set out in the financial implications section of the report.

6. Background Papers

- 6.1 [County Council Budget 2016-17 to 2019-20: Medium Term Financial Strategy 2016-20, County Council, 22 February 2016, Item 4, Annexe 9](#)
- [Budget 2017-18 Planning and Efficiency Plan, Policy and Resources Committee, 18 July 2016, Item 10](#)
- [Finance Monitoring Report P4 July 2016, Policy and Resources Committee, 26 September 2016, Item 7](#)

Officer Contact

If you have any questions about matters contained or want to see copies of any assessments, eg equality impact assessment, please get in touch with:

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