

Medium Term Financial Plan for Adults Services

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1. Summary

- 1.1. The report summarises the key messages from the Medium Term Financial Strategy (2019-22) report presented to Cabinet on 19 December 2018 to enable Scrutiny of relevant service areas ahead of the more detailed budget report being presented to Cabinet and Full Council in February 2019.
- 1.2. The Council recognises the on-going financial challenges confronting it and hence the importance of setting a robust budget for 2019/20 as well as laying foundations for the financial plans for 2020/21 and 2021/22. That means that all the known funding and service demand pressures have been reflected in the budget alongside proposals for reducing spend and hence producing a balanced budget for 2019/20. This produces indicative budgets for each service and this report focuses on those services for which this Scrutiny Committee is responsible.
- 1.3. By way of context, it is important to be aware that since the Cabinet Strategy paper was prepared, the provisional Local Government Financial Settlement has been published by the Ministry of Housing, Communities and Local Government (MLCG), on 13 December 2018. The final Settlement can be expected early in the new year, although significant change would not be anticipated. Alongside the core funding announcements issued in the Settlement, the Council has also received confirmation of several Special and Service specific grants from Government departments. The County's district and borough authorities (the Council Tax collecting authorities) have further up-dated their estimates for the numbers of properties liable for Council Tax next year.
- 1.4. Full details for the funding that the Council will receive will be included in the Cabinet and Full Council reports being prepared for February 2019, while this paper focuses on understanding the services spending requirements and proposed further savings required to be delivered.
- 1.5. It is important for members to understand the on-going risks within approved budgets, the levels of reserves, balances and contingencies, as well as the mitigations aimed at limiting the impact on core services, especially those prioritised in the County Plan. Relevant links will be drawn out in the detail below.

2. Issues for consideration / Recommendations

- 2.1. Against a gross revenue budget of more than £800m annually, and a net revenue budget need for 2019/20 of £338m, (as reported in December 2018),

the MTFP Strategy paper showed that funding falls short of spending need by £28m across the next three years. This means the Council must consider what it delivers and how it is delivered to reduce spending in line with funding.

- 2.2. After applying proposed corporate solutions, details of which will be set out in the February 2019 Revenue Budget report, there remained a gap between spending requirement and funding available across all services of £15m in 2019/20 (before the implications of the recent Settlement are factored in). It is not anticipated that these will make a significant difference to the overall financial challenges the Council faces as most of the improved figures are not envisaged to be sustainable beyond 31 March 2020. However, there may be some opportunity to partially replenish some earmarked or General reserves, which would then have a beneficial impact on the resilience of the Council rather than directly on core services.
- 2.3. In the meantime, this paper sets out the relevant service pressures and movements that made up that gap as well as details of the relevant service additional savings to be considered to produce a balanced budget for 2019/20
- 2.4. This Committee is therefore **requested** to review the proposed budget and the specific proposals for change relating to Adults Services and Public Health so that they can comment on them, offer assurance to Cabinet and/or identify any matters for consideration that they would like to highlight to the Cabinet.

3. Background

3.1. Spending and Savings Assumptions

This section sets out the main changes to spend and the forecast to deliver previously planned savings for each key service, followed by a summary of the indicative budgets across the MTFP period (2019-22).

The movements represent changes from the existing MTFP (2018-21) agreed in February 2018 and adopt the previously Cabinet agreed key principle of ensuring robust, transparent budgets are set for 2019/20 onwards. This will place the council in the best position to effectively monitor service spending needs and funding.

For each service, the heading in the following paragraphs reflects the net budget for 2019/20 alongside the net movements for service pressures and savings proposals for each of the three years of the MTFP: 2019/20, 2020/21 and 2021/22

3.2. **Adults Services: Indicative net budget for 2019/20 £132.561m, net movements: 2019/20 -£8.588m; 2020/21 £1.038m; 2021/22 £1.626m**

Adult Service has a clear strategy of ensuring that people are able to access the right type and levels of support needed but in a way that maximises the potential for each person to maximise their independence often referred to as 'Promoting Independence'. The success of this approach has enabled the service to manage demand effectively whilst improving access times, levels of satisfaction and workforce satisfaction.

This approach has enabled the service to both deliver the planned savings and

in year savings without impacting on the access to services. Whilst this approach has further opportunities to deliver the savings planned for 2019-20 the strategy will be subject to review as its clear that Somerset's demographics will continue to require an ongoing transformation in support provided.

3.3. Pressure movements:

Table 1 below sets out the incremental service pressures within Adults Services budgets over the MTFP period followed by an explanation for each.

Table 1: Pressure movements by type for Adults Services

| Pressure Type | 2019/20 (£m) | 2020/21 (£m) | 2021/22 (£m) |
|---------------------------------|--------------|--------------|--------------|
| Demography | 1.000 | 1.000 | 1.000 |
| Inflation (General) | 2.351 | - | - |
| Inflation (Contract) | 0.538 | 0.506 | 0.626 |
| Prior year Savings Unachievable | 4.151 | 0.685 | - |
| Total | 8.040 | 2.191 | 1.626 |

3.3.1. Demography £1.000m/£1.000m/£1.000m

Demographic growth in Adults services has been largely managed without additional funding over the past 2 years. The one area where there continues to be an increase in pressure year on year is Learning Disabilities, although this has reduced substantially from the position 3 years ago when spend in 2016/17 was £4.7m higher than 2015/16. Because of this we have estimated a demographic increase of £1.000m will be sufficient for Learning Disabilities in 2019/20, 2020/21 and 2021/22.

3.3.2. Inflation (General) £2.351m/£0.000m/£0.000m

The final year of the agreed Council Tax precept for Adult Social Care allows us to increase Council Tax by 1% (increased by 2% in 2017/18 and 3% in 2018/19). This money will be spent entirely on supporting the social care market through fee increases.

3.3.3. Inflation (Contract) £0.538m/£0.506m/£0.626m

Contractual inflation for the Discovery contract is capped at 2% as per agreement made during last year's budget setting. The contract continues to deliver efficiencies in line with the original cost model.

3.3.4. Prior Year Savings Unachievable £4.151m/£0.685m/£0.000m

The prior year (17/18) saving in relation to Reviewing to Improve Lives is partially unachievable (£3.058m). This reflected the significant challenges in implementing changes within LD services. A sustained piece of work will

commence in 2019 to redefine the strategy for support provided to people with an LD, development work with the overall market and a reduction in spend, Scrutiny have planned a specific report on LD later in the spring.

3.4. Other movements:

Table 2 below sets out the incremental service movements (savings and adjustments) within Adults Services budgets over the MTFP period followed by an explanation for each.

Table 2: Other movements by type for Adults Services

| Type of Movement | 2019/20 (£) | 2020/21 (£) | 2021/22 (£) |
|-----------------------|-----------------|----------------|-------------|
| In-Year Savings | - 3.018 | - | - |
| Prior Year Savings | - 1.092 | - 0.685 | - |
| Technical Adjustments | - 12.519 | - 0.468 | - |
| Total | - 16.628 | - 1.153 | - |

3.4.1. In Year Savings -£3.018m/£0.000m/£0.000m

These are the full year effect of the savings that were identified as part of addressing the financial challenge in 2018/19 that were presented to cabinet in September 2018. There is a further £1.000m saving in relation to Supported Housing efficiencies that were made during 2018/19.

3.4.2. Prior Year Savings -£1.092m/-£0.685m/£0.000m

These prior year savings relating to Technology and People (TAP) programme and contract efficiencies have been reversed.

The TAP programme was originally intended to be a 5-year programme commencing late in 2016 and due to conclude in 2021 having made workforce related savings of approximately 10% of salary costs (£7.58m) in that time. To date the programme has achieved £600k of directly attributable savings and a further £294k of partially attributable savings. It is also anticipated that the Adults service will deliver a further £439k of savings in 19/20 as a direct result of the performance insight and targeted improvement opportunities provided by the systems review across locality areas.

The programme has also significantly contributed to service savings made across the organisation as an enabler for example, reduction in travel expenditure due to the introduction of Skype for Business. Furthermore, a conservative estimate of 600 working hours have been saved daily from faster power up and log speeds further to the introduction of new devices and Windows 10 functionality.

The programme closed before the anticipated end date due to the financial imperative focus which has reviewed future MTFP saving targets and reset the 2019/2020 budget. This resulted in a decision to reabsorb the future years

attributed service TAP related savings into an overall organisational target. This decision was based on a confident assumption that the foundation has been laid and tools made available for ongoing technology and people transformation aligned to the organisational redesign which will determine the shape and size of the organisation in the future. Fundamental to delivering ongoing savings and future sustainability will be a focus on the behavioural shifts necessary to change the cultural mindset of the organisation.

3.4.3. Technical Adjustments -£12.519m/-£0.468m/£0.000m

£9.823m of this technical adjustment relates to using the improved Better Care Fund (iBCF) to protect against service cuts. There is a risk around this given that the iBCF is only confirmed until the end of 2019/20. There is also a reduction to the budget of £1.561m due to the removal of the Adult Social Care Support Grant which was given to local authorities for 17/18 and 18/19 only. The remaining technical adjustment which reduces the budget by £1.134m in 19/20 and £0.468m in 2020/21 is in relation to the reducing transformation costs within the Discovery contract.

3.5. **Public Health Services: Indicative net budget for 2019/20 £0.749m, net movements: 2019/20 -£0.274m; 2020/21 £0.000m; 2021/22 £0.000m**

This section of the report relates specifically to the SCC budget that public health manages. From 2019/20 this funding is used only for undertaking the community safety responsibilities of the council and the commissioning of domestic abuse services.

3.6. **Pressure movements:**

Table 3 below sets out the incremental service pressures within Public Health Services budgets over the MTFP period followed by an explanation for each.

Table 3: Pressure movements by type for Public Health Services

| Type of Movement | 2019/20 (£m) | 2020/21 (£m) | 2021/22 (£m) |
|-----------------------------|--------------|--------------|--------------|
| Prior Year Savings reversed | 0.126 | - | - |
| Total | 0.126 | - | - |

3.6.1. Prior Year Savings reversed £0.126m/£0.000m/£0.000m

These one-off savings taken in 2017/18 (£0.019m) and 2018/19 (£0.107m) are being returned to Public Health as agreed. These were taken on a one-off basis in advance of the service achieving £0.400m in 2019/20. This saving has been achieved through the recommissioning of substance misuse services.

3.7. **Other movements:**

Table 4 below sets out the incremental service movements (savings and adjustments) within Public Health Services budgets over the MTFP period followed by an explanation for each.

Table 4: Other movements by type for Public Health Services

| Type of Movement | 2019/20 (£m) | 2020/21 (£m) | 2021/22 (£m) |
|--------------------|----------------|--------------|--------------|
| Prior Year Savings | - 0.400 | - | - |
| Total | - 0.400 | - | - |

3.7.1. Prior Year Savings -£0.400m/ £0.000m/£0.000m

This is the saving in relation to re-tendering the Drug and Alcohol service in line with the reduced budget amount available.

3.8. **Indicative Service Budgets:**

After reflecting the movements above, the indicative budgets for the MTFP period (2019-22) are set out in the table below.

Table 3 Three-year budget for Adults & Health Services and Public Health compared to the current 2018/19 budget.

| Service | 2018/19 Budget £m | 2019/20 Indicative Budget £m | 2020/21 Indicative Budget £m | 2021/22 Indicative Budget £m |
|-----------------|-------------------|------------------------------|------------------------------|------------------------------|
| Adults Services | 141.149 | 132.561 | 133.599 | 135.225 |
| Public Health | 1.023 | 0.749 | 0.749 | 0.749 |
| Total | 142.172 | 133.309 | 134.347 | 135.973 |

The above figure for Public Health is the net SCC budget. In addition to this, the authority will receive the Public Health grant which is £21.176m in 2019/20, meaning a total of £21.925m will be spent on improving and protecting the Public's Health.

3.9. **Further Savings Proposals**

The MTFP Strategy report to Cabinet in December 2018, showed; that there was a funding shortfall of £15m to produce a balanced budget for 2019/20. Services have developed proposals for further reductions in service budgets that would ensure a balanced budget for 2019/20 and that, in some cases, also contribute to additional savings in 2020/21.

- 3.10.** Savings proposals totalling £6.597m have been identified by Adults Services of which £2.937m require a saving decision to take effect from 1 April 2019. Decisions have already been taken on 3 proposals totalling £0.552m and there is a financial adjustment relating to the Reviewing to Improve Lives pressure noted in section 3.4.4 of £3.058m which does not require a decision, as well as £0.050m relating to finance staff that does not require a decision. All of the Adult's Services savings proposals are ongoing and an additional £0.219m has been identified for 2020/21. A summary table of the Proposals for Change can be found in Appendix A (Summary of Adults Savings Proposals from 2019/20).

- 3.11. For Adults & Health Scrutiny the detailed proforma's for the relevant Proposals for Change for this committee can be found at Appendix B
- 3.12. Within the budget for each year is a revenue contingency, which is aimed to provide some resilience in the event that some savings cannot be delivered to the extent planned. It has been assessed, through the use of confidence factors, that the contingency sum is sufficient to address any potential shortfalls to allow for a balanced budget in 2019/20

4. Consultations undertaken

- 4.1. The savings proposals contained within this report do not require consultations. Within appendix A the proposals and values of savings can be seen

5. Implications

- 5.1. There are significant financial implications, and these are identified throughout the report.
- 5.2. The detailed proposals for change can be seen in appendix B2. These detail any legal implications associated with each change proposal.
- 5.3. The nature and scale of the savings required means that there will be HR implications arising from this report these can be seen within the detailed proposals for change in appendix B2.

6. Background papers

- 6.1. Revenue Budget 2019/20 and MTFP Strategy Report to Cabinet 19 December 2018

Note: For sight of individual background papers please contact the report author

Appendix A: Summary of Adult's Savings Proposals from 2019/20

| £,000 | Proposals for Decision | | | | Proposals requiring consultation | | | | TOTALS for Proposals for Decision and Proposals Requiring Consultation | | | |
|-----------------|--------------------------|---------------|-------------------------------|--|----------------------------------|------------|-------------------------------|--|--|---------------|-------------------------------|--|
| | No. Proposals for Change | Max 19/20 | ..of which is ongoing savings | <u>Additional</u> ongoing savings from 20/21 | No. Proposals for change | Max 19/20 | ..of which is ongoing savings | <u>Additional</u> ongoing savings from 20/21 | No. Proposals for change | Max 19/20 | ..of which is ongoing savings | <u>Additional</u> ongoing savings from 20/21 |
| Service | | | | | | | | | | | | |
| Adults Services | 6 | 2937.0 | 2937.0 | 219.0 | 0 | 0.0 | 0.0 | 0.0 | 6 | 2937.0 | 2937.0 | 219.0 |
| TOTALS | 6 | 2937.0 | 2937.0 | 219.0 | 0 | 0.0 | 0.0 | 0.0 | 6 | 2937.0 | 2937.0 | 219.0 |