

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 Plan (2020-23) Strategy Report considered and approved by Cabinet on 18 December 2019. It also includes an overall assurance narrative from the Director for Adult's Services and the Director for Public Health alongside more details about the key areas of focus for transformation in the next few years, and further explanation of the reasons for movements in levels of spend and funding between years over the MTFP period. All of this is to enable effective Scrutiny of relevant service areas ahead of the more detailed budget report being presented to Cabinet and Full Council in February 2020.
- 1.2** A year ago, the Council recognised the need to address its financial challenges in 2018/19 and 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. This report now continues that process and re-visits the indicative figures for 2020/21 and 2021/22 and looks ahead to 2022/23 as well.
- 1.3** Significant improvements have been to the MTFP process since last year to ensure robust budgets are set over the medium term, including but not exclusively:
- Challenge sessions held (Chaired by the Chief Executive) to ensure evidence backed budget pressures;
 - Wider stakeholder engagement to improve awareness of financial challenges;
 - Use of scenario planning to ensure a range of options are considered;
 - Multi-year approach to optimise longer term planning, to ensure a focus on all three years, and;
 - Continued tight financial control of in-year budgets.

More details were included in the MTFP Strategy Report [resented to Cabinet on 18 December 2019 and more information will be included in the Place Scrutiny committee report being presented on 5 February 2020. These

improvements mean that, as far as possible, all the known funding and service demand pressures have been reflected in the budget alongside proposals for transforming services and achieving productivity efficiencies and a balanced budget has been produced for the 2020/21 with a relatively modest short-fall for 2021/22 and 2022/23. The resulting budget proposals for 2020/21 and indicative budgets for the latter two years, for each service for which this Scrutiny Committee is responsible are detailed in the report.

- 1.4** By way of context, it is important to be aware that since the Cabinet Strategy paper was considered by Cabinet, the Provisional Local Government Financial Settlement has been published by the Ministry of Housing, Communities and Local Government (MHCLG), on 20 December 2019. The Final Settlement can be expected in the new year, although significant change is not 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 authorities (the Council Tax collecting authorities) have further up-dated their estimates for the numbers of properties liable for Council Tax next year. Additionally, the service has continued to develop detailed proposals for its areas of focus for transformation and details are now included. If relevant, any implications from the most recent budget monitoring information (month 8) have been factored into the future year's budgets. These may be up-dated further if there is significant change over the winter months. It is important to also be aware that some final figures are not yet known, for example business rate levels and final budgets figures may therefore alter by the time of the February 2020 Budget report.
- 1.5** The MTFP Strategy recognised that the Council declared a climate change emergency in February 2019 and is now working with partners to develop a Climate Emergency Strategy. When this strategy is adopted, the Council will need a financial strategy that is flexible enough to reflect agreed priorities. Pending this strategy, no specific activities have been factored into the indicative budget proposals at this stage.
- 1.6** Whilst full and final details for the funding that the Council expects to receive will be included in the Cabinet and Full Council reports being prepared for February 2020, all funding known at this stage has been included in this report. However, the main focus of this report is on understanding the services spending requirements and areas of transformation required to be delivered for Services falling within this Committee scope.
- 1.7** 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

- 2.1** In the context of paragraphs 2.2 to 2.4 below, the Committee is requested to give consideration to the proposed budget for 2020/21 and indicative budgets for 2021/2022 and 2022/23 for Adults Services and Public Health budgets. The Committee is asked to review specific proposals for changes from previous years, 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.
- 2.2** Against a gross revenue budget of more than £700m annually, and a net revenue budget needed for 2020/21 of £338m, (as reported in December 2019), the MTFP Strategy paper showed a balanced budget for 2020/21 and a relatively modest shortfall of £9.5m for 2021/22 and 2022/23 in total. Some more information has become available since then, although this doesn't significantly alter the overall position across the MTFP period. Before the full Council meeting in February 2020 further information may become available that alters the position more. Regardless of any more changes, the current overall budget position is dependent upon delivery of each services budget proposals in full, so it is important to be sure that plans are robust and delivered and assumptions sensible. Throughout the budget planning process, all key assumptions have been tested, reviewed and challenged by officers as far as possible.
- 2.3** As at month 8 the budget monitoring report showed £6.2m of the corporate contingency not yet allocated. However, this was before winter and there are some adverse service variations that could alter the position before the end of the year. Depending on the end of year position, it may be possible to improve the Councils financial resilience beyond the level planned in the budget report for full Council in February 2020.
- 2.4** In the meantime, this paper sets out the relevant service pressures and movements included within the balanced budget position as well as details of the relevant service transformation activities.

3. Background

3.1 Indicative Service Revenue Budgets 2020-23: Adult Services

Table 1 below includes the total net budget for Adult Services for the MTFP period (2020-23). These budgets reflect the previous indicative budgets

agreed by full Council in February 2019 adjusted for expected movements since then. Ahead of consideration of individual movements (in section 3.5. below), the Director of Adult Services assurance is set out below the table.

The total increase for Adult Services budgets across the MTFP is 10%. This reflects the on-going demands for services. More details are set out in section 3.5.

Table 1: Three-year budget for Adult Services by service compared to the current 2019/20 budget

Service	2019/20 Budget £	2020/21 Proposed Budget £	2021/22 Indicative Budget £	2022/23 Indicative Budget £
Commissioning	13,595,100	15,270,000	18,020,000	20,770,000
BCF/Pooled Budget Income	(57,833,400)	(60,666,700)	(60,666,700)	(60,666,700)
Adult Social Care	75,301,000	74,989,000	74,927,000	74,927,000
Mental Health	14,741,000	15,377,000	16,127,000	16,877,000
Learning Disabilities	49,620,300	50,620,300	51,620,300	52,620,300
Discovery	30,732,300	31,038,300	31,664,300	32,264,300
Pensions Deficit Adjustment*	(1,222,400)	(1,222,400)	(1,222,400)	(1,222,400)
Pay Changes (Cumulative)*	0	911,900	1,534,981	2,165,545
Total	124,933,900	126,317,400	132,004,481	137,735,045
<i>Year on year increase (%)</i>		<i>1.2%</i>	<i>4.5%</i>	<i>4.3%</i>
<i>Cumulative increase (%)</i>		<i>1.2%</i>	<i>5.7%</i>	<i>10%</i>

*Note: Due to timings, these adjustments have not yet been analysed across services

3.2 Director of Adult Services Comments and Overview

The Adult Social Care budget is based on the continued delivery of the Promoting Independence Strategy and subsequent transformation programme described below. It also relies on the continued support of the health system through the Better Care Fund and additional funding to support winter resilience.

Demand continues to grow in the over 85 population and we are also seeing a notable change in the upper age of the population. If this continues to be a growth area, we will need to consider the financial implications of this. We are monitoring this closely on a monthly basis and this pressure may result in a need for additional funding through the corporate contingency fund next year. Grant Thornton have provided helpful challenge in terms of demographic growth to achieve a more realistic demand forecast resulting in a more secure budget for Adult social care.

3.3 Indicative Service Revenue Budgets 2020-23: Public Health

Table 2 below includes the total net budget for Public Health Services for the MTFP period (2020-23) as funded by the Council. These budgets reflect the previous indicative budgets agreed by full Council in February 2019 adjusted for expected movements since then. Ahead of consideration of individual movements (in section 3.5. below), the Director of Public Health assurance is set out below the table.

Table 2: Three-year indicative budget for Public Health Services compared to the current 2019/20 budget.

2019/20 Budget	2020/21 Proposed Budget	2021/22 Indicative Budget	2022/23 Indicative Budget
£	£	£	£
1,137,700	2,096,900	1,519,144	1,634,760

3.4 The above figures relate to the County funding that is managed by the Public Health Team. Other public health services are funded through the Public Health Grant from the Department of Health and Social Care. This Councils funding is used to fund two service lines, Community Safety/Domestic Abuse and Volunteering. The Domestic Abuse service has recently been recommissioned within this budget. The volunteering function was brought back into the Council in 2018/19 and the service has undergone some restructuring to ensure it continues to grow volunteering and remain within this financial budget.

3.5 Requirement to Spend Assumptions (Revenue): Adult Services

This section sets out changes to the requirements to spend by Adult services having considered service demands, inflation, progress in delivery of previously agreed plans and looked forward at future planned transformation and efficiency plans.

The movements represent changes from the existing MTFP (2019-22) agreed in February 2019 and adopted the previously Cabinet agreed key principles of ensuring robust, transparent budgets are set for forward years budgets. This will place the Council in the best position to effectively monitor service spending needs and funding.

Table 3 below sets out the movements for changes to spending requirements for each of the three years of the MTFP: 2020/21, 2021/22 and 2022/23 and the paragraphs below then explain the rationale for each movement with relevant supporting activity information.

Table 3: Movements for Adult Services over the MTFP period by type

Movement Type	2020/21 £	2021/22 £	2022/23 £
Demography *	1,360,000	1,750,000	1,750,000
Inflation (General)	1,574,000	2,800,000	2,800,000
Inflation (Contractual)	506,000	626,000	600,000
Pay (Including Increments, NI & Pension)	911,900	623,081	630,564
Prior Year Unachievable Savings	685,000	0	0
Savings / Transformation / 1%	(3,907,000)	(112,000)	(50,000)
Reserves / Other Changes	253,600	0	0
Total	1,383,500	5,687,081	5,730,564

** note: the movements between each year is incremental. For example, in 2020/21 demography is forecast to increase by £1.360m, and then a further £1.750m in the following year, and finally by £1.750m in 2022/23.*

3.5.1 **Demography £1.360m/£1.750m/£1.750m**

Older People/Mental Health £0.360m/£0.750m/£0.750m

Demographic growth and the aging population in Somerset continue to be a challenge for Adult Social Care. The service has been transforming over the past few years to support people's outcomes in a different way and this has led to a reduction in the use of Residential placements in particular. Despite the reduction in the number of new placements, costs are increasing as people remain in existing placements for longer. In the last year the council have seen a month on month growth in the numbers of people still residing in

residential homes compared to the last 2 years. This equates to an additional 63 places over the last 7 months at a full year cost of £1.300m. Should this trend continue it would equate to an additional 108 places for the year at a cost of £2.2m.

There has also been an increase in the use of short-term interim placements as a pathway to facilitate discharge from hospital. These placements are of benefit to the whole Health and Social Care system and ensure people can be discharged from hospital as quickly as possible. The additional cost is adding to the pressure on the Adult Social Care budget.

It is estimated that the over 85 years old population of Somerset will increase by 2% a year over the period of this MTFP. Using these figures, it was predicted that the financial cost of this demographic growth would be £1.467m. This figure was reduced to £0.750m in line with the transformational change the service is implementing. However, due to the increased length of people staying in residential/nursing care, and the age of entry increasing to on average between 85-89 years old this reduction may not be achieved. It must be noted that these average monthly increases are before winter information is available.

The amount allocated in year 1 is less than future years due to £0.390m of the Improved Better Care Fund being available to partially fund this. This money is already in the Adult Social Care base budget so the additional to be allocated for 2020/21 has been reduced.

Learning Disabilities £1.000m/£1.000m/£1.000m

There is continuing growth in the cost of Learning Disabilities services and the original calculation suggested an increased cost of £2.076m for 2020/21. As with Older People services this figure was reduced at the initial planning stage in line with mitigating activities planned by the service. The Council always estimate the growth in this area based on transitions from Children's Services as well as people's needs changing this. However, the costs can vary significantly, for example: an individual moved to Somerset this year, and there is a cost of around £0.250m for a full year. These factors add risk to the ability for the service to remain within indicative budgets.

As well as the additional funding allocated by the Council there is additional funding of £0.333m from Somerset Clinical Commissioning Group in accordance with the Pooled budget agreement. There is an independent review of this agreement being undertaken which could affect future funding arrangements. However, the Council has no indication at this stage whether there will be a change.

3.5.2 **Inflation (General) £1.574m/£2.800m/£2.800m**

The Inflation calculation is based on a 2% increase across all Adults services. These include the main areas of spend which are Residential placements, Nursing placements and Care at Home. The service has begun discussions with providers via the Registered Care Providers Association and these will continue throughout January. The recently announced increase of 6.2% to the National Living Wage (£8.21 to £8.72) has put pressure on providers of Adult Social Care and this legislative decision will be factored into those fee discussions.

The amount allocated in year 1 is less than future years due to £1.226m of the Adult Social Care Council Tax precept from 2019/20 being available to partially fund this. This money is already in the Adult Social Care base budget so the additional to be allocated for 2020/21 has been reduced.

3.5.3 **Inflation (Contractual) £0.506m/0.626m/0.600m**

Contractual inflation for the Discovery contract is fixed at 2% for the lifetime of the contract. The above figures relate to years 4, 5 and 6 of the 6-year contract. The contract continues to deliver efficiencies in line with the original cost model and the commissioning intentions of Somerset County Council.

3.5.4 **Pay (Including Increments, NI & Pension) £0.912m/£0.623m/0.631m**

Pay changes based upon the latest staffing establishment, national pay award of 2.75% and the results of the tri-annual pensions revaluation.

3.5.5 **Prior Year Unachievable Savings £0.685m/£0.000m/£0.000m**

The prior year saving relates to the Technology and People (TAP) programme and was reversed in last year's MTFP and reported to this Scrutiny committee at that time. The programme closed before the anticipated end date due to the financial imperative focus which reviewed future MTFP saving targets and reset the 2019/20 budget. This resulted in a decision to reabsorb the future years savings attributed to TAP into the overall organisational target.

3.5.6 **Savings / Transformation / 1% -£3.907m/-£0.112m/-£0.050m**

The savings figure is broken down into 4 categories. Prior Year unachievable (£0.685m as explained above), Savings identified during previous MTFP's, New Transformation savings and New Service Efficiency savings.

Savings identified and agreed during the 2018/19 MTFP process are £1.700m from Discovery contract efficiencies, £0.219m from changes to the Extra Care Housing model and £0.100m in relation to recommissioning of complex Dementia Care Home support. The last one was originally due to be achieved during 2019/20 but was subsequently delayed by a year.

The service has identified 3 Transformation savings totalling £0.266m for 2020/21. More details are in section 3.7 below.

Service efficiency savings have also been identified which will save £0.937 in 2020/21 with additional savings in 2021/22 and 2022/23.

An efficiency saving based on a vacancy factor of £0.400m. There has been an underspend in salaries spend for a number of years.

Further efficiencies achieved through the Discovery contract have created an additional saving of £0.200m. This is in line with the changes in commissioning intentions for people with a Learning Disability and the cost model of this contract.

The remaining efficiency savings will be achieved through continuing the change in commissioning of Residential Care (£0.250m), a Community focussed redesign of Mental Health Day Services (£0.025m), and changes in the Digital options available to the Finance and Benefits Team when assessing people's contribution to their support (£0.062m).

3.5.7 **Reserves / Other Changes £0.254m/£0.000m/£0.000m**

The £0.254m is a technical adjustment relating to an increase in the Adult Social Care Council Tax base which led to an increase in the amount received for Council Tax precept in 2019/20. This increase was not allocated directly to the service in 2019/20 and this adjustment amends that for 2020/21.

3.6 **Requirement to Spend Assumptions (Revenue): Public Health**

- 3.6.1 This section sets out changes to the requirements to spend by Public Health services having considered service demands, inflation, progress in delivery of previously agreed plans and looked forward at future planned transformation and efficiency plans.

The movements represent changes from the existing MTFP (2019-22) agreed in February 2019 and adopted the previously Cabinet agreed key principles of ensuring robust, transparent budgets are set for forward years budgets. This

will place the Council in the best position to effectively monitor service spending needs and funding.

Table 4 below sets out the movements for changes to spending requirements for each of the three years of the MTFP: 2020/21, 2021/22 and 2022/23 and the paragraphs below then explain the rationale for each movement with relevant supporting activity information.

Table 4: Public Health Movements

Movement Type	2020/21 £	2021/22 £	2022/23 £
Pay (Including Increments, NI & Pension)	167,200	114,244	115,616
Savings / Transformation / 1%	100,000	0	0
Reserves / Other Adjustments *	692,000	-692,000	0
Total	959,200	-577,756	115,616

** note: the 'Reserves/Other Adjustments' is one off, therefore the Public Health budget is forecast to increase by £0.692m, in 2020/21 and then reduce by this amount in the following year.*

3.6.2 **Pay (Including Increments, NI & Pension) £0.167m/£0.114m/£0.116m**

Pay changes based upon the latest staffing establishment, national pay award of 2.75% and the results of the tri-annual pensions revaluation.

3.6.3 **Savings / Transformation / 1% £0.100m/£0.000m/£0.000m**

This is the reversal of a one-off saving attributed to Public Health for 2019/20 and the budget is now re-instated back to the base budget for 2020/21.

3.6.4 **Reserves / Other Changes £0.692m/-£0.692m/£0.000m**

An allocation from the Public Health Earmarked reserve has been made to fund the Neighbourhood's initiative. £0.090m will be needed to fund the Neighbourhoods Officer post along with £0.067m of the money allocated to undertake this work.

There is a project underway to replace the RIO client database system that is currently used by Public Health Nursing staff. £0.175m of reserves are needed to 2020/21 to fund this replacement.

It is anticipated that £0.360m will be required in 2020/21 from the Prevent Fund Earmarked reserve to fund various preventative initiatives such as 'Pause'.

All of the above adjustments are for 2020/21 only and are reversed back out of the budget in year 2 of this MTFP.

3.7 Areas of focus for Transformation and productivity efficiency

3.7.1 Adult Services have several initiatives planned to be delivered throughout the MTFP period (2020-23) that will alter how those services are delivered and have an impact on the future need to spend in those areas. The initiatives and financial implications are summarised in **Table 5** below and then further explanation of each is set out in the following paragraphs. **Appendix A, B & C** includes further details about each initiative for consideration.

Table 5: Summary of the areas of transformation

Transformation Savings	2020/21 £	2021/22 £	2022/23 £
Mental Health Transformation	164,000		
Brain in Hand	52,000		
Steps to Independence	50,000		
Total	266,000		

3.7.2 The service has identified 3 areas of transformation that will change the way in which services are delivered, particularly in relation to Mental Health and Learning Disabilities services.

Mental Health Transformation savings of £0.164m will be achieved through promoting independence and preventing the need for someone to be placed in a Residential Home. The savings figure is based on preventing 5 placements.

Adoption of 'Brain in Hand' assistive technology to pilot amongst people with Learning Disability or Mental Health to help achieve their outcomes. The service has purchased 30 licences to run this pilot and aim to make savings of £0.052m.

Steps to Independence is a model which looks to support adults with a Learning Disability to become more independent, by developing life skills and requiring less support in the medium to longer term. A saving of £0.050m has been identified against this model which will improve the outcomes for those involved.

3.8 Revenue Funding Assumptions

- 3.8.1 This section considers the core funding assumptions affecting the services for Adult Services and Public Health. The wider council funding assumptions, such as Council Tax, Business Rates and Revenue Support Grant will be included in the Place Scrutiny report.
- 3.8.2 It is important to be aware that the Governments Financial Settlement is for 2020/21 only, meaning there is currently uncertainty over funding levels for the latter two years of the MTFP period.
- 3.8.3 **Tables 6 & 7** below include a summary of the key service specific grants affecting Adult Services and Public Health followed by a narrative about each explaining the basis for the assumptions and identifying any risks associated with them.

Table 6: Indicative Adult Social Care Service-related grants

	2020/21 £	2021/22 £	2022/23 £
Better Care	12,515,500	12,515,500	12,515,500
Improved Better Care Fund	20,187,000	20,187,000	20,187,000
Winter Funding	2,497,500	2,497,500	2,497,500

The MTFP (2020-23) assumption regarding Adult Social Care grant funding is that it will remain at the same level as 2019/20. Better Care Fund, Improved Better Care Fund and Winter Pressures Grant are all vital funding streams for the service and any reduction in the amounts made available by Central Government or the NHS will result in a reduction in services available.

Table 7: Indicative Public Health Service-related grants

	2020/21 £	2021/22 £	2022/23 £
Public Health Grant	20,176,000	20,176,000	20,176,000

The government have not yet announced the Public Health Grant figures for 2020/21. This is still being debated at a national level. Given this uncertainty, the MTFP (2020-23) and in the absence of any other information, the assumption has been made that the grant will remain as 2019/20.

4. Consultations undertaken

- 4.1. Any proposals requiring consultation will not proceed until relevant consultations have been completed.

5. Implications

- 5.1. There are significant financial implications, and these are identified throughout the report.
- 5.2. The detailed proposals for transformation can be seen in **Appendix A, B & C**. These details any legal implications associated with each change proposal.

6. Background papers

- 6.1. Revenue Budget 2020/21 and MTFP Strategy Report to Cabinet 18 December 2019.

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