

<b>10 November 2016</b>		<b>ITEM: 7</b>
<b>Health and Wellbeing Overview and Scrutiny Committee</b>		
<b>Council Spending Review Update</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key	
<b>Accountable Head of Service:</b> Sean Clark, Director of Finance and IT		
<b>Accountable Directors:</b> <ul style="list-style-type: none"> <li>• Sean Clark, Director of Finance and IT</li> <li>• Roger Harris, Corporate Director of Adults, Housing &amp; Health</li> </ul>		
<b>This report is public</b>		

## **Executive Summary**

This report summarises the main changes to the MTFS for the period 2017/18 through to 2019/20 and the governance structure for the Council Spending Review and Transformation Programme, including the budget planning table enabling agreement of the budget in February 2017.

This report specifically updates the committee on the proposals currently being considered that will affect Children's Services budgets.

### **1 Recommendations**

- 1.1 That Health & Well Being Overview and Scrutiny Committee note the revised MTFS position and the Council Spending Review approach and timetable.**
- 1.2 That Health & Well Being Overview and Scrutiny Committee comment on the proposals currently being considered within the remit of this committee.**

### **2 Medium Term Financial Strategy (MTFS)**

- 2.1** The MTFS presented to Council in February 2016 shows the budget gap over the 3 years 2017/18 to 2019/20 as £18.443m. This already assumes delivery of £2.484m savings previously agreed for 2017/18 (see Appendix 1) and assumes a Council Tax increase of 3.99% in each year.
- 2.2** As part of the ongoing budget planning process, the MTFS has been updated to reflect latest assumptions. The table below sets out the movements from the previous position and revised budget gap.

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
February 2016	7.378	6.098	4.967	<b>18.443</b>
Business Rates	0.399	0.663	(0.463)	<b>0.599</b>
Inflation	(0.285)	(0.071)	(0.071)	<b>(0.427)</b>
Capital Financing	-	(0.042)	0.591	<b>0.549</b>
Government Grant	-	-	1.785	<b>1.785</b>
<b>Revised Budget Gap</b>	<b>7.492</b>	<b>6.648</b>	<b>6.809</b>	<b>20.949</b>

### 2.3 The key movements include:

- The position for 2017/18 and 2018/19 reflects a reduction in the provision for inflation but, adversely, also the possible impact of a significant category of business rate appeals that have been lodged;
- The majority of the increase is expected in 2019/20 and is largely as a result of further analysis on the four year funding settlement. It is prudent, at this stage, to reduce down the level of grant and business rate support in light of discussions on the removal or reduction of New Homes Bonus and further comments on grant levels; and
- The increase in Capital Financing reflects the likely interest rate increases towards the end of the MTFs period. This increased cost has been offset with significant savings in 2016/17 and smaller reductions over the following two years as a result of pushing back the impact in light of current economic forecasts.

2.4 One off funding has been identified to meet the costs of a Clean It, Cut It, Fill It pilot. The results of this pilot will be used to determine whether growth is required in the budget for a permanent increase to the Environment and Place budgets and this will be reported once known.

2.5 The position above includes the assumption of a 3.99% increase in council tax each year – 1.99% general increase and 2% adult social care precept. The table below sets out how any reductions to this assumption will increase the deficits set out in paragraph 2.2:

<b>An increase of:</b>	<b>Increases the budget gap by (£m)</b>			
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
3.99%	0.000	0.000	0.000	0.000
3.00%	0.570	0.585	0.605	1.760
2.00%	1.140	1.170	1.210	3.520
1.00%	1.710	1.755	1.815	5.280
0.00%	2.280	2.340	2.420	7.040

## 3 Council Spending Review Process and Timetable

3.1 Given the level of saving previously delivered across the council, the pressures identified in 2016/17 and that there are minimal reserves to call

upon, it is essential that there is a clear strategy to close the budget gap set out in the MTFs. As a result, the focus will be on 3 key areas:

- Income generation – including increasing the Council’s commercial trading base. Council Tax increases also fall under this category;
- Achieving more / same for less – including further transformational projects, contract reviews, spend to save initiatives and alternative delivery models; and
- Demand management / early intervention. Examples include the Local Area Co-ordinators and Community Hubs.

3.2 However, where the budget gap cannot be fully closed through the above, the likely solution will be reductions to, or full cessation of, service provision.

3.3 Crossing through all of these areas is the need to adapt our workforce and change our culture to be an organisation which is more entrepreneurial, digitally-minded and commercially-aware.

3.4 The Council Spending Review will be underpinned by the following principles.

- Becoming financially self-sustainable;
- A target of 15-20% efficiencies in each service;
- A review of all services by March 2019 using common design principles (customer / demand management, commercial, ICT / digital, people, procurement, property and process);
- Non-statutory income generating services should be cost neutral; and
- Outcome focused including consideration of prevention and early intervention.

3.5 There has been some discussion that the Service Review is a top slice approach. It is important to note that the intention of these reviews is more a focus on making the use of financial, physical and people assets more efficient through challenging service delivery on the principles set out above.

3.6 The transformation framework for achieving this is set out in the governance structure in Appendix 2. The officer Transformation Board will oversee a number of Strategic Boards each with a specific focus and cross cutting membership. Each Strategic Board will be sponsored by a member of Directors Board and guided by the principles outlined above and strategic policy direction set by Members. The governance structure also includes the cross-party Council Spending Review Panel.

3.7 The timing of these reviews is set out at Appendix 3.

STRATEGIC BOARDS	
Growth	Performance
Customer & Demand Management	Commercial
ICT / Digital	People
Procurement	Property
Service Review	

3.8 The Council Spending Review timetable has been prepared to achieve agreement of the budget by Cabinet and Council in February 2017. The main milestones are summarised below:

- July/August 2016 – Officer boards identify proposals and estimated savings for consultation with Cabinet Members;
- 7th September 2016 – Cabinet consider Q1 budget update including budget planning timetable and governance;
- September 2016 – Council Spending Review Panel (cross-party with Group Leaders and Deputies) consider savings options ahead of consultation;
- October/November 2016 – O&Ss consider proposals and public consultation where required;
- January 2017 – Cabinet agree proposals for implementation informed by O&S recommendations and draft budget referred to Corporate O&S; and
- February 2017 – Cabinet and Council budget setting.

3.9 At this stage, the £7.492m budget gap for 2017/18, set out in paragraph 2.2, has been reduced to circa £0.9m though this rises to £1.3m when the contribution to increase the general fund balance is added. This assumes:

3.9.1 A 3.99% council tax increase; and

3.9.2 No further investment in other services, including investment in Environmental Services.

3.10 Officers continue to work towards closing the remaining balance and identifying additional funds for further investment in services.

## **4 Savings Proposals**

### **4.1 Management Actions Savings Proposals**

4.2 The majority of the savings proposals are categorised as being “management actions” i.e. are operational matters under the responsibility of officers to implement without the requirement for member approval. Those which fall under the remit of each Overview & Scrutiny Committee have been presented to them for information. There are no new management actions savings proposals at this time relating to this committee.

### 4.3 Savings Proposals requiring Cabinet approval

4.3.1 The Corporate Boards have also identified some areas of potential savings which require Cabinet approval before being taken forward and on which Overview & Scrutiny Committee are asked to comment. Currently there is one new such proposal relating to this Committee as shown below:

Proposal	Category/ Type	2017/18 £K	2018/19 £K	2019/20 £K
<b>Adult Care Placements (18-65 age group) – Review of placement costs against care plans.</b>  (This is in addition to the existing savings target underway – £ 500k see below)	Cost reduction	100	100	100

### 4.4 Other considerations

4.4.1 The Care Quality Commission has released a report (The State of Health and Care and Adult Social Care in England 2015/16 – October 2016) that describes Adult Social Care as reaching a tipping point. This is a situation that has become recognisable in Thurrock.

4.4.2 Between 2010/11 and 2015/16 the Directorate has made £13.601m savings. This reduction has been compounded by additional pressures faced by the service over the same period of time.

4.4.3 There are a number of reasons for the increased pressure on Adult Social Care. These include:

- Increased complexity of need – both in terms of older people and working-age adults;
- Impact of the National Living Wage;
- Increased demand for services;
- Difficulty recruiting social care staff – particularly carers;
- Cost of ensuring external providers are sustainable – e.g. additional sustainability payments;
- Demographic pressures – increasing numbers of people who live longer but with a greater number of years in poor health; and
- High cost placements for disabled adults.

4.4.4 We have worked extremely hard to control our costs and manage demand. This includes:

- Reviewing and re-procuring contracts;
- Service re-design;

- Introduction of panels to ensure tight control of and consistency of decisions concerning care packages;
- Staff reductions;
- Control of agency spend;
- Introduction of services designed to prevent, reduce and delay the need for care and support – e.g. Local Area Coordination (LAC) and the Rapid Response and Assessment Service (RRAS);
- Reviewing and negotiation of placement costs; and
- Identification and utilisation of alternative funding sources – e.g. grants, pooled Better Care Fund etc.

4.4.5 Whilst we have managed to deliver a balanced budget to date, our ability to make additional savings and control service demand will prove extremely difficult and be delivered at a potential risk to those requiring services. It is very likely that additional resources will need to be provided for care providers – with a recent report from the UK Homecare Association stating that in their view, the minimum price necessary to deliver sustainable homecare is £16.70 per hour. We currently pay below this rate. We also need to be careful that by delivering additional savings we do not destabilise an already fragile market place.

4.4.6 The signs of an extremely strained health and care system are showing and have become increasingly apparent during 2016-17. This includes the department taking over 1600 hours per week of domiciliary care back in-house as a result of two failing providers. This has led to an extremely stretched in-house service – reflected by a recent CQC report that rated the service as ‘requiring improvement’. For the first time ever, the service has had to provide domiciliary care on a priority basis. As a result, a number of people at any one time are unable to vacate hospital beds (bed blocking). Combined with this, there are many occasions now when residential care providers are at full capacity.

4.4.7 We are focusing efforts on preventing, reducing and delaying the need for care services. This includes a focus on early intervention – e.g. through our Rapid Response and Assessment Service (RRAS) and also through our Local Area Coordination Service. We are also working with partners, including the voluntary service, to build resilience and capacity within Thurrock’s communities to enable individuals to get the support they need without necessarily requiring a service intervention – or to limit the amount of service intervention required. This work continues as part of our Living Well in Thurrock transformation programme. Whilst the Programme will not deliver quick savings, it will contribute towards managing and containing growing demand.

4.4.8 Despite the challenging situation Adult Social Care faces, there are a number of measures we have both put in place and plan to or consider putting in place to contain and control demand as far as possible and also to manage costs. Some of decisions taken to date and that will be taken are very difficult and will have an impact on what we can provide. Measures we are considering and advancing include both short and longer-term solutions:

#### Short Term

- Securing increased funding from the Better Care Fund;
- Reviewing further our charging policies;
- Reviewing voluntary sector grants;
- Reviewing supporting people contracts;
- Tighter restrictions on access to funded packages of care – including the tightening of the application of eligibility; and
- The introduction of care ‘waiting lists’

#### Medium-Long Term

- Living Well in Thurrock Transformation Programme:
  - Stronger Communities – consisting of Local Area Coordination, Social Prescribing, Time Banking, Micro Enterprises, Community Hubs and Shared Lives;
  - Built Environment - consisting of specialist housing options (e.g. Medina Road), housing options for people as they grow older (e.g. HAPPI housing, extra care facilities etc.), intermediate care capacity, ‘place’ shaping;
  - Adult Social Care ‘offer’ – consisting of market development (e.g. shared lives, living well @ home), in-house provider and social care ‘spin out’, Single Point of Access, integration opportunities across health and social care.

4.4.9 There are two savings built into the MTFS for 2016/17 relating to this Overview & Scrutiny Committee both of which are high risk:

4.4.10 **External Placements** - £500K saving built into MTFS to be delivered in 2016/17

Since this savings target was agreed in 2014/15 the local adult social care landscape has changed significantly and demand has increased substantially. This has meant that the approach to delivering the original £500K saving has yet to be fully identified. This, in effect, means the service needs to find £600K savings in the external placements budget.

#### 4.4.11 **Public Health – review of contracts** - £250K saving built into MTFS to be delivered in 2016/17

Similar to the above, the context around Public Health funding has changed since these saving targets were agreed, and as such, original approach to delivering these savings has needed to change. The team are working hard to identify the remaining savings methods.

#### 4.4.12 **Adult Social Care Precept**

The MTFS assumes that Council will agree to an increase of the Council Tax each year including the 2% adult social care precept. Whilst this will be beneficial it will only go some way to cover additional National Living Wage increases within the sector, and not help to offset demand as a result of demographic growth.

#### 4.4.13 **Additional cross-cutting savings targets**

There are also a number of cross cutting savings targeted including the reduction of the council wide spend on agency staff, consultants and overtime. The impact of these targeted reductions on services is currently being evaluated but is in addition to any other service-specific proposals.

### 5. **Reasons for Recommendation**

- 5.1 The Council has a statutory requirement to set a balanced budget annually and to review its adequacy of reserves. The report outlines the budget gap over the next three years as per the MTFS and the approach and timetable to manage the position.

### 6. **Consultation (including Overview and Scrutiny, if applicable)**

- 6.1 The budget planning governance structure includes involvement and consultation with Officers, Portfolio Holders and Members. The timetable allocates October - December for Overview and Scrutiny committees to consider proposals and public consultation where required. The process also includes the Council Spending Review Panel, made up of cross-party Group Leaders and Deputies who will meet regularly during the budget planning period and ahead of key decision points.

### 7. **Impact on corporate policies, priorities, performance and community impact**

- 7.1 The implementation of previous savings proposals has already reduced service delivery levels and our ability to meet statutory requirements, impacting on the community and staff. There is a risk that some agreed savings may result in increased demand for more costly interventions if needs escalate particularly in social care. The potential impact on the Council's ability to safeguard children and adults will be kept carefully under review and mitigating actions taken where required.



7.2 The scale of future budget reductions as set out in this report are such that work is underway to follow a transformational approach to tackle the challenge.

## **8. Implications**

### **8.1 Financial**

Implications verified by: **Carl Tomlinson**  
**Finance Manager**

The financial implications are set out in the body of this report.

Council officers have a legal responsibility to ensure that the Council can contain spend within its available resources. Regular budget monitoring reports will continue to come to Cabinet and be considered by the Directors Board and management teams in order to maintain effective controls on expenditure during this period of enhanced risk. Austerity measures in place are continually reinforced across the Council in order to reduce ancillary spend and to ensure that everyone is aware of the importance and value of every pound of the taxpayers money that is spent by the Council.

### **8.2 Legal**

Implications verified by: **David Lawson**  
**Deputy Head of Law & Governance**

There are no direct legal implications arising from this report.

There are statutory requirements of the Council's Section 151 Officer in relation to setting a balanced budget. The Local Government Finance Act 1988 (Section 114) prescribes that the responsible financial officer "must make a report if he considers that a decision has been made or is about to be made involving expenditure which is unlawful or which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency to the authority". This includes an unbalanced budget.

### **8.3 Diversity and Equality**

Implications verified by: **Natalie Warren**  
**Community Development and Equalities  
Manager**

There are no specific diversity or equalities implications as part of this report.

A comprehensive Community and Equality Impact Assessment (CEIA) will be completed for any specific savings proposals developed to address future

savings requirements and informed by consultation outcomes to feed into final decision making. The cumulative impact will also be monitored.

**8.4 Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

Any other significant implications will be identified in any individual savings proposal business case to inform the consultation process where applicable and final decision making.

**9. Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- None

**10. Appendices to the report**

- Appendix 1 – 2017/18 Previously Agreed Savings Tracker
- Appendix 2 – Council Spending Review Governance Structure
- Appendix 3 – Service Review Timetable

**Report Author:**

Sean Clark, Director of Finance and IT

Roger Harris, Corporate Director of Adults, Housing and Health