

BUDGET PROPOSALS REPORT FOR SOCIAL SERVICES HOUSING AND PUBLIC HEALTH SERVICES 2016/17

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REASON FOR ITEM

To comply with the Budget and Policy Framework procedure rules as part of the agreed consultation process for the General Fund revenue budget, Housing Revenue Account budget and Capital Programme for 2016/17, this report sets out the draft revenue budget and Capital Programme of the Adult Social Care, Public Health and Housing Services/Group for 2016/17, along with indicative projections for the following four years. Following consideration by Cabinet on 17 December 2015, these proposals are now under consultation, and the proposals for each Group are being discussed at the January cycle of Policy Overview Committees.

Cabinet will next consider the budget proposals on 18 February 2016, and the report will include comments received from Policy Overview Committees. At the meeting on 18 February 2016 Cabinet will make recommendations to full Council regarding the budget and Council Tax levels for 2016/17, who will meet to agree the budgets and Council Tax for 2016/17 on 25 February 2016.

The Committee needs to consider the budget proposals as they relate to Adult Social Care, Public Health and Housing Services/Group, but within the corporate context and the constraints applying as a result of the aggregate financial position of the authority.

OPTIONS AVAILABLE TO THE COMMITTEE

It is recommended that the Committee notes the budget projections contained in the report and comments as appropriate on the combined budget proposals put forward by the Adult Social Care, Public Health and Housing Services/Group, within the context of the corporate budgetary position.

INFORMATION

Background

1. The Council continues to operate within the constraints of Government's deficit reduction programme, which has seen a reduction of 56% (£67m) in central government funding since 2010/11 and all indications are that funding will continue to decline. There remains significant uncertainty around funding forecasts for the remainder of the MTF period, with November's Autumn Statement reaffirming the direction of travel of local government funding.
2. The draft budget presented to Cabinet in December does not include the impact of funding outlined within the recent Spending Review or Provisional Local Government Finance Settlement. However, the expectation is that the overall funding position for the next 4 years may have improved slightly from previous forecasts although the position in 2016/17 could well be worse than assumed because local government savings have been front loaded.

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3. In order to provide a firm basis from which to respond to on-going funding reductions, there has been significant work undertaken to review and confirm the baseline position of demand-led service areas, with Looked After Children placements and the new permanent establishment for Children & Young People's Services being two examples. Alongside this work on demand-led budgets, monitoring of progress in the successful delivery of the 2015/16 savings programme has fed into development of the 2016/17 budget to ensure that the Council is not carrying forward issues into the new financial year.
4. Against this baseline position, groups have been developing savings proposals sufficient to meet the externally driven budget gap and respond to increases in cost pressures. In addition to this work across directorates, a comprehensive review of the corporate elements of the budget has been undertaken since February 2015, capturing funding, inflation and capital financing. During the early summer and again in the autumn, a series of challenge sessions were held to affirm the budget position. Each session followed a similar format reviewing:
 - The 2014/15 outturn, particularly any on-going issues arising.
 - The current position in 2015/16 - both monitoring and savings delivery.
 - Existing and emerging pressures which need to be addressed in the 2016/17 budget and forecasts for future years.
 - Progress on the development of savings proposals for 2016/17.
 - Identification of any potential growth or invest-to-save bids.
 - Capital programme requirements.
5. The consultation budget collated the outputs from these sessions, with sufficient savings proposals having been developed to bridge the budget gap in 2016/17 while freezing Council Tax for all residents for an eighth successive year and funding the freeze for older persons into a twelfth year in 2018/19. A surplus of £1,251k is retained at this stage in the budget setting process in order to manage the risk of further reductions in funding once 2016/17 grant awards have been confirmed.

The Budget and Policy Framework Procedure Rules

6. The consultation on the budget proposals commenced on 18 December 2015 following decisions taken by Cabinet on 17 December 2015.
7. There will be a further consideration by Cabinet of the budget proposals on 18 February 2016, including comments from Policy Overview Committees. These will be collated and reported back to Cabinet by the Corporate Services and Partnerships Policy Overview Committee. Council will be requested to approve the Cabinet's proposals on 25 February 2016, and if approved without further amendment they will be effective immediately.

Corporate Summary

8. While the focus of the discussion for the Policy Overview Committee should be the specific services within its remit, it is important that this discussion is conducted in the context of the overall corporate financial position.

9. The budget proposals included in this report represent Cabinet's budget strategy for 2016/17 and beyond. The revenue budget proposals have been developed to deliver a zero increase in Council Tax for 2016/17 whilst maintaining balances and reserves at well above the minimum recommended level. The final funding settlement for 2016/17 will not be available until February and so the budget has therefore been drafted on the latest estimated position.
10. The principal challenge in delivering a balanced budget for 2016/17 is the development of significant savings, with the savings requirement for 2016/17 originally being estimated at £20,276k. This was revised in the wake of the March 2015 national budget to £21,247k, with a planned £4,000k drawdown from balances to smooth the impact of front-loaded funding cuts reducing the outstanding budget gap to £17,247k. Following the reduction in funding cuts for 2016/17 signalled by the July 2015 national budget and latest intelligence on core government funding, the budget gap stood at £14,079k.
11. The budget proposals presented to Cabinet in December are analysed below, with a £5,950k projected reduction in Government Grants being off-set by increased Council Tax and Business Rates receipts to reduce the budget requirement by £1,012k. Inflationary pressures and growth in demand continue to drive up the savings requirement, with savings proposals of £12,144k presented in this draft budget sufficient to generate a £1,251k surplus.

Table 1: Headline Budget Movements

	£'000
<u>Funding Sources</u>	
Council Tax Receipts	108,654
Retained Business Rate Receipts	47,435
Central Government Grant	46,851
Total Resources	202,940
Budget Requirement 2015/16	203,952
Inflation	3,439
Corporate Items	(1,890)
Contingency	8,862
New Priority Growth	(530)
Savings	(12,144)
Budget Requirement 2016/17	201,689
Surplus / (Deficit)	1,251

12. The development of savings proposals has continued to concentrate on more efficient service delivery methods, the rolling out of the new Council operating model, focusing on core services and by not creating new pressures by providing services that are no longer funded by Central Government. As previously noted, the Council's Business Improvement Delivery Programme is now well established and able to drive the delivery of these savings - evidenced by £8,172k of the £10,034k 2015/16 savings being either already banked or on track in Month 7 monitoring.
13. The draft General Fund Capital Programme for the period 2016/17 – 2020/21 proposes significant capital investment of around £371,725k - containing funding to deliver a new Theatre, museum and bunker visitor centre in Uxbridge, three new Youth Centres, funding

for a new playground renewal programme as well as bolstering investment in existing local infrastructure.

ADULT SOCIAL CARE, PUBLIC HEALTH and HOUSING SERVICES / GROUP BUDGET PROPOSALS

Summary of Key Financial Issues

Adult Social Care

14. Following the announcement on 17 July 2015 that implementation of Phase 2 (the Dilnot reforms) of the 2014 Care Act would be deferred from 2016/17 to 2019/20, the anticipated associated grant funding for these reforms has been removed from this draft budget. The funding for the ongoing delivery of Phase 1 of Care Act reforms is forecast to be £1,331k in 2016/17.
15. While there has been no additional specific grant funding to support Social Care expenditure in 2016/17 identified within the Autumn Statement, the Government have announced that those authorities providing Social Care will be able to levy a precept on Council Tax of up to 2% in support of Social Care. This additional flexibility has not been reflected in the Council's draft budget.
16. It has been announced that the Better Care Fund (BCF) which was introduced in 2015/16 is to be continued into future years. This pooled funding with Hillingdon Clinical Commissioning Group (HCCG) is to support the development of an integrated sustainable health and social care system providing better quality care and improved health outcomes. In 2015/16 the BCF totalled £17,991k made up of Council funding of £7,959k and CCGG funding of £10,032k. The BCF programme for 2016/17 is currently being developed and will be considered by Health and Well being Board during early 2016.
17. The funding and responsibility for the Independent Living fund for additional care and support to 34 residents in Hillingdon was transferred from the DWP on 1 July 2015. All of these clients have now been reassessed in line with the Care Act eligibility requirements and the total additional cost for this year is £612k. The funding delegated from the DWP to the council totals £428k for the period July 2015 to March 2016 leaving an unfunded pressure of £184k in the current year. There are a number of these clients receiving support which may be classified as continuing health care (CHC) and referrals have been made to the CCG to fund these costs, the outcome of the assessments is awaited. If assessed as CHC then funding received from the CCG will help to mitigate the forecast pressure. Any future government funding for the continuing care and support of these clients from April 2016 and beyond has yet to be announced.
18. The Cheshire West judgement in March 2014 brought about a revised test for clarifying whether there is a deprivation of liberty for a person receiving care and was initially focussed upon those people residing in residential placements, however the revised test has now been further extended to apply to people living in other community settings such as supported housing, shared living and in their own home. The service has conservatively estimated that an additional 258 people would require annual assessments. The council

received a grant in 2015/16 to fund a proportion of the additional costs of DoLs. Any future funding to meet the council's responsibilities for the assessment of DoLs from April 2016 and beyond has yet to be announced.

19. Within Adult Social Care, demand management and associated early intervention measures form a key part of delivering the Council's savings for 2016/17. Reducing the on-going cost of service delivery through investment in new initiatives such as reablement in Adult Social Care together with the investment in Supported Living through the Council's own HRA capital programme and partnership working with local housing providers is also expected to deliver substantial savings whilst improving the quality of life for service users. Estimates for the savings accruing from the managed move away from traditional, expensive residential placements to independent supported living placements have been revised to reflect the latest delivery dates for the new housing developments.
20. Alongside the reduction in contingency provision for SEN Transport, Adult Social Care are projecting a £500k reduction in the cost of service provision arising from increased use of mechanisms such as offering personal travel budgets in lieu of council commissioned transport through private vehicle hire and greater targeting of the service offer.

PUBLIC HEALTH

21. Public Health is not currently established as a separate directorate but is currently managed within Residents Services. The government have announced further cash reductions to the Public Health grant in addition to the £200m of savings that were announced earlier for 2015/16. The initial £200m reduction equates to LBH receiving a reduction of £1.105m in the grant for 2015-16, with the further savings to be phased in over the next five years to 2021. Individual implications of these additional cuts are not yet known for local authorities. This will depend on a number of factors, including decisions about the funding formula which was recently consulted on, relative population growth and the arrangements for the transition to full funding through business rates.
22. For 2016-17, MTFE savings of £200k are expected to be made from within Public Health services budgets. Current projections show cashable savings can be made on a number of existing contracts with existing providers - the negotiations are ongoing.

Housing General Fund

23. The key financial issues impacting upon the Housing (General Fund Service) are as follows :
24. The Housing Needs service continues to experience a sustained level of demand with high numbers of homelessness presentations. Financial year 2015/16 has seen the numbers of temporary accommodation requirements consistently above the original MTFE forecast. Within this increase, a higher proportion are in high cost Bed & Breakfast placements given the challenges on housing supply.
25. The increasing pressure on supply and private sector rents means that the level of incentives payable to secure both prevention and Temporary Accommodation properties continues to increase, and is significantly higher than the cost of previous schemes. However, they remain significantly lower in cost than current Bed and Breakfast provision.

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The chief constraint continues to be the supply and availability of properties given the increasing difference between HB subsidy and market rents.

Group Revenue Budget 2016/17

26. The movement between the current year's budget and the draft budget for 2016/17 is summarised in Table 2 below. Each of the lines in Table 2 is set out in the following sections and in Appendix A.

Table 2: Group Revenue Budget 2016/17

	Adult Social Care £'000	Housing General Fund £'000	Total £'000
Operating Budget 2015/16	86,404	4,329	90,733
Inflation	1,488	35	1,523
Corporate Items	(420)	0	(420)
Contingency	0	0	0
Priority Growth	25	0	25
Savings	(1,969)	0	(1,969)
Other Virements	0	0	0
Operating Budget 2016/17	85,528	4,364	89,892

Corporate Items

27. The approach to accounting for £420k annual investment in Telecare equipment has been reviewed and an element of expenditure is to be treated as capital rather than revenue. It is planned to fund this additional investment from the £580k annual capital allocation within the Better Care Fund, against which there are currently no commitments in the medium term

Development and Risk Contingency

28. The Development and Risk Contingency provides for resources within the revenue budget that are unallocated at the beginning of the year, but that can be applied to issues as they arise during the year. The contingency is therefore used to budget for items where the probability or value of items is uncertain at the beginning of the year. The current draft Development and Risk Contingency includes items totalling £5,880k for 2016/17 for the Social Services and Housing Services.

29. Key items within each service/group is as follows

- **Adult Social Care Demographic Pressures (303k increase from 2015/16)** - The latest review of Adult Social Care placements has resulted in a reduction of £94k from the £397k uplift projected in February 2015, to provide £48,997k to meet the care needs of 3,373 Adult Social Care clients within the 2016/17 budget. Assumed levels of client

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contributions have been reviewed and increased through this review, reflecting the overachievement of income reported through 2015/16 budget monitoring. This projection takes account of the full year cost of those clients transferred to the Council following abolition of the Independent Living Fund, netted down by continuation of the £571k new burdens funding from the Department of Health and an estimated £100k of continuing Health Care contributions from the Hillingdon Clinical Commissioning Group. Any future government funding for the continuing care and support of these clients from April 2016 and beyond has yet to be announced

- **Transitional Children (£1,319k increase from 2015/16)** - Provision is included within this draft budget to meet the costs associated with 38 children transitioning into Adult Social Care placements during 2016/17 and the full year effect of those clients transferred in 2015. This represents an increase of £80k from the position forecast in February 2015, with a lower number of clients now expected to transfer at higher cost. In line with recent experience, reassessment of care needs at the point of transfer undertaken within Adult Social Care is expected to result in a reduction of 5% from the current cost of placements.
- **Special Educational Needs (SEN) Transport (£520k decrease from 2015/16)** - The additional needs strategy sets out the requirement to develop a wide range of special educational provision in the local area and reduce the need for expensive journeys to out of borough schools. Whilst the number of children with SEN is increasing the number in out of area schools is beginning to decrease and with the increase in local developments, the expectation is that this will reduce the contingency requirements by £740k from the previous 2016/17 estimate. In addition a saving of £500k against the base budget for SEN Transport is also included in these budget proposals, bringing the total cost reduction from this initiative to £1,240k.
- **Winterbourne View (no movement from 2015/16)** - Latest forecasts for the transfer of clients from the National Health Service in response to the Winterbourne View report indicate that no uplift in the £393k contingency requirement established in 2014/15. The £56k uplift previously forecast for 2016/17 related to a client has been identified as being the responsibility of Hertfordshire County Council. It is assumed that 50% of relevant costs associated with each placement will be met by the Clinical Commissioning Group due to the Health Care requirements of these clients
- **Care Act new Burdens Funding (£736k decrease from 2015/16)**

This funding was provided in 2015/16 to implement the new responsibilities under the Care Act. Approval for £736k draw down was agreed cabinet to cover both one off implementation costs and part year ongoing costs. Funding of £1,331k has been provided by the DH. The full year effect of the costs of some of new responsibilities particularly the demand for ongoing Carers support remains uncertain.

- **Impact of Welfare Reform on Homelessness (£189k increase from 2015/16)** - Over the past six months numbers of households being housed in temporary accommodation has remained substantially above levels assumed in setting the 2015/16 budget, with this demand-led pressure being exacerbated by housing supply issues which necessitate greater use of expensive Bed & Breakfast provision. The combined effect of these

factors is a gross risk of £3,437k, although this draft budget takes account of planned and potential action to manage demand and increase supply which reduces the net call on Development & Risk Contingency to £2,025k.

Priority Growth

30. Growth of £25k for Adult Social Care Services has been included in the draft budget for consultation. This is based on Cabinet's expenditure commitment to provide further support for carers and is drawn from the items included in Table 2 above.

Inflation

31. The well publicised issues around the financial viability of care suppliers have led to inclusion of 1% inflation on residential and nursing placements to reflect assumed pay inflation in this sector and 4% inflation provision on Domiciliary Provision. With the higher rate applied to Homecare reflecting the expected greater impact of the National Living Wage on this sector.

Savings

32. Savings proposals, focused on increased efficiency and effectiveness with no reduction in service provision, have been developed through the Council's BID Programme and associated workstreams. The savings have been adjusted to take account of rephrasing of 2015/16 proposals so the Council does not carry forward undeliverable savings in the refreshed MTF. These proposals fall into five broad themes: Zero Based Reviews; Preventing Demand; Service Transformation; Effective Procurement; and Maximising Income.

33. Savings proposals currently developed total £12,144k across the Council for 2016/17 including £2,865k of full year effects of prior year savings. The total general fund savings included in the draft budget for Adult Social Care, Public Health and Housing Services total £2,169k (including £200k for Public Health) and are included in Appendix A.

Fees and Charges

34. The Council is empowered to seek income from fees and charges to service users across a wide range of activities. Some of these fees and charges are set by the Government or other stakeholders, but many others are set at the discretion of the Council, based on Cabinet's recommendations.

35. Schedules detailing the proposals relating to fees and charges for 2016/17 for the Adult Social Care, Public Health and Housing group are attached at Appendix B.

Capital Programme

36. The capital programme for 2016/17 was approved by Cabinet and Council as a five-year capital budget that focused on maximising the use of identified funding in order to minimise the level of new borrowing that ultimately impacts on budget requirements funded through Council Tax.
37. The process of developing a capital programme has again focused on identifying and sustaining available funding streams whilst simultaneously managing the significant impact of increased demand for sufficient school places in the borough.
38. The draft capital programme may need to be revised once the final impact of the settlement is known as this may impact on the affordability of the programme. A summary of the draft capital programme for the Adult Social Care, Public Health and Housing Services/ Group is shown in Appendix C.

Housing Revenue Account

39. The budget proposals for 2016/17 are based on the fifth full year of self-financing for the HRA and have been developed using the same methodology and layout as for the General Fund budget. The HRA budget build is subject to the same rigorous process as other Council budgets to aid understanding of the process and improve transparency in the business plan.
40. The HRA revenue budget proposals have been developed to deliver reductions in rent of 1% in each of the next four years, in line with impending government legislation. Alongside the revenue budget a refreshed Capital Programme has been prepared, drawing down accumulated Major Repairs Reserve balances to support capital investment. Within the new build programme, significant investment in both General Needs and Supported Housing is expected from 2016/17 onwards.

Table 3: HRA Budget Requirement

	£'000
<u>Funding Sources</u>	
Dwelling Rents	56,192
Other Income	5,751
Total Resources	61,943
Budget Requirement 2015/16	60,051
Inflation	563
Corporate Items	(8,602)
Contingency	181
Savings	0
Budget Requirement 2016/17	52,193
Surplus / (Deficit)	9,750

Rental & Other Income

41. Rental income projections have been fully refreshed to take account of rent setting policy changes and revised estimates for the number of properties being sold under the RTB scheme. For 2016/17 it is assumed that the loss of 115 properties through RTB sales will be partly off-set by 20 new properties coming on stream through the Council-provided New Build Property programme.
42. This draft budget has been prepared on the assumption that the Council implements the Chancellor of the Exchequer's announcement on rent reforms, which requires all registered providers of social housing to cut rents by 1% in each of the next four years, a reversal of the 10-year old previous rental formula allowing annual increases of CPI + 1%. The announcement to reduce rents in each of the following four years is part of the Government's wider welfare reform savings, aiming to reduce the welfare bill by £12bn by 2019/20. Rental increases will revert to CPI + 1% in 2020/21. At this stage it is assumed that the 1% provision for income losses arising from void properties will remain at this level, resulting in net dwelling rents of £56,192k.
43. Other income is expected to total £5,751k for 2016/17, mainly relating to service charges which are frozen as they are not expected to be subject to restrictions imposed by the Chancellor's rents reforms, although this is still to be confirmed

Inflation

44. The inflation provision of £563k is an increase of £191k from that included in the February 2015 report to Council. This sum includes £144k in respect of employees' salaries and pension contributions, £72k provision for utilities inflation and £347k inflation on contracted expenditure within the HRA.

Corporate Items

45. The net movement of £8,602k consists of £10,399k reduction to contributions to capital, the release of £530k following the zero basing of HRA budgets, a £1,602k technical adjustment to reflect income against resources rather than the budget requirement and recognition of £335k projected investment income accumulated through increasing HRA cash balances.

Stock/Capital

46. The HRA Capital Programme remains focused on the twin objectives of maintaining stock and construction of new dwellings. Projected stock levels are estimated to fall by 147 over the medium term, a reduction of 500 properties through Right to Buy Sales, in part offset by the addition of 186 New Build Supported Housing Units and 167 Council-provided New Build properties. Right to Buy sales are forecast to have peaked in 2014/15, with the downward trend anticipated to reduce sales by up to 65% when compared with current sales volumes. Stock movements and associated revenue implications are reflected throughout the draft HRA budget.

30 Year HRA Business Plan

47. The Council has produced a 30 year HRA business plan as part of the MTF process which offers reassurance that the HRA is a viable account in both the short and the longer-term. All planned maintenance and capital costs can be financed whilst ensuring that all loans due for repayment over the same period can be repaid.
48. The HRA is challenged by various pressures including the high volume of RTB sales, and the announcement that social housing rents would have to decrease by 1% for four years from 2016/17. Both these changes are reflected within the business plan projections.
49. The government has also announced a number of initiatives which will impact on the HRA including:
- A proposal to sell off high value properties as they become void with any receipts returned to the Treasury in order to finance the extension of RTB to Housing Associations.
 - Reduction in the benefit cap coupled with universal credit, which may impact on rent collection rates
 - Changes in tenancies, including increased rents for higher earners, with the additional revenue returned to the Treasury
50. Once more detail on the above changes are announced then these can be incorporated within future business plan projections.

Appendices

- Appendix A - Social Services Housing and Public Health -Savings Proposals
- Appendix B - Social Services Housing and Public Health - Fees and Charges
- Appendix C - Social Services Housing and Public Health - Capital programme

BACKGROUND PAPERS

Medium Term Financial Forecast 2016/17 - 2020/21 – report to Cabinet 17 December 2015