Leicester
City Council

# MEETING OF THE ADULT SOCIAL CARE SCRUTINY COMMISSION

**DATE:** **TUESDAY, 23 JANUARY 2018**
**TIME:** **5:30 pm**
**PLACE:** **Meeting Room G.01, Ground Floor, City Hall, 115 Charles Street, Leicester, LE1 1FZ**

## Members of the Committee

Councillor Newcombe (Chair)
Councillor Cleaver (Vice-Chair)

Councillors Aldred, Chaplin, Dr Chowdhury, Pantling and Thalukdar

One unallocated non-group place

## Standing Invitee (Non-voting)

Representative of Healthwatch Leicester

Members of the Committee are invited to attend the above meeting to consider the items of business listed overleaf.

A J Smith

For Monitoring Officer

***Officer contacts**:*

***Angie Smith (Democratic Support Officer),***
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## Further information

If you have any queries about any of the above or the business to be discussed, please contact:
**Angie Smith, Democratic Support Officer on 0116 454 6354**. Alternatively, email angie.smith@leicester.gov.uk, or call in at City Hall.

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# PUBLIC SESSION

# AGENDA

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**1. APOLOGIES FOR ABSENCE**

**2. DECLARATIONS OF INTEREST**

Members are asked to declare any interests they may have in the business to be discussed.

**3. MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting of the Adult Social Care Commission held on 12 December 2017 have been circulated and the Commission is asked to confirm them as a correct record.

**4. PROGRESS ON ACTIONS AGREED AT THE PREVIOUS MEETING**

**5. PETITIONS**

The Monitoring Officer to report on any petitions received.

**6. QUESTIONS, REPRESENTATIONS AND STATEMENTS OF CASE**

The Monitoring Officer to report on any questions, representations or statements of case.

**7. GENERAL FUND REVENUE BUDGET 2018/19 TO 2020/21** **Appendix A**

The Director of Finance submits a draft report to Council on 21 February 2018, of the General Fund Revenue Budget 2018/19 to 2020/21. Scrutiny Commission Members are asked to note and comment on the report as they see fit. The Strategic Director for Adult Social Care submits supplementary papers relating to adult social care funding to inform the Commissions discussion of the General Fund Revenue Budget.

## 8. DEMENTIA SERVICE UPDATE **Appendix B**

The Strategic Director, Adult Social Care and Health submits a report to provide the Adult Social Care Scrutiny Commission with an update on the new Dementia Support service and an update on other key aspects of the Dementia programme. Members are invited to comment on the report and presentation.

## 9. END OF LIFE TASK GROUP UPDATE

The Scrutiny Policy Officer will provide a verbal update on the End of Life Task Group.

## 10. WORK PROGRAMME **Appendix C**

The current work programme for the Commission is attached. The Commission is asked to consider this and make comments and/or amendments as it considers necessary.

## 11. ANY OTHER URGENT BUSINESS

Leicester City Council

**Council** **Date: Draft for 21st February 2018**

# General Fund Revenue Budget 2018/19 to 2020/21

**Report of the Director of Finance**

## 1. Purpose

1.1 The purpose of this report is to ask the Council to consider the City Mayor's proposed budget for 2018/19 to 2020/21.

1.2 The proposed budget is described in this report, subject to any amendments the City Mayor may wish to recommend when he makes a firm proposal to the Council.

1.3 This draft budget has been prepared in advance of the finance settlement for 2018/19, and the final report will be updated to reflect any new information received.

## 2. Summary

2.1 The Council is enduring the most severe period of spending cuts we have ever experienced.

2.2 On a like for like basis, government grant has fallen from £289.2m in 2010/11 to an estimated £167.0m by 2019/20, a cut of 51% in real terms.

2.3 As a consequence of these cuts, the Council's budget (on a like for like basis) has fallen from £355.7m in 2010/11 to an estimated £280.5m in 2019/20. Despite this, spending on social care is demand led, and numbers of older people requiring care and looked after children have increased over this period. As a consequence, spending on all other services will fall from £192m to an estimated £85m, a cut of 62% in real terms.

2.4 We know from reports of the Institute of Fiscal Studies and our own analysis that government cuts have disproportionately hit the most deprived authorities (such as Leicester).

2.5 Since 2014/15, the Council's approach to achieving these substantial budget reductions has been based on the following approach:-

(a) An in-depth review of discrete service areas (the "Spending Review Programme");

(b) Building up reserves, in order to "buy time" to avoid crisis cuts and to manage the Spending Review Programme effectively. We have termed this the "managed reserves strategy".

2.6 The Spending Review Programme is a continuous process. When individual reviews conclude, an Executive decision is taken and the budget is reduced in-year, without waiting for the next annual budget report. Executive decisions are informed by consultation with the public (where appropriate) and the scrutiny function.

2.7 This approach has served us well. Budgets for the period 2013/14 to 2015/16 contributed £42m to reserves, in order to buy time. In practice, the strategy has been sustained by the achievement of in-year savings which increased the amounts available. This has helped us to postpone the maximum impact of government cuts.

2.8 Since 2016/17, however, budgets have planned to take money from reserves rather than add to them. Reserves are consequently running out.

2.9 Because of the spending review approach, the Council has been able to balance the budget in 2018/19, making use of most of the remaining reserves. However, the outlook beyond 2018/19 is extremely difficult, as reserves will inevitably run out before 2020. There is no realistic hope of the strategy being extended this far.

2.10 Medium term budgets cannot be balanced without additional, deep, cuts. The forecast gap in 2019/20 is £27m, and the current estimate of reserves to bridge this is just £3.4m. Outstanding spending reviews will realise savings of £10m per year at the most.

2.11 In early December, local government employers made a pay offer amounting to 5.6% over 2 years. If additional funding is not received from the Government, an additional £4.5m saving will be required in 2019/20. In 2018/19, the budget contingency will need to be used.

2.12 As a consequence, the following approach has been adopted:-

(a) The budget for 2018/19 has been balanced using reserves, and can be adopted as the Council's budget for that year;

(b) A further round of spending reviews has commenced ("Spending Review 4"). This has allocated target savings of £20m across departments, and work to identify and achieve this level of saving is taking place;

(c) A more realistic assessment of the current outstanding reviews has been carried out, and a figure of £8.5m was rolled into the Spending Review 4 targets (rather than the formal outstanding amount of £12.8m). Of this £8.5m, £5.9m remains outstanding.

2.13 **What this means is that, in substance, the budget proposed is a one year budget with projections of the further cuts required beyond 2018/19.**

2.14 These cuts need to be planned over the next 12 months, and implementation commenced as quickly as possible. Any savings achieved before 2019/20 will increase the level of reserves available to support the budget in that year.

2.15 It cannot be stressed enough how difficult these cuts will be. We continue to face growth in social care costs, and it is not impossible that these services will consume an ever greater proportion of the budget (squeezing out the traditional services provided to the whole community). Government intentions for social care funding beyond 2019/20 are not known.

2.16 It should also be noted that there are some significant risks in the budget – more so than usual. These are described in paragraph 16, and to help mitigate these, a contingency of £2m has been included in the 2018/19 budget.

2.17 Additionally, a number of departments are facing difficulties living within their existing budget ceilings. These pressures, and mitigating actions, are further described in paragraph 7 below.

2.18 The budget provides for a council tax increase of 5%, which is the maximum available to us without a referendum. 3% of this 5% is for the "social care precept" – the Government has permitted social care authorities to increase tax by more than the 2% available to other authorities, in order to help meet social care pressures. In practice, increasing our tax by 5% for 2 years will only meet a small proportion of the extra costs we are incurring.

2.19 In the exercise of its functions, the City Council (or City Mayor) must have due regard to the Council's duty to eliminate discrimination, to advance equality of opportunity for protected groups and to foster good relations between protected groups and others. The budget is, in effect, a snap-shot of the Council's current commitments and decisions taken during the course of 2017/18. There are no proposals for decisions on specific courses of action that could have an impact on different groups of people. Therefore, there are no proposals to carry out an equality impact assessment on the budget itself, apart from the proposed council tax increase (this is further explained in paragraph 11 and the legal implications at paragraph 21). Where required, the City Mayor has considered the equalities implications of decisions when they have been taken and will continue to do so for future spending review decisions.

## 3. Recommendations

3.1 Subject to any amendments recommended by the Mayor, the Council will be asked to:-

(a) approve the budget strategy described in this report, and the formal budget resolution for 2018/19 which will be circulated separately;

(b) note comments received on the draft budget from scrutiny committees, trade unions and other partners (when received);

(c) approve the budget ceilings for each service, as shown at Appendix One to this report;

(d) approve the scheme of virement described in Appendix Two to this report;

(e) note my view that reserves will be adequate during 2018/19, and that estimates used to prepare the budget are robust;

(f) note the equality implications arising from the proposed tax increase, as described in paragraph 11 and Appendix Five;

(g) approve the prudential indicators described in paragraph 18 of this report and Appendix Three;

(h) approve the proposed policy on minimum revenue provision described in paragraph 19 of this report and Appendix Four;

(i) emphasise the need for outstanding spending reviews to be delivered on time, after appropriate scrutiny;

(j) agree that finance procedure rules applicable to trading organisations (4.9 to 4.14) shall be applicable only to City Catering, operational transport and highway maintenance.

4. **Budget Overview**

4.1 The table below summarises the proposed budget, and shows the forecast position for the following three years:-

| | 2018/19 £m | 2019/20 £m | 2020/21 £m |
|---|---|---|---|
| **Service budget ceilings** | 252.8 | 254.9 | 258.9 |
| **Corporate Budgets** | | | |
| Capital Financing | 13.8 | 13.6 | 13.0 |
| Miscellaneous Central Budgets | (3.3) | (3.2) | (2.9) |
| Corporate Contingency | 2.0 | | |
| Education Funding Reform | 3.8 | 3.8 | 3.8 |
| **Future Provisions** | | | |
| Inflation | | 4.5 | 8.9 |
| Planning provision | | 3.0 | 6.0 |
| **Managed reserves Strategy** | (14.0) | (3.4) | |
| **TOTAL SPENDING** | **255.1** | **273.2** | **287.7** |
| **Resources – Grant** | | | |
| Revenue Support Grant | 38.4 | 28.4 | 29.3 |
| Business rates top-up grant | 44.4 | 45.9 | 47.3 |
| New Homes Bonus | 6.0 | 5.1 | 3.6 |
| **Resources – Local Taxation** | | | |
| Council Tax | 106.8 | 109.6 | 112.6 |
| Business Rates | 58.4 | 60.2 | 61.8 |
| Collection Fund Surplus | 1.1 | | |
| **TOTAL RESOURCES** | **255.1** | **249.2** | **254.6** |

| | | | |
|---|---|---|---|
| Projected tax increase | 5.0% | 2.0% | 2.0% |
| Gap in resources | NIL | 24.0 | 33.2 |
| Underlying gap in resources | 14.0 | 27.4 | 33.2 |

4.2 The table above includes sufficient money for a 1% pay award for local government staff in each year. On 5th December, the employers' side of the NJC made a formal offer of a pay award averaging 2.8% p.a. nationally (2.5% locally). It is not yet clear if the government will be providing additional funding to local authorities to meet this cost pressure. If it is not fully funded, the corporate contingency is sufficient to meet the additional costs for 2018/19, but a significant additional cost pressure will arise in 2019/20 and 2020/21 (estimated at £4.5m per year).

4.3 Future forecasts are of course volatile and will change.

4.4 The forecast gap in 2019/20 and 2020/21 makes no allowance for most inflation (other than for pay awards). In real terms, the gap for 2020/21 is some £5m higher.

## 5. **Council Tax**

5.1 The City Council's proposed tax for 2018/19 is £1,492.77, an increase of just below 5% compared to 2017/18.

5.2 The tax levied by the City Council constitutes only part of the tax Leicester citizens have to pay (albeit the major part). Separate taxes are raised by the police authority and the fire authority. These are added to the Council's tax, to constitute the total tax charged.

5.3 The total tax bill in 2017/18 for a Band D property was as follows:-

| | £ |
|---|---:|
| City Council | 1,421.69 |
| Police | 187.23 |
| Fire | 62.84 |
| **Total tax** | **1,671.76** |

5.4 The actual amounts people are paying in 2017/18, however, depend upon the valuation band their property is in and their entitlement to any discounts, exemptions or benefit. Almost 80% of properties in the city are in band A or band B.

5.5 The formal resolution will set out the precepts issued for 2018/19 by the Police and Crime Commissioner and the fire authority, together with the total tax payable in the city.

## 6. **Construction of the Budget**

6.1 By law, the role of budget setting is for the Council to determine:-

(a) The level of council tax;

(b) The limits on the amount the City Mayor is entitled to spend on any service ("budget ceilings").

6.2 The proposed budget ceilings are shown at Appendix One to this report.

6.3 The ceilings for each service have been calculated as follows:-

(a) The starting point is last year's budget, subject to any changes made since then which are permitted by the constitution (e.g. virement);

(b) Decisions taken by the Executive in respect of spending reviews which are now being implemented have been deducted from the ceilings;

(c) Increases in pay costs. The pay award for local government staff from April 2018 is yet to be agreed; an offer averaging around 2.5% was made in December. Budget ceilings in Appendix One have been calculated on an assumed 1% pay award, plus the rise in the UK Living Wage. This will be revised in preparation of the final budget for Council approval.

6.4 Apart from the above, no inflation has been added to departments' budgets for running costs or income, except for an allowance for:-

(a) Independent sector adult care (2%);

(b) Foster care (2%);

(c) Costs arising from the waste PFI contract (3.8% - RPI).

6.5 The following spending review decisions have been formally taken since February 2017, and budgets reduced accordingly:-

| | 17/18 £000 | 18/19 £000 | 19/20 £000 |
|---|---|---|---|
| Transforming Neighbourhood Services | 12 | 41 | 69 |
| Cleansing | 365 | 508 | 700 |
| Early Help Remodelling | 1,200 | 3,500 | 3,500 |
| Civic & Democratic Services | 280 | 280 | 280 |
| Investment Property | 180 | 340 | 500 |
| Corporate Administration | 240 | 1,300 | 1,300 |
| Using Buildings Better / Channel Shift | 295 | 355 | 355 |
| Regulatory Services | 12 | 271 | 271 |
| Sexual Health | 245 | 245 | 245 |
| Lifestyle Services | 270 | 270 | 270 |
| Youth Services | - | 923 | 923 |
| Community Capacity | 62 | 125 | 125 |
| Park & Ride | - | 100 | 100 |
| Supported Housing[1] | - | 250 | 250 |
| Tourism, Culture & Investment | 381 | 620 | 1,008 |
| | **3,542** | **9,128** | **9,896** |

Savings realised in 2017/18 are being used to support the managed reserves strategy into 2019/20.

6.6 A full schedule of reviews included in the programme is provided at Appendix Eight. In addition, departments have been asked to prepare plans to save an

[1] This decision is subject to a "call in" at the time of writing

additional £20m by 2019/20, to address the remaining budget gap in that year. Work on these savings is ongoing, and has not yet been included in budget projections.

## 7. How Departments will live within their Budgets

7.1 The role of the Council is to determine the financial envelopes within which the City Mayor has authority to act. In some cases, changes to past spending patterns are required to enable departments to live within their budgets. Actions taken, or proposed by the City Mayor, to live within these budgets is described below.

Adult Social Care

7.2 In common with adult care services across the country, the department faces significant cost pressures. These principally arise from:-

(a) Demographic growth – an ageing population means the number of older people requiring care is increasing (which has been the pattern for many years);

(b) Increasing frailty and the impact of people having multiple health conditions that increase the level of care and support required (not just in older people, but also for adults of working age who are supported by the department);

(c) Increasing cost of packages after individuals have been assessed and care has started to be provided. In practice, this is proving to be an area of significant cost increase (projected at an average 5.7% on the original package cost);

(d) The National Living Wage – this was introduced by the Government in April 2016, and is due to increase in stages to around £9 per hour by 2020/21. These increases are creating substantial pressures for independent sector care providers, who are heavily dependent on a minimum wage workforce; and they will seek to pass on additional costs to local authorities.

7.3 The Government has partially recognised the difficulties facing adult social care, and has:-

(a) Permitted social care authorities to increase council tax by 5% in 2018/19 (as opposed to the usual referendum limit of 2%);

(b) Provided additional funds through the “Improved Better Care Fund” (iBCF). Monies available will rise to £15.5m by 19/20.

7.4 These measures are far from adequate, and we have no indication of what will be provided beyond 2019/20 (we have simply assumed BCF amounts in 19/20 will roll forward at the same level).

7.5 In 2016/17, the Council recognised the growing costs of care, and a significant injection of funds was provided.

7.6 The department has estimated the impact of increased packages of care on its current budget, and is able to fund these from a combination of growth in BCF monies and some one-off monies:-

| | 18/19 £m | 19/20 £m |
|---|---|---|
| Forecast growth | 7.2 | 11.5 |
| **Funding** | | |
| Better Care Fund | 6.2 | 7.7 |
| CCG Income | 0.3 | 0.3 |
| One-off Monies | 0.7 | 3.5 |
| **Total funding** | **7.2** | **11.5** |

7.7 The use of one-off monies, and uncertainty about Government intentions, means that the position for 2020/21 and beyond is extremely vulnerable. Indeed, without additional funding, it is fair to say that social care provision (locally and nationally) will face crisis by 2020.

Education and Children's Services

7.8 The most substantial pressure facing the Education and Children's Services Department is increasing service demand. This manifests itself in growth in the numbers of looked after children (currently averaging 4% per annum). Like Adult Social Care, money was added to the budget in 2016/17, but this was predicated on an expectation that future growth could be curtailed. This has not proven to be the case.

7.9 The table below shows the cost pressures facing the department:-

| | £m |
|---|---|
| Looked after children – placement costs | 5.0 |
| Home to school transport | 1.2 |
| Other pressures | 1.1 |
| **Total pressures** | **7.3** |

7.10 In addition to looked after children, pressures have grown on home to school transport (the majority of which is itself caused by the increase in looked after children numbers). Other pressures arise for a number of reasons, principally due to increase in demand across all services and not realising some anticipated savings (although delivering some substantial transformation programmes).

7.11 A number of approaches are being adopted to mitigate these pressures, which include:-

(a) Reducing reliance on agency foster care, by recruiting 24 more internal foster carers. This is expected to save £0.9m by 2019/20;

(b) Reducing the number of external residential placements for looked after children (which are extremely expensive) by 10, by increasing semi-supported accommodation and returning young people to Leicester through planned moves. This is expected to save around £1.3m per annum by 2019/20;

(c) Expansion of the multi-systemic therapy treatment teams. These provide intensive support to children and families to address the reasons underlying the need for intervention: expanding the teams and piloting a new intervention method (Functional Family Therapy) is expected to save £1.2m per annum by 2019/20;

(d) Reviewing all cases of home to school transport to ensure the existing policy is being consistently applied, and where appropriate ceasing existing arrangements. This is anticipated to save £0.7m per annum by 2019/20;

(e) An end to end review of all elements of SEN transport provision is planned. This will examine eligibility, use of independent travel and personal transport budgets, use of fleet and the potential for multi-authority and regional solutions.

7.12 However, these measures by themselves are unlikely to be sufficient. Wider strategies will be adopted to address increased demand and rising placement costs, which are described below. The department may also need to make further savings during the course of the year.

7.13 In respect of the less complex non-residential placement growth, these strategies include:-

(a) Adopting the "no wrong door" principle;

(b) Integration of YOS case workers and advocates with "edge of care" social work;

(c) Implementation of a "Signs of Safety" programme, to improve quality of work and better assessment of risk by workers.

7.14 To address more complex residential placements, the following work is taking place:-

(a) Compilation of a placement and commissioning sufficiency strategy;

(b) Monthly reviews of all residential placements to check whether the placement can be stepped down to less expensive care;

(c) A provider event to see whether the market can be stimulated to provide more cost effective specialist homes in the city or specialist foster placements;

(d) Increased quality checks on the work of specialist residential homes;

(e) Earlier identification of complex cases with partners, to increase the number of joint funded placements as appropriate.

7.15 In addition to General Fund pressures, there are two other significant pressures affecting the department:-

(a) National changes in the education funding system have led to the loss of Education Services Grant (which was £4.5m in 2017/18). This will be replaced by a much smaller central services grant, and £2.8m of corporate funding has been made available to address the shortfall. However, the change with have a significant impact on the school improvement service, which will reduce in size by around £1m as a consequence;

(b) Significant pressure on the high needs block element of Dedicated Schools Grant is anticipated. This is not part of the overall General Fund: whilst £1m of corporate funding has been provided, reflecting reduced general fund overheads, the balance will need to be resolved within overall schools' funding.
Pressures have arisen because of rising numbers of SEN pupils, with some conditions (autism and mental health) increasing disproportionately. Changes to the national school funding formula will compound the problem, because the new formula will only provide £4,000 per special school pupil for growth. The expected impact is a significant reduction in support services for SEN provided by the authority, although in the short term the cost will be met from reserves of Dedicated Schools Grant.

<u>City Development and Neighbourhoods</u>

7.16 The department provides a wide range of statutory and non-statutory services which contribute to the wellbeing and civic life of the city. It brings together local services in neighbourhoods and communities, economic strategy, strategic and local transportation, tourism, regeneration, the environment, culture, heritage, libraries, housing and property management.

7.17 Historically, I have been able to report that the department has been able to live within its budget. This is now much more difficult. The department faces budget pressures of £1.5m in 2018/19 and beyond which can no longer be managed with service budgets. These arise from:-

| | £m |
|---|---|
| Waste management | 0.7 |
| Bereavement income | 0.4 |
| Leicester market | 0.4 |
| Total | 1.5 |

7.18 The pressures in **waste management** arise from a number of factors. These include the cumulative effect of increases in landfill tax rates since 2014/15; changes in Government regulations which mean that some waste from Wanlip has started to attract a higher rate of landfill tax; a shortfall of income at Gypsum household waste recycling centre, which can now be seen as permanent; and gradually increasing levels of waste going to landfill as the number of households rises.

7.19 **Bereavement income** has fallen on what appears to be an on-going basis due to competition from other facilities.

7.20 The income and expenditure budgets for **Leicester Market** need realigning in the light of current trends affecting markets nationally.

7.21 Additionally, the department faces a temporary pressure in 2018/19 as a consequence of the spending review programme. The department has been a substantial contributor to the success of this programme, and decisions have been taken to reduce budgets by some £19m to date. Completed reviews include:-

(a) Technical Services - £10.1m;
(b) Investment Properties - £0.6m;
(c) Neighbourhood Services - £1.5m;
(d) Parks and Open Spaces - £1.7m;
(e) Homelessness Services - £1.5m;
(f) Cleansing and Waste - £0.7m;
(g) Regulatory Services - £0.4m;
(h) Tourism, Culture and Investment - £1.1m.

7.22 All these savings are expected to be delivered, but the Technical Services Review is running late. Certain preparatory and ancillary works to minimise the impact of savings have taken longer than anticipated and resulted in some programme drift. As a consequence, around £1.5m of further pressures exist within the 2018/19 budget.

7.23 In practice, whilst some of the pressures can be mitigated (purchase of new equipment may reduce the additional landfill tax for instance), the department will need to make further savings during the course of the year.

## Health and Wellbeing

7.24 The Health and Wellbeing Division consists of core public health services, together with Sports and Leisure provision. It is partly funded from Public Health Grant and partly from the General Fund.

7.25 Public Health Grant is falling, by an estimated £0.7m in each of 2018/19 and 2019/20. The department will manage these reductions through the spending review process. The following reviews are yet to finish and will ensure the necessary savings are achieved:-

(a) A review of sexual health services;
(b) A review of lifestyle services.

7.26 Both these reviews are on course to achieve the expected savings. The department is consequently able to live within its reduced level of budget (although it will also be expected to contribute to Spending Review 4 in due course).

7.27 Sport and Leisure Services are also subject to review, as part of the current spending review programme. A public consultation has recently been completed, and proposals will be made shortly.

## Corporate Resources and Support

7.28 The key challenge facing the department is to be as cost effective as possible, in order to maximise the amount of money available to run public facing services. The department has achieved £14m of savings since 2011/12, and will inevitably need to save considerable further sums as part of the Spending Review 4 programme.

7.29 The department will manage within its budget ceilings for 2018/19, having absorbed new spending pressures. These pressures include:-

(a) Continuing reduction in housing benefit administration grant, received from the DWP. This is estimated to fall by £280,000 in 2018/19 and a further £190,000 in 2019/20. Grant received in 2019/20 will be less than half the £3.5m received in 2010/11;

(b) Pressures on the revenues and benefits service will increase with the "full service" roll out of Universal Credit in June 2018. This will be high risk in terms of delivery and customer impact;

(c) The department is working hard to retain levels of traded income, especially from the HR service to schools;

(d) The department has to facilitate a high level of change across the Council, with reduced staff. In particular, HR is affected by organisational change work, and a dramatic increase in employment case work volumes. Growth in the use of IT and the move to mobile working and greater use of on-line customer service channels continues to be a challenge for the IT division, and there are increasing needs to respond to the threats of cyber security. Legal Services faces an increased number of child care proceedings and contested debt.

8. **Sums to be Allocated to Services**

8.1 Unusually this year, there are no sums which are required to be allocated to services during the course of the year.

8.2 It appears likely that the pay award for 2018/19 will exceed the 1% built into budget ceilings (see para. 4.2 above). If the Government does not fully fund this cost pressure to local authorities, further funding from the corporate contingency (see para. 9.3) may need to be allocated to make up the shortfall.

9. **Corporately held Budgets**

9.1 In addition to the service budget ceilings, some budgets are held corporately. These are described below (and shown in the table at paragraph 4).

9.2 The budget for **capital financing** represents the cost of interest and debt repayment on past years' capital spending. This budget is not controlled to a cash ceiling, and is managed by the Director of Finance. Costs which fall to be met by this budget are driven by the Council's approved treasury management strategy, which will be approved by the Council in January. This budget is declining over time, as the Government now provides grant in support of capital expenditure instead of its previous practice of providing revenue funding to service debt.

9.3 A one-off **corporate contingency** of £2m has been created in 2018/19 to manage significant pressures that arise during the year.

9.4 Paragraph 7.15 above describes the **education funding reforms** that will come into effect from 2018/19. Whilst the Education and Children's Services Department is making changes to mitigate these effects, a provision has been made for funding reductions which the department is unable to mitigate.

9.5 **Miscellaneous central budgets** include external audit fees, pensions costs of some former staff, levy payments to the Environment Agency, bank charges, the carbon reduction levy, monies set aside to assist council taxpayers suffering hardship and other sums it is not appropriate to include in service budgets. These budgets are offset by the effect of charges from the general fund to other statutory accounts of the Council (which exceed the miscellaneous costs).

10. **Future Provisions**

10.1 This section of the report describes the future provisions shown in the table at paragraph 4 above. These are all indicative figures – budgets for these years will be set in February prior to the year in question.

10.2 The provision for **inflation** includes money for:-

(a) Pay awards in 2019/20 and 2020/21. It is assumed that local funding will be required equivalent to 1% per annum. If Government funding is not forthcoming for the recent pay offer, the provision will be increased prior to the final report being considered by Council;

(b) A contingency for inflation on running costs for services unable to bear the costs themselves. These are: waste disposal, independent sector residential and domiciliary care, and foster payments.

10.3 A **planning provision** has been set aside to manage uncertainty. Our general policy is to set aside a cumulative £3m per year, each year for the duration of the strategy. This can then be removed in subsequent budget reports, to the extent that it has not been utilised elsewhere. In recent years, it has been used to deal with the impact of education funding reform.

## 11. <u>**Budget and Equalities (Hannah Watkins)**</u>

11.1 The Council is committed to promoting equality of opportunity for its local residents; both through its policies aimed at reducing inequality of outcomes, and through its practices aimed at ensuring fair treatment for all and the provision of appropriate and culturally sensitive services that meet local people's needs.

11.2 In accordance with section 149 of the Equality Act, the Council must "have due regard", when making decisions, to the need to meet the following aims of our Public Sector Equality Duty:-

(a) eliminate discrimination;

(b) advance equality of opportunity between protected groups and others;

(c) foster good relations between protected groups and others.

11.3 Protected groups under the public sector equality duty are characterised by age, disability, gender re-assignment, pregnancy/maternity, race, religion or belief, sex and sexual orientation.

11.4 When making decisions, the Council (or City Mayor) must be clear about any equalities implications of the course of action proposed. In doing so, it must consider the likely impact on those likely to be affected by the recommendation; their protected characteristics; and (where negative impacts are anticipated) mitigating actions that can be taken to reduce or remove that negative impact.

11.5 This report seeks the Council's approval to the proposed budget strategy. The report sets out financial ceilings for each service which act as maxima above which the City Mayor cannot spend (subject to his power of virement). However, decisions on services to be provided within the budget ceilings are taken by managers or the City Mayor separately from the decision regarding the budget strategy. Therefore, the report does not contain details of specific service proposals. However, the budget strategy does recommend a proposed council tax increase for the city's residents. The City Council's proposed tax for 2018/19 is £1,492.77, an increase of just below 5% compared to 2017/18. As the recommended increase could have an impact on those required to pay it, an assessment has been carried out to inform decision makers of the potential equalities implications. This is provided at Appendix Five.

11.6 In a nutshell, the likely impact on a household depends on whether or not the household is reliant on social security benefits.

11.7 The assessment of the council tax increase for 2017/18 suggested a very limited impact on the household finances of council tax payers who are not dependent on social security benefits as it was argued that the increase would be readily mitigated by increased levels of household discretionary income which had been seen nationally. However, more recently, we have seen that disposable income has fallen in real terms. This has multiple causes: slow wage growth (only partly offset by rising employment rates), welfare changes and inflation.

11.8 The table below (taken from the ASDA income tracker) shows the changes in disposable income for different brackets of household earnings and shows that families with the lowest income have seen the biggest reduction, whereas those in the top bracket have seen spending power increase year on year.

| Income Bracket | Weekly income | Weekly income growth | Weekly disposable income | Weekly disposable income growth |
|---|---|---|---|---|
| Highest income | £1,928 | 2.3% | £699 | 1.5% |
| 2nd highest | £935 | 2.0% | £259 | 0.2% |
| Middle | £606 | 1.6% | £110 | -3.5% |
| 2nd lowest | £379 | 1.0% | £48 | -10.0% |
| Lowest Income | £180 | 0.5% | £-26 | -25.9% |

The ASDA income tracker is an indicator of the economic prosperity of 'middle Britain', taking into account income, tax and all basic expenditure. ASDA's customer base matches the UK demographic more closely than that of other supermarkets.

11.9 60% of households saw their discretionary incomes decrease in the 12 months to August 2017. This reflects the continued pressure on household budgets. Inflation in a number of categories, from food prices to electricity and clothing, has increased the cost of essential spending substantially over the past months.

11.10 Having said this, in most cases, the change in council tax (maximum £1.06/week for a band B property) is a small proportion of disposable income, and a small contributor to the squeeze on household budgets.

11.11 Some households reliant on social security benefits are likely to be adversely affected by both an increase in inflation and further implementation of the Government's welfare reforms. Positively, many forecasters have predicted that inflation will have peaked in October 2017, before dropping back in 2018 as the impact of the pound's fall starts to fade.

11.12 The increase in tax alone would contribute only a small increase in weekly costs for many benefit dependent households but it must be considered that there is likely also likely to be an adverse impact on some benefit dependent households arising from the **rollout of Universal Credit in summer 2018** and, therefore, there is likely to be a cumulative impact on those households.

11.13 The Council has a number of mitigating actions in place to provide support in instances of short term financial crisis.

11.14 Locally, Council services provide (or fund) a holistic safety net including the provision of advice, personal budgeting support, and signposting provision of necessary household items. It is important to note that these mitigating actions are now the sole form of safety net support available to households in the city. A House of Commons Works and Pensions Committee report in January 2016 ('The local welfare safety net') described this devolution of discretionary support to those in short term financial crisis to local government. There is now no other source of Government support available.

11.15 Since April 2013, as a consequence of the Government's welfare reforms, all working age households in Leicester have been required to contribute towards their council tax bill. Our current council tax reduction scheme (CTRS) requires working age households to pay at least 20% of their council tax bill, and sets out to ensure that the most vulnerable householders are given some relief in response to financial hardship they may experience. In order to apply for a Council Tax Discretionary Relief, a charge payer must have a Council Tax liability and:

- be in receipt of Council Tax Reduction; and/or,
- be in receipt of Universal Credit (UC); and/or,
- require further financial assistance; and/or,
- suffer hardship through an extreme event or natural disaster where their main or sole residence has structural damage, which could not reasonably have been rectified within the normal period of exemption.

11.16 Leicester is ranked as the 21st most deprived local authority in the country. In addition to provision of a 'local welfare safety net', council services seek to address inequalities of opportunity that contribute to this deprivation. They do this by seeking to improve equality of outcomes for those residents that we can directly support. The role of Adult Social Care is crucial in this context, and the approval of the additional 3% of council tax to maintain this service provision for a growing number of elderly people (and to a lesser extent, those people who require support arising from a disability) will directly contribute to improved outcomes related to health; personal safety; and personal identity, independence and participation in community life. There are likely to be significant equalities impacts should the council be in a position where they are unable to fund support for those who require it.

11.17 Our public sector equality duty is a continuing duty, even after decisions have been made and proposals have been implemented. Periodically we review the outcomes of earlier decisions to establish whether mitigating actions have been carried out and the impact they have had. The spending review programme enables us to assess our service provision from the perspective of the needs of individual residents. This "person centred" approach to our decision making ensures that the way we meet residents' needs with reducing resources can be kept under continuous review – in keeping with our Public Sector Equality Duty.

11.18 The Council has a legal duty to set a balanced budget. In the current financial climate, a lower council tax increase would require even greater cuts to services. While it is not possible to say where these cuts would fall (and therefore which specific groups would be affected), the users of Adult Social Care are mostly older people or, to a lesser extent, adults who have a disability and therefore there are likely to be negative equalities implications arising from a decision to implement a lower council tax increase.

## 12. Government Grant

12.1 At the time of writing this report, the finance settlement for 2018/19 had not been received. However, in 2016/17, the Government offered, and we accepted, a four year certainty deal which means the revenue support grant figures for 2018/19 and 2019/20 are fixed, "barring exceptional circumstances."

12.2 As can be seen from the table at paragraph 4, Government grant is a major, though reducing, component of the Council's budget. Under the current funding system, Government support for the general budget principally consists of:-

(a) **Revenue Support Grant** (RSG). This is the main grant which the Government has available to allocate at its own discretion. Consequently, cuts to local authority funding are substantially delivered through reductions in RSG (and the methodology for doing this has disproportionately disadvantaged deprived authorities). The impact on the city has been dramatic (RSG is reducing from £133m in 2013/14, to an estimated £28m in 2019/20).

(b) A **top-up to local business rates**. The local authority sector keeps 50% of business rates collected, with the balance paid to the Government. In recognition of the fact that different authorities' ability to raise rates does not correspond to needs, a top-up is paid to less affluent authorities (funded by authorities with greater numbers of higher-rated businesses). Our top-up was recalculated with effect from April 2017, to neutralise the effect of the business rates revaluation, and will increase each year with inflation;

(c) **New Homes Bonus (NHB)**. This is a grant which roughly matches the council tax payable on new homes, and homes which have ceased to be empty on a long term basis. Since 2017/18, NHB is less generous than it was, and further cuts are expected in 2018/19. These changes have been made to secure more resources for social care: in two tier areas, this transfers money from districts to counties; in our case, we are simply moving money from one pocket to another.

12.3 No figures have been made available for RSG after 2019/20. The budget assumes no further cuts in RSG in 2020/21. In effect, we are assuming that the period of austerity will come to an end as far as local government budgets are concerned. This is a significant risk, which is discussed further at paragraph 16 below.

12.4 The Government also controls **specific grants** which are given for specific rather than general purposes. These grants are not shown in the table at paragraph 4.1, as they are treated as income to departments (departmental budgets are consequently lower than they would have been).

12.5 Some specific grants are subject to change:-

(a) The **Education Services Grant** has been cut as part of education funding reforms, as described at paragraphs 7 and 10 above;

(b) **Dedicated Schools Grant** (DSG), which funds schools' own spending and a range of education-related central services, is being reformed from 2018/19. This will lead to a reduction in the funding available for school improvement and SEN support services provided centrally.

(c) The **Better Care Fund** has increased nationally, and the city is expected to receive £15.5m by 2019/20. This is not entirely new money – some is being met from cuts to NHB, and from a reduction in the amount available for RSG. Unlike the original BCF, this new tranche is a direct grant to local government, although strings have been attached.

12.6 In 2016, the Institute for Fiscal Studies (IfS) calculated the disproportionate impact of funding cuts on deprived authorities[2]. Since 2009/10, the 10% of authorities most reliant on grant have seen budget cuts averaging 33% in real terms. The 10% of authorities least reliant on grant have seen cuts averaging 9%. This is a consequence of various changes in the funding regime which have had different impacts, and (to some extent) contravened the Government's stated intentions of protecting the most grant-dependent councils. The IfS states that "the overall impression is of rather confused, inconsistent and opaque policymaking."

[2] *A time of revolution? British local government finance in the 2010s*, IfS, October 2016, p.20

## 13. **Local Taxation Income**

13.1 Local tax income consists of three elements:-

(a) The retained proportion of business rates;

(b) Council tax;

(c) Surpluses or deficits arising from previous collection of council tax and business rates (collection fund surpluses/deficits).

Business Rates

13.2 Local government retains 50% of the rates collected locally, with the other 50% being paid to central government. In Leicester, 1% is paid to the fire authority, and 49% is retained by the Council. This is known as the "Business Rate Retention Scheme".

13.3 The rates collected from Leicester businesses changed from 2017/18, when a revaluation of all properties nationally came into effect. There is a transitional scheme which is phasing in increases and decreases over time.

13.4 Our estimates of rates income take into account the amount of income we believe we will lose as a consequence of successful appeals. The majority of appeals against the 2017 revaluation have not yet been decided, and appeals have been a source of volatility since business rates retention was introduced. However, the Government has recently taken steps to reduce this volatility – it remains to be seen whether "check, challenge, appeal" will succeed in this aim, but it has been criticised by some in the business community for making the process more difficult.

13.5 The Government's previous plans to introduce 100% business rates retention "by 2020" have now been postponed, as the parliamentary Bill required did not pass through Parliament before the 2017 General Election, and has not been reintroduced in the current session. The timescale for 100% rates retention is now unclear, although it remains an aim for the future. A re-assessment of need is still planned from 2020, however.

13.6 In 2017/18, the Council is part of a "business rates pool" with other authorities in Leicestershire. Pools are beneficial if district councils' rates grow, as the pool increases the amount of rates retained, and in 2016/17 the pool made a surplus of £5m. Surpluses are made available to the LEP to support economic regeneration in the sub-region.

13.7 A limited number of areas are piloting 100% rates retention in 2017/18, and the Government has asked for applications for further pilot areas for 2018/19. Leicester and Leicestershire has submitted a bid involving the City, County, districts and fire authority – if this is successful, it could lead to substantial (one off) financial benefits across the city and county. If the bid is unsuccessful we intend to retain the current rates pooling arrangements.

Council Tax

13.8 Council tax income is estimated at £106.8m in 2018/19, based on a tax increase of just below 5%. For planning purposes, a tax increase of 2% has been assumed in each of 2019/20 and 2020/21.

13.9 Normally, the Council would be unable to increase tax by more than 2% without a referendum. However, additional flexibility (the "social care levy") has been granted to social care authorities since 2016/17. This is designed to help social care authorities mitigate the growing costs of social care; the Government will expect us to demonstrate that the money is being used for this purpose.

13.10 Council tax income includes additional income raised from the Empty Homes Premium, which increases the charge by 50% for a property left empty for more than six months. The government has announced plans, as part of its housing strategy, to allow this premium to be doubled to 100% from April 2019. A decision on the level of premium to be charged will be required in due course; this report has been prepared on the basis that the premium remains at its current level.

Collection Fund Surpluses/Deficits

13.11 Collection fund surpluses arise when more tax is collected than assumed in previous budgets. Deficits arise when the converse is true. At this stage, figures in the draft budget are estimates which will be revised in due course.

13.12 The Council has an estimated **council tax collection fund surplus** of £1.1m, after allowing for shares paid to the police and fire authorities. This has arisen because of growth in the number of homes liable to pay tax (which has been greater than was assumed when the budget was set) and a reduction in the costs of the council tax reduction scheme (linked to improvements in the local economy).

13.13 The Council is currently forecasting a break-even position on **business rates** in the collection fund (i.e. there will be no significant surplus or deficit in the current year). This remains an area of risk, particularly around the impact of appeals, which is difficult to forecast.

## 14. General Reserves and the Managed Reserves Strategy

14.1 In the current climate, it is essential that the Council maintains reserves to deal with the unexpected. This might include continued spending pressures in demand led services, or further unexpected Government grant cuts.

14.2 The Council has agreed to maintain a minimum balance of £15m of reserves. The Council also has a number of earmarked reserves, which are further discussed in section 15 below.

14.3 In the 2013/14 budget strategy, the Council approved the adoption of a managed reserves strategy. This involved contributing money to reserves in 2013/14 to 2015/16, and drawing down reserves in later years. This policy has bought time to more fully consider how to make the substantial cuts which are necessary. Since 2016/17, these reserves have been drawn down to balance the budget, although some remain to support 2018/19 and 2019/20.

14.4 The managed reserves strategy will be extended as far as we can: the rolling programme of spending reviews enables any in-year savings to extend the strategy. Additional money has been made available since the 2017/18 budget was set, and future reviews should enable further contributions to be made. However, the reserves available are forecast to be exhausted in 2019/20, and none will be available to cushion the 2020/21 budget.

14.5 The table below shows the forecast reserves available to support the managed reserves strategy:-

| | **2017/18 £m** | **2018/19 £m** | **2019/20 £m** |
|---|---|---|---|
| Brought forward | 27.1 | 17.4 | 3.4 |
| Additional savings in year | 8.0 | | |
| Planned use | (17.7) | (14.0) | (3.4) |
| **Carried forward** | **17.4** | **3.4** | **NIL** |

## 15. Earmarked Reserves

15.1 In addition to the general reserves, the Council also holds earmarked reserves which are set aside for specific purposes. A schedule is provided at Appendix Six.

15.2 Earmarked reserves are kept under review, and amounts which are no longer needed for their original purpose will be used to extend the managed reserves strategy. The next such review will take place at the end of 2017/18.

## 16. Risk Assessment and Adequacy of Estimates

16.1 Best practice requires me to identify any risks associated with the budget, and section 25 of the Local Government Act 2003 requires me to report on the adequacy of reserves and the robustness of estimates.

16.2 In the current climate, it is inevitable that the budget carries significant risk.

16.3 In my view, although very difficult, the budget for 2018/19 is achievable subject to the risks and issues described below.

16.4 There are risks in the 2018/19 budget arising from:-

(a) Social care spending pressures - specifically the risks of further growth in the cost of care packages above budget assumptions, risks to our BCF income due to government expectations (particularly relating to delayed transfers of care) and inability to contain the costs of looked after children;

(b) Ensuring spending reviews which have already been approved, but not yet implemented, deliver the required savings;

(c) Managing the position of two departments (City Development & Neighbourhoods, and Children's Services) who need to do further work to live within their means in 2018/19;

(d) Achievability of estimated rates income (although technically any shortfall will appear as a collection fund deficit in the 2019/20 budget), and particularly the extent of successful appeals against the 2017 revaluations.

(e) Pay costs: the NJC pay offer made on 5th December significantly exceeds the 1% provided in the budget, for both 2018/19 and 2019/20. The government has not committed to providing any additional resources to local authorities in the financial settlement to meet this cost, which is therefore a significant risk.

16.5 In the longer term, the risks to the budget strategy arise from:-

(a) Non-achievement, or delayed achievement, of the remaining spending review savings, and the additional £20m of savings that departments have been asked to find by 2019/20;

(b) Loss of future resources. The funding landscape after 2019/20 is particularly unclear, with the delayed implementation of 100% business rates and the planned needs review (which could result in a gain or loss to the Council). The risk of further cuts to RSG in 2020/21 is significant - on current trajectories a further round of cuts would cut £10m in that year;

(c) Longer-term reforms to social care funding and expectations on local authorities, and the need to manage ongoing demographic pressures. Crucially, we need to know what additional funding the Government will make available after 2019/20;

(d) Continuing increases in pay costs, above the 1% per year allowed for in the budget. The LGA has made proposals for a revised pay spine from 2019/20, to make it compatible with the forecast increases to the National Living Wage and to retain pay differentials at the lower end of the pay scale. The proposals will see a significant cost increase in 2019/20 to authorities across the country (in addition to the 2018/19 pay award). Pay costs for 2020/21 also remain a risk, as upwards pressures on pay make it less likely that future pay increases will be limited to 1%.

16.6 Further risk is economic downturn, nationally or locally. This could result in new cuts to grant; falling business rate income; and increased cost of council tax reductions for taxpayers on low incomes. It could also lead to a growing need for council services and an increase in bad debts. The effect of Brexit remains to be seen.

16.7 The budget seeks to manage these risks as follows:-

(a) A minimum balance of £15m reserves will be maintained;

(b) A one-off corporate contingency of £2m is included in the budget for 2018/19 (this may be required to meet the costs of the pay award from April 2018);

(c) A planning contingency is included in the budget from 2019/20 onwards (£3m per annum accumulating);

(d) Savings from the Council's minimum revenue provision policy are being saved until they are required (see paragraph 19).

16.8 Subject to the above comments, I believe the Council's general and earmarked reserves to be adequate. I also believe estimates made in preparing the budget are robust. (Whilst no inflation is provided for the generality of running costs in 2018/19, some exceptions are made, and it is believed that services will be able to manage without an allocation).

## 17. <u>Consultation on the Draft Budget</u>

17.1 Comments on the draft budget will be sought from:-

(a) The Council's scrutiny function;
(b) Key partners and other representatives of communities of interest;
(c) Business community representatives (a statutory consultee);
(d) The Council's trade unions.

17.2 Comments will be incorporated into the final version of this report.

## 18. <u>Borrowing</u>

18.1 Local authority capital expenditure is self-regulated, based upon a code of practice (the "prudential code").

18.2 The Council complies with the code of practice, which requires us to demonstrate that any borrowing is affordable, sustainable and prudent. To comply with the code, the Council must approve a set of indicators at the same time as it agrees the budget. The substance of the code pre-dates the recent huge cutbacks in public spending, and the indicators are of limited value.

18.3 Since 2011/12, the Government has been supporting all new general fund capital schemes by grant. Consequently, any new borrowing has to be paid for ourselves and is therefore minimal.

18.4 Attached at Appendix Three are the prudential indicators which would result from the proposed budget. A limit on total borrowing, which the Council is required to set by law, is approved separately as part of the Council's treasury strategy.

18.5 The Council will continue to use borrowing for “spend to save” investment which generates savings to meet borrowing costs.

18.6 The Chartered Institute of Public Finance & Accountancy is currently consulting on changes to the code, which may require amendments to be made in the final version of this report.

## 19. **Minimum Revenue Provision**

19.1 By law, the Council is required to charge to its budget each year an amount for the repayment of debt. This is known as “minimum revenue provision” (MRP). The Council approved a new approach in November 2015: the proposed policy at Appendix Four is based on this new approach.

19.2 The proposed MRP policy results in revenue account savings when compared to the old approach, although these are paper rather than real savings – they result from a slower repayment of historic debt.

19.3 The proposed budget for 2018/19 would use the savings made in that year to set aside additional monies for debt repayment (voluntarily). This creates a “virtuous circle”, i.e. it increases the savings in later years when we will need them more.

19.4 The approach to savings in 2019/20 and later years will be considered when the budgets for those years are prepared. At present, the capital financing estimates assume that the previous policy continues to apply.

19.5 Members are asked to note that the extent of savings available from the policy change will tail off in the years after they are fully brought into account.

19.6 The government is currently consulting on changes to national requirements around MRP. The draft policy shown at Appendix Four will be reviewed once the outcome of this consultation is known.

## 20. **Financial Implications**

20.1 This report is exclusively concerned with financial issues.

20.2 Section 106 of the Local Government Finance Act 1992 makes it a criminal offence for any member with arrears of council tax which have been outstanding for two months or more to attend any meeting at which a decision affecting the budget is to be made unless the member concerned declares the arrears at the outset of the meeting and that as a result s/he will not be voting. The member can, however, still speak. The rules are more circumscribed for the City Mayor and Executive. Any executive member who has arrears outstanding for 2 months or more cannot take part at all.

## 21. **Legal Implications (Kamal Adatia/Emma Horton)**

21.1 The budget preparations have been in accordance with the Council's Budget and Policy Framework Procedure Rules – Council's Constitution – Part 4C. The decision with regard to the setting of the Council's budget is a function under the constitution which is the responsibility of the full Council.

21.2 At the budget-setting stage, Council is estimating, not determining, what will happen as a means to the end of setting the budget and therefore the council tax. Setting a budget is not the same as deciding what expenditure will be incurred. The Local Government Finance Act, 1992, requires an authority, through the full Council, to calculate the aggregate of various estimated amounts, in order to find the shortfall to which its council tax base has to be applied. The Council can allocate more or less funds than are requested by the Mayor in his proposed budget.

21.3 As well as detailing the recommended council tax increase for 2018/19, the report also complies with the following statutory requirements:-

(a) Robustness of the estimates made for the purposes of the calculations;

(b) Adequacy of reserves;

(c) The requirement to set a balanced budget.

21.4 Section 65 of the Local Government Finance Act, 1992, places upon local authorities a duty to consult representatives of non-domestic ratepayers before setting a budget. There are no specific statutory requirements to consult residents, although in the preparation of this budget the Council is undertaking tailored consultation exercises with wider stakeholders.

21.5 As set out at paragraph 11, the discharge of the 'function' of setting a budget triggers the duty in s.149 of the Equality Act, 2010, for the Council to have "due regard" to its public sector equality duties. These are set out in paragraph 11. There are considered to be no specific proposals within this year's budget that could result in new changes of provision that could affect different groups of people sharing protected characteristics. As a consequence, there are no service-specific 'impact assessments' that accompany the budget. There is no requirement in law to undertake equality impact assessments as the only means to discharge the s.149 duty to have "due regard". The discharge of the duty is not achieved by pointing to one document looking at a snapshot in time, and the report evidences that the Council treats the duty as a live and enduring one. Indeed case law is clear that undertaking an EIA on an 'envelope-setting' budget is of limited value, and that it is at the point in time when policies are developed which reconfigure services to live within the budgetary constraint when impact is best assessed. However, an analysis of equality impacts has been prepared in respect of the proposed increase in council tax, and this is set out in Appendix Five.

21.6 Judicial review is the mechanism by which the lawfulness of Council budget-setting exercises are most likely to be challenged. There is no sensible way to provide an assurance that a process of budget setting has been undertaken in a manner which is immune from challenge. Nevertheless the approach taken with regard to due process and equality impacts is regarded by the City Barrister to be robust in law.

## 22. Other Implications

| Other Implications | Yes/ No | Paragraph References within the report |
|---|---|---|
| Equal Opportunities | Y | Paragraph 11 |
| Policy | Y | The budget sets financial envelopes within which Council policy is delivered |
| Sustainable and Environmental | N | The budget is a set of financial envelopes within which service policy decisions are taken. The proposed 2018/19 budget reflects existing service policy. |
| Crime & Disorder | N | |
| Human Rights Act | N | |
| Elderly People/People on Low Income | N | |

Background information relevant to this report is already in the public domain.

## 23. Report Authors

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7th December 2017

## Budget Ceilings

| | Current budget £'000s | Spending Review savings £'000s | Inflation £'000s | Technical & other changes £'000s | 18/19 budget ceiling £'000s |
|---|---|---|---|---|---|
| **1. City Development & Neighbourhoods** | | | | | |
| **1.1 Neighbourhood & Environmental Services** | | | | | |
| Divisional Management | 205.0 | | 1.4 | | **206.4** |
| Regulatory Services | 4,486.5 | (259.0) | 55.3 | | **4,282.8** |
| Waste Management | 15,524.0 | | 818.7 | | **16,342.7** |
| Parks & Open Spaces | 3,411.9 | (293.0) | 102.1 | | **3,221.0** |
| Neighbourhood Services | 6,031.6 | (275.1) | 41.6 | | **5,798.1** |
| Standards & Development | 614.7 | (79.0) | 15.6 | | **551.3** |
| ***Divisional sub-total*** | **30,273.7** | **(906.1)** | **1,034.7** | **0.0** | **30,402.3** |
| **1.2 Tourism, Culture & Inward Investment** | | | | | |
| Arts & Museums | 4,812.1 | (60.0) | 28.9 | | **4,781.0** |
| De Montfort Hall | 946.5 | | 21.9 | | **968.4** |
| City Centre | 97.0 | | 1.8 | | **98.8** |
| Place Marketing Organisation | 390.3 | | 2.0 | | **392.3** |
| Economic Development | 471.9 | | 12.5 | | **484.4** |
| Markets | (745.8) | | 6.6 | | **(739.2)** |
| Divisional Management | 12.4 | (238.9) | 1.8 | | **(224.7)** |
| ***Divisional sub-total*** | **5,984.4** | **(298.9)** | **75.5** | **0.0** | **5,761.0** |
| **1.3 Planning, Development & Transportation** | | | | | |
| Transport Strategy | 9,456.2 | (120.0) | 32.7 | | **9,368.9** |
| Highways | 5,744.2 | (121.0) | 39.4 | | **5,662.6** |
| Planning | 990.5 | | 24.1 | | **1,014.6** |
| Divisional Management | 196.3 | | 2.0 | | **198.3** |
| ***Divisional sub-total*** | **16,387.2** | **(241.0)** | **98.2** | **0.0** | **16,244.4** |
| **1.4 Estates & Building Services** | **6,891.9** | **(1,550.0)** | **114.3** | **0.0** | **5,456.2** |
| **1.5 Housing Services** | | | | | |
| Housing Services | 3,844.9 | (250.0) | 60.1 | | **3,655.0** |
| Fleet Management | 5.1 | | 8.7 | | **13.8** |
| ***Divisional sub-total*** | **3,850.0** | **(250.0)** | **68.8** | **0.0** | **3,668.8** |
| **1.6 Departmental Overheads** | **621.3** | **0.0** | **1.7** | **0.0** | **623.0** |
| **DEPARTMENTAL TOTAL** | **64,008.5** | **(3,246.0)** | **1,393.2** | **0.0** | **62,155.7** |

## Budget Ceilings

| | | Current budget | Spending Review savings | Inflation | Technical & other changes | 18/19 budget ceiling |
|---|---|---|---|---|---|---|
| | | £'000s | £'000s | £'000s | £'000s | £'000s |
| **2.Adults** | | | | | | |
| | | | | | | |
| **2.1 Adult Social Care & Safeguarding** | | | | | | |
| | Other Management & support | 1,524.5 | | 24.0 | | **1,548.5** |
| | Safeguarding | 417.3 | | 5.6 | | **422.9** |
| | Preventative Services | 7,491.4 | | 54.0 | | **7,545.4** |
| | Independent Sector Care Package Cost | 81,101.8 | | 1,684.7 | (459.0) | **82,327.5** |
| | Care Management (Localities) | 7,367.4 | | 71.5 | | **7,438.9** |
| | ***Divisional sub-total*** | **97,902.4** | **0.0** | **1,839.8** | **(459.0)** | **99,283.2** |
| | | | | | | |
| **2.2 Adult Social Care & Commissioning** | | | | | | |
| | Enablement &Day Care | 4,433.3 | | 48.7 | | **4,482.0** |
| | Care Management (LD & AMH) | 5,235.9 | | 49.9 | | **5,285.8** |
| | Preventative Services | 3,749.2 | | 3.9 | | **3,753.1** |
| | Contracts,Commissioning & Other Sup | 2,716.4 | | 33.1 | | **2,749.5** |
| | Substance Misuse | 5,559.7 | | | | **5,559.7** |
| | Departmental | (16,116.4) | (200.0) | 8.6 | | **(16,307.8)** |
| | ***Divisional sub-total*** | **5,578.1** | **(200.0)** | **144.2** | **0.0** | **5,522.3** |
| | | | | | | |
| **2.3 Health and Wellbeing** | | | | | | |
| | Sexual Health | 4,145.6 | | | | **4,145.6** |
| | NHS Health Checks | 371.0 | | | | **371.0** |
| | Children 0-19 | 9,517.5 | (250.0) | | | **9,267.5** |
| | Smoking & Tobacco | 922.0 | | | | **922.0** |
| | Physical Activity | 1,158.0 | | | | **1,158.0** |
| | Health Protection | 55.0 | | | | **55.0** |
| | Public Mental Health | 234.0 | | | | **234.0** |
| | Public Health Advice & Intelligence | 48.5 | | | | **48.5** |
| | Staffing & Infrastructure | 1,525.4 | (25.0) | | | **1,500.4** |
| | Sports Services | 3,282.3 | (120.0) | 82.9 | | **3,245.2** |
| | ***Divisional sub-total*** | **21,259.3** | **(395.0)** | **82.9** | **0.0** | **20,947.2** |
| | | | | | | |
| **DEPARTMENTAL TOTAL** | | **124,739.8** | **(595.0)** | **2,066.9** | **(459.0)** | **125,752.7** |

## Appendix One

# Budget Ceilings



| | Current budget £'000s | Spending Review savings £'000s | Inflation £'000s | Technical & other changes £'000s | 18/19 budget ceiling £'000s |
|---|---|---|---|---|---|
| **3. Education & Children's Services** | | | | | |
| **3.1 Strategic Commissioning & Business Support** | | | | | |
| Divisional Budgets | 659.4 | | 8.7 | | **668.1** |
| Operational Transport | (111.6) | | | | **(111.6)** |
| ***Divisional sub-total*** | **547.8** | **0.0** | **8.7** | **0.0** | **556.5** |
| **3.2 Learning Quality & Performance** | | | | | |
| Raising Achievement | 1,466.8 | | 15.5 | | **1,482.3** |
| Adult Skills | (870.4) | | | | **(870.4)** |
| School Organisation & Admissions | 814.9 | | 7.3 | | **822.2** |
| Special Education Needs and Disabiliti | 6,941.9 | | 29.5 | | **6,971.4** |
| ***Divisional sub-total*** | **8,353.2** | **0.0** | **52.3** | **0.0** | **8,405.5** |
| **3.3 Children, Young People and Families** | | | | | |
| Children In Need | 9,520.5 | | 65.6 | (400.0) | **9,186.1** |
| Looked After Children | 33,354.0 | | 266.3 | (1,950.0) | **31,670.3** |
| Safeguarding & QA | 2,235.2 | | 22.8 | | **2,258.0** |
| Early Help Targeted Services | 7,666.4 | (3,223.0) | 83.4 | | **4,526.8** |
| Early Help Specialist Services | 4,802.7 | | 58.9 | 750.0 | **5,611.6** |
| ***Divisional sub-total*** | **57,578.8** | **(3,223.0)** | **497.0** | **(1,600.0)** | **53,252.8** |
| **3.4 Departmental Resources** | | | | | |
| Departmental Resources | 1,662.0 | (370.0) | 5.3 | | **1,297.3** |
| Education Services Grant | (4,468.1) | | | | **(4,468.1)** |
| ***Divisional sub-total*** | **(2,806.1)** | **(370.0)** | **5.3** | **0.0** | **(3,170.8)** |
| **DEPARTMENTAL TOTAL** | **63,673.7** | **(3,593.0)** | **563.3** | **(1,600.0)** | **59,044.0** |
| **4. Corporate Resources Department** | | | | | |
| **4.1 Delivery, Communications & Political G** | **5,377.9** | **(63.0)** | **41.5** | **0.0** | **5,356.4** |
| **4.2 Financial Services** | | | | | |
| Financial Support | 5,959.8 | | 72.3 | | **6,032.1** |
| Revenues & Benefits | 5,715.1 | (60.0) | 84.4 | | **5,739.5** |
| ***Divisional sub-total*** | **11,674.9** | **(60.0)** | **156.7** | **0.0** | **11,771.6** |
| **4.3 Human Resources** | **4,193.0** | **0.0** | **46.5** | **0.0** | **4,239.5** |
| **4.4 Information Services** | **9,120.2** | **0.0** | **52.1** | **0.0** | **9,172.3** |
| **4.5 Legal Services** | **2,045.2** | **0.0** | **38.8** | **0.0** | **2,084.0** |
| **DEPARTMENTAL TOTAL** | **32,411.2** | **(123.0)** | **335.6** | **0.0** | **32,623.8** |
| **TOTAL -Service Budget Ceilings** | **284,833.2** | **(7,557.0)** | **4,359.0** | **(2,059.0)** | **279,576.2** |
| ***less* public health grant** | (27,519.0) | | | 715.0 | **(26,804.0)** |
| **NET TOTAL** | **257,314.2** | **(7,557.0)** | **4,359.0** | **(1,344.0)** | **252,772.2** |

**Appendix Two**

## Scheme of Virement

1. This appendix explains the scheme of virement which will apply to the budget, if it is approved by the Council.

Budget Ceilings

2. Strategic directors are authorised to vire sums within budget ceilings without limit, providing such virement does not give rise to a change of Council policy.

3. Strategic directors are authorised to vire money between any two budget ceilings within their departmental budgets, provided such virement does not give rise to a change of Council policy. The maximum amount by which any budget ceiling can be increased or reduced during the course of a year is £500,000. This money can be vired on a one-off or permanent basis.

4. Strategic directors are responsible, in consultation with the appropriate Assistant Mayor if necessary, for determining whether a proposed virement would give rise to a change of Council policy.

5. Movement of money between budget ceilings is not virement to the extent that it reflects changes in management responsibility for the delivery of services.

6. The City Mayor is authorised to increase or reduce any budget ceiling. The maximum amount by which any budget ceiling can be increased during the course of a year is £5m. Increases or reductions can be carried out on a one-off or permanent basis.

7. The Director of Finance may vire money between budget ceilings where such movements represent changes in accounting policy, or other changes which do not affect the amounts available for service provision.

8. Nothing above requires the City Mayor or any director to spend up to the budget ceiling for any service.

Corporate Budgets

9. The following authorities are granted in respect of corporate budgets:

   (a) the Director of Finance may incur costs for which there is provision in miscellaneous corporate budgets, except that any policy decision requires the approval of the City Mayor;

   (b) the City Mayor may determine the use of the corporate contingency;

   (c) the City Mayor may determine the use of the provision for Education Funding reform.

Earmarked Reserves

10. Earmarked reserves may be created or dissolved by the City Mayor. In creating a reserve, the purpose of the reserve must be clear.

11. Strategic directors may add sums to an earmarked reserve, from:

   (a) a budget ceiling, if the purposes of the reserve are within the scope of the service budget;
   (b) a carry forward reserve, subject to the usual requirement for a business case.

12. Strategic directors may spend earmarked reserves on the purpose for which they have been created.

13. When an earmarked reserve is dissolved, the City Mayor shall determine the use of any remaining balance.

**Appendix Three**

## Recommended Prudential Indicators

### 1. Introduction

1.1 This appendix details the recommended prudential indicators for general fund borrowing and HRA borrowing.

### 2. Proposed Indicators of Affordability

2.1 The ratio of financing costs to net revenue budget:

| | 2018/19 Estimate % | 2019/20 Estimate % | 2020/21 Estimate % |
|---|---|---|---|
| General Fund | 5.4 | 5.5 | 5.1 |
| HRA | 12.1 | 12.5 | 12.4 |

2.2 The estimated incremental impact on council tax and average weekly rents of capital investment decisions proposed in the general fund budget and HRA budget reports over and above capital investment decisions that have previously been taken by the Council are:

| | 2018/19 Estimate £ | 2019/20 Estimate £ |
|---|---|---|
| Band D council tax | 0.0 | 0.0 |
| HRA rent | 0.0 | 0.0 |

### 3. Indicators of Prudence

3.1 The forecast level of capital expenditure to be incurred for the years 2017/18 and 2018/19 (based upon the Council capital programme, and the proposed budget and estimates for 2018/19) are:

| Area of expenditure | 2017/18 Estimate £000s | 2018/19 Estimate £000s |
|---|---|---|
| Children's services | 37,288 | 44,932 |
| Young People | 118 | 1,050 |
| Resources ICT | 2,905 | 500 |
| Transport | 33,994 | 33,678 |
| Cultural & Neighbourhood Services | 3,812 | 6,787 |
| Environmental Services | 711 | 355 |
| Economic Regeneration | 25,040 | 26,516 |
| Adult Care | 5,230 | 10,998 |
| Public Health | 328 | 1,723 |
| Property | 4,143 | 4,100 |
| Vehicles | 2,929 | - |
| Housing Strategy & Options | 2,650 | 3,450 |
| Corporate Loans | - | - |
| | | |
| ***Total General Fund*** | 119,148 | 134,089 |
| | | |
| Housing Revenue Account | 19,057 | 15,626 |
| | | |
| **Total** | 138,205 | 149,715 |

3.2 The capital financing requirement, measuring the authority's underlying need to borrow for a capital purpose, is shown below. This includes PFI recognised on the balance sheet.

| | 2017/18 Estimate £m | 2018/19 Estimate £m | 2019/20 Estimate £m | 2020/21 Estimate £m |
|---|---|---|---|---|
| General Fund | 350 | 333 | 316 | 298 |
| HRA | 215 | 215 | 215 | 215 |

4. **<u>Treasury Limits for 2018/2019</u>**

4.1 The Treasury Strategy, which includes a number of prudential indicators required by CIPFA's prudential code for capital finance, will be presented to Council in January.

# Minimum Revenue Provision Policy

## 1. Introduction

1.1 This policy sets out how the Council will calculate the minimum revenue provision chargeable to the General Fund in respect of previous years' capital expenditure, where such expenditure has been financed by borrowing.

1.2 At the time of writing (November 2017), the national requirements for MRP are under review. This policy will need to be reviewed once the outcome of this consultation is available.

## 2. Basis of Charge

2.1 Where borrowing pays for an asset, the debt repayment calculation will be based on the life of the asset.

2.2 Where borrowing funds a grant or investment, the debt repayment will be based upon the length of the Council's interest in the asset financed (which may be the asset life, or may be lower if the grantee's interest is subject to time limited restrictions).

2.3 Where borrowing funds a loan to a third party, the basis of charge will normally be the period of the loan (and will never exceed this). The charge would normally be based on an equal instalment of principal, but could be set on an annuity basis where the Director of Finance deems appropriate.

## 3. Commencement of Charge

3.1 Debt repayment will normally commence in the year following the year in which the expenditure was incurred. However, in the case of expenditure relating to the construction of an asset, the charge will commence in the year in which the asset becomes operational. Where expenditure will be recouped from future income or capital receipt, and the receipt of that income can be forecast with reasonable certainty, the charge may commence when the income streams or receipt arise.

## 4. Asset Lives

4.1 The following maximum asset lives are proposed:-

- Land – 50 years;
- Buildings – 50 years;
- Infrastructure – 40 years;
- Plant and equipment – 20 years;
- Vehicles – 10 years;
- Loan premia – the higher of the residual period of loan repaid and the period of the replacement loan;

## 5. **Voluntary Set Aside**

5.1 Authority is given to the Director of Finance to set aside sums voluntarily for debt repayment, where she believes the standard depreciation charge to be insufficient, or in order to reduce the future debt burden to the authority. [This enables her to give effect to the budget strategy].

## 6. **Other**

6.1 In circumstances where the treasury strategy permits use of investment balances to support investment projects which achieve a return, the Director of Finance may adopt a different approach to reflect the financing costs of such schemes. A different approach may also be adopted for other projects which aim to achieve a return.

**Appendix Five**

## Equality Impact Assessment

### 1. Purpose of the increase

1.1 The purpose of this appendix is to present the equalities impact of the proposed 4.99% council tax increase.

1.2 There are two elements to the proposed tax increase:

(a) A 3% increase to address Adult Social Care funding needs outlined in the budget strategy;

(b) A 1.99% increase in council tax to enable the council to maintain its budgeted policy commitments.

### 2. Who is affected by the proposal?

2.1 Since April 2013, as a consequence of the Government's welfare reforms, all working age households in Leicester have been required to contribute towards their council tax bill. Our current council tax reduction scheme (CTRS) requires working age households to pay at least 20% of their council tax bill, and sets out to ensure that the most vulnerable householders are given some relief in response to financial hardship they may experience.

2.2 NOMIS[3] figures for the city's working age population (June 2017) indicated that there are 161,000 economically active residents in the city, of whom 5.2% are unemployed. As of November 2016, there were 30,060 working age benefit claimants (12.9% of the city's working age population of 233,000) It should be noted that this does not include tax credit claimants (unless they are also in receipt of another benefit). The working age population is inclusive of all protected characteristics.

### 3. How are they affected?

3.1 The chart below sets out the financial impact of the proposed council tax increase on different properties, before any discounts or reliefs are applied. It shows the weekly increase in each band, and the minimum weekly increase for those in receipt of a reduction under the CTRS.

3.2 For band B properties (almost 80% of the city's properties are in bands A or B), the proposed annual increase in council tax is £55.28; the minimum annual increase for households eligible under the CTRS would be £11.06.

[3] NOMIS is an Office for National Statistics web based service that provides free UK labour market statistics from official sources.

| Band | No. of Households | Weekly Increase | Maximum Relief (80%) | Minimum Weekly Increase |
|---|---|---|---|---|
| A | 75,549 | £0.91 | £0.73 | £0.18 |
| B | 24,830 | £1.06 | £0.85 | £0.21 |
| C | 14,440 | £1.21 | £0.85 | £0.36 |
| D | 6,051 | £1.36 | £0.85 | £0.52 |
| E | 3,185 | £1.67 | £0.85 | £0.82 |
| F | 1,464 | £1.97 | £0.85 | £1.12 |
| G | 583 | £2.27 | £0.85 | £1.42 |
| H | 58 | £2.73 | £0.85 | £1.88 |
| | | | | |
| **Total** | **126,160** | | | |

## 4. Risks over the coming year:

4.1 Recently, disposable income has fallen in real terms. This has multiple causes: slow wage growth (only partly offset by rising employment rates), welfare changes and inflation.

4.2 One of the main risks to household income in the previous year (2017/18) was increases in inflation. Inflation has increased, as predicted. The National Institute of Economic and Social Research (NIESR) have projected consumer price inflation to peak at 3.4 per cent in the final quarter of 2017, before gradually returning back towards the Bank of England's 2 per cent target. The Bank now expects inflation will hit 2.4% in 2018 and 2019. Therefore, the impact of rising inflation is less of a risk over the coming year. Having said this, it must be considered that until such a point that inflation returns towards the Bank of England's 2% target, households will continue to be squeezed and are likely to have less discretionary income than they would enjoy in the event that inflation were to fall.

4.3 Incomes of households reliant on social security benefits continue to be squeezed with the Government's continued implementation of the welfare reform programme. **Of particular relevance is the roll out of Universal Credit in Leicester (in summer 2018).** The chart below[4] gives an indication of anticipated decreases in household incomes by 2020/21, as a consequence of post 2015 welfare reforms:-

| | |
|---|---|
| Couple – one dependent child | £900 p.a. |
| Couple – two or more dependent children | £1,450 p.a. |
| Lone parent – one dependent child | £1,400 p.a. |
| Lone parent – two or more dependent children | £1,750 p.a. |
| Single person working age household | £250 p.a. |

[4] *Source: Centre for Regional Economic and Social Research/Sheffield Hallam University report: "The uneven impact of welfare reform – the financial losses to places and people" (March 2016).*

4.4 The Joseph Rowntree Foundation's annual "Minimum Income Standard" (MIS) for 2017, highlighted that millions of just managing families are on the tipping point of falling into poverty as prices rise in the shops (the price of a minimum "basket of goods" has risen 27-30% since 2008), with forecasts showing the cost of living could be 10 per cent higher by 2020. The Foundation is warning there is a fine margin where just managing can quickly tip into living in poverty, such is the precarious state of many household budgets.

4.5 Between 2008/9 – 2014/5, based on the latest available data from official statistics:

- The number of individuals below MIS **rose by four million**, from 15 million to 19 million (from 25 to 30 per cent of the population);
- There are **11 million people living far short of MIS**, up from 9.1 million, who have incomes below 75% of the standard and are at high risk of being in poverty;
- The remaining **eight million fall short of the minimum**, by a smaller amount, and despite having a more modest risk of poverty, are **just about managing at best**.

4.6 Almost three million working age households, six in 10 below MIS, have at least one person in work. Families with children continue to have the highest risk of having incomes that fall short of the standard, with working parents facing worsening prospects:

- For lone parents, even those working full time have a 42% risk of being below MIS, up from 28% in 2008/09. 151,000 out of 356,000 people in households headed by lone parents working full time are below the minimum.
- 56% of people in single-breadwinner couples with children live below – a substantial increase of more than a third over the six-year period. This affects 500,000 out of 880,000 people in such families.
- For couples with children where one adult works full time and the other is in part-time or self-employment, the risk of inadequate income has increased by a half, reaching 18%. This is 310,000 out of 1.7 million people in such families.

4.7 There are some offsetting current trends:

- There has been a continuing decrease in the percentage of the working age population unemployed in Leicester (NOMIS): June 2017, 5.2% (down from June 2016, 6.6%, June 2015, 7.7%; June 2014, 11.8%; and June 2013, 13.9%).
- The National Institute of Economic and Social Research (NIESR) have projected consumer price inflation to peak at 3.4 per cent in the final quarter of 2017, before gradually returning back towards the Bank of England's 2 per cent target. The Bank now expects inflation will hit 2.4% in 2018 and 2019.

## 5. Overall impact:

5.1 Any increased costs will be a problem for some households with limited incomes, as they will be squeezed by the next round of welfare reforms alongside inflationary increases of many basic household items such as food and fuel.

5.2 The weekly increase in council tax, however, is small for many of these households, as can be seen from the table above.

## 6. Mitigating actions:

6.1 For residents likely to experience short term financial crises as a result of the cumulative impacts of the above risks, the Council has a range of mitigating actions. These include: funding through Discretionary Housing Payments; the council's work with voluntary and community sector organisations to provide food to local people where it is required – through the council's or partners' food banks; and through schemes which support people getting into work (and include cost reducing initiatives that address high transport costs such as providing recycled bicycles).

6.2 Having said this, although it will continue to be in place as a mitigating action, there has been significant pressure on the Discretionary Housing Payment fund which has resulted in the need to review the policy for 2018.

6.3 Social welfare advice is currently in the process of being re-procured and will continue to be used as a mitigating action. Advice will continue to be provided in relation to welfare benefits, debt, housing, employment, community care, family issues and immigration. A full assessment of the impact of the proposals has been undertaken. The proposals are being considered by the NSCI Scrutiny Commission on 7/12/17 and a decision will be published shortly afterwards.

## 7. What protected characteristics are affected?

7.1 The table below describes how each protected characteristic is likely to be affected by the proposed council tax increase. The chart sets out known trends, anticipated impacts and risks; along with mitigating actions available to reduce negative impacts.

7.2 Some protected characteristics are not (as far as we can tell) disproportionately affected (as will be seen from the table) because there is no evidence to suggest they are affected differently from the population at large. They may, of course, be disadvantaged if they also have other protected characteristics that are likely to be affected, as indicated in the following analysis of impact based on protected characteristic.

## 7.3 Analysis of impact based on protected characteristic

| Protected characteristic | Impact of proposal: | Risk of negative impact: | Mitigating actions: |
|---|---|---|---|
| **Age** | Older people are least affected by a potential increase in council tax. Older people (pension age & older) have been relatively protected from the impacts of the recession & welfare cuts, they receive protection from inflation in the uprating of state pensions. Low-income pensioners also have more generous (up to 100%) council tax relief. However, in the current financial climate, a lower council tax increase would require even greater cuts to services. While it is not possible to say where these cuts would fall exactly, there are potential negative impacts for this group as older people are the primary service users of Adult Social Care.<br><br>Income inequality is likely to increase over the next few years.<br>If real earnings grow as the Office for Budget Responsibility forecasts, high-income households will benefit more than lower-income ones. And if benefit cuts proceed as planned, they will act to significantly reduce the incomes of low-income working-age households.<br><br>Working age people bear the impacts of welfare reform reductions – particularly those with children. Whilst an increasing proportion of working age residents are in work, national research indicates that those on low wages are failing to get the anticipated uplift of the National Living Wage.<br><br>A recent report by the Institute for Fiscal Studies on Living Standards, Poverty and Inequality in the UK 2017, shows that trends in living standards for different age groups have been very different. By 2015–16, median income for those aged 60 and over was 10% higher than it was in 2007–08, but for adults aged 22–30 it was still 4% lower. These differences are primarily due to the negative labour market impacts of the recession, which were far more pronounced among younger people.<br><br>The Joseph Rowntree Foundation's Minimum Income standard (MIS) shows that families with children continue to have the highest risk of having incomes that fall short of the standard, with working parents facing worsening prospects, as discussed at paragraph 4.6 above.<br><br>The tax increase could have an impact on such household incomes. | Working age households and families with children – incomes squeezed through low wages and reducing levels of benefit income. | Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on better managing household budgets. |

| Protected characteristic | Impact of proposal: | Risk of negative impact: | Mitigating actions: |
|---|---|---|---|
| **Disability** | Disability benefits have been reduced over time as thresholds for support have increased. The tax increase could have an impact on such household incomes. | Further erode quality of life being experienced by disabled people as their household incomes are squeezed further as a result of reduced benefits and impact of increased inflation. | Disability benefits are disregarded in the assessment of need for CTRS purposes. Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on better managing budgets. |
| **Gender Reassignment** | No disproportionate impact is attributable specifically to this characteristic. | | |
| **Marriage & Civil Partnership** | Couples receive benefits if in need, irrespective of their legal marriage or civil partnership status. No disproportionate impact is attributable specifically to this characteristic. | | |
| **Pregnancy and Maternity** | Maternity benefits will not be frozen and therefore kept in line with inflation.<br>However, other social security benefits will be frozen, but without disproportionate impact arising for this specific protected characteristic. | | |
| **Race** | Those with white backgrounds are disproportionately on low incomes (indices of multiple deprivation) and in receipt of social security benefits. Some BME people are also low income and on benefits. The tax increase could have an impact on such household incomes.<br><br>Nationally, one-earner couples have seen particular falls in real income and are disproportionately of Asian background – which suggests an increasing impact on this group. | Household income being further squeezed through low wages and reducing levels of benefit income, along with anticipated inflation. | Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on better managing household budgets. |
| **Religion or Belief** | No disproportionate impact is attributable specifically to this characteristic. | | |

| Protected characteristic | Impact of proposal: | Risk of negative impact: | Mitigating actions: |
|---|---|---|---|
| **Sex** | Disproportionate impact on women who tend to manage household budgets and are responsible for childcare costs. Women are disproportionately lone parents.<br><br>The Joseph Rowntree Foundation's Minimum Income standard (MIS) shows that Families with children continue to have the highest risk of having incomes that fall short of the standard, with working parents facing worsening prospects:<br><br>For lone parents, even those working full time have a 42% risk of being below MIS, up from 28% in 2008/09. 151,000 out of 356,000 people in households headed by lone parents working full time are below the minimum. | Incomes squeezed through low wages and reducing levels of benefit income, along with anticipated inflation. Increased risk for women as they are more likely to be lone parents. | If in receipt of Universal Credit or tax credits, a significant proportion of childcare costs are met by these sources.<br><br>Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on better managing household budgets. |
| **Sexual Orientation** | No disproportionate impact is attributable specifically to this characteristic. | | |

# Appendix Six

## Earmarked Reserves

1. Earmarked reserves as at September 2017 were as follows:

| | Current balance £k |
|---|---|
| **Departmental Reserves** | |
| Adult Social Care | 312 |
| Voluntary Sector Prospective Work | 1,500 |
| Children's Services | 956 |
| City Development & Neighbourhoods | 1,092 |
| Housing (non HRA) | 1,179 |
| Public Health | 662 |
| Channel Shift | 1,648 |
| ICT Development | 2,959 |
| PC Replacement Fund | 1,297 |
| Surplus Property Disposal | 912 |
| Election Fund | 1,020 |
| Financial Services | 3,347 |
| Other Corporate Resources Department | 3,814 |
| **Subtotal – departmental** | **20,698** |
| **Corporate Reserves** | |
| Managed Reserves Strategy | 27,496 |
| BSF Financing | 10,511 |
| Capital Programme Reserve | 37,498 |
| Severance Fund | 11,032 |
| Insurance Fund | 6,664 |
| Service Transformation | 7,302 |
| Welfare Reform | 4,004 |
| Other corporate reserves | 2,153 |
| **Subtotal – corporate** | **106,660** |
| **TOTAL UNRINGFENCED** | **127,358** |
| **Ringfenced Reserves** | |
| NHS Joint Working Projects | 1,769 |
| Public Health Transformation | 1,668 |
| School Capital Fund | 2,917 |
| Schools Buyback | 771 |
| Dedicated Schools Grant not delegated to schools | 14,205 |
| School & PRU balances | 14,683 |
| **TOTAL RINGFENCED** | **36,013** |
| **Total earmarked reserves** | **163,371** |

2. Earmarked reserves can be broadly divided into ring-fenced reserves, which are funds held by the Council but for which we have obligations to other partners or organisations; departmental reserves, which are held for specific services; and corporate reserves, which are held for purposes applicable to the organisation as a whole.

3. Ring-fenced reserves include:-

- **NHS joint working projects:** The Government has provided funding for joint working between adult social care and the NHS;
- **Public Health Transformation:** Ringfenced Public Health Grant money and will be used for future service changes;
- Amounts originating from **Dedicated Schools Grant** which are, by, law, ring-fenced to schools or relevant non-delegated functions. These balances will be used to fund growth in pupil numbers and cost pressures in the high needs block which will arise as a consequence of growth in numbers and national funding reform.

4. Departmental reserves include amounts held by service departments to fund specific projects or identified service pressures. Significant amounts include:-

- **Adult Social Care and Children's Services:** To meet budget pressures and prevent overspending;
- **City Development and Neighbourhoods:** It is anticipated that the reserve will be drawn upon to support 2017/18 cost and income pressures, as noted in budget monitoring reports. The remaining balance will provide resilience in 2018/19 should the department face in-year budget pressures as spending reviews take effect; to enable any new, one-off priority activities to be funded; and to meet known additional pressures such as a shortfall in bereavement income and reduced income at Leicester Market as the redevelopment continues.
- **Housing:** held to ensure that any short term increases in the demand for General Fund housing services can be managed without affecting the in-year budget; to secure increased availability of private rented sector accommodation where required; to support joined-up working with complex clients; and to fund planned service improvements.
- **Voluntary Sector Prospective Work:** To provide a grant pot which can be used by the voluntary sector for preventative non statutory support in the community of £250k per annum, initially for a three year period;
- **Channel Shift**: To fund work across the Council to both improve the customer experience and make savings through increasing the proportion of interactions with residents that use web-based and self-service systems, or streamlined customer services operations;
- **ICT Development:** The ongoing upgrade and modernisation of the Council's IT infrastructure (such as the Windows 10 rollout programme);
- **PC Replacement Fund:** To fund a rolling replacement programme for desktop PCs and portable devices as we continue to promote flexible and mobile working;
- **Election Fund:** To meet costs arising from future elections, smoothing out the cost between years;

- **Financial Services:** For expenditure on replacing the Council's main finance system, the Service Analysis Team and Welfare & Benefits as government housing benefit administration grants reduce and universal credit is rolled out.

5. Corporate reserves include:-

- **Managed Reserves Strategy** – a key element to delivering this budget strategy, as set out in para. 14 of this report;
- **BSF Financing:** to manage costs over the remaining life of the BSF scheme and lifecycle maintenance costs of the redeveloped schools;
- **Capital Fund:** to support approved spending on the Council's capital programme. This is fully committed to meet the costs of the capital programme;
- **Severance Fund:** to facilitate ongoing savings by meeting the redundancy and other costs arising from budget cuts;
- **Insurance Fund:** To meet the cost of claims which are self-insured;
- **Service Transformation Fund:** to fund projects which redesign services enabling them to function effectively at reduced cost
- **Welfare Reform:** set aside to support welfare claimants who face crisis, following the withdrawal of government funding for this purpose.

**Appendix Seven**

## Comments from Partners

*[To be added once consultation is complete]*

## Appendix Eight

## Spending Review Programme

| | Review | Summary | Savings Reported (£m) | Outstanding Savings (£m) | Outstanding Savings – sum reflected in Spending Review 4 (£m) |
|---|---|---|---|---|---|
| 1. | Corporate Resources | Implementation complete. | 3.9 | Nil | |
| 2. | Transforming Neighbourhood Services | Reviewing community use buildings on an area by area basis (libraries, community centres, adult skills, customer service centres). Review work mostly complete. | 1.1 | 0.4 | 0.4 |
| 3. | Voluntary and Community Services | Implementation complete. | 0.1 | Nil | |
| 4. | HRA Charging | Complete (decisions taken). | 4.0 | Nil | |
| 5. | Sports and Leisure | Review of Council's direct sports provision and sports development. Public consultation recently concluded. | | 2.0 | 1.2 |
| 6. | Parks and Open Spaces | Review work complete. | 1.5 | Nil | |
| 7. | Park and Ride | Service expected to become self-financing. Review work complete; fare rises implemented. | 0.2 | Nil | |
| 8. | External Communications | Implementation complete. | 0.1 | Nil | |
| 9. | Substance Misuse | Complete. | 1.0 | Nil | |
| 10. | Welfare Advice | Decision taken. | 0.2 | Nil | |
| 11. | Investment Property. | Review of property assets held for investment income. | 0.5 | 0.1 | Nil |
| 12. | IT | Review work complete. | 2.4 | Nil | |
| 13. | Homelessness Services | Review of services to prevent homelessness. Review work complete. | 1.5 | Nil | |
| 14. | Technical Services | Covers facilities management, operational property services, traffic and transport, repairs and maintenance of all buildings (including housing), fleet management, stores, energy, environment team. In implementation. | 10.1 | Nil | |
| 16. | Children's Services | All services provided by Education and Children's Services, other than schools and social care. Early Help and Youth Services review work complete. | 4.4 | 0.6 | 0.6 |
| 17. | Regulatory Services | Protective services including neighbourhood protection, business regulation, pest control, licensing and community safety. Phase one complete; further savings unlikely. | 0.4 | 0.6 | Nil |
| 18. | Cleansing and Waste | City and neighbourhood cleansing, litter disposal, waste collection and disposal (including PFI arrangements). Phase one review complete and to be evaluated in December. | 0.7 | 1.8 | 1.0 |

| | Review | Summary | Savings Reported (£m) | Outstanding Savings (£m) | Outstanding Savings – sum reflected in Spending Review 4 (£m) |
|---|---|---|---|---|---|
| 19. | City Centre | Services provided by City Centre Division, including tourism. Complete. | 0.1 | Nil | |
| 20. | Using Buildings Better | Extends scope of Transforming Neighbourhoods to review other neighbourhood buildings (depots and local non-customer facing offices). Revenue savings will arise from channel shift and staff accommodation. | 0.4 | 1.6 | 0.8 |
| 21. | Tourism, Culture & Inward Investment | Covers arts organisations, museums, support to festivals and other divisional services. Phase one complete. | 1.1 | 0.4 | Nil |
| 22. | Car Parking and Highways Maintenance | Complete. | 0.8 | Nil | |
| 23. | Parks standards and development | Efficiency savings. | 0.2 | NIL | |
| 24. | Community Capacity Building | Revisit current arrangements with Voluntary Action Leicester & other projects - complete apart from element dependent on Social Welfare Advice review | 0.1 | 0.1 | 0.1 |
| 25. | Civic & Democratic Services | Democratic and civic functions. Implementation complete. | 0.2 | Nil | |
| 26. | Departmental Administration | Review of departmental administrative services. Savings being delivered departmentally. | 1.3 | Nil | |
| 27. | Adult Learning | Aim to increase the £0.8m currently contributed to Council support. Service realignment being considered, savings unlikely. | | 0.4 | Nil |
| 28. | Advice Services (Social Welfare) | Review of internal and external advice services provided by internal Welfare Rights, STAR service and external organisations; aims to eliminate duplicate provision. Being considered by NCSI Scrutiny Committee in Dec 17 (public consultation recently undertaken). | | 0.5 | 0.3 |
| 29. | Sexual Health Services | On demand sexual health and contraception services at St. Peter's Health Centre. Public consultation recently concluded. | 0.2 | 0.6 | 0.6 |
| 30. | Lifestyle Services | Services which support improved diet and physical activity, and cessation of smoking. A single, integrated service is under development. | 0.3 | 1.1 | 1.1 |
| 31. | CDN | Management savings | 0.3 | Nil | |
| | **Subtotal** | | **37.0** | **10.2** | **5.9** |

| | |
|---|---|
| Additional savings target ("SR4") | 19.8 |
| **Total savings sought by 2019/20** | **25.7** |

# Budget Survey 2017

51

Margaret Willcox, President

Iain MacBeath, Resources Co-Lead

Association of Directors of Adults Social Services

# About Us

directors of adass adult social services

The Association of Directors of Adult Social Services is a charity. Our objectives include;

- Furthering comprehensive, equitable, social policies and plans which reflect and shape the economic and social environment of the time
- Furthering the interests of those who need social care services regardless of their backgrounds and status and
- Promoting high standards of social care services

Our members are current and former directors of adult care or social services and their senior staff.

# About the survey

- Many of the questions are common with previous years for continuity.
- There was a 95% response rate and not all respondents answered all questions. The report clearly states the number of responses to each question and where these have been extrapolated to national levels.
- The Better Care Fund is funding transferred through the NHS, first announced in the 2010 Spending review and added to in 2014/15 for NHS Care Act responsibilities and then for Disabled Facilities grants.
- Planning Guidance for the Better Care Fund is not yet agreed and published by NHSE so responses related to it are more tenuous and should be treated with caution.
- The Improved Better Care Fund is the £2bn over 3 years announced in the Spring Budget for spending on Adult Social Care.

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# Context

### Changes to funding for 2017/18

- ASC precept profile (3%/3%/ 0% or 2%/2%/2%)
- ASC grant in LGFS (£241m)
- IBCF in Spring budget (£2bn including £1bn for 2017/18)

### Local Government context

- £366m overspend in ASC in 2016/17
- £3.05bn savings overall, £824m ASC
- Protection of ASC: now 36.9% (35.6% last year)

### Additional need and costs

- 2.8% pressures: increasing numbers of older and disabled people
- NLW etc costs £378.5m
- NHS support and pressures – CHC, fines, planning

# Overview

- Fieldwork completed in May/ June
- 95% return rate (excludes Jersey, Guernsey, Isle of Man and Isles of Scilly)



***Adult Social Care Budgets 2015/16:***

| | |
|---|---|
| ASC Gross Budget 15/16 | £19.6bn |
| ASC Net Budget 15/16 | £13.65bn |
| ASC Net Budget 15/16 Outturn | £13.82bn |
| Variance/ overspend | £168m over |

***Adult Social Care Budgets 2016/17:***

| | |
|---|---|
| ASC Gross Budget 16/17 | £19.7bn |
| ASC Net Budget 16/17 | £13.82bn |
| ASC Net Budget 2016/17 Outturn | £14.91bn |
| Variance/ overspend | £366m |

***Adult Social Care Budgets 2017/18:***

| | |
|---|---|
| ASC Gross Budget 17/18 | £20.8bn |
| ASC Net Budget 17/18 | £14.2bn |
| | |
| | |

# The increasing needs of younger adults are as important as those of older people

- Demographic pressures for older people: 1.1%



- Demographic pressures for people with learning disabilities: 1.2%
- Demographic pressures for people with mental health needs: 0.2%
- Demographic pressures for physically disabled people: 0.3%

# Savings

- Adult Social Care overspends in 2016/17 amounted to £366m. Pressure will roll forward.
- Planned savings for 2017/18 are £824m (5% of  the net Adult Social Care budget and 27% of total council savings).



- Directors' confidence in making these savings is falling: in 2015 45% of directors were fully confident planned savings would be met. Last year it was 31%. This year it remains at 31% despite the additional funding and reduces further to 8% for 2018/19.

# Breakdown of savings for 2017/18

| Response | Total | Proportion of total savings |
|---|---|---|
| Efficiency - doing more for less *(125 responses)* | £388m | 55.6% |
| Reducing services/personal budgets *(74 responses)* | £136m | 19.5% |
| Income from charges increased above inflation *(51 responses)* | £31m | 4.4% |
| Provider fees increased by less than inflation *(19 responses)* | £13m | 1.9% |
| Pay increased by less than inflation *(4 responses)* | £3m | 0.4% |
| Other *(64 responses)* | £127m | 18.2% |

# Ways of making savings

- Directors see increased prevention as the most important way in which savings could be made over the next three years.

| | | 2017/18 |
|---|---|---|
| | | £890m |
| **% spend on prevention as % of budget** | **7.1%** | **6.3%** |
| **Difference in spend from 2016/17 to 2017/18** | **-6.7%** | |

- Integration of health and social care appears to be less important than in previous years
- Better procurement and shifting activity to cheaper settings assumes more importance.
- Controlling wage increases was seen as not applicable or not important by 44%

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# Increased charges



| | Community-based services | | Residential care services | |
|---|---|---|---|---|
| | **2016/17 (*134 responses)*** | **2017/18 (*134 responses)*** | **2016/17 (*136 responses)*** | **2017/18 (*137 responses)*** |
| **Total estimated income** | £640m | £678m | £1.67bn | £1.69bn |

# Impact of savings

- Experience to date
  - 77% agreed providers are facing financial difficulty
  - 75% agreed that the NHS is under increased pressure
  - 74% agreed that more providers face quality challenges
- 2017/18
  - 79% agreed providers are facing financial difficulty
  - 76% agreed that more providers face quality challenges
  - 75% agreed that the NHS is under increased pressure
- 2018-2020
  - 84% agreed providers are facing financial difficulty
  - 83% face quality challenges
  - 80% agreed that the NHS is under increased pressure

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# Planned spend of the Improved Better Care Fund

- To meet adult social care needs (including counteracting previously planned savings): 48.1%
- To reduce pressures on the NHS, including supporting more people to be discharged from hospital when they are ready: 32.3%
- To ensure that the local social care provider market is supported: 25.9%

# Better Care Fund 2016/17

- In 2016/17, £1.27bn was spent on protection of adult social care (comprising additional services, avoiding cuts and funding demographic pressures but excluding Disabled Facilities Grants and Care Act duties).
- This is effectively the same as the NHS transfer to local government in 2014/15.
- Of this 79% has been spent on avoiding cuts to services so has not paid for any additional activity.

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# Better Care Fund estimated provisional plans 2017-18

| | Estimated national total |
|---|---|
| Capital spending (Disabled Facilities Grant) | £448m |
| Care Act Duties (including carers spending) | £250m |
| **Subtotal** | £698m |
| **Protection of social care** | |
| For new or additional adult social care services | £332m |
| To avoid cuts in existing adult social services | £1,100m |
| To cover adult social care demographic pressure | £355m |
| **Subtotal** | **£1,787** |
| **TOTAL PROTECTION** | **£2.48bn** |

# Experiences of extra support for or pressure from the NHS



| | Average |
|---|---|
| Discussions about reductions to Continuing Healthcare or health contributions to s117 | 78.1% |
| Increased input to short or long term planning | 75.2% |
| Increased demand from people with very high needs not being admitted to hospital | 61.3% |
| Increased input to NHS commissioning | 56.9% |
| Increased demand for healthcare activity to be undertaken by social care staff | 54.7% |
| Discussions about Better Care Fund reductions | 39.4% |
| Other (please specify) | 29.2% |

15% of councils have been fined by the NHS for Delayed Transfers of Care

# Care market

- Provider fee increases continued but the average rate per hour of home care was £15.39 (the desired UKHCA benchmark was £16.70)
- 79% of Directors report that providers in their area are facing financial difficulties now.
- Providers are continuing to sell up, close homes or hand back the contract for the care they deliver affecting thousands of people.

| | Closed or ceased trading within the last 6 months | | "Handed back" contracts within the last 6 months | |
|---|---|---|---|---|
| | Number of councils *(123 responses)* | Predicted number of people affected *(117 responses)* | Number of councils *(117 responses)* | Predicted number of people affected *(117 responses)* |
| Home care | 48 (39%) | 5,670 | 43 (36.8%) | 3,135 |
| Residential/Nursing care | 54 (43.9%) | 1,793 | 11 (9.3%) | 331 |

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"The whole sector, including senior leaders from the NHS, local government and the independent sector, are united in recognising the importance of an adequately funded social care system in promoting the country's wellbeing and ensuring the right care is available. More people work in adult social care than in the NHS and they make a positive difference every minute of every day".

The social care system "will collapse if we do nothing about it, as there will be two million more people over the age of 75 within 10 years", the prime minister has said.

We need a serious debate across the public and politicians about the best balance of taxation, individual contribution, priorities, insurance for the longer term.

# ADULT SOCIAL CARE FUNDING

## STATE OF THE NATION 2017

OCTOBER 2017

# Contents

# Foreword

All eyes will be on Philip Hammond on 22 November for his first Autumn Budget. When announcing the date, the Chancellor described the financial statement as the moment when he will set out the Government's plans for "raising the taxes that we need over the coming years, and how we intend to spend them to support our public services." Local government will be desperately hoping the Autumn Budget delivers short- and long-term support for one of our most vital public services: adult social care.

There is some cause for cautious optimism. The Chancellor's Spring Budget delivered an additional £2 billion for adult social care over the period 2017/18 to 2019/20. And, as the experience of the 2017 General Election demonstrated, recognition of the need to secure the immediate and future stability of the service is growing all the time, not least amongst national politicians.

But experience over a longer time period inevitably tempers that optimism, and inertia remains the characteristic we typically associate with the prospects for future funding and reform of adult social care.

It's not for want of trying. The 'longer time period' could go back 20 years to the then government's 'Modernising social services' white paper. Since then, governments of all colours, along with several notable independent commissions and reviews, have attempted to plot a path for securing the sustainability of adult social care. But, for various reasons, those paths have become overgrown with the long grass that so often scuppers attempts at change in this public policy area.

This simply cannot continue. Adult social care is recognised – nearly universally so – as being in crisis right now, with the future outlook no brighter. Funding pressures are mounting, with very real consequences for the entire system and particularly the very people the service is there to support. Therefore, in this edition of our annual state of the nation report, we look in part at people's experience of care and support.

Part of the policy response to the challenges facing social care continues to be closer working with our partners in the NHS. Rightly so. But over the last year, that relationship has undoubtedly become strained as the ambition for integration has struggled to be enough of a driving force to overcome the barriers associated with the reality of health and care pressures on the ground and the national response to them.

Delayed transfers of care (DTOC) have become a dominant preoccupation of that reality, but the focus on councils' role in reducing them has not been balanced. Our report therefore also explores what is really happening on the DTOC agenda. In the interests of people needing long-term support, we must not allow the whole agenda for social care to be dominated by this issue. Instead we must ensure that social care is recognised as a vital service in its own right, and that its value and core purpose is in helping people to live independently and supporting their wellbeing.

Councils have a proud record of getting on with the job of delivering for their local residents, and doing so in partnership, even in the most testing of circumstances. But it is no exaggeration to say that the circumstances are now veering steadily towards the impossible. For adult social care to thrive we therefore need Government to act both for the here and now, and for the longer-term. I hope this publication encourages such action so that high quality, person-centred and safe care can be secured for all those who need it.

**Cllr Izzi Seccombe OBE**
Chairman, Community Wellbeing Board
Local Government Association (LGA)

# Key points

- English councils will have managed reductions to their core funding from national government totalling £16 billion between 2010 and 2020. Councils are protecting adult social care but it is impossible for the service to be immune from the impact of reductions on this scale.
- The LGA estimates that local government faces a funding gap of £5.8 billion by 2020. £1 billion of this is attributable to adult social care and includes only the unavoidable cost of demography, inflation and the National Living Wage. This figure excludes other significant pressures, including the potential costs associated with 'sleep-ins', which include both historic liabilities and future costs, as well as any resources to address unmet need.
- In addition to the £5.8 billion gap by the end of the decade, a bare minimum of £1.3 billion is required immediately, and in future years, to stabilise the adult social care provider market.
- The consequences of underfunding include an ever more fragile provider market, growing unmet need, further strain on informal carers, less investment in prevention, continued pressure on an already overstretched care workforce, and a decreased ability of social care to help mitigate demand pressures on the NHS.
- The Government's response to the challenge of adult social care funding in recent years has been short-term and incremental in nature. One off grants, the council tax precept and increases in improved Better Care Fund (BCF) funding have been helpful. But each mechanism has its limitations and they do not deal with all short-term pressures, let alone address the issue of longer-term sustainability.
- The LGA has particular concerns with developments linked to the £2 billion for adult social care announced in the 2017 Spring Budget. There is now disproportionate emphasis on one of the three grant conditions attached to the funding, "reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready".
- Councils are committed to reducing DTOC and work closely with local health and care provider partners to get people out of hospital and back into the community. Any suggestion, implied or otherwise, that councils do not take this responsibility seriously is deeply unhelpful and damaging to local relationships.
- Local government remains committed to the integration of health and care in the interests of ensuring joined-up services that achieve the best outcomes for individuals requiring services. But without question, the Government's main vehicle for driving integration forward operationally – the BCF – has lost credibility. Far from giving practical manifestation to the ambition of integration, the BCF has only served to recast that ambition in increasingly narrow terms.

# Building a better adult social care system

- Government should address the £5.8 billion funding gap facing local government by 2019/20.
- Government must immediately meet the £1.3 billion pressure to stabilise the social care provider market, through further business rates retention or new grant funding. Other unfunded pressures facing adult social care, such as sleep-ins, should be met by Government in full.
- In dealing with the pressures facing social care and health in the short and long-term, the Government must develop a balanced approach that does not give one part of the system primacy over the other.
- Government needs to be realistic in its approach to DTOC and demonstrate greater recognition of: the pressures facing social care; its continued efforts to improve performance; and its intrinsic value in its own right in supporting independence and wellbeing.
- An effective response to tackling DTOC – as with any system-wide issue – must consider the whole system. Without investment in primary, community and social care services to prevent people having to go into hospital unnecessarily in the first place, the vicious circle will continue in which we seek to treat the symptoms rather than the causes of system pressures.
- We now need a new approach that moves beyond the BCF and allows local areas to agree long-term plans for integration, with funding for social care going directly to councils.

# Local government funding overall

It is impossible to consider the state of funding for adult social care without first considering the state of local government funding overall. The LGA estimates that English councils will have managed reductions to their core funding from central government totalling £16 billion between 2010 and 2020. To put that into perspective, budgeted expenditure for adult social care for this financial year, 2017/18, stands at £15.6 billion.

Based on an assessment of potential future increases in demand for services, plus the costs of service delivery, the LGA estimates that local government faces a funding gap of £5.8 billion by 2020.

£1 billion of this is attributable to adult social care and includes only the unavoidable cost of demography, inflation and the National Living Wage. In addition to the £5.8 billion gap by the end of the decade, a bare minimum of £1.3 billion is required immediately, and in future years, to stabilise the adult social care provider market

**Figure 1: Local government funding gap by 2019/20 / £ billion**

| Service area | Funding gap by 2019/20, £bn |
|---|---|
| Children's services | 2.0 |
| Adult social care (inclusive of the pre-existing pressure to stabilise the adult social care provider market) | 2.3 |
| Homelessness and temporary accommodation | 0.2 |
| Other services funded from council core spending power | 2.4 |
| Apprenticeship levy | 0.2 |
| **Total** | **7.1 (£5.8bn funding gap by 2019/20 plus £1.3bn to stabilise the adult social care provider market)** |

The LGA estimates that English councils will have managed reductions to their core funding from central government totalling £16 billion between 2010 and 2020.

It must also be noted that these figures are a minimum, based solely on current responsibilities and costs. They do not account for either new costs that are outside the control of local government, or new burdens imposed by national government. Such additional costs will include, for example, local government pay and the National Living Wage, the very live issue of remuneration for care worker 'sleep-ins' (further information below), and long-term costs of implementing as yet unknown recommendations expected from the independent inquiry following the Grenfell Tower tragedy. Of further importance, the funding gap for adult social care does not include any costs associated with provision for existing unmet, or under-met, need.

Government must address the £5.8 billion funding gap facing local government by 2019/20. And it must immediately meet the additional and annually recurring £1.3 billion pressure to stabilise the social care provider market, through further business rates retention or new grant funding. Other unfunded pressures facing adult social care, such as sleep-ins, should be met by Government in full.

This wider context is important as it partly explains why adult social care is under such enormous pressure and looks set to continue being under pressure for the foreseeable future. According to the Association of Directors of Adult Social Services (ADASS) 2017 budget survey[1], adult social care accounts for a growing proportion of councils' total budgets, (for the 152 councils with adult social care responsibilities) – up from 35.6 per cent in 2016/17 to 36.9 per cent in 2017/18. The survey shows that councils are protecting adult social care funding, but when they face the challenge of making significant savings to balance their books, it is impossible for adult social care to be immune from having to make its own significant contribution to those savings.

**Adult social care accounts for a growing proportion of councils' total budgets – up from 35.6 per cent in 2016/17 to 36.9 per cent in 2017/18.**

1 'ADASS budget survey 2017', Association of Directors of Adult Social Services, June 2017 www.adass.org.uk/media/5994/adass-budget-survey-report-2017.pdf

# Adult social care funding

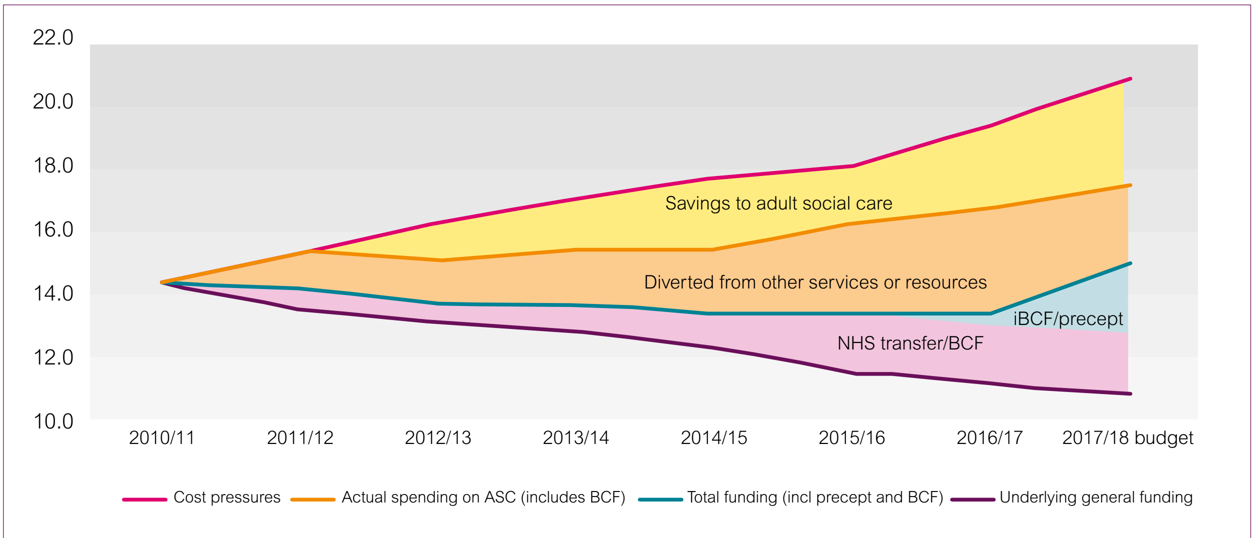
## Pressures, the case for investment, and the Government's response

In recent years, adult social care spending has been kept under control through a mix of service savings, disproportionate reductions to other services, the NHS transfer/BCF and, most recently, the social care precept.

In the chart below, 'cost pressure' is what we estimate councils would have had to spend on adult social care if they had not made efficiency savings. The difference between this and 'Actual spending on ASC (including BCF)' is the amount councils have had to save from adult social care budgets to maintain spending at roughly 2010/11 levels. However, this is only one side of the picture. 'Underlying general funding' shows how much money councils would have had available to spend on adult social care if they had spread unringfenced funding reductions equally across all services.

It is therefore clear that the gap has in fact been met through a combination of the NHS transfer/BCF and disproportionate savings from budgets of other council services. In other words, councils have clearly prioritised adult social care and support services but this is inevitably and unavoidably to the detriment of other local services. Every council will have made their own decisions in this process but it is safe to assume that the services that had to deal with deeper reductions to funding would have included things like libraries, leisure, and bus services. This is clearly a false economy given these universal neighbourhood services are preventative in the widest sense and contribute to wellbeing.

**Figure 2: How adult social care spending has developed, 2010-17**



Over the last two years, the Government's response to the challenge of adult social care funding has been short-term and incremental in nature. Consequently, additional resource capacity is not a straightforward picture – at least not in terms of being able to take a figure at face value. To illustrate this point, consider the following statement by Rt Hon Sajid Javid MP in relation to the additional £2 billion announced for adult social care at the 2017 Spring Budget:

"This additional money [the £2 billion]…will make an immediate difference to people in our communities who need care and support, and it will bring the total dedicated funding available for adult social care in England to £9.6 billion over the course of this Parliament."[2]

Over the last two years, the Government's response to the challenge of adult social care funding has been short-term and incremental in nature.

This figure (or a slight variation of it) has been used several times by Government in recent months in response to claims that social care does not have the funding it needs. But the number is not as simple as it seems. The following table sets out how we believe the figure breaks down:

**Figure 3: £9.6 billion for adult social care 2017/18 to 2019/20? A possible explanation**

| £ million | Source | 2016/17 | 2017/18 | 2018/19 | 2019/20 | TOTAL |
|---|---|---|---|---|---|---|
| Adult social care precept | 2015 Spending Review (revised at 2017/18 Local Government Finance Settlement) | 382 | 1,023 | 1,734 | 1,797 | **4,936** |
| Adult Social Care Support Grant | 2017/18 Local Government Finance Settlement | | 241 | | | **241** |
| iBCF | 2015 Spending Review | | 105 | 825 | 1,500 | **2,430** |
| Increase to iBCF | 2017 Spring Budget | | 1,010 | 674 | 337 | **2,021** |
| TOTAL | | 382 | 2,379 | 3,233 | 3,634 | 9,628 |

2 Parliamentary Budget resolution debate, Rt Hon Sajid Javid MP, March 2017 https://hansard.parliament.uk/Commons/2017-03-09/debates/C2A7F416-1A88-4896-93DD-A857967F3401/BudgetResolutions

Each component part of the £9.6 billion warrants a degree of further exploration to expose its limitations and flaws.

**The adult social care precept:** The precept was first introduced in the 2015 Spending Review and allowed councils to raise an additional 2 per cent through Council Tax above the existing threshold of 1.99 per cent for base Council Tax (beyond which a referendum is required to approve higher increases). The 2017/18 Local Government Finance Settlement subsequently introduced greater flexibility, allowing councils to levy a 3 per cent precept.

However, the further flexibility with the precept does not change the total allowable increase from 2017/18 to 2019/20, which is capped at 6 per cent. This move therefore only provides a small degree of additional help by front-loading some of the resource capacity. This partially offsets concerns that the iBCF funding announced in the 2015 Spending Review is heavily back-loaded.

Furthermore, the precept unfairly shifts the burden of tackling a clear national crisis onto councils and their residents. And this is after years of councils being encouraged to keep Council Tax as low as possible, or frozen.

If a council with social care responsibility used the precept flexibility in all four years (and also the 1.99 per cent core increase), 7p of every £1 of council tax will be precept funding by 2019/20. By the same point, councils could be spending as much as 38p of every £1 of council tax on adult social care, up from just over 28p of every pound in 2010/11.

**Adult Social Care Support Grant (ASCSG):** The ASCSG was announced in the 2017/18 Local Government Finance Settlement and followed the 2016 Autumn Statement, which failed to even mention adult social care. As with the changes to the precept, the funding helps counter the back-loading of the iBCF funding announced in the 2015 Spending Review.

However, the ASCSG is for one year only and, most importantly, it is not new money. It was instead created from savings of equivalent value from the New Homes Bonus (NHB) and was therefore simply a redistribution of funding already promised to councils. The 'switch' from NHB to ASCSG left all district councils worse off and also left around a third of social care councils worse off as they lost more in NHB payments than they gained from the ASCSG.

**Improved Better Care Fund (iBCF):** Additional funding through the iBCF is significant and welcome. However, by being routed through the BCF the funding is now subject to a concerning degree of oversight and influence from both Government and NHS England. The funding also reduces by a third each year and stops at the end of 2019/20. Issues with the iBCF are explored in further detail below.

All recent efforts to support adult social care are welcomed and this commentary is not intended to downplay the significance of the additional investment for the service. It has, without question, gone some way to alleviating the significant pressures facing the care and support sector.

Crucially however, the limitations of the funding means that it does not address all short-term pressures as evidenced below. Furthermore, as the funding is not in councils' baselines and cannot therefore be called on in future years, it is impossible to plan, or give assurances, for beyond 2020. This makes it difficult to, for instance, use this money for permanent increases in provider fees, which adds further instability into an already unstable market.

## The immediate outlook for adult social care funding

The LGA estimates that adult social care faces a growing annual funding gap over the next three years, despite the investment outlined above:

**Figure 4: Adult social care funding gap, 2017/18 - 2019/20**

| £ billion | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|
| Funding gap | 1.1 | 1.9 | 2.3 |

The gap of £2.3 billion by the end of the decade comprises two main elements. First, £1 billion of core pressures linked to demography, inflation and the National Living Wage. And second, a minimum annually recurring figure of £1.3 billion to stabilise the provider market – in other words, the amount needed to close the gap between what social care providers say they need and what councils currently pay.

The additional resources councils can call on have certainly limited the scale of the challenge for this financial year. But there is still a gap of over £1 billion this financial year, and over the next two years the gap widens again.

**The limitations of the funding means that it does not address all short-term pressures.**

## In the spotlight: sleep-ins

As set out above, the LGA's estimate of the funding gap facing council services does not include other potential costs that are likely to arise, one of which – and which is of real and growing concern – is the cost of 'sleep-ins'.

At the heart of this issue is whether sleep-ins (when a care worker is permitted to sleep at a place of work) should be considered as working time and, as such, attract the National Living Wage (NLW). The concern, and confusion, stems from the fact that guidance on calculating the NLW for sleep-ins from the Department of Business, Energy and the Industrial Strategy (BEIS) directly contradicts the 2015 National Minimum Wage (NMW) regulations. In determining what counts as 'working time', the latter states that workers are only entitled to be paid for the time they are awake. This is at odds with the former, which states that a worker, even if asleep, is entitled to the NMW or NLW for the entire time they are at work.

In July, the Government announced that it would waive the financial penalties faced by employers who are found to have underpaid their workers for sleep-in shifts. However, the Government also confirmed that any employer underpaying their staff for these shifts in the future will be liable to pay financial penalties equating to 200 per cent of the arrears found.

This issue goes well beyond underpayment penalties and also includes underpayment back-pay. At the time of writing, employers face the prospect of having to make back-payments for underpayment of sleep-in shifts dating back six years. Enforcement activity is being led by HM Revenue and Customs, although the Government's July announcement suspended this activity until 2 October 2017 to allow further discussions between Government and the care sector. In September, the Government announced this suspension of enforcement activity would be extended for one month.

The potential costs of sleep-ins back-payment are significant. According to one survey by Cordis Bright, back-pay costs just within the learning disability sector could total £400 million[3]. Going forwards, the annual cost facing the learning disability sector could be in the region of £200 million a year. The future cost impact will be more than just the pure top up cost. For instance, if time spent asleep is considered working time then some working shift patterns may not be compliant under the Working Time Directive. More staff will therefore be needed to cover such shifts, exacerbating existing recruitment difficulties and potentially driving up costs because agency staff will be required.

Of equal concern is the potential liability facing people who employ personal assistants through direct payments. Based on a 2016 National Audit Office report[4] on personalised commissioning in adult social care, 500,000 individuals with a care need, and 100,000 carers with a support need, paid for services via a personal budget allocated to them by their local council.

According to a 2014 ADASS personalisation survey[5], 24 per cent of these personal budgets were allocated as a direct payment for the individual or carer to organise and pay for their own care or support. In a 2015 sample, the most common way for people to use their budget was on care and support services (59.6 per cent), followed by personal assistants (48.3 per cent).

Discussions continue with Government and partners. The LGA is clear that:

1. Sleep-in costs pose a significant risk to an already fragile and unstable provider market, creating uncertainty and concern for people using services and their families, and the paid workforce which delivers those services.
2. Any policy and/or legislative decisions need to be fair to workers, employers, commissioners and individuals who receive care, including those who directly pay for care themselves either through a council-funded personal budget or through private means.
3. Government must provide funding to enable the back-pay liability to be met without jeopardising the provision of care and support – particularly given the Government's own recognition that previous written guidance was "potentially misleading".
4. Additional and genuinely new funding must be made available to councils so they can ensure that providers and individuals in receipt of direct payments have the means to pay the correct level of wages going forwards.
5. The additional £2 billion for adult social care in the 2017 Spring Budget was not announced with sleep-in costs in mind. Government must therefore not expect this vital funding to be used to cover these costs.

3 See for instance, 'Future of learning disability care in the UK hangs in the balance', Mencap, September 2017, www.mencap.org.uk/press-release/future-learning-disability-care-uk-hangs-balance

4 'Personalised commissioning in adult social care', National Audit Office, March 2016, www.nao.org.uk/wp-content/uploads/2016/03/Personalised-commissioning-in-adult-social-care-update.pdf

5 'ADASS personalisation survey 2014', Association of Directors of Adult Social Services, 2014, www.adass.org.uk/media/4692/adasspersonalisationsurveyreport03102014.pdf

Faced with a growing funding gap, directors of adult services are predicting another difficult year ahead. As the 2017 ADASS budget survey shows, councils intend to make savings of £824 million in 2017/18, continuing the trend of significant annual savings within adult social care during the course of the current decade. 'Savings' in this sense means both efficiencies to counter pressures such as demography and inflation, as well as reductions.

**Figure 5: Annual adult social care savings, 2011/12 – 2017/18**

| Year | Savings / £ million |
|---|---|
| 2017/18 | 824 (planned) |
| 2016/17 | 941 |
| 2015/16 | 1,100 |
| 2014/15 | 850 |
| 2013/14 | 800 |
| 2012/13 | 890 |
| 2011/12 | 991 |

As the ADASS survey also shows, this year's savings follow a budget overspend of £366 million in 2016/17, considerably higher than the previous year's £168 million overspend.[6]

Despite these savings, councils are protecting adult social care. Adult social care savings account for 27 per cent of councils' overall savings, which is notably smaller than the 37 per cent of councils' overall budget spent on social care. But, of course, making this level of savings is not straightforward. The ADASS survey illustrates that only 31 per cent of directors are 'fully confident' of meeting their savings target this year, dropping to just 8 per cent next year, and 7 per cent the year after that.[7]

Savings on this scale will clearly also have wide-ranging consequences, and at the most fundamental level, the ability of councils to meet statutory duties will inevitably be tested. Just 29 per cent of directors are 'fully confident' in the ability of their service to meet statutory duties, a figure which again drops in the next two years; to 4 and then 3 per cent.[8]

On the ground the consequences of under-funding are now well-known and include an ever more fragile provider market, growing unmet need, further strain on informal carers, continued pressure on an already overstretched care workforce, and a decrease in social care's ability to help mitigate demand pressures on the NHS.

Funding pressures are also impacting on investment in the number one priority area directors have identified for helping to meet the savings challenge: prevention. Spend on prevention in 2017/18 forms 6.3 per cent of adult social care budgets, or £890 million. This is a smaller proportion of the budget than last year (7.1 per cent), and a decrease in cash terms from last year (£954 million).[9]

Only 31 per cent of directors are 'fully confident' of meeting their savings target this year, dropping to just 8 per cent next year, and 7 per cent the year after that.

6 See 1
7 Ibid.
8 Ibid.

9 Ibid.

# Adult social care: the individual's perspective

The consequences of underfunding described above are significant and matter most to the individual requiring care and support. The following case studies describe what life is like for real people who use, or have recently used, care and support services. They are a powerful reminder of why social care matters and its fundamental value. And they bring to life, often in stark terms, the reality of different elements of our care system – both the good and the bad – such as capacity in the provider market, difficulty navigating the system, the impact of short care visits, or the role social care can play in supporting people to live life.

These case studies are just snapshots and it is likely that the experiences they describe will resonate with the many people accessing services. In 2015/16 there were:

- Just over 1.8 million requests for support from new clients.
- 209,000 completed instances of short-term support to maximise independence for new clients, with over half (54 per cent) receiving such support following discharge from hospital. This is in addition to 36,000 cases of support for existing clients.
- 873,000 clients receiving long-term support, with 652,000 still accessing such support at the end of the year. 482,000 had been accessing this support for more than 12 months.
- 387,000 carers in contact with their council, of whom 314,000 received direct support[10].

The LGA is extremely grateful to the individuals and national partners involved in helping to develop these perspectives.

10 'Community care statistics, social services activity, England, 2015/16', NHS Digital, October 2016 www.content.digital.nhs.uk/catalogue/PUB21934

# Angela's story

## Angela is in her late 60s and has needed life-long care

I get half an hour in the morning, three quarters of an hour for lunch, half an hour in the middle of the afternoon, three quarters of an hour around 5.00pm for tea, and half an hour around bedtime. It's the same every day.

This type of care means I have to think about the consequences of everything I do because I can't afford to miss my care slots: if I miss too many it'll be taken away. It means I can't be spontaneous.

This doesn't given me the freedom to go out when I want or do all the things that matter to me – church activities, concerts, being a patient representative, campaigning. I have almost no social life.

There's no privacy and that really affects me. I can't see my friends like I used to because you can't talk when there's a support worker around – I know they feel awkward and my friends feel awkward too. Friends can't stay over when a support worker is sleeping in the kitchen. I've lost many friendships.

It's like being institutionalised and I'm treated like a kid – "now we're getting up, now you do this, now you do that". It's an entire reversal of what I believe was my right: to live in the community as an equal. I'm appealing at the moment and I'm just waiting for an assessment. I hope I will get more support.

What would my ideal social care look like? It would be 24/7 with the support workers living upstairs and my individual budget giving me enough money so they can live in the flat comfortably: I have my privacy, they have theirs.

Serious money needs to be put into social care to enable disabled people to aspire to something. Society needs to evolve and there needs to be a lot more in the media about disability issues.

I've got a bucket list of things that I want to do but I'm prevented from doing them because we've reverted to a medical model of disability and not a social model. To me, the social model means that I would have someone 24/7 to enable me to do what I want to do, when I want to do it.

**With thanks to Angela and Scope for their help in providing this perspective**

> It's an entire reversal of what I believe was my right: to live in the community as an equal

# Alex's story

## Alex was a full time carer for his mother who is living with dementia

I moved into my mother's home before her diagnosis as she was very unwell. Following her diagnosis we were awarded assistance in the form of a carer visit once a day. But because of my mother's condition this only made things worse as she didn't understand who the carers were. She was scared.

I spoke to my council about financial support and was told I would be eligible for carer's allowance. But I was also told this would be deducted from my mother's disability allowance so I declined it.

Looking for a care home for my mother was very difficult emotionally. I wanted her to be in a safe environment that was close to where she lived so that she was familiar with the area. My mother only stayed in the first home for six months because I was told they could no longer care for her. I don't think the staff had the appropriate dementia training to know how to look after her; on one occasion when I visited her I found her laying on the corridor floor crying with carers just walking around, ignoring her.

Looking for a care home for my mother was very difficult emotionally

My mother then spent two years in hospital to ensure she received the right level of care and medication. Staff and the quality of care was very good. Sadly however, there was an incident after the first year when staff got the medication wrong and my mother went into a coma. When she woke up her care needs had increased greatly and finding her a new care home was a near insurmountable task that took the best part of nearly a year.

I visited over fifteen homes and none would accept my mother. I believe this is because the care and nursing homes wanted to pick residents with smaller care needs but who would pay the same price.

Just as I felt like giving up I was contacted by a home that offered my mother a place. Initially, staff were provided through an agency with carers ranging from good to, at times, nasty. Now the home operates in-house staff but I still don't fully trust the care provided because of a long list of incidents which concern me.

Despite these concerns, my experience of the difficulties I encountered finding this home means that I feel that my mother and I are stuck with it. I'd like to report my concerns about the level of care to an organisation but I'm worried that if I do this, or lodge a formal complaint, it will have a detrimental effect on my mother's care.

**With thanks to Alex and the Alzheimer's Society for their help in providing this perspective**

# Geoff's story

## Geoff is a carer to his wife Jean, who is living with multiple sclerosis

When my wife, Jean, was diagnosed with MS around 18 years ago, I was the headteacher at a local school in Lancashire. A combination of supportive and understanding colleagues, Lancashire County Council and an increasing and supportive social care package meant I was able to continue working until I retired.

Jean has been tetraplegic for several years and needs significant levels of care including support with feeding and drinking. She received social care support for many years and recently transferred to Continuing Health Care because her needs have increased.

The role of social care in our lives has been vital and transformative. Jean has managed direct payments to be able to organise care assistants to support her. And I have been able to look after my own health and wellbeing. We both volunteer in our local community with charities that support disabled people and carers. When the care assistants are not there, I provide all other care and support which is the majority of the day.

When I was elected Mayor of St Helens in 2012-2013, the social care that we received enabled me to fulfil this role and importantly, enabled Jean to play her full role as the Mayoress; to take a full part in a public role. She has published a book, "The Mayoress with MS" to show what a difference good support can do for someone who has significant disabilities – demonstrating a positive role model for diversity and inclusion in the local community.

When I was ill and needed support after an operation, we had extra care as I could not lift or move Jean. This was vital to my recovery and without it Jean would have had to go into a care home, which neither of us wanted.

It's hard to imagine my life and Jean's if we had not had this support. The care that is provided with the help of care assistants is physically demanding. I would certainly have had to give up work and greater care responsibilities would have impacted on my health and wellbeing as well as on our finances. We would not have been able to support the local community and our relationship would also have been different. The care that we receive gives Jean her own independence and control, which is vital so she doesn't feel she has to rely on me for everything.

Life obviously changed when Jean had the diagnosis and she became more disabled. Life continued to change. People don't choose to be a carer and you don't realise sometimes, even for many years. Without social care both of us would not have been able to lead such full lives. The support that we have had has given us positive and active lives. Whilst things are much more challenging living with MS, we work round things with the help of the care that we get. I can't even imagine what life would be like without the care that we have.

**With thanks to Geoff and Carers UK for their help in providing this perspective**

> The role of social care in our lives has been vital and transformative

# Josie's story

## Josie was a nurse until 2008 when she developed a number of impairments affecting her health and mobility

At the moment, I get three short visits a day from a care worker to cook my meals, help me shower, and keep the house clean. I get two hours every two weeks "social" time which at best on a good day gets me over to the park and back.

It's not long enough to join in any activities but I value this time hugely as it's uninterrupted time with actual real conversation, not just "what do you need to eat?" or similar.

My basic needs are met – I'm clean and I'm fed. But I haven't got enough support to actually get me out of the house. It means that some days I barely get to speak to anyone, let alone have a social life.

If I get an infection and have to ask my carer to pick up a prescription, I don't get to have a shower that day. There just isn't enough time.

A little more support – for example, a support worker to go with me to new places – would give me so much more opportunity to take part in life, but at the moment that feels like an impossible utopia!

People like me, who were professionals and could make a contribution with the right support, are being cut out of the workforce.

Working in an office or a hospital isn't really possible for me, but I still have skills and experience that I would like to use, if I had the means of doing so.

In the end, it is a question of equality. In a fair world, I would have the support I need to live my life, and the opportunity to fulfil my capabilities.

I'd be able to go out and have a social life. I'd have support to do some work, maybe based at home where I would be able to control my surroundings. Instead I don't feel like I'm living, just existing.

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In a fair world, I would have the support I need to live my life, and the opportunity to fulfil my capabilities

# The 2017 Spring Budget: what is the £2 billion really for?

The above stories are a powerful reminder of why adult social care matters, what the service achieves at its best, and what the consequences are of continued underfunding. The LGA, along with national partners across the care and support sector, put these arguments forward loudly and frequently in the run up to the 2017 Spring Budget and the Government responded with an additional £2 billion. But as alluded to earlier, recent developments have meant this cannot be seen as a straightforward £2 billion investment going directly to adult social care. To understand why it is worth reflecting on the following chronology:

**8 MARCH 2017**

**Spring Budget**
The Chancellor confirmed, "additional grant funding of £2 billion to social care in England over the next three years, with £1 billion available in 2017-18"[11].

**31 MARCH 2017**

**Integration and Better Care Fund (BCF) Policy Framework 2017-19**
Jointly published by the Department of Health (DoH) and the Department of Communities and Local Government (DCLG) this document provides the policy basis for the BCF. It also set out draft conditions of use, stating that the money, "may be used only for the purposes of meeting adult social care needs; reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready; and ensuring that the local social care provider market is supported."[12]

**24 APRIL 2017**

**iBCF grant determination**
The Department of Communities and Local Government published this determination, which confirmed the grant conditions as above.

**4 JULY 2017**

**4 July – Integration and Better Care Fund Planning Requirements 2017-19**
This joint DoH, DCLG and NHS England publication provides detailed operational information to support implementation of the policy framework.

However, and of real concern, the publication announced:

- An expectation on each council to reduce social care attributable delayed transfers of care (DTOC) in 2017/18
- The possibility of a review of an area's 2018/19 iBCF allocation for areas that are performing poorly against the target.

The LGA was, and is, clear that the changes set out in the July Planning Requirements – which arrived late in the process – are unacceptable for a number of reasons, including those set out below. Consequently, the LGA withdrew its support for the Planning Requirements.

11 2017 Spring Budget speech, Rt Hon Philip Hammond MP, March 2017
www.gov.uk/government/speeches/spring-budget-2017-philip-hammonds-speech

12 '2017 -19 Integration and Better Care Fund Policy Framework, HM Government, March 2017
www.gov.uk/government/uploads/system/uploads/attachment_data/file/607754/Integration_and_BCF_policy_framework_2017-19.pdf

**Uneven grant conditions:** The changes give disproportionate dominance to 'reducing pressures on the NHS' and within that an extremely narrow focus on DTOC. This was not a feature of the overarching Policy Framework. Furthermore, the Planning Requirements largely ignores the fact that the other two grant conditions ('meeting adult social care needs' and 'ensuring that the local social care provider market is supported') also directly benefit, and reduce pressure on, the NHS by helping to avoid people being admitted to hospital in the first place.

**Target sharing:** The NHS England Mandate for 2017/18 sets a target for reducing DTOC nationally to 3.5 per cent of occupied bed days by September 2017. This equates to the NHS and local government working together so that, at a national level, DTOC are no more than 9.4 in every 100,000 adults (ie equivalent to a DTOC rate of 3.5 per cent). This joint achievement would release around 2,500 hospital beds.

This is a joint target, meaning councils are responsible for 50 per cent of the target reduction despite only being directly responsible for 37 per cent of DTOC. Delays attributable to the NHS stand at 56 per cent. The DTOC reduction target also takes no account of the overall volume of NHS discharges to adult social care.

**Target setting:** The target reduction will be very challenging in many areas. To put it in context, in July 2017 the top four reasons for social care delays totalled 1,951 DTOC bed days. Since February 2017, social care DTOC bed days have reduced by 229. The target reduction set by the Department of Health was approximately 1,250 bed days, leaving a further reduction of 1,000 social care bed days by September. This is equivalent to halving the delayed days due to the four key reasons for social care delays.

**Unrealistic expectations:** Local areas will clearly use available funding differently in line with local priorities. But for illustrative purposes, the bulk of the much-heralded injection of £1 billion (of the total £2 billion) in 2017/18 could easily be swallowed up by demography, inflation and National Living Wage pressures totalling £840 million. This pressure is separate to the annually recurring pressure of £1.3 billion to stabilise the provider market. For many areas, this year's funding only really helps them to stand still at 2016/17 levels. In short, the £1 billion could legitimately be spent several times over on different priorities.

## Additional funding in 2017/18: what difference does it really make?

To illustrate this point, consider the adult social care funding position in Nottinghamshire County Council in 2017/18.

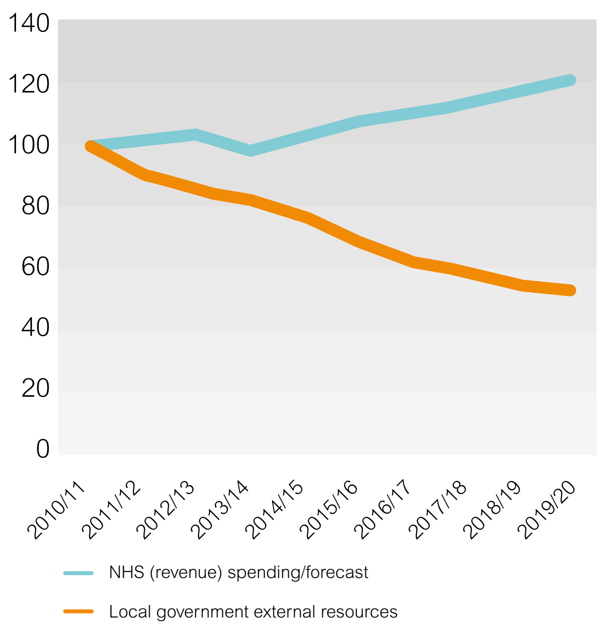
| | £000 |
|---|---|
| 1) Adult social care (ASC) net expenditure 2016/17 | 230,929 |
| 2) ASC net expenditure 2017/18 | 233,063 |
| 3) Of which precept (@ 3 pc) | 9,463 |
| 4) Of which iBCF allocation | 15,527 |
| 5) ASC net expenditure without iBCF allocation | 217,536 |
| 6) Increase in ASC net expenditure | 2,134 |
| 7) Pressures reabsorbed/reductions reversed from iBCF | 13,393 |

Councils are responsible for 50 per cent of the target reduction despite only being directly responsible for 37 per cent of delayed transfers of care. Delays attributable to the NHS stand at 56 per cent.

This table demonstrates that the council's iBCF allocation of £15.5 million must not be seen simply as new money. Rather it counteracts what would otherwise have been a £13.4 million fall in the social care budget. The net increase is therefore just over £2.1 million. Expressing this difference in more practical terms is stark: £15.5 million would buy more than 900,000 hours of home care at £17.19 per hour as recommended by the UK Homecare Association. By comparison, £2.1 million would buy just under 125,000 hours. Of course, Nottinghamshire will be using its allocation in a range of ways, but this example clearly shows the inaccuracy and unhelpfulness of thinking about additional funding in isolation from local areas' wider context.

**A lack of context:** A 50/50 split of responsibility for the DTOC reduction target between councils and the NHS does not reflect the financial position of both sectors. While local government will have managed reductions to its core funding from central government totalling £16 billion between 2010 and 2020, we estimate that NHS spending will have increased by just under £20 billion over the same period, from £95.2 billion in 2010/11 to £114.8 billion in 2019/20.

**Figure 6: Percentage changes in NHS spending and core national government funding to local government, 2010/11 – 2019/20**




**The bulk of the much-heralded injection of £1 billion (of the total £2 billion) in 2017/18 could easily be swallowed up by demography, inflation and National Living Wage pressures totalling £840 million.**

Furthermore, while funding for health has continued to increase, providers within the health service continue to report significant deficits. Latest performance information from NHS Improvement[13] shows that, "The provider sector reported a year-to-date deficit of £736 million for the first quarter of 2017/18, which was £30 million worse than planned." NHS Improvement reports that most trusts attribute underperformance, "largely to slippage in the delivery of planned efficiency savings, income shortfalls due to lower than planned activity, and continued reliance on bank and agency staff."[14]

Trying to compare approaches to budget management between health and social care is difficult given the operational differences between each side. For example, trusts can set deficit budgets whereas local authorities are required by law to set a balanced budget. But this does demonstrate that councils have had to make tough decisions, innovate, and drive efficiencies far beyond the experience of most people in the health service. We are keen for that learning to be shared.

13 'Performance of the NHS provider sector month ended 30 June 2017', NHS Improvement https://improvement.nhs.uk/uploads/documents/Quarter_1_201718_performance_report.pdf

14 Ibid.

# The DTOC debate

## A developing blame game

The sudden and late imposition of targets being attached to the £2 billion is a setback in itself. But they also point to a wider malaise of growing central and national direction over health and care funding for local areas coupled with finger pointing at councils. This only serves to undermine local partnerships and local integration.

DTOC have gained greater profile in recent years as a series of difficult winters have compounded rising demand pressures on the NHS and impacted negatively on its performance. In turn, there is now a growing emphasis on local government's role – and the use of its funding – in helping to mitigate NHS pressures.

> "Regulators have warned that urgent action is needed to ensure enough hospital beds are available over winter, saying that the Government's extra investment in social care failed to reduce the number of delayed discharges"
>
> Health Services Journal, September 2017

> "Reduce bed-blocking or face cuts, councils told"
>
> The Times, August 2017

> "We know that there is a great deal of work to be done over the next six to eight weeks with our partners in local authorities to put the NHS on the right footing for the winter ahead"
>
> Simon Stevens, quoted in The Independent, September 2017

> "The Government will take stock of [council] progress in November and consider reviewing 2018/19 allocations of the social care funding provided in the Spring Budget 2017 for any areas that remain poorly performing"
>
> NHS England and NHS Improvement letter to local A&E Delivery Board Chairs, July 2017

These headlines portray that the prevailing NHS view is that DTOC performance is down to councils, they have the money to turn things around, and a failure to improve will result in punitive measures. And it is a message that will be partly driven by the perceptions of NHS trusts. 'Winter Warning: managing risk in health and care this winter'[15], a recent report by NHS Providers, showed that:

- "Only 34 per cent of trusts report that their local authorities are giving high priority to supporting the NHS reduce DTOC as opposed to meeting other/wider adult social care needs or stabilising their social care market."
- "While 28 per cent of all trusts have received a specific commitment that the extra social care money [the £1 billion in 2017/18] will be used to reduce delayed NHS transfers of care, 59 per cent of trusts have not been able to secure such a commitment."
- "Only 18 per cent of NHS trusts are confident that the commitments they have received will help them meet the NHS England Mandate requirement to reduce DTOC levels to 3.5 per cent."

## The DTOC debate: reality check

The LGA is of the clear view that messages and perceptions such as those outlined above are inaccurate, unfair and ultimately unhelpful in addressing system-wide pressures.

As a matter of principle, councils are, and always have been, committed to reducing DTOC and continue to work closely with local health and care provider partners to get people out of hospital and back into the community. Any suggestion, implied or otherwise, that councils do not take this responsibility seriously is deeply unhelpful and damaging to local relationships.

Those relationships matter. Outstanding practice (which typically means best performance) is found in areas that have truly joined up systems and model a 'no blame' culture from the top down. For these areas there is no distinction between health attributable delays and social care attributable delays, rather the focus is aimed squarely on quality, person-centred care. This reinforces the idea that central target setting that focuses on one part of the system, and defies best practice on the ground, creates further division in local systems; this is counterproductive, particularly for areas that are struggling.

Councils' principled commitment to reducing DTOC is backed up by early analysis of councils' initial plans for the iBCF, which shows that a significant number of planned schemes will focus on hospital discharge and reducing the length of delayed transfers. Planned activity also includes work on prevention (to keep people out of hospital), and reablement (to ensure people do not return to hospital).

## Councils are reducing DTOCs

✓ The ADASS budget survey demonstrates that nearly a third (32.3 per cent) of the iBCF funding in 2017/18 is being directed towards the grant purpose of "reducing pressure on the NHS, including supporting more people to be discharged from hospital when they are ready".[16]

✓ Delays attributable to social care reduced by 9 per cent between February and July 2017.

15 'Winter Warning: managing risk in health and care this winter', NHS Providers, June 2017 http://nhsproviders.org/media/3215/winter-warning.pdf

16 See 1

So how is this improvement being achieved? The following examples set out in a little more detail how the iBCF is being used in a number of areas. Every single case study area has faced a significant reduction in its spending power[17] since the start of the decade, and the proportion of that spending power spent on adult social care has increased in every area. Every area included below has also used the full social care precept flexibility; 2 per cent in 2016/17 and 3 per cent in 2017/18.

The case studies are a positive demonstration of councils' commitment to working with health partners to reduce delayed transfers and a clear rebuttal to the erroneous messaging and perceptions highlighted above. They show that councils are doing the right things in the face of competing pressures and priorities.

Although councils are responsible for less than half of the delays, they have been tasked with delivering 50 per cent of the target reduction, despite their lower resource base and the substantial budget reductions of recent years.

Nearly a third (32.3 per cent) of the iBCF funding in 2017/18 is being directed towards the grant purpose of "reducing pressure on the NHS, including supporting more people to be discharged from hospital when they are ready".

17 'Spending power' is a Government measure of the amount of funding a council has from core government funding, retained business rates and council tax.

# Luton Borough Council

## Setting the scene…

Between 2010 and 2017, Luton has faced a 25.32 per cent reduction in its spending power. Social care as a percentage of spending power has increased from 27.67 per cent in 2010/11 to 42.87 per cent in 2017/18.

In July 2017, Luton had one of the lowest rates of delays overall (146th out of 151), and for delays due to the NHS (143rd) and social care (149th). On all counts, Luton's rate of delays is lower than the overall rate for England.

Overall, in July 2017 Luton's rate of delays was 3.6 DTOC beds per 100,000, including 2.3 (63 per cent) due to the NHS, 1.3 (37 per cent) due to both the NHS and social care combined, and no delayed days due to social care alone. This is equivalent to 5.8 (3.6 NHS, 0.0 Social Care, 2.1 both) delayed beds per day.

In February 2017, Luton reported 5.8 DTOC beds. Overall there has been no change in DTOC bed days, however there has been some fluctuation when looking at the delays by the organisation responsible. DTOC beds reduced for NHS (1.4 days) and for social care (0.8 days), but increased for those jointly attributable (increase of 2.1 days).

This health and wellbeing board (HWB) area has some of the lowest DTOC rates in the country, for both social care and NHS. The council has invested the iBCF funding in transformational projects across health and social care to ensure there are appropriate services that help maintain independence, prevent hospital admissions and facilitate hospital discharge.

Working closely with partners in the Clinical Commissioning Group (CCG) and the Housing and Customer Services departments, it is remodelling existing services with a focus on prevention and wellbeing to address its local challenge – that, although discharge figures remain good, hospital admissions continue to rise. Funding is being channelled into enhancing the care home model to develop digital options to help avoid hospital admissions from this client group.

One scheme involves further developing an initial assessment hub at the hospital. Another the broadening of the Hospital at Home service via a provider alliance to help reduce hospital admissions. Partners intend to integrate early supported discharge with the intermediate care and rehabilitation service, streamlining therapy services to deliver a cohesive discharge support service.

The council is also developing early support services to work restoratively and co-productively at the access points to adult social care in order to avoid dependency. This includes developing further local area networks, additional investment in a range of equipment and technology related initiatives, along with a number of self-care and self-management programmes that support individual independence in the community. Supporting this is greater system integration through digital services, communications and business intelligence to enable a cohesive approach across partner agencies to deliver better outcomes at an earlier stage.

Partners intend to integrate early supported discharge with the intermediate care and rehabilitation service, streamlining therapy services to deliver a cohesive discharge support service.

# Wigan Council

## Setting the scene…

Between 2010 and 2017, Wigan has faced a 29.4 per cent reduction in its spending power. Social care as a percentage of spending power has increased from 27.06 per cent in 2010/11 to 35.89 per cent in 2017/18.

In July 2017, based on overall rates of DTOCs Wigan was amongst the third of councils with the lowest rate (124th), and amongst the 20 with the lowest rates of NHS delays (131st). Based on delays attributable to social care, relative to other local authorities it has the 95th highest rate. On all counts, Wigan's rate of delays is lower than the overall rate for England.

Overall, in July 2017 Wigan's rate of delays was 6.2 DTOC beds per 100,000, including 3.2 (52 per cent) due to the NHS and 2.5 (41 per cent) due to social care. This is equivalent to 15.8 (8.2 NHS, 6.5 social care, 1.2 both) delayed beds per day.

In February 2017 Wigan reported 19.9 DTOC beds. This shows a reduction of around four beds per day which, based on a notional cost of £306 per delayed bed day, amounts to just over £1,200 savings per day. This included a reduction in social care DTOC beds (six per day) alongside an increase in NHS DTOC beds (two per day).

In the top quartile for DTOC performance, this council has used the iBCF funding to sustain some one-off investments and accelerate transformation, which will result in improved outcomes for citizens and avoiding future care costs by delaying the need for some citizens to require formal care services. The investment is accelerating Wigan's whole place approach to asset based working based on 'The Wigan Deal'.

Funding has been used to support the local residential and nursing sector, including large-scale workforce reform and development, and targeting providers' capacity, innovation and quality improvement to reduce A&E visits, improve discharge and support provider sustainability.

The iBCF is also being used to improve the quality and sustainability of community based support, including ethical home care and supported living. In addition, the council is investing in the use of technology to improve the customer experience and system resilience. Another project is enhancing the property adaptations service to support timely discharge, and a new initiative to build mental health capacity to enable people to be supported in the community.

This council has used the iBCF funding to sustain some one-off investments and accelerate transformation, which will result in improved outcomes for citizens and avoiding future care costs by delaying the need for some citizens to require formal care services.

# Nottinghamshire County Council

## Setting the scene…

Between 2010 and 2017, Nottinghamshire has faced a 20.51 per cent reduction in its spending power. Social care as a percentage of spending power has increased from 40.95 per cent in 2010/11 to 47.27 per cent in 2017/18.

In July 2017, based on overall rates of DTOCs Nottinghamshire was amongst the third of councils with the lowest rate (101st), and amongst the twenty with the lowest rates of social care delays (132nd). It is however amongst the third of council areas with the highest rates of NHS delays (46th).

Overall, in July 2017 Nottinghamshire's rate of delays was 8.6 DTOC beds per 100,000, including 7.7 (90 per cent) due to the NHS and 0.6 (7 per cent) due to social care. This is equivalent to 55.5 (50.1 NHS, 4.1 social care, 1.3 both) delayed beds per day.

In February 2017 Nottinghamshire reported 59 DTOC beds. This shows a reduction of just less than four delayed beds per day which, based on a notional cost of £306 per delayed bed day, amounts to just over £1,000 savings per day.

This large county, which has good performance, is using the iBCF funding to support transformation of adult social care services. This seeks to manage demand and cost by promoting independence and wellbeing, ensuring value for money, and promoting choice and control. It is intended to protect support for people with the highest long term needs and lowest incomes, while encouraging other people to be more independent through offering alternatives to social care support or short term support to enable a return to independence.

The county has already invested in the social care provider sector at a time of significant national funding reductions, but this is not enough to ensure adequacy and supply in the local social care market, especially in relation to the growing requirement of speed of access and level of complexity of needs that requires addressing to support hospital avoidance and swift discharge.

As a result, some of the funding is being used to increase fees to cover national living wage and inflation increases. Some of it is supporting increased social care reablement to support hospital avoidance/discharge and enable independent living. This includes a faster response to meet more complex needs required to implement Home First, Discharge to Assess and seven day working. Additional social care assessor posts in the hospital integrated discharge services will boost capacity and support good DTOC performance.

The council is also using some of the funding to retain some preventative services such as community based 'Connect' services, commissioned from community and voluntary sector organisations, offering short term support to older people and to prevent or delay deterioration or escalation of need. In addition, the council is investing in care and support services for adults with multiple and complex needs arising from learning disabilities, autism spectrum disorders and/or mental health need, to meet the rising demand in younger adults' services.

The council is also using some of the funding to retain some preventative services which were reduced in previous years because of savings requirements.

## Staffordshire County Council

### Setting the scene…

Between 2010 and 2017, Staffordshire County Council has faced an 18.4 per cent reduction in its spending power. Social care as a percentage of spending power has increased from 39.82 per cent in 2010/11 to 46.88 per cent in 2017/18.

In July 2017, Staffordshire had the 28th highest rate of delays overall, and the 19th highest due to social care alone. 51 per cent of delayed days in Staffordshire in July 2017 were attributable to social care, 46 per cent to the NHS and the remaining 3 per cent to both NHS and social care combined.

Compared to the rate of delays for England as a whole, for July 2017 Staffordshire's rate of NHS delays is the same as the all England figure of 7.5 DTOC beds per 100,000 aged 18 and over. The rate of delays due to social care is higher than the all England rate at 8.4 DTOC beds per 100,000 aged 18 and over, and overall 16.3 DTOC beds per 100,000 adults. This is equivalent to 114 (52.6 NHS, 58.3 social care, and 3.1 combined) delayed beds per day. In February 2017, Staffordshire reported 136 (60.3 NHS, 70.4 Social care and 5.4 both) delayed beds per day, showing a balanced picture of reduction across all attributable organisations, and similarly all reasons for delay.

Staffordshire County Council and NHS partners are significantly reducing high rates of unplanned hospital admissions and delayed transfers of care through a scheme called Integrated Prevention and Discharge to Assess.

It is designed for people who do not need to be admitted to hospital when they present at A&E therefore avoiding admission in the first place, or are medically fit to leave hospital and who can benefit from reablement and/or are unable unable to look after themselves.

Instead of waiting on hospital wards to be assessed by a number of health or social care professionals, people either go home or to a bed based service; here they receive up to six weeks of intensive support to aid their recovery and regain full independence wherever possible. Any long term care needs are also assessed at this stage and put in place for when they are discharged at the end of the six week period.

The scheme is in operation in the North of Staffordshire at the Royal Stoke Hospital and has reduced social care delayed transfers of care for North Staffordshire residents to almost zero. The scheme has been identified as a national model of best practice with requests made by council and NHS organisations in other areas to visit Royal Stoke and see it in action.

The Staffordshire BCF plans to continue this work and invest in additional capacity to roll the scheme out to other hospitals in the county. This would enable more people to avoid a hospital admission and to return home quickly after hospital discharge, offer them a better experience and easing pressure on the county's hospitals.

Cllr Philip Atkins OBE, Leader of Staffordshire County Council says:

"Everyone recognises the importance of ensuring that people leave hospital as soon as it is safe for them to do so. In the North of Staffordshire, through good practice, we have managed to reduce social care delays for people leaving hospital to practically zero.

"Staffordshire County Council wants to replicate this across the whole county, but this takes time, so we have submitted a BCF plan agreed with Staffordshire CCGs to achieve the targets by August 2018. This approach is both achievable and sustainable.

"The sudden introduction of targets in July this year, which are impossible to meet, and consequent withholding of social care funding would mean we are unable to provide care for very vulnerable people and will make hospital discharge delays much worse.

"If the funding is not honoured, the services it funds will have to be reduced. This will leave the most vulnerable people without care and will drastically increase pressure on the NHS leading to more hospital admissions and slower discharges, just as winter is approaching.

"More broadly this is damaging the relationships we need to develop a sustainable future for health and care services in Staffordshire."

The sudden introduction of targets in July this year, which are impossible to meet, and consequent withholding of social care funding would mean we are unable to provide care for very vulnerable people and will make hospital discharge delays much worse.

# Sheffield City Council

## Setting the scene…

Between 2010 and 2017, Sheffield has faced a 33.06 per cent reduction in its spending power. Social care as a percentage of spending power has increased from 25.58 per cent in 2010/11 to 39.52 per cent in 2017/18.

In July 2017, Sheffield was amongst the 20 authorities with the highest rate of DTOCs overall (16th) and for NHS delays (19th). Relative to other local authorities they had the 33rd highest rate of DTOCs attributable to social care. Overall, in July 2017 Sheffield's rate of delays was 19.7 DTOC beds per 100,000, including 11.7 (59 per cent) due to the NHS and 6.5 (33 per cent) due to social care. This is equivalent to 90.3 (53.6 NHS, 29.9 Social Care, 6.8 both) delayed beds per day. In February 2017 Sheffield reported 170.9 DTOC beds.

This shows a reduction of around 81 beds per day (41 due to NHS, six due to social care, and 34 due to both) which, based on a notional cost of £306 per delayed bed day, amounts to almost £25,000 savings per day.

Sheffield City Council, like other councils across the country, finds itself under a lot of scrutiny both regionally and nationally because of its DTOC performance. The council's response has been multifaceted, addressing both soft and hard issues within the system. As a starting point, work is being done to improve relationships across health and social care. This is seen as the essential foundation for improvement and there are encouraging signs it is already having an impact.

The council's share of the additional £1 billion for social care in 2017/18 is partly being used to establish an 'innovation fund' to directly support the rapid development of different schemes to reduce both delayed transfers from hospital, and the use of care homes following hospital discharge.

The funding is also being used to optimise the council's reablement service, the short and intensive support to help build people's confidence and skills in living independently at home, particularly following time spent in hospital. By investing some of the money in this way, Sheffield is improving its capacity to respond to patient flow and help people avoid admission to hospital in the first place, or readmission.

More generally, Sheffield is taking steps to manage its processes and resources more effectively, invest in its workforce and stabilise the provider market. Such focus helps the council tackle the general increase in demand for services it faces due to demographic change locally. Sheffield is making good progress on this front, having redesigned its 'front door' to improve its offer to citizens and its effectiveness. This includes better information and advice and earlier decision making by management, which helps to build a more streamlined flow of requests for services. In turn, this helps provide a more accurate picture of demand and a more resilient set of structures to respond to that demand. Investment in the social care workforce – social work and community support – and the systems they use is central to this.

Stabilising the home care provider market is another priority. Prior to the iBCF funding, Sheffield had increased its home care fees by 8 per cent and set up a new commissioning framework. These were positive developments but there was more to do to support improvements in quality, capacity and relationships.

The council has therefore earmarked part of the iBCF investment to further increase fees for home care providers, but on the proviso that this will directly improve terms and conditions for staff in the hope that staff retention can be stabilised during peak winter periods.

As the council says, "Additional investment in adult social care is used to enable a sustainable shift in the council's approach that improve outcomes for local people". It is clear from the range of activity planned and underway, that these improvements span both health and care, relieving pressures on both sides of the system.

Sheffield is improving its capacity to respond to patient flow and help people avoid admission to hospital in the first place, or readmission.

# Hertfordshire County Council

## Setting the scene…

Between 2010 and 2017, Hertfordshire has faced a 16.76 per cent reduction in its spending power. Social care as a percentage of spending power has increased from 36.69 per cent in 2010/11 to 47.57 per cent in 2017/18.

In July 2017, Hertfordshire had the 31st highest rate of DTOCs overall, 23rd highest for NHS delays, and 53rd highest due to social care. Overall, in July 2017 Hertfordshire's rate of delays was 16.0 DTOC beds per 100,000, including 11.0 (69 per cent) due to the NHS and 4.8 (30 per cent) due to social care. This is equivalent to 145.8 (100.0 NHS, 44.0 social care, 1.9 both) delayed beds per day.

In February 2017 Hertfordshire reported 202 DTOC beds. This shows a reduction of around 56 beds per day (36 due to NHS and 20 due to social care) which, based on a notional cost of £306 per delayed bed day, amounts to just over £17,000 savings per day.

Hertfordshire County Council was allocated just over £13 million in 2017/18 from the iBCF, dropping to just over £11.6 million in 2018/19 and £5.8 million in 2019/20.

In the first year, the council has prioritised funding home care packages, in part to offset reductions in CCG funding to adult social care. However, over a third of the iBCF money is being spent on new schemes to reduce pressure on the NHS. Short-term care and reablement in people's homes, or using 'step-down' beds or 'reablement flats' to bridge the gap between hospital and home, ensures that people do not remain in hospital unnecessarily waiting for assessments.

The council has also invested in the workforce, using some of the funding to increase hourly wage rates for homecare workers, with the intention of bolstering recruitment and retention in this low paid sector of the market. This is in part because it is difficult to attract new workers into homecare because other parts of economy can offer more favourable terms and conditions. Additional funding has also been earmarked for training schemes to upskill care workers so they are better equipped to deal with the more complex cases they face, so enabling them to better handle crises in people's homes without having to call an ambulance, avoiding inappropriate admissions.

The remaining funding for this year is being used to create capacity in social work and occupational therapy and to develop the offer from the voluntary sector into the NHS. The latter will create a county-wide Integrated Home Discharge and Community Navigator service, which facilitates discharge from hospital, links people to support in the community, helping to reduce the need for statutory services and prevent escalation to crisis point and the need for hospital admission.

Hertfordshire County Council acted quickly to begin spending the iBCF money. By mid-April the council had agreed a plan with local NHS Partners for iBCF monies and used its executive powers to begin spending it. Commissioning began in April with some schemes operational in May.

The county, which has often seen higher numbers of delayed discharges, has been set a reduction target of 63 per cent for social care delays. Assistant Director for Health Integration, Jamie Sutterby was recently interviewed in an article about new DTOC targets from NHS England. This is "extremely challenging", Jamie says. "Whether it's realistic, in such a short time frame, remains to be seen.

We know that prolonged stays in hospital are never in a patient's best interests; our priority is always to get people discharged as soon as they are well enough."

There are no obvious or short term solutions to rising delays. "Nationally, market fragility is underpinning the DTOC situation from a social care point of view," Jamie says. "If you don't have the ability to generate capacity, it's hard to think about how to move beyond the immediate situation. Simply, investment hasn't kept pace with the demand being placed upon care."

Director of Adult Care Services in Hertfordshire, Iain MacBeath, said "Keeping morale up in hospital teams who are seeing a 50 per cent plus rise in referrals over the past year, the highest number of complex discharges ever achieved in August 2017 but a stubborn number of delayed discharges is difficult. We all know that DTOCs are a symptom of wider system issues. I'll be ensuring that I'm working with our system partners to also monitor the wider causes and act on them. And we'll celebrate the positives – social care delays in Hertfordshire have reduced every month since the iBCF began."

If you don't have the ability to generate capacity, it's hard to think about how to move beyond the immediate situation. Simply, investment hasn't kept pace with the demand being placed upon care.

## Providing positive solutions

Local government's first priority is to release and spend money on vital services to support the many thousands of people who will depend on our health and care services over the coming winter months. The LGA is therefore urging Government and NHS England to change its approach by:

**Demonstrating greater recognition of:**

- the context adult social care is operating in and the challenges facing the system, including rising costs and the costs associated with supporting working age adults, not just older people
- councils' efforts to date and the improvements those efforts have yielded; the value and core purpose of adult social care in helping people to live independently and supporting their wellbeing.

**Being more pragmatic and approving BCF plans that:**

- cannot realistically achieve the Government DTOC target but nonetheless contain a credible and stretching target that is backed up with a credible strategy; or
- have a credible strategy for meeting the DTOC target, but not by the November deadline.

**Working:**

- collaboratively and building stronger links between the LGA and regional NHS England leads to better coordinate support and action on DTOC
- with all parts of the sector to identify and disseminate best practice.
- towards improvement in a way that supports local areas, rather than penalises them.

To avert a deepening of the crisis facing adult social care the Government must act to close the £2.3 billion funding gap facing the service by the end of the decade. This means adequate funding to address the immediate pressures outlined earlier in this report, particularly those facing the provider market. As part of this, the additional funding for adult social care announced in the Spring Budget should be put into councils' baselines so it can be counted on in future years – either through business rates retention or grant funding. Without action, the concerns of those individuals who have shared their experiences of care and support in this report will only increase.

For those individuals, their peers, and for the longer-term sustainability of the service, the Government must also bring forward its planned consultation on proposals for reform as a matter of urgency. Local government must be a key partner in the Government's development of these proposals and cross-party consensus must be sought in the national interest.

The content of this report reinforces the idea that the future of adult social care is inextricably linked to the fortunes of our NHS. Therefore it is essential that, in dealing with the pressures facing social care and health in the short and long-term, the Government develops a balanced approach that does not give one part of the system primacy over the other. This requires recognition of social care as a vital service in its own right for adults of all ages, not simply a causal factor in the performance of the NHS.

# Where do we go next?

Indeed, the context that adult social care is operating in that this report has set out could well be expanded to consider the wider NHS context. Here for instance, emergency admissions, A&E attendances, four to twelve hour A&E admission waits, district nursing capacity, and out of hospital investment are all moving in the wrong direction. This adds further weight to the idea that, by seeking to address pressures where they present, rather than tackling problems at source, efforts to improve health and care are focusing on the wrong part of the system.

The narrow focus on DTOC is a clear case in point and is creating a short-sighted emphasis on the consequences for the NHS of what social care does or does not do. This approach fails to recognise – at least with any real balance – that what the NHS does or does not do can have just as an important impact on adult social care. Pressures on, and reduced investment in, things like incontinence treatment, stroke rehabilitation, NHS Continuing Care, district nurses and other out of hospital investment all represent 'cost shunts' that increase pressure on adult social care. Furthermore, the pressure to free up hospital beds means that people are being discharged with more serious social care needs who then have more need for care services, which in turn places even greater pressure on adult social care.

As the LGA has consistently argued, considerably more focus should be given to stopping people having to present at hospital in the first place. Therefore, an effective response to tackling DTOC – as with any system-wide issue – must consider the whole system.

Without investment in primary, community and social care services the vicious circle will continue in which we seek to treat the symptoms rather than the causes of system pressures. As Richard Humphries from the King's Fund has argued:

"It is clear that places with higher delays for social care reasons are much more likely to also have higher delays for NHS reasons. This implies that there are issues within the local health and social care economy as a whole that drive the level of delays and so the focus ought to be on the performance of the system rather than individual organisations within it."[18]

Refocusing our response to the pressures facing our care and health system has implications for the future direction of integration more broadly. Local government remains committed to the integration of health and care in the interests of ensuring joined-up services that achieve the best outcomes for individuals requiring services. But without question, the Government's main vehicle for driving integration forward operationally – the BCF – has lost credibility. Far from giving practical manifestation to the ambition of integration, the BCF has only served to recast that ambition in increasingly narrow terms.

18 'Delayed discharges: it's not just about the money', King's Fund, February 2017 www.kingsfund.org.uk/blog/2017/01/delayed-discharge-not-just-about-money

We need a clear, consistent vision for our health and care systems which enables proper integration based on agreed local plans, accountable to HWBs and local leadership. In the long term the NHS itself will only succeed if it is locally accountable and can operate effectively as part of a whole system of health and care, taking account of the role of prevention and public health. We therefore need a new approach that moves beyond the BCF and allows local areas to agree long-term plans for integration, with funding for social care going directly to councils.

These proposals are significant and require bold action to see them through. But we are now at the point where tinkering at the edges of our care and health system will bring no benefit. In the interest of all individuals requiring services, their families, friends and carers, and the wider system that supports them, it is time for the Government to act.

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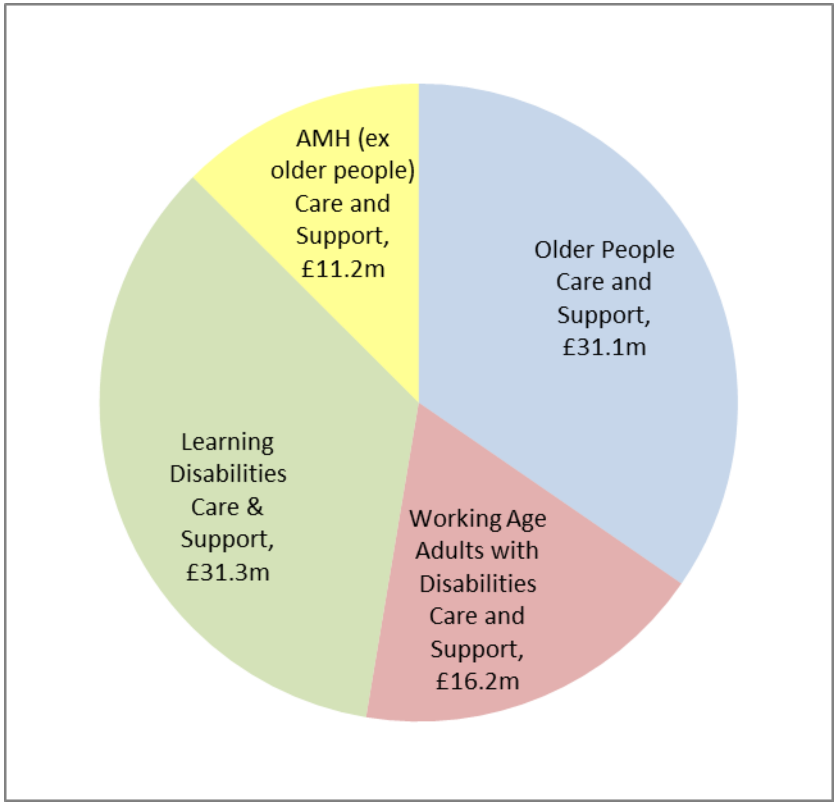
REF 1.69

# SUMMARY OF ADULT SOCIAL CARE BUDGET 2018/19

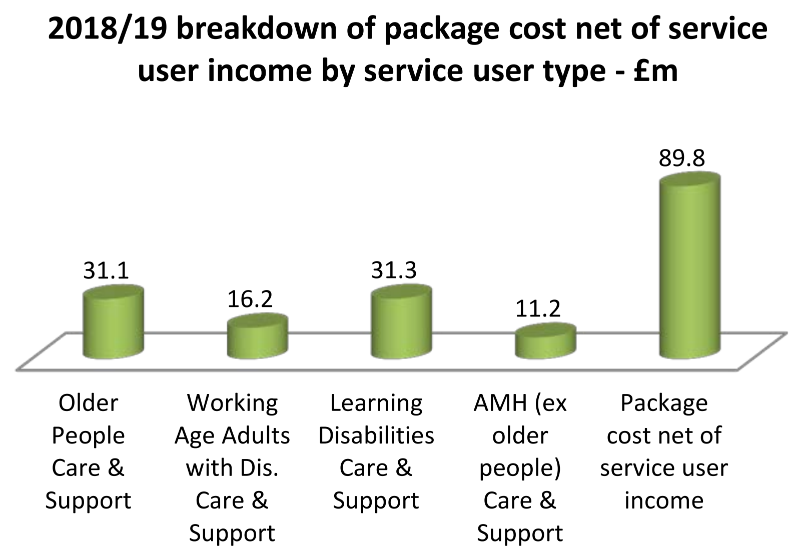
| | |
|---|---|
| **2018/19 ASC Budgets** | |
| | |
| | **£M** |
| Package cost net of service user income | 89.8 |
| Staffing | 27.3 |
| Substance Misuse, Vol Sector and Other | 8.6 |
| Better Care Fund Income | (20.9) |
| Adult Social Care budget | 104.8 |

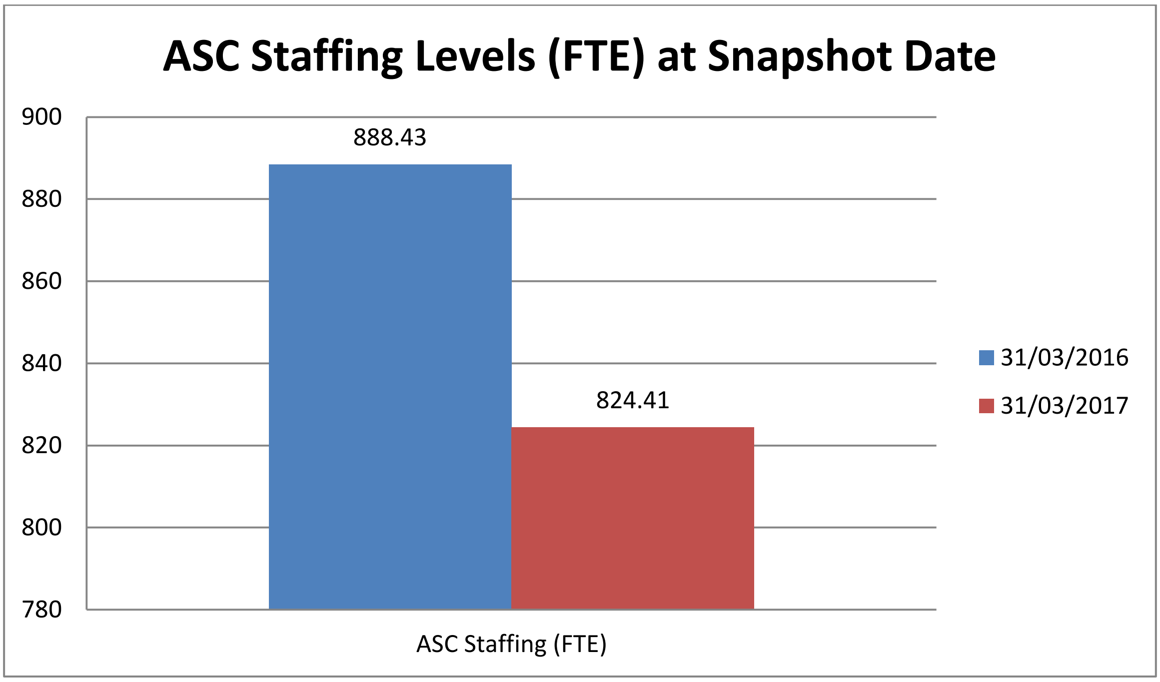


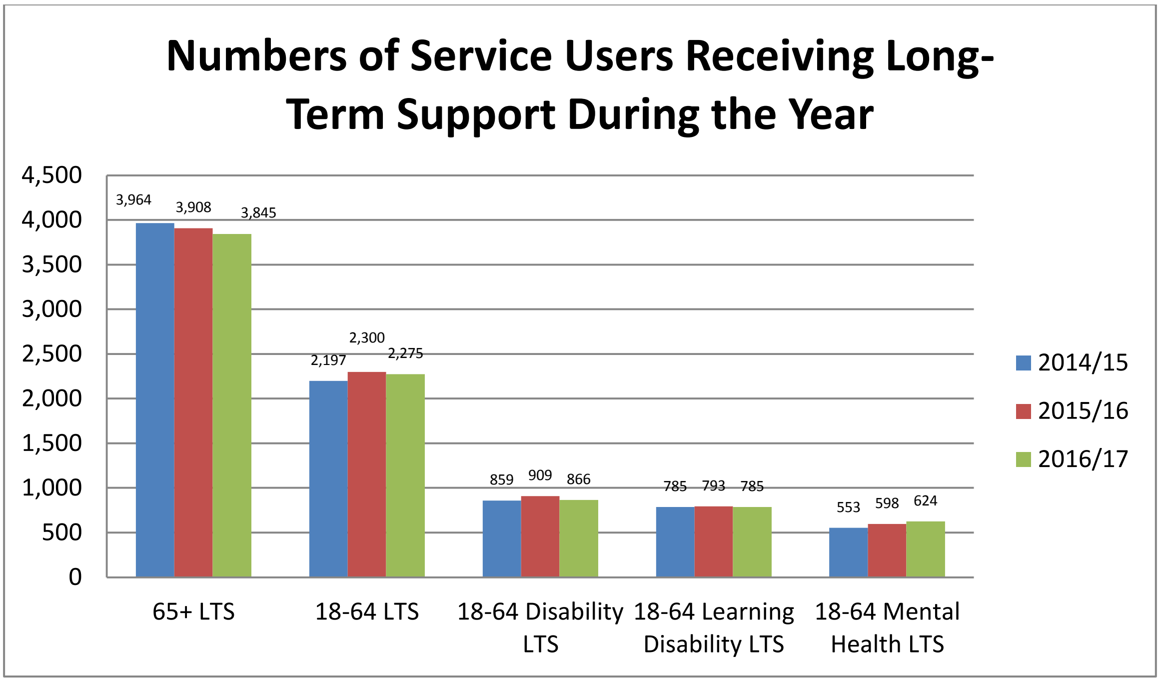
# 2016/17, 2017/18 & 2018/19 ASC Budgets

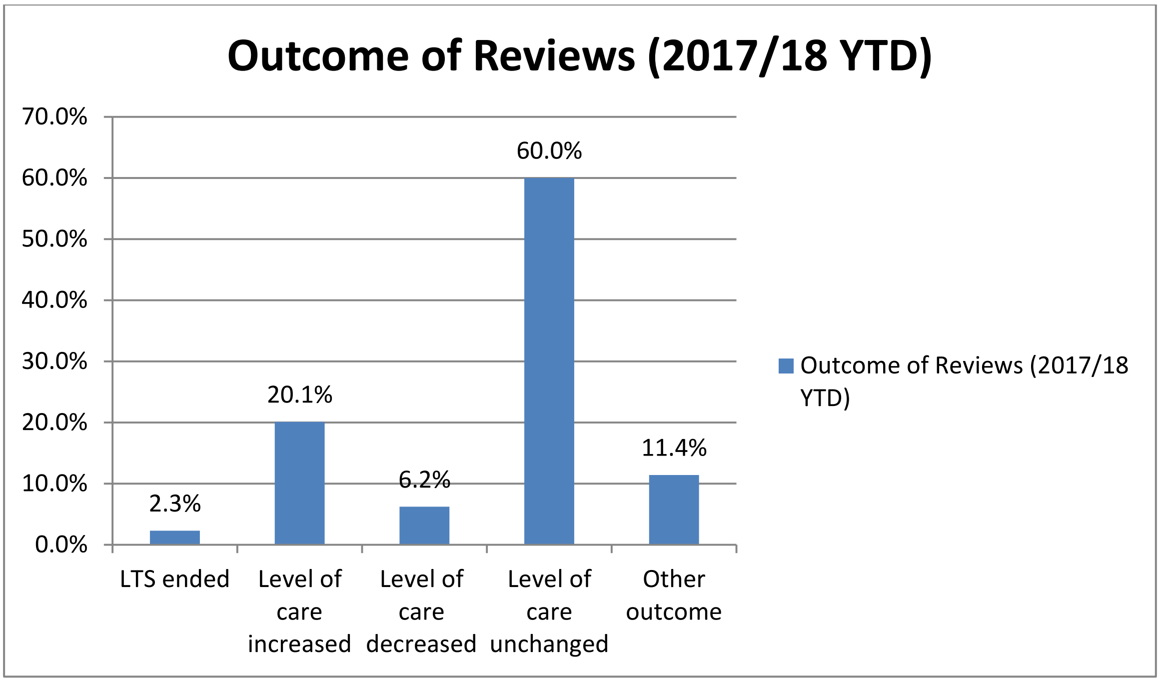
| | 16/17 | 17/18 | 18/19 |
|---|---|---|---|
| | **£m** | **£m** | **£m** |
| Package cost net of service user income | 76.2 | 81.5 | 89.8 |
| Staffing | 31.0 | 30.5 | 27.3 |
| Substance Misuse, Vol Sector and Other | 9.6 | 9.3 | 8.6 |
| Better Care Fund Income | (14.4) | (15.6) | (20.9) |
| **Adult Social Care budget** | **102.4** | **105.7** | **104.8** |
| | | | |
| **Package cost net of service user income breakdown** | | | |
| | **16/17** | **17/18** | **18/19** |
| | **£m** | **£m** | **£m** |
| Older People Care & Support | 26.1 | 28.2 | 31.1 |
| Working Age Adults with Dis. Care & Support | 13.5 | 14.7 | 16.2 |
| Learning Disabilities Care & Support | 26.8 | 28.4 | 31.3 |
| AMH (ex older people) Care & Support | 9.8 | 10.2 | 11.2 |
| **Package cost net of service user income** | **76.2** | **81.5** | **89.8** |

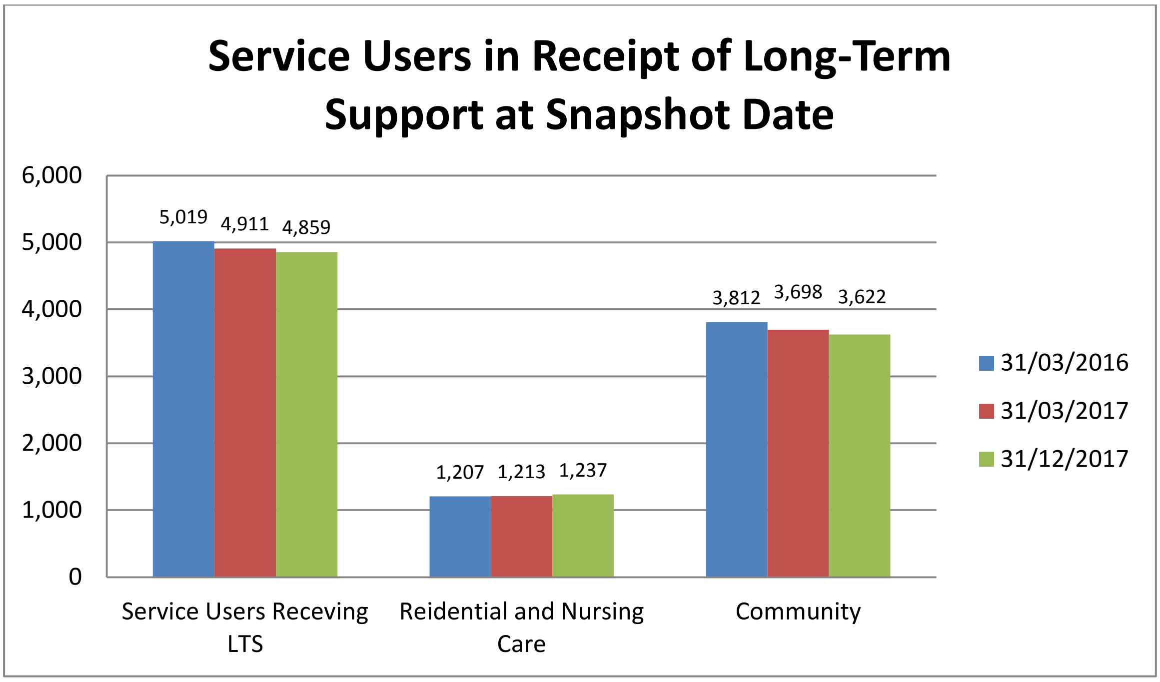


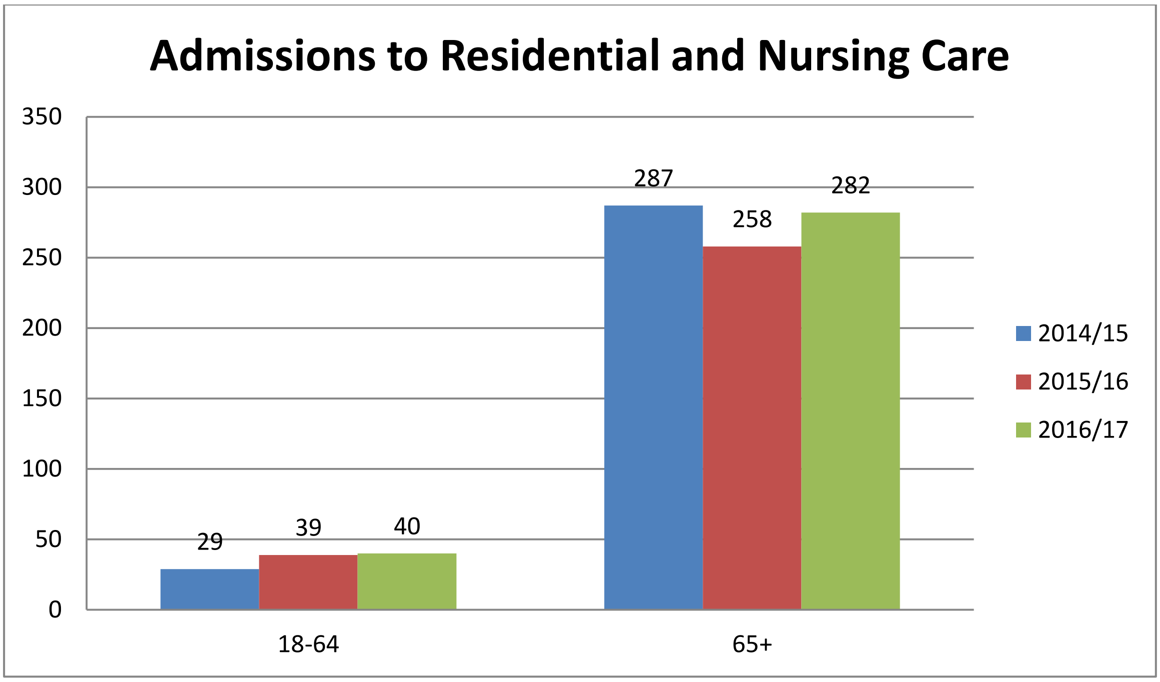


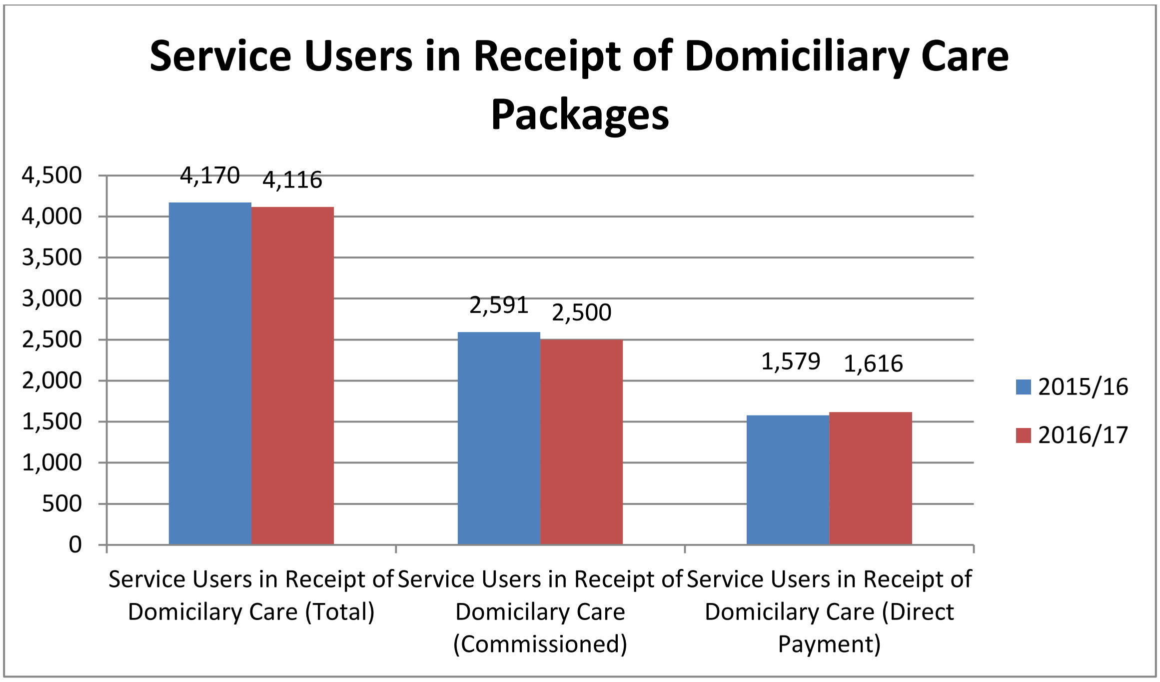

ASC Staffing Levels (FTE) at Snapshot Date
900
880
860
840
820
800
780
888.43
824.41
ASC Staffing (FTE)
31/03/2016
31/03/2017


Numbers of Service Users Receiving Long-Term Support During the Year
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
3,964
3,908
3,845
2,197
2,300
2,275
859
909
866
785
793
785
553
598
624
65+ LTS
18-64 LTS
18-64 Disability LTS
18-64 Learning Disability LTS
18-64 Mental Health LTS
2014/15
2015/16
2016/17


Outcome of Reviews (2017/18 YTD)
70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
2.3%
20.1%
6.2%
60.0%
11.4%
LTS ended
Level of care increased
Level of care decreased
Level of care unchanged
Other outcome
Outcome of Reviews (2017/18 YTD)


Service Users in Receipt of Long-Term Support at Snapshot Date
6,000
5,000
4,000
3,000
2,000
1,000
0
5,019
4,911
4,859
1,207
1,213
1,237
3,812
3,698
3,622
Service Users Receving LTS
Reidential and Nursing Care
Community
31/03/2016
31/03/2017
31/12/2017


Admissions to Residential and Nursing Care
350
300
250
200
150
100
50
0
29
39
40
287
258
282
18-64
65+
2014/15
2015/16
2016/17


Service Users in Receipt of Domiciliary Care Packages
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
4,170
4,116
2,591
2,500
1,579
1,616
Service Users in Receipt of Domicilary Care (Total)
Service Users in Receipt of Domicilary Care (Commissioned)
Service Users in Receipt of Domicilary Care (Direct Payment)
2015/16
2016/17

Appendix B

# Adult Social Care Scrutiny Commission

# Dementia Programme Update

Lead Director: Steven Forbes

Date: 23rd January 2018

**Useful information**

- Ward(s) affected: All
- Report author: Bev White
- Author contact details: 4542374
- Report version number: 1.0

**1. Purpose**

1.1. To provide the Adult Social Care Scrutiny Commission with an update on the new Dementia Support service and an update on other key aspects of the Dementia programme.

**2. Recommendations**

2.1 Adult Social Care Scrutiny Commission are invited to comment on the report and presentation.

**3. Report**

3.1. This report gives information about the newly commissioned Dementia Support Service in Leicester and Leicestershire and an update on some other aspects of local work around dementia.

3.2. Ensuring people with dementia are enabled to live well is not just the responsibility of social care. Joint work is taking place with health colleagues to make the pathway of care and support for people living with dementia and their carers as seamless as possible. This starts from the point of diagnosis and treatment in primary and secondary care, through to on-going support in the community from universal providers, the VCS and social care when a person becomes eligible for support.

3.3. The City Council has led a joint commissioning exercise to procure a new Leicester and Leicestershire wide Dementia Support Service, the contract for which went live in October 2017. The provider of this service is the Alzheimer's Society.

3.4. The service is available to people who are worried about their memory and to those with a formal diagnosis of dementia. The service comprises: advice, information, peer support, activity groups, memory cafes, advocacy; support in the community and in hospital.

3.5. People may self refer into the service, or be referred by social care or NHS partners. The service is free to access.

3.6. It was decided to jointly commission the service because contracts across the city and county were ending at roughly the same time; we each had the same vision for the service; it was agreed that by pooling budgets, we could achieve greater value for money.

3.7. We could also create a more seamless pathway for services users, not based on where people live, or if they need support in the community or in hospital. One phone number serves all aspects of the service which is available to service users and professionals.

3.8. The City Council will monitor the contract on a quarterly basis.

3.9. Other related work that is happening locally includes the drafting of a LLR Dementia Strategy, focussed on outcomes and underpinned by individual organisational action plans in response. It is hoped to launch this in the summer of 2018.

3.10. The Dementia Action Alliance for Leicester (DAA) is now established and is designed to spearhead the creation of a society where the public thinks and feels differently about dementia, where there is less fear, stigma and discrimination; and more understanding. It does this through sharing best practice and members committing to actions which improve the lives of people living with dementia. It is one of 5 DAA's locally.

**a) Details of Scrutiny**

**b) Financial, legal and other implications**

6.1 Financial implications

There are no direct financial implications from this report.

Yogesh Patel – Accountant (Adult Social Care) -ext 4011

6.2 Legal implications

There are no direct legal implications.

Pretty Patel, Head of Law, Social Care and Safeguarding

From a Commercial point of view there are no implications.

Emma Horton, Head of Law (Commercial, Property & Planning)

6.3 Climate Change and Carbon Reduction implications

There are no significant climate change implications arising from this report.

Environmental team

6.4 Equalities Implications

Dementia is an inclusive condition that does not discriminate on the basis of someone's protected characteristic as defined by the Equality Act. However, its unique effect on the individual and their resulting care requirements, requires carers and service providers to be aware of the importance of the particular protected characteristics that are important to the individual and how they have shaped their lives - whether in regard to age, disability, race, religion or belief, sex, sexual orientation or gender identity. These will continue to be important to the individual with dementia and should be reflected in how we support their engagement with others – whether in regard to social activity, personal care or health care.

Sukhi Biring, Equalities Officer, ext 374175.

**c) Background information and other papers:**

None

**d) Summary of appendices:**

**PowerPoint presentation.**

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Appendix C

## Adult Social Care Scrutiny Commission

## Draft Work Programme 2017 – 2018

| Meeting Date | Topic | Actions Arising | Progress |
|---|---|---|---|
| 29th June 2017 | 1) Adult Social Care Portal – 1 year implementation update and demonstration<br>2) Danbury Gardens – Consultation findings and proposals<br>3) Domiciliary Care – Update following procurement<br>4) Peer review: Verbal update<br>5) Update of May 2016 report on strategic priorities<br>6) End of Life Review | | |
| 5th Sep 2017 | 1) Update on the Enablement Strategy<br>2) Performance Report – Quarter 4<br>3) Executive's response to the Commission's Review on Community Screening – Written report to update on progress on actions taken in response to the review's recommendation<br>4) Peer reviews:<br>• Sector-led<br>• Better outcomes<br>• Safeguarding adults board<br>5) Procurement plan for 2017/2018<br>6) Review of residential and nursing home fees | | |
| 24th Oct 2017 | 1) Performance Report – Quarter 1<br>2) Autism Strategy – Refresh of the strategy<br>3) Carers' Survey Results<br>4) Procurement Plan | | |

| Meeting Date | Topic | Actions Arising | Progress |
|---|---|---|---|
| 12th Dec 2017 | 1) Transforming Care (relating to development of STP)<br>2) Development of integrated teams relating to<br>• Hospital discharge<br>• Locality; and<br>• Points of access<br>3) ASC complaints annual report 2016-17<br>4) Safeguarding Adults Board annual report with LASB strategic plan<br>5) Performance Report – Quarter 2<br>6) Work programme | | |
| 23rd Jan 2018 | 1) Budget<br>2) Dementia service update<br>3) End of Life Task Group update<br>4) Work programme | | |
| 20th March 2018 | 1) Dementia strategy<br>2) Direct Payment Support Service<br>3) Homecare update<br>4) Performance Report: Q3<br>5) Community Opportunities – new contract<br>6) Work programme | | |

5th January 2018

**Forward Plan Items**

| Topic | Detail | Proposed Date |
|---|---|---|
| Continuing Healthcare Funding | | TBC |
| Extra Care Housing allowance | Update once the position on the Housing benefit cap becomes clear. | TBC |
| Detailed examination of procurement of ASC services | Cllrs to meet Tracie Rees to discuss content and timing | TBC |
| | | |
| Voluntary Sector Review consultation | | June 2018 |
| Performance Report: Q4 | | June 2018 |
| Safeguarding Adults Board annual report | | October 2018 |
| ASC complaints annual report 2017-18 | | Autumn 2018 |