

# **North Somerset Council**

## **REPORT TO THE ADULT SERVICES AND HOUSING POLICY AND SCRUTINY PANEL**

**DATE OF MEETING: 12 APRIL 2018**

**SUBJECT OF REPORT: MONTH 10 ADULT CARE BUDGET MONITOR**

**TOWN OR PARISH: ALL**

**OFFICER/MEMBER PRESENTING: FINANCE BUSINESS PARTNER (PEOPLE  
AND COMMUNITIES)**

**KEY DECISION: NO**

### **RECOMMENDATIONS**

- i. That the Panel notes the current forecast spend against budget for adult services and the risks and opportunities associated with the medium term position.

## **1. SUMMARY OF REPORT**

- 1.1 This report summarises and discusses the current forecast spend against budget for adult services, highlighting key variances, movements and contextual information. It also makes reference to the principles and processes associated with the setting of the 2018/19 budget.

## **2. POLICY**

- 2.1 The Council's budget monitoring is an integral feature of its overall financial processes, ensuring that resources are planned, aligned and managed effectively to achieve successful delivery of its aims and objectives. The 2017/18 revenue and capital budgets have been set within the context of the council's medium term financial planning process, which support the adopted Corporate Plan 2015 to 2019.

## **3. DETAILS**

### **Overall position**

- 3.1 The overall projected year end position for the Adult Care Service, as at the end of month 10, is a £1.916m projected net over spend to budget. This forecast position has remained relatively stable throughout the year, as table 1 illustrates.

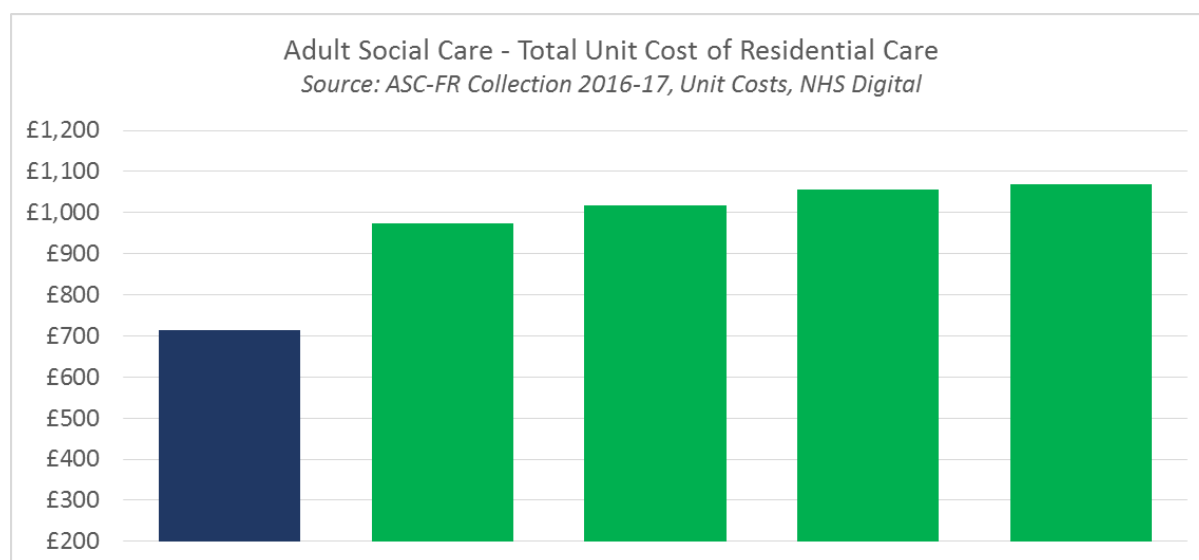
<b>Table 1. Adult Services Forecast Spend against Budget</b>								
	Month 10	Month 9	Month 8	Month 7	Month 6	Month 5	Month 4	Month 3
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Forecast variance	1,916	1,913	2,152	2,152	2,198	2,130	2,031	2,134

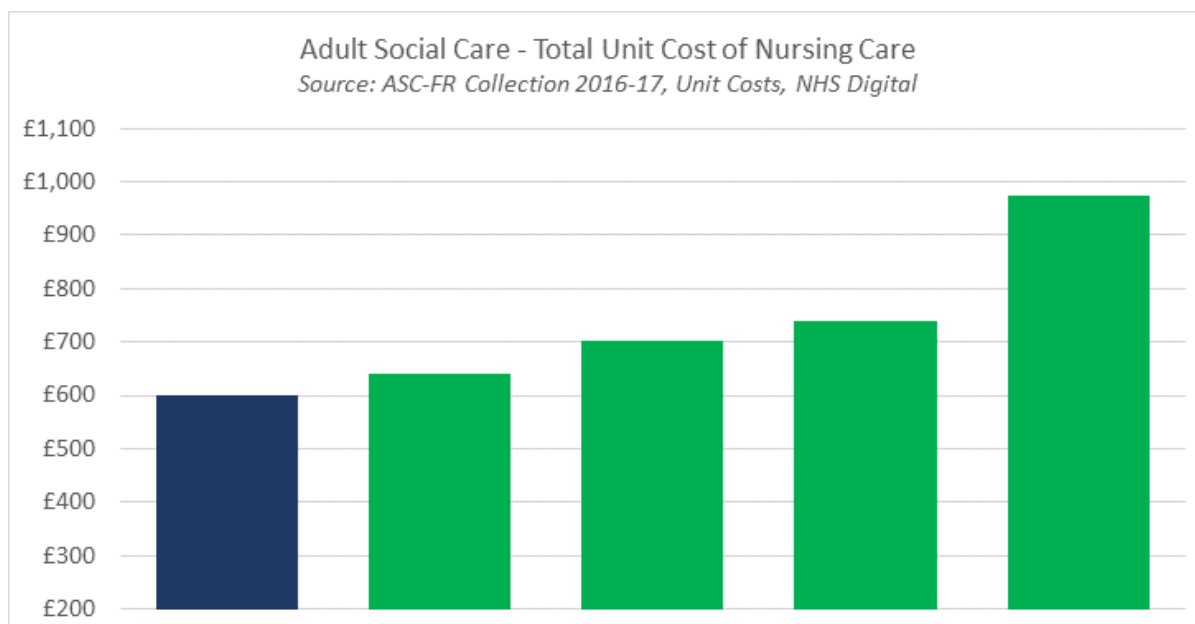
- 3.2 The underlying overspend is estimated at £3.59m as it is envisaged that there will be mitigation of £1.67m including a contribution from the £3.7m 2017/18 Improved Better Card Fund (IBCF) allocation, to support the increasing costs of care. This position also includes £214k utilisation of reserves and £300k capitalisation of aids and adaptations expenditure. At this stage, officers remain hopeful that the position may improve somewhat by the year end and a verbal update can be given at the meeting.
- 3.3 The overall increase from 2016-17 in gross spend on individual care packages is forecast at 1.93% (£1.34m), around 1.4% (£1.0m) of this relates to the 3% inflation on residential and nursing placements and increases in some community service rates. Current forecasts therefore indicate that, in general terms, any increases in demand are being managed and mitigated by the impact of savings and efficiency measures. This conclusion is supported by the activity and unit cost data discussed below.
- 3.4 The underlying overspend of £3.59m, therefore, arises as a result of the estimated initial budget gap at the start of the year and a combination of further increases demand and / or savings not materialising in a way that directly reduces expenditure.
- 3.5 A system is in place to monitor the achievement of savings that were written into the 2017/18 budget, which totalled £2.3m. Savings targets are often difficult to monitor, given that many relate to cost avoidance or mitigation of future cost increases rather than simple reductions in expenditure. That said, good progress is being made with projects in relation to high cost needs reviews, direct payments, more cost effective “extra care” accommodation, fair cost policy guidance, the completion of the recommissioning of the reablement service, a review of payments to the voluntary sector, and the recommissioning of some supporting people services, with some projects achieving savings well in excess of the original target.

### **Activity and unit cost data**

- 3.6 Around 75% of the Adult Care gross expenditure is on individual care packages. A considerable amount of work has been done to understand the activity and unit cost data associated with the forecast expenditure. More work needs to be done, particularly to illustrate longer term trends. The analysis is complex and changes in delivery models sometimes mean that comparisons are not exact. That said, the analysis adds an additional layer of understanding to the budget monitoring.
- 3.7 In overall terms, gross expenditure is forecast to be £3.7m more than the budget. In addition, the growth in activity, when compared with the budgeted figures also increases income from client contributions when compared with budget (by £1.3m) – resulting in a total net overspend of £2.4m. In broad terms, the cost and volume data indicates 59 more clients than are provided for in the budget (2,839 compared with 2,780) and an average weekly gross unit cost of £472.32 compared with a budgeted figure of £456.75.

- 3.8 When comparing the current projected position with that a year ago, whilst direct comparisons are complex, analysis indicates a stabilisation / reduction in activity and an overall increase in average unit costs. Some of the apparent increase in average unit costs is explained by the fact that the previous reablement service was provided in-house and is not included in the cost and activity data.
- 3.9 In addition, it is worth noting that overall increases in average unit costs are not necessarily reflective of increases in simple hourly / weekly rates. What is more likely, is that the complexity and intensity of support is increasing.
- 3.10 In recent years, significant progress has been made in reducing costs, for example through the re-commissioning of the Support to Live at Home contracts and the transfer of the in-house reablement service.
- 3.11 Projects to provide more effective delivery models, such as Extra Care Housing and Shared Lives and are also reaping benefits in terms of both reduced costs and improved independence.
- 3.12 The Council's benchmarking position is also worth noting, with the unit costs of residential and nursing care, compared with our geographical neighbours shown below





- 3.13 Details of other variances outside of individual care packages are shown in Appendix 1 and 2

### 2018/19 Medium Term Financial Plan and Budget

- 3.14 Cost and volume analysis has been undertaken to model the demand and unit costs of adult care and, in particular, the growth and savings plans in the 2018/19 budget have been expressed in terms of estimated activity and average unit costs.
- 3.15 The table below compares the activity, unit costs and gross expenditure for 2017/18 and 2018/19. The budget growth allowed for in 2018/19 reflects a need to meet the existing budget pressures, provide for an element of future increases in demand (particularly for children in transition to adulthood) and fund inflation to meet increased provider costs, such as the National Living Wage.
- 3.16 At the same time, budget reductions have been made to reflect the targeted implementation of savings plans. Excluding the contribution made from income, the overall increase in the gross budget for individual care from 2017/18 to 2018/19 is £6.1m. In terms of a comparison with the estimated outturn position for 2017/18, the 2018/19 gross budget is £2.4m more than the expected spend for 2017/18, which is broadly representative of a 1.3% increase in client numbers and a 2.1% increase in overall average unit costs. This information, together with the underlying assumptions will provide a robust baseline from which to monitor the 2018/19 expenditure and activity.

	2016/17 spend	2017/18 budget	2017/18 forecast (M8)	2018/19 budget	2018/19 budget v 2017/18 forecast
Client numbers	2,871	2,780	2,924	2,962	1.3%
Average weekly unit cost	£457.66	£456.70	£458.83	£468.34	2.1%
Gross expenditure	£68,508,929	£66,198,546	£69,952,242	£72,330,421	3.4%

- 3.17 In addition to the budget growth applied to take account of the demand and cost of individual care packages, further budget allocations have been applied to other pressure areas to ensure that the 2018/19 budget is robust. A summary of the growth and savings applied in the MTFP is as follows.

	<b>Individual Care Packages</b>	<b>Other</b>	<b>System Replacement</b>	<b>TOTAL</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Growth	5,540	1,168	936	<b>7,644</b>
Savings	(655)	(1,745)	0	<b>(2,400)</b>
Income inflation	(197)	(8)	0	<b>(205)</b>
Government grants	0	(4,917)	0	<b>(4,917)</b>
<b>Net change</b>	<b>4,688</b>	<b>(5,502)</b>	<b>936</b>	<b>122</b>

- 3.18 That said, there are still other risks and opportunities associated with the budget, which will continue to be monitored as the year progresses. The most significant of these are described in the table below.

<b>Risks</b>	<b>Opportunities</b>
Financial pressures facing the health economy (specifically the new combined CCG) and their impact on our income and expenditure; in particular, future changes to the way in which the Council and the CCG share the costs of funding aftercare under Section 117 of the Mental Health Act	Delivery of the Adult Support and Safeguarding Transformation Programme, including: <ul style="list-style-type: none"> <li>– redesigning our “front door” and pathways helping people to help themselves whenever possible,</li> <li>– making the most of assistive technology to support people to be as independent as possible,</li> <li>– scaling up extra-care housing, housing with support, shared lives and other alternatives to residential and nursing homes,</li> <li>– overhauling our approach to reviews so that whatever we provide continues only for as long as needed and is effective in increasing independence.</li> </ul>
Any consequential impact on statutory services of the reductions made to early intervention and prevention services	
The stability of, and increasing costs in, the adult social care provider market	

## **AUTHOR**

Katherine Sokol, Finance Business Partner (People and Communities)

## **BACKGROUND PAPERS**

2018/19 Medium Term Finance Plan

## Appendix 1 – Analysis of Budget, Spend and Variance

DEPARTMENTAL ANALYSIS OF THE PEOPLE AND COMMUNITIES DIRECTORATE													
BUDGET AS AT 31/01/2018													
DMT - FINANCIAL ANALYSIS BY SERVICE AREA		Revised Budget				Projected Out-turn				PROJECTED VARIANCE			
		Expenditure £	Income £	Reserves £	Net £	Expenditure £	Income £	Reserves £	Net £	Expenditure £	Income £	Reserves £	Net £
Physical Support	Hayley Verrico	26,674,937	(8,454,341)	0	18,220,597	27,744,855	(9,145,278)	0	18,599,577	1,069,918	(690,937)	0	378,980
Sensory Support		105,250	(45,866)	0	59,384	105,056	(47,742)	0	57,314	(194)	(1,876)	0	(2,070)
Memory & Cognition		8,576,291	(3,288,853)	0	5,287,438	9,332,570	(3,959,905)	0	5,372,665	756,279	(671,052)	0	85,227
Learning Disability		24,285,638	(2,790,593)	0	21,495,045	26,221,720	(2,983,106)	0	23,238,615	1,936,082	(192,512)	0	1,743,570
Mental Health		6,661,682	(1,908,452)	0	4,753,230	6,619,376	(1,641,825)	0	4,977,552	(42,306)	266,628	0	224,322
Social Support: Substance Abuse		122,311	(9,963)	0	112,348	47,239	(2,792)	0	44,447	(75,073)	7,171	0	(67,901)
Social Support: Support for Carer		454,610	(243,868)	0	210,742	844,106	(249,810)	0	594,297	389,496	(5,942)	0	383,554
MTFP Remaining savings assumptions						0	0	0	0	0	0	0	0
<b>Sub total</b>		<b>66,880,720</b>	<b>(16,741,936)</b>	<b>0</b>	<b>50,138,783</b>	<b>70,914,922</b>	<b>(18,030,457)</b>	<b>0</b>	<b>52,884,465</b>	<b>4,034,203</b>	<b>(1,288,521)</b>	<b>0</b>	<b>2,745,682</b>
Assistive Equipment & Technology	Hayley Verrico	505,246	(52,106)	0	453,140	405,487	(54,020)	0	351,467	(99,758)	(1,914)	0	(101,673)
Information & Early Intervention		1,672,783	(1,208,941)	0	463,842	1,991,507	(1,098,781)	0	892,725	318,724	110,160	0	428,883
Social Care Activities		7,562,804	(903,545)	0	6,659,259	8,074,646	(1,036,889)	(93,895)	6,943,863	511,843	(133,344)	(93,895)	284,604
<b>Sub total</b>		<b>9,740,833</b>	<b>(2,164,591)</b>	<b>0</b>	<b>7,576,241</b>	<b>10,471,641</b>	<b>(2,189,690)</b>	<b>(93,895)</b>	<b>8,188,056</b>	<b>730,808</b>	<b>(25,099)</b>	<b>(93,895)</b>	<b>611,814</b>
Commissioning & Service Strategy	Gerald Hunt	11,732,129	(4,133,431)	0	7,598,698	12,009,751	(5,732,947)	(120,072)	6,156,733	277,623	(1,599,515)	(120,072)	(1,441,965)
<b>Sub total</b>		<b>11,732,129</b>	<b>(4,133,431)</b>	<b>0</b>	<b>7,598,698</b>	<b>12,009,751</b>	<b>(5,732,947)</b>	<b>(120,072)</b>	<b>6,156,733</b>	<b>277,623</b>	<b>(1,599,515)</b>	<b>(120,072)</b>	<b>(1,441,965)</b>
Housing Services	Mark Hughes	0	0	0	0	0	0	0	0	0	0	0	0
<b>Sub total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>ADULT SOCIAL SERVICE &amp; HOUSING TOTAL</b>		<b>88,353,681</b>	<b>(23,039,959)</b>	<b>0</b>	<b>65,313,722</b>	<b>93,396,314</b>	<b>(25,953,094)</b>	<b>(213,967)</b>	<b>67,229,254</b>	<b>5,042,633</b>	<b>(2,913,135)</b>	<b>(213,967)</b>	<b>1,915,531</b>

## Appendix 2 – Identification of major variances

<b>COMMENTARY ON THE ADULT SERVICES</b>			
<b>BUDGET AS AT 31 JANUARY 2018</b>			
<b><u>Financial Overview</u></b>			
As can be seen from the table below, the revised budgets for the Adult Care within the People & Communities directorate total £65.31m, and the monitoring forecast for the end of the year reflects a projected net spend of £67.23m. Should this position remain unchanged then an over spend of £1.92m, or 2.93% of the budget, will occur. This position assumes utilisation of £1.67m of the iBCF allocation and £300k capitalisation of aids and adaptations expenditure.			
<b>Directorate Summary</b>			
	<b>Revised Budget</b>	<b>Projected Out-turn</b>	<b>Projected Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
- Gross Expenditure	88,354	93,396	5,043
- Income	-23,040	-25,953	-2,913
- Central Recharge Recoveries	0	0	0
- Reserves	0	-214	-214
<b>= Directorate Totals</b>	<b>65,314</b>	<b>67,229</b>	<b>1,916</b>
Projected Out-turn Variance			2.93%
- Adult Services	65,314	67,229	1,916
<b>= Directorate Totals</b>	<b>65,314</b>	<b>67,229</b>	<b>1,916</b>
Projected Out-turn Variance			2.93%



<b>Major Financial Variances</b>			
The major financial variances as at Month 10 are shown in the tables below, and are grouped into service areas. They are also split between variances that relate to movements in earmarked reserves and those variances which do not.			
<b>Financial Variances over £50k, with no impact on earmarked reserves</b>			
			<b>Projected Out-turn Variance £000</b>
<b>Financial Risk Identified within Service Areas</b>			
<b>Adults Services</b>			
Care in the Community;			
- Physical Support			379
- Learning Disabilities			1,744
- Memory & Cognition			85
- Mental Health			224
- Substance Abuse			-68
- Carers Support			384
- Sensory Support			-2
Assistive Equipment & Technology			-102
Prevention, Information & Early Intervention			179
Commissioned Services, Supporting People & Voluntary Sector			125
Deprivation of Liberty, Safeguarding and MHA			186
Health related charges SPA Accomodation recharge, A&E scheme, Intergrated care systems			64
Social Care Staff Teams			116
Community Meals & Canteen (this interprets as a £39k subsidy on meals, the canteen is forecast to make a loss of £24k)			172
Central Recharges (including £290k public health realignemnt yet to be achieved)			243
Contracts, Commissioning & Brokerage			-120
ICT Equipment, Software and Licences			126
iBCF Allocation			-1,671
<b>Sub Total - Financial Variances within Service Areas</b>			<b>2,065</b>

Financial Variances over £50k, which are linked to movements within earmarked reserves			
			Projected Out-turn Variance
			£000
<b>Financial Risk Identified within Service Areas</b>			
<b>Adults Services</b>			
Corporate Risk Reserve - Demand Management Project (staffing)			94
ASC AIS System Replacement Reserve (ZXB475)			76
Corporate Risk Reserve - LD Accommodation Officer			24
<b>Sub Total - Financial Variances linked to movements in Earmarked Reserves</b>			<b>194</b>
Other Minor Variances <£50k			-129
<b>Projected Total Directorate Variance - before Reserves</b>			<b>2,129</b>
<b>Movements to / from Earmarked Reserves</b>			
		Budgeted	Ad hoc Movement
		£000	£000
Use of ASC Demand Management Project Reserve (ZXB466)		0	(94)
Use of ASC Connecting Care & Integration Reserve (ZXB327)		0	(20)
Use of ASC AIS System Replacement Reserve (ZXB475)		0	(76)
Use of ASC Corporate Risk Reserve (LD Accommodation Officer)		0	(24)
<b>Sub Total of Movements to / from Earmarked Reserves</b>		<b>0</b>	<b>(214)</b>
<b>Projected Total Directorate Variance - after movements to / from Reserves</b>			<b>1,915</b>