

North Somerset Council

REPORT TO THE ADULT SERVICES AND HOUSING POLICY AND SCRUTINY PANEL

DATE OF MEETING: 28 JUNE 2018

SUBJECT OF REPORT: MONTH 12 2017/18 ADULT CARE BUDGET MONITOR AND MEDIUM TERM POSITION

TOWN OR PARISH: ALL

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

KEY DECISION: NO

RECOMMENDATIONS

- i. That the Panel notes the final outturn 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 final outturn spend against budget for adult services in 2017/18, 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.

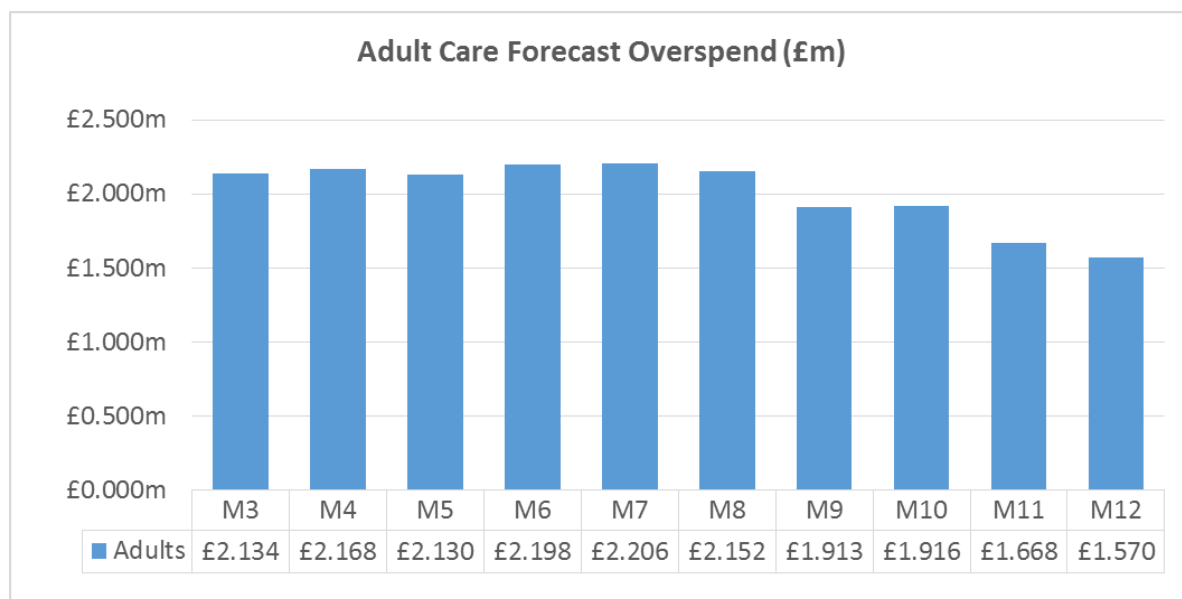
2. POLICY

- 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 year end position for the Adult Care Service, is a £1.570m projected net over spend to budget. This forecast position has remained relatively stable throughout the year, as the graph below illustrates. This compares with a overspend of £5.2m in 2016/17.



- 3.2 The underlying overspend is estimated at £3.2m as there has been one-off mitigation, including a contribution from the £3.7m 2017/18 Improved Better Care Fund (IBCF) allocation, to support the increasing costs of care.
- 3.3 It is also worth noting that the position also includes £350k utilisation of earmarked reserves, £300k capitalisation of aids and adaptations expenditure (which has been included in the 2018/19 budget as a saving), around £850k one-off recovery of Direct Payments (£440k of which was accounted for in the previous year), £80k contribution to the Adult Care Systems Replacement Project Reserve and a £75k provision for repayment of client contributions following the decision of the Ombudsman in relation to the Enablement Service.
- 3.4 Much of the overspend relates to individual care packages, although there are also pressures in relation Deprivation of Liberty and Safeguarding, Community Meals and Canteen, Public Health Realignment and ICT support, software and licences.
- 3.5 The overall increase from 2016/17 in net spend on individual care packages (after adjusting for one-off measures such as IBCF income and Direct Payments recovery) is around £1.3m. Much of this relates to the 3% inflation on residential and nursing placements and increases in some community service rates. This indicates that, in general terms, any increases in demand are largely being managed and mitigated by the impact of savings and efficiency measures and this is supported by the activity and unit cost data.
- 3.6 The underlying overspend of £3.2m, 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.

- 3.7 A system is in place to monitor the achievement of savings that were written into the 2017/18 budget. 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 has been made with projects in relation to high cost needs reviews, direct payments, more cost effective “extra care” accommodation, Fair Care policy cost check point, the recommissioning of the reablement service, a review of payments to the voluntary sector, and the recommissioning of some supporting people services. Some projects have achieved savings well in excess of the original target.

Activity and unit cost data

- 3.8 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.
- 3.9 In overall terms, gross expenditure was £2.63m more than the budget. In addition, income also increased when compared with budget (by £1.88m) – resulting in a total net overspend of £0.75m. In broad terms, the cost and volume data indicates 98 more clients than were provided for in the budget (2,937 compared with 2,839) and an average weekly gross unit cost of £460.65 compared with a budgeted figure of £458.77.

Gross budgets and expenditure	2017/18 revised budget	2017/18 spend	2017/18 spend vs budget	2017/18 spend vs budget %
Client numbers	2,839	2,937	+98	+3.4%
Average weekly unit cost	£458.77	£460.65	+£1.88	+0.4%
Gross expenditure	£67,918,546	£70,550,433	+£2,631,887	+3.9%

- 3.10 When comparing the outturn position with that of 2016/17, whilst direct comparisons are complex, analysis indicates a stabilisation in activity and an overall increase in average unit costs.

	2016/17 spend	2017/18 spend	2017/18 spend vs 2016/17 spend	2017/18 spend vs 2016/17 spend %
Client numbers	2,930	2,937	7	0.2%
Average weekly unit cost	£448.42	£460.65	£12.23	2.7%
Gross expenditure	£68,508,929	£70,550,433	£2,041,504	3.0%

- 3.11 It is worth noting that overall increases in average unit costs are not necessarily just reflective of increases in simple hourly / weekly rates (other than minimal inflationary

uplifts). What is more likely, is that the complexity and intensity of support is increasing.

- 3.12 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.
- 3.13 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.

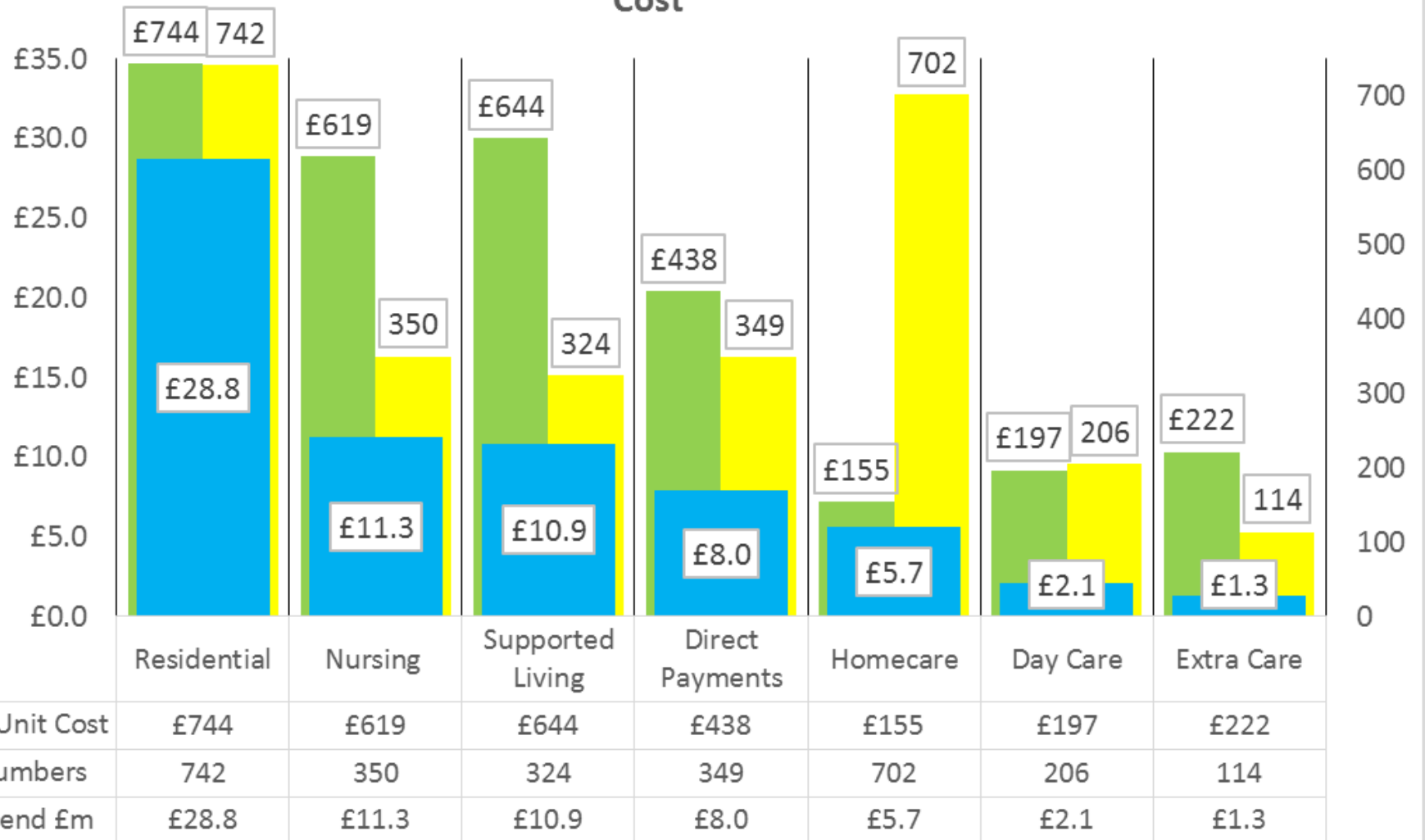
2018/19 Medium Term Financial Plan and Budget

- 3.14 Cost and volume analysis has also been undertaken to model the future 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 outturn position for 2017/18, the 2018/19 gross budget is £1.8m more than the spend for 2017/18, which is broadly representative of a 0.8% increase in client numbers and a 1.7% 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.

	2017/18 spend	2018/19 budget	2018/19 budget v 2017/18 Spend	2018/19 budget v 2017/18 Spend
Client numbers	2,937	2,962	25	0.8%
Average weekly unit cost	£460.65	£468.34	£7.69	1.7%
Gross expenditure	£70,550,433	£72,330,421	£1,779,988	2.5%

The graph overleaf illustrates the budgeted expenditure, in terms of client numbers and average weekly unit costs across the main care categories.

2018/9 Gross Budget (£m) by Category, Client Numbers and Average Weekly Cost



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, savings and income applied in the MTFP is as follows.

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

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.

Risks	Opportunities
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"> - redesigning our “front door” and pathways helping people to help themselves whenever possible, - making the most of assistive technology to support people to be as independent as possible, - scaling up extra-care housing, housing with support, shared lives and other alternatives to residential and nursing homes, - overhauling our approach to reviews so that whatever we provide continues only for as long as needed and is effective in increasing independence.
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	
Impact of changes to sleep-in rates to reflect National Living Wage (on-going and historic)	
	Additional recovery of overpaid / unused direct payments

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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 31/03/2018													
DMT - FINANCIAL ANALYSIS BY SERVICE AREA		Revised Budget				Final Out-turn				VARIANCE			
		Expenditure £	Income £	Reserves £	Net £	Expenditure £	Income £	Reserves £	Net £	Expenditure £	Income £	Reserves £	Net £
Physical Support		27,674,937	(9,454,341)	0	18,220,597	27,738,943	(10,766,794)	0	16,972,150	64,006	(1,312,453)	0	(1,248,447)
Sensory Support		105,250	(45,866)	0	59,384	110,081	(46,064)	0	64,017	4,831	(197)	0	4,634
Memory & Cognition		8,746,291	(3,458,853)	0	5,287,438	9,347,423	(4,602,440)	0	4,744,983	601,132	(1,143,587)	0	(542,455)
Learning Disability	Hayley Verrico	24,735,638	(3,240,593)	0	21,495,045	26,310,456	(3,233,968)	0	23,076,488	1,574,818	6,626	0	1,581,443
Mental Health		6,761,682	(2,008,452)	0	4,753,230	7,153,596	(1,439,180)	0	5,714,416	391,914	569,273	0	961,187
Social Support: Substance Abuse		122,311	(9,963)	0	112,348	68,640	(10,011)	0	58,629	(53,671)	(48)	0	(53,719)
Social Support: Support for Carer		454,610	(243,868)	0	210,742	838,384	(250,645)	0	587,740	383,774	(6,777)	0	376,997
Sub total		68,600,720	(18,461,936)	0	50,138,783	71,567,524	(20,349,100)	0	51,218,423	2,966,804	(1,887,164)	0	1,079,640
Assistive Equipment & Technology		605,246	(152,106)	0	453,140	286,416	(72,232)	0	214,184	(318,830)	79,874	0	(238,956)
Information & Early Intervention	Hayley Verrico	1,672,783	(1,208,941)	0	463,842	1,969,940	(1,113,861)	0	856,079	297,157	95,081	0	392,237
Social Care Activities		7,735,360	(1,076,101)	0	6,659,259	8,042,399	(1,016,738)	(93,895)	6,931,766	307,040	59,362	(93,895)	272,507
Sub total		10,013,389	(2,437,147)	0	7,576,241	10,298,755	(2,202,831)	(93,895)	8,002,029	285,366	234,317	(93,895)	425,788
Commissioning & Service Strategy	Gerald Hunt	13,508,579	(5,909,881)	0	7,598,698	11,925,716	(4,052,929)	(209,482)	7,663,305	(1,582,862)	1,856,952	(209,482)	64,607
Sub total		13,508,579	(5,909,881)	0	7,598,698	11,925,716	(4,052,929)	(209,482)	7,663,305	(1,582,862)	1,856,952	(209,482)	64,607
Housing Services	Mark Hughes	0	0	0	0	0	0	0	0	0	0	0	0
Sub total		0	0	0	0	0	0	0	0	0	0	0	0
ADULT SOCIAL SERVICE & HOUSING TOTAL		92,122,687	(26,808,965)	0	65,313,722	93,791,995	(26,604,860)	(303,377)	66,883,757	1,669,308	204,104	(303,377)	1,570,035

Appendix 2 – Identification of major variances

COMMENTARY ON THE PEOPLE & COMMUNITIES DIRECTORATE BUDGET AS AT 31 MARCH 2018			
Financial Overview			
As can be seen from the table below, the revised budgets for the Adult Care service within the People & Communities directorate total £65.314m, and the monitoring out-turn for the end of the year is a net spend of £66.884m meaning an overspend of £1.57m (2.4% of budget) has occurred. This position includes utilisation of £1.72m of the iBCF allocation and £300k capitalisation of aids and adaptations expenditure.			
Directorate Summary			
	Revised Budget	Projected Out-turn	Projected Variance
	£000	£000	£000
- Gross Expenditure	88,354	93,792	5,438
- Income	-23,040	-26,605	-3,565
- Central Recharge Recoveries	0	0	0
- Reserves	0	-303	-303
= Directorate Totals	65,314	66,884	1,570
	Projected Out-turn Variance		2.40%
- Adult Services	65,314	66,884	1,570
= Directorate Totals	65,314	66,884	1,570
	Projected Out-turn Variance		2.40%

Major Financial Variances

The major financial variances as at Month 12 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.

Financial Variances over £50k, with no impact on earmarked reserves			
			Projected Out-turn Variance £000
Financial Risk Identified within Service Areas			
Adults Services			
Care in the Community;			
- Physical Support			-1,248
- Learning Disabilities			1,581
- Memory & Cognition			-542
- Mental Health			961
- Substance Abuse			-54
- Carers Support			377
- Sensory Support			5
Assistive Equipment & Technology			-239
Prevention, Information & Early Intervention			184
Commissioned Services, Supporting People & Voluntary Sector			-114
Deprivation of Liberty, Safeguarding and MHA			199
Health related charges SPA Accomodation recharge, A&E scheme, Intergrated care systems			33
Social Care Staff Teams			91
Community Meals & Canteen			155
Central Recharges (including £290k public health realignemnt yet to be achieved)			243
Contracts, Commissioning & Brokerage			-129
ICT Equipment, Software and Licences			207
Sub Total - Financial Variances within Service Areas			1,710
Financial Variances over £50k, which are linked to movements within earmarked reserves			
			Projected Out-turn Variance £000
Financial Risk Identified within Service Areas			
Adults Services			
Corporate Risk Reserve - Demand Management Project (staffing)			94
Use of ASC Connecting Care & Integration Reserve (ZXB327)			63
ASC AIS System Replacement Reserve (ZXB475)			172
Corporate Risk Reserve - LD Accommodation Officer			24
I-BCF - scheduled 2018-19 spend (ZXB319)			(1,662)
Sub Total - Financial Variances linked to movements in Earmarked Reserves			(1,309)
Other Minor Variances <£50k			-140
Projected Total Directorate Variance - before Reserves			261
Movements to / from Earmarked Reserves			
		Budgeted £000	Ad hoc Movement £000
Corporate Risk Reserve - Demand Management Project (staffing)			(94)
Use of ASC Connecting Care & Integration Reserve (ZXB327)			(63)
ASC AIS System Replacement Reserve (ZXB475)			(172)
Corporate Risk Reserve - LD Accommodation Officer			(24)
I-BCF - scheduled 2018-19 spend (ZXB319)			1,662
			1,309
			1,570