

Item No. 5	Classification: Open	Date: 14 March 2017	Meeting Name: Overview and Scrutiny Committee
Report title:		Review of Children's and Adults' Services budget recovery	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATIONS

1. That OSC consider how they wish to review the budget recovery in Adults' Children's and Public Health Services.

BACKGROUND AND PURPOSE

2. The overview and scrutiny committee (OSC) meetings of 30 January 2017 made two recommendations in respect of Children's, Adults' and Public health services.
3. This report presents information to help OSC progress their scrutiny of the budget recovery proposals.

KEY ISSUES FOR CONSIDERATION

4. On 30 January 2017 the overview and scrutiny committee made the following recommendations to be considered by cabinet before they recommended a budget to council assembly.

Ref	Recommendation
1	That the monitoring process for delivering savings and efficiencies in Children's and Adult Social Care should include updates to Overview & Scrutiny Committee in June and November 2017 – this should include any concerns arising from discussions at budget recovery board.
2	That the Cabinet works with the NHS to change accessibility rules and manage demand to ensure public health spending is kept under control. This would include work to ensure Southwark residents are accessing care that meets their needs but also reduces unnecessary costs.

5. These recommendations were accepted by cabinet at their meeting on 7 February 2017.
6. The following areas have been highlighted as providing a framework for the OSC discussion:
 - The budget monitoring in 2016-17 of the areas, and the council's understanding of the developing position
 - The work of the budget recovery board
 - The achievability of the 2017-18 budget proposals
 - Capacity of the service to make changes
 - Update on the discussions with NHS colleagues on changes in public health.

BUDGET MONITORING IN 2016-17

7. In 2015-16 there were cost pressures of £18.7m which were met by the planned use of departmental reserves.
8. Cabinet received an update to the medium term financial strategy on 20 September 2016, and formal reports to cabinet on 2016-17 revenue monitoring position were presented on 1 November 2016 and 7 February 2017.
9. On 20 September cabinet were informed about demographic and cost pressures which were impacting on the revenue position. The council faced demographic growth pressures and changes in the population profiles which result in both additional numbers of referrals and increased levels of need. Public Health pressures arise from demand pressure in Sexual Health Services. Special Education Needs had cost pressures with rising costs in placements and related transport, increasing demand in services for young people over 16 years old, and increasing demand in particular for Autistic Spectrum Disorder (ASD) placements.
10. The cabinet were also informed about the cost pressures the council was seeking to manage within local NHS acute services by providing timely and good quality support in the community, seven days a week. Additional pressure was reported as being felt by social care services and associated budgets such as community equipment.
11. Cabinet were made aware of cost pressure in future years from the implementation of the Southwark Ethical Care Charter in home care contracts, mitigated by any efficiency gains to providers through the positive impacts on staff recruitment and retention. In education, potential changes to the National Funding Formula remained a medium term risk for the council.
12. On 1 November 2016 the cabinet noted the continuing pressures on the children's and adults' social care, and public health, and an overall £15m projected overspend. This was also the position in February 2017. This position is assuming successful implementation of significant and sometimes complex management actions.

General fund	Revised budget £'000	Forecast Spend in year £'000	Variance after use of reserves £'000
Children's and Adults	171,364	186,386	15,022

13. The increased pressures, in both level of demand and complexity of need, reflected the service pressures in social care being experienced across London and the country, and population increases of children and older people in Southwark.
14. The social care sector has been affected by demand pressures in both price and volume. Inflationary pressures have been felt by providers and the department must consider the financial sustainability of providers to protect quality of care and safeguard our most vulnerable residents. The 2% precept for Adult Social Care in 2016-17 is raising around £1.7m and is being used to improve quality of services for older people and adults with disabilities living at home, in extra care housing, in care homes and in nursing care homes.
15. Implementation of the Care Act has increased levels of referrals, information and advice, and carers assessments. Many local families, people with disabilities and their carers continue to experience increased pressure and uncertainty in regard to welfare reform with

additional calls on support from the council. The closure of government programmes such as the Independent Living Fund mean that vulnerable people lose access to funding that had previously helped to address inequalities. Legislative reforms in regard to ‘staying put’ for children in care into adulthood and additional support for people with disabilities and carers have been welcomed but are not fully funded by government causing financial burden on the council.

16. The allocation of Better Care Fund in 2016-17 (£21.8m) is marginally smaller than in 2015-16 (£22.0m) and includes monies previously provided separately for Winter Pressures. Funding has been required to meet increasing demand in areas such as end of life care and dementia, and to develop 7 day working which is a key national condition of the funding. The department continues to support services beyond social care eligibility levels (such as meals on wheels and telecare) and services supporting the acute sector.
17. Southwark is the sixth best performer nationally for low levels of Delayed Transfers of Care (DTOCs), with delays less than a third of the national average. Reablement services have been improved, with a reduction in the number of patients re-admitted to hospital (over 90% of patients remain at home 90 days after discharge). This performance represents a saving to the public sector as a whole, but at a cost to the council. Care home admissions have been kept at low levels, through reablement and services such as Night Owls and Care@home, allowing more people to be cared for at home, and helping to rebuild confidence, mobility, and independence.

BUDGET RECOVERY BOARD

18. The council has engaged RSM Tenon, under an Executive Board headed by the Chief Executive, to undertake a thorough review of the pressures underlying the 2016-17 budget variations.
19. The Children and Adults Budget Recovery Board has been established to provide oversight over the significant budget reductions and demand pressures experienced by the Children’s and Adults’ department and to review management action in year 2016-17 to ensure spend is kept as low as possible consistent with service delivery and client safety. The Board is reviewing measures to address this significant risk for the council and to ensure our statutory duties are fulfilled. It is an example of cross council working to ensure this action has the necessary impact. The Board operates with close consideration of the need to meet the council’s statutory duties and manage risk appropriately to ensure a safe service.
20. The Board is also concerned to review the changes required over a longer period to ensure success and sustainability.
21. The Board is chaired by the Strategic Director of Finance and Governance, with the Strategic Director of Children’s and Adult’s Services, and the Chief Executive has a standing invitation.
22. The Board is attended by Children’s and Adults’ services directors, supported by the departmental finance managers for the department. In addition, the Director of Law and Democracy and Director of Finance attend.
23. The Board has sought to ensure that the process is as rigorous and transparent as possible such that highlight reports reflect key action areas being undertaken to get the current forecast overspend down, show how actions are being put in place and yielding results, being clear about what we are doing, who is

responsible, and importantly providing a status report on how we are doing to reach savings, efficiency, and income generation targets.

24. The Board understands that it has to provide reassurance about the scale of the challenge, and that accurate forecasting is essential. This will include being transparent, but not complacent, about adverse financial predictions.
25. The Board is seeking the most accurate possible financial forecasting in each and every team and service so financial forecasting is updated often and captures the very latest spend, savings and approved commitments.
26. The Board is placing especial emphasis on data quality for placements and commitments, such that new, changes and ending placements/commitments are promptly recorded to maintain an accurate forecast.

2017-18 BUDGET PROPOSALS

27. Council Assembly on 22 February 2017 agreed 2017-18 budget proposals. These included:

Department	Budget 2016-17 £000	Commitments £000	Efficiencies £000	Savings £000	Total Change £000	% of Dept Budget
Children's and Adults' Services Total: made up of:	170,144	13,308	(3,711)	(4,252)	5,345	3.1
Adults' Services	82,930	11,558	(1,301)	(4,252)	6,005	7.2
Children's	86,294	100			100	0.1
Community Safety	920		(70)		(70)	(7.6)
Public Health <i>(note 1)</i>	0	1,650	(2,340)		(690)	0.0

Note 1: Public Health is a ring-fenced budget and therefore shown as a net nil

28. The department has also identified for 2017-18 new efficiencies totalling £3.6m and savings of £4.4m, due to the council's need to provide services within a reduced funding settlement from government.

Education

29. The service is funded by a combination of Education Services Grant (ESG), Dedicated Schools Grant (DSG) and core general fund budget. For 2017-18 there are significant changes to ESG of £2.6m which funds a combination of direct education related services and support costs, some of which relates to retained duties for all schools and some for general duties relating to our maintained schools. With ESG rolled into DSG and new specific grants, additional funding is being sought from Southwark Schools Forum and Maintained Schools. This will provide time for a new service delivery model to be developed, to meet new requirements expected from government in 2018-19.
30. For Education core funding there are significant changes in funding occurring. However, measures have been brought forward in 2017-18 to meet cost pressures, most notably with regard to working with Schools Forum to develop and fund measures to help mitigate Special Educational Needs (SEN) Home to School Transport pressures.

31. The DSG largely directly funds schools budgets, SEND provision and also early years settings. A small element of this is retained to fund council services such as Admissions and Behaviour Services. The Education team continues to work very closely with Southwark Schools Forum and our maintained schools to agree appropriate funding going forward. Funding can be provided centrally across all funding blocks of the DSG but new restrictions are being imposed by the government on Early Years settings. Changes are expected under the new National Funding Formula in 2018-19 meaning that the council will need to develop an approach to how these services are maintained and funded in the future.
32. The council also works with Southwark Schools Forum on the management and allocation of funding for Schools (including Academies and Free Schools), SEN and Alternative Provision providers and Early Years settings. There are pressures across all of the main areas of funding. The government is currently consulting on phase II of its new National Funding Formula and whilst it has indicated that there will be some protection available in 2018-19, significant reductions are being modelled from 2019-20, hitting inner London, including Southwark, harder than elsewhere in the country.

Children's Social Care

33. The service has a budget of £50m, but there are cost pressures with regard to demand for placements, and also with regard to staffing given the need to maintain caseloads at a safe level and the challenges in retaining and recruiting social workers, especially in London. In line with other Local Authorities, the number of children looked after has increased, in Southwark from 475 as at 31 March 2016 to 502 as at 31 December 2016. There has also been an increase in the number of children in residential placements, including secure care, as government reduces its commissioned secure provision. The approach agreed in 2016-17 was that the budget for Children's Services would be protected for three years. Whilst this approach continues for the service it needs to operate within the allocated budget for 2017-18. Management action has been taken and controls are in place. Further plans are being actively developed to evolve the service for even better outcomes and value for money, including for example, innovation bids for Care Leavers and Family Group Conferencing for children open to the service.

Adult Social Care

34. Southwark is proud to be an Age Friendly Borough, supporting our elders and family carers so that later life is enjoyable and that Southwark benefits from their contribution to community life. Older people are being well supported to be able to stay in their homes or in Extra Care Housing with flexible care and support rather than in residential care homes. Treating people with dignity and respect is at the heart of our approach.
35. Southwark Council is investing in the local social care workforce through the Southwark Ethical Care Charter which is ensuring that home care workers are paid the London Living Wage, paid for travel time between calls and offered guaranteed hours contracts rather than zero hour contracts. Whilst this is clearly the right thing to do, there is no government funding for this approach and the cost to the council is around £4m. This is a significant cost pressure but is

considered an important foundation to safe and sustainable care for our vulnerable residents.

36. Services to people with learning disabilities and mental health needs continue to be transformed to modernise our services and deliver better value for money. Non-care elements of support packages (e.g. accommodation and overheads) are being actively reviewed by commissioners to achieve better value. The care elements of support packages are being reviewed by social workers to ensure that they reflect the national eligibility criteria introduced by the Care Act and the best outcomes possible within our resources. Even after proposed changes, Southwark will still be a council that funds these services well compared to our comparator group and our approach is person-centred.
37. Working closely with Southwark NHS Clinical Commissioning Group (CCG), Adult Social Care is continuing to establish integrated community care services in the form of Local Care Networks and joint commissioning will ensure better value for money. Southwark CCG is supporting Adult Social Care, through the Better Care Fund, to deliver system-wide benefits and through the application of Continuing Health Care funding. Our shared values and vision for integrated health and social care, as set out in our local Five Year Forward View, is the pathway and we will navigate the way forward together.

CAPACITY TO MAKE CHANGES

38. Children's and Adults' Services represents the largest proportion of the council's general fund budget and accordingly have repeatedly set out to achieve significant budget efficiencies and savings. In 2015-16 these amounted to £17.5m, with a further £41.4m to be achieved from 2016-17 to 2018-19. Slippage has occurred with savings relating to some commissioned services but the department has strong plans to achieve savings in the medium term, including in collaboration with the Modernise Programme.
39. Children's and Adults' Services continues to mitigate demographic growth (in numbers of referrals and level of need) by promoting reablement and improved independence, increasing resident access of existing services in the community, utilising assistive technologies (such as telecare), and efficient use of community-based services (such as homecare, daycare, respite and fostering) to reduce the need for residential care. The department is also ensuring value for money by benchmarking unit costs against statistical neighbours, London and national levels to ensure that service provision is in line with national eligibility criteria.
40. The department has undertaken several reviews of services, engaging service users, carers, care staff, trade unions, partners and stakeholders in order to agree plans for modernisation and to achieve improved outcomes and best value. Immense efforts by staff and management continue to deliver high quality care and support to meet statutory obligations for children in need and at risk, families in crisis, vulnerable adults and carers. These efforts are also ensuring that opportunities created in Southwark are available to all residents, including care leavers, people with disabilities and carers.
41. Management action has been taken including
 - Introducing controls over the recruitment of staff, in particular agency staff and also areas operating over establishment

- Improved management and procurement over residential placements and renewing the Independent Fostering Agency framework arrangements
 - Increasing income levels across a range of areas, most notably unaccompanied asylum seeker claims, housing benefits, inter agency adoption and payments by results
 - Reviewing all relevant placement for continuing health care eligibility and funding
 - For non statutory services and associated roles; making better use of these to reduce external spend, seeking alternative funding and if this is not possible ceasing the service
 - Efficiencies with regard to back office supporting roles and associated costs
 - Reviewing policies on carer allowances where they are more financially generous than statutory requirements and/or statistical neighbours
 - Bidding for innovation grant funding for services where available
 - Introduction of a new scheme of management – changes to permissions and authorisation limits with revised roles and functions for individuals and/or panels.
42. The department is managing a large programme of efficiency initiatives and is mindful that the pace of change must allow for the correct fulfilment of obligations to appropriate consultation, procurement and value for money assessments, and implementation in ways that appropriately mitigate inherent risks and treat our residents with dignity and respect.
43. Some of the planned efficiencies are contingent on cooperation by NHS partners, transforming care pathways and the NHS fairly sharing the cost of care in the community for health care needs. Some savings originally profiled in February 2016 to take effect in 2017-18 and 2018-19 have been deferred by one year to allow for continued engagement with NHS partners to achieve the required outcomes.
44. Southwark's spending on social care can be compared to 15 other London councils which make up Southwark's statistical neighbours. Although there may be some differences in the population make up which could influence these measures, the statistical neighbour group takes account of this. The following figures are taken from official 2015-16 Adult Social Care returns.
45. Southwark is spending 18.9% above the average for Learning Disabilities gross expenditure per head of adult population at £133.01 versus average of £111.91.
46. Southwark is spending 15.8% above the average for direct payments based on gross expenditure per head of population, at a figure of £38.61 versus average of £33.35. If Southwark were able to ensure that care needs were being met but reduced direct payments spend by 10% to £34.75, the council would still funding this at 4.2% above the average.
47. The following weekly unit costs are net, so are affected by both the gross cost and the extent to which there are NHS contributions for continuing health care needs and joint funding.

Type	Southwark £	Average £	Southwark v. average spend %
residential and nursing care for Younger	1,340.62	1,237.00	+8.4

Type	Southwark £	Average £	Southwark v. average spend %
PD and Younger LD (18 to 64 year olds)			
residential and nursing care for Older People (65 years and older)	989.91	708.32	+39.8
disabilities and older people together residential and nursing care for all clients	1.132.52	890.12	+27.2

PUBLIC HEALTH

48. Public Health is funded through a ring-fenced specific grant totalling £28.2m in 2017-18. The allocation has reduced by £3m from 2015-16 to 2017-18, with a further reduction of £1.4m (5%) indicated by government for the period to 2019-20.
49. There is a continuing demand pressure in sexual health services, despite cost pressures being reduced where controllable through the expansion of community based services and more efficient methods of service delivery. A new London integrated tariff will be in place from April 2017 to reduce the unit costs of appointments and testing, very much in line with local developments in digital services such as on-line sexual health services for confidential home testing which has proven both very popular and effective.
50. Substance misuse services are being rationalised and the health checks team restructured to meet the decrease in public health grant in 2017-18. Referral pathways and remuneration models are being reviewed for services funded by the public health grant to provide service improvements and improved use of resources, to help contain overall public health demand pressures within government grant funding.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Policy and Resources Strategy 2016-17 to 2019-20 : Scene Setting Report (including Fairer Future Medium Term Financial Strategy and Integrated Efficiency Plan)	160 Tooley Street PO Box 64529 London SE1P 5LX	Jennifer Seeley 020 7525 0695
Link: http://moderngov.southwark.gov.uk/documents/s63776/Report%20Policy%20and%20resources%20strategy.pdf		
Revenue Monitoring Report incorporating Updated Medium Term Financial Strategy and Treasury Management 2016-17	160 Tooley Street PO Box 64529 London SE1P 5LX	Jennifer Seeley 020 7525 0695
Link: http://moderngov.southwark.gov.uk/documents/s64608/Report%20Revenue%20Monitoring%20Report%20incorporating%20Updated%20Medium%20Term%20Financial%20Strategy%20and%20Treasury%20.pdf		
Policy and Resources Strategy 2017-18 – revenue budget	160 Tooley Street PO Box 64529 London	Jennifer Seeley 020 7525 0695

Background Papers	Held At	Contact
	SE1P 5LX	
http://modern.gov.southwark.gov.uk/documents/s66633/Report%20Policy%20and%20resources%20strategy.pdf		

AUDIT TRAIL

Cabinet members	Councillor Richard Livingstone, Cabinet Member for Adult Care and Financial Inclusion Councillor Victoria Mills, Cabinet member for children and schools Councillor Fiona Colley, Cabinet member for finance, modernisation and performance	
Lead officer	Duncan Whitfield – Strategic Director of Finance and Governance	
Report author	Jennifer Seeley – Director of Finance	
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Key Decision?		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Democracy	n/a	n/a
Strategic Director of Finance and Governance	Yes	yes
Cabinet Member	yes	
Date final report sent to constitutional team		09/03/17