SURREY
COUNTY COUNCIL

Adult Social Care Select Committee
5 September 2013

Budget Update

Purpose of the report: Scrutiny of Budgets/Performance Management

This report provides an opportunity for the Committee to scrutinise the Adult Social Care budget.

Introduction:

1. This report:

- sets out some background and context for the monitoring process, in view of the predominantly new membership of the committee. This might helpfully be seen together with the Medium Term Financial Plan. That is available electronically and relevant pages from it were included in the papers for the Committee's last meeting.
- provides a high level summary of spend to date and of efficiencies achieved
- explains the current monitoring position: The **July projected outturn** for Adult Social Care is a **balanced** budget but with a **significant risk of an overspend** occurring**.**
- sets out in appendices fuller details of the management actions being taken, the effects across years of the position shown, and the capital budget. More detail can be provided in future reports if members want it.

Background and Context

2. Three characteristics of the adult social care budget (£403m gross, £338m net) are relevant when considering monitoring reports: it is complex, demand driven and requires substantial savings targets to be met.

Complexity

3. ASC is complex, due mainly to the variety of client groups, each of which have their own characteristics, range of provision, patterns of charging and markets: older people, learning disabilities, people with physical and sensory disabilities, mental health - and carers across all. Moreover, the Directorate can be split along functional lines:

   - **Personal Care and Support** (£291m gross, offset by £45m income, as this budget contains fees and charges) covers the practitioners who assess what help people need and arrange for that to be provided, and the cost of all care purchased on an individual ('spot') basis

   - **Commissioning** (£62m) is responsible for developing services in the market and dealing with external block contracts, which are paid for by the commissioning budget but called off through placements made by staff from Personal Care and Support

   - **Service Delivery** (£20m) provide some services directly in-house: again, Personal Care & Support staff place people into these arrangements, as do some other local authorities and the NHS.

   Thus there are immediately a range of analyses possible, as one can consider the spend on each of the client groups by each of the service areas. That becomes more complex for **geographical** reasons, as – in addition to the functional analysis - budgets are set and monitored on a locality basis to match management arrangements at district / borough level: there are eleven localities grouped into four areas. The Transition service covers individuals transferring to Adults from Children's services and is in effect a twelfth locality. In addition, **partnership working** is important, particularly the interface with health, which leads to a range of pooled budgets (mainly for equipment), a jointly managed service (mental health), integrated working, and funding streams which are influenced by both health and social care. Adult Social Care is also a dynamic area of **policy development**, and this often has financial consequences: two particularly important examples are personalisation of services (including the use of individual budgets) and the Government's plans to change the way in which people pay for social care, due to be introduced from 2016.

Demand Driven

4. Budgets are demand driven in that if someone is assessed as having a substantial or critical need for help, then they must be given it irrespective of the cost (although every effort is made to manage the market effectively in order to help keep unit costs down as far as possible). This contrasts, for example, with monitoring a budget for police: that is more straightforward as the police have greater scope to allocate resources to meet demands by reducing one area of spend and increasing resources in another area. That is not possible in social care where there is a statutory responsibility to provide care and services cannot be withdrawn or reduced if cost pressures arise in other areas. The number of people coming forward with social care needs is variable: forecasts are made on the basis of general population trends and past trends within ASC in Surrey, but practice has shown that these will not be wholly reliable. For example although the number of people helped in April 2012 was broadly as had been forecast three months previously when the budget was set, a 5% increase in demand then occurred over the following six months. A further level of complexity is added by the interaction of demand trends with savings plans, as many of the savings actions are designed to reduce the impact of demand increases.

Savings Requirements

5. ASC has substantial increases in pressure together with other changes from year to year, but little prospect of cash limits being increased proportionately in the current economic circumstances. Consequently, there is a corresponding need to find savings in order to balance the budget. If you look at Page 21 of the current (2013-18) Medium Term Financial Plan (MTFP) you can see predicted pressures totalling £188m on a recurring basis by 2017/18. Cash limits are planned to increase over that period - from £338m to £410m - but that still leaves savings requirements which reach £106m on a recurring basis by 2017/18. In 2013/14 itself, pressures totalled £59m and the savings requirement is £46m.

   The scale of that challenge lies behind the long list of savings measures set out on page 22 of MTFP (current performance against these savings measures is outlined in the efficiency tracker in the Appendix). Most of those measures are designed either to control or reduce unit costs (e.g. procurement initiatives, strategic shift from residential to non-residential solutions, and the use of social capital) or to control or reduce the number of people needing help: that is the intended effect of the absorption of demand pressures by deflecting needs to elsewhere, using personalisation imaginatively, and using reablement and telecare to avoid the need for permanent support. ASC has made substantial savings in recent years: £32m + £28m + £28m = £88m over 2010-13. However, the target is significantly higher this year, and that has required an innovative approach to be developed, so that in addition to what might be called the 'usual' areas of saving, some £15.5m of savings are budgeted through the application of social capital. There has been some slippage in this programme, and its scale and ambition was the subject of a recent question by the Select Committee to the Cabinet: the response is included elsewhere on this agenda.

Adult Social Care Directorate July month end budget monitoring report

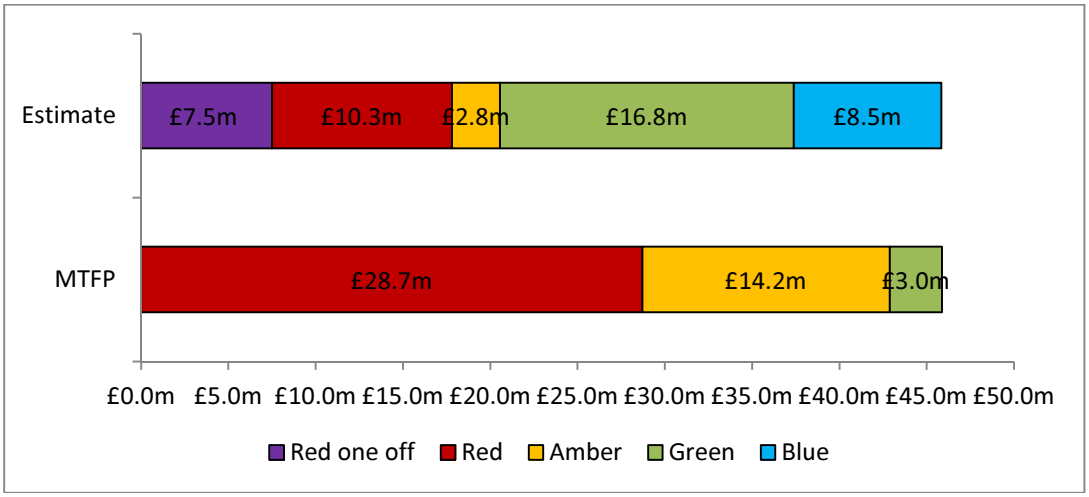
Revenue Summary

Table 1: 2013/14 Revenue Policy Line

	YTD Budget	Year to Date Actual	**YTD Variance**	Full Year Budget	Remaining Forecast	Outturn Forecast	**Forecast Variance**	Previous Month Variance	**Change From Last Month**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income									
UK Government Grants	(677)	(697)	(20)	(2,030)	(1,421)	(2,118)	(88)	(106)	18
Other Bodies Grants	(7,527)	(6,734)	794	(14,297)	(7,661)	(14,395)	(97)	179	(276)
Fees & Charges	(12,687)	(13,166)	(479)	(37,913)	(24,587)	(37,753)	159	147	12
Joint Working Income	(68)	(76)	(8)	(9,356)	(9,609)	(9,686)	(330)	(93)	(238)
Joint Funded Care Package Income	(827)	(49)	778	(2,480)	(2,218)	(2,266)	214	90	124
Reimbursements & recovery of costs	(632)	(814)	(183)	(1,079)	(1,270)	(2,085)	(1,006)	(457)	(549)
Property Income	0	(14)	(14)	(97)	(27)	(40)	57	10	48
Income	(22,418)	(21,549)	868	(67,253)	(46,794)	(68,343)	(1,091)	(230)	(861)
Expenditure									
Older People	52,512	58,619	6,107	157,536	108,435	167,054	9,518	9,592	(74)
Physical Disabilities	16,286	16,570	285	48,857	31,353	47,923	(934)	(1,360)	426
Learning Disabilities	43,196	43,014	(181)	129,587	88,334	131,349	1,762	1,479	284
Mental Health	3,072	3,135	63	9,217	6,181	9,316	99	45	54
Other Expenditure	20,016	18,783	(1,234)	60,049	31,946	50,729	(9,320)	(9,518)	198
Expenditure	135,082	140,121	5,039	405,245	266,250	406,371	1,127	239	888
Net Position	112,664	118,572	**5,908**	337,992	219,457	338,028	**36**	9	**28**

Efficiencies

Graph 1: 2013/14 Progress on Efficiencies



(total non-repeatable one-offs equals £10.4 m of which £7.5m = red (as above) and £2.9m = green)

Table 2: Revisions to MTFP Efficiencies

	MTFP £'000	Forecast* £'000	Variation £'000
MTFP	45,882	36593	-9,289
Alternative		8,122	8,122
Additional		1,131	1,131
	45,882	45,846	--36

* Excluding one-off savings which, though they help in this year, will need to be replaced in the MTFP going forward.

Commentary

6. The **July projected outturn** for Adult Social Care is a **balanced** budget but with a **significant risk of an overspend** occurring**.**

7. As highlighted in the MTFP preparation, the ASC budget faces considerable pressures and commensurately demanding savings targets, even after the addition of £11m during budget preparation to the previously-planned MTFP cash limit for 2013-14.

8. The main points to date are that:

- Good progress has been made in many of the savings actions, and it is judged that **£21m of savings** have either been achieved or will be achieved without further action being required.
- However, it is indicative of the difficulties faced that the **year to date position** as at the end of July is showing an **overspend of £5.9m**.

- The Directorate is planning to improve this position, and offset future demand pressures in the remainder of the year, by completing the implementation of the remaining **£24.8m of management action** savings plans.

9. Planned management actions have increased by £0.2m from last month, due to additional pressures that have emerged, mainly within Older People nursing care and Learning Disabilities services. At this stage it is anticipated that savings plans will constrain and reduce these pressures, but changes in service volumes and unit costs will continue to be closely monitored and scrutinised at locality level to better assess their overall impact.

10. The most significant element of these future savings plans is the **social capital agenda**:

- The savings target for social capital this year is £15.5m, against which £10m of savings are currently being projected. This projection is made up of £2.0m of demand related savings identified in current projections **and £8.0m of savings that the Directorate plans to achieve in the remainder of 2013/14**.

- Social capital is also expected to help contribute towards a **further £7.5m** of savings. It is still too early in the year to properly evaluate the success of the use of social capital, but given the scale of the challenge and the fact that this is the first year of implementing these ambitious plans, **some slippage** was always likely.

- The latest month's position suggests that slippage has already occurred and therefore, the Directorate is likely to seek to draw down available balance sheet funding at a later point to help offset this current and any future slippage. Currently £7.5m of unused 2011/12 Whole Systems funding has been identified as a contingency for this purpose, and in view of that, **£7.5m of the savings attributable to social capital have been categorised as one-off at this stage**. That has an effect on planning for future years, as indicated by the graph at Appendix 3.

11. The key driver of the underlying pressures that the service faces is individually commissioned care services. The gross **spend to date** on spot care excluding Transition has been **£21.4m per month** over April - July. That compares with £21.4m per month at the end of 2012/13, indicating that whilst new in year pressures are being contained expenditure has not yet decreased as planned. Assuming that all savings occur as currently forecast or are replaced by other means, then **the Directorate can afford to spend only £19.5m per month** in order to achieve an overall balanced budget. Therefore, an 8.9% reduction in expenditure on individually commissioned care services is needed.

12. Overall whilst a balanced budget remains a feasible outcome and one which every effort will be made to achieve**, there is a significant risk of an overspend occurring**. That remains consistent with the judgment of risk when setting the budget, when it was stated that 'realistically, some overspend is judged possible, as has been recognised corporately by the increase in the centrally-held risk contingency'.

Summary of Adult Social Care Forecast

	£m
ASC MTFP Efficiency Target	(45.8)
Savings in remainder of the year through use of social capital / other one-off savings	(15.5)
Other savings plans forecast in the remainder of the year and included as Management Actions	(9.3)
Demand related savings identified in current projections including social capital	(5.1)
Other savings identified in current projections	(15.9)
Total forecast performance vs MTFP target	(45.8)
	0

13. A list of the management actions included in the July projections can be found in Appendix 1 and the savings identified in the current projections can be found in Appendix 2.

14. On a client group basis, the projected pressures currently appear mainly in Older People. However, that position precedes any reliable evidence regarding how best to allocate the effects of using social capital across client groups, and it may be that some reallocations between client groups will be indicated as that evidence emerges.

Conclusions:

15. Overall whilst a balanced budget remains a feasible outcome and one which every effort will be made to achieve**,** there is a significant risk of an overspend occurring. Actions will be taken to mitigate this risk in the remainder of the year, linked to rigorous monitoring.

Recommendations:

16. It is recommended that the Committee notes the current position and continues to receive budget updates at future meetings.

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Appendix 1 – Adult Social Care Management Action Plans

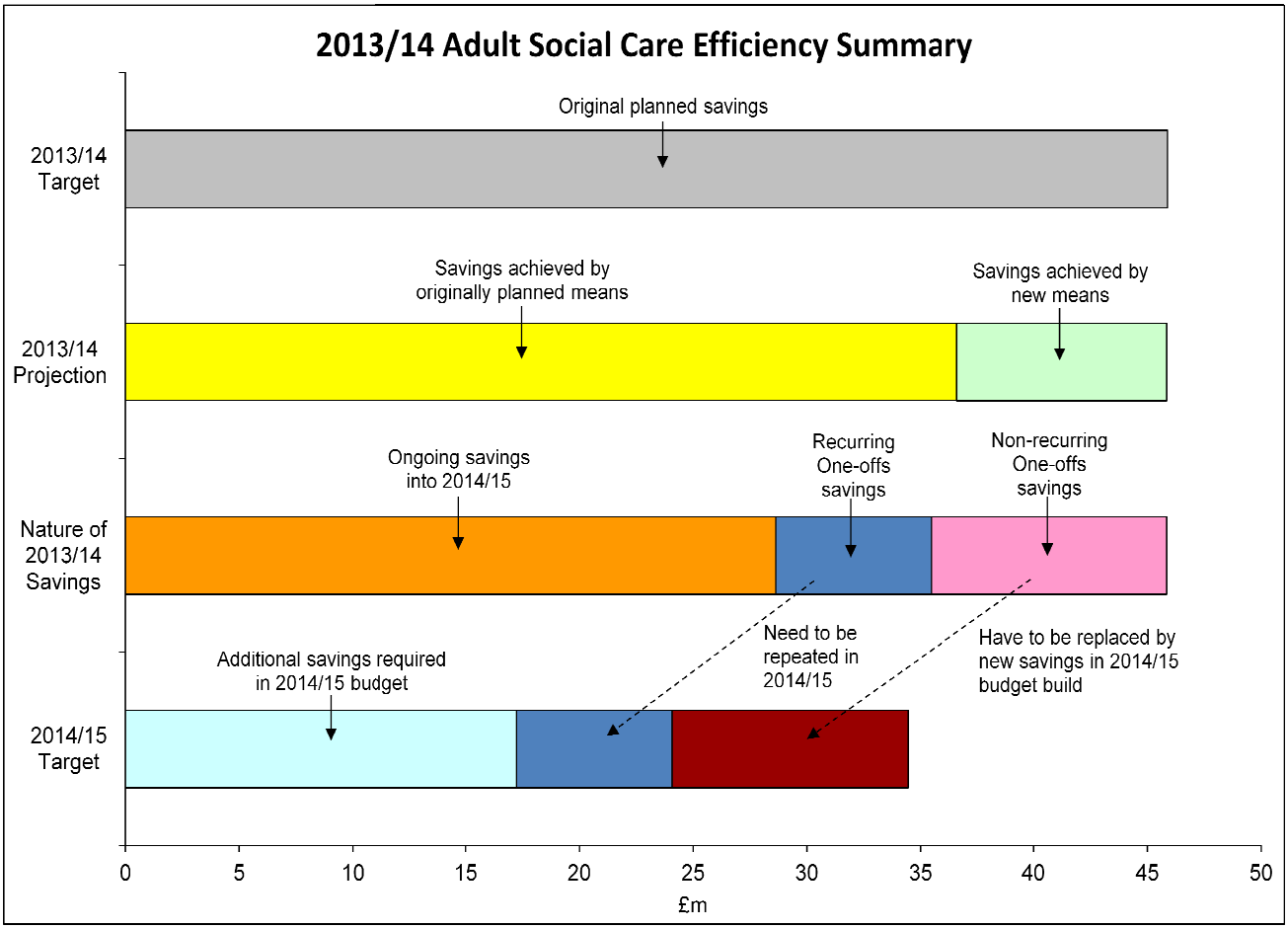
£m	Management Action
	Social capital / Use of balances and other adjustments (split to be determined)
(8.0)	Savings through the application of social capital.
(7.5)	One-off savings and / or possible draw down of un-used Whole Systems funding from 2011/12 anticipated in budget planning to support the services pressures in 2013/14
(15.5)	
	Other forecast efficiency savings in the remainder of 2013/14
(2.4)	It is anticipated that a proportion of service users currently receiving a direct payment will have surplus balances which will be reclaimed in 2013/14.
(2.0)	Maximising Income through partnership arrangements. CHC savings of £(0.4)m have already been identified as achieved. An additional £(2.0)m of savings are anticipated in the remainder of 2013/14, which is line with the total savings of £(2.4)m achieved in 2012/13.
(1.4)	The LD PVR team have implemented robust saving plans which aim to deliver the full saving target in 2013/14. To date £0.6m of savings have been identified as achieved.
(1.5)	Manage costs below budget - it is anticipated that £1.5m of further savings will be achieved during 2013/14, mainly due to staffing vacancies.
(0.7)	Preventative savings - it is anticipated that the roll out of telecare, telehealth and other preventative measures will lead to savings in care costs in line with MTFP savings target.
(0.4)	S256 Attrition - £(1.7)m of savings are anticipated in 2013/14 of which £(1.3)m has been achieved to date. A further £(0.4)m of savings are projected for the remainder of the financial year.
(0.3)	Strategic Shift - the transfer from residential to community placements is expected to continue in 2013/14 resulting in care cost savings.
(0.3)	Other Commissioning Strategies - the review of grants and contracts is expected to deliver savings in contract costs through effective negotiation with providers, whilst maintaining service levels.
(0.2)	Home Based Care Retender - the reduction in rates negotiated in 2012/13 is forecast to delivery further savings in 2013/14 through new clients entering the system.
(0.1)	Service Delivery – Savings in the delivery of internal services.
(9.3)	
(24.8)	Total Management Action Plans included in projections

Appendix 2 – Savings identified in current projections

£m	Saving
(5.1)	Demand savings related to individually commissioned services
(5.2)	Constrain inflation for individually commissioned services
(2.9)	Re-use of 2013/14 Whole Systems funding to offset wider ASC pressures
(2.2)	Other Savings
(1.3)	Staffing related savings
(1.3)	Attrition savings for Former S256 clients
(1.2)	Direct Payment Reclaims
(0.9)	Block Contracts & Grants
(0.6)	Learning Disabilities Public Value Review
(0.4)	Continuing Health Care Review
(21.0)	

Appendix 3: Summary of Efficiency Impacts Across Years

(position before additional savings likely to be required by MTFP refresh)



Appendix 4: Capital

Table:

	Revised Full Year Budget	YTD Actual	Committed	Apr-July YTD & Committed	Aug - Mar Remaining Forecast	**Full Year Forecast**	**Full Year Variance**
	£'000	£'000	£'000	£'000	£'000	**£'000**	**£'000**
Significant Schemes							
Major Adaptations	855	166	56	221	634	855	0
O&B developments - wellbeing centres	269	165	186	351	-82	269	0
In-house capital improvement schemes	366	18	40	59	307	366	0
User led organisational hubs	235	-7	0	-7	127	120	-115
NHS Campus Reprovision	85	0	0	0	85	85	0
Total	1,810	342	282	624	1,071	1,695	-115