

SOCIAL & HEALTH CARE OVERVIEW & SCRUTINY COMMITTEE

Date of Meeting	Thursday, 5 th October 2017
Report Subject	Financial Forecast and Stage One of the Budget 2018/19
Cabinet Member	Leader and Cabinet Member for Finance Cabinet Member for Social Services
Report Author	Corporate Finance Manager, Chief Executive and Chief Officer (Social Services)
Type of Report	Strategic

EXECUTIVE SUMMARY

This report sets out the current financial forecast for 2018/19. The forecast position shows a projected “gap” of £11.7m prior to any modelling for an increase in Council Tax.

The Council favours a staged approach to planning and approving the annual Council Fund budget.

In a series of member workshops over the summer details of the forecast were shared and a range of solutions to how the annual budget could be balanced were shared, based on the well-established strategy set out within the Medium Term Financial Strategy. Latterly the budget options within each of the service portfolios were shared.

The emergent options for the Social Services portfolio are set out within this report. The financial pressures facing the portfolio are also set out.

The timeline for the budget setting process is also set out within the report.

RECOMMENDATIONS

1	That the Committee reviews and comments on the portfolio budget options.
2	That the Committee reviews and comments on the portfolio financial pressures.

REPORT DETAILS

1.00	MEDIUM TERM FINANCIAL STRATEGY FORECAST 2018/19												
1.01	<p>The Council has set a cycle of reviewing its Medium Term Financial Strategy (MTFS) on an annual basis.</p> <p>The report to Cabinet in July gave the first detailed overview of the financial forecast for 2018/19.</p>												
1.02	<p>The Financial Forecast</p> <p>The financial forecast has been revised to take into account decisions made as part of the 2017/18 budget, and updated with the latest information on pressures from service portfolios. The key variable within the forecast will be the eventual local government financial settlement for 2018/19. A settlement at or similar to the 2017/18 financial baseline is used as the basis for calculating the forecast. No modelling has been included for raised Council Tax levels at this stage. The Provisional Local Government Settlement for Wales is due to be announced on 10 October.</p>												
1.03	The revised forecast for 2018/19 is shown in Table 1 below.												
1.04	<p>Table 1: Financial Forecast 2016/17-2018/19</p> <table> <tr> <th><u>Expenditure</u></th><th>2018/19 £m</th></tr> <tr> <td>National Pressures</td><td>1.0</td></tr> <tr> <td>Local Pressures</td><td>6.5</td></tr> <tr> <td>Inflation</td><td>2.9</td></tr> <tr> <td>Workforce Pressures</td><td><u>1.3</u></td></tr> <tr> <td>Projected Gap</td><td>11.7</td></tr> </table> <p>This table groups the pressures into National, Local, Inflation and Workforce pressures and further details which are specific to the Social Services portfolio are included in section 1.06.</p>	<u>Expenditure</u>	2018/19 £m	National Pressures	1.0	Local Pressures	6.5	Inflation	2.9	Workforce Pressures	<u>1.3</u>	Projected Gap	11.7
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1.05	<p>Emerging Pressures</p> <p>The previous Cabinet report also set out a number of emerging pressures and positive budget variations, which will impact on the 2018/19 budget.</p> <p>One area of risk specific to Social Care is the volatility and high costs of Out of County Placements. The additional costs pressure in this area of service is forecast to be in the region of £0.200m to £0.700m. Detailed work on case analysis is ongoing.</p>												

1.06	<p>Specific Portfolio Pressures</p> <p>Pressures included 18/19</p> <table border="1" data-bbox="300 309 1070 674"> <thead> <tr> <th>Social Care</th><th>£m</th></tr> </thead> <tbody> <tr> <td>Transition to Adulthood</td><td>0.700</td></tr> <tr> <td>Autism Spectrum Disorder (ASD)</td><td>0.300</td></tr> <tr> <td>Supporting People (SP) reduction in Funding</td><td>0.387</td></tr> <tr> <td>Social Care Fee Increase</td><td>2.021</td></tr> <tr> <td>Flint Extra Care</td><td>0.420</td></tr> <tr> <td>Total Social Care Pressures</td><td>3.828</td></tr> </tbody> </table> <ul style="list-style-type: none"> • Transition to adulthood - £0.700m which is an estimate based on support for known new service users moving through from Children's to Adult services. • Autism Spectrum disorder (ASD) - £0.300m pressure as a result of the change in eligibility due to the Social Services and Wellbeing Act (Wales) • Supporting People - £0.387m pressure as a result in the change in eligibility criteria of the Supporting People grant which supports direct care to individuals across various services • Independent Sector Fee increase - £2.021m which is based on a potential increase in fees to support the sector which provides both domiciliary and residential support for Flintshire residents. • Flint Extra Care - £0.420m for the revenue cost of the new Extra Care facility which is due to open early 2018. 	Social Care	£m	Transition to Adulthood	0.700	Autism Spectrum Disorder (ASD)	0.300	Supporting People (SP) reduction in Funding	0.387	Social Care Fee Increase	2.021	Flint Extra Care	0.420	Total Social Care Pressures	3.828
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1.07	<p>Inflation</p> <p>The current forecast includes projections for increases in inflation:</p> <ul style="list-style-type: none"> • Pay – includes an increase of 1% on current budgets. Any increase above the 1% which might be negotiated at a national level would have a significant impact on the forecast funding “gap”; • Price inflation – included on a critical service need only basis with £0.170m set aside for specific pressures; • Food –includes an increase of 5% on current budgets due to latest indications from our suppliers; • Fuel –includes an increase of 5% on current budgets to reflect recent increases and current forecasts; and • Energy – includes increases in energy which range from 2% for fuel oil, to 11% for electricity, to 16% for street lighting. Gas is forecast to increase by 30%. <p>Inflation provision is held centrally initially and allocated out according to need. The position on inflation remains unpredictable in the current economic and political climate, and is therefore kept under review.</p>														
1.08	<p>Further Risks Identified relating to the Portfolio</p> <p>Social Services and Wellbeing Act (Wales): some of the impacts of the Act have already been identified in 1.07 above. Others are difficult to quantify at</p>														

	this stage and are being kept under close review.
1.09	Ongoing Integrated Care Fund (ICF): continued availability of funds is a risk that needs to be monitored throughout the year. The Council has been allocated £1.261m of ICF funding in 2017/18.
1.10	<p>Operating Model Efficiencies – Social Care</p> <p>The portfolio options for savings and efficiencies which are risk assessed as either ‘green’ or ‘amber’ are set out below.</p> <p>Details of these options are included in Appendix 1. This appendix should be read alongside the assessment of service resilience which is included at Appendix 2.</p> <p>There options total £0.450m:-</p> <ol style="list-style-type: none"> 1. Disability Services – Efficiency of £0.140m (£0.030m for direct payments and £0.110m for staffing). 2. Business Support – Efficiency of £0.030m from additional income from assessors and £0.060m efficiency from workforce in the service. 3. Domiciliary Care charging – An increase in the charging cap from £70 to £80 per week for individuals receiving domiciliary care and other non-residential care will provide additional income in the region of £0.220m.

2.00	BUDGET PROCESS AND TIMELINE 2018-19
2.01	Stage One service portfolio proposals are being presented throughout October for review.
2.02	The Provisional Settlement for Local Government in Wales is due to be announced on 10 October 2017. The Final Settlement is expected later in the calendar year and will follow the Chancellor of the Exchequer’s budget statement which is due to be made on 22 November.
2.03	Stage Two (secondary options) will be considered between December and February, with Stage Three (budget finalisation and approval) taking place in February and March 2018.
2.04	Council meetings have been diarised in December, January, February and March.

3.00	RESOURCE IMPLICATIONS
3.01	The resource implications of setting the annual budget are significant. The Medium Term Financial Strategy will continue to carry many risks. Careful risk assessment in planning and decision-making will continue to be a central feature of planning.

4.00	CONSULTATIONS REQUIRED / CARRIED OUT
4.01	Consultation with Group Leaders, Overview and Scrutiny Committees, external partners, external advisors and representative bodies, and eventually the communities of Flintshire will follow. The strategic approach advocated for the MTFS builds on the current approach which had majority member and public support in planning the previous two annual budgets.

5.00	RISK MANAGEMENT
5.01	All parts of the financial forecast, and all budget solutions, are risk assessed stage by stage. An overall risk assessment and risk management statement will be produced both for the revised MTFS and the draft annual budget for 2018/19.

6.00	APPENDICES
6.01	Appendix 1 – Social Services Operating Model. Appendix 2 – Social Services Resilience Statement.

7.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
7.01	None. Contact Officers: Colin Everett and Gary Ferguson Telephone: 01352 702101 E-mail: gary.ferguson@flintshire.gov.uk

8.00	GLOSSARY OF TERMS
8.01	<p>Medium Term Financial Strategy (MTFS): a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period, and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.</p> <p>Revenue Support Grant: the annual amount of money the Council receives from Welsh Government to fund what it does alongside the Council Tax and other income the Council raises locally. Councils can decide how to use this grant across services although their freedom to allocate according to local choice can be limited by guidelines set by Government.</p> <p>Specific Grants: An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.</p>

Office of Budget Responsibility: created in 2010 to provide independent and authoritative analysis of the UK public finances.

Institute of Fiscal Studies: formed in 1969 and established as an independent research institute with the principal aim of informing public debate on economics in order to promote the development of effective fiscal policy.

Independent Commission on Local Government Finance in Wales: established to examine how local government funding can be made more sustainable with a view to providing specific recommendations for improvement and reform.

Welsh Local Government Association: the representative body for unitary councils, fire and rescue authorities and national parks authorities in Wales.