

## **Committee: Health and Wellbeing Board**

**Date: 20 June 2017**

Agenda item:

Wards:

## **Subject: Adult Social Care Funding 2017/18**

Lead officer: Simon Williams, Director of Community & Housing

Lead member: Tobin Byers, Cabinet member for Adult Social Care and Health

Forward Plan reference number:

Contact officer: Richard Ellis, Head of Adult Commissioning

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### **Recommendations:**

- A. For the Health and Wellbeing Board to note the report.
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### **DETAILS**

#### **1. Introduction**

- 1.1. The Adult Social Care budget has been under pressure for a number of years, in line with the national trend. The pressure is a combination of the need to make savings to address the significant reductions in Government funding for local government and growing demand from disabled and older adults.
- 1.2. The national pattern of demand and costs has not played out exactly as predicted in the past nor as reported in the media today. Whilst the ageing population has increased demand for local authority funded social care, this has partly been mitigated by demand management strategies. Therefore the number of older people receiving care has not risen as predicted. However, the amount of care that people receive and the cost of that care has increased as the complexity of needs and prevalence of dementia amongst service users has increased. Alongside this there has been a significant growth in demand from people transitioning into adulthood with complex physical and learning disabilities.
- 1.3. In the early days of austerity, there was a strong focus on market management and procurement 'efficiencies', which translated as freezing or reducing care fees. In recent times, there has been considerable pressure to increase fees again to restore some stability to an uncertain market. The problems in the care market have been exacerbated by constraints in the supply of care labour. There is very little spare capacity in the system, and with 11% of the total adult social care workforce in Merton coming from other EU countries, there must be a further risk of contraction. (source: Skills for Care)

#### **2. 2016/17 budget outturn**

2.1. Adult Social Care ended the year with a net overspend of £9m, although that includes some one-off pressures. The majority of the pressure was in the placements budget, predominantly relating to the number of home care hours commissioned, transitions costs and increased care fees. There was also a reduction in client income and increased costs from deprivation of liberty assessments.

### 3. 2017/18 budget

3.1. Whilst the budget was formally approved by full council in March 2017, the work to develop the budget took place from July onwards, with final revision in February. The pressures on Adult Social Care were therefore assessed on a mid-year position, which varies a little from the year-end position. In particular, there was an increase in placements spend and a growth in residential placements for older people.

3.2. Cabinet, and subsequently full council, accepted the case that Adult Social Care needed significant growth to be able to maintain statutory services. This was despite the continued reduction in Government support to local government, albeit partially offset by the Social Care Precept.

3.3. Cabinet proposed, and Council approved, a 3% Social Care Precept for 2017/18, which raises c£2.4m pa. In total, £9.3m of growth was added to the Adult Social Care budget, which after a number of other unrelated adjustments, results in a gross budget of £80.5m and a net budget of £59m.

3.4. The growth is funded by three sources:

- Social Care Precept - £2.4m (approx.)
- iBCF - £2.745m
- Reserves - £4.2m

3.5. Growth has been allocated based on the patterns of activity and income in 2016/17, which are expected to continue into 2017/18 and on unavoidable care fee pressures in 2017.

Growth ASC growth 2017/18	£000	Funded by		
		Precept*	iBCF	Reserves
Client income shortfall	1,300			1,300
Other	100			100
Provider uplift – NLW	1,100	1,100		
Provider uplifts - residential	820	820		
Transition to adulthood	470	470		
Residential placements	3,800		990	2,810
Home Care activity	1,755		1,755	
	<b>9,345</b>	<b>2,390</b>	<b>2,745</b>	<b>4,210</b>

\* estimate

- 3.6. The fall in client income reflects national trends, but also some local systems issues that are being resolved. The National Living Wage was increased by 4%. Although many care employers pay above this, the NLW puts upward pressure all wages in the service sectors. In addition, the cost of residential and nursing care is increasing significantly as local authorities are forced to compete with private fee payers for a limited supply in order to meet the ongoing demand for beds. An allocation has been made for additional residential and nursing placement costs based on a hundred care beds at average cost spread evenly over the year, based on the pattern of demand seen in 2016/17.
- 3.7. Home Care hours have continued to rise, with an increase of 21% between March 2016 and March 2017. The funding allocation is based on an assumption of a continuation of this trend at average hourly costs. Home Care contracts are currently out to tender. The new model will have three prime providers covering three geographic patches, who will be expected to take the majority of new cases. In addition there will be a back-up provider list and a specialist care list. These contracts are expected to be awarded for a November 2017 start.
- 3.8. The core Better Care Fund transfer remains at £5.5m. With the mandated increase in the mandatory part, this means that the discretionary part of the transfer has decreased by c£60k. The allocation of the funding has agreed, subject to receipt of the final guidance. Plans focus resources on fewer lines of activity. This includes coordinating local authority and CCG investment in voluntary sector wellbeing programmes, and support for reablement and integrated teams.

#### **4. The year ahead**

- 4.1. 2017/18 is likely to be a financially challenging year despite the additional funding. The Social Care Precept and iBCF funding has created expectations that there are funds available, when in reality the additional funding provides some stability only. Providers have already set out expectations for most or all of the iBCF funding to be used to make good previous years' fee restrictions. Meanwhile NHS England has been setting out its own expectations. The iBCF grant is a grant from DCLG and is therefore only subject to the conditions they set, which in brief are: that it forms part of the BCF pool and is spent on meeting adult social care needs, and/or reducing pressures on the NHS and/or ensuring that the local social care market is supported.
- 4.2. Care labour shortages are expected to continue, particularly in home care. A competitive labour market and losses of some EU workers have added to a long term issue with the attractiveness of care work. The new prime Home Care providers will be expected to undertake extensive recruitment programmes, but that will only have a partial impact this year. Whilst there are some new nursing homes being built in the south-west London area, few are within the price range of local authorities. There is also a risk that current homes may shift their focus more towards self-funders.

4.3. Our focus for the year ahead will be on:

- Delivery of the further savings that form part of the council's medium term financial strategy;
- Meeting our core statutory duties;
- Stabilising the local care markets;
- Helping pressure on the NHS, particularly in relation to improving hospital discharges.

**ALTERNATIVE OPTIONS**

N/A

**CONSULTATION UNDERTAKEN OR PROPOSED**

N/A

**TIMETABLE**

As outlined in the report.

**FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

N/A

**LEGAL AND STATUTORY IMPLICATIONS**

N/A

**HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

N/A

**CRIME AND DISORDER IMPLICATIONS**

N/A

**RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

N/A

**APPENDICES**

None