



Budget Decision Session
Executive member for Health and Adult Social Care

15 January 2020

Report of the Head of Corporate Finance and Commercial Procurement

FINANCIAL STRATEGY 2020/21 to 2024/25

Summary

1. The Financial Strategy 2020/21 to 2024/25 will be presented to Executive on 13 February 2020 and Council on 27 February 2020.
2. The purpose of this Decision Session Report is to provide background information for the overall Financial Strategy and to present the savings proposals and growth assumptions for the Health and Adult Social Care portfolio. This will provide an opportunity for the Executive Member to obtain feedback in advance of the finalisation of the overall Financial Strategy which will be presented to Executive on 13 February 2020.
3. Key assumptions for the overall Financial Strategy are as follows:
 - A proposed basic council tax increase of 1.99 % in 2020/21. Any increase above this amount would require a referendum.
 - In addition an increase of 2% in line with the government's social care precept, equating to additional income of £1.8m, which provides support for social care
 - Revenue savings of £4m in 2020/21
4. City of York Council continues to face financial challenges, particularly with regard to uncertainty over national funding streams and growing demand for Council services, especially within adult social care.
5. The Council's proposed overall Financial Strategy includes significant investment in several priority areas outlined in the recently agreed Council Plan, including front line services, adult social care, neighbourhood-based working and initiatives to reduce carbon emissions.

6. Over £11m in additional revenue funding will be added to the Council's 2020/21 Budget to support the objectives outlined in the new Council Plan. Specific examples of revenue investment include;
 - Good Health & Wellbeing – revenue investment in 2020/21 of over £4.5m in adult social care, to support and care for some of the most vulnerable residents in York. This includes the costs of care, supporting adult social care staff and enabling residents to remain in their homes for longer.
 - A Better start for Children and Young People - revenue investment in 2020/21 of £225k, including £50k to commission additional mental health early intervention work, with a further £190k funding to contribute towards initiatives aimed at improving children's wellbeing and tackling the city's attainment gap.
 - Safe Communities and Culture for all - revenue investment in 2020/21 of £340k, including additional officer capacity to support our local communities and ward committee funding to ensure safer communities across York.
 - A Greener and Cleaner City - revenue investment in 2020/21 of over £1m to create a new waste and street environment service, with a new neighbourhood focus to support local communities.
 - A Greener and Cleaner City - revenue investment in 2020/21 of £50k to invest in the Northern Forest
 - A Greener and Cleaner City – Revenue investment of £150k in 20/21 with a further £150k committed in 2021/22 towards the Climate Change delivery programme (with appropriate senior officer support and expertise in carbon budgeting) to coordinate, develop and implement the council's ten year plan to deliver a zero carbon future for York.
 - Getting around sustainably - revenue investment in 2020/21 of £265k to improve the electric car charging point network in the city, with a further £200k one off funding to refresh the Transport Plan, including feasibility work on the potential options regarding Haxby Station.
 - Creating homes and world class infrastructure - revenue investment in 2020/21 of £1.5m to continue the on-going work of the Housing

Delivery Programme, York Central, Castle Gateway, the Community Stadium and other crucial major projects.

7. Over £53m will be added to the Council's Capital Budget to support the objectives outlined in the new Council Plan. Specific examples of capital investment include;
 - Good Health & Wellbeing – additional capital investment of over £400K to support adult social care services, including £200K to trial the use of robotics to improve the quality of social care and an additional £275K to provide telecare equipment to vulnerable residents in order to enable them to stay in their homes.
 - A Better start for Children and Young People – capital investment of £500K to improve school buildings across the city, focussing on accessibility, and £30K to develop early years support schemes in the city.
 - Safe Communities and Culture for all – capital investment of £500K for the York Theatre Royal to improve their accessibility and the sustainability of their premises. An additional £25K will contribute to the refurbishment of the National Centre for Early Music.
 - A Greener and Cleaner City – capital investment of over £9 million to develop new initiatives to reduce carbon emissions, including over £6 million to procure greener waste vehicles, £3 million for the development of the Northern Forest and £250K to fit carbon reduction technology on Council assets.
 - Getting around sustainably - capital investment of over £600K to install new electric charging points across the city as well as replacing unreliable assets, and over £1.5 million to refresh the Local Transport Plan, particularly in light of the challenges posed by climate change.
 - Creating homes and world class infrastructure – capital investment of over £12 million to repair and improve the highways network, including £275k for the creation of a reactive pothole repair team, over £7 million to increase the scale of moderation works to Council housing stock and £1 million to deliver a building insulation programme.
8. This report focuses on the **revenue** savings and growth proposals specific to the Health and Adult Social Care portfolio. Annex 1 provides details of savings proposals and annex 2 provides details of growth

proposals. Annex 3 provides feedback from the public consultation relevant to this portfolio. Note that **capital** budget proposals are included in the Decision Session report for the Finance and Performance portfolio.

Recommendations

9. The Executive Member is asked to consider, in the context of the overall budget;
 - The 2020/21 revenue savings proposals for their portfolio as set out in annex 1
 - The 2020/21 revenue growth proposals for their portfolio as set out in annex 2
 - The feedback from consultation for their portfolio as set out in annex 3

Reason: To ensure that stakeholders have the opportunity to feed into the budget process in advance of the finalisation of the Financial Strategy 2020/21 to 2024/25.

Background

National Context and Funding Issues

10. All aspects of the public sector are continuing to face challenging times. In recent years the council has had to deal with large reductions in funding, combined with a range of significant pressures.
11. The Spending Review 2019 (SR19) announced in September 2019 is a one year only review for 2020/21. The main feature was the announcement that social care funding will remain at existing levels plus an additional £1bn nationally. In addition, business rates pilot will revert to the 50% retention system.
12. The provisional settlement was announced on 20 December. It is expected that the final settlement will be announced in February, but it is unlikely to differ significantly from the provisional figures.
13. A multi year review is expected to be announced next year for 2021/22 to 2023/24 which will provide greater medium term certainty.

14. Significant uncertainty remains due to the ongoing ‘fair funding’ review, the ongoing review of business rates retention and details of the business rates baseline reset.

Local issues and challenges

15. Locally demand for council services continues to increase, with an ageing population and increased complex needs in respect of elderly care. There are also significant challenges in the health sector, including challenging financial positions for health partners which are in turn a significant financial risk to the council. In addition, inflation is driving costs up, and there is continued pressure on many of the council’s income budgets.
16. Whilst devolution of business rates presents opportunities for the council, there are also associated risks with business rates appeals.
17. The major capital programme the Council is embarking upon brings with it some significant risks.
18. The Council made a climate emergency declaration, which was supported by all political groups. Since then the Council have supported the motion to declare a region-wide climate emergency covering the West Yorkshire Combined Authority (WYCA) region. This declaration will support the region’s ongoing commitment to achieve carbon neutrality and deliver the new Energy Strategy and Delivery Plan (ESDP), which aims to drive forward clean growth.
19. Ensuring that there is the capacity to invest in council priorities has been a critical part of the budget deliberations.

Medium Term Financial Strategy and approach to savings

20. The medium term financial strategy focuses on delivering efficiencies across all areas. Ensuring that there is the capacity to invest in key priority areas has been a critical part of previous budget decisions and will need to continue in the future.
21. This strategic approach ensures that any cross cutting implications are taken into consideration and savings in one particular area do not impact on other budgets in an unintended way.

22. All directorates were asked to consider the long term implications of a 2% per annum reduction in their controllable budgets over a 4 year period from 2020/21 to 2023/24, in the region of £4m in each financial year. This included an assessment of options, risks, and links with Council priorities.
23. Specific details of future year's savings proposals will be covered in future budget reports. The eventual scale of savings that are required over the next 4 year period will be driven by the outcomes of the future spending reviews, alongside the extent to which spending pressures affect the council. Looking beyond 2020/21 is difficult given the wide range of uncertainties.

Principles that have shaped the budget process

24. The budget setting process has taken into account the following issues;
 - i. Consideration of the 2019/20 position.
 - ii. Consideration of unavoidable cost increases, priority areas, how to create the capacity in priority areas and creating the capacity to allow for service improvement and innovation.
 - iii. Consideration of reductions in grant funding.
 - iv. Ensuring that the budget is robust and prudent and is based upon the strategic financial advice of the Head of Corporate Finance and Commercial Procurement as s151 officer.
 - v. Ensuring there is a strong link between the capital and revenue budgets and that the delivery of priorities fully considers the two budgets hand in hand.
25. It is critical that the council continues to support a strong local economy, recognising the significant financial benefits in the form of retained business rates, and creation of jobs. Ensuring that there is a strong link between the capital and revenue budgets to support the delivery of council priorities is essential.
26. There is a growing imperative for all councils to respond to the climate emergency and look for opportunities to develop the circular low carbon economy as part of their action to deliver council priorities.

27. Many councils across the country are now experiencing very severe financial challenges. Whilst the challenges for this council are significant, through sound financial planning, and in year management, the council retains strong financial health, and continues to be able to make significant strategic investments. In response to a shift in demand led expenditure pressures and reductions in grant funding, the council is taking steps to enable itself, residents and communities to work together as equal partners to meet their future needs and priorities.
28. The Capital Strategy report in February will set out proposals for further major investment in a variety of schemes. These continue the council's approach to prioritise investment in the economy, housing, transport, and to invest to save including energy efficiency. The capital budget proposals are included in the Decision Session report for the Finance and Performance portfolio.

Consultation

29. The council is consulting with residents and businesses to identify the services that matter most to them and to understand their priorities for spending the council budgets.
30. The budget consultation launched on 15 November 2019 and closes on 12 January 2020 for paper surveys and closed at midnight on 31 December 2019 for online surveys.
31. The consultation replicated a number of question sets from previous years on council tax and the social care precept, to allow us to track feedback.
32. The consultation was promoted to residents through various existing channels via the Business Intelligence team, published on the council's consultation page, and promoted via the communications teams. Paper copies of the survey were available at council buildings and 3rd party premises across the city.
33. The online survey was promoted;
 - Within the business community via existing business network links and distribution groups such as York Business Week, Make It York, BID, York Chamber of Commerce, York Federation of Small Businesses and asking them to pass on to their members.

- To equalities groups via the equalities network.
 - Our City was distributed to all households in the City in December, with delivery taking place over a two week period. The question set shown in Our City was the same as the online budget consultation, but with a reduced number of equalities questions. As with the distributed paper copies of the budget consultation, responses were sent back via Freepost to West Offices.
34. All views and data gathered during the consultation will in due course be published on the York's open data platform www.yorkopendata.org
35. Annex 3 provides details of consultation feedback relevant to this portfolio.

Council Plan

36. The Council Plan for 2019/2023 is based on the statutory responsibilities and the priorities of the Council. The plan is structured around 8 core outcomes, which in turn reflect the key components of a good quality of life for our residents. These are:
- **A Greener and Cleaner City** – York's environment is protected and enhanced through investment in the Council's frontline services working towards becoming a carbon neutral city by 2030
 - **Good Health and Wellbeing** – Every resident enjoys the best possible health and wellbeing throughout their life
 - **A Better Start for Children and Young People** – Families, carers and schools are supported so that every child and young person has the opportunity to develop, learn and achieve their aspirations
 - **Well-paid jobs and an inclusive economy** – High skilled and better paid jobs in sustainable businesses, providing opportunities for all York's people in an inclusive economy
 - **Getting around sustainably** – More people chose to travel by public transport, walking or cycling, benefiting from improved roads, footpaths and cycle routes across the city, cutting congestion, pollution and carbon emissions, as part of renewed efforts to tackle the climate emergency
 - **Creating homes and world-class infrastructure** – The right housing is available, affordable and environmentally sustainable

for everyone with good quality infrastructure that supports community and local businesses

- **Safe Communities and culture for all** – Residents live safe from harm as part of strong and vibrant communities, participating in their local area and have access to a range of quality cultural activities
- **An open and effective Council** – We work as an efficient, open, transparent, democratically-led and accountable organisation, in partnership with key stakeholders, to deliver on residents priorities and achieve the council plan outcomes for our city

37. The plan focuses on outcomes rather than just on the services we provide, to help the Council and our partners work better together, rather than as a collection of individual services and activities.
38. The plan was formally approved by Council on 31 October 2019 following consultation with residents, businesses and staff.
39. The budget reflects the Council priorities with significant revenue and capital investment in a number of critical areas, as outlined in the summary of this report.

Options

40. Annex 1 sets out the savings proposals for the Health and Adult Social Care portfolio for 2020/21. The figures included in the column 2021/22 impact show the full year/ ongoing impact of decisions taken in 2021/22. Annex 2 sets out the growth proposals and annex 3 sets out the consultation responses for the Health and Adult Social Care portfolio.
41. The options available to the Executive Member are;
 - Option 1 - to retain the savings and growth proposals as set out in annex 1 and 2
 - Option 2 – to add, delete or amend proposals, noting that any adjustments made must have a net nil effect with reference to the overall budget.

Analysis

42. The adult social care department is committed to effective management of the budget in the knowledge that resources are finite and need to be used in the most effective way to support the wellbeing of some of our most vulnerable residents. Our approach combines rigorous systems and governance to control spending with a strategic approach to a more sustainable way of supporting residents' wellbeing.

Budget Pressure

43. The Gross ASC budget is £85.4m and the net budget is £49.9. Pressure on the budget has grown over the last 3 years. In 2017/18 a balanced position was achieved. In 2018/19 there was an approximate £2million overspend. In 2019/20 there is a gross projected overspend of over £5million. Current mitigations are projected to take this to £3.5million and we are committed to go further to bring this as close as possible to a balanced budget in year and make the business change that create sustainability and a balanced budget by 2023.

Causes of Budget Pressure

44. Demographic changes mean that there are more people with more complex social care needs. City of York Council has done well at managing the potential demand that arises from higher numbers of people approaching the council for social care support. Our overall net expenditure per head of population remains lower than regional and national averages.
45. Investments that have enabled the introduction of asset based community development approaches, early intervention and prevention services, strengths based social work and the effectiveness of voluntary sector mean that more people are supported within their families and communities rather than needing council paid for services
46. The number of requests for support 2018/19 was around 12,400/100,000 population compared to a regional average of over 25,000/100,000 population. The numbers needing long term support are also lower at around 4,200/100,000 compared to 5,500 regional average.
47. However once people do need the support of the council to meet their more complex needs, the cost of this is rising dramatically. The factors driving this are over reliance on residential care, the unit cost of care, the duration care is provided for and relationship we have with a challenged local NHS in meeting complex needs.

48. The areas where budget pressure is highest are most susceptible to these factors. The budget pressure for older people in residential and nursing care is £2.12 million and the pressure on the learning disability is £1.8million.

Over Reliance on Residential and Nursing Care.

49. The number of admissions to residential care are steady and very similar to the rest of the region at 156/100,000. However the unit cost of this in York is rising dramatically, driven by factors such as a high self-funding market, high land prices and the closure of independent homes that accepted CYC rates.
50. When the budget was set in 2018/19 average cost of nursing care was £655/week. It is now £800/week with new placements being nearer £1000/week.

Duration of Support/Reviews

51. Formal care and support services are most usually put in at a time of crisis, for example after a hospital admission. Admissions to residential and nursing care are almost always permanent as are community services that are offered at points of crisis. 95% of reviews of long term care result in either the same or increased levels of care, despite people's potential to regain skills, abilities and confidence and to access more informal community services.
52. The continual increasing levels of care, particularly provided to people with very long term issues such as those with learning disabilities is reflected in high care spend per person.
53. For a person with a learning disability over the age of 65, our average spend is around £55k, compared to a regional average of £37k.

Relationship with a challenged NHS system

54. For people with the most the complex needs, the NHS has a responsibility to meet their health and care needs through a mechanism known as continuing health care (CHC). This is an NHS lead process with social care involvement. The number of people accessing CHC funding in York is consistently low. Regional average is 23 people /100,000 accessing CHC. In York this is ranged between 17 and 6 over the past year. These are the highest cost citizens to support and small numbers create significant impact on ASC budget.

Strategy to Manage the Adult Social Care Budget

55. The strategy to bring a sustainable balanced budget is to focus on a small number of key areas we believe will make the most impact. The additional funding received in 2020/21 will support these key areas as some of funding will be used to invest in capacity, including some initial external support with a view to more ongoing permanent posts to enable the business to operate effectively. These are;
- Reduce reliance on residential and nursing care: We are doing this through a policy of 'no permanent placements.' We are creating alternatives to residential care such as short term intensive support at home, independent living communities and extra care housing. We are changing the expectations and behaviour of hospital and social work staff through a programme of joint work including no permanent placements from hospital. This programme of work is underway
 - Better Reviews: We are changing our approach to reviews. Taking the good practice that we have managing demand at the front door of adult social care, rather than just reviewing the care, our staff will start with the assumption that care can be reduced by enabling people to access more community and voluntary sector support. This programme is starting November 2019.
 - Improved Focus on most complex and potential CHC needs; Work is underway to improve our approach to CHC. We have a programme of work involving training our social work staff, creating more specialist roles and a rigorous and systematic approach to targeting high cost packages or care and placements we believe may require NHS funding.

One Planet/ Equalities

56. An assessment will be completed on the overall impact of the budget proposals using the Better Decision Making Tool. This will be published in the budget report to Executive in February. The impact assessment considers risks associated with savings proposals to ensure any negative impact for a particular group, sector or community is eliminated or counterbalanced. Decisions taken will also consider the impact on the Council's carbon budget alongside benefits such as improvements to service users or a reduction in energy costs.

57. The financial strategy will impact on all residents and has carefully considered the local demand for services whilst also ensuring the budget set is prudent, protects vulnerable people and has capacity to invest. The strategy could have a negative impact on the following communities;

- Age
- Disability
- Gender
- Carers
- Lower income groups

58. This negative impact can be mitigated by investment targeted to these same communities. The key approaches to achieving savings whilst avoiding impacts on communities of identity include;

- Ensuring that savings are made from back office functions and universal services
- Protecting statutory services and other key services for vulnerable residents
- Increasing community involvement in service redesign and delivery
- Making services self-financing wherever practicable, including external trading
- Maximising the return from externalised service provision
- Redesign of existing services and external contracts
- Placing a focus on prevention and ceasing service provision only where this is least impact
- Streamlining services to provide focussed support and reduce areas of duplication
- Supporting carers
- Integrated working with health
- Focussing growth where it is expected to have a positive effect on older or disabled people and their carers

Specialist Implications

59. This report has the following implications;

Financial

60. The financial implications are contained within the body of the report.

Human Resources (HR)

61. The savings proposals contained within the overall budget will require the reduction of some posts in 2020/21. Further details will be provided in the February report to Executive.
62. As implementation plans to achieve these post reductions are produced the specific staffing implications will be clear and staff consulted on the proposals. The type of change affecting staff in 2020/21 is likely to be a mixture of post reductions and working for redesigned services, some of which may no longer be delivered by the council.
63. The HR implications of change are managed in accordance with established council procedures. As part of this process consultation with trade unions and affected staff will continue to be undertaken and every opportunity will be explored to mitigate compulsory redundancies, such as vacancy controls, flexible working, voluntary redundancy / early retirement and extended redeployment. Where consideration is being given to the transfer of services to another provider TUPE will apply which will protect the terms and conditions of employment of transferring staff.
64. A programme of support for staff who are going through change is in place which will help staff adapt to changes to the way they will need to work or to prepare for a move into a new role.

Legal

65. The contents of this report are for information only at this stage. The legal implications of the budget setting process will be covered in detail in the report to Executive in February.

Risk Management

66. An assessment of risks is completed as part of the annual budget setting exercise and will be reported in the February report to Executive. These risks are managed effectively through regular reporting and corrective action being taken where necessary and appropriate.

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Report Approved



Date 3/1/20

Wards Affected: List wards or tick box to indicate all

All



For further information please contact the authors of the report

Background Papers:

Budget Consultation available at www.yorkopendata.org

Annexes:

- 1 – 2020/21 Savings Proposals for Health and Adult Social Care portfolio
- 2 – 2020/21 Growth Proposals for Health and Adult Social Care portfolio
- 3 – Consultation feedback for Health and Adult Social Care portfolio