



## HEALTH, SOCIAL CARE AND WELL BEING SCRUTINY COMMITTEE 26TH JUNE 2017

**SUBJECT: 2017/18 SOCIAL SERVICES REVENUE BUDGET**

**REPORT BY: CORPORATE DIRECTOR SOCIAL SERVICES**

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### **1. PURPOSE OF REPORT**

- 1.1 To provide Members with details of the 2017/18 revenue budget settlement for the Directorate of Social Services.

### **2. SUMMARY**

- 2.1 The report provides details of the 2017/18 revenue budget for service areas within Social Services and outlines the reasons for movements in the revenue budget since the 2016/17 original budget.
- 2.2 The report also sets out the context within which the 2017/18 revenue budget has been set, including savings delivered since 2013/14 and the financial pressures that the Directorate expects to face over the forthcoming years.

### **3. LINKS TO STRATEGY**

- 3.1 The expenditure of the Directorate is linked directly to its ability to shape and deliver its strategic objectives, which in turn assists the achievement of the Authority's stated aims and well-being goals.
- 3.2 Effective financial planning and financial control contribute to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015:-
- (i) a prosperous Wales, (ii) a resilient Wales, (iii) a healthier Wales, (iv) a more equal Wales, (v) a Wales of cohesive communities, (vi) a Wales of vibrant culture and thriving Welsh Language and (vii) a globally responsible Wales.

### **4. THE REPORT**

#### **4.1 The 3 Year Period From April 2014 to March 2017**

- 4.1.1 Since the UK Government's Comprehensive Spending Review of 2013, local authorities have faced an unprecedented period of on-going austerity. For Caerphilly County Borough Council this has necessitated savings totalling £36.6m over the 3 year period from 2014/15 to 2016/17 in response to reductions in funding from Welsh Government and a number of inescapable cost pressures.

- 4.1.2 Whilst the Council's financial strategy has provided a degree of protection for the Directorate of Social Services from the impact of these savings requirements, the Directorate has contributed £7.2m of savings over the same 3 year period. This amounts to 19.66% of the total savings delivered across the authority over the 3 years.

Financial Year	<b>Total Authority Wide Savings Target</b> £m	Social Services Savings from Social Services Initiatives £m	Social Services Savings from Corporate Initiatives £m	<b>Total Social Services Savings</b> £m	Social Services Savings as a Percentage of Authority Savings %
2014/15	<b>13.40</b>	2.062	0.225	<b>2.287</b>	17.07%
2015/16	<b>12.11</b>	3.084	0.059	<b>3.143</b>	25.95%
2016/17	<b>11.12</b>	1.517	0.255	<b>1.772</b>	15.94%
Total	<b>36.63</b>	6.663	0.539	<b>7.202</b>	19.66%

- 4.1.3 The £7.2m of social services savings identified above have been delivered through a combination of budget realignment, back office efficiencies and service re-design which has had very little impact upon the services received by the public. However, it has had a significant impact upon the workforce within the Directorate with 95.77 full time equivalent posts having been permanently deleted from the Directorate over the 3 year period in order to deliver the £7.2m saving target.
- 4.1.4 Prudent vacancy management and the effective application of H.R. policies has meant that these savings have been delivered without the need for compulsory redundancies but a reduction in the workforce to this extent can not be achieved without an impact on the remaining workforce.
- 4.1.5 The £36.6m authority wide savings identified above gave the authority some scope to factor a number of inescapable cost pressures into the medium term financial plan. As a result a total of £4.5m growth has been allocated to the Directorate of Social Services over the same 3 year period. In each of the financial years 2014/15 and 2015/16, the Directorate was awarded an additional £1m in response to the additional financial pressures experienced as a result of demographic changes in the population of the County Borough. While in 2016/17 a further £1.1m was awarded in respect of demographic issues, with another £1.4m awarded in response to price increases faced as a result of the impact of a number of employment law issues such as the introduction of the National Living Wage.
- 4.1.6 Whilst this additional funding has been welcomed, it has simply allowed us to keep pace with the increasing demand for services from an ageing population with increasingly complex needs. Moreover, without the introduction of initiatives such as the Reablement Service the increase in demand for services would have far outstripped the available resources.

## 4.2 **The 2017/18 Financial Year**

- 4.2.1 The financial position for the authority for the 2017/18 financial year is no less challenging than the previous 3 years. The financial settlement from Welsh Government was better than originally expected but the cash uplift in the Revenue Support Grant received by the authority for 2017/18 was just £326k. Furthermore, the authority faced new responsibilities, inflationary pressures and inescapable service pressures which necessitated a savings requirement of £9.046m for the Authority in order to balance its budget for the 2017/18 financial year.
- 4.2.2 The Directorate of Social Services have contributed £563k towards this savings target for 2017/18 through vacancy management and back office reviews, involving the deletion of a further 12.57 full time equivalent posts, bringing the total number of posts lost across the Directorate over the last 4 financial years to 108.34 full time equivalents (or just over 4,000 staff hours per week).

- 4.2.3 Included in the inescapable service pressures faced by the authority for 2017/18 was £3.5m of growth allocated to Social Services in respect of increases in demand for social care services for both adults and children. Again this additional funding is extremely welcome, but it is just sufficient to fund the full year effect of the increases in demand already experienced throughout the 2016/17 financial year. It does not allow for any further increases in demand that are likely to accrue throughout the 2017/18 financial year.
- 4.2.4 The Directorate is also faced with significant increases in the fee levels demanded by independent sector social care providers as a result of further changes in employment law such as the increases in the National Minimum Wage, Workplace Pension requirements and the Apprenticeship Levy. It is hoped that the additional Welsh Government funding of £10m across Wales that was announced in December 2017 will help to address these pressures. At the time of setting the 2017/18 budget Caerphilly's share of this funding was still to be confirmed, along with the conditions attached to this funding. For the purposes of setting the Directorate budget for 2017/18 it was been assumed that Caerphilly's share of this funding would be in the order of £573k and would be used to support a 3.1% uplift in fee levels paid to independent sector providers. In May 2017, Caerphilly's allocation was confirmed at £600k.
- 4.2.5 In addition to the Directorate savings and pressures identified in paragraphs 4.2.2 to 4.2.4, the Directorate's net budget for 2017/18 agreed by Council on 22<sup>nd</sup> February took account of the following issues:-

Reason for Funding Adjustment	Funding Increase/ (Decrease)
Additional funding awarded by Welsh Government to replace income lost as a result of changes to charging regulations	£262,145
Transfer of Transformation Grant into the Revenue Support Grant (R.S.G.)	£170,767
Transfer of Deprivation of Liberty Safeguards Grant into the R.S.G.	£9,831
Pay Awards and Living Wage costs	£464,309
Apprenticeship Levy	£150,719
Non-pay inflation	£1,047,498
Additional holiday entitlement	£247,114
Indicator Based Assessment adjustment	(£172,908)
National Non-Domestic Rates Budget realignment	(£17,620)

- 4.2.6 This resulted in a total net budget for the Directorate for 2017/18 of £80,998,527. Further details of this budget are set out in appendix 1.
- 4.2.7 Further funding of £20m across Wales was announced by Welsh Government in March 2017 to address the financial pressures faced within the social care sector. It is hoped that this will go some way towards addressing likely further increases in demand for services throughout 2017/18. However, once again, confirmation of Caerphilly's share of this funding is still awaited along with any conditions that Welsh Government may attach to the funding. This announcement came after the Council's budget for 2017/18 was agreed by Council on 22<sup>nd</sup> February 2017 and as such has not been factored in to the Directorate's budget that is provided in appendix 1.

### 4.3 **The Medium Term Financial Plan for 2018/19 to 2021/22**

- 4.3.1 No indicative funding settlements have been provided by Welsh Government beyond the 2017/18 financial year. However, in the face of continuing austerity and financial uncertainty it is unlikely that local government will see any significant increases in Welsh Government funding in the medium term. For this reason, on 22<sup>nd</sup> February 2017, the Council approved a Medium Term Financial Plan which assumed a cash flat settlement for Caerphilly for the four year period 2018/19 to 2021/22.

- 4.3.2 Amongst other financial pressures, this plan recognised the need for additional funding of £1.5m in each of the four years to respond to the increasing demands upon social services that are likely to be experienced as a result of an ageing population and increasingly complex and challenging needs of children and vulnerable adults.
- 4.3.3 The plan highlighted that in the event a cash flat financial settlement, the Council will need to deliver savings in the order of £28m if it is to afford the emerging financial pressures over the four year period 2018/19 to 2021/22.
- 4.3.4 Heads of Services across the authority have been made aware of this position and have been issued with indicative savings targets that will be required from within their service areas over the course of the Medium Term Financial Plan in order to achieve the potential £28m total savings requirement.
- 4.3.5 Many service areas can expect budget cuts in excess of 20% over the four year period 2018/19 to 2021/22. However, Social Services have been protected from the worst of these cuts and have been given an initial target for planning purposes of achieving savings amounting to 5% of budget over the four years. For the Directorate of Social Services, this 5% savings target equates to £3.767m. This position may be subject to change as budget proposals are firmed up for future years.
- 4.3.6 This target must be viewed in the context of the £7.765m of savings already delivered by the Directorate in the preceding four year period. Those savings were achieved through a combination of budget realignments, efficiency savings and service reviews which had very little impact on front line service provision and avoided compulsory redundancies. However, all easier options have now become exhausted so it is likely that some very difficult decisions will be necessary in order to deliver any further savings.
- 4.3.7 In light of this, the Directorate's Senior Management Team will be compiling a list of savings proposals in consultation with Divisional Management Teams, for further consideration by Members at the earliest opportunity.

## **5. WELL-BEING OF FUTURE GENERATIONS**

- 5.1 Effective financial management is a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.

## **6. EQUALITIES IMPLICATIONS**

- 6.1 This report is for information purposes, so the Council's Equalities Impact Assessment (EqLA) process does not need to be applied.

## **7. FINANCIAL IMPLICATIONS**

- 7.1 As detailed throughout the report.

## **8. PERSONNEL IMPLICATIONS**

- 8.1 There are no direct personnel implications arising from this report.

## **9. CONSULTATIONS**

- 9.1 There are no consultation responses that have not been reflected in this report.

## **10. RECOMMENDATIONS**

- 10.1 That Members note the 2017/18 budget for the Directorate of Social Services set out in appendix 1.
- 10.2 That Members note the implications of the Council's 2018/19 to 2021/22 Medium Term Financial Plan that apply to the Directorate of Social Services and recognise that options for delivering savings with little impact on front line services have been exhausted over the preceding four year period.

## **11. REASONS FOR THE RECOMMENDATIONS**

- 11.1 To ensure that the Members are aware of the content and context of the 2017/18 original revenue budget for the Directorate of Social Services and the Council's Medium Term Financial Plan.

## **12. STATUTORY POWER**

- 12.1 Local Government Act 1972 and 2000.

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Appendices:  
Appendix 1 - Social Services Revenue Budget 2017/18