



**Open Report on behalf of Martin Samuels,  
Executive Director - Adult Care and Community Wellbeing**

Report to:	<b>Adults and Community Wellbeing Scrutiny Committee</b>
Date:	<b>17 January 2024</b>
Subject:	<b>Adult Care and Community Wellbeing Budget Proposals 2024-25</b>

**Summary:**

This report details the Council's budget proposals for Adult Care and Community Wellbeing (ACCW) for the financial year 1 April 2024 – 31 March 2025 and the assumptions made given the national context.

The Local Government Settlement published in February 2023, provided a reasonable estimation of the potential funding for 2023-24 and 2024-25. The provisional Local Government Financial Settlement 2024-25 published 18 December 2023 has continued with existing spending plans meaning no additional funding above that already forecast.

The budget proposal focusses on 2024-25 and the Medium-Term Financial Plan assumes key funding streams introduced during 2023-2025 will continue in some form beyond the next 12 months however there is significant funding uncertainty beyond 2024-25 providing a barrier to long-term financial planning for ACCW services and the wider council.

**Actions Required:**

Adults and Community Wellbeing Scrutiny Committee is asked to consider this report and members of the committee are invited to make comments on the budget proposals. These will be considered by the Executive at its meeting on 6 February 2024.

**1. Background**

1.1 In February 2023, the Council approved plans for revenue spending to support delivery of the Council plan, achieve its strategic objectives and legal duties for the benefit of residents and businesses. This was guided by the financial strategy approved as part of this process, providing the mechanisms to ensure the council remains financially sustainable and resilient.

- 1.2 As part of the Council's financial planning process, the previously approved medium term financial plan is reviewed in depth over the summer and into the autumn, which informs the preparation of a 2024-25 budget proposal.
- 1.3 The key messages from scrutiny and public consultation are fed into the process and contribute towards an updated budget proposal to the Executive on 6th February 2024. At this meeting, the Executive will be invited to approve a final budget proposal to be taken to the budget setting meeting of Full Council which will be held on Friday 23rd February 2024.
- 1.4 This budget proposal focusses on the 2024-25 budget specifically for Adult Care and Community Wellbeing services. The feedback from the Scrutiny Committee will inform the final budget proposal to Full Council.
- 1.5 The economic environment continues to be a significant risk. The economy has been subject to unprecedented inflation, which means that the cost of goods and services have increased at a higher rate than the Government's target, over a prolonged period. This has led to a challenging operating environment, due to its inflationary exposure within the cost base (contracting and staffing costs). The revised inflation forecasts are 4.6% (2023 Q4), 3.1% (2024 Q4), 1.9% (2025 Q4), and 1.5% (2026 Q4). Inflation is not expected to return to below the 2% target for until 2025.
- 1.6 On 22 November 2023, the Government set out their spending plans for the medium term via the Autumn Statement. Following the Autumn Statement, the Department for Levelling Up, Housing and Communities (DLUHC) translate national spending limits into individual allocations for local authorities via the Local Government finance settlement. The provisional settlement was published 18 December 2023.
- 1.7 The key points to note for 2024-25 relating to Adult Care and Community Wellbeing are as follows:
- The core council tax referendum limit for local authorities is set at 3%, in addition to an optional adult social care precept of up to 2% for all authorities responsible for the delivery of adult social care services.
  - There are no changes to the already forecast uplifts to social care grants:
    - i. an additional £692 million will be distributed to local authorities through the Social Care Grant for adult and children's social care.
    - ii. an additional £200 million will be distributed in 2024-25 through the Discharge Fund.
    - iii. maintaining the improved better care fund at 2023-24 levels.

- iv. £1,050 million in 2024-25 will be distributed for adult social care through the Market Sustainability and Improvement Fund (MSIF), which continues to include £162 million per year of Fair Cost of Care funding.

1.8 In 2023-24, the Government set an expectation that the additional funding made available to adult social care should lead to a substantial increase in planned adult social care spending, given the additional resources made available in that year. The Department of Health and Social Care will continue to monitor local authority budgeting and expenditure in 2024-25, with an expectation that the following will be allocated to adult social care:

- an appropriate share of the local authority's additional Social Care Grant allocation for 2024-25, in line with aggregate use of this funding in previous years.
- the local authority's share of the 2024-25 MSIF and Discharge Fund.
- the resources raised in 2024-25 from the adult social care precept.

1.9 Overall, the settlement was broadly in line with expectations, though the sector had hoped for additional funding to support with rising costs particularly due to inflation and demand. No additional funding has been made available for the cost pressure created by the greater-than-expected increase in the National Living Wage announced by the government in the autumn. The final settlement is due for publication in February 2024, following the standard consultation process.

1.10 At this point in time, the Medium-Term Financial Plan (MTFP) shows that the Council cannot achieve a balanced budget in any of the four years from 2024-25 through to 2027-28 without the use of reserves. This position assumes a 2.99% council tax increase with the impact of a number of related decisions also forming part of the budget setting process.

1.11 The Council's current position reflects a deficit position in all years. The Council's forecast deficit in 2024-25 prior to use of reserves is currently estimated to be £7.2m, subject to any further changes to the cost base, the local taxation position finalising and the Local Government finance settlement.

1.12 The Medium-Term Financial Plan includes efficiencies which arise from various projects within ACCW Transformation Programme. Services continue to seek further opportunities to improve business processes to achieve sustainable reductions in the cost base.

1.13 The Government has set a policy steer asking authorities to continue to consider how they can use their reserves to maintain services over this and the next financial year, recognising that not all reserves can be reallocated, and that the ability to meet spending pressures from reserves will vary between authorities.

## 2. 2024-25 Adult Care and Community Wellbeing Budget

2.1 Aligned to the Council's corporate planning priority, Adult Care & Community Wellbeing continues to ensure 'People stay as health, safe & independent as possible during all stages of their life'.

2.2 Underpinning the Council's MTFP, ACCW has embedded its own MTFP. The ACCW MTFP is the key financial tool informing strategic financial decision making which underpins delivery of this vision and ensuring good value council services. ACCW MTFP forecasts the financial position through to 31 March 2028 using historic trends, sensitivity analysis and forecasting based on budget holder discussion and other internal and external factors.

2.3 ACCW financial priorities throughout the life of the MTFP are;

- Maintain ACCW strong financial performance:
  - i. delivering our duty of best value to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.
  - ii. considering the challenging economic climate and the impact this is having on individuals in receipt of services and the providers of their care when making financial decisions.
- Deliver the programme of transformation underpinning ACCW in pursuit of its stated aim. This programme will
  - i. drive a shift in the cost structure away from the traditional higher cost residential long-term care towards an increased community-based infrastructure. Working with our partners, this will improve our offer to enable people to maintain their independence.
  - ii. deliver improved customer experience and turnaround times across the end-to-end adult social care pathway.

2.4 ACCW funding structure is proposed to continue in the following six delivery strategies reflecting budgetary responsibility: -

- Adult Frailty & Long-Term Conditions. This strategy brings together older people and physical disability services as well as hosting the infrastructure budgets.
- Specialist Services & Safeguarding. The financial allocation of this strategy supports delivery of services for eligible adults with learning disabilities, autism and/or mental health needs and adult safeguarding services.
- Public Protection. The Public Protection and Communities Scrutiny Committee is receiving the budget proposals for these services.

- Public Health & Community Wellbeing. This strategy encompasses adult public health services funded through the dedicated public health grant and wellbeing services.
- Public Health Grant. Aligned to responsibilities held by the Director of Public Health this strategy encompasses the public health grant income supporting both adults and children’s services.
- Better Care Fund (BCF). This strategy includes the council specific BCF income supporting both adults and children’s services.

2.5 The budget covers the period 1 April 2024 to 31 March 2025. The table below shows the net budget proposal for 2024-25

Strategy	2023-24 Budget	2024-25 Budget
Adult Frailty, Long Term Conditions, Infrastructure	142,706,661	154,486,741
Adult Specialties	101,335,220	114,315,220
Public Protection	6,065,541	6,250,541
Public Health and Community Wellbeing (adults)	29,292,132	29,766,293
Lincolnshire County Council Public Health Grant	(35,544,000)	(36,018,161)
Lincolnshire County Council Better Care Fund	(61,412,354)	(64,156,449)
<b>Total</b>	<b>182,443,200</b>	<b>204,644,185</b>

2.6 The £22.2m increase in ACCW financial need results from the recurrent impact of the pay award and the following ACCW specific items; -

- Adult social care provision is reliant on approximately 7,000 beds (long and short-term care) and more than four million hours annually of commissioned community-based support. The Autumn Statement announced a higher than anticipated increase in the national living wage from 1 April 2024 of 9.8% taking it to £11.44 per hour. This rate is a core component of the unit cost the Council pay for commissioned care and is the key driver behind £16.1m of adult social care pressures.
- The Market Sustainability and Improvement Grant is continuing into 2024-25. This grant continues to support planned increases, over and above national living wage and inflation, to the rates paid to providers of adult social care. This includes the move to a four-tier homecare rate, a two-tier community supported living rate, additional rate increases for residential care and targeted supported into adult social care workforce. This grant has increased from £2.273m in 2021-22 to a forecast £14.7m in 2024-25.
- £9.4m financial pressure is driven by increasing demand for services across Adult Care and Community Wellbeing. Older persons services are seeing an increase in demand for residential care for this first time since the pandemic with previous self-funders approaching the Council for financial

support due to diminishing capital, a 21% increase in this client cohort. Demand for working age adults, mental health services in particular, continues to increase by some 3-4% per year. Growing complexity of the packages of care and changes in national health policy are key drivers of the need to forecast an additional £3.1m for mental health care costs.

- 2024-25 will see a continuation of the Discharge Grant through the Better Care Fund to get people out of hospital on time and into care settings, freeing up NHS beds for those who need them. This £8.0m grant is supporting the 16% increase in clients discharged from inpatient care in need of social care support. The services include residential care, homecare, and community equipment.
- The 2024-25 Public Health Grant allocation was indicated earlier in 2023 and is forecast to increase by £0.474m. With the recurrent impact of the 2023-24 grant increase actioned, the 2024-25 indicative grant for Lincolnshire is £36,458,098.
- Adult Social Care Charging Policy is due for refresh from 1 April 2024. The council will continue to exclude enhanced benefit income from the calculation of the client's contribution and apply the national minimum income guarantee to ensure people with higher needs are not disproportionately impacted by the income assessment. The Disability Related Expenditure bandings will be uplifted to reflect the increased cost of living and the forecast £0.6m cost of this is included in the budget.

### **3. Better Care Fund (BCF)**

- 3.1 The Lincolnshire Better Care Fund is an agreement between the Council and Lincolnshire NHS ICB, overseen by the Health and Wellbeing Board (HWB). The BCF aims to pool funds from the organisations to aid the objective of integrated service provision.
- 3.2 Lincolnshire HWB approved the 2023-25 BCF Plan which was then formally approved by the National team in September 2023.
- 3.3 The forecast value of the Lincolnshire BCF for 2024-25 is £359m. This comprises the minimum ICB contribution, the iBCF paid directly to Lincolnshire County Council, Disabled Facilities Grants passed through to the District Councils, the discharge grant and specific health and social care funding.
- 3.4 The BCF includes, but is not limited to, the following key services;
- Lincolnshire Community Equipment Services
  - Child Adolescent Mental Health Services and other children's services
  - Community Learning Disability Team
  - Community Mental Health Services
  - Intermediate care services including reablement

#### **4. Public Health Grant**

- 4.1 The indicative value of the 2024-25 Public Health Grant is £36,458,098. Currently, Lincolnshire County Council spends 70% of the grant on adults and housing related services and 30% on children's services.
- 4.2 The Public Health grant has increased between 1% and 3% each year since 2020-21. Through careful demand management and tight financial control Public Health has continued to deliver services within the grant allocation. With a forecast increase in 2024-25 of a further 1.3%, Public Health services are continuing to forecast delivery across the life of the MTFP but will need to draw on the dedicated public health grant reserve for any unexpected economic challenges and/or a reduction in grant of up to 10% of the 2024-25 grant value should that be seen beyond 2024-25.

#### **5. Capital Programme**

- 5.1 The Council agreed to increase the Adult Care and Community Wellbeing capital allocation by transferring the 2022-23 underspend from revenue to capital. This provides a total capital investment (post completion of DeWint Extra Care Housing) of £12.39m.
- 5.2 £7.34m of the £12.39m has been approved for investment in both housing opportunities and improvements to day services with a further three extra care / working age adults housing opportunities due for completion over the life of the medium-term financial plan.

#### **6. Financial Risk**

- 6.1 There are several risks which may impact on the 2024-25 budget which have been considered in the realistic and prudent approach to the budget process. The key risks to the budget proposal which currently pose the most significant risks are:
- Demand for services exceeds the growth assumptions. To support management of this risk, the structure of the improvement programme broadens the service offer which aims to bend the curve of higher cost services where it is appropriate for the person however the recent increases in demand above forecast indicate the need to go further.
  - As a result of the volatility within the economy, the Bank of England's inflation forecasts have been consistently amended, to reflect a slower fall to the 2% target. There is a risk that inflation does not fall as quickly as set out in the Bank's latest forecast and the 3% built into the non-pay element of the commissioned rates isn't sufficient. To support commissioned providers, a hardship process enabling providers who are at risk of financial distress to approach the Council on an open book approach will be in place.

- The uncertainty over the funding base beyond 2024-25. The strategy therefore focusses on the areas which the Council has greater control over including ensuring effective, evidence-based monitoring arrangements are in place to provide early indications and therefore ability to react to variations against plan, proactively identifying improvements in the way services are delivered and ensuring an adequate level of reserves are held relative to the level of risk identified.

## **7. Financial Benchmarking**

- 7.1 Lincolnshire Adult Social Care carries out benchmarking of income and costs through use of externally available regional and national data / reports as well as service specific cost comparisons when procurement exercises are run to demonstrate value for money. Two most recent external reports include: -
- The Impower Index
  - Use of Resources
- 7.2 The Impower Index is a benchmarking tool that takes publicly available outcomes data and, looks at the value that councils are delivering when ASCOF measures are combined and measured against budget. The Impower Index shows that for the second year, Lincolnshire County Council continues to deliver good outcomes for good value, Lincolnshire is achieving better outcomes for less budgeted spend than its statistical neighbours.
- 7.3 The latest Use of Resources analysis, published in December 2023, is being digested. Initial consideration indicates that adult social care services spend less per client than statistical neighbours, which reflects the findings in the market sustainability and improvement rates paid for care published earlier in the year. Lincolnshire does look to be an outlier for the number of admissions into residential care and receives less income through client contributions than most. These are both a focus of the Improvement Programme referred to in 2.4 above and the insourcing of Adult Care Finance and Exchequer into Financial Services in April 2024.
- 7.4 In addition to the Impower Index and Use of Resources Report, the Department of Health and Social Care wrote to local authorities in October 2023 outlining the extra financial resources the Government has made available. The letter contained reference to the monitoring introduced as part of the grant conditions, monitoring referenced in section 1.8 above. The letter indicated the actual increase in budgeted 2023-24 ASC spend with the increase that each local authority would have achieved had they met this explicit expectation. With a forecast balanced outturn position, Lincolnshire is forecast to meet the expectations set in the grant conditions.



## 8. Conclusion

- 8.1 A thorough review of Council services was carried out during this year's budget process. Cost pressures, income changes and efficiencies have been identified, and the Capital Programme has been reviewed. The budget proposals aim to reflect the Directorate priorities aligned to the council's Corporate Plan whilst operating within the resources available to it.
- 8.2 ACCW improvement programme is key to services being able to deliver the general duty of best value ensuring the need to secure continuous improvement and building on the synergies that can be achieved working with Public Health and Public Protection services on the prevention agenda.
- 8.3 The budget proposals have been developed alongside, and in accordance with, the draft Medium Term Financial Strategy and a proposed final version of this Strategy will be reported to the Executive in February 2024. Final budget proposals will be reported to the Executive on 6th February 2024.

## 9. Consultation

### a) Risks and Impact Analysis

n/a

## 10. Background Papers

Autumn Statement 2023	<a href="https://www.gov.uk/government/consultation/autumn-statement-2023">Autumn Statement 2023 - GOV.UK (www.gov.uk)</a>
Provisional local government finance settlement: England, 2024 to 2025	<a href="https://www.gov.uk/government/consultation/provisional-local-government-finance-settlement-2024-to-2025">Consultation: provisional local government finance settlement 2024 to 2025 - GOV.UK (www.gov.uk)</a>
ACCW Budget 2023-24	Adults and Community Wellbeing Scrutiny Committee, 11 January 2023
ACCW Review of Financial Performance 2023-24	Adults and Community Wellbeing Scrutiny Committee, 18 October 2023

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