

**SERVICE COMMITTEE REVIEW OF THE DRAFT 2015-20 REVENUE PROPOSALS**

*To:* **Health Committee**

*Meeting Date:* **16<sup>th</sup> October 2014**

*From:* **Director of Public Health  
Chief Finance Officer**

*Electoral division(s):* **All**

*Forward Plan ref:* **Not applicable**      *Key decision:* **No**

*Purpose:* **This report provides the Committee with an overview of the draft Business Plan Revenue Proposals for Public Health**

*Recommendation:*

- a) It is requested that the Committee note the overview and context provided for the 2015-20 Revenue Proposals for Public Health**
- b) It is requested that the Committee comment on the draft proposals for Public Health's 2015-20 revenue budgets and endorse their development**
- c) It is requested that the Committee support the approach of offering no cash uplift to commissioned providers of public health services for 2015/16**
- d) It is requested that the Committee delegate the technical response to the Department of Health and Public Health England's consultation on the 'Health Premium Incentive Scheme' to the Director of Public Health in consultation with the Chairman and Vice-Chairman of the Health Committee.**

<b><i>Officer contact:</i></b>	
Name:	Dr Liz Robin
Post:	Director of Public Health
Email:	<a href="mailto:liz.robins@cambridgeshire.gov.uk">liz.robins@cambridgeshire.gov.uk</a>
Tel:	01223 703259

## **1. OVERVIEW**

- 1.1 The Council's Business Plan sets out how we will spend our money to achieve our vision and priorities for Cambridgeshire. Like all Councils across the country we are facing a major challenge. Our funding is reducing at a time when our costs continue to rise significantly due to inflationary and demographic pressures. This means that despite the way in which we have been able to stimulate local economic growth, and the improving national economy, the financial forecast for the Council continues to present huge challenges.
- 1.2 The Council has now seen a number of years of trying to protect frontline services in the midst of reducing Government funding. Looking back we have saved £70m in the last two years and are on course to save a further £31m this year. As a result, we have had to make relatively tough decisions over service levels and charging for services during this time. Over the coming five years those decisions become even more challenging. The Council is now in a position of having to consider what might previously have been considered unthinkable. The choices are stark and unpalatable but these very difficult decisions will need to be made as the Council has a duty to provide the best possible services for Cambridgeshire's communities alongside a statutory responsibility to set a balanced budget each financial year. It is the Chief Finance Officer's statutory role to provide a statement on the robustness of the budget proposals when they are considered by Council in February.
- 1.3 The Council undertakes financial planning of its revenue budget covering a five year timescale that creates links with its longer term financial modelling and planning for growth. This paper presents an overview of the proposals being put forward as part of the Council's draft revenue budget.
- 1.4 Funding projections have been updated based on the latest available information to provide a current picture of the total resource available to the Council. At this stage in the year projections remain fluid and will, therefore, be reviewed as more accurate data becomes available.
- 1.5 The Council issues cash limits for the period covered by the Business Plan (rolling five years) in order to provide clear guidance on the level of resources that services are likely to have available to deliver services over that period. To maintain stability for services and committees as they build their budgets we will endeavor to minimise variation in cash limits during the remainder of the process unless there is a material change in the budget gap.

## **2. BUILDING THE REVENUE BUDGET**

- 2.1 The Council currently operates an incremental approach to revenue budgeting. Changes to the previous year's budget are put forward as individual proposals for consideration by committees, General Purposes Committee and ultimately Full Council. Proposals are classified according to their type, as outlined in Appendix A, accounting for changes to the forecasts of inflation, demography, and service pressures, such as new legislative requirements that have resource implications, as well as savings.
- 2.2 The process of building the budget begins by identifying the cost of providing a similar level of service to the previous year. The previous year's budget is

adjusted for the Council's best forecasts of the cost of inflation and the cost of changes in the number and level of need of service users (demography). Known pressures and proposed investments are then added and the total expenditure level is compared to the available funding. Where funding is insufficient to cover expenditure, the difference is apportioned across services as a savings requirement in order to balance the budget.

- 2.3 The budget proposals being put forward include revised forecasts of the expected cost of inflation following a detailed review of inflation across all services at an individual budget line level. Inflation indices have been updated using the latest available forecasts and applied to the appropriate budget lines. Inflation can be broadly split into pay, which accounts for inflationary costs applied to employee salary budgets, and non-pay, which covers a range of budgets, such as energy, waste, etc. as well as a standard level of inflation based on government CPI forecasts. Key inflation indices applied to budgets are outlined in the following table:

<b>Inflation Range</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
Standard non-pay inflation	2.0%	2.0%	2.0%	2.0%	2.0%
Other non-pay inflation (average of multiple rates)	2.8%	3.4%	3.4%	3.4%	3.4%
Pay (admin band)	1.5%	2.0%	2.0%	2.0%	2.0%
Pay (management band)	1.5%	2.0%	2.0%	2.0%	2.0%
Employer pension contribution (average of admin and management band)	8.2%	5.5%	0.0%	3.3%	3.2%

- 2.4 Forecast inflation, based on the above indices, is as follows:

<b>Service Block</b>	<b>2015-16 £'000</b>	<b>2016-17 £'000</b>	<b>2017-18 £'000</b>	<b>2018-19 £'000</b>	<b>2019-20 £'000</b>
Children, Families and Adults	6,331	6,358	5,705	5,942	5,868
Children, Families and Adults (DSG funded)	351	378	401	400	400
Economy, Transport and Environment	1,106	1,230	1,046	1,080	1,040
Economy, Transport and Environment (Waste PFI)	798	855	892	945	977
Public Health	291	308	312	321	310
Corporate and Managed Services	448	406	368	385	386
LGSS Operational	330	328	222	271	256
<b>Total</b>	<b>9,655</b>	<b>9,863</b>	<b>8,946</b>	<b>9,344</b>	<b>9,237</b>

- 2.5 A review of demographic pressures facing the Council has been undertaken by the Research Group in conjunction with Services and Finance. The term demography is used to include all demand changes arising from increased numbers (e.g., clients services, road kilometres); increased complexity (e.g., more intensive packages of care as clients age); and any adjustment for previous years where demography has been under/overestimated. Forecast demography is as follows:

Service Block	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Children, Families and Adults	8,973	9,433	9,642	9,617	10,016
Economy, Transport and Environment	534	315	450	523	474
Public Health	76	169	160	159	159
Corporate and Managed Services	13	17	17	17	18
<b>Total</b>	<b>9,596</b>	<b>9,934</b>	<b>10,269</b>	<b>10,316</b>	<b>10,667</b>
Percentage cost increase	2.1%	2.2%	2.3%	2.4%	2.5%

2.6 These figures compare with an underlying population growth of around 1.7% per year (a total increase of 9.0% between 2014-15 and 2019-20). The difference is due to faster growth in certain client groups; changes in levels of need and catch up from previous years.

2.7 The Council is facing some cost pressures that cannot be absorbed within the base funding of services. These were reported to General Purposes Committee (GPC) in September who agreed to note the pressures. Some of the pressures relate to costs that are associated with the introduction of new legislation and others as a direct result of contractual commitments. These costs will be included within the revenue tables considered by service committees alongside other savings proposals and priorities:

Service Block / Description	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000
CFA: Young Carers – assessments and support	175	-	-	-	-
CFA: Deprivation of Liberty Standards	2,340	-1,540	-	-	-
CFA: Emergency Duty Team	300	-	-	-	-
CFA: Older People Service	3,000	-	-	-	-
ETE: City Deal - Adult Learning Skills	200	-	-	-	-
ETE: Waste PFI	916	336	319	341	-59
CS: Business Planning Support	50	-	-	-	-
CS: Reinstatement of Voluntary Sector Infrastructure Budget	48	-	-	-	-
CS: Exploitation of Digital solutions ( <i>investment</i> )	258	-	-258	-	-
<b>Total</b>	<b>7,282</b>	<b>-1,204</b>	<b>61</b>	<b>341</b>	<b>-59</b>

2.8 The Council recognises that effective transformation often requires up-front investment and has considered both existing and new investment proposals that we fund through additional savings during the development of this Business Plan. The table below outlines investments by service. Note that negative figures indicate the removal of an investment from a previous year.

Service Block	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Children, Families and Adults	-574	-64	-174	-	-
Economy, Transport and Environment	120	274	18	95	-
Public Health	400	-	-	-	-
Corporate and Managed Services	-350	-205	-75	-50	-
<b>Total</b>	<b>-404</b>	<b>5</b>	<b>-231</b>	<b>45</b>	<b>-</b>

Note: The figures for Corporate and Managed Services do not include the proposed Exploitation of Digital solutions investment already shown in paragraph 2.7.

### 3. SUMMARY OF THE DRAFT REVENUE BUDGET

- 3.1 In order to balance the budget in light of the cost increases set out in the previous section and reduced Government funding, savings of £32.6m are required for 2015-16, and a total of £121.4m across the full five years of the Business Plan. The following table shows the total amount of savings / increased income necessary for each of the next five years, split by service block.

Service Block	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Children, Families and Adults	-25,904	-25,232	-19,332	-16,309	-7,131
Economy, Transport and Environment	-3,953	-4,881	-3,651	-2,645	-1,280
Public Health	-764	-91	-135	-780	-412
Corporate and Managed Services	-966	-2297	-704	-345	-565
LGSS Operational	-1,043	-744	-1,039	-788	-388
<b>Total</b>	<b>-32,630</b>	<b>-33,245</b>	<b>-24,861</b>	<b>-20,867</b>	<b>-9,776</b>

- 3.2 In some cases services have opted to increase locally generated income instead of cutting expenditure. For the purpose of balancing the budget these two approaches have the same effect and are treated in the same way.
- 3.3 This report forms part of the process set out in the Medium Term Financial Strategy whereby the Council updates, alters and refines its revenue proposals in line with new savings targets. New proposals are developed by services to meet any additional savings requirement and all existing schemes are reviewed and updated before being presented to service committees for further review during October.
- 3.4 Delivering the level of savings required to balance the budget becomes increasingly difficult each year. At this point in the Business Planning Process proposals are still being developed to deliver the following currently unidentified savings:

Service Block	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Children, Families and Adults	-5,926	-12,653	-11,123	-15,909	-6,730
Children, Families and Adults (DSG funded)	-	-378	-401	-400	-400
Economy, Transport and Environment	-	-1,011	-621	-2,579	-1,221
Public Health	-	-	-	-	-
Corporate and Managed Services	-	-275	-77	-50	-286
LGSS Operational	-	-	-	-	-388
<b>Total</b>	<b>-5,926</b>	<b>-14,317</b>	<b>-12,222</b>	<b>-18,938</b>	<b>-9,026</b>

- 3.5 Proposals will be revised to take into account feedback from October service committees and new proposals added to deliver the currently unidentified savings relating to 2015-16. Firm spending plans will be considered by service committees in November. GPC will also review the overall

programme in November, before recommending the programme in January as part of the overarching Business Plan for Full Council to consider in February.

#### **4. OVERVIEW OF PUBLIC HEALTH'S DRAFT REVENUE PROGRAMME**

- 4.1 Public health funding is through a ring-fenced grant to the County Council from the Department of Health. Local authority public health services remain part of the comprehensive health service, free at the point of delivery, and are subject to public health grant conditions. The public health grant allocation to Cambridgeshire County Council for 2015/16 has been announced. The allocation is the same in cash terms as the allocation for 2014/15, with the exception of £144k transferred from the County Council to NHS England to fund HIV commissioning responsibilities, leaving a total grant of £22,155k in 2015/16, compared with £22,299k in 2014/15. Because there is no cash uplift in the grant, savings are needed to cover pressures from inflation and demography.

##### **Inflation and demography**

- 4.2 It is proposed that the approach to inflation and demography should be to ask all commissioned providers of public health services to identify cost improvement programmes which will net off any increased funding requirements from inflation and demography. In essence this means that no cash uplift will be offered to providers of commissioned public health services from 2014/15 to 2015/16. The Committee is asked to support this approach.
- 4.3 Within the public health directorate, savings will be made against agency costs, vacancies, and non-pay costs to cover increased requirements from inflation and demography.

##### **Savings and investments**

- 4.4 Although there is no 'new' funding to invest in public health programmes in 2015/16, it is proposed that savings will be made against current public health budgets and services in order to invest in preventive services which reflect Health Committee priorities. This approach is necessary in order to ensure that the benefits of transferring the public health function to the County Council are fully realised. The identified savings proposals are:

**Sexual health promotion £120k:** Sexual health promotion has been incorporated into the new sexual health services contract with CCS. Therefore a separate sexual health promotion budget within the public health directorate should no longer be required. Services provided by DHIVERSE are unaffected.

**Dental public health £30k:** The majority of dental public health promotion can be incorporated into broader health promotion work on nutrition and lifestyle.

**Smoking cessation £200k:** The reduction in usage of smoking cessation services seen nationally, regionally and locally, and thought to be associated with electronic cigarette use, has resulted in forecast savings to prescribing budgets (Nicotine Replacement Therapy) and payments to GP practices and pharmacies.

**QUIT telephone line 50k:** The dedicated QUITline service for smoking cessation has been decommissioned as it was not cost effective, and the

associated workload has been picked up through the in-house CAMQUIT service.

- 4.5 The following preventive investment proposals have been identified in line with Health Committee priorities following benchmarking of Cambridgeshire County and Districts against the the national public health outcomes framework and review of the wider evidence base:

**Children and young people's mental health 80k:** Improved access to voluntary sector specialist counselling services for young people, as part of a wider programme to reduce hospital admissions for self-harm.

**Public mental health strategy 120k:** A preventive strategy for public mental health is being developed in 2014/15 (see separate scoping paper to October Health Committee). This funding will be used for strategy implementation i.e. interventions to improve mental health and prevent development of mental illness. .

**Health inequalities - Reducing smoking prevalence 90k:** Investment in a regional collaboration for tobacco control. There is evidence from other parts of the UK of impact and cost effectiveness of this approach to reducing smoking prevalence, therefore preventing future cases of cancer, respiratory conditions and heart disease/stroke.

**Health inequalities - Workplace health support 45k:** Increased support to employers across the county to improve and maintain the health of their workforce, with a focus on businesses employing manual workers.

**Health Inequalities – Healthy Fenland fund £65k:** Provide a staffing and communications infrastructure for a Healthy Fenland fund to address health behaviours which will lead to inequalities identified through the public health outcomes framework using a community engagement approach. The fund will be pump-primed with non-recurrent savings from the public health ring-fenced grant.

### **Shared priorities**

- 4.6 Work is ongoing with other County Council directorates to revise the memorandum of understanding for use of public health grant funding developed in 2013/14, to focus on a more limited set of shared priorities. The overall amount of public health funding into other directorates remains constant. This work was outlined in the business planning paper taken to September Health Committee.

### **Healthy child programme 0-5 years**

- 4.7 Responsibility for commissioning the healthy child programme age 0-5 will transfer from NHS England to local authorities in October 2015 as part of the public health ring-fenced budget. The main element of the funding is for health visitors, with a smaller element for the 'family nurse partnership' programme. Draft allocations will be announced in October for consultation, but are not available at the time of writing. For the purposes of business planning, the allocation has been estimated as approximately £7.4M (full year). Public Health Directorate staff are working closely with Children Families and Adults: Strategy and Commissioning on planning for the Healthy Child 0-5 years commissioning transfer, and a further paper will be brought to the November meeting of the Health Committee.

## **Key risks**

### **4.8 Key risks include:**

- Providers of commissioned public health services do not accept the requirement for cost improvement programmes to meet pressures from inflation and demography, and make proposals to reduce service levels. propose reductions in service. Proposed mitigation: Contract negotiation process.
- Demand for smoking cessation services increases, so projected savings are not achieved. Mitigation: Use of ring-fenced public health reserve while other savings are identified.
- It is not possible to agree a regional collaborative approach to tobacco control with other local authorities. Mitigation: Identify opportunities to commission services from regional tobacco control collaborations outside the East of England.
- Transfer of funding for the Healthy Child Programme age 0-5 is not sufficient to cover commissioning support costs. Mitigation: response to consultation when draft allocations are released in October.

## **Health Premium Incentive Scheme Consultation**

- 4.9 The Department of Health and Public Health England are currently consulting on a Health Premium Incentive Scheme, through which local authorities would be incentivised to achieve improvements in specific public health outcomes framework indicators through reward funding from central government. The health premium concept was agreed as part of the implementation of the Health and Social Care Act (2012) and this is a technical consultation on current proposals. It is recommended that the response to the consultation which is required by 23 October 2014 is delegated to the Director of Public Health in consultation with the Chair and Vice-Chair of the Health Committee.

## **5. ALIGNMENT WITH CORPORATE PRIORITIES**

### **5.1 Developing the local economy for the benefit of all**

The majority of investment proposals will improve the health of adults of working age, and therefore improve the economy through reduced sickness absence and loss to the workforce.

### **5.2 Helping people live healthy and independent lives**

All investment proposals will help people to live healthier lives, and reduce the risk of developing long term conditions which potentially reduce their independence.

### **5.3 Supporting and protecting vulnerable people**

Improved access to voluntary sector counselling services will support vulnerable young people. The public mental health strategy is also likely to have a positive impact on vulnerable groups, through priorities such as reducing bullying and stigma. Smoking rates and smoking related illness are higher in more vulnerable groups.



## **6. SIGNIFICANT IMPLICATIONS**

### **6.1 Resource Implications**

The report as a whole sets out the resource implications of the revenue proposals for the 2015/16 business plan. Details are provided in Appendix A.

### **6.2 Statutory, Risk and Legal Implications**

Spend of the public health ring-fenced grant must comply with nationally determined grant conditions.

### **6.3 Equality and Diversity Implications**

Community impact assessments for all savings and investment proposals are attached at Appendix B. The 'Healthy Fenland fund' will aim to address geographical inequalities in health outcomes which have been clearly demonstrated through local and national data.

### **6.4 Engagement and Consultation Implications**

Questions about the Council's role in helping local residents to be healthy and support for good mental health, were included in this year's public consultation on the Business Plan.

### **6.5 Localism and Local Member Involvement**

The development of a 'Healthy Fenland' fund using a community engagement approach has potential for Local Member involvement.

### **6.6 Public Health Implications**

The purpose of public health business planning is to improve health of Cambridgeshire residents including improving the health of the worst off fastest.

<b>Source Documents</b>	<b>Location</b>
Cambridgeshire County Council Business Plan for 2014-15	<a href="http://www.cambridgeshire.gov.uk/info/20043/finance_and_budget/90/business_plan_2014_to_2015">http://www.cambridgeshire.gov.uk/info/20043/finance_and_budget/90/business_plan_2014_to_2015</a>
Public Health Outcomes Framework	<a href="http://www.phoutcomes.info/">http://www.phoutcomes.info/</a>
Health Premium Incentive Scheme 2014/15 and Public Health allocations	<a href="https://www.gov.uk/government/consultations/health-premium-incentive-scheme-and-public-health-allocations">https://www.gov.uk/government/consultations/health-premium-incentive-scheme-and-public-health-allocations</a>