

TITLE OF REPORT: Budget Position – Gateshead Council Budget Proposals and NHS Budgetary Position

Purpose of the Report

1. To set out the background, context and supporting papers relating to the Council's budgetary position and that of the NHS to complement the presentations that will be given to the Board on this item at the 4 December meeting.

Background to Gateshead Council's Budgetary Proposals

2. Gateshead is seeing demographic changes with an increasing population and a growing number of our most vulnerable residents requiring complex health and social care support.
3. Although we have seen an improved ranking in the Index of Multiple Deprivation 2015 - from 43 (IMD 2014) to 73 (IMD 2015), there are still areas of high deprivation with issues of health inequalities and child poverty. For the health and disability domain, Gateshead is ranked 23 in the country (where 1 is the most deprived).
4. The Council recognises the importance of increasing Gateshead's prosperity; encouraging housing and business growth, as well as revitalising our economy and job opportunities, so that ultimately people's standards of living will improve.
5. The Council has faced unprecedented reductions in government funding since the 2010 Comprehensive Spending Review. By the end of 2015/16 the Council's grant funding will have reduced by approximately 45% from 2010. This equates to over a £300 per head reduction in government funding over the period.
6. Since 2010, the Council has reduced its expenditure by £110m and there are now 2,085 fewer people working for the organisation. This has taken place against a context of significant policy and organisational changes impacting upon the Council, its partners and local people.

7. Further government funding reductions were announced in the Chancellor's budget in July 2015, to cover the period 2015/21 and in the Queen's speech on 27 May 2015. The Government has continued to focus on cutting the public sector debt within the Spending Review announced on 25th November.

Gateshead Council Funding Gap and Budget Planning

8. The Council's Medium Term Financial Strategy (MTFS) 2016 to 2021 was reviewed on 16 July 2015 and presented indicative budget forecasts showing an estimated funding gap of £50.6m for the two year period 2016/17 and 2017/18. The financial projections will be revisited following the Local Government Finance Settlement in December for 2016/17 to assess any changes to the Council's overall financial position.
9. In order to manage resources effectively, the Council has an established two-year rolling programme for budget planning to provide greater flexibility and resilience. A key element of this approach is to engage with and consult residents, businesses, partners and employees.
10. The Council has approached the budget consultation for 2016-18 based on the Council Plan for 2015-2020 to:
 - Meet the needs of Gateshead based on a Strategic Needs Assessment
 - Sustain Vision 2030 and uphold the Council's values
 - Reach decisions and manage change in a principled way
11. There is also a focus on four inter-related areas: economic growth and revenue generation, managing demand, increasing collective responsibility and continuing to drive efficiencies in different ways of working.
12. The Council is seeking to adopt a balanced approach to meeting the financial challenges it faces. This means understanding when an issue needs longer term action that will reap rewards over a number of years, rather than making a decision that will achieve a quick solution. The Council also aims to minimise the impact of funding cuts for local people. However, further reductions in Government funding combined with growing demands make this increasingly difficult.

Gateshead Council Budget Proposals

13. The Council has looked at the services it needs to provide to fulfil its duties. In addition, the Council is still working towards achieving sustainable economic growth and wellbeing for the borough and its residents, whilst supporting vulnerable people and building capacity within communities.
14. Draft proposals have been identified to help bridge the estimated funding gap of around £50.6m over the next two years, but in particular for the financial year 2016/17. They are grouped under the following areas:
 - Adult Social Care
 - Children's Services
 - Communities and Volunteers

- Economic Growth
 - Environment
 - Public Health
 - Governance and Resources
 - Efficiency and Effectiveness projects
15. The presentation on the Council's proposals will largely focus on adult social care, children's services and public health. However, the full set of proposals can be accessed through the following link:
<http://www.gateshead.gov.uk/Council%20and%20Democracy/consultation/Budget/BudgetConsultation.aspx>
16. The Council welcomes views on these draft proposals. The public consultation will run from 3rd November 2015 through to 30th December 2015.

NHS Funding Gap and Newcastle Gateshead CCG Funding Position

17. The NHS Five Year Forward View, which was published in October 2014, predicted a £30bn funding gap would emerge in the NHS by 2020/21. One scenario based on securing productivity improvements of 2-3% a year estimated that £22bn could be saved, leaving an £8bn funding requirement. Newcastle Gateshead CCG's capitation share of the £22bn productivity requirement is £193m.
18. Newcastle Gateshead CCG's funding position (2015/16) shows an actual baseline allocation of £664.6m against a target allocation of £640.7m. This means that the CCG's actual allocation is £23.9m greater than its target allocation i.e. 3.73% over target. Minimal growth is expected in the allocations for over-target CCGs such as Newcastle Gateshead CCG, which are expected to be announced on 21st December. At least three year firm allocations and two year indicative allocations are anticipated through to 2020/21.

Pressures on NHS Commissioning Budgets and NHS Response

19. Pressures on NHS commissioning budgets include:

Prescribing Costs: Newcastle Gateshead CCG experienced an 11.6% growth in high cost drugs from 2014/15 to 2015/16.

Changes to Commissioning Responsibilities: e.g. specialised commissioning transfers.

Tariff Changes: including tariff efficiency and uplift.

Continuing Healthcare: the cost growth between 2014/15 and 2015/16 is around 8%.

Acute Pressures: e.g. National Institute for Health & Care Excellence (NICE) guidelines relating to cancer treatment, increased endoscopies etc.

20. The NHS response to addressing the funding gap includes initiatives such as the Vanguard Programmes (Gateshead Care Homes Vanguard and Regional Urgent Care Vanguard), Better Care Fund schemes and new models of care including work towards more integrated care.

Autumn Statement & Spending Review 2015

21. The Chancellor of the Exchequer presented a joint Autumn Statement and Spending Review 2015 to Parliament on 25 November 2015. It has significant implications for the Council and its partners, residents, businesses and local communities.
22. In relation to health and adult social care, announcements made include:
- The NHS will receive £10 billion more in real terms by 2020-21 than in 2014-15, with £6 billion available by the first year of the Spending Review so that the government funds the NHS's own Five Year Forward View.
 - There will be an additional £600 million investment in mental health services. NHS England's Mental Health Taskforce will report in early 2016 and the government will work with them to set out plans for perinatal mental health and coverage of crisis care.
 - The ring-fence on public health spending will be maintained in 2016-17 and 2017-18.
 - A social care precept may be introduced by local authorities who are responsible for social care. The precept will work by giving local authorities the flexibility to raise council tax in their area by up to 2% above the existing threshold for spend on adult social care. This is intended to raise £2 billion a year by 2019-20.
 - Increase in the Better Care Fund, rising to an extra £1.5 billion by 2019-20.
 - £500 million by 2019-20 for the Disabled Facilities Grant.
23. Other announcement include:
- Changes to tax credit taper rates and thresholds announced in the July Budget will not go ahead. The introduction of universal credit will phase out working tax credits as planned. The income rise disregard for tax credits will decrease from £5,000 to £2,500 as announced in the July Budget
 - Housing benefit will be capped at the relevant local housing allowance rate – for new tenancies only.
 - Protection for the core schools budget in real terms, enabling the per pupil rate for the Dedicated Schools Grant to be protected in cash terms, including £390 million of additional funding given to the least fairly funded areas in 2015-16. The pupil premium will also be protected at current rates.
 - Introduction of a national funding formula for schools and early years. A detailed consultation will be launched in 2016 and the new formula will be

implemented from 2017-18. There will be a transitional period to help smooth the implementation of the new formula.

- Investment of £23 billion in school buildings.
- The government will maintain current levels of funding for community integration programmes.

24. The Department for Communities and Local Government will shortly consult on changes to the local government finance system to pave the way for the implementation of 100% business rate retention by the end of the Parliament. As part of these reforms, the main local government grant will be phased out and additional responsibilities devolved to local authorities. The government will consult on these and other additional responsibilities in 2016.

Proposal

25. It is proposed that the Health and Wellbeing Board considers the Council's budget proposals for the period 2016-2018 and the budgetary position of the NHS.

Recommendations

26. The Health and Wellbeing Board is asked to:
- (i) note the background and context to the budgetary position of the Council and NHS set out in this report.
 - (ii) consider the content of the presentations to be given on this item.

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