

Meeting date: 22 November 2022

Report to: Cabinet Portfolio Holder for Health and Adult Social Care

Report title: Revenue and Capital Monitoring 2022/23 as at 30 September 2022

Report from: Jenny Wood – Director of Adult Social Care
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Wards affected:

- All Wards | Bickenhill | Blythe | Castle Bromwich | Chelmsley Wood |
 Dorridge/Hockley Heath | Elmdon | Kingshurst/Fordbridge | Knowle |
 Lyndon | Meriden | Olton | Shirley East | Shirley South |
 Shirley West | Silhill | Smith's Wood | St Alphege
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Public/private report: Public

Exempt by virtue of paragraph: N/A

1. Executive Summary

- 1.1 To update the Cabinet Portfolio Holder for Health and Adult Social Care on the progress in delivery of the Medium Term Financial Strategy for the portfolio.

2. Decision(s) Recommended

- 2.1 Cabinet Portfolio Holder notes the progress being made against the Medium Term Financial Strategy.
- 2.2 Cabinet Portfolio Holder endorses the actions being taken to manage the in-year financial position and the management of identified risks.

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3. Matters for Consideration

- 3.1 Full Council agreed a balanced budget in February 2022 for the three years from 2022/23 to 2024/25. Officers have now begun working on the new MTFs for 2023/24 to 2025/26. We will be following the established process of taking updates through the Member led Budget Strategy Group and an all-Members' Seminar, before presenting budget proposals to Scrutiny Boards, Cabinet and finally Full Council.
- 3.2 As reported to Full Cabinet in June 2022, the overall position at the end of 2021/22 was that, with the exception of Children's services, for which further funding has now been agreed, all portfolios are in an equivalent or better financial position as at 31 March 2022 than that assumed in the budget approved by Full Council in February 2022.
- 3.3 However, the outlook for local government finance remains difficult with a combination of existing and emerging challenges:
- The lasting effects of Covid-19, including the gradual recovery to pre-pandemic activity levels for some services and the transition to a "new normal", with potentially permanent changes to activity levels, for others
 - The ongoing delay to local government finance reform and associated uncertainty over future funding
 - Cost of living impacts on pay awards, energy and other contractual costs
 - Children's services – further pressures forecast in the current year
 - The reform of Adult Social Care
 - Short-term national funding allocations to expand certain public health services
- 3.4 It is clear from the above that the budget process for 2023/24 will be very challenging as the impact of inflationary pressures and demand for adults and children's social care feed through into the budget process. The Council may also need to accept more risk in the budget assumptions.

3.5 Overall Financial Position

- 3.5.1 Appendix A sets out the forecast revenue, capital and reserves position for 2022/23. Appendix B sets out the MTFs savings position.
- 3.5.2 The overall revenue position for adult social care is a break-even position following use of directorate reserves of £3.249 million.
- 3.5.3 The main factors within this forecast are:
- As part of the People at the Heart of Care: adult social care reform white paper, all local authorities are required to complete a Fair Cost of Care exercise to work with providers to arrive at a shared understanding of the local cost of providing care. For the purposes of this exercise the Department of Health and Social Care (DHSC) determined that the 'Fair Cost' is the median costs of care across the market. The DHSC issued guidance in August 2022 that the policy expectation is that local authorities 'move towards' the median cost of care. Therefore, in line with other local authorities regionally, SMBC has undertaken to utilise all the available government

funding of £587,000 in 2022/23 and an estimated further allocation of £1.589 million in 2023/24 to increase the rate paid for care.

- Due to the ongoing uncertainty of Covid-19 and winter pressures, additional bed capacity is in place to ensure people can be discharged from hospital so that the NHS is not overwhelmed in the winter. The expected costs arising from this of £140,000 will be met from a reserve set up for this purpose. Further discharge funding of £500 million nationally has been announced but we await details of our allocation.
- We continue to support the exploitation reduction and safeguarding related support services for adults, including those in transition to adulthood. These costs of £134,000 are being met from a reserve held for this purpose.
- The directorate is utilising £2.975 million of its contingency reserve in order to break-even. £623,000 of which was approved as part of the latest MTFS. A further £509,000 is required due to increased spot care packages netted down by savings on block contract beds. The remaining £1.843 million reserves are funding one-off expenditure in relation to the extension of the crisis response team (a team of peripatetic social work and occupational therapy staff), to keep in place the hospital social care team to facilitate hospital discharges, and to meet our contractual commitments relating to fixed term posts.

3.6 Services funded from Public Health grant within the Public Health Directorate are forecast to balance to budget. The MTFS budget for 2022/23 approved a forecast contribution to reserves of £197,000. The forecast outturn is now a use of reserves of £395,000 with movements totally £592,000 due to the following:

- During 2021/22 Public Health commissioner and service leads prioritised service recovery following the COVID-19 pandemic and put in place service recovery plans to maximise recovery opportunities. A similar approach has been adopted again for 2022/23, focussed on Accelerating Prevention aligned to the Council's health inequalities strategy and reducing service needs and costs through prevention. £489,000 of reserves will be utilised to support Accelerating Prevention in 2022/23.
- The budget for the year included an estimate for Public Health Grant receivable for 2022/23. Actual grant receivable was notified in March 2022 and is £103,000 below forecast (the Council will receive £11.829m for the year) and the difference will be offset by use of reserves.

In line with Council's Financial Regulations, a request will be made to Full Cabinet to approve the above amendments to the budgeted contribution to the Public Health reserve. (Note this was reported to this Portfolio Holder Decision meeting as part of the reporting of the quarter 1 financial position, but due to the cancellation of the Full Cabinet meeting, this request has been rolled forward to be included in quarter 2 Full Cabinet Financial report).

3.7 The capital programme is currently forecast to be on budget as schemes are planned to be delivered within this financial year. Any unspent budgets will be requested to be carried forward to fund future capital planned expenditure.

3.8 The budgets within this report are aligned to priorities for 2022/23 of the Deputy Leader:

Partnerships and Well-being, the Cabinet Portfolio Holder for Adult Social Care and Health as well as the Cabinet Portfolio Holder for Children and Education.

3.9 Emerging pressures to be managed

- 3.10 There remains a high level of uncertainty within adult social care. Covid-19 continues to affect the demand for health and social care services. It is too early to determine if future demand will return to pre-Covid patterns or if people will continue to access care in alternative ways.
- 3.11 Care providers are under sustained financial pressure. The recently completed Fair Cost of Care exercise is likely to fall short of market expectations, the government's plans to enable self-funders to access local authority rates, and the effort to recruit and retain care staff pose huge challenges to care providers. Some providers might not be willing to accept the higher costs and/or lower income so may cease to accept referrals from the local authority or cease to provide services. This could lead to a reduction in capacity to meet demand in the community. Solihull has a high proportion of self-funders (around 70% of Solihull care home occupied placements) compared to other councils so the impact of the reform changes will be greater.
- 3.12 From October 2023, the government proposes to make the means test for accessing local authority funding support more generous and to place a lifetime care cap of £86,000. The impact for local authorities will be lower income from people contributing towards their care. Government has announced that it plans to reimburse local authorities for the additional staffing costs and reduced income. It is assumed that this funding will be sufficient to cover the pressure arising from these changes.
- 3.13 The NHS is an essential partner to deliver joined-up services aimed at preventing ill-health and reducing demand for unplanned care. NHS services are having to cope with record demand and are severely stretched. The financial resources of the NHS are now under increasing strain. It will be no surprise that the NHS will be reviewing its financial commitments to relieve the strain on its resources. This may mean less funding for the council.
- 3.14 The government plans to reintroduce inspections of local authority's social care function by the Care Quality Commission (CQC), with councils being potentially subject to government intervention where there is a risk of failure to meet standards. This future process may require additional capacity to develop business intelligence and reporting to demonstrate that services provided are sustainable and of good quality. Funding issues should not compromise the provision and quality of care.
- 3.15 The population is ageing and adults with long term health conditions and disabilities are living longer (although overall life expectancy is now plateauing). Greater numbers of younger adults are accessing support for learning disabilities and autism, and we are seeing increased complexity of their needs. All these factors represent a growing challenge in Solihull and which have considerable financial impacts.
- 3.16 The Council has been successful in a bid for funding of £999,783 from the Department of Education (DfE) to support the piloting of Family Hubs across the Borough which will become operational from March 2024. The anticipated recurrent cost of operation is £850,000 per annum. Nationally, DfE guidance states that continued funding will be

determined on the basis of the outcomes of the overall programme.

- 3.17 The hub offer is an important means of delivering early help at the heart of our communities, with an aim to reduce the number of families entering statutory services. As such, this offer is an integral part of the Children's Improvement Plan. As the hub offer will form part of the wider prevention and early-intervention model for children living in the borough, the expectation is that the hub offer is embedded into existing core budgets. A multi-agency sustainability group will be convened from the outset focused on ensuring long-term funding is realised to maintain the offer and that efficiency savings as a result of co-location of services can be realised. There is ongoing dialogue over future funding arrangements for this multi-agency programme including with the new Integrated Care System.
- 3.18 A number of Public Health contracts will terminate during the MTF period. The majority of existing contracts were agreed at fixed prices over a number of years and do not currently provide for inflation whilst those that are NHS provided include provision for pay inflation in line with NHS Agenda for Change pay rises that have been agreed above levels of increases to Public Health Grant. The impact of inflation could give rise to contract price increases across a number of contracts and the level of pressure for the service will depend on future allocations of Public Health Grant.
- 3.19 Funding for some key public health and preventative programmes including aspects of smoking cessation, alcohol support and weight management are increasingly being directed from DHSC to emerging Integrated Care Systems so joint working with the ICS will be key to further service development for some of the service areas.

4. What options have been considered and what is the evidence telling us about them?

- 4.1 Based on the latest forecasts, there is sufficient base budget and reserve funding to enable the portfolio to deliver services and meet its financial commitments. It is anticipated that the position will continue to be stable through to the end of the year as strong internal governance procedures are in place.
- 4.2 Pressures arising so far during this financial year for adult social care, as set out in 3.5.3 above, have been managed using the adult social care contingency reserve. This reserve continues to be a buffer that prevents the directorate from calling on the corporate budget strategy reserve.

5. Reasons for recommending preferred option

- 5.1 The portfolio continues to manage a challenging set of pressures, using evidence-based decisions to understand and respond to the causes of emerging pressures, with significant risks and mitigating actions being reported to the Directorate Leadership Team and the Corporate Leadership Team to ensure that the portfolio remains within existing budget.
- 5.2 There is a strong corporate process to oversee delivery of savings and review variances to budget. Actions are being taken in a planned way across the portfolio and will be fed into the budget process where actions would reflect a change from currently agreed plans. ARTOP Board (Aligning Resources To Our Priorities) meet quarterly to oversee

the council's financial position.

6. Implications and Considerations

6.1 State how the proposals in this report contribute to the priorities in the [Council Plan](#):

Priority:	Contribution:
<p>People and Communities:</p> <ol style="list-style-type: none"> 1. Improving outcomes for children and young people in Solihull. 2. Good quality, responsive, and dignified care and support for Adults in Solihull when they need it. 3. Take action to improve life chances and health outcomes in our most disadvantaged communities. 4. Enable communities to thrive. 	<p>This is the key purpose of the portfolio</p>
<p>Economy:</p> <ol style="list-style-type: none"> 5. Develop and promote the borough's economy, with a focus on revitalising our town and local centres. 6. Maximising the opportunities of UK Central and HS2. 7. Increase the supply of affordable and social housing that is environmentally sustainable. 	<p>N/A</p>
<p>Environment:</p> <ol style="list-style-type: none"> 8. Enhance our natural environment, improve air quality and reduce net carbon emissions. 	<p>N/A</p>
<ol style="list-style-type: none"> 9. Promote employee wellbeing 	<p>N/A</p>

6.2 Consultation and Scrutiny:

6.2.1 This is an update report.

6.3 Financial implications:

6.3.1 The financial implications are set out in the body of the report.

6.4 Legal implications:

6.4.1 No decisions in this report.

- 6.5 Risk implications, including Risk Appetite:
 - 6.5.1 The budget monitoring report takes account of known forecast variances. In addition, there may be pressures which are currently being monitored and managed by budget managers that could affect the final outturn position for 2022/23.
 - 6.5.2 As mentioned in Section 3 of this report there are a number of substantial financial risks that the authority is facing as a result of external economic conditions which will be included in the Council's Budget Setting Process.
 - 6.5.3 The Corporate risk relating to the delivery of the MTFS is now at a net level 9. The new MTFS that will be presented to Full Council in February 2023 will need to reduce this risk to at least a net level 8.
 - 6.5.4 Covid-19 Funding has now all been committed and any further pressures will need to be managed within individual Portfolios.
- 6.6 Equality implications:
 - 6.6.1 No changes proposed
- 6.7 Linkages to our work with the West Midlands Combined Authority (WMCA), Local Enterprise Partnership or the Birmingham & Solihull Integrated Care System (ICS):
 - 6.7.1 The Council works with other health and local authority partners across the West Midlands.
- 7. List of appendices referred to**
 - 7.1 Appendix A – Revenue, Capital and Reserves
 - 7.2 Appendix B - MTFS
- 8. Background papers used to compile this report**
 - 8.1 N/A
- 9. List of Other Relevant Documents**
 - 9.1 N/A