

Meeting date: 23 January 2023

Report to: Health and Adult Social Care Scrutiny Board

Report title: MTFs Update – Budget Strategy 2023/24 – 2025/26

Report from: The Director of Resources and Deputy Chief Executive
The Director for Adult Social Care
The Director of Public Health and Commissioning

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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

Public/private report: Public

1. Executive Summary

1.1 Each scrutiny board in January will receive a report outlining the budget proposals identified within their respective portfolios for the period from 2023/24 to 2025/26. The positions outlined in these reports, which have been endorsed by the Budget Strategy Group, are summarised in the table below.

Directorate	2023/24 £'000	2024/25 £'000	2025/26 £'000
Adult Social Care	0	2,910	3,089
Public Health	0	0	0
Children’s Services	8,669	8,640	7,314
Economy and Infrastructure	0	1,425	1,064
Resources	(5,610)	(1,212)	(2,327)
Total net funding pressure	3,059	11,763	9,140

1.2 The report outlines the forecast budget position in respect of this portfolio in more detail, explaining the pressures identified over the period to 2025/26 and the actions proposed to mitigate them.

- 1.3 Key pressures highlighted in the report include:
- Progress towards fair cost of care
 - Reform of the adult social care charging system
 - Cost of living pressures and bad debt write-offs
 - Demographic and inflationary pressures
- 1.4 The main proposals to mitigate these pressures include:
- Government funding where national allocations have been announced
 - Use of contingency reserve
- 1.5 Given the scale and breadth of the reform requirements and pending introduction of Care Quality Commission (CQC) inspections for adult social care, this limits capacity for further change activity. There is such a level of uncertainty that it is a difficult time to establish longer term plans. The immediate focus has therefore been to address the additional pressures identified for the Adult Social Care Directorate in 2023/24, whilst recognising the scale of uncertainty at play for future years.
- 1.6 The report also draws members' attention to some particular risks relevant to the portfolio's budget position, including future inspection requirements, market unpredictability, potential difficulties in securing NHS funding, workforce challenges, winter pressures/Covid-19, and demographic demand pressures.
- 1.7 At its meeting in February, Full Cabinet will be asked to approve the fees and charges for each portfolio alongside the budget proposals. This report includes details of the proposed fees and charges for 2023/24.
- 1.8 Finally, the report highlights forecast funding gaps for the period from 2023/24 to 2025/26, as reported to the Budget Strategy Group and Members' Budget Seminar. As noted in the report, a fourth meeting of the Budget Strategy has been scheduled for January to consider the updated position following the conclusion of some outstanding matters.
- 1.9 Feedback on the budget proposals included within this report will be reported to the Resources and Delivering Value Scrutiny Board and Full Cabinet next month.

2. Decision(s) Recommended

- 2.1 Note the pressures and mitigating actions set out in Appendix A and agree any comments to be fed back to the Resources and Delivering Value Scrutiny Board and Full Cabinet in February 2023.
- 2.2 Consider the schedule of fees and charges proposed for 2023/24, as attached at Appendix B, and agree any comments to be fed back to the Resources and Delivering Value Scrutiny Board and Full Cabinet in February 2023.

Report Title: MTFS Update – Budget Strategy 2023/24 – 2024/25

3. Matters for Consideration

Health and Adult Social Care Portfolio

- 3.1 Appendix A sets out the current realised pressures facing the portfolio and the proposed mitigations, including links to the Council's priorities.

Key pressures

- 3.2 The Fair Cost of Care exercise carried out in the summer of 2022 enabled the council to give an in-year uplift to care at home providers from government funding provided for this purpose. The council is planning to increase the fee rate for all other providers in 2023/24 to move towards the median rate identified through this exercise in order to maintain a sustainable market and to ensure that providers in Solihull continue to offer placements to Solihull residents.
- 3.3 The proposed social care reforms for implementing the care cap and means test will result in additional staffing costs, reduced income, and new care costs. Although initially modelled from October 2023, these proposals have now been delayed to October 2025.
- 3.4 As people continue to struggle with the rising cost of living, they feel less able to make contributions towards their care. This would result in lower in-year income for the council and could also potentially require debts to be written off if it becomes unfeasible to collect. A pressure of £250,000 has been included in each of 2023/24 and 2024/25 as it has been assumed that these pressures will subside after that. It is expected that, although not quantifiable at this stage, some of this pressure will present itself in the current financial year where it will be managed along with other in-year service pressures.
- 3.5 The population is ageing and adults with long-term health conditions are living longer (although overall life expectancy is now plateauing). This means that more people seek local authority support and for a longer period of time than before. Alongside this, there is an increase in the National Living Wage (NLW) and inflation is running very high. This represents a significant rise in costs for the council and a financial pressure of £2.174 million in 2023/24, £2.660 million in 2024/25 and £3.289 million in 2025/26 is included in the directorate's forecast pressures, over and above the annual increase of £1.7 million for inflation and demography already assumed in the MTFS.
- 3.6 The majority of existing non-NHS Public Health contracts that come to an end during the MTFS period, were secured on fixed annual prices which do not provide for inflation. Given current and forecast inflationary pressures, this could result in operating pressures for providers which may lead to service restrictions if not addressed.
- 3.7 The Council has successfully bid for Department for Education grant funding to pilot 3 to 4 new Family Hub centres across the borough which will support outcomes for children, young people, and their families. The offer will be delivered by existing service providers from different agencies working as a multi-disciplinary team,

supported by a digital offer, and delivered through a combination of outreach working and a number of dedicated physical spaces. These will be a mixture of council-owned facilities and those managed and run by other organisations (VCS/ education). Although grant funding has been secured that will contribute to the setup of the centres, there is no new government funding available to meet the on-going cost of operating the centres, which is estimated at £850,000 per annum. The pilot centres will be operational on a phased basis from the start of 2024/25.

Key mitigations

- 3.8 Government funding relating to Fair Cost of Care is included as a mitigation to the pressures set out in 1.2. It is currently unclear how much of this funding will continue and whether some of this funding will be rolled into other grants that are available to the adult social care directorate. The expectation is that the council's plans for increasing care fees are funded within the MTFS either through new grants or via other mitigations proposed below.
- 3.9 The Autumn Statement indicated increased adult social care precept flexibilities. In total 2% can be levied but as 1% is already assumed in the MTFS, this enables the council to consider an additional 1% which would raise £1.1 million and could contribute to mitigation of pressures. When allocating funding to local authorities, government assume that the full precept has been taken.
- 3.10 Inflationary increase of £200,000 relating to Better Care Fund income has been included as a mitigation in 2025/26. This is an estimated allocation. The actual level of increase will be determined jointly with the Integrated Care System (ICS). The preceding years inflation increase have already been built in to the existing MTFS.
- 3.11 Some higher risk one-off mitigations are included for consideration. These include proposals to use capital funding differently to reduce care expenditure by £250,000. We will also seek additional NHS funding of £400,000 in 2023/24 for costs that currently fall to the council. Like the council, the NHS also has a challenging financial outlook, therefore this will require strong negotiation and ultimately, the agreement from the NHS to secure additional funding. In recognition of this risk, it is not proposed to make this an ongoing mitigation but to review the position each year.
- 3.12 The above mitigations are being supplemented by planned use of the existing Adult Social Care directorate reserves of £1.774 million to enable a balanced budget position in 2023/24. It is anticipated that further grant funding, additional precept flexibilities or further use of the contingency reserve will enable a balanced budget position in 2024/25 and 2026/27. However, the reserves are a finite resource and will not address the long-term recurrent pressures identified.
- 3.13 The impact of inflation on Public Health Grant funded contracts must be met from the annual Public Health Grant allocation. It is therefore proposed that inflation for non-NHS provided service is included in extended / new contract terms but limited to annual increases in Public Health Grant. For the purpose of the MTFS budget, forecast inflation has been estimated at 3.5% for 2023/24 and 2% thereafter for non-NHS contracts. Although this is less than inflation provided for core funded contracts, the lower rates are considered a better approximation to forecast increases in Public Health Grant due to expected Government pressures on funding allocations.

3.14 To mitigate the on-going funding pressure in relation to Family Hubs, the hub model of service provision will form part of the overall redesign of children's services, focussing on prevention and early intervention in areas of highest need and involve a number of partner agencies, including the NHS and VCSE. The delivery of the model is predicated on using existing council and other community facilities and assets more effectively and efficiently. Delivering a sustainable and cost-effective service will therefore require service redesign and transformation across multiple aspects of council business. The hubs must be operational from April 2024, however, pending full budget realignment by this date, the proposal is to bid for partner / ICS transformation funding of £850,000 to support programme delivery in 2024/25. The scheme has partner/ ICS support and is consistent with the objectives and principles of the Fairer Futures Fund and stated partner priorities in the Health Inequalities Strategy. A reserve of £300,000 was established for Family Hubs in 2021/22 from the Public Health Grant in-year surplus and is available for use in 2025/26. This leaves £550,000 to be secured from realignment of budgets in 2025/26 and £850,000 on-going thereafter.

Risks and key assumptions

- 3.15 Under CIPFA's Financial Management Code, the authority must demonstrate that it understands its prospects for financial sustainability, including the potential impact of key risks on its budget plans.
- 3.16 Key risks relevant to the budget proposals within this portfolio are summarised below:
- The government plans to reintroduce inspections of local authority's social care functions 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 is requiring an increased demand on capacity to develop new business intelligence and reporting to demonstrate that services provided are sustainable and of good quality.
 - It is highly uncertain how care providers will respond to the ongoing reform in the social care sector. Care providers will also be assessing the outcome of the Fair Cost of Care exercise and the Council's plans may fall short of their expectations. Uplift requests outside usual processes have been requested by some providers, which the council may not be able to agree to. Some care providers may not be willing accept lower fees so they may not 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 which would then need to be remedied in order to continue to meet statutory duties.
 - The NHS is an essential partner to deliver joined-up services aimed at preventing ill-health and reducing demand for unplanned care. NHS service pressures, waiting lists and accessibility issues are now widely reported in the media. It is expected that the NHS will be reviewing its financial commitments to relieve the strain on its resources. This may mean less funding for the council which puts at risk the council's plans to secure more NHS funding.
 - The adult social care sector struggles to recruit and retain staff so that it is able to provide good quality, responsive care. Although not as badly affected as

some areas, this is also the case locally and has been exacerbated by the cost-of-living impacts on people living in Solihull. Risks emanating from this struggle may translate into higher fees requested by care providers or the inability to provide services.

- There are anticipated to be significant increases in Covid-19 and flu infections during the winter months. Despite high levels of vaccination, there is usually a surge during winter. The NHS is preparing itself so that it is not overwhelmed. However, sudden and significant pressure on hospitals also requires fast, responsive action to be taken by adult social care. The financial impact will arise from the need to provide urgent care, including via care home beds for people coming out of hospital. A £500 million national fund has been announced and council has submitted plans to buy additional capacity and strengthen resilience totalling £1.5 million in 2022/23. Funding for future years has been announced alongside this but not all local allocations are available yet.
- The population is ageing and adults with long term health conditions and disabilities are living longer. Also, greater number of younger adults are accessing support for learning disabilities and autism, and we are seeing increased complexity of people's needs. An estimate of this future pressure has been included in the pressures section, but there is a risk it is an underestimate.
- The annual Public Health Grant allocation included in the MTFS is based on a forecast, and although the MTFS forecast is considered prudent, actual allocations may be below forecast. The grant is issued by the DHSC and is therefore subject to national prioritisation and decision making which is a potential risk in the light of anticipated cross Governmental departmental savings requirements. At present the Council has sufficient Public Health Grant reserves to manage variations to the MTFS forecast. There are however risks around reserves which may be subject to Government clawback.
- To mitigate potential cost risks in service transformation or delays in timing of service redesign, it is proposed to contribute £400,000 to the Family Hubs reserve in 2022/23 from Public Health Grant reserves. This funding will help to mitigate against risk of additional transformation and delivery cost pressures if they arise during the MTFS period. Should on-going cost pressures be identified during transformation that impact budgets beyond the MTFS period, service provision will be scaled to ensure on-going costs are met within available budgets.

Fees and charges

- 3.17 As part of the Council's fees and charges policy, the charges levied by the Council need to be approved annually as part of the budget setting process. A schedule of fees and charges relevant to this scrutiny board is attached at Appendix B to this report. These fees and charges take into account the guidance set out in the Council's policy and have been reviewed in the light of the pressures faced by the Council and with reference to current and forecast inflation.

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

- 4.1 In developing the budget proposals for review by the Budget Strategy Group, the directorate leadership teams worked with the cabinet portfolio holders to establish the scale of the pressures and identify mitigating actions within each service area. Background information was provided for each cabinet portfolio to give the Group further context for the consideration of the budget proposals.
- 4.2 The indicative budgets for the services relating to this scrutiny board are attached at Appendix C, together with an overview of the projected reserves position. It should be noted that the budget figures are provisional and likely to change, and that the reserves figures are as reported at Period 6 and may not therefore reflect proposals put forward as part of the budget process. This information will assist members in considering the budget proposals included in this report.

5. Reasons for recommending preferred option

- 5.1 As outlined in section 1 above, the recommendations of the Budget Strategy Group are based on the consideration of the particular financial constraints and service delivery context of each individual service area.
- 5.2 The Group endorsed the inclusion in the updated MTFS of the net pressures summarised in this report in paragraphs 1.2 to 1.14 and detailed in Appendix A. The net impact of the position across all the portfolios, together with increases in funding for inflationary pressures and other corporate items, is a forecast funding gap for each of the three years, as shown in the table below.

Directorate	2023/24 £'000	2024/25 £'000	2025/26 £'000
Adult Social Care	0	2,910	3,089
Public Health	0	0	0
Children's Services	8,669	8,640	7,314
Economy and Infrastructure	0	1,425	1,064
Resources	(5,610)	(1,212)	(2,327)
Total net funding pressure	3,059	11,763	9,140
Net corporate pressures/mitigations	(1,752)	3,041	2,280
Net forecast funding gap	1,307	14,804	11,420*

* Net of one-off savings of £1.947m

- 5.3 The Budget Strategy Group agreed to meet for a fourth time in January to consider final changes to the MTFS assumptions, including the impact of the provisional finance settlement, announced before Christmas, and final forecasts for business rates income and the council tax base. The Group will then agree a budget recommendation to be made to Full Cabinet in February.
- 5.4 The fourth meeting of the Budget Strategy Group may result in some changes to the budget proposals for Health and Adult Social Care, which will then be included in the budget report to February Full Cabinet.

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>The MTFS provides the financial framework which supports the delivery of the Council Plan. The high level implications of the proposed pressures, mitigations and savings for the Council's priorities are indicated in the tables in the appendices</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>The MTFS provides the financial framework which supports the delivery of the Council Plan. The high level implications of the proposed pressures, mitigations and savings for the Council's priorities are indicated in the tables in the appendices</p>
<p>Environment:</p> <ol style="list-style-type: none"> 8. Enhance our natural environment, improve air quality and reduce net carbon emissions. 	<p>The MTFS provides the financial framework which supports the delivery of the Council Plan. The high level implications of the proposed pressures, mitigations and savings for the Council's priorities are indicated in the tables in the appendices</p>
<ol style="list-style-type: none"> 9. Promote employee wellbeing 	<p>The MTFS provides the financial framework which supports the delivery of the Council Plan. The high level implications of the proposed pressures, mitigations and savings for the Council's priorities are indicated in the tables in the appendices</p>

6.2 Consultation and Scrutiny:

6.2.1 The budget proposals were shared with all members at a seminar in December 2022 and each scrutiny board is now asked to consider the proposals which relate to their cabinet portfolios in more detail.

6.2.2 Consultation with the public will take place on specific proposals where appropriate. The budget recommendations outlined here have been shared with the unions and

feedback will be presented to the Resources and Delivering Value Scrutiny Board on 2 February and Full Cabinet on 9 February.

6.3 Financial implications:

6.3.1 In order to set a balanced budget, the authority's limited resources need to be targeted at the Council's priorities and any unfunded service pressures will have to be met from corresponding reductions in spending.

6.4 Legal implications:

6.4.1 The budget proposals were developed with regard to legal implications where applicable.

6.5 Risk implications, including Risk Appetite:

6.5.1 Failure to deliver the MTFS is currently rated as a net nine risk on the Council's corporate risk register. The report to Full Council in February will need to demonstrate how this risk has been mitigated.

6.6 Equality implications:

6.6.1 The budget proposals will be screened for 'due regard' to equality and, where appropriate, will be subject to a Fair Treatment Assessment before implementation.

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 budget proposals are consistent with existing joint working arrangements with partners.

7. List of appendices referred to

7.1 Appendix A: Pressures and Mitigating Actions 2022/23 to 2025/26

7.2 Appendix B: Proposed Fees and Charges 2023/24

7.3 Appendix C: Indicative Service Budgets 2023/24

8. Background papers used to compile this report

8.1 None

9. List of Other Relevant Documents

9.1 None