

**Meeting date:** 25<sup>th</sup> September 2018  
**Report to:** Cabinet Portfolio Holder for Health and Adult Social Care



**Subject/report title:** Month 4 Financial Strategy Update

**Report from:** Jenny Wood – Director of Adult Care and Support  
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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

**Exempt by virtue of paragraph:** Select an Exemption paragraph from the Quick Parts drop-down list

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**1. Purpose of Report**

- 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.
- 2.3 Cabinet Portfolio Holder agrees the proposed approach to managing the Bacons End Welfare Fund.

**3. Update on Delivery of the Medium Term Financial Strategy**

- 3.1 The latest three year budget position was approved as part of the overall MTFS by Full Council on the 1st March 2018. In addition, on the 21st June 2018 as part of the 2017/18 Final Accounts report, Full Cabinet approved a number of one-off funding allocations to a number of portfolio budgets over the MTFS period with the agreement

that the ongoing funding implications beyond this period would be established through the normal MTFS process for 2021/22 and beyond.

- 3.2 In order to keep a 'live' picture of the Cabinet portfolio's financial position each Cabinet portfolio holder will, as part of their individual financial monitoring reports receive a schedule of any emerging portfolio pressures and proposed mitigations against the latest MTFS period 2018/19 to 2020/21. These schedules were first presented as part of the 2018/19 budget process to the Budget Strategy Group and went on to form part of the budget papers for Full Cabinet.
- 3.3 These schedules will then inform the starting point of the budget discussions for the new MTFS 2019/20 to 2021/22 for the Budget Strategy Group. This portfolio's pressures and mitigations schedule and the associated narrative detail is contained within Appendix C.
- 3.4 **Overall Financial Position**
- 3.4.1 Appendix A sets out the forecast revenue, capital and reserves outturn for 2018/19.
- 3.4.2 The overall revenue position for the portfolio is forecast a balanced position for the financial year. Within this, £0.353 million more of reserves are forecast to be used, than planned in order to mitigate in year pressures.
- 3.4.3 Within both the Public Health and Adult Care and Support Directorates, the financial position is underpinned by a planned use of reserves to phase in the impact of savings (£0.560 million and £1.396 million of reserves respectively).
- 3.4.4 The main factors driving the pressures currently being shown in the budget are:
- There is a higher level of residential placements (both for older people and younger adults with disabilities) than planned; and planned savings on care rates to be delivered by the opening of Chelmunds Court Care Home have not been fully realised due to operational challenges with the home.
  - There is a shortage of affordable residential nursing provision in borough, and a shortage of nursing staff, which is increasing the pressure on prices.
  - There are continued demand pressures in younger adults care costs, particularly for those with learning disabilities and/or autism as a result of an increased complexity of cases and increasing lifespans.
- 3.4.5 These are being partially offset by over-delivery of savings plans, as shown in Appendix B.
- 3.4.6 Overall placements in Adult Care and Support have an adverse variance of £2.671 million, offset by favourable variances within that directorate of £0.675 million, one-off favourable variances of another £0.198 million and planned mitigations in the MTFS including the planned use of reserves of £1.841 million.
- 3.4.7 In Public Health budgets there is a forecast pressure of £0.560 million caused by reductions in public health grant. This is being managed in 2018/19 by a planned use of reserves, pending the delivery of savings in future years.

- 3.4.8 The identified pressures are subject to review by the Adult Care and Support Directorate to understand what can be done with the market and providers to manage the pressures on workforce recruitment and retention, and to secure increased affordable capacity.
- 3.4.9 Overall the portfolio is managing some challenging market and demand pressures, and there is work ongoing to make progress in reducing the pressure on care placements budgets over the remainder of the financial year as far as possible.
- 3.4.10 The capital programme is in line with budget with the exception of the build for Tanworth Lane, which is showing significant slippage against budget. This is as a result of being clear about the timing of milestone payments to the building contractor, rather than any delay to the construction, which is on track to be completed on time. This variance is therefore not an indication of a problem.
- 3.4.11 The reserve position for the portfolio shows that almost all reserves are planned to be used over the current MTFS period. This was agreed as part of the MTFS to allow services to deliver savings in a managed way over the period.

### 3.5 Progress against savings plans

- 3.5.1 Appendix B, shows the progress on delivery of the savings plans. There are areas of forecast over and under delivery against the plans for the current financial year. The major variances are:
- Slippage in the delivery of the savings to be achieved through more affordable residential and nursing care (ACS16) – this is a result of the quality concerns at Chelmunds Court which have meant that the council has not yet been able to use all beds within the home, and has needed to continue to purchase more expensive spot provision in the borough. The concerns are being addressed with the home, working with health colleagues and the Care Quality Commission.
  - Early delivery of savings related to team changes for LAC (ACS18), STEPS (ACS1819-1) and CREST (ACS1819-2). This is where vacancies have been held in advance of decisions on service changes.
  - Early delivery of additional income from social care charging (ACS1819-7) which has resulted from the changes made to the charging policy for 2018/19, as consulted on during 2017/18 - until the changes were implemented it was not possible to know the net impact on income levels. Now this work is complete the benefit of the changes has been reflected as early delivery of the charging saving.
- 3.5.2 Looking forward at the savings planned for future years, the major risks for rest of the MTFS period (the red savings) are:
- The 2020/21 savings due to be delivered from Public Health contracts – in particular Sexual Health (PH1-2020/21), 0-19 Child Health (PH2-2020/21) and the cross cutting public health strategy (PH8-2020/21).

- These are currently red due to the stage the directorate is at in the planning process however there is full confidence that these savings will be deliverable through contractual changes as appropriate.

3.5.3 Of the Amber savings there is currently the following work underway, which will increase confidence about the level of savings that can be delivered:

- Tenders for Community Wellbeing Services (ACS6B), the care provider for the new care home at Tanworth Lane (ACS16), and soon the care provision at the council's three extra care sites (ACS7); the completion of these pieces of work will give more certainty about the costs of care moving forward.
- Detailed business cases are being produced for Small Homes (ACS1819-5) and Day Opportunities (ACS1), which will be brought back to the Cabinet Portfolio Holder for decision later this year. These will set out the proposed model for these services and approval of these plans will give increased confidence to the level of savings which are deliverable.
- Work to implement the new care system (ACS15) is ongoing, with operational teams working through how to achieve the maximum benefits from the system and the new ways of working it will bring. This links into the digital priorities for the Adult Care and Support directorate.

### 3.6 **Progress against previously identified pressures**

3.6.1 Appendix C sets out the overall MTFs for the Portfolio. Due to a favourable outturn in 2017/18 there is more capacity for the portfolio to mitigate short term additional pressures.

3.6.2 The appendix shows that the benefit in this financial year of year from the early delivery of some savings plans is partially mitigating the pressures being seen on the placement budgets.

3.6.3 The budgeted additional resource to meet identified pressures, including transitions, sleeping night National Living Wage impact and additional funding for the drug and alcohol service are all forecast to be used in line with the plans.

3.6.4 The portfolio is therefore continuing to show a balanced position over the 3 year period.

### 3.7 **Emerging pressures to be managed**

3.7.1 There are some emerging pressures in the budget position, in addition to what is shown in Appendix C.

3.7.2 These pressures in part relate to the trends that are starting to be seen in the forecast, and also to other changes within the health and social care system.

3.7.3 The largest risk is the potential for significant changes to the balance of funding between SMBC and NHS Birmingham and Solihull Clinical Commissioning Group. The new CCG has been finding that practices differed across the former CCGs and is looking to implement more consistent ways of working. This will present challenges to

the council, as movement to harmonise the ways in which funding for care for individuals is determined and how that cost is split between the CCG and councils is likely to have an impact on SMBC. There is the potential that this could lead to significant shifts in costs for the Council, and officers are working with CCG colleagues to understand the potential impact of any changes and how they can be managed in a way that keeps stability across the health and social care system. Work is underway to quantify what this pressure might be.

3.7.4 The pressure in the care market, and on the availability of care staff in the borough, is expected to grow over the MTFS period. This is a combination of:

- Wage inflation caused by the National Living Wage, but also competition from retail and other industries;
- combined with the high housing costs in borough;
- made more acute by the number of residential and extra care developments in Borough which meet lower level needs / target more affluent groups.

3.7.5 The combination of these factors means that there are difficulties for providers in recruiting and retaining suitably skilled staff.

3.7.6 With a large number of new developments opening in the south of the Borough over the next 2-3 years, there is a risk about being able to staff these homes with sufficiently skilled staff to ensure quality care.

3.7.7 There are also increased pressures on casework for individuals with autism. These are often

3.7.8 These pressures are being monitored closely to understand the potential impacts across the MTFS period and how these can be managed.

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

4.1 Overall the Portfolio is over-delivering against the MTFS targets, with early delivery offsetting the challenges at Chelmonds Court. The MTFS savings profile is currently being reviewed as part of the budget setting process to assess whether there are any issues / benefits for future years which need to be reflected in the budget process.

4.2 Where savings plans are currently being shown as red, further work is underway to assess how delivery of these savings can be made more secure.

4.3 The pressures that are currently being seen on residential and nursing placements are such to further work, to unpick which factors are driving the changes and therefore how these are best addressed.

4.4 The result of this work will be fed into the budget setting process, and into future forecasts for the current financial year.

## **5. Reasons for recommending preferred option**

- 5.1 The portfolio is managing a challenging set of pressures, and evidenced based decisions are being made to understand the causes of emerging pressures, and appropriate actions to address them.
- 5.2 These 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.

## **6. Bacon's End Welfare Fund**

- 6.1 Bacons End is an in-house service within the Adult Care and Support Directorate, providing day opportunities in the North of the borough for people with learning disabilities. It currently operates out of two hubs in the North of the Borough and premises at Bacons End. These premises are due to close shortly following the establishment of an additional smaller community venue. The model for Day Opportunities will be become fully hub based.
- 6.2 For many years the service has administered a Welfare Fund which has raised monies through donations and activities, and these monies have been used for the benefit of service users, principally for the acquisition and running costs of a vehicle. The Welfare Fund has operated outside of the Council's accounts and as at 31st March 2017 the balance of unspent money in the fund was £10,895.
- 6.3 In addition to the Welfare Fund, the Bacon's End Parents Association (BEPA) was a separate charity run for over 30 years by parents, for the benefit of people attending the service. In 2017 the charity was dissolved, as there were no longer sufficient numbers of people to run it in a satisfactory way. At the point when it was dissolved, BEPA held funds of £30,000 together with a vehicle that was used for the benefit of service users. On the dissolution of BEPA these assets were transferred to the Welfare Fund, meaning that the Welfare Fund now has ownership of two vehicles together with a fund balance in excess of £40,000.
- 6.4 In October 2017 discussions regarding the future of the Welfare Fund took place with members of the parents association. They felt that the charity had "run its course" and there were not sufficient people to continue to manage and administer it. They wished to bring the Parents Association and Welfare Fund to an end and approached a solicitor for legal advice. A request was made for SMBC to except the transfer of all funds and ownership of the vehicle.
- 6.5 Discussions have taken place with internal audit, finance and legal services to explore transferring all of the funds and vehicles to SMBC. It is proposed that SMBC will accept the transfer of funds and ownership of the vehicles. When this takes place it is proposed all funds will be ring fenced and used only for the benefit of service users, associated with Bacons End Day Services (or successor services when the services cease to be delivered from the current premises at Bacons End). The funds will be used to support social integration and leisure opportunities, including transport solutions. Funds unused at year end will be carried forward to the next financial year. Access to funds will be restricted to the Head of Service and Service Manager of Bacons End Day Services. Monitoring and auditing of the funds

will be carried out in accordance with SMBC's financial rules and regulations.

- 6.6 Internal audit, finance and legal services have all been involved in advising on the potential transfer of the Welfare Fund to SMBC. No issues have been identified in taking this forward.
- 6.7 Given the increase in value of the Welfare Fund's assets and in order to ensure that good stewardship is maintained, it is proposed that the ownership of the vehicles and the funds should be transferred to the Council, and included within the Council's accounts. It is further proposed that the vehicles and funds should continue to be used for the benefit of Bacons End service users (or the users of successor services when the Bacon's End premises are closed). Any unused funds will be held in a dedicated reserve so that they are available for the benefit of the service users in future years. CPH approval is requested for the introduction of this arrangement.

## **7. Implications and Considerations**

### **7.1 Delivery of key themes in the Council Plan:**

How will the options/proposals in this report contribute to the delivery of the key themes in the Council Plan? *(select which themes apply and briefly state how the options / proposals in this report contribute to their delivery):*

- Improve Health and Wellbeing -
- Managed Growth -
- Build Stronger Communities -
- Deliver Value -

### **7.2 Implications for children and young people, vulnerable groups and particular communities:**

- 7.2.1 The services delivered by this portfolio all contribute to the wellbeing of vulnerable groups. There are no new implications from this report.

### **7.3 Consultation and Scrutiny:**

- 7.3.1 Not applicable

### **7.4 Financial implications:**

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

### **7.5 Legal implications:**

- 7.5.1 None.

7.6 Risk implications:

7.6.1 Risks and mitigating actions are set out in the body of the report.

7.7 Statutory Equality Duty:

7.7.1 All council savings plans have Fair Treatment Assessments completed.

## **8. List of appendices referred to**

8.1 Appendix A – Current Revenue, Capital and Reserves Position

8.2 Appendix B – Progress Against MTFS Savings

8.3 Appendix C – Updated MTFS Pressures

## **9. Background papers used to compile this report**

9.1 2018-2021 Medium Term Financial Strategy

## **10. List of other relevant documents**

10.1 N/A