

Meeting date: 26th November 2018
Report to: Cabinet Portfolio Holder for Health and Adult Social Care



Subject/report title: Quarter 2 Financial Strategy Update
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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

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 approves the transfer to reserves of £0.115m in year.

2.3 Cabinet Portfolio Holder endorses the actions being taken to manage the in-year financial position and the management of identified risks.

3. Update on Delivery of the Medium Term Financial Strategy

3.1 Overall Financial Position

3.1.1 Appendix A sets out the forecast revenue, capital and reserves outturn for 2018/19.

3.1.2 The overall revenue position for the portfolio continues to forecast a balanced position for the financial year.

3.1.3 However, within this, since the period 4 report, there has been an improvement in the Adult Care and Support position of £0.893m. This is primarily as a result of:

- Increased levels of customer income: this is a combination of the changes made to the charging policy at the start of the financial year, and changes in the ability to pay of the current cohort of social care recipients. As ability to pay is individually determined based on a complex set of rules set out in the Care Act 2014 and associated statutory guidance, changing patterns of income can be very hard to model.
- Increased clarity about the impact of transitions cases compared to the overall turnover in disability placements has enabled the forecast to be reduced. At this point in the year there is now greater certainty about likely cost of incoming high cost placements.
- We have reached a settlement with the care provider at Chelmunds Cross about existing and future void payments, and this has removed a risk from the forecast.

3.1.4 In addition to this, a change in accounting treatment for deferred care fees has resulted in a one-off benefit in the current financial year of £0.971m. This has arisen from recognising charges from when they are incurred, rather than when the charge becomes due. The lump sum reflects the change in treatment for accounts which are active currently, for which accrued debt has not been reflected.

3.1.5 In Public Health some temporary vacancies and volume savings for health checks are forecast to have improved the position by £0.069m, reducing the need to call on reserves.

3.1.6 Therefore there has been a significant movement in the proposed use of reserves. Table 1 below sets out the changes:

| | MTFS Use / (Transfer) to Reserves | Revised Plans (Subject to approval) | Movement |
|---|---|---|----------|
| | £m | £m | £m |
| Public Health use of reserves to mitigate grant reductions | 0.560 | 0.491 | (0.069) |
| Adult Care and Support Planned use of Reserves to mitigate MTFS pressures | 1.396 | 1.396 | 0 |
| Adult Care and Support – one-off revenue benefit to be taken to reserves to fund future year MTFS pressures | | (0.971) | (0.971) |
| Adult Care and Support – In-year favourable variance to be taken to reserves to manage future year MTFS | | (0.540) | (0.540) |

| | | | |
|--|-------|---------|---------|
| pressures. | | | |
| Net Public Health Use of / (Transfer to) Reserves | 0.560 | 0.491 | (0.069) |
| Net Adult Care and Support Use of / (Transfer to) Reserves | 1.396 | (0.115) | (1.511) |

- 3.1.7 The Cabinet Portfolio Holder is asked to approve the change in Adult Care and Support and Public Health reserves as shown above, in order to support the longer term MTFs.
- 3.1.8 Despite this positive in year position, there are a number of underlying pressures in the budgets. These relate to:
- 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.
- 3.1.9 These are being partially offset by over-delivery of savings plans, as shown in Appendix B.
- 3.1.10 Overall placements in Adult Care and Support have an adverse variance of £1.770 million, offset by favourable variances within that directorate of £0.680 million, one-off favourable variances of another £0.971 million and £0.234 million of planned mitigations, leaving £0.115 million to be transferred to reserves to support the longer term position.
- 3.1.11 In Public Health budgets there is a forecast pressure of £0.491 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.
- 3.1.12 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.
- 3.1.13 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.

3.1.14 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.

3.1.15 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.

3.2 Progress against savings plans

3.2.1 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:

- Reports to Cabinet Portfolio Holder in October 2018 set out the detailed plans for delivery of changes to Small Homes (ACS3 and ACS1819-5) and for Day Opportunities (ACS1). The forecasts now reflect the ability to deliver savings demonstrated in those reports, and the shortfall against the original target.
- 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.

3.2.2 Looking forward at the savings planned for future years, the major risks for rest of the MTFS period (the red savings) are:

- In 2019/20 and 2020/21 there is a shortfall expected in savings from affordable residential and nursing care (ACS16 and ACS17). This is as a result of needing to ensure a phased release for any new beds coming on stream.
- In 2020/21 there is a shortfall anticipated in the Small Homes savings (ACS1819-5) as reported to Cabinet Portfolio Holder in October 2018.
- Currently these risks are forecast to be offset with the ability to deliver increased savings levels elsewhere in the MTFS programme, as set out in Appendix B.

- 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) are currently red.
- The Public Health Directorate continues to pursue all savings but if savings are delayed through retender, the pressure will be offset by use of reserves in the short-term.

3.2.3 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 have been produced for Small Homes (ACS1819-5) and Day Opportunities (ACS1) and approved by the Cabinet Portfolio Holder. Implementation is now being progressed.
- 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.

3.3 Progress against previously identified pressures

3.3.1 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.

3.3.2 The appendix shows that the benefit in this financial year of year from the early delivery of some savings plans, combined with one-off revenue, is mitigating the pressures being seen on the placement budgets.

3.3.3 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.

3.4 Emerging pressures to be managed across the MTFs period

3.4.1 There are some emerging pressures in the budget position, some of which have been incorporated into Appendix C as they have become a certainty, and some of which are held as a risk.

3.4.2 Incorporated into Appendix C is a significant change to the balance of funding between SMBC and NHS Birmingham and Solihull Clinical Commissioning Group. This reflects the decision to cease contributing to the Small Homes service (a contribution of £1.600m per annum currently). There is ongoing dialogue between officers and the CCG to seek mitigations for the impact of this decision.

- 3.4.3 The result of this, is that the portfolio is no longer forecasting a balanced position across the MTFs period, and this will need to be addressed through negotiations with the CCG and then through the MTFs process.
- 3.4.4 A risk which is emerging is 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.
- 3.4.5 The combination of these factors means that there are difficulties for providers in recruiting and retaining suitably skilled staff.
- 3.4.6 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. This is currently uncertain in size due to the need for confirmation of National Living Wage rates for future years and other economic uncertainties.
- 3.4.7 There are also increased pressures on casework for individuals with autism. These are often resource intensive cases, though there may be little in terms of ongoing social care support.
- 3.4.8 These pressures are being monitored closely to understand the potential impacts across the MTFs period and how these can be managed.

3.5 New Social Care Funding

- 3.5.1 The Government has announced an additional £240m for social care winter pressures, to be spent during 2018-19.
- 3.5.2 The allocation for SMBC has been set at £870,356.
- 3.5.3 Full terms and conditions for the grant have not yet been received, however the national letter talks about expectations to deliver and demonstrate additionality of care in homecare, reablement and/ or care homes with the expectation that this will reduce pressure on hospitals over the winter months. It also asks that NHS provider trusts are engaged in conversations about the usage.
- 3.5.4 Officers are currently looking at uses for the grant which will help over the winter, without creating recurrent pressures in the new financial year.
- 3.5.5 In addition, the government has announced further funding for 2019/20, which is proposed to be a repeat of the £240m above, therefore assumed to be £870,356 for SMBC, and an additional £410m for adults and children's social care – no details are currently available for how that would be allocated to individual councils.

- 3.5.6 An additional £55m nationally has also been announced for Disabled Facilities Grants in 2018-19. Individual allocations for councils are not available at the time of writing.
- 3.5.7 A verbal update on these funding streams will be provided at the meeting if more information is available.

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. The MTFs savings profile is currently being reviewed as part of the budget setting process to recommend where there are any issues / benefits for future years which would benefit from realignment.
- 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 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. Implications and Considerations

- 6.1 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 -

- 6.2 Implications for children and young people, vulnerable groups and particular communities:

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

6.3 Consultation and Scrutiny:

6.3.1 Not applicable

6.4 Financial implications:

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

6.5 Legal implications:

6.5.1 None.

6.6 Risk implications:

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

6.7 Statutory Equality Duty:

6.7.1 All council savings plans have Fair Treatment Assessments completed.

7. List of appendices referred to

7.1 Appendix A – Current Revenue, Capital and Reserves Position

7.2 Appendix B – Progress Against MTFS Savings

7.3 Appendix C – Updated MTFS Pressures

8. Background papers used to compile this report

8.1 2018-2021 Medium Term Financial Strategy

9. List of other relevant documents

9.1 N/A