

Finance review

Draft report for discussion

Medway Council

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1. Introduction

## The Local Government Association and Association of Directors of Adult Social Services are Partners in Care and Health (PCH) working with well-respected organisations. PCH helps councils to improve the way they deliver adult social care and public health services and helps Government understand the challenges faced by the sector. The programme is a trusted network for developing and sharing best practice, developing tools and techniques, providing support, and building connections. It is funded by Government and offered to councils without charge .

## In recognition of the financial challenges facing Medway, Medway have requested the LGA, through the PCH programme, to undertake an independent finance review and its use of resources in Adult Social Care. The joint request came from the Chief Operating Officer & S151 Officer and the Assistant Director Adult Social Care.

## Medway recognises that it has serious financial challenges in the wider council in addition to significant overspends in respect of Adult Social Care. It has commissioned a CIPFA review in respect of wider council finances and wanted this review to focus on adult social care, thus avoiding duplication.

## Medway wanted the review to focus on a better understanding of the budget pressures relating to adult social care and suggestions for potential areas to make savings to support longer term financial sustainability for the Council. This would support the development of a realistic and achievable saving programme in respect of adult social care. The agreed scope can be found at Appendix 1.

## The work was undertaken remotely with a review of key documents provided by the Council alongside nationally available data and analysis. The report takes the form of analysis with proposed questions, observations, comments and analysis for the Council to take forward internally, both in respect of shaping changes to services provision and of any changes to financial management procedures.

## The Use of Resources data for the year 2022/23 has been used for comparison purposes, as the latest set of data available, published in December 2023.

## This review is split into two parts:

* + Review of the council’s recent financial information and performance and
  + Diagnostic review of the Use of Resources information for 2022/23 in a separate report, along with a review of key relevant performance measures. Highlights from the review report are included in the Executive Summary; the use of resources review report itself has been sent under separate cover rather than as an appendix to this report.

1. Executive summary

## Financial management within Adult Social Care on the face of it is mixed. On the one hand, the financial reporting to senior managers is very clear, including reporting of the issues causing the budget pressures. On the other hand, there is currently only a small savings programme in place which is specific to adult care and the scale of the saving required is small given the large overspends. There is little ownership of a council wide savings programme until now, which is a missed opportunity in terms of ensuring ongoing financial sustainability.

## The Use of Resources 2022/23 exercise concludes that overall, Medway spends below average on adult social care, due largely to its low spend in respect of older people, which is 9.17% below the national average. However, Medway spends above average in respect of younger adults, 8.24% more than England. This is due to both higher spend per younger client and the fact that you support a higher than average number of younger adults. The Use of Resources suggests looking at why you have a greater reliance on residential and nursing care for both younger adults and older people, and recommends reviewing your work with younger adults against the Better Lives work.

## Reserves have been consistently below average and the council recognises that it may be close to issuing a S114 notice.

## There are issues with the social care market, with very few vacant placements across all service types. This is leading to providers naming prices outside of contracted rates and council staff appearing to have no choice but to go with the named rate. The commissioning team is small and a current Market Position Statement has not yet been produced, although it is planned for early 2024.

## Medway would benefit from developing a clear 3 year plan focusing on delivering recurring budget savings to ensure financial stability. For adult social care, this plan should focus on transformation of culture and practice, a focus on market management and engagement of providers as well as a review of the apparent disconnection between strategic commissioning and brokerage in how they work with providers and making placements.

1. Recommendations

*Financial planning*

## A savings plan needs to be developed jointly between finance and adult social care senior management. The plan should have clear and where possible evidence-based savings targets, invest to save funding and performance information aligned to it in order to realise the benefits of longer term investment on service demand. Ensure that options appraisals/business cases contain enough detailed information to monitor against, including rationale for the saving, calculations on how the saving figure was arrived at and any further information about the savings profile, including conditions for successful delivery.

## Provide the necessary assurances that service demands and saving plans are evidence- based both from an activity/data point of view, to underpin the financial figures included in the MTFO. These plans need to be suitably robust to mitigate budget risk. The scale of savings however, in relation to Children’s and Adults services seems high and may not be achievable within a one year period.

## Given the fact that Medway is a small authority with apparently lean structures, consideration should be given to both capacity and skills within both the department and the corporate centre to ensure that savings and transformation programmes can be delivered at pace.

## Development of business cases as part of the budget setting process, including key performance and financial information/targets and an action plan for delivery, would ensure achievement of savings. These should have just enough information to be meaningful.

## The impact of income on the adult social care budget should be included within the budget monitor so that it can be tracked to ensure that targets are being achieved and any deviation understood and reported.

*Service Development*

## To achieve savings, a particular focus should be on both older people given the significant budget pressure in 2023/24 and younger adults given the both the budget pressure and the higher than average spend demonstrated in the Use of Resources. Prioritisation will be key to ensure biggest impact on the budget. A number of suggestions for focus are highlighted within the body of this report. It is recommended that a detailed Transformation Plan, highlighting the links to the savings plan is put in place.

## Consideration should be given to reducing the reliance on care homes for customers of all ages with targets set on a monthly basis for reductions in numbers. Deviation from the plan should be promptly addressed.

## The social work workforce is reliant on a significant proportion of agency staff. This is both expensive and may prevent the effective strength based practice being embedded. It is recommended that recruitment into permanent posts is undertaken. I understand that some work joint with the LGA is planned for the near future.

## The refresh of the Market Position Statement is planned for 2024/25. It is recommended that this work is prioritised as much as possible. It should focus on specific outcomes and changes the council wants to achieve including in the longer term (say by 2030), to avoid the risk of creating a very wide and general document that lacks clarity or strategic direction. The Partners in Care & Health programme can support with this work either on a formal or informal basis.

## The commissioning team may be under resourced in terms of having the right capacity to deliver effective market management. This should be reviewed as should the relationship between strategic commissioning and brokerage (service placement team) to ensure that the provider market is robust. This may mean working on a wider footprint, for example with Kent County Council.

## Consider additional resource to support a strategic overview of adult social care from a commissioning (both strategic and micro commissioning) point of view and recognise the role of financial and business intelligence planning to support transformation.

## The LGA have provided advice on why savings are not delivered and this is attached at Appendix 2; it will be useful in understanding the reality of savings to be delivered.

1. Background to Medway Council

## Medway Council is a unitary authority with of population of 282,702 which is 0.5% of the population of England[[1]](#footnote-2). 217,413 are adults – 76.9% of the population. This compares with the average of 79.1% for England and 79.0% for the South East region.

## There are 170,435 younger adults in Medway (those aged 18 to 64 years) – 60.3% compared to an England average of 61.2% and a South East Region average 60.5%. Medway has a lower proportion of its population as adults and more children (23.1%) when compared to England (20.9%) and the South East (21.1%). Within this adult population, Medway has slightly fewer younger adults (60.3%) when compared to England (61.2%) , but significantly fewer older people as detailed below:

## 16.6% of the population (46,978 people) are aged 65 or over, compared to England average of 17.9% and a South East Region average of 18.5%;

## 7.6% of the population (21,657 people) are aged 75 or over, compared to England average of 8.6% and a South East average of 8.6%;

## 1.92% of the population (5,442 people) are aged 85 or over, compared to England average of 2.4% and a South East average of 2.6%..

## Medway is slightly more deprived than average when compared to all unitary authorities in England and is ranked 70th out of 151 local authorities for average IMD rank (with 1= most deprived)[[2]](#footnote-3). There are a small number of areas in Medway that experience high levels of deprivation, with 14 neighbourhoods in the 10% most deprived areas nationally[[3]](#footnote-4).

## There does tend to be a correlation between an authority’s level of deprivation and demand for adult social care for older people, i.e. a higher deprivation tends to lead to a higher demand for social care for older people; however there is very little relationship between deprivation and spending on social care for younger adults.

## In terms of Income Deprivation Affecting Older People (IDAOPI), Medway ranks as less deprived than average: 93rd from 151 unitary authorities (with 1=most deprived)[[4]](#footnote-5).

## The report will later consider the potential demand issues in respect of both population demographic and deprivation measures.

## Medway is a unitary authority with full Council composed of 59 members elected for four year terms. In May 2023 the Labour Party won control of the Council for the first time since 1998. Vince Maple is currently Leader of the Council, which operates a cabinet model of governance.

## The Council set a council tax increase for 2023/24 of 4.994% including the social care precept of 2%, in line with Government expectations to maintain local spending power. The Council has a net budget for 2023/24 of £390.2m. Of this, Adults Social Care is £83.0m including £0.3m commissioning team costs[[5]](#footnote-6). All figures quoted are net budgets. Within the approved budget, savings to be delivered during 2023/24 for the whole Council were £1.950m, all of which related to Adult Social Care. The reported year-end outturn position for 2022/23 was an overspend of £6.1m, an improvement of £6.2m on the position reported at Q3 in 2022/23.

1. Approach to the review

## A desk top review desk top review was undertaken of key financial documents provided by the Council and publicly available online. This included the

* **Capital and Revenue Budget Report 2023/24**, approved at Council on 23 February 2023
* **Medium Term Financial Outlook for 2023 to 2028** presented to Cabinet on 26 September 2023
* **Revenue outturn report** for 2022/23
* **Budget savings proposals** for 2023/24
* **Quarterly Review reports** Round 2 report 2023/24
* Various working papers provided by Council colleagues.
* LGA Key Financial Indicator Report
* LGA Use of Resources Report 2022/23

## In addition, a number of follow up conversations and emails have taken place with Council staff.

1. Detailed findings
   1. **Base budget comparison – relative spending on Adult Social Care**

### Before focusing on Adult Social Care, it is worth understanding the financial context in which it operates:

**Table 1: Proportion of net revenue expenditure on Adult Social Care and Children's Social Care 2021/22 to 2023/24**



### Based on outturn 2022/23 for adult social care, Medway, at 40.9%, is below the average for unitary authorities.

### The average for the South East Region was 45.93% in 2021/22. The graph below illustrates Medway’s position for 2021/22 compared to unitary authorities for 2021/22:

A graph of a number of people

Description automatically generated with medium confidence

### In terms of Adult Social Care funding as a proportion of Net Revenue Expenditure, the position for Medway over 5 years to 2022/23 has fluctuated, at below average until 2020/21, then with an increase to bring the Medway funding position (43.32%) to just above the England average of 42.15% for that year. In the two years since then, the position has been consistent for Medway at significantly below the average of all unitary authorities - 2021/22 Medway 39.85% and England average 42.43%, in 2022/23 Medway 39.93% and England average 43.48% - as demonstrated by the chart below:

A graph of a graph showing the amount of income per person

Description automatically generated with medium confidence

### In respect of Children’s Social Care funding as a proportion of Net Revenue Expenditure, it increased significantly between 2021/22 and 2022/23, from 26.8% to 31.9%. The average for unitary authorities is 31.58% and for England 27.9% in 2022/23, so Medway continues to fund Children’s Social Care at an above average rate compared to unitary authorities, which has been the consistent position since 2017/18, as demonstrated by the chart below:

### A graph showing the amount of income per year Description automatically generated with medium confidence

### It should be noted that the context for this is the fact that Medway’s Children's Services were rated inadequate by Ofsted in 2019. This increase in funding therefore relates to Medway improving its Children's Services from inadequate under statutory notice from the Minister. In September 2023 Children's Services were rated as good by Ofsted.

### In terms of adult social care, the LGA estimated that increases of around 7.65% in 2022/23 and 8.62% in 2023/24 would be necessary to budgets to ensure that councils could fund the necessary pressures. Based on the 2021/22 outturn position per the RS return, Medway’s budget for these years could be estimated as follows:



### The current budget of £86.5m is therefore potentially some £9m under the budget required to meet the necessary demands and pressures within the service. This analysis does not factor in any savings required from adult social care (which most councils have been making). Such savings would reduce the gap from £9m.

* 1. **Reserves**

### Medway’s overall reserves (expressed as a % of Net Revenue Expenditure) increased slightly between 2017/18 and 2021/22 to reach 36.7%, but maintaining a below average position over time when compared to other unitary authorities. The figure for the year end position for 2022/23 reduced further to 28.2%[[6]](#footnote-7).

A graph with blue and yellow lines

Description automatically generated

### The 2022/23 outturn report outlines the use of £10.947m of reserves - £4.853m planned and factored into the budget setting process for 2022/23 and unplanned use of £6.094m reserves to offset overspends. This has brought the level of General Fund reserves to £10.03m, just above the required minimum set by the S151 Officer of £10m. It is acknowledged that the Council has insufficient reserves to both offset this year’s overspends and contribute to balancing the budget for 2024/24; the Council’s financial resilience is therefore poor.

### Significant ear-marked reserves in respect of Adult Social Care are not held to support transformation, which could be a missed opportunity; other areas have created reserves which are used to support ASC overspends or invest in transformation of services and commissioning practices. The current position, totalling £354.7k in respect of Adult Social Care specific reserves is set out below:

**Table 2: Adult Social Care ear-marked reserves 2023/24**



* 1. **Capital**

### The council’s capital programme for the four years 2022/23 to 2025/26 was set out as part of the suite of papers for the Council’s budget setting meeting on 23 February 2023. The proposed programme over the four years totals £473.517m, of which £21.534 relates to Children and Adult Services. relates to Children and Adult Services.

### This excluded schemes funded in respect of the council’s own Medway Development Company, considered under the relevant guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The council concluded *that though these loans are capital in nature, as they are not schemes delivered by the Council to deliver or improve Council owned assets, they should not feature in the Council’s capital programme. As such, the Capital Programme for 2023/24 onwards will not feature these schemes, representing a reduction of £65.386million (approved)/£44.631million (remaining) budget compared to the 2022/23 programme.[[7]](#footnote-8)*

### The Round 1 and Round 2 Capital monitors for 2023/24 presented to Cabinet reflect the changes in the programme and are summarised in the table below. The approved capital programme has increased to £547.8m at 30 June 2023 with a remaining budget of £267.7m to be spent in the coming years.

### **Table 3: Summary of the council’s capital programme and forecast for 2023/24**



### Only £1.5m of the 2022/23 and 2023/24 programme related to adult social care, covering two schemes: Introduction of an Electronic Social Care Record and Internal Accessibility Works to family hubs as part of the Start for Life Programme, which relates to both Children’s Social Care and Public Health. According to the R2 monitor, there remained only £181k left to spend on these schemes during 2023/24[[8]](#footnote-9)*.*

### The capital programme on the face of it appears to be lacking any specific ongoing schemes related to social care other than DFGs, and these are managed within the department for Regeneration, Culture & Environment. After ensuring that statutory DFG requirements are met initially, many other areas use social care capital to support providers innovatively, pump prime new services where capital spend is required, or to create innovative ways in which to support people to remain independent in their own homes. This does not appear to be the case for Medway, which could be a missed opportunity. only £181k left to spend on these schemes during 2023/24[[9]](#footnote-10).

### That said, the need for accommodation for younger adults with social care needs has been recognised by the acquisition of 7 new units of accommodation through the council’s HRA for the Adult Social Services Flight Team, an in-house supported living service. It is unclear whether wider housing needs for adults with social care needs have been identified.

* 1. **Financing costs**

### The council’s financing costs have been significantly below average compared to all English Unitary Councils between 2018/19 and 2022/23 with a significant decrease between 2021/22 and 2022/23.

A graph showing the amount of money in the net

Description automatically generated with medium confidence

### The Treasury Management Strategy for 2023/24[[10]](#footnote-11) re-iterates the intention to keep borrowing as low as possible which has been the case over recent years; it states that *The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council’s reserves, balances and cash flow has been used as a temporary measure[[11]](#footnote-12)*.

### Whilst this is positive in terms of avoiding high capital financing costs which may lead to revenue budget pressure, the approach needs to be effectively risk managed as part of the wider treasury management approach; the council has appointed external consultants to provide specialist skills and resources to support them in this.

* 1. **Medium Term Financial Outlook (MTFO)**

### The MTFO 2023 to 2028 was presented to Cabinet on 26 September 2023, effectively covering the four years from 2024/25 to 2027/28. The cumulative budget gap for 2024/25 was projected as £38.745m for 2024/25, rising to £71.840m for 2027/28. A number of key assumptions are set out in detail within an accompanying table including:

* Council tax strategy in line with Government assumptions;
* Increased bad debt provision relating to council tax due to the cost of living crisis;
* Increased income from retained business rates;
* Income from interest rates surplus of £5.5m;
* Provision for pay inflation to be finalised but recognising the Government’s announcement that other public sector bodies may uplift pay between 5% and 7% in 2023/24;
* A review of MedPay to be implemented and pay inflation above estimated to cost the council £10m in 2024/25;
* Adult social care pressures, including provider fee uplifts, pressures around national living wage, demographic pressures, reductions in waiting lists and increases in non-contracted package costs totalling £16.446m in 2024/25;
* Children’s social care and education pressures totalling £14.667m;
* Contractual inflation, homelessness pressures and other issues causing a £7.6m pressure in the dept of Regeneration, Culture and Environment;
* £1m pressures in the dept of Business Support.

### A number of significant risks are identified, not least the potential need to issue a S114 notice, but also including Adult Social Care Reform, demographic growth and inadequate Government funding.

### The MTFO identified the requirement to put a savings plan in place in order to balance the budget for 2023/24 and set a balanced budget for 2024/25. Savings targets have been identified for each department and the detail of the savings plans are currently being worked through by directors.

* 1. **Use of resources**

### The detailed report on the review of your 2022/23 Use of Resources has been sent to the council separately. It identified a number of issues which are worth exploring further.

### Overall, Medway is a relatively low spender on adult social care, 9.17% less than the national average spend per adult for 2022/23, which is ranked as 114th highest spender in England from 152 local authorities which spend on adult social care[[12]](#footnote-13). You have a lower than average older population but higher than average deprivation levels.

### For older people, spending in Medway is lower than the average in England, at 12.34% less, ranked 115th in the country[[13]](#footnote-14) (where 152nd is the lowest). You provide less support to older people representing 4.43% of your adult population compared to 5.10% nationally, which is surprising, given your above average deprivation. Spend on long and short term care per older client is £18,655 in 2022/23 which is 1.05% more than the England average of £18,461, ranked 82nd in England[[14]](#footnote-15). Medway is above average for the use of care homes for older people at 24.3% above average compared to England. This could be due to effective front door services, providing good information, advice & guidance and preventative services to prevent people with low levels of need from accessing large packages of care. However, this does not seem well evidenced or understood within the directorate. A review of front door services is planned for early in 2024.

### Medway’s spending on younger adults is 8.24% above average and you support more younger adults than average, about 2.4% more. Your cost per younger client of £33,613 is 5.16% above the national average of £31,964 and 2.4% above the South East Region average of £32,824[[15]](#footnote-16). You placed an above average number of younger adults in care homes: in 2021/22 this was 15.4 per 100,000 population compared with 13.9 for England as a whole, which is 10.7% more.

### Your spending of £293 per younger adult is £93 more than the 90th percentile (the 15th lowest percentile). Whilst the 90th percentile should not be seen as an absolute target; it does suggest that there is scope to go further – to reduce the numbers supported further by finding alternative ways of supporting them so that they do not need long term care. There will also be scope to find ways of supporting those who must be in long term care in ways which help them to live more independently and at less cost. The Better Lives tool will be important for you.

### The Council increased contracted rates substantially for 2023/24 at between 6.0% and 7.5%, which is roughly in line with national expectations. The higher uplift was aimed at home care providers with the aim of incentivising providers. The South East Region of ADASS carries out an annual benchmarking exercise which would be useful to review and compare where Medway is currently positioned within the region. I understand from discussion with Medway colleagues that higher than contracted rates are often agreed due to the pressure in the social care market. This is considered further in section 6.8.

### Income collection procedure appear adequate as Medway at 13.3% is above average (12.3%) for client contributions as % of gross expenditure. Nevertheless, discussion with Medway colleagues indicates that there has been a backlog in respect of financial assessments. A review of processes and timing of financial assessments within the overall assessment process will ensure that income due to the council is recovered promptly. I understand that such a review is scheduled for early 2024. The LGA has formatted advice in respect of maximising income from clients this is included as Appendix 3.

### The overall conclusion from the Use of Resources 2022/23 is that there is potentially significant scope to make improvements and savings, particularly in respect of younger adults:

* Ensuring that all service users are fully Care Act assessed and care put in place that meets needs only, especially given the higher than average spend per younger adult client;
* Ensuring that strength based approaches to assessment are embedded, including effective a community led approach that should be part of the wider council approach to demand management;
* Reducing the use of care homes through greater emphasis on living independently in the community with light touch support.

### This also needs to be considered alongside similar demand management strategies for older people to reduce the reliance on residential and nursing care, given the higher than average use of care homes and the higher costs of care homes. Does the council understand well the referral routes for older people into care homes, how many people are placed from the community and how many in relation to hospital discharge?

* 1. **Budget outturn for adult social care and forecast for 2023/24**

### A review of the council’s publicly available outturn reports show that they contain high level information in respect of the council’s outturn position, providing detailed breakdowns of variances per department, accompanied by reasonably detailed narrative.

**Table 4: Summary of budget and outturn for Adult Social Care 2021/22 to 2023/24[[16]](#footnote-17)**



### In 2021/22 the council had overall outturn of £3.911m underspend. Children’s and Adults Services were overspent by £9.646m of which adult social care accounted for £1.269m. This overspend was offset by underspends in other departments, all of which arose due to one off grant funding to compensate for loss of income due to the Covid pandemic. It was therefore possible for the council to fund the budget requirement for 2021/22 without the planned use of reserves. This, along with the outturn position of an underspend of £3.911million meant that the Council’s General Reserves were £7.916million higher than projected at 31 March 2022.

### In 2022/23 the council reported an outturn overall position of £6.094m overspend, largely due to overspends in Children’s and Adults Services, of which adult social care accounted for £5.868m. The position in respect of adult social care related to packages of care for older people’s services (£4m) and disability services (£3m), offset by other small underspends. The overall position of £6.094m was met from reserves as outlined in paragraph 6.2.2. This increase in overspend appears to have a number of contributing factors to it, including potentially low budget and much higher than expected demand.

### In respect of 2023/24, the budget pressure within Children’s and Adults Services continues to increase, to a total of £10.831m reported in the Round 2 budget monitor, of which adult social care is £7.312m. The overall position for the council was forecast overspend of £12.251m. The pressure appears to relate to both increased demand and increasing cost of care packages. It would be useful to see how spending on care packages has changed over the years both in terms of numbers of clients and average cost of individual packages. I understand that the budget monitor has been recently amended to monitor this, but it would be useful to look at this retrospectively to understand trends which may help support the market shaping work.

### At the same time that the Round 2 budget monitor was presented to Cabinet on 21 November 2023, the Draft Capital and Revenue Budget for 2024/25 was also presented. The savings requirement of £35.798m was identified, with £22.676m allocated to Children’s and Adults Services. No detailed savings plans have yet been produced, as the council is awaiting the outcome of the CIPFA Resilience Review and the PCH Adult Social Care Financial Review. Given the potential size of the savings, this may be unrealistic to achieve within a one year period.

* 1. **Budget monitoring for 2023/24**

### The latest council position for Round 2 of budget monitoring to 30 September 2023 is shown above in paragraph 6.7.4. The forecasting is led by the finance department, specifically the Business Partner for Adult Social Care, with input from senior managers within adult social care to understand the activity and position behind the numbers.

### The detailed budget monitor for Round 2, which is shared with the Assistant Director Adult Social Care was reviewed; the dashboard is well set out and contains sufficient detail for effective budget monitoring, including the forecast for the previous quarter. Income forecasts are not shown separately, the position was presented net of income. I would recommend that the position in respect of income is shown separately, to understand clearly whether any of the overspend relates to under recovery of income.

### The format of the report has been recently amended by the Finance Business Partner to show, within each service type, the number of clients, starters and leavers, weeks of service commissioned and a calculation of average gross cost per week. This supports the understanding of both demand and price pressures within the community care budget. This is particularly important given the issues with the social care provider market and the costs of placements being made, discussed in more detail in section 6.9.2.

### The monitor shows that the biggest overspends occur for Older People and Disability Services, though with a significant reduction (£1.586m) of the overspend for Older People between the Round 1 forecast of £3.099m to the Round 2 forecast of £1.513m, which is apparently due to increased income from clients and increased income from the BCF relating to direct payments. A similarly large shift upwards (£1.857m) between the Round 1 forecast of £3.331m to £5.188m has occurred in respect of Disability Services due to increased number of clients and increasing complexity of clients now needing nursing care. The impact of under recovery of income should be clearly illustrated in the budget monitor to ensure it is as accurate as possible. It is also unclear whether the underlying reasons for increased demand are understood by the council.

### The Better Care Fund (BCF), totalling £22.7 excluding capital, is monitored separately through the Head of Commissioning post, which manages a joint team focusing on partnership working with the NHS, with a small number of staff focusing on strategic commissioning for adult social care. A proportion of the BCF remains unallocated, some £3.288m, effectively a contingency, which the council and the ICB split 50:50 at year end in accordance with the Section 75 Agreement. The overall contribution to the adult social care budget from the BCF is £7.1m including the council’s share of the unallocated amount.

### There is no delegation of budgets to the social work teams, the responsibility for budget oversight remains with adult social care senior managers. This means that social work staff and the brokerage team are making placement decisions without understanding the financial implications of doing so, with placements often being made at higher non-contracted rates given the shortage of placements. The commissioning team sits under the direction of the Director of Public Health, with a focus on joint working with the NHS and strategic commissioning. There is a small team focussing on adult social care. I would recommend that the capacity and skills within the commissioning team are reviewed to ensure that effective market management can be undertaken as soon as possible.

### To ensure that the Council is in a robust position in terms of financial planning for adult social care in the future, I think the council should go further in respect of monitoring the Community Care budget overall. Budget monitoring of care packages is complex, and needs significant collaboration between finance and performance colleagues within the Council to fully understand the movements and pressures within it.

### I therefore recommend that a suite of management information for adult care services senior managers is developed in respect of the community care budget, including amongst others:

* reporting on a weekly or monthly basis (or ‘live’ if possible)
* referral points for people accessing services eg hospital, community, self, family, carer or GP to understand sources of demand
* which teams have approved which placements (even down to staff member level)
* the impact of deaths on service user numbers
* the spend per package approved and by which manager
* the number of people placed in which care settings to monitor, for example, reductions in residential care placements or increases in other cost effective services such as shared lives
* NHS joint funded packages
* in terms of reviews, which packages have gone up in need and cost, which have stayed the same and which have gone down.
  1. **Underlying issues in respect of the budget pressures in adult social care**

### Discussions with staff in commissioning, finance and including the Assistant Director Adult Social Care have identified a number of issues which appear to contribute significantly to the budget pressures and overspends. Rather than go into detail in respect of each, I outline a proposed approach to transformation which should address the issues. This would have to take place across a 3 – 5 year period; much of it aligns with the requirement to make savings:

* Transformation of culture that will lead to a more strength-based approach to encourage service users to maximise the opportunities for independence;
* Review of structures to ensure that there is enough senior management capacity and skills to deliver the required change;
* Sufficient supporting skills such as finance, performance and project management to ensure effective delivery of transformation leading to savings;
* Review of strategic commissioning and brokerage to ensure that they are fully aligned, adhering to contracted rates and have consistent messages with providers;
* Expedite the production of the planned Market Position Statement/ Commissioning Strategy with a sound foundation of data within it and engage with providers around this in terms of managing the market effectively;
* Revise pathways that focus on prevention, delay and reduction (Care Act Duties) for all clients, ensuring that DFGs also form part of this pathway;
* Prioritisation of prevention, front door & reablement should support a significant shift in resource patterns in adult social care, ensuring people live as independently as possible;
* Development of targeted supervision, outcome forums, and improved budget monitoring and control to reduce overall care spend and manage demand;
* Exploit the opportunities within commissioning and brokerage to change the cost base by moving from individually negotiated spot purchase to some block contracts and to revise the core specification for services if needed;
* Continue and extend client reviews, including Direct Payment packages of care and identify any patterns of potential over provision of support to current service users;
* Build innovation into the social care market through effective market engagement.

### The social care provider market in Medway is at capacity – very few placements are available of any service type and providers therefore inflate their prices; customers are placed effectively as a spot purchase at above contracted rates to secure the placement. I would therefore recommend an immediate review of this practice and negotiation with providers to ensure that contracted rates are in place wherever possible.

* 1. **Budget savings for 2023/24 and beyond**

### Whilst the budget setting process for 2023/24 identified and incorporated funding for departmental pressures, an overall savings target for the council was not set in February 2023. Savings for adult care services of £1.950m were identified and netted off the budget pressure requirement. The savings have been monitored within the department during the year and appear on schedule to achieve in full.

|  |  |  |  |
| --- | --- | --- | --- |
|  | 23/24 Target (£) | R2 achieved (£) | To be achieved by year end (£) |
| Targeted Reviews | 1,650,000 | 1,173,344 | 476,656 |
| Flight | 300,000 | 238,084 | 61,916 |

### As indicated in 6.7.5 above, a savings target for 2024/25 for Children’s and Adults directorate has been set as £22.676m and options are being identified and produced. The Council appears now to be moving quickly to establish its savings options for the future and should satisfy itself that there are firm plans for its delivery, backed up by robust financial analysis, as this could be a significant budget risk given other potential pressures. This level of savings does seem very high especially given that we are now 3 months away from the start of the financial year. We do not understand how this can be achieved.

### To ensure that the budget for 2023/24 is balanced, immediate consideration should be given to the following approaches to develop a short term efficiency plan:

* Extend the use of the Shared Lives service, which offers better value for money than residential care, particularly for younger adults
* Continue the reviewing programme in place, but assess effectiveness. I understand that consideration has been given to OT led reviews
* Ensure that financial assessments are carried out as soon as possible within the assessment process to ensure timely collection of income
* Embed the use of technology into care packages and build into the assessment and reviewing processes
* Ensure that grant maximisation wherever possible; for example I understand that a request has been made in respect of DFGs to fund an additional 2 OT posts
* Review of Better Care Fund budgets and negotiation with the ICB regarding additional support for adult social care, even on a temporary basis
* Contribution from Public Health to management costs of the department
* Effective use of Earmarked Reserves rather than general reserves if possible
* Consider how the allocation of inflation and demographic budgets can be best allocated given the current issues with the provider market, for example incentivising certain types of provision – this would require careful scenario planning and careful negotiation with providers.
  1. **Future pressures and demands**

### In preparing the budgets for 2024/25 Partners in Care & Health is mindful that inflationary increases facing adult social care providers remains significant. John Jackson’s estimate of the underlying inflationary pressures facing adult social care providers is that they are 7.75% next year reflecting the agreed increase in the National Living Wage of 9.8%. We should discuss when we meet in January what options are available to Medway based on your local circumstances.

### Workforce is also an issue for Medway adult care services in terms of recruitment and retention vs increasing demand and moving to a strengths based approach. The council spends significantly on agency staff who are transient. There is a national shortage of social workers for both adults and children’s services and I understand that within Medway there is a difference between terms & conditions of social workers in adults and children’s services. Work is underway to address this and understand how Medway can improve its recruitment and retention of social workers in adult services.

1. 57.106m. All population figures are taken from the ONS Midyear estimates 2022, published November 2023 [↑](#footnote-ref-2)
2. https://www.gov.uk/government/statistics/english-indices-of-deprivation-2019 [↑](#footnote-ref-3)
3. Medway council JSNA [↑](#footnote-ref-4)
4. https://www.gov.uk/government/statistics/english-indices-of-deprivation-2019 [↑](#footnote-ref-5)
5. Capital and Revenue Budget Report 2023/24 presented to Council 23 February 2023 [↑](#footnote-ref-6)
6. Calculated from RS 2022/23 by local authority <https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2022-to-2023-individual-local-authority-data-outturn> [↑](#footnote-ref-7)
7. Capital and Revenue Budget 2023/24 presented to Council on 23 February 2023 [↑](#footnote-ref-8)
8. Health and Adult Social Care Overview and Scrutiny Committee 7 December 2023 – Capital Budget Monitoring 2023/24 Round 2 [↑](#footnote-ref-9)
9. Health and Adult Social Care Overview and Scrutiny Committee 7 December 2023 – Capital Budget Monitoring 2023/24 Round 2 [↑](#footnote-ref-10)
10. Presented to Audit Committee on 10 January 2023 [↑](#footnote-ref-11)
11. Para 4.3.4 Treasury Management Strategy [↑](#footnote-ref-12)
12. Full Use of Resources report 2022/23 for Medway, Part 1A and 1Bi [↑](#footnote-ref-13)
13. Full Use of Resources report 2022/23 for Medway, Part 1Biii [↑](#footnote-ref-14)
14. Full Use of Resources report 2022/23 for Medway, Step 6 [↑](#footnote-ref-15)
15. Full Use of Resources report 2022/23 for Medway, Step 6 [↑](#footnote-ref-16)
16. Revenue and capital budget outturn reports 2021/22 and 2022/23; \*Revenue budget monitoring 2023/4 Round 2 [↑](#footnote-ref-17)