



**ADULTS, COMMUNITIES AND HEALTH OVERVIEW AND SCRUTINY
COMMITTEE: 24 JANUARY 2012**

**JOINT REPORT OF THE DIRECTOR OF ADULTS AND COMMUNITIES AND
THE DIRECTOR OF CORPORATE RESOURCES**

MEDIUM TERM FINANCIAL STRATEGY 2012/13 – 2015/16

Purpose

1. The purpose of this report is to:
 - a) Provide information on the proposed 2012/13 to 2015/16 Medium Term Financial Strategy (MTFS) as it relates to the Adults and Communities Department;
 - b) Ask the Adults, Communities and Health Overview and Scrutiny Committee to consider any issues as part of the consultation process and make any recommendations to the Cabinet accordingly.

Background

2. As part of the Council financial planning process the MTFS, last agreed by Council in February 2011 has been revisited and updated to reflect the current economic climate.
3. Reports such as this one are being presented to the relevant Overview and Scrutiny Committees and to the Scrutiny Commission. Cabinet will consider the results of the scrutiny process before recommending the MTFS including a budget and capital programme for 2012/13 to the County Council on 22 February 2012.

Financial Strategy

4. The MTFS is set out in the report to Cabinet on 17 January 2012, a copy of which has been circulated to all members of the County Council. This report highlights the implications for the Adults and Communities Department.

Proposed revenue budget

5. The table overleaf summarises the proposed 2012/13 revenue budget and provisional budgets for the next 3 years. The proposed 2012/13 revenue budget is shown in detail in Appendix A.

Summary Proposed Budget 2012/13 and Provisional Budgets for 2013/14 to 2015/16

Table 1

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
1. Updated original budget	128,924	120,705	110,630	108,463
2. Budget transfers to other departments and other changes (Appendix E)	-2,669	230	253	350
3. Sub Total	126,255	120,935	110,883	108,813
4. Add proposed growth (Appendix B)	3,970	4,165	3,730	475
5. Less proposed savings (Appendix C)	-9,520	-14,470	-6,150	-3,400
6. Proposed/Provisional budget at outturn prices (Appendix A)	120,705	110,630	108,463	105,888

6. The 2012/13 budget is built up from the updated 2011/12 budgets. The figures for the future years of 2013/14, 2014/15 and 2015/16 are provisional.
7. There is no specific provision for inflation in service budgets for 2012/13 except to provide for increased employer pension contributions. Any potential fee increases are to be met from corporate contingencies and reserves and will be decided by a fee review process. Consultation has begun with all providers to understand the actual costs of care and 2012/13 inflationary pressures and their impacts to enable a recommendation to be made to the Fee Review Panel sometime in the first quarter of the new financial year. The timescale for this decision results from the need to consult thoroughly with providers about their current and future costs.
8. Proposed growth and proposed savings in lines 4 and 5 in the above table include both the full year effect of previous items and new items commencing from 2012/13. The growth in 2012/13 is lower than previous years to account for both the underspend position in 2011/12 and reduced demand as a result of efficiencies achieved to date.
9. The proposed net budget for 2012/13 totals £120,705,290 made up of:

	£
Employees	44,564,190
Running Costs *	<u>145,908,190</u>
Gross Costs	190,472,380
Income	<u>-69,767,090</u>
Net Budget	<u>£120,705,290</u>

*Running Costs includes all the commissioned care from external providers and direct payments

Budget Transfers to/from Other Services

10. The budget for 2012/13 of £120,705,290 for the Adults and Communities Department is after budget transfers totalling £2,974,585 to other departments.
11. The main transfers relate to the centralisation of ICT and premises costs (£580k and £1,758k respectively); £240k transferred for the Drugs and Alcohol Assessment and Referral Team to the Chief Executives Department; £250k corporate growth item from

previous years transferred to County Sports Partnership (held within Adults and Communities budgets); £625k transferred from the Adults and Communities Department for the Customer Service Centre (CSC) with the balance relating to transfers between the Children and Young People Service and the Adults and Communities Department to align budgets with accountabilities.

12. The full list of departmental transfers is outlined in Appendix E.
13. Growth and savings have been categorised in the appendices under the following classification:

- * - item unchanged from previous MTFS;
- ** - item included in the previous MTFS, but amendments have been made;
- No stars – new item.

14. This star rating is included in the descriptions set out for growth and savings below.

Growth

15. Details of growth proposals are set out in Appendix B.

Demand and cost increases

16. As in previous years, demographic growth, increasing needs and dependencies are the main drivers of the need for growth budgets. Within this context, the main budget increases required are:
- a) **** G4 Older people demand – residential and nursing (£350k)** – This growth accounts for the projected increased needs of older people already in residential and nursing care and new service users, assuming the same average ability to pay.
 - b) **** G5 Older people demand – community based services [of homecare, day services, equipment and adaptations and direct payments] (£1,995k)** – This growth of almost £2m is to meet the increasing numbers of new older people with substantial and critical needs as well as the deterioration of existing service users. How the money is spent depends on service users own choices made from their personal budget. If trends continue as per the roll out of personalisation, this is likely to materialise as 22% (of new users / of the £2m new growth) taking direct cash payments, 4% choosing a mixed direct payment & managed budget and the majority opting for a council managed budget, most likely to be homecare and community life choices. The existing pressures and increasing demands on equipment and adaptations is also addressed through this growth.
 - c) **** G6 Learning Disability demand – residential and supported living (£1,080k)** - Supported living has seen significant increased demand in recent years as a preferred alternative to residential or hospital care for people with learning disabilities, giving greater independence and the opportunity to integrate with the local community. The proposed budget growth of £1.08m provides for an average 25 additional supported living or residential placements (depending on the level of need and the packages negotiated with providers).

- d) ** G7 Learning Disability demand – community based services (of homecare, day services and direct payments) (£600k) - With people with learning disabilities living longer and more independently in the community, the demand for services such as community life choices, direct payments and homecare is increasing. This growth provides funding for an additional 30 to 40 packages for people with learning disabilities based on their level of need and their personalised choices.
- e) ** G8 Mental Health demands – all services (£380k) – This growth can provide for additional long term supported living placements as well as meet the increased demands for direct payments and community life choices.
- f) ** G9 Physical Disability demands – all services (£500k) – This is to meet the needs of projected demographic growth for new service users. This service user group is most likely to choose cash direct payments.
- g) G10 Deprivation of Liberty Safeguards - increased demands on fieldwork teams (£315k) – The number of people subject to Deprivation of Liberty Safeguards has seen a significant increase (of 55%) in referrals from 540 in 2009/10 to a projected figure of 840 for 2011/12. The increasing complexity of these cases requires numerous liaison meetings with the Court of Protection office, Best Interest Meetings as well as complex decision making processes and preparation of detailed reports. Additional ongoing resources of £110k for additional legal costs and £205k additional staffing to provide for one Best Interest Assessor and six Social Workers is required to continue to meet these increased demands.

Service Improvements

- h) ** G11 Quality Assessment Framework [QAF] (£120k from 2013/14) – The QAF was approved by Cabinet on 14 December 2010 with a total £1.5m growth approved in the previous MTFS to incentivise provision of quality residential care through additional banded fee payments where certain standards of quality are achieved. Further growth is requested from 2013/14 of £120k and £250k from 2014/15 onwards to meet the projected levels of take up from providers.

Revisions to previously approved growth

- i) ** G12 Invest to save posts (£250k reduction) – The invest to save budget for the Efficiency and Service Reduction programme can be reduced for 2012/13 as sufficient budget remains available to carry forward from 2011/12 to cover all identified resource requirements, subject to approval. The programme resources are reviewed on an ongoing and annual basis in line with anticipated programme actions and outcomes to be delivered.
- j) ** G13 Supported living – delay of funding arrangements through ordinary residence (£1m reduction) – Due to planned changes from a residential home across the County border to supported living, the financial responsibility for a number of people with learning disabilities was and still is due to change from care costs funded by host authorities to the council of normal place of residence. This growth bid totalling £2.5m from previous years MTFS has been reduced in the short term by £1m for 2012/13 to account for slippage in other local authorities programmes, due to the length of time taken to source and gain planning permission for supported living units.

Savings

17. Details of savings requirements are set out in Appendix C.
18. The Department, in common with most other departments, and with regard to the constraints of the current economic climate, has been set efficiency target savings in each of the four years. Including service reductions this totals £9.5m of new budget reductions from 2012/13 increasing to £24m in 2013/14 and £30.1m in 2014/15 with a further £3.4m in 2015/16.
19. Additionally, there is a further £250k transport service reductions in 2012/13 (rising to a £500k from 2013/14 onwards) as approved in prior MTFS. This is to be achieved as a result of the revised Adult Social Care Transport Policy and is referenced as S55 within the Highways and Transport savings, as this is where the budget is held relating to transportation of adults.
20. With the exception of income, all of the savings in 2012/13 are continuations of those set out previously in the 2011/12 MTFS with the majority already secured from delivery or actions taken in 2011/12 and are therefore the adjustments needed to reduce the budgets to the level reflecting the full year effect of these savings as opposed to new actions.

Efficiency and Service Reductions

21. **** S12 Redesign of In-House Mental Health Residential Services (£40k)** - The current model of service has been reviewed to offer a more personalised service closer to people's home community and spread across the county which would result in more support for people living in their own homes. The proposal is for the re-provision of the Ashcroft hostel building with remaining service users transferring to supported living and the reconfiguration of staff to modernise this service to be fit for purpose in the future. This proposal is explained in more detail in the Cabinet report of 17 January 2012.
22. **** S13 Integrated Joint Commissioning (£250k from 2013/14)** - There is increasing recognition at a national and local level that significant efficiencies and better service outcomes can be achieved through integrated approaches to commissioning with the NHS. Savings can be made from both more efficient joint commissioning infrastructure and through a more coordinated approach to planning, commissioning and procuring services. These savings were set out in the 2011/12 MTFS to start in 2012/13 and have been re-phased back a year as a result of organisation changes in the NHS.
23. **** S14 Development of integrated complex care (£250k from 2013/14)** - Remodelling the existing locality based teams for improved delivery of services for people with long term conditions and complex care needs in a way that is integrated across health and social care with a number of functions and processes remapped into the customer service centre, reablement and the front end of the pathway will enable economies of scale due to the size and scope of the integrated complex care teams based in localities.
24. **** S15 Eligibility – robust application of existing and new criteria (£6,580k from 2013/14)** - Existing eligibility criteria has been applied robustly achieving £0.5m of savings in 2010 with a further £4,300k saving achieved from the eligibility criteria change to

substantial and critical (see service reduction S32 in paragraph 48). Additional savings of £6,580k will be achieved from 2013/14 by using the Resource Allocation System to ensure that service users receive the most cost effective allocation to achieve their outcomes whilst delivering the best value for the council. This should be achievable as the market develops and service user confidence grows to utilise personal budgets in more creative and efficient ways.

25. ** S16 Communities and wellbeing including Libraries, Heritage and Arts Review (£1,045k) - Endorsed by the Museums, Libraries and Archives Council, a review of Libraries, Heritage and Arts was undertaken in autumn 2010 by independent consultants outlining a number of approaches to transform these services whilst delivering cost savings of 40%. A combination of approaches was outlined in the review including moving to multi-use integrated hubs (consolidating council and other public sector services in a series of hubs or clusters in market towns); shared services and partnership options (for example devolving delivery through a trust, social enterprise or other organisation). These complex options are currently being developed into more detailed proposals.
26. The 2012/13 efficiencies are based on an organisational restructure of all staff across Libraries, Heritage, Arts and Adult Learning Services to create a more generic locality structure whilst retaining professional expertise. The new structure is scheduled to be fully in place by the end of June 2012 following staff consultation and recruitment processes. The full year total saving for future years is projected to be £1.3m.
27. Additionally service reductions and additional income generation are expected, as outlined in the other savings section (see paragraphs 41-42 and 51).
28. ** S17 Independent sector contracts – improved procurement and performance management (£660k) - Domiciliary care contracts totalling £24.3m pa were re-tendered from April 2011 with new contracts awarded based on more competitive pricing, larger and a fairer distribution of geographical spreads and a lower minimum payment. This resulted in total savings of £2.6m with the efficiencies in 2012/13 being the full year effect of the savings estimated conservatively previously.
29. * S18 Review Older Persons In-house Residential Services (£160k) - These savings are the balance of the Elderly Persons Home project where budgets were reduced in previous years for an earlier unsuccessful transfer initiative. Contracts have now been exchanged with Leicestershire County Care Limited for nine of the council's 10 homes with the final home in Melton earmarked for an extra-care scheme. In total this project will deliver in the region of £1m savings pa.
30. * S19 Management restructure (£80k from 2014/15) - A new care pathway and management organisation structure (organised around locality teams within a structure of Promoting Independence and Personal Care Support) was implemented early in 2011/12 to reflect the changing needs of social care in particular in relation to personalisation. This delivered savings of £1m. The further savings of £80k from 2014/15 reflect the expected additional saving once three year pay protection ends.
31. * S20 Care pathway redesign (£340k) – These savings reflect the full year effect of the restructure implemented part way through 2011/12 to align Self Directed Support to the new customer pathway as well as further efficiencies from the next planned stage of the

Mental Health restructure to be implemented from April 2012. The impact of the Mental Health restructure has been mitigated by not recruiting to vacancies over the previous year because of the impending review and the effective utilisation of health grant funding.

32. ** S21 Integrated delivery of Reablement and Intermediate Care (£285k) - The potential for joint provision of reablement/early intervention/prevention packages is being explored with NHS Community Services to increase personal independence and decrease dependence on statutory services and deliver economies of scale through integrated approaches.
33. ** S22 Reduced residential and nursing care as a result of developing extracare alternative (£250k from 2013/14) - Extra care services can offer a flexible and more cost effective alternative to residential care for many people. The extra care strategy will help the council to expand the range and number of schemes available in Leicestershire and so further reduce the number of placements made in more costly residential care homes.
34. ** S23 Learning Disabilities Supported Living – increasing service users from residential care into supported living and review of in-house provider services (£375k from 2013/14) - The council has modernised its residential homes for people with learning disabilities by supporting people to move into homes of their own, with support from in-house staff through supported living and domiciliary care. There are four residential services providing short breaks, two of which also offer permanent residential care. The review will look at the potential to reduce unit costs through changed working practices and market testing. We have also been working to increase the number of learning disability service users assisted to move out of residential care into more cost effective supported living. This efficiency saving was identified in last year's MTFS but has been rephased back a year to reflect the timescale involved in developing new supported living placements.
35. * S24 Increase the number of service users helped to live at home through the use of assistive technology (£500k) - By installing some key pieces of equipment such as fall alarms that are linked to a customer service centre and response system, service users can maintain independence longer in their own homes and avoid costly residential placements. Consultation will commence shortly on a charging policy for service users for implementation later in the financial year.
36. ** S25 Review of all discretionary spend and consider alternative provision (£25k) - A review of all discretionary spend will be undertaken and consideration given for alternative provision.
37. ** S26 Incentive programme to work with providers to improve efficiency (£500k from 2013/14) - Savings will be sourced through joint working with providers to produce efficiency savings in their processes and methods of working that can be shared between them and the council in the form of reduced ongoing pricing. This will form part of the department's approach to provider development.
38. ** S27 Improved procurement, commissioning and service redesign from joint commissioning (£2,125k from 2013/14) - Over time the approach to early intervention, preventative services, self directed support and integration with the NHS will lead to a very different range of services and opportunities being available in Leicestershire at a

reduced cost overall. Further details and business cases of such change will be presented for approval through the defined governance channels as and when they are developed.

39. S28 Review of In-House Services (£550k from 2013/14) – This involves a review of all the remaining in-house provider services including the in-house homecare based reablement service and in-house day services to enable the most efficient model of care provided to meet service user outcomes. A 5% efficiency from existing budgets is currently assumed.
40. S29 Shared Lives alternative to residential and day care (£250k from 2013/14) - The Shared Lives Service of adult family placement has high levels of satisfaction for delivering an alternative to residential care (and in some cases day services) at a lower cost. The intention is to recruit more carers to expand the service both to more service users and to all user groups. The actual savings achieved depends on the service users and their level of need and the alternative costs of packages that would have been commissioned. Average savings for shared lives schemes are estimated at £2-3k per older person pa and up to £50k pa per person with learning disabilities. The pricing and benefits structures are also being reviewed simultaneously to ensure attractive rates and packages of support are available to enable the retention of existing carers and expansion of the service.

Increased Income

41. S30 Communities and Wellbeing Income (£130k) - These efficiency savings are a re-categorisation from the non income efficiencies savings line last year (reference S16). Additional income is expected to be generated from a number of enterprise initiatives including a three year admission pricing strategy; room hire charges for libraries and museums and registering the museums of Bosworth, Donington Le Heath and Snibston for weddings and civil partnerships.
42. The underlying principle of the admission pricing strategy is to increase prices by an average of 2% plus inflation or in excess of this where the market is felt to stand a greater increase.
43. ** S31 Increased Income from fairer charging and removal of subsidy (£1,500k) – This is a combination of the full year effect of previous decisions and a proposal to remove remaining subsidies, effectively charging 100% of the cost of services to service users who can afford to pay.
44. The revised charging policy for non-residential services implemented from April 2011 increased the range of services to include day services and removed any homecare subsidy and maximum limit.
45. Eliminating subsidies (down to 0%) across all services would generate an estimated £0.6m per annum. The estimates in this MTFs assume an implementation of autumn 2012 subject to consultation and future Cabinet reports.
46. Eliminating all subsidies also provides benefits of less administration and confusion for social workers and service users when calculating personal budgets and support plans enabling quicker decision making. People who can afford to pay for all their services may also decide to independently organise their care without involving adult social

services, especially with the advance of tools like the council generated ChooseMySupport.

47. The proposed fairer charging policy will continue to be based on the core principles that people should only be asked to contribute what they can afford and that net incomes should not reduce below defined basic levels of Income Support or the guaranteed Pension Credit plus 25%. All charges will still be subject to a means test and most service users will not pay the full cost (around 40% will continue to receive a free service).

Service Reduction

48. ** S32 Eligibility – change to substantial and critical only (£4,300k) – The majority of this £4,300k saving has already been delivered from reviews already undertaken in 2011/12 and is overall on track to make the total savings by 2012/13. The eligibility criteria was changed from April 2011 to only provide long term council funded services for people with substantial and critical needs. All reviews of people classified as moderate will be completed by the end of June 2012. It is anticipated that 40% of these users reclassified as substantial or critical are continuing with services. Cabinet approval for this change to eligibility criteria was provided on 19 January 2011.
49. ** S33 Refocus Employment Services (£40k) – Employment Services as previously delivered by the Breaking the Barriers Team were reviewed and redesigned in 2011/12. These savings relate to the last two remaining schemes at Hinckley and Oadby and Wigston.
50. ** S34 Review Voluntary Sector to take account of personalisation agenda (£230k) - A review started of all the various voluntary services in 2011/12 to identify lower priority services which no longer fit with council priorities and enable a refocus of financial support. To date a total of £750k is projected to be achieved across the two years. For 2011/12 £130k is the full year effect of previous reviews with the outstanding £100k expected from moving from day service block contracts to purchasing by individuals with personal budgets.
51. ** S35 Library, Heritage and Arts Review (£265k) – This saving is to reduce the libraries book fund for purchasing new stock by 5% (£52k) with the rest representing the full year effect of reducing opening hours in museums and records office January 2012 plus the planned reduction of opening hours in libraries from April 2012, as approved by Cabinet on 26 July 2011.

Specific Grants

52. The Learning Disabilities and Health Reform Grant (as announced in the 2010 Spending Review) is the only major specific grant in 2012/13 and reflects a transfer of responsibilities from the NHS to Councils primarily for learning disabilities commissioning, but to include administration for blue badges and transitioning Deprivation of Liberty health accountabilities to the council. Leicestershire County Council's grant in 2012/13 is £10,971,042.

NHS funding for support for social care

53. Detailed proposals have been agreed with Clinical Commissioning Groups (CCGs) and the supported by the Shadow Health and Wellbeing Board in relation to the use of the £6.4m made available by the Department of Health in 2011/12 and the £6.2m available in 2012/13. These proposals have been integrated in the Adults and Communities Department's budget within the MTFs in order to reduce some of the service reductions and increase the investment in key preventative services that will deliver better health outcomes and reduce pressures on local NHS services. Implementation will be monitored through the integrated commissioning arrangements and reported to the Shadow Health and Wellbeing Board as necessary. Information has just been received from the Department of Health about further transfers of resources from the NHS to adult social care for the provision of services to assist hospitals with winter pressures. This fund is estimated to be £1.49m for Leicestershire and proposals will be drawn up with CCGs as soon as possible.

Capital Programme

54. The total capital funding requirement in 2012/13 is £2.3m for the Adults and Communities Department as summarised in Table 2 below. This comprises of £1,766k of commitments brought forward from previous years plus £560k new spend. The capital programme is funded by a combination of capital receipts, borrowing and external grants.
55. Further capital funding requirements for future years from 2013/14 and beyond is still expected for schemes such as developing Extracare and Supported Living for Mental Health (alternative to Ashcroft) and these will be presented to Cabinet at a later date.
56. Table 2 – Summary Capital Programme

Project	2012/13 £000
Commitments from Earlier Years	
Leicester Forest East Library	550
Charnwood day centre solution (Loughborough Library)	877
SSIS (Care Management System) replacement	314
Loughborough Albert Street / Victoria Day Centre	25
New	
Snibston Scheduled Ancient Monument	500
Minor Works	60
Total	2,326

Details of Projects

57. Leicester Forest East Library (£550k) - The replacement library in Leicester Forest East is expected to be delivered in 2012/13 subject to planning permission.
58. Charnwood day centre solution (at Loughborough Library) (£877k) - As part of the Day Services Strategy this project will co-locate the day services with Loughborough Library, fulfilling a longstanding requirement to find alternative accommodation for these

services in Charnwood. The project also provides the opportunity to refresh the front of house library in line with the emerging strategic vision from the Libraries, Heritage and Arts Review. Contractors are expected to start work by the end of the financial year with the project completing towards the end of 2012.

59. SSIS Replacement (£314k) – The current departmental system used to maintain details of service users and their packages is due for renewal. This is an essential development to ensure that the department has a robust system to support the challenges ahead with the personalisation agenda. A procurement process held during 2011/12 awarded the contract for the replacement system to Liquidlogic with the first implementation phase scheduled for 2012/13. The total cost of implementation is £640k with the balance of funds fully provided for out of department reserves.
60. Loughborough Albert Street / Victoria Day Centre (£25k) - This project is part of the relocation of day services in Charnwood which on completion will see the Older People's and Physical Disability Day Service located at this centre as part of the overall Day Service Strategy. The project is expected to complete in the summer of 2012.
61. Snibston Discovery Park – refurbishment of scheduled monument (£500k) – This funding is required to repair and maintain the scheduled ancient monument at Snibston in consultation with English Heritage and as per our statutory duties.
62. Minor Capital Works -£60k – The Capital Programme contains a modest sum of £60,000 for Health and Safety, and Fire Safety, projects and other essential Minor Works Projects. These works are also expected in subsequent years.

Recommendation

63. The Adult, Communities and Health Overview and Scrutiny Committee are asked to consider the report and any response they may wish to make.

Background Papers

Report to Cabinet: 17 January 2012 - Medium Term Financial Strategy 2012/13 – 2015/16

Circulation under local issues alert procedure

None.

Relevant Impact Assessments

Equal Opportunities Implications

64. Many aspects of the County Council's MTFs budget are directed towards the needs of disadvantaged people. Where proposed savings are likely to have an adverse impact on service users protected under equalities legislation, Equality Impact Assessments must be undertaken at a formative stage of developing proposals prior to all final decisions being made. Assessments are being undertaken in light of the potential impact of proposals and the timing of the proposed changes.

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List of Appendices

Appendix A – Revenue budget 2012/13
Appendix B – Growth 2012/13 to 2015/16
Appendix C – Savings 2012/13 to 2015/16
Appendix D - Capital Programme 2012/13
Appendix E – Budget transfers 2012/13