



**ADULTS AND COMMUNITIES OVERVIEW AND SCRUTINY COMMITTEE:**  
**21 JANUARY 2014**

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

**MEDIUM TERM FINANCIAL STRATEGY 2014/15 – 2017/18**

**Purpose**

1. The purpose of this report is to:
  - a) Provide information on the proposed 2014/15 to 2017/18 Medium Term Financial Strategy (MTFS) as it relates to the Adults and Communities Department;
  - b) Ask members of the Committee to consider any issues as part of the consultation process and any response it may wish to make.

**Policy Framework and Previous Decisions**

2. The County Council agreed the current MTFS in February 2013. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2014/15 – 2017/18 was considered by the Cabinet on 15 January 2014.

**Background**

3. Reports such as this one are being presented to the relevant Overview and Scrutiny Committees. The views of this Committee will be reported to the Scrutiny Commission on 29 January 2014. The Cabinet will consider the results of the scrutiny process before recommending a MTFS, including a budget and capital programme for 2014/15 to the County Council on the 19 February 2014.

**Financial Strategy**

4. The MTFS is set out in the report to Cabinet on 15 January 2014, 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.

**Service Transformation**

5. It is essential that transformation of services underpins the MTFS proposals to ensure that key outcomes are delivered and services are sustainable in the future. The departmental approach is consistent with the emerging themes in council wide transformation.

6. The protection of the most vulnerable people is a key priority. The demands of an ageing population and increasing numbers of people with learning disabilities must be adequately funded. A greater focus on managing demand through prevention and early intervention is a key theme with the development of a new model designed to make a bigger impact at a reduced cost to the Council. Making the service offer more sustainable will be achieved by continuing to reduce the subsidy on all services and ensuring that care and support is provided in the most cost effective way, focusing more on individual and community assists in resource allocation.
7. Partnerships will become even more important with the development of more integrated services with NHS organisations through the Better Care Fund, to deliver more effective community based services, thereby reducing pressure on hospital services and using resources more effectively across the whole health and social care economy.
8. Communities and Wellbeing Services will increasingly be provided in partnership with communities, with specialist resources in the council being reconfigured to support the core offer and new models of delivering services devolved from the Council.

### **Future Changes and Funding Risks**

9. The Care Bill 2013-14, currently being debated in Parliament, introduces significant changes to social care legislation which poses potential challenges and funding risks from 2015/16 onwards.
10. The key changes are the introduction of a cap on charges payable by service users and a higher threshold before service users start paying. This could reduce departmental income by an estimated £30m per annum within six years of the introduction of the Bill.
11. Additional pressures are also expected through increased staffing required to undertake assessments and reviews and track care costs for “self-funders” who under current funding arrangements can afford their own care and may not contact the Council at all. An estimate suggests that the amount of assessments could double from existing levels. There are other additional responsibilities for local authorities which include supporting carers and provision of information and advice.
12. Whilst the Government has indicated that the cost of implementing the funding reforms would be funded, the exact detail has yet to be published.

### **Proposed Revenue Budget**

13. The table below summarises the proposed 2014/15 revenue budget and provisional budgets for the next three years. The proposed 2014/15 revenue budget is shown in detail in Appendix A.

	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>
Updated original budget	127,589	133,523	126,010	125,755
Budget Transfers and Adjustments	3,789	427	310	310
<b>Sub Total</b>	<b>131,378</b>	<b>133,950</b>	<b>126,320</b>	<b>126,065</b>
Add proposed growth (Appendix B)	7,305	4,600	4,500	4,900
Less proposed savings (Appendix C)	-5,160	-12,540	-5,065	0
<b>Proposed/Provisional budget (Appendix A)</b>	<b>133,523</b>	<b>126,010</b>	<b>125,755</b>	<b>130,965</b>

14. The detailed MTFS format in Appendix A has been summarised compared to previous years as a new, radically different, statutory structure of reporting is being implemented for 2014/15. This moves away from the previous core client groups of Older People, Learning Disabilities, Physical Disabilities and Mental Health and introduces seven categories of primary reason for needing social care support plus a need to report costs and activities by wider age cohorts and whether services are long or short term. The budgets, cost centre structure, categorisation of service users' records and reporting are all currently being adapted to accommodate this new structure and will be in place for budget monitoring during 2014/15.
15. Detailed budgets for 2014/15 have been compiled on the basis of no pay or price inflation, a central contingency will be held which will be allocated to services as necessary. The budget also includes provision for an increase in the employers' contribution to the Local Government Pension Scheme in 2014/15 and the following three years based upon the triennial actuarial revaluation of the pension fund.
16. The proposed net budget for 2014/15 totals £133.5m and is set out below:

	£000
Employees	45,454
Running Costs	160,259
<b>Gross Costs</b>	<b>205,713</b>
Income	-72,190
<b>Net Budget</b>	<b>133,523</b>

### Other Changes and Transfers

17. A number of budget transfers (£3.5m) were enacted through the 2013/14 financial year that are now adjusted for in the updated original budget. The majority of these transfers relate to provider fee increases of £3.2m and £0.4m for the 2013 staff pay award. The other budget transfers relate to movements of budget between departments such as aids and adaptations and Emergency Duty Team transfers between adults and children's to align budgets with responsibilities.
18. 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.
19. This star rating is included in the descriptions set out for growth and savings below.

### Growth

20. Details of proposed growth are set out in Appendix B and total £7.3m for 2014/15 and £21.3m over the next four years in total. These are detailed in the following paragraphs.
21. \*\* G7 Older People demand – (£1.4m in 2014/15 rising to £5.3m in 2017/18) – This is required to meet the increasing numbers of new older people with substantial and critical needs as well as the deterioration of existing service users. Future demands are projected from a number of sources primarily the Joint Strategic Needs Assessment

(JSNA); Projecting Older People Population Information (POPPI) and recent historic trends for services. The number of people over 65 in Leicestershire is expected to increase by 3.4% over the next year. The majority of growth will be in community based services commissioned as homecare or via direct cash payments.

22. \*\* G8 Learning Disability demand – (£1.66m in 2014/15 rising to £6.3m in 2017/18) – Growth is needed to support increases in demand for services for people with learning disabilities. This reflects the increasing numbers of people identified as needing services (including those children becoming adults through the Transitions Team) and generally increasingly complex needs of both existing and new service users. Approximately half of new service users are currently known within the Transitions Service and the other half are estimates of new service users not currently receiving services from the Local Authority who will require a new ongoing care package.
23. \*\* G9 Mental Health demand – (£0.65m in 2014/15 rising to £3m in 2017/18) – There has been an increasing pressure on mental health budgets in recent years and this growth is needed to meet the projected increase in demand for services for people with mental health needs. Growth of £250k relates to the full year effect of new service users receiving services in 2013/14 with the £400k balance is required for an average increase of three new service users per month. It is expected to be spent mainly on direct payments.
24. \*\* G10 Physical Disability demand – (£0.9m in 2014/15 rising to £4m in 2017/18) – 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 and is where the majority of cost pressure has been experienced for this group in recent years. This growth allows for between 10 and 15 new service users per month depending on individual needs although costs can vary significantly per person.
25. G11 Learning Disabilities Transitions Officers – (£65k) – This is to continue to fund two temporary Learning Disability Transitions Community Support Workers that have been funded from ear-marked reserves for the last year. Additional capacity was and still is required to handle the increased volume of transition cases.
26. G12 Emergency Duty Team – (£0.1m) – Following a restructure of the joint emergency duty team with Leicester City Council, additional funding is required to ensure that the team is resourced with appropriately qualified staff.
27. G13 Shortfall on Effective Support Efficiency saving – (£2.5m) – Following on from the successes of the Eligibility project which moved the eligibility band to only provide ongoing services for service users with critical and substantial needs and reviewed all people with moderate needs making significant savings, the 2013/14 MTFs included £6.5m of savings expected from the Effective Support project. This project was to review all substantial and critical service users and make savings where there was an opportunity to, whilst continuing to meet service user needs. Due to a range of factors (including data issues; increasing needs and costs of some service users; and a personalised care market that still needs to develop fully to offer lower cost alternatives) a shortfall of savings is projected in this project for 2013/14 contributing to a forecast overspend position. This growth addresses the ongoing shortfall in the budget as a result of being unable to meet the project target.

28. It should be noted that in addition to the growth above there is currently £2.4m of NHS transfer funding also mitigating potential Effective Support budget reductions. This was only agreed on a one year transitional basis for 2013/14 and the ongoing use of funding in this way is being considered as part of wider planning around the use of the Better Care Fund explained later in this report.

### Savings

29. Details of proposed savings are set out in Appendix C and total £5.2m in 2014/15 and £22.8m over the next four years in total. These are detailed in the following paragraphs.

### Efficiency Savings

30. \* S20 Shared Lives alternative to residential and day care (Net savings of £225k from 2014/15 rising to £380k in 2015/16) - The Shared Lives Service has high levels of satisfaction for delivering an alternative to residential care (and in some cases day services) at a lower cost. During 2013/14 more carers have been recruited to expand the service both to more service users and to all user groups. The actual savings achieved depends on the service users' 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 service is expected to be at full capacity from 2015/16 achieving full year net savings of £380k.
31. \*\* S21 Review of In-House services (£250k from 2014/15 rising to £0.5m from 2015/16) – This entails a review of the productivity of all in-house services with an intention to merge or close any that are not considered viable and transferring viable services to the independent sector, where it is more cost effective to do so, aligned to the increased use of personal budgets. The in-house services to be reviewed include the only remaining Older Persons Residential Home; the Short Breaks service (where current under-utilised capacity can be realigned or utilised by partners); Supported Living services and Community Life Choice day centres. The £250k saving target rises to a total £500k from 2015/16 representing 3.2% of gross spend on these services (4% of net).
32. \*\* S22 Integrated health and social care solutions (£175k from 2014/15 rising to £350k from 2015/16) - Through the Better Care Fund plan and partnership, various joint efficiency savings are possible through economies of scale by a more integrated approach with our health partners regarding commissioning, complex care and service users with long term conditions.
33. \*\* S23 Shared provider approach to quality and efficiencies (£1.2m from 2016/17) – Engagement with residential care providers to deliver joint efficiencies whilst maintaining quality. This will involve seeking joint efficiency opportunities as well as reviewing fees and the Quality Assessment Framework (QAF) from 2016/17. £1.2m represents 1.5% of the gross residential spend. More detailed planning and proposals will be developed during the next year.
34. \*\* S24 Reduced residential and nursing care as a result of developing Extracare (£250k from 2015/16) - Extra care services can offer a flexible and more cost effective alternative to residential care for many people. There are 10 priority localities identified in the Extra Care Strategy with potential opportunities identified to date in Blaby,

Harborough and Melton. Planning permission has recently been granted for a 50 unit scheme in Blaby and building work is expected to be completed by the end of 2014/15.

35. \* S25 Review of terms and conditions including business mileage (£85k from 2014/15 rising to £140k from 2015/16) - Ongoing impact of previous corporate reviews of staff terms and conditions of employment, already implemented.
36. S26 Customer Journey Simplification (£250k from 2014/15 rising to £1m from 2016/17) – Productivity improvements enabling fewer staff to deliver a more efficient service through a simplified approach to care and financial assessments aligned to cash personal budgets being the default position. This will also follow the implementation of a new Care and Financial system planned for March 2014 and involve a review of the Resource Allocation System. Although productivity benefits have been identified from this project, the timing of any staff restructure will need to be aligned to expected increases of the same staff relating to Care Bill changes and increased demands relating to the Dilnot recommendations (projected to double the amount of current assessments to include those currently fully funding their own care). A wider workforce planning analysis is being undertaken.
37. S27 Other service reviews and infrastructure alignment (£0.5m from 2014/15 rising to £1m from 2016/17) – A review and rationalisation of staffing structures outside the care pathway following simplification of processes and increases to productivity.
38. S28 Outcome Based Commissioning (£1m from 2015/16) – Delivery of improved outcomes for service users whilst maximising savings by commissioning “outcome based services” rather than the traditional time and task based services. £1m represents 3% of the total spend on the reablement, domiciliary care and other community based services that are being considered within the scope of this project. This model of commissioning is being implemented in other local authorities around the country with Wiltshire seen as a successful implementer.
39. \*\* S29 Increased income from fairer charging and removal of subsidy/aligning increases (£0.45m from 2014/15 rising to £0.75m from 2015/16) - This is to ensure that charges to service users reflect actual costs/overheads ensuring equality for all service users, irrespective of how their care is commissioned and to support the move to cash personal budgets through the introduction of an administration charge for managed services. Charges are also being reviewed for Housing Related Support Services; Assistive Technology and Extracare. Increased income flows from national pension and benefit increases are also projected as per previous years.
40. S30 Additional Health transfer funding – (estimated savings mitigation £1.25m 2014/15 one year only) - Proposed utilisation of additional health transfer funding for 2014/15 only to mitigate savings, subject to partner agreement. There is a total of £2m one off funding available but some of this will be needed to facilitate change for integration in preparation for the Better Care Fund.
41. S31 Better Care Fund (£10m from 2015/16) – The Leicestershire Better Care Fund is estimated to be £38.3m from 2015/16. This could be used to mitigate savings from 2015/16 subject to a number of factors including agreement by health partners and meeting performance targets. The Better Care Fund is explained further in the section below entitled Health and Social Care Integration. Protection of adult social care services is one of the national conditions which must be adhered to.

## **Service Reductions**

### **Adult Social Care**

42. S32 Remove subsidy on Community and Day Centre Meals (£150k from 2014/15 rising to £300k from 2015/16) - Currently service users receiving a community meal as a "managed service" (ie organised by the Council on their behalf) are subsidised by approximately 43% of the cost by paying a contribution of £3.25 compared to the current actual cost that the Council pays to the provider of £5.71. Subject to consultation, the proposal is to reduce the subsidy to nil over time for existing service users and to apply the unsubsidised rate to all new users from 2014/15. All service users will still have the option to take a cash personal budget and commission or organise their own meals either directly or through a Provider Managed Account, with the provider who organises all the care required on behalf of a service user. In order to be consistent and equitable, the same approach would be applied to people attending day centres.
43. S33 Limiting service user choice to the most cost effective option (£500k) –Service users will be expected to maximise support from their families and local communities and the Council's support will be based on reasonable support costs so that we can meet the needs of as many eligible service users as possible within the budget available. The Council will place greater emphasis on the achievement of outcomes and value for money over the level of choice available.
44. S34 New model of Early Intervention and Prevention Support (£1m from 2014/15 rising to £3.5m from 2016/17) – Review of non- statutory Housing Related Support and Voluntary sector contracts, leading to a more targeted approach with reduced level of investment from the Council. £1m has been identified as the saving in 2014/15 rising to £3.5m from 2016/17 representing c50% of these budgets. This will be delivered by investing in an alternative model such as Local Area Co-ordinators to support vulnerable people in the community, developing solutions which build on individual and community assets.

### **Communities and Wellbeing**

45. S35 Redevelop Snibston with a new offer focusing on mining and the scheduled ancient monument (£60k in 2014/15 rising to £240k from 2015/16) – Options are currently being considered to redefine Snibston around a new offer focusing on mining and the scheduled ancient monument with reduced ongoing funding. This will build on the investment made in the scheduled ancient monument and reduce the ongoing subsidy. A detailed proposal will be developed for consultation.
46. S36 Reduction in funding for community museums (£30k in 2014/15 rising to £280k in 2016/17) - Development of community partnerships for running community museums reducing the resources allocated by the Council. Closure is the alternative option where community partnerships are unviable.
47. S37 Reduction in funding for community libraries and review of other library services (£170k in 2014/15 rising to £800k from 2016/17) – Development of community partnerships for 36 community setting libraries depending on public appetite and viability plus a reduction in opening hours of major and shopping centre libraries by

20%. Expansion of the mobile service or closure are alternative options where community partnerships are unviable.

48. S38 Reduction in infrastructure costs for libraries, museums and heritage (£65k in 2014/15 rising to £590k from 2016/17) - Reduced infrastructure to support major and shopping centre libraries. Note that these are in addition to the infrastructure costs incorporated within the Communities and Wellbeing savings above in S35 to S37.

### **Health and Social Care Integration**

49. Health and social care integration is a priority for the Council. The health and social care system is facing unprecedented levels of pressure with increasing demands from an ageing and increasingly frail population coupled with a significant reduction in available resources. Developing effective ways to co-ordinate care and integrate services around the person is seen nationally and locally as key to improving outcomes and ensuring high quality and sustainable services in the future.
50. The vehicle for driving this approach forward to deliver fully integrated health and social care services by 2018 is the Better Care Fund. Work is taking place between the Council, NHS organisations and other key partners, to develop the Leicestershire Better Care Fund plan, which must be approved by the Clinical Commissioning Group Boards and the Health and Wellbeing Board prior to submission in February 2014.
51. Initial modelling work includes financial assumptions to meet the national conditions which need to be addressed in the plan, including an element of protection for social care services. These initial assumptions are shown in the Adults and Communities savings schedule for 2014/15 in relation to additional health transfer funding and for 2015/16 in relation to the Better Care Fund. They are significant sums of money which are still to be finally agreed. The total fund in 2015/16 is expected to be £38.3m.
52. The many approaches within the Better Care Fund will build on existing integrated service models, but these will be enhanced and increased in scale. There will also be new and more ambitious fully integrated health and social care services. The main areas that will be developed will be in early intervention and prevention, “step up services” (i.e. services that prevent people being admitted to hospital or care homes) and “step down services” (i.e. services that assist people in leaving hospital and remaining at home); and support for people with long term conditions.
53. Key examples of planned development include the introduction of Local Area Co-ordination which is a way of supporting vulnerable people within their own communities with less intervention from statutory services, an integrated crisis response service that prevents people from needing to be admitted unnecessarily to hospital and building on the Council’s plan for Help to Live at Home, which will now be re-scoped as an integrated model.

### **Other Grants and Transfers**

54. For 2014/15 the same health transfers continue as per 2013/14 consisting of :
- £8.6m Social Care transfer;
  - £1.99m Reablement.



55. These grants are invested in prevention and early intervention; and supporting carers, dementia and autism services.
56. A further £2m grant has been allocated to Leicestershire for 2014/15 to support the planning and implementation of the Better Care Fund.
57. There is a £146k Community Voices grant which is for a combination of the Deprivation of Liberty Service in hospital; Veterans; and Mental Health Advocacy.

### **Capital Programme**

58. The draft Capital Programme is summarised below and in Appendix D. The programme is funded by a combination of Government grant, external grants, capital receipts, prudential (unsupported by Government) borrowing, external contributions and earmarked funds.
59. The Adults and Communities capital programme budget totals £2.5m over the next four years including £1.58m in 2014/15 based on the following priorities.
  - a) A contribution of £1.1m, (£0.1m in 2013/14) to develop extra care accommodation in Blaby in partnership with East Midlands Housing Group. The total scheme cost is £7.5m.
  - b) Limes Day Centre relocation to Hinckley library, (£470k) to refurbish and adapt Hinckley Library to provide an integrated and co-located service.
  - c) "Changing Places" specially adapted facilities for disabled people (£30k in 2014/15 / total £230k over four years).
  - d) Replacement of 4 Mobile Libraries, (£600k phased from 2015/16) subject to libraries service review.
  - e) Libraries reconfiguration of space to maximise community use and revenue opportunities (£120k from 2015/16) subject to service review.

### **Recommendation**

60. The Committee is asked to consider the report and any response it may wish to make.

### **Background Papers**

- Cabinet : 15 January 2014 – Medium Term Financial Strategy 2014/15 to 2017/18

### **Equal Opportunities Implications**

61. Many aspects of the County Council's MTFs 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.

**Circulation under local issues alert procedure**

None.

**Appendices**

Appendix A – Revenue Budget 2014/15

Appendix B – Growth 2014/15 – 2017/18

Appendix C – Savings 2014/15 – 2017/18

Appendix D – Capital Programme 2014/15 – 2017/18

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