

Financial strategy 2012-16

Background

1. In 2010-11 Oxfordshire's allocation for Supporting People has been made, for the first time, via the Formula Grant – main mechanism by which the council receives funding from central government. This four year allocation failed to adequately recognise the level of need evident in Oxfordshire.
2. In its Medium Term Financial Plan Oxfordshire County Council has compensated for this low national allocation by keeping local investment in housing related support services at 5% per year reduction compared with the 2010-11 figure of £16.167 million. This in effect kept the programme's allocation at the level planned by the previous government and the one we have been working towards.
3. This financial trajectory is presented below:

Year	Financial allocation	Planned reduction
2011-12	£15,359,116	-£808,375
2012-13	£14,591,160	-£767,956
2013-14	£13,861,602	-£729,558
2014-15	£13,861,602	Nil
Total	£57,673,480	-£2,305,889

4. In total this represents £2.306 million of savings over four years which reduce funding by 14% to £13.861 million in 2013-14 – the destination budget for Oxfordshire, planned by the previous government.
5. On our journey towards this destination budget we delivered savings required in 2011-12 and are on target to deliver most savings required in 2011-12. This means that to reach the destination budget in 2013-14 we need to deliver in total additional savings of £1.497 million over the next two years.
6. Our current Supporting People strategy covers a period of five years from 2011-12 to 2015-16. Our financial allocation mirrors four-year national and local financial plans. Therefore we would not know our allocation beyond 2013-14 until central government announces the next Comprehensive Spending Review. Therefore it is proposed that we make provisional plans based on an assumption that local financial allocation remains stable in future years.

Proposals for achieving savings in 2012-14

7. Approach to delivering required savings set out in this paper is informed by commissioners and providers collective experience in successfully delivering good quality services alongside planned budget reductions since 2003.

It recognises that:

- All client group areas without exception have already delivered significant savings ranging from five percent to twenty five percent;
- These reductions have been delivered by freezing inflationary uplifts and negotiating better value for money under old contracts, commissioning more cost effective and strategically relevant services through competitive tendering over five years and by seeking additional cashable efficiencies;
- Most recent experience of securing two percent cashable efficiencies in-year has clearly demonstrated that there is no room for manoeuvre in the sector under constraints of current contracts.

8. It is proposed that our strategy to reaching the destination budget over the next two years should be based on:

- Commissioning for outcomes, quality and personalised delivery of support – We should place service users at the heart of the programme and make a strategic shift from commissioning inputs and outputs to commissioning outcomes;
- Adopting an evidence-based approach to commissioning by implementing service models that are proven to deliver outcomes we are seeking; and consider adopting payment-by-results approach where it has potential to reward innovation and excellence, whilst optimising use of resources;
- Phased alignment of the needs-based commissioning intentions to financial allocation at super group level – We should move away from micro managing service delivery, while making sure that services are cost effective and sustainable for the duration of contracts we award;
- Within each super group due consideration should be given to specific gaps and pressures identified in the needs and gaps analysis – Commissioning solutions should be evaluated and approved for implementation based on their ability to deliver both strategic and financial aims, despite current challenging financial climate;
- Robust assessment of impact proposed service changes might have on individuals and groups of population covered by provisions of the Disability Discrimination Act;
- Robust approach to demand and market management, and a shift to whole systems approach to commissioning, with more formal arrangements for joint-commissioning and risk sharing where appropriate;
- Making sure that each time we take a decision to commission services for a group of people after 2011-12, whether through formal contracts or other methods, we need to be commissioning the services we can afford for those people when our funding reaches its final level of £13.861 million.

9. These principles inform two financial models proposed for consideration below:

Model 1 seeks to allocate savings targets over the next two years, while keeping proportion of spend in the destination budget by super group at the current level: Super Group 1 – 60% / Super Group 2 – 40%

SP5c

Model 2 seeks to allocate savings targets over the next two years, while also equalising proportion of spend in the destination budget by super group:
Super Group 1 – 50% / Super Group 2 – 50%

Model 1

10. Savings of 5% are allocated for each super group, weighed by their proportion of the total spend, as illustrated in the table below:

	2012-13	2013-14
Super group 1 (60%)	-£460,773	-£437,735
Super group 2 (40%)	-£307,182	-£291,823
Total	-£767,956	-£729,558

11. Draft budget for 2012-16 is attached at Annex 1 and is explained in more detail in remaining sections of the paper.

12. Proposals for savings in 2012-13 identified to date:

Super Group 1	Saving target	Status
5% reduction in contribution to Learning Disability Pool	£125,970	Agreed and built into Adult Social Care savings plan.
5% reduction in contribution to Shared Lives scheme	£25,995	Agreed and built into Adult Social Care savings plan.
2% reduction in contribution to Alert service for older people	£40,200	Proposal - This saving will be managed by continuing to determine service eligibility based on current, rather than historic need.
7% reduction in funding for physical disability services	£10,000	Proposal - This saving will be delivered by rationalizing services and securing better value for money.
Net effect (adjusted for planned increases in other contractual commitments): Reduction of £123,831 or 1% of spend in this group.		

Super Group 2	Saving target	Status
2% net reduction in funding for homeless services (end of grant for one service- £71,4k; remodeling of another service- £50k; planned increases in other commitments.)	£37,401	Agreed

SP5c

4% reduction in funding for domestic violence services, due to securing alternative funding	£16,769	Agreed in the contract
		Subject to permission to carry forward
Contingency target delivered in 2011-12	£52,941	

**Net effect (adjusted for planned increases in other contractual commitments):
Decrease of £33,404 or 0.5% of spend in this group.**

13. These proposals amount to a total saving of £157,235. It is proposed that remaining savings of £577,317 are allocated as follows:

Super group 1 – Additional savings of £336,943

- It is proposed that these savings are delivered by further reducing investment in services for people with learning disabilities and older people. It is recommended that proportion of savings for learning disability services is higher than for older people services, to reflect overall proportion of spend, but also takes into account planned savings set out above for which agreement is already in place.
- Exact split between two areas will need to be negotiated with commissioners of Adult Social Care as it is likely to have an impact on their existing savings plans.

Can these savings be delivered?

- Services funded by the Learning Disability pool are well established comparing to other services in the group and are going through a planned programme of transformation through personalisation and greater use of technology. It is therefore arguable that this presents opportunities for greater ability to deliver additional savings across all funding streams.
- The Alert service which provides support to older people is in second year of operation and is subject to a planned programme of service realignment. It is possible that additional savings could be managed alongside existing financial targets for the service. There may also be opportunities to make better use of the funding allocated to direct payments for older people, for services that sit outside of the Alert service. There are plans to review these services over the next six months.
- For services provided by Home Improvement Agencies 2012-13 will be the final year of extension under current contracts. Commissioning intentions and funding for these services beyond March 2013 will need to be agreed with all commissioners yearly next year.

What services are not included in this proposal and why?

- This proposal reflects the fact that commissioning priorities recommend that investment in services for people with mental health issues is remained at

current level, to allow new services to embed in what would be their second year of operation and begin to deliver significant savings already allocated by the Mental Health Pool for this pathway of services.

- It also recognises that services for people with physical or sensory disabilities represent just one percent of the total programme spend and any further reductions will seriously undermine viability of these services and likelihood of achieving better geographical distribution of services. It is also recognised that any future ambitions for growing service provision for this group will need to be funded from other parts of the programme and/or by attracting alternative sources of funding, for example from health and social care or housing sector.

Super group 2 – Additional savings of £240,374

14. It is proposed that these savings are allocated at super group level and are delivered within the following parameters:

- Services for younger homeless people and teenage parents are in second year of current contracts and are subject to a planned strategic review. Commissioners have already agreed to bring work on identifying gaps and pressures forward, with a view to inform potential remodelling of services in year three of the contract. This presents opportunities to align service provision in remaining two years of these contracts with a savings target.
- All other services in this super group are falling into one of two categories:
 - Contracts approaching final year (2012-13) – generic floating support (including for offenders) and people at risk of domestic violence
 - Contracts can be extended for up to two further years (2012-14) – people with drugs problems and single homeless people.
- It is proposed that services for people at risk of domestic violence and those with drugs problems are extended for one year. Any possibility to link these extensions to cashable efficiencies or savings should be carefully considered by commissioners and providers. Longer term plans for these services would be informed by current developments in the commissioning structures for community safety services and the new pathway of services being implemented by the DAAT. They also need to be linked to the reconfiguration of services for homeless people of working age described below.
- It is proposed that all remaining services are remodelled and/or re-commissioned together to implement a new pathway for homeless people of working age. Primary objective of this exercise will be to build on past achievements in the sector and design more effective and efficient services fit to deliver increased aspirations set out in the national policy 'No second night out'. It is clear from recent feedback provided by service users that new services should be outcomes based, smaller in size, more person centred and and flexible. We also need to develop new ways of managing demand as it is expected to increase in future.

SP5c

- Exact split of savings between these areas will need to be negotiated with funding partners with whom we jointly commissioned these services, commissioners of Social Care for Children and district council partners, as it is likely to have an impact on their existing savings plans.

Can these savings be delivered?

- It is recognised that this is going to be a challenging task. Having said that, recent evaluation of pathways as a commissioning model carried out as part of the programme review suggests that we have a strong foundation of services and partnership working on which to build future arrangements.
- We need to develop new creative solutions to preventing homelessness jointly across the whole system of housing, support and care. We also need to get better at forward planning and managing pace of change together with providers who in many cases invested significant resources into existing services be it their staff, expertise or accommodation.
- To achieve these challenging objectives we need to move forward swiftly so that service redesign is aligned with delivery of savings, which may not be realised in full until second part of 2012-13, especially if a new procurement exercise is required. This would mean stepping up the savings, to compensate for mid-year implementation. It may also require twin track planning, i.e. having alternative solutions on standby should there be unforeseen delays in delivery.

Proposals for delivering savings in 2013-14

15. Further proposals for delivering savings of £729,558 are shown in the budget attached at Annex 1. These proposals allocate additional reductions in funding across most of service areas, in recognition of the fact that many existing contracts would have either ended or been reviewed, and hopefully, re-commissioned by April 2013. Income received from other sources has also been reduced. It is difficult to produce a more precise forecast for this final year of savings, as there are many options, all of which would need to be informed by detailed savings agreed for 2012-13.

Model 2

16. To achieve 10% shift in proportion from super group 1 to super group 2 would mean that super group 1 would need to deliver even greater proportion of savings over the next two years. This is illustrated in the table below:

One year journey	2012-13	2013-14
Super group 1 (50%)	-£1,334,323	-£364,779
Super group 2 (50%)	+£1,334,323	-£364,779
Spend in each group	£7,295,580	£6,930,801
Total spend	£14,591,160	£13,861,602

17. It is most unlikely that this fundamental shift in investment could be achieved in 2012-13, as this time scale is insufficient to adequately plan and facilitate such large scale change. Taking two or more years to deliver this objective makes it more feasible, as it would allow more time to design, agree and manage these changes across wide range of services.

Two year journey	2012-13	2013-14
Super group 1 (60%)	-£460,774	-£1,718,641
Super group 2 (40%)	-£307,182	+£989,083
Spend in each group	£7,295,580	£6,930,801
Total spend	£14,591,160	£13,861,602

18. It is also possible to pursue this option over longer period of time, by combining savings required to balance the budget with redistribution of commitments within the budget. This approach can be implemented across two to four years (2012-16) with varied degree of front-loading or back-loading redistribution to ease implementation of required savings.

19. Budget for 2014-16 could therefore be based on either of these two models and their variations, depending on the agreed approach to redistribution. It would also need to reflect future financial allocation for the programme beyond 2-13-14.

20. Members of the Commissioning Body are asked to:

- **comment on the principles set out in this financial strategy**
- **approve specific saving targets set out in point 12**
- **discuss and agree overall approach to savings for 2012-13 set out in points 13-14, to enable officers to produce specific saving targets for these services**
- **discuss and agree overall approach to savings for 2013-14 set out in point 15, to enable officers to produce specific saving targets for these services**