

SUPPORTING PEOPLE COMMISSIONING

BODY – 25 MARCH 2011

Financial strategy and budget for 2011-12

This paper sets out the proposed financial strategy for 2011-16 and explains the rationale behind the budget proposed for 2011-12.

Financial strategy – Section 4 of the strategy

1. In writing this strategy, we know what the programme's funding for the future would be. Oxfordshire County Council has said it is likely to allocate the following amounts to purchase housing related support services:

2011-12	£15,359,116
2012-13	£14,591,160
2013-14	£13,715,690
2014-15	£12,892,749

2. This represents a 5% per year reduction in investment compared with the 2010-11 figure of £16,167,490.
3. This means that Oxfordshire's Supporting People funding will reduce to £12,892,749 in 2014-15. This is almost forty percent less than what Oxfordshire received from government when the programme started in 2003-04 or a reduction of £8.2 million.

Managing financial risks

4. On the whole the administering authority managed risks associated with this challenging financial situation effectively on the Commissioning Body's behalf.
5. Oxfordshire ended almost every year with a surplus which the government permitted Oxfordshire to carry forward except for 2005-06 where we overspent our Supporting People Grant by prior agreement by almost £0.5m as part of handling the first impact of the Supporting People Distribution Formula.
6. 2010-11 is the first time we approach the end of the financial year with a balanced budget and no surplus to carry forward. This means that our approach to managing financial risks should change.
7. Supporting People contracts are typically issued by the administering authority for three years with an option to extend for a further two years – in effect, five year contracts, as recommended by the government.

8. This means each time we take a decision to commission services for a group of people after 2010-11, 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 £12.9m.

Budget for 2011-12 – the proposed approach

9. We propose that the programme adopts a two-pronged approach to managing these financial pressures:
 - First, by setting specific saving targets for all commitments that have been subject to a strategic review in 2010-11 – This measure would produce planned savings in the short-term, while retaining strong links to the strategic relevance of these commitments.
 - Second, by re-prioritising all programme commitments to align their strategic priority with available funding – This measure would produce planned savings in the medium to long term and would give the partnership time required to complete this complex exercise with due diligence.
10. As we approach 2011-12 the programme's commitments set out in existing contracts exceed the agreed allocation by about £300,000 or fewer than 2% of the budget. It is therefore necessary to ensure further reductions or efficiencies approaching this amount were delivered in 2011-12 to balance the budget.
11. This figure already takes into account planned reductions to commitments for services for:
 - people with learning disabilities and shared lives service (formerly known as adult placements service) - 5%, as agreed in the business strategy for adult social care
 - older people: home improvement agency services – 10%, as recommended following the strategic review 2010-11
 - mental health services - 20%, as set out in the current strategy and delivered by the recent tender
 - generic floating support - 25%, as recommended following the strategic review 2010-11 and on target to implement from April 2011
12. It also takes into account partial decrease in the allocation for teenage parents, which allows some flexibility in the budget (£50k) to fund better strategic utilisation of the supported lodgings service across the county.
13. In preparation of the budget the following three options have been developed and considered by the officers:

Option 1

14. An additional efficiency saving target of 2% is allocated across all commitments, as a starting point in order to balance the budget.

15. Relevant negotiations with all providers would start in April and would pursue identification and delivery of genuine efficiencies, i.e. measures that do not result in reduction in service quality or volume. Note: these discussions have already begun with respect to services for homeless people and for women and men at risk of domestic abuse.

16. These targets are set at such level so that to create a £50k contingency / surplus to provide some flexibility in the budget.

17. Subject to sufficient progress made across the programme, we would look favourably at those commitments where a significant target has already been set (e.g. generic floating support). The same principle would apply if the small contingency mentioned above is delivered and is proved not to be required. It can then be decided mid-year to use it to 'top up' priority areas of spend, where this was deemed relevant strategically and feasible operationally.

18. It is recognised that in some cases it may prove impossible to implement genuine efficiency savings. For example, direct payments for older people offer little room for manoeuvre due to the nature of these arrangements. Therefore different measures could be considered to achieve better value for money from these arrangements - i.e. revision of benchmarks on unit price or volume.

19. It is also recognised that in some cases this work may produce a saving above the set target. If this were to be the case, it is proposed that the saving is realised in full and the remaining savings for the rest of the programme are adjusted proportionately where deemed feasible.

Option 2

20. An additional efficiency saving target of 2% is allocated only across those commitments, where no other saving target has been set yet.

Option 3

21. Under this option it is proposed that the programme's investment into additional services for offenders in 2011-12 is reduced by significantly more than 2%.

22. This would then reduce the overall target for other categories of spend, mainly on services for homeless people and generic floating support services, which are seen as being of high strategic importance due to predicted rise in future demand.

23. The needs of offenders would continue to be met by other services, including those for single homeless people and generic floating support, as is the case at present. If it proved possible to increase focus on outcomes for offenders, this can be done, for example, by better targeting of existing services and by 'ring fencing' proportion of floating support on delivering better outcomes for offenders.
24. These three options are presented for comparison at Annex 1. Option 3 example is based on a 50% reduction in allocation for additional support for offenders and subsequent reduction in saving targets for homeless, mental health and generic services, for illustration purposes only.

Option appraisal and recommendations

25. Following the discussion of options 1 and 2 at the Core Strategy Group meeting on 2 March, the following views emerged from the partnership:
- Option 1, which is a preferred option of the administering authority, was also named as the preferred option by 6 partners, apart from representatives from West Oxfordshire and Cherwell district councils
 - Option 2 received no formal support from any partner agency
 - Option 3 was suggested by representatives from West Oxfordshire and Cherwell, *as an alternative to option 1*, to ensure that the programme's ability to respond to growing pressures in the homelessness sector is protected.
26. Therefore, although there is complete understanding of and support for the need to set realistic targets in order to deliver a balanced budget, the officers have not been able to make a recommendation that would produce a unanimous decision.
27. The administering authority intends to continue conversations with the partners to ensure that a set of recommendations that would have the support of all partners is tabled at the meeting on 25 March.

Budget monitoring process

28. Revised budget agreed by Commissioning Body would be presented in the format required by the Memorandum of Understanding and circulated to the members after the meeting.
29. Draft budget based on option 1 described above is attached at Annex 2 for illustration purposes.
30. Budget monitoring reports would continue to be submitted for consideration monthly by the Core Strategy Group and quarterly by the Commissioning Body. These reports would analyse programme spend for

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the relevant period, report on progress made with delivering the programme of efficiency savings and explain reasons for any material deviation from the budget. It is proposed that future reports follow a new format, generally used by the administering authority, for ease of administration and consistency (template report is attached at Annex 3.