

Decision Maker: Portfolio Holder for Care Services
Executive

Date: **For Pre-Decision Scrutiny by the Care Services Policy Development and Scrutiny Committee on Wednesday 16 January 2013**
For recommendation by the Care Services Portfolio Holder to the Council Executive on Wednesday 6th February 2013

Decision Type: Non-Urgent Executive Key

Title: **COMMISSIONING STRATEGY FOR OLDER PEOPLE DAY OPPORTUNITIES AND RESPITE CARE - INVEST TO SAVE.**

Contact Officer: Andy Crawford, Commissioning Manager
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Chief Officer: Executive Director of Education & Care Services

Ward: (All Wards);

1. Reason for report

- a. In September 2012 the Care Services Portfolio Holder approved in principle the proposed commissioning strategy for older people's day opportunity services and respite at home services in which individual choice and control is central and Personal Budgets/ Direct Payments the preferred mechanism to fund the support provided by the Council to eligible individuals.
- b. Transitional arrangements to reach that position were described whereby, from 1st April 2013, all block contract arrangements with older peoples' day opportunities providers and respite at home service providers would cease. At that point all existing users of the services would have continuation of the service guaranteed by their places being spot-purchased by the Council on an individual basis (referred to as "legacy placements"). As clients leave the service the value of the spot placement would be withdrawn from the provider.
- c. Future eligible clients coming new to the system from April 2013 would have the value of their service included in their Personal Budget. If the Council manages the Personal Budget on behalf of the service user, the Council can either purchase an individual place at a day centre or another form of respite/ activity according to the individual's choice. Alternatively the service user can take a Direct Payment, which would enable them to purchase either a day opportunities place of their choice or other forms of respite/day activities (e.g. sitting service) should they wish to do so.
- d. Members asked that the detailed arrangements in respect of Legacy Placements, Personal Budget values and future arrangements with providers be worked up and reported in January/February 2013 in order to implement the changes.

2. RECOMMENDATION(S)

The Policy Development and Scrutiny Committee is asked to comment on the proposals in the report.

The Portfolio Holder is asked to recommend approval of the commissioning approach to the Council Executive

The Council Executive is asked to approve:

- a) The legacy funding approach as set out in 3.19 to 3.21
- b) Transitional contracts for older people's day opportunity services as set out in 3.29
- c) The Personal Budget values for older people's day opportunity services as set out in 3.22 to 3.28
- d) The funding of transport as set out in 3.13
- e) Waivers to extend the contracts for the Respite at Home services as set out in 3.31 to 3.33
- f) Client contributions for older people day opportunity services as set out in 3.34 and 3.35
- g) The draw down of £900,000 of the NHS funds to invest to save as outlined in 5.3

Corporate Policy

1. Policy Status: Existing Policy:
 2. BBB Priority: Supporting Independence:
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Financial

1. Cost of proposal: Estimated Cost: £900k Invest to Save
 2. Ongoing costs: Recurring Cost: £1.87m in 2013/14 reducing to £1.18m in 2015/16
 3. Budget head/performance centre: Care Services – Older Peoples' Services - Respite and Day Care
 4. Total current budget for this head: £1.75m
 5. Source of funding: Care Services Portfolio
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Staff

1. Number of staff (current and additional): N/A
 2. If from existing staff resources, number of staff hours:
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Legal

1. Legal Requirement: Statutory Requirement The Council has a duty under s29 National Assistance Act 1948 to provide advice and support services for rehabilitation, occupational, social, cultural and recreational activities and under s2 Chronically Sick and Disabled Persons Act 1970 a duty to a range of services to meet the needs of disabled people including recreational facilities outside the home.

2. Call-in: Applicable
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): There are an estimated 51,900 people aged over 65 in the borough, over 4,000 of whom have dementia. Around 670 individuals are currently funded by the Council in day opportunity services for older people and approximately 500 individuals over 65 access various forms of Council funded respite.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments:

3. COMMENTARY

Update

- 3.1. A project group was established, led by Commissioners and including representation of Finance, Care Management, Procurement and Communications, to deliver the benefits of the planned commissioning and contracting approach for older people's day opportunity services and respite at home services..
- 3.2. In order to deliver the benefits and to realise the intended savings the main focus to date has been on
 - The establishment of the transitional arrangements with the providers from 1st April 2013, including the detail of the legacy placements, contracting arrangements and how services will adapt and change.
 - Financial modelling of the anticipated reducing legacy costs and the future costs of new Personal Budgets so that there is clarity about what savings will be delivered and the anticipated trajectory.
- 3.3. A series of meetings has taken place with all the existing providers at which the approach has been discussed in detail, including the basis for the calculations of the legacy placement costs and the potential different transitional arrangements, with their relative benefits, risks and issues explored.
- 3.4. This has been an opportunity for a full and open sharing of views, ensuring that there is as extensive and clear an understanding as possible on both sides of the way in which things will work in the future, the issues, risks and concerns.
- 3.5. The potential impacts of personal choice and control have been the subject of discussion between the Council and the providers for at least 3 years in both 1:1 meetings between the Council and each provider and the Council co-ordinated Day Opportunities Forum. Whilst each of the providers are at different stages in their own business planning and service planning they all fully understand the principles of the intended approach and what this will mean for the way in which they will need to operate. Although there is considerable trepidation from them about their future, how they will adapt and change and how they will attract future clients, particularly self funders, they are generally accepting of the proposed way forward and have worked with commissioners in a spirit of cooperation.
- 3.6. It is recognised that ending the block contract arrangements, and thereby the guaranteed funding regardless of service level and demand, represents a transfer of risk from the Council to the service providers.
- 3.7. Throughout the last year there have been significant efforts to support providers to fully understand the implications of the new approach and how they will need to adapt and change in order to attract either the service users with Personal Budgets/ Direct Payments or other business from people who self fund. Opportunities have been made available for providers to explore possibilities for partnership arrangements and to consider how their own service can be presented and marketed to best effect.
- 3.8. Community Links Bromley have been commissioned to provide support for providers to identify priority areas for learning and development and deliver support through training, workshops or facilitated sessions as appropriate.
- 3.9. The Bromley MyLife team have also made proactive approach to all the providers with a view to ensuring that the information presented on the MyLife website is as accurate and comprehensive as possible. It has also been the intention through this process to assist the providers to review how they each present themselves and what other developments, such as websites, advertising, literature etc. they could best benefit from.

Transitional arrangements

- 3.10. The approach to calculating the unit costing of the legacy placements is that the cost of the service is divided by the number of days being used by Bromley funded people on 31st March 2013.
- 3.11. The service cost. This is the full cost of the operation of each day centre to the Council, less any costs that are not directly part of providing the day service. The service cost includes the current block contract value plus any additional costs currently borne by the Council, including premises (lease costs), utilities, caretaking arrangements, building and equipment maintenance, less any costs that are not directly part of delivering the day service. The position of each provider in respect of such costs is variable.

| DAY PROVIDER SERVICE COSTS DECEMBER 2012 | | A | B | C | D | |
|-----------------------------------------------------|-----------------------------|----------------------------|------------------------------------|-------------------------------------|--------------------------------|--------------------------------------|
| Day Centre | Run By | Contract Cost 12/13 | Additional lease costs (PA) | Additional utility costs etc | Non LBB transport costs | TOTAL SERVICE COSTS (A+B+C-D) |
| Bertha James Day Centre | Age Concern Ravensbourne | £219,318 | £68,000 | £18,818 | n/a | 306,136 |
| Melvin Hall Day Centre | Age Concern Penge & Anerley | £152,102 | £22,000 | n/a | £-41,379 | 132,723 |
| Saxon Day Centre | Age Concern Orpington | £160,123 | £36,000 | £11,186 | n/a | 207,309 |
| St Edwards' Day Centre | Age Concern Bromley | £110,239 | £5,000 | n/a | n/a | 115,239 |
| St Mark's Day Centre | BHCCA | £38,200 | £20,991 | Incl in lease cost | £-9,129 | 50,062 |
| White Gables | Alzheimer's Society | £223,001 | £27,000 | n/a | £-42,397 | 207,604 |
| Mindcare | Bromley Mind | £410,751 | £22,011 | n/a | £-107,381 | 325,381 |
| | | £1,313,734 | £201,002 | £30,004 | £-200,286 | 1,344,454 |

* the figure including transport is £1,544,740.

- 3.12. Legacy placements. There are various patterns of use of the day centres with people currently attending for anything between 1 and 6 days per week. The unit cost will be based upon actual units of attendance not the number of individuals. The implementation of the charging policy for day opportunity services in 2011 has ensured the availability of good quality information about the number of users and days of attendance but there are daily changes and therefore a final number of legacy units on 31st March will not be known until 1st April.

3.13. Transport

- 3.13.1. Transport is subject to a separate review and is specifically not part of this project but it is important that legacy clients continue to be transported as at present and that new Personal Budget clients are able to access transport.
- 3.13.2. The majority of clients at the day centres are transported to the centres by the Council's in-house transport service. However, approximately 25% of the clients are transported by the day service providers under the terms of the current contracts. The provider's costs of delivering transport have been identified as £200k and these have been separated out from the service costs. This sum will need to be ringfenced so that it is included in the transport costs and activity for the transport review.

- 3.13.3. The providers will need to continue to operate the transport as under the current contract terms for the duration of the transitional contract period for which they will receive the ringfenced sum and the transitional contract will reflect this.
- 3.14. The mechanism by which the legacy costs are reduced affects the timescale in which any savings to the Council are realised and is also crucial to the providers in giving them a degree of protection, allowing them time to change their business model. There is a balance between the two, the providers wanting as much cushioning as possible but the savings needing to be achieved.
- 3.15. Three basic options have been considered upon which the approach can be developed.

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|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| OPTION 1 <i>Real time</i> – As a legacy client leaves the service the payment is stopped immediately. | |
| <u>Pros</u> | <u>Cons</u> |
| <ul style="list-style-type: none"> Savings from the reduction in legacy placements are realised quickly. | <ul style="list-style-type: none"> It will be administratively burdensome for both the Council and providers. All the risk is with the providers with the level of income reducing very quickly and at an unknown rate. |
| OPTION 2 <i>Periodic</i> – At the end of an established period, e.g. a quarter, the number of units of legacy placement to have ceased in that period is checked and the payment for the following quarter is reduced accordingly. | |
| <u>Pros</u> | <u>Cons</u> |
| <ul style="list-style-type: none"> Simple to operate with minimal administrative burden. Starts to realise savings at the end of each period. Providers have a guaranteed level of funding for the length of the period. | <ul style="list-style-type: none"> The removal of funding from the providers at the end of the period will be sudden and make it difficult for them to plan their service. |
| OPTION 3 <i>Periodic with notice</i> - At the end of the established period, e.g. 3 months, the number of units of legacy placement to have ceased in that period is checked. One period's notice is given to the provider of the level of consequent reduction that will apply from the subsequent period. | |
| <u>Pros</u> | <u>Cons</u> |
| <ul style="list-style-type: none"> Simple to operate. Beneficial to providers as it gives guaranteed funding for 2 whole periods. Providers have a notice period in which they can make service adjustments if required (e.g. notice to staff) | <ul style="list-style-type: none"> Savings are realised more slowly. As new people with Personal Budgets will be coming into the service there will be an element of double running costs |

- 3.16. With each of the periodic approaches any length of period could be adopted, 1 month, 2 months, quarterly or even longer. The shorter the period the more quickly any savings will be realised but the advantages of that approach in supporting the providers will diminish.
- 3.17. The question of whether there should be a level of core funding has arisen from some of the providers. The argument put forward is that, in order to deliver the service, each organisation will need a basic level of infrastructure that might include premises, management, administration and other central costs. Core funding would be a mechanism by which a degree of security and cushioning over the transition period could be afforded to the providers.

3.18. Core funding however is a potentially cumbersome approach that is difficult to implement in a fair and equitable way given the very different sizes and funding levels of each provider.

Recommended approach

- 3.19. The Periodic With Notice approach (Option 3), based on a quarterly period but without any core funding is the approach recommended following discussions with all the providers on the various options and consideration of how the change can be achieved with best effect, minimising the risk of services failing.
- 3.20. It will provide a good level of early protection for providers by guaranteeing their income for the first 6 months, giving them the opportunity to adapt and to attract new clients, building up some level of reserve income through new clients in the initial 6 months. This will provide additional cushioning as the legacy placement funding reduces from October 2013.
- 3.21. The periodic with notice approach also makes core funding unnecessary as it provides transitional support in a way that enables providers to plan in advance, based on a known level of income, yet still bringing about major service change and realising the required savings by 2015.

Personal Budget value

- 3.22. Whilst some of the service providers currently offer private placements and have a price for those places. the market cost for day care is not yet established. It is important however that, in setting their prices, providers are not starting with a blank sheet of paper and pitching them at any level they may wish. By the Council being clear what it sees as reasonable rates for a Personal Budget it will steer the providers to keep their costs within appropriate levels.
- 3.23. The value of a Personal Budget is a quite different calculation to the unit cost of a legacy placement. Whereas the legacy placements are based on actual usage, because there is significant under-occupancy they will be high. Personal Budget values will be somewhat less and will reflect what the Council believes to be fair and appropriate rates to enable people to purchase a service that will meet the assessed need.
- 3.24. The planned level of service under the block contracts has been taken as the start point in the calculation of Personal Budget rates. Because of changes in service levels since the contracts were implemented, resulting in lower numbers of service users but with higher levels of need, adjustments were made to reflect a more realistic situation.
- 3.25. The approach developed is of bandings and units. By having different banding levels the differential costs of mainstream day opportunities and dementia specialist services can be accommodated. By people being offered units, the Personal Budget will accommodate where people need to access a service on more than one day per week.
- 3.26. The chart below outlines three banding levels for Personal Budgets at £17, £24 and £32 per week. A person who might under current arrangements be referred to a mainstream day centre for 2 days per week would in future, in this example, receive a Personal Budget allocation of £34 (2 units at band 1).

| UNITS | BAND 1 | BAND 2 | BAND 3 |
|-------|--------|---------|---------|
| 1 | £17.00 | £24.00 | £32.00 |
| 2 | £34.00 | £48.00 | £64.00 |
| 3 | £51.00 | £72.00 | £96.00 |
| 4 | £68.00 | £96.00 | £128.00 |
| 5 | £85.00 | £120.00 | £160.00 |

3.27. Each band represents an adequate sum to enable an individual to purchase a service that meets their needs and to exercise choice in so doing. The actual service charges by

providers will vary within these bands. Where the actual service charge is lower the Council will only pay the service cost. If a person wishes to access a more expensive service or purchase more provision (e.g additional days) they will be able to do so by paying a top-up directly to the provider.

3.28. The weighted average cost for each band and therefore what the Council will expect to pay overall is:

- Band 1 - £15.17
- Band 2 - £23.03
- Band 3 - £30.90

Contracting

3.29. Although the block contract arrangements will cease on 31st March 2013 it will be necessary to have contracts with each of the providers for the transitional arrangements from April 1st 2013 to March 31st 2015. This will ensure clarity about the operation of the legacy payments and tapering arrangements along with maintaining an overview of the service quality and outcomes through the period of change.

3.30. Consideration has been given as to whether a new contract arrangement or procurement approach, such as a framework agreement of preferred provider list, will be required for the new approach with Personal Budgets. It is not anticipated it will be necessary to put in place any new arrangement for people using Personal Budgets in terms of the Councils relationship with providers. Each person going to a centre or provider will be on an individual spot purchase basis with people making their choice of appropriate service through the Bromley MyLife website.

Respite at home

3.31. The respite at home services provided by Carers Bromley and Bromley Mind are also part of this same approach. However, what has become clear as a result of the meetings with the providers is that, whilst day services and respite have many parallels there are some fundamental differences which mean some different approaches need to be adopted. It has also become clear that the basis on which each of the two respite at home services operate is completely different. The Carers Bromley service is a universal service, taking direct referrals from various local organisations and including self-referrals and for which Carers Bromley levy a charge towards their costs. The Bromley Mind service is only for people referred by the Council who meet eligibility criteria. The Council pays the full cost and no charge is levied.

3.32. Because of the very different footing on which these services are provided the work needed to align them is complex and involved. As the implementation of the changes in day opportunity services is central to realising the projected savings it is proposed to take the work forward on day services and respite on two different tracks, implementing the changes in day services by 1st April 2013 but delaying the changes in respite at home services until later in the year.

3.33. This will necessitate approval of waivers to extend the contracts for the respite at home services to enable the necessary work to be undertaken and it is proposed that contracts for 12 months be put in place from April 2013, with a break clause to end at an earlier date if the intended changes can be implemented sooner.

Client contributions

3.34. As the principal being applied to legacy clients is that they do not experience any obvious difference or disadvantage as a result of the changes, the current level of contribution will need to remain the same as at present at £15.68 per session (subject to any annual uplift).

- 3.35. To ensure equity and fairness under the new arrangements future clients in receipt of a Personal Budget for their day opportunity services, either as a Direct Payment or as a managed service, should also have their contribution based upon the same day care contribution rate.

Next steps

- 3.36. The project will enter the implementation phase to put in place the agreed approach to both legacy placements and Personal Budgets. A new project group will be convened, led by Commissioning, to oversee the work with providers including procurement activity and development support, to specifically address the business change issues for care management and finance and to manage the communication and information requirements.
- 3.37. Throughout the transition period there will be pro-active management, including regular ongoing engagement with the providers, to ensure that there is good overview of the whole process and that emerging risks and issues are identified at an early stage.

4. POLICY IMPLICATIONS

The provision of support to service users and carers through Personal Budgets meets the Council's priority to support independence, enabling vulnerable people to remain in the community and in their own homes and by providing breaks for carers that support them to continue in their caring role, in a way that enables personal choice and control over the support they receive.

5. FINANCIAL IMPLICATIONS

- 5.1 The level of savings achieved and the speed with which they can be realised will depend upon a number of variables and factors, some of which are directly controllable and some not.
- 5.1.1. **Value of legacy place** – will be defined by the number of legacy users at 31/3/13 and the total service cost.
- 5.1.2. **Rate of decline of legacy placements** – as this is the multiplier against the value of the legacy placements the speed at which legacy clients leave the service will be key factor in defining the speed and level of savings. It is not controllable, however there is good statistical information on historical rate of movement from the day centres to be able to make a reasonable prediction of the departure rate.
- 5.1.3. **Amount of protection for providers** – this will be key to the rate at which savings are realised but the overall level of savings achieved in the first full year post-transition (2015/16) is only marginally affected.
- 5.1.4. **Value of Personal Budgets** – this will be controllable although the value of the PB will need to be realistic and adequate to meet the assessed needs.
- 5.1.5. **Rate of new clients receiving a Personal Budget** – as with the rate of decline of legacy placements this is a key factor in defining future costs as it is the multiplier against the value of the Personal Budgets. It is not controllable but there is good statistical information on the number of new clients over the last year to enable projections to be made with reasonable confidence.
- 5.2 The financial model that has been developed based upon statistical information about movement out of and into the service, projects the following:

| | Periodic changes with notice | | | |
|------------------------|------------------------------|------------------|----------------|----------------|
| | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
| Legacy costs | 1,169,406 | 512,325 | 0 | 0 |
| P.B. client costs | 286,228 | 596,502 | 786,137 | 685,779 |
| Transport (ringfenced) | 200,300 | 200,300 | 200,300 | 200,300 |
| Total costs | 1,655,934 | 1,309,127 | 986,437 | 886,079 |
| Saving | -141,234 | 205,573 | 528,263 | 628,621 |

Assumptions in the above:

- Movement out of the service (legacy placements) and movements into the service (Personal Budgets) is consistent with historical changes in the 24 months October 2010 to September 2012.
- Three bandings for Personal Budgets, with average weighted costs applied for estimated numbers at each level.
- 3 months applied for the period of notice.
- From April 2015 all legacy clients are absorbed into the Personal Budgets and transitional arrangements cease.

5.3 Savings of £500k has been assumed in the draft 2013/14 budget against the overall day care budget of £1,544,740, which will leave £1,044,740 available for the service next year. To deliver the new service model outlined in this paper will require an investment to save over the next two years, to offset the transitional funding being provided by the council whilst the providers move to a more business operating model. The table below breaks down the financial implications proposed in this report:-

Current Expenditure (including transport, utilities etc)

| | Budget 2012/13 £ | Saving 2013/14 | 2013/14 £ | 2014/15 £ | 2015/16 £ | 2016/17 £ |
|--------------|------------------------|-------------------|--------------|--------------|--------------|--------------|
| Bertha James | 306,136 | | | | | |
| Melvin Hall | 174,102 | | | | | |
| Saxon Centre | 207,309 | | | | | |
| St Edwards | 115,239 | | | | | |
| St Marks | 59,191 | | | | | |
| White Gables | 250,001 | | | | | |
| Mindcare | 432,762 | | | | | |
| | 1,544,740 | -500,000 | 1,044,740 | 1,044,740 | 1,044,740 | 1,044,740 |

| | | | | |
|---------------------------------------------|-----------------|-----------------|---------------|----------------|
| Financial Model (para 5.2) | 1,655,934 | 1,309,127 | 986,437 | 886,079 |
| Costs/Savings | -611,194 | -264,387 | 58,303 | 158,661 |
| Money for one off invest to Save initiative | 611,194 | 264,387 | 0 | 0 |
| NET POSITION | 0 | 0 | 58,303 | 158,661 |

- 5.4 As can be seen from the table above for a one off investment out of the NHS Social Care Fund of £875,581 by 2015/16 the council will have delivered savings of £558,303 increasing to £658,661 by 2016/17 compared to the 2012/13 budget
- 5.5 The 2012/13 budget for the respite at home service is £231k and the impact of renewing this contract for 1 year is £218k so there are no financial implications.

6. LEGAL IMPLICATIONS

- 6.1 The Council has a duty under s29 National Assistance Act 1948 to provide advice and support services for rehabilitation, occupational, social, cultural and recreational activities and under s2 Chronically Sick and Disabled Persons Act 1970 a duty to a range of services to meet the needs of disabled people including recreational facilities outside the home.
- 6.2 The Council is entitled to determine the threshold at which it considers it will fund the provision of facilities. Effectively a person has to have substantial or critical need for support and inadequate means before state funding will be provided. This funding in terms of a Personal Budget can be held by the Council and used to purchase the necessary support or as is being increasingly promoted by means of a Direct Payment. This allows the individual more choice in their selection of the services they require, subject to the Council retaining an overarching duty to monitor the effectiveness and value for money of the service purchased to meet their assessed need .

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| Non-Applicable Sections: | PERSONNEL IMPLICATIONS |
| Background Documents: (Access via Contact Officer) | <p>Report to Adult and Community PDS, 13th December 2011 and Executive 14th December 2011; GATEWAY REVIEW – DAY OPPORTUNITIES FOR OLDER PEOPLE,</p> <p>Report to Care Services Portfolio Holder and PDS, 19th June 2012; RESPITE AT HOME CONTRACTS</p> <p>Report to Care Services Portfolio Holder and PDS, 4th September 2012; COMMISSIONING STRATEGY FOR OLDER PEOPLE - DAY OPPORTUNITIES AND RESPITE CARE</p> |