

**BUSINESS PLANNING FOR CHILDREN, FAMILIES AND ADULTS SERVICES  
2016 TO 2020**

*To:* **Adults Committee**

*Meeting Date:* **1 September 2015**

*From:* **Adrian Loades, Executive Director: Children, Families and Adults Services**

*Electoral division(s):* **ALL**

*Forward Plan ref:* **Not applicable**      *Key decision:* **No**

*Purpose:* **To update the Committee on the development of business planning proposals for Children, Families and Adults Services (CFA).**

**To seek a steer from the Committee regarding the strategic direction for business planning prior to the development of detailed business planning proposals for the next 5 years.**

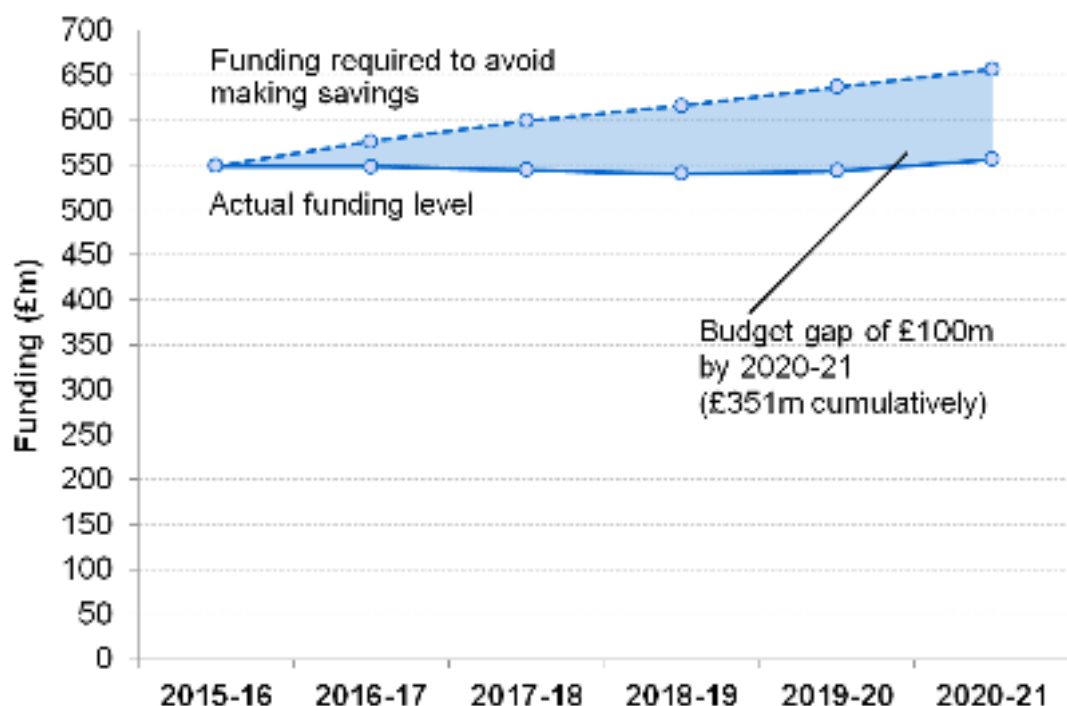
*Recommendation:* **The Committee is asked to**

- a) Comment on the draft Strategy (appendix A) and the principles and direction of travel it sets for the transformation of Children, Families and Adults Services over the period to 2020.
- b) To comment on the suggested approach to the treatment of demographic pressures within CFA Services for the 2016/17 Business Plan (at section 5).
- c) To comment on the suggested approach to the treatment of inflationary pressures within CFA Services for the 2016/17 Business Plan (at section 6)
- d) To note the suggested next steps for the development of detailed business planning proposals for the 2016/17 Business Plan.

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## 1.0 CAMBRIDGESHIRE COUNTY COUNCIL AND CHILDREN, FAMILIES AND ADULTS SERVICES BUSINESS PLANNING CONTEXT

- 1.1 The Council has for a number of years adopted an integrated approach to service planning and budget setting. It does this through the business planning process that culminates annually with the Council agreeing the Business Plan in February. The Business Plan covers a five year timeline and integrates policy objectives, resource allocations, and performance targets.
- 1.2 In the last 4 financial years between 2011-12 and 2015-16 the Local Authority as a whole achieved £195.5m savings largely by making efficiencies, cutting services and raising charges.
- 1.3 The Council has emerged from the last parliament of austerity and now faces another, but the scope to make further efficiencies through traditional means is minimal. Consequently, the Council now confronts the reality that more severe and widespread service cuts are unavoidable. The authority's financial position is such that it would be reckless to suggest otherwise. The decisions that will need to be taken in developing the 2016-21 Business Plan will be unpalatable. Making and implementing these difficult decisions to cut services will test severely the resolve of the Council.
- 1.4 For Cambridgeshire County Council the scale of the challenge is such that on top of the huge savings we have already made, we will need to save around £100m over the next five years whilst the demand for our services will continue to grow rapidly. This is shown in the diagram below.



- 1.5 The table below shows an overview of the resource allocations, notional cash limits and savings requirements for all of Children, Families and Adults Services (CFA) as set out in the current (2015/16) business plan.

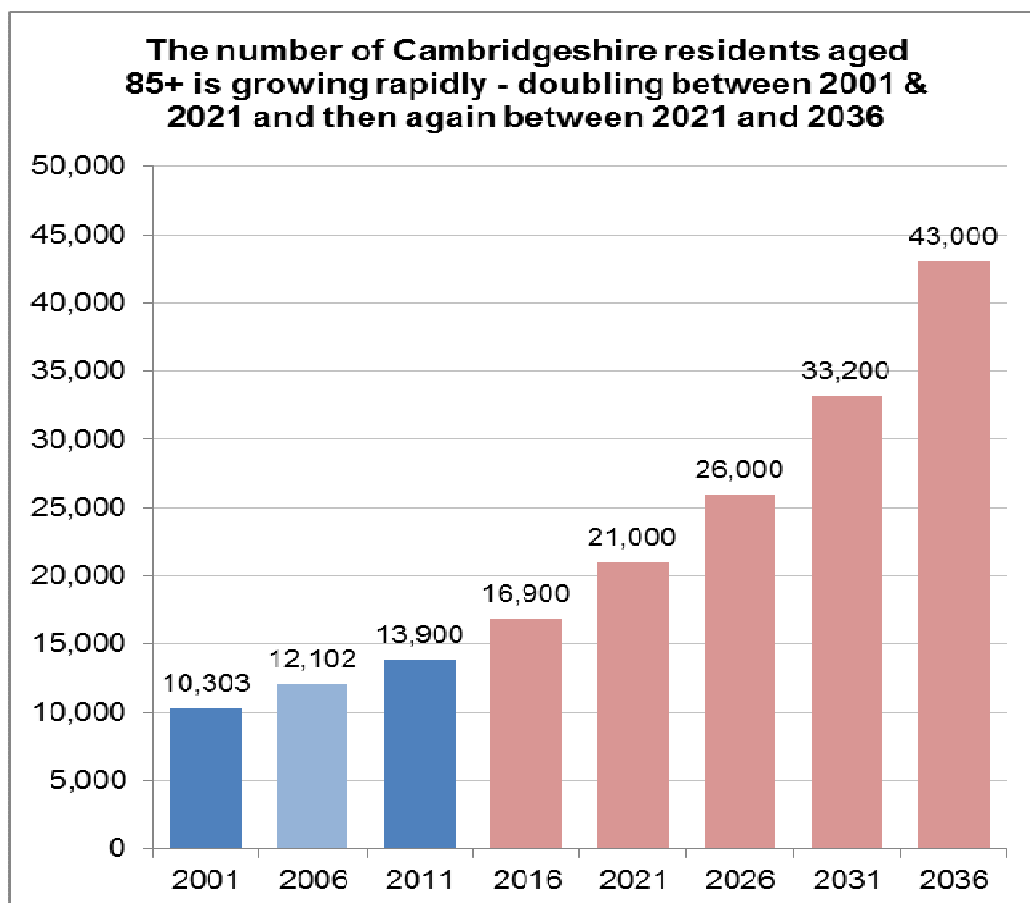
**CFA Business Plan Summary of Headline Figures (Starting Point as per 2015/16 Business Plan)**

	2016-17	2017-18	2018-19	2019-20	2020-21
Previous year's budget	345,293	338,428	332,496	331,616	337,804
Transfers of function	1,873	-2,648	-764	-	-
<b>Revised budget</b>	<b>347,166</b>	<b>335,780</b>	<b>331,732</b>	<b>331,616</b>	<b>337,804</b>
Inflation	6,727	6,097	6,333	6,259	6,259
Demography	9,434	9,641	9,617	10,016	10,016
Pressures	701	-	-	-	-
Investments	-414	-174	-	-	-
Savings requirement per 2015-20 Business Plan	-25,186	-18,848	-16,066	-7,173	-
Additional savings required per 2016-21 Business Plan	-	-	-	-2,914	-5,561
<b>Total gross budget</b>	<b>338,428</b>	<b>332,496</b>	<b>331,616</b>	<b>337,804</b>	<b>348,518</b>
Fees, charges & ring-fenced grants	-96,953	-95,375	-95,254	-95,910	-96,566
<b>Net budget / cash limit</b>	<b>241,475</b>	<b>237,121</b>	<b>236,362</b>	<b>241,894</b>	<b>251,952</b>
<b>Total savings / income target</b>	<b>-25,566</b>	<b>-19,288</b>	<b>-16,066</b>	<b>-10,087</b>	<b>-5,561</b>

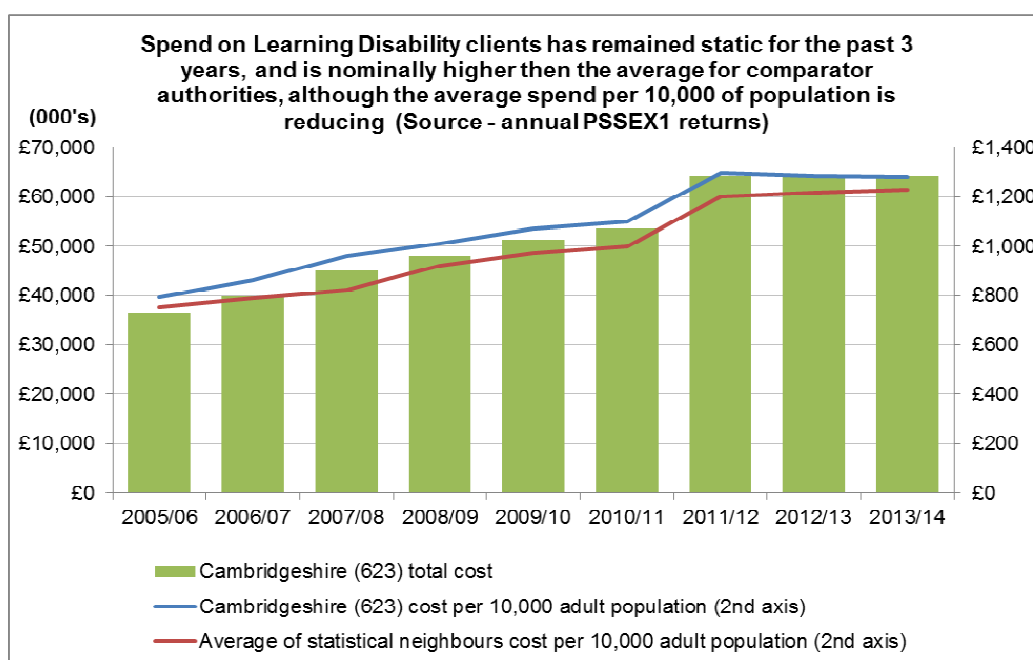
- 1.6 The table above represents the starting point for business planning for 2016/17 and beyond. We know that the picture of funding and pressures is changing and worsening, and consequently the savings requirement and financial challenge has become greater still than shown above. Developing a model of service which can be financially sustainable in the long term represents an enormous challenge for the organisation.

## **2.0 BUSINESS PLANNING CONTEXT FOR ADULT SOCIAL CARE, OLDER PEOPLE AND MENTAL HEALTH SERVICES**

- 2.1 The financial context for Adult Social Care, Older People and Mental Health Services is particularly difficult and has become more challenging as cost, inflation, demographic and legislative pressures have increased.
- 2.2 We have a rapidly expanding population of older people within Cambridgeshire who have increasingly intensive support needs. Over the next 20 years, we are expecting the over 85s population to grow exponentially, doubling from 2001 levels by 2021 and then more than doubling again by 2036.



2.3 Similarly there are demographic pressures on the resources to support people with learning and physical disabilities where we are seeing more people with complex needs. We have successfully constrained the total spend on learning disability services despite this increasing need in recent years. However managing this pressure is becoming increasingly demanding and the July Finance and Performance Report has highlighted a projected overspend on the 2015/16 budget in recognition of this reality.



2.4 We know that across the UK and in Cambridgeshire there is growing recognition of the rising level of mental health need and that funding for mental health lags well behind that for physical health needs.

- 2.5 Seeking to manage a reducing budget whilst respond to this picture of expanding need will be a complex task. Section 5 sets out the approach to demographic pressures in more detail.
- 2.6 Year on year inflation increases the real costs of providing and commissioning services for children, families and adults. These increased costs are not currently matched by increased funding from central government and so represent an additional financial pressure. Inflationary pressures are a significant consideration for the commissioned providers of domiciliary, residential and nursing care and may be unsustainable if not met with additional resource. Section 6 of this paper describes these pressures and the approach in more detail.
- 2.7 Through business planning we will also be responding to changing legislative requirements. The new statutory duties associated with the Care Act are likely to create new long-term cost pressures. Although the recent announcement from Government of a delay until 2020 of many of the reforms, the phase 1 changes are still going ahead and will widen the number of people we work with, such as prisoners and carers (who now have a statutory right to an assessment and support). The new Care Act duties around market shaping and sustainability are also likely to create additional financial pressures; key providers of residential and homecare services have reacted to the new legislation by submitting rate uplift requests that are significantly above inflation. Equally the newly announced living wage expectations will significantly increase the cost of commissioning domiciliary care, residential homes and other care for older people and those with disabilities and mental health needs. These budget pressures are likely to run to multi-million pound additional costs.

### **3.0 APPROACH TO BUSINESS PLANNING 2016 TO 2020 FOR ADULT SOCIAL CARE, OLDER PEOPLE AND MENTAL HEALTH SERVICES**

- 3.1 The future financial forecasts require a different approach to budget planning. Previously we have focussed the majority of effort on designing a budget for the next financial year and asking each service area to identify savings and efficiencies to deliver services with incrementally reduced funding. This approach is no longer sustainable. Individual services will become unviable when treated incrementally in isolation and short term decisions will not leave the Council best placed to meet the needs faced with the resources available. This makes planning for the longer-term and across service and directorate boundaries essential.
- 3.2 We have therefore worked to develop an overarching and longer term plan for Adult Social Care, Older People and Mental Health Services; the draft Strategy for Children, Families and Adult Services in Cambridgeshire, 2016/17 to 2020/21 (2020 Strategy) will describe how our arrangements will change over the next five years. A draft of the document is shared with the Committee for comment and will drive the development of more detail business planning proposals for change over the coming weeks and months. The document is subject to ongoing development, which will incorporate the discussions and views of the Committee.
- 3.3 The ideas within the 2020 Strategy have been developed in part through work across our teams looking at case study 'personas' of typical service users and considering how we might meet their needs differently and at much lower cost in future. Basing discussions around the needs of people and families in this way has driven creative thinking about meeting needs differently rather than focussing on how to maintain existing services at lower cost.
- 3.4 This work within Children, Families and Adults Services has been developed as part of the

County Council's new operating model which has provided the framework for cross-directorate discussions about how we achieve our key outcomes.

These outcomes are;

- Older people live well independently
- People with disabilities live well independently
- People at risk of harm are kept safe
- People lead a healthy lifestyle
- The best educational achievement for every child in Cambridgeshire
- The Cambridgeshire economy prospers to the benefit of all Cambridgeshire residents
- People live in a safe environment

3.5 Members and officers have together developed the principles of the new operating model which are:

- We will retain a bold and ambitious vision for Cambridgeshire – but understanding that our ability to directly provide services will decrease, so we will increasingly need to develop solutions with individuals, communities and partners
- We will identify the outcomes that the Council most wants to achieve for communities, and convene ourselves around these
- We will identify the activities that are most important in enabling us to achieve outcomes, and convene ourselves around these
- We will take a long-term approach to our work with people in Cambridgeshire, and a long-term approach to our strategic planning

3.6 The key enablers that are guiding collaboration across Council services to achieve these outcomes are:

- Building community resilience
- Exploiting digital solutions, making the best use of data and insight
- Having Members and officers who are equipped for the future
- Maximising commercialism and income generation, and making best use of our assets
- Ensuring the majority of customers are informed, engaged and get what they need the first time they contact us

3.7 The ideas flowing from the operating model work, personas discussions and led within CFA directorates are captured in the current draft of the 2020 Strategy. A summary of some of the key themes is set out below in section 4. Further detail in all of these areas will be developed to present to Committee in November, as part of the business plan and the 2020 strategy will develop and feed into a whole-Council Strategic Framework over coming months which will set the direction of travel for how the whole organisation will transform services over the next five years.

#### 4.0 **WHAT WILL BE DIFFERENT FOR CHILDREN, FAMILIES AND ADULTS BY 2020**

4.1 We will maximise the impact of our preventative work over the next five years and beyond. We will work with people to prevent need and prevent an escalation of need for

our high cost packages. Over the next five years we will significantly reduce the available budget for high cost care packages of support for vulnerable people. We aim to have an increased percentage of our reduced spend focus on early help, preventative services and working with communities and individuals to support their independence.

- 4.2 The challenges in reducing spend on care packages are considerable. We recognise that problems cannot always be solved quickly and some people will require ongoing support over the course of their lifetime. Where this is the case, we will continue to provide a safety net for vulnerable people and will support them through our specialist services. We will strive to make sure that the support provided is of good quality, improves quality of life and is cost effective.
- 4.3 The 2020 Strategy sets out the key principles of our approach, these are copied below;
- All our work will be focused on promoting people's independence and progression, based around people's strengths, improving their outcomes and reducing spend on high cost support.
  - We will promote the responsibility of individuals for their own health and for the care arrangements of older and younger generations in their families and communities.
  - We will build strength and capacity within people's relationships and the networks available to them (be that in their families and/or wider communities) so that they can meet their own needs.
  - We will change the way that people can access our services in order to ensure a timely response to need.
  - We will proactively look for people who need specific additional support, to address problems which have arisen, to reduce their impact and/or to prevent them from getting worse.
  - Our work will be better focused on short term interventions and better aligned to reduce the level of need that requires the most resource. It will be arranged and delivered locally and we will coordinate and integrate the support that people of all ages need (recognising that the intervention may be different depending on need).
  - We will promote the use of professional judgement and flexibility in how we work to and use resources to create more tailored support for people that focuses on long term solutions and costs.
  - Where people do require high cost support, we will make sure that the support provided improves the quality of their life and is cost effective.
  - Our models of delivery for services will be based around what is most likely to improve outcomes for service users and what will work best within our wider partnership arrangements to deliver support.
  - Where we have statutory responsibilities for institutions (e.g. maintained schools), interventions will be as targeted and as brief as possible with the aim of building capacity, promoting self-improvement and achieving a quality, self-sustaining system.
- 4.4 In the context of increasing demand for our services, reduced budget and rising consumer expectations, we must be clear with local people that difficult choices will need to be made over the next five years in terms of the support that the Council can provide. We will set out the impact of changes for children, families and adults across Cambridgeshire, and also for the professionals who work with them.
- 4.5 Decisions about the support people receive will be made within the context of the

overarching vision and principles set out within the 2020 Strategy. We will reshape the budget so that by 2020 a greater proportion is allocated to preventative activity than at present. Total spend will reduce in all areas, including for preventative services, but the reductions in prevention will be less than for costly specialist services and care packages. This relative protection of spend on prevention will be necessary to achieve the larger decreases in spend on specialist and high needs care budgets which are essential for a sustainable model.

- 4.6 Whilst we strive to improve outcomes for people where possible, promoting independence and building on networks of support, we recognise that we will not be able to mitigate the impact of a reduced budget on the people we work with, who will receive less support from us than they do now.
- 4.7 As a consequence, communities and individuals will be expected to do more to plan for and meet their own needs. The delivery of the County Council's Community Resilience Strategy will be vital to support the achievement of the Business Plan. The Strategy is currently being finalised and will set out how we will work to encourage people to help one another, how we will help link communities of interest together, how we will support volunteering and facilitate community leadership. We will also work to help individuals and families plan to meet their own needs, in particular thinking about their retirement and old age and how they can ensure they stay independent and linked into their community.
- 4.8 We will also be clear with the professionals who work with children, families and adults across Cambridgeshire about what we expect from them and how we will support them to transform the way they work over the next five years. This is set out in more detail within the Strategy.

## **5.0 RECOMMENDED APPROACH TO DEMOGRAPHIC PRESSURES**

- 5.1 The demographic pressures, set out in section 2 and in the 2020 Strategy are a major contributory factor in the overall savings requirement for the Local Authority and for Adult Social Care, Older People and Mental Health Services in particular. We know that if we do not change our services and ways of working, then demographic pressures totalling around £50m will occur between now and 2020.
- 5.2 Through the delivery of this Strategy we plan to respond to and mitigate the demographic pressures which would otherwise stretch our budgets unsustainably.
- 5.3 The pressures fall primarily on our high cost, specialist and demand-led care budgets and so if we allocated demographic funding as we have previously it would continue to shift resource away from prevention and early intervention activity. This is out of step with the central theme of this Strategy to invest in prevention and in doing so reduce the demand on high cost care budgets.
- 5.4 Wherever possible, we will try to avoid allocating extra funding to demand-led care budgets, and instead set out plans to absorb these pressures within existing resources or mitigate them with successful prevention as far as possible. Our proposed starting assumption will be that no demographic funding will be available and services will have to justify any irreducible core of demographic need that will require funding.
- 5.5 Seeking to absorb demographic pressure in this way is the recommended approach but does not lessen the business planning challenge and will be just as difficult as making the equivalent level of 'savings'. Meeting future need without additional funding will require specific and detailed actions, new thinking and new or increased preventative activity.



- 5.6 Importantly, the amount of 'savings' we plan to make in each area will be informed by our understanding of how much demographic pressure each of the services are working to absorb.

## 6.0 RECOMMENDED APPROACH TO MANAGING INFLATION

- 6.1 In the inflation section of the Business Plan, the Council considers changes in costs and prices when determining how to allocate resources. Over the last five years, the level of overall inflationary uplift applied to the cost of care budget has ranged between -3% and 1% per annum. In general, this has also been the level of uplift passed onto care providers, although operational negotiation, or contractual commitments, mean that there is some variation.
- 6.2 Looking ahead, there are at least four major inflationary factors for consideration in determining what level of uplift to plan for in 2016-17 and beyond:
- the impact of the national living wage announced by the Chancellor in early July
  - ensuring the Council has due regard for the actual costs of providing good quality care, in line with the Care Act.
  - market conditions: the amount of care available, and at what price, ensuring overall sustainability
  - general increases in prices and costs (such as fuel and rent)
- 6.3 The national living wage will be £7.20 from April 2016, whereas the minimum wage is £6.50 in September 2015. The care sector has a strong reliance on a lower paid workforce and it is expected that the living wage changes will have a significant impact on care providers every year until 2020 when the living wage will reach £9. The Council's initial financial modelling, informed by our analysis of cost basis and liaison with providers, suggests the impact of the living wage will be £5.46m for Adults Services in 2016-17, with similar increases thereafter in future years. Local government is lobbying for additional funding to support this pressure. Further work will continue to refine the modelling and seek clarity on new funding and the extent to which the Council, and providers themselves, will need to absorb some of the increased costs. Without additional support from Central Government, funding the additional pressure will be extremely difficult.
- 6.4 The price that the Council pays for care continues to come under pressure as a result of restricted market capacity. The past year has seen the withdrawal of a homecare provider from Cambridgeshire and proposals from care homes to de-register specialist beds. Recent *Local Government Information Unit* analysis suggests that the cost of a care home bed has increased by 10% in the East of England in the past year. Often the cost of new placements is causing the greatest inflationary pressure.
- 6.5 In Cambridgeshire, the Council's proposed inflationary uplifts were, after feedback, accepted by the majority of the sector in 2015-16. However, amongst the Older People's and Physical Disability providers there have been two serious exceptions where companies have sought to challenge the Council's proposal through negotiation. Similarly, the results of a recent re-tendering of learning disability services returned initial results significantly in excess of the Council's inflation planning assumptions. As part of commercial negotiation it is important for the Council to be able to demonstrate consideration of the actual costs of care and appropriate consultation with the sector, and attention is being given to these issues.
- 6.6 A further development for 2016 and onwards is that some direct payment recipients, who are employers of care workers, will reach pension auto-enrolment staging dates. This means that some direct payment recipients will incur employer pension contribution costs for the first time, should their employees opt to participate in a pension scheme. The

numbers of direct payment recipients with a staging date next year is considered to be small, and the impact of the living wage will be more significant on this group. The Council will need to manage this issue with direct payment recipients on a case-by-case basis.

- 6.7 There are ways in which the Council can impact on the costs of providers, for example through the scale and lengths of the contracts we let and the service specifications that are set. To an extent, these approaches have constrained costs over the last five years and further options will be explored. However, the inflationary pressures faced are both real and significant. Last year, the Committee agreed a budget uplift of 1% for inflation after debate and the initial views of the Committee on the approach to managing inflation over the next five years are invited.

## **7.0 NEXT STEPS**

- 7.1 Following the steer from Committee, we will continue discussions on the content of the 2020 strategy across the Council and with partners and it will be used to guide the development of detailed proposals to deliver the required savings across the Council.
- 7.2 Full business planning proposals for 2016/17 to 2020/21 will be presented to the Adults Committee meeting in November.
- 7.3 Key milestones in the business planning timeline are set out in the table below.

October	Members Seminar to explore and discuss revenue proposals before they are formally presented to Committee
November	Committee considers final draft revenue proposals.  Ongoing work to develop budget plan and deliver savings proposals.  General Purposes Committee workshop to consider savings proposals
December	Ongoing work to develop budget plan and deliver savings proposals.  General Purposes Committee discussion of savings proposals  Reserve Dates for Committees to discuss business planning if required
January	General Purposes Committee review draft Business Plan for 2016/17.
February	Draft Business Plan for 2016/17 discussed by Full Council.
March	Publication of final CCC Business Plan for 2016/17  Ongoing work to deliver savings proposals.

## **8.0 ALIGNMENT WITH CORPORATE PRIORITIES**

### **8.1 Developing the local economy for the benefit of all**

- 8.1.1 There are no significant implications for this priority.

## **8.2 Helping people live healthy and independent lives**

8.2.1 The following bullet points set out details of implications identified by officers:

- If people are healthy and independent they require fewer public services and so supporting this objective is central to our business planning strategy as well as being a core priority outcome.
- We will work with people to both prevent a need and prevent an escalation of need (through early help) for our high cost specialist services.
- We will embed the idea of planning for independence in all our work with children, families and adults – focussing on progression, recovery and working with people to make plans for the future which will keep them independent when their needs change
- We will seek to engage the community and people's wider networks of support in this shared goal of maintaining independence and health, with public services working within and alongside this wider network

## **8.3 Supporting and protecting vulnerable people**

8.3.1 The following bullet points set out details of implications identified by officers

- Our ability to continue to support and protect vulnerable people remains our first priority; but it is vital that we succeed in our efforts to manage demand and martial our preventative capacity to best effect if we are to meet these needs with significantly reduced resources and a much larger population.
- All of the services that CFA will provide will be either directly engaged in the support and protection of vulnerable people or in providing preventative capacity which prevents people becoming vulnerable and having eligible needs.

## **9.0 SIGNIFICANT IMPLICATIONS**

### **9.1 Resource Implications**

9.1.1 The report above sets out details of significant resource implications and the approach to responding to this challenge. An overview of the resource position is at paragraph 1.1.

### **9.2 Statutory, Risk and Legal Implications**

9.2.1 The following bullet points set out details of significant implications identified by officers:

- The challenge of business planning within extremely constrained resources represents a hazard to our ability to achieve strategic goals, meet statutory duties and mitigate organisational risks
- Specifically a 'Lack of capacity to respond to rising demand for service provision' is identified within the Strategic Risk register as a core risk for the County Council
- Similarly we have identified 'Care homes being unable to accept local authority-funded residents' as a key risk due to rates rising beyond what the Council is able to pay
- The business planning approach set out in this paper focussing on demand management includes significant risk. If we do not succeed in preventing, delaying or reducing demand then the only way for the County Council to set a balanced budget will be to directly cut services in other areas. Even this unpalatable position would soon become untenable as quickly we would end up reducing our preventative services and so further weaken our ability to manage demand.

### **9.3 Equality and Diversity Implications**

9.3.1 The following bullet points set out details of significant implications identified by officers:

- Full impact assessments for equality and diversity will accompany the more detailed and specific proposals as they are developed

### **9.4 Engagement and Consultation Implications**

9.4.1 The following bullet points set out details of significant implications identified by officers:

- The business planning process is supported by a public consultation process. The feedback from this engagement will be presented to the Committee alongside the more detailed proposals in November.

### **9.5 Localism and Local Member Involvement**

9.5.1 The following bullet points set out details of significant implications identified by officers:

- Members will be informed of the implications of proposals for residents and where these are specific to a given locality or constituency the local member will be even more closely involved
- The approaches set out include a focus on budgets being devolved to a more local level and the organisation of teams and service by place

### **9.6 Public Health Implications**

9.6.1 The following bullet points set out details of significant implications identified by officers:

- The County Council's Public Health arrangements will also be central to our strategy, in particular supporting people to age healthily through schemes such as the falls prevention programme.

<b>Source Documents</b>	<b>Location</b>
<i>None</i>	