

NAME OF SCRUTINY COMMITTEE	Scrutiny Committee - Services
DATE OF MEETING	11 December 2014
TITLE OF ITEM	Efficiency savings proposal relating to external provider fees
CABINET MEMBER	Councillor R H Wyn Williams

1. Purpose

- 1.1 As part of its proposals for achieving efficiency savings targets between 2015/16 and 2017/18, the Adults, Health and Wellbeing Department (the Department) included an initial & outline suggestion that provider fees remain consistent with 2014/15 levels for a further 3 years. This would yield savings within the Council's budgets of £942K (£314K per annum for each of the 3 years).
- 1.2 The purpose of this report is to provide the Committee with a more detailed analysis of this figure and its impact on the providers on which it would have an effect
- 1.3 The report also presents details of the levels of savings that, in the Department's view, could be recommended by the Committee to Cabinet members. Having undertaken a more detailed review of the initial proposal, it is felt that the original target of £942k should be revisited.

2. Context

- 2.1 As noted above, the initial proposal was to save £314K per annum. Having re-calculated on the basis of the most recent information, the baseline figure is now £308K, which represents 2.85% of the total relevant budget of £10.8m. This is the amount allocated for spend on external provision of care services, not including residential and nursing care, from the private and third sectors. It does not include supporting people services or grants to third sector organisations.
- 2.2 The services in question (spend as % of £10.8m) are:
- Direct Payments (9%)
 - Home Care (35%)
 - Day Care and Support Services (15%)
 - Respite Care (3%)
 - Supported Living (38%)
- 2.3 Approximately 85% of the £10.8m expenditure goes to buy services from 11 companies, with the other 15% spent on services and grants relating to a large number of small scale contracts.

- 2.4 To recommend fee levels beyond 2015/16 is a challenging task, for a number of reasons. These include uncertainty relating to the future of our internal provider, the impact of other service and savings proposals (e.g. proposals to increase independence, review care packages and support people in different ways, all potentially leading to a change or reduction in what is bought by suppliers) and the impact of potential reductions in other sources of funding such as the Independent Living Fund (ILF) and the Supporting People Grant (SPG).
- 2.5 It is crucial that officers and members discuss fee setting within the complex legal context, giving due regard to recent case law. To summarise, the Council must:
- Consider the interests of users and the impact of any lower rate of fees upon them
 - Take account of relevant governmental guidance
 - Take reasonable steps to acquaint itself with the relevant market / business conditions
 - Ensure that the care is adequately funded and that fees allow services to be sustainable
 - Take into account its own financial position and the affordability of fees, without disregarding the true cost of providing services, including an element of return on capital (if applicable).

3. Recommendations by service type

- 3.1 Having analysed the fees within the context outlined above, and in comparison to fees set by other North Wales authorities, we recommend that the savings target in relation to fee setting is amended as described in the following paragraphs and summarised in section 4 of this report.
- 3.2 Our **Direct Payment** rate in Gwynedd has long been identified as being much higher (over £1 per hour higher) than the other North Wales authorities. To bring the rate closer in line with others, it is suggested that the rate should not be inflated over the next 3 financial years. This would yield £28k per annum, giving a total of **£84k** by the end of 2017/18.
- 3.3 It is fairly difficult to compare North Wales fees for **Home Care**, due to the fact that only 2 authorities (Gwynedd and Denbighshire) have differential rates for urban and rural areas. However, it is becoming apparent that the service is provided at £1 or more less per hour in certain parts of North Wales. It is crucial that we ensure the sustainability of the market, especially in Meirionnydd, where we know that demand is close to outweighing supply at times. Having taken various relevant factors into consideration, we suggest that the Council should plan on the basis of retaining 2014/15 fee levels for 2015/16, which would amount to a saving of **£107K**, but that fees beyond that point should be reviewed at a later date.
- 3.4 We have found that the methodology for calculating and accounting for **Day Care** and **Support Services** costs vary significantly across authorities, therefore it is not possible to accurately compare our fees with others. The vast majority of the expenditure in this category relates to services provided for people with a learning difficulty. These services are subject to an in-depth review, with an efficiency savings target attached to it, to be realised from 2016/17 onwards. It is

therefore proposed that fees should remain at 2014/15 levels for a further twelve months before being further scrutinised. This would yield a saving in 2015/16 of **£47K**.

- 3.5 The relevant expenditure on **Respite Care** relates to a single provider. This provider is aware that we are considering alternative and more cost effective ways of meeting the needs of service users. This has been suggested as an efficiency target for 2017/18. In the two preceding years, it is recommended that current fee levels are sustained, giving a saving of £9K per annum, a total of **£18K**.
- 3.6 As already highlighted, 38% of the relevant expenditure is spent on **Supported Living** services. Comparison with other North Wales authorities shows that Gwynedd's fees are very similar to the highest paying authorities. However, it is vital that a cautious approach is taken, for a number of reasons. The entire service is under review by us, it is the service which would face the greatest impact arising from reductions in the ILF and SPG and there are still uncertainties relating to the impact of the Whittlestone Ruling, which will significantly impact employment costs for some providers. The recommendation is that fees should not be frozen, in the first instance, beyond 2015/16, allowing for greater analysis and understanding of the impact on the market and on service users. The saving is therefore limited to **£117K**.

4. Summary of Recommendations

- 4.1 The table below summarises the recommendations included in section 3 of this report.

Service type	2015/16 £000	2016/17 £000	2017/18 £000	Total £000
Direct Payments	28	28	28	84
Home Care	107	-	-	107
Day Care and Support Services	47	-	-	47
Respite Care	9	9	-	18
Supported Living	117	-	-	117
Total	308	37	28	373

- 4.2 Having undertaken the further analysis outlined in this report, we recommend that the figure of £942K originally presented for consideration is restated at **£373K**. We also recommend that all fees should be reconsidered on an annual basis, taking into account the relevant context and market status at the time to ensure that at the point of implementation they are fully compliant with the necessary requirements.