worcestershire county council

AGENDA ITEM 6

COUNCIL
14 JANUARY 2016

REPORTS OF CABINET

(a) MATTERS WHICH REQUIRE A DECISION BY COUNCIL

New Technologies in Care

Recommendation

1. **The Cabinet recommends that the addition of £2 million of Adult Services and Health Directorate reserves to the Capital Programme be approved to invest in the development of new technologies in care.**

2. New technologies are becoming available that can improve people's experience of care and help them to retain their independence. In addition, they save staff time, thereby helping to ease the difficulties providers are experiencing in recruiting and retaining their workforce, and they can help reduce the cost of care and save money both for taxpayers and for individuals who are funding their own care.

3. Adult social care nationally faces a range of challenges including greater demand from an ageing and increasingly frail population, falling local authority funding, and difficulties in recruiting and retaining staff. The Council has a duty under the Care Act 2014 to ensure a sustainable local market for adult social care, both for Council-funded individuals and self-funders.

4. One of the opportunities comes from new technologies – including completely new systems as well as new applications of existing technologies. The last few years has seen a surge in development of such systems. These include:
   - Assistive technologies that monitor people's environment and condition - e.g. where they are in their home, their fluid intake, their behaviour and whether they have taken medication – and generate an alert if necessary
   - Self-care applications, and
   - Robotic aids.

   The Council has been promoting the use of assistive technologies to meet low level needs for a number of years.

5. The next phase of the introduction of new technologies will focus on systems that can meet established care needs. The Council will be looking for new technology companies to join it in Innovation Partnerships that will bring it together with care providers, service users and carers to identify, design and roll out hardware and software tailored to people's individual needs.

6. The Council will offer up-front investment to support development of new technologies. Innovation Partners will be able to develop new technologies in a real world environment, with the benefit of an independent evaluation, and where systems are successful will have the backing of a large local authority when they come to take their products to market. Funding for development of specific systems would be provided on the basis of approval of individual business cases that meet the aims and requirements of the Project.

7. All new technologies will be developed with the full involvement of service users and their families. In some cases, systems will be customised specifically to their needs. The opportunity to improve their outcomes and experience will play a key part in approving individual business cases and in evaluating success.

8. The Public Contracts Regulations 2015 have introduced a new procurement procedure that permits the Council to enter into a contract with one or more parties with the intention of developing and then purchasing innovative services, products or works. This Council is one of the very first public bodies to explore this method and is the first local authority to pursue it for the development of technology in care. The contract to form the partnership will involve a benefits-sharing agreement including the future exploitation of intellectual property rights for any products developed.

9. The Project will make a major contribution to achieving savings of £3.4 million annually related to developing and sustaining the market for adult social care, which are already included in the Medium Term Financial Plan. It will also play a vital role in mitigating cost pressures of £1.8 million annually arising from rising demand and the costs of older people in nursing, residential and home care. It is therefore crucial to the Council's financial sustainability over the next few years and it is important that it has adequate investment.

10. The Cabinet has therefore agreed to set aside £2 million one-off monies from Directorate reserves to invest in the development of new technologies on the basis of business cases from Innovation Partners that can demonstrate clear benefits. Adult Services and Health reserves have been created for exactly this purpose of investing in change to improve health and care, achieve savings and mitigate financial risks. The Council will also apply for additional funding from the European Union, which is available to support innovation in care. Full Council is now requested to add the £2 million to the Council's Capital Programme.

11. The tender process to procure one or more Innovation Partnerships for the development of technology in care is due to start this month. The selection of partners will include a robust decision-making process that tests a range of qualities including the degree of knowledge about the market, the level of research and development work needed and the time and resources available to bring the end products to market. The Cabinet Member with Responsibility for Adult Social Care, in consultation with the Director of Adult Services and Health, would then approve individual business cases and appoint partners and work would begin with the successful companies along with care providers and service users/carers to design and introduce new products.

Minimum Revenue Provision Policy

Recommendation

12. The Cabinet recommends approval of the Minimum Revenue Provision (MRP) policy for long-term borrowing pre 1 April 2008 to be based on matching the debt repayments to the average asset lives being 43 years.

13. The County Council is required, under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, to make a Minimum Revenue Provision (MRP) charge to the revenue account in relation to capital expenditure financed from borrowing or credit arrangements. This is the annual amount charged to the budget each year to repay the principal element of long-term borrowing and is based on a system of self-regulation informed by the Council's professional judgement of 'prudent provision'.

14. The Guidance states that "the broad aim of prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits".

15. The Council uses long-term borrowing as part of an overall financing strategy to fund long-term capital investment in projects such as road construction and school improvements and it is sensible to ensure assets are paid for over their useful life. Approval of a change to the existing MRP policy is being sought that will match debt financing to the useful life of the assets being financed and achieve cost reductions over the medium term.

16. The current regulations were implemented in 2007 and allow for different treatment of long-term borrowing incurred pre and post 2008. The regulations require regular review of the policy and the opportunity is being taken to better align debt repayments to the asset lives and ensure the policy is prudent without being overly prudent. Under the existing policy the Council's forecast MRP charge for 2015/16 is £16.1 million, with £11.0 million relating to pre-2008 long-term borrowing and £5.1 million to post-2008. The policy has been in place since 2007/08 and is approved each year as part of the budget setting process Statement of Prudential Indicators.

17. The financial climate over recent years has prompted a number of local authorities to review their own MRP policies to ensure the best method for repaying long-term borrowing is being applied. To inform the Council's own view advice from PriceWaterhouseCoopers LLP has been taken and valuable feedback obtained from our external auditors Grant Thornton LLP that they are content with the overall principles of our approach.

18. The MRP charge for pre-2008 long-term borrowing currently results in a payment that is much higher than what an average payment based on actual asset lives would suggest. The Council is therefore currently paying off debt faster than which it receives the benefits.

19. The review proposes that it would be appropriate, affordable and reasonable to match the period of debt repayments to the average life of the assets being financed.

Following in-depth work across the Council's fixed assets the average life has been professionally assessed as being 43 years. It is important to understand that the total debt repayment under this proposal will still remain the same.

20. The impact of the change is:

a) a reduction of the MRP charge for 2015/16 of £4.6 million;
b) a reduction of the MRP charge for the period of the 4-year MTFP of £14.2 million;
c) lower levels of MRP charge for the next 14 years;
d) an increase in the MRP charge for the accounting periods between year 15 and 43 above the level previously forecast before dropping under the current method thereafter;
e) no MRP charge after year 43 (where previously the Council would have been paying off debt indefinitely).

21. In order to protect revenue budgets from volatility and to deliver a consistent saving of £2 million per year between years 1 to 14, it is proposed that the Council makes a voluntary additional MRP payment in years 1 to 6 of £9.2 million to smooth the net impact of the change. This proposal reduces the call on the general fund over the life of the MTFP and delivers a consistent saving to support the County Council's FutureFit intentions without incurring any significant real term future costs for future generations, taking account of the time value of money.

22. The post-2008 MRP will require further additional work to understand the age and funding profile of the assets and the capital investment schemes and business cases that underpin them. The post-2008 MRP policy will be kept under continual review with any proposals brought to future Cabinet meetings. This will ensure changing organisational requirements are best reflected in debt financing.

Capital Programme Addition: Malvern Hills Science Park Phase 5

Recommendation

23. The Cabinet recommends that a £4 million addition to the Capital Programme for Malvern Hills Science Park Phase 5 be approved, to be fully funded by the Worcestershire Local Enterprise Partnership Growth Deal grant allocation, and that the cash limits are updated accordingly.

24. The Council is supporting the development of Malvern Hills Science Park Phase 5 with an additional investment of £4 million for demolition, site clearance of existing building and subsequent construction of Phase 5. As a Game Changer site, the development of Malvern Hills Science Park (MHSP) is a strategic priority identified through the Strategic Economic Plan and Corporate Plan. The project has been promoted in partnership with MHSP Ltd and Worcestershire Local Enterprise Partnership (WLEP) and will be fully funded by the WLEP Growth Deal grant allocation with no impact on the Council's long-term borrowing. Council is asked to add the scheme to the Capital Programme and that the cash limits be updated accordingly.

Contact Points

County Council Contact Points
County Council: 01905 763763
Worcestershire Hub: 01905 765765
Email: worcestershirehub@worcestershire.gov.uk

Specific Contact Points for this report
Nichola Garner, Committee and Appellate Officer
Tel: 01905 766626
Email: ngarner2@worcestershire.gov.uk

Background Papers

In the opinion of the proper officer (in this case the Head of Legal and Democratic Services) the following are the background papers relating to the subject matter of this report:

Agenda papers for the meetings of the Cabinet held on 19 November 2015 and 17 December 2015.