

Adult Social Care Scrutiny Committee

Mobile Meals Provision

Lead Director: Tracie Rees

Briefing Date: 3rd April 2014

Useful information

- Ward(s) affected: City-wide
- Report author: Rod Pearson
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1. Background and Summary

1.1 Additional information had been requested by members in relation to the mobile meals proposal. This was specifically to cover:

- Promoting the 'in-house' service to existing ASC service users, eligible for statutory support
- Developing the service provided by ASC, so it can be used by anyone
- Developing the service to create a sustainable business, which can be used by anyone, including people eligible for ASC support

1.2 The scoping document agreed with the Chair of the Adult Social Care Scrutiny Commission is attached at Appendix A.

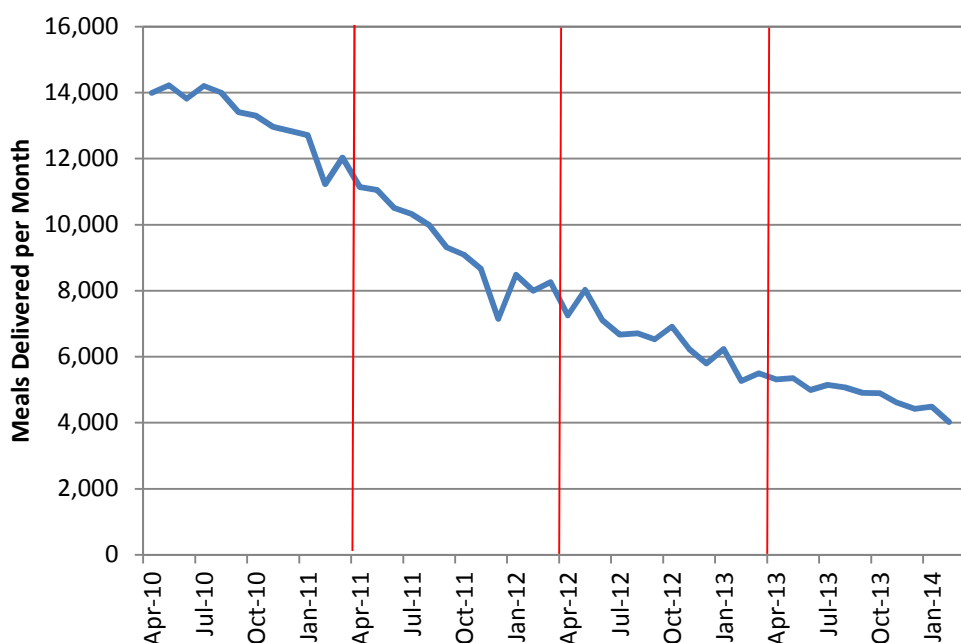
1.3 This briefing seeks to present that information to members.

2. Report

2.1 This report is primarily concerned with whether promoting and expanding the in-house service to provide freshly prepared meals (including to self-funders) would make the service financially viable i.e. remove the subsidy paid by the Council.

2.2 Demand for Mobile Meals

2.2.1 The chart below shows the falling numbers of mobile meals provided to eligible Adult Social Care customers over the past 4 years:



Demand over the past six months, from September 2013 to February 2014 was at an average rate of 55,000 meals per year. This equates to approximately 190 customers.

2.2.2 The English Longitudinal Survey of Ageing (ELSA) examined the proportion of the population paying for help with eating and preparing meals. Applying the outcomes of this research to the population profile of Leicester has enabled an estimate of 150 people self-funding support with eating and preparing meals. This equates to approximately 25,000 to 30,000 meals per year, based on each person requiring support for between 3 and 4 meals each week.

2.2.3 Not all people who are self-funding their care would choose to use a mobile meals service provided by the Council. The price of the meal would clearly be a factor in each person's decision, but for these purposes it is assumed that up to half of the self-funding population may choose such a service, representing 15,000 meals per year.

2.2.4 The maximum total potential demand for the meals service is therefore estimated to be in the region of 70,000 meals per year (55,000 for eligible ASC customers and 15,000 for self-funders).

2.3 Expanding the Service to Eligible Service Users

2.3.1 Expanding the service to more eligible service users would mean the cost to the council increasing as each meal is significantly subsidised. At present the average cost of each meal is £7.72 and the charge to the service user is £3.05 i.e. a subsidy of £4.67 for every meal. At the current level of 55,000 meals per annum the subsidy is £257k. If the council supplied 70,000 meals then the subsidy would increase by £53k to £310k. These figures, together with other scenarios, are illustrated at Appendix B.

2.3.2 The extent of the increase could be reduced if the charge to the service user was increased. If this happened, however, it is likely demand would fall. Leicestershire County Council, who use an independent provider, is in the process of going out to consultation on removing all subsidy which, in their case, is £2.46 per meal.

2.4 Expanding the Service to Self-Funders

2.4.1 The expectation is that self-funders would be charged the full cost of the meal. As described in the 'Legal Implications' section the charge must not exceed the cost. The take up from self-funders at full cost (around £7.50) is very hard to predict. The decision will be very price-sensitive and all self-funders already have alternative arrangements in place. When consulting on the mobile meals service (mainly existing customers) very few said they would be willing to pay more than £5 per meal. For illustrative purposes the figure of 15,000 additional meals per annum (see 2.2.4) has been used.

2.4.2 The expansion of the service to self-funders does bring some financial benefit (as

well as some risk – see section 3). This is because their introduction on a full charge basis brings some economies of scale and makes a contribution to meeting fixed overheads. However, the change is far from transformational, partly because the self-funders benefit from the reduced unit costs. As illustrated in Appendix B providing 55,000 meals to eligible service users currently requires a subsidy of £257k. If an additional 15,000 meals were provided to self-funders the subsidy reduces by only £13k to £244k (see Appendix C).

2.4.3 Officers have been asked to model the impact of providing the service to 500 customers. This represents an increase of 310 customers over and above the current number of 190. 500 customers corresponds to the production of between 110,000 meals and 135,000 meals, depending on the proportion of self-funders. The results are shown at Appendix C. In reality an increase in demand of this level would seem highly unlikely.

2.5 Cost of External Provision

2.5.1 A recent soft market testing exercise produced a range of prices from £3.60 to £7.71. If a median figure of £5.71 is used and Leicester were to pay at this rate for 55,000 meals it would cost £314k; a saving of £111k on the cost of in house provision at £425k.

2.5.2 The cost profiles of independent sector providers are not known although the prices they charge are (see above). The costs of the council as a provider of meals will inevitably be greater because of the terms and conditions of in-house staff. Salaries account for around 30% of total costs. It could be expected that non staffing costs would be broadly similar to the independent sector.

2.6 Further Responses to Issues Raised in the Scoping Document

2.6.1 The promotional costs associated with a drive to increase take up have not been included in the in-house costs. Some would be one-off costs and it is not expected that they would be significant in terms of the overall cost of the service.

3. Risks

3.1 A significant risk in developing an in-house meals service is that fluctuations in demand for meals leaves the Council exposed to the fixed costs of production. The leases for vehicles would likely be for 7 years, and staffing costs are fixed in the short term. The demand for the service from self-funders is very uncertain. If demand falls, rather than remains stable or increases as assumed in this report, there would be significant financial consequences.

3.2 By expanding to self-funders, the service could take advantage of economies of scale in the region of £13k (see 2.4.2, above). This is considered to be a relatively small benefit given the risks associated with entering the private paying market. If there was no demand from self-funders then the cost to the Council would be around £72k.

3.3 The introduction of universal free school meals for children aged 4, 5 and 6 from September 2014 will lead to an increase in school meal production of over 50%. It is understood Children's Services are planning to utilise the Edward Street facility to help towards this. The costs included in this report are based on the current Edward St costs. If new premises with a new kitchen are required then in-house costs are likely to rise further.

3.5 Summary

3.5.1 As a provider of meals the council's costs will be expensive compared to independent sector providers; primarily because of staff terms and conditions (see 2.5.2).

3.5.2 Price is important in the decision to receive a mobile meal.

3.5.3 There is little reason to believe that the council would be able to attract significant numbers of self-funders given the cost of its service. Self-funders already have arrangements in place and some will already be using an independent provider.

3.5.4 Even if the council was able to greatly expand its services by selling to self-funders there would not be a significant impact on the subsidy currently paid by the council (see 2.4.2).

3.5.5 There are risks to the council if demand falls (see 3.1).

3.5.6 The council operates a highly subsidised service (see 2.3.1). If at some stage the council was to follow the direction of Leicestershire County Council and remove the subsidy then demand for in-house meals (at say £7.50 rather than £3.05) would fall significantly making the service more unviable.

4. Legal implications

4.1 Legal Services can advise on the social care, employment and commercial aspects of this proposal, as the business case and business plan are developed. Several potential powers are available to permit the Council to charge for a discretionary service; however, it is understood that the service in question is a statutory service. The Council does not have the power to circumvent such a statutory duty. However, provided this duty can still be discharged, there is scope to charge for the delivery of this service to those who do not have a statutory right to receive it (recover costs, rather than make a profit). Social care and commercial lawyers will confirm the legal authority to undertake this activity when its nature has been finalised. Any insourcing of part of this service is liable to lead to a TUPE transfer of staff and the Briefing's author has been advised to seek advice on the resulting employment/pensions liabilities from employment law colleagues.

Greg Surtees, Legal Services, ext. 37 1421

5. Financial implications

5.1 The report is wholly focussed on financial matters. Moving the service in house and expanding it would mean that approved budget savings would not be achieved.

Mobile Meals Scoping Document

The business case will address 3 specific issues

- a) To promote the 'in house' service to existing ASC service users, eligible for statutory support
- b) To develop the service provided by ASC, so it can be used by anyone
- c) To develop the service to create a sustainable business, which can be used by anyone, including people eligible for ASC support

Proposed scoping for each issue

- a) To promote the 'in house' service to existing ASC service users, eligible for statutory support**
 - To model the costs and the numbers of ASC service users needed to make the service financial viable i.e. to remove the subsidy paid by the Council
 - To determine the number of people eligible for ASC services, including self funders
- b) To develop the service provided by ASC, so it can be used by anyone**
 - To determine the cost of leasing more vans and increased staff to re-heat meals based on 500 service users
 - Determine the promotional costs
 - To determine the legalities of the Council operating a business model
 - To determine the average cost to service users based on 500 service users
 - To determine the potential demand from the public
 - To determine the average cost per meal based on the above factors
 - To determine the average cost per meal provided by the existing contracted providers
- c) To develop the service to create a sustainable business, which can be used by anyone, including ASC service users eligible for statutory support**
 - To determine whether the existing kitchen at Edward street could prepare meals, if not to determine the cost of new equipment (currently the kitchen is only used to re-heat pre-prepared meals)
 - To determine the cost of leasing more vans, based on 500 service users
 - To determine the cost of staff to cook and deliver the meals (plus the admin costs for co-ordinating the delivery of meals) based on 500 service users
 - Determine the promotional costs
 - An analysis of the cost of food for European, Gujarati and Caribbean meals based on 500 service users
 - To determine the legalities of the Council operating a business model
 - To determine the average cost to service users
 - To determine the potential demand from the public
 - To determine the average cost per meal based on the above factors

Appendix B – Provision of Service to ASC Eligible Customers

	55,000 meals per year (approx. 190 customers)	70,000 meals per year (approx. 250 customers)	100,000 meals per year (approx. 350 customers)
Meals - staffing cost	£121,100	£149,500	£206,400
Meals - food cost	£104,100	£132,400	£189,100
Meals - other costs	£56,300	£64,200	£80,000
Transport - staffing cost	£108,200	£134,200	£186,000
Transport - vehicle & equip. cost	£35,000	£43,600	£61,000
Gross Cost of Service	£424,700	£523,900	£722,500
Income (Customer contributions)	(£167,800)	(£213,500)	(£305,000)
Net Cost of Service	£256,900	£310,400	£417,500
Average gross cost per meal	£7.72	£7.48	£7.23
- of which meal	£5.12	£4.94	£4.76
- of which transport	£2.60	£2.54	£2.47

Appendix C – Provision of Service to ASC Eligible Customers and Self-Funders

	70,000 meals per year (270 customers)	85,000 meals per year (330 customers)	100,000 meals per year (380 customers)	110,000 meals per year (500 customers)	135,000 meals per year (500 customers)
	55,000 ASC Meals (approx. 190 customers)	70,000 ASC Meals (approx. 250 customers)	85,000 ASC Meals (approx. 300 customers)	55,000 ASC Meals (approx. 190 customers)	120,000 ASC Meals (approx. 420 customers)
	15,000 Self-Funded (approx. 80 customers)	15,000 Self-Funded (approx. 80 customers)	15,000 Self-Funded (approx. 80 customers)	55,000 Self-Funded (approx. 310 customers)	15,000 Self-Funded (approx. 80 customers)
Meals - staffing cost	£149,500	£178,000	£206,400	£225,100	£271,900
Meals - food cost	£132,400	£160,750	£189,100	£207,200	£252,500
Meals - other costs	£64,200	£72,100	£80,000	£85,300	£98,700
Transport - staffing cost	£134,200	£160,100	£186,000	£203,000	£245,600
Transport - vehicle & equip. cost	£43,600	£52,300	£61,000	£67,400	£83,500
Gross Cost of Service	£523,900	£623,250	£722,500	£788,000	£952,200
ASC Customer contributions	(£167,800)	(£213,500)	(£259,300)	(£167,800)	(£366,000)
Self-Funder Contributions	(£112,300)	(£110,000)	(£108,400)	(£394,000)	(£105,800)
Total Income	(£280,100)	(£323,500)	(£367,700)	(£561,800)	(£471,800)
Net Cost of Service	£243,800	£299,750	£354,800	£226,200	£480,400
Average gross cost per meal	£7.48	£7.33	£7.23	£7.16	£7.05
- of which meal	£4.94	£4.83	£4.76	£4.71	£4.62
- of which transport	£2.54	£2.50	£2.47	£2.46	£2.44