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|  | <p style="text-align: center;">Budget Panel 15 July 2008</p> <p style="text-align: center;">Report from Director of Housing and Community Care</p> |
| For Information | <p style="text-align: right;">Wards Affected: All</p> |
| <p>Budget Pressures and Budget Management in Adult Social Care</p> | |

1. **Purpose of the Report**

To inform the Panel of budget pressures in Adult Social Care. To describe issues that arise in managing budgets. To inform members of measures available to manage the budget for the service.

2. **Recommendation**

That this report be noted.

3. **Description**

3.1 **Budget Outturns 2006/07 and 2007/08**

In both years Adult Social Care (ASC) overspent:

| | |
|---------|-------------------|
| 2006/07 | £3.274m overspent |
| 2007/08 | £3.992m overspent |

The overspending occurred across all care groups. The overall spending and the pattern of overspending were broadly in line for both years. Further detail is available at Appendix A. This unbudgeted overspending impacts on the council's balances: reducing the balances available to fund activity in the next financial year.

3.2 **Budget for 2008/09**

The net revenue budget for 2008/09 was increased by 15% compared to 2007/08. The budget for 2007/08 had in turn been increased by 7% over 2006/07. Further details are provided at Appendix B.

3.3 **Projected Outturn for 2008/09**

Adult Social Care's budget for 2008/09 is £86.351m. The first projection for 2008/09 is that the department will overspend by £0.8m on this budget. However, this is the first projection and there is more work to be done in subsequent months to test this projection.

3.4 **Cost Drivers for Social Care**

Members have fixed the eligibility criteria for Adult Social Care at *substantial* and *critical*. The definition of these terms is set out at Appendix C. The department has procedures to ensure that these eligibility criteria are applied consistently to all clients through review by senior managers and by panels of senior staff. This means that demand for services is fixed by the number of people who meet the eligibility criteria.

It is open to members to fix the eligibility criteria. However, any change to the eligibility criteria needs to be undertaken with considerable care. A recent judicial review of Harrow Council's attempts to change their eligibility criteria to *critical* only found fault with the council's process. There is now some debate about whether a very tight process would have succeeded or whether the courts have effectively closed the option of moving to critical only because of its impact on disabled clients.

Inflation in social care is high. Most spending is on labour (typically around 80% of spending goes on employee costs) and labour costs have risen steadily. Very little spending is in areas with below average inflation (e.g. electrical goods). A number of care providers have increased charges to reflect market conditions: Southern Cross has built a dominant position in the residential care market and is open about wishing to drive up charges and achieve a 20% return on its capital.

Care standards have risen and continue to rise: with the Commission on Social Care Inspection very actively tackling providers who it judges have low standards. This quickly translates into higher costs: for more staff, better training, larger rooms, private rooms, respite breaks for carers and so on.

Brent PCT has transferred a large number of clients to Brent Council services in 2007/08. The clients Brent Council accepted no longer meet the new national Continuing Health Care criteria (introduced in October 2007). It continues to apply the CHC criteria tightly and Brent Council is likely to be picking up clients who would have been funded by health in the past. Brent Council is likely to be successful in resisting taking a more expensive group of clients who had lived for long periods of time in long-stay hospitals.

3.5 **Comparing Brent to Other Councils**

Each year the Audit Commission publishes a comprehensive comparison of English councils. Their latest comparison was published in April 2008 and covers 2007/08. It is possible to compare Brent with all councils or a sub-set of councils. The sub-set of councils that the Audit Commission uses is Brent's "nearest neighbours". The definition of "nearest neighbours" and a summary are provided at Appendix D. Brent Council is assessed as spending slightly below average compared with its nearest neighbours on adult social care. Its performance is scored at 2 stars (a good rating) by the Commission for Social Care Inspection for service quality. The Commission judged Brent Council's ability to improve further as *promising*.

3.6 **Monitoring Budgets**

Budgets are monitored monthly to ensure that senior officers know what is happening and why. This monitoring data is compiled at a very detailed level. This information is reviewed and combined into a projection for the department as a whole and eventually for the whole council.

3.7 **Managing Budgets**

Social care budgets are hard to manage because they are driven by peoples' needs. Some demand can be planned for well in advance: it is usually known more than a year in advance which children will be transferring to Adult Social Care and what their care costs are. Other demand is only known about at short notice: hospitals try and clear wards on Friday afternoons ahead of the weekend. Social care typically gets little notice and only a brief opportunity to assess clients and find suitable services.

Care managers are instructed to control placements and hence spending. This must be done sensitively in order to control the risk to the client and to ensure that clients are treated fairly and consistently.

4. **Transforming Adult Social Care Services**

Transformation is a large topic. This report will focus on the budget implications of Transformation.

Transformation of social care means a move away from institutional care provision towards care that enables people to live in their own homes in their community. It also aims to apply modern management approaches to improve efficiency and value for money. Transformation is the focus for improving services and delivering efficiency improvements in Adult Social Care.

The department was set a target to achieving savings from Transformation of £1m in 2007/08. Savings of £0.875m were achieved. The target for 2008/09 has been increased to £1.642m. Appendix E sets out plans for achieving savings in 2008/09.

5. **Fees and Charges**

Fees and charges are an important source of income for Adult Social Care. In 2008/09 the budget plans income of £13.686m from fees and charges.

Charges for residential and nursing placements are fixed by central government and Brent has no discretion to vary them.

Fees and charges for community services are fixed by Brent Council based on government guidelines. These guidelines mean that all clients are guaranteed a minimum income before they contribute to their care. For an older person this means that care is free if their income is less than the level of pension credit plus 25%. In 2008/09 this is £155.06 per week. The number of people paying for care varies but in May 2008 the proportions were:

- 57% of clients pay nothing for community care services
- 38% of clients are charged part of the cost of providing services
- 5% of clients are charged the full cost of their services

Generally Brent has moved to maximise the income from fees and charges. It increased the hourly charge for homecare from £5.80 to £16 in April 2006 and introduced a charge for day care in April 2007. The department will review all its charges in the summer of 2008 and prepared recommendations for members to consider for the 2009/10 budget setting.

6. **National Debate about Paying for Care**

There has been a long-running debate about the funding of social care. In particular:

- About the overall levels of funding – often in comparison with other European countries; some of which contribute a higher proportion of national income to social care
- Who should pay for social care – should it be paid from general taxation or should all or part of the cost come from service users?
- If service users are to be charged for services – how should the charge be calculated and what should be taken into account? Including the value of service users' homes when assessing their income for charging purposes, when they move to residential care, has long attracted debate.
- Comparisons with health care (which is free at the point of use and has received substantial real increases in funding levels under the present government) and social care. Further, the sometimes arbitrary divisions between what counts as a "health service" and what counts as a chargeable social service have been adversely commented upon.

Central government are currently inviting comments on a consultative paper that addresses these issues. The Green Paper is called, "Securing Good Care for Older People: Taking a Long-term View". It is available from the Department of Health website and comments are invited by November 2008.

7. **Budget for 2009/10**

The budget for 2009/10 will be put before a meeting of Brent Council in March 2009 and will be considered by the Executive in February 2009. The Director of Finance will recommend to the Executive on 14 July 2008 that the approach to setting the budget for Adult Social Care be changed. The report recommends:

- Exempting ASC from the need to make 3% savings for 2009/10
- Requiring ASC to fund all growth from within its cash limit (inflation adjusted: 2% for supplies and services and 2.5% for salaries).
- Passing the social care reform grant to ASC (worth an additional £609,000 in 2009/10 and £240,000 in 2010/11).
- Requiring ASC to maximise its income from fees and charges.

This approach provides considerable freedom for ASC. However it carries a number of significant risks:

- That there is a growth in client numbers and hence care costs. This is certain for Learning Disabilities Transitions from children's services where additional costs are likely to be considerable for ASC. No estimate has been considered to date for possible increases in client numbers elsewhere.
- That care costs grow faster than the inflation increase granted to ASC. There have been some achievements at holding down supplier cost increases in the past but this is likely to be a challenge for the future. However inflation is currently above 4% and it is unclear how suppliers and trade unions will respond.

- That there are changes in agreements with partners.

8. **Client Numbers**

The number of clients and types of service are shown at Appendix F.

9. **Conclusions**

- Adult Social Care has overspent significantly over a number of years: despite real increases in funding by the council.
- Virtually all the overspending can be accounted for by the external purchasing of care services for clients.
- ASC is forecasting to overspend in 2008/09.
- Budgets in the department are closely monitored and firmly controlled.
- Eligibility criteria are tightly applied and non-discretionary spending is blocked.
- ASC is modernising services and saving money while delivering more personalised services.
- Funding for social care is a contentious national issue.
- The approach to setting the budget for social care is changing in 2009/10 and this will set new challenges for the service.

Martin Cheeseman
Director of Housing and Community Care
2 July 2008

Comparison of Overspending 2006/07 to 2007/08

| Activity | Overspending 2006/07 £ | Overspending 2007/08 £ |
|-----------------------|---------------------------|---------------------------|
| Older People | 1.949m | 1.860m |
| Learning Disabilities | 1.268m | 1.139m |
| Physical Disabilities | 1.337m | 0.782m |
| Mental Health | 0.582m | 0.605m |
| Core Services | -1.862m | -0.394m |
| Total | 3.274m | 3.992m |

A positive number is an overspend amount, a negative number is an underspend compared to the allocated budget.

Overspending on Purchasing Budgets 2007/08

A Purchasing Budget is used to buy care for clients from external providers. E.g. a bed in a nursing home.

| Activity | Budget £m 2007/08 | Spending 2007/08 £m | Variance £m | Variance Percent |
|-----------------------|----------------------|------------------------|-------------|---------------------|
| Older People | 17.494 | 18.942 | 1.448 | 8% |
| Learning Disabilities | 9.842 | 10.847 | 1.005 | 10% |
| Physical Disabilities | 5.364 | 6.021 | 0.657 | 12% |
| Mental Health | 3.882 | 4.551 | 0.669 | 17% |
| Totals | 36.581 | 40.361 | 3.780 | 10% |

Of the total overspending in 2007/08 95% of it related to overspending on external purchasing of care.

Comparison of Purchasing Budgets 2006/07 to 2007/08

| Activity | Spending £m 2006/07 | Spending 2007/08 £m | Increase £m | Increase Percent |
|-----------------------|------------------------|------------------------|-------------|---------------------|
| Older People | 18.302 | 18.942 | 0.640 | 3% |
| Learning Disabilities | 9.696 | 10.847 | 1.151 | 12% |
| Physical Disabilities | 6.289 | 6.021 | -0.268 | -4% |
| Mental Health | 4.230 | 4.551 | 0.321 | 8% |
| Totals | 38.517 | 40.361 | 1.844 | 5% |

Comparing spending on external care between 2006/07 and 2007/08: overall there was a rise of 5%. This was slightly above inflation but well ahead of the budgeted allowance for inflation of 2%. There was some variation between client groups.

Appendix B**Adult Social Care Budget Changes and Distribution**

| Service Unit | £m Budget 2006/07 | £m Budget 2007/08 | £m Budget 2008/09 | Increase 2006/07 to 2008/09 | Increase 2007/08 to 2008/09 | Share of Total Social Care Budget |
|-------------------------------|-------------------------|-------------------------|-------------------------|--------------------------------------|--------------------------------------|---|
| Older People | 30.637 | 34.299 | 39.561 | 29% | 15% | 46% |
| Learning Disabilities | 15.141 | 15.835 | 18.272 | 21% | 15% | 21% |
| Physical Disabilities | 9.775 | 10.501 | 11.988 | 23% | 14% | 14% |
| Mental Health | 7.608 | 7.996 | 9.369 | 23% | 17% | 11% |
| Support & Voluntary Sector | 7.440 | 6.432 | 7.161 | -4% | 11% | 8% |
| Total | 70.601 | 75.063 | 86.351 | 22% | 15% | 100% |

Eligibility Criteria for Social Care Services

1. Central government defines the criteria for eligibility for social care. They are defined in terms of four bands:
 - Critical
 - Substantial
 - Moderate
 - Low
2. Each local authority decides at what level to set its eligibility criteria. Brent Council's Executive decided on *substantial and critical*. Should the council wish to change its eligibility criteria it is good practice to consult users, and to take into account the views expressed when coming to a decision. Criteria should not indirectly discriminate.

| Critical Needs | Substantial Needs |
|---|---|
| <ul style="list-style-type: none"> • Life is, or will be, threatened; and / or • Significant health problems have developed or will develop; and / or • There is, or will be, little or no choice and control over vital aspects of the immediate environment; and / or • Serious abuse or neglect has occurred or will occur; and / or • There is, or will be, an inability to carry out vital personal care or domestic routines; and / or • Vital involvement in work, education or learning cannot or will not be sustained; and / or • Vital social support systems and relationships cannot or will not be sustained; and / or • Vital family and other social roles and responsibilities cannot or will not be undertaken. | <ul style="list-style-type: none"> • There is, or will be, only partial choice and control over the immediate environment; and / or • Abuse or neglect has occurred or will occur; and / or • There is, or will be, an inability to carry out the majority or personal care or domestic routines; and / or • Involvement in many aspects of work, education or learning cannot or will not be sustained; and / or • The majority of social support systems and relationships cannot or will not be sustained; and / or • The majority of family and other social roles and responsibilities cannot or will not be undertaken. |
| Moderate Needs | Low Needs |
| <ul style="list-style-type: none"> • There is, or will be, an inability to carry out several personal care or domestic routines, and / or • Involvement in several aspects of work, education, or learning cannot or will not be sustained; and / or • Several social support systems and relationships cannot or will not be sustained; and / or • Several family and other social roles and responsibilities cannot or will not be undertaken. | <ul style="list-style-type: none"> • There is, or will be, an inability to carry out one or two personal care or domestic routines; and / or • Involvement in one or two aspects of work, education or learning cannot or will not be sustained; and / or • One or two social support systems and relationships cannot or will not be sustained; and / or • One or two family and other social roles and responsibilities cannot or will not be undertaken. |

Source: "Fair Access to Care Services: Guidance on Eligibility Criteria for Adult Social Care". Published by Department of Health: to be implemented by April 2003.

Paragraph 19 of the Department of Health guidance states: "Councils should review their eligibility criteria in line with their usual budget cycles. Such reviews may be brought forward if there are major or unexpected changes, including those with significant resource consequences."

Audit Commission Comparison of Brent Council with its nearest neighbours

1. The Audit Commission selects the councils it compares Brent with and calls them “nearest neighbours”. They are the following London boroughs:
 - Croydon
 - Greenwich
 - Haringey
 - Hounslow
 - Ealing
 - Hackney
 - Enfield
 - Lambeth
 - Lewisham
 - Redbridge
 - Waltham Forest
 - Merton
 - Newham
 - Southwark
 - Wandsworth
2. Details of the survey are available from the Audit Commission’s website. It is possible to select the comparison group. Considerably more data is available than is presented here.
3. The value for money section states:

| Category | Value for Money Assessment |
|-----------------------------|------------------------------------|
| Adult Social Care – overall | Below average cost. Rank: 42% |
| Older People | Well below average cost. Rank: 27% |
| Physical Disabilities | Well above average cost. Rank: 79% |
| Learning Disabilities | Below average cost. Rank: 31% |
| Mental Health | Above average cost. Rank: 60% |

Rank means where Brent sits in comparison with its nearest neighbours. 50% means it is average: 100% means it is the most expensive.

4. This data is used to inform the Transformation programme and as the basis for management action. As a result of the latest report Physical Disabilities investigated its cost structure. During 2007/08 Carlyon sheltered workshops closed, considerably reducing the council’s costs. Equally a review of Physically Disabled residential home clients found that a number had been misclassified and belong to Older People or Learning Disabilities.

Transformation Savings Planned for 2008/09

1. Savings are being actively worked on, and the list below represents current plans and is subject to revision in the light of experience.
2. The table below states current plans and how they will be achieved.

| | Name | Saving £m | Description |
|----|---|-----------|---|
| 1. | Resource Allocation System for care packages in Learning Disabilities | 0.080 | Assessing clients' needs and giving them a sum of money to buy care based on the extent and degree of their needs. Results in savings for clients with very high needs compared with buying the care directly. |
| 2. | Switch clients from homecare to direct payments | 1.192 | Direct payments are cheaper than homecare (£11.10 per hour as against £15.32 per hour). The aim is to switch 50% of all homecare clients by 2010. |
| 3. | Children aged 18 to 19 transitioning from C&FD | 0.350 | Adult Social Care is reviewing all children who plan to transfer at 19 to Adult Services and achieving substantial savings in the cost of their care. |
| 4. | Replacing registered care homes with extra care sheltered accommodation | 0.240 | Extra care sheltered housing provides 24 hour support to clients at considerably lower cost than a registered care home. This costing is based on one scheme for 40 clients based in existing sheltered stock. The aim is to move 50% of residential care home placements to extra care sheltered schemes by 2010 with dementia clients being particularly targeted for specialist schemes. |
| 5. | Fair Pricing Tool | 0.240 | Reviewing all residential and nursing placements using a model that calculates the cost of providing the care. Where Brent is charged more than the calculated amount we negotiate with the provider to get the cost down. |
| 6. | Transport | 0.040 | A joint service with C&FD. Consultants have reviewed the service and identified a number of efficiencies that are achievable in this service. |
| 7. | Review of Assessment and Care Management | 0.100 | Brent spends £9m a year on assessing, reviewing and placing clients. It came out as average in London. Studies have shown that a number of Brent's processes duplicate themselves and clients pass through a number of stages that can be brought together with savings. |
| 8. | Total | 2.242 | Against these savings has to be set Transformation costs of £520,000. Netting the 2 amounts achieves savings at about the level of the target of £1.642m for 2008/09. |

Client Numbers at March 2008

| Service Type | Client Numbers at March 2008 |
|-------------------------|---------------------------------|
| Physical Disabilities | |
| Residential | 66 |
| Homecare | 196 |
| Day Care | 96 |
| Direct Payments | 83 |
| Total | 441 |
| Mental Health | |
| Residential | 82 |
| Homecare | 2 |
| Day Care | 257 |
| Direct Payments | 8 |
| Total | 349 |
| Learning Disabilities | |
| Residential | 214 |
| Homecare | 29 |
| Day Care | 359 |
| Direct Payments | 74 |
| Total | 676 |
| Older People | |
| Residential | 249 |
| Nursing | 285 |
| Respite Care | 26 |
| Homecare | 1,308 |
| Day Care | 867 |
| Direct Payments | 42 |
| Total | 2,777 |
| Totals for All Services | 4,243 |