

Leaders in social care



Society of County Treasurers



Local Government Association

social services finance 2005/06

a survey of local authorities

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LGAresearch



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Foreword

Health and social care are two sides of the same coin. Under invest in one and you over stretch the other.

Nobody should under-estimate the scale of the problem. In this report, based on a survey of local authority social services departments, we can reveal the deeply worrying extent of the pressures that will be taking place in the next financial year.

To many people this may at first seem surprising. Figures from the Office of the Deputy Prime Minister have confirmed that local government is leading the way in making efficiency savings in the public sector. This report has found that more than £180 million was saved in social care budgets in 2004/05 and ploughed back into frontline services.

Our survey reveals that pressures have left a gaping £1.76 billion back hole in funding for social services. There are a number of reasons for the severe funding pressures that social services departments across the country are facing. The first is that our population is ageing and the number of people requiring care is increasing. By 2007 there will be more people over 65 than under 16, and in many areas this is already the case. By 2035, one quarter of the population will be over 65.

It is not just older people that are living longer. Medical advances mean the life expectancy of young adults with severe physical and learning disabilities has increased. Carers themselves are living longer, and are requiring increased support from their local authority.

The costs of contracts with the independent and voluntary sector are outstripping inflation. The average increases are 4.2 per cent for nursing and residential care, and four per cent for home care.

The implementation of Every Child Matters is uncovering more children in need of care. A significant number of councils are also reporting an increased demand for foster care.

The government's recent white paper - *Our Health, Our Care, Our Say* - emphasised the importance of social care in allowing people to retain greater independence and control over their lives and pushed the emphasis much more on prevention rather than cure.

We support, and have consistently campaigned for, this approach. People should get the care they need and deserve, delivered at the right time and in the right place.

The unfortunate reality is that this vision, which has almost universal support, has so far not been backed up by sufficient investment. In short, the cash has not been following the user.

Local government will continue to do all that it can to lessen the extent of these pressures on the people who rely on services and council tax payers. We will continue to strive for further efficiency savings, but with the amount of people in need of help from their local authority increasing by the day, it is time for a fair and sustainable system of funding.

**Cllr David Rogers OBE, Chair LGA
Community Well-being Board**

Julie Jones, President ADSS

**Cllr Alison King CBE, Chair LGA
Children & Young People Board**

Introduction

The Local Government Association (LGA), the Association of Directors of Social Services (ADSS), the Society of County Treasurers and the Society of Municipal Treasurers (collectively, the Treasurers' Societies) have again worked in partnership to conduct an annual survey of local authority personal social services (PSS) finance. The continued aim of the survey is to identify at an early stage the expenditure trends and forecasts for the year, the resources available to deliver social care to adults and children, and any areas of financial pressure.

In 2005, the LGA, in partnership with ADSS and the Treasurers' Societies, commissioned York Consulting to conduct the 2005/06 survey, and provide the data. Consequently, electronic and hard copy of the questionnaire were sent to all 150 directors of social services in England at the beginning of December 2005. At the close of fieldwork at the end of January 2006, 121 councils had responded.

Policy officers within the LGA, ADSS and the Treasurers' Societies then used the data provided by York Consulting to write this report.

Policy background and context

Local government shares with government and with partner organisations a vision for social care which is based upon prevention, independence and well-being. However, the ability to deliver the vision across both children's and adult services is being undermined by financial pressures. This can be demonstrated by year on year tightening of eligibility criteria resulting in services being focused only on those in most need.

On the children's agenda - local government continues to work closely with partners to deliver the Every Child Matters agenda and the structural and cultural changes must be given time to bed in to reap the full benefits. At the same time authorities are delivering the challenging agenda

around extended schools, children's centres and childcare. In addition the introduction of the dedicated schools grant has removed much of the flexibility around children's services funding and the rising unit costs of agency foster care and use of specialist placements in children's residential homes are resulting in huge pressures on budgets.

On the adult's agenda - this report comes shortly after the launch of *Our Health, Our Care, Our Say* the government's white paper on social care and health outside hospitals. The white paper has been broadly welcomed by the social care community and sets out an ambitious agenda for change. This report however sounds a warning note about the capacity of councils with social services responsibilities (CSSRs) to implement this agenda.

Despite welcoming the policy shift toward well-being and prevention, financial realities as is shown by the survey mean the financial pressures across both adults and children's social care remain.

Survey methodology and response rate

The social services finance survey 2005/06 continued the principles of previous years' to disseminate electronic and hard copy versions of the questionnaire. Year on year the survey continues to achieve an exceptionally high response rate, ensuring the data collected is fully reflective of expenditure trends and available resources to deliver across authority type and region.

Growing familiarity with the questionnaire itself and successful targeting of officers to gather key information resulted in a response rate this year of 81 per cent. Questions within the dataset generally achieved an 80 per cent or higher response. The lowest rate of response in the dataset was 77 per cent, making it an authoritative source of information about the real situation as experienced by CSSRs.

Meeting the need - spending above budgets

In Spending Review 2002 the government determined the Formula Spending Share (FSS) to be used to derive the level of grant provision for funding councils' spending on Personal Social Services (PSS) in 2003/04, 2004/05 and 2005/06.

After making adjustments for function and funding changes, the provision for 2004/05 was based on a FSS of £12,427m. In February 2004 when councils set their social services budgets for 2004/05 it was clear that the funding provided was not adequate to meet the pressures particularly on children's services and learning disabilities. Mindful of the need to ensure council tax payers were protected from the full effect of the underfunding in 2004/05, councils constrained planned spending to an increase of 3.9 per cent above FSS, at £12,911m.

Councils worked hard during this time to manage within their budgets and £760m efficiency savings were made in 2004/05 with at least £186m coming from social care budgets. Most of the savings for social care were re-invested in services to meet budget pressures of providing services to more people and more intensive packages of care to the most vulnerable people with multiple disabilities. However, due to increased numbers of people with more complex needs meeting the eligibility criteria and requiring care, outturn spending was £13,277m - £366m (2.8 per cent) above the budget set for 2004/05 and £850m (6.8 per cent) above FSS.

For 2005/06 government provision was based on an FSS for social services of £13,567m. Whilst this was a cash increase of 6 per cent over the previous year, it was just 2.3 per cent more than council spending on social care in 2004/05. Councils, again reflecting the pressures on services, set their social services budgets at £15,125m in 2005/06. Thus the gap between budgets and FSS has increased to £1,558m (11.4 per cent).

The projected outturn for 2005/06 is £15,335m after taking in to account planned social care efficiencies of £220m for 2005/06. This will increase the gap between 2005/06 FSS and spending on social care to £1,768m (13 per cent) 2005/06 projected spend £15,335m less 2005/06 FSS £13,567m.

The survey shows that nationally, several service areas are experiencing significant spending pressures:

- children's services are projecting to spend a further £100m above the budget for 2005/06. Almost two thirds of authorities are facing cost pressures due to increasing demand in foster care, an area which The Fostering Network and British Association for Adoption and Fostering consider to be facing an 'enormous shortfall in current funding'¹;
- learning disability services are projecting to spend a further £81m above the budget for 2005/06. More than three quarters of authorities reported facing significant cost pressures in the area of learning disabilities, a higher percentage than any other area;
- older people and physical/sensory services are projecting above budget spending of £18m and £19m respectively, with other service areas contributing to meet pressures through efficiencies.

¹ The cost of foster care - Investing in our children's future (2005)

Table 1: Comparison between 2004/05 and 2005/06 for FSS, budget and outturn

	2004/05 – unadjusted £m	2004/05 – adjusted to allow comparison with 2005/06 ² £m	2005/06 £m	Increase between 2004/05 and 2005/06 £m %
FSS ³	12,427	12,794	13,567	773 6.0
Budget	12,911	13,278	15,125	1,847 13.9
Outturn – local authority spending/projected spending	13,277	13,644	15,335	1,691 12.4

² Adjusted with addition of £367m, to allow comparisons between 2004/05 and 2005/06 on a like-for-like basis. Figure taken from Table 2 of Key Statistics Tables Local Government Finance Settlement 2005/06

³ Source: Table 2 of Key Statistics Tables Local Government Finance Settlement 2005/06

Services for adults

The white paper, *Our Health, Our Care, Our Say* emphasises the importance of "social care" in providing high-quality support to enable people to maintain and achieve independence and have greater control over their lives and in ensuring services are flexible and person centred. The white paper also envisages a shift to a greater emphasis on prevention.

The survey and information from performance data shows that councils are already working towards this vision.

Thus, the survey shows:

- a further 18 per cent reduction in delayed discharges from 2,459 at 1 September 2004 to 2,012 at 1 September 2005. Councils have, through more effective use of the Delayed Discharge Specific Grant, been able to allocate greater resources to commissioning additional services with less required for fine liability;
- high levels of partnership work with Primary Care Trusts around hospital discharge planning with 87 per cent of council spending the Delayed Discharge Grant with the NHS and councils contributing an average of £10.5m to Section 31 pooled budget arrangements;
- an increase in those receiving Direct Payments in 2004/05 from 21,920 in 2004/05 to 36,647 in 2005/06, with the largest percentage increase user groups being older people, people with mental health issues and carers. People with physical and sensory disabilities continue to be the biggest users of Direct Payments.

However, the survey also demonstrates the financial challenges facing councils and the real difficulty in achieving a shift in emphasis to prevention when there is increasing demand for intensive social care across all adult services.

Thus the survey also shows:

- as more people are accessing Direct Payments, councils are having to invest in additional support infrastructure. Councils spent £22.4m on Direct Payments Infrastructure which is an average of £152,000 per authority - 85 per cent of these costs related to adults;
- significant demand/volume pressures across all services, but notably for care placements for people with learning difficulties (78 per cent of councils), domiciliary care (60 per cent) and care placements for people with mental health problems (46 per cent);
- significant unit cost pressures across all services, but like demand/volume pressures, most notably in care placements for people with learning difficulties (76 per cent of councils) and placements for people with mental health problems (46 per cent);
- continued investment by councils has been above inflation in 2005/06 in order to maintain and support the independent sector with average fee increases of 4.24 per cent for nursing home care, 4.20 per cent for residential care and 3.93 per cent for home care;
- loss of preserved rights income and residential care allowances are presenting significant cost pressures in 34 per cent and 23 per cent of councils respectively;
- an emerging and growing financial burden is being met by authorities in the form of support to other people from abroad without access to funds - just under one quarter of authorities are now experiencing a growth in demand for this type of support;
- 46 per cent of councils have experienced a reduction in Primary Care Trust funding, or a reduced inflationary uplift. The amount of this reduction varies considerably between authorities with an average loss of £167,000;

- the implementation of Single Status is a cost pressure with 55 per cent of councils reporting it brought additional cost pressures and 30 per cent of councils not yet able to quantify the effect. Of those councils able to estimate full year additional costs, the average was £1.5m per council up to a maximum of £12m;
- high levels of partnership work with Primary Care Trusts around hospital discharge planning with 87 per cent of council spending the Delayed Discharge Grant with the NHS and councils contributing an average of £10.5m to Section 31 pooled budget arrangements.

On eligibility criteria, the survey shows:

- the financial pressures have led to a tightening of councils' eligibility criteria for access to services between 2004/05 and 2005/06;

	2004/05	2005/6
Low	6.2%	4.1%
Moderate	36.4%	28.3%
Substantial	52.9%	58.9%
Critical	4.5%	8.7%

Combined figures show support increase in substantial and critical from 57.4 per cent (2004/05) to 67.6 per cent (2005/06);

- the table above indicates that at a time when there is widespread support for the development of preventive services, councils, as a result of spending pressures, are having to continue to withdraw from low and moderate level support to people. Seven out of 10 people now only receive support if their needs are substantial/critical;
- 80 per cent of councils plan to tighten eligibility criteria for learning disability, physical and sensory disabilities and mental health services, with 77 per cent doing the same for older people.

On supporting people the survey shows:

- the average percentage reduction in Supporting People Grant across authorities in 05/06 is 4.63 per cent (excluding Administration Grant)
- efficiency savings required by the reduction in Supporting People funding are affecting 58 per cent of councils with 26 per cent of those councils having to meet all the reductions and a further 52 per cent having to meet a proportion of the Supporting People reductions from personal social services funding. Overall, councils' Supporting People efficiency targets have been set as follows:

Older people	2.18%
Physical and sensory	1.88%
Learning difficulties	2.86%
Mental health	2.21%

(These targets are a reduction in total Supporting People funding at a time when demand is growing and the cost of support is rising).

Overall, the picture on adult services is one of sustained budget pressures as a result of:

- demographic pressures (notably in learning disability services);
- service pattern changes (notably in mental health services);
- reductions in the Supporting People Programme;
- staffing costs in in-house and the independent sector;
- loss of income from the National Health Service.

Services for children

Although 2005/6 has been a time of substantial change for councils with the establishment of children's services departments and consequent moving of budgets, it has been possible to track resources for this survey. The results show the continuance of the pattern identified over several years of substantial budget pressures in children's social care services.

Councils are experiencing significant cost pressures over budget as a result of both demand/volume and unit cost pressures reflecting the complexity of children's needs and provider costs.

The most significant of these pressures are:

- increases in demand across the spectrum for looked after services with 42 per cent of local authorities reporting increased demand for local authority foster care; 55 per cent reporting increased demand for residential use and 65 per cent reporting increased demand for agency foster care;
- unit cost increases with 62 per cent of local authorities reporting budget pressures relating to the unit cost of residential care within the voluntary/independent sector;
- 54 per cent reporting unit cost increases for agency foster care leading to budget pressures;
- 56 per cent of local authorities reporting increases in demand for legal services to be involved in looked after children cases, leading to additional costs and budget pressures.

The most significant pressure above budget is for children in agency foster care. This reflects a catch 22 situation for councils who are using their scarce resources on agency placements whilst trying to free up sufficient resources to invest in the support and training to attract and retain their own foster carers. There are other serious pressures in relation to residential care

Councils are making steady progress in encouraging the take-up of Direct Payments for children with disabilities and their carers. Thus there was:

- an 85 per cent increase in the take-up of Direct Payments for carers from 1,861 in 2004/05 to 3,455 in 2005/06;
- a 77 per cent increase in the take-up of Direct Payments for children with disabilities.

Fifteen per cent of Direct Payment Infrastructure costs relate to children's services. Whilst these numbers remain small, the increases reflect steady progress in making Direct Payments more readily available to children and their families.

Councils continue to provide care and support for large numbers of asylum seeking children with 86 per cent of councils supporting 26,678 asylum seeking children, 12,942 of whom were unaccompanied by adults.

Councils do not receive full funding costs for some of these cases. The additional costs of implementing the Hillingdon Judgment in which councils are responsible for the after care of unaccompanied asylum seeking children were on average £200,000 per council, but with a maximum of £3.6m in a council caring for a very high number of such children.

Whilst considerable developments are being achieved in integrating council and NHS services for children this has yet to be evidenced in the use of Section 31 agreements including pooled budgets. Thus the average amount invested in pooled budgets is £667,000 with there typically being one pooled budget per council.

Case Study 1: learning disabilities service

A local authority has tracked the number of children moving through from children's into adult's services over a three year period. The authority has identified that of the 67 children with learning difficulties moving into adult services:

- 18 are wheelchair users;
- 22 present behaviour that challenges services;
- 11 have epilepsy;
- 17 have a sensory impairment;
- 9 have a diagnosis of autism.

These young adults are representative of the more complex needs being met by the learning disabilities service.

Individualised services need to take account of multiple disabilities and health support to prepare and implement person centred packages to maximise life chances and promote independence of adults who will have lifelong multiple disabilities.

The thrust of policy and service support, is to enable adults to live as normal a life as possible with access to training, employment, own housing and leisure services. The services required to meet the needs of each of these individuals are very often complex involving the user, carers, health, local authority, social services, housing and voluntary/independent sector.

A high proportion of these young adults will require two staff to one user ratio for lifting and handling. The services received are labour intensive and require a flexible and supportive approach. Therefore, care costs can be high and could increase further as individualised services are extended.

Case Study 2: children's services

A is a male aged 12. He has had multiple placement breakdown because of the constant physical and sexual assaults on staff and children by him. Three placements broke down in one week because the behaviours he presented were so dangerous that placements could not continue to care for him. He was in single occupancy placements with at least two staff on duty with him at all times. He was admitted to secure accommodation on a welfare order and his period of time there did help to stabilise him. He has recently moved from secure to a therapeutic placement as the only occupant in a house with 2-1 staffing at all times. This is a very therapeutic organisation who specialise in providing care to children and young people who exhibit sexually inappropriate behaviours. The cost is £6,200 per week.

Case Study 3: children's services

B is a female who was 13 when she was admitted to her present placement 14 months ago. She is the only occupant and there are always two staff on duty at all times. Her education is provided on site by a qualified teacher. She has a history of absconding and allowing herself to be sexually exploited and at times it has been necessary for media coverage to be used to attempt to trace her whereabouts. She moved to her present unit from secure accommodation where she was admitted on a welfare order. The present placement is at a cost of £5,124 per week. She has settled well at the unit and the amount of absconding has reduced considerably. They have applied strategies to prevent her absconding and encouraged her to become involved in more age appropriate activities and life experiences.

Conclusion

As with previous surveys this demonstrates the severe cost pressures that local government is facing in the provision of social care. Across adult's and children's services there is real enthusiasm for a policy agenda based on well-being and prevention. To enable this, that policy agenda needs to be backed up with significant and sustained investment. We will work closely with the government and other partners to make the case for additional investment in social care in the next spending review in order to ensure that the vision for social care, based upon independence, prevention and well-being, can be realised.

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