

Leaders in social care 



Society of County Treasurers



Local Government Association

social services finance 2004/05

a survey of local authorities

research briefing 4.05
July 2005

LGAresearch



All rights reserved. Reproduction of this document is welcomed providing the copyright holders are acknowledged and the text is not edited.

Copyright Local Government Association July 2005

**Published by LGA Publications, the Local Government Association
Local Government House, Smith Square, London SW1P 3HZ.
Tel 020 7664 3000, fax. 020 7664 3030.**

**LGA code F/SR185
ISBN 1 84049 475 1**

Introduction

For some time 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 conducted an annual survey of local authority personal social services (PSS) finance. The aim of this survey is to identify early the expenditure trends and forecasts for the year, the resources available to deliver adults social care and children's services, and any areas of financial pressure.

In October 2004 the LGA, in partnership with ADSS and the Treasurers' Societies, commissioned York Consulting to conduct the 2004/05 survey, and provide the data. Consequently, an electronic and hard copy of the questionnaire was sent to all 150 directors of social services in England at the beginning of December 2004. At the close of fieldwork, at the end of February 2005, a response rate of 88 per cent had been achieved.

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

The financial context for local government is particularly difficult at present. The ring-fencing through passporting of the schools budget and the overall tight financial settlement has led to authorities facing severe pressures this year.

We are working hard with government as part of the Gershon efficiency review to make sure that our services offer the best possible value for money. We support the government's vision to deliver services that promote well-being and independence for all citizens, and the central role that local government is to play in brokering strategic partnerships between government, the voluntary sector and independent sector, to ensure that services are built around the needs and aspirations of individuals, families and communities.

Local government agrees with central government that significant investment is needed in the social care workforce. The advent of the new skills councils for the sector is a welcome boost to this critical staff group, but unless the chronic underlying financial issues are addressed it is unlikely that the deepening recruitment and retention crises will be solved.

Spending above budgets - in summary

In 2003/04 government provision for funding councils' spending on PSS was based on a Formula Spending Share (FSS) of £11,171m. The real pressures on providing these services resulted in councils setting PSS budgets totalling £11,600m, that is £429m (3.8 per cent) above FSS.

In the event, the outturn spending to meet the needs of local people was £11,723m, that is £123m (1.1 per cent) above budgets and £552m (4.9 per cent) above FSS. The overspending above budget was almost entirely attributable to children's services (£120m), and 74 per cent of authorities reported overspending on these services.

For 2004/05 government provision was based on a FSS for PSS of £12,427m. After adjusting the 2003/04 figures to a like for like basis (to enable a comparison with 2004/05), it can be seen that this was a cash increase of 6.3 per cent over 2003/04. On a like for like basis councils, again reflecting the pressures on services, increased their PSS budgets by 8.3 per cent to £13,135m (see Table 1). Thus the gap between budgets and FSS increased to £708m (5.7 per cent).

The projected outturn for 2004/05 at the time of the survey was £13,235m, an overspend above budget of £100m (0.8 per cent). Again, the bulk of this was attributable to children's services and 73 per cent of local authorities were forecasting an overspend in this area. Provision for those with learning disabilities was identified as another particular pressure point, with a potential overspend of £44m.

Table 1: comparison between 2003/04 and 2004/05 for FSS, budget and outturn

	2003/04 – unadjusted	2003/04 – adjusted, to allow comparison with 2004/05 ¹	2004/05	Increase between 2003/04 and 2004/05
	£m	£m	£m	£m %
FSS ²	11,171	11,695	12,427	732 6.3
Budget	11,600	12,124	13,135	1,011 8.3
Outturn – local authority spending/projected spending	11,723	12,247	13,235	988 8.1

¹ Adjusted with the addition of £524m, to allow comparison between 2003/04 and 2004/05 on a like for like basis. Figure taken from Table 2 of paper WGLGFS(04)11, July 2004 meeting of the ODPM Working Group on Local Government Financial Statistics

² Source: ODPM Working Group on Local Government Financial Statistics, paper WGLGFS(04)11, July 2004

Children's services: a key pressure for local government

The creation of children's services departments, in response to Every Child Matters and the Children Act 2004, is being planned or has been achieved in most local authorities in England. This has involved the separation of adults' and children's services, with their associated budgets, management information systems, training etc. These structural changes take place in the context of authorities working with partners to develop comprehensive preventative strategies and new ways of integrated working. However authorities are facing:

- sustained upward pressure in demand;
- rising complexity of children's needs;
- recruitment difficulties for staff, foster carers and adopters; and
- increasing costs of services in response to improvements in quality and market forces.

As a result:

- in 2003/04, 74 per cent of authorities overspent on their budgets for children and families; and
- in 2004/05, 73 per cent of authorities are projecting an overspend in this area.

Table 2 shows the areas that presented cost pressures for authorities over their original budgets for 2004/05. It shows that local authorities are experiencing a rising demand in children requiring foster or residential care, in both the public and independent sector. In all these areas there are cost pressures, particularly in relation to residential care and agency foster care. Difficulties in recruiting foster carers, the rising complexity of some children's needs, and court-directed placements are all having an upward impact on costs (see Case 1).

Table 2: cost pressures over original budget in 2004/05, for children's services

	Demand/volume % of authorities citing as pressure	Unit cost increase % of authorities citing as pressure
Legal fees for children's services	54	28
Looked after children in residential care	64	68
Looked after children in agency foster care	60	57
Looked after children in local authority foster care services	38	23
Secure accommodation	29	22
Unaccompanied asylum seeking children	16	15

Case 1: high-cost residential child placements

John is a 14-year-old boy. Twelve years ago, John's mother reported that she was struggling with his behaviour, although he was meeting his normal development milestones. From 18 months old he began to show signs of aggression towards toys and furniture, often as a result of being disciplined. It was around this time that John's mother became a Class 1 drug user, and gradually became dependent on drugs.

John started at a local nursery, but had poor attendance. The school also expressed concerns about his often-challenging behaviour. As a result of his behaviour - kicking, hitting and biting other children - he was assessed by an educational psychologist and a consultant paediatrician. He was also being destructive to the property within the nursery. It was noted that nursery staff often had to physically restrain him for his own safety and for the safety of the other children.

During the next five years John attended several primary schools. Over this time he was permanently excluded from one school because of aggressive behaviour, was identified as having special educational needs, and his teachers described John as having difficulty maintaining relationships with adults and children, because of issues of social understanding, emotional learning and anger management.

Then came a period of two years during which there was a rapid decline in John's behaviour, resulting in incidents of violent and dangerous outbursts, and a number of physical assaults on staff and other young people. By this stage his mother did not feel able to manage John's challenging behaviour. At this point the local authority accommodated John under Section 20 of the Children Act 1989. He was 10 years old.

Since this time John has had a number of placements, ranging from a few days (an emergency placement) to nine months. The cost of these placements was up to £2,900 per week. He continued to display aggressive behaviour, and there were incidents of criminal damage and assault. John required a one to one staffing ratio in order to ensure he was kept safe. In 2004 he attempted to kill himself, but was found by a member of staff, and later that year he self-harmed. Following a full psychiatric forensic assessment, the decision was made to accommodate John in secure accommodation.

The secure accommodation he was first placed in cost £3,900 per week. Although he responded well to the strict, predictable boundaries that were in place there, he became more challenging as the placement went on, particularly towards the end when unsure about his next placement.

He was therefore moved to another placement which specialises in providing a service to young people displaying problems such as John's. Their approach is to provide clear, consistent boundaries and a placement that also offers a positive approach to managing behaviour so that the young person does not feel rejected continually. He was pleased about the move and initially settled in very well, with few incidents. After a while, however, he gradually began to test the boundaries, with increased incidents of physical aggression towards staff, resulting in the need for physical restraints. As a result, John was recently moved to a single-bedded unit still with the same organisation, as it was felt more appropriate in managing his behaviour at the present time. John is happy with this move, and to date has settled in well with few incidents, although he continues to test boundaries, and to test staff and their commitment to him by initiating incidents. As John's anxieties increase so, it would appear, do his aggressive outbursts.

Since being in this last placement, John has started at a new school that caters for statemented pupils with special educational needs. He is well-liked by the school and has settled in very well: at his annual review the feedback from his teachers was excellent. He is now also in regular contact with his family, who he visits every weekend. There are also plans for him to see them one day a week at the unit, to spend some quality time together and where the staff can also help his family reinforce some positive responses to John's behaviour.

John's current placement costs £5,000 per week.

Eligibility criteria for access to children's services remain high, and eight per cent of local authorities propose to tighten eligibility criteria further, so only the most needy and vulnerable children can be helped. With budgets tight, the focus on fewer, most needy children has limited, and will continue to limit, the ability to fund preventative work.

Nine out of 10 (90 per cent) of authorities are caring for young asylum seekers. In total there are an estimated 30,100 asylum seeking children across England, of whom 10,900 are unaccompanied. Those authorities with unaccompanied children were asked about the additional costs associated with implementing the judicial review involving the London Borough of Hillingdon and its responsibility for young asylum seekers under the Children/Leaving Care Acts. For those who were able to answer this, the average cost predicted for the current financial year was £0.4m.

Of the 14 per cent of authorities which have costed the implications of implementing the Children Act 2004, the average estimated additional funding in a full year is £832,000.

Adults' services

The importance of good, flexible adult social care is assuming greater national priority as more and more people can expect to use services at some point in their lives. Demographic and cultural change means greater demands for social care, and subsequently a need to promote independence and control by moving the current focus of social care from acute to preventative services, designed around the needs of individuals.

Adults' services are now being delivered against a background of:

- rising numbers of people aged over 65;
- rising numbers of people with dementia;
- rising numbers of people with complex disabilities;

- increased life expectancy of people with disabilities;
- rising expectations for individualised packages of care and more care at home;
- reductions in housing support revenue through *Supporting People*;
- a low paid, under-trained workforce; and
- recruitment difficulties in the social care market.

The effect of these factors was evident in the pressures local authorities experienced in 2003/04 when:

- 50 per cent of authorities overspent on physical and sensory disability services;
- 50 per cent of authorities overspent on services for people with learning disabilities;
- 36 per cent of authorities overspent on older people's services; and
- 33 per cent of authorities overspent on services for people with mental health problems.

Pressures have continued in 2004/05. The survey shows:

- 63 per cent of authorities were projecting an overspend on services for people with learning disabilities;
- 42 per cent were projecting an overspend on physical and sensory disability services;
- 34 per cent were projecting an overspend on mental health services; and
- 33 per cent of authorities were projecting an overspend on older people's services.

A similar proportion of authorities was experiencing pressures in 2004/05, compared to 2003/04.

In managing these pressures, local authorities are working to high thresholds for access to services. Table 3 shows the band authorities have set for fair access to care.

Table 3: band for fair access to care

Band	% of authorities
Low	6
Moderate	36
Substantial	53
Critical	5

Thus six out of ten people are only supported if their needs are substantial or critical. In addition, 12 per cent of authorities were planning to further tighten eligibility criteria for older people as a result of budget pressures, nine per cent for those with physical and sensory disabilities, eight per cent for people with learning disabilities and seven per cent for people with mental health problems.

The survey identified a number of areas as cost pressures over original budgets for 2004/05, and these are shown in Table 4 below.

Table 4: cost pressures over original budget in 2004/05, for adults' services

	Demand/volume % of authorities citing as pressure	Unit cost increase % of authorities citing as pressure
Care placements for people with learning disabilities	66	63
Agency staff	48	30
Domiciliary care	46	41
Care placements for older people	36	39
Care placements for people with mental health problems	34	39
Care placements for people with physical disabilities	33	46
Delayed discharge	12	11
Fee increases – adults and older people	N/A	52
Section 117 – impact of Ombudsman decision on payments	N/A	35
Preserved rights	N/A	28
Losses on residential care allowance	N/A	20

The most significant pressure in adults' services for 2004/05 was in respect of learning difficulties. The projected overspend across the country was £43.7m and reflects increased longevity, more people with profound and complex disabilities and more individualised forms of care in response to *Valuing People*.

Investment from the Department of Health in 2004/05 to reduce delayed discharges has enabled local authorities to make changes and meet demand in this area (see Case 2).

Delayed discharges were reduced by a quarter between September 2003 and September 2004. This has been achieved by developing additional services and capacity around the interface between health and social care, increasing re-enablement and supporting more people at home.

Investment through the Access and Systems Capacity Grant has helped offset some of the pressures on older people's services. However, there is a lack of clarity about the long-term nature of this funding, which may impede progress.

Case 2: using funding to support the NHS system by earlier discharge

Mrs Quentin was admitted to hospital on 1 September 2004, suffering from a severe heart attack. Just over three months later, when Mrs Quentin's condition had improved, the community team was notified and assessments were conducted immediately. The assessments concluded that Mrs Quentin's needs could be best met in a nursing home. The next day the ward staff informed the family of the conclusion, and by 15 December 2004 the family had chosen a nursing home outside the area, close to their own home. However, the family was afraid that if funding was not granted quickly they would lose the place in the nursing home.

Thanks to an accelerated process, the principal manager on the hospital team was able to agree funding, prior to the funding panel meeting to formalise the decision the following week. In Mrs Quentin's case, the community social worker contacted the discharge social worker on the day the family informed them about the nursing home place. The discharge social worker:

- collected the specialist assessment from the nurses;
- discussed and faxed the specialised assessment to the RNCC nurse assessors, to agree the nursing element of the funding;
- contacted the nursing home, to ask the manager to come and assess Mrs Quentin for admission; and
- arranged the discharge for 23 December 2004.

These processes expedited the discharge and prevented the family from possibly losing the placement of their choice: Mrs Quentin was out of hospital, and settled in her new nursing home near her family, in time for Christmas.

The accelerated process that allowed Mrs Quentin to move out of hospital quickly was only possible because of the additional reimbursement funding available to reduce delayed discharges. This funding allowed Mrs Quentin's local authority to employ social workers who focus specifically on expediting discharges and to change procedures for agreeing funding.

Councils are continuing their commitment to support and maintain the independent sector with average fee increases of 5.3 per cent for nursing home care, 4.9 per cent for residential placements and 4.7 per cent for home care in 2004/05.

There is a small but steady growth in the number of social care clients using direct payments, but numbers are still low and authorities with partners are committed to achieving further improvements in uptake. On average per authority, 147 people were receiving direct payments, with the majority

being people with physical/sensory disabilities. Because of individual reluctance by service users to take up direct payments, and the focus by authorities on those with substantial or critical needs who frequently require more support to manage their own care, there are increasing overhead costs associated with achieving greater uptake (see Case 3).

Case 3: infrastructure costs to support service users with direct payments

A properly supported direct payments system enables service users to be in control of their own care arrangements. This form of social care support is emerging as a preferred choice for a number of service users.

One authority's experience is that when a service user feels supported through the process they are more likely to take up direct payments. The support they need is in two areas:

- advocacy - advice about how it works, responsibilities and benefits; and
- administrative support - practical support around payroll and employer tasks.

This authority has a service level agreement with the Council for Voluntary Service (CVS), which provides a staff resource to assist people considering taking up direct payments. CVS will meet with a service user who is considering direct payments, to explain the benefits and responsibilities.

Under direct payments the service user employs personal assistants, with all the responsibility of being an employer. The service user often sees the employment responsibility as a big area of concern: therefore advice and guidance at this time is a critical part in the process. The service level agreement also provides for CVS to assist service users with practical administrative support, particularly around payroll, liaison with the tax office, employment contracts and employment responsibilities.

This advocacy and administrative support service is an important feature for the successful support and growth of direct payments within social care. The service cost the local authority £50,000 in 2004/05, and will rise with the number of direct payment service users. The projected cost for 2005/06 is £120,000, which may rise to £200,000 by 2006/07 as more people take up direct payments for social care.

The advocacy and administrative support service is an additional cost to the social care system. This represents an additional funding requirement, which needs to be met if direct payments are to be taken up by a wider group of people.

Conclusion

The scale of the budget pressures in social services, both in terms of financial overspending and increasing restrictions on services, are clear from this study. Social care faces enormous cost pressures.

This research shows that most local authorities are spending more than government estimates within FSS in order to meet local needs. Year on year authorities are increasing budgets and projected outturn spending by significantly more than the government's increase in FSS. It is essential that the government recognises this within the forthcoming Spending Review. Moreover, the social care green paper, *Independence, Well-being and Choice: Our Vision for the Future of Social Care for Adults in England*, recognises the need for preventative measures to ensure better health, and it is essential that resources are available for this. There needs to be a shift in the balance of funding away from acute services into preventative care, to help people maintain independence and reduce pressure on intensive services.

The Local Government Association, the Association of Directors of Social Services and Treasurers' Societies are keen to work with government on any aspects highlighted in this survey that will lead to improved outcomes for people who use social care services.

For further information, please contact
the Local Government Association at:
Local Government House
Smith Square, London SW1P 3HZ

**or telephone LGconnect,
for all your LGA queries, on 020 7664 3131**

Fax 020 7664 3030

Email info@lga.gov.uk

Website www.lga.gov.uk

LGAresearch

promoting better local government

LGA code F/SR185
ISBN 1 84049 475 1