

**BRIEFING NOTE****AGENDA ITEM NO. 6a****TO: HEALTH SCRUTINY & PERFORMANCE PANEL****DATE: 19 SEPTEMBER 2013****RE: FINANCIAL ISSUES IN ADULT SOCIAL CARE AND INCLUSION**

1.1 At the end of June the Directorate reported that the ASC&I budget was projecting an over spend of circa £4.5 million (after action plan savings). They also reported that the Directorate had sufficient reserves to meet this over spend in this financial year (2013/14). However this is not a sustainable position particularly given the likely level of savings that is required for next and future years.

1.2 Over the last month we have been working together to try and understand better from where this over spend arises. We have identified the following four areas that together make up most of the over spend. Two of them relate to savings targets that had been agreed with the Executive Director in setting this year's budgets that now seem to be unattainable and one area where pressure on budgets had not been anticipated in this year's spend.

1.3 The two areas of unachieved savings are in the Learning Disability Services and in Mental Health Services. For Learning Disabilities there had been an expectation that the level of expenditure could be reduced from previous years by three major approaches – first that people who had previously lived in residential care would be able to move back into their own properties in the Borough where they would receive appropriate ongoing support but at a significantly lower cost. Second, for those who remained in residential care there would be a review programme that would renegotiate placement by placement the cost we were going to pay for the care provided. Third, that a residential unit run by the Black Country Partnership Learning Disability Trust (in Walsall) would close (Sutton's Drive) and that there would be a saving arising from that closure.

1.4 Some success has been achieved through the movement of people from residential care to community based care. This has saved some money – about £100,000 to date – but the expectations were for a much higher sum to be achieved. This expectation was probably too high – especially within the timescales set. The programme will continue and is likely to save a further £147,000 by the end of this financial year. There has been little progress in the renegotiation of contract prices though work with corporate procurement has just started to look at this. The closure of Sutton's Drive has not happened (and for a number of reasons is unlikely to happen) there may be some savings that will arise.

1.5 The Learning Disabilities budget will still have a short fall of £1.5 million for this financial year and this is unlikely to be further reduced – in fact new risks have been identified as 7 younger adults with high cost packages of care will transfer from children's services to adult's responsibility in this financial year (as they reach the age of 18). This will add new pressures on this already underfunded budget.

1.6 In Mental Health services there was an expectation that a saving would be made from their commissioning budgets of £500k in this financial year and the budgets are already reporting an overspend of £727k. Mental Health Commissioning have re-designed services over the last 3 years to reduce placements and increase the use of community and supported living solutions. This work has delivered savings and continues to do so but

will not generate the savings which officers report as “unachievable – as they only spend £4 million on commissioned services.

1.7 In addition the medium term financial savings identify an additional £500k against Mental Health services and £1.1m against other client groups for next year (2014/15) – before we set the budget – for which again there are no plans.

1.8 The third area where ASC&I appear to have a problem is in a surge of activity that has occurred since November 2012 (when the work was done to set the Budget for this year) which appears to be mostly related to managing discharges of older people from the Manor Hospital. There has been an increase in older people going to residential care – sometimes arranged on an emergency (short-term basis) which has then led to a longer-term placement (which probably could have been avoided). This has contributed to about £1 million of additional pressures. There is a lot of debate as to the exact amount of this problem as our financial and activity IT systems do not appear to be telling quite the same story. (This figure may slightly reduce when corrections are made).

1.9 Fourth, there are pressures in domiciliary care. There have been increases in number of clients (as in 1.8), the average number of hours per client has increased and since the introduction of the new framework (Support for Living at Home contract) in quarter 4 of 2012/13, the average hourly rate for domiciliary care has increased from £10.64 per hour to £12.37 per hour. This is probably a much more realistic rate at which the Council might expect to purchase domiciliary care and receive a reasonable quality service but no budget provision has been made for this level of increase. These pressures in domiciliary care are projected to cost about £2 million in this financial year. (The national data suggests that reasonable quality domiciliary care might be provided at a cost of between £12.50 - £13.50 per hour – higher in London – Walsall were paying one of the lowest rates in the country in 2012/13).

## 2.0 The data shows the following activity:

**Figure One – Numbers of people being helped (all client groups)**

	Number of residential/nursing placements	Number of domiciliary care packages	Total number of clients
<b>November 2012 – Base</b>	872	1784	2656
Apr-13	806	1803	2609
May-13	803	1760	2563
Jun-13	822	1793	2615
Jul-13	818	1797	2615

**Figure Two - Average cost for care**

	Average cost of residential/ nursing placement per wk £	Average cost of domiciliary care package per wk £
<b>November 2012 – Base</b>	586.10	248
Apr-13	582.73	272
May-13	583.61	278
Jun-13	576.44	279
Jul-13	574.25	274

**Figure 3 - Different client groups activity**

Residential care	Learning Disabilities	Mental Health	Older People	Other Younger Adults	Total client no's
November 2012 – Base	148	172	539	13	872
Apr-13	126	156	512	12	806
May-13	125	156	509	13	803
Jun-13	125	155	528	14	822
Jul-13	125	157	522	14	818

**Figure 4 – Costs of residential care for different client groups**

Average cost of placement (residential) per wk	Learning Disabilities	Mental Health	Older People	YADS
November 2012 – Base	1,318.16	517.78	412.11	787.84
Apr-13	1,323.38	518.16	411.24	733.78
May-13	1,342.05	519.34	416.71	739.28
Jun-13	1,336.61	518.83	413.20	715.51
Jul-13	1,339.54	513.58	414.30	715.73

**Figure 5 – Costs of Care in the Community (Domiciliary Care)**

	<b>Private sector home care cost for 1 week in each month</b>	<b>Community (Supported) Living cost for 1 week in each month</b>	<b>Direct Payments - Adult cost in 1 week in each month</b>
	£	£	£
<b>November 2012 – Base</b>	176,183	162,010	99,212
Apr-13	159,374	197,543	117,718
May-13	176,671	199,737	120,529
Jun-13	180,496	205,688	122,009
Jul-13	184,207	204,752	122,417

The data shows a decrease in activity since November 2012 though the numbers of older people in residential care has slightly increased during this year (2013) – shown in Figure3. In the other groups the numbers remain stable (not the planned decrease that the budget anticipated). Given the potential for demographic demands this may be seen as a “good result”. There is a small increase in the numbers using domiciliary care. The costs show a small increase in the costs in Learning Disability and for Older People in residential care. The significant increase is the amount paid for domiciliary care where the average weekly cost has risen by £26 per person per week.

3.0 The Directorate has taken some immediate action to look to reduce the overall deficit.

- (1) We have frozen the budget that is used by the hospital to make short-term residential care placements and only agreed to placements of this nature being made in proper Intermediate Care Residential Services where people will receive the right help. This should reduce the spend this year but we are uncertain by exactly how much.
- (2) We have invested an additional £750,000 in the Intermediate Care (Domiciliary Care) services for this year but the new investment will only be fully operating from 1<sup>st</sup> September meaning that £300,000 won't be spent this year. This money will now be “frozen”/ removed from the budgets. It is also expected that this new service will both reduce new admissions to residential care and additional demand for domiciliary care from older people.
- (3) We have found as part of our overall savings programme £250K efficiency savings from a base budget review which is within the forecast overspend figure.
- (4) We are running a vacancy rate in the Directorate, which will continue over the year – either reducing or freezing the current vacant posts. We need to calculate what savings that might produce in this year.
- (5) We may have some savings arising from actions we have started to prepare for the savings that will be required for next year's budget.

- (6) We have currently assumed £500k of costs for brokerage within the £4.5m over spend which we have not called down so any reduction in this will reduce the over spend.

The total impact of this action may reduce the overspend by up to £2 million but that will still leave an ongoing problem of over £2 million for the Council. The Directorate has built up a contingency fund to cover this for this financial year.

#### 4.0 **Conclusion**

The Directorate reported a £4.5 million overspend at the end of June remained at the same level for the end of July. This is made up mostly from undelivered savings in both Learning Disability Services, and Mental Health services. There has been some increase in demand for services for older people arising from last year's winter pressures in the health service and some increased costs of domiciliary care. The Directorate now needs to agree the impact of the action it can take to reduce the deficit for this financial year and how it will ensure these underlying problems are addressed going forward. The Adult Social care and Inclusion Directorate will report a balanced budget at the end of the year as reserves that have been carried forward from 2012/13 are available to meet the overspend. However, this position is not sustainable going forward.

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10 September 2013

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10 September 2013