Rising to the Funding Challenges in Adult Social Care

Overview
The combination of reduced resources and increasing demographic pressures is putting the delivery of councils’ statutory delivery of adult social care under increasing pressure. London Councils, supported by Ernst & Young, have carried out some initial research that provides a contribution to the discussions regarding the future funding of adult social care.

The research explores several options that some councils are already implementing to help them mitigate these financial circumstances. The research found that, once councils implemented these options, they were able to achieve higher levels of efficiency savings in the delivery and commissioning of adult social care, yet despite this, they will still not be able to bridge the projected funding gap.

This report is being used as a basis for London Councils’ engagement with government on the future funding of adult social care. The report sets out some of London Councils’ initial plans for taking forward this debate with government.

Analysis
The funding gap in adult social care
Our analysis illustrates that London councils are faced with a £907 million funding in adult social care within five years; as a result of a combination of reduced budgets and growing pressures, as people live longer and have increased care needs. The potential funding gap grows to £1.5 billion\(^1\) if the Dilnot Commission’s recommendations\(^2\) are taken into account.

Councils in London are already spending approximately 33 per cent (£2.8 billion) of their overall budgets on adult social care services. Our analysis shows that by 2020 the principal statutory responsibilities of local government – namely social care and waste – alone could require more than 60 per cent of a council’s available resources.

\(^1\) This is assuming that local authorities will be faced with at least 15 per cent budget cuts in the next spending review

\(^2\) Although the government has committed to the principles set out in the Dilnot Commission’s report, it is yet to commit to the specific caps it will implement - see also member briefing No.40
While government has a critical role in ensuring that councils have appropriate levels of funding for adult social care, councils should and are playing their part in working more effectively and efficiently to achieve savings.

**Approaches for optimising efficiency savings**

London Councils report, “A Case for Sustainable Funding for Adult Social Care,” explores three different approaches currently being implemented by some councils. The report illustrates the levels of savings that these councils are achieving and suggests initial estimates of how much could potentially be saved in London, were other councils to implement these approaches and also achieve similar levels of savings.

The research found that efficiency savings ranging between £240 million and £735 million could potentially be achieved across London. It is expected that efficiency savings achieved are likely to be subject to local decisions, local circumstances and local political will and therefore will vary from council to council.

The report makes it clear that, despite even the most optimistic efficiency savings that could potentially be achieved by councils, a funding gap would still exist that would need to be bridged by government.

The three approaches analysed in the report are:

1. **Health and adult social care integration**: With this option, the aim is to improve patient/service user experience by designing a system that closely aligns health and adult social care services. Integration between health and social care could result in lower costs and overheads as people are kept in their homes for longer accompanied with a reduction in the use of acute services.

Integration can occur in a number of ways, including integration of commissioning and re-commissioning of intermediate care services that are aimed at avoiding hospital admissions and placing increased emphasis on community services where appropriate.

Our research found that integration is beginning to take place both within boroughs and across borough boundaries. Under the Community Budgets Programme, the Tri-borough council (Hammersmith and Fulham, Westminster and Kensington and Chelsea) has developed an integrated approach to care and support for the most vulnerable; providing services in their own homes and communities, in order to avoid hospital and care home admissions. From this work the Tri-borough estimates that the stakeholders involved will save up to £50 million per year as a result of integration between health and social care.

Based on the Tri-borough’s estimated efficiency savings, and a 50/50 split3 between stakeholders, London Councils analysis found that, if all councils in London were to implement health and adult social care integration and achieved similar levels of savings as the Tri-borough, potential efficiency savings of between £125 million and £375 million could be achieved.

2. **Alternative delivery models**: Some local authorities have responded to the challenge of diminishing resources by establishing trading companies that provide social care services. Local Authority Trading Companies (LATC) can result in tangible improvements in customer services, while simultaneously enabling significant efficiency savings through reduced bureaucracy and increased flexibility to cope with differentiated needs of service users.

3 The split between stakeholders will vary according to local circumstances and are subject to negotiation
Essex, although outside London, was used as a case study because of the progress it has made in the delivery of alternative models. Essex has adopted an alternative delivery approach and estimates it will save £11 million over three years. It is estimated that, if councils in London were to implement alternative delivery models, they could expect to achieve efficiency savings in the range of £70 million to £220 million.

3. Category management (procurement arrangements): Category management refers to the systematic and disciplined approach to procuring services and/or goods of a similar nature, known as categories. Such an approach to procuring adult social care provision also presents an opportunity to ensure resources are used more effectively, while maintaining the highest quality of service.

The London Borough of Greenwich anticipates savings of £500,000 per annum. Based on Greenwich’s estimates, our analysis estimated a potential savings range of between £45 million and £140 million through category management.

Commentary

The future funding of adult social care is a growing concern for both government and councils. Indications from the Treasury are that the government does not have enough money to provide the levels of funding that councils say they require to deliver adult services, particularly when the Dilnot Commission’s proposals are taken in to account.

Over the past few months we have seen government delay making a decision on long term funding and in particular on implementing the Dilnot Commission’s proposals. Despite expectations raised by the media that the mid-term Coalition review would finally address the issue, it did not; instead, it reiterated the previous government position of supporting the “principles” of the review.

However, it is important to note that, even if the government was to address the Dilnot Commission’s recommendations, this would not address the funding pressures faced by councils. However, implementation of the Dilnot Commission’s recommendations would
increase the number of people who are qualify for council funded care as the minimum eligibility threshold would increase from £23,250 to £100,000 – adding to funding pressures.

London Councils will continue to lobby government to ensure an holistic long term funding package for adult social care in London. Over the past couple of months, we have seen the government make a range of one-off funding announcements\(^4\) for social care totalling £1.4 billion, which is equivalent to approximately 10 per cent of the current national spend on adult social care\(^5\). We believe that it would be better if councils had this funding upfront with the rest of their allocation rather than in small separate announcements.

With the on-going budgetary pressures, it is essential that consideration is given to ways of working to maximise funding allocations as much as possible and to explore ways in which efficiency savings could be increased. The report identifies a range of between £240 million and £735 million in potential savings, however, there needs to be local commitment and appetite to implement these approaches if the full benefits are to be realised.

Councils are faced with immense funding pressures that are only going to increase over the coming years and government is unlikely to provide the appropriate levels of funding that councils need to deliver/commission adult services. Members have a critical role in helping to make the swift decisions that will enable councils to explore a range of options that could help them to make additional savings.

However, it is important that, while councils explore the best ways for them to achieve higher savings, the principles of personalisation and increased choice for service users are not compromised.

London Councils believes that there are additional ways that government could support local authorities to maximise the opportunities for councils to achieve higher efficiency savings. These include:

- speeding-up changes to data protection regulations so social workers and NHS staff can share information about clients safely
- removing target and tariff based payment models in the NHS that discourage investment in multi-agency services
- making it easier for councils to develop new ways of providing adult social care by removing red tape.

**On the horizon**

London Councils is developing a work plan targeted at influencing the government’s decisions on the future funding of adult social care over the coming months.

In addition to feeding into the Draft Care and Support Bill, which will soon be going through Parliament, London Councils’ Lead Member for Adult Services, Cllr Govindia, has also requested a meeting with the Secretary for State for Health in which the challenges facing councils in London will be discussed while also illustrating how councils are working hard to meet the funding pressures.

Following publication of London Councils report on 9 January, a proposal was put forward by Baroness Wheeler for the House of Lords to hold a debate on the issues raised in the report.

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\(^4\) 2013/14 Department of Health individual funding announcements include - winter pressures for social care (£25 million for London); reablement (£300 million); NHS transfer money (£895 million); Local Reform and Community Voices Grant (£42 million); Community Capacity Grant (£129 million). https://www.wp.dh.gov.uk/publications/files/2012/12/LASSL_DH_2012_2_19122012.pdf

\(^5\) Based on England net expenditure on adult social care 2012/13
Over the coming year, London Councils will build on the findings of this report and continue to work with local authorities to reform delivery of adult social care to secure better outcomes for people more efficiently, through building a strong narrative on best practice, sharing lessons and securing government action to remove blockages.

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Links:
A Case for Sustainable Funding for Adult Social Care

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