

# EAST AYRSHIRE COUNCIL

CABINET – 2 JULY 2008

## SOCIAL SERVICES BUDGET SUSTAINABILITY

### Joint Report by the Executive Director of Educational and Social Services and the Executive Head of Finance and Asset Management

#### 1. INTRODUCTION

- 1.1 This report proposes a range of actions designed to achieve a breakeven position in the 2008/09 Social Services budget and proposes further areas of work to be undertaken to ensure sustainability in the Social Services budget from 2009/10 onwards.

#### 2. BACKGROUND

- 2.1 In the space of 7 years the gross Social Services budget has doubled from £35 million to £71 million, as a result of increasing social care requirements which have been driven by a number of external factors. New legislation, national policy and demographic changes, and importantly changing needs within the community have resulted in significant additional demands being placed on Social Services budgets not all of which have been fully funded by central government.
- 2.2 The External Auditor in his Report to Members on the 2004/05 annual accounts commented as follows; “The projected outturn for social services is breakeven taking into account a significant level of non-recurring savings and the use of reserves built up in prior years. During 2005/06 Social Services should monitor its financial position closely and identify recurring savings plans for 2006/07 that address this non-recurring reliance.”

Efforts have been made by Educational and Social Services management since then to address this. It is the case that the Social Services budget has not been overspent in any subsequent year but there has continued to be a reliance on non-recurring income and savings in achieving this.

- 2.3 Recommendations by external observers have indicated that robust eligibility criteria for services need to be developed in order to screen out inappropriate referrals at the initial point of entry, in order to ensure that there is an appropriate and timely response to those children, adults and older people who require social services’ support, particularly at the highest level.
- 2.4 In his final report on the Strategic Review of the Revenue Budget in December 2007, Professor Arthur Midwinter confirmed: “Whilst there is a significant under spend (compared to GAE) on Social Services Services for the Elderly, there is no suggestion from Officers that demand for such services is not being met. This is in stark contrast with Children’s Social

Services Services examined last year. The over spend (compared to GAE) in Mental Illness reflects the composition of funding. The GAE is a specific grant, which only meets 70% of the costs. In these services, as with Education, I did not form the view from the benchmarking assessment that further scope for savings could be justified. The Council spends below average on three of the four services for which data is available, but above average on Residential Accommodation.”

**2.5** The spending proposals in the final SRRB report which was accepted by Cabinet was that an additional £0.400m should be allocated to Social Services over the next four years to allow the redesign and development of the children and families infrastructure, with an emphasis on early intervention and preventative intensive family support services.

**2.6** Whilst this provides some comfort that service costs are comparable with those of other councils, although some of the statistics may not be directly comparable as different organisational structures apply, the fact that demands continue to increase at a higher rate than resources available means that it is essential to continue to improve, as appropriate, on:

- (i) assessment and care management arrangements;
- (ii) develop, as appropriate, new models of care and ensure that service structure adequately supports front-line delivery;
- (iii) staff are highly and appropriately trained;
- (iv) there are robust supervision arrangements;
- (iv) partnership working is effective
- (v) duplication is avoided.

The conclusion from the above is that it may be possible for service needs to be met within current resource allocations

### **3. SERVICE DEMANDS**

**3.1** As set out in paragraph 2.1 the increased service demands faced by Social Services means that services are now provided to over 5,000 clients. The expansion in care provision has brought with it major challenges, both operationally and financially. National trends point to continuing high levels of demand in the future, with further significant resource implications. These issues are detailed in the remainder of this section.

#### **3.2 Community Care**

##### **3.2.1 People with Disabilities: The Shifting Balance of Care**

The changing shape of social care provision for people affected by disabilities since 2000 has resulted in fewer group living facilities and more individualised tenancies. East Ayrshire Council has subsequently supported 44 people to move back to their communities from continuing care beds in hospitals, generally now living in their own homes with significant packages of support. While there were NHS Resource Transfer arrangements in place for these

service users, this does not meet the actual cost of care and there is significant additional funding required from the Council. There are an additional 93 people whose current care arrangements are not sustainable in the long term either due to ageing family carers or due to the fact they are leaving residential settings and will require individualised adult support services.

### 3.2.2 Home Care Services: The Shifting Balance of Care

The thrust of community care policy over the last decade has been to shift the balance of care from institutional care towards providing more care for older people in their own homes and offering them more choice in the provision of their care.

East Ayrshire's current provision increasingly reflects this shift in the balance of care with demonstrable improvements in the scale and flexibility of the services provided but in some instances at a much higher cost. The following highlights the rise in both the number of service users and the total number of hours of care at home provided per week with an increasing level of personal care required for higher and increasingly more complex needs.

<b>Care at Home - Hours Provided (per week)</b>	<b>2003/04</b>	<b>2007/08</b>
<b>Total Hours provided</b>	<b>17,021</b>	<b>25,246</b>
<b>Number of Service Users (65+)</b>	<b>1,391</b>	<b>1,481</b>
<b>Number of Service Users (18-64)</b>	<b>286</b>	<b>421</b>

### 3.2.3 Free Personal Care (FPC): Funding Shortfall

An additional, significant factor in respect of sustaining the funding of services for older people is the Scottish Government's policy on Free Personal Care (FPC) introduced in July 2002. Funding for FPC across Scotland has not matched actual expenditure and the following highlights the shortfall in East Ayrshire since 2004/05.

<b>Free Personal Care: Allocation &amp; Expenditure £M</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>
<b>Scottish Government Funding</b>			
Home Care	2.279	2.328	2.328
Care Homes	1.368	1.468	1.468
<b>Total</b>	<b>3.647</b>	<b>3.796</b>	<b>3.796</b>
<b>Actual Expenditure</b>			
Home Care	3.867	4.482	7.250
Care Homes	1.380	1.545	1.830
<b>Total</b>	<b>5.247</b>	<b>6.027</b>	<b>9.080</b>
<b>Difference</b>	<b>1.600</b>	<b>2.231</b>	<b>5.284</b>

A recent report by Audit Scotland concluded that demand for Free Personal and Nursing Care is likely to grow with the projected growth in the older population and that this will have implications for the future costs of the policy. In East Ayrshire, the number of people aged 75+ is projected to increase from 8,759 in 2006 to 11,823 in 2020. For those aged 85+, the number is projected to increase from 2,108 in 2006 to 3,193 in 2020. This represents a 37.6% increase in the numbers of people aged 75+ and a 58.4% increase in people aged 85+. The number of people aged 75+ with severe disability is projected to increase by 37% and the number of people aged 75+ with severe dementia is projected to increase by 41% within the same time frame.

In East Ayrshire, personal carer provision has increased by 146.9% since the policy was introduced this is the second highest increase in Scotland. The increases ranged nationally from 0.1% to 212.2% with an average increase of 51.4%.

### 3.3 Children's Services

The main issue facing children's services is the increase in the number of looked after children reflected in the number of children referred to the Children's Reporter and those placed on the Child Protection Register. The number of children being looked after by Local Authorities is increasing annually and this trend is also evident in East Ayrshire. The increase in the number of looked after children has a continuing impact on budgets for foster care, residential care and Link Care. Between 2000 and 2007, East Ayrshire experienced an increase of 77% in the number of looked after children against a national increase of 33%. The following provides a summary of the national and local position:

	National	EAC
No of children looked after @ 31 March 2007	14,060	440
% increase since 2006	8%	7%
% increase since 2004	17%	33%
% placed at home with parents	43%	47%
% in residential accommodation	12%	9%
% looked after by foster parents	29%	29%

### 3.4 Social Services Initiatives

**3.4.1** In meeting these changing responsibilities and growth in demand, the Social Services Service can demonstrate a proactive approach to implementing significant service redesign including those relating to residential services for older people and the community meals service. These two reviews alone released approximately £1.4m for re-investment and efficiencies.

**3.4.2** During 2007/08, Social Services reconfigured the sheltered housing service which facilitated investment in an enhanced community infrastructure for

Older People. Adult services were also re-tendered resulting in significant cost reductions which have been utilised to offset increased service demand.

#### **4. 2008/09 BUDGET**

- 4.1** Whilst the outturn financial position for 2007/08 was essentially break-even, this was only achieved through non-recurring savings of £1.911m including the use of previous years' departmental balances and higher than expected staff turnover levels.
- 4.2** A review of the financial impact of the 2007/08 outturn shows £2.249m of 2008/09 budget pressures which are detailed in Appendix 1.

In addition an efficiency target of £3.632m was set for Educational and Social Services in 2008/09 of which £1.169m was allocated to Social Services by the Executive Director. The cumulative 2008/09 Social Services budget pressure requiring to be addressed is therefore £3.418m.

- 4.3** Additional financial resources amounting to £1.750m were given to Educational and Social Services as part of the 2008/09 budget of which £1.250m was allocated by the Executive Director to Social Services. In addition Social Services were allocated £0.100m following the SRRB and £0.100m to offset the ongoing additional costs of adult care packages which along with other minor efficiency initiatives which have released a further £0.067m leave a remaining gap of £1.901m. The remainder of section 4 of this report details the range of proposals which could be taken to bring the 2008/09 outturn in line with allocated budget resources.

#### **4.4 2008/09 Budget Proposals**

##### **4.4.1 Management Actions**

Management actions in 2008/09 have been identified including expediting recovery of monies from financial guardians, the consequences of current levels of staff turnover and the management of overtime. These actions will realise £0.926m towards the budget gap.

##### **4.4.2 Use of Departmental Balances**

The above proposals will deliver £0.926m in the current financial year. This leaves a balance of £0.975m to be found to deliver a breakeven position.

It is proposed to use non recurring Departmental balances within Educational and Social Services to close this gap in 2008/09, at 31 March 2008 the department held £1.323m of uncommitted budget carry forwards.

It is acknowledged that this element as well as the other non recurring elements in paragraphs 4.4.5 and 4.4.6 above will require to be addressed in future years and section 6 (below) details the areas to be considered for medium to longer term efficiencies.

<b>2008/09</b>	<b>£m</b>
Total Budget Pressures	3.418
Less Identified Resources	-1.517
<b>Remaining Budget Gap (paragraph 4.3)</b>	<b>1.901</b>
<b>Non Recurring Funding Options :</b>	
Management Actions	-0.926
Utilisation of ESS Departmental Balances	-0.975
	<b>-1.901</b>

## **5. 2009/10 SUSTAINABLE SERVICES – STRATEGY AND PROCESS**

**5.1** To achieve a sustainable budget, a strategy will be used that will seek to clarify the following factors:

- Clearly identify those services which require to be delivered
- Provide assurance that service provision is needs rather than demand driven.
- The scale, direction and nature of pressures for service expansion.
- The scale, direction and nature of pressures for service improvement or enhancement.
- Cost pressures caused by the wider economic environment.
- The scope for securing efficiencies through more efficient and streamlined service delivery.
- The scope for cost reduction or revenue generation.
- Identify any wider resource needs.

This is a complex and demanding agenda. It will require in its own right a task force of staff to review all aspects of social services' activity composed of colleagues with expertise in service delivery in addition to financial management.. The approach will be to take a phased approach:

- Phase 1: establishing a firm budgetary baseline for 2008-2009 as described in this report. (by July 2008)
- Phase 2: assembly of a comprehensive range of contextual and service delivery information. (by end August 2008)
- Phase 3: developing and evaluating alternative options in terms of the factors listed above (by November 2008)
- Phase 4: presentation of finalised plan for 2009-2011 to Cabinet (December 2008)
- Phase 5 preliminary implementation of plan (by end of March 2009)
- Phase 6 full implementation (April 2009 – March 2011)
- Phase 7 review of strategy and plan (by September 2010)

Some of the detail of the initial phases is illustrated in paragraph 5.2 below.

**5.2** The recurring 2008/09 budget gap shown above is £1.881m and in addition further 3% efficiency savings of £1.620m are targeted in 2009/10 resulting in

an overall resource challenge of £3.501m in 2009/10, if demand remains at current levels.

During 2008 it is proposed that a number of Business Reviews of Social Services activities will be undertaken, with a view to generating efficiencies of this magnitude whilst maintaining care provision. The outcome of these reviews will be presented to the Cabinet by December 2008. An indication of the areas being considered are detailed in section 6.

These reviews will also take due cognizance of the emerging requirements of the Concordat as the financial impact of these becomes known.

These Business Reviews will be managed by a senior officer seconded from Finance and Asset Management on a full time basis. Prince 2 project management arrangements will be put in place and the Executive Director of Educational and Social Services will allocate appropriate resources from within the Department to ensure other agreed timescales and outputs can be achieved. The Executive Director or his nominee will also act as Project Executive responsible for decision making at every stage of the process.

The process envisaged will require extensive data gathering of benchmarking information and the identification of best practice, locally, elsewhere in Scotland and across the UK. At all stages service users and staff will be involved, as appropriate, to ensure appropriate and feasible outcomes. The information collected will be analysed and compared to East Ayrshire costs, service levels, practices and procedures with a view to identifying the options available to bring resources required into line with resources available.

## **6. 2009/10 SUSTAINABLE SERVICES – AREAS FOR CONSIDERATION**

A review of Social Services budgets identified the following as significant areas of expenditure for review

### **6.1 Review of all Home Care Service Provision (including Adult Care Packages & Residential Service Provision) – Annual Budget £33.382m**

#### **6.1.1 Home Care**

At present some Home Care services are delivered directly by Council employees and others by partner agencies on behalf of the Council. This review will examine this mixed economy with a view to enhancing our ability to secure Best Value for service users. This review will also consider the management of demand pressures.

#### **6.1.2 Adult Care Packages**

There will be an ongoing review of all adult care packages to ensure that clients are appropriately placed and receive the necessary care provision. This review will assess the effectiveness of home care and residential placements as well as the overall management of demand pressures.

## **6.2 Children's Services – Models of Care – Annual Budget £4.482m**

### **6.2.1 Residential Homes**

A review of the models of care being used to accommodate children and young people will be undertaken with a view to ensuring that Best Value is being secured including delivering optimum outcomes. This will include a review of the operation of foster care arrangements. Current use of external agencies for fostering may result in charges of up to £950 per child per week, compared to £329 for in-house placements.

## **6.3 Staff Costs – Annual Budget £23.066m**

### **6.3.1 Management Structures**

Management structures and responsibilities across Educational and Social Services functions will be reviewed. This review will involve a strategic assessment of required service provision and will recommend the most efficient and effective method of delivery.

The initial stages of this review have been completed and consideration and recommendations are contained in a separate report to this meeting of the Cabinet.

### **6.3.2 Administration and Support Structures**

A key target of the national Government is to reduce bureaucracy associated with service delivery. A review of current administration and support structures across Educational and Social Services is presently being conducted and will recommend the most effective structures to support the front line providers.

## **7. POLICY AND LEGAL IMPLICATIONS**

**7.1** Subject to the conclusion of the reviews, detailed in section 6 of this report, any proposals which require a change in Council Policy or existing service level will be brought before Cabinet for consideration.

## **8. FINANCIAL IMPLICATIONS**

**8.1** The proposals outlined in sections 4,5 and 6 of this report will contribute to the short and medium term sustainability of the Social Services budget position.

## **9. COMMUNITY PLANNING IMPLICATIONS**

**9.1** The reviews detailed in this report will take account of the Council's commitments in the Community Plan. Social Services play a key role particularly in the areas of Improving Health and Eliminating Poverty. The ability to take a long term view, in the knowledge that the resources required to deliver key services over the period are available, is essential.

## **10. RISK MANAGEMENT IMPLICATIONS**

**10.1** The proposals contained in this report will require continued monitoring since they represent a fine balance between the financial risk of significant expenditure beyond budget on the one hand, set against those risks which are associated with essential services being provided for vulnerable individuals.

## **11. RECOMMENDATIONS**

**11.1** It is recommended that Cabinet:

- (i) Agree to the proposals detailed in section 4 (above) which will result in a breakeven position for the Social Services budget in 2008/09;
- (ii) Agree the Strategy described in paragraph 5 of this report.
- (iii) Agree to a review of the areas outlined in section 6 of this report, with the outcomes and financial implications, being reported to future Cabinet meetings; and
- (iv) Otherwise note the contents of this report.

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26 June 2008

## **LIST OF BACKGROUND PAPERS**

Nil

Members wishing further information should contact Graham Short, Executive Director of Educational and Social Services, Tel: (01563) 576017 or Alex McPhee, Executive Head of Finance and Asset Management, Tel: (01563) 576300.

## SOCIAL SERVICES BUDGET SUSTAINABILITY PLAN 2008/09

	£M	£M
<b>2008/09 Impact of Recurring Budget Variances 2007/08 :</b>		
Fostering / adoption packages		0.791
Child respite facility		0.022
Care at home services all client groups		0.383
Elderly residential / nursing care		0.338
Adult care packages - existing budget pressures		0.260
Adult care packages - new 08/09 budget pressures		0.276
Self directed payments		0.139
Client transport costs		0.040
		<u>2.249</u>
<b>Approved Social Services Efficiency Target 2008/09</b>		<u>1.169</u>
<b>Total Budget Pressures</b>		<b>3.418</b>
<b>Identified Resources</b>		
Approved additional resources	-1.450	
Financial Guardianships - recovery of care costs	-0.050	
Budget realignment efficiencies	-0.017	
		<u>-1.517</u>
<b>Remaining Budget Gap</b>		<b>1.901</b>
<b>Recurring Budget Gap 2008/09</b>		<u><u>1.881</u></u>
<b>Non recurring funding options :</b>		
Management Actions		-0.926
Utilisation of ESS departmental balances		-0.975
		<u><u>-1.901</u></u>