

**SOUTH EAST STRATEGIC LEADERS AND
SOUTH EAST ENGLAND COUNCILS
JOINT MEETING**



Date: 6 February 2014

Subject: **Modelling the financial implications of the Care Cap on South East local authorities**

Report by: Philippa Mellish, Policy Manager, SESL

Recommendation: Members discuss and select their preferred option for SESL and SEEC to gather evidence on the financial implications of implementing the Care Bill.

1. Introduction

- 1.1. The implementation of the Care Bill will have stark resource implications for South East local authorities due to the South East's unique characteristics. These include:
 - Our large population, which places large scale demand on services;
 - Our large ageing and elderly populations - the South East has a greater number of older people than any other region;
 - Our rural cost premium – it costs more to deliver care in dispersed non-metropolitan areas;
 - Our higher cost area – service delivery costs more in the South East than most of the country, exacerbated by our proximity to London;
 - Our very high number of self-funders – rising to 80% in some areas – many of whom will become eligible for publicly funded support once the care cap comes into force.
- 1.2. It is imperative that Government recognises and responds to the additional cost pressures facing the South East through timely provision of adequate funding. This depends on the South East making a robust case for funding through SESL and SEEC. As a starting point, evidence is needed on the likely financial implications of implementing the Care Bill as this information is not currently readily available.
- 1.3. Fundamentally, we need evidence on the most significant client-related costs associated with changes to the means test limits and the introduction of the cap on care costs for older people and younger adults. To get a more accurate estimate of the likely new burdens arising from the Care Bill, one would also need to factor in wider costs, such as those resulting from the provision of information, advice and guidance, new rights for carers and deferred payments.
- 1.4. This paper sets out four options for modelling the financial implications of the Care Bill for South East local authorities. Options one and two offer an external approach commissioning analysis from Local Government Futures (LGF), the consultancy helping the Department of Health to develop national adult social care funding formulae. These are more expensive options but potentially offer greater independence and delivery within set timescales.
- 1.5. In contrast, option three is a 'home grown' approach drawing on work being carried out by the Association of Directors of Adult Social Services (ADASS). ADASS is more connected to local government and aligning this project with sector work already underway would reduce costs. This option could, however, offer less independence and is reliant on ADASS timescales.
- 1.6. Option four extends option three by suggesting that budget freed up by option three could be used to commission LGF to undertake a supplementary piece of analysis on another aspect of the Care Bill costs. This has the benefit of providing South East Councils with a more complete picture of the costs of the Care Bill, bringing a degree of external independence whilst aligning the main body of analysis with work being carried out by the sector.
- 1.7. **Members are invited to consider the options and the timescale of influencing Government decisions and recommend which option they wish SESL and SEEC to pursue.**

2. Options

Option 1:	Commission LGF to undertake analysis of the financial implications of changes to the means test limits and introduction of the care cap using a <u>top-down</u> approach.
Description:	Average data at South East level would be used to provide a sense of the potential range of regional costs without needing to undertake detailed work with individual local authorities. A number of broad assumptions, best estimates and proxy data will be used where required (e.g. total client numbers for the South East, average care costs and length of stay etc.). The likely 'central' scenario could be modified through the application of 'sliders' to reflect changes, such as to costs, self-funder numbers and wealth profiles. A similar approach was taken by London Councils to their report <i>Care and Support Funding Reform: Cost Implications for London</i> . This option offers a relatively quick means of reaching an evidence-based South East cost estimate but will not provide individual local authority data.
Timescale:	A relatively short project, with time and deadlines to be agreed with consultants
Costs:	Initial estimate £12,000 - £15,000, with costs shared across SESL and SEEC.
Option 2:	Commission LGF to undertake analysis of the financial implications of changes to the means test limits and introduction of the care cap using a <u>bottom-up</u> approach. This would be dependent on local authorities providing base data.
Description:	LGF would request and aggregate data from individual local authorities to provide a cost estimate for the South East. In some instances, regional data would still need to be used, for example wealth data. This option would be more costly and time consuming than option one but would provide useful data for individual local authority planning purposes. If some authorities did not wish to participate, regional estimates and proxy data would still be needed to fill data gaps, otherwise the South East estimate could be incomplete.
Timescale:	Time would be needed to collect data from each upper tier authority in the South East prior to analysis.
Costs:	Similar work being undertaken by LGF for individual local authorities is costing around £13,000 per authority. With 19 upper tier authorities in the South East ¹ costs could total around £200,000, assuming some scope for economies of scale. As this is beyond current SESL and SEEC budgets, if members want to pursue this option, sources of alternative funding would need to be identified. This could involve making use of some reserves or individual authorities making a contribution to project costs.
Option 3:	Use individual local authority data provided in response to ADASS's national survey and then undertake in-house analysis with officer support from one or more member authorities. Analysis would cover the financial implications of changes to the means test limits and introduction of the care cap using a <u>bottom-up</u> approach.
Description:	Using a model developed initially by Surrey CC, ADASS is conducting a national survey and analysis of the financial implications of the care cap. Members of upper tier councils would need to encourage their authorities to complete the survey and agree to share their results with SESL and SEEC. An in-house Council resource could then be used to undertake a South East specific analysis of the data. This option would provide individual local authority data alongside a regional aggregate cost assuming members can convince all South East upper tier authorities (including non members) to participate and share their data with SESL and SEEC.
Timescale:	Dependent on ADASS survey timescales.
Costs:	Expected to be cost neutral or incur minimal external costs.
Option 4 :	If option 3 is the preferred choice, there may also be scope for commissioning LGF to undertake a supplementary piece of analysis on another aspect of implementing the Care Bill, such as new rights for carers.
Description:	Wider analysis of the costs of additional demands that local authorities will face as a result of the Care Bill, for example an increase in carers' assessments, would help to give a more accurate picture of the costs of reform for the South East and extend

¹ This includes non-SESL and non-SEEC members: East Sussex, Medway, Brighton and Hove, Southampton and Portsmouth and excludes SESL members outside of the traditional South East: Wiltshire and Central Bedfordshire.

SESL and SEEC's analysis beyond that of other organisations, such as London Councils. If low-cost option 3 is the preferred choice, this could free up a research budget to fund option 4.

Timescale:	A relatively short project with time and deadlines to be agreed with consultants
Costs:	To be determined.