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# Overview and Scrutiny

## Funding and Financial Management of Adult Social Care Review

### Public Accounts Select Committee

November 2013

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#### Membership of the Public Accounts Select Committee in 2013:

Councillor Alexander Feakes (Chair)

Councillor Jim Mallory (Vice-Chair)

Councillor Jackie Addison

Councillor Abdeslam Amrani

Councillor David Britton

Councillor Helen Gibson

Councillor Sven Griesenbeck

Councillor Michael Harris

Councillor Mark Ingleby

Councillor Madeliene Long

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## 1. Executive summary

- 1.1 At £81.1m, the adult social care budget is the largest net budget in the Council (33% of the total) and is therefore central to the Council's financial position. Historically there have been overspends on Adult Social Care within Lewisham, including an overspend of £2m in 2004/5, part of an overall overspend for the then Social Care & Health Directorate of £9.5m. Since then steps have been taken to address the overspend, including examining how care needs were assessed and how care services were provided as well as improved monitoring of spend.
- 1.2 Adult Social Care is a demand led service and the local authority is legally required to provide services for those people assessed as in need of them. Therefore costs can be less predictable than other services the Council provides; if there is a sudden increase in demand for services this creates a serious resource pressure for the Council to resolve.
- 1.3 There are a number of pressures on Adult Social Care services, including budget reductions due to cuts in direct central government funding, funding for NHS and cuts to local government. In addition local public health functions have been transferred to local authorities. Demand for ASC services is expected to increase over the coming years due to demographic pressures and while Lewisham has a younger population than many other boroughs, it will still face increased pressure.
- 1.4 Personalisation is one of the key drivers behind Adult Social Care, and aims to give people more choice and control over their health and social care support and promote independence and social inclusion. A key focus of the transformation of health and social care is involving users and their carers in determining the services they need and how they should be delivered. This includes the use of direct payments to service users so they can purchase their own services. Currently 18.6% of service users receive direct payments with the aim of 26% of service users receiving direct payments in 2014. Outcome based commissioning is a key element of developing an effective personalised approach, as are services that prevent social isolation and provide respite support for carers. In order to achieve this level of flexibility and personalisation of care services there needs to be support from both the community and the wider market and there has been investment in the voluntary sector so that a more personalised offer can be made available.
- 1.5 The Government commissioned report on Social Care funding, led by Andrew Dilnot, was published in 2012 and made recommendations on how to achieve an affordable and sustainable funding system for care. Following on from the recommendations of the Dilnot Report the Government has now confirmed that assuming Royal Assent, the Care Bill enacting many of these recommendations will come into force in April 2015. This will consolidate existing care and support law into a single unified statute, introduce a cap on the costs that people will have to pay for care in their lifetime and delivers a number of elements in the Government's response to the findings of the Francis Inquiry, which identified failures across the health and care system.

The Bill will potentially have a significant effect on social care and its associated costs.

- 1.6 The integration of health and social care offers the opportunity to improve services for patients and users by designing a system that is easy to understand, provides consistency of intervention and more preventative, community-based and personalised services. Within Lewisham a lot of work has been carried out to further this approach and the Council is committed to integration. This approach to health and social care started 2 years ago, so Lewisham are ahead of many other local authorities in this regard and the Clinical Commissioning Group, Lewisham and Greenwich NHS Trust and the Council have, over the past year, formally agreed a new integrated model for community based health and social care services
- 1.7 Lewisham Council engages in a number of contracts to provide services for those in need of Adult Social Care. All commissioned services are routinely monitored for contract compliance and acceptable performance and quality and contracts have been changed so that block purchasing has been phased out where possible and spot purchasing offering flexible, shorter term contracts have been introduced. Lewisham's future commissioning intention is to design and procure services so they deliver an outcome based response for service users.
- 1.8 Nationally, consideration is also being given to different delivery models such as social enterprises and commercial trading companies that provide preventative and early intervention services to support people to live at home, whilst giving alternative and cost effective choices. These can allow a certain level of control over the provision of services and support the wider move towards greater personalisation by supplying services to service users with personal budgets.

### 3. Recommendations

The Committee recommends that:

- R1. The personalisation agenda within Adult Social Care should be further pursued and promoted by the Council as a way of offering services that are more flexible and suited to individual needs, as well as creating savings.
- R2. The increased use of direct payments for services should be promoted, ensuring that there is effective oversight and monitoring of the direct payment process in place.
- R3. Local markets supplying Adult Social Care services to those in receipt of direct payments should be further developed, with particular attention paid to supporting local voluntary and community groups that promote social cohesion.
- R4. The Committee supports the work carried out so far to integrate Adult Social Care with health services. This work should be maintained and further advanced with the new Lewisham and Greenwich NHS Trust, GP Practices and Public Health. Opportunities for further savings should be explored through integrating budgets and creating efficiencies.
- R5. Knowledge of Adult Social Care and the services it offers should be improved among all areas of the health sector. Promoting and improving signposting to Adult Social Care Services could provide improved longer term health outcomes and increased value for money.
- R6. An assessment should be carried out of the short-term impact that deferred payments for care introduced under the Care Bill will have upon Council finances and ensure there is adequate provision made for any impact.
- R7. The feasibility of forming a Local Authority Trading Company to trade in Adult Social Care services should be explored.
- R8. Contracts held by Public Health should be re-examined when due to be renewed, with funding directed towards areas that will not only lead to longer term health improvement but could also contribute to reduced future spending.
- R9. That the London Living Wage should be paid for all those providing residential and domiciliary care in London for Lewisham service users, including those employed via direct payments.
- R10. That further scrutiny and monitoring is carried out by the appropriate select committees on the following:
  - The development of the local market for Adult Social Care services.
  - The in-house direct payments process.

## 4. Purpose and structure of review

4.1. At its meeting on 17 April 2013, the Committee decided as part of its work programme to undertake an in-depth review into the funding and financial management of Adult Social Care.

4.2. The Committee agreed that, set against the context of potential increasing spend due to a demand led service and changing demographics as well as increased pressures to save money on local authorities, adult social care services face significant challenges. Added to this are potential changes emerging from central government which could have a serious impact on the finances of adult social care services. Therefore the Committee decided to pursue the following key lines of inquiry:

- How are demographics changing in Lewisham and what increased financial pressures could this represent?
- How is the adult social care budget being managed now?
- What has been the financial impact of the rollout of personalisation?
- How are contracts and procurement managed within adult social care? Have there been or are there planned any ways to improve the cost-effectiveness of these?
- How has the application of charging within adult social care been structured and how has this impacted on the overall budget position?
- What is the likely impact on adult social care of the provisions set out in the Care Bill and the Dilnot proposals?
- What is the potential for the use of alternative delivery models, such as trading companies or the increased use of public health responsibilities to support adult social care?

4.3. Evidence was taken at the following Committee meetings:

### 17 July 2013

- Information around the historic, current and future budget management and financial pressures on adult social care in Lewisham
- Benchmarking and demographic information for Lewisham
- Personalisation
- Procurement and contract management including contracts held by Adult Social Care

### 25 September 2013

- Financial impacts of changing policies and legislation
- Alternative delivery models, including a case study
- Outcome based commissioning, including a case study
- Charging
- Case studies of costs associated different types of care provision
- Further information on contracts held by Lewisham.

4.4. The Committee received a draft final report and finalised its recommendations at its 11 November 2013 meeting

## **5. Management of the Adult Social Care budget**

- 5.1. Lewisham Adult Social Care provides support to people over the age of 18 who are in need of community care services. These include services for:
- older people
  - people with physical disabilities
  - people with sensory disabilities (deaf or hard of hearing, blind or partially-sighted)
  - people with learning disabilities
  - people who provide unpaid care to friends or family.
- 5.2. People who require mental health services will receive support from the South London and Maudsley NHS Mental Health Trust (SLAM).
- 5.3. Services provided by Adult Social Care (ASC) include residential and nursing care, domiciliary care for those requiring assistance in their own homes, community support and activities including daycare, information and advisory services and advocacy, as well as support for carers.
- 5.4. At £81.1m, the adult social care budget is the largest net budget in the Council (33% of the total) and is therefore central to the Council's financial position.

### **Historic position**

- 5.5. In 2007, the Public Accounts Select Committee carried out a review into the, then newly formed, Community Services Directorate. One of the directorate's main responsibilities was the delivery of adult social care services. The review recognised that the budgetary commitments in providing adult social care in Lewisham are considerable and that government policy at the time favoured increased integration and personalisation of adult social care and community health services. The Committee highlighted concerns about how budgets for ASC were forecast and managed, and that demographic shifts such as greater longevity and increased survival (through better medical provision) of disabled children from the late 1980s were now impacting on adult services.<sup>1</sup>
- 5.6. Before the creation of the Community Services Directorate, Adult Social Care and Children's Social Care had historically been delivered together from one department. Adults and Children's Social Care were split in an attempt to align ASC's work more closely with health services. Prior to the creation of Community Services there were overspends, including an overspend of £2m in 2004/5, part of an overall overspend for Social Care & Health of £9.5m. Due to some of the delivery arrangements in place there was limited monitoring and management of budgets.
- 5.7. Over the last 6 years there has been a phased and on-going re-organisation of services and the budget is now controlled directly by officers in the Community Services Directorate, with improved monitoring and forecasting. In

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<sup>1</sup> Review of Community Services, Public Accounts Select Committee

addition, the Public Accounts Committee regularly monitors all Council spending in its recurring Budget and Capital Monitoring reports. This monitoring includes Adult Social Care budgets.

- 5.8. In an attempt to deal with historic overspend and the high cost of care packages, officers looked at how care needs were assessed and how care services were provided. Assessment panels were introduced to look at the costs related to the care packages on offer, in order to identify potential improvements in the way social workers approached assessment and provision of services, with the panels offering alternative and sometimes cheaper services
- 5.9. Contracts for residential and nursing care were historically carried out primarily on a block purchase basis. Block purchasing is where the Council purchases regular set amounts of bed space from providers regardless of demand. This is to ensure availability of beds at all times, but can prove costly, particularly when the bed space is not always utilised. This has now been phased out where possible and spot purchasing more widely introduced. Spot purchasing is where individual bed spaces are purchased as and when a need has been identified on a client by client basis. This offers flexible, shorter term contracts and tailored care packages for service users. This approach to purchasing is in line with the national agenda of “personalisation” in adult social care. Personalisation aims to give people more choice and control over the support they receive and will be explored in more detail in a later section. As part of the personalised approach, integration work with health service providers has increased the amount of people leaving hospital to go back to their own homes rather than residential or nursing placements, which is generally more favoured by service users and is also less expensive.
- 5.10. ASC is largely a demand led service and the local authority is legally required to provide services for those people assessed as in need of them. Therefore costs can be less predictable than other services the Council provides; if there is a sudden increase in demand for services this creates a serious resource pressure for the Council to resolve.
- 5.11. There have also been some additional “growth pressure” monies provided to ASC in recent years, to assist with the transition of young people with Learning Disabilities and Physical Disabilities moving from Children and Young People to Adult Social Care services. This additional funding amounted to £1.196m in 2010/11 and £1m in 2012/13.

### **Current position**

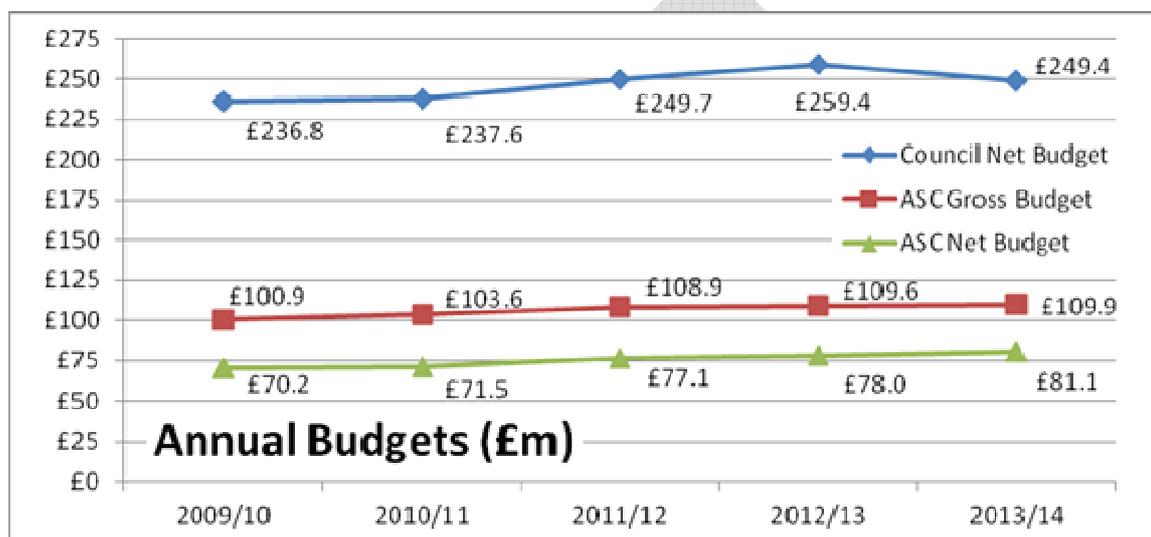
- 5.12. As has been mentioned previously, the adult social care budget is the largest net budget in the Council and therefore has a large impact on the Councils financial position. The gross budgeted expenditure has increased for three main reasons in addition to inflation and funded pressures:<sup>2</sup>

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<sup>2</sup> Funding and Financial Management of Adult Social Care Review: First Evidence Session Report, Public Accounts Select Committee, 17 July 2013

- The transfer of responsibility for learning disability services in 2011 previously provided by health (£7.7m)
- The impact of additional funding for adult social care paid via health (£4.9m)
- Specific local arrangements where the Council make payments to nursing homes and home care agencies on behalf of health then recharges the costs.

5.13. Net spend has increased due to absorption of previously ring-fenced central government grants into the base budget - £6.7m in 2011/12 and a further £7.9m in 2013/14. Excluding these transfers the net ASC budget has fallen by £3.7m since 2009/10. The budget movements are highlighted in the table below:<sup>3</sup>



5.14. Adult Social Care can be divided into four main areas, with the table below highlighting the separate areas and the budgets associated with them for 2013/14:<sup>4</sup>

	Expenditure £m	Income £m	Net £m
Information & prevention	3.3	-1.9	1.5
Enablement/ short term intervention	3.3	-1.6	1.7
Social work & assessment	11.2	-1.3	9.8
Packages & placements	89.7	-21.6	68.1
	107.5	-26.4	81.1

<sup>3</sup> Funding and Financial Management of Adult Social Care Review: First Evidence Session Report, Public Accounts Select Committee, 17 July 2013

<sup>4</sup> Funding and Financial Management of Adult Social Care Review: First Evidence Session Report, Public Accounts Select Committee, 17 July 2013

- 5.15. Since the 2009/10 financial year ASC has achieved the following savings:
- 2010/11 £ 256k
  - 2011/12 £2,916k
  - 2012/13 £2,050k
- 5.16. In addition, a further £8,306k in savings have been agreed for 2013/14 and 2014/15.
- 5.17. Across all of the Council, detailed budgets are set at the beginning of the year and budget holders are expected to contain spend within these budgets. Given the ongoing intense pressure on all Council budgets, there are a range of measures to ensure all spending is prioritised appropriately and only when necessary. Corporate measures to manage spending effectively include the Department Expenditure Panel (DEP), where all requests to fill posts, even on a temporary basis, or to appoint agency staff are subject to a process are considered by panel of senior managers before being approved
- 5.18. Approval for and spend on packages and placements is monitored through expert panels. A Residential and Nursing panel considers placements for older adults and clients with a physical disability. Separate panels meet to consider requests for all home care, direct payments and day care packages. These panels have been subject to scrutiny by Internal Audit and Senior Finance Managers. The Committee was informed by officers at the 17 July meeting that the majority of invoice payments are made through the same system as social workers, so there is little risk of over commitment and it has been a long time since there has been a large unexpected invoice to pay.
- 5.19. Overall, the proportion of spend on home care and direct payments has increased for older adults and stayed the same for younger adults. By reducing the dependence on residential care and by supporting more clients to stay in their own homes, costs can be further reduced as well as outcomes for clients improved.
- 5.20. Benchmarking against comparator boroughs can be difficult as not all boroughs present information in the same way. Officers benchmark against Southwark and Lambeth as they purchase services from the same providers, as do Greenwich. They also benchmark against other local authorities who are regarded as getting good value on their contracts, such as Wandsworth.
- 5.21. Lewisham stipulates payment of the London Living Wage by home care providers and this accounts, in some part, for slightly higher average costs paid by Lewisham (£19/hr vs the London average £18/hr – Personal Social Services Expenditure PSSEX1 return). However, as personalisation is rolled out and people increasingly purchase services directly from providers, ensuring payment of the London Living Wage will be a challenge. Officers are working on how best to ensure that the LLW is paid to all those providing care for Lewisham service users

5.22. The following table shows spend per capita of overall population, compared with other comparator boroughs in London:<sup>5</sup>

	<b>Older Adults (75+) £</b>	<b>Physical Disabilities (18-65) £</b>	<b>Learning Disabilities (18-65) £</b>	<b>Mental Health (18-65) £</b>
<b>LB Lewisham</b>	3341	79	177	44
<b>London average</b>	2430	45	143	47
<b>Inner London average</b>	3751	50	137	63
Barking & Dagenham	2755	44	108	34
Brent	1972	44	119	37
Croydon	2036	40	181	47
Ealing	2430	48	118	32
Greenwich	2646	54	143	35
Hackney	5411	41	123	76
Haringey	3253	56	142	64
Hounslow	1984	38	138	44
Lambeth	3676	60	164	76
Merton	2127	47	151	34
Newham	3998	45	123	45
Southwark	3916	53	167	62
Tower Hamlets	5229	69	131	72
Waltham Forest	2504	43	161	47
Wandsworth	3132	37	167	49

5.23. In total Community Services budgets under spent by £2.2m in 2012/13 and adult social care budgets contributed £0.6m to this underspend. The following table shows the variance over the last 4 years:<sup>6</sup>

Year	Net budget (£m)	Overspend (Underspend) (£m)	% variance
2009/10	70.2	0	0%
2010/11	71.5	1.48	2.1%
2011/12	77.2	0.4	0.5%
2012/13	78.0	(0.6)	-0.8%

<sup>5</sup> Funding and Financial Management of Adult Social Care Review: Second Evidence Session Report, Public Accounts Select Committee, 25 September 2013

<sup>6</sup> Funding and Financial Management of Adult Social Care Review: First Evidence Session Report, Public Accounts Select Committee, 17 July 2013

5.24. As at 30 September 2013 the Community Service Directorate forecasts an underspend of £1.9m for 2013/14, which is significantly greater than the forecast underspend of £0.1m at the same point last year. Adult Social Care is now forecast to underspend by £0.4m.

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## 6. Pressures on the Adult Social Care budget

- 6.1. Adult social care (ASC) is one of the largest spend areas for local authorities across the country with local authorities in London spending approximately 33 per cent (£2.8 billion) of their overall budgets on ASC services.<sup>7</sup> Demand for ASC services is expected to increase over the coming years with projected increased demand among 18-64 year-olds with disabilities and also from the very elderly as more people than ever are living beyond 85. However, ASC budgets across the country have not kept pace with the growing demand.
- 6.2. The Local Government Association found that adult social care is absorbing a rising proportion of the resources available to councils and estimate that spending on other council services will drop by 66 per cent by the end of the decade to accommodate the rising costs of adult care.
- 6.3. In addition to this, the government has committed to reduce the government's budget by £83bn by 2014-15, with a further £11.5bn of savings identified in the spending review of 2013, including a 10% cut in resource budget for local government.<sup>8</sup> As part of the budget reduction the NHS is required to make total savings of £20 billion per year by 2014/15 and trusts throughout the NHS therefore have efficiency targets of around 4-6 per cent per year. Lewisham Council has already cut its revenue budget by £53m since May 2010. Further savings of between £30m and £55m will be required in 2013/14 and 2014/15, with a likely estimated savings requirement of £85m over the next four years. This has also added to the pressures on the ASC budget.
- 6.4. From April 2013, responsibility for local public health functions transferred to local authorities. Resources to fund these new functions have been transferred to the Council in the form of a specific grant of £19.5m in 2013/14. This money was transferred directly from the former Primary Care Trust and includes £4.9m relating to drug & alcohol funding that has been managed by the Council locally for the last five years, so only £14.6m of this funding is in effect new funding. The grant amount currently funds contracts that have already been entered into, so the current commitment against the public health budget is £18.7m.<sup>9</sup> A prioritisation process has begun to consider options for the use of the sum, approximately £800k, currently not committed and for possible redirecting of funding when the current contracts conclude. While increased healthier lifestyles may mean less money spent on acute healthcare, this will not impact on the short term demands on the care budget from 2013-16, as those who need this help are likely to already be ill.
- 6.5. There has also been additional funding from the Department of Health paid via health partners. In 2012/13 this was £3.5m, of which £1.8m was spent in year. In 2013/14 this has increased to £4.8m and will then increase in 2014/15

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<sup>7</sup> Social Care in London and England – Expenditure and needs, LG Futures for London Councils

<sup>8</sup> Spending Review (2010) HM Treasury:

<sup>9</sup> Funding and Financial Management of Adult Social Care Review: First Evidence Session Report, Public Accounts Select Committee, 17 July 2013

and 2015/16 as additional resources are allocated nationally. The base, these increases and some other sums currently paid to health will become the Integration Transformation Fund (ITF). The ITF will be a pooled budget which can be deployed locally on social care and health, subject to national conditions.<sup>10</sup>

## Savings

- 6.6. As identified in the previous section, ASC have made savings or entered into savings commitments of £13m since 2009/10 and have a current budget of £81m. The approach to savings and cost reduction has been to minimise the negative impact on individual service users. The savings have therefore concentrated on the following areas :
- Reducing social work and assessment unit costs to meet the Audit Commission recommended benchmark of 10% of the overall Adult Social Care Budget
  - Reducing the need for ongoing services through the provision of reablement and short term early intervention
  - Developing integrated health and social care services with both Acute and Community Health partners
  - Changing the mix of care from nursing and residential to care which supports people to live at home, moving from Council commissioned homecare to direct payments
  - Contract efficiencies, particularly Learning Disability supported accommodation
  - Joint procurement – such as the meals contract and equipment provision; and
  - Income generation through a review of the charging policy
- 6.7. The cost of care packages makes up the majority of the spend in ASC, accounting for £68.1m net expenditure from a £81m budget. Personalisation can assist with reducing costs as well as providing choice. Closer working with health services can improve early intervention so that people's conditions do not deteriorate and the costs associated with this can then be reduced, as well as improving health outcomes.
- 6.8. Growth was awarded in 2010/11 and 2012/13 for transitional cases, when the responsibility for funding packages and placements for an individual who transfers from Children and Young People to Adult Social Care services. These costs relate to only a few individuals each year but can be as much as £2,000 per week.
- 6.9. Mental health costs for care packages have historically been low in Lewisham. Learning disabilities care packages have been high, reflecting historical local challenges, which are being addressed. This is being done in part via the expansion of the personalisation of care services, which has

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<sup>10</sup> Funding and Financial Management of Adult Social Care Review: Second Evidence Session Report, Public Accounts Select Committee, 25 September 2013

meant that through choice fewer people are opting for traditional day centre activities and care.

### **Demographic pressures**

- 6.10. In London, the number of people aged 65 or over is expected to increase by nearly 50,000 between 2012 and 2017. Local authorities are already struggling to meet the needs of all those people who require social services intervention. Of 2 million older people in England with care-related needs nearly 800,000 receive no support of any kind from public or private sector agencies. In light of the difficult economic climate, more people are likely to seek support who previously may have managed on their own leading to an increase in demand.<sup>11</sup>
- 6.11. The population aged 60 years and over represents one in seven people in Lewisham. This contrasts with England as a whole, where more than one in five people is over 60. The over 65 population has decreased by over 1,000 residents since 2001, despite an overall growth in the population. It is predicted that for the next ten years overall numbers of older people will initially either remain stable or slightly reduce. Thereafter it is projected that the number of older people will increase by just over 2,500 compared with the 2011 Census figures. The significant factor for Adult Social Care, however, is the growth in the number of 85+ year olds which will mean an increase in people with more complex care needs.
- 6.12. The proportion of Lewisham residents with a disability has remained fairly constant. There are slightly more disabled residents towards the south of the borough, correlated to the average older age of residents there. In the 2001 census 15.6% of residents stated that they had a limiting long-term illness, whilst in 2011 14.4% of residents stated that their day-to-day activities were limited either a little (7.3%) or a lot (7.1%). It is estimated that 19.8% of Lewisham's population may have a common mental illness at any one time, higher than London and England averages (18.2% and 16.6% respectively). This figure is however marginally lower than in Lambeth and Southwark (21.0% and 20.6% respectively). Severe Mental Illness (SMI) affects about 1.1% of Lewisham's population, a figure higher than the national average (0.7%) and consistent with its urban demographic. This means around 2900 residents may suffer from some form of SMI.<sup>12</sup>
- 6.13. Approximately 30 people a year enter the Learning Disability system as new 18+ clients. At this point, the total service cost for Adult Social care can only be estimated, because it includes services provided through SEN (school or college) funding. It is at 19 or 21 years of age (i.e. when the young person leaves education) that the total adult social care spend becomes apparent.

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<sup>11</sup> A case for sustainable funding for adult social care, London Councils, Ernst & Young

<sup>12</sup> Funding and Financial Management of Adult Social Care Review: First Evidence Session Report, Public Accounts Select Committee, 17 July 2013

- 6.14. Demographic profiles suggest that there are an increasing number of young people with more complex needs coming through the system. Almost all pupils at Greenvale School, which currently has 74 places, have multiple profound and complex needs and this is the main feeder school for Learning Disability transition. The services to support and care for these users with multiple and complex needs cost on average £120k per person, per annum. In addition, officers have identified that in 2016/17 a high number of people with autism, some of who will also have a learning disability, will leave school and enter the adult social care system.<sup>13</sup>
- 6.15. The other driver of cost is in relation to the number of young people who are placed out of borough in schools which provide specialist support for people with complex physical disabilities or challenging behaviour. As education providers are developing residential service provision near to schools and colleges, young adults are often choosing not to return to the borough.

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<sup>13</sup> Funding and Financial Management of Adult Social Care Review: First Evidence Session Report, Public Accounts Select Committee, 17 July 2013

## 7. Personalisation

- 7.1. Personalisation gives people more choice and control over their health and social care support and promotes independence and social inclusion. A key focus of the transformation of health and social care is involving users and their carers in determining the services they need and how they should be delivered. Whilst personalisation is most advanced in the field of adult social care, this agenda is also being progressed in other areas of public service, including health, housing, education and the criminal justice field. A key part of personalisation is introducing choice and control through personal budgets and wherever possible direct payments.
- 7.2. By April 2013 more than half of clients in Lewisham received social care funding via a personal budget. Of these, the majority of people chose to have their budget managed for them rather than take a direct payment. By April 2013 1036 people were in receipt of direct payments, equating to 18.6% of service users. By 2014 officers would expect to see a large increase in people choosing Direct Payments and are aiming for 26% of service users to opt for this.<sup>14</sup> To facilitate and encourage the use of direct payments adult social care officers are in the process of re-arranging the payment system so that it is less complex for service users. The contract with Freewood, an external provider who manage the direct payments process on behalf of the Council, is due to come to an end in September 2013, with plans in place to develop a new service in conjunction with Children's Social Care to further support service users.
- 7.3. As part of the on-going reorganisation of adult social care to reduce the spend on assessment and care management and increase the take up of Direct Payments, there will continue to be a shift in emphasis towards the specific needs of individual service users. This will include the allocation of a personal budget or direct payment that will meet outcomes agreed by the service user in partnership with the social worker and provider.
- 7.4. To ensure the effective introduction of personalisation in Lewisham, there has been a strong focus on supporting and empowering people to make informed decisions about where and on what to spend their budget. This is shifting away from a traditional care plan to a support plan model that considers different ways of accessing care. This recognises the role that people and families can play in co-producing the design, delivery and commissioning of services. Outcome based commissioning a key element of developing an effective personalised approach to delivering Adult Social Care services.
- 7.5. An outcome is generally defined as 'an impact on quality of life conditions for people or communities'. The Committee received a case study about Wiltshire Council, who developed a 'Help to Live at Home Service' for older people and others who require help to remain at home. The service is built around the expressed wishes of service users and those outcomes they want to achieve

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<sup>14</sup> Funding and Financial Management of Adult Social Care Review: First Evidence Session Report, Public Accounts Select Committee, 17 July 2013

that they feel would help them move towards greater independence. The service combines personal care, housing support and re-ablement. Assessments for outcomes are carried out by the assessment and care management teams in Wiltshire and providers are responsible, along with the service users, for determining how they deliver the services to meet the defined outcomes. There is a strong emphasis on using community resources as part of the way of meeting the person's needs and a sum of money is made available to the provider for each customer to help pay for the service that will deliver the outcome. Providers are paid on the delivery of the agreed outcomes for the individual rather than on any stipulated hours. Penalties are applied where the failure to deliver an agreed outcome is clearly the responsibility of the provider. In addition to penalties, Wiltshire Council offers a 'subtle premium', where providers who achieve outcomes at below the predicted cost are allowed to keep the difference between the money they have spent delivering service and the agreed price of the customer's support plan. Wiltshire is estimated to save £2m due to the use of this approach.<sup>15</sup>

- 7.6. Apart from personal care, the second greatest need identified by service users is for services that prevent social isolation and provide respite support for carers. Traditionally these services have been met through costly building based Day Care centres. A programme of change is being implemented to reduce building based care and make more extensive use of community facilities and a more personalised offer through greater use of Personal Assistants.
- 7.7. Other changes to the way assessments are carried out, such as using the previously mentioned assessment panels, have made providers, especially Lewisham as a commissioner of services, think more about the costs of what they do and think creatively about it. Assessments can also offer lots of information and advice, such as signposting people to other organisations that could help.
- 7.8. As a part of this approach, there has been investment in services that provide prevention and early intervention. Aids and adaptations can be used to prevent the need for a care package and short-term, focused support such as reablement can get people back on their feet before any longer term care is considered. Officers indicated that 60% of people going through reablement require either no further care or a reduced care package.
- 7.9. To achieve this level of flexibility and personalisation of care services there needs to be support from both the community and the wider market. There has been investment in the voluntary sector so that a more personalised offer can be made available, making more use of community assets to support people. This will enable a further reduction in contract arrangements that can be costly.

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<sup>15</sup> Wiltshire Council Help to Live at Home Service – An Outcome-Based Approach to Social Care, Professor John Bolton, Institute of Public Care, April 2012

- 7.10. The Council has a role to play in developing the market of adult social care provision. Market development is a priority for Lewisham and a challenge for the next two years as current traditional contracts come to an end. Officers indicated that the market needs to evolve in order to deliver personalisation and to provide more choice and control. There is also a need to support people with more complex needs to remain in their communities, which requires closer working with health partners. For some more specialised services the Council will need to remain the commissioner, but many other services can be commissioned locally by individuals according to their requirements.
- 7.11. As part of the Main Grants Programme there is a project underway to build a market for user groups, and develop opportunities in the community to supply services to people as part of the personalisation agenda. Community groups need funding to get started and then set themselves up to be funded through people's direct payments. 8 community development workers are being employed to set up the mechanisms to do this and it is currently being piloted in the north of the borough. In addition, the investment fund projects will grow the local Personal Assistant market to deliver more personalised care and support. Experience so far has indicated that this approach is particularly favoured by younger adults who have a disability, as it provides them with the flexibility to achieve the outcomes they want and potentially increases the scope and diversity of support that can be accessed. Currently Lewisham is working with the voluntary sector to develop a database of verified people who are available to provide services and are working with others to develop the advice and planning side of it.

## 8. The Care Bill and the Dilnot Report

- 8.1. The Government commissioned a report on how Social Care should be funded in the future led by Andrew Dilnot. The final report was published in 2012 and made recommendations on how to achieve an affordable and sustainable funding system for care and support for all adults in England, both in the home and in other settings. Following on from the recommendations of the Dilnot Report the Government has now confirmed that assuming Royal Assent, the Care Bill will come into force on 1<sup>st</sup> April 2015.
- 8.2. The Care Bill will consolidate existing care and support law into a single unified statute, introduce a cap on the costs that people will have to pay for care in their lifetime and delivers a number of elements in the Government's response to the findings of the Francis Inquiry, which identified failures across the health and care system. The Bill will potentially have a significant effect on social care and its associated costs.<sup>16</sup>
- 8.3. Charging for care, both community and residential, will be capped at £72,000 per person. This will mean that once a person has reached the capped level of funding, local authorities will have to fund all further care costs. The number of current self-funders costs will then be transferred to Adult Social Care and there will be an increase in people no longer being charged under the Councils charging policy. A financial mapping exercise will be undertaken to assess the longer term effect of the Care Bill on the Adult Social Care Budget.
- 8.4. In determining who is eligible to receive services, all councils use eligibility criteria based on the Government's guidance: 'Fair Access to Care Services' (FACS). There are four eligibility thresholds: critical, substantial, moderate and low. It is up to councils to decide which threshold they want to set depending on their finances. Lewisham has set its eligibility criteria at substantial and critical, which is in line with most other local authorities in London.
- 8.5. The aim of FACS is to help social care workers make fair and consistent decisions about the level of support needed and to determine whether the Council should pay for this. The draft Care and Support Bill includes a power which requires the Secretary of State to make regulations setting new national eligibility criteria from 2017, which has now been announced. In addition, local authorities must provide or arrange for the provision of services that prevent or delay the need for care.
- 8.6. Government has now introduced proposals setting out a national eligibility framework encompassing a national assessment tool, will be introduced setting the minimum criteria for care. This is expected to be set around the current criteria of "Substantial" which Lewisham has already adopted. The changes will give clearer definition across the country of what "eligible" needs

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<sup>16</sup> The Care Bill: factsheets, Department of Health

are, and provide a list of minimum needs that local authorities must meet in every area. Local Authorities will not be able to restrict eligibility beyond this.

- 8.7. The Care Bill places emphasis on the person, promoting their well-being and reducing or delaying care needs, including how to connect with their community; it gives clear guidance on assessing people on the basis of “what they can do” as opposed to “what they cannot do” and promotes service users identifying their own outcomes when purchasing services.
- 8.8. Any adult with any level of need has a right to an assessment, including carers, for whom this is an extension of existing rights. This will see authorities having early contact with people who have low level needs. Proposals for funding reform should also incentivise more people to engage with their local authority earlier. Assessments will identify what type of proportionate intervention the local authority might make to support the individual, depending on their needs. If the person’s needs are not “eligible” at that time, the local authority will nonetheless be under a duty to provide people with advice about how to meet the needs they do have, and information about what might be available in the community, or from other sources, to support them. This earlier contact with authorities can help delay needs increasing, or even in some cases may prevent people from needing care and support in the future.
- 8.9. In the future the primary mechanism for allocating personal budgets is likely to be through a Resource Allocation Scheme. This converts the results of a series of assessment questions, linked to the eligibility criteria, into a monetary value or Indicative Budget. Support planners will then work with clients to devise care and support within this financial envelope where possible.
- 8.10. Therefore officers expect that the demand for assessments will rise in line with the changes arising from the Bill as more people, especially those who may self-fund, will seek support from local authorities. The current project to reduce the unit cost of assessment and care management recognises this future challenge.
- 8.11. Carers will have the right to receive services in conjunction with an individualised support plan created for themselves as opposed to being included in the Service User’s plan. This will increase the numbers of carers receiving services, although there is no guidance at present regarding financial assessments or charging.
- 8.12. Personalised information and advice provided to all will become part of the legislation. We will need creative and joined up resources targeted to deliver this so that it does not create a cost pressure.
- 8.13. The Government recognises that the changes to the Bill will have a financial impact on local authorities. In the 2013 Spending Review the Government identified a one-off £335m payment to help councils implement the reforms of the Bill. Officers estimate that Lewisham will receive one-off payment of

approximately £1.6m.<sup>17</sup>

- 8.14. The Care Bill also places a greater focus on prevention, which means that the care and support needs of people will be considered earlier than is the currently the case. To achieve this, it is proposed to develop further integration between local authorities and health partners to remove gaps and build services around the needs of people. £3.8bn for integrated care has been identified from NHS budgets to support integration and provide health and social care services for people in the community. This money will be linked to CCG targets around joint assessment and care and support planning, and health and social care support being delivered 7 days a week. The delivery mechanism for accessing this funding will be a 'payment by results' approach.
- 8.15. Lewisham has been working on integration with health partners and have laid foundations for these imminent changes. The "Neighbourhood" model which brings together services across health and social care to work with GPs is being established across the borough and four neighbourhood teams are being established. The approach is to deliver a team around the person which will reduce duplication and provide better outcomes for service users. It will provide service users who have multiple needs with a key worker who will work across both health and social Care and thereby reduce duplication.
- 8.16. Developing and using community resources has been identified as the most cost effective way of helping people to remain in the community. Lewisham has put investment into a range of community projects that are targeted towards meeting the identified needs of the local residents within their own neighbourhoods.
- 8.17. In addition, the investment fund projects will grow the local Personal Assistant market to deliver more personalised care and support. This will build more flexibility and choice for service users and support local people wishing to return to work.

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<sup>17</sup> Funding and Financial Management of Adult Social Care Review: First Evidence Session Report, Public Accounts Select Committee, 17 July 2013

## 9. Charging

- 9.1. Within ASC, service users can be charged for some or all of the services that they use. There are separate charging regimes for non-residential and residential care:
- Non-residential care charging is governed by an individual local authority's fairer contributions policy which is informed by central government guidelines. It is discretionary for local authorities whether they choose to charge.
  - Residential care charging is governed by central government's Charging for Residential Accommodation Guidance (CRAG) rules, which unlike fairer contributions do not offer much discretion to local authorities in how charging rules are applied.
- 9.2. There are similarities between the two charging regimes, such as:
- When assessing charges, means-testing applies.
  - Both income and capital held are taken into account
  - The financial assessment and related services are not charged for.
- 9.3. However there are also some large differences between them. For example, service users in receipt of residential services must pay the full cost of their services if they have capital in excess of £23,250 (2013/14). For a non-residential service under the fairer contributions guidance, local authorities have discretion whether to charge or not. Thus a council may decide to apply the same thresholds as for residential care and in that case savings over £23,250 will dictate a full cost assessment. Lewisham has chosen to work in this way.
- 9.4. Local authorities are required to offer a deferred payments scheme that enables the resident to defer the full cost element of their charge until the end of the placement and they still pay a contribution based on their income and liquid capital. A national deferred payments scheme is being introduced by the Department of Health (DH) from April 2015, subject to legislation being passed. Locally, not many service users have opted to take up this option, with only 5-10 cases at any one time on average
- 9.5. Lewisham increased its maximum charge for non-residential care from £290 to £395 in April 2011 and will shortly be increasing it to £500 p.w. This will currently affect 18 people.

### **Means testing for residential services**

- 9.6. Adults in residential accommodation are required to contribute to the cost of their care. How much a resident can afford to contribute is determined by a means test.
- 9.7. Where residents have sufficient resources, identified through the means test, they are required to pay the full cost of their accommodation, known as the standard charge. For an independent sector home, the standard charge of the accommodation is defined as the full fee that the local authority would have to

pay to the home. In the case of residents who cannot afford to pay the standard charge, the means test determines how much they are required to pay.

- 9.8. The detailed rules of the means test are different for permanent residential care and temporary residential care. Although the rules of the means test are generally prescriptive, there are defined areas where local authorities can use their discretion.
- 9.9. The means test calculates the disposable income available to the resident, based on a standard treatment of all of their capital assets and income and after allowing an amount for personal expenditure (the personal allowance), and compares that to the standard or full charge. Clients who own capital assets that exceed the upper capital limit pay the standard charge. For all other clients the disposable income is calculated and compared to the standard charge. The resident is required to pay the lesser of the two.
- 9.10. CRAG contains detailed guidance about how to carry out the means test. There is a range of areas of discretion described in CRAG, including the discretion to increase the personal allowance for less dependent residents or residents with a spouse to maintain at home as well as the discretion to disregard the property if a third party, such as a carer, who has given up their own home to live with, and care for, the individual, lives in the property.

### **Fairer charging**

- 9.11. Problems with the variations in home care charging policies between local councils were identified and the government issued statutory guidance on charging in 2000. The guidance includes advice on a number of issues where councils need to take particular care to ensure that any charging policy is reasonable.
- 9.12. The principal differences between charging regimes for residential (i.e. the CRAG framework) and non-residential services are that under fairer charging/contributions the value of a service user's home is not included in the charging assessment and an allowance must be made for the costs of disability.
- 9.13. Unlike the residential charging framework which does not contain much scope for discretion, under fairer charging there is no presumption by the government that all councils will charge and, where they do decide to charge for services, they also retain substantial discretion in the design of their charging policies.
- 9.14. The guidance sets out a broad framework to help councils ensure that their charging policies are fair and operate consistently with their overall social care objectives. Nothing in the guidance requires councils to make existing charging policies, which go beyond the requirements set out in the guidance, less generous to users than they currently are. Lewisham's policy is to set

higher buffer - 35% - allowing service users to retain a higher level of income (an extra £6 to £15 p.w.).

- 9.15. Where disability benefits are taken into account as income in assessing ability to pay a charge, councils should assess the individual user's disability related expenditure (DRE.). In 2011 Lewisham introduced a minimum level of disability related expenditure below which service users are not required to provide evidence of expenditure. Since then this has been inflated at the same rate as benefits. Service users with higher levels of disability related expenditure can still request a full assessment.
- 9.16. Councils are required to ensure that comprehensive benefits advice is provided to all users at the time of a charge assessment. Councils have a responsibility to seek to maximise the incomes of users, where they would be entitled to benefits, particularly where the user is asked to pay a charge. Lewisham's current approach is to meet all new service users and offer benefits advice as part of this meeting, although this may need to change in the light of required savings.
- 9.17. Councils are allowed to take all eligible income into account in the financial assessment. From April 2011 the percentage taken into account increased from 75% to 90% and will shortly increase to 100%.
- 9.18. To ensure that disabled people and their carers are able to enter and progress in work if they wish to, the guidance expects that earnings will be disregarded in charge assessments.

### **Charges and personalisation**

- 9.19. Personalisation offers challenges to charging as a client has more flexibility to assemble a care package from different elements rather than receive fixed units of a few services. Under Fairer Contributions the treatment of capital and income is based on the preceding regime but there is a general expectation that the maximum charge for a service will be the value of that package – or will at least be clearly related to it.
- 9.20. For the majority of services Lewisham charges the true cost of the service. Two examples of where the service is subsidised are meals (which lie outside the Fairer Charging/ Fairer Contributions regimes) and in-house day care where charges are set based on personal budgets agreed for purchased provision. This treatment has been adopted for day care to avoid undesirable discrepancies in charging between clients receiving similar services.
- 9.21. Supported accommodation for service users is not currently charged for but this will be revisited in the next review of the charging policy.

## **Impact of the Care Bill on charging**

- 9.22. The Care & Support Bill as outlined in a previous section will have implications for charging. Starting from April 2016 there will be cap on the sum a service user has to pay for their care. For service users aged over 65 this will initially be set at £72,000. This cap will exclude daily living costs of residential & nursing care – probably £230 p.w. The cap will, however, include the contribution to a care package made by the local authority so that the cap is reached when the total payment for a service reaches £72,000, even if the proportion met by the service user is small.
- 9.23. The local authority will need to monitor the progress of all service users towards the cap. This will require significant changes to financial systems and in recognition of the cost of this and other changes some additional funding will be made available. Where service users move between boroughs they will take their accumulated contribution towards their cap with them. Capital thresholds will be changed to help people with modest wealth. Changes will mean that people with around £118,000 worth of assets (savings or property) or less will start to receive financial support if they need to go to a care home. The amount that the Government will pay towards someone's care home costs will depend on what assets a person has
- 9.24. From April 2015, there will be a new legal right for people to defer paying care home costs, meaning they do not have to sell their home during their lifetime. The local authority will pay the care home costs during this time. This right can be offered in certain circumstances where an adult owns their home. Local authorities will be able to charge interest on these payment arrangements for the first time, so that they can cover their own costs of offering such agreements. Officers anticipate that this will have a short to medium term cashflow impact on the Council; although this will be rectified as the Council is covering a deferred payment.
- 9.25. For many service users these changes will have no financial impact – including the 50% of recipients of non-residential services who currently pay no charge. Those who require extensive domiciliary services could trigger their cap quickly, especially those younger people who become disabled (such as through an accident).
- 9.26. However the proposed changes will impact on the Council in several ways :
- Service users entering services at 18 will not be charged (it is not clear whether they could be charged once they reach a certain age)
  - Service users receiving large care packages for extended periods will hit the cap, reducing the charge that the Council can make for their care. It would take only 3 years for a service user receiving residential or nursing care (or a home care package costing over £500) to reach the cap.
  - Clients who have previously arranged their own care will now probably approach the Council for financial assistance

- 9.27. Local numbers of self –funders in residential and nursing care are low (35 at the last count) but we have no way of knowing how many people with eligible needs have made their own arrangements for care at home.
- 9.28. Service users who have over £23,250 can opt not to disclose the details of their capital income but simply to pay the full cost for their services. The Council does not know, therefore, whether they would be above or below the new capital thresholds. In the absence of information on numbers of self funders who have not approached the Council and of the detailed financial circumstances of some of those that have it is not possible to make reliable projections of the impact of the proposed changes. Officers are undertaking some initial modelling on based on various assumptions which will be reported to members later in the year.
- 9.29. A potential impact for London boroughs will be the tariffs, which are currently being set according to national bands. As costs are likely to be higher in London but authorities will only be able to charge according to nationally decided tariffs this could have a financial impact. Likewise, general higher costs in London could result in people reaching the funding cap of £72,000 more quickly than elsewhere in the country.

## **10. Integration of health and social care**

- 10.1. The integration of health and social care offers the opportunity to improve services for patients and users by designing a system that is easy to understand, provides consistency of intervention and more preventative, community-based and personalised services.
- 10.2. The current system can be complex and difficult to understand and often delivers inconsistent services. Therefore it has been increasingly recognised that it is important to look at care and support for people from a holistic perspective. By identifying key areas of overlap and linkages between service provision, individual and community outcomes can be improved, including improved financial sustainability of services through reduced costs.
- 10.3. Lower costs can be achieved for treating patients and service users by using more preventative and community based provision, which tends to have lower overheads. This can result in keeping people at home for longer, therefore reducing the use of acute services (such as A&E and hospital care) which are often expensive. Organisational improvements are also possible by developing a single view of the patient and service user that enables the removal of duplication, improved productivity and better targeting of resources. The biggest financial benefits will be delivered to acute commissioning from reduced activity, although the costs associated with achieving this reduced activity falls on the councils and Clinical Commissioning Groups.
- 10.4. There are challenges to achieving integration, including differing management structures in organisations involved and the culture of the staff. Adult social care operates in an environment that is strongly influenced and governed by local politicians while health services do not have the same governance requirements and NHS organisations are accountable for national targets. Adult social care is rationed and delivered to those most in need of services and access to services is controlled through the application of eligibility criteria. Health services are mainly free at the point of contact and assessment relates only to clinical need through diagnosis and not to eligibility.
- 10.5. Identifying savings is further complicated by the changing nature of national policies, processes and legislations as well as unrelated organisational changes taking place in both health and social care settings. In addition, the positive impact of integration can emerge in different ways along the service user/patient pathway which requires very close monitoring of activity to ensure the full scale of the benefits are included.
- 10.6. Clinical Commissioning Groups mean that GPs are now a key player in integrating health and adult social care, although they may not always have a comprehensive understanding and knowledge of the community based services and social care services available.

- 10.7. Within Lewisham a lot of work has been carried out on the integration of health and social care. The Council is committed to Health and Social Care integration and this commitment has been formally agreed by Mayor and Cabinet. This approach to health and social care started 2 years ago, so Lewisham are ahead of many other local authorities in this regard. The Clinical Commissioning Group, Lewisham and Greenwich NHS Trust and the Council have, over the past year, formally agreed a new integrated model for community based health and social care services. This will increase further the ability of the whole system to reduce admissions and length of stays. A governance structure for this was recently agreed by the Health and Wellbeing Board.
- 10.8. One of the factors driving the need to improve integration was poor outcomes when admitting people to hospital and then delays in discharging them when they were medically well enough to discharge. A partnership, established initially between the Primary Care Trust, Lewisham Hospital and the Council developed a “whole systems approach” to ensure that patients were discharged much more quickly and efficiently. Consequently, in 10/11 and 11/12, this resulted in Lewisham’s performance for delayed transfers of care from hospital being the best in its statistical comparator group and well above the average for England and London as a whole. Lewisham Healthcare NHS Trust and the Council continue to work closely together to ensure early, appropriate, discharge and admission avoidance in the future. This partnership work is having a real impact, as evidenced by out-of borough patients having a length of stay in the hospital which is 2.7 days longer on average than Lewisham residents. Financial savings have also been made.<sup>18</sup>
- 10.9. Budgets for a number of health related activities moved to the local authority 4 years ago under section 75 agreements. Commissioning posts are joint funded by the Council and NHS and are integrated at the local level. This has allowed costs to be cut and the new Clinical Commissioning Group (CCG) will keep this arrangement going.
- 10.10. Integrated budgets can reduce the inefficiencies in the system and Lewisham has launched a pioneer bid to test out new ways of integrating funding. This is a government backed project which will alter the way funding is approached. There is already some understanding of different budget pressures and within the CCG there is an understanding that cost pressures should not be ‘shunted’ from one area to another by reducing one sort of service that another service will then have to pick up the cost of.
- 10.11. Public health work is another driver for integrating health and social care. A project is being carried out looking at narrowing the differentials between those with good and bad health outcomes. Lewisham CCG, the Council and Lewisham and Greenwich NHS Trust have also recently created “multi-agency neighbourhood clusters”, led by GPs and Adult Social Care, to care for more patients in the community and to attempt to further break down barriers between acute and community provision. The cluster teams bring

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<sup>18</sup> Emergency Services Review, Overview and Scrutiny Committee, 14 October 2013

together social work staff, occupational therapists, physiotherapists, district nurses, community matrons and GP practice staff.

- 10.12. A major part of the criticism from Lewisham Council of the Trust Special Administrator's draft report on the reconfiguration of South East London healthcare services was that it failed to take into account the range of effective arrangements already in place locally in Lewisham which have been developed to improve outcomes and experiences for residents. In particular, the response highlighted that the Trust Special Administrator seemed unaware of the successful integration between the hospital and the Council's Adult Social Care and Children's services. The narrow focus on improving economies of scale threatened to dismantle many of these arrangements with no regard to their achievements, the economies they deliver and the extent to which they represent a better model for meeting local people's health and care outcomes.<sup>19</sup>
- 10.13. It has also been helpful for Lewisham Council to work primarily with Lewisham Hospital rather than an array of different hospitals in South and South East London. Officers identified this as an issue for people in London, which has a transient population and requires information to be shared quickly. While this can be done locally where relationships and integration exists it can be problematic on a wider scale and there are difficulties in sharing information across hospitals and with council based social care teams due to the incompatibility of IT systems.
- 10.14. While progress has been made, creating a more integrated service with health has been a challenge, partly because health services have recently been re-organised. Budgets are also managed differently in health, where the driver for spending is the acute sector. Income for the acute sector are related to what treatments people have, which can act as a perverse financial incentive where more treatments can bring in more income.
- 10.15. The work carried out so far has shown that there can be an impact in terms of positive outcomes for people as well as saving money. Inefficiencies such as duplication are still present in the current system and by targeting these further money can be saved with minimal impact on the level of service provision. In addition patients and service users seem to prefer this approach, with less need for them to deal with many different departments and organisations.

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<sup>19</sup> Lewisham Council's response to the TSA proposals, December 2012

## 11. Contracts and procurement

- 11.1. Lewisham Council engages in a number of contracts to provide services for those in need of ASC. All commissioned services are routinely monitored for contract compliance and acceptable performance and quality. This is to ensure that the services commissioned are delivered by providers in line with the contract and specification and that they are providing care of the highest quality, adhering to the principles of best value.
- 11.2. The procurement process is designed to choose the service provider who will provide the service to the required standard identified in the service specification and at the optimum cost, thus representing the best value for money. This is achieved by evaluating the tender submissions on a balance of “Quality” and “Cost”. The “Quality” aspects relate to how the service will operate and potential providers are asked to respond to specific questions (known as method statements) and are based on the Care Quality Commission’s Guidance.
- 11.3. The Public Accounts Select Committee carried out a review in 2012/13 looking at contract management, which found that good contract management can effectively manage risk, that potential additional value can be obtained from effective contract management and that the foundations for good contract management are laid in the stages before the contract awarded. Lewisham has also moved towards a balance between cost and performance. As part of the review the Committee examined a case study residential and nursing contracts.<sup>20</sup>
- 11.4. Commissioned services for adult social care (with total contract values for 2012/13) include:<sup>21</sup>
- Nursing and residential care (£37,100,000)
  - Domiciliary Care (£13,838,188)
  - Day care (£1,696,357)
  - Public funeral (£58,069, approx. £43,000 reclaimed from deceased client’s estate)
  - Welfare meals (£775,624)
  - Community Equipment (£536,037)
  - Direct Payments Support (£395,633)
  - Independent Mental Capacity Advocacy (£14,250)
- 11.5. In addition, contracts are in place for a carer support service (£434,717) and a laundry service (£85,000).

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<sup>20</sup> Managing Contracts Review, Public Accounts Select Committee, 26 March 2013

<sup>21</sup> Funding and Financial Management of Adult Social Care Review: Second Evidence Session Report, Public Accounts Select Committee, 25 September 2013

## **Contracts held by ASC**

- 11.6. The Council currently commissions residential and nursing places for older and younger adult Lewisham residents through a mixture of block and spot contractual arrangements. These placements are made within the borough and outside of borough from approximately 125 care homes providers.
- 11.7. Historically residential and nursing care homes were provided directly by the local authority, however over the years provision has been taken up by the private, voluntary and independent sector. This has resulted in savings and although costs can fluctuate due to the market, the Executive Director for Community Services is of the opinion that bringing it back in-house would not be any cheaper.
- 11.8. There are not a large number of residential home providers in the borough, and Lewisham will use a large number of them provided that officers are satisfied that the level of quality can be assured. The current economic crisis as well as pressures from increased self-funding has had a negative impact on care homes business, which has seen large national organisations such as Southern Cross Healthcare closing their care homes and the loss of a significant number of care beds. Locally, two Southern cross homes closed in 2011 and 2012 and officers within the Council are monitoring the market on a regular basis. People have a right to specify the home they want to be placed in, so many people will be placed out of the borough to be nearer to family.
- 11.9. New entrants could enter the residential home market and gain a contract with Lewisham provided they were registered with the care Quality Commission and were registered to provide. However providing a nursing home is not an attractive incentive to developers as more money can be made from developing sites for residential use in London than can be made from providing a residential or nursing home. Because of this there has been a decline in providers across London.
- 11.10. Day care and very sheltered housing services are commissioned from two Housing Corporation registered providers and these services are being reviewed. Providing extra care housing and sheltered housing could reduce medium-term costs although there little current provision in the borough. Some funding to develop extra care provision and work is being carried out to analyse what is needed to achieve this, including whether changes to housing funding for local authorities which allows more external borrowing could allow for extra care housing.
- 11.11. A tri borough contracting arrangement for the provision of a hot meals service in the borough has awarded to Apetito in May 2013. The meals service for adults supports vulnerable and older people who require a hot meal to be made for them and delivered to their home and the service operates 365 days per year. The joint procurement approach was taken due to the declining numbers of meals required. Therefore, the cost per meal to the three boroughs rose significantly during the current contract period. The costs per meal under the new contract are lower than those in the existing contract and

a saving has been taken in the 2013/14 budget to reflect this. The Public Accounts Select Committee has previously scrutinised aspects of this contract as part of a scrutiny of cross-borough working.<sup>22</sup>

- 11.12. Residential and nursing care services for mental health patients in Lewisham falls within the remit of the contract with South London & Maudsley (SLaM) NHS Foundation trust. SLaM is the main provider of mental health services in the Borough and has retained delegated responsibility for all placements, as well as the performance management of the care homes. The individual contracts with each of the services is managed and held by SLaM, with a differing number of patients in each home. The total spend on residential services for mental health patients in 2012/13 was £3,293,437, with nursing placements accounting for an additional £267,369.<sup>23</sup>
- 11.13. The current arrangement in place for the provision of domiciliary care in Lewisham is a Framework Agreement, which has seventeen providers available to meet assessed needs. The contract for this Framework is due to end in 2014. By moving towards a more outcome based approach and increasing the use of personal budgets so service users can directly purchase the care services they need, domiciliary care will look to achieve a decrease in the number of service users admitted to long term care homes and a decrease in the size of the care packages over time.
- 11.14. As part of supporting personalisation, work is also underway with the voluntary sector organisations to deliver improved access to employing Personal Assistants, as well as making use of pooled personal budgets. The Council has also recently awarded a contract to a company who specialise in developing local peer support brokerage.
- 11.15. This will focus initially on Learning Disability Service Users in order to establish a support plan that is personalised and based on outcomes. This will encourage people to commission services and activities jointly. The local learning disability market is well developed to meet this challenge, and has been looking to focus on employment and skills development related activities.

### **Types of contract used**

- 11.16. Contracts have been changed so that block purchasing has been phased out where possible and spot purchasing has been brought in. This offers flexible, shorter term contracts. Block contracts are only used where there is a scarcity of residential and nursing beds and the Council has to ensure that there is sufficient provision to meet the needs of those who require these services. Spot contracts are used for the majority of care home placements to secure individual placements on a case by case basis. Commissioners utilise a

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<sup>22</sup> Cross Borough Working Case Study - Joint Welfare Meals Catering Service between Lewisham, Southwark and Lambeth, Public Accounts Select Committee, 13 June 2013

<sup>23</sup> Funding and Financial Management of Adult Social Care Review: First Evidence Session Report, Public Accounts Select Committee, 17 July 2013

number of negotiation tools to achieve a fair placement fee, including benchmarking other local authorities, the Care Funding Calculator and historical intelligence.

- 11.17. Lewisham's future commissioning intention is to design and procure services so they deliver an outcome based response for service users. For example, older people in particular may not want the same pattern of care, day in day out, as specified in a conventional care plan. Negotiating the detail of the support plan directly with the provider has proven to be successful in other local authorities who have piloted this approach. Lewisham is therefore negotiating with framework providers to work in this way and embed this offer. The framework agreement will be redeveloped in 2014 when all providers will be required to work to personalised outcomes and will still have the requirement to pay the London Living Wage.
- 11.18. The ability to push down contract costs can depend on the contract. For example, if there are a small number of providers and small numbers of people receiving the service, such as with welfare catering, it can be difficult. There are also difficulties in a large number of authorities in London buying services in one contract from a single supplier as this could generate a monopoly provider and result in increased prices.
- 11.19. All commissioned services are routinely monitored for contract compliance and acceptable performance and quality. Contract monitoring officers are responsible for carrying out this area of work and these interventions and activity are designed to ensure that Lewisham's residents receive high quality and cost effective care and that when this is not the case, remedial steps are taken.

## 12. Alternative delivery models

- 12.1. Nationally, consideration is also being given to different delivery models such as social enterprises and commercial trading companies that provide preventative and early intervention services to support people to live at home, whilst giving alternative and cost effective choices.
- 12.2. The use of new service delivery models can allow local authorities to benefit from reduced costs while allowing a certain level of control over the provision of services and retention of highly qualified and skilled members of the workforce. New service delivery models would not necessarily conflict with the wider move towards greater personalisation and an increase in the number of service users with personal budgets, as new service delivery models can also be used to manage the personalisation agenda reducing the local authority's costs.
- 12.3. A Local Authority Trading Company can maintain a link to the local authority influence and brand and offer reduced staffing and corporate costs. It also has ability to trade with all sectors of the market creating the potential to generate future capital receipts. This approach allows the local area to retain capability and capacity and to provide a strategic response to emerging trends and challenges.
- 12.4. Outsourcing a service is not a new approach and has been approached across the public sector for a number of years. This allows provision to be commercially independent, with the service delivery risk transferred to a third party. There can be low costs of implementation as the cost of transfer can be borne by provider and when underpinned by robust and effect contract management can achieve sustainable quality and performance improvements.
- 12.5. Social enterprise or public service mutuals are another approach and opens up the accessibility of alternative funding streams. It provides flexibility to meet the needs of clients as front line staff have more influence on the service delivered and profits can be reinvested. There is also a risk transfer to a third party, commercial independence and involves stakeholders and service users in development.
- 12.6. Shared services and joint ventures provide continued access to council staff and expertise as well as certainty about service costs. Experience and expertise can be shared among partners and the standardisation of processes enabling more effective use of resources.
- 12.7. The Committee received evidence from a case study regarding Croydon Council and the creation of their Local Authority Trading Company (LATC), Croydon Care Solutions. As a response to pace and direction of change required through the policy of personalisation and the impact of public expenditure reductions, Croydon Council decided to form an LATC to deliver the following services:

- Day Opportunities –Support for vulnerable people
- Resources Bases –Community support for adults with learning disabilities
- Equipment Service – for independent living and mobility
- Employment Support Service – Supporting vulnerable people into work
- Partnership Services for Local Authorities

12.8. There were a number of reasons for choosing an L:ATC approach, including:

- A Company would be able to use the reputation and brand of Croydon Council. The services recommended for transfer into the LATC already deliver high quality services and are highly valued by the people who use them.
- An LATC provides the ability to trade whilst remaining owned by the Council. It would deliver greater transparency regarding the discharge and accomplishment of statutory duties and would ensure essential services can always be accessed, particularly for people with the most complex needs where there might be a lack of market responsiveness.
- It allows the opportunity to test the commercial value of services
- Croydon Council would continue to have an influence on the use of surpluses and future strategic direction of the Company in the short to medium term;
- The Company could be used as a vehicle for the externalisation of other Local Authority services in the future, within Adult Social Care and Housing
- The Company would only require limited start up capital which could be provided by Croydon Council on a commercial basis;
- There would be no requirement to tender services in the first instance and future options for the Company would remain open
- It addresses the aspiration for Croydon Council to be a commissioning led organisation that is able to plan strategically and influence the market whilst enabling service users and customers to access the best quality services to meet their needs.
- It generates significant savings for the Council in the medium term, reduces the Council staffing establishment and corporate overheads.

12.9. The outcome of this is that Croydon is delivering its services with the same budget allocation as six years ago, which is a reduction in real terms. Efficiency savings of £27.235m (from April 2006 to September 2013) have been delivered. The service eligibility threshold has been kept at substantial with funded voluntary organisations supporting people at and below this threshold.<sup>24</sup>

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<sup>24</sup> Update on the Local Authority Trading Company – Report to Adult Social Services Review Panel 24th April 2013

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