

Consultation on funding formulae for implementation of the Care Act in 2015/16

12th September 2014

1. This response is submitted jointly by the Local Government Association (LGA) and the Association of Directors of Adult Social Services (ADASS).
2. The Local Government Association (LGA) is here to support, promote and improve local government. We will fight local government's corner and support councils through challenging times by making the case for greater devolution, helping councils tackle their challenges and assisting them to deliver better value for money services.
3. The LGA is an organisation that is run by its members. We are a political organisation because it is our elected representatives from all different political parties that direct the organisation through our boards and panels. However, we always strive to agree a common cross-party position on issues and to speak with one voice on behalf of local government.
4. The Association of Directors of Adult Social Services (ADASS) represents Directors of Adult Social Services in councils in England. As well as having statutory responsibilities for the commissioning and provision of adult social care, ADASS members often also share a number of other responsibilities for the commissioning and provision of housing, leisure, library, culture, arts, community services and a significant proportion also hold statutory role of children's services Director.

Key points – questions covered by the consultation

5. Individual authorities will have views on which combination of formulae is the most appropriate for their particular circumstances, but we believe that whatever decisions the government makes, it should:
 - a. Have due regard to the impact on overall council planning, as the proposed formulae result in funding allocations vastly different from those indicated in December 2013 as part of the local government finance settlement;
 - b. Consider whether the allocation mechanism makes the best possible effort to address the potential of different take-up of services by self-funders in localities with different socioeconomic and other characteristics.
 - c. Consider the robustness and completeness of deferred payments data with regard to the potential adjustments.
6. Detailed responses to individual questions are provided as an Annex.
7. We would be happy to provide further information on the comments provided in this consultation response.

Other points – not covered by the consultation

8. The Care Act 2014 has kick-started implementation of one of the most wide-ranging reforms of how social care is provided, with a number of new burdens falling on local government.
9. The government has rightly recognised that the responsibilities arising from the Care Act place additional costs on local government and has announced funding for the reforms that are set to be implemented from April 2015:
 - a. £108.5m to finance the universal deferred payment scheme;
 - b. £175m for costs related to additional assessments in preparation for the cost cap, and associated activity such as provision of information;
 - c. £11.2m for provision of social care in prisons;
 - d. £185m earmarked in the Better Care Fund for other reforms arising as a result of the Care Act in 2015. £50m of this is capital funding.
 - e. Funding for the care cost cap and extension of the means test threshold, due to be implemented from April 2016, has not been announced yet.
10. LGA and ADASS have consistently challenged the government on the adequacy of the Care Act funding. The Government has acknowledged that information to base estimates of Care Act costs is difficult to obtain, especially at a national level. Funding for additional assessments has been identified as one of the major risks to successful implementation of reforms in 2015/16 and this also must be seen in the context of wider concerns about the totality of local government funding and the pressures upon day to day budgets.
11. To the Department's credit it has acted on the sector's concerns about the adequacy of Care Act funding in 2015/16. Both the LGA and ADASS are committed to working with the Department to better understand the likely Care Act costs in 2015/16. If the results from that joint research suggest a potential gap in what the reforms will cost and what money has been made available then we believe there are broadly three options to pursue.
 - a. Delay some or all of the 2015/16 reforms.
 - b. Amend the scope of some of the 2015/16 reforms.
 - c. Re-open the 2015/16 Spending Round envelope.
12. We are concerned that the government is not prepared to reopen the overall settlement and would rather consider scaling back its ambition. Delaying or significantly altering the scope of the reforms would rightly cause disappointment amongst citizens who need support, and their carers. We therefore urge the Government to revisit the 2015/16 funding envelope for implementing the Care Act reforms if the latest joint research provides further evidence of inadequate funding. The research could also provide a further test of whether the formulae hold sufficient predictive power when it comes to costs that councils estimate locally.

13. There are other funding streams for Care Act reforms in the Better Care Fund, worth £135m in total. £28.3m of this sum is intended to cover the costs of harmonisation of care eligibility criteria. So far the government has not signalled whether the funding is intended exclusively for councils which use more restrictive criteria, or for all councils irrespective of past policy decisions. We call for the government to immediately make social care authorities aware of what its intention is. This has to happen before local Better Care Fund plans are signed off.

LGA and ADASS

September 2014

Annex

The detailed responses to the questions in the consultation are:

CAA1: Do you prefer: CAA Option 1: the extrapolation approach or CAA Option 2: the epidemiology approach?

CAA2: Why do you prefer the option selected above? Do you have any comments about the options or alternative suggestions for allocating the funding?

DPA1: Do you agree with the Department's proposal to allocate funding for the universal deferred payment scheme using this DPA RNF formula?

DPA2: Do you have any comments about our proposal or alternative suggestions for allocating the funding?

Impact on planning

These activity-specific relative needs formulae are a result of work commissioned by the Department of Health and undertaken jointly by the Personal Social Services Research Unit (PSSRU) and LG Futures.

The two organisations provided their expertise from past reviews of adult social care RNFs, and the LGA, ADASS, CIPFA and other bodies were engaged throughout the development process as part of a Project Advisory Panel.

Currently, the formulae are undergoing an independent peer review which should make the process with which the formulae have been designed more robust.

However, In December 2013, as part of the illustrative 2015/16 local government finance settlement, the government announced indicative allocations and councils are likely to have started planning their activity in 2015/16 based on those indications. The joint programme office stocktake of implementation progress includes a question about effects of the consultation on planning for further reference.

We note that any combination of options of formulae presented in the paper result in large variations between the indicative allocations in the December 2013 settlement and exemplified allocations in the consultation document. This ranges from growth of up to 67% to reductions of up to 75%.

We recognise that this is likely to be, at least in part, a result of these funding streams being based on activity-related formulae which can provide different results from the overarching RNFs. We also accept that these formulae concern funding that has never been distributed before.

However, when making its decision the government should note the impact on councils that have already started preparing for the next financial year. At the worst case this may mean that a council could have started planning on the assumption that it would receive 4 times more funding than it is now potentially set to receive.

Whichever allocation mechanism the government decides to use, it should communicate the results to councils as soon as possible. An announcement in December would leave less than 2 months for councils to plan and set their budgets. As a result, we would suggest that the final allocations for new burdens funding be announced prior to the rest of the local government finance settlement.

Even if the government was minded to revisit the total quantum of funding at the time of the settlement, this early announcement would serve as a clear indication of the minimum amount of funding to be received by individual councils in 2015/16.

Other points

The formulae proposed in the consultation paper are activity based and attempt to estimate the likely demand for those activities. They estimate, in relative terms:

- The number of people currently funding their own social care as they are believed to be the main driving factor behind the demand for additional assessments in 2015/16; and
- The number of people in need of social care who have housing assets as a driving factor behind the demand for deferred payments.

As a result, they focus on which areas are predicted to have the biggest concentration of people in need of care who are excluded from accessing it by the means test. In doing so, the formulae appear to assume a uniform take-up rate of those services among self-funders, regardless of different socioeconomic and other characteristics. The government should consider if that is a valid assumption to make.

DPA3: What was the cost of deferred payments in your local authority?

This question is aimed at individual local authorities and not the LGA.

DPA4: Which option do you prefer, NDPA Option 1 (national netting off adjustment) or NDPA Option 2 (the local netting off adjustment)?

DPA5: Do you have any comments about the options, or alternative suggestions for netting off this funding?

The funding formula for deferred payments developed by PSSRU and LG Futures does not take into account the extent of current locally operated schemes, but estimates the relative size of total potential demand for deferred payments instead. The consultation document suggests the government is considering adjusting the allocations resulting from the formula to reflect the pre-existing extent of deferred payment schemes locally.

The likely result of this adjustment is that areas which already have extensive deferred payment schemes would receive less funding than that stipulated by the formula, while areas with small pre-existing schemes would receive more. Exemplifications are not available due to a lack of

data on the size of local schemes – the government is looking to use this consultation to collect the data through question DPA3.

The government should consider that there is a potential trade-off between aligning the funding with unaddressed demand and using data that may be imperfect, incomplete or difficult to update.

The consultation is being used as a means to collect data required for this localised adjustment to work appropriately. If it decides to go ahead with the adjustment, the government should ensure that this results in a complete and robust dataset.

Finally, if the government goes ahead with the adjustment it must consider the options for updating this mechanism for subsequent years should grant funding continue in some shape or form in 2016/17.

PRIS1: Do you agree with the Department's proposal to allocate funding for social care in prisons using this formula?

PRIS2: Do you have any comments about our proposal or alternative suggestions for allocating the funding?

This proposal affects a limited number of local authorities and we would draw attention to their individual responses as a result.