

# London Councils

The voice of London local government

## Care Bill - Report stage

### Amendment 121, before Clause 69

House of Lords, Monday 14 October 2013

#### Outline

London Councils supports the government's reform of adult social care in the Care Bill. However, we have serious concerns about the level of funding being made available to local government who will have a range of new duties and responsibilities arising from the legislation. We are concerned that the government's estimated costs for the reforms are well below our estimates and that any shortfall in funding would be on top of the 10% cuts to local authority spending for 2015/6. We believe that inappropriately funded local authorities will be unable to effectively implement the proposed changes. We are thus seeking an analysis and review of the estimated costs to local government before proceeding further. We also seek clarification regarding the longer term funding for these reforms – so far funding has only been announced for the first two years 2016/18 for the implementation of these reforms.

We therefore support amendment 121 before Clause 69, which states that the:

'Secretary of State must ask the Office for Budget Responsibility to complete by the end of 2014 a review of the funding of adult social care that assesses -

- (a) the adequacy of current public funding of these services;
- (b) the proposals for funding the provisions in this Act;
- (c) the implications of the Act and its funding for the NHS over the next five years; and
- (d) in particular the short and long term costs of setting the eligibility criteria at the level set out in the regulations.'

We would ask you to also support this amendment to give further clarity to local authorities.

#### Introduction

London Councils has explored the potential financial implications to London Boroughs of both preparing for and implementing the proposed duties set out in the Care Bill. Although the government has committed to meet the funding for new burdens on local authorities, our analysis shows (see details below) that the current funding commitments made by government will not meet London's requirements.

# Key Findings of our research

## Preparing for the reforms

A survey by London Councils of 16 boroughs has estimated that there will be a £37.8 million shortfall in 2015-16 alone between what the boroughs estimate it will cost to set up and prepare for the reforms and what the government is likely to make available. This is based on the government announcement of £335 million being made available that year and the current relative needs formula used to determine what the London local authorities will receive. In addition to the year one costs, we estimate there will also be ongoing costs to boroughs of an additional £260 million for administering the reforms in 2016-2020. See the details of this new research below.

## Costs of introducing a cap and raising the means testing threshold

London Councils has previously shown ([see link here](#)) that in the four years to 2020, the overall additional cost pressures to local authorities as a result of implementing the cap and raising the threshold could be as high as £877 million (including demographic pressures). Nationally, local authorities will face additional cost pressures in the region of £6 billion (plus demographics) over the same four year period, with costs weighted in the first and fourth year of implementation.

## The Analysis

### Preparing for the reforms

Based on our detailed analysis, London Councils is particularly concerned that the current funding commitment made by government will not meet London's requirements.

The government has committed £335 million in 2015/16 to assist councils nationally in preparing for the reforms. Based on our survey of the 16 boroughs, we estimate that London will need around £90 million of the national total to help the councils in London prepare for the reforms. We do not yet know how this money will be distributed, but if we assume that it is distributed using the Adult Social Care Relative Needs Formula, London would normally expect to receive around £52 million (16%) of the revenue and capital funding. If this is the case, then this funding is not sufficient and it could mean London local authorities will be faced with unfunded costs of £37.8 million in terms of preparing for the reforms in 2015/16. It is important that the government recognises the higher costs that London faces and reflects them in the funding allocation to London.

The unfunded total of £37.8 million is made up of the following seven cost elements. See also the table on page four with a summary of all the costs for the five years 2015 - 2020.

**Care user assessments** – The reforms will result in higher number of care users coming forward to local authorities for assessments. Based on the average unit cost of a care user's assessment of £820, the cost across London could be in the region of £21.6 million. It is estimated that assessments will peak in the first year, however there will be on-going costs associated with reviewing self-funders needs and assessing new self-funders who come forward. We have made an assumption that on-going costs will be 75% of the initial cost in 2016/17 and 50% thereafter.

**Additional carer assessments** – On average, the 16 boroughs responding to the survey are expecting to see an increase of 2,600 carers per local authority coming forward for assessments, equating to an additional 85,800 carers across London who could potentially request an assessment. This will impact on staffing and administration costs. Based on the average unit cost for a carer's assessment in London of £153, this could equate to £13.1 million across London from just the expected increase in carers assessments.

**Care account management costs** – Local authorities will have to set up, monitor and provide regular updates on care accounts which will incur costs. Although it is difficult to assess the cost of setting up care accounts

for all self-funders, it is likely to be a significant task. We estimate this would represent on-going costs of approximately £1.3 million across London.

**IT system improvements** - Local Authorities will need to procure new systems or pay for improvements to current systems as the number and details of care records will increase with the additional assessments and the introduction of care accounts management. While the costs will be different for each authority, the average projected cost could be a one off cost of £2.97 million across London for the purpose of adapting and developing appropriate IT care systems.

**Carers support** - A local authority will have to meet a carer's needs for support which meet the eligibility criteria. On average, the survey authorities were already supporting around 1,650 carers and the average unit cost of supporting a carer is around £950. We estimate that 50 per cent of carers who come for an assessment would be eligible for support. On this basis the cost to London boroughs is an extra £40.8 million.

**Advice and Information systems** - The reforms set out in the Care Bill will require a wide scale advice campaign to ensure that people are aware of the changes and choices that will be available to them and how to access them. Our research with boroughs has found that many are expecting one-off system costs and additional staffing costs. We estimate that this could mean a cost of £8.58 million across London to enable councils to improve information and advice for residents. It is important to note that the estimated cost does not include the cost of carrying out an information campaign on the changes to the care system. Indications from government are that there will not be a nationally coordinated campaign that local authorities could build on locally. Local authorities will therefore have to bear the full costs for an information campaign.

**Deferred payments administration** - Although all councils in London already offer deferred payments, the commitment to have deferred payments available on a wider scale will have cost implications for councils. The Department of Health estimates that the introduction of a universal deferred payment scheme would increase the demand for deferred payments by up to 11,500 nationally of which we estimate that at least 2,110 of these will be in London. This could equate to an additional cost to London of £1.4 million.

## Ongoing costs

Based on the initial costs set out above as a baseline, we estimate that there will be on-going costs of £71.5 million in 2016/17 and £62.9 million thereafter, totalling £260 million in the four years 2016-20.

## Costs of the cap and extended means testing threshold

In July, London Councils published a report which by looking at regional levels of wealth and asset ownership to estimate how many more care users are likely to receive local authority support as a result of the means testing threshold change and the lengths of time spent in care against the costs of care we were able to estimate the potential costs to local authorities of implementing the extended means testing threshold and introducing the cap. Our research found that over the period of reforms from 2016 to 2020, combined with the costs of inflation and demographic pressures over this period means there will be a potential cost increase of £877 million (with demographic pressures) in London alone.

The Table below sets out our summary of the estimated costs of preparing for the reforms in London and also our estimated on-going costs of the reforms to 2019/20 (excluding the threshold and cap).

	Estimated Cost of preparing for the reforms to London boroughs				
	Total national preparation pot = £335 million.	On-going costs			
	2015/16	2016/17	2017/18	2018/19	2019/20
Care User Assessment	£21,600,000	£16,200,000	£10,800,000	£10,800,000	£10,800,000
Additional Carer Assessment	£13,100,000	£9,825,000	£6,550,000	£6,550,000	£6,550,000
Care Account Management costs	£1,320,000	£1,320,000	£1,320,000	£1,320,000	£1,320,000
IT System Improvement	£2,970,000	£0	£0	£0	£0
Carers Support	£40,800,000	£40,800,000	£40,800,000	£40,800,000	£40,800,000
Advice and Information	£8,580,000	£1,980,000	£1,980,000	£1,980,000	£1,980,000
Deferred Payments Administration	£1,400,000	£1,400,000	£1,400,000	£1,400,000	£1,400,000
<b>Total</b>	<b>£89,770,000 (26% of total announced funding)</b>	<b>£71,525,000</b>	<b>£62,850,000</b>	<b>£62,850,000</b>	<b>£62,850,000</b>

#### ESTIMATED TOTAL COST OF REFORMS BY 2019/20

(excluding costs of raising the threshold and the cap) is **£349,845,000**

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*London Councils represents all 32 London boroughs and the City of London. The Mayor's Office for Policing and Crime and the London Fire and Emergency Planning Authority are also in membership*