

## NORTH YORKSHIRE COUNTY COUNCIL

### CARE AND INDEPENDENCE OVERVIEW AND SCRUTINY COMMITTEE

2 DECEMBER 2021

#### HAS FINANCE UPDATE

##### **1.0 Purpose of Report**

- 1.1 This paper highlights the current financial position facing HAS as at September 2021, describes the impact COVID-19 costs are having on the in-year position and also describes the management action that is being taken in response to ongoing pressures. The paper gives a summary of the changes being proposed by government regarding charging for social care and also some feedback on the changes introduced by NYCC in the last two years.

##### **2.0 HAS Financial Pressures**

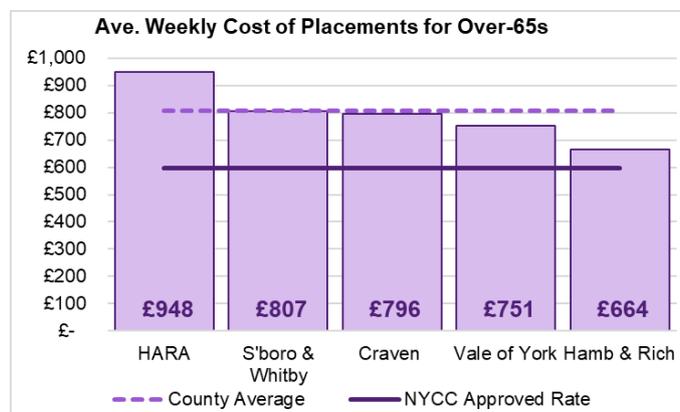
- 2.1 The latest figures for the Health and Adult Services Directorate shows that a break-even position is reported but this is only possible due to £7.1m of growth allocated to the Directorate in 2021/22, plus the use of £1.3m of Improved Better Care Funding (IBCF). The HAS budget includes Adult Social Care, Public Health and some whole directorate costs.
- 2.2 These figures reflect COVID-19 related budget pressures of £3.2m, more than half of which is made up of payments to support providers. Other cost pressures as a result of the pandemic including increased staffing costs, loss of income, increased equipment costs and delays in the achievement of planned savings. As seen in the Quarterly Performance Report, activity levels are starting to return to (and exceed) pre-pandemic levels, and this is reflected in the finance figures.
- 2.3 The Directorate instituted a financial recovery plan during 2019/20, as reported to the Committee last year, and despite the pressures caused by COVID, work continues to ensure that we manage costs down as much as is possible.
- 2.4 Indeed, the need for sound financial management and reporting has been magnified due to additional and temporary funding allocated (but all of it with strings) to the Council to support the costs of COVID. This includes a number of specific grants to for the Council and also for passporting to external care providers. These include Infection Prevention Control, Rapid Testing and Contain Outbreak Management funding (COMF). The Council has received a further £5.0m in such COVID-19 funding during Q2, taking the total to £15.7m for 21/22, which has been taken into account in the forecast outturn position.
- 2.5 There are a number of underlying issues to be aware of which continue to add budgetary pressures to the service.

2.6 Demography: Population projections show that the number of North Yorkshire households with someone over the age of 85 is set to increase by 155% by 2039 and the number of younger adults who require support has increased in recent years from 5,189 to 5,503.

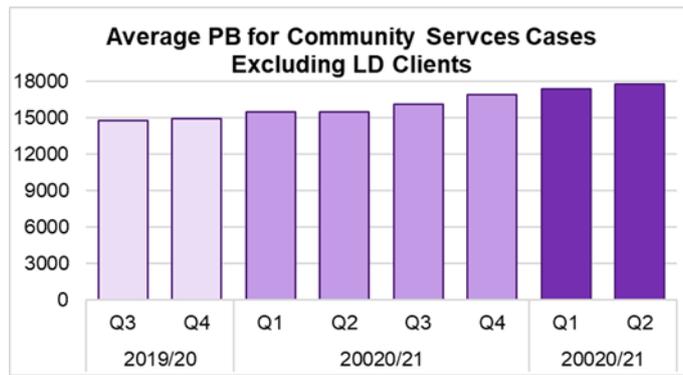
2.7 Hospital Discharge: The Covid-driven policy of taking people into social care before assessments are undertaken will continue. Earlier this year, the Council was funded for the first six weeks of this care whilst the social care assessment was completed. After that the cost responsibility becomes the Council's, although of course in many cases, people make some contribution to the cost of care. In July, that period of funding was reduced to four weeks and therefore the Council is currently picking up the costs of any time after that. Any personal contributions from people cannot start until the social care assessment has been done. From April 2022, it is expected that this funding will cease and if that is the case, additional net costs will fall to the council.

2.8 Market Costs: We continue to see increased market pressures:

- The average cost of a placement for the 65+ age group in September 2021 is £806 which is an increase of £51 or 6.8% year on year. All locality average costs continue to be above the approved rate. The cost in Harrogate is 18% (£142) per week higher. The disparity across the county can be seen in the graph below



- The market rates variability across the county is due to availability and demand. Where there is low demand and high availability, market rates are often lower. This is a particular issue in Harrogate where although the NYCC rate has increased by 16% since 2017, actual market rates have risen by 59%.
- The average Personal Budget for non-LD cases was £17.7k at the end of September, an increase of £0.4K against the average PB for Q1 (see below). This represents a 15.8% increase year on year (£2,424), compared with a 12.9% increase (£1,988) reported in Q1.



- 2.9 Other Market pressures: We have seen a 29% increase in referral workload for community teams as a direct result of the new discharge pathways mentioned above, in addition to 119% increase in assessments due to Discharge to Assess. This has had an impact on our capacity and means that we are having to spend more money on workforce.
- 2.10 An analysis of community teams' capacity suggests a requirement of 179 FTE against current establishment of 157FTE (although we currently have a vacancy rate of 11% to 26%).
- 2.11 However this increase in referrals is not the only reason for workforce pressure, as provider failure is having a significant impact across all localities. Since September we have lost 104 beds of capacity in the residential and nursing sector and 600 hours of care into specialist complex LD supported living services.
- 2.12 As reported to the County Council meeting in November 2021, packages of care are being handed back to the Council to either re-resource or find alternative solutions to keep people safe. This is putting significant pressure on and impacting our in-house provision as we try to find solutions for people or fill the gaps using staff from our services. This affects our ability to provide reablement and respite services. Complex care packages are being handed back at short notice alongside those requiring two carers or in more rural locations. In addition we are seeing care home providers withdraw from providing nursing care or withdraw completely from the market. All of this has a financial consequence.

### Public Health

- 2.13 Public Health has a gross budget of £23.4m but is balanced to a net zero in the Council's Quarterly monitoring reports. The Public Health grant has reduced in real terms in recent years and is currently £22.3m. The difference is being funded from reserves. This is a planned use of the earmarked reserve which was built up in previous years. Nevertheless it means that current spend will have to be reduced by at least £1.1m to be in line with the grant – and more if further savings are required.
- 2.14 The latest figures show that as activity has reduced, so have costs, leading to a projected underspend on original budget of £1m. A plan is being finalised which will enable the spend to be brought in line.

### **3.0 Managing the Pressures**

- 3.1 As reported to previous meetings of the Committee, the Directorate has an action plan which aims to reduce the financial pressures in Care and Support, while continuing to look for other savings to support the Council's overall budget position.
- 3.2 In addition to the market pressures referenced above, residential and nursing occupancy rates have reduced overall during the pandemic, however some areas of the county are seeing high occupancy rates particularly for nursing care.
- 3.3 A range of national and local support mechanisms have been in place since early in the pandemic to reduce the financial impact of the pandemic on the care market and, where possible, prevent provider failure. This includes support from central government, including:
- Infection Prevention Control funding;
  - A national Personal Protective Equipment portal; and,
  - The block purchasing of discharge beds.
- 3.4 At a more local level, the county council has implemented:
- Compensatory payments;
  - Supplier relief and hardship processes;
  - Payment on planned activity; and,
  - Payments in advance for the annual inflation settlement
- 3.5 The Strategic Market Development Board is in place to address the wide range of challenges in the social care market, and to provide a strategic focus on the implementation of solutions.
- 3.6 The Board has a multi-agency membership, and has set key priorities for its development work. One of the key areas of work relates to the £167 Million spent each year via three approved provider lists (APLs), covering care homes and extra care, day services, and domiciliary care.
- 3.7 The process has included a workshop for the System Leadership Executive, involving people from a range of organisations, including local authorities, CCGs, NHS provider trusts, the Independent Care group and voluntary sector organisations.
- 3.8 Output from the workshop is helping to shape the service specification and procurement documents, scheduled for completion at the end of November 2021. This will be followed by the issuing of invitations to tender in January 2022, and it is anticipated that new contracts will start from July 2022.
- 3.9 The procurement will also take into account the extensive Actual Cost of Care work which has been carried out in the past two years. This will aim to ensure that providers have sustainable funding going forward while also seeking to limit where costs have exceeded council rates.

3.10 In addition to this, the following areas of work have are being undertaken or are in place to assist management of the budget:

- Revised Scheme of Delegation
- Budget Management Skills
- Improved Forecasting and other business processes
- Improved data monitoring and budget tracking
- Development of a budget performance and activity dashboard
- Practice Review meetings
- Introduction of training materials
- Professional Reasoning checklist
- Closer scrutiny of adult social care activity, practice and performance
- Clear exit strategies for temporary funding and projects
- Ensuring the correct split of costs between NYCC and NHS (especially Continuing Health Care) and people who use our services

#### **4.0 Future Funding Issues**

4.1 Our areas of concern regarding the future of Adult Social Care funding remain and we continue to work with organisations such as the Association of Directors of Adult Social Services, the Society of County Treasurers and the County Councils Network to lobby central government for a fairer funding settlement in this respect.

4.2 In all of these discussions, our message has been that in future any funding settlement must be comprehensive, enduring and fair settlement for social care. It should also be less complex than the current system which is a mixture of one-off and recurrent funding, ring-fenced and non-ringfenced grants, local ability to raise additional Council Tax and contributions from service users.

4.3 We have also said that there needs to be a review of the funding allocations formula, with Adult Social Care funding based on ageing and disabled population and Public Health Grant funding based on indices of multiple deprivation.

4.4 Consideration should be given of additional cost pressures facing local government and the NHS in remote rural and coastal communities. Any funding formula should take into account the different costs of delivery incurred by geography and supply, for example higher transport costs and an older population. We also endorse the LGA and PHE report from 2017 (<https://www.local.gov.uk/health-and-wellbeing-rural-areas>) which notes, amongst other conclusions, that:

- Both sparsity and rurality appear to affect poverty levels and consequently the health of people in rural areas. Sparse areas on the fringes of towns and urban settlements have the highest proportions of poor households, although no area type is poverty free.
- Changing population patterns, including outward migration of young people and inward migration of older people, are leading to a rural population that is increasingly older than the urban population, with accompanying health and care needs.

- Sparsity and the increasing scarcity of public transport links have a significant impact both on daily living costs of rural households and on access to services.
- Rural areas have worse access in terms of distance to health, public health and care services. Longer distances to GPs, dentists, hospitals and other health facilities mean that rural residents can experience 'distance decay' where service use decreases with increasing distance. Different models of service delivery may be needed for rural areas, including new models of workforce development. These also include the development of rural hubs providing a range of services, and more services provided on and through the internet.

## **5.0 Charging for Social Care**

- 5.1 In the past, and as part of our response to the discussion on the funding of social care, we have also advised that we need to review and decide what is the responsibility and resulting costs of the state and what we agree should fall on individuals and families. In this we need to reflect on charges to people and revisit means test and needs test thresholds. We should be cautious about the unintended consequences of including people's homes in financial assessments for home care.
- 5.2 The government has now published proposals that seek to address this last issue. This will mean that anyone with assets of less than £20,000 will not have to pay anything towards the cost of care either at home or in residential care from October 2023. People with more than £100,000 in assets will pay all such costs until they reach a maximum of £86,000. Those with assets of £100,000 or less will pay a means-tested proportion towards their care costs, again until they reach a maximum of £86,000.
- 5.3 Although details and costs are yet to be worked through for North Yorkshire, the proposals could present further costs and capacity issues to the council as the number of assessments increases and self-funders move to being at least partially publicly-funded, and this could have an impact on providers' resources. The intention is that direct costs for this will be funded through a new National Health and Social Care Levy but the level of this is not certain and there is no guarantee that costs such as those caused by additional assessments will be covered.
- 5.4 The Committee has previously received a presentation on charging in social care and it is suggested that once we have more information regarding the national changes that we bring this back to the committee for a full update.
- 5.5 Members will also be aware of the changes which took place in North Yorkshire in recent years regarding double carers and transport costs.
- 5.6 This meant that, following a public consultation and decision by the Council, the charges for transport were increased to £7.50 per journey for all users but that this was only fully implemented from 1 April 2021. During the period Sept 2019 – April 2021 these charges would be set £5 per journey. During this first period a maximum payment would be £30 per week and then increase to £40 per week from 1 April 2021.

- 5.7 It was also agreed that monitoring of the impact of these changes was undertaken both on those using the service and on other council services and budgets.
- 5.8 Secondly it was agreed that in future the full cost of care would be taken into account when charging people who use services. For new users this would come into place from 1 June 2019 and for those currently using the service from September 2019.
- 5.9 The Transport changes are now in place. However an analysis of the impact of these is difficult as the Coronavirus pandemic has impacted on many of the services where transport is required. Indeed in many cases, transport has been cancelled. Usage has now begun to pick up but is not yet at full capacity, however no major concerns have been raised as a result of the increases.
- 5.10 On the full cost of care, the main impact would be felt by people who had two carers and where, even if they were full cost-payers, the cost of the second carer was not included in the charge. The service ensured that all people affected were given the opportunity to discuss the change and there have been no issues reported as a result of this change in practice.

## **6.0 Recommendations**

- 6.1 Overview and Scrutiny Committee is asked to note the contents of the report.

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