Under pressure

Tackling the financial challenge for councils of an ageing population

Local government report, February 2010
The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.
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Summary

Councils face the challenge of an ageing population as public spending reduces.

- The ageing population will affect:
  - all councils, not just those with social care responsibilities;
  - councils’ partners in housing, health and policing.
- Public spending will reduce over the next few years – councils and their partners will be expected to find billions of pounds of extra savings.
- An ageing population has a range of impacts. If care service costs simply increase with the population they could nearly double by 2026.
- Older people are more likely to volunteer to support local communities. Carers over 60 provide care worth twice public spending on care services for older people.
- Most councils don’t know enough about the costs of their ageing population, or the savings from preventive and collaborative action, to take important decisions.

The financial challenges of an ageing population are driven by different factors in different places.

- Councils must understand the age structure of their populations, the distribution of health and wealth, and likely trends.
- The biggest single financial impact will be on social care spending, which increased by 46 per cent between 2000/01 and 2007/08.
- There are big differences in care costs – some councils spend three times more than the average per person on some services.
- Small investments in services such as housing and leisure can reduce or delay care costs and improve wellbeing.

Improved health and wellbeing reduces demand for services.

- Councils and partners should cooperate to tackle the main causes of social care need:
  - poor housing and environment;
  - health and mobility problems;
  - breakdown of informal support; and
  - social isolation.
- Most medium-term financial planning fails to use demographics, information about the impact of preventive work, or data about older people’s preferences.
- Older people are an untapped source of information about what works and the value of support to independent living.
- Early intervention can improve wellbeing and save money. One county saves £1 million a year on residential care costs by providing telecare services.
- Cheaper alternatives are often the services most valued by older people, their families and communities.
Investing in leisure activities for older people can improve health and may reduce demand for services.

Councils have to take a strategic long-term approach, but also deliver quick wins.

- Stronger corporate approaches to financial planning, led by quality of life objectives, should avoid silo-based thinking.
- Joint strategic needs assessments provide opportunities to overcome obstacles to collaborative and preventive working.
- Councils and partners can control service costs by reducing spending, avoiding spending, preventing waste and achieving better outcomes for the same, or fewer, inputs.
- A strategic approach needs:
  - clear objectives for older people’s quality of life;
  - better information about costs and savings;
  - cooperation with other local public services;
  - recognition that spending from other budgets will lead to savings in social care and health; and
  - difficult choices.
Recommendations

All councils should:
- update their sustainable community strategy, medium-term financial plans and service strategies to prepare for the impact of an ageing population;
- build older people’s opinions and experiences into plans for services that deliver what older people need and value, and also deliver better value for money; and
- update commissioning strategies to reflect future roles in preventing, reducing, or delaying, health and social care costs.

Councils with social care responsibilities should also:
- use unit cost data and benchmarks to identify priorities for short-term change; and aim to reduce residential care costs below the Department of Health’s suggested target of 40 per cent of the budget for older people’s care services;
- develop an action plan for medium-term change to meet the financial challenge;
- work with partners, and older people, to develop an area-wide approach to later life that delivers value for money by integrating prevention, early intervention and care services; and
- use delivery chain analysis to overcome obstacles to joint working in reducing needs for hospital admissions and high-level residential care support.

The Audit Commission will provide:
- tools and guidance to support this report;
- further analysis and guidance on value for money in social care; and
- guidance on strategic financial management.
More older people, less money

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Councils must plan for reduced levels of public spending after a decade of growth (Box 1). At the same time, they must prepare for an ageing population and the consequent economic impacts (Ref. 1).

Box 1: The financial shape of things to come

The fallout from the banking crisis will have a significant impact on public service spending (Ref. 2). The government has to deal with climbing levels of public sector debt, but has less income from taxation. At the same time, there is increasing demand for some benefits – and the population is ageing.

Public spending will be under increasing pressure as debt-servicing costs and benefits spending increase. Spending on services is likely to be reduced to tackle the structural deficit – if some services are protected then others face greater cuts.

The government announced in the 2009 Pre-Budget Report (Ref. 3) that it expected £11 billion in efficiency savings to be made by 2012/13 through the Smarter Government Programme, and £5 billion through the Public Value Programme (Ref. 4).

Some further efficiencies will have an impact on councils’ response to an ageing population:
- £250 million to help pay for the government’s intention to introduce free personal care for older people; and
- £360 million by aligning the eligibility age for concessionary travel with the increasing state pension age for women.

Also, the Smarter Government Programme proposes greater use of smartcards to support the administration of concessionary travel – with a potential saving of £120 million (Ref. 5).

There will be an additional £150 million for the Warm Front Scheme to help the most vulnerable households and a doubling (to £300 million) of the support to energy companies for low-use discounts.

The government will publish plans for a ‘fiscally sustainable social care system that addresses both rising expectations and the changing demographics of the UK population’ in 2010.

Source: Audit Commission
2  2010/11 is the final year of the 2007 three-year public spending settlement. Councils can use short-term certainty to help them plan for tighter financial settlements, and an environment where every service and activity will be under scrutiny to deliver more for less.

3  The population in the UK is ageing. In 1982, 30 per cent of people were over the age of 50; in 2009 it was 34 per cent, and by 2026 it will be 40 per cent (Ref. 6) (Figure 1).

COUNCILS NEED TO KNOW MORE ABOUT OLDER PEOPLE'S USE OF LOCAL SERVICES.

40% of the population will be over 50 in 2026
As the population ages, the costs of some age-related health conditions will increase. Dementia costs the UK economy £17 billion a year. In the next 30 years, the number of people with dementia in the UK will double to 1.4 million, while costs could treble to over £50 billion a year (Ref 7).

But the population is changing in other ways; economically active pensioners were 3 per cent of the workforce in 1992, but were 5 per cent in 2009 (Ref. 8). An increasingly older population doesn’t just represent a cost to the public sector – it also provides an opportunity to make the most of older people’s contributions to the community. Sixty-five per cent of volunteers are aged 50 or over (Ref. 9). Twenty-five per cent of carers are aged 60 or over (Ref. 10), and the support they provide may be worth around £22 billion a year (Ref. 11) – more than double the current annual public expenditure on care services for older people. Many older people fund their own care needs in whole or part.
Councils must balance the need to provide social care and to support active ageing. If care service provision is simply increased alongside population growth, public spending on care services could nearly double between 2010 and 2026. Private spending on social care would more than double over the same period, if trends in means-testing and self-funding continue (Ref. 12) (Figure 2).

**Figure 2: Projected care costs unless action is taken**

Source: Personal Social Services Research Unit

Eighty-five per cent of older people don’t use council care services. They may use other services, such as housing, leisure and adult education, that play an important role in keeping them active and independent; and they use the full range of general council services.

 Tighter finances create an opportunity to rethink and redesign services to improve lives, while spending less public money. The challenge of an ageing population is a challenge for the whole council, not just adult services or social care services. It is a challenge for all councils – not just...
those with social care responsibilities. And it is a challenge for partners in housing, health and community safety who also contribute to the wellbeing of an ageing population. This is a whole-system issue that goes beyond the boundaries of any one organisation (Figure 3).

Figure 3: The recession will have a range of impacts on costs of care

![Flowchart showing the impact of financial slowdown on local care market]

Source: Audit Commission 2009

9 The recession will impact on employment, income from pensions and savings, and housing markets. This is likely to lead to a higher proportion of older people claiming, and being eligible for, means-tested benefits and services. Some council chief executives said this was starting to happen in 2009 (Ref. 13).

Policy background

10 Government policy from 2000 emphasised the role of public services in helping older people to live independent lives and giving them better choice and control (Ref. 14). This should have led to local strategic approaches to their wellbeing. But the Audit Commission's 2008 report, Don't Stop Me Now (Ref. 15), found little evidence that councils and their partners considered the wellbeing of older people as an overarching strategic objective. Good practice was rare.

11 In 2009, the government produced two policy statements on issues related to the financial implications of an ageing population. Building a Society for All Ages (Ref. 16) focused on the wellbeing theme and the positive contributions that older people can make to their communities. Shaping the Future of Care Together (Ref. 17) described options for reforming social care to meet future needs within expected resources.
12 Don’t Stop Me Now recommended an age-proofing approach to council services. Under Pressure updates this recommendation to the economic environment that few predicted in the summer of 2008. This report challenges councils to make long-term decisions about how they will manage the impact of an ageing population.

Box 2: The Audit Commission’s response to Shaping the Future of Care Together:
- supported the move to reform services;
- welcomed the emphasis on prevention and service integration;
- recognised that principles of fairness, transparency and value for money should underpin future funding arrangements; and
- supported councils’ continuing role in making local decisions about using resources to improve the lives of older people.

Meeting the challenge

13 This report:
- emphasises the need for a strategic response to the challenge (Chapter 2);
- stresses a whole-system approach to managing costs (Chapter 3);
- reviews the contribution of prevention and early intervention (Chapter 4); and
- highlights the role of better information (Chapter 5).

14 This report will help councils to:
- improve their understanding of the implications of an ageing population for local services, in terms of costs, needs, benefits and involvement of older people;
- clarify priorities and make choices about affordable services; and
- develop a preventive approach that works across service and organisational boundaries, contributes to the health and wellbeing of older people, and saves public money.

15 Each chapter ends with challenge and review questions; together they enable councils to work with their partners to review and potentially transform their local approaches.
This report will be supported by:
- a guide to recent policy and research literature (Ref. 18);
- guidance for overview and scrutiny committees, local strategic partnership boards and primary care trust boards; and
- a web-based summary of existing planning tools and guidance on providing social care services to older people.

Older people value their independence and want to make their own choices.
Taking a strategic view

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Recognising local impacts

17 National and local government will need to tackle many of the policy challenges of an ageing population. For single-tier and county councils, the ageing population is too often seen as a challenge only for social care budgets.

18 Councils and their partners also need an understanding of all the financial impacts of an ageing population on local public services, the roles of prevention and wellbeing activities, and the difficult choices about charging and demand management. Then they can develop a strategic approach that reflects the needs of their population, and the resources they have to meet those needs.

19 Table 1 illustrates the main aspects of the challenge to councils.

Table 1: The length and breadth of the impact

<table>
<thead>
<tr>
<th>Service or activity</th>
<th>Financial implications for service budget and council budget</th>
<th>Comments</th>
<th>Financial advice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult social care</td>
<td>High</td>
<td>Spending driven by population change and changing needs. Managed by eligibility criteria, and means-testing.</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>Mitigated by service transformation and value-for-money initiatives (Ref. 19). Mitigated by prevention and early intervention activities – many of which involve other council services.</td>
<td></td>
</tr>
<tr>
<td>Benefits administrationi</td>
<td>High</td>
<td>Administrative costs driven by population change, and number of claims (including failed claims). Mitigated by clearer benefits and financial advice.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>Management and impact of benefit uptake campaigns.</td>
<td></td>
</tr>
<tr>
<td>Financial advice</td>
<td>High</td>
<td>Driven by recession-linked falls in post-retirement income and asset values with consequent decrease in self-funding older people. Strong third sector role.</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>Possible efficiencies through partnership with benefits administration and the Department for Work and Pensions.</td>
<td></td>
</tr>
</tbody>
</table>

i Benefits administration can involve more than one council department.
<table>
<thead>
<tr>
<th>Service or activity</th>
<th>Financial implications for service budget and council budget</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>High</td>
<td>Strong strategic housing vision (Ref. 20). Impact related to local tenure and household profiles. Driven by housing needs and expectations of different age groups. Linked to adult social care (Supporting People&lt;sup&gt;i&lt;/sup&gt;) and benefits administration (disabled facilities grant, home insulation grants).</td>
</tr>
<tr>
<td></td>
<td><em>Depends on ownership of housing stock</em></td>
<td>Partnerships with home improvement agencies to improve housing for older people (Ref. 21). Decent homes mitigate social care costs (Ref. 22).</td>
</tr>
<tr>
<td>Sport and leisure services</td>
<td>Medium</td>
<td>Age-proofing, and marketing services. Develop role of third sector and private sector.</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>Maintain health and independence, for example, through exercise prescription. Possible partnership co-funding.</td>
</tr>
<tr>
<td>Bereavement services (registration, cemeteries and crematoria)</td>
<td>High</td>
<td>Services that recognise increasing diversity. Minimising stress to bereaved partners, relatives, and friends.</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>Link to financial advice and care services. Link to private sector service providers.</td>
</tr>
<tr>
<td>Highway maintenance</td>
<td>Medium</td>
<td>Maintenance of footpaths and pedestrian areas to reduce falls and to encourage walking.</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>Age-proofing pedestrian areas.</td>
</tr>
<tr>
<td>Refuse collection</td>
<td>Medium</td>
<td>Age-proofing collection and recycling services. Increased clinical waste provision.</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>High</td>
<td>Under-funding of concessionary fares. Administration costs.</td>
</tr>
<tr>
<td></td>
<td>Medium to low</td>
<td></td>
</tr>
<tr>
<td>Economic development</td>
<td>Low</td>
<td>Enabling responses to changing local consumption patterns.</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>Assess and recognise increased role of older people in the labour market.</td>
</tr>
</tbody>
</table>

<i>Supporting People is part of the area based grant from 2010/11.</i>
## Taking a strategic view

**Source: Audit Commission**

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<tr>
<th>Service or activity</th>
<th>Financial implications for service budget and council budget</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td>Low</td>
<td>Age-proofing services.</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>Low</td>
<td>Role of older volunteers in schools and in intergenerational projects (Ref. 23).</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>Adult education provision.</td>
</tr>
<tr>
<td>Cultural services</td>
<td>Low</td>
<td>Age-proofing.</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>Volunteering.</td>
</tr>
<tr>
<td>Children’s services</td>
<td>Low</td>
<td>Role of volunteers in supporting families (Ref. 23).</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Waste disposal</td>
<td>Low</td>
<td>Clinical waste disposal.</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Street cleaning and street lighting</td>
<td>None</td>
<td>Contribution to local wellbeing and sense of safety.</td>
</tr>
<tr>
<td></td>
<td>None</td>
<td>No specific age-related cost influences.</td>
</tr>
</tbody>
</table>

| Service budget | Council budget |

20 A strategic approach must be based on a council’s understanding of how national changes are reflected in local circumstances. One starting point is to review the local impact of the four main factors that reduce quality of life in later years (Ref. 24):
- financial hardship;
- health and mobility problems;
- lack of trusting relationships with family and friends; and
- low opinions of the neighbourhood.

21 Tameside and the Isle of Wight illustrate how a national issue can have different local impacts (Table 2). Local strategies, and the decisions that follow, must take account of different older populations and the impact of local circumstances such as housing markets.
### Table 2: National changes - local impacts

<table>
<thead>
<tr>
<th>Category</th>
<th>Tameside</th>
<th>Isle of Wight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of the population over 50</td>
<td>34 per cent of the population are 50 and over (in line with the national average).</td>
<td>45 per cent of population are 50 and over (upper quartile nationally).</td>
</tr>
<tr>
<td>Health and death rates</td>
<td>A typical 65-year-old man will have good health till 76 and live till 80.</td>
<td>A typical 65-year-old man will have good health till 78 and live till 81.</td>
</tr>
<tr>
<td></td>
<td>A typical 65-year-old woman will have good health till 78 and live till 83.</td>
<td>A typical 65-year-old woman will have good health till 81 and live till 85.</td>
</tr>
<tr>
<td>Indicators of older people's poverty</td>
<td>20 per cent of people over 60 live in income-deprived households.(^i)</td>
<td>13 per cent of people over 60 live in income-deprived households.</td>
</tr>
<tr>
<td></td>
<td>28 per cent of people over 60 receive pension credit.</td>
<td>19 per cent of people over 60 receive pension credit.</td>
</tr>
<tr>
<td>Migration trends</td>
<td>Well-off older people are more likely to move away from this area, leaving a largely low-income older population.</td>
<td>Well-off older people are more likely to move into this area.</td>
</tr>
<tr>
<td>Transforming care service provision</td>
<td>Transition to home care released between £700,000 and £800,000 over the last two years – money that has been reinvested in prevention. The area received £1.15 million in funding for Partnerships for Older People Projects in 2007/08.</td>
<td>There is an over-provision of residential care. The council seeks to drive the market towards more home care provision. There is free homecare for people aged 80 and over.</td>
</tr>
<tr>
<td>Impact of concessionary travel</td>
<td>Free bus travel allows older residents to travel around the local area and to get to the larger urban centre of Manchester. Government funding has covered the full cost.</td>
<td>Concessionary travel costs have been high as all journeys begin and end on the island, and because of high numbers of older visitors. The Council estimates it has a £3 million funding shortfall.</td>
</tr>
<tr>
<td>Percentage of over 65s who are satisfied with their home and neighbourhood</td>
<td>76 per cent (129th of 152 areas)</td>
<td>89 per cent (11th of 152 areas)</td>
</tr>
</tbody>
</table>

*Source: Audit Commission fieldwork and 2008 Place Survey.*

\(^i\) These are households earning less than 60 per cent of the median income – referred to as the poverty line.
Strategic planning for an ageing population

22 The Audit Commission’s 2005 report, *World Class Financial Management* (Ref: 25), highlighted the importance of linking strategic priorities and financial planning:

‘Financial planning needs to be linked to the organisation’s strategic and corporate planning processes – the financial plan (budget) is simply a quantitative expression of a plan of action. As such, financial plans should reflect the organisation's key strategic priorities.’

23 The financial implications of an ageing population cross traditional service and organisational boundaries. A council’s financial plan that is designed to respond to the ageing population should link to:

- the joint strategic needs assessment;\(^1\)
- the older people’s strategy;
- the sustainable community strategy; and
- relevant local area agreement objectives.

24 But departmental finance staff with silo-based perspectives can get in the way of achieving corporate strategic priorities – including the need to make fair savings:

‘There has been a tendency for finance officers to see themselves as spokespeople for their service departments seeking the best deal they can get – we want them to identify themselves as part of the finance department with an awareness of corporate financial needs, first and foremost.’

_Director of finance_

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i These terms are explained in the glossary.
Lack of awareness of corporate or area strategy can lead to decisions that limit future options. For example, a council decision to close or reduce sports facilities could reduce PCTs’ future options for developing activity-based programmes to improve older people’s wellbeing and reduce health and social care costs.

The Total Place pilots (2009/10) tried to help areas improve services and save money by mapping public money flows and examining the way existing cultures help or hinder the process (Ref. 26). The reports on the 13 pilots should help councils and their partners to make better use of information about local spending, and to identify cultural obstacles to better decision making.

In the face of reducing resources and increasing needs, councils will also have to make more than incremental changes:

‘What the council does, like many councils, is it uses incremental budgeting techniques, where it take last year’s as base, adds on for growth and unavoidable pressures, takes off for savings, taking account of growth and the council tax base and government grant or reduction in grant, and that’s it really. It’s set up to do the minimum. It’s set up to do business as usual with a bit of scope for supporting a number of ad hoc projects a year. In order to do something really quite different, you’ve still got to keep the day job going while you go off and do all of this innovation. And it’s not just about capacity, it’s about capability and knowledge.’

Director of finance

Medium-term financial plans should be one vehicle for expressing links between organisational objectives (including financial objectives) and the actions that deliver them. A sample of 112 medium-term financial plans (Figure 4) suggests that many councils place little emphasis on the challenges of an ageing population. Just over half of the plans included a reference to demographic change, but only one-tenth made any estimate of the financial impact of an ageing population.

Demographic changes refer to changes in birth rates and migration patterns as well as the ageing population. Nearly half the plans had no mention of any demographic changes.
29 Even those plans that do give estimates of the impact of an ageing population take a traditional approach. Single-tier and county councils focus on social care needs, while districts focus on concessionary travel. This reflects current concerns, but ignores long-term issues and the role of other services, such as housing and leisure, that will face increased demand and play an important role in promoting wellbeing. Even transformational activities, such as developing telecare for older people, or joint working with other agencies to improve community and neighbourhood safety, are usually left to service or area projects, rather than being part of wider council strategies.

Source: Audit Commission

i The Audit Commission’s report on strategic financial management in local government will be published in 2010.
The best plans consider impacts across different service areas and are underpinned by:

- strategic objectives related to an ageing population;
- understanding of demographic change; and
- realistic forecasts of changes in income and costs.

Box 3: **Medium-term financial plan self-assessment**

How well does the medium-term financial plan:

- prepare the way to deliver more for less;
- recognise demographic change as a cost driver;
- encourage interventions to mitigate cost rises;
- support cross-department and cross-organisation work to reduce costs by collaboration and prevention; and
- enable the council to allocate reduced resources to priorities in:
  - the older people's strategy;
  - the joint strategic needs assessment; and
  - the sustainable community strategy?

How well does the financial planning process: reflect the principles of *World Class Financial Management* (Ref. 25);

- use good quality data to identify cost pressures and the costs and benefits of different options;
- enable difficult annual budget decisions that go beyond service-based incremental change; and
- provide elected members with an opportunity to examine and challenge priorities and choices?

*Source: Audit Commission 2009*
Conclusion

Medium-term financial plans should play an important role in supporting council and area strategies for supporting older people’s wellbeing, as well as service delivery. Plans should be grounded in an understanding of demographic change, its effects on services, and the council’s strategic response.

Box 4: Challenge and review questions

**Strategy**
- How fully do the council’s strategies reflect the pressures of reduced resources and an ageing population?
- How recently have elected members been involved in discussions about the impacts of reduced resources and an ageing population on the affordability of their priorities?
- What choices did they make?

**Finance**
- How does the medium-term financial plan express the council’s strategic response to an ageing population?
- How will the council and its partners make sure the financial plan provides the resources for prevention, wellbeing and services for an ageing population?
- How effective is the annual budget process in moving beyond service protection and incremental change to transformational, area-based expenditure?

**Data**
- How are cost and demographic projections used to plan for delivering more for less?
- How do the council and its partners ensure that strategic financial plans are based on shared information that is relevant, of high quality and presented well?
## Managing costs

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There are four main strategies for controlling the costs associated with an ageing population as Table 3 shows.

### Table 3: How to control your costs

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<thead>
<tr>
<th>Strategy</th>
<th>Actions</th>
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<tbody>
<tr>
<td>Don’t spend public money</td>
<td>Prevent need</td>
</tr>
<tr>
<td></td>
<td>Encourage self-support</td>
</tr>
<tr>
<td></td>
<td>Increase charges for service users</td>
</tr>
<tr>
<td></td>
<td>Tighten eligibility criteria</td>
</tr>
<tr>
<td>Reduce spending</td>
<td>Reduce or delay need</td>
</tr>
<tr>
<td></td>
<td>Support carers</td>
</tr>
<tr>
<td></td>
<td>Support active ageing and community development</td>
</tr>
<tr>
<td>Prevent waste</td>
<td>Improve service commissioning</td>
</tr>
<tr>
<td></td>
<td>Redesign processes</td>
</tr>
<tr>
<td></td>
<td>Remove duplication</td>
</tr>
<tr>
<td></td>
<td>Maximise income recovery</td>
</tr>
<tr>
<td>Achieve better outcomes for the same,</td>
<td>Collaborate</td>
</tr>
<tr>
<td>or fewer, inputs</td>
<td>Target spending on the things that older people value most</td>
</tr>
<tr>
<td></td>
<td>Develop community resources</td>
</tr>
</tbody>
</table>

Sources: Department for Work and Pensions and Bristol University 2007 (Ref. 27), Audit Commission 2009

This is not a recipe for incremental change or service cuts. Many of the potential savings will be longterm, and will need an invest-to-save approach. Research from the UK (Ref. 28) and other countries (Ref. 29) highlights the common features that can deliver more for less by focusing on prevention, early intervention and minimum use of institutional solutions (Figure 5).
Figure 5: The ‘inverted triangle’ of action

<table>
<thead>
<tr>
<th>Level of need</th>
<th>Strategic focus</th>
<th>Types of activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>General population needs</td>
<td>Citizenship</td>
<td>Involving older people</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tackling ageism</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Age-proofing mainstream services</td>
</tr>
<tr>
<td>Low to moderate needs</td>
<td>Neighbourhood and community</td>
<td>Community safety initiatives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Community development</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Enabling community self-help</td>
</tr>
<tr>
<td>Substantial needs</td>
<td>Information and service access</td>
<td>Single access points</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Self assessment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Peer navigators</td>
</tr>
<tr>
<td>Complex needs</td>
<td>Lifestyle</td>
<td>Active ageing initiatives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Decent homes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Peer health monitoring</td>
</tr>
<tr>
<td></td>
<td>Practical support</td>
<td>Befriending and counselling</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Shopping, gardening, repairs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Enabling community self-help</td>
</tr>
<tr>
<td></td>
<td>Enablement and early</td>
<td>Intermediate care</td>
</tr>
<tr>
<td></td>
<td>intervention</td>
<td>Enablement services</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Self-care programmes</td>
</tr>
<tr>
<td>Long-term care in the community</td>
<td>Carer support</td>
<td>Enabler care</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Integrated care teams and networks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Generic support workers</td>
</tr>
<tr>
<td></td>
<td>Institutional avoidance</td>
<td>End of life care</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Enabling people to die at home</td>
</tr>
<tr>
<td></td>
<td>Timely discharge</td>
<td>Management of unscheduled care</td>
</tr>
</tbody>
</table>

Source: Audit Commission 2009, Association of Directors of Adult Social Services/Local Government Association 2003
Understanding costs

35 Councils and their partners must challenge their own costs and those of service providers. They also need to understand the wider issues of how prevention and early intervention can drive down the total costs of provision for an ageing population, without compromising objectives for dignity or independence (see Chapter 4).

36 The unit costs for any service are subject to a range of local variations and influences. Service commissioners and managers must understand how these different factors act and interact if they are to influence them without creating unintended consequences. Table 4 illustrates the main cost influences associated with social care services for older people.

<table>
<thead>
<tr>
<th>Cost influence</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff costs</td>
<td>Local wage levels&lt;br&gt;Recruitment and retention costs&lt;br&gt;Sickness and absence levels&lt;br&gt;Training costs</td>
</tr>
<tr>
<td>Asset costs</td>
<td>Debt servicing costs&lt;br&gt;Maintenance costs&lt;br&gt;Payback periods for recent investments</td>
</tr>
<tr>
<td>Travel costs</td>
<td>Direct transport costs&lt;br&gt;Costs of travel time</td>
</tr>
<tr>
<td>Quality costs</td>
<td>Physical, psychological and social environment of service delivery</td>
</tr>
<tr>
<td>Contract costs</td>
<td>Gross payment with the council collecting client contribution&lt;br&gt;Net payment with client (or their representative) paying contribution to supplier</td>
</tr>
<tr>
<td>Transaction costs</td>
<td>Finding, engaging and managing suppliers&lt;br&gt;Suppliers’ expected surplus for reinvestment&lt;br&gt;Suppliers’ expected profit</td>
</tr>
</tbody>
</table>

Source: Audit Commission

The social care challenge

37 The social care challenge is an issue for many local partners. While single-tier and county councils carry the financial responsibility for social care services, it is joint working that can reduce demands for care.
In 2008/09, council spending on personal social care for people aged 65 and over was £9.1 billion (Ref. 30), about 9 per cent of total service expenditure for that year (Ref. 31).

Councils have access to comparative data about unit costs of social care services through the NHS Information Centre (Ref. 32). The comparative data suggests that many councils have failed to shift spending away from residential care, reduce their overhead costs, or tackle the considerable differences in unit costs between areas.

Older people are an increasing part of the workforce.
Figure 6: Spending on care services for older people

Source: NHS Information Centre, Audit Commission
Spending in 2007/08 was 46 per cent higher (19 per cent after taking account of inflation) than in 2000/01. However, the proportions of the different elements remained almost the same (Figure 6). These national figures hide local differences: the proportion of spending on residential care varies between 11 per cent and 68 per cent of older people’s care budgets (Table 5).

Table 5: Variations in council allocation of social care spending (%)

<table>
<thead>
<tr>
<th>Service</th>
<th>Minimum</th>
<th>Average</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment and care management</td>
<td>4</td>
<td>15</td>
<td>36</td>
</tr>
<tr>
<td>Nursing care placements</td>
<td>0</td>
<td>15</td>
<td>38</td>
</tr>
<tr>
<td>Residential care placements</td>
<td>11</td>
<td>32</td>
<td>68</td>
</tr>
<tr>
<td>Supported and other accommodation</td>
<td>0</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>Direct payments</td>
<td>0</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Home care</td>
<td>9</td>
<td>24</td>
<td>46</td>
</tr>
<tr>
<td>Day care</td>
<td>0</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>Equipment and adaptations</td>
<td>0</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Meals</td>
<td>0</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Other services to older people</td>
<td>0</td>
<td>4</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: NHS Information Centre 2009 (Ref. 33), Audit Commission

There are also large variations in the average weekly or daily spend on care services among councils (Table 6). The Personal Social Services Research Unit provides an annual report on unit costs in health and social care. This is a free benchmarking resource for councils and their partners – and it reveals considerable differences in unit costs (Ref. 34).
<table>
<thead>
<tr>
<th>Average gross weekly expenditure</th>
<th>Ratio of maximum to average</th>
<th>Minimum (£)(^i)</th>
<th>Average (£)</th>
<th>Maximum (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meals per older person receiving them</td>
<td>3.0</td>
<td>1.06</td>
<td>26.58</td>
<td>82.23</td>
</tr>
<tr>
<td>Direct payments per older person receiving direct payments</td>
<td>2.5</td>
<td>15.40</td>
<td>144.37</td>
<td>347.53</td>
</tr>
<tr>
<td>Supporting older people in residential care provided by council</td>
<td>2.5</td>
<td>136.99</td>
<td>883.78</td>
<td>2,405.50</td>
</tr>
<tr>
<td>Home care per older person receiving home care</td>
<td>2.0</td>
<td>52.29</td>
<td>143.25</td>
<td>257.57</td>
</tr>
<tr>
<td>Supporting older people in residential care provided by others</td>
<td>1.5</td>
<td>203.98</td>
<td>435.03</td>
<td>720.64</td>
</tr>
<tr>
<td>Supporting older people in nursing care (per person)</td>
<td>1.5</td>
<td>240.00</td>
<td>479.56</td>
<td>753.87</td>
</tr>
<tr>
<td>Average gross expenditure per day care session for older people</td>
<td>2.5</td>
<td>4.95</td>
<td>27.35</td>
<td>72.14</td>
</tr>
</tbody>
</table>

Source: NHS Information Centre 2009 (Ref. 35), Audit Commission

42 These figures suggest that many councils should review their expenditure, and the reasons for it, in detail. Use of Resources in Adult Social Care (Ref. 19) provides guidance and best practice to support councils in improving value for money in social care.

\(^i\) This table does not include councils that spent £0 on a service.
Primary prevention can help maintain mobility, support mental health and prevent social isolation - all key factors in the need for care services.
Cost avoidance and reduction were themes throughout the first decade of the 21st century. But with increasing resources, the incentives to take transformational approaches to tackle the financial implications of an ageing population were weak. The second decade will see significantly greater financial pressures. Cost reduction and demand management will be vital in future.

**Conclusion**

43 Cost avoidance and reduction were themes throughout the first decade of the 21st century. But with increasing resources, the incentives to take transformational approaches to tackle the financial implications of an ageing population were weak. The second decade will see significantly greater financial pressures. Cost reduction and demand management will be vital in future.

**Box 6: Challenge and review questions**

**Strategy**

What are the local drivers of the financial impact of your ageing population?

How are the financial and other challenges of an ageing population addressed in the sustainable community strategy?

How are older people involved in discussions about supporting the ageing population?

**Finance**

What are the drivers of service costs related to an ageing population?

- How are those drivers changing?
- What are you doing to manage them?
- How do local drivers and responses compare with those in other areas?

How will social care costs be managed in the context of:

- other budget demands; and
- the shift away from institutional care?

How well does the medium-term financial plan prepare the council for tightening resources and increasing demand?

**Data**

How effectively is your council using financial and performance data to challenge the way things are done?

How do all services use population, needs, and service data in the joint strategic needs assessment?

Has your council and its partners used data to evaluate different responses to the local needs of your ageing population?
Reducing demand

45 Primary prevention maintains and improves older people’s physical, mental and social wellbeing – reducing the demand for care services. Councils, with their strategic and commissioning roles in housing, leisure, cultural and environmental services, can play an important role in leading primary prevention. This should be built upon by local strategic partnerships, bringing together the police (community safety), GPs and PCTs (public health, health education, lifestyle changes) and the community and voluntary sectors (volunteering, neighbourhood and community support) (Ref. 36).

46 The argument for primary prevention is often weakened by difficulties making a clear financial case. There are complex relationships between low-cost prevention activity and future long-term savings or delayed spending in higher cost health and social care services. The Department of Health’s evaluation of Partnerships for Older People Projects (POPPs) shows these relationships can be tracked. Spending on prevention can be linked to savings in health care. The evaluation also showed lower costs per user for those initiatives targeted at the primary level of prevention. The Department of Health publication Use of Resources in Adult Social Care (Ref. 19) recognises the difficulties of transferring these findings to social care:

‘Well-being services are very popular with the public and there is growing evidence of their ability to improve people’s mental health and general well-being. It is difficult, however, to track directly whether people are being prevented from needing social care support in the future. The evidence of their ability to produce savings is not strong at present.’

Department of Health

Councils and other local service providers find it difficult to evaluate the long-term impact of primary prevention

47 The evidence is weak because councils and other local service providers find it difficult to evaluate long-term impact, especially if spending by one agency (a district council or social landlord investing in decent homes) has an impact on another (the county council or PCT). Evidence from other research, such as medical research on exercise or fall prevention schemes (Ref. 37), is rarely considered in terms of wider and long-term financial implications. Savings can be considerable. The Department of Work and Pensions’ business case for the LinkAge Plus pilots identified savings (from fewer hip fractures) of £4.29 per Tai Chi class per person (Ref 38). Making these connections could help councils to link spending in one area with savings in another.

48 A clear framework exists for better use of information to mitigate the financial implications of an ageing population. In 2006, the Wanless Report (Ref. 39) listed the main reasons that older people need social care services. Coordinated primary prevention activity targeted on these factors by councils and their partners should reduce and delay demands on social and health care services (Figure 7).
Figure 7: Investment in prevention can reduce demand for social care

The four main reasons for social care need are:

- Poor or inappropriate housing and environment
- Health, mobility and rehabilitation problems
- Lack or breakdown of informal care /stress on carers
- Social reasons - loneliness, fear of crime, abuse

Primary prevention tackles health problems, for example

- Targeted spending: Improved age-proofing of leisure services and promotion of leisure activities to 50 + age group

Leads to

- Increased healthy life expectancy
- Reduced cardiac disease and diabetes
- Improved mental and emotional health

Reduces

- Health, mobility and rehabilitation problems
- Social reasons - loneliness, fear or abuse and crime

Result

Delays or prevents need for social care, improving quality of life and saving money

Source: Audit Commission 2009
Dealing with poor or inappropriate housing or environment

49 Poor housing can increase the need for care, if older people can no longer manage in their own homes, or if living conditions harm their health. A third of older people live in non-decent housing, with older people in private rented accommodation in the worst conditions (Ref. 40). Spending between £2,000 and £20,000 in one-off adaptations to an older person’s home can have a payback period between three months and three years, if it enables a person to remain in their own home (Ref. 41).

50 Older people are more likely to live in non-decent homes, and inadequate heating is the most likely reason that their homes fall short of decent standards. The Audit Commission’s 2009 report, Lofty Ambitions (Ref. 42), recommended that the £2.7 billion spent each year on winter fuel payments for older people should be reviewed to ensure that it is better targeted toward reducing fuel poverty and is spent in a way that also reduces domestic CO₂ emissions.

51 The Communities and Local Government 2008 report, Lifetime Homes, Lifetime Neighbourhoods (Ref. 22) highlights the links between housing and wellbeing. The benefits of better housing for older people include the fact that improvements to existing housing will benefit future residents and will continue to reduce or delay demand for social care (Ref. 43).

Case study 1

Home improvement agencies

Home improvement agencies have helped older people to improve their properties for over 20 years. The government-funded agencies help disabled and older homeowners and private sector tenants to remain in their own homes independently in safety and comfort. The agencies advise on home improvements and adaptations, and help people apply for grants or loans to fund the work.

Home improvement agencies also help older people with repairs and small adaptations; they provide handyperson services and they provide help with major adaptations through disabled facilities grants (Ref. 44).

Source: Communities and Local Government
Hertfordshire County Council Flexicare Housing

Hertfordshire County Council recognised that too many of its care services for older people were provided through residential and nursing homes, and did not give enough choice. The Flexicare model provides housing for people with a wide range of care and support needs, in a mix that supports balanced communities. It also has preventive benefits for people with low care needs, by maintaining their health and wellbeing.

Flexicare housing is provided through district and county partnerships with PCTs and housing associations.

The average gross cost of a residential placement in 2009/10 is £24,786 per year. The gross cost of a Flexicare housing placement in the high-level band (where the alternative is residential care) is £13,104 per year, resulting in a saving of £11,682 per placement per year. The medium-level band is funded at the same level as typical community home care, so costs are neutral. The gross cost for a low-level band placement is £1,404 per year.

Even factoring in the night cover provided, Flexicare housing is proving cost effective. In 2009/10, the council estimates that Flexicare saved about £830,000 for people at the higher level of care. During 2010/11 new schemes will provide additional savings of over £1 million in the high-level category.

The low and medium bands of care will save more in future, by avoiding unnecessary hospital admissions and allowing people to return home sooner from hospital. Early intervention can prevent people moving into the higher band of care or residential care, and there are also subsequent savings for the health service.

The County Council and partners have commissioned the Institute of Public Care to evaluate the impact of Flexicare housing.

Source: Hertfordshire County Council

Dealing with health, mobility and rehabilitation problems

52 Councils and their partners can develop primary prevention by supporting older people in maintaining an active healthy lifestyle in later life. Key elements in this are:

- maintaining mobility;
- preventing the onset of circulatory disease;
contributing to mental health;
falls prevention (Ref. 45); and
supporting wellbeing.

53 Exercise referral schemes have encouraged cooperation among PCTs, GPs and council leisure services in supporting people to get more active.

Case study 3

Hartlepool GP leisure referral scheme

Hartlepool's GP leisure referral scheme identifies people at risk of developing health problems through lack of physical activity.

Referrals are made by GPs, the University Hospital of Hartlepool, and Hartlepool MIND. People referred into the scheme get cut-price or free access to leisure facilities for ten weeks, and are then encouraged to continue with a programme of Stay Active sessions to maintain their involvement. The weekly programme offers 28 different courses including:

- water mobility;
- chair-based mobility;
- fitness room;
- back care sessions; and
- cardiac rehabilitation activity sessions.

The scheme is funded by Hartlepool Borough Council and the PCT. The government’s Working Neighbourhoods Fund provides an annual grant (£27,000 for 2009/10) for the cardiac rehabilitation element.

The council is collecting feedback on the progress of attenders, and hopes to collect more information about savings in the future through the PCT's monitoring of the scheme.

Source: Hartlepool Borough Council

54 The benefits of exercise for older people are backed by strong medical evidence (Ref. 45):

‘People can gain benefits from becoming more active, even if they have previously been inactive until middle age or beyond. Adult men aged 45-84 years who exchanged an inactive adult lifestyle for a more active one over 11-15 years reduced their risk of coronary heart disease. Data from the Stanford Five-City project indicate that increased physical activity over a five-year period is favourably associated with changes in the major risk factors for cardiovascular disease in both men and women. In a large cohort of older British men, those who took up or maintained light or moderate intensity physical activity had fewer heart attacks (risk ratio 0.66) compared with those who remained inactive.’
55 Circulatory disease is the largest single cause of long-term ill-health and disability, including 50 per cent of dementia cases (Ref. 7), and affects over four million older people (Ref. 46). Improved levels of physical activity lead to decreased demands for health and social care. But few councils or PCTs follow prevention initiatives through to identify long-term cost savings for care services. Better information about the outcomes of initiatives, and better analysis of service data by age, would provide the information needed to build a strong financial case.

Dealing with social reasons for entry into the care system

56 Councils have a wide range of opportunities to contribute to the social wellbeing of older people by encouraging neighbourhood improvements and more active lives. Community safety partnerships can tackle older people’s fear of crime and work to prevent crime against older people, such as distraction burglary. The Neighbourhood Networks in Leeds are designed to strengthen older people’s involvement.

Case study 4

Sponsored mutual aid in Leeds

Leeds Neighbourhood Networks bring older people together as managers, volunteers and service users, to share support and resources and to support local priorities for older people.

Older people manage the schemes themselves, and each one is different, reflecting the priorities of those involved. Most involve events such as social activities, exercise classes, trips and holidays. They also act as gateways to services for older people, and provide information and advice on a wide range of topics, such as benefits and filling in forms, together with practical support with things like handyperson services, gardening, home security and transport.

There are 36 neighbourhood schemes. Costs are kept low using volunteers, and where possible schemes share resources, skills and best practice. The total cost to the council is nearly £2 million a year. In November 2009, 30 of the schemes estimated that they had a total of 17,950 members, and 1,362 volunteers.

Source: Leeds City Council
Supporting and supplementing informal care

57 NHS Carers Direct estimates that informal care arrangements are worth £87 billion a year (Ref. 47). Older people provide, as well as receive, much of this informal care. The 2001 Census showed that a quarter of people providing informal care were aged 60 or over. This suggests that older people’s contribution to formal care could be worth nearly £22 billion a year – more than double current public expenditure on care for the same age group. It is cheaper for councils to support informal care than to provide care services itself. The North Yorkshire case study illustrates how assistive technologies can support carers.

Case study 5

North Yorkshire’s support for carers keeps the family in business

Marj has dementia and lives in a farmhouse with her daughter and son-in-law. Her family have been concerned about leaving her on her own in the house, while they are working out of doors.

As an alternative to moving Marj to a residential care home, the council equipped the farmhouse with a property exit sensor, flood detector, and pager. Now the family is alerted by the pager if Marj goes outside the house, or leaves taps running. They can go back to the house when they need to, but don’t have to stay indoors all day. This approach has allowed Marj and her family to live life as they prefer, and to keep the family business going.

The equipment package cost just under £700 – equivalent to less than one month of an average care package, which costs about £800.

Source: North Yorkshire County Council

More engagement with local carers reduces demand for more expensive social care services

58 Informal care is cheaper, but it needs support. Regular assessments, access to suitable support services such as day care, help at home, respite services, equipment, telecare and home adaptations are all necessary. More engagement with local carers reduces demand for more expensive social care services, recognises the role of carers, and supports family relationships and friendships.
Early intervention

59 Primary prevention involves low levels of investment for significant impacts. At the next level, early intervention aims to maintain the health and wellbeing of older people who are at risk of developing long-term needs, by helping them to maintain their independence.

60 Department of Health evaluations of Partnerships for Older People Projects suggest that early interventions have:

- helped people to maintain their independence;
- delivered measurable savings through reduced health care needs (Ref. 48).

61 Early intervention in cases of dementia can improve quality of life and cut the need for residential and nursing care by 22 per cent (Ref 7).

62 Investment in telecare (or assistive technology) services has allowed some councils to transform services and increase choice and independence for vulnerable older people, while also reducing costs.

Case study 6

Savings through telecare in North Yorkshire

The proportion of older people in North Yorkshire is increasing, as is the proportion with more complex care needs. If the county’s previous model of care provision had remained unchanged, then costs would have increased by half by 2020.

North Yorkshire is saving £1 million a year by using telecare in place of traditional care packages. Users rate telecare highly: 91 per cent rate it excellent or very good. The council now has a target of including telecare in 15 per cent of service packages.

The county council piloted telecare in two areas – one urban and one rural. It used the pilots to test new ways of working with seven housing providers. Now the service is available for all people needing support. Each package is put together to meet the needs of the individual, and can include a medication reminder, falls detector, exit sensors and flood detectors (when taps have been left running). Where possible, friends and relatives are given alerts from the system so they can help.

The costs of introducing telecare in the pilots compare well with traditional care packages. An average telecare package pays for itself in just under six months compared with the alternatives.

Source: North Yorkshire County Council
The use of telecare means more older people with care needs can stay in their own homes.

Case study 7

**Essex County Council Telecare scheme**

Essex has an increasing proportion of older people. In some parts of the county the proportion is significantly higher than the national average – for example, one in three in Tendring. By 2021 there will be 75 per cent more over 85s than there were in 2009, and over a quarter of the Essex population will be over 65. The number of older people living alone is expected to increase by 40 per cent.

In 2009, Essex County Council pledged to offer a free telecare service for 12 months to everyone aged over 80.

Currently the average first year Telecare package cost in Essex is £317. The average cost of residential accommodation in Essex is £400 per week. If only 2 per cent of those using Telecare are enabled to remain in their own homes this equates to a saving of approximately £2 million in one year.

The use of Telecare medication dispensers in place of two 15-minute home care visits a day can save over £4,000 per person per year. An early evaluation of Telecare intervention in Essex showed a saving of £3.80 per pound spent across a small sample population, arising from reduced care hours and from prevention of transfer to residential or care homes. Savings continue to accrue in future years.

*Source: Essex County Council*
Changing the market

As well as reducing demand for care, councils can also intervene to make supply markets more responsive to users’ needs. The Isle of Wight, for example, has had to deal with an oversupply of residential care.

Case study 8

Free personal care on the Isle of Wight

The Isle of Wight has a high proportion of local residential care places, despite the Council’s preference for enabling people to stay in their own homes. A large number of old hotel buildings were converted into residential care homes during the property boom.

The Council has looked at ways to reverse the trend towards over-provision of residential care. In 2007, it introduced free personal care for residents who met the care eligibility criteria, aged 80 or over, including those who had savings above the capital threshold.

Local care providers are now seeking to develop their domiciliary services to meet local demand, and in total 69 per cent of older people receiving care are now being supported in their own homes, an increase from 56 per cent in 2006/07 before the free home care policy was introduced. The number of people who are funded in residential and nursing care has not increased further and the annual budget for 2009/10 has now reduced in real terms by £1.7 million.

Source: Isle of Wight Council

Collaboration

The Audit Commission's reports on area-based joint working (Ref. 36) and joint financing of care services (Ref. 49) review the principles and practice of effective joint working and identify the obstacles. The Improvement Network hosts a self-assessment tool to help local public services improve joint working (Ref. 50) and the Audit Commission has developed a delivery chain analysis tool to help councils and their partners overcome obstacles to joint working (Ref. 51). The Department for Work and Pensions provides a self-assessment tool to help councils work out their strengths and areas for improvement in promoting independence and prevention (Ref. 52).
Conclusion

65 More prevention and early intervention activity is essential if councils and their partners are to tackle the financial implications of an ageing population for local public services. Effective prevention provides the platform on which councils and their partners can build more efficient and effective care services.

Box 7: Challenge and review questions

**Strategy**
- How is preventive activity linked to the sustainable community strategy?
- How are the four reasons for care need – housing, health, social and informal care breakdown – tackled locally?
- How can partnership working support a substantial move away from higher-cost residential care services?
- How do local partnership agreements deal with allocating costs and savings from preventive activity?

**Finance**
- How are alternative approaches to delivering services reviewed in budget and finance processes?
- How is the value of informal care recognised in budget and efficiency discussions?

**Data**
- How could councils and their partners use performance measures, financial data and project evaluations to provide a better evidence base for spending on prevention?
- How do service commissioners use local and national evidence to assess the impacts of different approaches to prevention and service design?
Chapter 5

Using information

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What do you know?

66 The Audit Commission report on local strategic partnerships *Working Better Together?* (Ref. 36) found that failure to collect and share information was an obstacle to tackling problems that affected whole areas. Few councils collect, use and share information about older people’s use of services, the related costs and income, or the implications for partners. The Audit Commission’s 2009 report, *Is There Something I Should Know?* (Ref. 53), recommended that councils could make better use of information to support decisions.

67 Eight councils provided data for this report on their income and spending for older people’s use of housing, leisure, transport and voluntary services. This was a challenging task – it required them to look at financial information from the perspective of different service users. Much of the information was not available; most of the councils did not collect or analyse service use and impact data by age.

68 Smart card schemes provide technology to record information about age, service use and payments. However, there are barriers to making full use of the new technology, including:

- the costs of introducing smart cards, and related technology such as card readers for buses;
- failure to understand the potential benefits of analysing information; and
- the need for partners to share costs and provide incentives to users.

Bolton Smart has tried to overcome these obstacles.
Bolton Smart collects data across services

Bolton Smart is a library and leisure card that can be used with some local bus services. There are 62,000 cards in circulation with a target of 150,000.

Bolton Smart is also an e-purse, allowing purchases on the card by prepayment at local commercial and council outlets. Local shops have readers integrated with debit and credit card chip and pin machines. A private sector partner provides the card readers and technology in exchange for a 1.5 per cent commission on transactions. Bolton Council receives 6 per cent of the total commission.

Bolton Council estimates the cards cost £7 each, including printing, postage, management and enrolment. It received £600,000 of funding from the government as part of the Smart project (Ref. 54). Residents do not pay for cards unless they need a replacement for a lost or broken card.

The Council estimated set-up costs at:

- capital costs of £261,000 over five years – from existing e-government funds; and
- revenue costs of £426,000 over five years – offset against £365,000 existing budget for card services and income from the private sector partner.

The data collected from use of the cards will improve information about services use and allow analysis of service users by age.

As well as the income from the e-purse, the development of smartcard technology may produce further savings. The cards are to be used as concessionary bus passes, and will support more accurate repayment of bus operators under the scheme.

At the end of 2009, the Smarter Government Programme proposed greater use of smartcards in concessionary travel, and estimated a national saving of £120 million (Ref. 5).

Source: Department for Work and Pensions, Bolton Council
Wychavon’s experience illustrates the importance of using information to make decisions – and to evaluate their impact.

**Case study 10**

**Using age data to support difficult choices**

Wychavon Council wanted to offer free swimming to older and younger swimmers, under the government’s schemes. But the council lacked information on the likely uptake of free swimming and the potential impact on income if paying customers went elsewhere.

The Council and its leisure contractor assessed:

- the expected uptake of free swimming;
- displacement factors, if centres were full of free swimmers;
- loss of income from swimmers and gym users;
- the potential benefits such as health improvements, and free swimmers spending more money on other things at leisure centres; and
- other cost implications, including extra utilities, lifeguard cover, and processing costs.

The research concluded that free swimming for the over 60s would cost around £8,000 more than the government grant to support the scheme, but free swimming for the under 16s would have even higher uptake and might cost nearly £50,000 more than the grant.

After long debate, members decided that the Council could not afford free swimming for under 16s. But they did agree to support free swimming for the over 60s; the costs were containable and the benefits to health were clear.

The Council monitors the impact of free swimming. After eight months, high take-up by the over 60s had pushed costs over the grant by £16,000. The Council remains committed to providing free swimming, but will continue to monitor the cost implications.

*Source: Wychavon District Council*

Tameside’s spending tree (Figure 8) illustrates a high-level inverted triangle of spending, and highlights the difficulties of building a picture of older people’s use of services with cut-off ages of 50, 60, and 65. Comparative unit costs are even more difficult to calculate when the unit of analysis could be a session, a job, a house, or a client.

The Audit Commission’s 2009 report, *Is There Something I Should Know?* (Ref. 53), recommended improvements to councils’ use of information to support decisions. In considering the financial implications
of an ageing population, councils will be faced with large amounts of data about social care services, but have mixed success in using that data to provide information that supports transformational change, or illustrates the benefits of prevention or early intervention. Other services may lack data or have data that does not support decisions about how spending on one activity can lead to savings in another. They will have data about spending, but less about savings and impacts.

72 In the harsh financial climate facing councils, it will be necessary to make better use of information to make difficult choices.

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**Figure 8: Services to older people in Tameside 2008/09**

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leisure</td>
<td>£322,177</td>
</tr>
<tr>
<td>Housing</td>
<td>£733,022</td>
</tr>
<tr>
<td>Voluntary sector grants</td>
<td>£1,361,133</td>
</tr>
<tr>
<td>Social care 65+</td>
<td>£31,122,000</td>
</tr>
<tr>
<td>Community fitness 50+</td>
<td>£21,300</td>
</tr>
<tr>
<td>50+ sport</td>
<td>£15,400</td>
</tr>
<tr>
<td>Health walks 60+</td>
<td>£13,700</td>
</tr>
<tr>
<td>Free swimming 50+ - covered by grant</td>
<td>£13,700</td>
</tr>
<tr>
<td>Adult education 60+</td>
<td>£275,877</td>
</tr>
<tr>
<td>Administering housing and council tax benefit for people 60+</td>
<td>£37,186</td>
</tr>
<tr>
<td>Council tax only</td>
<td>£151,484</td>
</tr>
<tr>
<td>Home improvement jobs</td>
<td>£122,690</td>
</tr>
<tr>
<td>Supporting people and DFG £0 - covered by grant</td>
<td>£0</td>
</tr>
<tr>
<td>Housing advice service - outsourced</td>
<td>£421,661</td>
</tr>
<tr>
<td>Supported housing</td>
<td>£401,000</td>
</tr>
<tr>
<td>Assessment and care management</td>
<td>£6,046,000</td>
</tr>
<tr>
<td>Residential and nursing care</td>
<td>£13,907,000</td>
</tr>
<tr>
<td>Home care</td>
<td>£6,398,000</td>
</tr>
<tr>
<td>Direct payments</td>
<td>£489,000</td>
</tr>
<tr>
<td>Equipment and adaptations</td>
<td>£449,000</td>
</tr>
<tr>
<td>Other - day care, meals etc</td>
<td>£3,422,000</td>
</tr>
</tbody>
</table>

Known cost to Tameside Council of providing services to older people £33,548,332

Source: Audit Commission fieldwork, NHS Information Centre
Costs and outputs

73 The Audit Commission is committed to carrying out further work on value for money in adult social care and will be working with partners to develop a series of products in 2010.

74 We will publish an interactive tool on our website early in 2010 which will summarise existing guidance and planning tools on adult services. This will allow councils to access, and exchange views on, current and notable practice.

The way forward

75 In the current financial climate, councils need to prepare for hard choices and make decisions about fairness and rationing of services. At the same time, they need to ensure that cuts do not simply fall on those ‘soft’ targets that contribute to older people’s wellbeing and can generate long-term savings.

<table>
<thead>
<tr>
<th>Box 8: Challenge and review questions</th>
</tr>
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<tbody>
<tr>
<td><strong>Strategy</strong></td>
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<tr>
<td><strong>Finance</strong></td>
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<td></td>
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<tr>
<td><strong>Data</strong></td>
</tr>
</tbody>
</table>
Conclusions

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Meeting the challenge

76 Councils face considerable challenges in responding to an ageing population. They need a good grasp of changing local demographics and what these mean for older people and for local services. At the same time, they will have less money. Now, as never before, they must be clear about their local priorities and develop cost-effective ways of achieving them.

77 Councils cannot tackle these challenges by themselves. They must work with others to redesign services and target them more effectively to make public money go as far as possible.

78 Councils do not always understand how their local services are used or valued by older people. This limits their responses to an ageing population. Our study tools and guidance will support councils in developing better use of local data.

79 Better information will enable councils to improve financial planning for both the medium and the longterm. Joint strategic needs assessments must support stronger awareness of the impacts of changing demographics. They should provide opportunities for joint responses that make best use of available funds.

Looking ahead

80 An increasing older population doesn’t just mean increasing need for social care. An ageing population provides opportunities to support and develop communities that demand less from tightened public resources. Wellbeing services can reduce demands on care services, and many older people are themselves carers. Coordinating the contribution of other services – including housing, leisure and culture, and transport, as well as other partners – is vital in supporting prevention and wellbeing.

81 Social care remains the area of highest spending in relation to older people. Many councils need to look at the underlying costs more carefully to get more for less from older people’s care services.

82 We will produce guidance and tools to support the approaches discussed in this report in 2010. Our work programme will include further analysis and guidance on value for money in social care, and strategic financial management.
Appendix 1: Methods

Research for this national study was carried out between January and October 2009. The research involved:

- a policy and literature review of the factors that inform planning for an ageing population;
- investigation and analysis of local demographic, cost and service data in a sample of councils;
- an analysis of existing datasets;
- an analysis of 124 medium-term financial plans;
- collection and analysis of national and local financial information on services that might be influenced by population changes;
- a review of existing tools and financial data that councils use to plan and manage services for older people; and
- interviews with local stakeholders – directors of adult services, commissioning managers, finance managers, housing managers, environment managers, leisure services managers, and representatives from the voluntary and community sector.

The fieldwork councils were:
Cumbria County Council
Isle of Wight Council
London Borough of Islington Council
North Somerset Council
Tameside Metropolitan Borough Council
Thanet District Council
Warwickshire County Council

Additional data was collected from:
Isle of Wight Council
Hampshire County Council
Kettering Borough Council
Newcastle City Council
Pendle Borough Council
Tameside Metropolitan Borough Council
Woking Borough Council

We are grateful to the officers from these councils who agreed to take part in our study and who gave up time to be interviewed. We would like to thank Experian for their help with data collection.

Louise Gitter project managed this study supported by Laura Holloway and Linden Vytelingum. Michael Cowell provided administrative support. Jane Carrier and Rama Krishnan provided policy support and advice during the study. Michael Hughes was the Director of Studies and Roger Sykes was the Head of Studies for this study.
Appendix 2: The external advisory group

The Commission thanks members of the external advisory group for their invaluable help and assistance during the study.
Alan Walker, University of Sheffield
Alex Scharaschkin, National Audit Office
Andrew Harrop, Age Concern and Help the Aged
Gemma Penn, Communities and Local Government
Jeff Jerome, Association of Directors of Adult Social Services
John Bolton, Department of Health
John Coxon, Department for Work and Pensions
Brian Keating, Department for Work and Pensions
Hugh Pullinger, Department for Work and Pensions
Mandy Bretherton, Chartered Institute of Public Finance and Accountancy
Lesley Lodge, Chartered Institute of Public Finance and Accountancy
Mona Sehgal, Improvement and Development Agency
Alyson Morley, Local Government Association
Anne McDonald, Local Government Association
Stephen Burke, Counsel and Care

The views expressed in this report are, however, those of the Audit Commission alone.
Appendix 3: Glossary

Assistive technology

Assistive technology can be used to describe a wide range of equipment and products which help support people with mobility, health and communications problems. This ranges from equipment such as wheelchairs and walking aids, to voice synthesisers and personal safety alarms. Where there is a telecommunications element to the technology, it is often described as telecare (see below).

Concessionary travel

The concessionary travel scheme offers free bus travel to everyone aged 60 or over and was introduced in 2008. The government provides funding for the scheme which is intended to cover the full cost of reimbursing bus operators.

Decent homes

A decent home should be warm, weatherproof and have reasonably modern facilities. In 1997, there were 2.2 million houses owned by local authorities and housing associations that did not meet the decent homes standard. By 2010, the government expects that around 3.6 million homes will have been raised to the standard. The excess over the original 2.2 million is due to preventive work and dealing with houses that fell below decent between 1997 and 2010.

Delivery chain analysis

A delivery chain is the network of organisations, including central and local government agencies, and bodies from the private and third sectors, that need to work together to achieve or deliver an improved public sector outcome. The Audit Commission's 2007 report, Working Better Together? (Ref. 36) recommends that local strategic partnerships should carry out delivery chain analysis through workshops, and the Improvement Network website (Ref. 55) provides guidance on how to organise these.

Joint strategic needs assessment

Since 1 April 2008, local authorities and PCTs have been under a statutory duty to produce a joint strategic needs assessment. The assessment supports the local area agreement and the sustainable community strategy. It describes the health and wellbeing needs of the local population and sets out objectives for improving outcomes and reducing health inequalities.

LinkAge Plus

LinkAge Plus was a pilot programme that brought local authorities together with their partners in health, and the voluntary and community sector, to find innovative ways to break down traditional organisational and financial barriers and to join up services. It now provides a comprehensive approach for accessible joined-up services for older people; one which puts older people at the centre of policy making and service delivery.

Local area agreement

The local area agreement focuses attention on those local sustainable community strategy priorities that are agreed with the government, measured by the national indicator set, and that can be progressed within three years. When the Secretary of State signs a local area agreement, it becomes a contract with the relevant single-tier or county council.

Local strategic partnership

Local strategic partnerships are associations of organisations and representatives collaborating for the benefit of a local area.

National Indicator Set

The National Indicator Set is a single set of performance indicators that will be used by the government to measure the performance of councils and their partners. Performance will be reported on activities from April 2008.
Partnerships for Older People Projects

Partnerships for Older People Projects is a programme to deliver and evaluate 29 local authority led pilots, each developing innovative approaches to shift resources and culture away from institutional and hospital-based crisis care for older people. Evaluations of these projects were published in 2008 and 2009 (Ref. 48).

Personalisation

The core of personalisation is that every person who receives support, whether provided by statutory services or funded by themselves, will have choice about, and control over, the shape of their care. Direct payments and individual budgets are an important part of the personalisation agenda. The Department of Health sees personalisation as a fundamental component of a future social care system.

Primary prevention

Primary prevention supports the development of healthy lifestyles and environments, to prevent or delay the onset of health problems. Examples include encouraging healthy eating and physical activity, to cut the risk of circulatory disease

Public Value Programme

The government launched the Public Value Programme in the 2008 Budget. It set out plans to look at all major areas of public spending to identify where there is scope to improve value for money. The 2009 Budget also set out details of the early savings from the Programme and announced that it would be expanded to ensure demanding value-for-money reviews are conducted across a minimum of 50 per cent of each department’s budget. The 2009 Pre-Budget Report set out initial savings options identified by the Public Value Programme.

Putting People First

This Department of Health programme to transform social care laid down the policy framework for prevention and early intervention to support people in maintaining active and independent lives for as long as possible.

Re-ablement

Re-ablement, and similar terms, such as enablement, rehabilitation and intermediate care, refer to services for people with poor physical or mental health to help them accommodate their illness by learning or re-learning the skills necessary for daily living.

Social care services

Spending on social care services for older people covers:
- community services such as home care;
- welfare meals;
- day care services, and
- residential care home services.

Users of these services are:
- assessed for their eligibility to use the service; and
- means-tested to see if they will be charged for all or some of the cost of their care.

Social care services are separate from health services, which provide advice and prevention, as well as treatment and nursing care, through primary care services (general practice and community services), hospital care, and nursing homes.

Sustainable Community Strategy

The Sustainable Community Strategy sets the strategic direction and long-term vision for the economic, social and environmental wellbeing of a local area – typically for 10 to 20 years – in a way that contributes to sustainable development. It tells the story of the place, the distinctive vision and ambition of the area, backed by clear evidence and analysis.
Telecare

Telecare systems provide equipment and products to support the independence of people with health or mobility problems, combined with communications to the outside world. They can support or replace care services, and so reduce costs and maintain the independence of people with a range of needs. Examples include:
- virtual visiting or remote monitoring;
- reminder systems, such as reminders to take medication;
- home security, such as surveillance systems, smoke monitors and flood detectors; and
- social alarm systems, which allow the user to summon help through call centres.

Total Place

Total Place was a joint initiative between central and local government organisations to assess how a whole area approach could improve services and reduce costs. The 13 pilots mapped flows of public money from central to local bodies, investigated the impact of organisational cultures in hindering collaboration, and reviewed the role of customer insight in identifying opportunities for collaboration, service redesign, and better use of resources.
Appendix 4: Data from the National Indicator Set

The National Indicator Set can provide data to help councils and their partners understand the experiences and perceptions of older people in their area. Table 6 lists the national indicators that are directly related to older people.

Data for many of the other indicators can be usefully analysed by age and gender so that councils can find out if older people experience services, or live different lives, to other groups. The joint strategic needs assessment database produced by the Association of Public Health Laboratories (www.apho.org.uk/resource/view.aspx?RID=53885) includes a table of data from the 2008 Place Survey analysed by age and gender.

Table 6

<table>
<thead>
<tr>
<th>National Indicator</th>
<th>Local area agreements with a target measured by this indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>125</td>
<td>Achieving independence for older people through rehabilitation or intermediate care</td>
</tr>
<tr>
<td>137</td>
<td>Healthy life expectancy at age 65</td>
</tr>
<tr>
<td>138</td>
<td>Satisfaction of people over 65 with both home and neighbourhood</td>
</tr>
<tr>
<td>139</td>
<td>The extent to which older people receive the support they need to live independently at home</td>
</tr>
</tbody>
</table>
Appendix 5: References


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