Taking Stock: 
Progress with 
Community Care

The Audit Commission is continuing to monitor the implementation of community care

Authorities have become more sensitive to the needs of their populations...
◆ nearly all have estimates of needs for all client groups
◆ and have set priorities and specified eligibility criteria

...but they must now develop more sophisticated ways of gathering and using information
◆ they should obtain detailed information from practitioners
◆ develop better ways of quantifying needs and costing their implications
◆ and share best practice in this difficult task

They must become more flexible in purchasing care for individual clients...
◆ the special transitional grant (STG) provides extra resources which can be used innovatively
◆ some authorities are broadening their options, spending more on home care and other services
◆ and most authorities are promoting flexibility by devolving purchasing budgets

...but some authorities are experiencing financial difficulty
◆ the purchase of individual packages of care is difficult to control, bringing increased risk of over-commitment
◆ at some authorities funds are less than expected, because of late changes to the allocation formula or local restrictions on funds for social services
◆ or demand may be outstripping supply, because of poor financial control or unexpected demands

Services should become more responsive...
◆ nearly three quarters of authorities plan to devolve service budgets
◆ local managers will have increased ability to respond to new demands

...though continuous effort will be needed to ensure a balanced range of quality services
◆ authorities will need to stimulate new, innovative services
◆ as well as monitor and manage established markets, for example in residential and nursing home care

Authorities should compare themselves against the data in this report so they can continue to increase sensitivity to needs, flexibility in expenditure and the responsiveness of services.
Introduction

1. New arrangements for community care were introduced on 1 April 1993. The Audit Commission's first bulletin on progress with their introduction was published in December 1993 (Ref. 1) and reported steady but cautious progress during the early months. The reforms are now well into their second year, allowing this second review of progress in English local authorities. Many of the themes introduced in the first bulletin are developed further, with more detailed quantification.

From a service-centred to a needs-led approach

2. At the heart of the changes is a shift from a service-centred to a needs-led approach. The statutory framework for social services authorities specifies a range of services that authorities can or must provide. The amount provided has always depended on the funds available and the perceived needs of the population. But authorities have rarely been in a position to assess these needs in a rigorous way, and over the years the pattern of provision has tended to be the amount provided in previous years adjusted at the margin. It has been difficult to change services once they have been established - even though
emerging needs may be changing and methods for meeting these needs may be developing. The result has all too often been a rigid unresponsive pattern of service more determined by history than by current needs. In contrast, a needs-led approach requires authorities to be more sensitive, flexible and responsive (Exhibit 1).

3. Authorities must become increasingly sensitive to their populations with a strategy based more firmly on a clear understanding of current numbers of people requiring help, their wishes and expectations, and the increasing number of imaginative ways in which help can be provided, bearing in mind the cost. Inevitably, they must be clear about the limits to which they can help and specify these limits in ‘eligibility criteria’, setting out the overall framework in their community care plans.

4. Second, they must be setting in place operational arrangements that are flexible - particularly assessment procedures and care management arrangements. It will not be possible for those at the centre to predict at the beginning of each financial year all the demands that will emerge on a day-to-day basis. Arrangements should be in place which allow care managers and others locally to respond to individual assessments in a flexible way (albeit within the context of the strategic framework), providing different sorts of services to meet emerging needs as necessary.

5. Third, providers of services must be able to respond both to changing priorities at the centre and to the changing needs of the population themselves.

Exhibit 1
Three key requirements

A authorities must be sensitive, flexible and responsive.
day-to-day demands emerging from operational staff trying to meet the fluctuating needs of individual people as they come forward for help. As care managers identify requirements for different sorts of services (e.g. cover for people alone at night, transport to allow isolated people to see their friends, relief for carers during the day etc.), traditional services that do not currently meet these needs should be able to innovate and respond with new patterns of care.

6. These three requirements present authorities with a major challenge. It is much easier to run a fixed and prescribed set of services from year to year than to try to introduce and manage sensitivity, flexibility and responsiveness. But the challenge is to provide real gains for users and their carers. A wide range of changes is required and there has been extensive monitoring and reporting on progress on many aspects by others (risking ‘monitoring fatigue’ in many authorities). In order to reduce this risk - avoiding overlap and duplication, particularly with the Social Services Inspectorate (SSI) - the Audit Commission has been concentrating on reviewing progress with the changing financial arrangements required to underpin developments in about a third of authorities. This sample may be biased as it has been based on those who have supplied the Commission with the information requested. More detailed work has been done with a proportion of these authorities. Many authorities are clearly struggling to produce basic financial information and this must be a cause for concern. Many are under intense pressure and finance staff have little time to spare. Strengthening and developing information systems of all types must be a priority if progress is to continue, and this is a key message running throughout this bulletin.
At the strategic level, authorities should be assessing need and seeking the views of users and their carers on how best to meet it. They should be stimulating and developing the services required, estimating the resource consequences and setting priorities and budgets accordingly, in conjunction with other agencies (health, housing, the voluntary and private sectors etc.) to provide a framework within which individual needs can be addressed.

Considerable progress with arrangements has been made over the last year. Nearly all authorities surveyed now have estimates of needs for all client groups (Exhibit 2a), although most are best described as ‘partial’ - based on incomplete information. For example, systematic inclusion of information from practitioners and through information systems is more limited (Exhibit 2b). Many authorities are tackling this difficult topic independently, and it would seem sensible to have some pooling of ideas - including ideas from other agencies (health, housing etc.). Translation of estimates of needs into budgetary estimates is poorly developed at present (Exhibit 2c), although nearly all authorities claim at least a partial knowledge of the unit costs of services.

All authorities surveyed have set priorities and translated them into eligibility criteria that are being operated by care managers; and nearly all have involved members in the process. But only about half of authorities so far have made at least a partial attempt at the difficult task of costing these priorities, and there is in consequence a risk that they may not all be sustainable within current finances (Exhibit 2d).

The next steps for most authorities are therefore likely to include a further strengthening of the ways of estimating needs to include better information, and a more thorough costing of the implications of setting eligibility criteria and priorities.

The views of users and their carers should play a central role in the whole process, helping to establish need and determine the type of service response that is appropriate. Some early reports of the impact of the changes have been somewhat discouraging. Carers, for example, had not noticed much difference by the end of the first year (Ref. 2).

A methodology has been developed for the Audit Commission and the Social Services Inspectorate by KPMG Peat Marwick for obtaining the views of users and their carers. The approach involves consultations in as informal a way as possible with a wide range of users and (separately) their carers - often through small ‘focus’ groups of between four and twelve individuals. Users and carers have an opportunity to influence the way in which their views are accessed, and to set the agenda.
13. A large number of users and their carers have been consulted, and while each local authority has a different set of concerns, some common issues were raised time and again (Box 1, overleaf). On the whole, most are well-known to social services departments, and illustrate the sort of concerns that need to be addressed within a needs-based approach. All authorities should be developing ways of tapping the views of users and carers, and incorporating their findings within their planning approach.

<table>
<thead>
<tr>
<th>Exhibit 2: Progress with needs estimates</th>
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<tbody>
<tr>
<td>Authorities have made progress with arrangements over the last year.</td>
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<table>
<thead>
<tr>
<th>Progress</th>
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<tbody>
<tr>
<td>Yes</td>
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<tr>
<td>Partial</td>
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<td>No</td>
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<table>
<thead>
<tr>
<th>a : Estimates of needs for client groups</th>
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<tr>
<td>Estimates of needs for elderly people</td>
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<tr>
<td>Estimates of need for people with a mental health problem</td>
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<td>Estimates of need for people with a learning disability</td>
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<td>Estimates of need for people with a physical disability</td>
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<th>Progress</th>
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<td>Yes</td>
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<tr>
<td>Partial</td>
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<td>No</td>
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<table>
<thead>
<tr>
<th>b : Sources of information</th>
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<tbody>
<tr>
<td>Estimates include information from practitioners and care managers in contact with users</td>
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<tr>
<td>The authority has a systematic way of recording information from practitioners</td>
</tr>
<tr>
<td>Information systems contribute in an appreciable way to the preparation of estimates</td>
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<th>Progress</th>
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<tr>
<td>Yes</td>
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<td>Partial</td>
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<td>No</td>
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<tr>
<th>c : Translation into budgetary estimates</th>
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<tbody>
<tr>
<td>Needs estimates translated into budgetary implications</td>
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<tr>
<td>Possible service responses implied by needs costed</td>
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<tr>
<td>Unit costs of services calculated</td>
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<tr>
<th>Progress</th>
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<tr>
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<td>Partial</td>
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<tr>
<th>d : Priorities and eligibility criteria</th>
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<tbody>
<tr>
<td>Priorities set</td>
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<tr>
<td>Priorities translated into eligibility criteria</td>
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<tr>
<td>Care managers operating eligibility criteria</td>
</tr>
<tr>
<td>Members involved</td>
</tr>
<tr>
<td>Priorities costed</td>
</tr>
</tbody>
</table>

Source: Local audits
Many people were pleased with services. There were a significant number of very positive comments about individual members of staff who users thought had really put themselves out to ensure they got help. One carer praised her main source of practical support because she had a ‘very professional way of working’. For example, she had met the person who was being cared for in advance; she always rang and gave adequate notice if she was unable to come for any reason, and always let the carer know in advance who would be providing alternative substitute care if the main person could not provide cover.

But inevitably, some concerns emerged which are set out below. These concerns need to be viewed in the context of the positive comments described above.

◆ **Information and access to services**

Users and carers sometimes have difficulty finding out about services that are available for people wanting to stay in their own homes. Many get the information from other users and carers rather than GPs and social services staff. After lengthy investigations, some carers found themselves better informed than the staff. Comments from carers included ‘most people do not have time to spend all day on the phone trying to get help; why can there not be one point of contact; social services do not see information as a service; what happens if I fall ill; the ever changing organisation and staffing of social services makes it impossible to know who can help’. A number of carers commented on how they spent time supporting the people from social services who were supposed to be supporting them.

◆ **Needs assessment and care planning**

There was little comment about the needs assessment process generally, and a lack of awareness about care plans and reviews. Some felt left out of the whole process with little choice. Some carers felt they needed their own assessment and care, and that social services seemed to assume that they could always cope.

◆ **Availability of services**

Users complained of an ‘office hours mentality’ with a lack of arrangements for meeting people’s needs at times convenient to them. Services need to be delivered when users need them in a flexible way, and not when it is convenient for service providers to make them available - usually during office hours and rarely at weekends or over holiday periods. Inflexibility - the inability to adjust services to fit users’ and carers’ needs - was a particularly common complaint. Users and carers also referred to gaps in services - particularly to a lack of respite care (particularly at night and weekends), of someone to talk to who really understands what it is like to be disabled, of transport in rural areas, of monitoring of vulnerable people (particularly former mental health patients), of meals at weekends and of interesting activities for less active older people. Users and their carers were also worried about withdrawals of services.
Equipment and adaptations
These were a major source of adverse comment. Failure to provide an adaptation or appropriate equipment was perceived to be a major cause of distress and loss of independence. Comments included ‘everything takes too long, there is too much red tape and bureaucracy, staff don’t listen to users, the system for accessing help is unclear, there is poor information about the service a person is likely to get, and when people finally get a piece of equipment or adaptation it does not actually provide the help needed - generally because the user was not listened to in the first instance’.

Transport
This is important, enabling users (and their carers) to participate in a wider range of activities, but too often it fails to turn up (again and again), or it turns up too early. It is often limited to Council transport, rather than the Council making it easier for users to meet their own needs from a range of options (promoting independence), and it is impossible to get through on the telephone for the taxi services for people with disabilities.

Home care
This is often inflexible, and users were concerned about withdrawal of previously available services, such as cleaning. They used to be able to decide priorities for themselves, but the service now seems designed around an unchanging set of needs.

Attitudes of staff
Users commented frequently about a lack of honesty by staff about what is and is not available and when help will arrive, about patronising attitudes from ‘professionals who know best’, about staff who make assumptions without listening, who fail to take account of the wider impact on the family, and who fail to recognise the different perspectives and needs of users and carers.

Financial assessment and charging
Although of critical importance to users and carers, this attracted relatively little comment. Carers’ experience of paying for respite care from social services but not from the NHS was ‘experienced but not understood’.

Quality of service delivery
A number of comments were made about standards of behaviour including a lack of confidentiality with staff ‘gossiping’ about other users, a lack of respect particularly from staff who do not keep appointments, a lack of diligence from staff who never come to visit and forget paperwork, and a lack of vetting of people coming to users’ homes to provide personal care.
Greater Flexibility

14. Estimating requirements at the centre, though necessary, is not sufficient to ensure a needs-led approach. It merely sets the framework. If they are to respond to the sorts of views expressed in Box 1, authorities must be able to offer individual choice and flexibility.

15. In practice, many needs can be anticipated, and blocks of services commissioned in advance to considerable advantage. Direct central commissioning is the traditional approach for providing local services, and it is likely to be so for the foreseeable future in order to maintain stability and achieve economies of scale through a solid core of reliable services (and authorities were advised to promote stability in the first year). But it is not possible to anticipate all needs in this way, nor to take account of their constantly shifting pattern. Nor is it possible from the centre to provide the degree of innovation and detailed adjustment required to fit individual needs on a day-to-day basis. Care managers need local flexibility if they are to be able to adjust and innovate around this central core of services, albeit within the framework and criteria set centrally. But how should this be done?

16. A variety of approaches is possible. It has always been possible to introduce some flexibility within services by deploying them in different ways - allowing different combinations of home care hours for example. And flexibility can be introduced by extending existing services - increasing cover to include evenings and weekends for example, or introducing day care into residential homes.

17. But if flexibility is to extend to new innovative services, it should be possible to make use of funds not assigned in advance

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Exhibit 3a
Direct and flexible commissioning in 1993/94

The special transitional grant provided an overall shift towards greater flexibility...

<table>
<thead>
<tr>
<th>1993/94 Base budget</th>
<th>1993/94 STG</th>
<th>1993/94 Total budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>95%</td>
<td>23%</td>
<td>86%</td>
</tr>
<tr>
<td>5%</td>
<td>77%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Source: Local audits
to any specific service but available for the ‘spot’ purchasing of services as necessary. Traditionally, most funds have always been assigned directly to services in advance - the situation for most authorities’ base budgets during 1993/94 - and it is difficult to ‘unlock’ them without service cuts.

1993/94 saw the introduction of the special transitional grant (STG), which provided funds not directly assigned to services and therefore available for ‘flexible commissioning’ - the purchase of care for individuals through ‘spot’ contracts. The main purpose of the grant was to transfer responsibility for the funding of care from the social security system to local authority social services. There was no particular intention to introduce a more flexible way of funding services, although the requirements that the majority of the grant should be spent in the non-local authority sector and that authorities should provide choice have produced that effect. The STG therefore provided an overall shift towards greater flexibility (Exhibit 3a).  

18. This shift has been maintained and extended in 1994/95 in many authorities, with an increasing proportion of social services resources being used for ‘spot’ contracts. The 1994/95 grant has been deployed in a similar fashion to the 1993/94 grant, further increasing the overall shift towards greater flexibility (Exhibit 3b). It is not at all clear as yet what the balance between the direct funding of services and flexible commissioning using funds available for spot purchasing should be, but the gradual extension of flexible commissioning through the STG provides a useful experiment.

Managing the special transitional grant

19. As the STG is providing the main pool of flexible funds in many authorities, it is playing a key role in the introduction of new ways of working. But because funds are not assigned to services in advance, it needs to be managed carefully and controlled closely if authorities are not to over-commit their budgets - and some authorities are getting into difficulties. Some of these difficulties result from changes in the way the STG is being distributed and some from the inherently more complex and demanding task of managing the grant.
controlling a more flexible budget in the face of considerable demand.

20. The amount of grant received by each authority depends on the total STG available nationally and the method used for distributing it. The STG in 1993/94 totalled £565 million (Ref. 3) and was made up of a number of elements (Exhibit 4). The funds transferred from social security made up the largest element. A condition of the grant was that 85 per cent of these transferred funds were to be spent on non-local authority services (£339 million, or 60 per cent of the total grant). The STG in 1994/95 is nearly a third as much again (Ref. 4) with the transfer from social security totalling £652 million (including a further 85 per cent or £554 million for the non-local authority sector).

21. The 1993/94 STG was allocated to authorities partly according to the formula for distributing the overall block grant from central government (which determines the ‘standard spending assessment’ or SSA for each authority) and partly according to the number of people already being supported by social security benefits in independent homes in their area (favouring authorities with large numbers of independent homes).

22. For 1994/95, the majority of the 1993/94 STG was then transferred to authorities’ base budgets, with the 1994/95 STG added on top (Exhibit 5). However, the formula used for distributing it between authorities changed: it was wholly allocated through the standard spending assessments and not partly as before. As a result, it changed in value for every authority. Some gained as a result, while others lost. The difference between the original STG distributed in 1993/94 and the amount transferred within SSAs in 1994/95 was often quite marked (Exhibit 6).

23. But there is an important difference between the STG and the STG transferred within the SSA. The STG itself is ‘ring-fenced’ - that is, it may only be spent on community care activities. Once it is subsumed within SSAs, it becomes part of authorities’ general funding and can no longer be earmarked for community care. The former STG is best described as a notional allocation for community care. Authorities where this notional allocation

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Exhibit 4

The special transitional grant

The STG is made up of a number of elements.

<table>
<thead>
<tr>
<th>1993/94</th>
<th>1994/95</th>
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<tbody>
<tr>
<td>Total Independent Living Fund £27m</td>
<td>Total £736m</td>
</tr>
<tr>
<td>Additional funding £140m</td>
<td>Transfer from Social Security £652m</td>
</tr>
<tr>
<td>Independent Living Fund £27m</td>
<td>Any community care expenditure £60m</td>
</tr>
<tr>
<td>Transfer from Social Security £399m</td>
<td>Home/respite care £20m</td>
</tr>
<tr>
<td>Non-local authority services (85%) £339m</td>
<td>Total £565m</td>
</tr>
<tr>
<td>Non-local authority services (85%) £554m</td>
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</table>

Source: Refs 3 and 4
within SSAs was lower than the 1993/94 STG had therefore to decide whether to make good the difference. Authorities where the reverse was true had the option of choosing what to do with the additional revenue. Most are making different decisions depending on local circumstances such as other local priorities, the overall 1994/95 local government finance settlement, and whether or not the authority’s expenditure is ‘capped’. Some are increasing social services budgets by more than the transferred sum and some by less (Exhibit 7a, overleaf).

24. The authorities within Exhibit 7a are in the same order as those in Exhibit 6 and as a rough rule of thumb, authorities on the

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**Exhibit 5**

The extra resources available to authorities

For 1994/95, the majority of the 1993/94 STG was transferred to authorities’ base budgets with the 1994/95 STG added on top.

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**Exhibit 6**

The proportion of the 1993/94 STG transferred in twenty authorities

The formula for distributing the grant between authorities changed: some gained as a result while others lost.

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Source: Refs 3 and 4
left of the exhibit lost out under the transfer arrangements and made good the deficit, while those on the right gained and diverted extra funds elsewhere - although there are exceptions at both ends. The STG for 1994/95 adds about a third as much again as the amount transferred within the SSA, providing further additional resources (Exhibit 7b).

25. Most authorities spent much of their 1993/94 STG providing people with non-local authority services, building up financial commitments for the future to pay for these services for as long as they are needed. If the number of new people who start receiving such services in any given month exceeds those who no longer require them, these commitments steadily accumulate.

Exhibit 7
The funds authorities are making available

7a: Some are increasing social services base budgets by more than the transferred grant and some by less.

7b: The STG for 1994/95 adds about a third as much again as the amount of transferred grant.

Source: Local audits
increase month by month. This is what has been happening as authorities gradually make use of the new grant. If the pattern of placement observed during 1993/94 continues without change throughout 1994/95, the proportion of the additional funds available shown in Exhibit 7b required to meet these rising commitments is considerable (Exhibit 8a). In addition, authorities are also making provision in their budgets for changes to the level of funding for services for children and infrastructure costs which also need to be taken into account (Exhibit 8b).

26. Most authorities appear to be within budget, but some face problems. Authorities 8 and 9 have both lost

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**Exhibit 8**

**The commitments authorities are facing**

**8a:** The proportion of the additional funds available required to meet rising commitments in the non-local authority sector is considerable.

**Source:** Local audits

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**Exhibit 8a**

Preliminary estimates of the financial commitments in 1994/95 in the non-local authority sector projected against the extra resources available (shown as a multiple of the transferred grant)

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**Exhibit 8b**

Preliminary estimates of commitments, adjusted for expenditure/savings elsewhere in the budget, projected against the extra resources available (shown as a multiple of the transferred grant)

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**Source:** Local audits
significantly from the change in method of allocation of the STG and appear to have insufficient resources to fund commitments on non-local authority services, let alone other budget commitments. Conversely, authority 1 which also lost heavily, made generous extra provision that appears sufficient to contain its very considerable commitments. Authorities 18 and 19 also face difficulties - but their difficulties appear to be the result of a decision not to pass on the SSA increase to their social services departments.

27. These rough estimates of forward commitments within the non-local authority sector are based on a simple straight line projection of patterns of spending in 1993/94. Most authorities spent the majority of their 1993/94 grant on non-local authority services as required by the grant conditions (Exhibit 9), spending almost exactly 60 per cent of the grant (see Exhibit 4) on such services, although some spent more and some less (risking possible repayment of part of the grant).

28. The balance of the grant spent within the local authority was used for a mixture of services and improvements in infrastructure as originally envisaged (although many authorities have added this part of the grant to their central funds without identifying it separately). Some authorities are beginning to use the grant for a wider range of services, and a few spent nearly a fifth of their funds for non-local authority services on home care during 1993/94, providing a more diverse and varied range of options for their users and carers. Others have commented that non-local authority home care services do not exist in their areas, although the Department of Health is encouraging their development and use.

Exhibit 9
Percentage of 1993/94 STG spent on non-local authority services in 23 authorities

As expected, most authorities spent a large proportion on residential and nursing home care.

Source: Local audits
In order to ensure that their commitments are well monitored, authorities need good information on likely patterns of demand and supply, and on relative costs and quality. The pattern of placements to non-local authority homes has been similar in all authorities reviewed - starting slowly (as reported last year) and then increasing, with a sizeable proportion of placements made on discharge from hospital (Exhibit 10). Placements are being made in both residential and nursing homes (Exhibit 11). Patterns of discharge usually show two distinct groups: those who stay less than two months, and those who stay for longer periods. Average lengths of stay vary between authorities - possibly reflecting different eligibility criteria - and between sub-groups such as those moving from the community to residential care and from hospital to nursing home, although sample sizes so far are too small to draw firm conclusions. If authorities do need to alter eligibility criteria to contain commitments, they need to develop a good understanding of these patterns to estimate the effects in advance. In spite of high turnover amongst some, the cumulative
numbers looked after have been rising remorselessly (Exhibit 12).

30. The rate at which these numbers accumulate has a significant effect on financial commitments. The proportion of the STG spent in each four week period in different authorities varied throughout 1993/94 by a factor of two (Exhibit 13).

31. Authorities can in theory change the rate of growth by modifying their eligibility criteria, although in practice the scope may be limited. A considerable commitment has already been built up during 1993/94. Some placements are made following agreements with hospitals for discharge arrangements which cannot be changed without profound consequences for the hospitals concerned - and should certainly not be changed unilaterally. Many of the placements made have relatively short lengths of stay suggesting extensive use of respite care - and reductions here could jeopardise the support for people living in the

Exhibit 12
Cumulative numbers looked after during 1993/94 in one authority (population \(\frac{1}{3}\) million)

Numbers have been rising remorselessly...

Source: Local audit

Exhibit 13
The proportion of the STG spent per month through 1993/94 on non-local authority residential and nursing home places in 13 authorities

The proportion spent varied by a factor of two.

Source: Local audits
community. Authorities face hard choices. It is also particularly worrying that some authorities audited were unable to assemble the sort of information needed to check the financial implications of placements already made, let alone explore possible options for tackling projected over-spending. These authorities could be heading for difficulties without a clear idea of what is going wrong or why.

32. It is also worrying that some authorities are reporting that this straight line projection is no longer applicable, and that rates are actually rising through a combination of rising demand from within the community and increasing pressure from hospitals. While no figures are yet available, the margins in Exhibit 8 are tight and if such a change is widespread, it is likely to cause increasing difficulties to increasing numbers of authorities.

Devolution

33. An increase in flexibility is usually achieved through devolved purchasing budgets. The level of devolution varies widely, but is increasing, and budgets are now commonly held at area, team or even care manager level (Exhibit 14). Some authorities have devolved funds for some time, but unless such devolution allows...
local adjustment to service levels, it may not always provide real flexibility - although it may increase local involvement at the planning stage each year. The part of the STG used for non-local authority services is almost always delegated - making it both more flexible and harder to control.

34. Delegated purchasing budgets require proper financial monitoring and control arrangements to inform budget holders of how they stand. These need strengthening in some authorities. Auditors considered arrangements (Exhibit 15) to be fully adequate in only about half of authorities (although ‘partially’ adequate in most others). Budget holders are able to detect over/underspending quickly in nearly all, and receive timely monitoring reports that are complete and accurate in most. They receive information on committed expenditure and have access to unit cost information in about three quarters, but registers of interest (which set out who has a financial stake in a particular service in the independent sector) are not yet well developed and training needs to be extended in some authorities.

Exhibit 15
Monitoring and control of delegated budgets

These need strengthening in some authorities.

Adequate information is available to monitor devolved budgets
Over/underspends can be detected quickly
Monitoring reports are provided on a timely basis
Reports are complete and accurate
Information is provided on committed expenditure
Budget holders have ready access to the unit costs of packages of care
There is a register of interests in non-local authority service providers
Budget holders have received adequate training

Source: Local audits
More Responsive Services

35. Flexibility and choice also require increasingly responsive services providing innovation and diversity. It is no good assessing needs and having flexible funds if suitable services are not available. But if new options are to develop, services should be funded in a way that allows them to innovate.

Allowing diversity to flourish

36. At the present time, local and non-local authority homes are funded differently. Local authority residential care is funded directly while independent sector services are funded in a flexible way through ‘spot’ contracts mostly using the STG initially. This pattern may not be inappropriate in the short term. But authorities should consider a wider range of options to promote greater diversity.

37. On the one hand, they may wish to provide greater stability and security to some non-local authority services by providing more block contracts for at least part of the service - and some services for people with drug and alcohol dependency are funded in this way. ‘Option to place’ contracts provide an intermediate solution, with costs and terms negotiated centrally, but with local people ‘spot’ purchasing within this framework.

38. On the other hand, they may wish to introduce greater flexibility for their own services. The difficulty with direct central funding is that it can create rigidity and inhibit local change, or it can result in changes that seem sensible at the centre but which do not match priorities locally.

39. To encourage local initiatives, some authorities are delegating budgets and authority to service managers (in parallel with devolved purchasing budgets), with others planning to do so in the foreseeable future (Exhibit 16, overleaf). Such arrangements make costs far more explicit and allow service managers greater freedom to diversify and innovate, provided that they can balance expenditure with additional income. For example, managers can perhaps try to expand their activities, increasing the care given and making better use of their resources by spreading their costs, provided that they can attract additional funds from care managers.

40. Examples of diversity and innovation include home care services extended to cover extra hours - providing care in the evenings and at weekends; and local authority residential homes are sometimes used as resource centres for their neighbourhoods, providing support to people living close by including day and respite care, laundry services and emergency night cover through an alarm. This sort of diversity increases flexibility and may best be arranged locally through direct negotiation between care managers with access to flexible funds and service managers who can respond because they have control of their own service budgets.

41. Authorities that are trying to promote diversity without delegating budgets could be putting their own services at a disadvantage. The rigidity imposed by central funding could prevent local services from being able to innovate to address high costs and to expand and develop in
new directions. Care managers with access to flexible budgets could find it easier to negotiate with non-local authority providers (or find it difficult to negotiate with anyone). So while direct funding provides stability and security in the short term, local authorities may wish to consider alternative approaches which allow greater responsiveness from their own services in the medium term.

42. The relationship between care managers and service managers (in both the local authority and independent sectors) developing within the overall framework set at the centre, could turn out to be of crucial importance as the reforms progress. Many authorities have introduced a purchaser/provider separation within their organisations with service providers and care managers organised separately. This arrangement makes clearer the respective roles of both parties and avoids conflicts of interest, but it does not guarantee either greater flexibility or more responsive services. If handled clumsily, it can introduce barriers and rigidity. Conversely, flexibility and devolved budgets can be introduced without a formal split (and some authorities are delaying reorganisations until other priorities are in place first). However, it is more straightforward if organisational structures and operating arrangements are aligned, making costs clearer and making the separation of assessment and provision more explicit.

43. To help stimulate greater choice and variety, authorities should be 'managing the market' to ensure that there is a balanced range of good quality services that provide a wide range of options that match need. Market management and market development are becoming central responsibilities for social services departments. Authorities will need to develop their purchasing role and use their purchasing power to help shape the market. In many authorities, this will entail stimulating independent sector provision of domiciliary, day and respite care. Where there is an over-supply of residential and nursing home care, authorities will have to be careful to avoid disrupting the stability of supply and continuity of care for individual residents. The Commission has continued to monitor this important sector.
Residential and nursing home care

44. The cost of care in the independent sector has remained stable throughout 1993/94. Initial prices and costs were reported last year (see Ref.1 - Exhibits 10 and 11). The pattern after the first year is similar (Appendix, page 26) and there is no evidence that prices have been drifting appreciably through the year. If anything, prices stabilised after fluctuating somewhat initially as authorities got used to the market.

45. Local authority home costs mostly fall between the cost of non-local authority residential homes and nursing homes (Exhibit 17). This may reflect an intermediate role, for people with intermediate levels of dependency - although authorities should check whether or not this is the case. Some may be playing a specialist role - providing mainly respite care, or care of older people with mental health problems, for example. They may be providing a range of supporting services such as day care (in which case a more detailed cost analysis is required to apportion costs across these other services to identify the true cost of residential places). Or they may be providing care of a particularly high quality or in locations where a service is expensive but still necessary.
46. Alternatively, they may simply be less efficient. Staff costs are considerable and make up 70 per cent of the total cost, averaging about £10,000 per year per resident (Exhibit 18). Net costs to authorities for their own homes may be a further £48 (£53 in London) a week per place more expensive to them (although not to the public purse overall) than equivalent independent homes as residents cannot claim the same range of social security benefits. Authorities need to check the situation thoroughly, to assure themselves that they are getting value for money. Costs that are unnecessarily high deny other people the care they need. Some authorities are spending their STG on non-local authority residential services and reducing their own provision, releasing their base-budget funds which do not have the same restrictions as the STG.

References

1. Audit Commission (1993), Taking Care: Progress with Care in the Community, HMSO
3. Department of Health (1992), Community Care - Special Transitional Grant Conditions and Indicative Allocations, LASSL(92)12(Amended), Department of Health
4. Department of Health (1994), Community Care - Special Transitional Grant Conditions and Indicative Allocations 1994/95, LASSL (94)1, Department of Health
Conclusion

A needs-based approach requires a number of complex new arrangements, including needs assessment and budgeting, some flexible commissioning and a more diverse and innovative range of services. As it is still early days, it is difficult to predict what the ultimate shape and balance should be between central and local commissioning, between spot and block contracts, and between local and non-local authority services. The balance will depend on local circumstances. While authorities are beginning to address these issues we would encourage them to experiment and develop different approaches. A particular challenge looms for new unitary authorities replacing some of the former counties to ensure that the goal of more sensitive, flexible and responsive provision for people in need is delivered.
Appendix

Exhibit 19
Prices paid and net costs to local authorities for independent nursing homes

The pattern has remained stable throughout the first year...

**Counties gross price**
- Resident weeks
- £ per week

**Counties net cost**
- Resident weeks
- £ per week

**Metropolitan districts gross price**
- Resident weeks
- £ per week

**Metropolitan net cost**
- Resident weeks
- £ per week

**London boroughs gross price**
- Resident weeks
- £ per week

**London net cost**
- Resident weeks
- £ per week
Exhibit 20

Prices paid and net costs to local authorities for independent residential homes

...with prices paid settling down after fluctuation somewhat initially as authorities got used to the market.