

ASC Non-Residential Charging Policy Review – potential financial impact

(26th October 2021)

Introduction

This short note is linked to the ASC Non-residential charging policy review that is currently being undertaken. A policy group has been established to review the policy and a number of options all resulting in a reduction of Income for the Trust have been put forward for assessment, in order to understand the financial implications, if any of these options were adopted.

Following guidance from the FAB service manager, the finance team has undertaken financial analysis on the current client base (packages of care and financial assessment). Whilst there is invariably going to be changes to both of these areas throughout the financial year it is considered to be a representative dataset to form an initial financial estimate of the potential financial impact.

Analysis findings

The table below indicates the estimated recurrent impact.

Option	Estimated Recurrent Impact £000's	Number of Clients that would benefit
1 - Increase the MIG for affected individuals, in a rational way which is related to their overall income. For example, increasing the MIG in line with current benefit rates.	837	888
3 - Introducing Disregards Between Standard and Enhanced PIP To disregard the difference between the standard and enhanced level of PIP.	693	452
4 - Protect a % of a person's Disability Benefit Requiring a (significant) % of a individual's disability benefits to be protected.	1,054	773
5 - To reduce the assessed charge by a percentage rather than charge at 100% of disposable income Applying a max % of disposable income, after mandatory disregards and DREs have been excluded, in line with para 8.47 of the Guidance.	247	775
6 - Do nothing The charging policy remains unchanged.	-	-

The above financial figures are **indicative** recurrent annual values. Precise values will only be known when each client's unique financial capacity / assessment is reviewed and to calculate the full financial impact relating to in year exposure it would require a start date from which this applicable and this is of particular importance if any start date is pre-this financial year.

Financial Background

The majority of ASC spend is managed and transacted through the Trust on behalf of Torbay Council. This arrangement is through a risk share agreement with Torbay Council providing a base payment and the Trust carrying the risk on any overspends that might materialise.

Over the last five years spend on client care has increased consistently by around 10% per annum which in real terms, means that the Trust is due to spend **£15m** more for ASC this year than it did in 2016/17. These increases will have been driven by two components, firstly an increase in client numbers and secondly an increase in the cost of care (unit costs). An element of this will have been planned for (inflationary uplifts). The remainder will have been driven by a combination of growth in client numbers and an increase in unit costs over and above inflation. Unfortunately, whilst the Council has strived to increase its base payment this has not been able to keep pace with the increased cost.

As partners looking to manage this situation, the Council & Trust have co-designed The Adult Social Care Improvement Plan which is a long-term transformational project that seeks to improve the sustainability of the service, in part mitigating some of the pressures above. This is a 3-year project which has set a challenging / ambitious £6m recurrent savings target to be achieved at the end of the third year. To achieve this level of savings there will need to be efficiencies found across a number of sectors of the care market and within both under 65 and over 65 age groups.

Current Context

Currently ASC is under pressure at both a national and local level with the following pressures having a particular impact in 2021/22 financial year.

- Providers are struggling to retain and attract new starters to their workforce. A combination of factors linked to vaccination requirements, increased remuneration packages for other areas of work (hospitality) and Brexit have all made retention / recruitment far more challenging. Providers have adopted a number of approaches to deal with the issue, with some increasing their remuneration packages and others scaling back their provision. Both of these elements negatively impact the Trust as with capacity / supply reduced, providers increase their costs they charge to the Trust (specifically new agreements / packages of care).
- Another dynamic is the complexity of clients has increased during 2021/22 and this means that packages of care for individuals has increased. There are clear links to clients being discharged through the 'Hospital Discharge Process' (cost can fall to ASC after 4 weeks funding through health and with an appropriate ASC care assessment) and unfortunately this could also be an indirect impact from the pandemic with delays in diagnosis and treatment starting to work their way through the health / social care system.
- As detailed above the Trust has a challenging / savings target in respect of ASC and this forms part of the 2021/22 budget. With the market conditions detailed above and the ongoing pressure on staff groups dealing with the pandemic there has been delays in some schemes as staffing has been diverted to operational pressures. This places another additional pressure on the ASC financial position.
- Another material challenge to the ASC financial position is the number and cost of clients transitioning from Children Services.

Future Outlook (2022/23 and beyond)

A provisional outlook for ASC for 2022/23 and beyond highlights a number of challenges and financial costs.

- National living wage will increase and initial reports are that this will be over 6%. Fee models currently adopted by the Trust / Council have adopted an approach where elements (mainly pay) will directly uplift by the NLW % increase and as pay is one of the biggest elements of the cost base this will have a material impact on the overall inflationary uplift applied. In addition to this it is worth noting that the models are based on hourly rates marginally above the NLW so there is minimal flexibility and change to this (fall in line with NLW) is only going to exasperate the current retention / recruitment issues.
- Employers National Insurance contributions will be increasing by 1.5% from April 2022 and with the current fee models in place this will see an increase in the rates.
- Other elements of the fee model are linked to national inflationary indicators. Within this, elements such as insurance, utility costs and food costs will be areas for concern as material increases here will add further cost to the ASC area.
- During the past 18 months and for the remainder of 2021/22 Local Authorities have been in receipt of COVID funding / grants to maintain market sustainability and ensure effective infection control and facilitate rapid testing of its workforce. Additionally, providers have been able to access free PPE. Once the funding stops, any recurrent requirements could see additional costs that could fall directly into the ASC area of spend which will cause an additional financial burden.
- There will be an additional cost from April 2022 in respect of clients under 65 (Mental Illness) who have joint funded packages of care with Devon Partnership Trust (DPT). The agreement is currently being finalised by Senior officers across the Council / trust and DPT with internal indications this could recurrently cost the ASC area an additional £250K per annum.
- All of the areas detailed in the 'Current Context' section are issues that are unlikely to be fully resolved in 2021/22 and therefore, the risks should be noted for consideration for the 2022/23 financial outlook.

Financial Summary

Based on the historic position, current climate and future outlook the Council / Trust will not be in a position to fund any of the above options that would result in a reduction of client contributions. There is already a challenging £6m savings plan in place and this has been calculated even before the current / future pressures had been identified. Further savings would require more reductions in staffing (potentially redundancies), potentially removing funding to voluntary sector organisations and seeking even further reductions in packages of care that could have wide ranging impact on the population of Torbay.

Could be an impact from LPS across both health and social care finances given that we are an integrated trust.