

## **Executive Summary**

This paper sets out the forecast demand and inflationary pressures facing the Adult Social Care Budget in the medium term arising from demographic pressures, changes in client needs and inflationary pressures.

This paper sets out what we know about demand and cost pressure based on our existing system. The Directorate is already transforming the way it works in terms of direct service provision, commissioning within the marketplace, working with partners and a new social work operating model.

## **Part One: Demographic Pressure and changes in client's needs**

### **Introduction**

1. Adult Social Care costs are driven by volume and cost of individual care packages with:
  - Volume driven by the number of people requiring services, and
  - Cost driven by the ability of the market to provide care at a competitive rate.
2. There are two main current and future sources of cost pressures:
  1. Increasing volume due to:
    - An ageing population,
    - People who previously funded their own care, becoming eligible for care due to depleting resources, and
    - Younger people with disabilities becoming eligible for Council funding as they turn 18 or later in life as their own parents become infirm.
  2. Increasing cost due to:
    - Increased frailty of older people needing more intensive care,
    - People with more profound disabilities surviving longer into adulthood and needing more intensive care as they get older, and
    - Market forces factors that affect the ability of providers to offer care packages and placements at the Council's standard rates – including from 2016/17 the rise in national minimum wage
3. This paper examines each of these, and highlights the current and future cost pressures arising as a result as well as the impact of current and ongoing demand management.

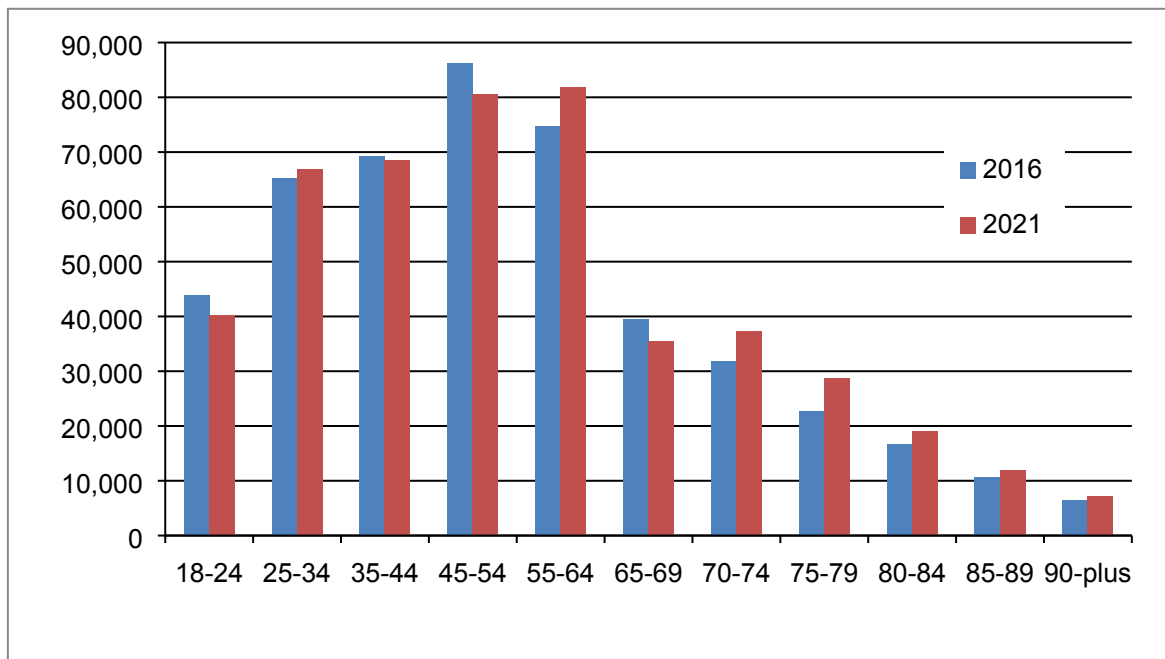
### **The Ageing Population**

4. Based on 2014 ONS population projections, the projected increase in the older adults (aged 70 and over) in Worcestershire was expected to be around 92,000 in 2019, up from 83,000 in

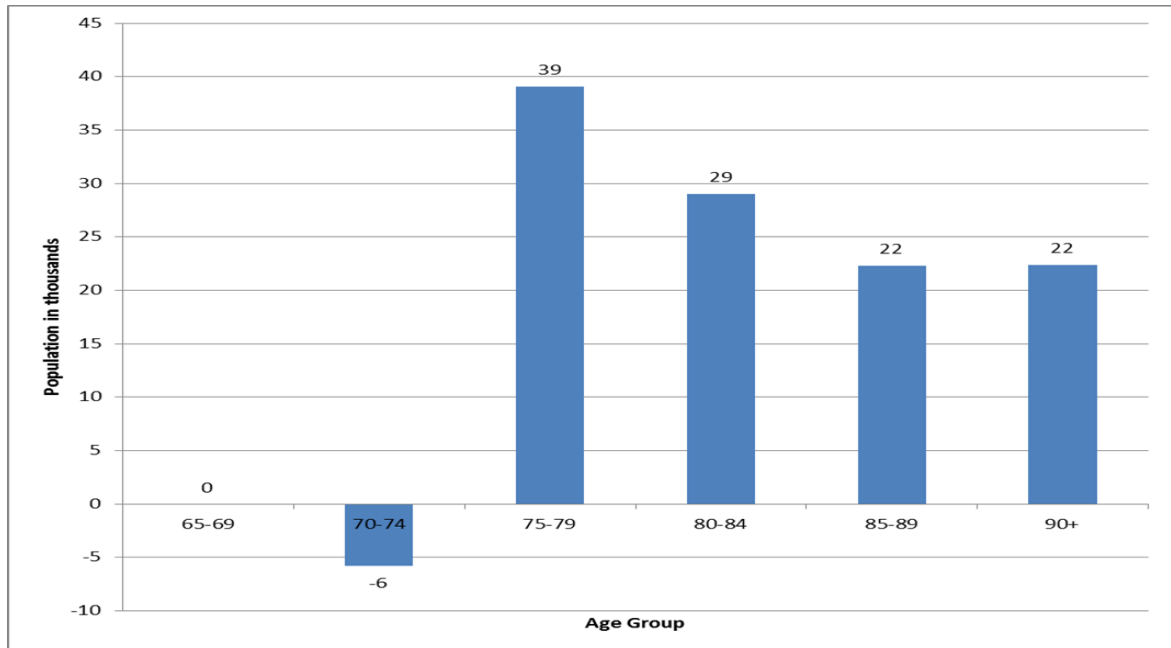
2014. The recently released 2016 ONS population estimates now predict the over 70s population to be much higher at around 99,500.

5. Going forward, the number of older adults (aged 65+) is projected to increase substantially. Projections from 2018 to 2025, based on 2016 ONS estimates are given in figures 1 and 2. Figure 1 sets out the increase in population between 2016 and 2021 by age category based on the latest ONS data. Figure 2 shows the percentage increases in the over 75 population faced by the Council from now until 2025.
6. The increase is accounted for by a rise in the number of people in the very oldest age groups coupled with the fact that people in Worcestershire are generally living longer. The number of people in the oldest 75+ age group is projected to increase from 60,000 to 79,000 between 2018 and 2025. People in the oldest age group are likely to have higher needs associated with frailty, comorbidity and living alone. This is an increase of 19,000 people or a percentage increase of 32%.

**Figure 1 – Worcestershire Population 2016 to 2021 projection**



**Figure 2 - Percentage change in population 2018 to 2025**



Source: ONS Population projections (2016 based)

- The population growth set out in figures 1 & 2 above needs to be viewed in terms of the average age of people accessing our services:

**Table 2 – Average age of Older People over 70 Receiving Services**

Age Range	Current Service Users No.	Current Net Cost £m	Population Change 2018-2025
70-74	367	6.125	-6%
75-79	528	8.349	+39%
80-84	708	11.131	+29%
85-89	858	12.822	+22%
90 Plus	1,014	15.328	+22%

### The Burden of Ill Health in the Older Age Population

8. The general level of health of Worcestershire’s older population is slightly above the national average and this has contributed to a longer than average life expectancy for Worcestershire residents. However, as individuals age, they are more likely to develop comorbidities or long term conditions that will influence their ability to live independently and increase the likelihood of need for care. Individuals are generally living longer, but will often spend a period of their advanced years experiencing ill health, often relating to lifestyle factors. The incidence of stroke, falls, dementia, chronic obstructive pulmonary disease (COPD), sensory impairment and hypertension increases with age. Many of these conditions are preventable at some level through healthy lifestyles, early detection of risk factors through NHS health checks and falls prevention programmes.
- In 2019, it is estimated that 2,845 falls in the 65+ population in Worcestershire will result in an admission to hospital; this is an increase of approximately 100 hospital admissions from the previous year. Future projections indicate that admissions numbers will continue to as a result of population change. However, preventative measures such as increasing postural stability through group based exercise in at risk older people in the community can mitigate this increase by reducing the rate of falls by 29 % and the reducing the risk of falling by 15%.<sup>1</sup>
  - A **Limiting Long Term Illness (LLTI)** is any long-term illness, health problem or disability which limits a person’s daily activities or the work they can do. It is usually measured by the Census of Population. In 2019, the number of people in Worcestershire aged over 65 with a LLTI whose day-to-day activities are limited a lot is estimated to be 29,221, this is an increase of around 800 from the previous year.
  - The number of people aged over 65 with **mobility problems** in Worcestershire in 2019 is estimated to be 24,951. This is expected to continue to increase to 34,000 by 2030, with the numbers concentrated in the oldest age groups.
  - It is estimated that the number of older people aged over 65 living with **dementia** in Worcestershire in 2019 will be 9,597, with over 6,500 cases in those aged over 80.
  - It is estimated that there are at least 6,000 people aged 65 or over living with **cancer** in the county. The incidence of cancer is increasing, as are survival rates, so the extent of older people living with cancer is set to rise considerably.

### Living Status

9. The living status of older adults can also influence the level of need for care as the provision of informal care from a partner or relative is less likely to be accessible. This can also be

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<sup>1</sup> Gillespie LD, Robertson MC, Gillespie WJ, Sherrington C, Gates S, Clemson LM, et al. Interventions for preventing falls in older people living in the community. In: Cochrane Database of Systematic Reviews. 2012.

compounded by the loneliness and social isolation that may be experienced by older people living alone, which profoundly influences overall health and wellbeing.

- In Worcestershire in 2019, it is projected that 18,270 people aged 65-74 will be living alone and 31,019 people aged 75 and over will be living alone with the number of males and females living alone growing rapidly in the older age group.

**Table 2 - People aged 65 and over living alone, by age and gender, projected to 2025**

	2017	2020	2025
Males aged 65-74 predicted to live alone	7,100	7,120	6,840
Males aged 75 and over predicted to live alone	8,602	9,860	12,478
Females aged 65-74 predicted to live alone	11,010	11,130	10,890
Females aged 75 and over predicted to live alone	20,069	22,204	26,840
Total population aged 65-74 predicted to live alone	18,110	18,250	17,730
Total population aged 75 and over predicted to live alone	28,671	32,064	39,318

Source: Projecting Older People Population Information System (POPPI)

**Table 3 - Rates of people living alone split by gender and age group**

Age range	% males	% females
65-74	20	30
75+	34	61

Source: Projecting Older People Population Information System (POPPI)

- The expected growth in the numbers living alone suggests that the need for social networking and support will increase for Worcestershire’s older population in the future, particularly for females aged 75 and over.

### The Health of Older Carers

- Older carers provide a great number of hours of informal care in Worcestershire. It was estimated that in 2011, one in seven Worcestershire residents aged over 65 (15,800) were caring for a partner, family member or other person. Most were providing care for less than 20 hours a week but over a third of those doing unpaid care (nearly 5,650) were doing so for more than 50 hours. Projections show that the total population aged 65 and over providing unpaid care number is increasing at a steady rate year on year. In 2025 it is projected that 21,960 older people (65+) will be providing unpaid care.
- Carers have worse health than non-carers and there are an increasing number of hours of informal care being provided by the oldest residents of Worcestershire who are more likely to be frail themselves. According to the 2011 Census of Population the (self-assessed) health

of people who provide more than 50 hours of care per week is worse than that of over 65s generally, with 58% of those aged over 65s providing 50 hours of care reporting 'fair' or 'worse' health, compared to 45% of older people generally.

14. The number of older people is projected to increase substantially. Figure 1 confirms that the largest growth is expected to be in the 70 and over category, where trend-based projections suggest that the population in Worcestershire will be around 104,500 in 2021, up from 89,000 in 2016. It is noted that these figures are based on ONS trend-based projections, and Worcestershire is currently building new houses at a higher rate than is suggested by these projections. It is possible that the future rise in population, including among older people, will be higher than these trend based projections suggest.

#### Self Funder Pickups

15. In addition to the general rise in older population numbers, there is the impact of older people who have been financing their own care and because of depleting resources, become eligible for state funded care. In 2017/18, there were 274 people in self-funding care who became eligible for local authority care. This is a significant rise on the 2016/17 figure, however it is consistent with numbers in recent years, as shown in Table 4.

**Table 4 – Self-funding pickups 2012/13 to 2017/18**

Financial Year	SF pickups
2012/13	241
2013/14	222
2014/15	236
2015/16	186
2016/17	231
2017/18	274
<b>Total</b>	<b>1,390</b>

**Continuing Health Care Pickups**

16. There is also the impact of those people who were previously funded by health under Continuing Health Care (CHC). Under the CHC regulations, those with a primary health need are funded by Health. If they are assessed as having a primary social care need, they are funded by Social Care. However, depending on the assessment criteria, people do pass between health and social care funding. In 2017/18 there were 97 people who transferred from CHC to Social Care funding. The table below puts this into context:

**Table 5: CHC Pickups 2012/13 to 2017/18**

Financial Year	CHC pickups
2012/13	38
2013/14	60
2014/15	57
2015/16	89
2016/17	74
2017/18	97
<b>Total</b>	<b>407</b>

17. Despite all these challenges, we have been relatively successful in limiting the rise in numbers of older people in receipt of Council funded care. We have for example:
- Introduced an asset based social work model ( the 3Cs model)
  - Moved away from 'bed based' solutions with the development of Extra Care Housing and Supported Living
  - Provided significant support to carers in Worcestershire through Worcestershire Association of Carers
  - Introduced a much more robust system of challenge in Continuing Health Care cases where we believe the individual should be health funded

**Current Position – Older People (OP) receiving Council support**

18. Table 7 below shows that OP numbers have increased by an average of 4.11% per year over the last 2 years following a sharp increase in numbers in 2015/16 following the Care Act legislation – OP numbers increased by 5.67% in 2015/16. However, there has been success in channelling the growth in Older People numbers into Domiciliary Care and Direct Payments, rather than Residential and Nursing placements:

**Table 7 – Analysis of growth in OP numbers**

Service Type	Ave Client Numbers 15/16	Ave clients Numbers 16/17	Ave Client Numbers 17/18	Average growth over last 2 years	Growth in 2017/18
Domiciliary	1,581	1,664	1,785	6.26%	7.27%
Direct Payments	276	280	297	3.69%	5.92%
Residential and Nursing	1,311	1,335	1,347	1.35%	0.87%
	<b>3,168</b>	<b>3,279</b>	<b>3,429</b>	<b>4.11%</b>	<b>4.71%</b>

19. If these trends continue, we would expect to see OP service user numbers increase by around 141 (in 2018/19) to 148 (in 2019/20) each year over the next three years.

**Table 7a - 2019/20 impact of growth in OP numbers**

	Average inc in clients	Forecast Unit cost Per wk	Cost per year
		£	£m
Domiciliary Care	119	230	1.422
Direct Payments	11	253	0.149
Residential and Nursing	18	645	0.622
	<b>148</b>		<b>2.193</b>

20. However, demand management will continue to be employed to minimise the admissions to care homes.

**Learning Disability current and forecast package costs**

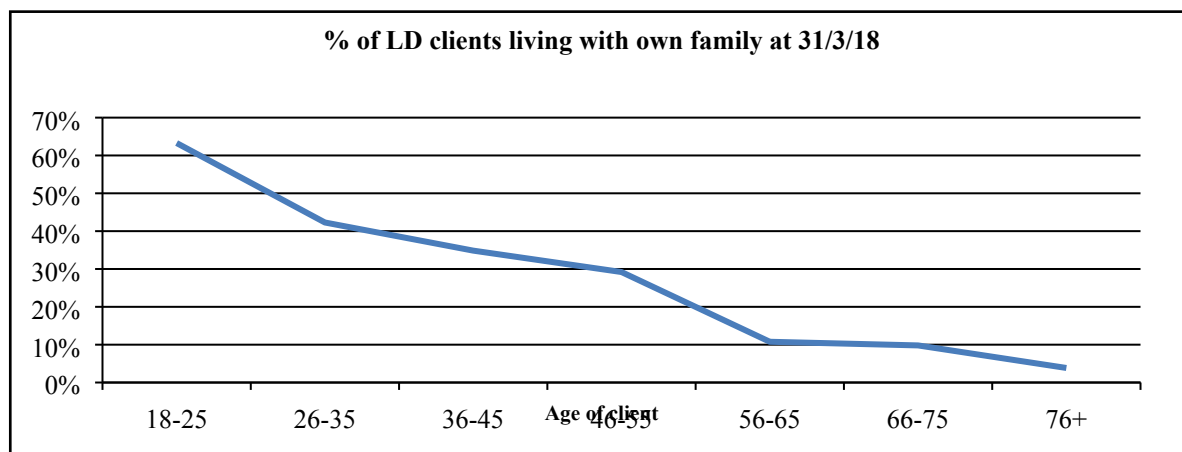


21. The Learning Disability Budget is a particularly complex/volatile area and has been subject to a separate detailed analysis.
22. The data shown in this section is based on package costs recorded on Framework-I and all costs are gross costs (i.e. excluding client charges). Total numbers include people who are health-funded, CHC-funded, self-funders etc. whereas "people with a package of care" are all packages funded by Worcestershire County Council.
23. The following table sets out the current number of clients within LD services receiving a package of care at 31/3/18 broken down by household, package type and age.

**Table 8 - People with eligible Learning Disability needs in Worcestershire - Breakdown by household type**

Packages of care at 31/3/18	No. of people (total)	No. of people with a package of care	Average total weekly package cost
Lives in Registered Home	356	318	£1,421
Lives in Supported Accommodation	386	371	£863
Lives in Shared Lives	94	92	£644
Lives with Own Family (see fig, 3 below)	590	513	£450
Lives Independently or with Others (not shared Supported Living)	173	148	£563
In Hospital/Prison/Other	16	1	N/a
<b>Total people with Learning Disabilities</b>	<b>1,615</b>	<b>1,443</b>	<b>£794</b>

**Figure 3 – Percentage of LD clients living with own family by age**



**Table 9 - People with learning disabilities receiving a WCC-funded package of care at 31<sup>st</sup> March 2018 - Breakdown by package type**

	No. of people	Average weekly package cost	Highest weekly package cost	Lowest weekly package cost
Residential & Nursing Care (includes a cohort of 20 young people in residential college term-time only)	332	£1,362	£4,729	£134
Supported Living	361	£827	£4,044	£14
Shared Lives	89	£398	£870	£266
Homecare	147	£262	£3,455	£18
Day Services	394	£212	£1,085	£14
Transport	252	£111	£1,447	£8
Replacement Care	167	£219	£692	£37
Direct Payments	448	£384	£3,710	£13
<b>Total packages</b>	<b>1,443*</b>	<b>£794</b>	<b>£4,729</b>	<b>£25</b>

*\*NB Some people receive more than one package element/type e.g. day services, transport and replacement care.*

24. Worcestershire County Council has pursued a strategy of increasing the opportunities for adults with learning disabilities to move to Supported Living. Supported Living promotes people's independence, enabling individuals to have their own tenancies (or become home owners in some circumstances), with the flexibility to move house, or remain in the same house but change their support provider if they wish to.
25. Supported Living is also generally more cost effective for the Council than Residential Care. Since 2014, 182 people have moved into Supported Living, either moving directly from a residential setting or avoiding a move into Residential Care. The average actual cost saving from these moves was £154 per week, totalling £1.5 million ongoing revenue budget savings over the four years to 31<sup>st</sup> March 2018, although there is also a significant element of cost avoidance in addition to the cashable savings. A further 166 moves are forecast over the next three years.

**Table 10 - People in Worcestershire with eligible LD needs/receiving a WCC-funded package of care at 31<sup>st</sup> March 2018 - Breakdown by age of client**

	Total people with eligible LD needs	No.& (%) of people living with own family	No. of people receiving a POC	Average weekly package cost
18-25 years old	335	212 (63%)	276	£799
26-35 years old	376	159 (42%)	336	£860
36-45 years old	307	107 (35%)	279	£818
46-55 years old	274	80 (29%)	246	£738
56-65 years old	195	21 (11%)	182	£761
66-75 years old	102	10 (10%)	98	£678
Over 75 years old	26	1 (4%)	26	£716
<b>Total</b>	<b>1,615</b>	<b>590 (37%)</b>	<b>1,443</b>	

### Forecasting LD client numbers

26. The forecasts shown are estimates based on extrapolating 2017/18 actual data. However, this data has been sample checked to ensure that the detailed reasons for the cost increases are understood and that it is not distorted by any one-off or unusual changes.
27. On 31<sup>st</sup> March 2018 there were 276 18-25 year olds receiving a package of care.
28. Table 10 below shows that LD numbers have increased by an average of 3.16% per year over the last 2 years. The Table also shows the results of the current policy to move clients away from residential/nursing into supported living placements with domiciliary care support:

Table 11 – Analysis of growth in LD numbers

Service Type	Client No.s 14/15	Client No.s 15/16	Client No.s 16/17	Client No.s 17/18	Average growth over last 2 years	Growth in 2017/18
Domiciliary	498	499	547	585	8.27%	6.92%
Direct Payments	337	375	394	425	6.47%	7.87%
Residential and Nursing	372	372	338	325	-8.00%	-6.85%
	<b>1,207</b>	<b>1,246</b>	<b>1,279</b>	<b>1,325</b>	<b>3.16%</b>	<b>3.67%</b>

29. Using the data from the current 18-25 year old cohort, there are on average **37 new packages** per year as a result of young people transitioning into Adult Services. During 2017/18 there were **29 deaths** of people with Learning Disabilities.
30. There are also other movements e.g. people moving in and out of the county but for the purpose of this analysis these are assumed to have no net impact on client numbers
31. As an estimate, there are therefore an **additional 8 service users** each year. Due to the changing needs of the Learning Disability population with younger service users tending to have more complex needs and new packages likely to be at a higher cost than more established packages, there are also forecast to be higher average costs for the 37 new packages than the 29 ended packages.

#### Forecasting increases in existing LD package costs (based on 17/18 data)

32. In addition to the growth in client numbers the service is facing increasing pressures from a number of other sources, in particular:
  - pick-ups from Continuing Health Care,
  - placement breakdown due to family carers no longer able to support (average cost of a package for someone living at home is £450 per week, compared to £863 per week for an average Supported Living package and £1,421 per week for an average Residential Care package),
  - placement breakdown due to change in need e.g. increase in behaviours that challenge services,
  - moves from education-funded to fully social care-funded provision (aged 18-25), and
  - step down from forensic or health-funded provision (s.117).

**Transitions clients (Physical Disabilities)**

33. The introduction of the Young Adults Team during 2013/14 has helped to manage costs during transition to adulthood. However the transition from Childrens' Services is still resulting in an overall net increase in service user numbers as set out in Table 13 below:

**Table 13 - Number and costs of people from transition – physical disabilities**

	14/15	15/16	16/17	17/18	18/19 (est.)	19/20 (est.)
Number of people	12	9	7	8	6	6
Full year costs (£k)	210	120	112	97	73	74
Estimated average annual cost per person for DASH care package (£k)	18	13	16	12	12	12

34. In addition to the transition numbers, there is also growth in client numbers within PD and MH that is not due to transitions clients, particularly in Physical Disabilities. This includes people with complex needs transferring to social care, increasing care/complex needs, injuries acquired in adult life, carer breakdown/aging, or other reasons. Table 14 below shows the overall growth over the last two years for these areas.

**Table 14 - Analysis of Growth in PD and MH numbers**

Service user group	Client Numbers 15/16	Client Numbers 16/17	Client Numbers 17/18	Average growth over last 2 years	Growth in 2017/18
Total Physical Disabilities	740	732	785	3.01%	7.09%
Total Mental Health	340	343	342	0.33%	0.22%

35. If these trends continue, we would expect to see PD and MH service user numbers increase by around 32 (PD) & 16 (MH) in 2019/20 and each year over the next three years.

**Market forces**

36. The Council commissions home care and care homes using a series of standard rates. Overall increases in rates have been made below inflation in order to achieve savings targets. Where a care home placement cannot be made at a standard rate then an above banding supplement may be paid. However, there have been increases in the average costs of both Domiciliary Care packages (as providers move from lower pricing tiers to higher ones) and Care Home placements (as more packages have an above banding-rate supplement). Table 15 shows the changes in the average rates paid for different types of care packages for the 12 months Feb 2017 to Feb 2018. The issue is particularly prevalent in Older People care packages.

**Table 15 – Average gross weekly costs – Feb 2016 – Feb 2017**

Service group	User	Service Type	Av. Gross weekly cost Feb 2017 (£)	Av. Gross weekly cost Sept 2017 (£)	Av. Gross weekly cost Feb 2018 (£)	% change over last 12 months
Older People		Domiciliary	222	230	230	3.66%
Older People		Direct Payments	231	243	247	6.80%
Older People		Res and Nursing	585	622	627	7.13%
Physical Disabilities		Domiciliary	271	301	299	10.33%
Physical Disabilities		Direct Payments	267	267	264	-1.20%
Physical Disabilities		Res and Nursing	903	979	848	-6.12%
Mental Health		Domiciliary	115	358	331	6.82%
Mental Health		Direct Payments	128	150	160	24.83%
Mental Health		Res and Nursing	945	844	786	-16.78%
Learning Disabilities		Domiciliary	585	591	590	0.51%
Learning Disabilities		Direct Payments	350	374	386	10.38%
Learning Disabilities		Res and Nursing	1,263	1,079	1,136	-10.05%

37. The percentage increases above look very high. It should be remembered that the April 2017 National Living Wage increase to £7.50 from £7.20 was a 4.17% increase. Therefore it could be argued that increases up to this amount were a result of NLW changes, and anything above 4.17% would be due to market forces or increasing complexity of packages.

## Part Two – Inflationary Pressures

### National Living wage

38. The adult social care sector has a large number of workers on or close to the current national minimum wage, the majority of whom will be eligible for the uplift promised by the government. The following tables set out the estimated impact of an ongoing increase in NLW at the rate currently estimated for 2019:

**Table 17 – National Living Wage Increases 2018-2023**

Year	MLW £	Increase £	Increase %
2015	6.70		
2016	7.20	0.50	7.46
2017	7.50	0.30	4.17
2018	7.83	0.33	4.21
2019 (estimated)	8.20	0.32	4.73
2020 (estimated)	8.59	0.39	4.00
2021 (estimated)	8.93	0.34	4.00
2022 (estimated)	9.29	0.36	4.00

**Table 18 – Impact of National Living Wage on Older Peoples Budgets**

	Est Labour %	Gross Budget £m	Est Labour £m	19/20 £m	20/21 £m	21/22 £m	22/23 £m
Gross Res & Nursing	40	49.346	19.738	840	972	862	896
Gross Dom Care	75	19.308	14.481	615	713	632	658
Gross Direct Payments	75	6.262	4.697	200	231	205	213
<b>Annual Total</b>				<b>1,655</b>	<b>1,816</b>	<b>1,699</b>	<b>1,767</b>
<b>Cumulative Impact</b>				<b>1,655</b>	<b>3,571</b>	<b>5,270</b>	<b>7,037</b>

**Other inflationary pressures affecting the Domiciliary Care Market**

39. There are a number of cost additional cost pressures on providers of domiciliary care in Worcestershire. These include:

- CQQ costs have increased significantly as CQC aim to recover the full cost of regulation from providers - *e.g. a community social care provider with 3 locations and 50, 100 and 45 service users at each has seen their fee increase from £6,093 to £9,643. The costs vary depending upon the number of service users/locations a homecare provider has,*
- Additional training costs brought about by the introduction of the apprenticeship levy with providers having to contribute at least 10% toward apprentice training costs - *from May 2017 providers will pay 10% towards to the cost of apprenticeship training and government will pay the rest (90%), up to the funding band maximum.*
- Increased pension contributions for staff enrolled in a workplace pension scheme rising from 2% to 5% - *the minimum contributions will be introduced in three stages known as phasing. If the qualifying earnings basis is being used, the minimum contribution until 5 April 2018 is 2% with at least 1% from the employer. Between 6 April 2018 and 5 April 2019 the minimum contribution is 5% with at least 2% from the employer and from 6 April 2019 the minimum contribution is 8% with at least 3% from the employer.*
- Staff retention costs have increased as Worcestershire is a high employment area and staff are able to move between jobs more easily. Homecare providers have had to increase hourly rates to incentivise staff to remain and attract new staff, and
- Travel time – Careworkers wage costs include not just the “contact time” spent in a service user’s home, but also the time they spend travelling between visits. In rural areas of Worcestershire the cost of travel time and who pays for it is a significant reason as to why homecare is difficult to commission - *The National Minimum Wage Regulations make it clear that “working time” includes the time spent travelling; waiting to begin a journey; waiting to begin carrying out duties at the end of a journey and waiting between different stages of a journey. In the draft statutory guidance to the Care Act 2014, in June 2014, the Government said that “When commissioning care contracts, local authorities should assure themselves and have evidence that service providers deliver services through staff who are remunerated so as to retain an effective workforce. Remuneration should be at least sufficient to comply with the NMW legislation.... including remuneration for any time spent travelling between appointments”. There have been significant increases in the cost*



*of owning and running a car (37% increase from 2017) which will significantly affect many staff who work in the home care sector.*

40. The impact of these inflationary pressures will continue to drive market prices up. Recent inflationary growth has seen costs across Learning Disability increase by around £1.7m (3.5%) and it is anticipated that increases of this magnitude will continue for those services not impacted by National Living Wage as follows:

**Table 19 – Impact of 3.5% annual growth on care budgets (Respite, Long Term & Domiciliary Care)**

	Gross Budget £m	19/20 £m	20/21 £m	21/22 £m	22/23 £m
Learning Disability	47.399	1.660	1,720	1,780	1,840
Physical Disability	9.150	320	330	340	350
Mental Health	9.317	320	330	340	350
Inflation on PD/LD Growth		140	290	440	600
	65.866	2.440	2.670	2.900	3.140

41. With regard to Older Peoples Services provision has been made for both National Living Wage and for the impact of market forces on residential and nursing placements. No additional inflationary provision has been built in at this stage. For 2019/20 the service are currently looking at options to move to gross payments to providers and it is anticipated that this could be used to mitigate any additional inflationary increase sought. This is likely to be one-off and the position will need to be reviewed for future years.