Appendix 3 – Schools, Social Care & Health Integration and Welfare Reform

Schools Funding

For 2013/14 the Dedicated Schools Grant (DSG) was split into 3 notional blocks: schools, early years and high needs. The Department for Education (DfE) will continue the Minimum Funding Guarantee (MFG) at minus 1.5% per pupil in 2014/15.

Most of the arrangements put in place in 2013/14 will remain but the DfE is making some changes that are designed to further standardise the funding formulae that are in operation across the country.

The key changes being implemented in 2014/15 are as follows:

- Local Authorities (LAs) must ensure that at least 80% of delegated funding is allocated through pupil-led factors.
- The unit rates applied for age weighted pupil units must be set at a minimum of £2,000 for primary aged pupils and £3,000 for secondary.
- The primary low attainment factor will include those pupils who failed to achieve a good level of development in the 2013 assessments. This will only apply to this cohort; for older year groups in the school, there will still be the choice between using the thresholds of 73 and 78 points because they were assessed under the old profile (Brighton & Hove have opted to use 78 points).
- The secondary low attainment factor will now be based on the number of pupils not achieving level 4 in English **or** Maths at key stage 2. This is a change from the 2013/14 year where the measure was based the number of pupils not achieving level 4 in English **and** Maths.
- Local Authorities are now able to set different lump sums for primary and secondary schools. The maximum lump sum has now been set at £175,000. Brighton & Hove is proposing to continue to allocate a lump sum of £150,000 to all mainstream schools.
- Local Authorities may top slice the DSG to provide a falling rolls fund that may be used to protect schools with falling rolls where a population bulge is expected in the future, but where a good and necessary school currently has surplus places and faces an unmanageable funding shortfall in the short term. Brighton & Hove is not proposing to adopt such a fund but will, instead, should circumstances arise, consider using the schools' contingency budget for this purpose.
- Specialist Special Education Needs (SEN) places (units and facilities) in mainstream schools, whether filled or unfilled, do not count towards a school's pupil numbers for the purpose of calculating its budget through the funding formula. The change is to avoid double counting.
- The date for informing mainstream schools of their budget shares is being moved forward from 15 March to 28 February.

The Care Bill and the NHS/Social Care Integrated Transformation Fund

The Care Bill is currently in the House of Lords and is expected to receive Royal Assent some time in May 2014. It represents the most profound change to adult social care framework, since the National Assistance Act 1948. The bill will repeal most of the legislation that has been implemented since then and will replace this with a range of new legislation and statutory guidance. The changes that will follow include:

- The cap on care costs proposed following the Dilnott review. The current level of the cap is being suggested at £76k over a person's lifetime and is based on a financial assessment – depending on whether they receive residential or home based support.
- A requirement for councils to assess on an annual basis all adults who receive care to determine whether their needs meet the national eligibility criteria. The national criteria are expected to be broadly in line with the council's current local eligibility criteria which is based on critical or substantial needs.
- All eligible adults will need to have a Care Account set up so that the council can track their spend (against agreed cost profiles) and determine when they meet the cap. This will mean an annual assessment and review process for a much wider group of adults than is currently the case, including those self-funding their residential or home based care. These changes are being planned to commence in April 2015, with assessments of current self funders commenced in 2014/15.
- Putting safeguarding of adults on a statutory footing.
- New rights and entitlements for carers to receive appropriate assessment of their needs and support.

The long term financial consequences for the council are impossible to assess at this stage and will depend on the national funding model, the city's demographic profile and the wealth of residents, particularly in terms of property values. However there are substantial costs that need to be incurred now to ensure that the system can operate from 1 April 2015, including increased resources for assessment of both care and finance needs, technological investment to establish the Care Accounts and effective communications.

As well as the care cap there are other important changes in the Care Bill including putting safeguarding of adults on a statutory footing, with the bill carers will have new rights and entitlements to receive appropriate assessment of their needs and support by new burdens funding from central government, there is always a real risk that this will be insufficient to meet the costs.

In the July Spending Review, the government announced £3.8bn per annum nationally from 2015/16 for an Integrated Transformation Fund (ITF) across adult social care and health. £1.9 billion of this funding is already in local authorities in the existing NHS Funding for Social Care or in other sources of grant funding such as Carers Grant and Disabled Facilities Grant. The council needs to have joint plans with the clinical commissioning group (CCG) on how we will collectively spend this money. This funding is an ambitious programme to better join up health and social care in order to reduce pressure on the acute sector – in particular emergency admissions. The requirements are still emerging for this funding but it certainly includes 7 day a week working across the health and social care system. It will cover the range of services that support discharges from hospital and prevent admissions especially out of hours, require whole systems change across local authority boundaries and will be dependent on improved information sharing across health and social care. The City expects to receive approximately £1 million in 2014/15 to support preparations for 2015/16. We believe 50% will be received at the start of the year with the remainder based on performance.

The scale of these changes and the service, financial and reputational risks associated with them are enormous. If successful then the ITF in particular could be a crucial part of the council's response to dealing with ongoing funding reductions and pressures on adult social care and should lead to lower numbers of individuals in long term residential and nursing home care. If it proves more challenging to deliver the required results then the council potentially could see increased financial risks, particularly if the NHS and the acute hospital trust are unable to show the anticipated savings on which the funding transfer to the council so depends.

One off resources of £0.5m has provisionally been set aside in the council's budget to facilitate the changes from the Care Bill and ITF changes, some of which is likely to be covered by new burdens funding from government but there is too much uncertainty for a change of this scale for the council not to plan ahead and set aside funding to ensure it can be implemented effectively.

Welfare Reform, Universal Credit and Housing Benefit

The government's welfare reforms are wide ranging in scope with a range of impacts on the council. The local council tax reduction scheme which replaced council tax benefits is set out elsewhere on this agenda and the implications have been factored into the assessment of the council taxbase. During 2013/14 the benefit cap was introduced which limits the amount of overall benefit a family receives to £500 a week, or an individual to £350. In most cases the effect of this limitation is a reduction in Housing Benefit.

A cross council team have been working together to support those households affected by the benefit cap, for example providing additional support in accessing employment and childcare and short term financial support has been provided to those meeting the qualifying conditions through the Discretionary Housing Payments Fund. The current intervention model appears to be successfully preventing additional households from presenting as homeless or leading to children entering the care system, however this may not be sustainable longer term and the council may either need to continue to provide additional assistance or support these households to find cheaper accommodation outside the area if they are unable to access employment. The Social Housing Sector Size Criteria was also introduced in 2013/14 and the Housing Revenue Account is needing to take into account the impact of this on rent collection. Ongoing restrictions on increases to housing benefit are likely to have the strongest impact in the private rented sector. The service pressures assumptions for 2014/15 include an additional £750,000 for homelessness prevention and support which is mainly focused on providing additional units of temporary accommodation.

The introduction of Universal Credit is no longer on the government's original timetable. While delays that help ensure effective implementation are to be welcomed there is a risk that these create additional financial pressures for the council. Administration of housing benefit is funded by specific grant from the Department for Work and Pensions (DWP). Its costs have long outstripped its funding – in the latest national comparative figures available, 2012/13 national Housing Benefit Administration expenditure was expected to be 74% higher than the grant (102% in London and 69% in Unitary authorities) and for Brighton & Hove this was 98% - representing a subsidy from the council's General fund of an estimated £3m. The administration grant continues to be subject to reductions, 10% for 2014/15 and yet the delays to the implementation of Universal Credit alongside reforms mean that efficiency savings of this magnitude are increasingly challenging. For example as individuals find they need to take more than one job or find themselves moving in and out of work more frequently so their circumstances require more frequent reassessing from a benefits perspective. This adds additional cost and complexity that will only be resolved at the point at which Universal Credit is introduced. In 2014/15 the gap between expenditure and income for Housing Benefits for Brighton & Hove is estimated to increase to £3.4m – a direct subsidy from the council's General Fund to deliver a DWP programme. While the council continues to review and benchmark its service against comparable local authorities, there is no evidence at the moment that this is out of line with others.