

**Councils face the challenge of an ageing population as public spending reduces. The ageing population will affect all councils, and councils' partners in housing, health and policing.**

# **Under pressure**

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**Tackling the financial challenge for councils of an ageing population**

**This summary is an overview of our local government report published in February 2010**



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

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

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

## Summary

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

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

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

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

**Social care spending increased by 46% between 2000/01 and 2007/08**

### **Improved health and wellbeing reduces demand for services.**

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

## **Councils will have to make better use of information and make difficult choices**

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

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

## Recommendations

### All councils should:

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

### Councils with social care responsibilities should also:

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

### The Audit Commission will provide:

- tools and guidance to support this report;
- further analysis and guidance on value for money in social care; and
- guidance on strategic financial management.

**Councils should work with partners, and older people, to develop area-wide approaches to later life**

## Challenge and review questions

From our research, we have developed a number of challenge and review questions which can help councils and their partners think about the challenges of an ageing population.

These questions are for officers and members in councils, as well as for local partners – for example primary care trusts. They should also be considered by the Local Strategic Partnership as they look at the implications of an ageing population in their local area.

The challenge and review questions are included in our national report *Under Pressure – Tackling the Financial Challenge for Councils of an Ageing Population* and are grouped around four themes:

- taking a strategic view;
- managing costs;
- prevention and early intervention; and
- using information.

### Box 1: Taking a strategic view: challenge and review questions

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|-----------------|--|
| <b>Strategy</b> | <ul style="list-style-type: none"><li>■ How fully do the council's strategies reflect the pressures of reduced resources and an ageing population?</li><li>■ How recently have elected members been involved in discussions about the impacts of reduced resources and an ageing population on the affordability of their priorities?</li><li>■ What choices did they make?</li></ul>  |
| <b>Finance</b>  | <ul style="list-style-type: none"><li>■ How does the medium-term financial plan express the council's strategic response to an ageing population?</li><li>■ How will your council and its partners make sure the financial plan provides the resources for prevention, wellbeing and services for an ageing population?</li><li>■ How effective is the annual budget process in moving beyond service protection and incremental change to transformational, area-based expenditure?</li></ul> |
| <b>Data</b>     | <ul style="list-style-type: none"><li>■ How are cost and demographic projections used to plan for delivering more for less?</li><li>■ How do the council and its partners ensure that strategic financial plans are based on shared information that is relevant, of high quality and presented well?</li></ul>  |

## Box 2: Managing costs: Challenge and review questions

- Strategy** What are the local drivers of the financial impact of your ageing population?  
How are the financial and other challenges of an ageing population addressed in the sustainable community strategy?  
How are older people involved in discussions about supporting the ageing population?
- Finance** What are the drivers of service costs related to an ageing population?
- How are those drivers changing?
  - What are you doing to manage them?
  - How do local drivers and responses compare with those in other areas?
- How will social care costs be managed in the context of:
- other budget demands; and
  - the shift away from institutional care?
- How well does the medium-term financial plan prepare the council for tightening resources and increasing demand?
- Data** How effectively is your council using financial and performance data to challenge the way things are done?  
How do all services use population, needs, and service data in the joint strategic needs assessment?  
Has your council and its partners used data to evaluate different responses to the local needs of your ageing population?

### Box 3: **Prevention and early intervention: Challenge and review questions**

- Strategy** How is preventive activity linked to the sustainable community strategy?  
How are the four reasons for care need – housing, health, social and informal care breakdown – tackled locally?  
How can partnership working support a substantial move away from higher-cost residential care services?  
How do local partnership agreements deal with allocating costs and savings from preventive activity?
- Finance** How are alternative approaches to delivering services reviewed in budget and finance processes?  
How is the value of informal care recognised in budget and efficiency discussions?
- Data** How could councils and their partners use performance measures, financial data and project evaluations to provide a better evidence base for spending on prevention?  
How do service commissioners use local and national evidence to assess the impacts of different approaches to prevention and service design?



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We welcome your feedback. If you have any comments on this report, are intending to implement any of the recommendations, or are planning to follow up any of the case studies, please email: [nationalstudies@audit-commission.gov.uk](mailto:nationalstudies@audit-commission.gov.uk)

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