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Please ask for Mr Campbell
Direct Dial (01224) 665400
Fax (01224) 665444
Legal Post LP-3 ABERDEEN 3

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Lord Sutherland of Houndwood
c/o Rhona Dubery
Independent Funding Review of Free Personal Care
Area2:ER
St Andrew's House
EDINBURGH EH1 1DG

Alan G Campbell, CBE

Chief Executive

Woodhill House

Westburn Road

Aberdeen AB16 5GB

Telephone 01224 665400

Fax 01224 665444

alan.g.campbell@aberdeenshire.gov.uk

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Dear Lord Sutherland

INDEPENDENT FUNDING REVIEW OF FREE PERSONAL CARE

Thank you for the opportunity to provide early comment on your review as set out in your letter of 14 September 2007.

Firstly, we welcome the review and look forward in due course to your findings being published. The funding review will sit alongside the variety of other works already concluded or underway and will provide the Scottish Government and other interested parties with a wide ranging overview of the impacts of Free Personal Care (FPC) and which in turn lead to recommendations around how the policy is to be managed in a sustainable way in the future.

In terms of using information already available, we would draw your attention to work undertaken by COSLA and the Scottish Government's Joint Improvement Team evaluating the impacts around the implementation of the policy. A summary report was completed earlier this year, drawing out key themes from a number of authorities who took part in a Peer Review carried out by the Joint Improvement Team in conjunction with CoSLA. As well as the overview report each local authority received their own more detailed report – a copy of Aberdeenshire's report is attached for your information.

In terms of Aberdeenshire's report there were a number of key issues identified that may be helpful for you to consider as part of your review. These included:

- Demographic challenges – the proportion of older people in Aberdeenshire is projected to rise dramatically in the coming years.
- The increasing demand for FPC (in complexity and quantity) is impacting on the capacity to deliver.
- An increasing proportion of home care service now falls within the FPC policy due to the focus on meeting the greatest need.

- There is a widening gap between the Scottish Government's funding allocation to Aberdeenshire and the actual expenditure on free personal care.

Beyond the CoSLA/JIT findings we would also offer the following comments:

- Since the introduction of FPC in 2002, the Service budget has been under severe pressure – the cost of implementing FPC being the fundamental cause.
- The COSLA/Joint Improvement Team report found that the gap between the GAE allocation and the actual cost was significant as shown in the table below taken from that report.
- The report found that FPC expenditure in relation to care homes was around 5% over Scottish Government allocation over 2003 – 2006.
- In relation to home care services there was a widening gap between the Scottish Executive allocation and actual FPC spending year on year.

The table below summarises the position in relation to home care between allocation and expenditure in recent years.

	2003/4 (£)	2004/5 (£)	2005/6 (£)
Actual FPC Expenditure	3,249,000	3,838,000	4,777,000
Scottish Executive Allocation	2,198,000	2,279,000	2,370,000
Difference/Shortfall	1,051,000	1,559,000	2,407,000

- Furthermore, we have also experienced a reduction in income through ceasing to charge for FPC tasks as part of home care services and assistance with meals preparation – this cost to the Council is around £1.2 million annually.
- FPC funding from the Scottish Government has only risen marginally above inflation each year – the actual cost of implementing the policy has risen significantly above that as a result of increasing demand and salary costs. Demographic challenges will clearly add to demand in the coming years.
- The funding formula was acknowledged as being devised at a fixed point in time, and even at that time we were concerned that the formula was flawed in that it would not reflect across local authorities the actual cost of implementing the policy. The funding for local authorities at the point of introducing FPC was intended to cover 100% of the implementation costs – as we have demonstrated this is clearly not the case in Aberdeenshire.
- There has been a broader impact on Social Work Services in Aberdeenshire following the introduction of FPC. The significant funding shortfall has had to be managed by the Housing and Social Work Service and the Council as a whole.

Alongside the general upward pressure on demand for Social Work Services, the Council took the following action:

- Reallocated £900,000 in 2005/06 from other key council budgets to address funding shortfalls.
- Removed the £261,000 budget for development activity around community care services.
- Tightened the eligibility criteria for Social Work Services – meaning a range of preventative services are no longer provided across client groups.
- Restricted overall expenditure across Housing and Social Work through additional budget controls including: vacancy management, payments to voluntary and private sector providers, staff training and development, ICT infrastructure, and cessation of preventative/lower level tasks (eg domestic care and cleaning services as part of home care).

There is no doubt that the introduction of FPC has been of benefit to many older people, however it has resulted in significant challenges to Aberdeenshire in both financial terms and in relation to impact on other services. We would be pleased to discuss further any of those issues in the course of your review. We look forward to seeing your review progress and to recommendations emerging which can offer solutions to a popular but increasingly challenging policy in terms of its sustainability.

Yours sincerely



Alan G Campbell
CHIEF EXECUTIVE