APPENDIX 2 – CABINET REPORT: SUPPORTING PEOPLE BUDGET PROPOSALS

Overview of Budget Modelling Process or Lancashire.

The Indicative Budgets Tool that HGO has developed is designed to help Authorities to come to strategic decisions on how to divide up their housing support budgets, particularly in circumstances where the total budget is static or reducing and the need for the services are increasing.

In 2-tier authorities, such as Lancashire, it suggests a basis for cutting up the budget on 2 different dimensions – between need groups (or what we refer to as "client group clusters") and between Districts.

The process is designed to provide a transparent basis upon which to have the discussion. At the end of the day the Tool can never make decisions for any Authority, and while it may give you answers to any number of decimal places this should never be confused with absolute truth.

The Tool starts from the premise that relative levels of need are the starting point for the rationale on how to allocate limited funds. The Tool is therefore directly linked to HGO's other tools for projecting the need for support services. This includes the original Needs Estimation Model, and a slightly more sophisticated methodology for projecting the need specifically for people over 65 by the Older Persons Need for Services toolkit.

As part of carrying out this exercise for Lancashire HGO is providing detailed and up to date Guidance Notes for all 3 elements of the Budget Modelling Process – The Needs Estimation Model, the Older Persons Need for Services toolkit and the Indicative Budgeting Tool itself. This overview is designed to help you understand the high-level principles upon which these resources work. The Guidance Notes should be used to provide more detail where you wish to examine a particular point.

HGO will also supply a summary note of the variables that are currently selected in the different tools and the results that these generate.

The real work however will be in modelling the impact of variations to the relevant variables and seeing the consequence on the proposed budget split. It is hoped that this will generate a consensus around a budget distribution that is reasonable and acceptable to all parties.

The specific elements of this process are as follows.

1. Needs Estimation Model

This works on the basis of the following approach.

HGO uses publically available evidence to estimate the size of different client group populations. This is either a prevalence rate e.g. the proportion of people with a learning disability in the population, or an incidence rate e.g. the number of people experiencing domestic violence in a particular year. We then look for research of various kinds (including some undertaken by ourselves) which provides an evidence base for saying what proportion of that client-group population might have need of a housing support service. The combination of these two factors provides the estimate for the different client group populations in need.

This gives us a total estimate of the different client group populations in need of a service. There is a significant chance that this involves counting people more than once as e.g. someone with an experience of domestic violence may also have a substance misuse problem and be under 21 and therefore a young person at risk. We account for this by reducing the populations in need by what we call the "Client Group Overlap Deflator". This is calculated by looking at the incidence of people actually receiving services across the country over a number of years who have been classified as having more than one client group label (drawn from Supporting People Client Record Form data).

This gives us a modified total of people in need. We translate this into a number of units of service needed by looking at what has happened across the country where people have received a service. In relation to each client group we look at the balance in terms of what type of service and on average how long they received the service for.

The end product of the Needs Model is therefore a number of units of service needed by client group by District.

2. Older Persons Need for Services Toolkit

This work has been taken further forward in conjunction with Housing Vision, specifically for Older People. The principle is the same. We identify a proportion of the over 65 population most likely to be in need of assistance by using the prevalence research that was used by the Wanless Report – *Securing Good Care for Older People* (2006). We then identify what proportion of that population is likely to need a range of different services using a piece of research based on a number of local authority Strategic Housing Market Assessment questionnaires.

The toolkit is different because it estimates the need for a number of service interventions across the housing,care and support divide, it uses a more sophisticated way of calculating a local multiplier to apply to what are national prevalence rates, and it takes into account the ability to self-fund services or get the support needed through informal means.

The end result is the same – a number of units of different types of service required.

3. Indicative Budgets Tool

This starts with the projected need for units of service by client group and by District generated through the previous 2 tools. The tool then weights these needs according to the impact of investing in provision for the different client groups. This includes looking at the cost benefit analysis carried out by Cap Gemini and the relative success in delivering outcomes by client group in the County as a whole. This means that a relatively high level of return for investment according to Cap Gemini and a relatively high success rate in meeting outcomes will result in a higher weighting being applied to the raw needs rates coming out of the other 2 tools (numbers of units of service needed by client group), and vice versa.

These weighted needs rates are then turned into cash sums by applying a series of benchmarks which can be locally determined. The tool splits the need for service into different levels of intervention with an average number of weekly hours requiried and an average hourly rate to each. This gives a total amount of notional money needed to meet these weighted needs by client group cluster and by District, as part of the notional total budget required. The proposed real budget allocation to Client Group Clusters and Districts is therefore calculated by applying the same proportions to the actual budget.

This is the core of the process, but there are many other things that you can vary including applying some dampeners to minimise or postpone the change from the current budget distribution. There is also a different way of setting District allocations based on a combination of the difference in population and local deprivation rates (the 60-40 option already worked up in lancashire). If this latter option is chosen, the allocation to Districts is set on this basis but within each District the budget is divided among Client Group Clusters using the weighted needs method.

The Needs Estimation Model produces needs figures by individual client group but it is assumed that budgets will be set at a higher level, that is by client group cluster e.g a Core Socially Excluded Cluster which could combine the resources for services for people with drug problems, alcohol problems, offenders and single homeless. One of the key decisions that any Authority using this approach therefore needs to make is agreeing the Cient Group Clusters that it wishes to use.

4. Bringing it all together

The different elements of the budget modelling process are linked togther, so for example if you change one of the assumptions in the Needs Model you will see the impact on the proposed budget distribution. The combination of the tools provides an immense flexibility and sensitivity that can produce a range of optional answers that hopefully will include one that all parties can sign up to, and all based on a transparent methodology.