Consultation on Proposed Changes to LFR 03

This consultation details proposed changes to the LFR 03. These changes are being considered for implementation in the 2021-22 LFRs which are to be issued to Local Authorities (LAs) for completion on 3 August 2022. A copy of the proposed LFR 03 has been provided as part of this consultation to illustrate how the proposed changes compare to the 2020-21 LFR 03. Please note that, within this consultation, 'subservice' refers to the columns in LFR 03 (e.g. Children & Families, Adult Social Care, etc.) and 'service type' refers to specific types of Social Care services captured in the Additional Information sections (e.g. Care Homes, Care at Home etc.).

Any feedback on the proposed changes set out in this consultation should be emailed to lgfstats@gov.scot **by no later than Friday 3 June 2022**. All feedback will be collated and reviewed before any proposed changes are confirmed for the 2021-22 LFR. Once any changes to the layout are finalised, the associated guidance will be reviewed in detail and in discussion with LAs to ensure clarity and consistency of data requirements.

Following the finalisation of the 2021-22 LFR 03, the Social Care section of the Provisional Outturn and Budget Estimates (POBE) return will be reviewed to align with the changes implemented within the LFR 03 ahead of the 2023 POBE return.

Background

The Local Financial Returns (LFRs) are a series of detailed returns that collect final, audited expenditure figures across all services that LAs provide. The data collected in the LFRs is then published as part of the annual Scottish Local Government Finance Statistics (SLGFS) publication. In particular, the LFR 03 captures data relating to Social Work and this is currently the main source of Social Care expenditure data available in Scotland.

A detailed review of LFR 03 was planned prior to the issue of the 2019-20 LFRs, including consideration of alignment with current policies and local approaches and the quality and consistency of data being captured. Limited capacity in 2020 due to Covid-19 meant that the scale of the LFR 03 review work carried out prior to the 2019-20 LFR was significantly reduced from that originally planned. Changes implemented in the 2019-20 LFR focused on reducing the volume of data collected to that required for a clear and specific purpose, and clarifying the recording of transfer payments to / from Integrated Joint Boards (IJBs).

Beyond the issue of the 2019-20 LFRs, the detailed LFR 03 review continued and expanded to consider the implications of the endorsement of the Independent Review of Adult Social Care (IRASC) recommendations and the creation of a new National Care Service (NCS) on the Social Care data landscape. This included working with Health & Analytical Social Care colleagues within Scottish Government to consider what other social care data is held and how this could be better utilised or expanded, particularly in relation to expenditure data. Due to these significant additional considerations and continued reduced capacity, the review work had not progressed sufficiently for further changes to be implemented in the 2020-21 LFRs and so the LFR 03 remained largely unchanged from 2019-20.

Data providers have been engaged with throughout this review, both through the ongoing LFR collection and validation processes, but also through a series of LA workshops. The workshops were used to gather more detailed feedback, as well as encourage discussion amongst LAs on particular issues or questions in relation to the review. These workshops were well attended, generally having representation from more than half of LAs across each set of workshops.

A stakeholder working group has also been set up to ensure feedback from key data users is incorporated into the review process. The working group contains representatives from relevant Scottish Government policy and analytical teams, Social Work Scotland, the Improvement Service, Public Health Scotland and CoSLA.

Summary of Review Findings

Feedback from data providers captured throughout the review process has raised significant data quality concerns around the 'Additional Information' data collected in the LFR 03. These concerns relate to inconsistencies in approaches between LAs, in particular where the data split required is not available directly from the ledger and so has to be apportioned. Further investigation, including a review of Adult Social Care cost centres for around three-quarters of councils, has identified that the data quality issues are most prevalent in data split by client group, including age, and figures on net expenditure by service type.

Data providers have also noted the significant burden the LFR 03 places on them due to the volume of additional calculations required to produce the data requested compared to other LFRs. In 2018-19, the LFR 03 contained just over three-quarters (77%) of additional information data entry cells for the eight LFRs that capture data on General Fund services. This was then reduced to just under half (47%) with the changes made in 2019-20 and 2020-21. This burden is further added to by the significant number of validation queries generated in relation to the LFR 03 additional information – in 2020-21, just over half (52%) of validation queries on the 8 LFRs capturing data on General Fund services related to figures from LFR 03.

Feedback from the stakeholder working group has made clear that breakdowns of Social Care expenditure data are a key user requirement as they support a more detailed understanding of social care expenditure. In particular, breakdowns by both type of social care services and for different client groups are of most value.

The SLGFS and supporting LFR data is published as national statistics and therefore must be collected and published in line with the UK Code of Practice for Statistics. The Code advises under 'Q3: Assured quality' that "the risk and impact of quality issues on data should be minimised to an acceptable level for the intended uses" and "the extent and nature of any uncertainty in the estimates should be clearly explained". The Code also advises under 'V5: Efficiency and proportionality' that the burden imposed on data providers "should be proportionate to the benefits arising from the use of the statistics".

In light of the review feedback and the Code, the 2019-20 and 2020-21 LFR 03 source data was published with advisory notes on data quality. However following the conclusion of the review, it is considered that, given the level of detail of the data and the ways in which it can and may be used, the data quality concerns cannot be minimised to an acceptable level and / or be explained in a sufficiently clear way in order that users can mitigate the impacts of the data quality concerns. Further, it is clear that the burden on data providers to provide figures containing data quality issues is **not** proportionate to the benefit arising from the use of these figures.

As the LFR 03 is the main source of social care expenditure data in Scotland, any reduction in data collected in the LFR 03 will likely create gaps in the social care data landscape. However, in line with the Code, it is important that the data available is of assured quality and places a proportionate burden on data providers. Review work to consider both short and long term options to resolve this gap in Social Care data is ongoing by Health & Social Care Analytical colleagues within Scottish Government in conjunction with this review. In particular, work with colleagues who lead on the Free Personal & Nursing Care Quarterly Collection and associated publications is underway to consider the implications on their 2021-22 collections and to ensure that data requirements for the continued monitoring of this policy can be met.

The remainder of this consultation sets out the specific proposed changes in light of the review findings in further detail.

Removal of Client Group Lines

Social Care ledger data does not directly correlate to client groups for the majority of LAs. This is because financial transactions are generally not recorded at an individual level and so cannot be easily allocated based on the clients to which the transaction related. At present, costs for specific client groups recorded within the LFR 03 that cannot be drawn directly from the ledger are calculated as an estimated allocation based on other data available for each LA. Feedback from LAs has made it clear that the approach to estimating allocations where required is not consistent across councils and, in some cases, are based on use of historic proportions or administrative data of unknown quality.

Further, the client groups previously used in the LFRs were not explicit categories, with the potential for clients to fall into more than one group, for example an individual who is over 65 and has a physical disability. This meant LAs were having to apply a level of subjectivity to assign transactions / clients to a single client group. The client groups were also very broad and based on type of need, for example old age, physical disability or mental health, rather than level of need, for example a client with complex needs will likely utilise more services at higher cost than a client with less complex needs. This means each client group has the potential to include a significant range of costs per client which cannot be interpreted without supporting activity data.

On the basis of these data quality and consistency concerns it is proposed that all lines relating to figures for a specific client group be removed from the LFR 03. As noted in the 'Summary of Review Findings' section, work to mitigate this loss of data from LFR 03 is ongoing.

Changes to Gross Expenditure by Expenditure Type (Rows 38 to 42)

It is proposed that a new line to capture employee costs by subservice (Row 39) be added to this section. In 2020-21, employee costs accounted for around one-third (32%) of Social Work gross expenditure (excluding transfers to IJBs) and so it was felt that having this cost split by subservice would be of value. Feedback from data providers has confirmed that this data can be directly drawn from their ledgers.

A new line to capture third party payments to third sector organisations was considered as third party payments accounted for just over half (56%) of Social Work gross expenditure (excluding transfers to IJBs) in 2020-21 and this section of the LFR 03 already contained lines capturing third party payments to private companies (Rows 40 & 41). Data on third party payments to private companies is required by colleagues in both the Scottish Government and the Office for National Statistics (ONS) to support production of economic statistics in compliance with international standards. Feedback from data providers raised significant concern around the proposal of another third party payment split as the majority of LAs cannot draw this data directly from their ledgers, but are required to manually allocate third party payments for each organisation to the appropriate type. Following this feedback, and no specific demands for this data, this proposed change has been dropped.

Changes to Gross Expenditure by Service Type (Rows 44 to 73)

Initial feedback from data providers has confirmed that, due to its financial and transactional nature, ledger data corresponds more directly with types of Social Care service provided. This section will ensure that there is still a detailed breakdown of expenditure on Children & Families and Adult Social Care services that is appropriate to the nature of the main data source for the return. Whilst not all LAs will be able to draw all the service figures required directly from their ledgers, it is anticipated that most will, with the remainder only requiring minor supporting analysis to provide appropriate breakdowns.

In order that this section fully reflects **all** gross expenditure on Children & Families and Adult Social Care, the following changes are proposed:

- lines on Support Services and Recharge Income (Rows 45 & 46) be added with the data pre-populated from data in Rows 9 and 11 respectively;

- expenditure on Self-Directed Support (SDS) be incorporated, specifically:

  o adding a line to capture all direct payments via SDS (Row 48), this is currently captured outwith the gross expenditure by service type section; and

  o adding a line for SDS spend that cannot be allocated to a specific service (Row 70), this is currently recorded against 'All other community-based services'.

These changes will allow the total of this section to match the total gross expenditure value in Row 15 of the LFR 03, allowing LAs to more easily validate between these sections. They will also improve clarity for data users in terms of understanding how this additional information section relates to the headline figures for LFR 03.

Feedback from stakeholders noted a particular interest in data showing expenditure on Care Homes split by those run by the council and those run by private or third sector providers. Discussions with data providers confirmed that it would be possible to provide this split, as well as the equivalent split for Care at Home services. It is therefore proposed that expenditure on Care Homes and Care at Home be split by provider type (Rows 50 to 52 and 59 to 61 respectively).

During the LA Workshops, it was suggested that there would be value in adding a line for supported living services as this accounts for significant expenditure currently recorded against 'Other accommodation-based services'. Further, there was some concern from LAs about whether this type of service was being recorded consistently under accommodation-based services, and having an explicit line would help with this. LAs broadly agreed that this would be a useful addition and that the data would be available from their ledgers, however it was clear that the guidance for this line would need to be very clear to ensure a consistent recording approach across all LAs. A new line for 'Support Living Services' (Row 53) has therefore been proposed, with the intention that the guidance for what is to be included here will be developed with LAs prior to the 2021-22 LFRs being issued.

It is also proposed that an 'Other' line (Row 71) be included to capture any expenditure that does not appropriately fit into the other service types listed. LAs will be required to provide details of any amounts recorded here, with these to be thoroughly validated. Following completion of the 2022-23 LFR, this line will be reviewed to consider whether it needs to be retained or can be removed.

Replacement of Net Expenditure by Service Type with Customer and Client Receipts by Service Type (Rows 75 to 102)

Net expenditure is calculated as gross expenditure less gross service income. Gross service income for Social Work is made up of grants specifically relating to Social Work, contributions from NHS Boards, income from Integrated Joint Boards (IJBs) and income from charges to service users. However, changes to the recording of IJB transfers from the 2019-20 LFRs onwards have required that net expenditure figures in the LFR 03 Additional Information section exclude income from IJBs to ensure broadly comparable figures with years prior to 2019-20.

Data providers have advised that differences in how service income is allocated across Social Care services, in particular contributions from NHS Boards that don't necessarily directly correlate to provision of specific services, varies between LAs, with some using historic proportions as the basis for the allocation. This variation significantly impacts the comparability of these figures across LAs.

Initial feedback from data users has identified that social care expenditure data is predominantly used to look at cost of provision of services, with the main interest being in gross expenditure excluding income from charges to service users **only**.

It is therefore proposed that the 'Net Expenditure' section in the LFR 03 Additional Information be removed and replaced with a section capturing 'Customer and Client Receipts by Service Type' (Rows 75 to 102). This section would be designed to mirror the 'Gross Expenditure by Service Type' lines (Rows 44 to 73) and would be used to calculate 'Gross Expenditure net of Customer and Client Receipts by Service Type' (Rows 104 to 132). Initial workshops with LAs has provided broad confirmation that they would be able to provide the data required in the 'Customer and Client Receipts by Service Type' section of the proposed LFR 03.

It is also known that there is variation in how client contributions to Social Care services are processed and therefore reflected in LAs accounts. As the LFRs are completed in line with LAs accounts, this variation is therefore also reflected in the Additional Information section of the LFR 03. This variation means that differences in LAs gross figures could be due to this variation in processing of client contributions, rather than actual differences in cost of provision of service. However, this variation will net off in the 'Gross Expenditure net of Customer and Client Receipts' figures and so the addition of this section will provide data on cost of provision of Social Care services that is more comparable across LAs.

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