

## **NW ADASS Response to Select Committee Inquiry on Financial Sustainability**

19 August 2016

### **What overall impact has the 2015 Spending Review and Local Government Finance Settlement had on adult social care?**

Adult social care continues to face unprecedented cuts. Despite our attempts to protect social care as the largest single budget area it is a service area which is inevitably impacted as government cuts continue.

Within the NW we forecast a minimum 16/17 overspend of £24.5m. 11 of the NW councils are using one-off reserves in excess of £41.5m to cover 2016/17 budgets. 17/18 will be even more challenging with many efficiency targets unlikely to be achieved. 6 councils have indicated they have savings targets in 17/18 totalling in excess of £24m. Unfunded pressures continue as a consequence of the DOLS Supreme Court ruling (some councils experiencing up to a 400% increase in assessments) and NLW costs.

It needs to be stressed that our councils have a track record of success.

- Comprehensive programmes of modernisation, creativity and reform have been undertaken across the region within adult social care since 2011/12. These have delivered financial savings while improving outcomes for residents.
- In this context avoiding major quality or safeguarding failure should be recognised as genuine achievement.
- Additionally, our local authorities are pursuing integration at pace with health colleagues. Some of our most significant and exciting programmes will integrate health and social care services, developing new organisational models and pooling resources.

**However, if there is a continuation of cuts, this will not be sustainable.**

Ongoing financial pressures are beginning to raise fundamental challenges. Local authorities are now experiencing providers exiting the market because the sector is not profitable. Further reductions in funding undermine investment in early intervention and prevention at a time when such investment is critical to a sustainable health and social care system. This challenge is made worse by cuts in public health resource. This is producing a cohort of people ineligible for formal care who are reaching crisis, driving increases in hospital attendances.

At the same time our local authorities are concerned about cuts CCGs are making, seen as unilateral and without consideration of the cumulative impact on the sector. As health funding for vital third sector services is reduced these organisations then approach the LA for funding. Cuts to Supporting People funding further exacerbate this. In one local authority five Delayed Transfers of Care are currently homeless people, with the number of beds available for homeless support reduced.

**This reflects a lack of national joined up strategy for sustainable funding of care.**

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**Is the funding available to your authority for adult social care sufficient to enable it to discharge its duties under the Care Act 2014 to assess and meet the needs of people in need of care and support?**

**Our local authorities report that the Care Act & funding reform allocations which moved into the settlement are insufficient to meet the requirements of Part 1 of the Care Act, in particular with respect to the additional responsibilities councils now face due to changes for Carers rights.**

The combination of rising demand, increasing complexity of need attributable to demographic change, Government funding cuts and NLW pressures are creating an unprecedented affordability challenge. This puts at risk a Councils ability to discharge its duties under the Care Act and ensure a sustainable market able to deliver high levels of quality for our most vulnerable.

Councils are currently meeting minimum adult social care eligible needs as defined by the Care Act, but have made difficult decisions to achieve this. Measures include outsourced in-house services, maintaining appropriate control on care packages sizes, and applying pressure on independent sector providers to keep prices low. This can result in agreeing care packages of only the minimum size and duration to meet assessed need and providers employing staff on minimum pay and conditions resulting in high turnover, with an inevitable impact on quality.

This environment produces tensions between the Council and independent sector providers, which in some areas has included care homes bringing judicial review against the Council in relation to fees.

There is uncertainty regarding implementation of Phase 2 of the Care Act including the delayed cap on care costs. The potential additional pressure for adult social care once implemented is not yet known. Financial modelling completed when the Care Act was introduced identified that clients from the North West area would gain no benefit from the introduction of the £72k cap. Additionally, there would be a strong likelihood that other aspects of the reforms would reduce the degree of cross subsidy from private (self-funders) to publicly funded places, and place many homes at further financial risk

The Select Committee should consider the additional funding risks:

- Changes to LG funding mechanism – Business Rates
- Local Housing Allowance – changes to the way supported accommodation is funded
- Attendance Allowance – move from central government (demand led funding) to local government (departmental expenditure limits) which are subject to cuts. Any change in eligibility for attendance allowance will also reduce client income that can be taken account in financial assessments. This will impact on the level of charges that councils can apply for social care.
- Impact of the devolution agenda
- Retention of social workers
- There are significant challenges as a result of the changing relationship as we move from a provider organisation to a commissioning based model.

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**Has one or more of the following had a particular impact on your authority's ability to discharge its duties: two per cent council tax precept, the Better Care Fund, the National Living Wage?**

All three have had an impact upon our local authorities.

**If so, what have their respective impacts been?**

**The Treasury need to be persuaded that the 2% council tax precept in no way addresses the financial gap.**

Further, this policy is inequitable. The funding potential from the precept is much less in the North West comparatively, despite need and demand levels across the region being amongst the highest in the country. This creates a further imbalance between funding distribution and need, exacerbating the challenge for NW Councils who have already been amongst the hardest hit by reductions in central government funding.

Impact of NLW on social care budgets is substantial and exacerbated by recent appeal judgements regarding its applicability to sleep-in support. We project the impact to be well beyond funding raised by the 2% precept.

19 of the 23 NW councils reported a funding gap between income raised from the 2% precept to fund the NLW and the actual cost of implementing this policy (£43m). This pressure is further exacerbated by recent appeal judgements regarding its applicability to sleep-in support.

Please find below an example from one NW local authority.

Please see figures below

<b>NATIONAL LIVING WAGE IMPACT</b>	£000's 2016/17	£000's 2017/18	£000's 2018/19	£000's 2019/20	£000's 2020/21	£000's Cumulative
NATIONAL LIVING WAGE COSTS	1,718	2,859	2,905	2,858	2,911	13,251
2% SOCIAL CARE PRECEPT	-1,387	-1,462	-1,543	-1,625	-1,712	-7,729
<b>NET FUNDING (SURPLUS) / GAP</b>	331	1,397	1,362	1,233	1,199	5,522

This situation worsens in future years. Although in 2016/17 supported living providers can manage the NLW they will not be able to in future years as the NLW impacts on the rates they currently pay. One NW council summarises the impact below:

*The NLW increases has put the council in a difficult financial situation as the amount of precept does not cover the fee increases required to providers to cover the increase in staffing costs associated with the living wage and the impact of the Council having to fund the shortfall. This has resulted in a minimal increase in the fee rates to cover non staffing costs in 2016/17. If this continues there will be future issues in terms of the council being unable to pay providers a fee rate that meets the cost of care. This would breach the statutory requirements of the Care Act and could also impact on the quality of care which in turn could possibly increase the number of care providers subject to enforcement action or closure by CQC. Councils would then struggle to meet the market shaping responsibilities in the Care Act.*

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The announced increase in Better Care Fund allocations is welcome. However, phasing for the latter part of the CSR period creates an upfront pressure which threatens to constrain reform and integration efforts going forward. It is not clear what additional burdens or conditions will be attached to the improved BCF.

**Increased funding must be additional and not transferred from the current NHS funding pot.**

Using the Better Care Fund as the vehicle for increasing Adult Social Care funding, without increasing the overall pot of money available for health and social care, does not provide a real terms increase for the system as a whole.

Funded Nursing Care acts as an additional pressure – the recent 40% increase has been introduced/backdated to 1<sup>st</sup> April with no additional CCG funding; this may impact on future BCF investment.

**Which of these three areas has had the most significant impact and why?**

We agree that of these the NLW is the greatest financial pressure at present facing adult social care, and in particular the provider market, although cannot be taken in isolation. The ageing population coupled with more complex demands all place pressure on what is a reducing budget in real terms. Care providers on the other hand are exerting pressure on the council for increases in rates over and above inflation and the expectation appears to be that LAs should fully fund the additional cost of the NLW.

Ongoing finance pressures are beginning to raise more fundamental challenges. Local authorities are now experiencing providers exiting the market as the rates councils can afford to pay for social care are not adequate to ensure providers remain viable whilst delivering a safe, quality service that passes the increased inspection and regulation regime. This environment produces tensions between the Council and independent sector providers, which in some areas has included care homes bringing judicial reviews against the Council in relation to fees. Across the region we are now experiencing providers handing contracts back and being put into administration.

Sustainability depends on profitability and there is recognition of cross subsidy within the sector with a marked differential between private and public payers. With increasing market polarisation some providers are actively targeting the private market with fees unaffordable to the Council and NHS commissioners.

There are ongoing shortages and high turnover of nurses and care workers putting pressure to raise unsustainably low wage levels. Increasing complexity of need and co-morbidity require higher staffing ratios and greater skills, which are not realistic at current levels of pay, meaning staff retention is challenging, and turnover high.

As an example, see below from one local authority (Skills for Care via NMDS):

- Staff turnover in home care is 42.9%, care homes (nursing) 20.1% and care homes (residential) 13.4%. The average is 22% which is consistent with national figures.

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Even with fee increases to take account of the national living wage, the ability of the care sector to successfully recruit and retain staff with appropriate skills is limited, as it continues to compete with the retail and hospitality sector.

To restate the point made above:

**Adult social care has had ongoing savings targets for a number of years. Although modernisation of services and difficult negotiations with providers have offset these savings the potential for further reductions in funding without effecting levels and quality of care is no longer an option.**

## Carers

### **What role do carers currently play within your authority?**

The contribution of carers to the care sector cannot be underplayed. Without the vast contribution of unpaid carers the care system would be bust.

The type of support varies, some areas have a Carers forum and deliver co-produced or Carer led support. Some areas have Carer Centres providing Carer assessments, in others this is done centrally and in others there is a mixture between the two. Carers are also represented by and involved across all voluntary sector organisations.

### **What role should carers play and why?**

Carers can play a significant role supporting their relatives (and friends) and this contributes to ensuring people are well supported, they provide advocacy and are often expert in the needs of the Service User as well as providing personal/health care. Their role should be seen as important. The impact of providing a Caring role on a Carer's Health and Wellbeing varies and the assessment process will support the identification of individual Carers roles and the roles that they cannot take forward. As a society there is a debate to be had about what responsibilities if any, a person has to Care for another adult (a relative or friend). Current public funding reductions mean families and communities will have to play a greater role.

### **What is the current relationship between your authority and carers operating within its jurisdiction and how could this be improved?**

This varies across the NW. Issues seem to be around ensuring that Carers voices are heard which are representative of the Carer base rather than a vocal minority. There is conflict between a person's right not to care against the current financial constraints that means that only those most vulnerable people get support and that support available to Carers is often limited. LAs provide both direct payments to cover costs of Carers breaks/equipment such as washing machines, etc and via the VCF sector that provide advice on welfare rights, drop ins, advocacy, etc.

### **Is the funding available to your local authority sufficient to assess and meet their needs?**

It is expected that the numbers of carers looking after family members in need of care and support will increase in line with demand and demographic trends. Funding increases are needed to support Carers to ensure that the statutory duty to support Carers can be met.

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Our LAs conclude that unidentified need is out there and as assessments are done, and the provision of support increases, budgets will also need to be increased or support cut. Expectation of support is also rising, as more people understand that there is support available and they have rights under the Care Act.

### **If it is not, what specific changes could be made to the current system to ensure that it is sufficient?**

Costs for support should be modelled against the known carer base, the anticipated demographic rise in need and the anticipated reduction in resource and then Central Government should provide funding aligned to this. Work will have to be done to ensure that the services that work with Carers provide the right kind of support. There needs to be a big push on early intervention and prevention in the expectation that this will mean Carers cope better and for longer without the need for individual support and that this will also discourage Carers from giving up on their caring role. We also should have a debate about the rights and responsibilities of an adult with eligible needs requiring care and support and their friends and families role/responsibility to provide that care.

### **Commissioning and Oversight**

Within the region we are working to develop services in partnership with providers so that they can take a share of risk and profit. We are exploring support for open book accounting which enables us to fully understand the real terms costs of services, fund these at sustainable levels and then agree incentives based on outcomes. This will be supported by asset based work in communities, linking to voluntary sector provision and employment outcomes in order to reduce dependency.

Commissioners will need to develop a different workforce who can provide enhanced care and support in the community and which are integrated into a wider community system. Commissioners need to be working with Health partners, Skills for Care, and universities to develop these posts and a career structure which could lead into the health system.

Commissioning and market oversight functions that have had an impact on our social care markets include:

- Framework agreements so that LAs can open periodically when they need to expand the provider base and develop the market.
- Proactive market development, for example with learning disability and autism projects to bring people back into the borough and reduce costs.
- Plans to radically change homecare provision upskilling care workers and/or utilising community assets and linking homecare providers to primary care integrated neighbourhood teams.
- Improving processes for dealing with provider failure or provider closure following CQC interventions.
- Provider forums have run across a number of areas (care homes, home care, supported accommodation) to keep providers engaged with the LA direction in relation to service delivery, innovation and foster a positive relationship.
- Working with a range of independent and third sector providers to transform day services with small community bases being closed and replaced by a wide menu of daytime activities in ordinary community settings that improve outcomes and deliver savings.

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