



SIGOMA Submission to the CLG Select Committee Inquiry into Adult Social Care

1.0 About SIGOMA

1.1 SIGOMA is a special interest group of 46 English local authorities, made up of 33 metropolitan boroughs and 13 major unitary authorities.

1.2 Our membership includes authorities in the North East, Yorkshire and the Humber, the North West, Midlands and the Southern Ports.¹

1.3 Adult Social Care (ASC) represents the main single area of spending for all single and upper tier authorities and SIGOMA represents 30% of the 155 authorities responsible for ASC provision in England.²

1.4 The disproportionate share of recent cuts to our members' overall budgets means that it also now accounts for a higher proportion of total service expenditure for SIGOMA authorities (34.3%) than for all other authorities (33.9%).³ In earlier years the reverse was true.

1.5 Of the 10 most deprived authorities in the country, 6 are SIGOMA members, including the country's most deprived, Blackpool.⁴ This rises to 7 out of 10 for health deprivation and disability, placing a significant strain on ASC services.⁵

Impact of the 2015 Spending Review and Local Government Finance Settlement

2.0 Summary

2.1 Successive funding cuts, amounting to £4.6bn over the past five years, have placed ever-increasing pressures on local authorities as they seek to protect some of the most vulnerable in our society.⁶

2.2 Some of the poorest authorities, represented by SIGOMA, have already been forced to apply the greatest cuts to all areas of service expenditure, including ASC. While it has remained relatively protected since 2013-14, the scope to apply further cuts to other service areas has now been exhausted.⁷

¹ www.sigoma.gov.uk/members

² ADASS., Budget Survey 2016, p4 - 30% in number of the 155 local authorities in England with adult social care responsibility.

³ Local Authority Revenue Expenditure and Financing England: 2016 to 2017 Budget Individual Local Authority Data - The denominator used is total service expenditure excluding police, fire and education. Education expenditure has been excluded as this includes the effect of academy conversions over the period. See Appendix 1 for details.

⁴ DCLG., English Indices of Deprivation 2015, upper-tier local authority summaries, IMD rank of average score

⁵ DCLG., English Indices of Deprivation 2015, upper-tier local authority summaries, health deprivation and disability rank of average score

⁶ ADASS., Budget Survey 2016, p7, p28

⁷ See Appendix 1



2.3 The 2015 Spending Review announced an “additional £3.5 billion of support for Adult Social Care by 2019-20” via the Better Care Fund (BCF) and 2% Council Tax precept.⁸

2.4 This will, however, be sourced from existing funding via reductions in the New Homes Bonus (NHB) and Revenue Support Grant (RSG). So, while we welcome reallocation from a funding mechanism based on housebuilding capacity (NHB) to one based care needs (BCF), this does not represent the injection of new funding needed.

2.5 The back-loading of BCF allocations also means that authorities will not start to see the potential benefit of this redistributive effect until 2017-18,⁹ which may prove too little, too late for some.

2.6 The 2% ASC precept on Council Tax meanwhile, although it does represent new revenue raising capability, ignores the strong correlation between deprivation and need for ASC services.¹⁰ It also ignores the fact that low council tax base authorities, where demand is often greatest, are the least able to raise the revenue necessary to fund vital services.¹¹

2.7 Taken together, these measures will fail to alleviate immediate demographic pressures and the increased costs to authorities caused by the introduction of the National Living Wage (NLW).

2.8 They will also have the least impact for those most in need of support, meaning SIGOMA authorities will be among those facing the greatest strain.¹²

2.9 ASC is “already in crisis”¹³ and has recently been described by Age UK as “teetering on the edge of collapse”.¹⁴ Any further delay in providing tangible support that reflects the true distribution of ASC need could leave authorities at risk of legal challenge and service failure.

3.0 Council Tax Precept

3.1 The 2% Council Tax precept for ASC severely disadvantages low tax base authorities, taking no account of their actual funding needs.

3.2 This effect has been widely documented. In a recent House of Commons Health Select Committee Report for example, Dr Jose Luis Fernández of the LSE noted that: “...those councils that have the greatest opportunity to raise resources—the wealthier councils and, therefore, those with the highest tax base—are also those likely to be faced with the least demand for social care, because there is a very strong correlation between deprivation and demand for local authority supported care.”¹⁵

⁸ House of Commons Health Select Committee., Impact of the Spending Review on health and social care: First Report of Session 2016–17, p6

⁹ House of Commons Health Select Committee., Impact of the Spending Review on health and social care: First Report of Session 2016–17, p7

¹⁰ House of Commons Health Select Committee., Impact of the Spending Review on health and social care: First Report of Session 2016–17, p29

¹¹ ADASS., Budget Survey 2016, p7

¹² House of Commons Health Select Committee., Impact of the Spending Review on health and social care: First Report of Session 2016–17, p29

¹³ House Of Lords Select Committee on Public Service and Demographic Change., Ready for Ageing?, Report of Session 2012–13, p12

¹⁴ www.ageuk.org.uk/get-involved/campaign/care-in-crisis

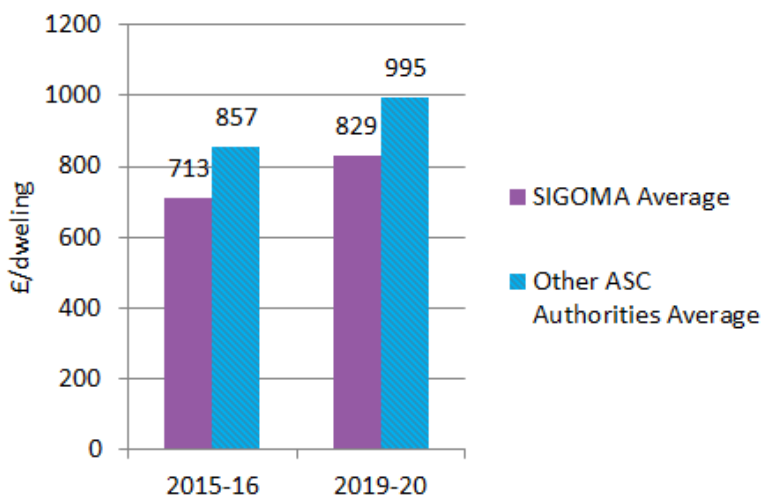
¹⁵ House of Commons Health Select Committee., Impact of the Spending Review on health and social care: First Report of Session 2016–17 p29



3.4 As local authority funded ASC is means tested, this applies a double pressure, with lower income constituents of less affluent authorities the least likely to be able to afford their own care.

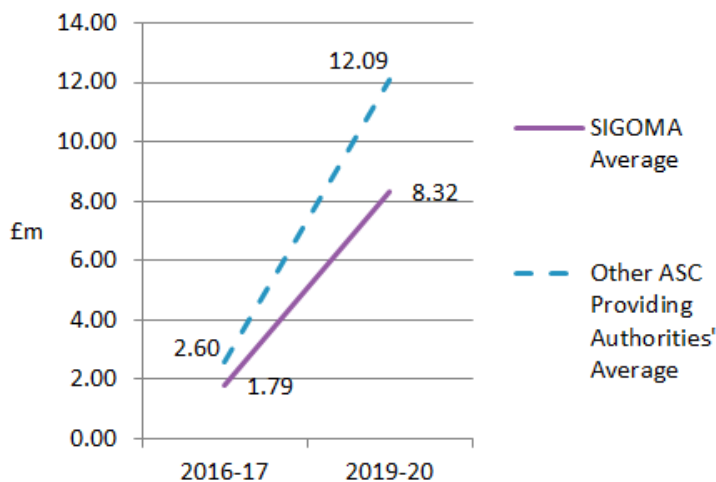
3.5 Last year, on average, SIGOMA authorities were able to generate 17% less Council Tax per household than other ASC providing authorities. This will rise from £144 in 2015-16 to £166 in 2019-20.¹⁶

Average Council Tax Revenue Raised per Dwelling¹⁷



3.6 SIGOMA authorities were therefore able to raise £0.81m less via the 2% Council Tax precept than other ASC providing authorities in 2016-17, a divide set to grow to £3.77m by the end of the decade.¹⁸

Average Increase in Council Tax Yield per Authority Based on 2% Precept¹⁹



¹⁶ DCLG., Core Spending Power: Supporting Information, Final local government finance settlement 2016 to 2017

¹⁷ DCLG., Core Spending Power: Supporting Information, Final local government finance settlement 2016 to 2017 (£m)

¹⁸ Ibid.

¹⁹ Ibid.



3.7 This bares no correlation to their relative needs and is therefore exacerbating a growing divide in their ability to fund care provision. During 2015-16 alone, 94 councils were compelled to overspend on their ASC budgets by a total of £168m in order to protect vital services.²⁰

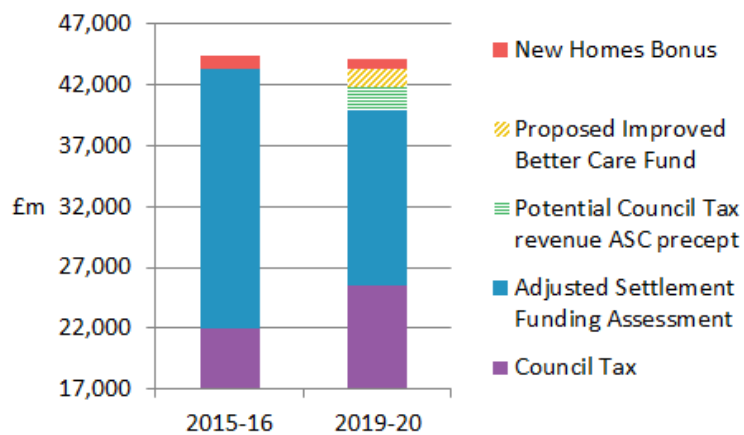
3.8 To address this, the Secretary of State for Health expressed his intention to introduce a redistribution mechanism in which additional funding from the BCF would be distributed to those authorities that benefit least from the precept.²¹

3.9 We would therefore ask the Committee to urge that Government brings forward the redistribution mechanism proposed by the Secretary of State in order to allocate a greater share of the BCF to those authorities that benefit least from the 2% precept.

4.0 Better Care Fund

4.1 Planned increases to the BCF, though welcome for the additional flexibility they may provide, do not represent an injection of new money and remain shrouded in some uncertainty following a significant delay to the promised consultation paper on the subject.²²

Principal Components of Core Spending²³



4.2 Cuts to the Adjusted Settlement Funding Assessment (principally via RSG) and the reduction in the NHB alone cancel out the impact of the both the Improved BCF and the 100% uptake of the 2% Council Tax precept DCLG have assumed in their figures.

4.3 Increases in BCF funding are also back-loaded, with no planned increase in 2016-17 and only 3% of the total funding earmarked for 2017-18.

²⁰ ADASS., Budget Survey 2016, p6

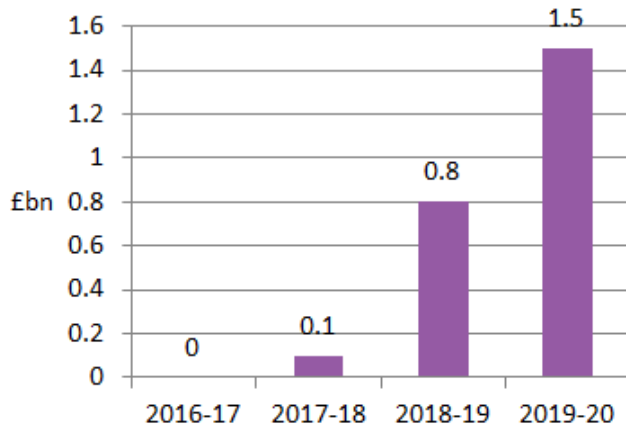
²¹ House of Commons Health Select Committee., Impact of the Spending Review on health and social care: First Report of Session 2016–17 p29

²² DCLG., Core Spending Power Final Explanatory Note, Final local government finance settlement 2016 to 2017 – additional 17,000m below horizontal axis = council tax

²³ DCLG., Core Spending Power: Supporting Information, Final local government finance settlement 2016 to 2017 (£m). Potential additional Council Tax revenue from £5 referendum principle for districts at £63m, and Rural Services Delivery Grant at £65m were omitted for presentational purposes as the amounts were negligible compared to the other components.



Enhanced Better Care Fund Allocations (£bn)



Source: House of Commons Health Committee., First Report of Session 2016-17

4.4 This will result in a significant funding gap, particularly for low tax base authorities such as those represented by our members, and the issue may well come to a head in the short to medium-term.

4.5 A recent survey, for example, showed that 82% of the local authority Chief Executives that responded believe that some local authorities will get into serious financial crisis in the next three years.²⁴

4.6 **As part of the 2016-17 local government finance settlement, it was stated that final BCF allocations would be consulted on in 2016. Though still technically within this window, the lack of prompt stakeholder engagement is creating significant uncertainty for local government, undermining the emphasis placed on forward planning by the former Secretary of State via his welcome four year settlement offer. This consultation should be issued now, so as to inform authorities' consideration of the four year settlement offer, the acceptance of which is due by 14 October 2016.**

4.7 **We would, further, make the Committee aware that many authorities are being forced to choose between ASC and other similarly crucial services. ASC is in desperate need of new funding, not recycled allocations. In order to address this immediate financial pressure currently threatening authorities' ability to meet their statutory duties, the improved BCF must also be frontloaded or, at the very least, brought forward to sustain those that need support now.**²⁵

5.0 National Living Wage

5.1 SIGOMA welcomes the introduction of the NLW for the positive impact it will have on the lives of care workers across the country.

5.2 However, the cost implications for local authorities will be substantial and could seriously threaten the viability of vital services. According to think-tank the Resolution Foundation, the

²⁴ PricewaterhouseCoopers., The Local State We're In 2016, www.pwc.co.uk/industries/government-public-sector/local-government/insights/local-state-were-in-2016.html

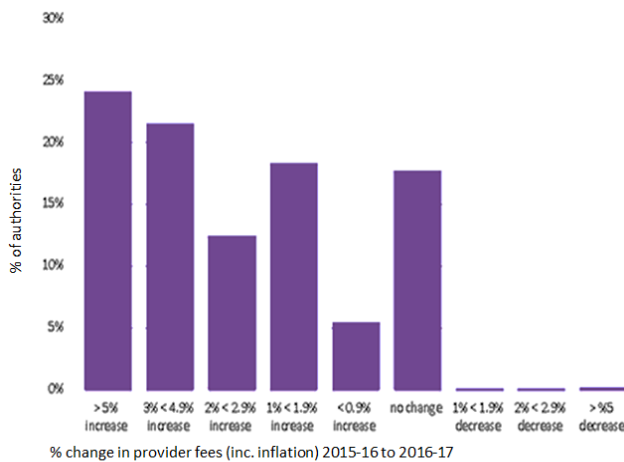
²⁵ ADASS., Budget Survey 2016, p21



payroll costs associated with frontline care workers alone are set to increase by £2.3bn by 2020 as a direct result of the NLW.²⁶

5.3 The majority of local authority ASC directors see this as the primary cost driver for the service in 2016-17²⁷ and it has already brought about a dramatic increase in provider fees.

Change in provider fees



Source: ADASS Budget Survey 2016

5.4 These costs, coupled with other pressures associated with the NLW, total around £612m, well in excess of the estimated revenue generated by the 2% Council Tax precept (£380m).²⁸

5.5 The NLW will place greater pressure on authorities with the greatest ASC demands, and many of those with low tax bases will not be able to raise the additional revenue required to cover this cost via the precept. This is true of SIGOMA members that have shared their views and it is creating a critical funding gap that will not be alleviated by the Improved BCF in this year, the next or even thereafter.

5.6 The Committee may be aware that, from 6 April 2016, the abolition of the contracted out rate for National Insurance contributions will cost local authorities, in total, around £700m per annum. Ministers have previously stated that the additional NICS would be used to finance phase 2 Care Act reform. Since this reform has now been deferred, we ask that the funds are returned to authorities to help alleviate this funding gap.

Whether funding available for Social Care is sufficient to enable local authorities to fulfil their duties under the Care Act 2014

²⁶ Laura Gardiner., Care to pay? Meeting the challenge of paying the National Living Wage in social care, Resolution Foundation, November 2015 p4

²⁷ ADASS., Budget Survey 2016, p17

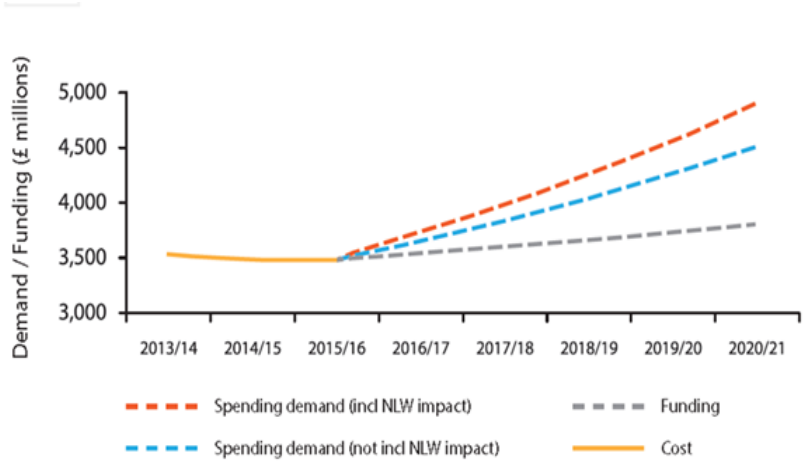
²⁸ Ibid.



6.0 Insufficient Funding

6.1 Funding for ASC does not meet the increased need for and cost of service provision. Due to demographic pressures alone, simply maintaining care at the same level as last year would require more than an extra £1.1bn²⁹ and, according to projections made by independent think-tank ResPublica, this picture looks set to become yet more pronounced in the years to come.

Projected Funding Gap: Residential Care for Older People in England



Source: ResPublica., *The Care Collapse: The imminent crisis in residential care and its impact on the NHS*

6.2 All SIGOMA authorities that have shared their views on this issue have noted that the funding available for ASC is insufficient to enable them to fulfil their duties under the Care Act 2014.

6.3 Newcastle, for example, is currently experiencing a £15m funding gap while St Helens expects a cumulative gap of £20.6m for 2017-2020.

6.4 The general public, however, continue to take a sceptical view of the impact austerity is having on local government, rendering them less likely to accept the now near-inevitable cutbacks in service delivery that are likely to be necessary.³⁰

6.4 If sufficient funding is not made available to meet the growing cost off delivery, expectations of the quality of the ASC service must be managed. We would, therefore, ask the Committee to call on Government and particularly politicians to be honest with the public about the pressures facing local authorities and their ability to maintain ASC standards.

²⁹ ADASS., Budget Survey 2016, p21

³⁰ PricewaterhouseCoopers., The Local State We're In 2015, p1

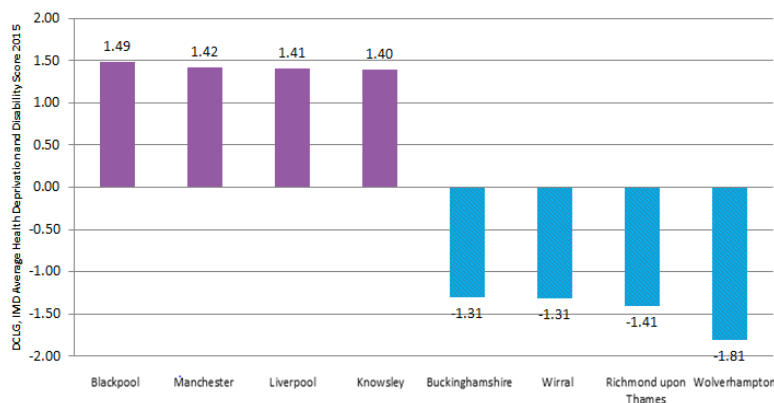


7.0 Deprivation

7.1 The strong correlation between deprivation and high demand for social care has been well documented.³¹

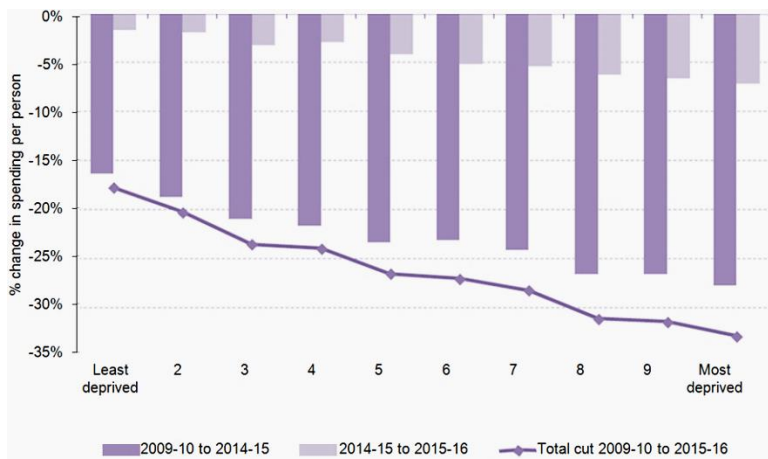
7.2 SIGOMA members suffer from some of the highest levels of deprivation in the country, particularly health deprivation and disability, placing a significant strain on resources.

Most and Least Deprived Authorities³²



7.3 This continues a wider trend. Independent research by the IFS has demonstrated that recent cuts have consistently had the greatest impact on those living in some of the most deprived authorities in England.

Changes in Spending per Head by Deprivation Decile



Source: IFS, David Innis and Gemma Tetlow 24 April 2015

³¹ House of Commons Health Select Committee., Impact of the Spending Review on health and social care: First Report of Session 2016–17 p29

³² DCLG., English indices of deprivation 2015 – health deprivation and disability score. High positive score = most deprived (each of the four authorities to the left are SIGOMA members)



7.4 The measures set out by Government will continue this trend, with the least able to pay continuing to be the hardest hit.

8.0 Ageing

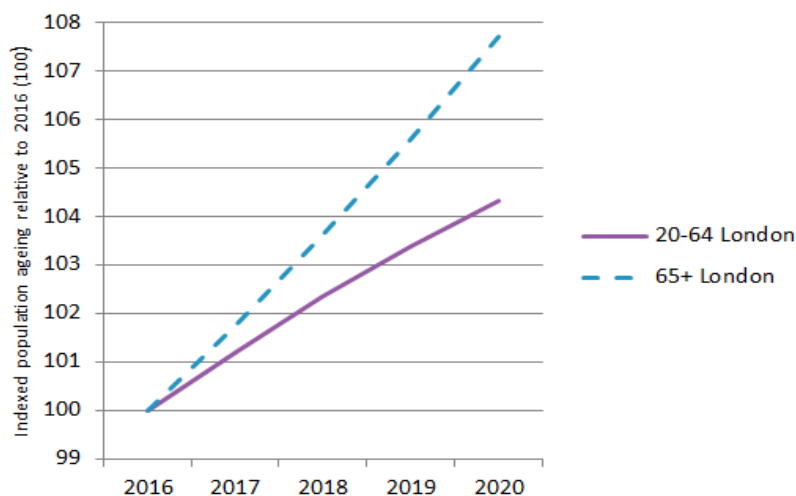
8.1 In the years to come, the populations of poorer authorities are predicted to age at a proportionally faster rate than more affluent areas due to the migration of younger workers to job hotspots.³³

8.2 It is also predicted that, between 2010 and 2030, among those aged 65 and over in England and Wales, there will be an increase of 45% in diabetes sufferers, over 50% in arthritis, coronary heart disease and stroke and an 80% rise in dementia patients.³⁴

8.3 This will result in an even greater demand on ASC resources in less prosperous regions.

8.4 The working age population of London, for example, is growing at only a slightly slower rate than its over 65s.

Indexed Ageing Over Time: London



Source: ONS 2012-based Subnational Population Projections for Local Authorities in England

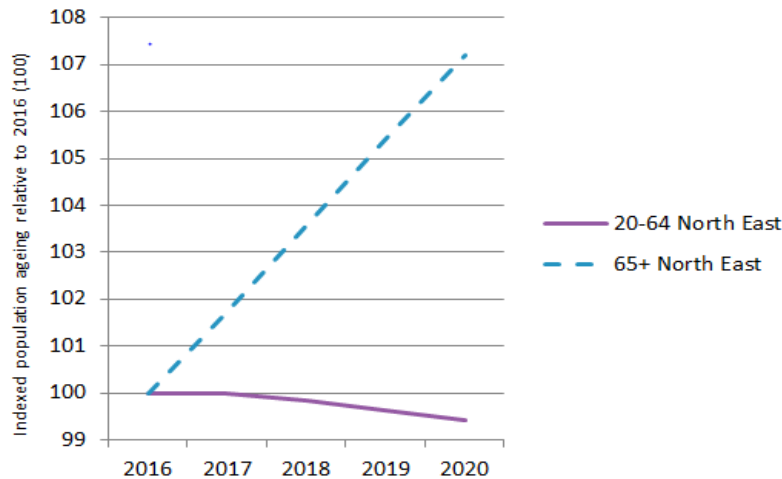
8.5 By contrast, the North East is predicted to experience an exodus of earners, set against an increase in pensioners on a scale comparable to the capital.

³³ House of Commons Health Select Committee., Impact of the Spending Review on health and social care: First Report of Session 2016–17 P12

³⁴ House of Lords Select Committee on Public Service and Demographic Change., Ready for Ageing?, Report of Session 2012–13 p11



Indexed Ageing Over Time: North East



Source: ONS 2012-based Subnational Population Projections for Local Authorities in England

8.6 A similar picture emerges for many SIGOMA authorities, where, with generally fewer businesses, fewer jobs and therefore lower earners and proportionally fewer young people, there will be a proportionally greater age related impact. This trend could be thrown into even starker relief by the pending transition to 100% retention of business rates by local authorities as those with the lowest business rates base will be the least able to attract younger workers to help fund ASC.

8.7 **We would, therefore, make the committee aware that the funding available may render many authorities unable to discharge their duties under the Care Act 2014. It will fail to cancel out the additional costs associated with the NLW or to take full account of future variation in demographic pressures.**

Role of carers in providing ASC, the relationship between local authorities and carers and whether the funding available is sufficient

9.0 Role of Carers

9.1 The significant impact of the NLW on ASC budgets is exacerbating current strains on the care sector.

9.2 In recent years, care workers have faced increasing demands and flat pay because, as noted by a prominent House of Lords Select Committee: “Cuts to social care budgets are... driving down what local authorities pay private providers [and the] evidence suggests that the level of... funding is, in many cases, already below what residence in a care home costs.”³⁵

³⁵ House of Lords Select Committee on Public Service and Demographic Change., Ready for Ageing?, Report of Session 2012–13 p61



9.3 As demonstrated in previous sections, many authorities cannot afford to pay care providers, or individual carers in receipt of respite, a higher rate. Care providers are then unable to pay their workers a wage that fully reflects the undeniably valuable role they play.

9.4 Our members have alluded to the inevitable tensions this creates, with one noting that staff are, of necessity, employed on minimum pay under stressful conditions, resulting in high turnover and an inevitable impact on quality.

9.5 Age UK estimates that the cost of carers leaving employment costs the public purse almost £1.3bn per year.³⁶

9.6 It is also predicted that 2017 will mark “a “tipping point”... when the numbers of older people needing care will outstrip the numbers of working-age family members available to meet that demand.”³⁷

9.7 We would, therefore, make the Committee aware that the funding available is not sufficient for local authorities to assess and meet the needs of carers. In fact, successive years of underfunding have created a situation whereby they lack the resources to prevent the additional cost pressures associated with limited investment, such as high staff turnover.

Effect of local authority ASC commissioning practices and market oversight functions on social care markets

10.0 Effect of Commissioning and Oversight

10.1 As highlighted in the section above, there is now little to no room for manoeuvre in the sums many local authorities are able to pay care providers, rendering the unit cost of care effectively fixed.

10.2 The NLW will therefore have an immediate and significant impact on their ability to sustain provision, even at statutory minimum levels.

10.3 According to the Care Quality Commission (CQC), at the end of 2015/16 a total of 449 providers were in special measures.³⁸

10.4 Very recently, one of our members received notice from one of their major home care providers that they wished to terminate their contract because it had become uneconomical to operate.

10.5 Another has experienced both provider failure and the withdrawal of providers from the market, which they fear may become a trend.

10.6 This is not an isolated issue. According to a consortium of care home operators, the introduction of the national living wage could render over 9,000 care homes unviable.³⁹

³⁶ Age UK., *Walking the Tightrope: The Challenges of Combining Work and Care in Later Life* p6

³⁷ House of Lords Select Committee on Public Service and Demographic Change., *Ready for Ageing?*, Report of Session 2012–13 p59

³⁸ Care Quality Commission., *Annual report and accounts 2015/16* p8

³⁹ www.thetimes.co.uk/tto/news/politics/article4606148.ece



10.7 Think-tank ResPublica also calculate that “If the residential care sector were to provide only the amount of care forecast to be funded in 2020/21, the sector would need to [see]... a reduction of around 37,000 beds.” Noting further that: “If 100% of lost care home beds flow through to hospitals, the cost would be £3 billion per year [to the NHS] from 2020/21.”⁴⁰

10.8 Some care providers, which local authorities would be hard pressed to replace, are already failing. More look set to follow. Such failures, should they continue, may result in even greater costs for an NHS near breaking point.⁴¹ ASC underfunding is false economy and the cost must be met somewhere. If no additional funding is made available, Government must work with authorities to plan appropriate contingencies for provider failure.

11.0 Conclusion

11.1 The impact of the 2015 Spending Review and Local Government Finance Settlement is severely limited for authorities already managing ASC budget overspend.

11.2 Tangible increases in funding to alleviate the immediate financial pressures faced are needed now, not in later years.

11.3 As noted by a previous House of Lords Select Committee: “If the neglect of social care continues and these people are not properly supported in the community, they will end up with more severe needs, or will suffer crises and go into hospital, driving up healthcare costs.”⁴²

11.4 Without a significant injection of additional funding to the sustain the sector, demographic and cost pressures, coupled with an inability to invest in the preventative policies necessary to ensure long-term sustainability, will not only have an immediate impact on service provision but will also create new cost pressures for the future.

⁴⁰ Emily Crawford and Claire Read., The Care Collapse: The imminent crisis in residential care and its impact on the NHS p4

⁴¹ [inews.co.uk/essentials/news/health/st-helens-ccg-freeze-operations-funding](https://www.inews.co.uk/essentials/news/health/st-helens-ccg-freeze-operations-funding) and www.telegraph.co.uk/news/2016/08/09/rising-numbers-could-face-crippling-pain-as-nhs-rationing-spread

⁴² House of Lords Select Committee on Public Service and Demographic Change., Ready for Ageing?, Report of Session 2012–13 p12



Appendix 1

Revenue expenditure data Extract from Revenue estimate and revenue outturn data	2016 estimates		% change since 2013-14 RO	
	SIGOMA £'000	England Exc luding SIGOMA £'000	SIGOMA	England Exc SIGOMA
Education services	8,983,908	25,226,784	-4.88%	-4.57%
Highways and transport services	480,604	3,211,749	-10.03%	-8.37%
Children Social Care	2,121,246	5,713,273	9.93%	14.61%
Adult Social Care	3,381,035	11,008,718	-1.30%	-1.18%
Public Health	1,087,358	2,408,419	36.75%	40.62%
Housing services (GFRA only)	346,180	1,263,856	-25.89%	-18.86%
Culture and related services	627,400	1,684,649	-17.19%	-17.10%
Environmental and regulatory services	900,931	3,753,813	-6.61%	1.77%
Planning and development services	205,500	812,865	-38.25%	-18.99%
Police services	-	3,023,769		
Fire and rescue services	-	2,052,238		
Central services	651,070	2,290,528	-5.05%	12.08%
Other services	43,759	298,334	6.47%	494.87%
TOTAL SERVICE EXPENDITURE	18,828,991	62,748,995	-2.84%	-0.69%
Total Excluding Education police and fire	9,845,083	32,446,204	-0.89%	2.29%

Adult social care as % of total **34.3%** **33.9%**