SIGOMA

The Special Interest Group of Municipal Authorities (Outside London)

Chair: Councillor Sir Stephen Houghton CBE (Barnsley MBC)

Vice Chair: Councillor Lord Peter Smith (Wigan MBC)

Date: 9 December 2016
Contact Councillor Sir Stephen Houghton
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Rt Hon Philip Hammond MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Dear Mr Hammond,

I am writing to you in my capacity as Chair of SIGOMA, the Special Interest Group of Municipal Authorities, representing 46 metropolitan and unitary authorities outside of London.

We wish to add our voice to the national concern raised at the lack of recognition for the pressures currently facing our care services in the recent Autumn Statement, and to explain how the measures currently proposed disadvantage our authorities.

Our authorities, like others, have tried to protect spending on children's and adult social care during the long period of austerity. Recent budget data shows, our authorities have had to budget for higher cuts than our neighbours. This is now impacting on our ability to fund care services appropriately.

Equally disturbing is the indication from recent published expenditure data that an increasing number of our authorities are having difficulty in meeting these demanding budgets. In the years 2014-15, 114 authorities had outturn service expenditure higher than their budget, of which 12 were SIGOMA authorities. In 2015-16, 122 authorities overspent against their service budget of which 23 (50% of our membership) were SIGOMA members.

For SIGOMA authorities in 2015-16 this resulted in spend above budget of 1%, or £102 million on all services, whereas other authorities had capacity, across service areas to achieve a 1% saving against their overall budget. This was despite <u>all</u> authorities overspending by an average 4.5% on care services. We do not suggest that our neighbors have found this easy, but the data suggests to us that SIGOMA members have reached the bottom more quickly due to greater efficiency pressures in earlier years.

A repeat of these events in 2016-17 and 2017-18 will leave many authorities struggling, with our members in the vanguard.

The Government's current funding solutions are the Social Care precept and improved Better Care fund. There is a well-documented and widespread concern about whether the overall funding offered will match the increased cost pressure, let alone the increased demand pressures, authorities face over the next few years.

In 2016-17, increased payroll cost pressures on care services, caused by the removal of the contracted out rate of national insurance and the national living wage are set to add an estimated 4.5% to the cost of service provision, according to one member's estimate. If reflected nationally, this alone would surpass the £477 million available from the social care precept in 2016-17, by some £150 million.

For our members, the position is worse. This is because the allocation basis does not reflect the proportionate burdens faced by our authorities.

The table below illustrates that, when Better Care funding is apportioned according to need (as it is in 2019-20) this closely matches our members share of financially dependent elderly residents. It also demonstrates that current funding from the Social Care precept is much less than our need levels and is below our proportion of current spend on Adult Social Care.

Care : Demographics and expenditure profile

	Proportion of 65+ year olds on pension credits * May 2016	Proportion of 80+ year olds on pension credits * May 2016	Proportion of projected expenditure on ASC in 2016-17	Proportion of 2016-17 Social Care precept	Proportion of 2019-20 SC Precept + Better Care fund
SIGOMA share of national total	28.0%	27.0%	24.60%	21.5%	27.9%

* Guarantee credit only, excludes those receiving savings credit or both. Source NOMIS

This will have the most damaging impact in some of the country's most deprived communities, particularly the urban municipal and unitary authorities SIGOMA represents. Low income residents in these less affluent areas not only suffer from higher than average levels of morbidity, they are also the least likely to be able to afford their own care.

Last year, on average, SIGOMA authorities were able to generate 17% less Council Tax per household than other adult social care providing authorities. In fact, councils with the lowest tax bases will be able to raise less than half that of those with the highest, a disparity that is not indicative of a country that works for everyone.

Councils will only see 4% of the improved Better Care Fund next year, and only a third in 2018-19. The bulk of the funding will not be available until 2019-20, by which time we fear irreparable damage may have been dealt to the care sector.

We firmly believe this is not only unfair to hard working tax payers but is also putting the most vulnerable at risk now and potentially for years to come. It is an issue that has support on both sides of the house and one which should rightly be placed above politics.

We therefore sincerely hope that you will choose to bring forward improved Better Care Funding or find alternative measures to fund authorities in proportion to their care service needs.

Yours sincerely

Councillor Sir Stephen Houghton, CBE
Chair

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