Social care: is supply the new demand?

Grant Thornton roundtable - CCN Conference

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Foreword

Counties have rightly focused on demand management in social care over the past five years of austerity, and often to good effect. There has been renewed focus on the determinants of adult wellbeing and child safety, and a re-energising of social work. It hasn't been perfect, but these mechanisms have helped stave off reserves depletion in the face of significant cuts. But now the pendulum needs to swing to the supply side. Increasingly I am seeing demand management fail because the supply side hasn't caught up in developing the services commissioners need. And so the savings for the future in care will depend on investment in people and assets, not simply in good social work practice.

That's why this roundtable was so stimulating. Counties are now recognising that supply chain oversight management is going to make the biggest difference to care outcomes over the next five years. And Counties, because of their scale and capability, are positioned better than most to intervene in care markets and lead the local government sector in this new challenge.

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Introduction

The financial and demand pressures facing local authorities on the ground are well-rehearsed. Local authorities have been working tirelessly to drive efficiency, develop innovative solutions to complex issues and to ensure that the most vulnerable people in our society, both adults and children, can access high quality care and support services.

These pressures make it extremely difficult for County Councils Network (CCN) member councils to deliver on the market shaping duties set out in the Care Act 2014, that local authorities should 'facilitate a diverse, sustainable high quality market for their whole local population, including those who pay for their own care and to promote efficient and effective operation of the adult care and support market as a whole'.

Similarly, Children's Services face a scarcity of residential services locally, forcing many councils to place vulnerable children and young people out of county.

The 2018 CCN Conference in Guildford, Surrey, provided a timely opportunity to hold a roundtable with senior councillors and officers, supported by Grant Thornton, to debate these challenges, potential solutions and highlight areas of good practice.

This report draws out the key themes from the roundtable discussions and sets out the challenge at a high level, how counties are currently tackling the issue and the national context. Each section is headed by insights identified by Grant Thornton that emerged during discussions. Grant Thornton concludes by proposing ways in which county authorities could improve existing practices in order to deliver well-functioning adult and children's social care markets.

County context

Adult Social Care

County authorities have the largest elderly population of any local authority grouping in England, being home to 55 per cent of the country's over 65 population.

Despite the over 65 population in counties increasing by 18% between 2011 and 2018, in the last financial year county authorities spent less per head on social care services (£357 in 2017/2018) compared to seven years prior (£450 in 2010/2011). It is also important to recognise that learning disability expenditure is a rising proportion of county budgets, forming 35% of CCN member council service expenditure for adult social care in 2016/17 and 2017/18.

County authorities have sought to protect adult social care budgets in relative terms since the turn of the decade. This is clearly highlighted by the fact that adult social care budgets were 42% of service expenditure in 2015/16 and in 2018/19 this is 46%.

Demand for adult social care services in county areas is significant, with an average CCN member council receiving 66 new requests for care and support every day from residents aged 65 and over in 2017/18.

For the over 65 population in county areas, national statistics show that there has been an increase in new social care clients entering institutionalised care settings from 9,665 in 2016/17 to 2017/18 in 10,805, or 11.8%. For new clients entering nursing care there was an increase of 14.62% from 2016/17 to 2017/18 (5,300 to 6,075). By comparison, the number of new clients over 65 entering long-term community care increased from 48,465 in 2016/17 to 51,095 in 2017/18, or 5.43%.

Similarly for the 18-64 cohort, there has been an increase in the number of new clients entering buildings-based care settings from 2016/17 to 2017/18 in county areas. Over this period the number of new clients aged 18-64 entering nursing care increased by 25% (200 to 250) and those entering long-term residential care increased from 550 to 715, or 30%. Conversely, the number of new clients aged 18-64 entering long-term community care fell from 12,220 to 12,070 in 2017/18, or 1.23%.

Children's Social Care

County authorities are responsible for 38% of England's entire spend on children's services and have experienced an escalating demand for children's care services over the past six years.

Government funding levels have not kept up with these demand-led pressures, as evidenced by the increased level of overspend on children's services. Government figures show that councils in England overspent by £816m on protecting vulnerable children in the last financial year, spending 10% more than they had budgeted. CCN analysis of these figures show that in 2017/18, county authorities had the biggest overspend on children's services: £264m more than they had budgeted.[1]

Despite this, county authorities continue to work hard to deliver good quality children's services that meets the needs of their local population: half of county authorities in England have a children's service that is good or outstanding, compared to 35% for England as a whole.[2]

The increasing demand on children's services in county areas is demonstrated by the increase in the number of vulnerable children in county areas placed under a child protection plan – which means they are at significant risk of harm. This was 25,259 in 2017, compared with 18,702 in 2011 – a 35% rise.

The number of Looked After Children (LAC) in England's counties has also increased. In 2018 LAC in counties stood at 26,800 (over a third of the country's entire total), compared to 22,600 in 2011 – a 16% increase.[3]

The increase in LAC also leads to escalated costs of moving these young people into permanent arrangements outside the LAC setting, for example Special Guardianship allowances, Child Arrangement Orders and adoption allowances. County authorities often struggle to recruit foster carers as a result of demographics and as due to cross-border competition with local authorities who have the ability to pay a higher rate to foster families. This can lead to local authorities placing more children in residential care settings.

1. The figures on overspend data is calculated by comparing Office for National Statistics (ONS) data on 'budgeted' Local Authority Revenue Expenditure and Financing: 2017-18 (June 2017) with actual 'Provisional Outturn' (23rd August) data for the same year. Publications and data sets can be found here https://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing#2017-to-2018
2. Children's social care in England, House of Commons Library, October 2018
3. Children looked after in England including adoption: 2017 to 2018, Department for Education, November 2018

An under-invested care estate

Grant Thornton insight

The under-investment in the care estate, particularly in adult social care, has reduced the capacity of local authorities to meet their Care Act duties relating to market shaping. A high reliance on local authority-funded care creates thin or negative margins for many providers, with very little capacity for investment, which consequently can lead to a decline in the quality of care.

There are lots of actions councils can take, but chief among these could be to use their ability to borrow capital at a relatively low interest rates to invest to save. This doesn't mean going back to operating care homes but it will mean that county authorities becomes a more active investor in the care estate than before. While capacity exists in county care markets, particularly on the older adults supply side, this is diminishing and we can expect significant market exit from providers over the medium term without significant investment at both the national and local level.

The councillors and officers in attendance at the roundtable identified that if their authorities are to reduce the likelihood of market failure, they will need to take action to diversify their local care markets and in-turn reduce the reliance on large care providers. This will require upper-tier authorities to take a more prominent role in managing and developing their local care markets.

There are several examples in county areas where authorities are taking a proactive approach to meeting existing demand, preparing to meet future demand and also diversifying the type of care on offer to local people across a number of tenures. This includes either developing additional care units, or providing funding to encourage the development of care accommodation, such as extra-care housing.

During discussions it was highlighted that councils own a lot of land, so should seek to use it where possible to either directly construct accommodation for care and support purposes, or free it up to facilitate external providers to do so. For example, representatives from Hampshire County Council stated that a total of £45m is being invested over a decade to stimulate the development of housing schemes for older people. The investment in extra-care housing is expected to deliver more than 1,500 accommodation units across the county over the next five years. West Sussex County Council are also investing £1.5m with a registered provider to enable the delivery of a 60 unit extra care housing scheme.

Such investment will be essential to counter the predicted increase in the number of households headed by someone aged 65 and over. CCN analysis found that in county areas the number of over 85+ households will grow by 155% from 2014-2039, with the number of 65+ households due to grow by 57% over the same period.

In addition to providing a greater choice of high quality care settings within a locality, building extra care housing also has the knock-on effect of freeing up mainstream housing for younger adults and families. This is extremely pertinent at a time when it is widely acknowledged that a significant number of new homes are required to meet housing need nationally.

It is important to note that concerns were raised during discussions relating to the risks of changes in government policy impacting upon the financial viability of extra care and supported housing, for example, universal credit.

Market scarcity driving up prices

Grant Thornton insight

For Children's residential care and more specialist adults provision, we have the converse problem. A shortage of supply means that some providers are 'naming their price'. The response must be for councils to become more interventionist in these markets, whilst doing their best to manage increasing demand.

The challenges of ensuring that the needs of vulnerable children and young people are met in the most appropriate and effective way for their own personal circumstances cannot be underestimated. This is demonstrated by the fact that in England alone there is a shortage of nearly 6,000 foster families to ensure that all children can be found the right foster home first time.[4] This shortage has led to the number of looked after children going into residential care increasing significantly, as set out previously in this report.

This shortage of suitable provision is further highlighted by the recent National Audit Office (NAO) report which found that demand for residential placements and staff has outstripped capacity nationally. The report stated that 'There has been an increase in the use of residential care, and this has exposed the lack of suitable placement capacity available to local authorities: only 32% of local authorities report that they have access to enough residential homes for children aged 14 to 15 years, and 41% for those aged 16 to 17'[5]

The impact of this dearth of provision is that local authorities have to look far and wide to identify suitable care provision for children and young people, often with complex needs, who require specialist care. For example, Shropshire Council places 14 children a significant distance outside of the county – as far as Cumbria and Glasgow.[6] In Shropshire's case, their ability to provide care, especially within the county, is severely limited by the fact that they only have two residential children's homes.

The need for local authorities to take a lead role in the market, as suggested by Grant Thornton, is demonstrated by the challenges being faced by Cumbria County Council. The variation of costs between council owned and private sector provision can be significant. Local authority placements cost the county council £1,979 per week, whilst private sector provision cost £3,333 a week. By comparison council foster families were paid a rate of £274 per week. In order to decrease the use of residential care and increase the number of foster placements, the county council are substantially increasing payments to foster carers registered directly with the council.[7]

During discussions concerns were raised around the costs and budgetary challenges facing children's social care. A number of attendees also stated that their local authorities are either in the process of, or examining, investing capital in increasing capacity locally to provide care and support to vulnerable children and young people.

Clearly, more needs to be done to meet the needs of vulnerable children. Firstly all local authorities will want try their hardest, within the financial and demand context set out earlier in this report, to prevent children and young people entering residential care where this is not the best course of action for the individual. Secondly, there is a clear need for local authorities, individually, regionally and nationally to become more interventionist in their markets to reduce variation of expenditure for the same level of service.

4. Charity calls for 7,000 more foster families, particularly for teens and siblings, Fostering Network, 11 May 2017
5. Pressures on children's social care, National Audit Office, January 2019
6. '£1.2 million plan to overhaul children's homes in Shropshire', Shropshire Star, 11 September 2018
7. 'Children's home placements go up in Cumbria as foster care shortage bites', News & Star, 14 June 2018

The wrong type of care

Grant Thornton insight

Most practitioners in learning disabilities will reflect that some (or many) adults are still in the wrong kind of care. A shift from residential provision to supported living and home-share arrangements can not only allow individuals to fulfill more of their capacity but also save money. But progress can be painfully slow and Councils need to be very active in pushing providers to shift their offer.

During discussions attendees highlighted that the demand and financial pressures associated with providing care and support services to residents with learning disabilities have significantly increased, with many councils now reporting that learning disability expenditure forms nearly half of their adult social care expenditure. In some councils learning disability expenditure forms a larger proportion of adult social care expenditure.

There has rightly been a shift from the use of residential provision to accommodation options that support people with learning disabilities to live in community-based settings in order to maximise their independence and outcomes.

The trend has been for adults with a learning disability to increasingly live at home, or with their family. In county areas, the proportion of adults (18-64) with a learning disability who live in their own home or with their family has increased from 59 per cent in 2010/11 to 76 per cent in 2017/18.

However, there is still more work to do to ensure that a greater proportion of adults with a learning disability can live as independently as possible, for as long as possible. A number of the current barriers to independent living have been identified by Mencap. These include the availability of resources, such as housing and support services as a result of increasing demand, as well as reduction in local authority budgets. They also identify 'systematic failures in planning for the future of people with a learning disability' and the lack of appropriate housing.[8]

Nationally there has been a shift from using residential provision to using community-based accommodation such as supported living or home-share arrangements. For example, Lancashire and West Sussex both supported 10 per cent of their learning disability population known to adult social care in Shared Lives arrangements. Research by SharedLivesPlus found that if all areas offered the same level of provision, then '4997 people with learning disabilities would be using Shared Lives with savings of around £70m a year'.[9]

A number of counties are also investing in new accommodation to promote independent living. For example, Hampshire County Council are investing £35m in schemes to support younger adults with learning and physical disabilities in order to deliver 38 extra-care units.

Attendees also identified that there are an increasing number of cases whereby people with learning disabilities are requiring council funded care and support services at 50-60 years old. This is as a result of their parents caring for them well into later life, then when they pass away or are unable to care for their children any longer, they then engage the council for care and support services.

8. Housing for people with a learning disability, MENCAP, August 2016
9. The State of Shared Lives in England, SharedLivesPlus, June 2017

Leaving value on the table with providers

Grant Thornton insight

Relationships between care providers and local authorities could be better. Many providers have stated that they could be delivering much more if communications between them and local authorities were improved. Such is the stress of local government at the moment that commissioners can be forgiven for treating their supply chain relationships as transactional, but it is important to remember that this is not the path to creating superior care for residents.

During discussions the need for more co-production and increased trust between local authorities, as commissioners of services, and providers was highlighted as an area that requires further attention. It was also highlighted that the relationship between the local authority, as the commissioner, and providers can be adversarial at times.

The impact of austerity and the Government's decision to bring down the national deficit has led to public spending being restricted. The introduction of the National Minimum and Living Wages, which were not funded in full by Government, has led to increased pressure on already stretched children's and adult social care budgets.

The impact has been that local authorities utilised their market positon to ensure that contracts with providers were delivering full value for money. However, over time, this has adversely impacted upon the profitability and sustainability of providers. This in turn has led to some providers failing, quality of care reducing or providers taking the decision to focus on the more profitable self-funder market.

A number of county authorities do currently work closely with providers, however, more could always be done to strengthen such relationships. For example, during discussions it was highlighted that Hampshire County Council holds regular meetings with providers and helps them to train staff in order to ensure that outcomes are delivered. Such actions support strong relationships and help to maintain and improve quality of service delivery.

Hertfordshire County Council work closely with their local Care Provider Alliance (CPA). This relationship has been built around an open and transparent approach on both sides. This has allowed the Hertfordshire CPA to constructively challenge the council on care fees and commissioning strategies.[10]

10. Hertfordshire Care Providers Association, Local Government Association, December 2018Charity calls for 7,000 more foster families, particularly for teens and siblings, Fostering Network, 11 May 2017

Financial risk creating shocks

Grant Thornton insight

Due to the volatile nature of local care markets, providers will always be exiting the market, but when it happens at scale the cost to councils can be very significant. Grant Thornton analysis suggests that for some counties their 'at risk' spend in their care supply chain is as high as 35 per cent. The cost of remediation for such a large risk is eye-watering.

The fragility of care markets is well known, with the recent financial difficulties faced by Allied and Four Seasons Healthcare bringing these issues more prominently into the public domain.

This fragility was further highlighted by the 2018 Association of Directors of Adult Social Services (ADASS) Budget Survey. This found that more than 100 council areas have experienced providers ceasing to trade across home and residential care, impacting more than 5,300 people. It has also resulted in providers handing back contracts to more than 60 councils, impacting just under 3,000 people in 2018/19.

During discussions the lack of diversity in care markets was raised a major risk to care market sustainability, with local authorities now seeking ways to reduce dependence on larger providers in order to reduce risk of market failure and increase resilience.

Attendees also highlighted that the dependence on larger care providers has been a barrier to micro-providers working with local authorities. In Wiltshire they are now procuring care through a 'help to live at home alliance', which it is hoped will provide greater opportunities to diversify their local care market. Commissioning services with micro-providers is one way in which counties can reduce the proportion of 'at risk' spend in their care supply chain.

Other ways highlighted during discussions in which county authorities have sought to reduce 'at risk' expenditure is by either bringing commissioned care services back in-house or by setting-up Local Authority Trading Companies (LATC). For example, Norfolk County Council established NORSE Group in 2011, subsequently transferring all of its care homes and housing with care units to the LATC.

Lack of foresight on high risk care categories

Grant Thornton insight

Councils continue to be surprised by care demand volatility. No-one has a crystal ball, but whether it is SEND, Mental Health, Learning Disability or Dementia, data foresight and forecasting is within our gift. Our ability to anticipate demand stress – and adjust market management accordingly – could be the difference between a council going under or surviving the next few years.

During discussions attendees questioned whether local authority data is consistently of high enough quality to make informed decisions about future demand, both at a service level and political level.

Publications such as Joint Strategic Needs Assessments, Market Positioning Statements, Children & Young People's Plans and Local Plans are underpinned by both national and local data. However, how this is analysed and used to inform policy and commissioning decisions at a local level is likely to vary significantly across the country.

Local authorities are seeking new ways in which to manage service demand, mapping data in different ways to ascertain whether a commissioning decision made in one service can have an impact in another. For example, county authorities, such as Wiltshire, are examining the cost and type of care packages for people aged 0-64. Such analysis will be valuable in identifying whether the type of care and support provided to children and young people has an impact on an individual's needs, independence and potential outcomes when they enter adulthood.

Recommendations

Grant Thornton insight

In driving sustainable quality across care markets, it is important to consider:

- individuals' lives with the creation of care packages that build on people's strengths and provide a better experience and maximises their independence
- the organisations supplying commissioners and service users provide the right capacity at the right price
- that as a council is the best it can be at managing demand.

As counties turn their attention to the management of care markets there are seven factors they should seek to optimise:

1 Market data: Ensuring market capacity is understood and monitored, particularly in scarce care segments

2 Cross-border co-operation: Counties should have strong regional arrangements and partnerships with other councils to avoid high out of county costs

3 Supplier risk: Monitoring suppliers at financial risk. This helps understand possible exit, but also when the estate is under-invested

4 Capital strategy: There should be an active social care capital strategy, including partnering with the independent sector to ensure County Hall can generate benefits from the upside of new schemes

5 High-risk categories: Particular focus is needed for high risk segments of care demand. These areas may include Childrens Residential, SEND and Learning Disability housing Quality and Innovation: There should be a care innovation strategy, part of which looks at building design, digital innovation and care workforce innovation

6 Engagement: Engagement strategies are needed – providers can offer considerable value but are often not consulted and engaged

7 Workforce: Securing a motivated workforce in care housing is a job for the council as well as providers

The result of these actions is not just financial benefit, but better outcomes for residents. Whether we have a social care Green Paper or not, it will be down to councils to make this happen and counties can lead the way.

About us

Grant Thornton UK LLP

Grant Thornton's social care practice has a completely new way of looking at transformation in social care. We specialise in supporting councils with pockets of high demand, market weaknesses and cost pressures. By starting with data analytics and rigorous forecasting, our Foresight approach and adult social care insights platform help put services back in control of their future, resulting in better outcomes for service users and a more engaged social care workforce.

We are part of the public services team whose purpose is to help create vibrant economies within which people and businesses can thrive. We have worked with local authorities in the UK for over 30 years and are a leading provider of audit and advisory services, counting 40% of English upper-tier local authorities as audit clients, and a significant proportion of the remainder as recent advisory clients. We are backed by a wider firm that offers 3,500 specialists across a wide range of business advisory services working from 27 UK offices.

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CCN

The County Councils Network is the voice of England's counties. A cross-party organisation, CCN develops policy, commissions research, and presents evidence-based solutions nationally on behalf of the largest grouping of local authorities in England.

In total, the 27 county councils and 9 unitary councils that make up the CCN represent 26 million residents, account for 41% of England's GVA, and deliver high-quality services that matter the most to local communities.

Find out more by visiting www.countycouncils.network.org.uk

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