CCN COUNTY COUNCILS NETWORK	# CCN Submission to Communities & Local Government Committee ***Adult Social Care*** **August 2016**

Executive Summary

- The 37 County and County Unitary councils that form the County Councils Network (CCN) face a unique set of funding, demand and service delivery pressures in relation to adult social care. County authorities are lowest funded authority type for social care and health; have experienced the largest reductions in social care funding during the last parliament; and have witnessed the largest increase in demand for services.

- Following the Spending Review, CCN member councils welcomed the social care precept and expanded BCF to provide 'greater protection' to social care authorities going forward and the recognition of the pressures facing upper-tier councils. However, these new funding streams, coupled with changes to the way Revenue Support Grant (RSG) was distributed as part of the Local Government Finance Settlement (LGFS), have afforded CCN members less protection as social care authorities compared to other parts of the sector, and we believe that there are still unfunded pressures facing social care services. With a new Government in place, we are committed to working with Ministers to address concerns over the adequacy of funding for county adult social care services.

- Overall, CCN are concerned that the 2015 Spending Review and LGFS will not deliver the level of funding required to meet the needs of residents in county areas, and as yet, have not addressed our view that counties have historically not received the appropriate level of funding to meet the needs of a growing and ageing population with increasingly complex needs.

- CCN's response to the LGFS argued for the Government to undertake a needs-based review of local government to address historical anomalies and distribute funding according to need, whilst also meeting the true costs of delivering care and support. CCN strongly welcome the Government's decision to undertake the review and are currently engaging with the needs-led review through the consultation and other avenues.

- The fundamental reform of local government funding, through Business Rate Retention, potentially increases uncertainty over future levels of funding for adult social care unless the implementation of BRR is carefully designed and implemented.

- A key consideration for the committee investigation should focus on the growing instability and pressures in local care markets and how this interacts with new duties introduced by the Care Act on market oversight. Nationally, the focus on the fragile state of the residential and nursing care market has come into focus, particularly in light of new pressures created by the introduction of the national living wage.

- Despite the funding challenges and the reductions in the overall funding available, counties have worked hard to develop innovative new models of care in order to improve the quality of care people receive, deliver efficiency savings and protect expenditure on adult social care in relative terms. Despite the pressures facing councils, CCN member councils continue to provide quality local services to those most in need.

Introduction

1. The County Councils Network (CCN) has undertaken a wide range of policy development on adult social care and health integration during the past two years.

2. In particular, the committee should note during 2014 the County All Party Parliamentary Group (APPG), supported by CCN and Local Government Information Unit (LGiU), undertook its own inquiry into health and social care in county areas. The report, *The State of Care in Counties: The Integration Imperative* was published in March 2015. It explored in detail the challenges facing county adult social care delivery and health integration and the barriers in county areas.

3. Since this report, CCN has commissioned two further pieces of independent research exploring the adult social care services in county areas, namely;

   - CCN & LaingBuisson: ***County Care Markets: Care Market Sustainability & The Care Act***

   - CCN & LG Futures: ***Health & Social Care in Counties: Funding, Demand & Cost Pressures***

4. While this submission draws on this evidence, we ask that the committee consider this evidence in full alongside this report. CCN is able to provide the committee with evidence submitted to the County APPG inquiry on best practice and innovation, alongside forthcoming material due for publication in autumn 2016.

5. In responding to the inquiry, CCN has played particular attention to the impact of the 2015 Spending Review and local government settlement on adult social care, alongside the emerging challenges and opportunities facing our members in relation to adult social care.

County Context

6. The 37 County and County Unitary councils that form the County Councils Network (CCN) face a unique set of funding, demand and service delivery pressures in relation to adult social care.

Funding

7. Our research has shown that county areas receive the least funding for adult social care services and have experienced the largest funding reductions.

8. Independent research undertaken by LG Futures estimated that per head over 65 allocations were significantly lower for CCN member councils than other local authority types. Counties received 44% less cash funding per head compared to the national average, 61% less than London Boroughs and 53% less than Metropolitan Boroughs. Only 41% of CCN member council funding consisted of government funding, with 59% raised via assumed council tax. This compares to 64% and 35% respectively in Metropolitan Boroughs.[1]

9. Between 2013/14 and 2015/16, on average CCN member councils have witnessed the largest reductions in estimated funding (-22.9%) compared to other local authority types. Due to County Councils only receiving 20% of New Homes Bonus payments, they are less able to offset reductions in cash funding. From this, isolating the 27 county councils shows that they have witnessed a higher reduction in estimated funding (-23.6% versus -21.0% for CCN unitaries).

[1] CCN & LG Futures: Health & Social Care in Counties: Funding, Demand & Cost Pressures

10. Beyond adult social care funding, it is also important to consider the total quantum of funding available in county areas to meet health and care needs. This is especially pertinent given the Government's ambition to have an integrated health and social care system by 2020. Based on their total population of 25.4 million and national average allocations, it is calculated that CCN member councils received £1.98bn less national funding.County health and social care commissioners have, on average, £78 less per head over 65+ population to spend.[2]

Demand

11. The same study by LG Futures also analysed demand pressures in county areas:

- LG Futures state that one of the principle quantitative measures of the demand for social care services is the number of referrals made and subsequent contacts with local authorities. In the five-year period to 2013/14, the number of contacts in CCN authorities has increased by 8.5%. This is in comparison to overall reductions in contacts in other types of authority. CCN members experienced the largest increase in referrals from primary and secondary health care. This could potentially indicate additional pressures faced by CCN authorities from measures to reduce delayed discharges, given the higher proportion of the elderly population in CCN areas.

- Between October 2010 and September 2015 CCN member councils have experienced an above average increase of 18.8% in patients whose care has been delayed, with only non-CCN unitary councils seeing a higher percentage increase.

- CCN have significantly higher numbers of older people compared with other types of local authorities – 20% of counties populations are over 65's compared with 11.5% for London Boroughs and 9.2% are over 75's compared to 5.4% in London Boroughs. CCN members' elderly populations are also projected to grow more quickly than the comparator groups. Over the next five years, the number of older residents in CCN authorities is projected to rise at an average annual rate of 2.0%, compared to the England average of 1.8%. This is also faster than the London boroughs (1.9%), other unitary authorities (1.9%) and metropolitan boroughs (1.5%).

- CCN member councils will see increased costs of £247m of additional demographic cost pressures by the end of the decade. This is 52% of all demographic costs for English local authorities.

Rurality & Geography

12. On average CCN member councils' areas are 70% rural. Counties can cover a vast geographical area with many different population centres and markets. The geography and polycentric nature of counties creates additional costs for both NHS and council partners, which are not always addressed within national funding formulae.

13. Comprehensive research undertaken by LG Futures in 2011 concluded that specific cost drivers associated with rural service delivery led to 'a substantial cost penalty' for predominately rural areas. They argued that 'the provision for sparsity within the formulae is very small compared to the size of the actual cost penalty'.[3]

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[2] CCN & LG Futures: Health & Social Care in Counties: Funding, Demand & Cost Pressures

[3] LG Futures. Sparsity Partnership for Authorities Delivering Rural Services (SPARSE-RURAL) Costs of Providing Services in Rural Areas (2011)

14. The County APPG inquiry in 2015 concluded that rurality had a direct impact on the supply of care workers in this sector. Population sparsity leads to higher delivery costs and makes it more difficult for commercial providers to keep their staff.[4]

15. For example, data obtained as part of the UK Home Care Association's (UKHCA*) Homecare Deficit* report highlights that on average counties are faced with paying the highest hourly fees for domiciliary care (£14.69 per hour), despite having the lowest level of expenditure per head of over 65 population of any local authority type.[5] By comparison local authorities in London have the highest average levels of expenditure per head of over 65s, but pay the second lowest level fees for domiciliary care (£13.71). Factors exacerbated by county geography and rurality, such as longer travel times, fewer providers, competition for high quality care staff and fewer providers, are having an inflationary impact on the cost of care in county authorities.

16. Wide geographical areas also create a clear organisational challenge for the large and complex health economies in county areas. Counties often have much greater complexity in their health provision landscape, particularly in two tier areas. There are approximately 85 Clinical Commissioning Groups (CCGs) and 65 Acute Trusts located in CCN member council areas. Even within the local Government family there are also distinct challenges for many county areas. Within the 27 county councils in England there are 201 district councils. Districts are responsible for housing, local planning, Disabled Facilities Grants (DFGs), and provide wellbeing services across leisure environmental services and parks.

The impact of the 2015 Spending Review and Local Government Finance Settlement

17. There is national recognition of the escalating funding challenges facing adult social care services with Simon Stevens, NHS England Chief Executive, recently stating at the NHS Confederation Conference:[6]

> *"The social care funding piece is unfinished business. It is obvious that there is going to be a widening gap between need and funding…"*

18. In a recent (unpublished) survey of county Directors of Adult Social Care some 88% stated that the financial pressures facing their departments was either 'critical' or 'severe'. This assessment of the current financial situation facing social care highlights the particular strains facing county authorities.[7]

19. CCN's Spending Review submission set out that our member councils were not opposed to budgetary reductions. We stated that county authorities will continue to play their part in reducing the national deficit, seeking efficiencies and further savings. However, we believe that any deficit reduction programme must be balanced and proportionate across Whitehall Departments and local public sector providers, ensuring resources are utilised in the most efficient and effective manner.[8]

20. In achieving this, and in specific relation to adult social care, CCN recommended that Government provide additional specific funding for social care services and reform the way in which funding was distributed between councils.

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[4] CCN/LGiU/County APPG: The State of Care in Counties: The Integration Imperative
[5] The Homecare Deficit, UK Home Care Association, March 2015
[6] Simon Stevens speech to NHS Confederation Conference, 17 June 2016
[7] This figure is extracted from a CCN Survey of County Directors of Adult Care due for publication in October 2016
[8] CCN. Spending Review Submission (2015)

Adult Social Care Precept & Expanded Better Care Fund

21. Following the Spending Review, CCN member councils welcomed the social care precept and expanded BCF to provide 'greater protection' to social care authorities going forward and the recognition of the pressures facing upper-tier councils.

22. However, these new funding streams, coupled with changes to the way Revenue Support Grant (RSG) was distributed as part of the Local Government Finance Settlement (LGFS), have afforded CCN members less protection as social care authorities compared to other parts of the sector, and we believe that there are still unfunded pressures facing social care services.

23. Changes to the manner in which RSG were calculated resulted in CCN member councils witnessing unexpected levels of funding reductions. CCN argued that due to the absence of a full public technical consultation, the redistribution of RSG within the settlement had not fully taken into account the needs of local populations, both currently and over the four-year Spending Review period.

24. On the social care precept, our response to the LGFS showed that if every CCN member council applied the social care precept, it would raise the least in counties per head of 65 and over population. On the expanded BCF, proportionally counties receive significantly less funding than other local authority types. For example, the largest disparity occurs in 2018/19 when Metropolitan Boroughs will receive the equivalent of 193% per head more funding than CCN member councils.[9]

25. Taken as a whole, the funding provided to non-CCN authority areas through the precept and BCF per head of population aged 65+ will be significantly higher over the course of this Parliament. This disparity peaks in 2018/19, when London receives 170% more funding per head of population more than CCN councils, this disparity should be considered in the context of the most acute demand-led social care pressures facing county areas that are outlined in this submission.

Table 1: Additional Funding Per Head of 65+ Yr Old Population- BCF/Social Care Precept Combined

LA Types	2017/18	% Diff CCN Allocation	2018/19	% Diff CCN Allocation	2019/20	% Above CCN Allocation
CCN	£79.58	-	116.62	-	254.11	-
Met	£110.69	39%	276.86	137%	428.04	68%
London	137.17	72%	315.09	170%	466.51	84%
UA	95.32	20%	211.88	82%	324.47	28%
England	93.67	18%	210.18	80%	322.56	27%

26. Nationally, evidence shows that much of the additional funding through the precept has been absorbed in 2016/17 by the introduction of the National Living Wage (NLW). The recent Association of Directors of Adult Social Services (ADASS) survey found that for 2016/17 the social care precept will raise less than two-thirds of the calculated costs of the NLW, which is expected to costcouncils £520m, significantly more than the £380m raised through the precept.[10] There is

[9] CCN. Response to the Local Government Finance Settlement 2016/17 http://www.countycouncilsnetwork.org.uk/library/july-2013/file115/
[10] Association of Directors of Adult Social Services Budget Survey, July 2016

also ongoing concern over the funding pressures created by expanded Deprivation of Liberty Safeguards creating an additional burden on councils.[11]

27. The structure of the settlement over the Spending Review period increases the challenges facing CCN member councils, who are seeking to deliver their duties under the Care Act to assess and meet the needs of people in need of care and support. Funding for adult social care is effectively back-loaded, with the expanded BCF only reaching its full potential in 2019/20. The optional social care precept will also only be fully realised in the same year.

28. The Government's last minute decision to provide an additional £292m transitional funding to compensate county authorities for the redistribution of RSG during the first two years of the settlement was welcome.[12] However, this funding, provided through a transitional grant and Rural Services Delivery Grant (RSDG), only served to reduce the pace of funding reductions for the first two years of the settlement. Despite this additional funding, CCN member councils are still faced with the most significant reductions in funding over the remainder of this Parliament. The transitional funding and RSDG are equivalent to an average uplift of funding in county areas of £5.33 per head of population in 2016/17 and £6.26 in 2017/18.

29. Overall, CCN are concerned that the 2015 Spending Review and LGFS will not deliver the level of funding required to meet the needs of residents in county areas, and as yet, have not addressed our view that counties have historically not received the appropriate level of funding to meet the needs of a growing and ageing population with increasingly complex needs.

30. This is a view reflected in CCN's recent survey of County Directors of Adult Social Care. Nearly all of the Directors who responded to the survey (96%) are "not very confident" the expanded Better Care Fund and social care precept will counter the financial pressures facing adult social care in their local authority.

31. The financial climate facing social care is likely to impact on the ability of local authorities and the NHS to deliver the significant efficiency target set out in the NHS Five Year Forward View. The continued underfunding of adult social care will call into question their ability to deliver quality social care services to those most in need, prevent system blockages and reduce delayed discharges within the NHS.

32. To reduce the impact of Government funding reductions in the short-term, CCN has been calling for the expanded BCF to be frontloaded to provide much needed funding to county authorities facing the most acute demographic, demand and financial pressures. Such an approach would not necessarily resolve funding issues for all county authorities, however it would provide much needed funding upfront within the existing Government budget envelope. It is also imperative that the Government's publishes its consultation on the formulae to distribute the extended BCF, which has been delayed.

33. With a new Government in place, we are committed to working with Ministers to address concerns over the adequacy of funding for county adult social care services.

Needs-Based Funding Review

34. Alongside the social care precept, expanded BCF, and changes in LGFS distribution, government has announced radical reforms to the way councils will be funded through full business rates

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[11] Community Care, June 7th 2016 http://www.communitycare.co.uk/2016/06/07/government-face-legal-challenge-deprivation-liberty-safeguards-funding/

[12] Final local government finance settlement 2016 to 2017, Department of Communities & Local Government, 8 February 2016

retention (BRR). Moreover, in response to recommendations by CCN,[13] Government also announced a needs-based funding review as part of moves to self-reliance through BRR.

35. In our response to the LGFS, CCN argued that an inherent problem with the methodology to distribute RSG is its failure to fully reflect needs and demand, particularly in relation to the demand in social care outlined above. While CCN recognises the need for some sort of spending power measure, any measure which fails to take into account the impact of inflation and demographic growth is fundamentally flawed. In the short-term this lead to the disproportionate reductions for CCN member councils, particularly during 2016/17 & 2017/18, and could potentially embed unfairness into the baseline that will be used for full BRR.

36. In particular, our LG Futures research showed that the decision to freeze the Social Care Relative Needs Formula (SCRNF) in 2013/14 has meant that counties do not receive an annual uplift in their share of national funding based on demographic growth. As a result, per capita funding levels for counties will continue to fall relative to other local authority types.

37. In line with the above points on funding and demand-led pressures in county areas, CCN's response to the LGFS stated that the needs-based review must seek to address historical anomalies and distribute funding according to need, whilst also meeting the true costs of delivering care and support.

38. CCN strongly welcome the Government's decision to undertake the review and are currently engaging with the needs-led review through the consultation and other avenues, including the CLG committee evidence gathering process.

Business Rates Retention

39. The fundamental reform of local government funding, through Business Rate Retention, potentially increases uncertainty over future levels of funding for adult social care unless the implementation of BRR is carefully designed and implemented.

40. Recent research by Pixel Financial Management for CCN analysed business rates income for county areas and the potential implications of the reforms for our authorities. Although rateable values have performed relatively well in CCN authorities compared to the rest of the country, growth in Net Rates Payable has been below average. There also is a wide variety of characteristics, from very high levels of growth in the East Riding of Yorkshire to large reductions in Northamptonshire. Many CCN authorities, particularly in rural areas, have many business rate payers claiming reliefs; these are often small or rural businesses. As a result, growth in business premises often does not translate into growth in business rate income received by the local authority.[14]

41. With many counties struggling to turn rateable values into business rate income, combined with the social care pressures facing county authorities, Pixel questioned whether growth in business rates and council tax income will match the growth in demand-led services such as social care.

42. The research showed that the average increase in spending on adult social care for CCN authorities is likely to be somewhere between 4% and 5% per year (2.0% growth in demand and 2%-3% increase in unit costs). For all but three CCN authorities (based on past performance), the growth in business rates income will be less than the growth in adult social care pressures. Pixel concluded that there is a significant mismatch between the growth in a

[13] DCLG Press Release, 8 February 2016 https://www.gov.uk/government/news/greg-clark-confirms-historic-4-year-settlement-for-local-government

[14] Pixel Financial Management. Independent Analysis of Full Business Rate Retention in County Areas

demand-led service such as social care and the growth in business rates and other sources of income available to local authorities.[15]

43. CCN is currently part of the DCLG and LGA national steering group which is overseeing the implementation and design of the system. We are undertaking internal analysis to inform our response to the first stage of the consultation at the time of writing. The design of new system should provide protection for authorities in proportion to their demand-led, life critical responsibilities through top ups and tariffs. In particular, in implementing the reforms in county areas, careful consideration will also need to be given to how fast changing needs will be managed between resets, including regular revaluation of needs and an element of re-baselining takes account of the changing needs over the reset period.

44. In addition, BRR reforms are also proposing the devolution of a range of new responsibilities in exchange for retaining a potential additional quantum of approximately £11bn in business rates. The Society of County Treasurers (SCT) recently argued in a letter to Government that the first draw on the additional business rates devolved to councils should be to meet unfunded pressures across adult social care.[16]

45. CCN believe that while it is imperative that a range of new growth related powers are devolved as part of a balanced menu of new responsibilities under the BRR system, we agree with the SCT that before new responsibilities are devolved, Government should seek to provide additional funding for areas such as social care.

46. The needs-based review and business rates system must provide adequate funding for statutory services over time – this will represent the best for value for money for taxpayers and relieve pressures on other parts of the public sector.

Care Markets & Commissioning

47. The Care Act 2014 introduces new duties on local authorities to facilitate a vibrant, diverse and sustainable market for high quality care and support in their area, for the benefit of their whole local population, regardless of how the services are funded. In April 2015, a new law came into force which saw the Care Quality Commission (CQC) begin to operate the Market Oversight scheme. The core purpose of the new scheme is to give local authorities' early warning of likely failure, so they can plan and prepare for possible changes. This gives local authorities the best chance of protecting people who use services, who may be placed in a vulnerable position by potential closures.[17]

48. A key consideration for the committee investigation should focus on the growing instability and pressures in local care markets and how this interacts with new duties introduced by the Care Act on market oversight. Nationally, the focus on the fragile state of the residential and nursing care market has come into focus, particularly in light of new pressures created by the introduction of the national living wage.

49. In considering, this, we would advise the committee study independent research by LaingBuisson, on behalf of CCN, that found that that funding reductions in social care budgets have inevitably led to significant downward pressure on the fees paid by our member councils for residential and nursing care.[18] This has led to unsustainable pressures in local care markets, with many providers exiting the market.

[15] Pixel Financial Management. Independent Analysis of Full Business Rate Retention in County Areas
[16] LGC. August 8th 2016 https://www.lgcplus.com/politics-and-policy/finance/shire-treasurers-set-out-joint-position-on-100-rates-retention/7009812.article
[17] Care Quality Commission (CQC) http://www.cqc.org.uk/content/market-oversight
[18] County Care Markets: Market Sustainability & the Care Act, Laing Buisson, July 2015

50. Importantly for local authorities and their oversight duties, our research showed there is growing evidence of the development of a 'two-tier' polarised market, with providers seeking an ever increasing proportion of their business from higher fee paying 'self-funders', locking out local authorities from accessing segments of their local market.

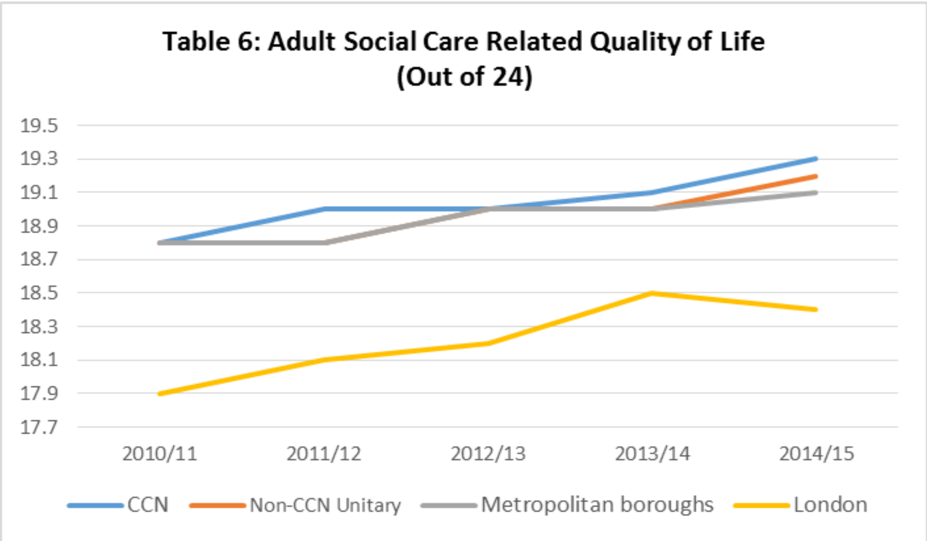
51. In most cases local authorities manage the failure well at a local level, working with local providers and arranging for continuity of care by arranging alternative provision and making sure people continue to have their needs met.[19] However, the instability in the market could potentially increase the number of providers exiting the market and cases of failure. This was demonstrated by figures published by LaingBuisson in September 2015 that showed for the first time, capacity loss from closures exceeded, by 3,000 beds, capacity gain from new openings from October 2014-March 2015.[20]

52. If this trend continues, not only will local authorities face additional challenges in their ability to fulfil new oversight and market shaping duties, the NHS will find it increasingly difficult to arrange care at market discounts, or worse, difficult to arrange care at all. This will lead to escalating costs to the health service due to an increase in delayed discharges, with councils and health providers being unable to find quality and affordable residential and nursing placements to reduce demand on acute healthcare.

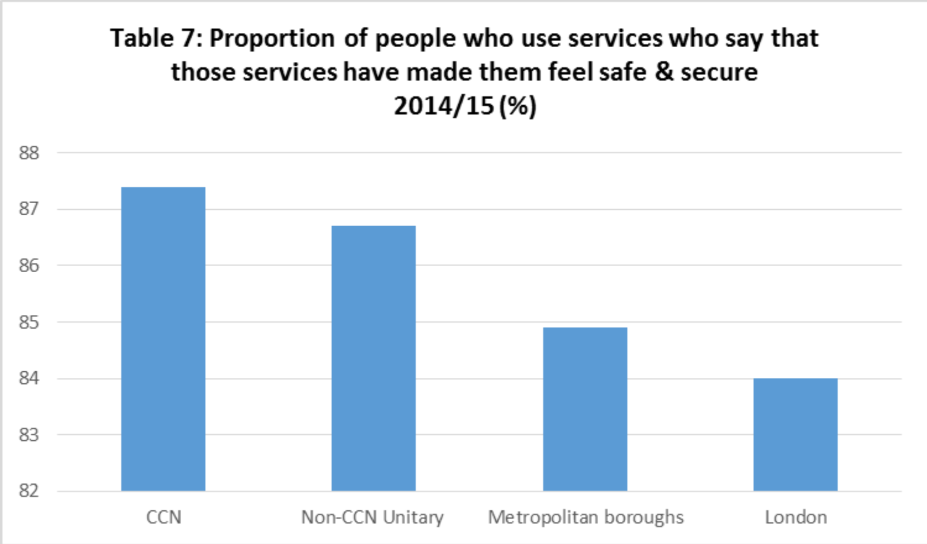
Impact on Quality & Scale of Service Delivery

53. Despite the funding challenges outlined above, and the reductions in the overall funding available, counties have worked hard to develop innovative new models of care in order to improve the quality of care people receive, deliver efficiency savings and protect expenditure on adult social care in relative terms.

54. Despite the pressures facing councils, CCN member councils continue to provide quality local services to those most in need. Residents in receipt of adult social care services in county areas not only rank their social care related quality of life (See table 6) as the highest of any local authority type, they also have the highest level of satisfaction with their care and support services. Added to this, service users in CCN member council areas feel that social care services make them feel safer and more secure (Table 7) when compared to other local authority areas.



[19] Care Quality Commission (CQC) http://www.cqc.org.uk/content/market-oversight
[20] Government austerity measures have created two-tier long term care market which is failing state supported residents, LaingBuisson, September 2015



55. Counties will continue to drive out efficiency savings wherever possible, working with partners to deliver new innovative approaches to the design and delivery of adult social care. The County APPG Inquiry report included a range of case studies on the innovative best practice examples of how CCN member councils were driving service improvement and integration locally. Moreover, a forthcoming publication to be shared with the committee will demonstrate best practice and innovation of county authorities in delivering high-quality health and social care services.

56. However, the ability of local authorities, particular upper-tier authorities, to make further efficiency savings, above and beyond the significant level already made has been called into question. A recent Health Select Committee report concluded that;

> '*Cuts to social care funding over a number of years have now exhausted the capacity for significant further efficiencies in this area'*[21]

57. Despite unprecedented efficiency savings and transformation of services, local authorities have had to consider the type, quality and scale of service provision to clients. Shrinking adult social care budgets mean that councils are increasingly having to focus resource on those with the highest levels of need. This conclusion is supported by research by LaingBuisson which showed that the number of individuals in England receiving homecare through their local authorities reduced from 415,000 to 279,000 from 2000-2016. At the same time, however, the number of hours of care that each client receives has almost doubled from 6.7 to 13 hours per week– showing that the intensity of needs being managed within people's own homes has risen dramatically.

[21] Impact of the Spending Review on Health and Social Care, House of Commons Health Committee, July 2016