ADASS response to the Local Government Resource Review

The Association of Directors of Adult Social Services (ADASS) represents Directors of Adult Social Services in Local Authorities in England. As well as having statutory responsibilities for the commissioning and provision of social care, including the safeguarding of vulnerable adults, ADASS members often also share a number of responsibilities for housing, leisure, library, culture, arts, community services, and increasingly, Children's Social Care within their Local Authority.

1. ADASS would not normally respond to consultations about the general funding arrangements of local authorities leaving this to the Local Government Group and the local authority finance societies. However, these proposals raise two fundamental issues which will have an impact on adult social care. ADASS's response focuses exclusively on these two issues.

2. The first issue concerns the way that the new system will cope with the increasing demands for adult social care over time. The second is the relationship between the proposals set out in this consultation and the potential implementation of the report of the Commission on Funding of Care and Support.

Increasing demands for adult social care over time

3. The current formula grant system is broadly based on the level of need within each local authority (as measured by population statistics and demography for example) combined with the level of tax resources available. The proposals put forward in the Local Government Resource Review freeze the level of need at the point defined by the current local government funding formula. Assessment of need would not change from year to year in future. As the consultation document says: *"funding would grow if the business rates base in your area grows, but could fall if your business rate base declines".* This means that local authorities might experience growing need but falling funding (if business rate income declines).

4. We understand why DCLG wants to encourage growth in business rate income. However, ADASS is concerned that this will have no relationship to the increasing demands for adult social care. Adult social care is the largest single budget[1] within the direct control of principal local authorities (and it will increase as a proportion of spending if the recommendations of the Commission on Funding of Care and Support are implemented). Consequently, increasing demand for adult social care will have a major impact on principal authorities.

5. Over the next 10 years, local authorities will see significant increases in the demand for adult social care. The Local Government submission to last year's spending review estimated this as 4% per annum across local authorities as a whole. Over 10 years this amounts to over 42%. Some local authorities will face increases even greater than this. They may also be those local authorities who benefit least from any business rate growth. Will it be possible to fund these increasing needs from the growth in business rates? We are concerned that this will not be possible which will either adversely affect the quality of care that can be provided or lead to spending reductions on other services which may be closely linked to economic development (such as spending on infrastructure or on economic development). We are also concerned that the implications will vary across local authorities which will lead to differing approaches to the provision of adult social care solely based on local business rate income rather than any other decisions of the local authority.

6. It is important for us to stress that adult social care has demonstrated that it can deliver high levels of efficiency savings. Our survey earlier this year identified that local authorities would be making savings of £991m this year (6.9% of total spending on adult social care). Efficiency savings made up 69% of this total figure (£681m) (the other reductions comprised increased income £84m (8%) and service reductions of £226m (23%)).

7. We appreciate that the consultation document talks about resetting the system. However, the timescales mentioned if this takes place are lengthy (possibly longer than 10 years). As we comment above the scale of increased demand over that period could be very significant and lead to enormous pressures on individual local authorities. We believe that if the proposals go ahead the system should be reset at the latest every 3 years and ideally more often than that. It should be noted that the numbers of people aged over 90 are increasing by 10% per annum at the moment.

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[1] In a unitary authority, adult social care is often about 25% of the budget. In County Councils the proportion increases to between 40 and over 50% of the budget.

8. There is one further matter that is relevant to the growth in demand for adult social care. Nearly all the cost of this is borne by principal local authorities. In two tier areas, part of the additional business rate income is retained by the District Council. The District Council also has a crucial role to play in determining whether business rate income will grow and by how much since they are the planning authority on most issues. Potentially there is a mis-match between increasing demand for adult social care, the incentives for encouraging growth in business rate income and what proportion of the income is available to meet the increasing demand for adult social care. ADASS supports therefore the pooling of business rate income within two tier county areas and does not support pooling across county boundaries which not only conflicts with the boundaries for adult social care but also those which should normally apply to the Clinical Commissioning Consortia.

The (Dilnot) Commission on Funding of Care and Support

9. The terms of reference for Phase 1 of the Local Government Resource Review includes the following: "The review will include consideration of changes to the business rates system, and focus in particular on the wider implications of rates retention for related policies, including the work of the Commission on the Funding of Care and Support and the Government's other incentive schemes (the New Homes Bonus and the commitment to allow communities to keep the business rates for renewable energy projects)."

10. Both the issue of the New Homes Bonus and the retention of business rates for renewable energy projects are addressed in the Consultation. However, there is no reference at all to the work of the Commission on the Funding of Care and Support. We are disappointed with this and would like to see specific comments and clear consultation from the government about this issue.

11. The recommendations of the Dilnot Commission were widely welcomed when they were announced in July. The Department of Health are undertaking a major engagement exercise in response which will conclude in December and subsequently lead to a Adult Social Care White Paper next spring. We are aware that that the Department of Health is undertaking preparatory work on issues which will need to be addressed if the recommendations of the Commission are implemented. However, one of the most significant implications is that it will lead to a large increase in the level of local authority spending on adult social (over 10% if the precise recommendations of the Commission are implemented). Local authorities are not in a position to understand how these changes will interact with the Local Government Resource Review. This is a major shortcoming with the review. We believe that this issue must be addressed as a matter of

urgency by the Government early in 2012 and before the detailed arrangements for the new system of local government finance are put in place. We would expect to see a major consultation on that in accordance with normal arrangements.

Conclusion:

12. Any resource system must address the funding gap between the resources available to local authorities for adult social care and the increasing demand for care. If this is not addressed, then the emerging pattern of service reduction and increased charges evident this year will become the predominant response in the future. This will have profound implications for service users and carers but it is also likely to impact on the health service and other public services.

13. It is also important to stress adult social care's contribution to local economies: 1.6 million people are employed providing personal care in the UK and most adult care is provided by external organisations typically small or medium sized enterprises or "not for profit" organisations. Spending reductions will have an adverse impact on a critical sector in each local economy and thus will have a perverse impact on the aims of the proposed new system.

John Jackson, Joint Chair ADASS Resources Committee
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