Health Select Committee

Association of Directors of Adult Social Services (ADASS) and Local Government Association (LGA) response to the inquiry into public expenditure on health and social care

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Local Government Association

Submission

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Summary

- Adult social care has a strong history of being resilient and robust. However, these characteristics are now being tested to their limit with overall reductions to council funding of over 43 per cent across this Parliament and 20 per cent reductions to Adult Social Care Budgets over last 3 years. There is also growing demand and reducing options to manage these pressures without having to either cut front line services or divert investment from (non-statutory) preventative activities that can generate efficiencies. Indeed, councils have to make stark choices between prioritising between adult social care and other essential services such as children's social care, roads, economic regeneration and libraries.

- In order to help address these challenges, the LGA has set out the principles that should underpin whole system change. *Rewiring Public Services* calls for all health and social care to be consistently co-ordinated around the needs and wishes of individuals, within an approach that supports the whole community. It sees place based public service budgets as the main mechanism for addressing local service requirements and calls for consumer champions to be at the heart of inspection. Health and Well-Being Boards should lead transformation, ensuring that child and adult health and well-being is at the top of local agendas. Accordingly this response sets out practical steps in the light of those principles and the detailed policy proposals that support them. [1]

- The NHS transfer, as set out in Spending Round 2010, is supported by local government. Councils have been working with health partners locally to manage on-going pressures, meet demographic demand and invest in new services. However, the transfer of funding does not fully substitute for the overwhelming reductions to council funding overall. Despite NHS Transfers over the last three years, councils have still needed to reduce adult social care budgets significantly.

- In addition to these on-going challenges, councils also have to prepare and take on new duties arising from the proposed reforms set out in the Care Bill. Whilst these reforms are welcomed, the additional burdens have yet to be fully understood. There is therefore a real urgency for more detail and commitment from Government to fully fund additional burdens from new money. The sector is also concerned that central government has underestimated costs.

- In response to these mounting pressures (including those within the NHS), councils are pursuing integration with real vigour to maximise limited

[1] Local Government Association, *Rewiring Public Services,* available at: http://www.local.gov.uk/publications/-/journal_content/56/10180/4047962/PUBLICATION

resource across localities to seek efficiency and improved outcomes for individuals and communities. The fourteen Integration Pioneers will be important in testing out approaches, as will the work on Community Budgets. However, the urgency to secure efficiencies in the short term is placing extreme pressure on the system to seek immediate solutions rather than longer term whole system strategic objectives, often secured by NHS reconfigurations to unlock resources to reinvest into community based preventative solutions. The evidence for significant financial savings from integrating services is, as yet, underdeveloped, although satisfaction rates for the approach are high.

- The recent announcement of the Integration Transformation Fund (ITF) is welcomed as an important commitment to pooling funding across the NHS and councils as a genuine catalyst to improve services and value for money and to mitigate against service cuts. As a key stakeholder, local government is fully committed to national conditions underpinning the ITF, namely to share information, share staff, share money and share risk. However we also advocating that the ITF needs to be seen in context of the overall funding allocation across the NHS and Adult Social Care and suggest that the ITF should be extended beyond its current scope to bring together a genuine whole system approach over a longer term

1. The plans being made by NHS bodies to enable them to meet the Nicholson Challenge, and whether the NHS is succeeding in making efficiency gains rather than cuts

1.1 Health and social care are interdependent and must be considered as a whole system. Local government is therefore concerned with any loss of resources to the whole health and social care system and supports the need to use precious resources to unlock efficiency and effectiveness as opposed to simply cutting services.

1.2 Local government welcomes a more integrated approach to dealing with financial pressures with a strong focus upon investing in early intervention and preventative approaches to reduce more expensive intensive interventions, especially within the NHS acute sector. Bearing this in mind, local government supports the transfer of NHS Funding towards community based early intervention and prevention which is clearly signaled in the ITF and it is important that the NHS is politically supported to reconfigure Acute Services to unlock this investment.

1.3 It is noted that the Nicholson Challenge is treated differently to the budget reductions being applied to councils via a reduced Rate Support Grant. The Nicholson Challenge is geared around efficiencies being re-invested back into the NHS whereas adult social care efficiencies contribute to councils savings targets.

2. The effectiveness of the mechanisms by which resources are distributed geographically in the NHS

2.1 The alignment between NHS and local government funding is critical in achieving a whole system approach. Funding must be increasingly seen as a joint resource and as such the mechanism for allocating funding must equally be aligned to ensure consistency and transparency.

2.2 Local government supports an allocation formula based upon a credible evaluation and analysis of population and levels of socio-economic deprivation. However, the current proposals to allocate NHS funding based upon population numbers only will significantly impact upon the joint approaches to respond to need across health and social care and will create inconsistencies in how localities are resourced to deal with the severity of health and wellbeing inequalities.

3. The prospects for the long-term viability of NHS Trusts and NHS Foundation Trusts

3.1 Local government is seriously concerned with the poor financial position of a number of NHS Trusts and Foundation Trusts as recently reported by Monitor. These challenges are further compounded with councils also reporting significant financial pressures and the prospect of public services facing financial meltdown is a very real risk. Whilst the push for integration will provide some financial rewards, the scale of financial pressures must be addressed centrally through a fully funded and sustainable health and social care system fit for the 21st century.

4. Reports of particular financial pressures in the system, such as funding for General Practice, and for Accident and Emergency services

4.1 Local government is seriously concerned with the level of financial pressures across the whole health and social care system. Further, the recent announcement of Winter Pressures Funding for 2013 and 2014 although welcomed, is considered inappropriately distributed to meet pressures across the whole system. It is only targeted at failing A&E units, rather than within community settings (across all localities) which can mitigate against increase admissions and delayed transfers.

5. The impact on the provision of adult social care of the 2010 spending review settlement and the ability of local authorities to make the necessary efficiency savings

5.1 Additional funding for social care was allocated in the 2010 Spending Review but its impact would only be felt if we were in a settled state. Significant cuts to council funding has inevitably meant that adult social care has had to contribute to savings; particularly as the service represents more than one third of councils' budgets, which is the biggest area of discretionary spend for councils.

5.2 Despite having attempted to protect adult social care services as much as possible, councils have had to reduce their adult social care budgets by £2.68 billion, 20 per cent of the budget, over the last three years in response to reduction of overall council funding. Although there is no exact science to capturing what is genuine efficiency and what is not, evidence from the ADASS Budget Survey indicates that this figure is made up of efficiency (75 per cent); service reductions (18 per cent); and income and charges (7 per cent).

5.3 At the same time of reducing council funding, councils are facing a demographic pressure of three per cent of adult social care budgets. It costs

over £400 million a year to continue to provide the same level of service, which excludes the impact of inflation. The greatest demographic pressure comes from adults with a learning disability (44 per cent of total demography pressure), followed by older people (40 per cent).

5.4 Continuing to make this level of saving annually is simply not sustainable. The recent ADASS Budget Survey noted that, for 2013/14, adult services directors are looking at a number of medium to high priority areas for making savings, namely:

- 95 per cent have identified better procurement as such an area, and 81 per cent are looking to shift activity to cheaper settings. However, while this may produce savings in the future, the scope is likely to be limited.
- 67 per cent of directors are aiming to expand independent sector provision, but this is a saving that can only be made once.
- 61 per cent of adult services directors believe stopping unnecessary services is a medium to high priority area for making savings and 60 per cent are looking to reduce the number of people in receipt of care. Such moves will clearly impact on the availability of services and the continuity of the care setting.
- The majority of adult services directors believe that controlling wages or increasing user contributions are low priority areas for savings. In the case of the former this is because most people working in adult social care work for external providers. In the case of the latter this is because there is very limited scope to increase charges beyond what local authorities have done already.
- Eligibility thresholds cannot be raised much higher, 87 per cent of councils are now at the substantial/critical threshold.

5.5 The increasingly limiting options for councils to manage funding reductions (as detailed above) expose a number of significant risks, namely:

- 30 per cent of respondents to the ADASS 2013 Budget Survey report that fewer people are currently able to access social care, while this grows to 50 per cent of respondents predicting poorer access in two years' time. However, while fewer people are accessing services, the cost of care packages for those who are is increasing.
- 28 per cent report that savings are currently putting more pressure on health and 36 per cent predict this pressure will grow in two years' time.
- 48 per cent report that their providers, who are largely SMEs, are currently under financial pressure, while 57 per cent predict providers will experience financial pressure in two years' time.
- 39 per cent currently report an increased level of legal challenge, while 43 per cent expect this level to increase in two years' time.
- Income from residential care charges is projected to fall. The scope to offset budget reductions via income is therefore decreasing.
- Research into unmet need by Southampton University identified that only 20 per cent of people who report difficulties with dressing and bathing receive support from social services. 50 per cent are supported by their family and friends. However, in his work on funding reform Andrew Dilnot suggested that the willingness and ability of family carers to perform a caring role is reducing.
- Pressures faced by providers, such as food and utility costs and increases in the National Minimum Wage, are proving very challenging. Further changes to State Earnings Related Pensions (SERPS) in 2016 will also be

significant. Councils are working closely with providers but supporting them through fee increases is becoming harder. The average increase is 1.5 per cent, which is below the rate of inflation. This is set against national policy pressures to ensure market stability and quality as part of improving outcomes for individuals.

5.6 The Government's far-reaching welfare reforms are likely to increase demand for care and support services and impact further on the ability to raise income. Moreover, the care and support reforms, including the capped-cost model of funding reform and Care Bill, will entail substantial *additional* costs for the sector.

5.7 The additional costs for the funding reforms and Care Bill are yet to be fully understood and agreed. The Government has allocated £335 million for implementation costs in 2015/16 and must also meet any additional costs with new money. ADASS is currently modelling the running costs of the reformed system and the Department of Health is working closely with ADASS and LGA (through a Joint Programme Management Office) to understand and agree any additional burdens upon councils. This work is currently on-going.

5.8 The Government must exercise caution when assessing the scope for further immediate efficiencies, particularly where this focus then jeopardises longer-term efficiency programmes. Any government assumptions of further efficiencies will therefore leave a bigger gap that will have to be fixed by cuts. Adult social care would not be immune to this, exacerbating the pressures being faced. Reducing spending on prevention and early intervention is one of the only places left to look for further savings; but doing so runs counter to the policy direction set out in the care and support White Paper.

6. The impact on NHS plans of decisions currently being made by local authorities and the use of the additional funding for social care being made available through the NHS budget

6.1 The NHS Transfer announced in 2010 has made a difference to councils. Nevertheless, the amount transferred does not compensate for the overall reductions in council funding over the same term (and the extent of cuts to adult social care budgets over the last three years). The ADASS Budget Survey noted that for 2012/13, 32 per cent of the NHS Transfer received was allocated to avoid cuts to front line services, 14 per cent to cover demographic pressures, 18 per cent for investment into new services (that benefit both health and social care) and 36 per cent is yet be allocated.[2] Of particular note is the extent to which social care has tackled delayed transfers of care, with the proportion of delays solely attributable to social care being reduced from 33 per cent to 27 per cent over the last four years.

6.2 Local government (through the LGA and ADASS) has been central in the construct and development of the ITF from its very inception. We welcome the underlying principles and policy implications of the ITF in driving a more integrated approach that recognizes the value and contribution that adult social care makes towards the NHS. Whilst welcoming the ITF, we are advocating that the approach needs to widen to consider whole resources

[2] This was the situation as of May 2013.

within a locality and over a longer planning horizon. The wider the ITF extends, the greater the potential to realise efficiency and whole system approaches to meeting individual improved outcomes

7. Progress on making efficiencies through the integration of health and social care services.

7.1 There is already significant momentum behind localities integrating health and social care and with the continuing pressures on budgets and demand, this momentum is likely to increase. Whilst there is wide acceptance of the financial (and service delivery) benefits of integration, there is no one solution or one business case, but rather a rich myriad of differing approaches reflecting local relationships and conditions. The one consistently important element however is the growing significance of the local Health and Wellbeing Board to oversee and coordinate integrated local services.

7.2 It is important that local Health and Wellbeing Boards lead the work across the whole system locally to unlock resources. This needs to happen across health and social care with a focus on greater investment into preventative and early intervention solutions, combined with an increasing emphasis upon an asset based approach and individual responsibility. The experience from the Community Budget pilots will provide a rich source of evidence to help shape this work.

7.3 The shift of resources from acute hospital and institutional care into community based services requires change to NHS and council activity and expenditure, combined with changes over several years in hospital configuration, GP services, community health and social care. This long term planning is critical and local Health and Wellbeing Boards must not be distracted by short term gains.

7.4 One of the biggest potential areas for savings is through more effective care for individuals with long term conditions, most of whom are older people with a variety of needs that require an integrated response. Getting this right will avoid inappropriate hospital admissions and improve hospital transfers. Improving standards of health care could have a positive impact on the need for social care, for instance in the treatment of people with strokes, continence problems or dementia. Intermediate care could also be used more effectively, for instance to treat continence problems in older people who leave hospital so that they do not need to go into residential care.

7.5 Whilst the integration approach mainly tackles the interface between NHS and social care in terms of older people, a large increase in costs for local government is from younger adults, particularly those with learning disabilities. The increase in the proportion of adult social care spend on younger adults, in three years from 2007/2008 has risen from 23 to 30 per cent.

7.6 The evidence to-date – for example analysis of the Partnerships for Older People Projects (POPP) pilots – shows the vast majority of integration efficiencies goes to the NHS rather than social care. A strengthened whole system approach as characterised by the ITF will allow for a more transparent approach to recycling efficiencies across the whole system to then generate further efficiencies in reduced complex and expensive crisis interventions.

7.7 Finally, we support the transfer of public health to local government as means to improve integration of health and social care. However, we suggest that the Government ends the Public Health ring-fence to extend flexibility for whole system approaches that respond to local conditions and needs and is inclusive of Public Health preventative influence and contribution.