

Association of Directors of Adult Social Services (ADASS) response to the Low Pay Commission consultation on the National Minimum Wage and National Living Wage

1. Background

- The Association of Directors of Adult Social Services (ADASS) represents Directors of Adult Social Services in Councils in England. As well as having statutory responsibilities for the commissioning and provision of adult social care, ADASS members often also share a number of responsibilities for the commissioning and provision of housing, leisure, library, culture, arts, community services and increasingly, Children's Social Care within their Councils.
- Adult social care is critical to the health and wellbeing of people with a complex range of often intense needs, their carers and families, and our communities more generally. Through commissioning social care, councils play a key role in a sustainable health and care system. Its reach is significant; from safeguarding people in the most vulnerable circumstances to making an important contribution to the national economy as employers and commissioners.
- ADASS welcomes the opportunity to contribute to the Low Pay Commission's consultation on the National Minimum Wage (NMW) including the National Living Wage (NLW). We would like to respond, in particular, on the impact on the adult social care sector (question 3) and on the economic outlook for adult social care (question 10), with a brief reference to the impact of Brexit (question 12).

2. Impact on the Adult Social Care sector

- ADASS fully supports the NLW. Despite working in an increasingly financially constrained environment, care workers continue to provide a high-quality service. With the workforce predicted to grow and the number of individuals who need support from social services set to increase, it is fundamentally important that the workforce is sufficiently supported, with regard to both their skills and their working conditions, so as to keep pace with increased expectations and demand for services.
- The NLW (and NMW for those under age 25) already has significant financial implications for councils and social care providers, and will continue to do so. The issue of covering the increased costs of sleep-in staff is a major pressure for social care employers, and this extends to individuals with disabilities or long-term conditions who employ staff directly, either with their own funds or with public funding from their local authority (as a personal budget or direct payment) or from the NHS (as a personal health budget).
- Previous arrangements involved paying a sessional rate to staff who slept on the premises, in case they were needed at short notice to meet a care need. Often a sleep-in member of staff was retained as a backup for waking night staff, to be called on if, and only if, needed. This was a cost-

effective way of providing peace of mind to staff and people needing care as well as their families.

- Care home providers and providers of supported living services build these costs into their fees, which in turn passes these financial pressures to local authority commissioners and to people funding their own care.
- Councils are already financially stretched, this adds to the financial challenges faced.

3. Funding Pressures and Economic Outlook for Adult Social Care

- The recent ADASS Budget Survey showed that local authorities are prioritising adult social care in their budget setting. Local authorities spend £14.2bn. This amounts to 36.9% of their total spending and the biggest single budget that councils control (up from 35.6% in 2015-16).
- At least £10bn of individuals' own money is spent on care services. Nearly half of care home fees, for example, are met by individuals with their own money.
- Savings of £824m – equating to 5% of net budgets – are planned in 2017/18, bringing total cumulative savings in adult social care since 2010 to over £6 billion by the end of March 2018. With a reported overspend of £366m against budgets for 2016/17, the pressure of which will roll forward, Directors are finding it increasingly difficult to implement planned cuts in practice. For 2017-18, Directors responding to the survey anticipated savings being achieved through efficiency savings of £388m (55.6% of total savings) and reducing services/personal budgets by £136m (19.5% of total savings).
- Only 31% of respondents are fully confident that planned savings for 2017/18 will be met and despite the additional funding which has been made available for adult social care, Directors' confidence for future years reduces to a point where only seven percent are fully confident that savings targets will be met in 2019/20.¹
- The need to reduce overall spending must be balanced with the need to meet people's care and support needs. The Care Act and the associated statutory guidance says that personal budgets must take into account users' reasonable preferences and to meet users' statutory needs. The guidance acknowledges that responding to users' needs may increase the cost of care. The cost of paying sleep-in staff an hourly rate at NMW or NLW increases this even more.
- Funding for adult social care needs to keep pace with these growing demands and costs if we are to avert widespread market failure and the consequent impact on the lives of some of the most vulnerable members of our society.

4. Direct payments and personal budgets

- Direct payments have been a legal option for many individuals assessed as needing and eligible for adult social care since the 1990s. Under this system, the local authority provides funds in a direct payment to

¹ ADASS Budget Survey, June 2017, <https://www.adass.org.uk/adass-budget-survey-2017>

individuals, who in turn buy their own services, in many cases employing staff directly. Over the years since then the original model has been developed so that individuals who do not wish to manage the money but who would like more control over their care can do so. Personal budgets were placed into law in the Care Act 2014, and include a range of options (including direct payments) for people to have control over the services they choose to meet their assessed social care needs.

- Many individuals use their personal budget to employ personal assistants (PAs), in some cases on a 24 hour, 7 days per week basis. The impact of NLW and NMW and sleep-in arrangements therefore affects budgets used for such services, and is in addition to the pension duties for employers. It is not restricted to care home and supported living arrangements.
- Evidence suggests that personal budgets would be of benefit most people who need adult social care, and that the way a personal budget is implemented is key to whether a person benefits from it. There is a risk that individuals may be dissuaded from employing their own staff due to the cost and complexity of the NMW, NLW and sleep-in implications.

5. The UK's decision to Leave the EU, and the effect on the Adult Social Care Sector

- The most recent national data collected by Skills for Care on the adult social care workforce, shows that the proportion of the social care workforce from non-British EU nationalities has increased from 4.9% in 2012/13 to 7.1% in 2016/17. This contrasts with a reduction from 12.6% to 9.5% in the proportion that were from non-EU nationalities over the same period. This growth in the non-British EU nationals was seen across all job roles but was biggest in regulated professions (from 6% to 12%).
- It is recognised that the sector currently benefits from a non-British EU workforce, and that free movement of care staff benefits adult social care provision in this country.
- ADASS along with over 30 other health and care organisations is a member of the Cavendish Coalition². As part of its work, the coalition is examining the potential impact that the UK leaving the EU will have on the health and social care workforce, and exploring responses that will help.
- There are real concerns about capacity pressures on the adult social care workforce as demand for services increases while the profile, status and pay of the sector all remain generally low. It is currently estimated that the number of jobs in adult social care that may be needed to meet the future social care needs of adults and older people in England is projected to grow by between 15 percent and 55 percent between 2013 and 2025. Good rates of pay are one way to attract staff into the sector. ADASS continues to work with others in the sector to promote adult social care and to make it attractive to potential care staff.
- Good quality, sustainable adult social care services require a stable, supported, and skilled workforce. Our experiences tell us that a well-led, well-trained workforce provides effective, high quality, person-centred care

² <http://www.nhsemployers.org/your-workforce/need-to-know/brexit-and-the-nhs-eu-workforce/the-cavendish-coalition>

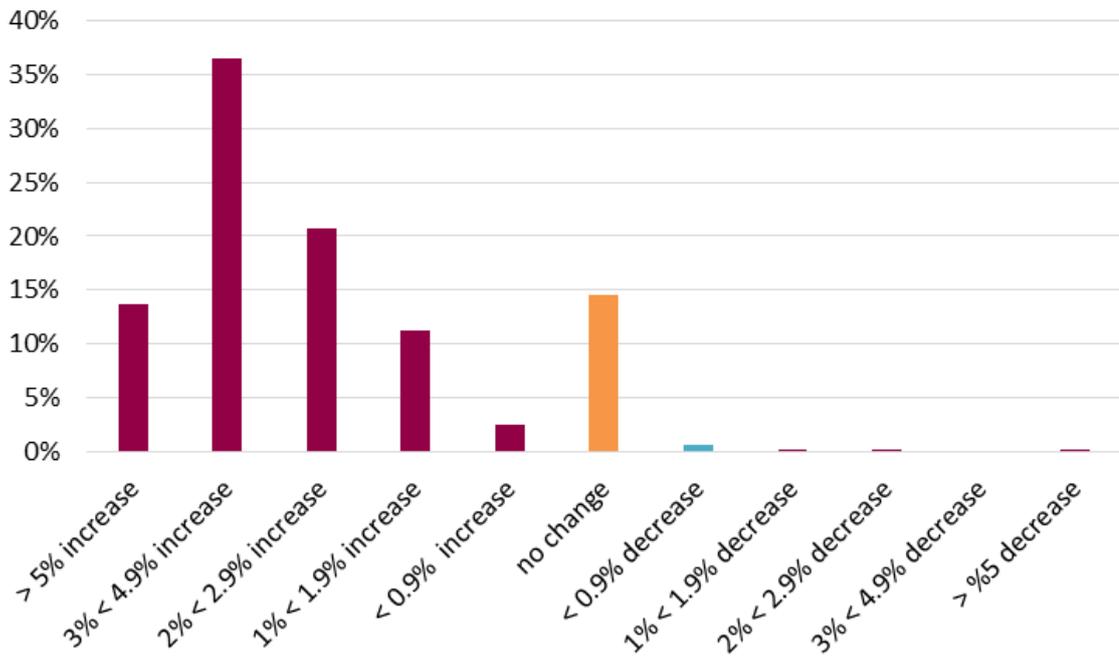
and support. This in turn means that people accessing care and support can be independent and lead healthy lives, minimising demand on the NHS.

Extract from the ADASS Budget Survey –

Provider fees

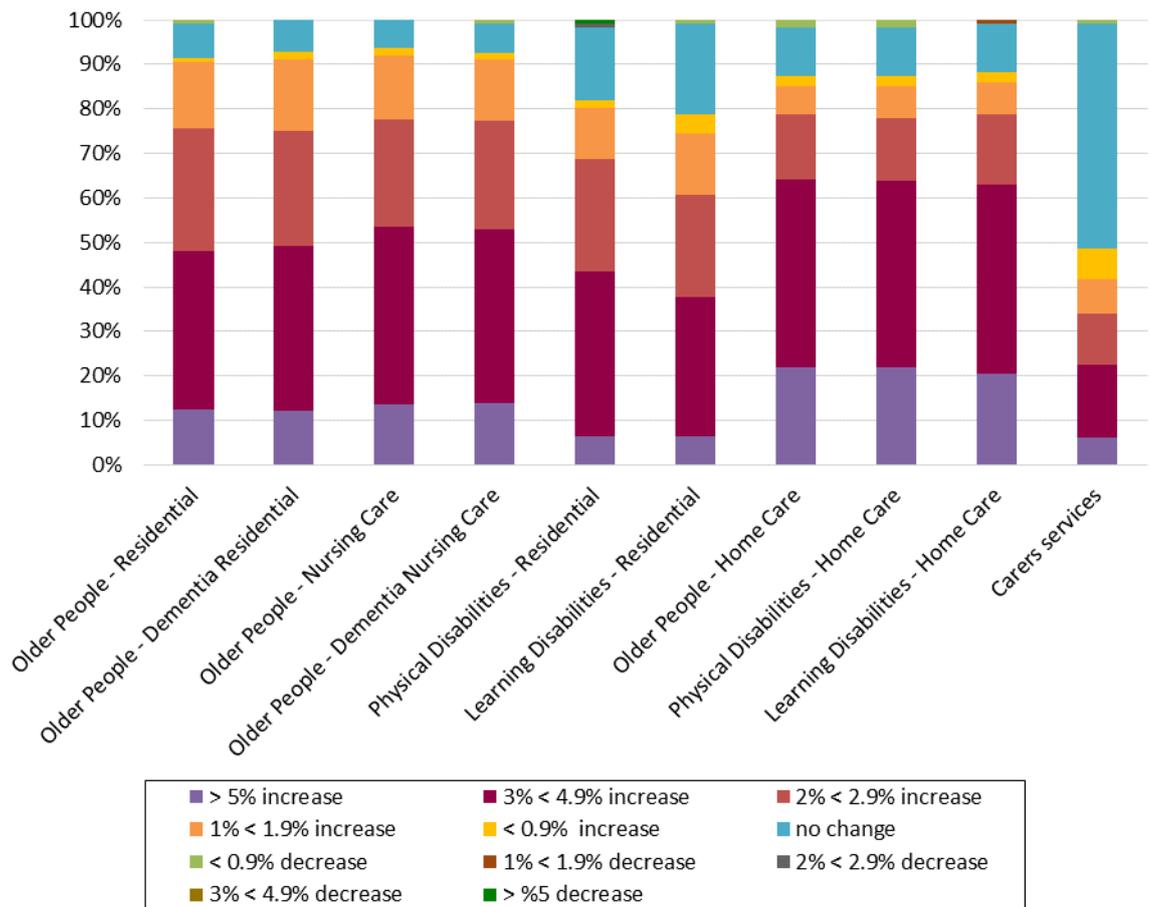
- As explained above, the introduction of the NLW and other pressures have driven an increase in fees paid to providers. This was the case in 2016/17, with further increases reported in 2017/18. There is a wide variation in price paid.

Figure 1: Changes in provider fees (including inflation) between 2016/17 and 2017/18



- The introduction of the NLW has seen widespread increases above the rate of inflation. The survey asked Directors to detail any percent increase or decrease to independent sector provider fees inclusive of inflation in 2017/18 compared to 2016/17.
- Fees for home care have risen markedly, with increases of more than five percent in almost a quarter of councils. There is a wide variation in price paid for home care. However, councils overall have been unable to meet the desired 2016/17 UKHCA benchmark of £16.70.

Figure 2: Changes in provider fees (including inflation) between 2016/17 and 2017/18



- Directors identify pay pressures including the NLW as the primary driver of increases in unit costs in 2017/18, followed by recruitment issues and local market issues such as lack of capacity and competition.

Figure 3: Key drivers for increases in unit costs for residential/nursing and home care in 2017/18 ³

	Residential/ nursing care			Home care		
	high	medium	low	high	medium	low
Overheads (food costs, rents etc.)	8.7%	56.5%	34.8%	5.9%	23.5%	70.6%
Regulatory pay pressures (NLW, travel time, sleep-ins, etc.)	94.2%	4.3%	1.4%			
NLW				89.9%	7.2%	2.9%
Other pay pressures (pay uplifts, difficulties recruiting staff, etc.)	58.3%	38.1%	3.6%	73.4%	22.3%	4.3%
Local market issues (lack of capacity, competition, etc.)	51.4%	30.7%	17.9%	56.1%	29.5%	14.4%
Primarily to cover winter pressures, quality issues	10.9%	45.3%	43.8%	12.4%	43.8%	43.8%
Reduction in cross-subsidisation	7.4%	43.7%	48.9%	4.5%	28.4%	67.2%
Travel time				47.8%	34.8%	17.4%

National living wage pressures

- The NLW will cost councils in the region of £151m plus at least £182m in further costs and £45.5m associated with NWM implementation. These costs comprise both costs of council-run services and costs of independent sector provision purchased by councils or by individuals with direct payments.

Figure 4: Estimated cost to councils in 2017/18 of the NLW relating to adult social care

	Total
Direct wage costs	£151m
Indirect costs (fees, etc.)	£182m

³ ADASS Budget Survey, June 2017

Figure 5: Estimated additional cost to councils in 2017/18 of compliance with NLW guidance

	Total
Live-in Personal Assistants ⁴	£10.1m
Sleep-ins in care homes	£35.4m

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⁴ Note - 17 respondents gave a response other than zero