



Communities and Local Government Committee

Oral evidence: Adult Social Care, HC 47 Monday 10 October 2016

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Watch the session

Members present: Mr Clive Betts (Chair); Helen Hayes; Kevin Hollinrake; David Macintosh; Mr Mark Prisk; Mary Robinson.

Questions 56-101

Examination of witnesses

Ray James, Immediate Past President, Association of Directors of Adult Social Services, James Lloyd, Associate Fellow, the Strategic Society Centre, and Sarah Pickup, Deputy Chief Executive, Local Government Association.

Chair: Good afternoon. Thank you very much for coming to give evidence to us today in our inquiry into the financial sustainability of social care and the quality of care provided. Before I go over to you, Committee members will put on record any interests they have relating to this inquiry. I am a vice-president of the Local Government Association.

Helen Hayes: I employ a local councillor in my parliamentary team.

Q56 **Chair:** That's our interests on the record; over to you now. Would you go down the table and say who you are and the organisation you represent?

Ray James: Ray James, the immediate past president of the Association of Directors of Adult Social Services.

James Lloyd: James Lloyd, associate fellow of the Strategic Society Centre, a public policy think-tank.

Sarah Pickup: Sarah Pickup, deputy chief executive at the Local Government Association.

Q57 **Chair:** Thank you again for coming. We are doing this inquiry because not merely the Committee but many others seem to have concerns about social care provision. It is pretty clear that this is

not just a here and now problem; it has been growing as an issue for many years. Why do you think successive Governments have struggled to ensure that social care funding keeps pace with need?

Sarah Pickup: When you set out the questions that you might want to look at today, you started back in 2010, with the situation that was around then and the 2010 spending review. I was around in 2010, talking to the Department of Health and so on about pressures in adult social care, and I know that in that spending review, a significant effort was made to try to address the funding issues in adult social care. Some £7.2 billion was put in over the spending review period—not per annum—to try to address the pressures. Starting in that place, although that was intended to cover all the pressures, there are two key reasons why it was not sufficient.

The first is that there is a really difficult equation to think about in terms of people with learning disabilities. We talk a lot about older people and demographic pressures, but if you are in a council, people with learning disabilities can be a bigger or as big a financial pressure on your budget. When calculating, not only is there a demographic impact—as in, “How many more people will become adults this year?”—but there are people who have been looked after at home by their carers or families who have reached a point where their carers can no longer do it. In the authority I was working in, about half the pressure came from the people who were already adults and had been in the system for some time but suddenly needed significant care. That was one reason why there was a problem with the attempt to settle.

The second—this links to the successive Governments issue—is that social care is not something that can be seen on its own; it sits in wider council budgets. We know that wider council budgets have been cut very significantly, certainly since 2010, and they were under pressure before that. If you are a council with adult social care responsibilities, probably 30% to 50% of your budget is spent on adult social care. Even if the Government said, “Here’s an adult social care problem; we’ll put some money aside for that,” if the council had a wider funding gap, a portion of that—roughly equivalent, and probably a little less than equates to their share of the budget—would fall back on adult social care and create another problem. So you think you have solved the problem, but if you haven’t funded the council’s other pressures some of that falls back on adult social care.

There is a stark statistic. When we were preparing to come to talk to you today, we looked back to 10-11 and the total net spending on adult social care was £14.4 billion. It is still £14.4 billion this year, and the local government settlement, taking that up to 19-20, is a flat cash settlement. That is 10 years of flat cash for social care in the face of demographic pressures, inflation, deprivation of liberty safeguards, the implementation of the Care Act and all the other responsibilities and expectations that

have come our way. If you look at it like that—five or six years to date of flat cash and another four years to go—that paints a picture.

Ray James: There are three thoughts for me, the first of which is understanding the rate at which demand is increasing. I think that lots of modelling work gets done. What experience has told us is that it is a combination of the actual numbers—more older people living longer or more adults living into adult life with a learning disability—and also the increased complexity of need. The average person is perhaps living with more long-term conditions or more limitations on their ability to do some of the essential things that you and I may take for granted—getting up, washed, dressed and toileted every day. So, first, there is a greater complexity of need and a greater volume of need and there are some difficulties around that.

Secondly, there have been issues about transparency in terms of settlements and other things over the years—for example, the round that saw the phrase “spending power” introduced, which counted the same money as being in the NHS’s spending power as being in the spending power of local government. I can understand the potential of our using money together to use it more efficiently, but ultimately you need to be much more transparent about the total sum that is available to meet the total need. I think that that has been replicated in terms of some of the challenges around getting the calculation around the living wage right—the precept and other things. Collectively, we need to have a much stronger commitment to transparency, all the way through from announcements made by Government in spending reviews or autumn statements to what councils do when they commission and what providers pay front-line care workers.

The third thing for me is that the complexity of our system has meant that it has always been possible to point to other places where the pressures are being experienced and it is difficult definitively to get hold of exactly where the pressure is. As we look a few years down the road, we see greater than ever pressures on the NHS in terms of discharges that are delayed, particularly associated with home care packages, which are arguably the most fragile part of our sector. We see nursing homes struggling to recruit workers, particularly qualified nurses—there is 32% turnover of nurses in nursing homes. The NHS and Health Education England plan the nursing workforce only on the needs of the NHS, not on the wider health and care system.

So that combination of increased volume and complexity of demand, of the need to be more straightforward and transparent about the figures and the money all the way through, and ultimately the interdependencies within the system and the need to make sure that we look at it in the round, have all contributed to the difficulties. It is probably important to say that we are not alone in this; almost every country, with lots of different cultural norms in them, where the population is ageing and growing in the way ours is are grappling with similar challenges and the

need to try to reconsider and review the relationship between the individual, the family, the state and the community—who funds what, and what the expectations of each other are going forward.

James Lloyd: You ask a very interesting question. I would probably support what Ray and Sarah said and maybe take a step back and take a broader view, having followed this over the last decade. Under successive Governments we have not seen the political will, necessarily, to put adequate money into the system, and that might be for a whole range of reasons. It could be because of the institutional way in which Whitehall positions social care, effectively across two different Government Departments—DH and DCLG. It is obviously to do with the fact that social care is not a glamorous topic when it comes to the voters—the public. It is not something that people want to think about and many people in the public do not really know what social care is; many times they think it is part of the NHS.

There is also something about the fact that, where inadequate resources play out, it does not result in the political pressures that politicians and the Government of the day would necessarily respond to, and that is due to the nature of social care. So if the hours of support that somebody receives each week are cut by 25%, how do they find other people who have been affected by that? Are there local interest groups or local power brokers who could mobilise political momentum at a local level and ultimately at a national level? Are they there? Are they able to put sufficient pressure on the Government of the day?

There is also perhaps something about not being able to track at a system level how those pressures play out. If the system is underfunded, it is manifest in many different ways. It is manifest in the overall amount of support that people receive and in the way in which the eligibility criteria are interpreted by local authorities, and it is played out in the wages of staff in care homes. My observation, having observed this for a number of years, is that we have never quite reached that tipping point of political will where it has been pushed up the political agenda in response to the effects of underfunding, but we have had a major turning point in political debate around putting sufficient money into the system.

Q58 Chair: At the end of the 2010-15 spending review period, what was the gap? Is there an agreed figure for the gap in provision? Is there disagreement about that figure from a local authority perspective and the Government's perspective?

Ray James: From an ADASS perspective, every year we conduct a budget survey where we ask every director in every local authority in the country a series of questions. The 2015 survey showed that that figure in real terms was £4.6 billion. When I have heard most of the other think tanks talk about figures, they have not been disputed. Some have been higher, some have been lower. I have never heard a Government—one can understand why not—acknowledge what the actual gap or size was,

but, from the professionals involved and from the independent think-tanks, I don't think there has been a great deal of difference in what you would calculate the real terms view to be.

Sarah Pickup: It is difficult to quantify. The reason it is difficult to quantify is because the £4.6 billion is the saving that councils have had to take out of adult social care across that spending review period. Some of that would be legitimate savings through proper efficiencies, good service redesign and preventive measures, but some of it was just squeezing the amount of care: you are meeting the need, but you are just meeting the need. You are meeting a need but you are not allowing someone to live a life, which is part of what social care is about. It is not just about, "Are we keeping you just about okay and safe?" It is about living a life as well. So there has been a squeeze.

The other thing that has been squeezed is provider fees. We know now that where we stand in this year there is a significant fear that the provider market is wobbly. It is not sustainable as it stands. It is really complex to calculate what resource shortfall there is. We have done some early calculations using some of the minimum rates that the provider organisations themselves set out. I would have a proviso against using the providers' own rates, but if you start there, you start at their lowest rate to provide an hour of home care or a week of relatively low need residential care.

If you look at what councils are paying compared with those rates, there is probably a gap of about £1.3 billion. There are loads of provisos around that because it is one rate; it is produced by the providers; it is not for dementia care, it is for standard care; and it is not for every part of the country. But if you want to think about the quantum in the provider market alone, for the existing people—not the unmet need; not the people that don't get the care that they need—you are in a fairly big figure just for that. We also know that the number of people receiving care has not increased in the way you would expect, as demography rises. The number of people with learning disabilities receiving care has risen: a smaller number, but a bigger cost per person.

Q59 **Chair:** One specific question before I move on to Mark. Councils now have responsibility for the independent living fund. Has it all but disappeared?

Ray James: I do not think it's fair to say that it has all but disappeared. It is worth remembering that new entrants to the independent living fund were stopped in 2010. When the fund transferred to councils subsequently, many would argue that councils were then being asked to deal with the rationing challenge about growing demand and reducing resources. I think that what councils have genuinely done is try to ensure that those people who are recipients of the independent living fund are treated equitably with other people with similar levels of need who would have been assessed by the councils in the years since the independent

living fund ceased. As always, we will be able to point to individual cases where perhaps that consideration has not been as it might have been; but in overall terms I think councils are striving to ensure that every individual, whether funded through the ILF previously or not, is getting consistent and fair access to the equitable distribution of public resources. Some might also say that they are doing that with a reference back to the overall state of their funding for adult social care, and so, if it is being rationed, trying to ensure that that is being done consistently and fairly.

Sarah Pickup: Just to add to that, I think it is a really important point that since December 2010 there have been no new applicants—so every person who would have applied for the ILF in the past is coming to the council for funding of their care in full. No additional funding has been provided for that. It has had to be absorbed within the budgets of the councils within that flat cash sum of money.

Q60 **Mr Prisk:** Can I look at current and future years' funding, arising out of the 2015 spending review—so last year's spending review—and also, obviously, alongside it, the better care fund: how far would you say that the precept and then the BCF itself are taking you along, in terms of the demands you have for adult care services?

Sarah Pickup: It is really helpful to have those measures in place. If we did not have them we would be in a significantly worse position. Of course, raising the social care precept is part of the council tax, and it is down to local decision whether it should be raised or not. The majority of councils took the decision to levy that precept this year. The better care fund is backloaded in the spending review period, so it is not helping authorities yet.

So it is helpful. We calculate that the pressures on the system between the spending review and the end of the spending review period for social care alone amount to about £1.3 billion more—this is not the same £1.3 billion I referred to earlier—than the precept used in full along with the BCF would provide.

Q61 **Mr Prisk:** This is out of 2018-19—

Sarah Pickup: Up to 19-20, yes. So taking into account all those additional resources, we still, by calculating through the inflationary pressures and demography alone, calculate that there will be a shortfall. That does assume that everybody raises the precept. Now if you look at the core spending assumptions, it is assumed that councils will raise their core council tax by 2%—1.99%—and the social care precept by 2%. In the spending review period, for the council tax payer, that is a 16% increase in their bill. So assuming that every council will feel able to do that and will feel able to ask that of their citizens is quite a big assumption. That is what is assumed in that core spending power. So I think we see a gap. We see a gap even if everybody did what was

necessary in full; and that forward gap is only the forward gap. It does not fund the existing pressures in the system.

Ray James: So the ADASS position in terms of looking at when the spending review was announced was similar: very welcome recognition—arguably an unprecedented degree of recognition in that spending review for social care, given the amount of attention that was given to it. We were fearful that it was too little. I will come on to say why experience has borne that out, but we were unequivocal in saying it was definitely too late. The backloading of the settlement, with the more material sums coming in the later part of the Parliament, is a particular challenge. So on the “too little” point, it was quite difficult to estimate what the cost of the living wage, for example, would have been beforehand, or to make provision for the gap that we thought we were working with as we approached it. Just looking at what we have modelled the problem to be, going forward, we say the gap is £1.4 billion in 16-17. It rises to £1.6 billion in 17-18 and then as a result of the additional injection of BCF in later years drops to £1.4 billion and £1.1 billion in the final period.

Q62 **Mr Prisk:** That is specifically the national living wage.

Ray James: That is allowing for both the living wage and the introduction of the better care fund, which is weighted towards the later years. So there was no money through the better care fund this year; £100 million nationally next year, rising to £800 million and then to £1.5 billion in the final year—so those material sums coming later. The precepts, according to our budget survey, raised £382 million in this first year. As Sarah said, what is written into the spending review is an assumption of that 16%. I think all councils bar seven took the 2% precept last year. It is certainly the case that it was taken by most councils.

Our survey this year showed that the living wage probably cost about £520 million in the first year. In addition, there were some other costs from ensuring full compliance with one or two other pieces of legislation, making sure travelling time was paid for, ensuring sleeping nights were being appropriately remunerated and things of that nature. That probably took the bill for providers for council-funded cases up to about £600 million in the year.

In overall terms, that fear that it was too little was both about the fact that there was a problem now—most councils were using one-off money to balance the books last year, and they cannot continue to do that in a sustainable way—and about the cost of the living wage. It looks like the most acute years will be 16-17 and 17-18, because of the injection of money that is being signalled for 18-19 and 19-20. I think all the evidence points to the fact that there is a need for some of the funding signalled for later years to be accelerated and brought forward sooner, if we are not going to approach those later years with a bigger hole than we already have today.

Q63 **Mr Prisk:** That is helpful to understand, because one of the

challenges we have had is understanding not only the total numbers but how they impact year on year. You have highlighted the challenge that where there are problems in earlier years, they create a greater cumulative impact. That is useful to understand.

Can we look at the better care fund? You welcomed it and clearly you want more but, in some of the written evidence we have had, there is a debate going on about whether it is actually going to the activities and needs that were perhaps originally envisaged. What, in your experience, would you say the better care fund is actually being used for? We see some complaints, anecdotally, that it is being siphoned off for the NHS.

Sarah Pickup: You are talking about the original better care fund, as established in the 2010 spending review. The first thing to note is that the first billion of the better care fund was the same billion that was part of the £7.2 billion that came to councils through the spending review. The better care fund was comprised of the money that was already transferred and in use to support social care budgets. That continues; it is the core of the minimum social care protection. Around £2 billion of the £3.5 billion in 2015 was spent on social care. Another significant portion, by requirement, is spent on community health.

But there are a lot of complexities in the way the better care fund has been set up. There are a lot of conditions, and some money has to be set aside in case performance targets are not met, in which case some of the money gets diverted into funding what they call over-performance in the acute sector. If insufficient admissions are not reduced significantly in accordance with targets, some money has to come back from the better care fund to pay for the cost of those admissions. I think that is where some of that concern comes in.

The better care fund was not new money—very little of it was new money. It was either in the CCG budgets or it was the previous NHS transfer, and indeed part of the disabled facilities grant, which has been significantly increased in the last year or so. It is spent on a mix of things: the biggest portions are social care and community health, which is good, but those portions were already being spent on social care and community health. Where people have been able to run services differently or look at things differently, the better care fund has provided a stimulus in some places to get the money better used to deliver better outcomes and to prevent need. But in some areas it has caused some dispute, and in others it has been a kind of hurdle to be got over while people were getting on and trying to do joint work anyway. There is a lot of form filling and completion that has to be done to submit your better care plans.

Q64 **Mr Prisk:** So, from the LGA's point of view, you don't think it has encouraged innovation?

Sarah Pickup: I think it has encouraged innovation in some places, but it is not the only thing that has encouraged innovation. It has got some people round the table thinking differently. Some areas have put the entirety of their older people's budgets into the better care fund; they have gone way beyond what was required, and they are using it to lever change.

I think what you'll find is, in the areas where both the council and the CCG are very financially challenged, it is much harder to do that. There will be some areas, even financially challenged, where a difference has been made, but it is not sufficient on its own. It is a very small segment of spend and a lot is being pinned on it. Integration has got to go way beyond the better care fund. We have got to think about community infrastructure. We have got to think about community health—primary and social care—sufficient to prevent those admissions and to prevent the needs arising in the future.

If you look at community healthcare, the King's Fund published a report a couple of weeks ago that showed the numbers of district nurses are in significant decline. In the face of rising need, who is doing that work? It is probably home carers. Is there a lot more money to fund home carers to do the work that district nurses used to do? There isn't. Every time there is a proposal or a change, like the better care fund or STPs, in some places that will stimulate a shift and will make good things happen, but it is really challenging to get that integration across the board while you're still grappling with a cake that is insufficient and with different drivers of spend and different outcome requirements and different priorities. It requires a bit of positive deviance rather than going with the system; people do it almost despite the system, rather than because of it.

Ray James: The BCF was a very well-intended initiative that was intended to do exactly what you described—to encourage the NHS and social care to plan more effectively together and to think about how they might innovate and so on—but its narrative tried to be all things to all people. It counted all of the money in the spending power of the NHS as if all of it was at the disposal of the NHS. It counted all of the money in the spending power of local government as if all of it was available to them. Last year, I was heard repeatedly saying that the last time I put a tenner in the joint account, it was still a tenner. It did not miraculously become £20. I might have used that £10 more effectively but it was still £10, so I think there was an issue about transparency of expectation. As Sarah said, it was existing money that was reframed, repackaged and put together. There was no way local government was going to think ill of an opportunity to access some additional funds in difficult times, wherever they came from, but it was existing money within the system that we were being rightly challenged to think about how we might use to best effect.

Perhaps inevitably, when it was ultimately being accounted for, and the accountable officer to Parliament was within the NHS, there was going to

be a degree of protection if the targets on admission avoidance and A and E were not being met. Some money was held back in order to protect against that— about 3% of total system spend. If you add in what many areas decided to add in voluntarily it got up close to 5% of total system spend. Perhaps there is an argument for wanting to bring it all together rather than some of it but, ultimately, that judgment and that decision is best made in local places by local people who understand that place and are committed to that system and making it work. Ultimately, I don't think there is evidence anywhere in the world that suggests that integration alone will solve the scale of the financial challenge that we face for health and social care. It has to be about both adequate resourcing and integration and other ways of making sure that that money is used as effectively as possible.

Q65 **Mr Prisk:** This may just be particularly from the LGA's point of view, but are you satisfied, or perhaps I should say confident as we're looking forward, that the sums that councils get will be linked to the amount they can actually raise via the precept? You all mentioned a potential localised mismatching. Are you satisfied that is the case?

Sarah Pickup: Obviously, the social care precept raises different amounts in different places, and actually sometimes looks as if it is inversely related to social care needs— the places that raise the least sometimes have higher levels of need. The proposal that is out to consultation at the moment for distribution of the BCF seeks to give more of the new BCF funding to the councils that raise the least in council tax. That is those that have the opportunity to raise the least, not what they actually raise; if you decide not to put it up, you don't get more BCF. It is about, "Did you have the opportunity to raise it?" If you didn't, you get a bigger share of the BCF. There is a really important point looking forward, in terms of whether a social care precept is a way to do this in the future: it only works in this spending review period with that BCF to balance out the areas that have less access to resources. If we go into the next spending review period, you would either need some more BCF money to do the balancing or you would have to do it through the new business rates retention. The needs formula is the only way to correct for need in a future local government finance system.

Q66 **Mr Prisk:** Would your preference be the latter?

Sarah Pickup: My preference would be to get some more funding into the system, because the profile of rising demand for adult social care is not necessarily going to track council tax and business rates income—we need to be really careful if we expect that it will. Adult social care, if you look at it with children's services as well, is a big proportion of council spending. Our sources of funding in the future will be business rates, council tax and local charges. We can redistribute to our heart's content, but we will still have a problem if there isn't sufficient funding to fund the

service. Yes, the needs formula is really important, and the work we are doing with DCLG to take that forward is high on our list of priorities. That does relate to social care, but it does not detract from the need for adequate funding in the system.

Ray James: I have a couple of quick points. In terms of the equity of distribution, because the BCF money doesn't come to councils until the latter years of the Parliament, it is not really being equalised this year and next year, so there is a particular challenge this year and next year in the most deprived areas. My second point amplifies Sarah's final one. Local government funding reform needs to try to incentivise the generation of additional money, as well as to deal with a fair means of ensuring that there is an equitable distribution based on need. I don't think the two are mutually exclusive, but it probably needs to try to do both things.

Chair: That is the major challenge.

Q67 **Kevin Hollinrake:** Sarah Pickup, will you briefly touch on the overall spending that is going to be allocated to the BCF in terms of the precept? I think the previous Secretary of State is on record as saying that that was based on representations made by the LGA in its spending review submission. He went beyond the amount that he was told he needed. What is your view on that?

Sarah Pickup: The Secretary of State was referring to our previous spending review submission, which at one point talked about a bare minimum of £2.9 billion being needed for forward pressures. In that figure we had used an estimate of the national living wage. As Ray has already said, the reality is that it has cost more than the estimate that we included. Also, there was no provision in there for the existing system and its shortfalls, and that is the first thing.

The really important theme through this goes back to successive Governments and sustainability, which was mentioned. Social care is part of a council's wider work. You can put £2.9 billion into social care but, if you look at the spending settlement for councils for this spending review period, it is flat cash. Yes, there is more money in social care but, overall, councils have to match every pressure with a saving—every pressure, every bit of inflation, every extra older person or deprivation of liberty safeguard and all the Care Act requirements have to be met by a saving that counteracts it. Unless all those savings can come from somewhere else in the council, other than adult social care, a significant proportion will be falling back on that. Unless you tackle council funding as a whole—and similar things apply in the NHS—you cannot plug one gap without a problem popping up somewhere else. If you put all your resources into adult social care, you have a problem with children's services, homelessness and general inflation. That is the big issue.

Q68 **Kevin Hollinrake:** Do you accept that he gave what the LGA asked for?

Sarah Pickup: No, that wasn't what we asked for. We said that that is the minimum needed to meet the future funding pressures. We didn't say that that was what was needed to solve councils' financial problems and to completely protect adult social care. It was a figure that was picked on to say, "Yes, we've met your needs," but there was lots of other information in that spending review submission about the other financial pressures on councils, and on adult social care in particular.

Ray James: Very briefly, again, there is the same issue with that figure being available at the end of the Parliament and not at the beginning—it is backloaded towards the end.

Q69 **Kevin Hollinrake:** Looking at the whole precept system, what are your views on it? I know you have touched on it briefly already. What are the pros and cons? What do you think?

Ray James: Some of us have been around so long that we remember councils raising council tax and local taxation playing a role in distribution, et cetera. It wasn't a new innovation as such.

Let's look at the rate at which demand for social care is going to grow. Let's think about people aged 85-plus as one of the groups very likely to need social care. That proportion of people grows by 75% in a 15-year period, from 2015 to 2030. The number of adults with a learning disability grows by over 20% in a similar period. So inevitably you are going to need more money. It's arguable as to whether you could do much about prices, given the fragility of the market at the moment and what is going to happen with the living wage—about 80% of care costs are labour related. So in that sense you are going to need more money.

The extent to which that is drawn from national taxation, local taxation or perhaps more contributions from individuals, in terms of the settlement and all that kind of thing, is, I think, worthy of a transparent debate and trying to reach some agreement as part of that. It is likely that all those things will need to contribute, but we want to try to give citizens some clarity about what they can expect and how they can play their part in funding. But we want state funding, public funding, whereby, however it is collected, ultimately there is some fairness, some equity, in terms of people getting a similar level of service based on their need, so the distributional point will be a challenge. But I go back to where I began: ultimately, you can't get away from the fact that this system is not sustainable with the current assumptions about the proportion of GDP and the overall levels of funding when you look at what is happening to the level of growing demand.

Sarah Pickup: The LGA's position is that there should be no cap on raising of council tax. It should be down to local determination, and that should include why there has to be a separate social care precept. It is just more council tax in law, although section 151 officers have to say it is spent on social care. We would advocate a freeing up of local politicians to make local decisions. Having said that, by introducing the social care

precept, you have almost shifted the responsibility for rising demand for social care to a local funding source rather than national, and differentiated still further from the NHS, which continues to make the case nationally about the pressures on its budget. The problem for us is, of course, that when the NHS is under pressure, people see queuing ambulances and the hospitals go on black alert, whereas when you can't find a home carer for Mrs Jones, nobody sees it on the news, but it is equally devastating in the effect on individual lives. So those things are important. Treating social care so differently from the NHS, in terms of saying, "Well, okay, councils, if you want to raise more council tax, that's up to you"—it doesn't work for everyone. Unless you have the distributional mechanism right, you have a problem.

One of the proposals that the LGA has made in our response to the consultation on business rates is that the first part of newly retained business rates should be used to address the pressures on local government. That would include adult social care, but other pressures, too. Our estimate of forward pressures on the rest of councils—leaving aside the £1.3 billion on adult social care—is £4.5 billion to the end of the spending review period. If that is not tackled and funded, where are we? Another billion or two comes back on to adult social care. So there is something about how you implement business rates. I know it's not fiscally neutral, but how do you implement business rates in a way that allows some of those resources to be devoted to the funding of adult social care pressures and other pressures? It's a question of thinking about that relationship between the NHS and social care, the desire to integrate them further and how that is affected by the difference, and then taking the cap off both council tax and business rates and letting local politicians make local decisions for their communities.

James Lloyd: It is a temporary fix during the current spending review; that is how I would pitch it. It is a step forward in political terms that finally we have an explicit acknowledgement in fiscal policy that there are funding pressures on the social care system. Having the precept included as a line on people's council tax bills does hopefully raise awareness of the fact that local authorities actually do this thing that we call social care, and it potentially provides the basis for a further public discussion about how we fund social care so that people become more aware that they are having to pay a bit more towards it. We can then have a conversation with the public about whether resources in the system are adequate and what in addition they may be expected to pay for social care.

We should not fail to acknowledge that there are a number of positives about the precept, but there are also multiple limitations and drawbacks. We have experienced many of them already. There is clearly an issue around the coherence or otherwise with the integrated care agenda and the desire to bring the health and care systems closer together in relation to their funding.

I do not think anyone has mentioned the fact that council tax is a regressive tax, so by further increasing the role of council tax in funding social care, you are further increasing the regressive nature of the tax base used to fund social care. The Treasury Committee has queried the role of hypothecation at a local level in funding social care. Why would you link social care and the demographic growth of demand for social care to the growth in council tax revenues or otherwise? More broadly, does it take us in the right direction for how we want to fund social care as a society over the next 10, 20, 30 years? If you think about it, it is a very odd way of trying to fund social care. The link between social care and business rates in particular has never been clear to me. I am not really clear why we try to fund social care through a locally administered tax that is now effectively part-hypothecated, plus business rates increasingly in the future. That feels like a very odd way of funding social care.

Q70 Kevin Hollinrake: Touching on hypothecation, is that a positive thing? I know you have written about this before, but do you feel hypothecation is a positive step forward?

James Lloyd: Hypothecation is a tool that the Government of the day can use to try to increase the public acceptability of tax rises to fund a particular aspect of expenditure. There are other types of hypothecated tax that could be introduced for social care that may make those tax increases more acceptable to the public.

Q71 Kevin Hollinrake: An employment tax, or something like that.

James Lloyd: Employment tax, asset taxes and inheritance taxes, if I dare say so, have often featured in this debate and been put forward by various stakeholders. The trouble is that if you think of the various types of asset tax or whatever, you are talking about a permanent switch in fiscal policy that will provide continuing revenue going forward. As I said, we will see the limits of the precept during this Parliament. Councils will reach a limit as to how far they can increase the precept year on year, and that will be as far as we can take it. At that point, the Government of the day will have some choices about what they do with the precept. Do they just pool it more generally into council tax—or whatever?

Q72 Kevin Hollinrake: On that point, what is the best solution to proper funding of adult social care in the longer term? Is it national taxation? What do you think?

James Lloyd: There are clearly difficult choices to be made and difficult conversations to be had with the public. Because of the demand pressures owing to an ageing population, a natural place to look would be public expenditure on older people, to see whether some of that could be trimmed. In that regard, you would have to look at the state pension and the cost drivers of increasing expenditure on the state pension going forward. The way to save money in relation to the state pension is obviously to think about where we set the state pension age and the

formula that is used to uprate the state pension year on year. I know that a number of stakeholders, both in this debate and beyond, are interested in the future of the triple lock and whether the triple lock needs to be replaced as a funding mechanism.

Q73 Kevin Hollinrake: So that is just a cost reduction that you are going to allocate somewhere else. That is what you are saying.

James Lloyd: Yes. You are moving money around from different bits of public expenditure. In relation to age-related public expenditure, you have older people's disability benefits here and social care, but then the state pension. There are multiple—

Q74 Kevin Hollinrake: So not a national hypothecated tax; you are talking about just reallocating—

James Lloyd: There is no one solution to this. It is foolish to think that we can just flick a few switches over here—a national tax there, or maybe trim state pension expenditure—and that will solve it. There will probably have to be a suite of interventions and changes to fiscal policy. As well as age-related expenditure, you arguably have to look at asset taxation. Whenever people have looked at this debate over the past 10 years and said, "Given the rising demand for social care, where is the money?"—arguably, it is in people's homes.

Q75 Kevin Hollinrake: You are talking about a mansion tax, or something like that.

James Lloyd: That sort of potential space, yes, but it is worth emphasising that it happens already. People are using the value of their homes to fund social care. If they are not entitled to local authority support, in the vast majority of cases it is their housing wealth that is being deployed to fund their social care anyway. So it is already in the mix of the funding of the social care system.

Sarah Pickup: Councils are raising two general taxes. Business rates tax is raised from business but it is not a targeted tax. And there is council tax. They are two general local taxes. They are raised in local areas and they will be retained in full by local government in the future. Business rates is always supposed to be, in law, spent on local government services and at the moment that is done largely through the revenue support grant because it is retained and given out. In the future, we are told that we have to take on new responsibilities to be able to retain more grant. Well, we accept that to an extent, but we think that local services should be properly funded from those local taxes before new responsibilities are transferred. This money is raised in local areas from local businesses and the first call on the next tranche of retention should be properly to fund services. I realise that that is not fiscally neutral, and it will in the end involve some decisions by someone else, but this is money raised in local areas.

That is part of what we would say should happen: that local taxes should be used for this purpose, but also, in the same way as you can't see social care outside the council context, you shouldn't look at social care away from the NHS. We are looking at the contribution of individuals, the state and communities to social care, so why do we not look at parts of the NHS in a similar way? There are real cross-overs and there are real disincentives to spend on the right thing. Councils, in their need to constrain spend, have had to curtail spend on some of the very things that could prevent this—it is not because they want to; it is because they have nowhere else to go. If we look at that money together, it is not to say that integration is the solution to the funding problem, but I believe that we can use the money we have across the system better if we do not always have to think, "Well, I'll spend the money and they'll get the saving". Some places are achieving that. There is real evidence that if you get into some of these new models of care you can deliver change. The trouble is that we always do it in the face of rising demand and innovation in healthcare so it is very difficult to separate what you save from the pressures that come in.

Ray James: I have a few thoughts. I would like to turn "hypothecation" into "transparency" because I think there is something about being really clear all the way through with local and national taxpayers and individuals who are arranging care, so that they know what they can expect and what they can plan for. Similarly, part of the thinking around the precept was, I assume, about trying to ensure that if councils had extra money they would definitely spend it on social care because the Government felt that that was what the greater flexibility being allowed in the local tax-raising powers was for. There is merit in transparency, in ensuring that if we are prioritising social care for funding we can be straightforward with everybody, in saying that money intended for a purpose is being used in that way. Transparency in that is a good thing and it should flow all the way through.

As I look forward, given the relationship between deprivation and the need for social care—there is a really strong link between levels of disability and mental illness and the prevalence of that, and also in terms of lone older households in deprived areas—it seems unlikely that local taxation alone could provide for that. So you are inevitably going to need national taxation to play a role. That said, given the way in which other local services are crucial to the lives of people in social care there is probably merit in having a link between local taxation and those services as well. In a sense, it is about being more ambivalent about where the money has come from and being more concerned about the adequacy of it, the fairness of its distribution and the effectiveness with which it is used.

Q76 Helen Hayes: Given this part of the discussion and the comments you have made about council tax-raising powers and business rates and so forth, I am guessing that the answer to my question might

well be no. But my question is: do you believe that the current powers and responsibilities, and the split of powers and responsibilities between central and local government, can ensure sustainable funding to adult social care in the future? If not, and please do not repeat what you have just said about the fiscal framework, are there other changes that you think should be made to the way that local and national Government work together on the delivery of social care?

Ray James: A couple of thoughts from me. First is the way in which we support and incentivise family and informal carers. We have a national carers strategy, with many carers making humbling contributions to the lives of others. If we look at that going forward, there has to be something about how national Government supports carers in a way that is beneficial to local government and the NHS as well as, most importantly, beneficial to them and the people they care for. If we think about the wider economic consequences of decisions, for carers and others, there is probably a fiscal case, as well as a really moral case, about the support that society provides for carers. That is the first thought.

The second is probably about housing. If we think about the way in which we are planning housing for people as they become older—think about the overall accessibility of housing, what we might do in terms of a supported housing offer and other things—there is the potential to be increasingly joined up, where the experience and the local planning is also supported by the national frameworks that are developed by Government to try and make sure that when we tackle our housing challenges going forward we are thoughtful about the housing needs of older people, and of people with disabilities, as well as the general population.

Sarah Pickup: I think that the powers are not sufficient. Local government has been hugely constrained. It has had the rising pressures, with no levers with which to fix them other than local fees and charges. So it has had the referendum limits for council tax and the nationally set multiplier for business rates. So where is their capacity to solve the problem, even if they had chosen to do so?

The way in which things need to be framed—I have said quite a lot about the balance, but I think we should mention devolution here, and sustainability and transformation plans in the NHS—we absolutely think that there should be more decision making at local level. We think it is the right place to make decisions about people and the services that they need. If you link what Ray just said about things around homelessness, housing and the skills agenda to support for the social care workforce, we

think that greater devolution to a local government level would support better delivery of health and care services to people.

One of the key things in that is the release and empowering of local areas in the health side to do deals and make arrangements in the local area, without fear of override. So having sat through some of the BCF plans and negotiations this year, it is clear that some local areas want to get on and do things, but some of the national rules around property, or around different things that you can and can't do within NHS England and the arm's length bodies rules, sometimes get in the way of local solutions. We need a solution to that. We know we have got one accountable officer at the head of NHS England. It is not conducive to those local solutions, except where they are in favour. There are some great examples in Manchester and the West Midlands and some other areas—Cornwall—where there is some devolution of health and social care powers, but it is quite difficult to achieve.

Q77 Helen Hayes: Returning briefly to the 2015 spending review and its impacts, what do you think will be the impact of the introduction of phase 2 of the Care Act, and is there anything further that you want to add about 100% business rate retention? My question would be—having commented on the financial sustainability—are there any issues that you foresee about the accountability of local authorities to a business source of revenue, when businesses are not, most often, well served by the delivery of care services into the community?

Ray James: Shall I try the part 2 bit, and then leave the other bit to colleagues? The proposed introduction of part 2 of the Care Act in 2020—our view in relation to that was that that was an attempt at a transparent means of allowing people to plan, and about bringing new money into the system; but ultimately we would not have advocated spending public money on the introduction of that when the core social care system is facing the financial difficulties that it is. Assuming that the core system is funded adequately, signalling strongly a transparent means by which people can think about planning for their care needs in the longer term has to have merit; but it is very clearly on the basis that the core system is adequately funded first.

Sarah Pickup: I would absolutely agree. The sustainability of the current system is really important. One of the forgotten bits of part 2 of the Care Act is not so much the cap but the taper. The increase in the taper would have benefited way more people. People on lower incomes have not got the assets, so the cap does not affect them, but being able to retain more income before having to pay the full cost of care would have been beneficial. We support the introduction, but only if and when the care system is sustainably funded.

In terms of accountability to the business community, business rates are a general tax. However, in our response to the business rates

consultation, we are very clear that, after the service pressures have been funded—we think they should be funded as a first call—we would call for the transfer of responsibilities relating to skills, employment and transport. We think they will support growth in local areas; they will support business and sectors like the care sector to get the skills they need in the workforce in their local area. Those things support the business sector, so we think the new responsibilities coming should be in that territory. That would give something to the community that foots the bill.

Ray James: That prompts me to say something on your previous question about national support. We need to do something about the recognition afforded to the front-line social care workforce, so the living wage is really welcome. Every minute of every day, front-line social care staff make a very personal, very real difference to the lives of over 1 million people in our country. They are paid roughly the same as people who stack shelves in supermarkets. If we look at what we expect of them and the rate at which the population is growing, we will need to make sure that social care is a more attractive place for people to work and that people who work in it, while rightly held to account when things go wrong, are valued and appreciated in a way that is much more consistent with the quality of service that society rightly expects of them.

Q78 **Chair:** One final question, very briefly. Is it your view that, despite all the changes and the retention of the business rate, when we get to 2020 and look beyond, we are still going to need an element of funding from central Government, particularly to address the distributional problem of councils' different abilities to raise money at a local level and the pressing needs they have in different areas?

Sarah Pickup: It all hinges on what happens with business rates retention. There will probably be a £7 billion to £11 billion resource, and it has not yet been determined how it will be spent. It is likely that a significant proportion of it will be spent on public health—on funding public health from local rather than central resources. The LGA is certainly calling for some of that residual resource to be used to fund the pressures. If it is, and if we get the distribution method right, we may have a sustainable solution. If every penny of the remaining resource has to be spent taking on new responsibilities and the current services remain funded as they are, then, yes, we will continue to need central Government resource. The only resource left at that point will be funding from the better care fund.

Ray James: It is undeniable that the total quantum required for social care will be greater. We need to be tracking the rises to changes in population rather than to other indices, and modelling and forecasting in that way. In the context that there will definitely be a need for more money, the unallocated part of the business rates may well be a part of the answer, but if we look at what has happened in recent years, the

proportion of GDP spent on social care appears to be declining. That is completely counterintuitive, given what we know about level of population, demand and so on. There will be different ways of trying to forecast the right figure and where it will come from, but there needs to be a shift that is commensurate with what the demand is going to be.

Chair: Thank you all very much for coming to give evidence this afternoon. It has been really helpful to the Committee.

Witnesses

Examination of witnesses

Councillor Jason Arthur, Cabinet Member for Finance and Health, Haringey Council, Tony Kirkham, Director of Resources, Newcastle City Council, and Councillor Colin Noble, Spokesman for Health and Social Care, County Councils Network.

Q79 **Chair:** Good afternoon. Thank you for coming to give evidence to us today. Please say who you are and the organisation you represent.

Councillor Jason Arthur: Jason Arthur, cabinet member for finance and health at Haringey Council.

Tony Kirkham: Tony Kirkham, director of resources, Newcastle City Council.

Councillor Colin Noble: Colin Noble, leader of Suffolk County Council, and health and social care integration spokesman for the County Councils Network.

Q80 **Chair:** Thank you. You were probably listening to the last session, so let us begin at the point where that finished on the demographic pressures. Could you say a bit about the demographics with regard to social care and demand in your areas, particularly in terms of Haringey and Newcastle, but also more widely for the County Councils Network?

Councillor Jason Arthur: In Haringey, we estimate a 10% increase from now until 2021. Of that increase, we anticipate that elderly people—we can say that anyone 50 or above is elderly—will be the fastest growing group. We will likely see some 73,000 people over the age of 50 by 2021. That will obviously create a significant challenge for us. Beyond that, it is not so much just the growth in numbers within the borough, but it is also the extent to which those individuals are living with very complex needs and our capacity to support those with multiple complex needs.

Q81 **Chair:** Have you any information about the elderly at 85 and beyond, who perhaps are much more likely to have those sorts of

needs than someone of 50 or 55?

Councillor Jason Arthur: Sorry, can you say that again?

Q82 **Chair:** Have you got any figures for the increase in the number of people aged 85 or beyond, or 80 and beyond, who are likely to have those sorts of complex needs that really create financial pressures?

Councillor Jason Arthur: I don't have those figures with me for 85 and upwards specifically. What we are seeing is perhaps not so much at 50 but certainly from the 65 to 70 age range particular challenges with diabetes and the prevalence of smoking within our borough. In terms of complex needs, it is not so much above 85 but slightly younger than that where we are seeing that we need to provide care and support.

Tony Kirkham: If you extend the timeline to 2039, we think the 85-plusers will double in Newcastle. But, as my colleague says, people are starting to have life-threatening issues from their early 60s in Newcastle, three years earlier than the national average, but still somewhat lower than what we will end up with with the pension age at 67. So those demands on social care services come much earlier in the cycle. There are higher dependencies by the time they get to 85, but they are in the system for a significantly longer time and it will cost.

Councillor Colin Noble: At the County Councils Network we are predicting that the over-65s will grow by about 2% per annum, whereas I think the national average for English councils is about 1.8%. It doesn't sound a lot, but it is actually quite a lot of people. In Suffolk we tend to look at the over-75s, because we feel that is when people start to have those co-morbidities and more complex needs. Currently there are 67,000 people out of a population of 732,000. Everyone has got a slightly different stat as to what you take it to, but we are predicting that to go to 126,000 by 2030—almost a doubling. Dementia is very significant. Currently in Suffolk we have identified about 9,000 people over the age of 75 who live with dementia, and we think that will double by 2030 to 18,000. Obviously, it is extremely expensive to provide care for dementia.

Q83 **Chair:** Does the revenue support grant and how it is distributed reflect the challenges of social care in your areas? Looking forward, have you got views about how it might better reflect that in the future?

Councillor Jason Arthur: We are seeing quite a significant reduction, as most local authorities are, in RSG. From 2010 to 2018, our budget as a whole will have reduced by about 40%, which is about £190 million. That leaves us, at the moment, with about £51 million-worth of revenue support grant, which is getting largely sucked into our provision of social care. In terms of our broader budget, we are looking at about a third of our spend being on social

care. With the decline of RSG—this was mentioned in the last panel discussion—we are obviously having to become much more focused on our local sources of income generation: council tax and business rates. The way we see it at the moment, neither of those, certainly in the short term, are going to be sufficient to deal with the increase in demand and the complexity of that demand. At the moment, RSG is not providing enough for us to be able to support what we have and, as that declines, we do not believe that our local sources of income are going to be able to provide that level of support either.

Tony Kirkham: The relative needs formula underpins the revenue support grant and, you probably know, has been frozen. If we take it back to 2014-15 for Newcastle, we had a relative needs formula in relation to adult social care of £61.7 million, and we were spending about £82 million. Now, as the revenue support grant has been cut year on year, the projection for 16-17 is that the relative needs element of that is around £47 million within that formula, and our spend is around £97 million. You can see the two things are actually starting to diverge. In relation to the overall savings Newcastle has had to make since 2010, we are looking at £221 million of ongoing savings. Those savings have come from a range of services and we have actually managed to protect social care. Adult social care has only contributed £39 million towards that £221 million so far, which has meant that the overall proportion of our budget on adult social care has increased from 30% to 35% during that period. If we bring children's social care into that, over 50% of what the council now spends is actually on social care. Now, 4% or 5% may not sound so much, but we had to take it out of other services. We have had to halve our leisure budget in order to achieve that increase in relation to social care. There is definite divergence in relation to need, the expenditure we have and the revenue support grant that is built into the system to support us.

Councillor Colin Noble: For us, the freezing of the relative needs formula and an ageing population, with that slight increase in the county areas, reflect similar things—a 40% reduction over the last few years in terms of the amount of money we have to spend. What we are seeing is exactly the same thing. I don't have the specific figures, but the reality of it is that each year, to at least maintain the adult social care budget, we spend less and less, and some very tough decisions have to be made around that. It is very difficult when you are trying to explain that to the public. Things like MORI polling say the No. 1 thing for people is maintaining the roads, and unless you are using, or some family member is involved in using, adult social care, it is not very high on your agenda, quite frankly. Those become more and more difficult conversations to have—the fact that, actually, we are going to need to spend more and more on the things you don't value.

Q84 Mr Prisk: You each represent quite distinct authorities. Very

briefly, what would you say is the single most important factor in your area that is applying pressure on your social care budget?

Councillor Colin Noble: Fundamentally, for most of the county councils—this is certainly true of Suffolk—we are rural, and I think people gloss over what that means. What it means is that you can have quite a lot of drive time between care packages. In Suffolk, one of the things we've spotted is that a number of providers were cherry picking. They were going to the towns and saying they would pick up the care contracts in those towns, so we have divided the county into 35 separate geographical lots and tried to mix some areas where you can make a reasonable profit, if you are a company that seeks to make profit, or a charity, but you are also going to take on small areas as well. Actually, the number of care packages is quite small and it is therefore quite expensive to deliver. That is one of the tactics.

Q85 **Mr Prisk:** For you, your rurality is the key question?

Councillor Colin Noble: Yes, and I think for most of the county councils, it is the rurality that is a significant problem. While you would want people to coalesce as they get older, they do not, and many of them are still living in inappropriate housing. That tie-in between care packages is the very expensive end of what we are involved in.

Tony Kirkham: If we are looking for one single driver here, the national living wage is going to cost us around £19 million ongoing by 19-20. That is a 20% increase in our social care budget.

Q86 **Mr Prisk:** What about Haringey?

Councillor Jason Arthur: The level of deprivation in the borough. Particularly in the east of the borough, we have a lot of residents who do not have access to good housing or the necessary level of primary care provision and are not necessarily making the healthiest choices. That generates a number of factors that, fed down the line, hit us as a local authority. At the moment, we have the cuts to our budget, the cuts to the voluntary sector in Haringey and pressures on the NHS more broadly, but the fundamental underpinning factor that I think is going to cause us issues further on is the fact that we see significant levels of deprivation in the east of the borough. That leads to a number of factors that we do not have the capacity to address either through our public health spending or through the provision of social care directly.

Q87 **Mr Prisk:** I think in the evidence we have seen, you as an authority cited 40% as the reduction that you have made. Is that number similar in the other two authorities—Newcastle and Suffolk? How have those been achieved? Is it all about paring down? Is it about doing things differently?

Tony Kirkham: Paring down is obviously part of it, but the key statistic for me is the number of people we are actually working with.

Q88 **Mr Prisk:** And 40% is a similar figure—

Tony Kirkham: Yes, it is about 44% of what you might describe as the budget that we have that is available for local decisions, excluding the dedicated schools grant and so on.

If you go back to 2010-11, we were providing support and care to 9,780 people through social care. We are now providing that to 5,237 people, despite there being an increase in numbers. The risk profile that we are having to take in relation to supporting people has had to change quite significantly. We have worked with providers in relation to how we have set the market for home care. We have three areas—it is a much smaller geographical area, but we have two providers in each of those areas, and we have worked with them on how we manage to reduce their dead time in relation to home care provision and so on. We have had to look at quite a range of things, but ultimately it means that fewer people are getting less service going forward. Those numbers will only increase in the downward trajectory towards fewer people having interventions from the council.

In some areas, people actually just want direction and advice. We have an online app, for which we did a soft launch back in February, which has actually reduced the number of referrals in relation to physical disabilities and aids and adaptations by 18%. That is something that people can use themselves, and they are looking to do that, but one of the biggest issues for the council is the level of deprivation in the area in relation to income. You have very few self-funders, so if people fall into need for social care, they do not have houses or assets sitting behind them, and as a result of that, they have to come to the local authority for financial support in relation to the delivery of that much earlier in the process.

Q89 **Mr Prisk:** Is it a similar story in Suffolk?

Councillor Colin Noble: Yes. We all recognise 40%, broadly speaking. We are two-tier, so there are particular issues around the new homes bonus and various other things, but we all recognise that as being the figure.

For Suffolk, like most upper-tier authorities, it is about trying to be more efficient, but there is a law of diminishing returns. We came in in 2005. We have been running programmes ever since to try to make the organisation more efficient, lower the overheads and all those types of things. One of the things that we are particularly focused on is a programme we have called “Supporting Lives, Connecting Communities,” which is very similar to “Think Local, Act Personal”; it is building community capacity. At a very simple level, we went to one town and put up some posters, hired a hall and found 138 local charities and social groups that we didn’t know anything about. Originally it was a demographic solution—it was an ageing population, and we needed to understand this and our communities more—and now it is probably a bulk thing. Effectively, we are trying to save money through adult social care. It is about prescribing things that don’t cost a lot of money and it is about

trying to build community capacity. That is a very big part of how we are trying to cope with what we are going through. I think we would all recognise that, for all the different things we run, there is a law of diminishing returns—they will only go so far. The fundamental point is that there is not enough money, and we have to work out how to solve these problems if we are going to cope with the ageing population that I think most of us have.

Q90 **Kevin Hollinrake:** Just to touch on the quality of care, I understand that you are reducing the numbers of people. Is that just through changing the eligibility criteria? What is the impact on the quality of the care that those people receive?

Councillor Jason Arthur: My take on it is a slightly nuanced one. I am not entirely sure that the quality of the care that the council had provided previously was of a particularly good standard. We are certainly now much more reliant on care provided within the community by private sector providers. The extent to which that care is of a decent quality fluctuates because of the level of funding pressures on those providers within the community, which affects the extent to which they can provide the type of service that we, as councillors or as a council, would expect. We have recently had issues with some of our providers where it has been quite clear that, in terms of the quality of the service that they have provided and the extent to which they are properly remunerating staff, they have not been following or complying with Care Act standards, so we have had to step in and work with the CQC to try to address that and to put in place an embargo on clients going to those providers. For us, the challenge then becomes, "What is our capacity, if we are not necessarily delivering the services directly, to intervene and maintain standards both in the private sector and in the voluntary sector?" Again, as we deal with the impact of cuts, our capacity to do that is obviously reduced. The major challenge we have is that ultimately, if we are not the direct provider, we have to be able to intervene, and at the moment I am not sure that we are in the best place to intervene because of the pressures on our budget.

Q91 **Kevin Hollinrake:** You have not specified the level of service but are simply saying, "I was confident that that service was being delivered." Is that what you are saying?

Councillor Jason Arthur: No, we have expectations. We are against things like 15-minute fly-bys. When people are going to provide domiciliary care, we want to see them spend the right time there. We want to see staff being paid for that provision in the correct way. So we do have certain expectations as we move away from a day centre model, which is the one that we have traditionally provided, to one where people are accessing opportunities within the community. We are setting very clear standards for those who are providing it—whether it is the leisure centre, our own libraries, coffee shops, et cetera—to try to ensure that

they are catering to people's needs in an appropriate way. It is not just about being clear about the standards; it is about having the capacity to enforce those standards.

Q92 **Kevin Hollinrake:** Have you reduced the number of people for whom you are providing care?

Councillor Jason Arthur: Yes, there has been a reduction in the number of social care clients.

Q93 **Kevin Hollinrake:** That's the eligibility criteria, is it?

Councillor Jason Arthur: It is a mixture. For us, part of it is through eligibility criteria and part of it is that because the quality of provision, a lot of people would say, has reduced, people are choosing, if they can, to self-fund and to find their own provision rather than to work with the council. Ultimately, in terms of the care packages that we are providing, our aspiration is to try to promote independence as much as possible. Even where we have a client who is receiving the same care that they received a year or three years ago, there is a good likelihood that that has reduced, in part because of cost but also because we would ultimately like people to be as independent as possible. We think that is good for them as individuals.

Tony Kirkham: Certainly, we have worked on the agenda of enabling people and providing support in a more creative way. We now have individual service funds, so that rather than the home care providers looking at the fly-by visits, they are looking at the needs of the individual and flexing that support. Everybody has good days and bad days, so it's a case of trying to be light touch on good days and having the flexibility in the system to spot that the bad days are coming and support the individual through those bad days. We work with the private sector providers to look at how we combine those two issues. But yes, there has been a strict adherence to the eligibility criteria. Whereas we might have been much more rounded in a package of support, we are now, as our assistant director for adult services said, trying to prevent deterioration rather than actually helping people to thrive.

Q94 **Kevin Hollinrake:** So you feel the quality of service has deteriorated.

Tony Kirkham: I think the quality of the service is still good. I think the range of services that we provide is less, and we are actually asking people to do much more for themselves as part of that. But in relation to the care quality, we don't have any qualms about that. As I said, we are working with the providers. We think those flexibilities have meant a better service in some ways, but roughly half the people are receiving that service.

Q95 **Kevin Hollinrake:** The reduction that I think you're looking at, from 9,000 to 5,000, is through eligibility criteria.

Tony Kirkham: That's partly through eligibility criteria and partly through the digital agenda, whereby we have been able to suggest other ways of people self-helping.

Councillor Colin Noble: Building on all those points, I think it's exactly the same with us. There are undoubtedly fewer people receiving the service. I do not accept the point that because there is less money in the system, you are commissioning less quality care. This is particularly stark within, say, residential care homes. You have this constant debate about the amounts you are paying and what private payers are providing. We don't accept any lesser standards than we ever did. We still demand that, because we work on the basis that we should be able to have an open and honest relationship in terms of what you need as a provider and what we demand and also what the CQC demands. The CQC is not interested in whether you are being paid this or being paid that. That is of no interest to them whatever, and I don't think it is of interest to us. But there is a lot more in the preventive agenda. There is a lot more in re-enablement. There was a time when you provided a care package and accepted a slow deterioration. Now, a lot of our focus, particularly on discharge, is to re-enable people, and we actually spend a disproportionately increased amount of money on that to try to make sure that people are not just picking up old care packages. I know that's a success, because my private domiciliary care providers are moaning that by the time we have finished with a client and they have got them back, they have less of a package than they were providing to them before. I think that is a good thing, and just generally there is this point about tightening the criteria, rather than any diminution in the quality of service we actually provide. What we have also seen in terms of clients is that, while there are fewer, their needs are rising; the complexity is rising. So there is an issue there, in terms of cost.

Q96 **Mary Robinson:** Continuing to look at the funding streams and the funding pressures that you will be experiencing, I would like to examine that first with respect to the national living wage. Haringey and Newcastle first, please. Has your council been able to cover the costs of the national living wage with the funds raised by the precept?

Councillor Jason Arthur: Not with the precept. In terms of the precept, we used £1.2 million to support clients with learning disabilities, and about £500,000 of the £1.7 million that we raised was used for those with physical disabilities, but that didn't go into covering the national living wage at all, so we anticipate that ultimately, once the full rise has come in by 2020, it is going to add close to £10 million to £11 million on to our social care contracts with providers. For us, the social care precept, although useful, ultimately hasn't really addressed the fundamental challenges that we face, with regard to either the national living wage or, ultimately, all the pressures on our social care budget—the demand

increases. Somewhere like Haringey, where we have high levels of deprivation, the impact of the precept was relatively limited compared with, perhaps, other boroughs where the property values are slightly higher. Yes, it has been helpful to an extent, but it hasn't really tackled the fundamental challenges that we have.

Q97 **Mary Robinson:** And that is what you would expect going forward as well?

Councillor Jason Arthur: Yes. Our approach to council tax is that because it is such a highly regressive form of taxation we are keen to keep it as low as possible. We will continue to do precept rises, I think—certainly that will be the proposal for this year and it is what we would anticipate doing for the future—but in terms of additional increases in council tax, I do not think we are going to be able to do that. I do not think we will be seeing any significant difference in the coming years from what we have had over the last year.

Tony Kirkham: In very simple terms, the precept rate is £1.7 million in Newcastle. The increase in private sector costs as a result of the national living wage was £4.9 million this year, and that is just one of the pressures that social care are dealing with. We have about £15 million-worth of pressures in the system, so the £1.7 million goes nowhere near that—it has obviously had to be across the whole council, in balancing those pressures. As I said previously, £39 million of savings out of social care out of a total of £221 million over that period shows that we have been looking to protect those services.

In relation to the previous discussion that the Committee was having on the Better Care Fund, there are two parts to it. As you said, there is the £7.2 billion that came in. The second part is unfortunately called the Improved Better Care Fund, and that is the bit that is the £100 million next year, rising to £1.5 billion over the three-year period of the spending review. That would come to us more proportionately because of our ability to raise council tax, but even when you take that into account—by year three the council would be anticipating about £12 million from that—and you add back the social care precept of £1.7 million for each of those years, we will still not be meeting just the national living wage pressure from those two sources.

Q98 **Mary Robinson:** Is that the experience of your council?

Councillor Colin Noble: Yes. I am sure you heard from ADASS earlier that the 2% just does not raise the amount necessary. Interestingly, in Suffolk we will have delivered seven years of 0% council tax increases in the upper tier authority—obviously there is a district and a borough so we do not get the totality of the 2%. In essence, it is about £1.5 million light. Then there is an interesting set of conversations. In Suffolk, we basically are commissioners, so we sit down with the providers and talk about the degree to which we pass that on. When you have had four or five years where you have effectively said to most providers, "The increase is zero.

It is a flat sum. You're going to have to cope with that", system failure is the thing you worry about. We have raised the 2%, and it was a difficult conversation to say, "We promised you that we would not increase the base council tax by more than zero but we are applying the national living wage". We put it as a separate line on the district and borough bills and had to pay them to alter their computer systems to do so.

It landed okay, because I think people can understand it. They can understand the raising of the national living wage and how you have to pay for it. But it is a problem for all of us inasmuch as we are in a referendum cap position of 2% and I think a lot of us are starting to say, "Actually, that probably doesn't work anymore". Most of us feel that if we asked for more in a referendum we would probably get knocked back but if the Government is basing—you can debate what it is basing—at £1.74 million, £1.99 million does not raise a lot.

Going forward, there is going to have to be a different set of discussions with the public about what we need and what we don't need, although I would hold exactly the same principle, which is that I am not in favour of increasing council tax because it is a tax you have to pay and it is very difficult for families that cannot really afford significant increases. But, adult social care is one of those things that has to be paid for.

Q99 Chair: Finally, let me come back to the point that you raised about the providers. Have you had difficult discussions, or stand-up rows, with your providers? Some councils have ended up with legal action, I think, in parts of the country. Have any of your providers failed or simply walked away and said, "We can't do this anymore. We're not providing services at that rate"?

Councillor Colin Noble: We have an association of Suffolk independent care providers and we sit down and have a very frank and open discussion with them. We are not quite at the open book stage, although we would quite like one or two of them to share with us. This point about failure, I think, is a very interesting one. I think it is more subtle than that, about the degree to which they base a percentage of their business on what we are prepared to pay, and the percentage of their business they are basing on private payers. I think what you are seeing is providers thinking more about the private market than our good selves. I think there was a period when we probably were, perhaps, allowing people to go into homes a little bit earlier, and now we are providing more domiciliary care, so I think they are not going in for quite so long; but there is no doubt that there is a distinct difference between the rate we pay and the rate they can charge the private individual, and I think every single care home—I am not convinced there is market failure on the basis of what we pay—

Q100 Chair: It is not just care homes, is it? It is the providers.

Councillor Colin Noble: It is providers of domiciliary care; and my experience is that, when one does exit, we look at why they exit and we

don't think it is because of what we are paying. We think there are many factors as to why people exit. Particularly in our area, up until when we let it, now, over 35 geographical lots, we had a lot of what you would call mama and papa-type organisations that would just retire, and sometimes that can be viewed as exiting the market—they have just retired. It is more complex than simply saying that the restriction in what you pay is causing market failure. That is not my experience of it.

Tony Kirkham: We have had some very difficult discussions, but we did manage to reach agreement in relation to next year with current year's and next year's uplift; however, we did have two national providers who basically said that they will be exiting our market because they cannot afford to provide at that level, and we have had two providers basically discontinue, but one of those was particularly in relation to their occupancy levels, and there is still some supply in the market.

Councillor Jason Arthur: We have had some very difficult conversations. One provider in particular has exited Haringey. They were failing to provide appropriate pay for their employees, so failing to provide national minimum wage; that was in spite of the fact that we were paying them enough to be able to do so. They still failed to do that; and in terms of the standard of quality of care that they were providing, after a CQC inspection last year it was clear that it was inadequate, so we placed an embargo on the number of clients that we sent their way, and obviously they then realised, in recognition of the review, that they should no longer operate within Haringey, so they have now left.

There are two or three other providers where we are having difficult conversations with them, because we don't believe that the standard of care that they are providing is of a high enough quality either. I think we would say that we are paying enough. Yes, we have had difficult conversations with those providers and there has not been much of an uplift, but we still believe that we are paying them enough to be able to provide a good standard of care; but I think that the challenges that they are facing not just in terms of what we are paying them but in terms of, beyond, the overall challenges in the social care market, are causing many of our providers to really question their capacity—and for these two or three providers in particular that we are having difficult conversations with.

Q101 **Chair:** Is that because they cannot recruit people at the wages that are on offer?

Councillor Jason Arthur: Yes, absolutely. Recruitment is the key challenge, I think, for many of them—getting the right people and being able to retain them. I think a point was made by the previous panel about the prestige of providing social care work and the fact that it is a relatively low-paid profession which does not have the level of recognition that it should, and so being able to recruit people of a good quality, who then stay, is one of the key challenges for many of these providers; but

that is separate to the amount that we are paying them where we would say, "We are paying you enough to at least be able to provide a good standard of care," and for one provider in particular, who is no longer working with us, they were unable to do so.

Chair: Thank you all very much indeed for coming to give evidence to us this afternoon. It has been very helpful to find out what is going on in a range of councils up and down the country.