

Written evidence submitted by London Councils Submission

London Councils represents London's 32 borough councils and the City of London. It is a cross party organisation that works on behalf of all its member authorities regardless of political persuasion.

Summary of Key Points

- Local authorities are critical in ensuring the stability of the care market. Local government must be appropriately funded to do this – before the pandemic London councils were forecasting a funding gap in the region of £600 million by 2025.
- Funding allocations should meet the increasing demand and change in demographics. London is expected to have a larger growth in people with learning disabilities than other regions. The costs of care packages to this cohort are often more expensive than other categories and funding formulas must reflect this to ensure that the care market is able to change and adapt to meet the needs of this group.
- Formulas used for funding adult social care are weighted in favour of elderly populations, London's younger population therefore puts London at a disadvantage when it comes to funding and this will have an implication on its ability to support the care market.
- Reform is required to address the challenges caused by the two-tier system that care is paid for - self funders and local authority funded service users.
- Local authorities need greater certainty regarding long term funding support to enable them to continue to offer providers the support they need to help them recover from the impact of the pandemic.
- Reform is needed to address issues around the workforce such as the low levels of pay in the sector, provision of training and the creation of better opportunities for career progression. There is need for reform aimed at changing and developing the skills base and immediately change salaries and status to help improve recruitment and retention in the sector.
- Funding allocations must take in to account that for local authorities to continue building more personalised markets that offer greater choice to service users they will lose the cost-effective benefits of using block contracts in the care market and will increasingly see their costs for commissioning services increase in line with the greater use of direct payments.

1. We welcome the opportunity to submit written evidence to the Public Accounts Committee's Inquiry into adult social care markets.
2. The role of councils in social care has shifted significantly over the last few decades, from provision of services, to commissioning and increasingly to personalisation by supporting people to choose and manage the support they want to meet their own needs.
3. Local authorities have a legal duty to 'shape' local markets, without which supply may not be adequate, stable or of sufficiently high quality. It is recognised that markets in care services require careful steering by local government if they are to meet local demands for secure adequate, stable and high quality care services.
4. However, it has become increasingly challenging for local government to carry out this role as they have faced increasing budgetary pressures. Social care is absorbing a rising proportion of the resources available to councils. Local authorities in London are already sending over a third of their budgets on adult social care and the amount of local government funding allocation being spent on statutory services such as social care is expected to continue to increase in the coming years.

Background

Key Issues impact the Adult Social Care Market

Impact of Funding Pressures

5. A key challenge in ensuring stability of the market is ensuring there are appropriate levels of funding in the care sector. Even before COVID-19, the immediate outlook for adult social care in London was difficult. In 2020-21, London boroughs planned to spend £2.6 billion on adult social care, and local authorities nationally planned to spend £17.7 billion.
6. Across England, the LGA estimated that there was a £810 million funding gap in 2020-21. London Councils estimates that London's share of the funding gap was in the region of £120- £130 million in 2020-21.
7. This gap is calculated after accounting for a series of welcome funding interventions by the Government over the last four years. The Spending Review 2015 saw the addition of the ASC precept (for councils with ASC responsibilities) and the Improved Better Care Fund. However, the scale of demand for adult social care services led the Government to make six major funding interventions in three years, which included funding for the iBCF, continuing the ASCP and adding various separate grants, for example for Winter pressures. In total, an additional £3.7 billion was made available over the SR15 period (2016-17 to 2019-20), of which London boroughs received £475 million. SR19 confirmed all of these measures would continue for a further year in 2020-21, with an additional £1 billion (£160 million in London) in grant funding for adult and children's social care, and a further £574 million in ASC precept (£82 million in London). Most recently, SR20 confirmed the continuation of the Improved Better Care Fund, the Social Care Grant (with an additional £300 million) and the Adult Social Care Precept (raised to 3%), leading to £1 billion of additional funding in London.
8. Prior to COVID-19, the LGA was predicting the funding gap would grow to £3.9 billion across England by 2025; London Councils estimates this could mean a gap in the region of £600 million for London boroughs by 2025. The impact of COVID-19 will have added to this challenge even further.

9. It is clear, that significant and sustained investment is required in adult social care at Spending Review 2021. The work of local authorities impacts not just social care but wider health and wellbeing needs of communities. Increased investment in social care would deliver more cost effective improvements for the health and well-being of residents and contribute to making health services financially efficient and sustainable. For example, through borough investment in HIV prevention services, London has delivered sustained reductions in new diagnosis which will, in time, avoid NHS costs treating the life-long affects of HIV.

Impact of COVID-19

10. Covid-19 has disrupted health and care provision substantially and will shape the way people access and experience health and care in the coming years in fundamental ways. Using the strong local knowledge that they hold, London boroughs have been in the forefront of innovation during the pandemic, whilst at the same time, using partnership arrangements already in place working more broadly together across the health and care sector to deliver cost effective services.

11. Adult social care (ASC) has been acutely impacted by the COVID-19 pandemic and the financial cost has been significant. MHCLG has undertaken monthly surveys since April to gauge the overall financial impact of the crisis on local government. The latest survey returns (from March 2021) showed London boroughs estimate ASC spending to have increased by £418 million as a result of the pandemic – approximately 16% of total adult social care budgets in London.

12. The overall financial impact of COVID-19 across London boroughs in 2020-21 is forecast to be £2.2 billion, comprising £1.2 billion in lost income and £1 billion in increased expenditure. With boroughs receiving £805m so far in emergency funding, alongside £530m of other grants and an estimated £601m in compensation and reimbursement, the estimated funding gap is £289 million for 2020-21.

Impact of changing demographics on the social care market

13. A key factor that will have an impact on the adult social care market over the coming years is the changing demographics. Demographic changes have been a key driver for reform in the sector. Demand in the adult social care sector is expected to increase over the coming years.

14. The population of London is different from the rest of the country and is generally much younger than the rest of the country. The implications of this age variance between London and other regions is that the formulas used for funding adult social care are weighted in favour of elderly populations, London's younger population therefore puts London at a disadvantage when it comes to funding.

15. In London, it is expected that the biggest demographic pressure in adult social care will be in the growth in number of young adults with learning disabilities. It should be noted that because of the complexity of needs amongst this group they often have longer term and more expensive care packages than other groups.

16. Local authorities across the capital are already struggling to meet the needs of people who require social services intervention. In light of the difficult economic climate, more people are likely to seek support who previously may have managed on their own leading to an increase in demand for services and putting additional pressure on an already struggling adult social care market.

17. The increasing demand and change in demographics that is expected require funding allocations to reflect the growth and change. Local authorities already work closely with providers to ensure services are in place that meet the local growing demand.

Self-funders vs local authority funded care users.

18. The way that the adult social care market is funded, is a mixed economy of self-funders and those whose care needs are fully or partially funded by local authorities. This split, remains a long term challenge to the management of the market. Over the past few years there have been increasing disparities between prices paid by self-funders and those paid by local authorities. It Analysis has shown that self-funders often pay higher rates than those paid for by councils. According to the Kings Fund on average a self-funder's place costs around forty percent more than one paid for by the local authority.

19. This is unsustainable for the sector and has resulted in care homes giving back their contracts to councils as they choose to focus their offer on self-funders who are able to pay more than councils are able to pay. This has also resulted in the closure of some care homes. The effect of this is that it has been reducing the number of places available for individuals funded by local authorities. This in turn often has an impact on the ability of local authorities to move people out of hospital quickly as they struggle to find the right care placements.

20. The pandemic has also had an overall impact on the number of people that are admitted to care homes. The CQC Market Oversight scheme found that during the pandemic there has been a significant drop in the number of self-funded admissions in particular and were found to be in the range of 25 percent to 51 percent of 2019 levels for self-funded admissions to care homes.

21. This is likely to put added financial pressure on homes that are more reliant on people who fund their own care. In order to stabilise the market both self-funders and local authority funders are critical to the sustainability and stability of the care market. However, reform is essential to make the balance between self-funders and local authority funders more efficient to ensure that providers and local authorities are able to function properly and ensure the availability of choice in the market.

Impact of provider closures in the care market

22. Boroughs recognise that when a large provider fails it has widespread repercussions on the sector particularly on those people who use these services. Over the past year in particular, councils have worked hard to ensure that they support care providers in their areas over the course of the pandemic, working with them to ensure that services users and the workforce are protected whilst also providing additional support to help ensure that they mitigate against the additional funding pressures that have resulted from the pandemic.

23. Recent analysis of providers in the Care Quality commission's Market Oversight scheme shows an overall reduction in admissions to care homes during the pandemic, but the rates vary significantly across the country. Based on the same Market Oversight scheme homecare services

also appear to be experiencing lower levels of activity, although the reduction is less pronounced. Nationally homecare hours are at 94% of pre-pandemic levels, but have stabilised, and are forecast to increase going forward.

24. To support Homecare providers that are commissioned by local authorities, they have typically continued to be paid on planned hours to help insulate these providers from the reduction in hours and to stabilise the market.

25. However, local authorities need greater certainty regarding long term funding support to enable them to continue to offer providers the support they need to help them recover from the impact of the pandemic.

Challenges in the adult social care workforce

26. At the beginning of the pandemic social care teams across the 33 London local authorities were providing care and support to 150,000 London residents across a mixture of care settings. And prior to the onset of the pandemic Skills for Care reported that the adult social care sector in London had 237 000 jobs in the sector with 9.5 vacancy rate and 29 percent turnover rate.

27. Skills for Care has been tracking monthly vacancy rates during the pandemic, and its publication in November 2020 shows that London's vacancy rates (11.8 percent) was nearly three times that of the region with the lowest vacancy rates (the North east).

28. Immediate measures to address this ongoing recruitment issue are crucial for maintaining stability in the sector.

29. In October 2020 the Health and Social Care Select Committee published its report on funding of social care and the workforce. The Committee found that the ongoing funding shortfalls that the sector has faced have had a serious negative impact on the lives of those who use the social care system as well as impacting the pay levels of the workforce in the sector and threatening the sustainability of care markets.

30. The care workforce in London has worked tirelessly during the course of the pandemic and it is time that it is given greater recognition. Reform is needed to address issues around the workforce such as the low levels of pay in the sector, provision of training and the creation of better opportunities for career progression. There is need for reform aimed at changing and developing the skills base and immediately change salaries and status to help improve recruitment and retention in the sector.

Personalisation and the impact of greater choice and control

31. Personalisation providing services that give people choice and control over the services that they receive has always been an ambition for local government. Local government has many years of experience in personalising adult social care services. Councils have been able to provide direct cash payments to working age disabled adults from 1996 and, since 2003, local authorities have had a duty to provide direct payments to individuals who requested and were able to manage them. The 2007 Putting People First concordat made an important commitment that person centred care planning and self directed support would become mainstream practice. This way of working emphasises the need to put the service user at the centre – identifying their needs, offering information, advice and advocacy and enabling people to make real choices about how, when and where they are supported to live their lives.

32. Through the use of personal budgets and direct payments services users have been able to identify and use their budgets for the services that they need from whom they want. The Care Act 2014 also put an emphasis on the important of the personalisation agenda and the need to have a vibrant and effective care market to enable greater choice.
33. Personal budgets and the increasing use of Personal Assistants (PAs) have had an impact on the way that care services are commissioned. Local authorities have traditionally used block contracts to commission care services. Under these types of contracts eligible service users have traditionally been placed with bulk-purchased provision that best meets their needs.
34. However, greater personalisation, and use of direct payments mean that councils must now shape the social care market to provide a diverse range of high-quality services from which service users can choose themselves.
35. Market changes and the adaptation of providers to the new commissioning models is of key importance to the success of personalisation, as personal budgets are of little use without a responsive market.
36. Funding allocations must take in to account that for local authorities to continue building more personalised markets that offer greater choice to service users, there may be a loss in the ability to use cost-effective block contracts in the care market. Instead, the costs for commissioning services may be more likely to increase in line with the greater use of direct payments.

April 2021