



Local Government Association

the impact of the economic slowdown on adult social care

a report for the Local Government Association





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abbreviation list

ACEVO	Association of Chief Executives of Voluntary Organisations
ADASS	Association of Directors of Adult Social Services
ASC	Adult Social Care
BAME	Black, Asian and Minority Ethnic
BME	Black and Minority Ethnic
CQC	Care Quality Commission
CRAG	Charging for Residential Accommodation Guide
CVS	Council for Voluntary Services
DIUS	Department of Innovation Universities and Skills
ECCA	English Community Care Association
FACS	Fair Access to Care Services
LAA	Local Area Agreement
LGA	Local Government Association
NCVO	National Council for Voluntary Organisations
NESTA	National Endowment for Science, Technology and the Arts
PCT	Primary Care Trust
ROTA	Race on the Agenda
SOLACE	Society of Local Authority Chief Executives
SPRU	Social Policy Research Unit
ASSD	Adult Social Services Department
UKHCA	UK Home Care Association
VCS	Voluntary and Community Sector

executive summary

1. Since the recent onset of the economic slowdown, the LGA and ADASS have become aware that local authorities are reporting impacts across the whole system of social care. In order to have a more in-depth understanding of how the economic slowdown is affecting adult social care, a qualitative study was commissioned to examine the impact in some detail, by focussing on a small number of 'case study' councils. The aim of the research was to explore all effects of the economic downturn on social care and support services, both positive and negative.
2. Four councils in England were selected to be involved by the LGA. This included a large county council, a metropolitan council, a unitary council and a London borough, drawn from the North and South of England. Each council was asked to nominate up to six managers for interview, to include lead staff in relation to adult social care finance and commissioning and the councillor with portfolio for adult social care where possible. In addition, local authorities were asked to nominate up to six providers. All interviews were undertaken via the telephone, between May and August 2009.
3. Further evidence was sought for the purpose of checking whether local responses were broadly reflective of a wider experience. This included:
 - an online survey of providers via the English Community Care Association.
 - telephone interviews with five representatives of national organisations
 - an analysis of emerging evidence about the impact of the economic slowdown on local authorities, social services departments, social care providers and individuals.Lastly, the findings were shared with a 'sounding board' of local authorities with social services responsibilities.
4. It was difficult for council managers to ascertain any impact of the slowdown linked to the number of requests for community care assessments; changes were felt to be more closely linked to demographic shifts.
5. Three of the four local authorities consulted said there were significant increases in reports of abuse relating to domestic violence and safeguarding of adults. While the increases were thought to be largely linked to improved reporting and professional awareness, there were examples provided where families had sought to financially exploit relatives because they were experiencing economic crises.
6. Changes to the profile of people approaching customer access points who require welfare support have been varied, depending on councils' structures for signposting and support. Some areas had noted an increase in the need for internally provided benefits advice. Most areas consulted reported increases in mental health presentations for 'lower level' support. However, in our case study areas, this was often not experienced through social care customer access points, but through other routes, such as primary care and third sector organisations.
7. Although a couple of positive housing-related impacts were provided, where councils were able to take advantage of cheaper housing stock, there were general anxieties about meeting the increasing demand for accessible, affordable housing to support independent living.
8. Participating authorities and providers felt it was too soon to see the impact on the employment prospects of disabled people, but there were concerns that employment trial placements would be more difficult to arrange.
9. Externally, many third sector agencies consulted had seen a significant rise in people presenting with debt, mental health, employment and housing problems.

10. There had been a somewhat varied experience of the downturn in relation to recruitment and retention among the adult social services departments (ASSDs) and providers consulted, in line with national studies. There had been a significant increase in applications for administrative posts across all sectors and most authorities consulted were experiencing an increase in interest from qualified staff. But one council was still having to recruit from abroad for social work and occupational therapy posts. A home care provider in the North reported a greater number of applications for care work from men, who are traditionally hard to recruit to the sector.
11. The pace of change of the transformation agenda did not appear to have slowed. While some commentators thought the economic slowdown might force more creative thinking related to personalisation, some external commentators were worried that it might be used as a cost-saving vehicle. Although commitment to the prevention agenda and service user engagement remained strong, there were concerns that an erosion of financial support for the third sector could undermine this.
12. There was evidence that the economic slowdown was affecting social services income from clients, in the form of fewer people being assessed who were required to make a financial contribution, increased deferred payments, increased outstanding debt from non-residential payments and reduced house prices shortening the term of self-funding payments.
13. There were no reported impacts on supply linked to the downturn, or reports of local providers going out of business. Overall, it was difficult for commissioning managers to see the impact of economic pressures on providers, particularly as they were still within current contracting cycles and because the market was also adjusting to the changes required by Putting People First. Providers consulted reported few problems specifically linked to the slowdown. However, the combined impact of the shift towards supporting more people at home, together with inflated utility/transport costs and costs attached to increased regulation, meant that for some the economic pressures are starting to bite.
14. The third sector was experiencing a range of pressures linked to the slowdown, where funding was being seriously affected and many organisations were experiencing rising demand. The combination of increased competition for contracts and funding, together with an increasing campaigning role if the recession really impacts on communities of interest, was considered to be highly compromising. On the positive side, there had been a significant increase in the number of people volunteering.
15. Concerns were expressed among small provider services, including smaller third sector organisations, that there was an apparent increase in contracts being awarded to larger organisations. They were concerned that this, together with increased competition and an emphasis on low costs, would ultimately impair quality and choice for service users and was against the spirit of personalisation. It was not clear to what extent the slowdown might be influencing these perceived changes, but it was suggested that at times of economic crisis large providers become increasingly aggressive in their strategy, and/or that local authorities were trying to reduce transaction costs.
16. In general, managers consulted were fairly upbeat about business planning. They reported that, corporately, their council was taking a proactive approach to tackling the downturn and saw no deviation from existing social care priorities, with related Local Area Agreement (LAA) targets largely on track. However, looming further efficiency savings, and anticipated cuts in the next spending round, were causing some anxiety.
17. Partnerships between agencies were not reported to be particularly affected by the economic crisis as yet, and there were mixed views about how future cuts might affect relationships – although the majority hoped that adversity might inspire more creative joint working, both council managers and providers voiced fears that it might engender an inward-looking approach, among health services in particular.

chapter 1 - introduction

Since the recent onset of the economic slowdown, the LGA and the Association of Directors of Adult Social Services (ADASS) have become aware that local authorities are reporting impacts across the whole system of social care. Anecdotal evidence was supported by a local authority survey undertaken by IDeA/LGA/SOLACE in November 2008 and the ADASS/LGA/Treasurers' Societies annual survey of local authorities 2008/09 published in April 2009¹. In order to have a more in-depth understanding of how the economic slowdown is affecting adult social care, a qualitative study was commissioned to examine the impact in some detail by focussing on a small number of 'case study' councils.

The aims of the research were to explore all effects of the economic downturn on adult social care and support services, both positive and negative, including:

- providers of adult social care and support (for example, care homes, providers of domiciliary and day care, third sector providers)
- councils directly (for example, increased costs as more people require publicly-funded social care, or decreased income from social care charges)
- councils indirectly (such as changes in the availability of resources to key partners)
- individuals (for example, dropping house prices bringing more people into public-funded social care).

Social care is also currently in the process of undergoing radical transformation. Throughout the research efforts were made to try and distinguish changes that may be linked to the economic slowdown, but in many places these have often been difficult to separate from changes linked to:

- demographic shifts
- the key themes of Putting People First², including personalisation and the move towards supporting people at home
- the ongoing emphasis on making efficiency savings for all public sector organisations resulting from the Gershon Review³ (2004).

While the sample of councils is very small - and therefore findings should be regarded with due caution - efforts have been made to test out the findings through a range of mechanisms, including a sounding board of local councils, an online survey, exploration of emerging research, plus interviews with national social care organisations.

¹ The key findings of these reports are summarised in Appendix 1

² Department of Health 'Putting People First', 2007

³ Sir Peter Gershon, HM Treasury 'Releasing resources to the front line; independent review of public sector efficiency', 2004

chapter 2 - methodology

Council selection

Four councils in England were selected to be involved by the LGA, who sought to obtain a broadly representative mix and to take account of geographic distribution. This included a large county council, a metropolitan council, a unitary council, and a London Borough with adult social services responsibilities, drawn from the North and South of England. A short profile of each council is provided in Appendix 2, and they are referred to as Councils A-D in the body of the report.

Exploring the impact on councils and provider services

Interviews with social services managers

Each council was asked to nominate up to six individuals for interview, to include lead staff in relation to adult social care finance and commissioning and the councillor with a portfolio for adult social care where possible.

Interviews were undertaken via the telephone, between May and August 2009, using a semi-structured topic guide which covered:

- demand for welfare advice services, mental health, drug and alcohol services
- supply of independent sector care homes, domiciliary support and other organised services
- supply of staff – including personal assistants for direct payment/personal budget holders - and services by agencies
- social services income and budget pressures
- customer access activity, including requests for services, assessment, reports of abuse, etc.
- impact on carers
- impact on the transformation/personalisation agenda
- perceived impact on provider services (including third sector)
- impact on staff (morale, pay and conditions)
- relationships with partner organisations.

Interviews with provider services

Telephone interviews were undertaken with up to six providers in each of the four selected localities. The local authorities were asked to guide researchers in the selection of these and there was an effort to ensure a rich mix across the four local authorities, reflecting the range of service user and carer support organisations and including third sector and for-profit organisations⁴.

A semi-structured topic guide was developed covering:

- shifts in the nature of presenting problems
- impact on funding streams generally
- impact on council-funded service level agreements/ grants
- changes in level/type of demand
- impact on operations generally, eg. recruitment, service delivery
- impact on relationships with partner organisations.

⁴ Note on language: as provider services are drawn from a diverse range of sectors, these have been referred to as follows:

- 'third sector' includes charitable organisations, voluntary and community sector and organisations with social enterprise type governance frameworks
- 'voluntary and community sector' includes only charitable, voluntary and community sector organisations
- 'for-profit' includes private sector, for-profit organisations

Capturing wider evidence

Further evidence was sought for the purpose of checking whether local responses were broadly reflective of a wider experience. This included the following methods:

An online survey of providers

In an attempt to capture a broader perspective, the topic guide used for the telephone interviews was simplified by the LGA and made available on line to 400 providers through the English Community Care Association. This drew a low response rate (7 per cent), but relevant findings are provided in the report as appropriate. Most of the respondents provided one or more of the following services - residential care (78 per cent), nursing care (59 per cent), day services (37 per cent), respite care (33 per cent) and domiciliary care (15 per cent).

Telephone interviews with representatives of national social care organisations

To elicit a national perspective, five representatives of national organisations were interviewed via the telephone, using a semi-structured topic guide. These included:

- UK Home Care Association (UKHCA)
- Skills for Care
- Age Concern
- Counsel and Care
- Carers UK.

Brief exploration of related research/publications

Emerging evidence about the impact of the economic slowdown on local authorities, social services departments, social care providers and individuals has been sought. This did not form a comprehensive literature search, but was undertaken for the purpose of illustrating and contextualising the findings.

Additionally, information was sought on the impact of previous recessions, and this is briefly set out in chapter 9.

Consideration of the findings by a wider group of local authorities

As the study involved such a small group of local authorities, the findings were shared with a 'sounding board' of 12 local authorities with adult social services responsibilities (of whom four responded) plus a representative from ADASS, in order to check whether the results were broadly representative of experience across the country.

chapter 3 – changes in income

After presenting some information about the lifecycle of a recession, Chapter 3 describes some of the changes in income being experienced by local authorities as a result of the economic downturn. It then considers how the recession is affecting the incomes of older people and their families, as these changes are likely to influence the amount of income that adult social care services (and other care providers) can expect to receive from some service users in the future. The impact on the income of providers is covered in chapter 7.

The life cycle of a recession

The Audit Commission has recently published two reports about the downturn/recession – one on the impact of the economic downturn on local government finances⁵ (Audit Commission, 2008) and the other on how local government is responding to the recession⁶ (Audit Commission, 2009). An updated review of the financial impact – focusing on falling income and increasing demand for services - will be the subject of a third report in early 2010. Although this current study focuses on the effects of the slowdown on adult social care (ASC) services, this has to be seen within the wider impact of the downturn on local government funding.

The Audit Commission has developed a model describing the stages of a significant recession and the subsequent recovery (Audit Commission, 2009), which provides a useful context for the discussion in this chapter. Recessions comprise three waves – economic, social and unequal recovery. The different tiers of government have distinct roles in each wave, though central government has an ongoing leadership role. Local government and its partners become increasingly relevant as the initial effects of the recession spread widely into local communities.

- Wave 1 (Economic): this is a relatively short period where economic output declines; firms fail or reduce staff numbers; unemployment rises quickly; and real incomes fall. Government has a protective role during this wave, during which central government acts to stabilise the economy and support key business sectors, whilst also providing a safety net of benefits. Councils can take steps to save local businesses and help local people.
- Wave 2 (Social): this is a longer period in which output growth returns, but job losses continue. Unemployment remains high, resulting in increasing housing, health and domestic problems. Central government continues economic and welfare interventions, but councils and their partners become more important as local need for their services increases. During this wave, councils develop specific responses to address local priorities and deliver central government programmes.
- Wave 3 (Unequal recovery): recovery occurs when the economy is expanding and unemployment has passed its peak. Investment and economic development return, but not to all areas, and some will continue to decline. Central, regional and local government often work together during this phase to invest in areas unable to recover on their own, through training, labour markets and social programmes.

Interviews were held with a Finance Manager for ASC services in each of the four case study local authorities. It was very clear from these interviews that each Authority saw itself as being in Wave 1, but felt that Wave 2 was imminent.

Sources of income

Councils receive a substantial amount of their income from central government grants (based on three-year settlements), business rates and council tax. This income is determined at the start of the financial year. The remainder of their income mainly arises from fees and charges (e.g. planning fees; car parking charges). According to the views of the chief finance officers in the Audit Commission's first survey (Audit Commission, 2008), total

⁵ Audit Commission 'Crunch time? The impact of the economic downturn on local government finances', December 2008

⁶ Audit Commission 'When it comes to the crunch; How councils are responding to the recession', August 2009

income had fallen by 1 per cent - 3 per cent in over two-fifths (44 per cent) of authorities, and by more than 3 per cent in about a third (34 per cent) of authorities by October 2008. These changes of income had not been anticipated in almost two-fifths (38 per cent) of authorities. However, at the time of the survey, authorities were enjoying good returns on their investments owing to the high interest rates, and most authorities felt that their situation was manageable.

Since then, the situation has worsened and the second Audit Commission report (Audit Commission, 2009) found that councils were very uncertain and concerned about future funding levels, with district councils being particularly hard-hit. For example, districts are especially reliant on income from planning fees, car parking and interest payments (interest rates had dropped dramatically in the months prior to this second Audit Commission survey) and 90 per cent of district councils reported a loss of income from these sources. Almost all councils also reported an increased emphasis of local efficiency programmes.

As well as receiving an internal budget allocation by their council, ASC services rely on income from payments by many of their service users. The overall impression from the interviews with the finance representatives from the four participating authorities was that it was too early to determine how the recession was affecting their income. All were facing increased demands for their services owing to demographic changes, and the requirements of meeting these demands had been built into their budget for the current financial year. It was not clear if any discrepancies between actual and budgeted spending were due to demand being greater than expected or (inevitable) inaccuracies in the initial budgets. In addition, all councils were under pressure to make efficiency savings.

Some of the respondents were starting to experience pressures on their income from service users. Council D⁷ had noticed a decrease in income from clients (for both residential and non-residential services) and felt that the department had not achieved the income expected from this source to date in the financial year. In terms of outstanding debt, levels had increased by about 20 per cent for non-residential services such as home care, day care and transport. They had also experienced an increase in the requests for deferred payments, with the amount almost doubling in the previous 12-18 months. Although these requests had been accommodated to date, restrictions may have to be considered if requests continued to increase. Financial assessments of new service users were identifying fewer people who would have to contribute (e.g. for residential care). However, there had not been any noticeable changes in the take-up of home care due to a reluctance to pay any required charges.

Council A felt that it was too early to determine the causes of any observed changes. For example, although the council had not recovered as much income from older people as it might have expected during the previous year, it felt that it was too early to identify the underlying reasons. However, reclaiming monies from clients was seen as a priority. The council also recognised that older people were likely to want to make greater use of deferred payments, but felt that it was too early for any potential effects of the economic downturn to be apparent with regard to requests for such payments.

In Council C, the Adult Social Care (ASC) department was being asked more frequently to support deferred payment where people could not sell their homes, but managers were not aware of any increase in non-payment of fees for services. However, this department felt that Government funding was getting tighter and that pressures for efficiency savings would increase. The department was also concerned that it may have to share its efficiency savings across the council, rather than retaining these for itself.

Finally, the fourth council B (where 70 per cent of homecare clients do not have to pay charges) had noticed a recent rise in bad debts, as increasing numbers of home care clients failed to pay, despite having been assessed as being able to contribute. Welfare benefit officers follow up these clients to ensure that they are receiving all of the

⁷ Council case study sites are briefly described in Appendix 2

benefits to which they are entitled. Efforts were also being made to increase income. Service charges had risen recently and the council had not levied a charge for day care until this year.

In summary, respondents generally felt that *"it is still too early to tell"* and that they were currently experiencing *"the calm before the storm"*. Although significant impacts on income for ASC services had not been felt to date, there were considerable worries and anxieties about future income. Reductions in Government funding and falling grants will have a significant impact on finance and budgets will have to be adjusted downwards. In addition, the transformation agenda means that councils will have to find considerable savings in the future and increase their efficiency.

Some potential impacts on income of service users (and their families)

Managers in the four case study sites who were interviewed did not flag any marked differential impacts on different client groups in terms of presenting needs (see chapter 4). The effects of the economic slowdown did seem to be more apparent in relation to older people (e.g. through an increased number of requests for deferred payments) but it is perhaps not surprising that older people were the main focus, as many of them may be contributing to the income of the ASC services.

An interview with a representative from a national charity described how older people's finances were being affected by the slowdown and then suggested how these effects might affect local authority finances subsequently. This discussion further supported the impression from the interviews with local authority finance officers and from other published material that the main impacts of the recession on ASC will be felt in the future. The key points raised related to:

- Income: many older people rely on income from private pensions, which they sometimes supplement with income from their savings and investments. The economic slowdown was reported to have affected some people's pension income and may also have led to reduced payments from annuities. The recent falls in interest rates have significantly reduced income generated from savings and the falls in the FTSE indices during parts of 2008 and 2009 have influenced monies from such investments (especially the prices for which shares can be sold). People may also be using their capital assets for day-to-day living costs to compensate for reductions in their income from other sources. As one local authority respondent pointed out, this may take their levels of savings below key levels (e.g. relevant thresholds for co-payments), resulting in ASC services receiving less income from contributions from clients.
- Expenditure: although overall rates of inflation have fallen, these falls have been erratic and have affected different types of people in different ways. Most of the main areas of expenditure by older people – such as food, fuel and transport – have experienced relatively high rates of inflation. Many older people do not have mortgages for their homes and so have not enjoyed any of the income-related benefits from reduced mortgage rates experienced by some homeowners. Furthermore, state pension payments are linked to inflation rates which have risen less quickly than many older people's cost of living. These aspects have put older people's incomes under additional pressure.
- Property values: the slowdown in property prices (which has been more acute in some areas than others) and a reduction in property values may have affected the amount of equity that older people can release (or are willing to release) against their property. Properties are also often taking longer to sell, which makes it harder for older people to raise monies needed to fund long-term care (or to move into a smaller/more suitable property, which may enable them to live in the community for longer). Falling house prices also mean that less capital can be raised by a house sale.
- Employment: rising unemployment and reduced employment opportunities can affect not only older people, but also their families. Increasing numbers of over 50s have been made redundant and they often face fewer employment opportunities than younger people. However, other family members (who may previously have provided some financial support to older family members) are also likely to be facing

increased financial and related pressures themselves, such as negative equity, redundancy, anxieties about job security, reduced employment opportunities for family members of all ages and reduced earnings/income.

- Stress/vulnerability: increasing financial pressures can cause considerable anxieties and uncertainties for older people and their families, which can lead to additional stress and worry (which may in turn increase demand for some services provided by local authorities). They may also result in greater financial abuse and exploitation of older people by younger family members. In addition, the economic downturn can affect the viability of local shops and services, requiring people to travel further for these. This is difficult for those without good access to public and/or private transport. Furthermore, areas can quickly become run down during a recession, which can lead to an escalation in crime and/or fear of crime. Such changes can further exacerbate stress and anxiety and reduce the well-being of local residents.

Impacts on local authorities

As described above, the reductions in the income and/or spending ability being experienced by current and potential older service users is already having an effect on requests for deferred payments. Indeed, according to the representative from a national charity consulted, requests for deferred payments are “*going through the roof*” in some places, and another national charity consulted said they are receiving an increased number of requests for information about this. Although authorities have generally had some discretionary powers regarding agreement of deferred payments, such flexibilities are expected to be reduced owing to increased demand and the other financial pressures facing local authorities. Concerns about being able to defer payments may cause older people (and their families) additional stress and anxiety.

The current economic downturn is also having an effect on the weekly fees for care homes and on any top-up fees being requested, which in turn may have an impact on local authority income. Local authorities have traditionally been able to negotiate lower weekly rates for care home placements than private individuals due to their use of block contracts. Some of the difference (which is often considerable) has often been used by the care homes to cross-subsidise the costs of the local authority-funded residents. Local authorities are generally seen as trying to keep any increases in their payments to care homes as low as possible (even to zero), which may further increase the demands being placed on self-funders. For example, fees for local authority residents may increase by about 2 per cent from one year to the next, compared with an annual increase of 4-5 per cent for self-funders. Greater demands on self-funders (or their families) to pay increasingly higher weekly fees can result in self-funders using up their own financial resources more quickly and therefore having to fall back on the local authority to fund their care sooner. In addition, increasing numbers of local authority-funded residents in care homes (or their families) are being requested to make top-up payments to enable the homes (which are also often facing increased financial pressures) to remain financially viable.

There is also another dimension to top-up fees. It has usually always been possible for the family of a local authority-funded resident of a care home to choose to make an additional payment to the care home (e.g. for a larger room). The respondent from one of the councils said that, historically, about 12 per cent of their placements had benefited from such top-ups and that this percentage had remained relatively constant over time. However, it had fallen from about 14.5 per cent in March 2008 to around 11 per cent in March 2009. Although recognising that this fall may have been due to random fluctuations, the respondent thought that the decrease was possibly the result of some families feeling squeezed financially. Differential fee rates and top-up payments are not new phenomena but the economic downturn is likely to make it harder for older people and/or their families to make such payments, which in turn may place additional demands on the income and budgets of ASC services.

chapter 4 – changes in presenting need

Chapter 4 sets out the reported impacts on presenting need for community care assessments, incidence of abuse and the wider impacts on the need for more general welfare support.

Broad economic and social impact

Within the four case study sites, all interviewees reported impacts on their local economy related to the retail, manufacturing and service sectors. The number of people seeking Jobseeker's Allowance in the four localities at the start of the research in Spring 2009 had increased from between 30 per cent and 103 per cent over the previous twelve months (see Appendix 2).

Social services managers were not aware of any pronounced impacts on any particular socio-economic groups, though there was anecdotal evidence of a greater impact on young people seeking employment and training, in line with recent national reports⁸.

Those interviewed were not aware of any particular impacts on social cohesion in their localities. However, responses to the IDeA/LGA/SOLACE survey of local authorities showed 49.7 per cent expected social cohesion to deteriorate over the next 12 months. A recent LGA survey has highlighted a rise in crime linked to the downturn⁹ and a government report highlights the risks of reduced tolerance and acceptance of migrating communities¹⁰.

Community care assessments

Because of the level of change within the social care sector, it was very difficult for local authorities to link any changes in community care assessment activity to the economic downturn:

- All four local authorities reported an increase in the number of assessments of older people (particularly those with dementia) but this was largely attributed to demographic trends: *"The demographic time bomb has gone off"* (General Manager, Council C). Some recent increases are also flu-related.
- There was a rise in the number of reassessments of people with a learning disability who have higher support needs (owing to people living longer and the incidence of early onset dementia among this client group). Additionally, there was an increased number of assessments/reassessments of disabled people wishing to live independently.
- There was some evidence of a slight increase in people asking for financial support for residential or domiciliary care, but it was emphasised that this would not always be recorded as the main presenting issue, so would be difficult to track.
- There was no apparent increase in assessments linked to mental health or drug/alcohol abuse. However, it was noted that these referrals tended to go straight to health or relevant third sector agencies, where increases were observed.
- Increases in the number of carer assessments were reported, but this was linked to improved professional awareness and an increasingly performance driven approach.

⁸ DWP Government Equalities Office 'Monitoring the Impact of the recession on various demographic groups' June 2009

⁹ LGA press release 'Crime rises as recession bites – LGA survey', 3 October 2009

¹⁰ Dept of Communities and Local Government 'Managing the Impact of Migration; Improvements and Innovations', March 2009

- None of the four social services department case studies had adjusted their Fair Access to Care Services (FACS) threshold over the last year, although three of the areas contacted reported a strategic shift towards more effective signposting/diversion. While this was reported as helping individuals avoid unnecessary bureaucracy, some third sector commentators felt these shifts were cost driven and placed increased burden on third sector services without corresponding increases in funding. Council A said that in the past the department has delivered services to people falling below their eligibility threshold *“if funds are available”* and they may be less able to do this now.

Abuse/safeguarding

Three of the four local authorities said there were significant increases in reports of abuse relating to domestic violence and safeguarding of adults. It was felt that this increase was the result of a range of factors including improved professional awareness and reporting procedures. Also, one local authority said the Care Quality Commission (CQC) had issued guidance to providers to report every incident of harm, regardless of evidence of cause, and they were being ‘swamped’ with reports (the council did not know whether this was a national issue or linked to local interpretation).

However, a small number of examples was cited where family members had put pressure on relatives to obtain money, or had used an individual’s savings without their permission to prop up their failing business, where officers felt this might be have been influenced by the economic crisis.

In one council, changes had been observed with respect to Court of Protection requests and appointeeships, where an increasing number of older people were requesting support to manage their finances. There was a view that this could be attributed to banks becoming more ‘hard-nosed’ and failing to provide necessary assistance to vulnerable members of society.

A third sector commentator expressed concerns that their local adult social services department was increasingly signposting people (regarded to be below the eligibility threshold) to universal third sector services. In their view, this had safeguarding implications in certain cases, because they felt it left some people without adequate formal support.

Welfare support/signposting

The 2008/09 ADASS/LGA/Treasurers’ Societies annual adult social care finance survey of local authorities (see Appendix 1) showed that almost 13 per cent of local authorities had experienced increased demand for welfare advice service and 67 per cent were anticipating an increase. Among our four case study sites, increases were apparent, but the extent to which this was experienced at customer access points varied depending on the way these were structured. All informants were aware that many agencies dealing with debt/benefits, mental health and housing were having to respond to a rising number of enquiries.

Mental health

A Mental Health Foundation report¹¹ highlighted the pervasive impact of the economic slowdown on people’s mental health and a survey showed 63 per cent of people were more frightened and anxious because of the downturn. A more recent ESRC report¹² highlights the links between unemployment, homelessness and health/well-being.

¹¹ Mental Health Foundation ‘In the Face of Fear’, 2009

¹² ESRC ‘Recession Britain’, 2009

Most of the four case study areas reported increases in the numbers of people presenting with 'lower level' mental health needs. However, this was often not experienced through social care customer access points, but via other routes. For example:

- in one area there was evidence of an increase in men aged 30-50 presenting to housing services with depression – this was often linked to problems with housing repossession/ debts/ unemployment/ relationship breakdown
- there was anecdotal evidence in one area of a significant increase in mental health symptoms reported to GPs
- a branch of Age Concern reported significant increases in demand for its counselling and befriending service, but this may be linked to demographic shifts.

In Council C, their Improving Access to Psychological Therapies funding had been accelerated by the Department of Health because of the downturn.

Debt/financial problems

Some local authorities reported increased presentation of debt/finance problems among people approaching them for support, but not all. Where it was noted, the causes of the increase were difficult to ascertain because the rise in numbers could also be linked to proactive campaigns and/or restructured advice services.

Managers interviewed found it difficult to provide any hard evidence of particular impacts on social care service users or carers linked to the economic slowdown, many of whom would be reliant on benefits. Several commentators noted that service users had already been struggling with the difficulties posed by increased costs of transport and utilities etc., which preceded the economic crisis. Older people were highlighted as perhaps feeling the financial impact more sharply, as further illustrated in a report by Age Concern¹³. The Carers UK report 'Carers in Crisis'¹⁴ (2008) also sets out the ongoing financial pressures on carers, where 86 per cent said their financial position was worse compared to the previous twelve months.

Housing

The LGA report 'Councils and the Housing Crisis'¹⁵ set out a range of impacts on the housing sector (for example, there is an increase from 1 million in 2001 to 1.6 million last year on social housing waiting lists).

Among the four case study sites, there was a mixed picture concerning housing-related needs depending on local conditions. It was difficult to ascertain whether changes were linked to the slowdown, as some authorities had restructured assessment processes, introduced a new housing strategy or run local campaigns.

The London council reported an increase in older asylum seekers requesting re-housing due to overcrowding, and another case study site said that their main local Registered Social Landlord (RSL) was now less likely to take perceived 'difficult' tenants. The officer who reported this thought that it was a result of RSLs being less likely to take risks in the current climate. However, another local authority reported that when purchasing houses in partnership with RSLs, in order to support people in tenancies, these are now more affordable.

Employment

A negative impact on the job prospects of disabled people has been noted in previous recessions though the context of this recession is somewhat different, with a social care policy framework that increasingly supports disabled people to be economically active and a strengthened legislative environment that protects disabled

¹³ Age Concern 'Coping with the crunch; the consequences for older people', July 2009

¹⁴ Carers UK 'Carers in Crisis; a survey of carers' finances in 2008', December 2008

¹⁵ LGA 'Councils and the Housing Crisis', April 2009

people's employment rights. Whether disabled people's employment opportunities have suffered adversely in this recession, relative to the general population, remains to be seen.

Nevertheless, among the four case study sites, most reported increased difficulties in obtaining job opportunities/trial placements for disabled people. The decrease in opportunities has come at a difficult time, when policy initiatives are moving people away from traditional day services and there is a national drive to reduce the numbers on Incapacity Benefit. There was concern that the level/type of support provided by Job Centres is not always appropriately tailored to the needs of disabled people.

The carer organisations interviewed had not noted any particular impact on carers in employment and the commentators related this to improved awareness and strengthened legislation regarding carers' rights. The need to ensure national and local investment to support carers and disabled people in/into employment is retained was emphasised.

chapter 5 – impact on commissioning

Chapter 5 includes information gleaned from the social services managers interviewed about the impact of the economic slowdown on commissioning and supply and the strategic changes to commissioning required to implement the transformation agenda.

Impact on individual packages of care

No particular changes to individual packages of care were reported by the ASSDs interviewed, though it was difficult for some local authorities to monitor and compare the impact on the size of packages where they had introduced personal budgets.

No authorities had given any formal directive to staff to make reductions to care packages as such, but some authorities were stressing to staff that they must make use of alternative services where possible and make more efforts to find or maximise other sources of funding, such as the Independent Living Fund. While this was driven by the efficiency agenda, officers anticipated that the economic downturn would sharpen this approach in future.

In general, the number of larger packages of care was increasing, owing to an increase in complex cases related to the drive to support people at home and to people living longer. This was also affected by an increase in obesity (requiring more costly equipment and two people to transfer), and the London Borough has noticed an increase in younger people requiring intensive support packages linked to long-term impairment caused by gun/knife crime, and alcohol misuse.

Nationally, the 2008-09 report on Personal Social Services Expenditure and Unit Costs for England states that *“expenditure on all client groups has increased in both cash and real terms, in particular expenditure on Learning Disabilities, which has continued to increase and has increased from £3,450 million in 2007-08 to £3,800 million in 2008-09 (i.e. by 10 per cent in cash terms and 8 per cent in real terms).”*

Impact on current contracts/supply

Changes to supply

Overall, it was difficult for managers to see the impact of economic pressures on providers, particularly as they were still within current contracting cycles. Although supply seemed relatively stable, the possibility of closures was anticipated, as a whole range of factors – some linked to the slowdown and some not – started to bite.

Social services managers interviewed reported that rather than the economic crisis, changes to the market are being more noticeably affected by the restructuring of the way care is provided, with an emphasis on supporting people at home. The majority of local authority managers reported an oversupply of standard residential accommodation linked to this shift, but there was still a shortage of specialist providers, largely associated with the increase in dementia; many were in the process of rebalancing their internal and external provision to manage this. By contrast, the London Borough had a shortage of residential care and was increasing its capacity, but this was linked to localised problems concerning re-provision where a large care home had closed.

In line with the aforementioned policy shifts, there was an increased demand for home care and Council C reported that providers were *“struggling to keep up”* with the amount of work being put their way. However, the London Borough reported that a home care agency had experienced a marked drop in demand from self-funding clients since the downturn and had asked to be put on the council’s provider list for users of direct payments.

Historically, many of the four case study sites had experienced recruitment problems among independent sector providers and it was expected that this would improve because of the economic slowdown. However, while some

areas were experiencing more stability and flexibility within the sector, owing to improved recruitment and retention, this was variable, with some areas continuing to experience problems (as illustrated in chapter 7). In places where there was an increase in job applicants for care work, some officers expressed concern about a possible impact on provider quality, if people applying for posts *“are just desperate for a job”*, rather than having a sense of vocation.

Areas varied in local demand for personal assistants, linked to how far they had implemented personal budgets/direct payments and, where demand was not high, managers were uncertain as to any changes in supply. Interestingly, in case study site A, where the local authority was still experiencing problems with social care staff recruitment (among qualified staff and providers of domiciliary care and care homes), it was reported that the supply of personal assistants (recruited via a local user-led disability organisation) had always been healthy and continues to be so.

Fee levels

Local authorities said they were mindful of some of the pressures on providers (related to higher food and fuel costs) but pointed out that this is now balanced by lower wage inflation. Some were making more efforts to ensure prompt payments to providers, one ASSD had recently increased fee levels and two areas had increased the length of contracts to stabilise the market. The ability to keep fees low in some parts of the market was welcomed:

“Providers are less dogged about asking for fee increases now – they understand the economic circumstances and are being more realistic.” (Commissioning Manager, council A)

However, there were reports that fees could still be very high in the area of specialised care, linked to supply shortages. For example, council D said it was continuing to pay high fees for dementia care home placements.

Commissioning patterns

Although there were no reports of any contracts folding or of any companies going under linked to the slowdown, it was generally reported that councils are contracting with a smaller number of (larger) organisations. It was not clear to what extent this trend was a strategic decision by local authorities: one national body reported this as an increasing trend among councils, perhaps linked to efficiency savings by reducing transaction costs – they provided an example of a council reducing their contracts with 30-40 providers down to 10. However, some of the councils consulted said the shift was not strategic but the result of increased interest in contracts from larger national companies. This was in line with an observation from another national organisation consulted:

“In recession, perhaps some bigger organisations look to diversify – it’s a case of merge, take over or close down” (Skills for Care)

There was considerable concern about this trend among the providers consulted, who saw small organisations losing out to large-scale national providers (in one area they were described as *“vacuuming up contracts”*). Besides losing business, they feared that this would impact on the quality of care and reduce choice for service users, in direct conflict with the aims of personalisation.

A national home care association interviewed said research was needed to track what was happening to organisations that are losing contracts, in order to inform market management: *“Are they going to the wall, merging or seeking more business from self funders?”*

Support to the voluntary and community sector (VCS)

There were no reports of cutbacks to the level of VCS funding linked to the slowdown, though local authorities were generally aware that parts of the VCS were struggling with increased demand. One area said they had experienced an increase in requests for the council to meet funding shortfalls, but these had been declined. Many areas reported that they traditionally provided some grant monies, but there was a continuing trend towards service level agreements and contracts. In addition to this, most areas appeared to be rationalising their support to the VCS in various ways, for example:

- putting funding where there is more robust evidence of desired outcomes, rather than spending on the “routine favoured”
- providing VCS funding in strategic partnership with local PCTs, to stop duplication
- reviewing grant funding as part of efficiency savings.

This means that some third sector organisations may be losing funding that has been provided on an historic basis. Most of the ASSDs involved in the study said they were looking at ways to support the VCS, to help them ride the challenges posed by the economic slowdown and/or to take advantage of the potential opportunities linked to personalisation (for example, one had commissioned a workshop to enable the sector to consider social firm governance options and alternative sources of income).

Implementing the ‘transformation agenda’

Managers reported no detrimental impact on implementing personalisation and the move towards supporting more people in their own homes and had been using the social care reform grant to support this. Councils were warned earlier in the year by the Department of Health not to use the ring-fenced social care reform grant to meet existing service pressures¹⁶ and the more recent LGA/ADASS report¹⁷ shows there is continued widespread national progress. However, some anecdotal evidence was provided by national commentators that direct payment rates were being reduced, or not uplifted in some areas, and that direct payment recipients were being told to make efficiency savings.

There was a range of views about the future of transformation in relation to the economic slowdown. Some managers saw personalisation and the move towards personal budgets as an effective way of managing financial pressures. Reasons mentioned included that:

- the approach can encourage more creative thinking and innovation
- it might be easier to achieve cultural change if there is less staff turnover and a more stable staff group
- it encourages individuals to look more closely at their own resources and what they/their wider network can contribute
- in one local authority many care packages were cheaper than the initial resource allocation and producing savings, though it was acknowledged that it was still early days to robustly evidence this.

There was evidently real political commitment to personalisation in one authority:

“The personalisation agenda is a revolution ...not to be slowed in any way, shape or form. There is an increasing desire and need to do business differently and become a commissioning organisation. It is a different way of doing business.” (Executive Member, council A)

¹⁶ Community Care article ‘Councils must use cash for personalisation or repay it’, 12 March 2009, p9

¹⁷ LGA/ADASS ‘Putting People First: Measuring Progress’, 2009

However, while not doubting the aims of personalisation and the move towards supporting more people in their own homes, some other managers interviewed expressed concern about the sustainability of this in the current climate. It was pointed out that:

- for certain services, group settings did have economies of scale
- the associated increased demand for accessible, affordable housing for individuals may be very difficult to meet
- some support packages to maintain people with high dependency needs in their own homes costs considerably more than residential care – resulting in difficult choices.

Several for-profit providers expressed unease around the transformation agenda and were frustrated that councils were not communicating with them about the changes as well as they might. There were more mixed experiences within the VCS: one user-led disability organisation was very upbeat about the future and was actively exploring with their local council how they might extend their role to care planning functions. However, it was felt that some organisations within the sector are not keeping pace with the transformation changes and risked “*going to the wall*”. A Council for Voluntary Services (CVS) consulted said it had brought in some ‘shock and awe’ speakers to try and get the message across; the same CVS said there was increased suspicion among the VCS and service users that personalisation is being used as a cost-saving measure to deal with efficiencies and the economic slowdown.

chapter 6 – impact on social care workforce

This section covers staffing issues across local authority and provider services, including recruitment and retention, pay and conditions, training, staff morale and volunteering.

Recruitment and retention

Recruitment: social services experiences

The 2008 IDeA/LGA/SOLACE survey of the impact of the economic slowdown on local authorities (see Appendix 1) showed that 13 per cent had cut council jobs and 22 per cent had introduced a recruitment freeze. Following this, the LGA's Council Leader survey on the impact of the economic downturn in March 2009 showed 50 per cent had had to make cuts in staff and 69 per cent anticipated future cuts.

The ASSDs involved in our study were not aware of any current or planned corporate recruitment freezes or redundancies but, in many of them, efficiencies programmes and restructuring had resulted in staffing changes, transfers and reductions over recent years. There was a general feeling that this was advantageous, as the organisations were in a 'lean' position to deal with economic hard times. However, among officers interviewed there were worries connected to further rounds of efficiency savings, where redundancies could not be ruled out. The London borough appeared to be experiencing more immediate staffing pressures linked to the slowdown, where locum posts (including social workers) have not been made substantive. By contrast, a northern council was expecting to expand its in-house provider staff base in more specialist areas.

There was a somewhat mixed picture regarding recruitment across our four case study sites:

- There had been a rise in applicants for administrative posts across all areas and in some places significantly so.
- Where ASSDs were recruiting, most areas reported improvements in their ability to recruit both qualified and unqualified staff. One council in the north reported being *"overwhelmed"* by applications for a recent advertisement for qualified social workers; many new graduates were appointed and it was observed that they seemed keen to commit rather than continue to look around. Improved ability to recruit was less noticeable within the two local authorities in the southern half of the country. In the London borough reorganisation had resulted in little recruitment taking place; and the county council consulted continued to experience difficulties recruiting both qualified and unqualified care staff (where historically, there had been a *"huge hole"* of unfilled social care vacancies) - the department had recently had to go to New Zealand, Australia and Ireland to recruit, and thirty qualified occupational therapists and social workers were starting employment over the following few months. However, it would be inappropriate to make assumptions about a north/south divide based on this small number of authorities.
- Councils said high travel costs were still having an impact on staff, where reimbursement had not kept pace with inflated fuel costs. Managers said it was uneconomic to run a car and this may put people off obtaining work in the sector.

The mixed experience of recruitment reported by councils is reflected in national evidence: the LGA report 'From Recession to Recovery II: a focus on unemployment'¹⁸ explored the experience of previous recessions, which showed significant local variations:

"In a recession, some areas experience much larger rises in unemployment than others. Different areas also see very different rates of recovery in the job market. Few places actually perform at the national average".

¹⁸ LGA 'From Recession to Recovery II; a focus on unemployment', February 2009

This is further complicated in the case of social care, where there are skills shortages¹⁹ and where the sector is arguably in an advantageous position relative to others, given the steady increase in demand for services. A UK Commission for Employment and Skills report suggested that health and social work are expected to see rapid growth at around 2.5 per cent per annum, despite the short-term uncertainties in both the world and domestic economies²⁰.

Current social care recruitment initiatives are under way and the government has introduced an initiative to subsidise 50,000 extra staff in social care, where councils will get £1,500 for each recruit aged 18-24 who is taken from the unemployment register and put into 'sustained' employment.

Recruitment: provider experiences

The English Community Care Association (ECCA) online survey drew mixed reports related to an easing of problems with recruitment and retention (for example, 37 per cent found recruitment easier, 33 per cent found it harder and 30 per cent said it was about the same; there was a relatively slight improvement related to retention). This mixed picture was reflected amongst those providers directly consulted:

- All providers consulted had experienced a marked increase in applications for administrative posts (for example, a recent administrative post attracted 68 applicants, compared to 15-20 typically).
- Providers linked to councils C and D reported significant increases in the number of applicants.
- However, providers in the London borough (council B) only experienced "*a slight increase*" and in the Council A, locality providers said the expected increase in UK applicants had not transpired (it was reported here that during the last recession the independent care sector was "*swamped*" with applicants, but it was not the case this time).

The providers in Councils A and B were frustrated by the House of Commons Immigration Committee decision, which took social care off the list of priority workers. Also, for existing non-EU care workers there is a ruling that they have to be paid at £9 an hour and this is adding to financial pressures. An LGA report²¹ has outlined the impact of the recession on migrant workers, where a range of commentators have warned that the recommended list of occupations could seriously harm providers' ability to recruit care staff.

Some of the provider organisations consulted noted an increase in speculative job applications, plus a shift in the profile of applicants, including an increase in applications from graduates, unemployed people and people with no experience of working in social care. Although there were some concerns that people without any social care background might not be suited, one home care provider in the North considered this to be very positive, as "*they come with a freshness and enthusiasm*". The same commentator said they were receiving more applicants from men, who are typically hard to attract to the sector.

Providers reported variable experiences of local Job Centres: while some saw a marked upward shift in referrals, others complained that they still did not put social care forward to people as a positive career choice. Criminal Records Bureau checks, which slowed recruitment processes, were also noted as an ongoing barrier.

Retention

It was reported that retention of care staff has generally improved across sectors (for example, one ASSD reported that many staff who could have retired, especially women coming up to 60, have not done so). While this may be in

¹⁹ Social workers were cited as the number one profession facing recruitment problems in English and Welsh councils, according to a survey carried out by Local Government Employers in 2009. In England, 61 per cent of councils experiencing problems finding community care social workers.

²⁰ UKCES 'Working Futures 2007-2017', December 2008

²¹ LGA 'The impact of the recession on migrant labour', January 2009

part attributable to the slowdown, a 2008 Skills for Care's Skills Research and Intelligence Unit report²² shows that vacancy and turnover rates for staff in adult social care have steadily improved since 2001.

However, Skills for Care reported that, at a national level, there has been a recent rise in social care staff turnover and there was speculation that this is linked to an increase in people entering the social care workforce from other sectors, who then decide they are not suited to it. The need to provide the necessary information, support and training to individuals was seen as paramount, to ensure social care can be a positive career choice.

Pay and conditions

Amongst the local authorities consulted, no significant changes to staff terms and conditions were reported, although senior management in Council A had agreed not to receive inflationary pay increases this year. Some general concerns were expressed about a national low pay uplift and the future of pensions.

No significant impacts were reported among providers concerning pay, terms and conditions as yet, but there were signs of agencies reigning in expenditure and reports of limits on discretionary staff bonuses and pay increases for qualified staff. One provider said they had undertaken a review of staff roles and work activity against job descriptions and found that staff were working beyond their brief; however, no money could be found to reward this contribution. Another agency had ceased making contributions to a final salary pension scheme.

Staff training and development

Managers in all the case study councils reported no change to investment in training at present. Many noted that the social care reform grant has helped with professional development related to the transformation agenda. Where training budgets were held across the directorate and not devolved, this was seen as an advantageous in terms of reducing the risk of them being diverted to support budget shortfalls. Most councils also said they offered certain free training to the independent sector, and there were no plans to curtail this. However, Skills for Care expressed concerns that discretionary training and training for the independent sector might be eroded.

There was some variance in terms of providing funding for occupational therapy and social work training. For example, the county council who experienced difficulty recruiting qualified staff was increasing investment in "*grow your own*" (ie. supporting staff to qualify as social workers), whereas the London council said that while it is still committed to employing those it has supported through occupational therapy and social work training, new applicants may not receive funding.

No significant impacts relating to staff training and development were reported by providers. VCS agencies said that, for some projects, this aspect was already budgeted for as part of the funding award, and many providers said they accessed free training wherever possible.

However, some national bodies consulted were concerned that problems with training were brewing. There were fears that staff development might not be given the necessary investment at a time when new entrants to the sector have a heavy training requirement. It was reported that the cap on mainstream Train to Gain funding has adversely affected some training providers, plus there were concerns that the "*plethora*" of 32 different training funding streams was confusing and time consuming and should be simplified.

Staff morale

Within social services, the economic slowdown did not appear to be having a significant impact on staff morale. One manager reported that when changes are shared with staff, they sometimes ask if it is related to the 'credit

²² Eborall, C.& Griffiths D. for Skills For Care 'State of the Adult Social Care Workforce in England', February 2008

crunch' and another council reported that when staff were faced with possible redundancy, they mentioned the recession as a cause of concern for getting jobs elsewhere. However, overall managers observed that people working within the public sector recognise they are in a relatively secure position compared to other sectors, and appreciate this.

Other factors mentioned that were affecting morale or causing anxieties amongst staff, included single status job evaluation, swine flu and the culture shift linked to personalisation. Staff morale was reported to be more negatively affected where restructuring and efficiency savings have been in progress. One manager in Council C looking ahead to a new four-year efficiencies programme said: *"We haven't really started that journey yet, but it feels a bit bleak"* and she felt this would be compounded by additional spending cutbacks. However, there was a general impression of some resilience here – that councils are very experienced at dealing with reduced budgets and the economic slowdown was *'more of the same'*.

Among provider services, while morale was described as *"quite good"* by the user-led VCS organisation (whose service was expanding and closely linked to delivering the personalisation agenda), in general morale was reported to be shaken across provider organisations, linked to a range of factors such as personalisation and changes to commissioning practices, as well as to the economic slowdown. There were some specific examples provided where care staff on low incomes were really feeling the impact, with some unable to take holidays or afford certain essential items.

Volunteering

Among VCS organisations consulted, those who were reliant on volunteers reported a significant uplift in people coming forward, with examples of increases over 50 per cent. Although this was welcomed, organisations pointed out that this does have additional costs associated with training, supervision, reimbursement and CRB checks, and some of these volunteers have complex needs themselves.

One organisation reported an increase in volunteering among the under 50s, including graduates who were 'filling time' before they obtain employment. There were also reports of volunteer bureaux seeing more referrals from the local Job Centre.

Concerns were expressed that some councils are increasingly expecting that volunteers should undertake work, such as caring, which is currently provided by paid staff.

chapter 7 – impact on provision

Chapter 7 sets out the perspectives of provider services, covering changes in demand, income and expenditure.

Changes in demand

Providers of residential and home care within the four case study areas said the type and level of demand did not appear to be markedly affected by the economic slowdown; changes in demand were more significantly linked to demographic shifts, to the transformation agenda and to changes in the way social services departments commissioned services.

These reports were confirmed by two local membership organisations who were interviewed. One (in Council C area) reported that some residential providers (including those with block contracts) were reporting spare capacity – but it was speculated that this is primarily associated with the impact of personalisation/efficiencies. Another (in Council A area) had just completed a survey of its membership, but this had not highlighted any particular issues related to the economic slowdown, although one commentator said there was evidence that families are becoming more sophisticated purchasers in negotiating packages of care downwards.

Nationally, speculation about care home closures has been mixed: council leaders warned of an impending shortage of places as a result of closures²³ and a report by Deloitte also warned of private sector care home closures²⁴. However, Laing and Buisson said demand for places was steady, as the decline in demand from councils was being matched by increases in the funding of places by the NHS and private individuals²⁵, and this has been further evidenced by their recent annual survey²⁶, which suggests that demographic change is driving steady growth in the sector. The Laing and Buisson annual survey showed people funding their own care accounted for 41 per cent of the market in 2009, up from 39 per cent in 2008, while councils share fell to 52 per cent from 55 per cent last year.

Demand for voluntary and community sector services

While some voluntary and community sector services were experiencing similar changes in demand related to the factors noted above, certain VCS organisations reported significant shifts in presenting needs, which may be directly and indirectly linked to the economic slowdown. These were generally linked to:

- mental health needs
- debt and benefits advice
- welfare rights, advice and signposting (in London, this included an increase in people who have no access to benefits or services because of their refugee status)
- housing needs (in London, this included an increase in older asylum seekers seeking re-housing due to overcrowding).

These issues are illustrated by the following examples:

- A branch of MIND (commissioned by Council C) had seen significant increases in demand - referrals were up 70 per cent, with increased demand for more low-level support. Some of this increase was put down to improved, more accessible premises, increased publicity/outreach work and local changes to managing FACS. However, there did appear to be impacts related to the economic slowdown: the organisation was seeing more incidence of depression and alcohol and drug misuse, linked to people having become

²³ LGA Council Leader survey, 2009

²⁴ Deloitte 'Turning the Tide; opportunities for public sector organisations in an economic crisis', 2009

²⁵ Community Care article 'Expert says demand is holding up', 8 April 2009

²⁶ Laing and Buisson 'Care of Elderly People UK Market Survey' September 2009

unemployed or feeling 'stuck' in their jobs. Also, there were more people seeking help because of work-based bullying. In response, the organisation is providing more services out of hours to help those in employment (e.g. they have linked up with a local GP to operate from their premises until 7 pm), plus they are providing more drop-in sessions. They have not received any additional funding for this expansion and are drawing on reserves/reconfiguring services to manage this. However, there are now four-month waiting lists for some services and demand cannot be accommodated within existing premises.

- All three branches of Age Concern consulted had noted increases in demand for advice and information, especially around debt and benefits; where one delivered a benefits service to all age groups, there was a particular increase in people under 65 with debt problems. Other increases were also noted, such as demand for home support, counselling services and support for people who had difficulty accessing statutory support/benefits because of their refugee status, or where complex needs were only partially being met. In one branch, demand for a counselling/befriending service had trebled over the last 18 months. However, it was felt that these changes were more likely to be linked to a range of other factors.
- The one CVS consulted (associated with Council D) had recently undertaken a survey of the local VCS about the impact of the economic slowdown. It felt that the low response rate perhaps suggested it is not having a great impact, but returns showed that:

"Organisations which work directly with individuals living in poverty or debt have seen significant increases in demand for their services....Organisations that work more generally in health and social care report no change in demand (which is high all the time), although those working in mental health are predicting increases in demand for their services over the coming year(s) as individuals are increasingly affected by the recession. One very small organisation that provides workshops on violence/anger management reports a significant increase in take up of its courses, and attributes some of this to redundancies and the recession."

The Carers Forum consulted (Council A) noted no particular change linked to the economic slowdown, though the Carers Centre (Council B) was receiving an increase in referrals for benefits checks. A spokesperson from Carers UK highlighted the range of financial pressures on carers (as outlined in their report, cited on page 12) and was concerned that there might be curbs on spending for preventive services, which would have an adverse impact on carers. Also, the failure of some PCTs to spend their National Carers Strategy funding allocation on break services²⁷ was causing some consternation.

Changes to provider income and expenditure

Financial impact linked to demand

There was a mixed picture regarding the income of providers linked to changes in demand, as outlined in chapters 5 and 7. Most providers in the four case study areas were still working within existing contracts and had not had their council funding reduced, but there were real concerns about what might happen when these come up for renewal, with a potent mix of cost-saving pressures, service transformation, increased competition and changing commissioning practices. As in 5.2.1, specialist providers were in a different category here and the local and national care associations consulted thought they would be much more able to ride the storm of the economic crisis and the pressures of a competitive market.

Compared to providers interviewed in the four case study areas, a greater number of respondents to the ECCA online survey appeared to be experiencing a decrease in income (though the low number of respondents means these figures should be regarded with some caution):

- Over half of the respondents had experienced a decrease in council funding in the previous 12 months. For all but one of the other respondents, council funding had remained "about the same".

²⁷ Carers UK press release 'Concern over missing money', 7 August 2009

- Although about half of the respondents reported that their income from private purchasers/self-funders remained *"about the same"*, the others were evenly divided between *"increased"* and *"decreased"* income from this source.
- Amounts and proportions of income from the NHS had generally *"stayed the same"* or *"decreased"* for equal numbers of respondents, although a few reported *"increased"* amounts of income from the NHS.

Financial impact of the economic slowdown

Financial impacts of the economic downturn mentioned by providers in the four case study areas included:

- the loss of Allied Irish Bank, which was strong in the care home market
- reduced overdraft facilities (previously 25 per cent of operating costs was the norm); providers are having to paying for existing overdrafts on worse terms and contracts are not regarded as a security
- cash flow - this is always a problem for small businesses, but may be less easy to manage in a recession
- potential reduced income from self-funders because of the difficulties of selling homes
- ensuring sufficient funding to pay pensions where these are provided (this was described by one provider as a *"nightmare"*)
- problems with self-funder/top-up payments were anticipated, but there was no strong evidence of this at present
- minor income for care homes was affected; residents were 'buying in' fewer services (such as hairdressing), where some homes may take a small percentage from the provider
- lower house prices have not been of much benefit – it takes a long time to set up and commission a new venture and existing business is depressed
- member organisations consulted suggested that smaller homes do not appear to be experiencing any sharp pressures as a result of the downturn, but larger organisations may be more affected where they have diversified into investments which have performed poorly, because of the economic crisis.

Amongst the ECCA online survey respondents, almost three-fifths (59 per cent) stated that they thought that the recession had made them *"worse off"*, while just over a third (37 per cent) felt that their organisation was neither *"better off"* nor *"worse off"*. Only one respondent felt that their organisation was *"better off"*.

Other financial pressures

The above said, there was more emphasis on financial pressures not linked to the economic slowdown amongst providers interviewed in the four case study areas, for example:

- costs attached to regulation - providers were particularly concerned about dual regulation by local councils and by CQC
- costs attached to increased training requirements – even where training is free there are costs attached to back-filling staff released for training
- varying transaction systems and policies amongst commissioning bodies (eg. on the administration of medication), which are time consuming and costly for providers to respond to individually
- increased transport, food and utility costs
- increases to holiday entitlements
- the cost of CRB checks.

An ECCA online survey respondent also pointed out that councils are now applying the Retail Price Index (RPI) rather than the CPI (Consumer Price Index) *"as their annual inflation fee increase driver"*, even though *"the CPI is the government's official preferred tool for applying inflation"*. Councils had used the CPI previously, when it was the lower of the two measures.

It was reported by all the providers interviewed in the four case study areas that there is now a much more competitive market and they are making increased efforts to keep costs down. Although providers said they were managing to maintain quality at present, they were concerned this might be eroded in future, especially where councils were much more bullish about fee levels.

These reports were reflected in comments from UKHCA, which reported that its members were increasingly experiencing a “take it or leave it attitude” among councils, who were unwilling to negotiate, and similar experiences were reported by respondents to the ECCA online survey, where one provider stated that it was providing residential care for £2.14 per hour and nursing care for £2.79 per hour. Another ECCA online survey respondent stated:

“LAs and PCTs feel they have more leverage to reduce fees and protect their budgets because they know how important it is for providers to maintain occupancy. Sometimes we feel we are being bullied. Our nursing units have become palliative care units, so the level of staff input increases while fee are static or even going backwards. So the gap between cost and income is ever widening.”

The CQC has recently announced that it will be studying the impact of the recession on quality of care by exploring how commissioners and providers are planning to maintain quality and improve value for money now and in the longer term.

Overall, responses of providers in the four case study areas suggest that many organisations providing adult social care services were already experiencing considerable downward pressures on their funding from the statutory sector and the recession is adding to these difficulties. However, there were examples of organisations which were doing well, especially those linked to the transformation agenda, through the shift to home-based support and personalisation (for example, the domiciliary provider in Council C and the direct payments/personal budgets support organisation in Council B were thriving). Interestingly, both of these organisations were in the third sector – one a social enterprise and one a user-led voluntary sector organisation.

Voluntary and community sector funding experiences

Amongst the VCS organisations consulted, while they had not experienced any reduction in social services contract income, a range of financial pressures was reported as being linked to the economic slowdown:

- reduced return on investments
- a reduction in donations/legacies
- a loss of income from Trust Funds (some of which had possible links to Icelandic banks)
- a reduction in income from training functions
- problems of late payments with some local authorities
- significantly increased competition for funding sources.

These findings reflect findings from a recent Charity Commission report²⁸, based on a survey undertaken in July/August, which showed quite significant downturns across the range of funding sources:

- 56 per cent of charities reported that they are affected by the economic downturn (an increase from 52 per cent based on a survey undertaken in February 2009)
- 69 per cent had seen a decrease and 6 per cent an increase in their investment income
- 31 per cent had seen a decrease and 19 per cent an increase in grant income
- 26 per cent had seen a decrease and 13 per cent an increase in their fundraising income
- 17 per cent had seen an increase in demand for services over the last 12 months.

²⁸ Charity Commission ‘Charities and the economic downturn’, September 2009

Only 13 per cent of charities which obtained income from public sector funding reported that this had decreased and 11 per cent reported an increase, but this relative stability reflected the fact that income was covered by existing contracts. While most charities reliant on public sector funding were relatively optimistic about the future, this was the area of funding where charities were least likely to expect any increases, and only 16 per cent of those receiving public funding said that they had considered diversifying their income streams. The Charity Commission funding advised exploring other funding sources to minimise risks.

Race on the Agenda (ROTA) has published a report²⁹ exploring the impact of the economic downturn on the Black, Asian and minority ethnic (BAME) third sector (London-based) and have raised concerns about an increase in demand for services (linked to increased hate crime, poverty, support for employment and needs of refugees). The report states that, unlike generic third sector organisations, the BAME third sector has little recognised and/or adequate support from many local authorities, and there is widespread concern that *“even if funding is maintained for the third sector, it will not reach local BAME groups and will be received by larger organisations that are not connected with the needs of London’s BAME communities. Subsequently, these organisations feel that mainstream organisations are not well placed to act on their behalf with regards to how the recession is impacting on their services and users.”*

VCS commentators consulted within the four localities said that other factors are compounding the problems caused by the economic downturn, for example:

- Supporting People funding is now part of the area based grant, rather than separate from it, and there were concerns it may not be sustained or used for other priorities.
- There is more competition in the market place where there are trading arm functions.
- Charity shop income is reduced as people are now selling on eBay or at car boot sales.
- There are fewer opportunities for fundraising in supermarkets, as many of them have curtailed these activities.
- There are fears about possible cuts in PCT funding.
- There is more competition for contracts, plus some historic long-term contracts are being opened to competition, which may adversely affect the sector.
- Statutory funding uplifts are not keeping pace with actual increases in costs.
- There are ongoing problems accessing funding for core activities.
- Funding is increasingly awarded to *“new, innovative”* projects while existing well-used and highly-regarded services may lose out.

Those organisations which were experiencing increased demand had no additional funding to cope with this and were drawing on their reserves. Real anxieties were expressed about the fact that this was not sustainable. However, a user-led organisation consulted, which was supporting the implementation of personalisation, was thriving and looking to expand.

The ongoing shift from grants to contracts was generally understood among the VCS consulted and the moves towards longer-term contracts by some councils were appreciated (though in one area consulted the VCS did not appear to be aware of proposed changes to funding mechanisms). However, there were examples of organisations whose security was undermined by historic funding practices (the CVS consulted said *“we are paid from ‘funny money’”*) which brought particularly anxieties in difficult economic times.

²⁹ ROTA ‘The Economic Downturn and the Black, Asian and Minority Ethnic Third Sector’, June 2009

Generally, there was real unease among the VCS about the renewal of contracts at a time of financial pressures and increased competition. Some agencies reported that they were finding it increasingly difficult to tender for services and funding as the documentation is often complex and providers lack skills in the tendering processes. They felt vulnerable to losing contracts to larger organisations, who they felt could “*talk the talk*” but not necessarily deliver quality local services.

For some VCS organisations the ‘collision’ of the economic slowdown, radical system change, changes to grant/contacting processes and increased competition for funding could leave them financially very vulnerable. These findings mirror national evidence³⁰. However, a report by Futurebuilders³¹ does highlight potential opportunities, such as falling property prices, where third sector agencies can take advantage of distressed markets. NCVO’s latest quarterly charity forecast survey also provides a more optimistic view, which showed some voluntary sector organisations expecting to both increase the services they offer and their expenditure. This said, the increasing reliance of social care charities on central and local government sources³² might make them particularly vulnerable to future public sector cuts.

³⁰ NCVO ‘Response to the OTS consultation on the economic downturn: Proposals for an Action Plan to support the voluntary and community sector’, December 2008

³¹ Futurebuilders England ‘Third Sector Commissioning Review’ Autumn 2008

³² NCVO Civil Society Almanac 2009

chapter 8 – planning and partnerships

Responding to pressures

All the councils consulted reported that they had been proactive in tackling the challenges posed by the recession. At a corporate level it was reported that there was particular focus on supporting local businesses and stimulating the local economy. In some areas all staff had been invited to provide suggestions for cost saving measures.

In relation to social care/welfare, a range of initiatives were in progress, including for example:

- workshops/conferences with social care providers
- expansion of benefits teams and proactive campaigns
- support for family/community re-skilling (one council had set up a new outpost in a local business)
- cash payments to vulnerable people
- a loan to the credit union.

A recent ADASS poll of ASSDs (September 2009) showed that 45 out of 54 respondents said they had a departmental/corporate strategy in place to deal with the recession. More detailed examples of the ways in which councils are responding to the pressures of the economic slowdown have been provided in reports by SOLACE³³, the LGA³⁴, IDeA³⁵ and the Audit Commission³⁶. The Audit Commission has also published a report on central government recession schemes³⁷.

Local authority business planning

One officer summed up the impact of the economic slowdown on social care as *“perhaps more focused than acute”*. The general view amongst councils was that any curb in expenditure would be part of a culture that councils had been living with for a long time and would not particularly divert them from planned activity.

Councils said that they reviewed their FACS threshold on a regular basis. The general view reported was that to change from their existing threshold would be a false economy, as people are likely to deteriorate and end up needing more costly packages of care.

Concern was raised about the possible effect of reduced local authority income on the development of new services (such as re-ablement). New care services may have considerable potential to reduce future social care costs (for recipients and/or their local authority) but often require some initial investment to become established. However, such funds may no longer be available because of the economic downturn (especially if allocations from central government are reduced).

Managers felt it was too early to say whether existing LAA targets as a whole would be affected and that, if there are any necessary changes to business planning, there would be strong efforts to ensure it did not hit front line services. There was speculation by some, but not all, councils that certain discretionary areas might be at risk, and that district councils may be limited in achieving targets where they were adversely affected by reduced income.

³³ SOLACE ‘Active in Adversity: councils respond to recession’ edited by David Walker (May 2009); and ‘Stand up to the Downturn; a guide to supporting local communities through the downturn’, January 2009

³⁴ LGA ‘Global Slowdown, Local Solutions; councils helping people and businesses’ (edition I November 2008; edition II July 2009)

³⁵ IDeA and LGA recession case studies, IDeA website www.idea.gov.uk

³⁶ Audit Commission ‘When it comes to the crunch; How councils are responding to the recession’, August 2009

³⁷ Audit Commission ‘When it comes to the crunch; Central government recession schemes’, August 2009

In the responses to the 2008 IDeA/LGA/SOLACE report almost 86 per cent of respondents said that they felt the economic slowdown would make it more difficult to achieve LAA targets, but this was much lower when related specifically to health targets (18 per cent) – housing and employment-related targets were those feared to be most at risk. The majority of social services managers interviewed thought that social care LAA targets were not at risk, and as they focussed on top priorities there was unlikely to be any move away from these.

Provider business planning

Provider organisations varied somewhat in their responses to business planning. For some it was “*business as usual*”, while others were adopting a range of measures to manage the downturn, including reviewing finances more regularly, considering efficiency savings, exploring alternative sources of funding, down-sizing or merging and buying in expertise in tendering.

Where one for-profit provider said they might be prompted to diversify, another said the sector may “*draw its horns in and consolidate*”. A third sector commentator said the organisation would have to focus its energies on fundraising for core activities and service development would have to be secondary to this. Among the ECCA online survey respondents, 25 per cent had plans to expand and 20 per cent planned to diversify, where only 3 per cent and 8 per cent respectively had plans to reduce the size of the organisation or the number of services provided.

Partnerships

Councils were aware of difficulties experienced by housing partners owing to the financial downturn, but there was evidence of efforts being made to keep housing developments on track (eg Extra Care), bringing in new partners and funding streams where possible. However, there were general concerns about meeting the rising demand for affordable, accessible housing to support independent living.

There was a mixed experience of relationships with local health partners, and several local authority respondents (and many providers) commented that relationships with local PCTs had historically been poor, owing to a mixture of financial constraints and a perceived inward-looking culture. For some councils, relationships continued to be driven by these factors, but others said things were improving, with a greater emphasis on joint working. An Executive Member (Council D) suggested spending cuts might force councils and PCTs to work together “*in a scrap heap challenge kind of way*”.

Council managers’ and providers’ descriptions of relationships between them were mixed, largely shaped by local factors/history, and also relationships were being particularly affected by the transformation agenda (see chapter 5). Most council managers described relationships with the VCS agencies as good and this view was generally shared by VCS commentators. However, it was pointed out that this might well change with rising funding problems. Few VCS commentators said they thought councils really understood the problems the sector was facing and many were concerned that, because relationships tended to rely on a few interested officers, apparently good relationships were vulnerable to change. An additional factor for the third sector was the prospect of “*having to go having to go cap in hand*” to the local authority and/or compete for contracts, while at the same time having to act in a campaigning role if the recession brings cuts that really start to affect vulnerable people (VCS commentator, Council D). This was considered to be highly compromising.

Prevention

Council managers generally said there was no change in the priority given to the funding of preventive services. However, a small number of those consulted pointed out the significant contribution of the VCS to this agenda and expressed concerns for the future where this sector is increasingly hard pressed.

One manager said that securing funding for preventive initiatives would be harder, because evidence of impact is less concrete, which is often the case for preventive projects. Also, savings from these activities tend to be longer term (or of benefit to a different organisation), so agencies may be less interested in funding them at times of financial crisis.

Responses to a joint Department of Health/Community Care survey³⁸, reported in early 2009, showed that one third of social workers thought the recession would have a 'big impact' on implementing the government's policy of early intervention to keep older people out of hospital longer, and a further 29 per cent thought it would have 'some impact'.

Public engagement

One council described strong mechanisms for public involvement, but managers within the other three said that, historically, the time and resources they were able to commit to this were not at a level they would like to have achieved. This generally was attributed to limited resources but some managers thought it had not been given due priority. In terms of future commitment, no councils reported a reduction in terms of their resourcing of public engagement. However, concerns were expressed (by both council managers and VCS organisations) that if there were reduced capacity within the VCS in future, there may be implications for public engagement, as the sector plays a significant role in supporting this agenda.

³⁸ Community Care online article 'Slump sparks fears for older people's prevention policy', 10 February 2009

chapter 9 - learning from the past, looking to the future

Chapter 9 draws on evidence of the impact on social care during previous recessions and considers future possibilities in the light of evidence from the four local authorities and current policy shifts.

Learning from the past - the impact of previous recessions

It was not within the scope of this research to provide an in-depth analysis of the impact of previous recessions, but readily available documentation has been used to highlight key issues related to local authorities, disadvantaged groups and provider services.

Previous recessions

Previous recessions typically referred to in the literature include:

- the 1970s, when the global economy was rocked by massive increases in the price of oil, which contributed to a stock market crash from January 1973 to December 1974
- the early 1980s, when there was high unemployment, and a big budget deficit combined with high oil prices
- the late 1980s, when there was a property price bubble, following North Sea oil revenues and a stock exchange boom. The UK was pushed into recession between 1991 and 1992 after sterling was forced to leave the European Exchange Rate Mechanism and the exchange rate of the pound was devalued.

It is important to note that any comparisons about the impact of previous recessions on social care need to be treated with considerable caution. While the economic circumstances of recession will all be different (and interpreted differently by commentators), the social milieu and health/social care infrastructure and policy context are also radically different.

Impact on social care

An LGA report³⁹ has been produced outlining what impact local authorities might expect, based on information of the impact of previous recessions. In relation to health and social care this suggests:

“Health promotion activity becomes increasingly important in a recession. There is also likely to be increased pressure on support services, for example, for those suffering from mental health issues. Social work teams can expect an increase in referrals as the impacts of the recession begin to affect family relationships, child development and overall health and well-being.”

“Councils could see the supply of supported housing schemes dry up, while voluntary organisations suffering from a reduction in money or volunteers may turn to the local authority for financial and other support. However, there may be opportunities arising from the fact that the banking sector will be required to start making competitive loans to small businesses (including social care businesses).”

Balloch et al⁴⁰ (1985) highlighted the association between rising unemployment and social problems, including mental health difficulties. Their analysis derived from primary and secondary data from eight metropolitan authorities between 1979 and 1983. The authors also suggested that rising unemployment led to pressures on day centres and Adult Training Centres. In the past, this rise coincided with the policy of ‘de-hospitalisation’, which contributed to demands on these services. Evidence from a survey undertaken by the authors suggested a

³⁹ LGA ‘Local Authorities and the economic downturn – lessons from previous recessions’, 2009 (unpublished paper)

⁴⁰ Balloch, S et al ‘Caring for Unemployed People; A study of the impact on demand for personal social services’, London Bedford Square Press, 1985

reluctance among councils to take up initiatives to help disabled people move into employment because they judged that they were unlikely to secure jobs at a time of rising unemployment.

However, in relation to those employed in the social care sector, there is evidence that in some circumstances these have proved fairly recession-proof. For example, health services created 30,000 jobs per month in both 1990 and 1991, little changed from its growth of the preceding two years, and in social services (which includes residential care and child day care) growth slowed only slightly⁴¹.

Impact on disadvantaged groups

A recent report⁴² from the Department of Work and Pensions (DWP) has looked specifically at the impact of economic downturn on disadvantaged groups. Although the authors emphasise that the study is not based on a full and comprehensive literature search, the report usefully evidences the somewhat changed context for disadvantaged groups across the periods of recession and the difficulties of analysing available data. For example, earlier labour market information focuses somewhat on male employment/ unemployment, and it is impossible to track the real level of unemployment amongst disabled people, within a previous policy context that engendered low expectations and aspirations.

However, based on available labour market data, their study shows that during economic slowdown the most likely groups to experience unemployment are:

- disabled people
- ethnic minorities and
- (since the 1980s) less skilled workers.

The authors state that for older people the causal relationship is more complex, but older workers typically have longer durations of unemployment and are therefore at a disadvantage during a recession, as their numbers increase amongst the total of those unemployed (this may be exacerbated further during this recession at a time of significant demographic change).

The authors also note that the legislative and policy context for these groups is now somewhat different. Whereas in previous recessions certain groups in society may have been “*written off*” (e.g. older people, through promoting early retirement), the much stronger equalities legislation now in place, and the arguably changed public attitudes and expectations around these issues, make any predictions of the impact of this recession less certain.

Impact on provider services

It is very difficult to make any comparisons with previous recessions in relation to private sector providers because the nature of the social care economy is substantially different now.

In terms of the impact on the third sector, a report from the Charities Aid Foundation in 1993⁴³, showed that in previous downturns, while some charities reported decreases in income, approximately an equal number reported increases, with the other third reporting no change. Charity sectors with the highest proportion of decreases were Civil/Advocacy (72 per cent) and Arts/Education/Entertainment (71 per cent). The conclusions suggest that charitable organisations experience downturns very differently, depending on the nature of their service and funding streams.

⁴¹ Singleton, Christopher J. ‘Industry employment and the 1990-91 recession - job losses compared to previous recessions’, Monthly Labour Review, July 1993

⁴² Stafford, B. and Duffy, D. ‘Review of the Evidence on the impact of economic downturn on disadvantaged groups’ Working paper no 68, DWP, 2009

⁴³ Charities Aid Foundation ‘Charities In Recession’, 1993

A more recent report by NCVO⁴⁴, which assessed a wider range of evidence from previous recessions, suggested that certain parts of the VCS are particularly vulnerable:

“the sector is relatively poorly capitalised and, in the short term, mid-sized organisations in particular are financially vulnerable.”

The report also highlights the way in which income may shift within the sector:

“A number of academics have ... remarked upon the disruptive impact of a downturn and in particular the likelihood of income redistribution, suggesting that a downturn could exacerbate existing trends (where larger charities are taking a greater share of the sector’s income)”.

However, there does not appear to be a link between the economy and the rate at which new charities are registered; there may even be more registrations in recession years⁴⁵. There is no empirical evidence regarding levels of merger activity.

The 2008 NCVO report suggested that Government funding and donations/purchases from the public will be crucial to the ability of the sector to emerge from any downturn, as they account for three-quarters of total income. The report highlighted that Government funding of the sector was volatile and did not closely track public expenditure:

“Trends appear to show a fall in central government funding of VCOs in the 1990/91 recession, though this was not limited to recession years.”

The author cited a report from the Home Office on central government funding:

“In general, funding of voluntary and community organisations expands and contracts more markedly than government spending as a whole. In other words, central government departments appear to treat this kind of funding as a more flexible or discretionary element, to be increased or decreased in response to economic exigencies or policy changes in high-profile areas such as homelessness, unemployment or crime.”⁴⁶

Looking to the future

Local authorities

The majority of social care managers across the four case study sites felt that the effect of the economic slowdown had yet to impact on social care services: *“It is the calm before the storm”*. While for many it was currently *“business as usual”*, the constraints placed on councils in terms of efficiency savings, in conjunction with the expected reduction in funding from the next spending review, were thought likely to have a significant impact on commissioning and provision over the coming months and years.

Also, the prospect of increasing numbers of people living in poverty in the longer term (see chapters 3 and 9) - with the associated negative impacts on health and well-being - may result in an increase in those requiring social care support. These outcomes are difficult to predict and will not be easy for local authorities to plan for.

⁴⁴ ‘Economic downturns and the voluntary and community sector: a short review of the evidence’; NCVO Research, November 2008.

⁴⁵ ‘Charities In Recession’, Charities Aid Foundation, 1993

⁴⁶ Mocroft and Zimbeck ‘Central government funding of voluntary and community organisations’. London: Home Office, 2004

Although some of the managers in the case study councils were despondent about any possible positive outcomes linked to the economic downturn, the majority of those consulted thought there were actual or potential benefits, for example:

- a larger potential labour force available to work in social care
- improved recruitment and retention
- improved flexibility of providers in delivering services, linked to improved recruitment
- lower wage claims
- a stimulus for creative thinking/ working
- closer partnership working.

Providers

The home care and care home providers across the four case study sites reported few current problems specifically linked to the economic slowdown. However, the combined impact of the transformation agenda, inflated utility/transport costs and costs attached to increased regulation meant that any additional difficulties posed by the economic slowdown left some of them vulnerable. Smaller organisations were particularly concerned that an increasing number of contracts appeared to be going to larger organisations (see chapter 5) and there were warnings that this could erode choice for service users in future and undermine the personalisation agenda.

For many of the third sector providers consulted, the economic slowdown was increasing demand and having a negative impact on several funding streams. As above, smaller/local organisations were concerned that their voices were heard, in order to help them respond to the challenges ahead. There were worries that if such organisations go by the wayside, there could be detrimental impacts which went much deeper than the loss of a service, which could potentially undermine wider social care strategies (for example, prevention and public engagement).

The majority of providers interviewed were despondent about any possible positive outcomes linked to the economic downturn, but several thought there were some actual or potential benefits, for example, improved recruitment and retention, closer partnership working and, for the third sector, more people volunteering.

Providers in the four case study areas were asked whether they had any suggestions for local or national government, to help them respond to pressures and establish a more secure future. Many of these suggestions did not relate directly to the economic slowdown, but to making the general environment easier for them to “*ride the storm*”, and these are outlined below:

Suggestions for local government

- There needs to be more transparency about how contracts are priced, as the price variability does not seem to relate to the value of what is being purchased. An ‘open book’ costing model would take care worker wages out of the equation and decisions would then be based on non-wage costs – otherwise the drive to reduce contract fees will always end up hurting workers.
- Providers need more updates and future predictions regarding commissioning and local area needs assessment, so that providers know in advance what services are likely to be required and can plan accordingly.
- Create more joint working opportunities.
- Co-ordinate training opportunities and avoid duplication.
- Make local organisations a priority. Contract with local organisations who know the area and the population.
- Third sector organisations also suggested a move to three-year contracts with monitoring at the end of each year, and payment in advance for services where possible.

Suggestions for national government:

- There need to be more national standardised procedures/policies. Councils have different ways of doing things and it is costly for providers to respond to these individually.
- Harmonise regulation; it is being carried out by both CQC and local councils.
- Rationalise and simplify training funding streams.
- Reduce the time to obtain to CQC registrations (currently four months).
- Change VAT regulations for providers, so they can reclaim this on inputs e.g. medical supplies, energy costs, staffing agencies, etc.
- Set national charging tariffs.
- There is a need to stabilize – change is expensive.

Additionally, third sector organisations suggested:

- Although national charities attract Government funding, it is local agencies that deliver services - funding models should be reconsidered so that they directly benefit local agencies/projects.
- Ring-fence carers grant funding.
- Do not focus so much funding on new/innovative projects – enable tried and tested services to access the necessary resources to continue.

Impact on system change and innovation

Uncertainties related to the Green Paper⁴⁷ (which was published while the fieldwork was being carried out) and the changes demanded by Putting People First were a key concern amongst managers interviewed in the case study sites. The need for radical system change, that has been subject to national debate for some time, has been given an added twist by the recession, and Jenny Owen (ADASS president) has expressed concern that this is not blown off course:

"...some fear the government may simply tweak the old adult social care system rather than overhaul it. Owen says this would represent a missed opportunity and is something she and ADASS will work hard to avoid." (Community Care online article⁴⁸)

A report by the National Endowment for Science, Technology and the Arts (NESTA)⁴⁹ emphasised the need for public sector innovation during a recession and the authors see this taking more localised and personalised forms, giving control to local communities and stimulating social enterprise. The report flags a number of other barriers to innovation experienced by councils, for example, public sector silos, regulation/red tape and poorly-paid staff. To encourage new ways of working the Department of Innovation Universities and Skills (DIUS) has charged NESTA with establishing a Public Services Innovation Laboratory to *"trial new methods for uncovering, stimulating, incubating and evaluating the most radical and compelling innovations in public services"*⁵⁰.

There were differing views amongst the four councils consulted about the impact of the recession on innovation and change: some officers thought economic difficulties might force creative thinking and new partnerships, whereas others speculated that councils – and/or other partners - may become more risk-averse.

⁴⁷ Department of Health 'Shaping the Future of Care Together', July 2009

⁴⁸ Community Care article 'Jenny Owen talks adult social care green paper, the economic crisis and ADASS' plans for the future', 22 April 2009

⁴⁹ NESTA 'Attacking the Recession; how innovation can fight the downturn' Charles Leadbetter and James Meadway, December 2008

⁵⁰ DIUS 'Innovation Nation' White Paper, Chapter 8, 2008

Many of the providers consulted were very interested in new ways of working and some wanted their local council to be more proactive and directive in stimulating creative partnerships. One commentator said previous 'no-go areas' were starting to break down (such as voluntary sector organisations working in partnership with for-profit organisations) and that this should be encouraged. Another (third sector) provider said that relations were starting to shift:

"We are also guilty – it has been difficult to work with each other on occasion – it can be competitive. But now we are getting better at working together, and worrying less about the competition. The push for partnership is good."

chapter 10 - conclusions

The four case studies have enabled detailed examination of the impact of the economic slowdown on adult social care through a range of stakeholder perspectives, providing an opportunity to explore the interaction and intersections of different impacts on adult social care activity. The conclusions have been themed in relation to presenting needs, workforce issues, provision and income, business planning and partnerships.

Presenting needs

- It was difficult for council managers to ascertain any impact of the slowdown linked to the number of requests for community care assessments; changes were felt to be more closely linked to demographic shifts.
- Three of the four local authorities consulted said there were significant increases in reports of abuse relating to domestic violence and safeguarding of adults. While the increases were thought to be largely linked to improved reporting and professional awareness, there were examples provided where families had sought to exploit relatives financially because they were experiencing economic crises.
- Changes to the profile of people approaching customer access points who require welfare support have been varied among participating authorities, depending on their structures for signposting and support. Some areas had noted an increase in the need for internally-provided benefits advice. Externally, many third sector agencies consulted had seen a significant rise in people presenting with debt, employment, mental health and housing problems.
- Participating authorities and providers felt it was too soon to see the impact on the employment prospects of disabled people, but there were general concerns that employment trial placements would be more difficult to arrange. The decrease in opportunities has come at a difficult time, when policy initiatives are moving people away from traditional day services and there is a national drive to reduce the numbers on incapacity benefit.
- Among those consulted, there was a mixed picture concerning housing related needs depending on local conditions, and it was difficult to ascertain changes linked to the slowdown. A couple of examples were provided where councils were able to take advantage of cheaper housing stock, but it was also reported that a registered social landlord was now refusing to take 'difficult' tenants, who were perhaps perceived as an unwanted risk. Over the longer term, there were general anxieties about meeting the increasing demand for accessible, affordable housing to support independent living.
- Most areas consulted reported increases in mental health presentations for 'lower level' support. However, this was often not experienced directly through social care customer access points, but through other routes, such as primary care and third sector organisations.

Workforce issues

- There had been a somewhat varied experience of the downturn in relation to recruitment and retention among the ASSDs and providers consulted. There had been a significant increase in applications for administrative posts across all sectors and most authorities consulted were experiencing an increase in interest from qualified staff, but one council was still having to recruit from abroad for social work and occupational therapy posts. While some concerns were expressed about the quality of staff who had no background in social care, one home care provider in the North was very positive about their "*freshness and enthusiasm*" and had received an increase in applications for care work from men, who are traditionally hard to recruit to the sector.

Provision

- There were no reported impacts on supply linked to the downturn, or reports of local providers going out of business. Overall, it was difficult for commissioning managers to see the impact of economic pressures on providers, particularly as they were still within current contracting cycles and because the market was adjusting to the transformation agenda.
- Providers of home care/care homes in the four case study sites reported few problems specifically linked to the slowdown. However, the combined impact of the transformation agenda, together with inflated utility/transport costs and costs attached to increased regulation, meant that for some the economic pressures are starting to bite.
- The third sector was experiencing a range of pressures linked to the slowdown, where several funding streams were being affected and many social care organisations were experiencing increased demand. The combination of increased competition for contracts and funding, together with an increasing campaigning role if the recession really impacts on communities of interest, was considered to be highly compromising. On the positive side, there had been a significant increase in the number of people volunteering.
- Concerns were expressed among small provider services, including smaller third sector organisations, that there is an apparent increase in contracts being awarded to larger organisations. They were concerned that this, together with increased competition and an emphasis on low costs, would ultimately impair quality and choice for service users and was against the spirit of personalisation. It was not clear to what extent the slowdown might be influencing these perceived changes, but it was suggested that at times of economic crisis large providers become increasingly aggressive in their strategy and/or that local authorities were trying to reduce their transaction costs.

Income, business planning and partnerships

- There was evidence that the economic slowdown was affecting social services income from clients, in the form of fewer people being assessed who were required to make a financial contribution, increased deferred payments, increased outstanding debt from non residential payments and reduced house prices shortening the term of self-funding payments.
- In general, managers consulted were fairly upbeat about business planning; they reported that, corporately, their council was taking a proactive approach to tackling the downturn and saw no deviation from existing social care priorities, with related LAA targets largely on track. However, looming further efficiency savings, and anticipated cuts in the next spending round, were causing some anxiety.
- The pace of change of the transformation agenda did not appear to have slowed. While some commentators regarded the economic downturn as an opportunity for more creative thinking related to personalisation, some external commentators were worried that it might be used as a cost-saving vehicle. Although commitment to the prevention agenda and service user engagement remained strong, there were concerns that an erosion of financial support for the third sector could undermine this.
- Partnerships between agencies were not reported to be particularly affected by the economic crisis as yet and there were mixed views about how future cuts might affect relationships – while the majority of those interviewed hoped that adversity might inspire more creative joint working, some voiced fears that it might engender an inward-looking approach, among health services in particular.

appendix 1 - emerging evidence from the LGA

A survey of the impact of the economic slowdown on local authorities was undertaken by IDeA/LGA/SOLACE in November 2008⁵¹. The summary of responses to this survey is copied below:

Council services

- 90 per cent have or expect additional demands on services, with, for example, 53.8 per cent already experiencing additional demands on welfare/debt advice services and 45 per cent additional housing benefits applications.

Infrastructure and capital investment

- 60.4 per cent had received fewer major planning applications than expected over the past two months and 69.5 per cent received fewer minor applications.
- 50.0 per cent indicated that existing public sector capital schemes had been adversely affected and 79.2 per cent that private sector schemes had been adversely affected.

Impacts on the locality

- 81.7 per cent reported that so far local community cohesion had not changed adversely, but 49.7 per cent anticipated that it would slightly deteriorate over the next twelve months.
- 20.9 per cent anticipate local employment levels falling greatly and a further 59.5 per cent anticipate levels falling slightly over the next twelve months.
- 88.2 per cent reported either a moderate or slight impact on local businesses so far, with most of the remainder reporting a significant impact and 54.3 per cent predicting significant impact over the next twelve months: the response is a likely reflection of a general expectation that impacts will vary in severity across the country.
- 68.8 per cent reported that they were aware of local voluntary organisations experiencing increased demand for services.

Council action

- 37.7 per cent had taken additional action to protect vulnerable households and 58.3 per cent plan to: activities initiated or planned range widely and include mortgage assistance, creating credit unions, insulation or free energy efficiency advice, encouraging take up of benefits and enabling or providing debt or financial advice.
- 39.4 per cent had already taken specific action to protect local businesses and 58.7 per cent plan to: action or planned action includes paying bills quicker, business advice and support, encouraging take up of rate relief and more widely publicising contracts for local business.
- 16.3 per cent had already taken action to support local voluntary organisations, and 27.6 per cent plan to: actual or planned help includes offering hardship assistance, helping to make services more accessible (eg hosting) and financial assistance.

Impact on councils

- 72.9 per cent had revised their overall budget position in the current year, most commonly owing to the loss of expected income from fees and charges or pressure from increased demand for services.
- 13.0 per cent had cut council jobs and 22.1 per cent had introduced a recruitment freeze.
- 85.7 per cent thought that the slowdown would make it more difficult for the authority to achieve Local Area Agreement targets.
- However, 47.1 per cent indicated that despite the difficulties for people and businesses (and councils), there are opportunities to help that arise from the downturn, the two main ones being the chance to improve interagency co-operation and cross other local barriers to tackle local problems, and possibilities for buying land given falling land values, for example, to provide affordable housing.

⁵¹ IDeA/LGA/SOLACE Survey of the Impact of the Economic Slowdown on local authorities, 2008 at www.lga.gov.uk/lga/publications/publication-display.do?id=1396273

Following this, the ADASS/LGA/Treasurers' Societies annual adult social care finance survey of local authorities 2008/09 was published in April 2009. Responses suggest that the economic slowdown is resulting in authorities experiencing or anticipating a range of issues, the most pressing to date being a reduction in the supply of services as independent care homes closed (14.7 per cent of authorities), and an increased demand for welfare advice services. More than two-thirds of authorities were anticipating experiencing each of the suggested effects, as outlined in the table below:

Impact of the economic slowdown (expressed as %)			
	Already experienced	Anticipated	Both
Income reduced as people default on social care charges	5.7	83.6	10.7
Income reduced as CRAG charging levied on fewer people	5.8	82.8	11.4
Income reduced as fairer charging levied on fewer people	5.5	84.3	10.2
More demand for welfare advice services	12.7	67.4	20
More demand for mental health services	6.8	89.5	3.7
More demand for drug and alcohol misuse services	4.4	85.7	9.9
More demand for other types of services	3.8	13.1	4.9
Supply of services reduced as independent sector care homes close	14.7	76.5	8.8
Supply of services reduced as agency providers of social care staff close	0	91	9
Supply of services reduced as home care agencies close	9.3	84.1	6.6
Other effects	5.1	9.2	1.7

appendix 2 - council profiles

Note: Precise statistics have been avoided to ensure the anonymity of the case study sites.

Council A	<p>Council A is a large county council with a population of over one million. Between 6 -10 per cent of the population is from the black and minority ethnic (BME) community. The main industries include services (distribution, hotels, restaurants, finance, IT, public administration), manufacturing and farming and there is a large commuter population.</p> <p>At the start of the research the level of the population claiming Jobseeker's Allowance was between 3 - 4 per cent, a rise of more than 100 per cent over the previous 12 months.</p> <p>It is currently held by the Conservatives.</p>
Council B	<p>Council B is a London Borough with a population of between 200,000 and 300,000. Over 10 per cent of the population is from the BME community. The area is an industrial centre, including automobile and electrical equipment.</p> <p>At the start of the research the number of the population claiming Jobseeker's Allowance was over 5 per cent, a rise of more than 30 per cent over the previous 12 months.</p> <p>It is currently held by the Liberal Democrats.</p>
Council C	<p>Council C is a metropolitan council with a population of between 200,000 and 300,000. Between 2 - 5 per cent of the population is from the BME community. The main industries include services (distribution, hotels, restaurants, finance, IT, public administration) and manufacturing (car manufacturing in particular).</p> <p>At the start of the research the level of the population claiming Jobseeker's Allowance was over 5 per cent, a rise of more than 70 per cent over the previous 12 months.</p> <p>It is currently held by Labour.</p>
Council D	<p>Council D is a unitary council with a population of between 100,000 and 200,000. Between 2 - 5 per cent of the population is from the BME community. The main industries include services (distribution, finance, IT, public administration) and tourism.</p> <p>At the start of the research the level of the population claiming Jobseeker's Allowance was between 2 - 3 per cent, a rise of more than 80 per cent over the previous 12 months.</p> <p>There is no overall political control.</p>

Data sources: Audit Commission; NOMIS, Office for National Statistics

appendix 3 - fieldwork interviews

Council A participants

- Executive Support Manager
- Strategic Commissioning Director
- Senior Operational Manager (North)
- Senior Operational Manager (South)
- Senior Operational Manager – Social Care Access to Services
- Director of Finance and Resources
- Cabinet Member for Adults Health and Community Wellbeing

Council B participants

- Head of Service Development & Commissioning
- Adult Social Care Transformation Team Manager
- Head of Older People Services (interim manager)
- Head of Physical Disability Service

Council C participants

- Commissioning Manager
- General Manager, Older Persons' Service
- Team Manager, Learning Disabilities
- Finance Manager
- Acting Team Manager, Advice and Assessment
- Senior Information Manager

Council D participants

- Executive Member, Housing & Adult Social Services
- Interim Assistant Director Commissioning & Partnerships
- 2 Group Managers
- Head of Finance
- Advice & Information Service Manager

Nominated provider services who contributed included:

- a Council for Voluntary Services
- 2 Independent Care Associations
- a homecare provider
- 2 supported living providers
- 2 residential care providers (one national, one small local)
- a Blind & Partially Sighted Society
- 2 branches of MIND
- 3 branches of Age Concern
- a Carers Forum
- a Carers Centre
- a Coalition of Disabled People
- London Care PLC



The Local Government Association is the national voice for more than 400 local authorities in England and Wales. The LGA group comprises the LGA and five partner organisations which work together to support, promote and improve local government.

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