Introduction

1. London Councils welcomes the opportunity to submit views to the Health Select Committee on the impact of Spending Review 2015 (SR15) on health, adult social care and public health. This submission considers the potential impact on local government services in London over the next four years.

Background

2. Prior to the Spending Review, London Councils lobbying focused strongly on asking government to address the funding pressures in adult social care and public health. Our key asks of government were to:

- Fully fund adult social care. London local government is facing a funding gap of up to £3 billion by 2020; in adult social care alone this will be at least £700 million by 2020.
- Meet new burdens pressures including the National Living Wage, Deprivation of Liberty Safeguards (DoLS), pension contributions, the projected increase in demand and inflation.
- Stabilise the care market and address concerns regarding the social care work force.
- Treat the public health budget consistently with the wider NHS budget.
- Full integration of health and social care by 2019/20, less top down management under the Better Care Fund and greater flexibility.
- Reconsider the in-year cut to the public health budget of £200 million in 2015/16. If not, the funding should be reinstated into the 2016/17 baseline and the spending ring-fence removed.
- Devolve national public health funding to local authorities, and where appropriate, give more local control over national programmes.
- Revise the public health funding formula to reflect need, population growth and demographics, which are particular issues for London.
- Award additional powers to local authorities to work with others to improve public health, such as through planning and licensing decisions.

Adult Social Care funding

3. The funding challenge in adult social care is one of the biggest facing London local government over the Spending Review period. Over a quarter of London boroughs’ non-schools revenue expenditure (around £2.2 billion) will be spent on this service in 2015-16. Recognising the critical impact this can have on people’s lives, boroughs have sought to protect adult social care as much as possible since 2011-12 despite overall core funding falling by 44 per cent in real terms. However, there is growing evidence that the limit of what is possible, in terms of both productivity and efficiencies, has now been reached.

4. The Government claimed £3.5 billion of additional funding has been found for adult social care in the Spending Review period, consisting of around £2 billion from the new flexibility to raise council tax by 2 per cent (the social care precept) and £1.5 billion of new Better Care Fund money coming from the local government departmental budget. However, it is not clear on what basis the £2 billion has been calculated. The Government assumes a lower figure of £1.8 billion in the local government finance settlement.

5. In addition, we would question whether the ‘new’ £1.5 billion funding for the Better Care Fund by 2019-20 is actually new, as £800 million is being funded by a cut to New Homes Bonus funding and the remainder is being funded by top-slicing Revenue Support Grant: a significant proportion of both would have been spent on adult social care anyway (as non-ringfenced grants).
6. Within London, local government is facing a funding gap in adult social care of at least £700 million\(^1\) by 2020. London Councils estimates that, assuming all boroughs raised it every year, the social care precept would raise around £230 million a year by 2019-20. The Government's estimate of London's share of the new BCF funding is £247 million, meaning the total possible additional funding of less than £500 million (in reality not all boroughs will raise the precept so this overstates what will actually be raised). While the introduction of the precept will help ease some pressures, it will still fall well short of the additional funding needed. In addition, we are concerned it will raise the least amount of money in the areas most in need, which could possibly result in further inequalities in service provision.

7. These pressures are exacerbated in London due to the higher cost of providing care in the capital compared to the other regions\(^2\). This is raising concerns regarding sustainability and viability of the care market. Many local authorities have either frozen or reduced the fees they pay providers in recent years, which is adversely impacting their financial viability as they seek higher payment from the self-funder market. This is likely to make it more difficult for local authorities to find the right services for clients and paying higher fees to compete with the private sector. As providers struggle to continue in the sector there is a danger that the quality of care provided to people may begin to suffer.

**Public Health funding**

8. London Councils believes the complex inter-dependencies between health, social care and public health mean that all three must be adequately funded otherwise cuts in one part of the system inevitably become costs to another part of the system. Accordingly, our SR15 submission asked for public health budgets to be raised in line with NHS budgets.

9. The Spending Review set out further details of the Government’s commitment to increase funding for NHS England by £10 billion per annum in real terms by 2020-21 compared with 2014-15. This will see NHS spending increase from £101 billion in 2015-16 to £120 billion in 2020-21 (an increase of 18 per cent).

10. In contrast, public health funding will be cut by 9.6 per cent between 2015-16 and 2020-21 in cash terms, from a baseline of £3.5 billion to around £3.1 billion. This represents an average real terms cut of 3.6 per cent per annum. Figure 1 shows the estimated reduction in public health funding for London over the next five years. We estimate London’s annual public health funding will fall by around £70 million (from almost £700 million to £630 million) between 2015-16 and 2020-21. This is on top of a £40 million in-year cut in 2015-16.

11. Cuts to public health budgets exacerbate the already wide variation between these budgets from one borough to another, many of which result from historic funding allocations. As further cuts bite, each borough must make increasingly difficult decisions about which public health services it can no longer provide, or has to reduce, resulting in an increasing ‘postcode lottery’ of services, which are all needed but may or may not be funded. This situation is set to deteriorate even more as additional services are given to local authorities, such as assessing people for PrEP (Pre Exposure Prophylaxis) at sexual health clinics.

12. Estimates suggest that, had public health funding increased in line with the NHS budget until 2020-21, London’s public health budget would be around £200 million higher than the current figures suggest.

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\(^1\) This includes the impact of demographic change, inflation and new funding pressures created by government policies such as the National Living Wage, Care Act 2014, and changes to pensions affecting carers.

\(^2\) For example, in 2013-14 the cost of providing care to over 65s was 17 per cent higher in London compared to the other regions.
13. Making a distinction between public health budgets and NHS budgets simply because one now rests with local authorities and the other rests with the NHS, and cutting the former so drastically, is short-sighted and a false economy; it will have a profound impact on the health of the nation in years to come. Analysis by the Faculty of Public Health suggests ‘the eventual ‘knock-on’ cost to the NHS could well be in excess of £1 billion’


The Public Health ringfence

14. The majority of the London’s public health spending goes towards prescribed services, such as sexual health, and child weight and measurement checks. Consequently, decreased funding is available for non-prescribed services such as obesity and smoking cessation. Whilst the introduction of separate components within the public health grant formula from 2016-17 for services for children under five, sexual health and substance misuse are welcome, the changes will be largely cancelled out by the cut to the overall quantum.

15. London Councils is disappointed that Spending Review announced a continuation of the ringfence for public health until 2017-18, particularly as funding is being cut rather than increasing in line with the NHS budget. The continued public health ring-fence means local authorities have less flexibility on how they can budget and cannot use their increasingly limited resources to best effect.

Business rates devolution

16. The Spending Review announced further details about the Government’s proposals for 100 per cent devolution of business rates to local government. London Councils is concerned about both the proposed transfer of Public Health funding, and the announcement (in the local government finance settlement) that responsibility for people who currently receive Attendance Allowance will also be considered.

17. We believe that piecemeal approaches to aspects of the reforms could weaken the overall finance system and make it unsustainable in the long term. Funding services that are driven by demographic growth and bear little relation to a property tax that is vulnerable to economic downturns, significantly increases the level of financial risk local government is facing, and should only be considered in the context of a broader package of reform of councils’ functions The appropriate growth levers and safety net mechanisms should be very carefully considered by government to mitigate such risks.
18. London Councils urges the Government to work closely with London Councils and the GLA to develop a solution for London that supports devolved governance and the reform of public services in the capital and is the start, not the end, of fiscal devolution.

Prevention

19. Last year London local government and its NHS partners agreed joint ambitions to improve the health of Londoners, as part of a shared aspiration to make the capital the healthiest global city. London local authorities are keen to ensure the widest and fastest improvement in the health and well-being of almost nine million Londoners through a transformation in the way health and care services are delivered. They are working hard, along with NHS partners, to secure this aim, but can only do so with adequate funding.

20. This means properly funding the prevention programmes in order to deliver long term savings. Prevention helps people stay well for longer, thus reducing pressures on other related council services, like adult social care. Whilst the £10 billion additional funding for the NHS is welcome, shifting the mind-set from treatment to prevention is incredibly difficult.

21. However, examples in London show that this is possible. The London HIV Prevention Programme (LHPP), will save money for future health and care costs as well as improving people’s wellbeing. The LHPP is funded jointly by all London boroughs, and has realised considerable savings and increased productivity compared to previous prevention programmes, as well as having a very strong track record in securing value for money.

22. It is disappointing that the Spending Review did not allocate more funding to prevention programmes. For example, childhood obesity is one of the main priorities for HWBs in London, and many local authorities are working to overcome this issue. However, because this preventative work is not prescribed by national government, London Councils is concerned that while the government plans to publish its Childhood Obesity Strategy shortly, the ability to improve the health of children will be hindered if local government isn’t equipped with adequate funding.

Health and Social Care integration

23. Social care and the NHS are interdependent. Without adequate funding for the former, the pressures on the latter will continue to rise, resulting in increased delayed transfers of care and spiralling costs. Integration of health and social care is, therefore, critical to the future sustainability of the sector and improved outcomes for people. London boroughs and their NHS partners have been seeking to integrate health and social care services for many years to secure joined-up services, tailored around people’s needs and choices and to make better use of funding across services. The Better Care Fund has accelerated the pace and scale of integration through pooling budgets (in London this was at least £590 million in 2015-16) and aligning or jointly commissioning services.

24. London Councils’ SR15 submission asked for full integration of health and care in the lifetime of this Parliament and that extensive, if not wholesale, pooling of budgets and joint commissioning will be key to achieving this. We also asked that Government set out a framework to incentivise full integration as part of SR15, which would require all local areas to produce a road map of how they will move towards full integration within the life of this parliament, as part of their BCF plan submission.

25. We therefore welcome Government’s plans, announced in SR15, to mandate all areas of the country to produce plans for complete health and social care integration by 2017, to be implemented by 2020.

4 https://www.england.nhs.uk/london/2015/03/25/healthiest-city/
5 Further details of what this framework should include are set out London Councils’ BCF 2016/17 core design principles publication: http://www.londoncouncils.gov.uk/download/file/fid/15777
Councils agrees with this in principle as a way to solve the fragmentation and unsustainability of health and social care services, but as the details of the plan are scarce, we would like further information to be published as soon as possible.

26. We also welcome the Government’s commitment to maintain the NHS’s mandated contribution to the Better Care Fund in real terms over the Parliament, and the additional £1.5 billion of funding being made available to local authorities by 2019-20 (although, as stated above, we are concerned that most of this is existing funding). The Government estimates £247 million (16 per cent) of this will go to London boroughs.

27. The Dilnot Commission delivered its recommendations on the future funding of care and support in July 2011, so it’s disappointing that the government has postponed implementing real reform until 2020, thus leaving the long-term sustainability of social care, and the interface with health, still unresolved.

Health and Wellbeing Boards

28. In March 2015, London Councils published research on how London’s HWBs were performing nearly two years after they took on their statutory functions⁶. Various factors were found to impact the effectiveness of a board in achieving its purpose of increasing collaboration between the health and care systems, including national pressures to address issues which aren’t a local priority, and a failure to engage meaningfully with health and care providers.

29. London Councils’ health devolution agreement, signed by all London boroughs and the Government, should be viewed as the start of a partnership between all public services concerned with the health of Londoners. We believe HWBs are the cornerstone for planning for and securing effective transformation of health and care services to improve outcomes and drive efficiency in a time of increasing financial pressures on both the NHS and local government.

30. London Councils believes HWBs should be given enhanced powers, responsibilities and freedoms for commissioning, integration, patient and community engagement, and local leadership to fulfil their potential as powerful system leaders driving improvement in outcomes and services for their citizens. They must ensure CCGs and local authorities fully collaborate through, for example, joint commissioning, innovative use of resources with CCGs using local authority resources and vice versa, pooled budgets and joint planning. The devolution pilots running in London will help to crystallise what extra powers are needed to achieve such changes.

31. This presents a major opportunity for HWBs to play the leading role in developing health and care systems which meet the needs of their local communities, and will require collaborative local leadership of the highest quality.

Conclusion

32. While SR15 made several announcements aimed at easing the pressures on health and social care, taken in context with the unprecedented pressures already in the system, and the expected rise in demand as a result of changing demographics, this does not go far enough to put the system on a long-term sustainable footing.

33. Core funding from government will be cut by 34 per cent across London boroughs over the next four years. Funding cuts on this scale will have a significant impact on adult social care, which has already endured 5 years of significant funding cuts. At the same time, London’s population will rise from 8.6 million in 2015 to 9.1 million in 2020.

million by 2020: an increase of 6.4 per cent - more than twice the anticipated rate of increase for the rest of England (3.1 per cent). This will drive huge increases in demand for health and social care services.

34. However, the NHS in London is also facing £6.4 billion cost pressures by 2020. So, while integration will have to drive more efficient use of funding, overall wider reform of health and care is also needed. As stated, we think this should include the proper funding of prevention and early intervention programmes, otherwise expenditure in the long-term on health and care services will continue to rise, and an enhanced role for Health and Wellbeing Boards.

35. London Councils urges the Health Select Committee to reflect on the positive role local authorities can play in driving efficiencies across the health and social care systems. London’s health devolution deal is a step in the right direction. The agreement with national government and the NHS at national level includes agreements to jointly explore reform and devolution across six areas: capital and estates, system finances, provider regulation and inspection, workforce and skills, transformation funding, public health and employment and health.

36. The success of these pilots will have an impact on all London boroughs both directly in the management of adult and children’s care services and budgets; and also more widely in borough’s ability to support better health for their citizens. Detailed and specific changes to the existing regime are expected to emerge from the work developed during 2016.

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