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Discussion Note

DELIVERING SPECIALIST SOCIAL CARE IN A TIME OF AUSTERITY

Summary

This Discussion Note follows the 10th November 2010 roundtable event hosted by Localis in conjunction with ISIS Equity Partners on 'Delivering Specialist Social Care in a Time of Austerity'. The conversation at the event focused on key issues surrounding the social care system at a time when costs must be reduced. Specific points of discussion included: what is the best approach to deliver a fully personalised care system; how the quality of services might best be maintained while savings are delivered to the public purse; how working partnerships between local authorities and the private sector might be encouraged; and how innovation in the private sector can help to provide more effective outcomes in the social care sector.

The roundtable was chaired by Cllr Daniel Astaire, Cabinet Member for Society, Families and Adult Services at Westminster City Council. The participants were:

Daniel Astaire	Westminster City Council
Kate Kennally	Barnet Council
Tony Smith	Birmingham City Council
Marion Harrington	Westminster City Council
Richard Jones	Lancashire County Council
James Reilly	Hammersmith and Fulham Council
Stephen Greenhalgh	Hammersmith and Fulham Council
James Morris MP	Communities and Local Government Committee
Anne Mercer	Joint Social Work Unit DfE/ DH
Charles Eggleston	SLC Group
Ian Williamson	Pathway Care
Ian McKay	Pathway Care
Scott Christie	Independent Living Services
Tom Shakespeare	Localis
Wol Kolade	ISIS Equity Partners
Liz Jones	ISIS Equity Partners
Matthew Caffrey	ISIS Equity Partners
Adam Holloway	ISIS Equity Partners
Pete Clarke	ISIS Equity Partners
Bea Frank	ISIS Equity Partners
Rupert Lewis	MHP Communications

Opening Remarks

Cllr Astaire opened the roundtable by highlighting the current uncertainty over local authorities' social care budgets in the wake of the Coalition Government's significant cuts to council budgets. He said that it seemed unlikely that central government's announced injection of £2bn into social care spending would completely offset the probable budget tightening necessary in the wake of the Comprehensive Spending Review. "Innovative solutions will need to be found", he suggested, to ensure that local authorities meet the challenge presented by the cuts in ways that ensure that the damage to frontline services is minimised.

Cllr Astaire outlined some key elements of Westminster's response to the squeeze on its social care budget, emphasising the need to consult service users on which areas to cut and examining how to reduce assistance for those with moderate needs to protect those with more serious care requirements. He explained that, in addition, Westminster is considering changing its charging structure to allow the council to recover costs from those who can afford to pay, investigating wider use of personal care budgets. Westminster is also looking to join up some elements of adult social care services with the London Borough of Hammersmith and Fulham, and is seeking to develop links with the private sector to assist in the provision of effective social care. Cllr Astaire concluded his opening remarks by saying "We are in a very uncertain world for social services, but what is clear is that we are going to have to implement considerable change".

Resistance to change

While Cllr Astaire's comments on the need for change in the face of considerable budgetary challenges met with broad agreement, the participants also highlighted a wide range of barriers to innovating and implementing effective solutions. One significant barrier raised during the discussion was the number of different funding streams that feed into the overall social care budget, which serves to make accurate forecasting of the effects of current budget cuts very difficult and thereby tends to encourage councils to avoid what appear to be more risky new solutions.

A number of representatives from private sector social care providers also commented on the apparent risk-aversion of local authorities in their social care delivery strategies. It was suggested that LAs often look to engage with the private sector as a "last resort" rather than seeking to build long-term "strategic relationships" with private sector partners. Even a council representative admitted that a large part of the challenge of developing effective new solutions lies in overcoming the frequently poor communication and mistrustful relationships between lower level social care commissioners.

"Government departments have all too often proven unable or unwilling to overcome inter-departmental barriers to create a system which focuses on optimising outcomes for end users."

Sources of inertia within the public sector

The discussion indicated that the problem of resistance to change was not confined solely to local authorities. Indeed, there appears to be a case for arguing that inertia is rife within a number of key bodies and groups integral to the provision of social care. Groups with vital functions within the social care system, such as GPs, have also generally been reluctant to back innovations, especially ones that involve significant alterations to their own current roles. One council officer suggested that politicians, despite their rhetoric suggesting they are at the vanguard of support for social care innovation, are themselves a key source of such inertia as in practice they have often proved unwilling to take on the additional responsibility entailed by pooled resources.

Perhaps most destructive of all, government departments have all too often proven unable or unwilling to reduce inter-departmental barriers to create a system which focuses on optimising outcomes for end users. One participant attributed this failing to a combination of structural and incompatibilities between departments – such as different pay scales – and ingrained cultures of inflexibility and protectionism within each department. Another opined that the structural barriers to sharing resources across departments are so great, especially in regard to integrating core aspects health and social care, that it is only realistic to attempt to align the various systems rather than attempt to integrate them.

Inter-departmental cooperation and barriers to flexibility

Inter-departmental cooperation and alignment may have to be catalysed from within departments rather than being imposed by statutory reform, since this type of reform is too slow to properly respond to the very immediate need for change within the current social care system. One participant claimed that the plan outlined by the Chancellor in the recent Comprehensive Spending Review announcement that around £1bn of the NHS's annual budget would be allocated by the NHS or local authorities to social care might act as a "pump primer" to more stable long-term cross-departmental collaboration.

However, it is clear that plenty of work remains before the ultimate goal of flexible social care provision effectively structured around the specific needs of individual end users becomes a reality. Some departments, especially the Department of Work And Pensions, are widely known to be resistant to joined-up services and pooled budgeting at local levels.

In addition, a number of participants agreed that the very factor that made such flexibility imperative – the enormous range of specific circumstances and desired outcomes which social care services aim to cater for – also makes major innovations appear relatively expensive and risky to cautious local authorities, as most changes will only address a small proportion of the total population with social care needs.

As one council officer pointed out, 'success' in social care provision can frequently mean very different things to different end users: for example, enabling an individual to remain in their home may perfectly satisfy the needs of an elderly person, but is inadequate for a young disabled person seeking to enjoy the same opportunities as able-bodied peers and live an active life.

The lack of widely applicable measures of success and consequent difficulty in building up a robust evidence base indicating the improved outcomes which can result from the development of innovative strategies, is especially problematic as it reinforces local authorities' reluctance to trial such strategies. In this respect it was telling that the same officer who commented on the variety of measures of success in social care outcomes also spoke of how changes to local authorities' procurement processes were slow because they appear expensive, risky, and difficult to justify.

Issues with current procurement processes

Despite the variety of views on the barriers to the innovation of new solutions to address the twin issues of existing problems with social care provision and the imperative for local authorities to reduce social care spending, all participants agreed that procurement is an area that urgently needs to be addressed. Among the most salient issues with current procurement processes identified during the course of the discussion were:

- The current rules for procurement are too strict and stifle innovation. Representatives from both the private and public sectors concurred that in general, tenders continue to rule out innovative models immediately since these models do not fit the tender brief. In this respect, local authorities must recognise that many private sector providers are ready to develop models which cut across boundaries currently demarcated by outmoded procurement processes, and change the terms of tenders to encourage rather than hamper such innovation.

- As one council officer pointed out, innovation is repressed under current procurement structures because the specifications detailed on tenders are input-driven, not focused on outcome as they should be. While the difficulty of generalising outcome requirements, as outlined above, must not be underestimated, local authorities need make it a priority to reverse their attention on input and neglect of outcomes.

- Parochial procurement processes are leading to flawed social care solutions which do not provide value for money to the public purse. Although, as one council representative reminded the roundtable, within the adult social care sector 85% of purchasing is already linked into the market, procurement tends to severely warp market forces and means that many social care markets are, at best, immature. A representative of one private sector provider spoke of his frustration that inefficient procurement was unnecessarily costing one authority £1.2 million more per year to provide care for 120 children than if tendering was fully competitive.

- Private sector providers often feel alienated by procurement processes. There is a lack of dialogue between LAs and potential partners in the private sector, and this, coupled with the concurrent distortion of market forces generated by the narrowness of many tenders, leads many private companies to feel disempowered and uncertain. Procurement should be transparent, fair and conducive to fostering partnerships between the public and private sectors; currently it is unclear, iniquitous and often a cause of tension.

- The current procurement structures do not allow for personalised social care budgets. The participants widely regarded personalised budgets as a potentially effective and viable way for many social care recipients to be empowered while simultaneously encouraging open competition between private care providers. The siloing which currently exists in local authorities' procurement processes – for example, the separation of health and social care commissioning – prevents the use and further development of personalised budgets. It was generally agreed that this must be addressed urgently to give as many end users the 'whip hand' as possible.

Is personal social care insurance the solution?

One potential solution to the current problems associated with the inflexibility engendered by local authorities' procurement processes and a reluctance to innovate discussed at the roundtable was a shift towards using personal social care insurance. The ongoing Dilnot Commission has suggested that such a shift may help to cut public spending and involve the private sector in social care provision in more productive ways. The general consensus was that insurance was likely to become a more significant aspect of the social care system in the coming years, and that this was to be welcomed.

However, a number of participants warned against seeing this measure as a panacea. Challenging questions remain over the coverage of social care insurance, particularly whether insurance cover will be on a large enough scale to enable risk pooling and the provision of affordable insurance to higher-risk individuals. Furthermore, as one council officer argued, public perceptions will need to change drastically for insurance to be successful. Encouraging people to insure prior to requiring care is difficult and arguably relies on a major shift of mindset among the population away from their widespread reliance on state provision and away from their perception that social care should be 'free'.

Especially at a time of austerity, fostering this change of attitude and requiring people to save money to deal with problems which often seem distant from their current concerns is fraught with difficulties. Participants generally felt that insurance was a positive idea but would not solve the problems of the social care system in isolation.

"The discussion reiterated the need for thoroughgoing reform is so great that local authorities must consider bolder steps to involve the private sector and enable the provision of flexible and high quality social care."

Reservations around working with private sector providers

Although a large part of the appeal in widening the use of insurance is that it involves the private sector to a greater degree, a number of public sector representatives contended that some responsibility for the flaws in the existing system lies with private sector providers.

One senior social care officer claimed that many providers had "unsustainable business models", which encourage local authorities to associate private sector-led innovations with significantly increased risk. It was also suggested by one councillor that the biggest barrier to change is not political but professional, as various private sector groups find it difficult to work together to provide social care to suit the end user.

Another officer argued that "we need providers that change as people's needs change", and at present private sector providers often do not provide for the entire needs of a client group. However, this is perhaps due more to the inadequacies of the commissioning process and the need for providers to cater for narrow remits, as outlined above, rather than being a failure of the private sector per se.

Of more general concern for the private sector is the lack of scale in the current system, a situation which is unlikely to get better given the current moves towards the localisation and personalisation of social care. Certainly, this is a tension for which it is difficult to see easy solutions.

What can the private sector offer?

Private sector representatives outlined a number of ways in which the increased involvement of private companies could improve the provision of social care, especially at a time when innovative solutions are required to achieve considerable savings to the public purse.

- In strategic terms, one participant suggested, private sector companies are able to consider joined-up services in a more critical, objective way than many public sector bodies, especially those with strictly defined departmental remits, appear able to.

- Private firms have the capacity to provide investment and management talent, and to tap into different networks which would be inaccessible to social care sector if the public sector maintains its existing grip on the provision of social care services. In other words, the private sector has an unrivalled capacity to fund, and provide the necessary thinking for the innovative solutions which are currently needed to ensure social care provision meets the public's demands during a time of austerity.

- The private sector has a significant lead over the public sector in being able to bring to bear expertise in process redesign and management which can be applied to deliver constantly improving solutions to social care problems both effectively and relatively cheaply.

Participants agreed that any effective set of solutions to the current difficulties in the social care system must involve closer working partnerships between local authorities and private sector companies.

Conclusion: Councils as Commissioners?

The roundtable highlighted some significant barriers to the provision of effective social care in a time of austerity. It also brought to light a series of difficulties that private sector providers and potential investors face when attempting to engage fully with the social care system.

In some ways, the social care sector is naturally not conducive to private sector engagement. For example, many investors struggle to find investment opportunities with the necessary scale because of the vast array of different needs of individuals who rely on social care.

However, participants agreed that there are a large number of existing problems which can be addressed to encourage private sector involvement in the social care system. Local authorities must extensively review existing procurement practices, which all participants acknowledged are flawed, and which hamper or even preclude innovative attempts to providing high quality, personalised care on tight budgets. But for this to happen, local authorities must accept the need for change, and look to move towards a social care role focusing more on commissioning and less on providing.

To be sure, this involves a major change of mindset and does come with certain initial risks. However, the discussion at the roundtable reiterated that the need for thoroughgoing reform is currently so great that local authorities must consider bolder steps to ensure that the funding and expertise of the private sector are effectively harnessed to enable the provision of flexible and high quality social care.

About Localis

Localis is an independent think tank dedicated to issues relating to local government and localism. We carry out innovative research, hold a calendar of events and facilitate an ever growing network of members to stimulate and challenge current orthodoxy of the governance of the UK.

For more information about Localis, please visit www.localis.org.uk or phone 0207 340 2660. For more information on this work please contact Tom Simpson (tom.simpson@localis.org.uk).

About ISIS Equity Partners

ISIS is a leading UK wide private equity firm with offices in London, Birmingham, Leeds and Manchester. We have over £648million of funds under management and focus on investing in growing SME sized entrepreneurial companies for the long term. We invest in a range of sectors, including public services, all over the UK, helping them to flourish and broaden their customer reach throughout the globe. Since 1999 ISIS has invested in over 70 businesses in healthcare, education, financial services, IT/media, consumer services, energy/environment and business services.

At ISIS, our business is based on finding small and medium sized businesses which have already successfully progressed beyond their early stages and are looking for help to capitalise and expand to the next level. ISIS is able to provide these businesses with the necessary capital investment, management experience, or both, to help them grow organically or through acquisition, and where banks are unable or unwilling to provide finance we are able to offer that injection of support.

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