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Chancellor of the Exchequer and First Secretary of State
The Rt Hon George Osborne MP
House of Commons, London, SW1A 0AA
By email: george.osborne.mp@parliament.uk
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20.08.2015.

Dear Mr Osborne,

The Housing and Support Alliance is a membership organisation representing 200 Local Authorities, Voluntary and Private Housing Providers, Support Providers, Advocacy Groups, People with Learning Disabilities and their families. All our members are involved in the provision of supported living and residential care services and work with approximately one third of the national total number of people receiving services funded by Local Authorities and Clinical Commissioning Groups.

A key element of providing these services at the level of quality people with learning disabilities rightly expect and are entitled to is ensuring there is a sustainable market in employing experienced and committed care and support staff. For that reason a rise in the minimum wage to £9.00 by 2020 is welcome.

However, we are concerned that unless wider structural market issues are addressed, the benefit will be undermined.

Our members have received either no increases or, at best, minimal increases (and in fact many have received real term decreases) to their fees paid by Local Authorities for five years and although they went through last year's cost cutting using national care cost models, there is little movement for them to increase wages for the 2015/16 year without an increase in their income.

Local Authorities are making plans to reduce their budgets further over the next 5 years and will not therefore be in a position to address increasing wages by £2.50 per hour.

This leaves a funding gap that needs to be addressed. If it can't be done through cost savings or fee increase, there is no further room for manoeuvre.

There is an additional consequence of increasing the minimum wage. Bringing up the wages at the basic level has a “knock-on” effect. A minimum wage of £9.00 is closer to the wage of a member of staff currently supervising or managing staff at the current minimum wage. To make sure the necessary differential between care and supervisory pay levels is maintained, those supervisory levels would need a similar increase, putting further pressure on the funding gap between cost and income. It will also make it harder for providers who want to pay a premium over the minimum wage to recruit the skilled staff it is so important to attract, again due to the upward pressure on the wages of less skilled staff at, or close to, the minimum wage.

Our members have reported that the implementation of this policy without any further work assessing its impact could mean:

- The need to cut important training
- A compounding of the recruitment crisis in frontline care. It is already difficult to recruit staff into permanent positions leading to wide use of more expensive agency staff. These costs will proportionately rise if the national minimum wage increase doesn't address the problem.
- Employment inequality issues for those under and over 25. The differential rates would potentially be applied to 2 staff carrying out the same role.
- Increasing the risk of poor quality service delivery as costs are cut further.
- Problems meeting the cost of working to increased regulatory requirements
- A number of otherwise viable providers being forced to exit the market, leading to further crisis as existing services are re-provided at a higher cost to commissioners in inappropriate settings.

To compound the issue we have the current uncertainty around whether or not sleep-in overnight support can be paid at a flat rate as has been the case historically, or by the hour as recent case law would suggest. Payment by the hour would considerably further increase the cost of providing the service compared to current arrangements, adding more pressure to the funding gap. Any review of the social care market in relation to the impact of the raising of the minimum wage should also look at providing clarity on this issue, together with the consideration of drafting appropriate legislation to support and sustain the viability of the provision of sleep-in services.

Urgent work to evaluate the true scale of the funding gap and to identify how the issue could be resolved is required to ensure Local Authorities, in a time of significantly rising demand, can continue to meet their statutory responsibilities and providers can continue to provide the quality of services necessary for people with housing, care and support needs.

Yours sincerely,

Steve Harris
On behalf of H&SA's membership

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