



advice and support for older age

**Independent
Age**

**Independent Age's Spending Review written representation (HM
Treasury)**

September 4 2015



About Independent Age

Independent Age is a growing charity helping older people across the UK to live more independent, fulfilling lives.

Founded over 150 years ago, we are an established voice for older people and their families and carers, offering free advice and information and providing services, such as befriending, to promote wellbeing and reduce loneliness.

In addition to this, we use the knowledge and understanding gained from our frontline services to campaign on issues that affect older people, like poverty, loneliness and carers' rights.

For more information, visit our website www.independentage.org

Speak to one of our advisers for free and confidential advice and information. Lines are open Monday to Friday between 10am - 4.30pm. Freephone 0800 319 6789 or email advice@independentage.org

Independent Age is also a member of the Care and Support Alliance: a consortium of over 75 organisations that represent and support older and disabled people campaigning to keep adult care funding and reform on the political agenda.

Independent Age response to the Treasury's consultation on the 2015 Spending Review

Focus of our submission

This submission focuses on what we believe is the urgent need for a new settlement across health and social care.

Independent Age believes that the Comprehensive Spending Review provides the Government with the opportunity to put funding for England's system of care and support on to a fairer, more sustainable footing.

Building a better country for older people

Our vision is to see the UK become the best country in the world in which to grow old. Older people should be able to lead the lives to which they aspire and live with dignity, choice and control. **Unfortunately, we believe this vision will remain unfulfilled as long as social care services remain chronically under-funded.**

Older people are the biggest users of health and social care services. People aged 65 and over account for one in six of the population, but they account for one in two (54%) bed days. People aged 85 or over account for one in 44 of the population, but one in six (18%) hospital bed days¹. Focusing on adult social care, over half (51%) of the adult social care budget of Councils with Social Services Responsibilities is spent on those aged 65+², with this age group accounting for 78% of supported residents in residential care and 79% of those in receipt of council funded home care³.

With the UK population undergoing rapid demographic change, unless both health *and* social care services can meet ever increasing levels of demand, we will soon be unable to support large numbers of older people. While there have been welcome measures to increase the NHS budget, in line with NHS England's 5 Year Forward View, the budget for social care has gone into sharp decline. This has had the predictable result of undoing a lot of the good work the Government has been engaged in trying to prevent avoidable use of (costlier) health services.

A fundamental review of age-related spending

While spending on health and social care inevitably accounts for a large proportion of public expenditure targeted at people aged over 65, we hope the Spending Review looks strategically at all age-related spending, so that the country can reach the fairest and most sustainable funding settlement across all public services.

¹ Health and Social Care Information Centre. Focus on the Health and Care of Older People, June 2014.

² Health and Social Care Information Centre. Personal Social Services: Expenditure and Unit Costs, England 2013-14

³ Health and Social Care Information Centre. Community Care Statistics: Social Services Activity, England 2013-14

In fact, **Independent Age believes the Government needs to undertake a fundamental review of the many different tax and spending implications of dramatic population ageing.**

There will be a million more people aged 70 and older by the end of this Parliament, so **the review needs to consider both the costs and opportunities of many more people in the UK living longer lives.**

The Spending Review documents published at the end of November should set out the Government's response to the challenge set by the Office for Budget Responsibility (OBR) in its June 2015 Fiscal Sustainability report. The OBR warned that public finances are likely to come under pressure as a result of our ageing population⁴ and it would only be through changes in policy that the Treasury could hope to offset the impacts of demographic change. The review must therefore examine spending on health and social care, but in the widest possible context, identifying how as a country we plan to pay for public services an ageing population needs.

It will be during this spending review period that public services will need to get ready for ageing in a way that in 2013 the House of Lords Select Committee on Public Service and Demographic Change sadly concluded many health, care, housing and other services can currently be found lacking.

Funding for Social Care

While we welcomed the new Care Act of 2014, we were very disappointed to learn that one of the Government's flagship policies – the care cap – was postponed to as late as 2020.

This cap would have placed a limit on the catastrophic care costs faced by tens of thousands of older people and their families. Alongside the postponement of the care cap, came the announcement that the increase in the means test (the lower capital limit increasing from £14,250 to £17,000 and the upper limit for residential care increasing from £23,250 to £118,000), and the new duties that local authorities would have towards self-funders, were also postponed until 2020. There are now real questions as to whether local authorities will still feel the same impetus to engage with self-payers without a clear need to assess them.

The original Department of Health analysis was that by 2024/25, around 80,000 people were set to benefit from a more generous means-test for social care and a new cap on lifetime care costs of £72,000. The delayed introduction of the capped costs reforms presents major new concerns to this population, many of whom do not consider themselves wealthy. In fact, households with £100,000 to £150,000 in assets will continue to face the risk they could deplete half, and possibly as much as 80% of their assets to pay for long-term or residential care.

All of the above has worrying consequences for an already unsustainable social care system, given that both the cap and the extended means test were deemed

⁴ Office for Budget Responsibility, 'Fiscal Sustainability Report 2015' June 2015

vital to ensuring the sustainability of our social care system by the Commission on Funding of Care and Support in 2011⁵.

Furthermore, the Comprehensive Spending Review looks to encompass the period 2016 to 2019, not covering the period 2020 and beyond. Given that the recommendations of the Dilnot Commission have now been pushed back to 2020, not only will the funding implications of the recommendations not be addressed this coming November, but there is a very real concern about the state of the social care system by the time these new reforms are finally implemented.

With this in mind, we urge the Government to address the following as part of the forthcoming Spending Review:

- Clarifying whether the £146 million distributed to local authorities to help implement the planned Phase Two reforms of the Care Act 2014 can remain within local authority budgets to allow them to provide care services to support their residents
- That, in accordance with the National Audit Office's examination of the implementation of Phase One of the care cap, if local authorities are experiencing shortfalls due to underestimates in levels of demand by the Department of Health; that outstanding funding now gets allocated to local authorities to fully implement their duties under the Care Act⁶
- That the full cost of implementing the care cap, estimated to be in the region of £6 billion over the course of this Parliament, be retained within the social care system – allocated instead to local authorities to help them sustain social care services
- That the Government considers the feasibility of at least using some of this £6 billion spending envelope to bring forward the introduction of the Minimum Income Guarantee and the planned increase in the capital limits for means-tested social care. These reforms will benefit older people with the lowest levels of income and wealth
- In addition to the £6 billion spending originally planned for the capped costs reforms, the cost of implementing the National Living Wage be reflected in local authority budgets, rather than being passed to local authorities to allocate within existing budgets
- Ultimately, to consider placing funding for adult social care on the same footing as health services, protecting expenditure in real terms and making sure in the same way the NHS's future finances have been secured through the Government's commitment to the NHS 5 Year Forward View, that a 5 Year Forward View for social care also gets rolled

⁵ Dilnot Commission, *'Funding fairer care: The Report of the Commission on Funding of Care and Support'* July 2011

⁶ National Audit Office, Department of Health, *Care Act first-phase reforms June 2015*

out, securing local authorities' budgets so ever growing numbers of older people can get the basic help they need to live a decent quality of life.

Without these measures, we believe our social care system will remain ineffective, unfair and, in its current state, unsustainable.

The state of funding for health and social care

NHS funding has increased from £97.5 billion in 2010-11 to £116.4 billion in 2015-16, an increase of 19.3%. Over the same period, social care funding has decreased from £14.9 billion to £13.3 billion – a reduction of 10.7% – and this becomes even more in real terms when demographic change is taken into account⁷. The money transfers from the NHS to social care do not mitigate for these reductions.

It is encouraging that the Government has started to acknowledge the crisis in social care funding, with both the Health Secretary Jeremy Hunt and Minister for Care Services Alistair Burt acknowledging that more needs to be done and that a “strong NHS needs a strong social care system”⁸.

In its July 2015 letter to the LGA, the Government took the first step in acknowledging that our social care system, as it stands, is underfunded. We now want to see recognition from the Government that social care is an important part of the UK economy which not only needs investing in, but arguably needs an emergency fix. Serious questions still remain as to just how prepared the UK is for its ageing population until the Government places our care and support system on equal footing with the NHS.

While there have been many useful independent reviews of the most sustainable settlement for health and social care, not least Kate Barker and her Commission's 2014 work for the King's Fund, the government should also be looking to lead an honest and open debate about what we can afford as a country and what kind of social care system we want for all of us in old age. This should be part of a fundamental review looking at how we plan for population ageing across all areas of public service provision.

The funding crisis in adult social care

NHS funding has been ring-fenced but there is a very real danger that if social care is not given the same attention, the health and social care system will collapse.

ADASS, the LGA, and others have previously warned that our current social care system is underfunded by at least £4.3 billion⁹. The figure could be higher, with the LGA recently highlighting an annual funding gap for social care services that averages £700 million. With a new burden on local authorities requiring them to meet their duties under the Care Act, and new spending arising from their duties

⁷ ADASS 'ADASS Budget Survey 2015 report' June 2015

⁸ Jeremy Hunt, Speech to the Local Government Association annual conference, 1 July 2015.

<https://www.gov.uk/government/speeches/personal-responsibility>

⁹ Local Government Association 'Adult Social Care Funding: 2014 State of the nation report' October 2014

on Deprivation of Liberty Safeguards (DOLs), the Government needs to ensure local authorities can fully meet their obligations to local residents.

Councils in England face a funding gap of £5.8 billion in their budgets between March 2014 and the end of 2015/16 according to the LGA analysis in June 2014¹⁰. More recent analysis from ADASS suggests there have been budget reductions of £4.6 billion in social care since 2010, a sum that is effectively a third of the 2010/11 net adult social care budget. Savings in 2015/16 represent a further reduction by almost one third (29%), compared with the planned savings in adult social care in 2014/15¹¹.

Other figures quoted by national bodies make for equally worrying reading. The National Audit Office (NAO) have revealed that social care for older people has had a 15% budget cut in real terms since 2010. With 360,000 fewer older people receiving the care that they need in the period 2009/10 to 2013/14 figures look set to rise as budgets continue to shrink¹².

Independent Age understands that at least £146 million was allocated to local authorities in order to help councils prepare for phase two Care Act implementation¹³. Given the funding challenges highlighted, Independent Age strongly believes that this money should be allocated to help ensure local authorities are able to fully meet their current obligations under the Act.

Furthermore, in his announcement of the care cap postponement, the Minister for Care Services suggested that fully implementing the care cap would cost local authorities £6 billion by 2020. Despite the postponed implementation, Independent Age believes that this £6 billion must continue to be invested in the social care system in order for it to be able to cope with the current demand.

As the Minister for Care Services reiterated in his letter to the LGA, by postponing the cap the Government were indicating that they were aware of the strain on local authority budgets, and the impetus now needed to be on fully implementing phase one of the Care Act. Independent Age therefore urges the Treasury to acknowledge the acute need for the extra £6 billion worth of funding to be reflected in the Autumn Spending Review, with the funding being promised to local authorities to help them cover the costs associated with complying with the Care Act. It would also address year-on-year increases in the number of people who require adult social care and the £700 annual funding gap highlighted in the LGA's submission to the Spending Review. This funding should be invested in the social care sector as it was intended rather than being re-directed elsewhere.

¹⁰ Local Government Association *'Future Funding outlook 2014'* June 2014

¹¹ ADASS Annual Budget Survey, June 2015

¹² Health and Social Care Information Centre *'Community Care Statistics 2013-14'*

¹³ Department of Health *'Local Authority Circular LAC(DH)(2015)2'* February 2015

The care market and self-funders

The announcement on postponing the cap was followed by an announcement that the duties that local authorities would have had towards self-funders, would also not come into effect until 2020.

People who pay for their own care and live in care homes often find they pay more for the same level of care received by residents who are funded by their local authority. The cause, again, appears to be chronic underfunding. Local authority fee rates for care home providers often don't reflect the 'real' costs of care.

Laing and Buisson estimate that self-funders typically pay £50-£100 more per week for similar levels of residential care – a 'cross subsidy' in effect¹⁴. The cross subsidy helps make good any shortfall borne by providers who receive below-inflation rises in care home fees for council funded residents.

Although the Care Act places clear responsibilities on local authorities to shape their local care markets, and places a related duty on the Care Quality Commission to monitor the financial health of the main care providers, the care market is showing significant signs of stress.

The 'floor' fair price (the bottom line figure weekly required to cover the costs of caring for a frail older care home resident) is estimated to be £554 per week for the year October 2014 to September 2015. This compares to an average fee paid by councils throughout England of just £512 per week¹⁵. This shortfall of £42 per week, is a significant increase of the shortfall reported last year - £31 per week. It is believed local authority measures to cut budgets are forcing rates to slip even further behind in terms of keeping abreast with the real costs of providing residential care. In a care market which relies on the monopsony buying power of local government, if local authorities' purchasing power continues to weaken in the Spending Review period, strategically important providers could enter serious financial difficulties.

At least some of the £6 billion spending originally planned for the capped costs reforms should help local authorities to pay rates that reflect the real costs of care.

Extension in means test

At the very least Independent Age believes that the extension of the means test (the capital limits determining who qualifies for local authority-funded care) should be implemented sooner than 2020. This would mean the lower capital limit for home care and residential care increasing from £14,250 to £17,000 and the upper limit for home care increasing to £27,000. The upper limit for residential care would increase from £23,250 to £118,000. This should be implemented before 2020 to make the system fairer for those who are paying

¹⁴ Laing and Buisson *UK Market Survey 2013/14'*

¹⁵ Laing & Buisson, *Fair Price for Care*, January 2015

for their own care but who find themselves just above the current capital limits and risk short-term asset depletion under the current rules.

National Living Wage

Between 160,000 and 220,000 care workers are unlawfully paid less than the National Minimum Wage (NMW), often due to breaches of NMW regulations¹⁶.

The Budget in June 2015 saw the Chancellor commit to increasing the National Living Wage (NLW) to £9 by 2020¹⁷. Whilst this is a very welcome announcement when it comes to making sure that care sector workers are paid the bare minimum that they deserve, it poses very serious questions about how much it will cost local authorities to implement this step change in paying wages.

Statistics released by Care England have stated that meeting the new NLW requirements will cost the care sector up to £1 billion by 2020. As costs rise for care providers when they begin to pay their workers the new NLW rate, this expense will be reflected in the price that local authorities are asked to pay, therefore increasing the cost of care.

Independent Age believes that the extra costs to local authorities from the implementation of the National Living Wage must be reflected by an increase in local authority budgets.

The NHS Five Year Forward View

Independent Age recognises the important work that is being done on the implementation of the NHS Five Year Forward View. We welcome the Conservative Government's pledge to increase funding to the NHS by £10 billion in real terms by 2020¹⁸. Older people continue to be the largest group who use the NHS¹⁹ and research reiterates the point that pressures in the health service are already affecting the quality of care they receive – for example, non-compliance with NICE guidelines means that some older people are having to wait until they are in severe pain before receiving a hip operation²⁰.

As the figures above suggest, whilst funding into the NHS has increased, social care funding has seen a reduction by 10.7%²¹. Not only does this mean that between 2009/10 and 2013/14 360,000 fewer older people were receiving state funded care, but that local authorities will come under further significant strain if those who are currently not receiving any care but are eligible to do so, come forward and enter the system. Independent Age's 2014 '[Bigger Picture](#)' research points towards at least 70,000 older people who have some form of 'unmet need' and would meet new eligibility criteria as a consequence of experiencing

¹⁶ Hussein, S., 'Estimating Probabilities and Numbers of Direct Care Workers Paid under the National Minimum Wage in the UK: A Bayesian Approach, *Social Care Workforce Periodical*, issue 16, December 2011

¹⁷ Chancellor of the Exchequer, Rt Hon George Osborne, *Summer Budget*, July 2015

¹⁸ Conservative Party Manifesto, 2015

¹⁹ Department of Health, Philp I, 'A Recipe for care – Not a Single Ingredient', 2007

²⁰ Royal College of Surgeons, Is Access to Surgery a Postcode Lottery?

<https://www.rcseng.ac.uk/news/docs/Is%20access%20to%20surgery%20a%20postcode%20lottery.pdf>

²¹ ADASS 'ADASS Budget Survey 2015 report' June 2015

difficulties with three or more activities of daily living (ADL)²². If these people were to come forward, local authorities would be expected to carry out their duties towards them at a further cost to their budget.

With new duties placed on local authorities under the Care Act, Independent Age would like to see the commitment to funding the NHS, mirrored by a commitment to fully funding social care. In order for the NHS Five Year Forward view to be successful, there will be a reliance on a resilient and dynamic social care system.

Independent Age believes a new 5 Year Forward View needs to be rolled out, which complements the protections being afforded to the health service, but instead sustainably funds adult social care.

The Better Care Fund (BCF)

Independent Age also welcomed the introduction of the Better Care Fund in June 2013 as part of the Coalition Government's recognition that more needed to be done in order to support the integration of health and social care. Supporting local authorities in joining up care within their local health communities can mean better quality of care for those older people who need it, along with savings to GPs, hospitals, and residential care homes in the longer term.

Although the introduction of the Better Care Fund is welcome, alone it cannot make social care sustainable. A report by the National Audit Office highlighted concerns that a change in the scope of the Better Care Fund has benefited the NHS more than it has benefited (or protected) social care²³.

Guidance on the BCF focused on a need to reduce hospital emergency activity by 15% with these services being adopted by the community²⁴. At the same time, given that the budget of the BCF was a redeployment of existing NHS services, there is an argument to be made that by focusing on hospital admissions, and therefore reducing the strain on the NHS, there would be additional financial pressures on local authorities and current service providers. Arguably therefore, the BCF may have reduced emergency hospital admissions, but at a further cost to local authorities.

Whilst Independent Age can see new funding might logically be directed through the Better Care Fund, we would urge **a more focused attempt to direct the funding into social care services, perhaps by ring fencing the social care budget in the same way that funding for the NHS is protected**. Certainly reducing the strain on the NHS is a very important priority but if there are little to no community based services on which to shift the strain, an already fragile social care system will be unable to shoulder the extra burden. The Treasury should look to direct local authorities to focus any additional funding available

²² Lloyd J and Independent Age, *'The Bigger Picture: Policy insights and recommendations'* November 2014

²³ <http://www.nao.org.uk/report/planning-better-care-fund-2/>

²⁴ Department of Health, Department for Communities and Local Government and NHS England *'Planning for the Better Care Fund'* November 2014

through the BCF to community based services to allow local health communities to thrive.

Conclusion

With warnings from across the sector that our social care system is chronically underfunded, and with acknowledgement by the Government that there are considerable funding pressures on local authorities, we urge the Treasury in this Comprehensive Spending Review to recognise the importance of a fully funded social care system both for our economy, and for the wellbeing of the NHS. Independent Age is also calling for a fundamental review on just how prepared we are as a country to cope with our ageing population so that future funding decisions can be made in such a way that is fair for the whole population.

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