



advice and support for older age

**Independent
Age**

The financial sustainability of local authority adult social care

August 2016



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.

Registered charity number 210729

Independent Age response to the Community and Local Government Committee's Adult social care inquiry

1. Introduction

1.1. We welcome the Committee's inquiry into adult social care following the 2015 Spending Review and Local Government Finance Settlement. We recognise that these announcements have the potential to make the future of adult social care almost entirely dependent on the state of local government finance and it is vital that these changes are fully understood.

1.2. It is difficult to exaggerate the current pressures on adult social care. Between 2009-10 and 2013-14 we know that 400,000 fewer people were receiving services from their local authority¹. Meanwhile many of those people who continue to receive a service will have experienced reductions in their care package as local authorities desperately attempt to manage shrinking budgets and rising demand.

1.3. It was welcome that in 2015 the Spending Review and Local Government Finance Settlement offered some relief from the unprecedented reductions in adult social care funding. We particularly welcome some of the policy announcements including the increase in the Disabled Facilities Grant as part of the Better Care Fund and the introduction of multi-year funding settlement for local government. Despite being pleased that the need for adult social care funding received some recognition, this submission sets out our belief that it will be insufficient to cope with demand and meet the needs of older people.

1.4. We estimate that adult social care will be underfunded by at least £1.1 billion each remaining year of this parliament.

Executive summary

Social care

- The social care precept is a welcome recognition of the urgent need for more funding for adult social care.
- The precept does not solve the funding crisis in the short or the long-term and could create inequalities in provision.
- The precept does not even cover the cost of the National Living Wage (NLW) this financial year.

Better Care Fund (BCF)

- The Better Care Fund (BCF) is welcome in appearing to be extra money for adult social care.
- The financial savings expected from integration need to be made very clear.

¹ ADASS budget survey 2015, ADASS, June 2015

- The BCF is being back-loaded meaning two years of no additional funding for adult social care.
- The BCF is being used to plug gaps in government policy rather than improve services.

National Living Wage (NLW)

- Without proper funding the NLW could add to the financial pressures in adult social care and even compromise the quality of care.

Statutory Obligations

- There is considerable cause for concern regarding the levels of confidence reported by Directors of Adult Social Services in meeting their statutory obligations.
- Prevention spending is being reduced - contrary to the Care Act.
- Savings are being planned through personalisation of care contradicting recommendations from the National Audit Office.

Carers

- Despite the Care Act expanding the level of support carers can access many older carers appear to still be missing out.
- There is evidence that local authorities spent less on carers' assessments and respite care in the first year of the Care Act.

Commission

- We support the call for a cross-party Commission to examine the future of the NHS and social care.

2. Two per cent council tax precept

- 2.1. At the Spending Review 2015 the government announced that councils would be able to introduce a new 'social care precept', allowing local authorities to increase council tax by an additional 2%. The government estimated that this new power for local authorities would increase adult social care funding by around £2 billion by the end of this parliament.
- 2.2. We welcome the social care precept as a formal recognition by the Treasury that adult social care urgently needs more funding. The fact that 93% of all local authorities used the precept in its first year², raising a total of £380 million³, should leave no doubt that local authorities are committed to protecting adult social care. That adult social care budgets will see a modest increase in cash-terms in 2016-17, attributed to the social care precept⁴, can only be welcomed after the cuts to adult social care budgets in recent years. It is also encouraging that 85% of Directors of adult social services are confident that the precept will go to adult social care⁵.
- 2.3. However, the precept does not solve funding for adult social care in the short or the long-term. The government's estimate that the precept would raise £2 billion a year by the end of the parliament is not realistic. This estimate was based on the precept being used every year of this parliament. It is very clear that this is not happening. A total of 40% of local authorities decided not to raise council tax by 1.99% in 2016-17⁶. The Kings Fund, Nuffield Trust and The Health Foundation have estimated that the precept will raise just £800 million a year by the end of this parliament⁷.
- 2.4. There is growing evidence that the social care precept will raise least where it is needed most⁸. The precept raises an amount equivalent to 2.29% of the adult social care budget for the most deprived quartile of unitary and metropolitan district councils⁹. In contrast, for the least deprived quartile of unitary and metropolitan district councils the social care precept raises 3.66% of the adult social care budget. This difference partly explains the fact that this year adult social care budgets have increased by 20% for some local authorities and decreased by as much as 13% for others¹⁰. A total of 70 local authorities reported a fall in their adult social care budget this year¹¹. The difference in the amount of social care funding local authorities receive is so large that it has the potential

² ADASS Budget Survey 2016, ADASS, July 2016

³ Ibid

⁴ Ibid

⁵ Ibid

⁶ Ibid

⁷ The Spending Review: what does it mean for health and social care?, Kings Fund, Nuffield Trust and Health Foundation, December 2015

⁸ Who wins from the social care precept?, The Municipal Journal, May 2016 [Link](#) (accessed 16.8.2016)

⁹ Ibid

¹⁰ ADASS Budget Survey 2016, ADASS, July 2016

¹¹ Ibid

to undermine the principle of a national eligibility for social care introduced in the Care Act 2014.

- 2.5. Not only does the social care precept not come anywhere close to resolving adult social care funding. The total £380 million it raised this year failed to even cover the extra £520 million cost of the introduction of the NLW¹².
- 2.6. The precept is in itself not enough to even sustain adult social care at its current level let alone cope with rising demand from an ageing population and more people living with multiple health conditions. The precept must not be seen as an end to the debate on adult social care funding - even in the short-term.

3. Better Care Fund (BCF)

- 3.1. We welcome the continuation of the Better Care Fund and the additional funding committed to create the 'improved' Better Care Fund. We are encouraged by the retention of the power to increase the amount raised by the BCF above the mandatory amount. We also welcome the commitment to retain specific funding for reablement and carers' breaks. As the King's Fund have stated, the 'improved' Better Care Fund is an important part of protecting adult social care in this parliament as it appears 'to be genuinely new money for social care and will not be transferred from the NHS¹³'.
- 3.2. We welcome the Better Care Fund and the principle behind it of supporting the integration of health and care services. In an ageing society with more people living with multiple health conditions, it is important that services are much more integrated to provide effective care and support. However, as recently stated in a joint report by national health organisations 'integration is not an answer in itself, or a panacea for the system's financial challenges¹⁴.' At the same time, however, the same report argues that 'there is also evidence that integrated, person-centred services can change the pattern of demand and bring service efficiencies¹⁵'. These statements demonstrate the need for clarity about what integration means and what its financial aims are. The integration of services through the Better Care Fund does have the potential to save money. These savings need to be carefully thought through and planned for without losing sight of the wider purpose of the integration. The Public Account Select Committee's damning report from 2015 on the Better Care Fund highlights that a lack of clarity about the savings to be expected from integration has the potential to waste

¹² Ibid

¹³ The Spending Review: what does it mean for health and social care?, Nuffield Trust, The Health Foundation and The King's Fund, December 2015

¹⁴ Stepping up to the place: The key to successful health and care integration, The Local Government Association, NHS Confederation, ADASS and NHS Clinical Commissioners, June 2016

¹⁵ Ibid

considerable time and money¹⁶.

3.3. The additional funding that created the 'improved' Better Care Fund will not be made available until 2017-18. In 2017-18 the total additional amount of funding will only be £105 million, £825 million in 2018-19 before reaching £1.5 billion (£1.4 billion in real terms) in 2019-20¹⁷. The introduction of the additional funding coming towards the end of this parliament means that social care will experience another two years of more severe funding challenges. This approach to social care is in stark contrast to the front-loading of NHS funding as part of the Government commitment to increase NHS England's budget by £8 billion in real terms by 2020/21¹⁸.

3.4. In 2015-16 £1.67 billion of the estimated total £5.05 billion for the Better Care Fund was spent on the protection of adult social care¹⁹. Most importantly almost £1.1 billion of this was spent on simply avoiding cuts or coping with demographic pressure meaning it was not additional funding for providers or people using services.

3.5. A total of 53% of directors of adult social services felt that the Better Care Fund was inadequate to protect adult social care in 2015-16²⁰. This is despite the fact that the proportion of the fund allocated to social care and to health care was felt to be reasonable. The latter suggests that the fund itself is too small especially at a time when NHS funding and social care funding are under historic pressure.

3.6. The government has proposed that the 'improved' Better Care Fund could be used to make up the shortfall between available funding and demand despite a local authority's use of the social care precept²¹. As James Lloyd from The Strategic Society argues in his recent report on the social care precept this means that:

'the effectiveness of the social care precept is linked to the future of the Better Care Fund, which is itself subject to different and competing policy priorities and objectives, and has an uncertain future²².'

3.7. The use of the 'improved' Better Care Fund to make up any shortfall in local authority adult social care budgets is another way for the fund to be compromised in its original intention.

¹⁶ Planning for the Better Care Fund, Public Accounts Select Committee, January 2015

¹⁷ The Spending Review: what does it mean for health and social care?, Nuffield Trust, The Health Foundation and The King's Fund, December 2015

¹⁸ Ibid

¹⁹ ADASS Budget Survey 2016, ADASS, July 2016

²⁰ Ibid

²¹ Provisional local government finance settlement 2016 to 2017, Gov.uk website published on 17.12.2015 (accessed on 16.8.2016 [Link](#))

²² Reforming the precept, Strategic Society Centre, July 2016

- 3.8. The 'improved' Better Care Fund should not be seen as a way for the government to fill gaps in funding created through its own social care precept.

4. National living wage (NLW)

- 4.1. The NLW was introduced in the summer budget in July 2015. The NLW applies to staff aged 25 and over and became a legal requirement in April 2016 at a rate of £7.20. There are plans for the NLW to rise to over £9 by 2020.
- 4.2. In 2015 it was estimated that two thirds of people working in the social care workforce were being paid below the NLW²³. In 2014 there were 1.5 million people working in the social care workforce meaning that hundreds of thousands of workers could see a significant increase in their earnings as a result of the NLW. Projections for 2020 show between 700,000 and 1 million frontline care workers (50-60%) will benefit from the NLW of £9. It will increase the annual household income of those affected by more than £800²⁴. Care workers have a vital role in society and should be adequately and fairly paid in recognition of their work. The NLW is an important step in achieving this.
- 4.3. It is widely acknowledged that social care is an unattractive sector for people to work in. The need for social care to become more attractive is already a serious problem with the overall vacancy rate in the care sector at 4.8% compared to 2.6% for the UK labour force as a whole²⁵. The introduction of the NLW could help the sector recruit workers possessing the appropriate skills and attributes to meet future demand²⁶. The social care workforce is also particularly reliant on migrant labour with nearly 1 in 5 care workers born outside of the UK²⁷. There could be a potential gap of 200,000 in the workforce by the end of this parliament equating to 14% of the current workforce²⁸. The introduction of the NLW means that the United Kingdom may become a more appealing destination and could therefore help in meeting the demand for care workers.
- 4.4. The introduction of the NLW could exacerbate a two tier system in care provision in which only people who pay for their own care receive quality care. For example, in the residential care sector the ability for a provider to pay higher wages has been found to be highly dependent on whether homes are funded predominantly by private self-funders or by

²³ As if we cared: The costs and benefits of a living wage for social care workers, Resolution Foundation, 2015

²⁴ Care to pay? Meeting the challenge of paying the National Living Wage in social care, Resolution Foundation, 2015

²⁵ Moved to care: the impact of migration on the adult social care workforce, Independent Age and ILC-UK, November 2015

²⁶ The costs and benefits of paying all the lowest-paid care home workers in the UK the Living Wage, JRF, 2015

²⁷ Moved to care: the impact of migration on the adult social care workforce, Independent Age and ILC-UK, November 2015

²⁸ Ibid

the local authority²⁹. Homes which rely on local authority funding for a large amount of their income are far less likely to be able to absorb the costs of higher wages. These care providers have little room in their budget to meet any additional costs. A total of 61% of turnover in the social care sector is spent on labour costs meaning that changes in wages have a dramatic effect on all providers³⁰. Meeting the NLW in 2020 will increase payroll cost associated with frontline care workers by £2.3 billion³¹. The social care precept raised only £380 million in its first year, covering less than two-thirds of the extra £520 million cost of the introduction of the NLW in 2016-17. This shortfall means that adult social care budgets are under increased pressure, on account of the NLW, despite raising more overall revenue.

4.5. We fear that care providers could compromise the quality of care they provide, for example by reducing the number of staff, as they attempt to pay the NLW³². ResPublica have predicted a gap in care home funding of £1.1bn by 2020 with £382m of this linked to costs of the NLW. They warn that unless additional funding is provided this could contribute to a collapse of the residential care sector and the loss of up to 1 in 10 beds³³. Furthermore, in the absence of additional funding for local authorities to pay for care that accounts for the NLW, the additional costs could be passed on to self-funders. This would lead to even more extreme cross-subsidy between self-funders and people who receive local authority funded care. The current rate of cross-subsidy is already at 46% in residential homes and 41% in nursing homes³⁴.

4.6. Despite the potential for the NLW to make the care sector more attractive it must be acknowledged that the sector will continue to compete with other low-pay sectors such as retail and hospitality for workers.

5. Care Act duties

5.1. We welcome the fact that a significant amount of funding in 2016-17 has been set aside for Care Act implementation. For example, a total of £123 million³⁵ for capital spending associated with the Care Act is vital to fulfilling its requirements.

5.2. One of the most alarming findings from the ADASS Budget Survey 2016 is that only 36% of directors are 'fully confident' of meeting their statutory obligations in 2016-17³⁶. This level of confidence deteriorates looking further forward. For example, in 2017-18 only 8% are 'fully

²⁹ The costs and benefits of paying all the lowest-paid care home workers in the UK the Living Wage, JRF, 2015

³⁰ As if we cared: The costs and benefits of a living wage for social care workers, Resolution Foundation, 2015

³¹ Ibid

³² The costs and benefits of paying all the lowest-paid care home workers in the UK the Living Wage, JRF, 2015

³³ The Care Collapse: The imminent crisis in residential care and its impact on the NHS, ResPublica, 2015

³⁴ Care of Older People: UK Market Report, Laing&Buisson, 2015

³⁵ ADASS Budget Survey 2016, ADASS, July 2016

³⁶ Ibid

confident' and 16% have 'no confidence' in their ability to meet statutory duties³⁷. This is a very worrying situation. Any failure to deliver the Care Act will lead to considerable human suffering, families struggling to care for loved ones without any support, and the escalation of care and support needs which will require more intense care services.

- 5.3. The Care Act introduced prevention as a statutory obligation. Local authorities are expected to fund services that reduce low-level needs becoming health emergencies. Despite this obligation in recent years local authorities have reduced their spending on prevention³⁸. As the ADASS Budget survey 2016 states:

'As budgets reduce it becomes harder for councils to manage the tension between prioritising statutory duties towards those with the greatest needs and investing in services that will prevent and reduce future needs³⁹.'

In fact spending on prevention in 2016-17 will make up just 7.1% of the total adult social care budget. This is a decrease in real terms of 4% compared with 2015-16⁴⁰. Lack of investment in prevention will create future financial pressures as care infrastructure will struggle to respond to the needs of the local population and care needs will be more advanced.

- 5.4. The Care Act makes it obligatory for all local authorities to assign a personal budget for all people eligible for care and support. The ADASS Budget survey 2016 shows that a majority of respondents (53%) said that reducing personal budgets was 'quite important' or 'very important' to achieve savings⁴¹. A recent National Audit Office states that:

'It is not clear whether local authorities will achieve the spending reductions they have forecast without putting user outcomes at risk. We heard about a range of ways that some authorities have saved money through changes to personal budgets, including direct payments, and to other commissioning practices:

The authority sets its direct payments at a lower rate than the rate it pays providers through its commissioned contracts. It also increases the proportion of users on direct payments. This assumes that users can obtain the same level of care through buying their own care more cheaply. It also assumes that some users currently using authority-commissioned services will be happy to switch to direct payments⁴².'

- 5.5. The Care Act made personal budgets an option all local authorities could use for their residents where appropriate. However, personal

³⁷ Ibid

³⁸ Ibid

³⁹ Ibid

⁴⁰ Ibid

⁴¹ Ibid

⁴² Personalised commissioning in adult social care, National Audit Office, March 2016

budgets appear to be being used by local authorities to achieve savings and in so doing are compromising care.

- 5.6. The funding pressures experienced by the service in recent years and the projections of emerging financial challenges has the potential to fundamentally undermine the aspirations of the Act in a number of areas. The fact that only 8% of directors are 'fully confident' of delivering their statutory obligations needs little explanation. It is very clear that current funding is insufficient to cope with demand and meet the needs of older people.

6. Role of carers

- 6.1. As the population ages it is important that our society learns to respond to the needs of the millions of people who provide unpaid care each day for family and friends.
- 6.2. There are nearly half a million older carers who provide more than 50 hours of care a week⁴³. Our research report with the Strategic Society Centre, *The Bigger Picture*⁴⁴, drew on data from the HSCIC to estimate that around 200,000 had an assessment or annual review, and of these fewer than 100,000 older carers received any services or support from their Local Authority. Despite coming before the introduction of the Care Act this suggests that many older carers are not identified by local care services and are missing out on help and support.
- 6.3. Older carers face particular stresses and strains as a result of their caring role, which impact on their wellbeing. For example, 61% of older carers have let a health problem go untreated⁴⁵ and many struggle to access services. We believe that meeting the needs of older carers should be a core concern of the health and care system. The Care Act gives carers new rights to an assessment, and to support. It will be important to monitor this carefully to ensure it is happening. A recent Freedom of Information request from the charity Revitalise⁴⁶ reported that almost half of local authorities in England (48%) had carried out 22% fewer carers' assessments than 2014-15 despite the Care Act widening eligibility.
- 6.4. In addition, it is estimated that the social care precept with the highest concentration of older people and unpaid carers will be the ones that will bring in the least amount of money from an increase in council tax⁴⁷. In East Lyndsey, around 13% of the population provide unpaid care, the social care precept could bring in around £30 compared to over £90 in Lambeth where less than 7% of the population provide unpaid care⁴⁸.

⁴³ Caring into later life: The growing pressure on older carers, Carers UK and Age UK, April 2015

⁴⁴ *The Bigger Picture: Understanding disability and care in England's older population*, Strategic Society Centre and Independent Age, November 2014

⁴⁵ Building carer friendly communities, Carers Week, June 2016

⁴⁶ Care Act fails in first year, finds Revitalise study, Revitalise, June 2016 [Link](#) (accessed 9.8.2016)

⁴⁷ The end of formal adult social care?, ILC-UK, December 2015

⁴⁸ Ibid

- 6.5. In our own research findings from a Care Act Watch Survey carried out between September 2015 and March 2016 we found that almost half (45%) of respondents to our survey identified themselves as either a carer aged 65 and over or a carer for someone aged 65 and over. However, when asked if they had received a carer's assessment since April 2015, 66% (93 out of 141) said they had not. This suggests low awareness of carers' assessments among the general public and professionals⁴⁹.
- 6.6. Respite care is an extremely important service which allows carers of all ages to take a break from their caring duties to focus on their own health and wellbeing. Without it, carers face long periods of time caring with little or no relief. Our report⁵⁰ highlighted that some carers had refused respite care due to its poor quality and others talked of how where they had accepted respite care, they still felt a sense of unease and worry that the respite care would not be adequate. Revitalise also found that 42% of local authorities in England had reduced their total spending on respite care by an average of £900,000⁵¹. They found that:
- 'Over half (53%) of the disabled people and carers surveyed by Revitalise said the funding they received had been reduced or not kept pace with inflation over the past year. As a consequence, two thirds (66%) said they felt more isolated and had been forced to reduce their time spent taking valuable respite, and 44% said they were now struggling to make ends meet⁵².'
- 6.7. Older carers feel strongly that it is unfair that they do not receive Carers Allowance when they are receiving more than £62.10 a week State Pension. This impacts on their ability to afford the extra costs of caring as well as to maintain a life for themselves outside caring. There is a clear need for the government to review how it financially supports carers and recognises carers' contributions through the social security system⁵³.
- 6.8. Without local authority funded support unpaid carers will have to do more and more for their loved ones. As a consequence of chronic underfunding it is understandable that local authorities focus on people with the highest level of need. The combination of fewer people receiving social care and seemingly low levels of carers' assessment under the Care Act carries the risk that carers struggle on until they reach breaking point rather than being supported.

⁴⁹ Year one of the Care Act, Independent Age, March 2016

⁵⁰ 'You don't stop the worrying: the difficulties of caring in later life, Independent Age and Carers UK, June 2015

⁵¹ Care Act fails in first year, finds Revitalise study, Revitalise, June 2016 [Link](#) (accessed 9.8.2016)

⁵² Ibid

⁵³ 'You don't stop the worrying: the difficulties of caring in later life, Independent Age and Carers UK, June 2015

7. Conclusion

- 7.1. Given the pressures and inadequacies of current social care funding for older people and older carers as outlined above Independent Age is calling for a cross-party, independent commission which takes a strategic long-term view about the future of health and social care in England is vital.
- 7.2. Such a commission should look not just one or five years into the future, but to the kind of health and care services we want to have in 20, 30 or 50 years' time.
- 7.3. The commission should examine both the funding that we want to dedicate to health and social care spending, and at integration of both systems to ensure that older people do not fall into the gap between health and care. It is also vital that a commission hears directly from older people, disabled people and carers, as well as health and care professionals.

For further information please email policy@independentage.org