



advice and support for older age
**Independent
Age**

Health and Social Care Committee

Budget and NHS Long Term Plan Inquiry Consultation Response

August 2019



About Independent Age

We offer regular contact, a strong campaigning voice and free, impartial advice on the issues that matter to older people: care and support, money and benefits, health and mobility. A charity founded over 150 years ago, we are independent so older people can be too.

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

Registered charity number 210729.

Introduction:

Independent Age's policy work is currently focused on social care funding challenges and how we can move from widespread recognition of the current crisis to meaningful discussion of potential solutions. Of the four key areas identified by the Committee, our response will therefore focus primarily on social care. Our response draws particularly on two of our publications, *Will the cap fit?* published in November 2017, and *A taxing question: how to pay for free personal care*, published in September 2018¹.

In the NHS Long Term Plan, it is accepted that the success of the plan is dependent on sustainable funding for social care, saying that

'when agreeing the NHS' funding settlement the government therefore committed to ensure that adult social care funding is such that it does not impose any additional pressure on the NHS over the coming five years. That is basis on which the demand, activity and funding in this Long Term Plan have been assessed².'

The original intention was that the long awaited Green Paper on social care would be released alongside the NHS Long Term Plan, enshrining social care commitments alongside NHS ones. Social care reform has been repeatedly shelved, and as a result there is a very real danger that it will undermine the NHS Long Term Plan without rapid and comprehensive reform.

A long term settlement for social care

According to Kings Fund and Health Foundation estimates, in the short term, the social care system needs a total of £20.9 billion just to maintain the current system at 2015/16 levels of demand and eligibility, which would require an additional £1.5 billion from the government. As our population ages, demand for social care will inevitably increase, and this funding gap will grow even larger. Rather than attempting to plug the gaps in a system that is not working, comprehensive reform is needed.

Chronic underfunding of social care over many years has led to a system that is no longer fit for purpose. Politically, funding of social care has too often been tied to highly charged debates about taxing of property assets. This controversy means it has been all too tempting for successive governments to kick it into the long grass. With professional bodies, regulators, charities and politicians of all parties now agreeing that the system cannot continue as it is, the key question is what action needs to be taken to put social care on a sustainable footing for the long term.

As well as determining the right funding options, we need to reach consensus on the level of provision that we want to fund. At Independent Age we want to see the Government commit to **free personal care** for older people. This is a policy proposal that has been gaining momentum over for some time but particularly over the last year. In July 2019, Independent Age, Policy Exchange, Social Market Foundation, Mencap, UNISON, and the King's Fund all voiced support for providing some form of social care free at the point of use in evidence to the House of Lords Economic Affairs Committee on Social Care Funding in England. In their report, the Committee recommended the following:

¹ Both available for download here: <https://www.independentage.org/policy-and-research/research-reports/will-cap-fit>

² NHS Long Term Plan, page 31, 1.57

'The Government should adopt a staged approach to providing the additional funding recommended by this report. It should immediately invest £8 billion in adult social care, which is the amount the Health Foundation and the King's Fund estimate will be required to restore quality and access to 2009/10 levels, funded nationally and distributed according to a fair funding formula. It should then introduce free personal care over the next five years. Free personal care should be available universally by 2025/26³.'

Preferred funding options

What are the options for funding free personal care? Our recent modelling project with Grant Thornton looked at nine possible options that are frequently raised as possibilities in debates about social care funding:

- Increasing Income Tax by 1%
- Increasing National Insurance by 0.5%
- Increasing Inheritance Tax by 2%
- Increasing Council Tax by 3%
- Introducing an age related levy of 0.7% to the working age population over 40
- A one off payment at state pension age of £30,000
- Charging National Insurance to working age population over state pension age
- Increasing business rates
- Increasing Corporation Tax

We modelled how much each of these options would raise, both at 2020/21 and at 2030/31. From this analysis we know that there are a number of options that, although they may be regularly discussed as solutions to underfunding in social care, in fact do not raise anything like the amounts needed. This is true for increasing business rates, increasing corporation tax, increasing council tax, increasing inheritance tax and charging National Insurance to the working population over the state pension age. This is not of course to say that none of these could form part of an overall plan in conjunction with others. But as standalone policies they are inadequate. Some of these options are also objectionable for reasons of fairness. For example, Council tax is a regressive tax and increasing it would raise the least in precisely those areas that most require additional funding.

The four options that do raise significant amounts and could help fund reforms to the social care system are: increasing Income Tax, increasing National Insurance, introducing an age-related levy from 40 years of age to state pension age and introducing the payment of a lump sum contribution of £30,000 at state pension age. However even these options will all still leave a sizeable funding gap by 2030/31. This will need to be addressed by increasing the tax take of any one option or phasing tax rises so that there are two between now and 2030.

For any additional information, please contact Thomas.Wilson@independentage.org

³ House of Lords Economics Affairs Committee 7th Report of Session 2017-2019, *Social care funding: time to end a national scandal*, July 2019
<https://publications.parliament.uk/pa/ld201719/ldselect/ldeconaf/392/392.pdf>