

# Briefing

## Debate in the House of Lords: Social care

29 November 2016

### Introduction

The King's Fund welcomes this debate. It provides an important opportunity to discuss the pressures facing social care following the Autumn Statement. This briefing draws on three main sources.

- The report of the Barker Commission (Commission on the Future of Health and Social Care in England 2014), an independent commission established by The King's Fund to consider the future of health and social care in England.
- *Social care for older people: home truths* (Humphries *et al* 2016), a report published jointly with the Nuffield Trust based on research in four local authority areas.
- A statement on health and social care ahead of the Autumn Statement, published jointly with the Nuffield Trust and The Health Foundation (2016).

### Key points

- The inability of successive governments to reform social care has resulted in a failing system that is increasingly unable to meet the needs of those who depend on it. England remains one of the few major developed countries that has not reformed the way it funds long-term care in response to the needs of an ageing population.
- After six years of unprecedented budget reductions, the number of people aged over 65 accessing publicly funded social care has fallen by at least 26 per cent. This is placing an unacceptable burden on families and carers and leaving increasing numbers of older people who have difficulty with the basic activities of daily living without any support.
- These problems are also exacerbating pressures on the NHS. Nearly 570,000 bed days were lost during quarter two 2016/17 as a result of delays in discharging patients from hospital, with problems in arranging social care now the main reason given for these delays.

- Despite the ageing population and rising demand, UK public spending on social care is set to fall to less than 1 per cent of GDP by the end of this parliament, leaving thousands more older and disabled people without access to services.
- Reductions in fees paid by local authorities and other cost pressures, such as the National Living Wage, are squeezing the incomes of care providers. An increasing number are likely to leave the market or go out of business as a result, jeopardising the continuity of care on which older people depend.
- The absence of any additional funding for social care in the Autumn Statement is deeply disappointing. This leaves a funding gap of at least £2.4 billion in 2017/18 and means that the intense pressures on services will continue to grow, increasing the burden on older people, their families and carers.
- While the pressing need for additional funding to address the immediate pressures on services remains, the social care system requires fundamental reform. This requires cross-party consensus and a frank and open debate about how to fund health and social care in future.
- The King's Fund continues to believe that the report of the Barker Commission, which recommended a new settlement for health and social care based on ending the historical divide between the two systems and moving to a single budget and a single local commissioner of services, provides a starting point for this debate.

## **Context**

### *Funding*

After six consecutive years of funding cuts, spending by local authorities on social care for older people fell by 9 per cent in real terms between 2009/10 and 2014/15. In total, 81 per cent of local authorities have reduced spending on social care for older people over this period. This has led to a reduction of at least 26 per cent – more than 400,000 people – in the number of older people accessing publicly funded social care, with a further reduction in 2015/16 (Humphries *et al* 2016).

At the same time, the government has delayed until 2020 the implementation of Part 2 of the Care Act 2014, which introduces a cap on care costs and changes to means testing (reforms proposed by the Dilnot Commission (Commission on Funding of Care and Support 2011)). This breaches a manifesto commitment, and it must now be very doubtful whether these reforms will ever see the light of day (Humphries *et al* 2016).

### *Quality*

The majority of care providers (72 per cent) were rated good or outstanding in the Care Quality Commission's recent state of care report (Care Quality Commission 2016). Satisfaction levels with social care are holding up well. According to the National Social Care User Survey, 90 per cent of older people receiving publicly funded care are satisfied

with the services they receive, and only 4 per cent are dissatisfied (Health and Social Care Information Centre 2015). This contrasts with rising levels of complaints to the Local Government Ombudsman about adult social care – up by 18 per cent since 2013, with 55 per cent of claims upheld (Local Government Ombudsman 2016). The upward trend in complaints suggests that councils are finding it harder to meet people's needs and expectations.

### *Market developments*

In its recent state of care report, the Care Quality Commission warned that the adult social care market is reaching 'a tipping point' (Care Quality Commission 2016). Reductions in funding for local authorities have been passed on to care providers in the form of reduced fees or below inflation increases. Combined with staff shortages, higher regulatory standards and the introduction of the National Living Wage, this is placing providers under unprecedented pressure.

Many residential care providers have responded to these pressures by concentrating on self-funders. The gap between local authority and private fee rates has widened, with rates for self-funders estimated to have risen by 40 per cent over the past five years (Laing 2015). There is clear evidence that self-funders are cross-subsidising local authority-funded residents in many areas. This is leading to a polarisation of the market with providers in less affluent areas dependent on local authority contracts facing increasing difficulties. In more affluent areas with high levels of self-funders, the market is relatively buoyant.

Financial pressures on home care providers are also intense. Fifty-nine councils have had home care contracts terminated, affecting 3,700 people (Association of Directors of Adult Social Services 2016), while three large national home care providers have withdrawn from the publicly funded market or are planning to do so. The critical condition of home care services threatens to undermine policies to support people at home.

### *Impact on the NHS*

Problems in the social care sector are exacerbating pressures on the NHS. The most visible manifestation of this is the rapid growth in delayed discharges from hospital, which are a third higher than this time last year (NHS England 2016). The cost of delayed discharges for older patients who no longer need to be in hospital has been estimated at £820 million a year (National Audit Office 2016). Although the increase in the number of delayed discharges is undoubtedly driven by funding pressures in both the NHS and social care, the major cause is the number of patients waiting for care packages at home and for nursing home placements (Care Quality Commission 2016).

### *The Care Act 2014*

The Care Act 2014 was the most significant reform of social care in more than 60 years. The Act introduced new national eligibility criteria for services, extended the rights of carers, and redefined the role of local authorities away from narrow service provision to a new focus on promoting wellbeing across a local population. While the Act has been widely welcomed, there are real and growing doubts about whether local authorities will be able to meet their new statutory duties.

## Recent developments

The Spending Review 2015 announced a number of key changes that have an impact on social care funding.

- A new social care precept to enable local authorities to increase Council Tax by up to 2 per cent a year to fund social care.
- An increase in funding for social care through the 'improved' Better Care Fund, which will see an additional £1.5 billion a year in cash terms (£1.4 billion in real terms) provided by 2019/20.
- A reduction in grant funding for local authorities of £6.1 billion by 2019/20 and significant changes to local government funding which will see councils retain all income from business rates, as grant funding from central government is phased out.
- A commitment to integrate health and social care across the country by 2020.

The new social care precept provides some financial flexibility for local authorities. It was adopted by all but eight authorities in 2016/17 and will raise £382 million (Donovan 2016). However, this will meet less than two-thirds of the cost of the National Living Wage this year. It is clear that the funding delivered will fall well short of the £2 billion the government estimated the precept would raise by 2019/20, while the high uptake of the precept is unlikely to be politically sustainable across the life of this parliament.

Another significant concern is that, without measures to address the wide variations in how much councils can raise through their tax base, areas with high levels of income deprivation among older people (a good proxy for high levels of social care needs) will be disadvantaged compared to wealthier areas. The ten least deprived local authorities will raise nearly two and a half times as much as the ten most deprived, between £10 and £14 per head of the adult population compared to between £5 and £8 per head of adult population. To some extent this will be managed by adjusting allocations through the 'improved' Better Care Fund, although the details of how this will be done are not yet clear.

The existing Better Care Fund, which largely comprises money transferred from the NHS, does not offer adequate protection to social care services, with just 33 per cent of the fund used for this purpose in 2015/16. While the additional money provided through the 'improved' Better Care Fund is therefore welcome, it is back-loaded – it will not begin to come through until 2017/18 and the full £1.5 billion will not be delivered until 2019/20. This does nothing to address the immediate funding crisis facing the sector and is not consistent with the NHS settlement, which is front-loaded at the beginning of the parliament.

The proposed changes to local government funding will see central government support for local authorities fall by 56 per cent by 2019/20, on top of a reduction of 37 per cent over the last parliament. Although the ability to retain income raised through business rates is intended to compensate for this, these changes also raise significant issues about fairness given the wide disparities in income-generating potential between richer and poorer areas of the country (Humphries *et al* 2016).

We welcome the commitment to integrate health and social care across the country by 2020. However, progress so far has been patchy, and the shift towards a social care

system based on locally raised revenue risks deepening the fault line between the ways in which the two systems are funded.

## **What this means for social care**

Overall, spending on social care is likely to be broadly flat in real terms over the parliament. Our estimates, updated since the Autumn Statement, suggest that factoring in the National Living Wage will result in a funding gap of at least £2.4 billion in 2017/18 and £2.8 billion by the end of the parliament (Nuffield Trust *et al* 2016). Overall, despite a growing older population and increasing demand for services, spending on social care in the UK will fall to less than 1 per cent of GDP by the end of the parliament. The potential for most local authorities to do more within existing resources is limited and they will struggle to meet basic statutory duties.

The challenges facing social care are also strongly linked to workforce issues, with mounting problems in staff recruitment and retention, a culture of low pay and under-investment in training, and a reliance on migrant workers. With 5.2 per cent of the social care workforce coming from EU countries, the impact of Brexit is also a concern.

The absence of any additional funding for social care in the Autumn Statement is deeply disappointing. In the short term, the intense pressures on services will increase, with serious consequences for quality and access to care, and adding to the burden on older people, their families and carers. Meanwhile, the risk of widespread provider failures, which could jeopardise the care of large numbers of vulnerable people, continues to grow.

In the long term, fundamental reform of the social care system is required. England remains one of the few major developed countries that has not reformed the way it funds long-term care in response to the needs of an ageing population. A number of commissions and reviews have been set up over the years and made recommendations about how to place social care on a sustainable footing. However, successive governments have failed to grasp the nettle.

A frank and open debate is needed about how to fund health and social care in the future, recognising that a long-term strategy is required that lasts beyond the lifetime of a single parliament and that a mechanism is needed to secure cross-party consensus. The Barker Commission recommended a new settlement for health and social care based on ending the historical divide between the two systems and moving to a single budget and single local commissioner of services (Commission on the Future of Health and Social Care in England 2014). We continue to believe that the report provides a strong starting point for the debate that is so sorely needed.

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