



**BRIEFING PAPER**

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# Adult Social Care Funding (England)

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## Summary

Adult social care provides personal and practical support to enable adults of all ages (both older people and working age adults) to retain their independence and the best quality of life possible. Adults may be cared for by family, friends or neighbours without payment (informal care), or through services they or their local authority pay for (formal care). Social care is a devolved policy area. In England, publicly funded adult social care is means-tested and primarily funded through local government. It constitutes the biggest area of discretionary spend for local authorities.

### Social care funding pressures

Adult social care services in England are facing unprecedented funding pressures, due to the combination of a growing and ageing population, increasingly complex care needs, reductions in funding to local government and increases in care costs.

Local authorities have sought to protect social care budgets and relieve funding pressures through local efficiency initiatives. However, as the scope for savings efficiencies reduces, local authorities are having to manage social care funding pressures by other means, including service reductions, smaller care packages, stricter eligibility criteria, and reducing the prices paid to providers.

Commentators are increasingly concerned that, due to reductions in social care services, more people who need care are not having their care needs met. There is also evidence that care providers are facing quality challenges and the care provider market is becoming increasingly precarious. Furthermore, in some areas a lack of suitable care provision is adding to pressures in the health service.

### Social care in crisis?

These funding pressures have led many commentators – including local government, health bodies, the voluntary sector and the Care Quality Commission – to call for immediate additional funding in order to avert a ‘social care crisis’.

Various estimations of the extent of a social care ‘funding gap’, between the available resources on the one hand and the demand and cost pressures on the other, have been put forward.

### Additional short-term funding

In recognition of the funding pressures, the 2015 Conservative Government announced (in November 2015, December 2016 and March 2017) additional funding for local authorities with responsibility for social care:

- A new **Social Care Precept**, under which local authorities are able to increase council tax levels by up to 2% (above the referendum threshold) for each year between 2016/17 and 2019/20. In December 2016, the Government announced increased flexibility which will enable local authorities to, if they wish, bring forward the Social Care Precept, by raising council tax by up to 3% in 2017/18 and 2018/19;
- An improved **Better Care Fund** –to include additional social care funds of around £4.4 billion between 2017/18 and 2019/20.
- A new **Adult Social Care Support Grant** which will provide £240 million to local authorities in 2017/18.

It was intended that the funding would be supplemented by measures to ensure local authorities facing the greatest challenges are identified and supported, and to ensure more joined up working with the NHS.

### **Long-term sustainability**

It is well evidenced that the demographic pressures on adult social care will increase further in the longer-term. Despite the additional funding announced in the last Parliament, there is a consensus that social care funding needs to be put on a more secure and sustainable long-term basis.

Commentators have called for a comprehensive review, involving key stakeholders, to develop a long-term funding solution. The Conservative, Labour and Liberal Democrat 2017 General Election Manifestos all include commitments to develop proposals on long-term funding options.

# 1. Background

## 1.1 What is adult social care?

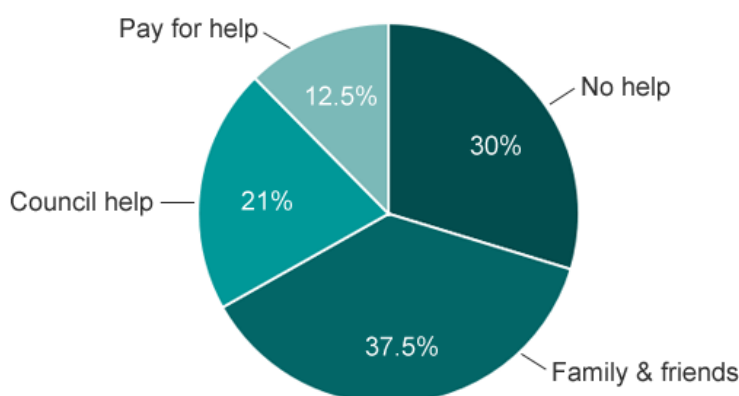
Adult social care supports adults of all ages (both older people and working age adults) with certain physical, cognitive or age-related conditions in carrying out personal care or domestic routines. It provides personal and practical support to enable people to retain their independence and dignity and the best quality of life possible. People can receive social care in their own homes, community settings like day centres or in places like residential care homes. People's social care needs can differ substantially:

Adults with care needs cannot perform activities of daily living such as washing, taking medicine, paperwork, cooking and shopping without support. Care needs may be short-lived, long-term or permanent, and are difficult to plan for. Needs can arise from disability from birth; physical injury; mental health problems; health conditions such as dementia; discharge from hospital, perhaps after a fall or fracture; or ill-health of an informal carer. Social care and health care needs can overlap and be difficult to distinguish and define. For example, an individual may be in good health but have care needs.<sup>1</sup>

## 1.2 Who provides adult social care?

Adults may be cared for by family, friends or neighbours without payment (informal care), or through services they or their local authority pay for (formal care). Some voluntary organisations also provide free care services. Publicly funded care makes up only a minority of the total value of care, and this proportion is decreasing.<sup>2</sup> The pie chart below, compiled by the BBC, illustrates the proportion of older people in England with care needs who receive help from their local authority.

### Where older people in England with care needs get help



Source: Age UK, Laing Buisson, NHS Digital, Carers UK



Source: '[Why council tax hike for care raises peanuts](#)', BBC News, 13 December 2016

<sup>1</sup> National Audit Office, [Adult social care in England: overview](#), Session 2013-14, HC 1102, 13 March 2014, para. 1.2

<sup>2</sup> Ibid., Summary, para. 2

## 1.3 Who pays for adult social care?

Unlike the National Health Service, which in general remains free at the point of use, adult social care is not free for everyone. People who need help with social care are usually assessed by their local authority social services team to identify what their care needs are, whether they have to pay for their care, and if so, how much.<sup>3</sup> Local authorities typically only pay for individual packages of care for adults assessed as having high needs and limited means.

Publicly funded adult social care is primarily funded through local government. Local government funding is complex and consists of several funding streams, including: central government grants, the Business Rates Retention Scheme and council tax. The majority of adult social care funding is not ring-fenced and it is for local authorities to decide how to prioritise their spending based on local priorities and need. Adult social care constitutes the biggest area of discretionary spend for local authorities in England.<sup>4</sup> The Government has recently introduced additional ring-fenced sources of social care funding (discussed in Sections 3 and 5 of the paper).

Around two-thirds of adults receiving care through local authorities are aged 65 and over.<sup>5</sup> Local authorities' expenditure on adult social care varies according to different levels of need (depending on local social, economic and demographic factors). Local policies and priorities, as well as commissioning and financial management skills, can also affect expenditure.<sup>6</sup>

## 1.4 Adult social care policy reform

The Department of Health is responsible for adult social care policy in England. The Department for Communities and Local Government has responsibility for the local government finance and accountability system.

The question of how to develop a sustainable system for funding adult social care has long been a topic of political debate. In 2010 the Coalition Government established the Commission on Funding of Care and Support (widely known as the Dilnot Commission) to review the funding system for care and support in England. The Commission's report, [Fairer Care Funding](#), published in July 2011, found that:

- The current adult social care funding system in England is not fit for purpose and needs urgent and lasting reform.
- The current system is confusing, unfair and unsustainable. People are unable to plan ahead to meet their future care

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<sup>3</sup> See: Local Government Association, [Don't be left in the dark: Adult Social Care](#), 27 October 2016; and House of Commons Library Briefing Paper [Social care: paying for care home places and domiciliary care \(England\)](#) (SN01911)

<sup>4</sup> Written evidence submitted to the House of Commons Health Select Committee by the Association of Directors of Adult Social Services (ADASS) ([CSR0086](#)), 26 January 2016, para. 2

<sup>5</sup> National Audit Office, [Adult social care in England: overview](#), HC 1102, 13 March 2014, para. 1.12

<sup>6</sup> *Ibid.*, para. 7

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needs. Assessment processes are complex and opaque. Eligibility varies depending on where you live and there is no portability if you move between local authorities. Provision of information and advice is poor, and services often fail to join up. All this means that in many cases people do not have good experiences.

- A major problem is that people are unable to protect themselves against very high care costs. The current availability and choice of financial products to support people in meeting care costs is very limited. There is great uncertainty and people are worried about the future.
- Most people are realistic about the need for individuals to make some contribution to the costs of care in later life, but they want a fairer way of sharing costs and responsibility between the state and individuals and they want to be relieved of fear and worry. There is consensus on the need for reform.<sup>7</sup>

The Commission made a number of recommendations to improve the system and concluded that:

Funding social care in the future is going to require more resources, both to address existing and future pressures and to implement the necessary reforms to improve the system. The extra resources will need to come from the state, from individuals and from carers, but we believe our proposals better balance the relationship between the three. By targeting public funding in the right place, we can assist individuals in making their financial contribution and support carers in their vital role.<sup>8</sup>

In July 2012 the Coalition Government published a White Paper [Caring for our future: reforming care and support](#) which set out its vision for a reformed care and support system.<sup>9</sup> Reforms to the way care and support are to be accessed and funded were subsequently enacted through the [Care Act 2014](#).

In July 2015 the Conservative Government announced that some of the key proposed changes to social care funding, that had been due to be introduced as a result of the *Care Act 2014*, would be delayed from April 2016 to April 2020.<sup>10</sup> This delay includes the introduction of the cap that was intended to limit the liability of those self-funding their social care, and also the more generous means-test that would have allowed more people to qualify for local authority financial support towards the cost of their care.

Information on the means-test for social care and the cap on social care costs can be found in the House of Commons Library Briefing Papers: [Social care: paying for care home places and domiciliary care \(England\)](#) (SN01911); and [Social care: Announcement delaying introduction of funding reform \(including the cap\) and other changes until April 2020 \(England\)](#) (CBP7265). The Commons Library Briefing Paper [Social care](#)

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<sup>7</sup> Commission on Funding of Care and Support, [Fairer Care Funding: The Report of the Commission on Funding of Care and Support](#), July 2011, p.5

<sup>8</sup> Ibid., p.80

<sup>9</sup> Department of Health, [Caring for our future: reforming care and support](#), 11 July 2012

<sup>10</sup> [HLWS135, 17 July 2015](#)



[reform: funding care for the future](#) (SN06391) provides background information on the Dilnot Commission and the Coalition Government's reform proposals.

## 2. Funding pressures

According to the Local Government Association, the pressures on adult social care funding have been particularly acute since 2010.<sup>11</sup> In a Local Government Finance Survey carried out in January 2017, 52% of local authorities reported that adult social care is their greatest immediate pressure.<sup>12</sup>

These financial pressures are driven, in particular, by:

- increasing demand for care;
- reductions in overall funding for local government; and
- increases in care costs.

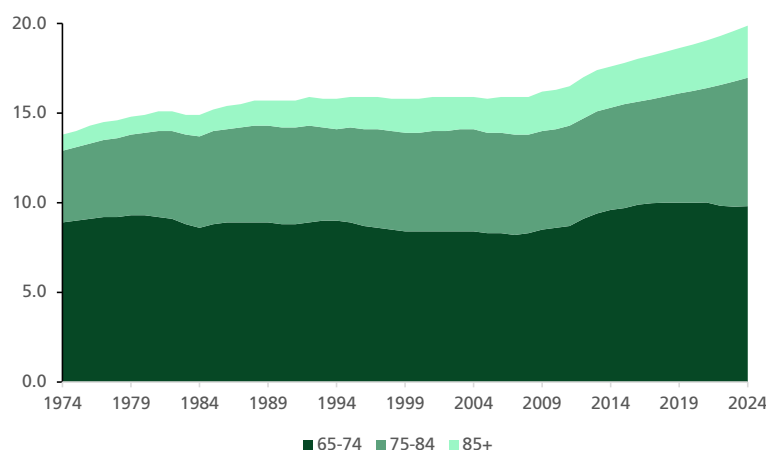
The key funding pressures are outlined below, together with a brief overview of some of the reported impacts of funding pressures on social care and health services.

### 2.1 Demographic pressures

The UK population is growing in size and more people are living longer.<sup>13</sup> The demand for adult care services is therefore rising, as more adults with long-term and multiple health conditions and disabilities are living longer.

In particular, the number of adults aged 85 or over, the age group most likely to need care, is rising faster than the population as a whole. The overall UK adult population grew by 8% between 2005 and 2015, while the number aged 85 or over rose by 31% in the same period.<sup>14</sup>

**Figure 1: Genuine and projected (from 2015) percentage of the UK population at 65-74, 75-84, and 85+ since 1974**



Sources: ONS, [Ageing of the UK population](#), and [2014 based population projections](#)

<sup>11</sup> Local Government Association, [Adult social care funding: 2016 state of the nation report](#), 2 November 2016, p.4

<sup>12</sup> LGiU and The MJ, [2017 State of Local Government Finance survey](#), 10 February 2017

<sup>13</sup> House of Commons Library, [Population: Social Indicators page](#), 7 November 2016

<sup>14</sup> Office for National Statistics, [Mid year population estimates](#)

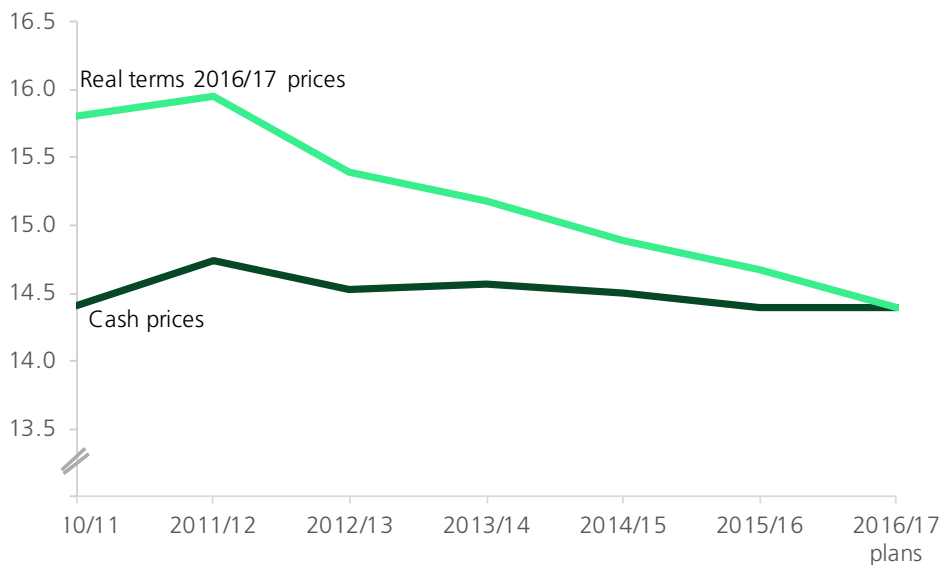
The Association of Directors of Adult Social Services (ADASS) Budget Survey 2016 found that the cost pressures relating to the increased number of older people needing care and support was around 3% of the Adult Social Care Net Budget for 2016/17. This equated to £413 million additional funding pressure in 2016/17.<sup>15</sup>

## 2.2 Funding reductions

Data on local authority net social care expenditure, published by the Department for Communities and Local Government (DCLG), indicates that adult social care spending has been declining in real terms since 2011/12.

**Figure 2** shows net current expenditure on adult social care in England from 2010/11 to 2016/17 (planned expenditure). Over this period, expenditure in cash terms has remained relatively stable. However, real terms funding has fallen by -9% from £15.8 billion in 2010/11 to a planned £14.4 billion in 2016/17.

**Figure 2: Net current expenditure (£billions) on adult social care in England**



Sources:

[DCLG Local authority revenue expenditure and financing](#)

[HMT GDP Deflators as at December 2016](#)

In evidence submitted to the Health Select Committee for their report on the [Impact of the Spending Review on health and social care](#), the Association of Directors of Adult Social Services (ADASS) reported that

<sup>15</sup> Association of Directors of Adult Social Services, [ADASS Budget Survey 2016](#), July 2016, p.12

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adult social care budgets had reduced by some £4.6 billion (31%) from 2010/11 to 2015/16.<sup>16</sup>

Adult social care constitutes the biggest area of discretionary spend for local authorities with social care responsibilities (unitary and upper tier councils) in England.<sup>17</sup> Therefore, funding for adult social care cannot be considered in isolation from the overall funding for local government.

Department for Communities and Local Government (DCLG) local authority revenue expenditure data shows that total net current expenditure fell by -15.4% between 2010/11 and 2016/17. This would suggest that the social care budget has to some extent been protected from spending reductions. Indeed, the percentage of overall expenditure attributed to adult social care has remained relatively constant at around 13% since 2010/11.<sup>18</sup>

### 2.3 Cost pressures

The [2015 Spending Review Submission](#) by the Local Government Association (LGA) and the Association of Directors of Adult Social Services (ADASS) provided a detailed analysis of current and predicted future pressures on social care core costs, arising from inflation, the National Minimum Wage (NMW), the introduction of the National Living Wage (NLW) for workers aged 25 and above, Deprivation of Liberty Safeguards and the closure of the Independent Living Fund.<sup>19</sup>

The NLW for workers aged 25 and above has significant financial implications for the social care sector, which is characterised by low levels of pay. The NLW came into force in April 2016 at £7.20 an hour - a rise of 50p relative to the NMW rate (£6.70). This equated to a £910 per annum increase in earnings for a full-time care worker on the NMW.<sup>20</sup> The NLW increased to £7.50 in April 2017.

The Government intends for the NLW to reach 60% of median earnings by 2020. The Office for Budget Responsibility (OBR) estimates this would mean the NLW will be around £9 per hour in 2020, based on its forecasts for average earnings.<sup>21</sup>

The LGA estimated that the introduction of the NLW would exert additional pressure on residential and home care contracts of £330

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<sup>16</sup> Written evidence submitted by the Association of Directors of Adult Social Services (ADASS) ([CSR0086](#)), 26 January 2016

<sup>17</sup> Written evidence submitted to the House of Commons Health Select Committee by the Association of Directors of Adult Social Services (ADASS) ([CSR0086](#)), 26 January 2016, para. 2

<sup>18</sup> [DCLG Local authority revenue expenditure and financing](#)

<sup>19</sup> Local Government Association and ADASS, *Adult Social Care, Health and Wellbeing: A Shared Commitment – 2015 Spending Review Submission*, September 2015, p.14

<sup>20</sup> Department for Business, Energy and Industrial Strategy, *National Living Wage – Policy Paper*, last updated 1 April 2016, Section 2

<sup>21</sup> House of Commons Library briefing Paper, *Economic impacts of the National Living Wage: in brief* (CBP07319), 24 March 2016

million in 2016/17, growing to £834 million in 2019/20.<sup>22</sup> ADASS estimated that the NLW would increase local authority social care costs by around £520 million in 2016/17.<sup>23</sup> Using data from research by the Resolution Foundation<sup>24</sup>, ADASS estimates that the NLW and the NMW will create an additional funding pressure of £1.6 billion by 2019/20.<sup>25</sup>

## Scope for efficiency savings

Local authorities have sought to reduce financial pressures through local efficiency initiatives and transforming services. The Local Government Association (LGA) delivered a sector-led [Adult Social Care Efficiency Programme](#) from 2011 to 2013 to support authorities to develop new and innovative approaches to making efficiency savings. Overall councils participating in the Programme delivered savings of around 8% to 10% of their net adult social care budgets.<sup>26</sup>

According to the Association of Directors of Adult Social Services (ADASS) Budget Survey 2016, adult social care planned savings for 2016/17 were £941 million (7% of net adult social care budgets). However, ADASS reported that the proportion of savings planned to be secured through efficiencies has fallen from 75% of savings in 2015/16 to 55% in 2016/17. Whereas, the proportion of savings planned to be secured through service reductions had increased from 18% to 39% over the same period.<sup>27</sup>

The ADASS Budget Survey 2016 found that 31% of Directors of Adult Social Services were fully confident that planned savings for 2016/17 would be met, and 66% were partially confident. However, this confidence reduces over time; 2% of Directors were fully confident that savings targets would be met by 2019/20, and 80% were partially confident.<sup>28</sup>

The LGA has expressed concern that the scope for further significant social care efficiency savings is limited.<sup>29</sup> This concern was also identified by the Health Select Committee during its inquiry into the [Impact of the Spending Review on health and social care](#):

Cuts to social care funding over a number of years have now exhausted the capacity for significant further efficiencies in this area. We have heard that the savings made by local councils in

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<sup>22</sup> Local Government Association, ADASS, Future Funding, [Adult Social Care, Health and Wellbeing: A Shared Commitment – 2015 Spending Review Submission](#), September 2015, p.17

<sup>23</sup> Association of Directors of Adult Social Services, [ADASS Budget Survey 2016](#), July 2016, p.17

<sup>24</sup> The Resolution Foundation, [Care to pay? Meeting the challenge of paying the National Living Wage in social care](#), 12 November 2015

<sup>25</sup> Written evidence submitted to the Health Select Committee by the Association of Directors of Adult Social Services (ADASS) ([CSR0086](#)), 26 January 2016

<sup>26</sup> Local Government Association, [LGA Adult Social Care Efficiency Programme - The final report](#), July 2014, p.43

<sup>27</sup> Association of Directors of Adult Social Services, [ADASS Budget Survey 2016](#), July 2016, p.7

<sup>28</sup> Ibid., p.8

<sup>29</sup> Local Government Association, ADASS, Future Funding, [Adult Social Care, Health and Wellbeing: A Shared Commitment – 2015 Spending Review Submission](#), September 2015, p.14

the last parliament have gone beyond efficiency savings and have already impacted on the provision of services.<sup>30</sup>

### 2.4 Impacts of spending pressures

#### Reductions in social care provision

As the scope for savings efficiencies reduces, local authorities are having to manage social care funding pressures by other means:

...service reductions, smaller care packages and rising user charges are becoming the primary means of managing continued savings requirements (rather than, for example, savings from streamlining back office functions).<sup>31</sup>

The number of adults receiving state-funded care fell by 28% from around 1.8 million in 2008-09 to around 1.3 million in 2012/13.<sup>32</sup>

According to the Nuffield Trust, the Health Foundation and the Kings Fund, social care funding reductions have led to a fall of at least 26% – more than 400,000 people – in the number of older people accessing publicly funded social care between 2009/10 and 2014/15, with a further reduction in 2015/16.<sup>33</sup>

The National Audit Office (NAO) review of adult social care reported that local authorities' total spending on adult social care fell by 8% in real terms between 2010/11 and 2012/13. The NAO analysis found that around three-quarters of the fall in spending during this period was achieved by reducing the amount of care provided. This reduction could reflect effective prevention of need for care, changes in eligibility criteria or reductions in service. Around one-quarter of the fall in spending was achieved through paying less to provide care, for example through reducing back-office costs, or through changes to and improvement in the commissioning of care.<sup>34</sup>

Local authorities have focused on early action and prevention in order to manage demand for social care. Prevention is seen by the Association of Directors of Adult Social Services (ADASS) as the most important way of realising savings now and in the future. However, the ADASS Budget Survey 2016 reports that, due to funding pressures, authorities have had to reduce spending on prevention activity in 2016/17 in order to prioritise funding their core statutory social care duties.<sup>35</sup>

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<sup>30</sup> Health Select Committee, [Impact of the Spending Review on health and social care](#), HC 139, 19 July 2016, para. 86

<sup>31</sup> Local Government Association, ADASS, Future Funding, [Adult Social Care, Health and Wellbeing: A Shared Commitment – 2015 Spending Review Submission](#), September 2015, p.14

<sup>32</sup> National Audit Office, [Adult social care in England: overview](#), HC 1102, 13 March 2014, p.16, Fig. 4

<sup>33</sup> Nb. Changes in data collection mean that figure for 2015/16 cannot be directly compared. The Nuffield Trust, the Health Foundation and the King's Fund, [The Autumn Statement: Joint statement on health and social care](#), November 2016, p. 13.

<sup>34</sup> National Audit Office, [Adult social care in England: overview](#), HC 1102, 13 March 2014, Summary, para. 8

<sup>35</sup> Association of Directors of Adult Social Services, [ADASS Budget Survey 2016](#), July 2016, p.13

Over the last ten years, many local authorities have raised the eligibility criteria for individual packages of care. Authorities could previously set an eligibility threshold for care and support from a common framework of four bands: critical, substantial, moderate or low needs. In 2014, 85% of adults over 65 lived in local authorities which arranged services for adults with substantial or critical needs only.<sup>36</sup> However, from April 2015, regulations made under the [Care Act 2014](#) set a national minimum threshold for eligibility, to ensure consistency across local authorities in England.<sup>37</sup> The national eligibility threshold has been set at a level where the person's care and support needs have "a significant impact on their wellbeing". This is broadly equivalent to the previous 'substantial' eligibility band.<sup>38</sup>

Commentators are increasingly concerned that, due to reductions in social care services, more people who need care are not having their care needs met.<sup>39</sup> As at July 2016, arrangements to monitor unmet need were in place in 34% of local authorities.<sup>40</sup>

Research by Age UK in 2016 estimated that 1.2 million older people in England were not receiving the social care they need – an increase of 48% from 2010. Age UK's analysis found that 696,500 older people did not receive any help, from either paid carers or family and friends, and 487,400 received some help but not enough, for example because help was only available at particular times of day or their carers were only able to manage some tasks but not others.<sup>41</sup>

Independent research funded by the National Institute for Health Research, and published in November 2016, found a high level of unmet social care needs affecting older people across all groups, including those eligible for local authority financial support and self-funders.<sup>42</sup>

## Quality of care

In the ADASS Budget Survey 2016, 82% of Directors of Adult Social Services reported that more providers were facing quality challenges as a result of funding pressures.<sup>43</sup>

The Care Quality Commission's (CQC) annual overview of health and social care, the [State of Care 2015/16](#) published in October 2016, concluded that "Many health and care services in England are providing

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<sup>36</sup> National Audit Office, [Adult social care in England: overview](#), HC 1102, 13 March 2014, Summary, para. 9

<sup>37</sup> [The Care and Support \(Eligibility Criteria\) Regulations 2015 \(S.I. 2015/313\)](#)

<sup>38</sup> [Explanatory Memorandum to the Care and Support \(Eligibility Criteria\) Regulations 2015 \(S.I. 2015/313\)](#), paras. 7.2 and 7.6

<sup>39</sup> 'Alarming' rise in level of unmet care and support needs', *Community Care*, 16 February 2017

<sup>40</sup> Association of Directors of Adult Social Services, [ADASS Budget Survey 2016](#), July 2016, p.12

<sup>41</sup> Age UK, [1.2m older people don't get the social care they need](#), 17 November 2016

<sup>42</sup> IPSOS Mori Social Research Institute, [Predicting unmet social care needs and links with well-being: Findings from the secondary analysis](#), November 2016

<sup>43</sup> Association of Directors of Adult Social Services, [ADASS Budget Survey 2016](#), July 2016, p.11

good quality care, despite a challenging environment, but substantial variation remains". Of the adult social care services inspected: 1% were rated outstanding; 71% were rated good; 26% required improvement; and 2% were rated inadequate. The CQC also found that almost two-thirds (62%) of people receiving adult social care services paid for by their local authority said they were extremely or very satisfied with their care and support.<sup>44</sup>

However, the CQC expressed concern about the sustainability of quality in a challenging funding environment:

Maintaining quality while demand increases and budgets are under pressure is going to be challenging, even for the best-led services. Over the past few years, we have seen commissioners and providers aim to protect, as far as possible, the quality of care. It is important that the focus on quality that we have seen over the past few years is maintained, and that people can continue to access high-quality care.<sup>45</sup>

### Fragility of care home market

There is a concern that funding pressures are making the care provider market increasingly precarious. The Care Quality Commission's (CQC) annual overview of health and social care, the [State of Care 2015/16](#) published in October 2016, concluded that the sustainability of the adult social care market is approaching a tipping point:

State of Care finds that the sustainability of the adult social care market is approaching a tipping point. This view is based on the evidence of inspections, information received through our market oversight function, and external data.

The fragility of the adult social care market is now beginning to impact both on the people who rely on these services and on the performance of NHS care...<sup>46</sup>

The CQC also noted that:

Through our market oversight function in adult social care, we also know that profit margins are reducing – both due to pressures on fees, and cost pressures that include the national living wage. Already we are seeing some providers starting to hand back home care contracts as undeliverable; local authorities predict more to come...<sup>47</sup>

In the six months to July 2016, 48 councils (32%) experienced at least one provider ceasing trading in the homecare market, and 77 councils (51%) experienced at least one provider ceasing trading in residential/nursing care.<sup>48</sup>

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<sup>44</sup> Care Quality Commission, [The state of health care and adult social care in England 2015/16](#), HC 706, 12 October 2016, pp.6-7

<sup>45</sup> Ibid., p.8

<sup>46</sup> Ibid.

<sup>47</sup> Care Quality Commission, [The state of health care and adult social care in England 2015/16](#), HC 706, 12 October 2016, p.4

<sup>48</sup> Local Government Association, [The LGA's submission to the Autumn Statement 2016](#), 10 October 2016, p.6



A United Kingdom Homecare Association (UKHCA) report, [The Homecare Deficit 2016](#), published in October 2016, identified a postcode lottery in the prices that individual councils pay for homecare services, and in many cases a funding gap between the rate paid by councils and the costs of services which must meet the National Living Wage. UKHCA's research found that across the UK the average price councils paid for homecare in April 2016 was £14.58 per hour, compared to UKHCA's Minimum Price for Homecare of £16.70 per hour.<sup>49</sup>

In the ADASS Budget Survey 2016, 80% of Directors of Adult Social Services reported that care providers in their area are currently facing financial difficulties.<sup>50</sup>

The House of Commons Briefing Paper [The Care Home Market \(England\)](#) (CBP07463) provides further information on the market for residential care.

## Impact on health services

Social care services and health services are interrelated. Poor-quality social care can lead to unnecessary A&E attendances and emergency hospital admissions. One-fifth of emergency admissions to hospital are for existing conditions that primary, community or social care could manage, according to the National Audit Office.<sup>51</sup>

A lack of suitable care services can also delay hospital discharge, putting pressure on acute services. Between November 2014 and November 2016, delays in discharging patients from hospital increased by 37%. The two main reported reasons for this increase were patients waiting for a care package in their own home and patients waiting for a nursing home placement.<sup>52</sup> The National Audit Office (NAO) estimates that the gross annual cost to the NHS of keeping older patients in hospital who no longer need to receive acute clinical care is in the region of £820 million.<sup>53</sup>

A survey of NHS leaders in 2015 found that 99% believed cuts to social care funding were increasing pressures on the NHS as a whole.<sup>54</sup>

The House of Commons Committee of Public Accounts report on [Integrating health and social care](#), published in April 2017, recommended that "the Department [of Health] and NHS England should assess the impact that financial pressure in social care is having

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<sup>49</sup> United Kingdom Homecare Association Media Release, [Older people's homecare at risk from £513 million UK deficit - 25/10/2016](#), 25 October 2016

<sup>50</sup> Association of Directors of Adult Social Services, [ADASS Budget Survey 2016](#), July 2016, p.22

<sup>51</sup> National Audit Office, [Adult social care in England: overview](#), HC 1102, 13 March 2014, Summary, para. 2.22

<sup>52</sup> National Audit Office, [Health and social care integration](#), HC 1011, Session 2016-17, 8 February 2017, Summary, para.8

<sup>53</sup> National Audit Office, [Discharging older patients from hospital](#), 26 May 2016

<sup>54</sup> NHS Confederation, [National Survey of NHS Leaders](#), June 2015, p.8

## 18 Adult Social Care Funding (England)

on the NHS, so that it can better understand the nature of the problem and how it can be managed".<sup>55</sup>

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<sup>55</sup> House of Commons Committee of Public Accounts, Integrating health and social care - Sixtieth Report of Session 2016–17, HC 959, 27 April 2017, para. 1

## 3. Social care in crisis?

During the last Parliament a wide range of organisations, including local government, health bodies, the voluntary sector and the Care Quality Commission, questioned the sustainability of publicly-funded social care and called for immediate additional funding in order to avert a 'social care crisis'. The Health and the Communities and Local Government Select Committees also raised concerns about the level of social care funding.

Prior to Spring Budget 2017 (which announced additional funding for social care – see Section 4.3) a number of estimations were made of the extent of the social care 'funding gap' between the available resources on the one hand and the demand and cost pressures on the other. The estimates varied according to the methods and data used and the assumptions made. Nevertheless, there was a general consensus that additional funding was required to address the immediate funding pressures.

Some key reports are outlined below.

### 3.1 The Local Government Association 2016 Autumn Statement Submission

The LGA's submission to the 2016 Autumn Statement warned of increasing funding pressures and estimated that social care was facing a potential funding gap of at least £2.6 billion.<sup>56</sup>

The LGA estimated that immediate pressures threatening the stability of the care provider market could amount to at least £1.3 billion:

...The use of 'fair price of care' calculations developed by provider organisations suggests that the scale of the immediate challenge could be in the order of at least £1.3 billion. This is purely indicative of the gap between what providers say they need and what councils are currently able to afford; it is an illustration of the size of the gap that needs to be urgently addressed to put the provider market on a sustainable footing...<sup>57</sup>

Looking forward, the LGA estimated that the additional pressures brought about by an ageing population, inflation, and the cost of paying the National Living Wage would leave local authorities with a funding gap of £1.3 billion by 2019/20, even with the additional funding from the 2% council tax precept and the Better Care Fund (see section 4).<sup>58</sup> The LGA figures did not include other potential cost pressures such as Deprivation of Liberty Safeguards, the closure of the Independent Living Fund, full implementation of the Care Act or unmet need.

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<sup>56</sup> Local Government Association Media Release, [£2.6 billion could be needed to fix social care - LGA warns](#), 13 October 2016

<sup>57</sup> Local Government Association, [The LGA's submission to the Autumn Statement 2016](#), 10 October 2016, p.5

<sup>58</sup> *Ibid.*, p.8

Chairman of the LGA's Community Wellbeing Board, Councillor Izzi Seccombe, warned of the risk of care provider market failure and the creation of a two-tiered care system:

Our analysis shows the sheer scale of the funding crisis we face in social care, both now and in the near future, as well as the damage done from the historic underfunding of adult social care.

[...]

The care provider market cannot carry on as it is and there is a real danger of more widespread market failure. Either care is properly funded or providers will pull out of council contracts or in worst case scenario go bust. The market for publicly-funded care is simply not sustainable as it stands.

[...]

The current funding crisis risks creating an unfair, unequal, two-tiered care system where only the well-off will be able to get the care they need. If we are to have a fair and equitable society then we must be able to ensure that everybody is able to receive a high quality standard of care, not just those who can afford it.<sup>59</sup>

### **Adult Social Care Funding: 2016 State of the Nation Report**

In November 2016 the LGA published a 2016 State of the Nation Report on [Adult Social Care Funding](#).<sup>60</sup> The report identified the challenges of rising costs, the ageing population, difficulties recruiting staff, and central government funding reductions and presented views on the "perilous" state of social care funding from across the sector.<sup>61</sup>

## **3.2 Association of Directors of Adult Social Services (ADASS)**

The ADASS [Pre-Autumn Statement 2016 Representation](#)<sup>62</sup> estimated a funding gap of £1.4 billion in 2016/17 and urged the Government to take action by:

- a) Immediately addressing the shortfalls in budgets for this and next year in order to stabilise the sufficiency and quality of the market.
- b) Making provision for the gap in funding to 2020, ensuring that social care funding is protected, transparent and sustainable. Whilst not the only answer, recurrent additional funding to local government, based on need for social care is integral to any solution.
- c) Helping us to address the workforce recognition, recruitment and retention issues...
- d) Addressing the longer term resourcing issues for social care for 2020 and beyond. This will necessitate radical reconsideration of

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<sup>59</sup> Local Government Association Media Release, [£2.6 billion could be needed to fix social care - LGA warns](#), 13 October 2016

<sup>60</sup> Local Government Association, [Adult social care funding: 2016 state of the nation report](#), 2 November 2016

<sup>61</sup> Ibid., p.4

<sup>62</sup> Association of Directors of Adult Social Services, [Autumn Statement 2016 Representation](#), undated [accessed 14 December 2016]

how to incentivise family and other informal carers and revisiting the role of the individual, family, community and the state.<sup>63</sup>

### 3.3 Nuffield Trust, the Health Foundation and the King's Fund – Joint Statement

Ahead of the 2016 Autumn Statement, the Nuffield Trust, the Health Foundation and the King's Fund published a [Joint statement on health and social care](#). The statement called on the Government to immediately bring forward funding from the Better Care Fund to "address the critical state of social care".<sup>64</sup>

The organisations calculated that the social care funding gap was likely to be at least £1.9bn in 2017/18, and £2.3 billion by the end of the Parliament.<sup>65</sup>

### 3.4 The Institute for Fiscal Studies

The [IFS Green Budget 2017: UK spending on health and social care](#) (February 2017) analyses pressures on future social care spending and predicts that an increasing share of national income will need to be spent on providing social care services.

The IFS Green Budget sets out two scenarios for public spending on local authority organised social care (including care for children as well as adults) from 2015/16 to 2019/20. Assuming that per-capita spend is held constant at 2015/16 levels, the IFS estimates a funding gap of £1.3 billion to £2.5 billion by 2019/20, depending on whether authorities continue to protect social care spending.<sup>66</sup>

### 3.5 House of Commons Health Select Committee

The House of Commons Health Select Committee's report on their inquiry into the [Impact of the Spending Review on health and social care](#), published in July 2016, expressed concern about "the effect of reduced access to adult social care as a result of the cuts to funding and the impact of this on the NHS". The Committee concluded:

Historical cuts to social care funding have now exhausted the capacity for significant further efficiencies in this area. Increasing numbers of people with genuine social care needs are no longer receiving the care they need because of a lack of resource. This not only causes considerable distress to these individuals and their families but results in additional costs to the NHS. We will be monitoring the extent to which the Better Care Fund and Social Care Precept are successful in raising revenue and how this is distributed to reflect need and health inequality. We also note

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<sup>63</sup> Ibid., p.4

<sup>64</sup> The Nuffield Trust, the Health Foundation and the King's Fund, [The Autumn Statement: Joint statement on health and social care](#), November 2016, p. 1

<sup>65</sup> The Nuffield Trust, the Health Foundation and the King's Fund, [The Autumn Statement: Joint statement on health and social care](#), November 2016, p. 16

<sup>66</sup> The Institute for Fiscal Studies, [IFS Green Budget 2017: UK spending on health and social care](#), Table 5.8, p.170

with concern that this funding will not arrive until later in the Spending Review period.<sup>67</sup>

The Government's response to the Committee's report recognised the challenges faced by the social care sector and outlined the additional funding, through the Social Care Precept and improved Better Care Fund, which had been put in place. It also noted that local authority budget data, published by the Department for Communities and Local Government, "shows that in the context of a challenging funding settlement, local authorities have increased the amount budgeted for adult social care services".<sup>68</sup>

Prior to the 2016 Autumn Statement, the Health Select Committee wrote to the Chancellor setting out concerns about the extent of the pressures on NHS and social care finances:

Of more immediate concern even than the reductions in spending on public health and prevention, however, are the reductions in spending on social care which have been seen over recent years. We have heard that these reductions are having a serious impact on the NHS...The evidence we heard over the course of our two most recent evidence sessions indicates that unless urgent action is taken to improve the state of social care and thus mitigate the effects on trusts which the CQC describes, the NHS cannot be expected to deliver the Five Year Forward View.<sup>69</sup>

### 3.6 House of Commons Communities and Local Government Select Committee

In June 2016, the Communities and Local Government (CLG) Committee launched an [inquiry into adult social care](#). The Committee published an interim (pre-Budget) report on 4 March 2017 and a final report on 31 March 2017.

In its pre-Budget report the CLG Committee called on the Government to provide immediate additional funding for adult social care in the Spring Budget 2017, and recommended that a full analysis of the extent of the social care funding gap be carried out:

We believe that social care requires immediate funding and recommend that the Chancellor brings forward the 2019-20 tranche of the Better Care Fund to fill the funding gap in 2017-18. Given that the sector estimates for the funding gap for the rest of the Parliament vary, we believe that the National Audit Office (NAO) would be well-placed to determine the amount of funding needed to meet the shortfall and request that they carry out this work. The Government should then commit to closing the funding gap in line with the NAO's findings...<sup>70</sup>

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<sup>67</sup> House of Commons Health Committee, [Impact of the Spending Review on health and social care](#), First Report of Session 2016–17, HC 139, 19 July 2016, Summary

<sup>68</sup> Department of Health, [Government Response to the House of Commons Health Select Committee Report into the Impact of the Spending Review on Health and Social Care \(First Report of Session 2016–17\)](#), CM 9385, December 2016, para. 63

<sup>69</sup> Health Select Committee, [Letter from Chair of Health Select Committee to the Chancellor of the Exchequer concerning NHS funding](#), 26 October 2016

<sup>70</sup> House of Commons Communities and Local Government Committee, [Adult social care: a pre-Budget report, Eighth Report of Session 2016-17](#), HC 47, 4 March 2017

## 4. Additional funding announcements 2015 - 2017

### 4.1 Spending Review and Autumn Statement 2015

In the [Spending Review and Autumn Statement 2015](#), delivered to Parliament on 25 November 2015, the Chancellor of the Exchequer, then George Osborne, announced two new sources of funding for adult social care:

- a **new Social Care Precept**, under which local authorities would be able to increase council tax levels by up to 2% for each year between 2016/17 and 2019/20; and
- an **improved Better Care Fund** - intended to incentivise and transform the integration of health and social care services.<sup>71</sup>

Taken together, the new Social Care Precept and improved Better Care Fund were expected to bring up to £3.5 billion of additional funding for adult social care by 2019/2020. The Government estimated that this would equate to a funding increase of around 5% in real terms by the end of the Parliament.<sup>72</sup>

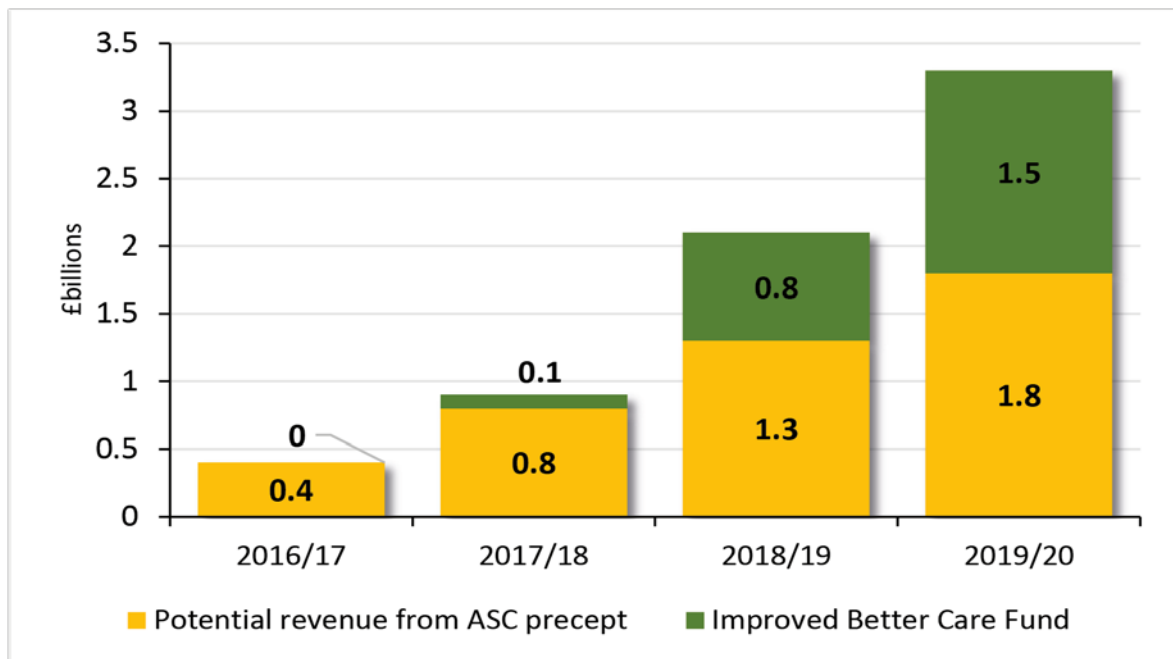
The distribution of the funds over the Spending Review period (assuming that all local authorities raise council tax by the full 2% in each year) is set out in **Figure 3**. As the graph demonstrates, the funding was “back-loaded”, i.e. larger increases would come towards the end of the Spending Review period.

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<sup>71</sup> [HC Deb 25 November 2015 cc1363–1364](#)

<sup>72</sup> [HC Deb 12 December 2016 c502-511](#)

**Figure 3: New funding for adult social care announced in the Spending Review 2015**



Source: Health Select Committee, [Impact of the Spending Review on health and social care](#), HC 139, 19 July 2016, para. 3

Alongside the increases in social care funding, the Government announced a reduction in its grant funding to local authorities of £6.1 billion by 2019/20, matched, the Spending Review noted, by projected increases in other sources of income such as council tax and business rates of £6.3 billion by 2019/20.<sup>73</sup>

### Social Care Precept

The new Social Care Precept gave local authorities with responsibility for social care (county and unitary authorities) the ability to raise new funding to spend exclusively on adult social care. The 2015 Autumn Statement announced that local authorities would have the flexibility to raise council tax in their area by up to 2% above the referendum threshold for each year between 2016/17 and 2019/20.<sup>74</sup>

The Autumn Statement document estimated that the Social Care Precept could raise nearly £2 billion a year by 2019/20, assuming full take-up (ie. assuming that all local authorities increased council tax by 2% each year for four years).<sup>75</sup> Government data published

<sup>73</sup> HM Treasury, [Spending Review and Autumn Statement 2015](#), CM 9162, November 2015, paras 2.123 and 2.127

<sup>74</sup> See the House of Commons Library Briefing Paper [Council tax: local referendums](#) (SN05682) for further information on how the referendum threshold process works. In law, the extra 2% limit is not a 'precept': the word 'precept' has a legal definition in the context of local government finance.

<sup>75</sup> HM Treasury, [Spending Review and Autumn Statement 2015](#), CM 9162, November 2015, para. 1.107



subsequently appears to put the figure at £1.8 billion.<sup>76</sup> The Institute for Fiscal Studies (IFS) has calculated that the precept could raise “£1.7bn a year by 2019/20 if used in full”.<sup>77</sup>

The impact of the Social Care Precept will vary across the country, depending on how much council tax a local authority is able to raise and how much it needs to spend on adult social care. An IFS analysis estimated that the full take-up of the council tax precept could increase adult social care budgets (based on spending in 2015/16) by between 4% and 17% by 2019/20.<sup>78</sup>

Commentators have expressed concern that the precept risks increasing inequality between areas. For example, the Association of Directors of Adult Social Services (ADASS) said:

The Council Tax precept will raise least money in areas of greatest need which risks heightening inequality. Councils in deprived areas will have greatest social care needs, yet they will raise less than 1/3rd of what more affluent areas do through this approach.<sup>79</sup>

### **Ensuring the precept is spent on social care**

In law, the social care precept policy is being implemented by simply applying a different referendum threshold to authorities with responsibility for social care. Any revenue raised under the additional 2% threshold will form part of the council’s council tax revenue and will thus go into their general fund.

In order to ensure that local authorities spend this money on social care, the Secretary of State will issue a notice to all relevant local authorities under section 52ZY of the *Local Government Finance Act 1992*. This section provides that:

The Secretary of State may serve on an authority a notice requiring it to supply to the Secretary of State such information as is specified in the notice and required for the purposes of the performance of the Secretary of State’s functions under this Chapter [i.e. the setting of council tax referendum limits].<sup>80</sup>

[A copy of the notice](#) can be found on the website of the Department for Communities and Local Government. It requires each local authority’s ‘Section 151 officer’ (the head of finance) to certify that any additional funds raised will be spent on adult social care. The notice will have to include the amount of additional council tax that will be raised as a result of using the additional 2% flexibility; the council’s adult social care budget for 2016/17; and what the council’s adult social care

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[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/487527/Core\\_spending\\_power\\_supporting\\_information.xls](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/487527/Core_spending_power_supporting_information.xls)

<sup>77</sup> Institute for Fiscal Studies, *Presentations – Local government and the nations: a devolution revolution?*, powerpoint slides, 26 November 2015, slide 5

<sup>78</sup> *Ibid.*, pp.5-6

<sup>79</sup> Association of Directors of Adult Social Services, *ADASS responds to the 2015 spending review*, press release, 25 November 2015

<sup>80</sup> *Local Government Finance Act 1992* section 52ZA (1), inserted by [Schedule 5 of the Localism Act 2011](#).

budget for 2016/17 would have been without the additional amount. Further certification will be required in each subsequent financial year.

Issuing a notice under section 52ZY does not provide for any direct sanctions on the local authority if the money is not ultimately spent on adult social care. The Notice refers to “the Secretary of State’s intention to take authorities’ use of the precept into account when setting referendum principles for future years”.

## Better Care Fund

[The Better Care Fund](#) is a pooled budget, shared by local authorities and the NHS, intended to incentivise and transform the integration of health and social care services. From April 2017, the *Spending Review and Autumn Statement 2015* made available social care funds for local government, rising to £1.5 billion by 2019/20, to be included in an improved Better Care Fund.<sup>81</sup>

The 2015 Spending Review document stated:

Locally led transformation of health and social care delivery has the potential to improve services for patients and unlock efficiencies. Spending Round 2013 established the Better Care Fund which has driven the integration of funding for health and social care and enabled services to be commissioned together for the first time. This year the NHS and local authorities in England shared £5.3 billion in pooled budgets. The Spending Review continues the government’s commitment to join up health and care. The government will continue the Better Care Fund, maintaining the NHS’s mandated contribution in real terms over the Parliament. From 2017 the government will make funding available to local government, worth £1.5 billion in 2019-20, to be included in the Better Care Fund.<sup>82</sup>

Further information on the Government’s plans to integrate health and social care by 2020 is provided in the House of Commons Library Briefing Paper: [Health and Social Care Integration \(England\)](#) (CBP07902).

## Transfer of funds from the New Homes Bonus Scheme

The New Homes Bonus scheme is aimed at incentivising the building of new homes. In the 2015 Autumn Statement, the Government indicated its intention to reduce the funding available under the New Homes Bonus scheme, in order to reallocate at least £800 million to adult social care through the Better Care Fund whilst remaining within existing local government spending plans:

...the government will also consult on reforms to the New Homes Bonus, including means of sharpening the incentive to reward communities for additional homes and reducing the length of payments from 6 years to 4 years. This will include a preferred option for savings of at least £800 million, which can be used for social care. Details of both reforms will be set out as part of the local government finance settlement consultation, which will

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<sup>81</sup> HM Treasury, [Spending Review and Autumn Statement 2015](#), CM 9162, November 2015, para. 1.107

<sup>82</sup> *Ibid.*, para. 1.111

include consideration of proposals to introduce a floor to ensure that no authority loses out disproportionately.<sup>83</sup>

The consultation proposals were published by the Department for Communities and Local Government (DCLG) in December 2015, [New Homes Bonus: Sharpening the Incentive](#).<sup>84</sup> No changes were proposed for the calculation of 2016/17 allocations or payments due to be made in 2016-17 relating to previous years.

The Secretary of State for Communities and Local Government, Sajid Javid, confirmed that changes to the New Homes Bonus scheme would go ahead as part of the Local Government Finance Settlement in December 2016.

The bulk of New Homes Bonus funding goes to district and unitary authorities. The decision to transfer funding from the New Homes Bonus to adult social care will therefore see a shift in funding from district councils to county councils (with unitary authorities being unaffected).

The Government has published anticipated New Homes Bonus allocations for 2017/18, taking into account the planned changes.<sup>85</sup> The *Local Government Chronicle* has published an analysis of the impact of the change on local authorities overall, comparing the anticipated allocations before and after the planned changes.<sup>86</sup>

The House of Commons Library Briefing Paper [The New Homes Bonus \(England\)](#) (SN05724) provides further information about the New Homes Bonus scheme.

### **Allocation of the improved Better Care Fund**

The additional social care funding in the improved Better Care Fund (BCF) will be available from 2017/18. In light of concerns over the varying capacity of local authorities to raise funds through the Social Care Precept, the Government proposes to allocate the additional social care funding “through a separate grant to local government, using a methodology which provides greater funding to those authorities which benefit less from the additional council tax flexibility for social care”.<sup>87</sup>

The Government set out its proposed approach to allocating the improved Better Care Fund alongside the provisional Local Government Finance Settlement 2016/17:

...For the purposes of core spending power projections out to 2020 published alongside the 2016-17 provisional local

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<sup>83</sup> HM Government, [Spending Review and Autumn Statement 2015](#), CM 9162, November 2015, para. 1.242

<sup>84</sup> Department for Communities and Local Government, [New Homes Bonus: Sharpening the Incentive - Technical Consultation](#), December 2015

<sup>85</sup> DCLG, [New Homes Bonus provisional allocations 2017-18](#), December 2016

<sup>86</sup> David Paine, “[Revealed: Third of top-tier net losers under homes bonus change](#)”, *Local Government Chronicle*, 15 December 2016. This article links to a spreadsheet that shows pre- and post-change allocations for each local authority alongside one another.

<sup>87</sup> Department for Communities and Local Government, [The provisional Local Government Finance Settlement 2016-17 and an offer to councils for future years – Consultation](#), December 2015, p.25, para. 5.6

government finance settlement, the methodology adopted is as follows:

- i) We calculate the additional funding available to spend on adult social care at a national level, combining the 2% council tax flexibility for adult social care and the additional funding for the improved Better Care Fund.
- ii) We then calculate the share of that national amount which each authority with responsibility for social care would receive if it were distributed according to the 2013 adult social care relative needs formula.
- iii) We then calculate how much each authority with responsibility for social care could raise from the additional 2% council tax flexibility for adult social care.
- iv) The additional funding for the improved Better Care Fund is then allocated in such a way that, when combined with the money which could be raised from the council tax flexibility, each council would receive its share of the combined national amount as calculated in step (ii) above.
- v) These allocations are adjusted so that, where an authority could receive more from the additional council tax flexibility for social care than its share of the national amount calculated in step (ii), its allocation for the improved Better Care Fund is set to zero rather than a notional negative figure.
- vi) The remainder of the allocations are then reduced proportionately, so that the combined totals sum to the national total for additional funding available to spend on adult social care, as calculated in step (i).<sup>88</sup>

Thus, BCF funding will be allocated taking into account the amount that a local authority *could raise* via the 2% social care precept (i.e. not taking account of whether it *does* decide to use the social care precept). If the amount an authority could raise through the 2% social care precept is greater than its share (based on the social care relative needs formula) of the national available funding, then the authority would receive no BCF funding. Thus, in short, this methodology ensures every authority gets its share of the total funding available through the improved Better Care Fund and the Social Care Precept, as measured by the social care relative needs formula.

The Government formally consulted on the distribution of the fund as part of the Local Government Finance Settlement 2017/18 technical consultation. Having considered the responses received through the consultation, the Government confirmed that it will adopt the proposed methodology.<sup>89</sup>

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<sup>88</sup> Department for Communities and Local Government, [The provisional Local Government Finance Settlement 2016-17 and an offer to councils for future years – Consultation](#), December 2015, p.25, para. 5.6

<sup>89</sup> Department for Communities and Local Government, [The provisional 2017-18 local government finance settlement: confirming the offer to councils- Consultation Paper](#), 15 December 2016, p.14, para.2.7

## Reactions to Spending Review 2015

The Local Government Association welcomed the additional social care funding, but expressed concern that the precept would create a “postcode lottery” for social care, and authorities would not receive any of the improved Better Care Fund until 2017/18.<sup>90</sup>

The Association of Directors of Adult Social Services, Care Provider Alliance, Care and Support Alliance and the NHS Confederation wrote a joint letter to the Government setting out their concerns that the package for social care was too little and too late:

... Without concerted action across government and the sector, the settlement is not sufficient, not targeted at the right geographies and will not come soon enough to resolve the care funding crisis.

[...]

If we do not collectively address the highlighted issues relating to levels of and phasing of funding there is the potential for significant and adverse impacts, including:

- An increasing number of older people, disabled people and their carers without any, or without sufficient, support to meet their needs;
- An acceleration of the failure of domiciliary, residential and nursing home providers. This is likely to accelerate fastest in those areas of the country where providers are predominantly delivering support to state funded clients. These are exactly the areas of the country that additionally will raise the least amount of council tax. The impact of this will be the compounding of the number of people who do not have their needs met, or who are avoidably admitted or remain in hospital; and
- An increasing pressure on the NHS with more people admitted to hospital and more delays to get people home safely.<sup>91</sup>

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<sup>90</sup> [“Cuts ‘to hit care of elderly in poorest areas’”](#), *The Observer*, 28 November 2015

<sup>91</sup> Association of Directors of Adult Social Services et al, [Letter – Re: Social Care Sector Response to Spending Review](#), 3 December 2015

## 4.2 Provisional Local Government Finance Settlement 2017/2018

On 15 December 2016, as part of the English Provisional Local Government Finance Settlement 2017/18, the Secretary of State for Communities and Local Government, Sajid Javid, announced additional funding of up to nearly £900 million for adult social care in 2017/18 and 2018/19.<sup>92</sup>

This funding will be provided to local authorities with social care responsibilities through:

- **increased flexibility over the Social Care Precept;** and
- **a new Adult Social Care Support Grant.**

The Government expected the additional money to bring total dedicated social care funding to £7.6 billion over the settlement period:

[...] Today, the Communities Secretary confirmed that he will bring forward flexibility over the social care precept, so councils can choose to raise it by 3%, rather than the 2% originally planning – meaning they will have the ability to raise an additional £208 million next year.

This comes on top of a new adult social care grant, worth £240 million next year, and an improved Better Care Fund worth up to £1.5 billion so councils can work more closely with the NHS.

It brings total dedicated social care funding to £7.6 billion over the settlement period [...]<sup>93</sup>

### Social Care Precept – 2017/18 and 2018/19

The Social Care Precept, announced in 2015, gave local authorities the flexibility to raise council tax in their area by up to 2% above the 'standard' threshold<sup>94</sup> for each year between 2016/17 and 2019/20, with the additional funding to be spent on adult social care. The precept was implemented by 95% of local authorities and raised over £380 million in 2016/17.<sup>95</sup>

The Government announced on 15 December 2016 that local authorities can, if they wish, bring forward the Social Care Precept, by raising council tax by up to 3% in 2017/18 and 2018/19. The Government expects this to provide an additional £208 million for adult social care in 2017/2018 and £444 million in 2018/ 2019. However, the overall limit of 6% above the 'standard' threshold by 2019/20 remains.

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<sup>92</sup> Department for Communities and Local Government and the Rt Hon Sajid Javid MP, [Oral statement to Parliament: Provisional local government finance settlement 2017 to 2018](#), 15 December 2016

<sup>93</sup> Department for Communities and Local Government, [Dedicated adult social care funding forms key part of continued long-term funding certainty for councils](#), Press Release, 15 December 2016

<sup>94</sup> See the House of Commons Library Briefing Paper [Council tax: local referendums](#) (SN05682) for further information on council tax referendum thresholds.

<sup>95</sup> Department of Health, [Government Response to the House of Commons Health Select Committee Report into the Impact of the Spending Review on Health and Social Care \(First Report of Session 2016–17\)](#), CM 9385, December 2016, p.5

Thus, if authorities make full use of the 3% precept in 2017/18 and in 2018/19, they will not be able to use the precept in 2019/20.<sup>96</sup>

According to the Government, “the extra flexibility to raise funding for adult social care next year will add just £1 a month to the average Council Tax bill. And the overall increase to the precept in the next 3 years will remain at 6%, so bills will be no higher in 2019 to 2020”.<sup>97</sup>

### Impact of bringing forward the precept

The table below shows the expected amount of revenue the social care precept would raise under the original plan of a 2% increase per year, and presents this alongside the annual amount expected if the 3% increase were applied. The table is for illustrative purposes only and assumes that all local authorities will opt for the full 3% increase.

The table demonstrates that both options result in the same amount of revenue in 2019/20, but overall the option to increase by 3% in 2017/18 and 2018/19 could potentially result in around £677 million additional revenue over the four year period shown.

#### Social care precept in England, projected revenue (£ millions)

	Original plans of additional two percentage point increase in social care precept per year				Option to raise precept by additional three percentage points in 2017/18 and 2019/20				
	Estimated Council Tax excluding Parish Precepts	% of council tax for social care precept	Annual additional percentage point change	Potential additional Council Tax revenue from Adult Social Care flexibility	% of council tax for social care precept	Annual additional percentage point change	Potential additional Council Tax revenue from Adult Social Care flexibility	Potential additional revenue from 3% option	
2016/17	19,433	2%		381	2%		381		
2017/18	20,864	4%	+2	814	5%	+3	1,043	229	
2018/19	21,713	6%	+2	1,290	8%	+3	1,737	447	
2019/20	22,598	8%	+2	1,812	8%	0	1,812	0	
<b>Total additional revenue from social care precept</b>				<b>4,297</b>			<b>4,974</b>	<b>677</b>	

[Source: Core spending power provisional local government finance settlement 2017/18](#)

As discussed above in Section 4.1 of the paper, the impact of the Social Care Precept will vary substantially across the country, depending on how much council tax a local authority is able to raise and how much it needs to spend on adult social care.

**Figure 4** below shows the relationship between the amount of potential additional council tax from the adult social care precept to be raised by local authorities in 2017/18 and the average Index of Multiple Deprivation (IMD) score for each authority.

There is a statistically significant negative correlation between these two variables, meaning that authorities with higher levels of deprivation tend to have a lower potential amount per head to raise from the social care precept.

<sup>96</sup> Institute for fiscal Studies, [How far do today's social care announcements address social care funding concerns?](#), 16 December 2016

<sup>97</sup> Department for Communities and Local Government, [Provisional local government finance settlement 2017 to 2018](#), Oral statement to Parliament, 15 December 2016

**Figure 4: Relationship between deprivation and additional council tax per head**



Sources:

[DCLG Provisional local government finance settlement 2017/18](#)

[DCLG: English Indices of Deprivation 2015](#)

According to the DCLG, 97% (147 out of 152) of authorities with adult social care responsibilities utilised some or all of the 3% precept flexibility in 2017/18.<sup>98</sup>

### Adult Social Care Support Grant - 2017/2018

The Government proposes to provide £240 million in Adult Social Care Support Grant to local authorities with social care responsibilities in 2017/18. The new grant will be funded through savings from the New Homes Bonus scheme, which is aimed at incentivising the building of new homes.<sup>99</sup> The grant will be distributed according to relative need. The Government proposes to give “each authority a share of the £240m of funding proportional to the Adult Social Care Relative Needs Formula”.<sup>100</sup>

### Reactions to the additional funding announcement

A wide range of stakeholders expressed disappointment with the level of additional funding for social care announced in December 2016.<sup>101</sup> The LGA, for example, said that the amount of new money was insufficient to address the scale of the funding crisis:

<sup>98</sup> DCLG Local Government Finance Statistical Release, [Council tax levels set by local authorities: England 2017-18](#), March 2017

<sup>99</sup> See House of Commons Library Briefing Paper [The New Homes Bonus \(England\)](#) (SN05724) for further information about the New Homes Bonus scheme.

<sup>100</sup> Department for Communities and Local Government, [The provisional 2017-18 local government finance settlement: confirming the offer to councils - Consultation Paper](#), 15 December 2016, p.14, para.2.6

<sup>101</sup> See for example ‘[Council tax can rise by 3% a year to help fund social care – Javid](#)’, *The Guardian*, 15 December 2016; ‘[Councils angry at government’s social care offer](#)’, BBC, 15 December 2016; and British Medical Association, [Parliamentary Brief: NHS and social care funding](#), 11 January 2017



[...] Bringing forward council tax raising powers will help some areas in the short-term but extra council tax income will not bring in anywhere near enough money to alleviate the pressure on social care both now and in the future. Increasing the precept raises different amounts of money for social care in different parts of the country and will add an extra financial burden on already struggling households.

Social care faces a funding gap of at least £2.6 billion by 2020. Council tax rises will not be enough to prevent the need for continued cutbacks to social care services and very many other valued local services. Already planned further £2.2 billion cuts to Revenue Support Grant to councils next year will far exceed the benefit of any extra council tax income.

Today's announcement of funding for social care from New Homes Bonus reforms is not new money but a redistribution of funding already promised to councils. It is wrong to present this as a solution, given the scale of the funding crisis. This is money which was taken from councils in the first place and this move will see money taken away from councils which is designed to incentivise new homes at a time when the Government has made boosting housebuilding a clear priority.<sup>102</sup>

The value of the funding package was challenged by the Institute for Fiscal Studies (IFS) which calculated that it could provide a “modest” increase in social care funding of up to £700 million over 2017/18 and 2018/19. However, it noted that the announcement did not address longer-term funding pressures:

... the main impact of yesterday's announcements was to bring forward funding increases for adult social care. How the government plans to address longer-term spending pressures arising from an ageing population, increases in labour costs as a result of the National Living Wage, and the costs of a more generous social care regime planned for 2020 and beyond, remains unclear.<sup>103</sup>

## 4.3 Spring Budget 2017

In his [Spring Budget speech](#), delivered to Parliament on 8 March 2017, the Chancellor of the Exchequer announced an additional £2 billion funding for adult social care services in England over the next three years (2017/18 to 2019/20).<sup>104</sup> This will be distributed as £1.01 billion in 2017/18, £674 million in 2018/19 and £337 million in 2019/20.<sup>105</sup>

The Government expected that “local government will be able to increase social care-specific resources in real terms in each of the remaining three years of the Parliament”, and this will enable local authorities to “take immediate action to fund care packages for more

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<sup>102</sup> Local Government Association, [LGA responds to the Local Government Finance Settlement](#), Media Release, 15 December 2016

<sup>103</sup> Institute for Fiscal Studies, [How far do today's social care announcements address social care funding concerns?](#), 16 December 2016

<sup>104</sup> HM Treasury, [Oral statement to Parliament - Spring Budget 2017: Philip Hammond's speech](#), 8 March 2017

<sup>105</sup> Department for Communities and Local Government, [Explanatory note - supplementary funding to the improved Better Care Fund](#), 9 March 2017

people, support social care providers, and relieve pressure on the NHS locally".<sup>106</sup>

The funding was to be supplemented by measures to ensure those local authorities facing the greatest challenges are identified and supported, and to ensure more joined up working with the NHS:

Building on the approach to the Better Care Fund, councils will need to work with their NHS colleagues to consider how the funding can be best spent, and to ensure that best practice is implemented more consistently across the country. This funding will be supplemented with targeted measures to help ensure that those areas facing the greatest challenges make rapid improvement, particularly in reducing delayed transfers of care between NHS and social care services.<sup>107</sup>

### Reactions to the Spring Budget 2017

The Local Government Association welcomed the additional funding and called for full flexibility over how it is spent. However, it also emphasised that short-term funding pressures would continue to exist.

Lord Porter, Chairman of the Local Government Association, said:

Today's announcement of £2 billion for adult social care marks a significant step towards protecting the services caring for the most vulnerable in our communities over the next few years.

Councils must have full flexibility over how they use this funding to ensure it helps people live independently in their communities and surrounded by their families and friends and to provide support to older people and those with mental health conditions, learning and physical disabilities. Adult social care is vital in its own right, as well as easing the pressure on the NHS. Councils want to give people the best possible chance of staying out of hospital and to get them home quickly if a hospital stay is necessary.

With local government facing an overall funding gap of £5.8 billion by 2020, all councils will need to make continued cutbacks to local services, including social care, over the next few years. As helpful as today's announcement is, short-term pressures remain and the challenge of finding a long-term solution to the social care crisis is far from over.<sup>108</sup>

### Allocation of the additional funding

Following the Spring Budget 2017, the social care funding to be allocated to local authorities through the improved Better Care Fund (BCF) increased to £1.115bn for 2017/18, £1.499bn for 2018/19 and £1.837bn for 2019/20.<sup>109</sup> The [Integration and Better Care Fund policy framework 2017-2019](#), published in March 2017, confirms that the funds will be paid directly to local authorities via a Section 31 grant from DCLG, but they must be pooled into the local BCF.

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<sup>106</sup> HM Treasury, [Spring Budget 2017](#), HC 1025, 8 March 2017, para. 5.5

<sup>107</sup> Ibid.

<sup>108</sup> ['Budget 2017: LGA responds to social care funding'](#), LGA Press Release, 8 March 2017

<sup>109</sup> Department of Health and Department for Communities and Local Government, [2017-19 Integration and Better Care Fund Policy Framework](#), 31 March 2017, p.17

The grant may only be used “for the purposes of meeting adult social care needs; reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready; and ensuring that the local social care provider market is supported”.<sup>110</sup>

Local authorities will be required to confirm that spending of the BCF money provided at Spending Review 2015 and Spring Budget 2017 will be additional to prior plans for social care spending, via a Section 151 Officer letter.

The Local Government Association published a response to the publication of BCF Policy Framework 2017/19, emphasising the importance of local partnership working and calling for future additional funding to be included in local government baselines:

Local councils and their NHS partners know where the pressures are in their communities better than anyone else. It is important that Clinical Commissioning Groups now work closely with councils to ensure Health and Wellbeing Boards can quickly agree plans to spend the extra funding so that councils can get on with implementing the measures most needed in their area.

The extra funding announced in the Budget is just a starting point and short-term pressures remain. To close the funding gap still facing social care by 2020 and beyond additional funding needs to be recurrent and put into local government baselines.<sup>111</sup>

The Department for Communities and Local Government has published the [allocations by local authority of the additional funding](#) for adult social care announced at the Spring Budget 2017, together with an [explanatory note](#) setting out the methodology behind the allocations.<sup>112</sup>

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<sup>110</sup> Department of Health and Department for Communities and Local Government, [2017-19 Integration and Better Care Fund Policy Framework](#), 31 March 2017, p.17

<sup>111</sup> [‘Councils respond to Government rules over how to spend extra £2 billion social care funding’](#), *Local Government Association*, 31 March 2017

<sup>112</sup> Department for Communities and Local Government, [The allocations of the additional funding for adult social care](#), 9 March 2017

## 5. “Money is not the only answer”

The 2015 Conservative Government emphasised that “money is not the only answer”. In a speech to the Local Government Association (LGA) Councillors' Forum on 19 January 2017, the Secretary of State for Communities and Local Government highlighted differences in local authorities' performance:

[...] And there is variation in performance across the country that simply cannot be explained by different levels of spending. Look at one of the biggest challenges in social care, Delayed Transfers of Care from hospital. In some areas it's a chronic problem, while others have virtually no delayed transfers at all. In fact there's a 20-fold difference between the best-performing 10% and the worst-performing 10%. That can't be explained away by differences in funding or demographics. I know that most of the delays are down to the health service. But a gap that size also has to involve some councils simply doing things better than others.[...] <sup>113</sup>

In evidence to the Communities and Local Government Select Committee's inquiry into [Adult Social Care](#), the Minister for Local Government, Marcus Jones, said that the Government was working with local authorities, and through other organisations such as the LGA and the Association of Directors of Adult Social Services, to try to improve performance in local authority areas. <sup>114</sup>

The Department of Health and the Department for Communities and Local Government support local authorities to improve efficiency through part-funding sector-led improvement initiatives. The LGA sector-led [Care and Health Improvement Programme](#) is focused on health and wellbeing boards, social care commissioning and market development, delayed transfers of care, safeguarding, care and health integration and the Better Care Fund.

The Government has also emphasised the importance of better integration of health and social care, both as a means to improve outcomes and save money. However, the National Audit Office has warned that progress with integration of health and social care has, to date, been slower and less successful than envisaged and has not delivered all of the expected benefits for patients, the NHS or local authorities. <sup>115</sup>

In his [Spring Budget speech](#), delivered to Parliament on 8 March 2017, the Chancellor of the Exchequer announced that additional funding for social care would be supplemented by measures to ensure local

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<sup>113</sup> Department for Communities and Local Government, [Supporting local government: Transcript of speech to Local Government Association Councillors' Forum delivered on 19 January 2017](#), 24 January 2017

<sup>114</sup> Communities and Local Government Committee, [Oral evidence: Adult Social Care, HC 47, Monday 30 January 2017](#), Q372

<sup>115</sup> National Audit Office, [Health and social care integration](#), HC 1011, 8 February 2017

authorities facing the greatest challenges are identified and supported, and to ensure more joined up working with the NHS:

While there are many excellent examples of best practice around the country, at the other end of the scale, just 24 local authorities are responsible for over half of all delayed discharges to social care.

So, alongside additional funding, the Health and Communities Secretaries will announce measures to identify and support authorities which are struggling, and to ensure more joined up working with the NHS.

These measures, and greater collaborative working under NHS Sustainability and Transformation Plans, will bring short and medium-term benefits.<sup>116</sup>

Further information on the Conservative Government's plans to integrate health and social care by 2020 is provided in the House of Commons Library Briefing Paper: [Health and Social Care Integration \(England\)](#) (CBP07902).

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<sup>116</sup> HM Treasury, [Oral statement to Parliament - Spring Budget 2017: Philip Hammond's speech](#), 8 March 2017

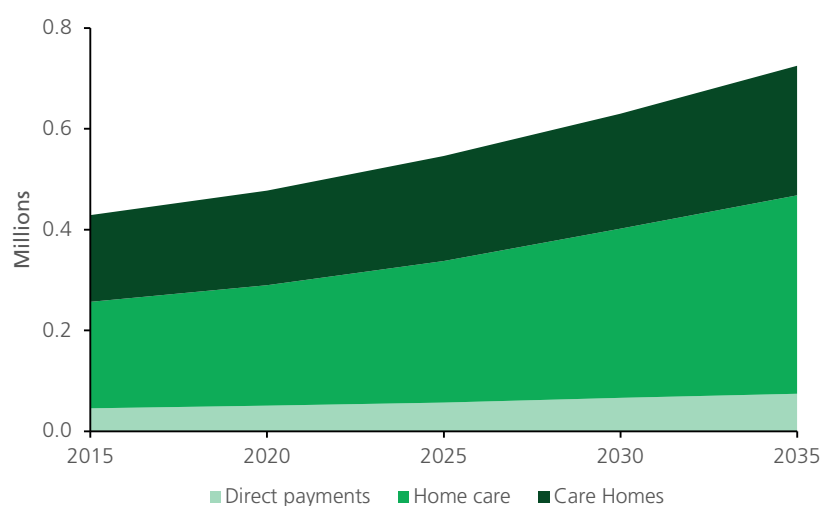
## 6. Long-term sustainability

It is widely acknowledged that, with an ageing population, the pressures on social care funding will increase further in the longer-term.

The Personal Social Services Research Unit (PSSRU) has modelled projections of demand for long-term care for older people and younger adults in England to 2035 and associated future expenditure.

The PSSRU estimates that the number of older people needing publicly funded social care could increase by around 300,000 up to 2035, a 69% increase.<sup>117</sup>

**Figure 5: Publicly funded older social care users in England**



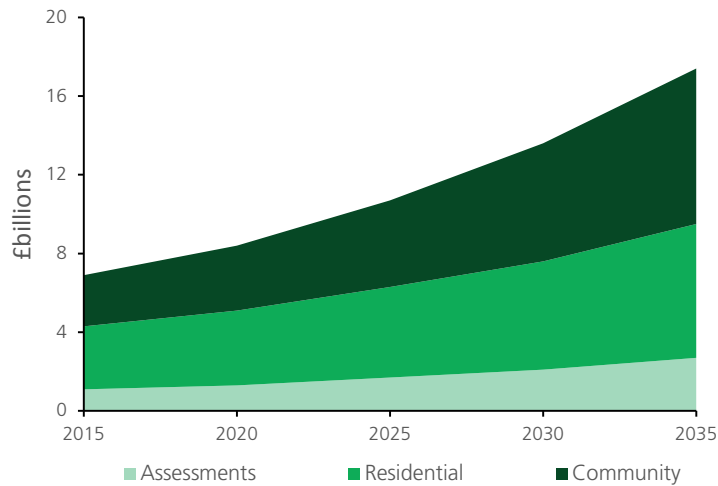
Source: PSSRU, [Projections of Demand for and Costs of Social Care in England to 2035](#), September 2015

The PSSRU estimates that public expenditure on social services for older people is set to rise under the current funding system by 155% from around £6.9 billion (0.43% of GDP) in 2015 to £17.5 billion (0.69% of GDP) in 2035 at constant 2015 prices. Expenditure on social services for younger adults is projected to rise from around £8.4 billion (0.53% of GDP) in 2015 to £18.4 billion (0.73% of GDP) in 2035 at constant 2015 prices.<sup>118</sup>

<sup>117</sup> PSSRU, [Projections of Demand for and Costs of Social Care in England to 2035](#), September 2015, Table 1, p.7

<sup>118</sup> PSSRU, [Projections of Demand for and Costs of Social Care in England to 2035](#), September 2015, p.1

**Figure 6: Public expenditure on older people’s social care in England**



Source: PSSRU, [Projections of Demand for and Costs of Social Care in England to 2035](#), September 2015

## 6.1 Review of long-term social care funding

Commentators have called for a comprehensive review of the long-term sustainability of social care and health provision:

- On 6 January 2017 the Chairs of the Communities and Local Government Committee, the Public Accounts Committee and the Health Committee wrote a joint letter to the Prime Minister calling for a cross-party review of the long-term sustainability of health and social care provision:

We were encouraged by your recognition at the Liaison Committee that everyone has a part to play in finding a sustainable way of ensuring social care provision in the future. You also accepted the need for a review to find a way of funding social care sustainably for the long term. We believe that can best be achieved if there is cross-party consensus, and therefore urge you to invite all parties to become involved in a review, which should begin as soon as possible. Given the scale of rising demand, this immense challenge will face whichever Party is in government over the coming decades.

[...]

We are calling for a new political consensus to take this forward. This needs to be done swiftly so that agreement can be reflected in the next spending round. We also feel that the ongoing separation of health and social care is creating difficulties for individuals and avoidable barriers and inefficiencies. Any review should cover the two systems. In short, the problem is widely recognised - we

now need political agreement so that a solution for the long term can be found.<sup>119</sup>

- On 11 January 2017 the charity Independent Age [sent an open letter](#) to the Prime Minister calling for a cross-party process to find a sustainable solution to health and social care funding. The letter was signed by 75 organisations and representatives in the sector including: Association of Directors of Adult Social Services (ADASS), Care England, Carers UK, Patients Association, Royal College of GPs, Royal College of Nursing, Society of Local Authority Chief Executives and Senior Managers (SOLACE) and the public service union UNISON.<sup>120</sup>
- The Liberal Democrat Health Spokesperson, Norman Lamb, coordinated a group of MPs (which include the Conservative former Health Minister Dan Poulter and Labour former Shadow Care Minister Liz Kendall) to call for a cross-party NHS and Care Convention:

[...] In recognition of the scale of these challenges, we join together to launch a campaign to encourage the Government to establish a cross-party NHS and Care Convention to examine the future funding requirements of these cherished services and agree a new, long-term settlement to guarantee their sustainability for future generations and to ensure that this country has one of the best health and care systems in the world.

Now is the time for the Government to start a national conversation involving the public, civic society, healthcare professionals, carers and other experts [...]<sup>121</sup>

## 6.2 Social Care Green Paper

The [Spring Budget 2017](#), delivered to Parliament on 8 March 2017, announced that the 2015 Conservative Government intended to publish a Green Paper later in the year setting out proposals for the long-term sustainable funding of social care:

In the longer term, the government is committed to establishing a fair and more sustainable basis for adult social care, in the face of the future demographic challenges set out in the OBR's Fiscal Sustainability Report. The government will set out proposals in a green paper to put the system on a more secure and sustainable long term footing.<sup>122</sup>

The Conservative General Election Manifesto 2017 reiterates this commitment.<sup>123</sup>

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<sup>119</sup> Letter from the Chairs of the Communities and Local Government Committee, the Public Accounts Committee and the Health Committee, [Health and Social Care](#), 6 January 2017

<sup>120</sup> Independent Age, [Calls for Prime Minister to begin cross-party process on health and social care](#), 11 January 2017

<sup>121</sup> ['Norman Lamb leads calls for National Convention to resolve NHS funding crisis'](#), *Liberal Democrat Voice*, 11 January 2017

<sup>122</sup> HM Treasury, [Spring Budget 2017](#), HC 1025, 8 March 2017, para. 5.6

<sup>123</sup> [The Conservative and Unionist Party Manifesto 2017](#), May 2017, p.65



## 6.3 House of Commons Communities and Local Government Select Committee

The Communities and Local Government (CLG) Committee conducted an [inquiry into adult social care](#), publishing an interim (pre-Budget) report on 4 March 2017 and a final report on 31 March 2017.

In its final report the CLG Committee called for an urgent, cross-party review of how to fund social care in the long-term, and recommended that the review considers funding from a range of sources:

*It is vital that political parties across the spectrum, together with the social care sector and the wider public, are involved in the process of reaching a solution. The importance of this was demonstrated by our visit to Germany, where decisions on reforming social care funding were supported by a political consensus, trades unions and employers and therefore attracted wide public backing. As a first step, political parties should agree to work together.*

*There then needs to be an open debate about where the money to fund social care should come from. The review must consider taking funding from a wide range of sources, including:*

- 1. Hypothecating national taxation (income tax, National Insurance Contributions, asset taxes, inheritance tax) and, in particular, the feasibility of introducing compulsory social insurance, publicly owned and administered, on the German or Japanese model.*
- 2. All age-related expenditure (the state pension, including the triple lock pension guarantee, winter fuel allowance, concessionary bus fares, free prescriptions and, indirectly, TV licences).*

*Although they are likely to remain an important part of funding adult social care, local taxes, which will not grow at the same rate as need, cannot be the main funding solution...<sup>124</sup>*

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<sup>124</sup> House of Commons Communities and Local Government Committee, [Adult social care – Ninth Report of Session 2016-17](#), HC1103, 31 March 2017, paras 166-167

## 7. 2017 General Election manifestos

Social care funding featured prominently in political debates leading up to the General Election 2017. The [King's Fund](#) has published a summary of the key social care manifesto commitments made by the Conservative, Labour and Liberal Democrat parties.

### What about social care funding and reform?

Conservatives	Labour	Liberal Democrats
<ul style="list-style-type: none"> <li>▪ Raise the asset threshold in the means test to £100,000 and include the value of the family home in the means test for home care.</li> <li>▪ Extend use of deferred payments to those receiving home care.</li> <li>▪ Means-test winter fuel payments, with money released going to health and social care.</li> <li>▪ Introduce an 'absolute limit' on an individual's lifetime liability for care costs (pledge announced after the manifesto had been published).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Commit an additional £8 billion over lifetime of next parliament (£1 billion in first year).</li> <li>▪ 'Lay the foundations' for a new 'national care service' to receive an additional £3 billion in each of its first years.</li> <li>▪ Introduce a cap on lifetime individual liability for care costs and increase the asset threshold in the means test.</li> <li>▪ Provide free end-of-life care.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implement a cap on lifetime individual liability for social care costs.</li> <li>▪ Introduce more choice at the end of life and move towards free end-of-life social care.</li> </ul>

### A long-term settlement for health and social care?

Conservatives	Labour	Liberal Democrats
<ul style="list-style-type: none"> <li>▪ Publish a Green Paper on social care to 'address system-wide issues' and 'ensure the care system works better with the NHS'.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Establish a new Office for Budget Responsibility-style body to oversee and scrutinise health spending.</li> <li>▪ Ensure the 'national care service' is 'built alongside the NHS' with single commissioning and pooled budgets.</li> <li>▪ Seek cross-party consensus on how to fund the new national care service with options including wealth taxes, employer contributions and a new 'social care levy'.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Introduce a dedicated health and care tax 'possibly based on' reform of National Insurance.</li> <li>▪ Set up a cross-party convention to consider longer-term sustainability of health and social care.</li> <li>▪ Set up a new Office for Budget Responsibility for health and care to advise on funding needs.</li> <li>▪ Set a long-term objective to bring together the NHS and social care into a single service.</li> </ul>

Source: The King's Fund, [The parties' pledges on health and social care](#), Article by Helen McKenna, 24 May 2017

There are some key similarities between the Labour and the Liberal Democrat Manifesto commitments, in particular in seeking to move towards a single integrated health and social care service, and to develop a cross-party consensus on long-term funding options. Both parties also share a commitment to implement a cap on the lifetime care costs faced by individuals and a move towards free end-of-life social care.

The Conservative Manifesto proposes to introduce a means-test for Winter Fuel Payments, and invest the money released into health and social care. However, the potential amount of additional funding for social care is not specified. The Manifesto also sets out three changes to the current funding of individual social care costs:

- Aligning the means-testing for domiciliary care with that for residential care. This means that the value of the family home would be taken into account along with other assets and income, whether care is provided at home, or in a residential or nursing care home.
- Introducing a single capital floor of £100,000. This means that regardless of total lifetime care costs, people would retain at least £100,000 of their savings and assets, including value in the family home.
- Extending the ability to defer payments for residential care to those receiving care at home. This means that people receiving domiciliary care would also have the option to defer paying their

care costs until they chose to sell their home or after their death.<sup>125</sup>

The Manifesto explains the rationale for these measures:

Under the current system, care costs deplete an individual's assets, including in some cases the family home, down to £23,250 or even less. These costs can be catastrophic for those with modest or medium wealth. One purpose of long-term saving is to cover needs in old age; those who can should rightly contribute to their care from savings and accumulated wealth, rather than expecting current and future taxpayers to carry the cost on their behalf. Moreover, many older people have built considerable property assets due to rising property prices. Reconciling these competing pressures fairly and in a sustainable way has challenged many governments of the past. We intend to tackle this with three connected measures.

[...]

We believe this powerful combination maximises protection for pensioner households with modest assets, often invested in the family home, while remaining affordable for taxpayers. We consider it more equitable, within and across the generations, than the proposals following the Dilnot Report, which mostly benefited a small number of wealthier people.<sup>126</sup>

The Manifesto measures attracted wide-spread criticism, including from the Opposition parties<sup>127</sup>, in particular because there was no mention of a cap on care costs – originally proposed by the Dilnot Commission and included in the Conservatives' 2015 manifesto.

Future care needs, and hence costs, are difficult to predict and can vary substantially between individuals. The current availability and choice of financial products to support people in meeting care costs is very limited. The Dilnot Commission therefore proposed a cap on care costs "so that everyone ... is protected from extreme costs, as they are in every other major area of their lives".<sup>128</sup> Opponents dubbed the Conservative proposal a 'dementia tax', highlighting the fact that people who suffer from a chronic or degenerative condition like dementia, in which a reliance on social care is inevitable, would be likely to face significant care costs.<sup>129</sup>

The Prime Minister, Theresa May, later announced that a future Conservative government would introduce an 'absolute limit' on people's liability for social care costs, and that the proposed Social Care Green Paper would include a proposal for a cap on care costs.<sup>130</sup>

Further information on the means-test for social care and the cap on social care costs can be found in the House of Commons Library Briefing

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<sup>125</sup> [The Conservative and Unionist Party Manifesto 2017](#), May 2017, p.65

<sup>126</sup> [The Conservative and Unionist Party Manifesto 2017](#), May 2017, p.65

<sup>127</sup> '[Conservative manifesto: Social care plans spark criticism](#)', *BBC News*, 18 May 2017

<sup>128</sup> Commission on Funding of Care and Support, [Fairer Care Funding: The Report of the Commission on Funding of Care and Support](#), July 2011, p.2

<sup>129</sup> '[Theresa May ditches manifesto plan with 'dementia tax' U-turn](#)', *The Guardian*, 22 May 2017

<sup>130</sup> '[Conservative social care funding cap: Theresa May defends changes](#)', *BBC*, 22 May 2017

Paper: [\*Social care: paying for care home places and domiciliary care \(England\)\*](#) (SN01911).

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