



**BRIEFING PAPER**

Number CBP07903, 19 April 2018

# 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 significant funding pressures, due to the combination of a growing and ageing population, increasingly complex care needs, reductions in government funding to local authorities and increases in care costs.

Local authorities have sought to protect social care budgets and relieve funding pressures through local efficiency initiatives and cuts to other service budgets. However, as the scope for savings 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.

A wide range of organisations, including local government, health bodies, the voluntary sector and the Care Quality Commission have called for additional funding in order to avert a 'social care crisis'.

### Additional social care funding 2016/17 to 2019/20

In response to the funding pressures on adult social care services, the 2015 and 2017 Conservative Governments have made a series of announcements (in November 2015, December 2016, March 2017 and February 2018) committing additional short-term, ring-fenced funding for adult social care. The funding is being delivered through:

- A **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 enables 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.

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- An **Adult Social Care Support Grant** which will provide £240 million to local authorities in 2017/18 and £150 million in 2018/19.

### Commentary

Whilst commentators have welcomed the additional adult social care funding, a wide range of organisations are concerned that short-term funding pressures remain. The Local Government Association estimates that an additional £1.3 billion is required immediately to stabilise the social care provider market, and that adult social care services will face a funding gap of £1 billion by 2019/20.

Furthermore, the additional funding has been piecemeal and short-term. As a result, local authorities face continued uncertainty about the source and level of social care funding post-2020, which is limiting their ability to plan and to build capacity in the care provider market.

Responding to the Prime Minister's announcement of a multi-year funding plan for the NHS, the Local Government Association has called on the Government to make the same commitment to social care funding.

### Social care funding in the longer-term

It is well evidenced that the demographic pressures on adult social care will increase further in the longer-term. There is a widespread consensus that social care funding needs to be put on a more secure and sustainable long-term basis.

The Housing, Communities and Local Government Select Committee and the Health and Social Care Select Committee are currently conducting a joint inquiry on the long-term funding and provision of adult social care.

A Green Paper setting out proposals to reform social care for older people is expected to be published by summer 2018, while a parallel programme of work is being undertaken for working age adults. The implications for local authority funding are not yet clear. No timescale for consultation or implementation has been announced.

# 1. Background

## 1.1 What is adult social care?

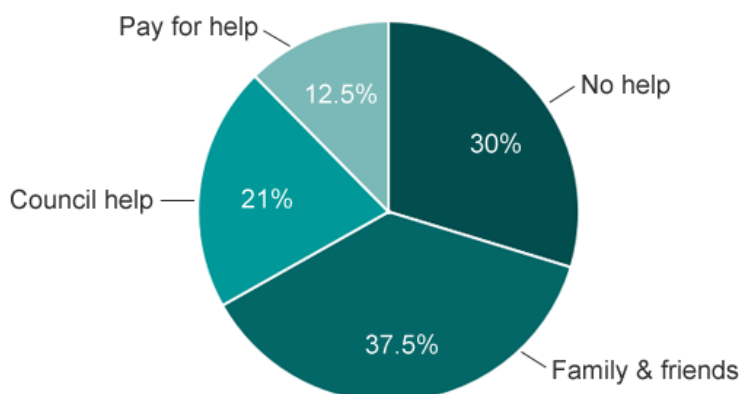
Adult social care supports adults of all ages (both older people and working age adults) with certain physical, cognitive or age-related conditions in carrying out personal care or domestic routines. It provides personal and practical support to enable people to retain their independence and dignity 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.<sup>4</sup> Local government funding is complex and currently 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>5</sup> The Government has recently introduced additional ring-fenced sources of adult social care funding (discussed in Section 3 of the paper).

Around two-thirds of adults receiving care through local authorities are aged 65 and over.<sup>6</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>7</sup>

## 1.4 Adult social care policy reform

Adult social care policy is devolved to the nations of the UK. The Department of Health and Social Care is responsible for adult social care policy in England. The Ministry of Housing, 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, and has been the subject of numerous reports, commissions and Government papers over many years. The House of Commons Library briefing paper [Social care: Government reviews and policy proposals for paying for care since 1997 \(England\)](#) (CBP0800) provides an historical overview.

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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> The NHS provides some social care services to those with significant health-related care needs. The NHS also contributes to the Better Care Fund which, depending on local priorities, may be used to fund some social care services.

<sup>5</sup> National Audit Office, *Financial sustainability of local authorities 2018*, HC 834, 8 March 2018, para 2.9

<sup>6</sup> National Audit Office, *Adult social care in England: overview*, HC 1102, 13 March 2014, para 1.12

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

## 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 adult social care.<sup>8</sup>

The Conservative General Election Manifesto 2017 reiterated this commitment,<sup>9</sup> and the Government has confirmed that it intends to publish a Green Paper on social care for older people before the 2018 Parliamentary summer recess.<sup>10</sup> A parallel work programme will consider the care needs specific to working-age adults. Further information is provided in the House of Commons Library briefing paper [Social care: the forthcoming Green Paper on older people \(England\)](#) (CBP08002).

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

<sup>9</sup> [The Conservative and Unionist Party Manifesto 2017](#), May 2017, p65

<sup>10</sup> [HCWS258 16 November 2017](#)

## 2. Funding pressures and impacts

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 2018, adult social care was the top long-term pressure for councils.<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.

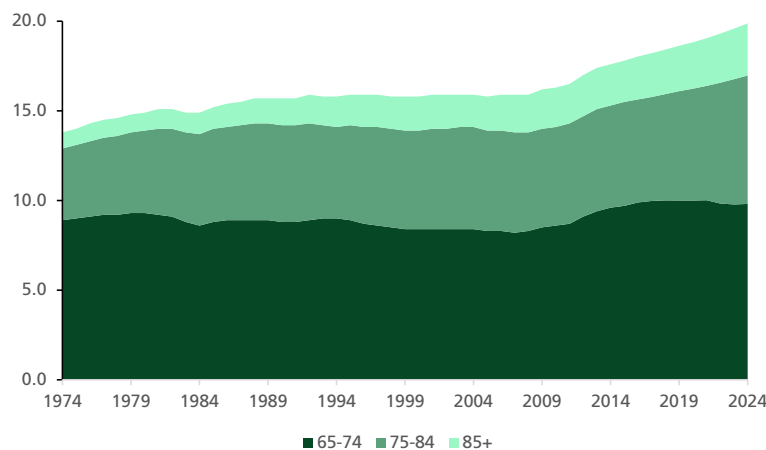
The key funding pressures are outlined below, together with a brief overview of some of the reported impacts of funding pressures on social care and health services.

### 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, p4

<sup>12</sup> LGiU and The MJ, [2018 State of Local Government Finance survey](#), 8 February 2018, p3

<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](#)



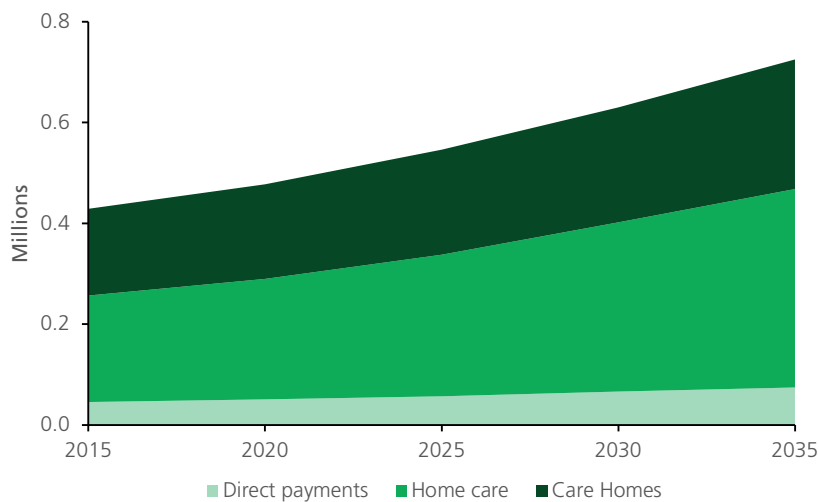
The Association of Directors of Adult Social Services (ADASS) Budget Survey 2017 found that the combined cost pressures relating to the increased numbers of older and disabled people needing care and support was around 2.8% of the Adult Social Care Net Budget for 2017/18. This equated to £400 million additional funding pressure in 2017/18. Notably, over half of these current demographic cost pressures arise from the needs of working age people.<sup>15</sup>

### Projections of future demand for social care

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 projections are based on the current funding system and patterns of care.

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>16</sup>

**Figure 2: 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

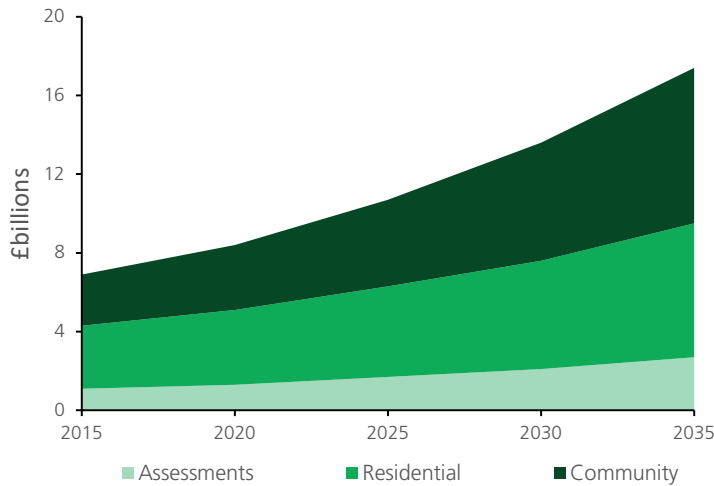
The PSSRU estimates that public expenditure on social services for older people is set to rise under the current funding system by 155% from around £6.9 billion (0.43% of GDP) in 2015 to £17.5 billion (0.69% of GDP) in 2035 at constant 2015 prices. Expenditure on social services for younger adults is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

<sup>15</sup> Association of Directors of Adult Social Services, [ADASS Budget Survey 2017](#), 27 June 2017, Para 3.4

<sup>16</sup> PSSRU, [Projections of Demand for and Costs of Social Care in England to 2035](#), September 2015, Table 1, p7

GDP) in 2015 to £18.4 billion (0.73% of GDP) in 2035 at constant 2015 prices.<sup>17</sup>

**Figure 3: 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

## 2.2 Funding reductions

Since 2010, successive governments have reduced funding for local government in England as part of their efforts to address the fiscal deficit. Government funding has fallen by an estimated 49.1% in real terms from 2010/11 to 2017/18. This equates to a 28.6% real-terms reduction in ‘spending power’ (government funding, council tax and business rates).<sup>18</sup> Funding reductions have increased pressures on adult social care services, which constitute the biggest area of discretionary spend for local authorities with social care responsibilities (unitary and upper tier councils) in England.<sup>19</sup>

**Figure 4** shows net current local authority expenditure on adult social care in England from 2010/11 to 2016/17. Over this period, expenditure in cash terms increased by 3.5% but real terms expenditure fell by - 5.8% from £15.8 billion in 2010/11 to £14.9 billion in 2016/17. Real terms expenditure had fallen year on year between 2011/12 and 2015/16. However, in 2016/17 both cash and real terms expenditure increased: by £0.5 billion in cash and £0.2 billion in real terms.

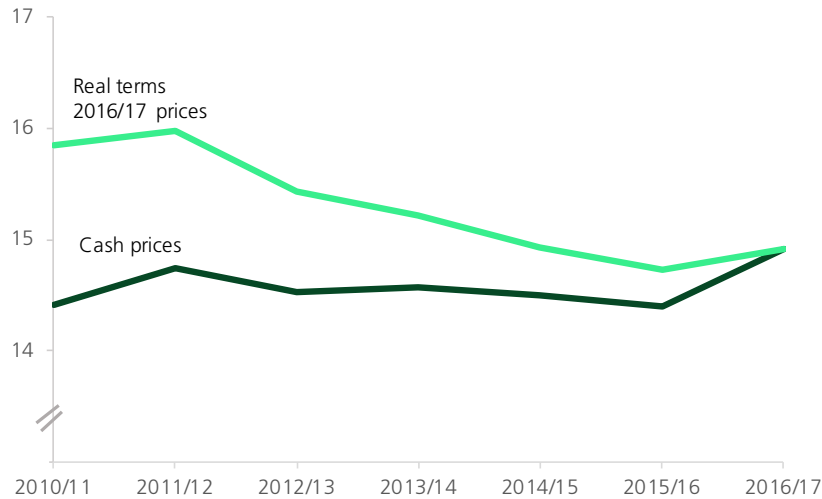
<sup>17</sup> PSSRU, [Projections of Demand for and Costs of Social Care in England to 2035](#), September 2015, p1

<sup>18</sup> National Audit Office, [Financial sustainability of local authorities 2018](#), HC 834, 8 March 2018, p7

<sup>19</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

## Figure 4: Net current expenditure (£billions) on adult social care in England

Net current expenditure (£billions) on adult social care in England



Sources:

[MHCLG Local authority revenue expenditure and financing](#)  
[HMT GDP Deflators Spring 2018](#)

Ministry of Housing, Communities and Local Government (MHCLG) local authority revenue expenditure data shows that total net current expenditure fell by -16.8% 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 12-13% since 2010/11.<sup>20</sup>

Analysis by the National Audit Office on the [Financial sustainability of local authorities 2018](#) (March 2018) found that social care is being prioritised in the local authority budget-setting process at the expense of other service areas, some of which have seen significant funding reductions. The NAO concluded that local authority spending is becoming increasingly concentrated on social care.<sup>21</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>22</sup>

<sup>20</sup> [MHCLG Local authority revenue expenditure and financing](#)

<sup>21</sup> National Audit Office, [Financial sustainability of local authorities 2018](#), HC 834, March 2018, Executive Summary

<sup>22</sup> Local Government Association and ADASS, [Adult Social Care, Health and Wellbeing: A Shared Commitment – 2015 Spending Review Submission](#), September 2015, p14

## 12 Adult Social Care Funding (England)

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>23</sup> The NLW increased to £7.50 in April 2017 and will increase to £7.83 in April 2018.

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>24</sup>

Estimates of the financial impact of the NLW on social care costs vary. The LGA estimated that the introduction of the NLW would exert additional pressure on residential and home care contracts of £330 million in 2016/17, growing to £834 million in 2019/20.<sup>25</sup> Using data from research by the Resolution Foundation<sup>26</sup>, ADASS estimated that the NLW and the NMW would create an additional funding pressure of £1.6 billion by 2019/20.<sup>27</sup>

A further concern to local authorities is the issue of whether sleep-in shifts should be considered as working time and, as such, attract the National Minimum Wage (NMW). Employers that are found to have underpaid their workers for sleep-in shifts could be subject to financial penalties from HM Revenue and Customs and be required to make back payments for any underpayment of sleep-in shifts dating back up to six years. The Local Government Association briefing - [Update on discussions for payment of sleep-in shifts in social care \(3 August 2017\)](#) – outlines the sector’s concerns about the potential cost implications. Research commissioned by the social care sector has estimated costs of up to £400 million for backdated pay and up to £200 million a year in ongoing annual salary costs.<sup>28</sup> The Government has commissioned market analysis to gather evidence and is exploring options to minimise any impact on the social care sector.<sup>29</sup>

The House of Commons Library briefing paper [National Minimum Wage - sleep in care](#) (March 2018) summarises recent developments relating to payment of the NMW wage for sleep-in care duties.

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<sup>23</sup> Department for Business, Energy and Industrial Strategy, [National Living Wage – Policy Paper](#), last updated 1 April 2016, Section 2

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

<sup>25</sup> Local Government Association, ADASS, Future Funding, [Adult Social Care, Health and Wellbeing: A Shared Commitment – 2015 Spending Review Submission](#), September 2015, p17

<sup>26</sup> The Resolution Foundation, [Care to pay? Meeting the challenge of paying the National Living Wage in social care](#), 12 November 2015

<sup>27</sup> Written evidence submitted to the Health Select Committee by the Association of Directors of Adult Social Services (ADASS) ([CSR0086](#)), 26 January 2016

<sup>28</sup> Local Government Association, [Update on discussions for payment of sleep-in shifts in social care](#), 3 August 2017, p4

<sup>29</sup> [PO 128962 \[Social Services: Minimum Wage\] 21 February 2018](#)

## 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>30</sup>

According to the Association of Directors of Adult Social Services (ADASS) Budget Survey 2017, adult social care planned savings for 2017/18 were £824 million (5% of net adult social care budgets). 56% of survey respondents plan to make saving through efficiencies, whilst 20% plan to secure savings through service reductions.<sup>31</sup> ADASS has calculated that the total cumulative savings in adult social care since 2010 will amount to over £6bn by the end of March 2018.<sup>32</sup>

The LGA has expressed concern that the scope for further significant social care efficiency savings is limited.<sup>33</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](#).<sup>34</sup>

Furthermore, as local authority non-social-care budgets have already been substantially reduced, many authorities have less room for manoeuvre in finding further savings from other service areas.<sup>35</sup>

## 2.4 Impacts of spending pressures

The Local Government Association report [Adult Social Care Funding: State of the Nation 2017](#) (October 2017) outlined some of the impacts of the social care funding pressures:

The consequences of underfunding include an ever more fragile provider market, growing unmet need, further strain on informal carers, less investment in prevention, continued pressure on an already overstretched care workforce, and a decreased ability of social care to help mitigate demand pressures on the NHS.<sup>36</sup>

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<sup>30</sup> Local Government Association, [LGA Adult Social Care Efficiency Programme - The final report](#), July 2014, p43

<sup>31</sup> Association of Directors of Adult Social Services, [ADASS Budget Survey 2017](#), 27 June 2017, p12

<sup>32</sup> Ibid., p4

<sup>33</sup> Local Government Association, ADASS, Future Funding, [Adult Social Care, Health and Wellbeing: A Shared Commitment – 2015 Spending Review Submission](#), September 2015, p14

<sup>34</sup> Health Select Committee, [Impact of the Spending Review on health and social care](#), HC 139, 19 July 2016, para 86

<sup>35</sup> National Audit Office, [Financial sustainability of local authorities 2018](#), HC 834, March 2018, Executive Summary, para 24

<sup>36</sup> Local Government Association, [Adult Social Care Funding: State of the Nation 2017](#), October 2017, p6

## 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>37</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>38</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>39</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 the commissioning of care.<sup>40</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 2017 reports that, due to funding pressures, authorities have had to reduce spending on prevention activity in 2017/18 in order to prioritise funding their core statutory social care duties.<sup>41</sup>

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

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<sup>37</sup> Local Government Association, ADASS, Future Funding, *Adult Social Care, Health and Wellbeing: A Shared Commitment – 2015 Spending Review Submission*, September 2015, p14

<sup>38</sup> National Audit Office, *Adult social care in England: overview*, HC 1102, 13 March 2014, p16, Fig 4

<sup>39</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, p13

<sup>40</sup> National Audit Office, *Adult social care in England: overview*, HC 1102, 13 March 2014, Summary, para 8

<sup>41</sup> Association of Directors of Adult Social Services, *ADASS Budget Survey 2017*, 27 June 2017, p5

for adults with substantial or critical needs only.<sup>42</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>43</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>44</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>45</sup> As at July 2016, arrangements to monitor unmet need were in place in 34% of local authorities.<sup>46</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>47</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>48</sup>

## Quality of care

In the ADASS Budget Survey 2017, 74% of Directors of Adult Social Services reported that more providers were facing quality challenges as a result of funding pressures.<sup>49</sup>

The Care Quality Commission's (CQC) annual overview of health and social care, the [State of Care 2016/17](#) published in October 2017, concluded that the quality of health and social care had been maintained, but that "as the system continues to struggle with increasingly complex demand, access and cost, future quality is precarious".<sup>50</sup>

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<sup>42</sup> National Audit Office, [Adult social care in England: overview](#), HC 1102, 13 March 2014, Summary, para 9

<sup>43</sup> [The Care and Support \(Eligibility Criteria\) Regulations 2015 \(S.I. 2015/313\)](#)

<sup>44</sup> [Explanatory Memorandum to the Care and Support \(Eligibility Criteria\) Regulations 2015 \(S.I. 2015/313\)](#), paras 7.2 and 7.6

<sup>45</sup> ['Alarming' rise in level of unmet care and support needs](#), *Community Care*, 16 February 2017

<sup>46</sup> Association of Directors of Adult Social Services, [ADASS Budget Survey 2016](#), July 2016, p12

<sup>47</sup> Age UK, [1.2m older people don't get the social care they need](#), 17 November 2016

<sup>48</sup> IPSOS Mori Social Research Institute, [Predicting unmet social care needs and links with well-being: Findings from the secondary analysis](#), November 2016

<sup>49</sup> Association of Directors of Adult Social Services, [ADASS Budget Survey 2017](#), 27 June 2017, p17

<sup>50</sup> Care Quality Commission, [The state of health care and adult social care in England 2016/17](#), HC 377, 9 October 2017

Of the adult social care services inspected: 2% were rated outstanding; 78% were rated good; 19% required improvement; and 1% were rated as inadequate.<sup>51</sup> This is an improvement on the previous year when 26% were found to require improvement and 2% were rated inadequate.<sup>52</sup>

Commenting on the report, Sir David Behan, Chief Executive of CQC, said:

The fact that the quality of care has been maintained in the toughest climate that most can remember is testament to the efforts of frontline staff, managers and leaders. Many providers have used our inspection reports to improve, and we have seen improvements in safety in particular, although this area remains a big concern and focus for us. However, as people's health and care needs change and become more complex, a model of care designed for the 20<sup>th</sup> century is at full stretch and struggling to cope with 21<sup>st</sup> century problems.<sup>53</sup>

### Care providers facing financial pressures

There is a concern that funding pressures are making the care provider market increasingly precarious. In the ADASS Budget Survey 2017, 75% of Directors of Adult Social Services reported that care providers in their area are currently facing financial difficulties.<sup>54</sup>

In the six months to June 2017, 48 councils (39%) experienced at least one provider ceasing trading in the homecare market, and 54 councils (44%) experienced at least one provider ceasing trading in residential/nursing care. Over 60% of Directors of Social Services reported that the council has commissioned alternative providers for "handed back" contracts.<sup>55</sup>

The Competition and Markets Authority's (CMA's) 2017 [market study into residential and nursing care homes for older people](#) concluded that the parts of the industry that supply primarily local authority-funded residents are unlikely to be sustainable at the current rates local authorities pay:

The sector has reported facing challenges to its sustainability, due primarily to the low fee rates being paid for state-funded residents – those challenges being exacerbated by increased cost pressures due largely to wage costs...

[...]

Many care homes, particularly those that are most reliant on LA-funded residents, are not currently in a sustainable position. Our analysis shows that while many can cover their day-to-day

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<sup>51</sup> Care Quality Commission, *The state of health care and adult social care in England 2016/17*, HC 377, 9 October 2017, p53

<sup>52</sup> Care Quality Commission, *The state of health care and adult social care in England 2015/16*, HC 706, 12 October 2016

<sup>53</sup> ['Most people are getting good, safe care but future quality is precarious'](#), Care Quality Commission, Press Notice, 10 October 2017

<sup>54</sup> Association of Directors of Adult Social Services, *ADASS Budget Survey 2017*, 27 June 2017, p17

<sup>55</sup> Association of Directors of Adult Social Services, *ADASS Budget Survey 2017*, 27 June 2017, Para 3.9



operating costs, they are not able to cover any additional investment costs. This means that while they might be able to stay in business in the near term, they will not be able to maintain and modernise facilities, and eventually will find themselves having to close, or move away from the LA-funded segment of the market.

This shows that the fees currently being paid by LAs are not sufficient to sustain the current levels of care under the current funding model. The implication is that public funding needs to increase if the current model of funding is to continue, or alternatively, if current levels of funding do not increase, the funding model for care will need to be changed.<sup>56</sup>

Similarly, 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>57</sup>

## 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>58</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>59</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>60</sup> (The House of Commons Library briefing paper [Delayed transfers of care in the NHS](#) (CBP07415) provides an overview of policy and recent statistics on delayed transfers of care.)

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>61</sup>

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<sup>56</sup> The Competition and Markets Authority, [Market study into residential and nursing care homes for older people](#): summary of final report, 30 November 2017

<sup>57</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>58</sup> National Audit Office, [Adult social care in England: overview](#), HC 1102, 13 March 2014, Summary, para 2.22

<sup>59</sup> National Audit Office, [Health and social care integration](#), HC 1011, Session 2016-17, 8 February 2017, Summary, para 8

<sup>60</sup> National Audit Office, [Discharging older patients from hospital](#), 26 May 2016

<sup>61</sup> NHS Confederation, [National Survey of NHS Leaders](#), June 2015, p8

## 18 Adult Social Care Funding (England)

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 on the NHS, so that it can better understand the nature of the problem and how it can be managed”.<sup>62</sup>

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<sup>62</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

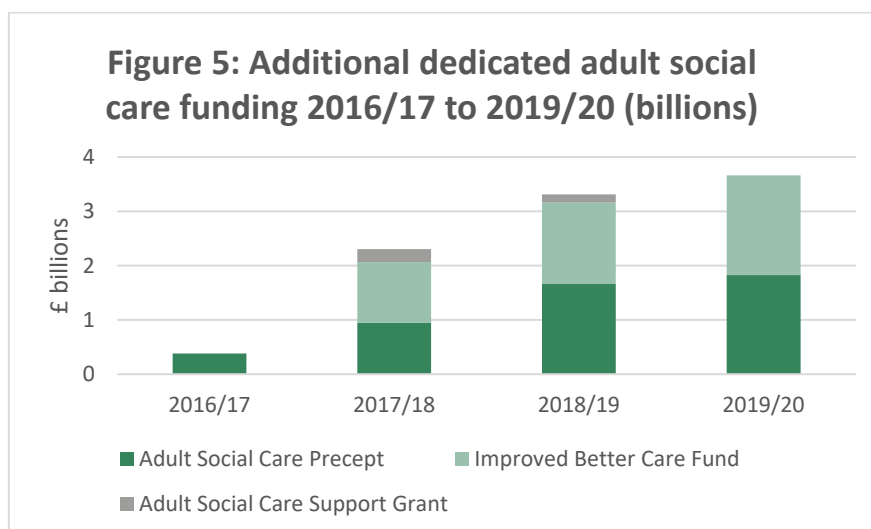
## 3. Additional social care funding 2016/17 to 2019/20

### 3.1 Funding announcements timeline

In response to the funding pressures on adult social care services, the 2015 and 2017 Conservative Governments have made a series of announcements committing additional short-term, ring-fenced funding to adult social care in England. A timeline is provided below.

- **25 November 2015** - up to £3.5 billion additional funding by 2019/20 through:
  - **an improved Better Care Fund;** and
  - **a new Social Care Precept.** <sup>63</sup>
- **15 December 2016** - up to nearly £900 million additional funding in 2017/18 and 2018/19 through:
  - increased flexibility over the **Social Care Precept;** and
  - a **new Adult Social Care Support Grant.** <sup>64</sup>
- **8 March 2017** - an additional £2 billion funding over the three years from 2017/18 through the **improved Better Care Fund.** <sup>65</sup>
- **6 February 2018** –an additional £150 million in 2018/19 for the **Adult Social Care Support Grant.** <sup>66</sup>

The Government has calculated that, as a result of the measures introduced since 2015, local authorities have access to an additional £9.4 billion dedicated funding for adult social care over the period 2017/18 to 2019/20. <sup>67</sup>



<sup>63</sup> [HC Deb 25 November 2015 cc1363–1364](#)

<sup>64</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>65</sup> HM Treasury, [Oral statement to Parliament - Spring Budget 2017: Philip Hammond's speech](#), 8 March 2017

<sup>66</sup> [Written statement HCWS451 \[Local Government Finance\] 6 February 2018](#)

<sup>67</sup> Ibid.

**Source:** Ministry of Housing, Communities and Local Government, [Core spending power: final local government finance settlement 2018 to 2019 \(Supporting Information\)](#), 6 February 2018

**Note:** Adult Social Care Precept figures for 2016/17 and 2017/18 are based on actual take-up of the ASC Precept. For 2018/19 and 2019/20 the figures have been estimated by assuming authorities set the ASC Precept to the maximum allowable level given their past decisions.

The following sections provide further detail about the three dedicated funding streams: the Social Care Precept, the improved Better Care Fund and the Adult Social Care Support Grant.

## 3.2 The Social Care Precept

In the Spending Review and Autumn Statement 2015, delivered to Parliament on 25 November 2015, the Chancellor of the Exchequer announced a new social care precept, under which local authorities with responsibility for social care (county and unitary authorities) would be able to increase council tax levels in their area by up to 2% above the referendum threshold<sup>68</sup> for each year between 2016/17 and 2019/20. The money raised through the precept will have to be spent exclusively on adult social care.<sup>69</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>70</sup>

### Bringing forward the social care precept

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 that local authorities could, if they wish, bring forward the social care precept, by raising council tax by up to 3% in 2017/18 and 2018/19. However, the overall limit of 6% above the 'standard' threshold by 2019/20 remains. 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>71</sup>

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

<sup>68</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>69</sup> [HC Deb 25 November 2015 cc1363-1364](#)

<sup>70</sup> HM Treasury, [Spending Review and Autumn Statement 2015](#), CM 9162, November 2015, para 1.107

<sup>71</sup> Institute for Fiscal Studies, [How far do today's social care announcements address social care funding concerns?](#), 16 December 2016

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% precept 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](#)

## 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 additional revenue raised in this way 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 an annual 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>72</sup>

The notice will require 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.<sup>73</sup>

## Impact of the social care precept

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.

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

<sup>72</sup> *Local Government Finance Act 1992* section 52ZA (1), inserted by [Schedule 5 of the Localism Act 2011](#).

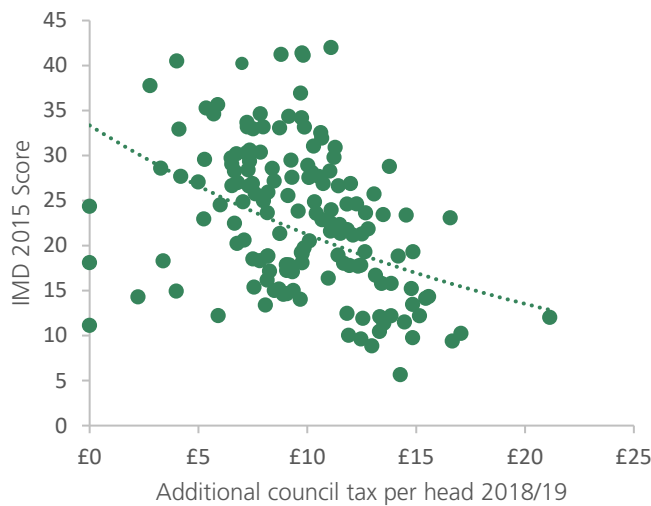
<sup>73</sup> [DCLG Letter to Section 151 Officers dated 16 February 2016](#)

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>74</sup>

**Figure 6** 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 2018/19 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.

**Figure 6: Relationship between deprivation and additional council tax per head**



Sources:

[MHCLG: Council tax levels set by local authorities in England 2018 to 2019](#)  
[MHCLG: English Indices of Deprivation 2015](#)

In 2018/19 and 2017/18, 97% of local authorities with adult social care responsibilities utilised some or all of the adult social care precept, compared to 95% in 2016/17.<sup>75</sup>

### 3.3 The Improved 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.<sup>76</sup> The Government’s Spending Review and

<sup>74</sup> Association of Directors of Adult Social Services, [ADASS responds to the 2015 spending review](#), press release, 25 November 2015

<sup>75</sup> MHCLG Local Government Finance Statistical Release, [Council tax levels set by local authorities: England 2018 to 2019](#), 28 March 2018, p7

<sup>76</sup> Further information on health and social care integration is provided in the House of Commons Library briefing paper: [Health and Social Care Integration \(England\)](#) (CBP07902).

Autumn Statement 2015 made available additional social care funds for local government of £105m in 2017/18, £825m in 2018/19 and £1.5bn in 2019/20, to be included in an improved Better Care Fund (iBCF).<sup>77</sup> The distribution of the iBCF over the Spending Review was therefore “back-loaded”, with larger increases planned towards the end of the period.

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>78</sup>

Up to £800 million of the additional social care funding was to be reallocated (primarily from district councils) following reforms to the New Homes Bonus scheme.<sup>79</sup>

In his [Spring Budget 2017 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>80</sup> This increased the iBCF for adult social care to: 1.1 billion in 2017/18, 1.5 billion in 2018/19 and 1.8 billion in 2019/20.<sup>81</sup>

## Allocation of the improved Better Care Fund

In light of concerns over the varying capacity of local authorities to raise funds through the social care precept (see Section 3.2 above), the allocation of the iBCF is designed to offset these differences by using a methodology which provides greater funding to those authorities which benefit less from the additional council tax flexibility for social care.

The Government set out its proposed approach to allocating the iBCF 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>77</sup> HM Treasury, [Spending Review and Autumn Statement 2015](#), CM 9162, November 2015, para 1.107

<sup>78</sup> Ibid., para 1.111

<sup>79</sup> HM Government, [Spending Review and Autumn Statement 2015](#), CM 9162, November 2015, para. 1.242. The House of Commons Library briefing paper [The New Homes Bonus \(England\)](#) (SN05724) provides further information about the scheme.

<sup>80</sup> HM Treasury, [Oral statement to Parliament - Spring Budget 2017: Philip Hammond's speech](#), 8 March 2017

<sup>81</sup> Ministry of Housing, Communities and Local Government, [Core spending power: final local government finance settlement 2018 to 2019](#) (Supporting Information), 6 February 2018

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>82</sup>

Thus, the iBCF funding methodology takes into account the amount that a local authority *could* raise via the social care precept, rather than the amount that is actually raised. If the amount an authority could raise through the social care precept is greater than its share (based on the adult social care relative needs formula) of the national available funding, then the authority would receive no iBCF funding. In short, this methodology ensures that the overall pot of social care precept and iBCF ring-fenced funding is allocated in proportion to the assessed relative needs for adult social care spending by different councils.

The Government formally consulted on the distribution of the iBCF as part of the Local Government Finance Settlement 2017/18 technical consultation. Having considered the responses received through the consultation, the Government confirmed the adoption of the proposed methodology.<sup>83</sup>

Following the announcement at Spring Budget 2017 of an additional £2 billion supplementary funding to the iBCF, the Government confirmed that in each year 10% of the total supplementary funding will be

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<sup>82</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, p25, para 5.6

<sup>83</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, p14, para 2.7



allocated to all authorities with social care responsibilities on the basis of the adult social care relative needs formula. The remaining 90% of the supplementary funding will be added to the existing iBCF funding and the total allocated using the iBCF methodology.<sup>84</sup>

The current adult social care relative needs formula has not been updated since 2013/14. The Government conducted a technical consultation - [Fair funding review: a review of relative needs and resources](#) – from 19 December 2017 to 12 March 2018 on potential approaches that have been identified to measure the relative needs of local authorities. The Government is considering responses and is working towards an implementation date for the fair funding review of 2020/21.

## Improved Better Care Funding requirements

The [Integration and Better Care Fund policy framework 2017-2019](#), published in March 2017, confirmed that the iBCF funds will be paid directly to local authorities via a Section 31 grant from central government, but they must be pooled into the local BCF.

Under the framework, 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>85</sup>

Local authorities will be required to confirm that spending of the iBCF 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 Department of Health, DCLG and NHS England jointly published the [Integration and Better Care Fund planning requirements 2017-2019](#) on 4 July 2017. This document gives local areas operational guidance on how to fulfil the national conditions and requirements for spending the BCF and iBCF funding.

The Local Government Association (LGA) has expressed concern that the additional iBCF funding for social care is “subject to a concerning degree of oversight and influence from both Government and NHS England” which limits local authorities’ flexibility to use the funding to address pressing local issues.<sup>86</sup> It also considers that the Government’s Planning Requirements 2017-19 place a “disproportionate” emphasis on the conditions attached to the BCF funding to reduce pressures on

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<sup>84</sup> Department for Communities and Local Government, [The allocations of the additional funding for adult social care](#), 9 March 2017

<sup>85</sup> Department of Health and Department for Communities and Local Government, [2017-19 Integration and Better Care Fund Policy Framework](#), 31 March 2017, p17

<sup>86</sup> Local Government Association, [Adult Social Care Funding: State of the Nation 2017](#), 11 October 2017, p12

the NHS, and within that a narrow focus on delayed transfers of care (DToC).

Each local authority is required to agree a target for reducing social care attributed DToCs in 2017/18 as part of BCF planning. The Government's suggestion that sanctions could be introduced for those authorities not meeting the DToC targets<sup>87</sup> has been criticised by local government leaders.<sup>88</sup> The LGA has expressed concern that the DToC target reductions are unrealistic and has withdrawn its support for the Planning Requirements.<sup>89</sup> Nevertheless, according to the National Audit Office, data from the first three quarters of 2017/18 suggests that the number of days by which transfers of care were delayed attributable partly or wholly to social care has begun to fall.<sup>90</sup>

The House of Commons Library briefing paper [Delayed transfers of care in the NHS](#) (CBP07415) provides an overview of policy and statistical trends on DToC.

### 3.4 The Adult Social Care Support Grant

On 15 December 2016, as part of the English Provisional Local Government Finance Settlement 2017/18, the Government announced that £240 million would be made available to local authorities with social care responsibilities in 2017/18 through a new Adult Social Care Support Grant.<sup>91</sup> The 2017/18 grant would be funded through savings from the New Homes Bonus scheme,<sup>92</sup> and would be distributed according to the Adult Social Care Relative Needs Formula.<sup>93</sup>

On 6 February 2018, the Secretary of State for Housing, Communities and Local Government, Sajid Javid, announced an additional £150 million to continue the Adult Social Care Support Grant – which was due to end – in 2018/19.<sup>94</sup> The funding will be taken from anticipated underspend in existing departmental budgets, and will be distributed according to the Adult Social Care Relative Needs Formula.

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<sup>87</sup> The Department of Health, Department for Communities and Local Government and NHS England, [Integration and Better Care Fund planning requirements 2017-2019](#), 4 July 2017, paras 68-73

<sup>88</sup> ['Government changes to care funding guidance 'unacceptable''](#), *Community Care*, 6 July 2017

<sup>89</sup> Local Government Association, [Adult Social Care Funding: State of the Nation 2017](#), 11 October 2017, p21

<sup>90</sup> National Audit Office, [Financial sustainability of local authorities 2018](#), HC 834, 8 March 2018, para 2.26

<sup>91</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>92</sup> See House of Commons Library briefing paper [The New Homes Bonus \(England\)](#) (SN05724) for further information about the New Homes Bonus scheme.

<sup>93</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, p14, para 2.6

<sup>94</sup> [Written statement HCWS451 \[Local Government Finance\] 6 February 2018](#)

## 4. “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>95</sup>

In evidence to the Communities and Local Government Select Committee's inquiry of Session 2016–17 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>96</sup>

The Department of Health and Social Care and the Ministry of Housing, Communities and Local Government support local authorities to improve performance through part-funding sector-led improvement initiatives. The LGA sector-led [Care and Health Improvement Programme](#) supports best practice in a range of areas including: efficiency in adult social care; integration and the Better Care Fund; managing transfers of care; and commissioning and market shaping.

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>97</sup>

The [Spring Budget 2017](#) announced that social care funding was to be supplemented by targeted measures to ensure that local authorities facing the greatest challenges are identified and supported, and to ensure more joined up working with the NHS:

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<sup>95</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>96</sup> Communities and Local Government Committee, [Oral evidence: Adult Social Care, HC 47, Monday 30 January 2017](#), Q372

<sup>97</sup> National Audit Office, [Health and social care integration](#), HC 1011, 8 February 2017

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>98</sup>

The Government's response to the [Lords Select Committee on the Long-Term Sustainability of the NHS Report of Session 2016–17](#) outlined some of the measures that have subsequently been put in place:

- publishing a performance dashboard showing how local areas in England are performing against metrics across the NHS-social care interface including delayed discharges
- plans for Local Government to deliver an equal share to the NHS of the expectation to free up 2,500 hospital beds, including a breakdown of delayed days per 100,000 of the population and the indicative reduction levels required by each Local Authority and local NHS, which included flexibility to be shared out differently at local level if agreed by both organisations
- we have also asked the Care Quality Commission to carry out 20 targeted reviews of local areas to consider how well they are working at the health and social care boundary, each review leading to a tailored response to ensure that those areas facing the greatest challenges can improve rapidly. The CQC has published an interim report setting out emerging findings and,
- in November 2017 we reviewed 2018/19 allocations of the additional social care funding provided at Spring Budget 2017 for areas that are poorly performing. This funding will all remain with local government, to be used for adult social care.<sup>99</sup>

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

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<sup>98</sup> HM Treasury, [Spring Budget 2017](#), HC 1025, 8 March 2017, para 5.5

<sup>99</sup> HM Government, [Government response to the Lords Select Committee report on Long-Term Sustainability of the NHS and Adult Social Care](#), Cm 9504, 20 February 2018, p24

## 5. Commentary

### 5.1 Social care funding gap

The Government has committed significant additional resources to adult social care over the 2015 Spending Review period, giving local authorities access to around £9.4 billion dedicated funding over the period 2017/18 to 2019/20.<sup>100</sup>

Whilst commentators have welcomed the additional funding, a wide range of organisations are concerned that, even with the additional funding, financial pressures remain. The Local Government Association's (LGA) report entitled [Adult Social Care Funding: State of the Nation 2017](#) (October 2017) concluded:

The Government's response to the challenge of adult social care funding in recent years has been short-term and incremental in nature. One off grants, the council tax precept and increases in improved Better Care Fund (BCF) funding have been helpful. But each mechanism has its limitations and they do not deal with all short-term pressures, let alone address the issue of longer-term sustainability.<sup>101</sup>

A number of organisations have estimated the size of the social care 'funding gap' between the available resources on the one hand and the demand and cost pressures on the other. However, estimates vary according to the methods and data used and the assumptions made.

In January 2018 the National Audit Office (NAO) provided the House of Commons Communities and Local Government Committee with an [analysis](#) of the main estimates of the funding gap made by a range of charitable and research organisations working within and representing the adult social care sector. The analysis demonstrates that organisations are actually describing different things when they calculate the funding gap:

The assessments variously cover:

- The gap between current spending forecasts and spending per capita at various points in the past.
- The amount of money required to deal with current service pressures, whether in the private or public sector.
- The gap between current spending forecasts and forecast growth in spending on social care.
- The gap between current spending forecasts and forecast need for social care services.

All the assessments involve implicit judgements about what social care services should be provided to citizens by the government and what the criteria for eligibility should be.<sup>102</sup>

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<sup>100</sup> Ibid.

<sup>101</sup> Local Government Association, [Adult Social Care Funding: State of the Nation 2017](#), October 2017, p6

<sup>102</sup> [Letter from Sir Amyas Morse, KCB Comptroller and Auditor General, to Clive Betts, Chair of the House of Commons Communities and Local Government Committee, entitled Adult Social Care Funding and dated 30 January 2018](#)

The NAO's summary of the three most recent funding gap estimates (following the Spring Budget 2017) made by: the LGA; the King's Fund, Health Foundation and Nuffield Trust; and the Competition and Markets Authority is reproduced below. The NAO letter provides further analysis.

Date	Organisation	Estimate of gap	Year gap applies to	Basis of estimate
October 2017	Local Government Association	£1.1 billion	2017-18	Difference between current spending and spending assessed against demographic change and provider pressures.
		£1.9 billion	2018-19	
		£2.3 billion	2019-20	
November 2017	King's Fund, Health Foundation and Nuffield Trust	£2.5 billion	2019-20	Gap between current forecast spending, cost pressures and updated estimates of social care demand.
November 2017	Competition and Markets Authority	£0.9-1.1 billion	Ongoing	Cost of funding providers (care homes only) full cost of each adult social care placement.
		Extra £1-2 billion	2025	Illustrative extrapolation of further costs required for care home provider market.

*Source: Letter from the Comptroller and Auditor General to the Chair of the House of Commons Communities and Local Government Committee, 30 January 2018, Table 2*

The Institute for Fiscal Studies has also argued that that the ongoing reforms to local government finance, intended to make local authorities less reliant on central government grants and more financially self-sufficient, risk a growing funding gap for adult social care as, it is contended, revenue from council tax and business rates is unlikely to keep pace with the rising costs of adult social care services.<sup>103</sup>

## 5.2 Financial uncertainty post 2020

The LGA is concerned that the additional social care funding committed in the current Spending Review period has not been added into councils' baselines, which means the funding beyond 2020 is uncertain:

... Furthermore, as the funding is not in councils' baselines and cannot therefore be called on in future years, it is impossible to plan, or give assurances, for beyond 2020. This makes it difficult to, for instance, use this money for permanent increases in provider fees, which adds further instability into an already unstable market.<sup>104</sup>

The Competition and Markets Authority has similarly cautioned that "The uncertainty on future [social care] funding policies and frameworks means that the sector will further struggle to attract the investment needed to build the capacity required".<sup>105</sup>

<sup>103</sup> Institute for Fiscal Studies, [Adult social care funding: a local or national responsibility?](#), 22 March 2018

<sup>104</sup> Local Government Association, [Adult Social Care Funding: State of the Nation 2017](#), October 2017, p13

<sup>105</sup> The Competition and Markets Authority, [Market study into residential and nursing care homes for older people](#), summary of final report, 30 November 2017

The National Audit Office report on the [Financial sustainability of local authorities 2018](#) (March 2018) highlighted the lack of a long-term funding plan for local authorities and the risks associated with this:

Accordingly, while there are clear funding and demand pressures, there is as yet no comprehensive, long-term financial plan to address them. Financial uncertainty, both short term and long term, creates risks for value for money. Uncertainty encourages short-term decision-making and undermines strategic planning. These points apply within local authorities, and to the Department in its role as lead department for local government funding.<sup>106</sup>

The NAO report concluded that the Government must “set out at the earliest opportunity a long-term financial plan for the sector that includes sufficient funding to address specific service pressures and secure the sector’s future financial sustainability”.<sup>107</sup>

Responding to the Prime Minister’s announcement of a multi-year funding plan for the NHS,<sup>108</sup> the Chairman of the Local Government Association’s Community Wellbeing Board, called on the Government to make the same commitment to social care funding:

It’s good to see long-term investment in the NHS, but government also needs to make the same commitment to adult social care which deserves to be given parity with the health service.

[...]

Adult social care is already at a tipping point. Without an immediate injection of cash, even more providers will either pull out of contracts or go bust, leading to a lack of available care and a decrease in social care’s ability to help mitigate demand pressures on the NHS.

Government needs to give urgent funding to councils to invest in prevention to reduce the need for people to be admitted to hospital in the first place, which will help to reduce costs to the public purse.

But we cannot afford to wait for the adult social care Green Paper reforms to deliver; we need action now. As a down-payment on funding reforms, government needs to fully plug the funding gap facing adult social care, which is set to be more than £2 billion by 2020.<sup>109</sup>

## 5.3 Select Committee reports 2016-18

### House of Commons Health Select Committee (2016-17)

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

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<sup>106</sup> National Audit Office, [Financial sustainability of local authorities 2018](#), HC 834, Executive Summary, March 2018, para 4.24

<sup>107</sup> National Audit Office, [Financial sustainability of local authorities 2018](#), HC 834, Executive Summary, March 2018, para 25

<sup>108</sup> House of Commons Liaison Committee, [Oral evidence from the Prime Minister](#), 27 March 2018, Q76

<sup>109</sup> [‘LGA responds to announcement of multi-year funding plan for the NHS’](#), LGA Press Release, 28 March 2018

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 with concern that this funding will not arrive until later in the Spending Review period.<sup>110</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 (now the Ministry of Housing, 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>111</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>112</sup>

## House of Commons Communities and Local Government Select Committee (2016-17)

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:

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<sup>110</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>111</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>112</sup> Health Select Committee, [Letter from Chair of Health Select Committee to the Chancellor of the Exchequer concerning NHS funding](#), 26 October 2016



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>113</sup>

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.<sup>114</sup>

The [Government's response to the CLG Committee report on adult social care](#), published in October 2017, reiterated its intention to listen to a wide range of views on how to reform the social care system and to bring forward proposals for consultation in due course.<sup>115</sup>

## House of Lords Select Committee on the Long-Term Sustainability of the NHS (2016-17)

The House of Lords appointed a Select Committee on the Long-Term Sustainability of the National Health Service (NHS) on 25 May 2016. The Committee's report on [The Long-term Sustainability of the NHS and Adult Social Care](#) was published on 5 April 2017. The report was critical of the 'short sightedness' of successive governments in failing to plan effectively for the long-term future of the health service and adult social care, and called for additional national funding for social care:

The additional funding for social care announced in the 2017 Budget is welcome and means funding for social care will increase by more than 2% a year for the next three years. This is more than the increase for NHS funding. However it is clearly insufficient to make up for many years of underfunding and the rapid rise in pressures on the system.

In order to stem the flow of providers leaving adult social care, meet rising need and help alleviate the crisis in NHS hospitals, the Government needs to provide further funding between now and 2020. This funding should be provided nationally as further increases in council tax to fund social care do not allow funding to be aligned with need. Beyond 2020 a key principle of the long-term settlement for social care should be that funding increases

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<sup>113</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

<sup>114</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>115</sup> HM Government, [Government Response to the Communities and Local Government Select Committee Report: Adult Social Care](#), CM9501, October 2017, p19

reflect changing need and are, as a minimum, aligned with the rate of increase for NHS funding. [Recommendation 18] <sup>116</sup>

The [Government's response](#) to report of the Lords Select Committee on the Long-Term Sustainability of the NHS was published on 20 February 2018. The response highlighted the additional national social care funding that had been provided and the introduction of targeted measures to ensure the funding delivers improvements. It also stated that:

We regularly update our understanding of future needs for social care, working closely with leading academics. This will feed into decisions about funding for social care beyond 2020 including the Green Paper on social care reform.<sup>117</sup>

## House of Commons Joint Committee Inquiry 2018

The Housing, Communities and Local Government Select Committee and the Health and Social Care Committee are conducting a [joint inquiry on the long-term funding and provision of adult social care](#). The inquiry seeks “to identify funding reforms that will command broad consensus to allow progress in ensuring the long-term sustainability of both the health and care systems”. The Committees are expected to report in May 2018.<sup>118</sup>

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<sup>116</sup> House of Lords Select Committee on the Long-term Sustainability of the NHS, [The Long-term Sustainability of the NHS and Adult Social Care: Report of Session 2016–17](#), HL Paper 151, 5 April 2017

<sup>117</sup> HM Government, [Government response to the Lords Select Committee report on Long-Term Sustainability of the NHS and Adult Social Care](#), Cm 9504, 20 February 2018

<sup>118</sup> [‘Joint inquiry launched on long-term funding of adult social care’](#), *Commons Select Committee News*, 24 January 2018

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