



**BRIEFING PAPER**

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# Adult Social Care Funding (England)

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## Summary

Adult social care funding has been under pressure for a number of years and was identified as the top long-term pressure for councils in a Local Government Finance Survey carried out in January 2020.

There are a number of factors driving these financial pressures, including:

- increasing demand for care
- reductions in overall funding for local government
- increases in care costs
- the coronavirus outbreak.

There is concern that, as a result of funding pressures, an increasing number of people are not having their care needs met or are facing 'catastrophic' care costs. There is also evidence that funding pressures are impacting on the financial sustainability of care providers and that, in some areas, a lack of suitable care provision is adding to pressures in the health service.

### 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 made a series of announcements committing additional short-term, ring-fenced funding for adult social care. This comprised:

- A **Social Care Precept**, under which local authorities were 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 that local authorities could 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**, which included additional social care funds of around £4.4 billion between 2017/18 and 2019/20.
- An **Adult Social Care Support Grant** which provided £240 million to local authorities in 2017/18 and £150 million in 2018/19.
- A **Social Care Support Grant** of £410 million in 2019/20 to support both adult and children's social care services.
- An additional £240 million in both 2018/19 and 2019/20 for **social care packages to ease NHS winter pressures**.

### Additional social care funding from 2020/21

At the Spending Round 2019, the Government set out the additional funding that would be provided for adult social care in 2020-21:

- **An additional £1 billion grant** for adult and children's social care (local authorities to determine how to split their allocation between the two).

## 4 Adult Social Care Funding (England)

- The Government would **consult on a 2% Social Care Precept**, which it estimated would enable local authorities to access a further £500 million. This was confirmed in the local government finance settlement 2020-21.
- The **rolling-over of existing social care grants of £2.5 billion** into the 2020/21 financial year.

At the March 2020 Budget, the Government confirmed that the additional £1 billion of funding for social care would continue for every year of the current Parliament.

At Spending Review 2020, the Government set out the additional funding that would be provided for adult social care in 2021-22:

- An additional **grant of £300 million for adult and children's social care**, on top of the £1 billion announced at the Spending Review and maintained in 2020-21.
- Local authorities will be able to levy a **3% adult social care precept**.
- **£2.1 billion to local authorities through the improved Better Care Fund**.

### Health and Social Care Committee Report

In its October 2020 report on [adult social care funding and workforce](#), the Health and Social Care Committee set out the impacts of adult social care funding shortfalls and called for "an increase in annual funding of £3.9 billion by 2023-24". It added, however, that this was just a starting point and "further funding...is required...as a matter of urgency" to "address shortfalls in the quality of care currently provided, reverse the decline in access or stop the market retreating to providing only for self-payers."

The final section of the Committee's report covered the longer term reform of social care funding and stated that "the full cost of adequately funding social care" is likely to run "tens of billions of pounds."

# 1. Introduction

This Commons Library briefing paper examines the key funding pressures facing adult social care services in England and their impacts. The paper also sets out the additional funding committed to adult social care since 2016/17 and briefly summarises recent select committee reports on adult social care funding.

## 1.1 What is adult social care?

Adult social care is the support provided to adults (both older people and people of working age) with physical disabilities, learning disabilities, or physical or mental illnesses, and their carers. This may include personal care (such as support for eating, washing or getting dressed) or help with domestic routines (such as cleaning or going to the shops).

Social care includes:

- Support in people's homes (home care or 'domiciliary care')
- Support in community settings like day centres (day care)
- Care provided by care homes and nursing homes (residential care)
- 'Reablement services to help people regain independence
- Providing aids and adaptations in people's homes
- Providing information and advice
- Providing support for informal carers.<sup>1</sup>

Adults with care needs are supported in two main ways: through services they or their local authority pay for (formal care); or by family, friends or neighbours without payment (informal care). Some adults may get their care needs met through a combination of the two, and some voluntary organisations also provide free care services.<sup>2</sup>

While around two-thirds of adults receiving care through their local authority are aged 65 and over, the total cost to the public purse of meeting the social care needs of adults under 65 years of age is around the same as for those aged 65 and over.<sup>3</sup>

## 1.2 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. Rather, people are usually assessed by their local authority social services team to identify what their care needs are, whether they have to pay for their

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<sup>1</sup> National Audit Office, [Adult social care in England: overview](#), Session 2013-14, HC 1102, 13 March 2014, para 1.2; King's Fund, [Key facts and figures about adult social care](#), 20 November 2019.

<sup>2</sup> National Audit Office, [Adult social care at a glance](#), July 2018.

<sup>3</sup> Institute for Fiscal Studies and The Health Foundation, [Securing the future: funding health and social care to the 2030s](#), May 2018, p11 and footnote 15]; National Audit Office, [Adult social care in England: overview](#), HC 1102, 13 March 2014, para 1.12.

care, and if so, how much. Local authorities typically only pay for individual packages of care for adults assessed as having high needs and limited means. Further information is available in Library Briefing 1911, [Social care: paying for care home places and domiciliary care \(England\)](#).

Publicly funded care makes up only a minority of the total value of adult social care.<sup>4</sup> The majority of care is provided informally by family, friends or neighbours without payment. In addition, Laing Buisson estimated that in March 2018 only around 35% (137,000) of older people in independent care homes were fully state-funded; 45% (176,000) paid for all of their own care and 11% (44,500) received some state-funded support while also contributing to fees themselves.<sup>5</sup>

### 1.3 How is publicly-funded adult social care financed?

There is no national government budget for adult social care in England. Rather, publicly funded social care is primarily financed through local government revenue funding. This is made up of central government funding from the local government finance settlement combined with locally raised revenue from business rates, council tax and income from fees and charges. Individual local authorities then determine how much of their revenue funding is allocated to social care. In recent years the Government has also provided additional ring-fenced funding for adult social care (see sections 3 and 4 for further information).

In addition, the NHS contributes to the Better Care Fund and some of this funding may, depending on local priorities, be used to fund social care services (further information on the Better Care Fund is provided in section 3.3 below).<sup>6</sup>

### 1.4 How much is spent on adult social care?

Total local authority expenditure on adult social care in 2018-19 was £22.2 billion (up £882 million since 2017-18). However, this includes capital charges, contributions from care users (client contributions), and some expenditure which is offset by income from other sources such as the NHS. Net local authority expenditure on adult social care (i.e. minus capital charges and less all income) in 2018-19 was £16.1 billion.<sup>7</sup>

In addition, the planned spend on social care services from the NHS's contribution to the Better Care Fund was £2.1 billion (see section 3.3 for more information on the Better Care Fund).<sup>8</sup> Hence total public spending on adult social care was around £18 billion in 2018-19.

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<sup>4</sup> National Audit Office, [Adult social care at a glance](#), July 2018.

<sup>5</sup> Laing Buisson, *Care Homes for Older People: UK Market Report*, 29<sup>th</sup> edition.

<sup>6</sup> The NHS also provides some social care services to those with significant health-related care needs. Further information on this is available in Library Briefing 6128, [NHS Continuing Healthcare in England](#), 4 February 2020.

<sup>7</sup> MHCLG, [Local Authority Revenue Expenditure and Financing: 2018-19 Final Outturn](#), England, 14 November 2019

<sup>8</sup> NHS Digital, [Adult Social Care Activity and Finance Report, England - 2018-19](#), 22 October 2019.

## 1.5 Adult social care policy reform

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.

The current position is that the Government will seek a cross-party consensus in order to bring forward proposals for reform of how people pay for adult social care. A prerequisite of the proposals will be that “no one needing care has to sell their home to pay for it.”<sup>9</sup>

In January 2020, the Prime Minister stated that the Government would bring forward a plan “this year” and would “get it done within this Parliament.”<sup>10</sup>

In March, the Health Secretary, Matt Hancock, began the process of seeking to build a cross party consensus by writing to MPs and peers to ask for their views, solutions and concerns about reforming the way people pay for their care. The letter stated that the Government planned to move to structured talks on reform options in May 2020.

However, in June, the Health Secretary suggested that, in light of the coronavirus outbreak, it was “not straightforward” to meet the previously set timetable for the reform of adult social care funding. At the time of writing the cross-party talks – originally planned for May 2020 – have not started, with the Government stating that they will take place “at the earliest opportunity in light of the current circumstances.”<sup>11</sup>

The Spending Review 2020, published on 25 November, stated that the Government is “committed to sustainable improvement of the adult social care system and will bring forward proposals next year.”<sup>12</sup>

This briefing does not provide detailed information on proposals for the reform of adult social care funding. However, further information is provided in the following Library Briefing Papers:

- CBP8001, [Adult social care funding reform: developments since July 2019 \(England\)](#), 8 July 2020.
- CBP8002, [Adult social care: the Government’s ongoing policy review and anticipated Green Paper \(England\)](#), 30 September 2019.
- CBP8000, [Social care: Government reviews and policy proposals for paying for care since 1997 \(England\)](#), 23 October 2017.

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<sup>9</sup> Conservative and Unionist Party, [Get Brexit Done – Unleash Britain’s Potential](#), November 2019, p12

<sup>10</sup> BBC, [The Big Interviews: Boris Johnson on BBC Breakfast. \(at 16 minutes 25 seconds\)](#), 14 January 2020

<sup>11</sup> [Coronavirus pandemic could delay reforms to social care](#), health secretary says, Independent, 2 June 2020; [PO 64976](#), 2 July 2020; [PO 59766](#), 22 June 2020.

<sup>12</sup> HM Treasury, [Spending Review 2020](#), CP330, November 2020, para 4.10.

## 2. Funding pressures and impacts

### 2.1 Social care funding gap

Adult social care funding has been under pressure for a number of years and was identified as the top long-term pressure for councils in a Local Government Finance Survey carried out in January 2020.<sup>13</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 demonstrated 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>14</sup>

In its October 2020 report on [adult social care funding and workforce](#) the Health and Social Care Committee provided a table setting out different organisations' estimates of the adult social care funding gap. The estimates, which did not take account of the additional costs created by the Covid-19 pandemic, ranged from £1.4bn per annum to £12.2 billion per annum.<sup>15</sup>

The remainder of this section provides brief information on some of the factors driving the financial pressures in adult social care, before briefly summarising some of the impacts.

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<sup>13</sup> LGiU, [LGIU MJ State of Local Government Finance Survey 2020](#), 5 February 2020.

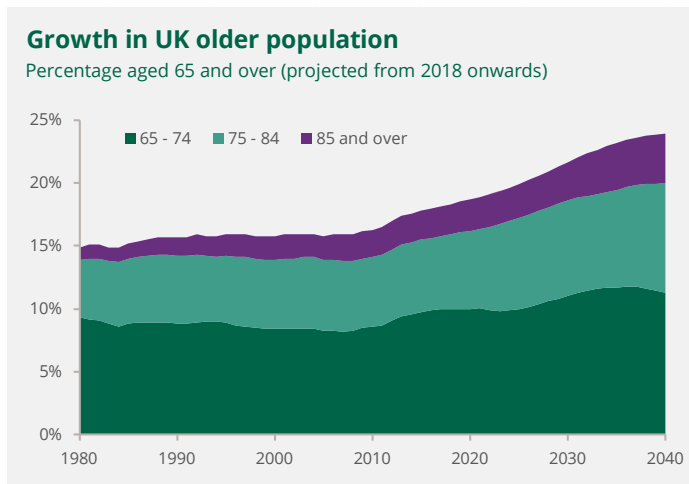
<sup>14</sup> [Letter from Sir Amyas Morse, KCB Comptroller and Auditor General, to Clive Betts, Chair of the House of Commons Communities and Local Government Committee, entitled Adult Social Care Funding and dated 30 January 2018.](#)

<sup>15</sup> Health and Social Care Committee, [Social care: funding and workforce, HC 206 2019-21](#), pp13-15.



## 2.2 Demographic pressures

The UK population is growing in size and people are living longer.<sup>16</sup> 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 7% between 2009 and 2019, while the number aged 85 or over rose by 23% in the same period.<sup>17</sup>



Sources: ONS, [Ageing of the UK population](#), and [2018 based population projections](#)

The Association of Directors of Adult Social Services (ADASS) Budget Survey 2020 stated that the cost pressures relating to the increased numbers of older and disabled people needing care and support was around 3.3% of the Adult Social Care Net Budget for 2020/21. This equates, the report said, to £520 million of additional funding needed to meet the same level of needs in 2020/21.

The report added that an increasing proportion of demographic funding is focused on services for working age adults, accounting for 64% of the demographic pressures on adult social care budgets in 2020/21 compared to 58% in 2019/20.<sup>18</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. In 2018, the Personal Social Services Research Unit (PSSRU) modelled projections of demand for long-term care for older people and younger adults in England to 2040 and associated future expenditure. The projections are based on the current funding system and patterns of care.

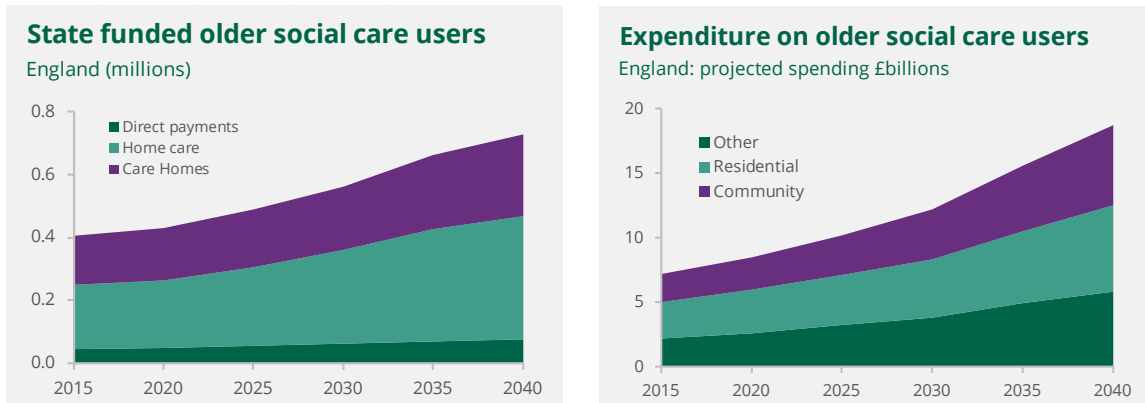
<sup>16</sup> House of Commons Library, Population: Social Indicators page, 7 November 2016.

<sup>17</sup> Office for National Statistics, [Mid year population estimates](#).

<sup>18</sup> Association of Directors of Adult Social Services, [ADASS Budget Survey 2020](#), June 2020, p11.

## 10 Adult Social Care Funding (England)

The PSSRU estimated that the number of older people needing publicly funded social care could increase by around 320,000 up to 2040, a 79% increase.<sup>19</sup> Associated public expenditure on social services for older people would rise by 160% from around £7.2 billion (0.37% of GDP) in 2015 to £18.7 billion (0.63% of GDP) in 2040 at constant 2015 prices.



Source: PSSRU, [Projections of Demand for and Costs of Social Care in England to 2040](#)

### 2.3 Local government funding

Details of the overall change in the level of local government funding since 2010 cannot be easily calculated. Each year the local government finance settlement is adjusted to take account of new responsibilities and functions local authorities are expected to take on. However, the National Audit Office modelled the changes over time to estimate that local government funding fell 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>20</sup>

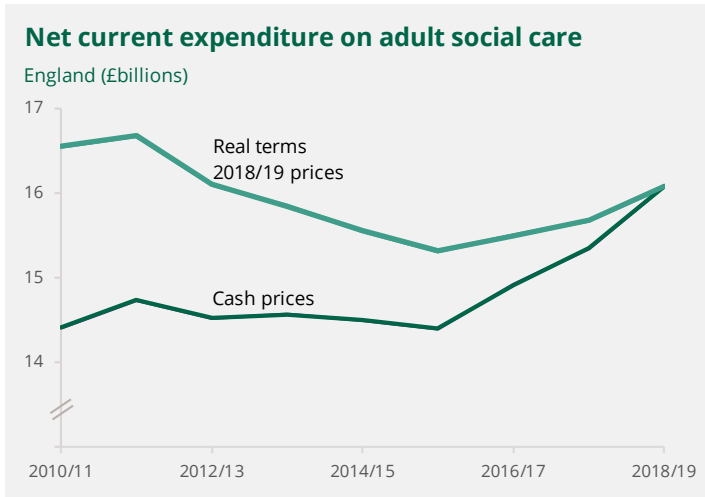
Funding reductions have increased pressures on adult social care services, which constitute the biggest area of discretionary spend for local authorities with social care responsibilities (unitary and upper tier councils) in England.<sup>21</sup>

Between 2010/11 and 2018/19, local authority net expenditure on adult social care in England increased by 12%, from £14.4 billion to £16.1 billion. However, in real terms this represents a reduction of 3% from £16.6 billion down to £16.1 billion. Real terms expenditure fell year on year between 2011/12 and 2015/16. However, since 2016/17 both cash and real terms expenditure have increased year on year.

<sup>19</sup> PSSRU, [Projections of Demand for and Costs of Social Care in England to 2040](#), November 2018, Table 2, p9.

<sup>20</sup> National Audit Office, [Financial sustainability of local authorities 2018](#), HC 834, 8 March 2018, p7.

<sup>21</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.



Sources: [MHCLG Local authority revenue expenditure and financing](#) and [HMT GDP Deflators June 2019](#)

Ministry of Housing, Communities and Local Government (MHCLG) local authority revenue expenditure data shows that total net current expenditure fell by 32% between 2010/11 and 2018/19. This would suggest that the social care budget has to some extent been protected from spending reductions.<sup>22</sup> In its 2018 report on the [Financial sustainability of local authorities 2018](#), the National Audit Office concluded that local authority spending was becoming increasingly concentrated on social care.<sup>23</sup>

Taking into account an ageing population, the Health Foundation has estimated that spending per person on adult social care services fell by around 12% in real terms between 2010-11 and 2018-19.<sup>24</sup>

## 2.4 National Living Wage

The National Living Wage (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).<sup>25</sup> The NLW increased to £8.72 in April 2020 (a 6.2% increase on the 2019-20 rate) and will increase to £8.91 from April 2021 (a 2.2.% increase on the 2020-21 rate).<sup>26</sup>

The ADASS Budget Survey 2020 stated that between April 2018 and March 2021 councils expected to spend an additional £1.6 billion on meeting the costs of National Minimum Wage and National Living Wage increases.<sup>27</sup>

<sup>22</sup> [MHCLG Local authority revenue expenditure and financing](#)

<sup>23</sup> National Audit Office, [Financial sustainability of local authorities 2018](#), HC 834, March 2018, Executive Summary

<sup>24</sup> Cited in Health and Social Care Committee, [Social care: funding and workforce, HC 206 2019-21](#), p8.

<sup>25</sup> Department for Business, Energy and Industrial Strategy, [National Living Wage – Policy Paper](#), last updated 1 April 2016, Section 2

<sup>26</sup> HM Treasury, [Government announces pay rise for 2.8 million people](#), 31 December 2019; HM Treasury, [Spending Review 2020](#), CP330, November 2020, para 1.33.

<sup>27</sup> ADASS, [ADASS Budget Survey 2020](#), p14.

### Box 1: Efficiency savings

Local authorities have sought to reduce financial pressures through local efficiency initiatives and transforming services.

According to the ADASS Budget Survey 2019, adult social care planned savings for 2019/20 were £699 million (4.7% of net adult social care budgets). ADASS calculated that the total cumulative savings in adult social care since 2010 amounted to £7.7bn in 2019.<sup>28</sup>

The ADASS Budget Survey 2020 stated that adult social care planned savings for 2020/21 were £608 million (3.9% of net adult social care budgets). However, it added that “the onset of Covid-19 is likely to severely diminish the ability of local authorities to deliver their savings programmes.”<sup>29</sup>

## 2.5 Coronavirus outbreak

The coronavirus outbreak has increased costs for providers of adult social care, with maintaining safe staffing levels and providing PPE suggested as the biggest drivers of extra costs, along with the need for enhanced cleaning of care homes and other settings.<sup>30</sup>

In its [Autumn Survey 2020](#), published in November, ADASS stated that adult social care services were predicting an overspend of £468 million in 2020/21 “as a result of the additional need and costs that have emerged as a result of the onset of the pandemic and despite additional funding for Covid-19 from Government.”<sup>31</sup>

The Ministry of Housing, Communities and Local government is collecting data on the impact Covid-19 is having on local authority finances. The latest data, published on 1 December 2020, shows that between March and October 2020 local authorities had incurred an additional £2 billion of adult social care spending as a result of the pandemic. This represented around half of all additional expenditure incurred by local authorities.<sup>32</sup>

Alongside the extra costs as a result of the pandemic, some providers have also faced a fall in income as a result of a reduction in the occupancy of care homes. Analysis published by Carterwood in December 2020 suggested that occupancy levels were currently around 80-82%, compared to a pre-pandemic level of 87.3%. The analysis forecasted that occupancy could increase to pre-pandemic levels by November 2021.<sup>33</sup>

The [ADASS Coronavirus Survey 2020](#), published in June 2020, additionally stated that there had, overall, been an increase in the number of people presenting with a social care need as a result of the coronavirus outbreak. This was mostly driven by temporary closures of services, providers’ concerns about accepting new clients and people declining services offered. 53% of directors indicated that there had not

<sup>28</sup> ADASS, [ADASS Budget Survey 2019](#), p9.

<sup>29</sup> ADASS, [ADASS Budget Survey 2020](#), p9.

<sup>30</sup> LGA, [LGA: social care providers face more than £6bn in extra COVID-19 costs](#), 4 June 2020.

<sup>31</sup> ADASS, [ADASS Autumn Survey 2020](#), November 2020, p6.

<sup>32</sup> MHCLG, [Local authority COVID-19 financial impact monitoring information](#), 1 December 2020.

<sup>33</sup> Carterwood, [Light at the end of the tunnel: Occupancy could return to pre-pandemic levels by Nov 2021](#), 8 December 2020.

been an increase in unmet need since March 2020. However, 23% felt that there had been an increase of 1-5% and 11% indicated that there had been an increase of 6-10%.<sup>34</sup>

Polling carried out for Carers Week in June 2020 estimated that 13.6 million adults in the UK (around 1 in 4) may be providing unpaid care. This was an increase from 9.1 million, or 1 in 6 adults, who were providing unpaid care before the coronavirus outbreak.<sup>35</sup> An October 2020 Carer's UK report, based on an online survey carried out in September 2020, additionally stated that 81% of carers were providing more care than before the pandemic.<sup>36</sup>

## 2.6 Impacts of spending pressures

This section briefly sets out some of the reported impacts of the spending pressures on the adult social care sector.

### Unmet need and catastrophic care costs

Over the last ten years, many local authorities have raised the eligibility criteria for individual packages of care so that only those with the most substantial needs are met.<sup>37</sup> In addition, the means test thresholds for local authority funding support have not been increased in line with inflation.<sup>38</sup>

Commentators are concerned that, as a result, increasing numbers of people are not having their care needs met. In addition, those not eligible for financial support can face potentially 'catastrophic' care costs of over £100,000, which they may have to sell their home to pay.<sup>39</sup>

There is no agreement about the overall level of unmet need, but research by Age UK, reported in November 2019, estimated that 1.5 million older people in England, 1 in 7 of the population aged 65 and over, were not getting the support they needed. It additionally estimated that by 2030 the figure could increase to 2.1 million "if the current approach to funding and providing care remains as it is today."<sup>40</sup> Further analysis published by Age UK in July 2020 estimated that 14 people a day exhausted their savings paying for care in the previous 12 months.<sup>41</sup>

In its [Budget Survey 2020](#), the ADASS reported that only 4% of respondents were fully confident that their budgets would be sufficient to meet their statutory duties in 2020-21 (down from 35% in 2019-

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<sup>34</sup> ADASS, [ADASS Coronavirus Survey 2020](#), June 2020.

<sup>35</sup> Carers Week, [Carers Week 2020 Research Report](#), June 2020, p10.

<sup>36</sup> Carers UK, [Caring behind closed doors: six months on](#), October 2020, p6.

<sup>37</sup> National Audit Office, [Adult social care in England: overview](#), HC 1102, 13 March 2014, Summary, para 9; King's Fund, [Adult social care funding and eligibility: our position](#), August 2019.

<sup>38</sup> For more information, see Library Briefing Paper 8005, [Adult Social Care: Means-test parameters since 1997](#), 15 April 2020.

<sup>39</sup> ['Alarming' rise in level of unmet care and support needs](#), Community Care, 16 February 2017

<sup>40</sup> Age UK, [The number of older people with some unmet need for care now stands at 1.5 million](#), 9 November 2019.

<sup>41</sup> Age UK, [A year on from the PM's pledge that no one would have to sell their home - 14 people are wiped out financially by care bills each day](#), 23 July 2020.

20).<sup>42</sup> In its later [Autumn Survey 2020](#), published in November 2020, this figure has risen to over 20%, but only 2% of directors were confident of being able to meet their statutory duties in 2021-22.<sup>43</sup>

### Care provider financial sustainability

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 were unlikely to be sustainable at the rates local authorities paid.<sup>44</sup>

The Care Quality Commission's (CQC) [State of Care 2019-20 report](#), published in October 2020, cited the CMA's report and noted that "many care homes are relying on higher prices charged to self-funders to remain viable, even when providing the same services." It added that, "in the absence of mitigating action, any further shocks to the labour market would be expected to increase the existing level of market fragility, place more pressure on local authority finances and possibly increase unmet care needs."<sup>45</sup>

The increased costs and reduced care home occupancy caused by the coronavirus outbreak have led to increased concerns about the financial sustainability of care providers. For example, the National Audit Office (NAO) report, [Readying the NHS and adult social care in England for COVID-19](#), published on 12 June 2020 stated that "falling income and rising costs could impact providers' financial resilience for some time to come."<sup>46</sup>

In its [state of care 2019-20 report](#), the CQC similarly stated that "challenges around staffing and not being able to accept new admissions meant that some providers were facing a shortfall in people using their services, putting the financial viability of some care homes at risk."<sup>47</sup>

The [ADASS Autumn Survey 2020](#) also suggested that "the risk of already fragile care markets failing has significantly heightened", with 80% of Directors "concerned about the financial sustainability of some residential and nursing providers since the Covid-19 outbreak."<sup>48</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

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<sup>42</sup> ADASS, [ADASS Budget Survey 2020](#), June 2020, p6.

<sup>43</sup> ADASS, [ADASS Autumn Survey 2020](#), November 2020, p11.

<sup>44</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>45</sup> CQC, [The state of health care and adult social care in England 2019/20](#), October 2020, pp22-3.

<sup>46</sup> NAO, [Readying the NHS and adult social care in England for COVID-19](#), 12 June 2020, p10.

<sup>47</sup> CQC, [The state of health care and adult social care in England 2019/20](#), 16 October 2020, p84.

<sup>48</sup> ADASS, [ADASS Autumn Survey 2020](#), November 2020, p6.

hospital admissions.<sup>49</sup> A lack of suitable care services can also delay hospital discharge, putting pressure on acute services.

Delays in discharging patients from hospital rose substantially between 2013 and late 2016. Delayed transfers of care increased by 82% between December 2012 and December 2016. The number of delays then fell between early 2017 and mid 2019 before showing a rising trend since July 2019.<sup>50</sup>

In February 2020 an average of 5,370 per day experienced a delayed transfer – the highest number since October 2017. Most delays (60 %) were attributable to the NHS, 30% were attributable to social care and the remaining 10% were attributable to both NHS and social care.<sup>51</sup> A detailed statistical analysis is provided in the House of Commons briefing paper CBP07281: [NHS Key Statistics: England](#).

In December 2020, the Institute for Fiscal Studies published a [paper](#) examining the impact of changes in adult social care spending on the use of public hospitals among the older population in England. The analysis found that:

...public long-term care spending cuts led to substantial increases in the number of emergency department (ED) visits made by patients aged 65 and above, explaining between a quarter and a half of the growth in ED use among this population over this period.

The report added, however, that there was “no wider impact on inpatient or outpatient hospital use, and consequently little impact on overall public hospital costs.”<sup>52</sup>

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<sup>49</sup> National Audit Office, [Adult social care in England: overview](#), HC 1102, 13 March 2014, Summary, para 2.22.

<sup>50</sup> NHS England [Delayed transfers of care data](#).

<sup>51</sup> NHS, [Delayed Transfers of Care Data 2019-20: Statistical Press Notice February 2020](#), 9 April 2020, p1.

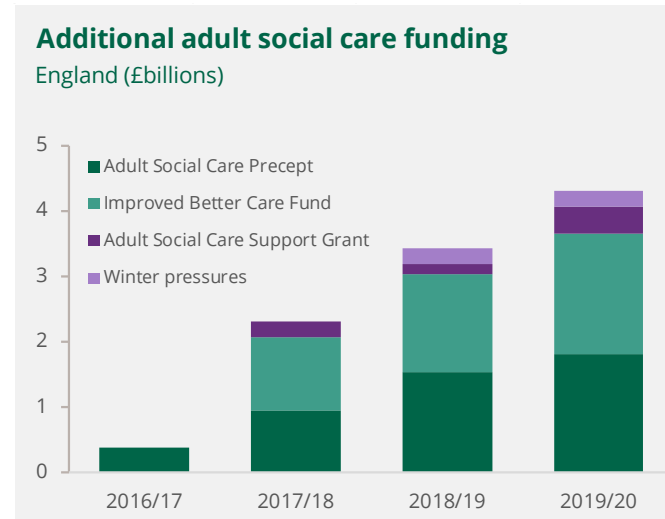
<sup>52</sup> Institute for Fiscal Studies, [Long-term care spending and hospital use among the older population in England](#), 7 December 2020.

## 3. Additional funding 2016/17 to 2019-20

### 3.1 Overview

In response to the funding pressures on adult social care services, the 2015 and 2017 Governments made a series of announcements committing additional, ring-fenced funding to adult social care in England between 2016-17 and 2019-20:

- **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>53</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>54</sup>
- **8 March 2017** - an additional £2 billion funding over the three years from 2017/18 through the improved Better Care Fund.<sup>55</sup>
- **6 February 2018** – an additional £150 million in 2018/19 for an Adult Social Care Support Grant.<sup>56</sup>
- **2 October 2018** – an additional £240 million in 2018/19 for social care packages to ease winter pressures on the NHS.<sup>57</sup>
- **29 October 2018** – an additional:
  - £240 million in 2019/20 for adult social care to alleviate winter pressures on the NHS;
  - £410 million Social Care Support Grant for local authorities in 2019/20 to support adult and children’s social care services.<sup>58</sup>



**Notes:**

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.

In 2019/20 the Social Care Support Grant can be used for both adults and children’s services.

**Source:** Ministry of Housing, Communities and Local Government, [Core spending power: final local government finance settlement 2019 to 2020 \(Supporting Information\)](#), 29 Jan 2018

<sup>53</sup> [HC Deb 25 November 2015 cc1363–1364.](#)

<sup>54</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>55</sup> HM Treasury, [Oral statement to Parliament - Spring Budget 2017: Philip Hammond's speech](#), 8 March 2017.

<sup>56</sup> [Written statement HCWS451 \[Local Government Finance\] 6 February 2018.](#)

<sup>57</sup> DHSC, [£240 million social care investment to ease NHS winter pressures](#), 2 October 2018.

<sup>58</sup> HM Treasury, [Budget 2018](#), HC 1629, 29 October 2018, paras 5.15-5.16.



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

## 3.2 The Social Care Precept

In the Spending Review and Autumn Statement 2015, the then 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 for each year between 2016/17 and 2019/20.<sup>59</sup> The money raised through the precept was required to be spent exclusively on adult social care.<sup>60</sup>

The Autumn Statement document estimated that the social care precept could raise nearly £2 billion a year by 2019/20 (assuming that all local authorities increased council tax by 2% each year for four years).<sup>61</sup>

### Bringing forward the social care precept

On 15 December 2016, as part of the English Provisional Local Government Finance Settlement 2017/18, the then Secretary of State for Communities and Local Government, Sajid Javid, announced that local authorities could, if they wished, 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 remained. Thus, if authorities made full use of the 3% precept in 2017/18 and in 2018/19, they were not able to use the precept in 2019/20.<sup>62</sup>

### Impact of the social care precept

The impact of the social care precept varies 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, in 2015 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>63</sup>

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<sup>59</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>60</sup> [HC Deb 25 November 2015 cc1363–1364](#).

<sup>61</sup> HM Treasury, [Spending Review and Autumn Statement 2015](#), CM 9162, November 2015, para 1.107.

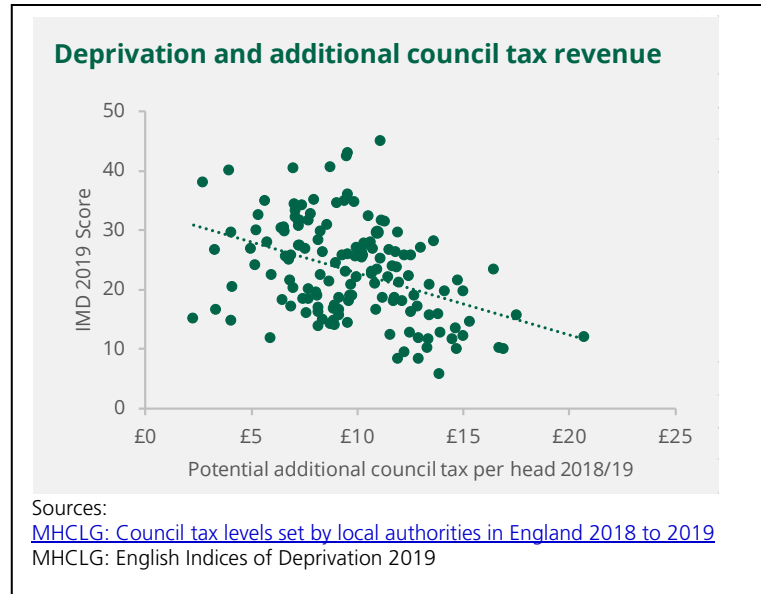
<sup>62</sup> Institute for Fiscal Studies, [How far do today's social care announcements address social care funding concerns?](#), 16 December 2016.

<sup>63</sup> Association of Directors of Adult Social Services, [ADASS responds to the 2015 spending review](#), press release, 25 November 2015.

The figure opposite shows the relationship between the potential additional council tax local authorities could raise from the adult social care precept in 2018/19 and the average Index of Multiple Deprivation (IMD) 2019 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.

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>64</sup> In 2019-20, 56% of local authorities utilised some or all of the precept. However, a number of authorities had reached the maximum level in 2018/19 and could not increase again in 2019/20.



### 3.3 The Improved Better Care Fund

The Government’s Spending Review and Autumn Statement 2015 made available additional social care funds, referred to as the improved Better Care Fund (iBCF) for local government of £105m in 2017/18, £825m in 2018/19 and £1.5bn in 2019/20, to be included in the Better Care Fund.<sup>65</sup> The distribution of the iBCF over the Spending Review was therefore “back-loaded”, with larger increases planned towards the end of the period.<sup>66</sup>

#### Box 2: The Better Care Fund

The Better Care Fund, announced in the Spending Round 2013 and introduced from 2015/16, 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>67</sup> It includes, among other components, a minimum contribution from NHS clinical commissioning groups, which was just over £4 billion in 2020-21. Areas are required to set out how they plan to use the pooled funding in jointly-agreed Better Care Fund Plans signed off by Health and Wellbeing Boards. This includes setting out how specified national conditions will be met.<sup>68</sup> Between 2017-18 and 2019-20 there were four national conditions:

1. Plans to be jointly agreed
2. NHS contribution to adult social care to be maintained in line with the uplift to CCG Minimum Contribution

<sup>64</sup> MHCLG Local Government Finance Statistical Release, [Council tax levels set by local authorities: England 2018 to 2019](#), 28 March 2018, p7.

<sup>65</sup> HM Treasury, [Spending Review and Autumn Statement 2015](#), CM 9162, November 2015, para 1.107.

<sup>66</sup> As above, para 1.111.

<sup>67</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).

<sup>68</sup> For more information see, HM Government, [2019-20 Better Care Fund: Policy Framework](#), April 2019; DoH & DCLG, [2017-19 Integration and Better Care Fund Policy Framework](#), March 2017.

3. Agreement to invest in NHS commissioned out-of-hospital services, which may include 7-day services and adult social care
4. Managing Transfers of Care: A clear plan for improved integrated services at the interface between health and social care that reduces Delayed Transfers of Care (DToc)

Beyond this, areas had flexibility in how the BCF was spent over health, care and housing, but needed to agree how it would improve performance in the following four areas: delayed transfers of care; non-elective admissions (general and acute); admissions to residential and care homes; and effectiveness of reablement.<sup>69</sup>

At the Spring Budget 2017, the Government announced an additional £2 billion funding for adult social care services in England over the next three years (2017/18 to 2019/20).<sup>70</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>71</sup>

### Allocation of the improved Better Care Fund

The allocation of the iBCF is designed to offset the varying capacity of local authorities to raise funds through the social care precept (see section 3.2 above) by using a methodology which provides greater funding to those authorities which benefit less from the additional council tax flexibility for social care. In short, the 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.<sup>72</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 would be 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 would be added to the existing iBCF funding and the total allocated using the iBCF methodology.<sup>73</sup>

The current adult social care relative needs formula has not been updated since 2013/14. The Government has carried out a 'fair funding review' which it intends to implement in April 2021.<sup>74</sup> The House of Commons Library briefing paper CBP07538: [Reviewing and reforming local government finance](#) provides further information.

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<sup>69</sup> HM Government, [2019-20 Better Care Fund: Policy Framework](#), April 2019; DoH & DCLG, [2017-19 Integration and Better Care Fund Policy Framework](#), March 2017.

<sup>70</sup> HM Treasury, [Oral statement to Parliament - Spring Budget 2017: Philip Hammond's speech](#), 8 March 2017.

<sup>71</sup> Ministry of Housing, Communities and Local Government, [Core spending power: final local government finance settlement 2018 to 2019](#) (Supporting Information), 6 February 2018.

<sup>72</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>73</sup> Department for Communities and Local Government, [The allocations of the additional funding for adult social care](#), 9 March 2017.

<sup>74</sup> Local Government Association, [2019 Spending Round: On the Day Briefing](#), 4 September 2019, p3.

### 3.4 The Adult Social Care Support Grant

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>75</sup> The 2017/18 grant was funded through savings from the New Homes Bonus scheme,<sup>76</sup> and was distributed according to the Adult Social Care Relative Needs Formula.<sup>77</sup>

On 6 February 2018, the then Secretary of State for Housing, Communities and Local Government announced an additional £150 million to continue the Adult Social Care Support Grant into 2018-19.<sup>78</sup>

In the Autumn Budget 2018, the Government announced an additional £410 million Social Care Support Grant for local authorities in 2019/20 to support adult and children's social care services.<sup>79</sup> Local authority allocations of the Social Care Support Grant in 2019-20 are available at: [Social Care and Winter Pressures Support Grant final allocations for 2019 to 2020](#).<sup>80</sup>

### 3.5 Funding to ease NHS winter pressures 2018/19

At the Conservative party conference in October 2018, the Secretary of State for Health and Social Care, Matt Hancock, announced that the Government would provide £240 million for social care packages in the winter of 2018/19 to support the NHS and help "get people who don't need to be in hospital...back home".<sup>81</sup>

The extra funding was aimed at reducing delayed transfers of care and would be allocated to local authorities based on the Adult Social Care Relative Needs Formula.

In the Autumn Budget 2018, the Government announced an additional £240 million in 2019/20 for adult social care to alleviate winter pressures on the NHS.<sup>82</sup>

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<sup>75</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>76</sup> See House of Commons Library briefing paper [The New Homes Bonus \(England\)](#) (SN05724) for further information about the New Homes Bonus scheme.

<sup>77</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>78</sup> [Written statement HCWS451 \[Local Government Finance\] 6 February 2018](#).

<sup>79</sup> HM Treasury, [Budget 2018](#), HC 1629, 29 October 2018, pp5.15-5.16.

<sup>80</sup> MHCLG, [Social Care and Winter Pressures Support Grant final allocations for 2019 to 2020](#), 29 January 2019.

<sup>81</sup> Department of Health and Social Care, [£240 million social care investment to ease NHS winter pressures](#), 2 October 2018.

<sup>82</sup> HM Treasury, [Budget 2018](#), HC 1629, 29 October 2018, paras 5.15-5.16.

Local authority allocations of the winter pressures funding in 2019-20 are available at: [Social Care and Winter Pressures Support Grant final allocations for 2019 to 2020](#).<sup>83</sup>

## 4. Additional funding from 2020/21

### 4.1 2020-21

#### Spending Round 2019

At the Spending Round 2019, the Government set out the additional funding that would be provided for adult social care in 2020-21:

- **An additional £1 billion grant** for adult and children's social care (local authorities to determine how to split their allocation between the two).
- The Government would **consult on a 2% Social Care Precept**, which it estimated would enable local authorities to access a further £500 million. This was confirmed in the local government finance settlement 2020/21.
- The **rolling-over of existing social care grants of £2.5 billion** into the 2020/21 financial year.<sup>84</sup>

The £2.5 billion of existing social care grants to be rolled over into 2020/21 comprised:

- £1.8 billion from the improved Better Care Fund.
- £240 million from the Winter Pressures Grant. The funding will no longer be ringfenced for alleviating winter pressures on the NHS but will instead be rolled into the improved Better Care Fund.
- £410 million from the social care support grant for adult and children's services. With the additional £1 billion, the grant would now be worth £1.41 billion.<sup>85</sup>

#### Budget 2020

At the March 2020 Budget, the Government stated that the additional £1 billion for adult and children's social care in 2020/21 (announced at the Spending Round) would be provided in every year of the current Parliament.<sup>86</sup> This followed a commitment in the Conservative Party's 2019 general election manifesto.<sup>87</sup>

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<sup>83</sup> MHCLG, [Social Care and Winter Pressures Support Grant final allocations for 2019 to 2020](#), 29 January 2019.

<sup>84</sup> HM Treasury, [Spending Round 2019](#), CP170, September 2019, p2, para 1.9 and p9, para 2.3; MHCLG, [Final local government finance settlement 2020 to 2021: written statement](#), 6 February 2020.

<sup>85</sup> King's Fund, [Five numbers to sum up the Spending Round for health and social care](#), 6 September 2019; MHCLG, [Local Government Finance Settlement 2020-21: Technical consultation](#), October 2019, p9.

<sup>86</sup> HM Treasury, [Budget 2020](#), 12 March 2020.

<sup>87</sup> Conservative Party, [Get Brexit Done: Unleash Britain's Potential](#), p12.

## 4.2 2021-22

### Spending Review 2020

At the Spending Review 2020, the Government announced £300 million of additional grant funding for adult and children's social care, on top of the £1 billion announced at the Spending Review and maintained in 2021-22.

It was additionally announced that local authorities would be able to levy a 3% adult social care precept in 2021-22. This, together with the £300 million grant funding would, the Government stated, give local authorities "access to over £1 billion of funding for social care."

The Spending Review also stated that £2.1 billion would be provided to local authorities in 2021-22 through the improved Better Care Fund. Further information is provided in a Government policy paper: [Better Care Fund: policy statement 2020 to 2021](#).<sup>88</sup>

In the longer term, the Spending Review document stated, "the government is committed to sustainable improvement of the adult social care system and will bring forward proposals next year."<sup>89</sup>

### Reaction

The LGA welcomed the additional funding for social care announced at the Spending Review but stated that "only £300 million appears to be genuinely new grant funding and is for both children's and adult social care. The social care precept", it added, "provides limited means to raise additional funding, but it is not sustainable; it raises different amounts of money in different parts of the country, is unrelated to need and adds an extra financial burden on households." The LGA also highlighted the uncertainty associated with a one-year settlement:

Adult social care faces cost pressures of £4.8 billion in 2021/22, including £533 million pressures arising just from COVID-19, which continue into 2021/22. And a one-year deal provides absolutely none of the certainty social care desperately needs to be able to plan for beyond the next twelve months. This will make it difficult for the NHS and local government to invest jointly in integrated services aimed at improving health outcomes, reducing health inequalities and increasing the resilience and wellbeing of our communities.<sup>90</sup>

Other stakeholders similarly welcomed the additional funding but questioned whether it was sufficient. For example:

- The **King's Fund** stated that the planned investment for adult social care was welcome but "falls a long way short of what is needed to meet the needs of service users, their families and carers, let alone reform."<sup>91</sup>

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<sup>88</sup> DHSC & MHCLG, [Better Care Fund: policy statement 2020 to 2021](#), 3 December 2020.

<sup>89</sup> HM Treasury, [Spending Review 2020](#), November 2020, paras 4.29 & 6.66-6.67.

<sup>90</sup> LGA, [Spending Review 2020: On-the-Day Briefing](#), 25 November 2020.

<sup>91</sup> King's Fund, [The Spending Review is 'unlikely to be enough to address health and care pressures': The King's Fund responds to the Spending Review](#), 25 November 2020. See also, King's Fund, [What does the autumn 2020 Spending Review mean for health and care?](#), 27 November 2020.

- **ADASS** stated that, while it was still examining the detail, “it seems as if the fragmented short-term funding announced by the Chancellor falls alarmingly short.”<sup>92</sup>
- **Care England** welcomed the additional funding but stated that “in comparison with the NHS and the challenges that the sector faces, this figure is too little and too late.”<sup>93</sup>

### 4.3 Coronavirus funding

The Government has announced significant additional funding to help the adult social care sector respond to the financial pressures caused by the coronavirus outbreak:

- On 29 March 2020, the Government announced £2.9 billion to strengthen care for the vulnerable.<sup>94</sup> This included **£1.6 billion of un-ringfenced funding for local authorities** to help them respond to any pressures they are facing in response to the Covid-19 pandemic, including “increasing support for the adult social care workforce.” The other **£1.3 billion was to speed up the NHS discharge process** so patients who no longer need urgent treatment can return home safely. The funding will cover the follow-on care costs for adults in social care, or people who need additional support, when they are out of hospital and back in their homes, community settings, or care settings.<sup>95</sup>
- On 18 April 2020, the Government announced **an additional £1.6 billion for local authorities across England**, to help them deal with the immediate impacts of coronavirus.<sup>96</sup>
- On 13 May 2020, the Prime Minister announced that the Government would provide an additional **£600 million for infection control measures in care homes**. The funding is intended to support providers in their implementation of the measures outlined in the Government’s support package for care homes – for example, minimising the movement of staff between care homes.<sup>97</sup> In September 2020, the Government announced that **the fund would be extended to March 2021 with an additional £546 million of funding**.<sup>98</sup>
- On 2 July 2020, the Government announced that it would provide **a further £500 million of un-ringfenced funding to local authorities** to help them respond to spending pressures.<sup>99</sup>
- In his statement on 12 October 2020 announcing the tiered system of Covid alert levels, the Prime Minister stated that the

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<sup>92</sup> ADASS, [ADASS Press Release: Spending Review](#), 26 November 2020.

<sup>93</sup> Care England, [Response to Spending Review](#), 25 November 2020.

<sup>94</sup> DHSC/ MHCLG news story, [£2.9 billion funding to strengthen care for the vulnerable](#), 19 March 2020.

<sup>95</sup> DHSC & MHCLG, [£2.9 billion funding to strengthen care for the vulnerable](#), 19 March 2020.

<sup>96</sup> MHCLG, [Government pledges extra £1.6 billion for councils](#), 18 April 2020.

<sup>97</sup> HM Government, [COVID-19: Care home support package](#), 14 May 2020.

<sup>98</sup> DHSC, [Adult social care: our COVID-19 winter plan 2020 to 2021](#), 18 September 2020.

<sup>99</sup> MHCLG, [Comprehensive new funding package for councils to help address coronavirus pressures and cover lost income during the pandemic](#), 2 July 2020; [HCWS333](#), 2 July 2020.

Government would provide an additional £1 billion to local authorities.<sup>100</sup> On 22 October the Secretary of State for Housing, Communities and Local Government, Robert Jenrick, announced that the £1 billion would include **£919 million in un-ringfenced grant for all local authorities** (a further £100 million would be used to provide support for public leisure services).<sup>101</sup>

- At Spending Review 2020, the Government announced that it expected to provide “over £3 billion” in additional support to local authorities **in 2021-22, including an additional £1.55 billion of grant funding “to meet additional expenditure pressures as a result of Covid-19”**. It stated that this would “support councils to maintain care services while keeping up with rising demand and recovering from the impact of Covid-19.”<sup>102</sup>

Further information is available in sections 4.1 and 4.1 of Library Briefing 8887, [Coronavirus: health and social care key issues and sources](#).

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<sup>100</sup> [HC Deb 12 October 2020](#), c24.

<sup>101</sup> [HCWS535](#), 22 October 2020.

<sup>102</sup> HM Treasury, [Spending Review 2020](#), November 2020, paras 4.10 & 6.65.



## 5. Select committee reports

### 5.1 Health and Social Care Committee inquiry into social care: funding and workforce (October 2020)

On 22 October 2020, the Health and Social Care Committee published a report on [adult social care funding and workforce](#). Noting that according to OECD data the UK spends less on social care than the EU-14 average, the report stated:

Successive governments have attempted to address local authorities' need for more funding for social care through a series of different, short term grants and funding mechanisms. However, despite numerous calls for this, to date there has been no long-term funding commitment for social care.<sup>103</sup>

The report set out the impacts of funding pressures in adult social care, including on levels of unmet need, on quality of care, on social care workers, and on the financial sustainability of care providers. It stated:

It is clear from the evidence we have heard that funding shortfalls are having a serious negative impact on the lives of those who use the social care system, as well impacting the pay levels of the workforce and threatening the sustainability of the care market. An immediate funding increase is needed to avoid the risk of market collapse caused by providers withdrawing from offering services to council-funded clients and focusing exclusively on the self-pay market.<sup>104</sup>

Noting that “the crisis in social care funding has been brought into sharp focus by the Covid-19 pandemic”, the report stated that “the starting point must be an increase in annual funding of £3.9 billion by 2023-24 to meet demographic changes and planned increases in the National Living Wage.” It added, however, that “further funding...is required...as a matter of urgency” to “address shortfalls in the quality of care currently provided, reverse the decline in access or stop the market retreating to providing only for self-payers.”

The report additionally recommended that the Government should publish a 10 year plan for social care:

Alongside such a long term funding settlement we strongly believe the government should publish a 10 year plan for the social care sector as it has done for the NHS. The two systems are increasingly linked and it makes no sense to put in place long term plans for one without the other. Failure to do so is also likely to inhibit reform and lead to higher costs as workforce shortages become more pronounced with higher dependency on agency staff. Reducing the 30% turnover rates typical in the sector will also require a long term, strategic approach to social care pay and conditions.<sup>105</sup>

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<sup>103</sup> Health and Social Care Committee, [Social care: funding and workforce, HC 206 2019-21](#), pp7-8.

<sup>104</sup> As above, pp9-12.

<sup>105</sup> As above, p15.

The final section of the Committee's report covered the longer term reform of social care funding. The report:

- "Strongly endorse[d] a lifetime cap on care costs", set at around £46,000 at a cost of around £3.1 billion by 2023-24.
- Stated that the Lords Economic Affairs Committee (see below) made "a persuasive case for the introduction of free personal care", which would cost around £5 billion a year.
- Recommended that "the starting point for the social care funding increase must be an additional £7bn per year by 2023–24 to cover demographic changes, uplift staff pay in line with the National Minimum Wage and to protect people who face catastrophic social care costs."

The report stated, however, that the additional £7 billion was only a starting point and would "not provide any improvement in access to care, which is urgently needed and would be improved through introducing free personal care." "The full cost of adequately funding social care" the report added "is therefore likely to be substantially higher than £7bn, potentially running to tens of billions of pounds."<sup>106</sup>

## 5.2 The House of Lords Economic Affairs Committee report on social care funding in England (July 2019)

The House of Lords Economic Affairs Committee published the report on its inquiry into [Social care funding in England](#) on 4 July 2019. The report concluded that social care is "severely underfunded" and recommended that the Government immediately spends £8 billion to "restore social care to acceptable standards" and introduces free personal care over a period of 5 years. On publication of the report the Chair of the Economic Affairs Committee, Lord Forsyth of Drumlean, said:

Social care is severely underfunded. More than a million adults who need social care aren't receiving it, family and friends are being put under greater pressure to provide unpaid care, and the care workforce continues to be underpaid and undervalued.

[...]

Fixing underfunding is not difficult. The Government needs to spend £8 billion now to return quality and access in the system to an acceptable standard. Fixing unfairness is more complicated, but the Government has ducked the question for too long. They need to publish a White Paper, not a Green Paper, with clear proposals for change now. We think that change should include the introduction of free personal care, ensuring those with critical needs can receive help with essential daily activities like washing, dressing and cooking.

Our recommendations will cost money, but social care should be a public spending priority. By 2023/24, the NHS funding will have

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<sup>106</sup> As above, pp32-33.

increased by £20.5 billion per year. This is more than the entirety of local authority adult social care expenditure.<sup>107</sup>

### 5.3 House of Commons Joint Committee report on the long-term funding of social care (June 2018)

The Housing, Communities and Local Government Committee and the Health and Social Care Committee conducted a [joint inquiry on the long-term funding of adult social care](#). The inquiry sought “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”. As part of the joint inquiry, the Committees commissioned a Citizens’ Assembly to consider the question of how adult social care should be funded long-term. The [Assembly’s findings](#) were published separately.

The [joint Committee report](#), published in June 2018, concluded that the social care system is under “unsustainable strain”, and “in its present state, the system is not fit to respond to current needs, let alone predicted future needs as a result of demographic trends”. The Committees called for additional social care funding:

Spending on social care needs to rise to: meet the funding gap for the provision of social care by local authorities in 2020; provide the additional funding to meet future demand; meet the care needs of everyone, whether critical, substantial or moderate; and to improve the quality of care delivered, which includes ensuring the stability of the workforce and care providers.<sup>108</sup>

The report concluded that a combination of different revenue-raising options would need to be employed, at both a local and a national level in order to raise the funds required. At the national level, the Committees recommended that an additional earmarked social care contribution, described as a ‘Social Care Premium’, should be introduced, to which employers would also contribute. To ensure generational fairness, it was proposed that those aged under 40 should be exempt from the Social Care Premium, and that it should also be paid by those over the age of 65.<sup>109</sup>

The Committees also recommended the establishment of a cross-party parliamentary commission to help build and maintain political consensus on difficult issues.<sup>110</sup>

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<sup>107</sup> The House of Lords Economic Affairs Committee, [Social care funding: time to end a national scandal](#), 7th Report of Session 2017–19, HL Paper 392, 4 July 2019

<sup>108</sup> House of Commons Health and Social Care and Housing, Communities and Local Government Committees, [Long-term funding of adult social care](#) - First Joint Report of the Health and Social Care and Housing, Communities and Local Government Committees of Session 2017–19, HC768, 19 June 2018, p3.

<sup>109</sup> As above, p4.

<sup>110</sup> As above, para 126.

## 5.4 Reports published before 2018

- House of Lords Committee on the Long-Term Sustainability of the National Health Service, [The Long-term Sustainability of the NHS and Adult Social Care](#), 5 April 2017.
- Communities and Local Government Committee, [Adult social care](#), 31 March 2017.
- Communities and Local Government Committee, [Adult social care: a pre-budget report](#), 4 March 2017.
- Health Committee, [Impact of the Spending Review on health and social care](#), 19 July 2016.

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