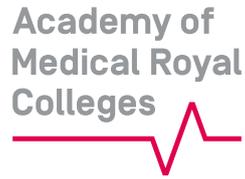


A CHINK OF LIGHT? TACKLING THE UNDER-FUNDING OF SOCIAL CARE

1.4 MILLION PEOPLE ARE LEFT
TO STRUGGLE EACH DAY WITHOUT
THE SUPPORT OF SOCIAL CARE



Health for Care is a coalition, led by the NHS Confederation, of 15 national health organisations.

We're calling for the government to deliver a sustainable social care system in England, backed up by a long-term financial settlement.

Find out more at
nhsconfed.org/healthforcare

**THE NUMBER OF OLDER PEOPLE NEEDING
PUBLICLY FUNDED SOCIAL CARE COULD
INCREASE BY 300,000 BY 2035 –
A 69 PER CENT INCREASE.**

This briefing looks to identify the factors that have been placing a strain on adult social care in recent years and what the future pressures could be. It analyses the anticipated adult social care funding gap in 2019/20, concluding that to maintain the status quo, the cash injection required is between £1.1 billion and £2.5 billion.

WHY NOW?

The need to reform the way adult social care is funded has never been greater – and momentum is growing at a national level to resolve the crisis.

WHAT'S OUR KEY MESSAGE?

This briefing looks to identify the factors that have been placing a strain on adult social care in recent years and what the future pressures could be. It crucially goes on to analyse the anticipated adult social care funding gap in 2019/20, concluding that to merely maintain the status quo, the cash injection required is between £1.1 billion and £2.5 billion.

This briefing underscores the urgency with which the government must make considered decisions about the future of social care, addressing the immediate needs of stabilising the provider market and keeping pace with a growing and ageing population. In the longer term, Health for Care is clear there needs to be a long-term settlement for social care that addresses the unmet and under-met needs and makes social care sustainable for the future.

BACKGROUND

Adult social care services are under significant financial pressure due to a growing and ageing population with increasing numbers of people with complex care needs. This situation has been exacerbated by reductions in government funding to councils and increased care costs. While local authorities have protected funding for social care by making cuts elsewhere and through tightening the eligibility criteria for people to access local authority funded social care, it is clear the system is still under immense strain and a funding solution is needed.

Although the need to place social care funding on a sustainable footing has long been recognised, successive governments have failed to grasp the nettle. The gap between needs and resources is widening, resulting in more unmet need, greater pressures on unpaid family carers, heightened risks of provider failure and a geographical lottery in access to care. Furthermore, in some areas a lack of suitable care provision is adding to pressures in the health service.

The previous Prime Minister's government committed to publishing a [green paper](#) setting out proposals to ensure the long-term sustainability of the adult social care system at "the earliest opportunity". However, we still await its publication under the new Prime Minister.

WHAT ARE THE PRESSURES?

WHAT ARE THE FUNDING PRESSURES FACING ADULT SOCIAL CARE?

According to the Local Government Association (LGA), the pressures on adult social care funding have been particularly acute since 2010. In a [local government finance survey](#) carried out in 2018, adult social care was the top long-term pressure for councils. These financial pressures are driven, in particular, by:

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

We will now go on to explore these pressures in further detail.

DEMOGRAPHIC PRESSURES AND INCREASING DEMAND FOR CARE

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

The previous Prime Minister's government committed to publishing a green paper setting out proposals to ensure the long-term sustainability of the adult social care system at "the earliest opportunity". However, we still await its publication under the new Prime Minister.

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 per cent between 2007 and 2017, while the number aged 85 or over rose by 25 per cent in the same period.

The Association of Directors of Adult Social Services (ADASS) [budget survey 2018](#) found the combined cost pressures relating to the increased numbers of older and disabled people needing care and support was around 3.3 per cent of the adult social care net budget for 2018/19 which was expected to be £18.6 billion. This equated to £448 million additional funding pressure in 2018/19. Notably, services for working age adults account for 58 per cent of the current demographic pressures on adult social care budgets, highlighting the higher costs associated with supporting working age adults, a group that is growing and which often requires care for their entire lives.

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 the number of older people needing publicly funded social care could increase by 300,000 by 2035; a 69 per cent increase.

LOCAL GOVERNMENT 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 for local councils has [fallen by an estimated 49.1 per cent](#) in real terms from 2010/11 to 2017/18. This equates to a 28.6 per cent real-terms reduction in 'spending power' (government funding, council tax and business rates). Funding reductions have increased pressures on adult social care services, which now constitute the biggest area of discretionary spend for local authorities with social care responsibilities (unitary and upper

tier councils) in England. Adult social care now accounts for over [40 per cent of local authority spending](#) (excluding schools).

The policy shift towards councils becoming financially self-sufficient, through council tax and business rates, means that [38 per cent of local social care spending](#) is now funded through local taxes. However, [according to the IFS](#), these will not keep pace with the rising costs and demand for services with the numbers of those needing care and the costs of providing that care increase quicker than the funding does. (Institute of Fiscal Studies 2018).

In recent years the NHS has increased its contribution to local social care budgets through the Better Care Fund. Encouraging councils and clinical commissioning groups (CCGs) to share resources to achieve integrated care is welcome, and councils have used this money in ways that have benefited the NHS. Delayed transfers of care from hospital due to social care reasons have [fallen by 39 per cent](#) over the last two years. But as NHS England's chief executive Simon Stevens has pointed out, combining two [leaky budgets](#) does not make a watertight solution. Robbing Peter to pay Paul is not sustainable or effective.

The government has injected additional resources into the system on top of the £16.5 billion for adult social care. They notably put an additional £2 billion in the 2017 budget, allowing councils to levy an additional 'precept' for social care and transferring resources from the NHS through the Better Care Fund. These measures have seen a small real terms increase in council spending since 2017 but they are piecemeal and short term and do not allow councils to plan ahead. The social care precept has also introduced some welcome new money, but raises the least money in places with the highest needs.

INCREASES IN CARE COSTS

There are several factors that we know are putting added pressure on the cost of social care now or will do in the near future. These include additional costs arising from inflation, the National Minimum Wage (NMW) and the introduction of the National Living Wage (NLW) for workers aged 25 and above.

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. The NLW rose again in April 2018 and to £8.21 in April 2019. The government intends for the NLW to reach 60 per cent 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.

Estimates of the financial impact of the NLW on social care costs vary. The LGA estimated 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. Using data from research by the Resolution Foundation, ADASS estimated the NLW and the NMW would create an additional funding pressure of £1.6 billion by 2019/20.

WHAT'S THE GAP?

WHAT IS THE FUNDING GAP FACING ADULT SOCIAL CARE IN 2019/20?

Several organisations have made estimates of the funding required for social care in this financial year 2019/20, and in some cases beyond. These estimates relied on different methodologies, including collecting data from public sector organisations, long-term projections of demand, surveys and financial analysis.

The estimates for the funding gap facing social care have variously sought to examine whether social care funding is correctly set to fulfil the following purposes:

- to stabilise the provider market
- to ensure current provision is maintained and keeps pace with future demand
- to maintain per capita levels of funding
- to meet locally determined levels of required funding.

Overall, to maintain the status quo, the estimated funding gap facing adult social care in England in 2019/20 ranges from £1.1 billion to £2.5 billion.

The LGA and The King's Fund, the Health Foundation and the Nuffield Trust all coalesced around a similar number, estimating there would be a funding gap of £2.5 billion in 2019/20.

To provide a more generous social care offer, or to widen access to adult social care, would require a greater injection of cash. This is reflected in the [funding gap estimates from IFS](#) which say £4 billion would be needed to return to 2009/10 levels of access and the [estimate from Age UK](#) that says £5.75 billion of additional funding would be required to provide care for every older person in England with at least one unmet care need.

The National Audit Office's letter to the Health Select Committee and Communities, Local Government and Housing Select Committee, joint inquiry into the long-term funding of adult social care highlighted the similarities between two comprehensive estimates made since the Spring Budget in March 2017. These estimates were made by the Local Government Association and a collaboration of The King's Fund, the Health Foundation and the Nuffield Trust, who both used similar methodologies and came to very similar figures – estimating there would be a social care funding gap of £2.5 billion by 2019/20.

Both of these estimates considered the increase in the need for care as a result of demographic change, policy changes like the roll-out of the National Living Wage and the additional funding necessary to stabilise the provider market.

The estimates made by the different organisations highlight how the generosity of the social care offer chosen for the future will make a big difference to the amount of money needed for social care.

While many of the estimates project funding needs based on what it would cost to meet the needs of an ageing population while maintaining service levels as they currently are, some of the estimates also reflect the different levels of provision that could be chosen. The table shows the higher costs associated with returning social care provision to earlier time periods, when social care was provided to a greater number of people or extending care to all those with one unmet care need.

Analysis of funding gap estimates 2019/20

DATE	SOURCE	ORGANISATION	ESTIMATE OF GAP	YEAR GAP APPLIES TO	BASIS OF ESTIMATE
November 2016	Pre-Autumn statement 2016 representation by the Association of Directors of Adult Social Services	ADASS	£1.1 billion	2019/20	Demographic, inflationary and other funding pressures on local authorities. (ADASS emphasises that the assumptions around demography were conservative.)
February 2017	IFS Green Budget 2017	IFS	£1.3 billion (low) £2.5 billion (high)	2019/20 2019/20	Gap if per capita spend was maintained at 2015/16 levels to 2019/20.
February 2017	Briefing: Health and care of older people in England 2017	Age UK	£5.75 billion £1.65 billion	2019/20 2019/20	Gap if per capita spend was maintained at 2009/10 levels to 2019/20. Amount needed to provide care to every old person with one unmet care need by 2020. Amount required to maintain current system for elderly people by 2020.
October 2017	Adult social funding: State of the nation	LGA	£2.3 billion	2019/20	Difference between current spending and spending assessed against demographic changes and provider pressures.
November 2017	The Autumn Budget: Joint statement on health and social care (2016)	The 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.

WHAT WILL THE FUNDING GAP BE OVER THE MEDIUM TERM?

Office for Budget Responsibility projection

Projected spending on social care assumes that current levels of service and eligibility are maintained. Under these assumptions, projected spending is estimated to reach £41 billion by 2033/34, with social care as a share of GDP rising from 1.1 per cent to 1.5 per cent. This implies an estimated social care funding gap of £8 billion by 2033/34.

Projected spending and funding gap for health and social care

		NHS STATUS QUO	MODERNISED NHS	SOCIAL CARE
2023–24	Spending in £ billion (2018–2019 prices)	186.0	195.4	28.8
	Spending as % of GDP	8.2	8.6	1.3
	Funding gap	£20 billion	£29 billion	£3 billion
2028–29	Spending in £ billion (2018–2019 prices)	215.1	232.4	34.2
	Spending as % of GDP	8.6	9.3	1.4
	Funding gap	£28 billion	£43 billion	£5 billion
2033–34	Spending in £ billion (2018–2019 prices)	248.7	277.6	41.5
	Spending as % of GDP	8.9	9.9	1.5
	Funding gap	£34 billion	£56 billion	£8 billion

Source: [Authors' calculations based on spending projections in chapter 3, OBR Economic and Fiscal Outlook March 2018](#) and [HM Treasury Public Expenditure Statistical Analyses 2017](#). Funding gap is calculated as the increase in spending (relative to 2018–19) as a share of GDP, expressed in 2018–19 terms.

WHAT'S THE SOLUTION?

In practical terms the government should consider extending the £2 billion of additional money announced in the 2017 budget so it is available beyond 2019/20.

STABILISING THE PROVIDER MARKET

In the short term, it is vital that councils have sufficient money to meet their statutory duties under the Care Act and to ensure the fees they pay to independent providers, who are responsible for over 90 per cent of services, covers their costs. The fragility of the provider market is a major threat to the availability and continuity of care – the biggest single reason why people are delayed in hospital is waiting for home care packages. Stabilising existing services should be an immediate and urgent priority in order to reduce the number of providers walking away from public contracts or becoming insolvent.

WE NEED THE GOVERNMENT TO MAKE A FAIR AND CONSIDERED DECISION ABOUT HOW SOCIAL CARE SHOULD BE FUNDED BEYOND MAINTAINING THE STATUS QUO

Every independent review over the last 20 years of how social care should be funded – [Sutherland](#), [Wanless](#), [Dilnot](#), [Barker](#) – has concluded the bulk of the resources required will need to come from public funding, through general taxation, some kind of mandatory social insurance scheme and/or redirection from other public funding such as universal benefits for older people. The choice of funding stream is a matter of political judgement. Each option and their costs have been thoroughly researched and costed.

As the Barker Commission concluded, higher public spending is affordable if phased in over time and hard choices about the funding options are faced up to. What matters now is for the government to make an explicit decision about a fair and sustainable funding mechanism and stick to it.

Political action to achieving long-term reform of social care funding will depend upon a much higher level of public awareness – of the likelihood that most of us at some point in our lives will have a care need, of how much good quality care costs and that under the current system those costs will fall heavily on the individual except for those with the highest needs and the lowest means.

Health for Care believes there needs to be the widest possible public debate and cross-party engagement about these issues. Politicians of all parties need to be honest with the public that they will have to pay more, one way or another, for what has become an essential 21st century service and to secure the peace of mind we often take for granted.

APPENDIX

SPENDING GAP ESTIMATES IN MORE DETAIL

THE KING'S FUND, HEALTH FOUNDATION AND NUFFIELD TRUST ESTIMATE

The King's Fund, the Health Foundation and the Nuffield Trust [published their estimate](#) in advance of the spending review in autumn 2016.

Their estimate included two components:

- an estimated increased cost for the National Living Wage of £600 million derived from the ADASS
- an estimated increase per year of 4 per cent in the costs of social care derived from an academic study done by Raphael Wittenberg and Bo Hu.

This analysis depends upon the use of the Personal Social Services Research Unit model. The researchers coded in assumptions about the future UK population and GDP based on 2015 data and arrived at this figure.

This estimate led them to assume a funding gap of £1.9 billion in 2017/18 and £2.3 billion by the end of this Parliament.

LGA ESTIMATE

In October 2017, the LGA suggested that local government as a whole faced a funding gap of £5.8 billion by the end of 2020. Its [most recent estimate](#) of the gap relating to social care was £2.3 billion in 2019/20.

Its calculation of the gap was made up of two elements: by the end of the period, there will be:

- a £1 billion gap attributed to 'core pressures of demography, inflation and the National Living Wage'
- a £1.3 billion gap required to 'stabilise the provider market' – this is the 'amount needed to close the gap between what social care providers say they need and what councils currently pay' – it is unclear from the report what methodologies were used to test or assess these claims.

The LGA also argued that the funding increases since the 2015 Spending Review have not been added into council's baselines and this means that the increases will not necessarily continue beyond 2020.

Other estimates were also made by other organisations including:

DIRECTORS OF ADULT SOCIAL SERVICES (ADASS) ESTIMATE

In advance of last year's Autumn Statement, [ADASS estimated](#) what it thought at that point was the funding gap. It calculated that the gap was £1.6 billion in 2017/18, £1.4 billion in 2018/19 and £1.1 billion in 2019/20.

ADASS break down of this figure:

- Drawing on the LGA/ADASS future funding outlook model which uses private sector pay growth assumptions to reflect the nature of workplace inflation. ADASS estimated that there would be demographic/inflationary impacts of £0.6 billion in 2017/18, £1 billion in 2018/19 and £1.5 billion in 2019/20.
- National Living Wage and National Minimum Wage effects of £1.1 billion in 2017/18, £1.3 billion in 2018/19 and £1.6 billion in 2019/20. These figures were calculated using data from the Resolution Foundation, which itself based them on the National Minimum Data Set for Social Care, 2015 workforce totals from Skills for Care and Office for Budget Responsibility economic forecasts in 2015.
- Deprivation of Liberty Safeguarding pressures of £0.2 billion each year. This estimate was based upon an estimate by the Law Commission that the annual benefit would be £176 million. (This is the high estimate of the annual benefit – the low estimate is £66 million).
- Reduced local government funding of £0.6 billion in 2017/18, £0.9 billion in 2018/19, and £1.1 billion in 2019/20. ADASS argued that as ‘local authorities spending power is estimated to drop by an average of 8 per cent’, there would be a ‘proportionate reduction in centrally funded local government spending’ ‘from adult social care budgets of 8 per cent’.

AGE UK ESTIMATE

Age UK [published an estimate](#) of the funding gap in February 2017. In its estimate, Age UK provided two figures. Firstly, Age UK argued it would take £1.65 billion to maintain services for elderly people at their current levels. Secondly, it estimated it would take £5.75 billion by 2020 to provide social care for elderly people with one unmet care need.

To arrive at this second estimate, Age UK examined the English Longitudinal Study of Ageing from 2014 to assess the unmet need for care, expanded this selection to the population as a whole and estimated the cost of assisting with different levels of need.

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