



# Funding Adult Social Care

**In research published this week, London Councils showed that the costs of caring for older people and people with disabilities are likely to rise considerably if the proposals made by the Dilnot Commission are implemented. This briefing summarises our research and proposals and calls for the urgent reform of adult social care funding to meet the rapidly rising costs for London's boroughs.**

## Overview

Last summer, the Dilnot Commission published its proposals for the future funding of adult social care. The Commission, chaired by economist Andrew Dilnot, examined the establishment of a new future funding system for adult social care. The government is yet to respond to the Commission's proposals, but it has been speculated that there is reluctance within the government to address the issue of future funding for adult social care during this spending review.

London Councils carried out research to explore the potential impact of implementing the Dilnot Commission's proposals on the future costs of providing adult social care in London. Our research, published in May 2012, focused on three of the proposals made by the Commission:

- capping individual life time contributions - the amount an individual contributes to their care - at £35,000
- increasing the means testing threshold - the savings level at which individuals must fund or part-fund their care - from £23,250 to £100,000
- providing free care and support for all children who become adults with a care need.

This briefing provides members with the key findings and recommendations arising from our research.

## Analysis

Council social care services are under double pressure as the population ages and as central government funding fails to meet the growing demand on services. Over the last 15 years, the NHS funding allocation rose by 110 per cent while the allocation for social care only rose by 70 per cent. The Dilnot Commission's analysis suggests that over the last four years, demand has outstripped social care expenditure by around 9 per cent.

**“Adult social care services are under pressure as central government funding fails to meet demand”**

Across the capital, a major and increasing share of borough funding is spent on adult social care each year. This is typically over one-third of the local authority's overall budget. Pressure on the adult social sector is likely to further increase as more of the population is expected to live longer. This will make it even more challenging for local authorities to deliver care at levels that they would like to, unless there is urgent reform to the way that the sector is funded.

London Councils carried out research analysing the potential impact of some the Dilnot Commission's proposals on the future funding requirements for London.

## Our findings

London Councils' research found that if a life time contribution cap was introduced at £35,000, the means testing threshold was increased to £100,000 and free care was provided to children becoming adults with care needs, then the costs of caring for adults with social care needs in the capital could potentially increase in real terms by £330 million within the first year. This represents an 11.4 per cent rise from the current £2.8 billion a year spending on adult social care to £3.16 billion. This figure could potentially rise to £3.44 billion by 2017 (if implemented in the current financial year). This could mean an average increase of £19 million per borough and a 21 per cent increase on current spending levels.

**The costs of meeting the proposals could cost each borough on average £19 million a year by 2017**

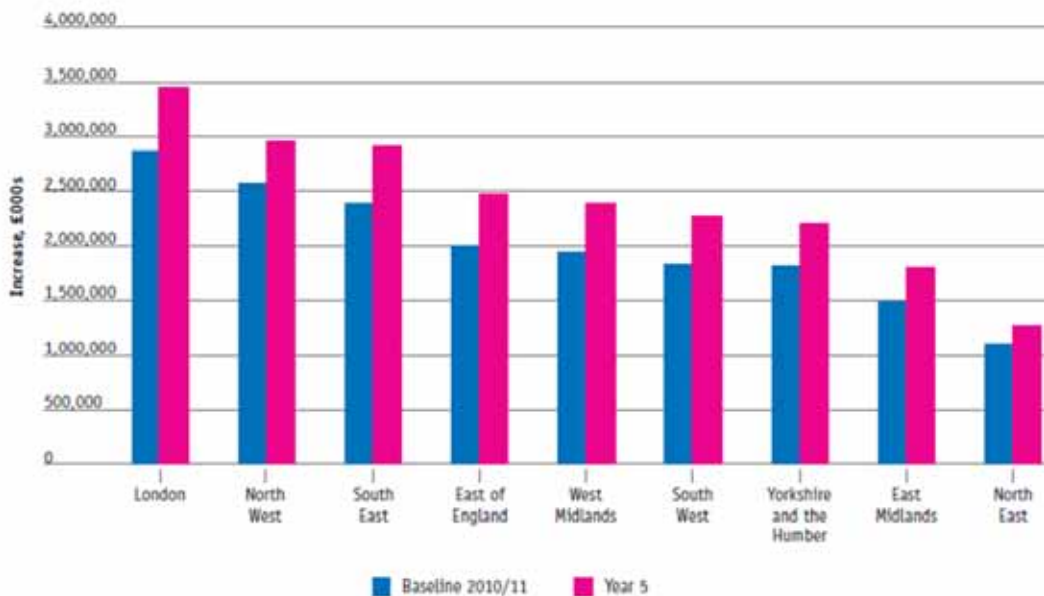
### How London compares to other regions

London Councils' research found that London's overall annual spend on adult social care services in 2010/11 was nearly 17 per cent above other regions and in the case of the North East region (which had the lowest spend), London's overall spend was at least 60 per cent greater. These differences remain consistent even when the impact of the Dilnot Commission's proposals are considered. These differences can be attributed to London's unique characteristics, which include:

- a unique demographic mix, with a higher proportion of older people aged over 90 and a higher proportion of older people living alone
- higher housing costs, resulting in fewer home owners in London and more people living in rented accommodation with fewer resources towards care
- higher costs of residential care due to local differences such as wages
- London spending 46 per cent per head above the England average on older peoples' social care, and 20.3 per cent per head above the average in England on younger adults' social care as a result of higher costs in the capital and higher levels of need.

The graph on the following page illustrates the minimum required spending by the different regions in England if the proposals are implemented. Over the next five years, London would potentially continue to require a bigger allocation of funding than the other regions, increasing from £2.8 billion to £3.44 billion in the fifth year of implementation.

## Overall projected adult social care spending if the Dilnot proposals are introduced



London Councils also tested the implications if not all the proposals were introduced at once and instead only one of the proposals was introduced.

### If only the means testing threshold were increased

Our research found that if the thresholds were set at £100,000, a minimum of an additional £286 million in the first year alone would have to be spent by local authorities in London. By the fifth year, an additional £413 million would have to be spent compared to what local authorities are currently spending.

### If only the life time cap contribution were introduced

The cost of introducing a life time cap at £35,000 could potentially be £600 million by the fifth year of implementation, while in the first year it would be £112 million.

If the life time contribution cap were set at £50,000, as recommended by the Local Government Association, it would cost £537 million to local authorities in London in the fifth year that this policy was in place.

If a higher life time contribution cap was to be set, such as at £60,000 as proposed by the Department of Health, then an additional half a billion (£498 million) would be required by local authorities in the fifth year of implementation and £37 million in the first year.

### If only the proposal on the provision of free care to children reaching adulthood with a care need were introduced

London Councils' research found that the cost of providing free adult social care to children who become adults with an existing care need will have little impact on overall cost pressures on adult social care. This is because the majority of children who become adults with an existing care need are already receiving free care and support, as they often do not have independent means of supporting themselves.

Although there may be some opportunities for income recovery in a limited number of cases, on the whole this proposal will have minimal impact on the overall requirements for the future funding of adult social care.

## Key recommendations

London Councils identified five recommendations arising from the research:

- London Councils would like to see any reform to adult social care funding reflect the unique funding pressures in London. Local authorities in England are diverse in their levels of need and the cost pressures they face. Any funding reform should continue to allow for a degree of local discretion in how identified care needs are met and should allow for regional differentiation that enables sufficient and equitable resources for the commissioning/provision of adult social care into the future.
- London Councils supports the introduction of a cap. If the life time contribution cap is to incentivise people to save towards their care, the cap should be set at a level people can afford to save.
- London Councils supports the introduction of a higher means testing threshold to put an end to the problem of pensioners having to raid their savings.
- It is difficult to assess accurately the exact impact on funding requirements that the introduction of the Dilnot Commission's proposals would have. Therefore in whatever way it decides to address this complex issue, the government should build flexibility into funding allocations to ensure local authorities are not left with a huge funding gap.
- The current system is under a lot of pressure. The government should ensure that any new system provides adequate levels of funding that will not only address the aging population but also offer long term stability to vulnerable service users.

## Commentary

London Councils is among those calling for an urgent overhaul of the funding system for adult social care. The government appears reluctant to address this issue: since the Dilnot Commission published its report last summer, the government is yet to commit itself to when it will respond to the Commission's proposals.

The draft Care and Support Bill announced in the Queen's Speech will not address the issue of funding and will instead focus on the modernisation of the legal framework for social care. It is also unlikely that the White Paper on Adult Social Care - due to be published soon - will tackle the issue of funding.

While it is important that the legal framework for adult social care is modernised, the issue of funding should be treated with utmost urgency. The costs of not acting are high. Cracks in the current system are beginning to show, with care packages being severely reduced in some cases. There are also growing concerns about the burden on informal carers and increased levels of anxiety and insecurity by the elderly and other vulnerable adults about their future care.

A good adult social care sector reduces pressure on the NHS. However, it will be difficult for all the required efficiency savings to be made without a properly resourced social care sector which can take the pressure off hospital beds through community based rehabilitation and support.

Though difficult and complex, the issue of how the adult social care sector will be funded in future needs to be urgently addressed by the government and should not be pushed into the next spending review.

London Councils will continue to explore further questions about the future funding of adult social care in detailed research which is being carried out by London Councils and working with Ernst and Young. The findings are set to be published in September and will explore business models and a range of ideas about ways of funding adult social care in the future.

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**Author:** Anastasia Lungu-Mulenga, policy and projects manager (T: 020 7934 9809)

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## Links:

[London Councils' full report on the impact of Dilnot](#)

[The Dilnot Commission's report on adult social care](#)

## This member briefing has been circulated to:

Portfolio holders and those members who requested policy briefings in the following categories: health and adult care