

Spending Review 2015

adult social care funding

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Introduction

London Councils represents London's 32 boroughs and the City of London. We believe local government is best placed to respond to the needs of its local residents and can help deliver the government's overall aims of deficit reduction, raising productivity and economic growth.

The Spending Review (SR15) will set the parameters of the public finances and related changes to public service delivery for the period 2016-17 to 2019-20. The past five years have seen unprecedented funding cuts to the sector: a trend likely to be repeated with austerity set to continue as the government aims to deliver a budget surplus by 2020. If services are to be maintained in a period of growing demand and spending restraint, an alternative approach to the status quo is essential.

London Councils has made a formal submission to the Treasury on the SR15, this separate paper focuses specifically on our asks around adult social care funding.

Adult social care provides vital and often very personal support to those with significant care needs and their families to live as full and independent lives as they can. This support also includes safeguarding of vulnerable adults from abuse and harm.

Although families and communities play an important role caring for friends and family members who need help, there are many adults who still need publicly funded care and support in their daily lives – in London in 2014/15 around 100,000 adults were supported by their council.

The provision of adult social care services takes up a substantial proportion of social care spending every year. In 2015/16 it is expected that over a quarter of London boroughs' non schools revenue expenditure (around £2.2 billion) will be spent to provide support to those people who cannot fully fund their own care.

The number of people who need adult social care services is rising and is expected to continue to rise – for example the number of new people who contacted councils regarding social services saw an additional 10,000 contacts in 2013/14 (a 4 per cent increase in London from 250,000 to 260,000 compared to 2012/13).

However, although demand for adult social services from councils has been increasing, local government has had large cuts made to their core budgets. Between 2011/12 and 2014/15 these have amounted to 44 per cent real terms cuts to core budgets and have had implications on local service delivery.

While demand for services has been going up, the number of people who have received services has reduced by 5 per cent¹ and is expected to continue to reduce over the next two years if funding available and budget cuts remain at current levels.

As the number of people receiving social care services has decreased, there has been growing concern that the number of people who have an unmet social care need has been rising.

In July 2014, Age UK estimated that there currently are over a million (1,040,000)² people in England between the age of 65 and 89 who have unmet social care needs, an increase of nearly 20 per cent on the number of people who had been estimated to have had unmet needs the previous year. Age UK's research helps to illustrate the extent to which the current system is failing to meet the true demand and need for adult social care services.

A further problem in the sector is that as demand for social care is increasing, the social care market is facing some of its biggest challenges. While the Care Act 2014 introduces a new duty on local authorities to ensure their local areas have sustainable high quality markets that offer a wide choice to service users, the duty comes at a time when the social care market is at its most unstable.

Both domiciliary and residential care providers are experiencing difficulties operating their businesses in the sector as financial sustainability has become a big challenge.

There is a danger that financially squeezing providers more could see many exiting the sector. Failures in the social care market can impact many people at a time of their lives when they require stability. The failure of Southern Cross³ for example impacted 750 care homes, and their 31,000 residents. In May 2015 Saga (one of the big providers of social care services in the country) put its Allied Healthcare business up for sale after having written its balance-sheet value down to nil.

Properly funding the sector is key in ensuring stability in the care market - which in turn offers greater security to the thousands of people who use services.

Furthermore, because social care does not operate in a vacuum, funding shortfalls and challenges in social care have implications on other parts of the health and care system.

Through their role in social care, councils help to support the NHS and to manage demand by preventing or delaying the need for health services. In recognition of this, NHS leaders are increasingly voicing concerns about the implications of the social care challenges on the health system and are also calling for social care to be properly sustained, as the level of demand for NHS services to some degree depends on the availability of social care services⁴. In a survey of NHS leaders (which included both providers and commissioners) 99 per cent said social care cuts are increasing pressures on the NHS⁵.

We believe that the Spending Review must be seized as an opportunity to address the challenges facing social care if health and social care are to remain sustainable over the next five years. For a sustainable health and care system the SR15 must therefore address the following issues:

- If councils are to meet their statutory obligations to support and meet the needs of vulnerable people, the SR 15 must commit to fully fund social care. At a minimum, the Spending Review must not only fund the additional pressures arising from increased demand, but must also fully fund the new burdens pressures. We have identified the total funding gap in 2019/20 to be over £900 million and a cumulative total of £2.4 billion over the period 2016/17 - 2019/20.
- With the implementation of phase one of the Care Act 2014, the reform of social care has already commenced. Government must now work with the sector to ensure that it is on a sustainable footing and ready to implement phase two of the Care Act 2014 by April 2020.
- Many of the challenges facing the social care sector are as a direct result of the sector's heavy dependency on the public purse. Government must work with the private sector to increase people's ability to contribute to their own care so as to ease the pressure and reliance on the state purse. The development of a national market for financial products that will provide people with choice and options for saving for their old age should be one of the priorities over this period.
- Government must set out a framework within which local government and health partners will be incentivised to make speedy and ambitious progress towards full integration by the end of the Spending Review period.

This briefing provides further background regarding the issues and challenges outlined above and the discussion has been divided into the following sections:

1. Fair funding for social care.
2. A fair system for all.
3. Integration in health and social care.

NHS Confederation on social care funding

The ability of the NHS to make unprecedented savings in this parliament relies on the government addressing the social care funding gap. Therefore, if the government chooses not to close the social care funding gap in the 2015 Spending Review, it will be choosing not to support the delivery of the NHS 5 Year Forward View. (NHS Confederation submission to the Spending Review, 2015)

Fair funding for social care

Securing a fair deal for social care is critical if social care is going to be sustainable in the long term. If the adult social care system is not properly funded, not only will the individuals who rely on boroughs' support be affected, but the knock-on implications for the NHS will undermine the ability to transform health services.

The future viability of adult social care must be addressed through the local government settlement in the Spending Review 2015. **London Councils estimates that in London in 2019/20 the funding gap could be more than £900 million if the current trend of funding and budget cuts continue.**

London boroughs have already demonstrated their ability and commitment to securing efficiency and value for money in the face of huge cuts and rising pressures on services over the last five years. Since 2010 local authorities have been working hard to be more efficient and effective while also improving social care outcomes for people. Over this period, councils in England have had ambitious programmes in place that have helped them to mitigate against budget cuts and have delivered £3.53 billion⁶ of savings.

Councils remain committed to making every pound of taxpayer funding count. However, it is vital in this Spending Review that this track record is recognised, not held against them, and that the government fairly and honestly addresses the real financial challenges facing the adult social care system.

A fair deal for social care in London needs to address the rising funding gap which is expected to rise from approximately £290 million in 2016/17 to over £900 million in 2019/20 (see the table below).

Table 1: Social care funding gap in London - 2016/17-2019/20*

Area of spend (£m) per annum	2016/17	2017/18	2018/19	2019/20
Estimated adult social care costs (inc new burdens costs as a result of pension changes, DoLs, NLW and the Care Act)	2,415	2,554	2,673	2,800
Estimated funding for adult social care over the next four years	2,125	2,052	1,973	1,889
Total adult social care funding gap that must be addressed in the SR per annum (estimated costs less estimated funding)	290 (900)	502 (1,700)	700 (2,500)	911 (2,900)

Efficiency Savings

The London Borough of Hackney has been able to meet its efficiency savings targets by changing the way they deliver social care, shifting from a paternalistic approach to one which promotes greater independence and manages risks with customers with minimal interference from the council. Hackney is aiming to save £20.6 million by the end of 2015/16, which is more than 20 per cent of their 2011/12 base budget.

In 2015/16 London boroughs are still expecting to make over £144 million savings from their net adult social care budgets.

Due to the success boroughs have had so far in achieving high efficiency levels, the scope for achieving similar high levels over this Spending Review period is much lower.

*Notes: 1. Calculations are based on 2 per cent efficiency savings in the first year, followed by 1 per cent efficiency savings in the following years
2. The cumulative funding gap in London by 2019/20 is expected to be £2.4 billion - 30 per cent of the LGA-projected funding gap of £8 billion by 2019/20
3. Figures in red are the expected funding gap in England based on the LGA's calculations.

Understanding the key drivers for social care spending in London

Demand for social care services is driven primarily by people with learning disabilities, physical disabilities, mental health conditions and older people. Although the older population living in London is smaller in percentage terms compared to the national average, there are higher levels of need for social care support among the other groups. For example, within London there are proportionally higher levels of mental health diagnoses; higher levels of adults registered blind or partially sighted; more adults receiving meals or receiving social care support throughout the year; and more older people receiving attendance allowance.

By 2019/20, London is expected to have a higher percentage share of growth amongst these groups and will therefore face higher a higher growth in funding pressure than other regions (see table below)

Table 2: Percentage change 2015-2020: London v England - key demographics⁷

	Estimated % growth 2015 to 2020			London's % share of England growth between 2015 and 2020
	London	Rest of England	England	
Total population	6.4%	3.1%	3.6%	28.0%
18-64 population	5.3%	0.7%	1.5%	60.5%
18-64 pop. with learning disability	5.3%	1.4%	1.5%	60.9%
18-64 pop. with physical disability	8.0%	3.7%	3.7%	32.9%
18-64 pop. with mental health condition	5.2%	1.4%	1.5%	61.1%
65+ population	9.6%	9.5%	9.6%	10.2%

The cost implications for having higher demand for social care are also worse in London because costs are higher in the capital than in other regions. An example is illustrated in the table below:

Table 3: Average unit cost per client type and type of care provided (PSS-EX1)

	2012/13		2013/14	
	London	England	London	England
Average cost (£) per week for adults	649	602	638	597
Over 65s	623	522	628	536
Learning disability	1,429	1,341	1,438	1,336
Mental health needs	798	731	789	753
Physical disability	945	840	976	850

Based on the expected increase in demand, the higher costs of care and factoring in inflation, we estimate that in London, the social care funding gap is estimated to be over £700 million per annum by 2019/20. However, these pressures will be compounded by the new burdens that councils will have to deliver over this Spending Review period.

At a minimum, the Spending Review must not only fund the additional pressures arising from increased demand but must also fully fund the new burdens pressures estimated to be more than £180 million by 2019/20. We have identified the total funding gap in 2019/20 to be over £900 million and a cumulative total of £2.4 billion over the period 2016/17 - 2019/20 (see table 1).

Social care depends highly on its workforce. It is important that the workforce is skilled, sustainable and effective in meeting the increasingly complex needs of people.

The new burdens that councils will be facing over the Spending Review period are primarily workforce driven pressures as a result of changes in a number of government policies – Care Act 2014, Pension Schemes Act 2015, 2015 budget announcement on the National Living Wage and the Supreme Court judgment on the Deprivation of Liberty Safeguards (DoLS).

The workforce related new burdens arising from these policies are outlined below:

1. National living wage - In July 2015, the Chancellor of the Exchequer announced that the UK government will introduce a compulsory minimum wage for all staff over 25 years of age and referred to it as the national living wage. Efforts by government to improve the conditions of the workforce are welcome, but unless fully funded the implications of this will exacerbate the pressures on adult social care.

In London there are over 185,000⁸ working in the sector, with 140,000 of these working as direct care workers. Six per cent of the workforce are under 25, meaning they are not entitled to receive the national living wage. Therefore, almost 174,000 workers in the sector will be paid at least the new rate of £7.20 an hour from April 2016.

Proposals for a new living wage will have significant cost implications on social care in London. The Local Government Association estimates that this policy could cost councils in England a minimum of £330 million in 2016/17, rising to £1 billion extra spent on adult social care by 2020. In London this could potentially be in the region of £170 million per annum by 2019/20. London Councils is carrying out more detailed analysis to illustrate the full implications of this new burden on local government in London.

Take into account pension changes – Every employer now has new legal duties to help their workers in the UK save for retirement. In social care the number of people receiving direct payments and personal budgets is increasing and more service users are hiring their own personal assistants. The pension changes mean that where a service user uses their direct payment to employ a personal assistant they will now be responsible for contributing towards that person's pension which will have implications on the overall cost of their care.

In London we estimate that these pension changes could mean an additional £13 million per annum, or a cumulative £44 million, by 2019/20 to the costs of social care in London.

Care Act 2014 - A National Audit Office report published earlier this year found that the Department of Health may have underestimated the demand for assessments that will have to be provided by councils under the Care Act. It is therefore important that any new duties under phase one of the Care Act (which began earlier this year) are not only fully monitored (we are aware there is some ongoing monitoring currently taking place) but that, where evidence illustrates delivery has exceeded the estimates that informed the allocations, additional funding must be provided to cover any gaps.

Additionally, the national minimum wage and the requirement to pay travelling time also has cost implications for social care. The Care Act 2014 guidance, says councils should assure themselves and have evidence that the providers they commission meet national minimum wage standards and this must include appropriate remuneration for any time staff spend travelling between appointments. We agree the national minimum wage and travelling time must be paid however, this is expected to further drive up the costs of social care which must be met in the Spending Review. London Councils is currently carrying out analysis to ascertain the cost implications of this change.

Lastly, while phase two of the Care Act 2014 has been delayed to April 2020/21, it is expected that councils will need to plan and prepare to implement phase two during April 2019/20. The Spending Review funding allocation for social care must take this into account.

The Deprivation of Liberty Safeguards (DoLS) – The Cheshire West Supreme Court judgement of March 2014 had the effect of dramatically increasing the number of people deemed to fall within the scope of what constitutes a deprivation of liberty. This has significantly increased the number of applications to local authorities to authorise such arrangements.

In London this equated to an additional £10 million in-year cost. Boroughs continued to meet their statutory responsibilities on DoLS despite the government's failure to provide any additional funding for these new burdens until the end of the year – when national funding of £25 million was announced.

The £25 million announced nationally for DoLS fell far short of the total councils used to implement the new measures and does not even begin to meet the costs that will be incurred by councils in the coming years. While the Law Commission's review of the whole DoLS process is welcomed it will be 2017 before their proposals are implemented. Funding of DoLS will therefore continue to be an issue for councils in 2015/16 and beyond and should therefore be addressed in the SR by including it in local authority baselines.

London's response to DoLS

- In 2014/15 in London the total number of DoLS applications made to boroughs increased from 1,009 in 2013/14 to 12,294 in 2014/15. This translates to an increase of 1,118 per cent compared to a national increase of 845 per cent.
- Through the year London has negotiated with universities for more courses and enabled more training to be available for their staff.
- Increased recruitment of experienced staff to help meet the increased demand.

With regards to the new burdens pressures we are calling on the government to:

- **Fully meet the new burdens pressures through the reallocation of funds that had initially been earmarked for phase two of the Care Act which has now been delayed until 2020. We estimate these new burden pressures at a minimum will be over £180 million per annum by 2019/20.**
- **Closely monitor phase one of the Care Act 2014 and commit to fully meet any identified shortfalls in funding.**

However, we acknowledge that funding is not the only challenge that the sector is facing. The sector has for several years been calling for reform so that it can be made more accessible to people. A fair system for all is discussed in the next section.

A fair system for all

The current social care system has been widely critiqued as being inadequate, unfair and unsustainable. Increasingly, fewer people are securing state support. The needs eligibility criteria for council-funded services has been tightening so that in most areas only those with very high needs now qualify for help (even the national eligibility criteria introduced by the Care Act 2014 benefits those with substantial needs excluding those with moderate or lower needs).

Furthermore, the current means testing threshold means that only those with very low savings and assets (less than £23,250) and/or who are on a low income can hope to get any support from their council that goes beyond information and advice.

The system needs to be reformed so that it is more accessible to people in need.

The role of phase two of the Care Act 2014 in the creation of a fairer system for all

In 2010 the Dilnot Commission put forward recommendations for making the funding of social care more sustainable and fair. The government welcomed the commission's recommendations and committed to deliver them. The capped system and the extension of the means testing threshold that were due to be implemented from April 2016 were key parts of this.

The introduction of these measures would have ensured that people in every income group were better off. More people would have been able to potentially benefit from state support firstly through extension of the means testing threshold from £23,250 to £118,000. Secondly, people would have benefited as when they reached their cap for care costs they would have been protected from what the commission called "catastrophic costs" of care. All these measures were outlined in the Care Act 2014.

While London Councils agrees that delaying phase two of the Care Act was the right decision, it is important that the next four years are spent in helping to put social care on a sustainable footing.

It is important that we do not lose sight of phase two of the Care Act 2014, as it will help many people who are currently excluded from accessing any support for their care needs. Alternatively the delaying of phase two offers the opportunity to explore other ways of making social care a fair system for all.

A core aspect of the Dilnot Commission's recommendations was an attempt to get a balance between what the state pays for care and what people contribute to their care.

Helping to make the system fairer by encouraging more people to save towards their care costs

As part of the Care Act 2014, the government has always said that they would work with the private sector to develop financial products that would encourage and help people to save for their social care needs in their old age.

A 2013 Ipsos Mori survey⁹ showed that three in five Londoners incorrectly believe they won't have to pay anything towards the costs of their old-age care. Fifty-eight per cent of Londoners believe that should they need to use care and support services in the future these will be free and fully funded by the state.

Furthermore, a separate survey¹⁰ earlier this year asked if people should pay into a dedicated "care pension" or insurance scheme to fund their care in old age, only 25 per cent agreed, while just 14 per cent said they would be willing to pay higher taxes to underwrite the social care system.

It is evident that there is little understanding among the public regarding the long term funding of social care - neither how they will individually fund their own care, nor how the state should fund it. Changing and influencing the mind-set of the public over the next four years should be a priority if the future funding of social care is to be fully reformed and if the dependency on the public purse is to be reduced.

The Dilnot Commission hoped that the cap would encourage people to save for their future care as they would have the assurance that they would not have to pay more than their identified cap. Many people however, are unclear as to how they can go about saving for their care and there is minimal support and products provided for this in the financial market.

To date, despite assurances from government that they are working with the financial sector to develop financial products, little progress has been made. Succeeding in increasing the number of people saving for their old age will also help to reduce the demand on the public purse. Government must therefore spend this period raising the awareness of people and developing insurance and financial products so that more people begin to save for their old age, especially as 67 per cent of men and 75 per cent of women in England will need some form of care at some point in their lives.

We are calling on government to:

- **Use the Spending Review period to work with the sector to ensure it is on a sustainable footing to implement phase two of the Care Act 2014 by April 2020.**
- **Ensure that the financial sector increases the number of financial products available to the public to assist them in saving for their old age.**
- **Through a national publicity campaign to raise the awareness of the public regarding the future costs of social care and what their role as individuals is to save for their old age.**

However, solving the crisis currently facing the sector cannot be addressed by social care working in isolation. Big questions still remain regarding integration and how social care can be better aligned with the NHS to help it mitigate against some of the pressures it is facing. This is discussed in greater detail in the next section.

Integration in health and social care

London's boroughs are committed to driving forward the integration of health and social care to help improve the health outcomes and experiences of people who use both systems and to make better use of increasingly squeezed resources across both sectors.

London Councils is supportive of full integration between health and social care and is calling for government to set out a framework that will enable health partners and local government to achieve this.

London Councils' principles for integration

Across the capital, the Better Care Fund has accelerated the pace and scale of integration through pooling budgets and aligning or jointly commissioning services, despite deep frustrations at shifting policy and huge bureaucracy.

London Councils has welcomed the commitment made in the Conservative manifesto and by the Minister of State for Community and Social Care¹¹ to continue to integrate health and care through the Better Care Fund.

In June 2015, London Councils published some core design principles for integration in 2016/17, these are outlined below:

- Requiring all local areas to submit, with their 2016/17 Better Care Fund plans, a roadmap of how they will move towards full integration within the life of this parliament. This should encompass deadlines for extensions of scope beyond the current primary focus on frail elderly, and milestones by which particular budgets will be brought into the pooled pot. It should also address how the development of integration at local levels will link into planning at other levels (eg in London with system resilience or local health economy plans at sub-regional levels).
- Making prevention and early intervention a mandatory component of every local plan from 2016/17; prevention should be in the heart of main stream commissioning and provision.
- Committing a proportion of the NHS £8 billion funding directly into the pooled budgets to support integration and transformation of out-of-hospital services and the mainstreaming of prevention and early intervention conditional on setting out and delivering against the local roadmap towards integration.
- Ending nationally mandated payment for performance targets, instead requiring locally agreed risk-share deals.
- Strengthening alignment of commissioner and provider plans - including by securing changes to the provider regulation model to be taken forward by the new NHS Improvement, to ensure that it takes account of wider system implications.
- Radically reducing the bureaucracy – slashing performance management and monitoring requirements, ensuring these are proportionate to risk, and moving swiftly towards a single process for all NHS spend rather than the proliferation of separate programmes each with their own monitoring requirements that we have seen over recent years.

Integration is a key component of the wider reform that will be required both to improve health and wellbeing outcomes and to also address the sustainability across both systems.

London Councils is calling on government for an early indication of the framework within which local partners will be incentivised to make speedy and ambitious progress towards full integration by 2019/2020.

London Councils has been working with the Mayor of London and NHS partners to develop a model for Health and care reform. While London partners are moving forward on this as fast as possible within existing powers we are also working together to negotiate devolution of powers and resources from government and national bodies to support, unlock and accelerate local work.

Endnotes

1. ADASS Budget Survey 2015
2. AGE UK (2015) <http://www.ageuk.org.uk/latest-press/invest-social-care/>
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6. ADASS Budget Survey (2015)
7. Office for National Statistics - Sub-national Population Projections; Institute of Public Care/Oxford Brookes University – Projecting Adult Needs and Service Information (PANSI) figures
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