1. **Introduction**

1.1 Care England is the leading representative body for independent care services in England. Our members provide a wide range of services for adults with care and support needs including residential and nursing settings, homecare, housing and community-based support. Our members also deliver specialist care home services such as rehabilitation, respite, palliative care and mental health services.

1.2 We would value the opportunity to present oral evidence to this inquiry as a leading voice in the social care sector with unrivalled access to care providers and unique understanding of the impact of the Spending Review on social care.

2. **The state of social care**

2.1 There is no doubt that the social care sector is dangerously underfunded: there have been 5 years of cuts to council-funded adult social care. The 2015 Association of Directors of Adult Social Services (ADASS) budget survey recorded that adult social care budgets have been cut by £4.6 billion since 2010: a reduction of 31%.

2.2 The underfunding of local government affects social care providers: local authorities can’t afford to pay the true cost of care, and so providers are forced to provide care with insufficient resources, or rely on the cross-subsidisation of self-funding clients to local authority clients to make ends meet.

2.3 In the interests of financial viability, some care homes are no longer taking local authority clients: this has caused the emergence of a worrying two-tier system, dividing those who can and those who cannot fund their own care. Some care providers are being forced to close care homes in areas where local authority rates are so low that care provision is no longer financially viable. This places enormous risk on their local care markets, the care sector as a whole, and individuals in their care. Care provider collapse could have a devastating impact on local economies.

3. **The future of social care demand**

3.1 Demand for social care is rising: it is predicted to increase by 44% by 2030. More people are living longer with more complex and long term conditions that require a higher level of expertise. Numbers of people living with multiple long-term conditions are predicted to rise 50% between 2008 and 2018.

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1 Based on information from the Office of National Statistics, the Centre for Workforce Intelligence has modelled growth in demand for adult social care over the next 15 years, to 2030. Their modelling shows in a rise in demand of 13% by 2018, 18% by 2020, 30% by 2025 and 44% by 2030.

3.2 In June 2015, the National Audit Office (NAO) reported on the first phase of the Care Act reforms, warning that that local authorities would face serious financial pressures as demand for care rises: ‘the Department’s cost estimates and chosen funding mechanisms have put local authorities under increased financial risk given the uncertain level of demand for adult social care.’ The NAO warned that this could mean councils ‘may not have enough resources to respond if, as could be the case, demand for care exceeds expectation. This could result in their having to delay or reduce services in the short term.’ This has been the reality across the country.

4. Funding continues to decrease

4.1 This year (2015/16), adult social care budgets will reduce by a further £0.5 billion.³ The Local Government Association (LGA) estimates that on top of historic underfunding, the funding gap for social care will grow by a minimum of £700 million a year. This will be exacerbated further by the introduction of the National Living Wage (NLW).⁴

4.2 The LGA and ADASS have projected that by 2020 there will be a £4.3 billion funding gap in the social care system.⁵ ResPublica has recently forecast that as a result, the sector will lose 37,000 social care beds before 2020/21.⁶

5. The National Living Wage

5.1 The introduction of the new NLW is an additional, unfunded, statutory cost threatening the sustainability of the social care market. The LGA estimates that the NLW will cost £330 million to implement across publicly-funded social care in 2016-17 alone and £1 billion by 2020.⁷ The Resolution Foundation estimates that the total public investment in social care required to meet NMW and NLW commitments are even higher, at £2.3 billion by 2020.⁸

5.2 Five of Care England’s largest corporate providers have calculated that the impact of the National Living Wage, regardless of existing underfunding, will be a workforce cost increase in 2016 of £18 per bed, per week. Modelling from these care providers shows that, of the 1157 homes they operate, 50% (579) will be rendered commercially unviable by implementing the NLW.

³ ADASS Budget Survey 2015 Report
⁴ ‘Spending Smarter: A Shared Commitment’, the LGA’s 2015 Spending Review submission, focuses on proposals to solve the adult social care funding crisis. It includes analysis showing the cost of introducing the National Living Wage, in terms of impact on residential and home care contracts, will grow to £834 million a year by 2019/20. A substantial increase in the number of people requiring DoLS assessments will cost £172 million
⁵ ‘Adult social care funding: 2014 state of the nation report’, Local Government Association and the Association of Directors of Adult Social Services
⁷ ‘National living wage to cost councils £1 billion a year by 2020/21’: LGA media release 13 July 2015
⁸ ‘As if we cared: The costs and benefits of a living wage for social care workers’ Laura Gardiner & Dr Shereen Hussein, The Resolution Foundation, March 2015
6. **The Comprehensive Spending Review**

6.1 On November 25th, The Chancellor announced that ‘a civilised and prosperous society like ours should support its most vulnerable and elderly citizens.’ We agree with this sentiment, but argue that the settlement for social care will not fulfil this ambition.

6.2 While health received an £8bn funding boost, £4bn of which is to be front-loaded, social care was disproportionately treated considering its importance to the NHS and our communities, receiving no direct or immediate funding increase.

6.3 The Chancellor announced that all local authorities will be able to raise council tax by 2% per year to fund social care. There is no guarantee that every local authority will increase the council tax by 2% and even if they do, it will not provide a consistent approach to funding care as the richest areas of the country collect a higher proportion of their revenue from council taxes, and the poorer areas of the country, where need is highest, will be disadvantaged by a postcode lottery.

6.4 Even if councils do enact their right to raise council taxes, there are no assurances that they will raise the full amount, every year, over the life of the parliament. Councils are under pressure from their electorate to freeze council taxes: last year, the average council tax increase was 0.9%, even when councils could raise taxes up to 1.9% without referendum. With no assurances, the Treasury has based its calculation (of £2 billion to the sector by 2020) on the premise that all councils will raise council taxes by 2% year-on-year.

6.5 The Chancellor also announced a £1.5 billion addition to the Better Care Fund, a mechanism about which the sector already has significant doubts: there is little evidence that any Better Care Fund money has gone to the front line of care. Care England demands a review of the Better Care Fund to ensure that the £1.5 billion announced reaches front line provision.

6.6 Care England has an early understanding that the Better Care Fund will be used to address the inconsistency of new funding from the council tax precept. To date, Care England has not been party to the Better Care Fund decisions. However, it is clear that this money will only begin to address discrepancies in distribution in 2017, due to the decision to back-load the BCF. This means that inequalities will still exist across the country. This also further complicates the aims of the BCF, which was previously designed to reduce delayed discharges from the NHS to social care.

6.7 Even if this money reaches the front line of social care provision, it will not do so until 2017, while local services are in dire need of additional funding now. Back-loading money for social care, while front-loading funding for the NHS, demonstrates a clear failure to understand the social care crisis and the interdependence of social care and the NHS. The recent ResPublica report has forecast that the underfunding of social care will cost the NHS £3 billion. At present, we wait with considerable apprehension to know more about this money’s distribution, and whether these pledges will represent new money for the sector.
6.8 From the preliminary CSR documents available, Care England understands that the BCF will be used to address unequal distribution of the 2% precept. This, however, presupposes councils are equally realising their rights to raise taxes. We are concerned that if councils know they will receive funding if they don’t raise taxes, this will discourage councils from using their powers to raise the full amount, and that the Better Care Fund will be drained by councils who face pressure to freeze council taxes, effectively denying the sector yet more funding, and rendering the settlement even less sufficient. We would like to have more details about the plans for, and distribution of, the Better Care Fund so that we better understand the process.

6.9 The Spending Review announced that the optional 2% council tax precept for social care, combined with the Better Care Fund injection, will be worth £3.5bn. However, the King’s Fund has calculated that this money will only bring £2.7bn, only by 2020, and only if every council raises the full amount of the precept every year. Crucially, this maximum amount is insufficient to plug the current funding gap, estimated at £4.3 billion by 2020.9 The independent Commission on the Future of Health and Social Care in England (the Barker Commission), called on government in 2014, and again before the CSR announcement, to spend between 11% and 12% of GDP on health and social care (combined) by 2025, in line with European averages.

7. The impact

7.1 Fewer people receiving state funded support: There will be an increase in numbers of older people, disabled people and their carers without any, or without sufficient support to meet their needs.

7.2 Age UK estimates that there a million older people who have difficulty with basic tasks of daily living such as getting out of bed, washing and dressing, but who receive no support. They predict that this number will increase further.10

7.3 In order to cope with the reduction in funding for adult social care, local authorities have reduced the number of people they are supporting. The number of people receiving social care services fell by a quarter between 2009/10 and 2013/14: from 1.7 million to below 1.3 million.11 This leaves at least 400,000 disabled and older people without care.

7.4 An unfair system: There will be an increasingly two-tiered system, whereby those that can pay for their care receive one level of care, and those reliant on state-funded care will receive care of a poorer quality. There will also be an unfair rise in cross-subsidisation, whereby self-funding clients are charged more to compensate for the inadequate rates paid for their state-funded counterparts.

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10 ‘Over a million older people struggling to cope at home with zero care’: Age UK analysis, July 2015
11 National Adult Social Care Intelligence Service
7.5 **Compromised care quality:** There are concerns about the quality of care: in CQC’s State of Care report, published in October 2015, 7% of services were rated inadequate. Safety was a significant concern: of those inspected by this date, a third required improvement for safety and 10% were rated inadequate for safety.

7.6 **Profound workforce problems:** It is estimated that 1 million more care workers are needed to meet the rising demand. Fair pay and conditions, professionalisation of the care sector and proper management of workforce supply is essential to ensure older and disabled people receive good quality, humane care. A shortage of staff leaves people vulnerable to abuse and neglect. The introduction of the NLW is welcomed by the sector as it is acknowledged that it is one part of improving quality, but without the necessary funding, any ambition to improve care quality and resolve workforce issues will fall flat.

Care providers are already struggling to fill vacancies. In response to the recent call to evidence from the Migration Advisory Committee for their review of nurses on the Shortage Occupation List, Care England conducted research to which 26 separate organisations responded, representing a total of 58,527 nursing beds and owning approximately 2,000 homes employing 8,900 nurses. We estimate this survey to represent 15% of the social care sector, a significant percentage. In response to our survey about the nursing shortage, 100% of respondents said they struggled to recruit nurses, the average reported vacancy length for a nursing role was 10 months, and respondents told us that they could wait as long as 2 years to fill vacancies.

7.7 **Care market fragility:** The market is increasingly vulnerable, and essential supply is under threat. The as-yet unfunded National Living Wage threatens a reduction in the number of care homes and home care providers. We know that 50% of the homes owned by five of Care England’s largest corporate providers achieve EBITDA returns below 5%, or are loss-making.

7.8 Investors are already de-investing from care services due to fears about sector sustainability, and care homes are closing as they are no longer commercially viable. If this continues, and worsens as ResPublica has forecast, there are serious implications for councils, who will not be able to deliver on their responsibilities towards market viability under the Care Act. Continued underfunding also threatens the successful delivery of the NHS Five Year Forward View.

7.9 **Burden falling to the NHS:** Health funding has increased by 5% in real terms from 2010/11 to 2015/16. Over the same period, social care funding has decreased by 10% in cash terms and 31% in real terms - taking demography and increasing complexity into account. Money transferred from the NHS will not make up for

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12 ‘The Future Care Workforce’, ILC-UK 2014
13 Based on the figures provided in our previous year’s submission quoting that the social care sector: ‘has around 17,000 care homes providing care for approximately 400,000 people, including 50,000 nurses’. It complicated to establish an exact figure, but 8,900 is 17.8% of 50,000; 58,527 is 14.6% of 4,000 and 2,000 is 11.8% of 17,000, so we have approximated to be 14.7% of the entire market.
14 ADASS Budget Survey 2015
spending reductions in social care budgets, especially as demand for health services continues to grow. There will be more people unnecessarily admitted to hospital, or be subject to delayed transfers to care, which will place increased pressure on the NHS.

7.10 Senior NHS leaders have already shared concerns about the funding for social care services to support people in greatest need. A survey of NHS leaders highlighted that 99% believe cuts to social care funding are putting increasing pressures on the NHS.

7.11 Care Act duties unfulfilled: As the Public Accounts Committee concluded in 2015, the objectives of the Care Act are being seriously undermined by the fact that the Government has not delivered enough money to secure the stability and fairness of the care market. What has been delivered by the CSR, and how it has been back-loaded, means it is simply insufficient to meet current, let alone future, needs. The impacts will be felt harshly by care users, the NHS and the wider economy.

8. In order to prevent the continuation, and worsening, of the impacts of insufficiently funding social care, this inquiry must demand information and encourage action from the Treasury.

8.1 This inquiry must ask what happened to the £6bn which was designated for the implementation of the care cap. The Dilnot reforms were postponed due to local government complaints that the sector was too badly under-funded to cope with the care cap, but none of the money earmarked to implement it was re-invested in the sector to address the underlying problems, and historic underfunding. The Barker Commission of 2014 recommended that the £6 billion earmarked for the Dilnot reforms over the Spending Review period should be used to stabilise the social care sector.

8.2 This inquiry must ask how can we ensure that the 2% annual council tax precept for social care delivers new money, enough to ensure quality and available social care, and is distributed equally around the country. Its findings must urge all councils to raise the full amount across the life of the parliament and ask who will monitor this and what action will be taken if councils do not use their powers to implement the social care precept.

8.3 This inquiry must determine how can the dangerous back-loading of the BCF be counteracted, and how can the BCF be re-written to involve the key social care stakeholders in its design, and reach the frontline of care provision.

8.4 This inquiry must ask what steps can be taken, given the wider spending review settlement for local government, to support councils to address their shortfalls, which lead them to pay care providers an amount not representative of the true costs of care.
8.5 This inquiry must ask how the Treasury believe they have properly funded the National Living Wage and additional pressures, and how the Treasury will support the social care sector to foot the NLW bill, estimated at between £1bn and £2.3bn.

8.6 Care England would like to restate the desire of our Chief Executive, Professor Martin Green OBE, to give oral evidence to this inquiry, which could not be more pertinent for our members and the sector we represent.

18 January 2016