Executive Summary

- Adult social care is critical to the health and wellbeing of older and disabled people, their carers, families, and our communities at large but the sector enters this Spending Review period in a perilous financial position.

- ADASS, and sector partners, urged the chancellor to grasp the key opportunity to tackle the underfunding of adult social care within the 2015 Spending Review. We welcomed the fact that the pressures on adult social care were acknowledged but we are clear that the response is "too little and too late".

- Uncertainties remain but spending is likely to be broadly flat in real terms over the parliament, despite rapidly increasing demand for care and support.

- Even with the most optimistic assumptions, the funding gap will reach at least £1bn by 2019/20. Other credible sources, such as the Nuffield Trust, The Health Foundation and the King’s Fund, put this at a much higher figure.2

- The full benefit of the new money will not be felt until the end of the decade, but services supporting older and disabled people are at breaking point right now in many areas.

- There is a very real risk that, over the next 2 years in particular, a significant number of councils will find themselves in real financial difficulties that will be impossible to resolve. This will have serious consequences for the quality and availability of care for older and disabled people.

- Continued underfunding in social care will also undermine the sustainability and prospects for transformation of the health system.

Social care funding: distribution, impact, deficits, and efficiency savings

1. Adult social care is critical to the health and wellbeing of older and disabled people, carers, families, and our communities at large. Our members provide and organise services for some of the most vulnerable people with a range of very complex needs. We also have a responsibility to ensure that care is safe and of the right quality, ensuring that people are protected from abuse. Achieving this requires a fair and sustainable funding settlement for adult social care.

2. Local authorities have shouldered more spending cuts than the rest of the

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public sector. During the life of this Parliament, core funding for local government will have reduced by 40 per cent in real terms\(^3\). Adult social care is the largest single budget within the control of local government so it was inevitable that significant savings would have to be made from within adult social care.

3. These major efficiency savings amounted to £4.6bn per annum by 2015/16 – or 31%.\(^4\)

4. Councils have already acted to protect adult social care – the proportion of local government spending on adult social care rose from 30% in 2010/11 to 35% in 2015/16\(^5\)

5. Further information from the ADASS Budget survey shows that opportunities for genuine efficiencies are now scarce as councils struggle to meet their statutory obligations.

6. A squeeze on provider fees has come to a natural end - only £32 million of efficiencies will be found through this route (just 3% of overall savings) in 2015/16.

7. 28% (£228 million) of 2015/16 efficiency savings were reported as ‘reducing volumes of care packages’ by councils.\(^6\) In reality, these are further reductions in the level of care for older and disabled people (in addition to the £192 million cuts reported).

8. ADASS intelligence suggests that councils are heading for a £251 million overspend in 2015/16 so we enter the spending review period already in deficit. This will decrease reserves necessary to ease the pressure of a back-loaded settlement.

9. Social care will benefit from new sources of additional funding and ADASS welcomes this acknowledgement from government of the severity of the pressures which adult social care faces.

10. We acknowledge that new funding will make a partial contribution to addressing the growing gap in funding. Ahead of the SR announcement LGA/ADASS warned of a minimum gap of £700 million a year on average (though this did not include the full impact of the National Living Wage).

11. We also welcome the aims of the proposed mechanism to distribute the additional funding for adult social care. Nevertheless, this is a complicated settlement and there remain issues of distribution for individual councils.

**New funding items**

\(^3\)Local Government Association: Adult Social Care Funding 2014  
http://www.local.gov.uk/documents/10180/5854661/Adult+social+care+funding+2014+state+of+the+nation+report/e32866fa-d512-4e77-9961-8861d2d93238


\(^5\) Ibid.

\(^6\) Ibid.
12. The council tax precept for adult social care will allow councils to raise council tax by up to 2 per cent each year. The Government’s own figures show that the potential benefit of the new 2% precept flexibility is £1.8 billion, not £2 billion.\(^7\)

13. This optimistic projection is based on the assumption of take-up by all councils, to the full amount of 2%, ever year of the SR period. Furthermore, this also involves raising the base council tax every year.

14. At this stage it is impossible to say how many councils will use this flexibility but this will be a local political decision, and our early intelligence suggests that the take-up will certainly be less than 100% in the first year.

15. We need to ensure that 100% of the money raised by the precept is spent on adult social care. ADASS has proposed that statutory directors of adult social services must, alongside section 151 officers, sign-off that money raised will be used in this way.

16. The additional improved Better Care Fund money is heavily back-loaded to arrive late in the SR period, with no extra arriving in 2016/17, rising to £1.5bn in 2019/20.

17. So total additional funding by 2019/20 will in reality be **£3.3 billion** at the very most.

**New Pressures**

18. Analysis of Treasury and Office for Budget Responsibility (OBR) figures shows that central government grant to local government will fall by 56% (£6.1bn) by 2019/20.

19. Local authorities’ overall spending power is estimated to drop by an average of 8%\(^8\)

20. We assume that a proportional reduction in centrally funded local government spending will have to be made from adult social care budgets of 8% (£1.1bn) by 2019/20. This is a complex picture as councils’ circumstances will vary.

21. Demographic demand growth and inflationary/wage pressures will be at least £1.5bn a year by 2019/20.

22. This figure is drawn from the LGA/ADASS future funding outlook model used pre-SR with private sector pay growth assumptions substituted to reflect the true nature of the care workforce.


23. **This is a conservative estimate.** Calculating the demographic growth element using the recently published, sophisticated projections from the Personal Social Services Research Unit at LSE, as the King’s Fund have done⁹, would give a figure well in excess of £2bn.

24. The National Living Wage is welcome in principle. It is difficult to predict precisely its impact as the costs will be incurred directly by providers and passed through to the council as increased fees.

25. In the light of further research by the Resolution Foundation¹⁰ on National Living Wage (NLW) and associated National Minimum wage (NMW) pressures, our figure (for England only and for the period ending 2019/20), comes to £1.6bn. This is further broken down as £1bn for the NLW and a £600m to meet NWM.

26. The Law Commission described new additional and recurring Deprivation of Liberty Safeguards (DoLS) pressures of £176m¹¹. Evidence from councils suggests this is conservative.

27. Some of the funding earmarked for preparation for the Care Act 2014 will be included in the baseline for calculating Revenue Support Grant (rising to £513.9 million in 2019/20) but the sector called for the entirety of the £6 billion earmarked funding for phase two of the Care Act 2014 to be reinvested into the social care system and this was central to the call for a delay to phase two in the first place.

28. These funding and pressure figures, summarised (in £bn) in the table and the section below, leave an **unfunded pressure of at least £1.1bn** by 2019/20 with a gap of at least £1.4bn in 2016/17 and of £1.6bn in 2017/18.

29. In a scenario where only 50% of councils were able to raise the precept for all four years, this would be nearly £2bn.

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<td>Reduced local govt. funding (proportional savings in social care)</td>
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**GROWING FUNDING GAP (£bn)**

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Our derivation of the gap and consequences

30. The Government has argued that the resources available to adult social care will increase over this Spending Review period. In so far as this relates to cash spending on adult social care we accept this point (and the assumptions that underpin it).

31. However, there are a number of other factors that must be taken into account which demonstrate that the financial pressures on adult social care will worsen during this Parliament especially in the next 2 years. The major issues are as follows:

32. As the financial assumptions supporting the Spending Review make clear, the cash increase in resources will only happen if all councils take up the 2% precept for adult social care not only next year but the subsequent 3 years, and to the full amount.

33. For this to happen, council tax bills will rise by up to 17% over that period, whilst inflation is expected to be around 7%. There is no certainty that all councils will make use of the 2% adult social care precept next year; there is even greater uncertainty that all councils will be prepared to have an inflation busting increase in every single one of the next four years.

34. Assuming they all do pursue this, most of this extra resource (£1.8bn) will be swallowed up funding the costs of the implications of the National Living Wage (£1.6bn).

35. In addition, councils will have to pay for the costs of further demographic pressures over that period which we estimate to be £1.5 bn.

36. There are other known pressures such as the increased spending on DoLS. It is likely that other (currently unknown) pressures will emerge over this period.

37. The inescapable conclusion is that, if we accept the argument that both the NLW and reductions in Local Authority Spending Power are funded, there is no funding for inevitable demand pressures.

38. In total we estimate that the further savings from adult social care over the next four years will amount to £1.1bn per annum by 2019/20 and potentially be as high as the £2.8bn lower figure estimated by the King’s Fund.

39. Whilst the savings required over the next five years may be smaller in absolute terms of scale than over the last parliament, they will be much harder to find given that the most straightforward savings were delivered in the last Parliament and cannot be repeated.

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40. There is a very real risk, therefore, that over the next 2 years in particular a significant number of councils will find themselves in real financial difficulties that will be impossible to resolve. The consequences for service users, carers, and the NHS are difficult to imagine but they will not be consistent with the vision for adult social care set out by the sector or by the Department of Health.

Implications for quality and access in care, providers, the NHS, and impact on transformation and integration

41. As set out by ADASS and partners ahead of the Spending Review, the signs of a sector in crisis were already readily apparent and are now set to worsen.

42. Last year, the Care Quality Commission (CQC) rated 41% of care providers in England as either ‘inadequate’ or ‘requires improvement’, citing cuts to local authority budgets as one of the factors placing adult social care under pressure and creating issues around the sustainability of provision.\(^\text{13}\)

43. We have witnessed many signs of fragility in the care market and essential supply compromised, with some providers making strategic decisions to exit the market. A ResPublica report from November 2015, *The Care Collapse*, projects a loss of 37,000 care beds within five years as funding fails to meet demand.\(^\text{14}\)

44. A majority of directors of adult social services report that providers are facing financial difficulties now. A new report from Local Government Intelligence Unit (LGIU)\(^\text{15}\) found that 77% of councils had experienced some kind of provider failure in the past year. This included 63% of councils having at least one failure in residential care, 48% in domiciliary care; 5% had a provider failure in specialist care.

45. A UK Home Care Association (UKHCA) survey found that 93% of providers with council-commissioned services had faced a real-terms decrease in the price paid for their services in the last 12 months. Over the next year, 74% said they would reduce the amount of publicly funded care they delivered.\(^\text{16}\)


46. Up to a million more care workers will be required by 2025\textsuperscript{17} at a time when the social care labour market is growing increasingly complex. The sector is experiencing increased competition for labour already paid at National Living Wage levels, especially from the retail sector\textsuperscript{18}. This situation is compounded by a shortage of nurses in health and care and high staff turnover.

47. As more people live longer with multiple long-term conditions and the general population ages, increasing numbers of people will need care and support.

48. Between 2001 and 2015, the number of people with a limiting long-term illness increased by 1.6 million (16\%) and the number of people aged over 85 is expected to double from 1.3 million in 2015 to 2.9 million in 2035\textsuperscript{19}.

49. Yet, whilst satisfaction rates for those who accessed care have been sustained, at least 400,000 fewer disabled and older people are getting publicly funded help and people’s needs are growing more complex (including the need for safeguarding from abuse and neglect).\textsuperscript{20}

50. Family and carers are being expected to shoulder some of this burden but Census figures show that the number of people caring around-the-clock is already growing rapidly; there has been a 25\% increase in the number of carers providing 50 or more hours a week of unpaid care in just 10 years.\textsuperscript{21}

51. Unmet need also risks people simply requiring more intensive (and costly) social and health care further downstream. Adult social care makes a vital contribution to the sustainability of the NHS. It has a key role in mitigating demand on acute care. Insufficient social care will put people’s health, safety and wellbeing at serious risk and place increasing pressure on the NHS especially during periods of peak seasonal demand.

52. A survey of NHS leaders highlighted that 99\% believe cuts to social care funding are putting increasing pressures on the NHS as a whole.\textsuperscript{22}

53. The proportion of delayed transfers of care attributable to social care have increased over the last year from 26.7\% to 31.1\% and October 2015 saw record levels of delay days.


\textsuperscript{18} For example, seehttp://www.bbc.co.uk/news/business-34281559

\textsuperscript{19} ONS 2012-based principal population projections for England


\textsuperscript{22} NHS Confederation member survey, June 2015
54. We welcome the Government’s commitment to integrate health and social care across England by 2020 and the acknowledgement that it will be up to local areas to agree how best to integrate health and care services, in order to better co-ordinate care on a partnership basis and with the aim of increasing the proportion of investment outside of hospitals.

55. Health funding increased by 5% in real terms from 2010/11 to 2015/16, whilst adult social care funding decreased by 31% in real terms over this same period. None-the-less, some ADASS members have reported that pressure on NHS commissioners and providers has led to CCGs reducing the level of support for social care through the Better Care Fund.

56. The gap in funding for social care in this SR, especially in the particularly difficult early years of the settlement, risks undermining the investment in the NHS.

57. This has recently been publicly acknowledged by Simon Stevens, Chief Executive of the NHS: “Without urgent attention being given to the pressing issue of social care, the inadequacy of local provision would keep having a big impact on hospitals, GP surgeries and other health services.”

58. ADASS has supported the NHS Five Year Forward View and its strong focus on prevention yet, despite 73% of Directors of Adult Services reporting this is of high importance, overall funding pressures resulted in a decrease in planned spend on adult social care prevention services from £937 million in 2014/15 to £880 million in 2015/16, a 6% reduction in cash terms.

59. Public Health funding was cut by £200 million in-year in 2015/16. To deepen the difficulties facing councils, funding will be further cut by 9.6% between 2016/17 and 2020/21, £331 million in cash terms.

60. According to Dr Andrew Furber, President of the Association of Directors of Public Health: “The proposed cuts to local authority public health grants will have a negative impact on the work of Directors of Public Health and their ability to improve their local communities' health & wellbeing and to reduce health inequalities. Work on prevention and early intervention is also as vital in delivering the future security of the NHS.”

61. Councils, alongside the NHS will play a vital role in achieving the national ambition of parity of esteem for mental health. So the shortfall in council funding already described will also have an attendant impact on mental health services (the NHS, by contrast, has received an additional £600m investment in mental health services).

26 January 2016

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