Written evidence submitted by the County Councils Network [FSC 118]

Summary

- A sustainable approach to funding social care must be multi-faceted and seek to channel new and additional funding into a system that is already under significant strain.

- Social care reform must be viewed in tandem with the Government's Fair Funding Review and ensure that funding is fully aligned to need. This must be underpinned by a simple 'cost-drivers' approach, which for social care must relate to population, in particular those aged over 65, 75 and 85.

- Government must review the provision of universal benefits to ensure that they deliver value for money and maximise outcomes for residents, including winter fuel allowance and attendance allowance.

- Delivering a sustainable approach will be dependent upon striking the right balance between the level of financial contribution for care and support that an individual and the state should contribute.

- CCN are supportive of an equitable approach to funding social care that shares risk across the population as a whole, such as an increase in national insurance.

- CCN support the principle that no individual should subject to catastrophic care costs as a result of the onset of conditions which are outside of their control, such as dementia.

- In order to restrict the costs that any individual faces, Government should consider a form of cap on care costs and also a capital threshold. This would also create the conditions for financial products, such as insurance, to be developed that would allow people to better plan for future care costs.

- CCN support the option for individuals and their families to delay the cost of paying for care for both domiciliary and residential care through Deferred Payment Arrangements in order to maximise the choice of payment options.

- It is essential that a reformed system seeks to spend the funding already in the health and social care system in the most efficient and effective manner, minimise wastage and improve quality. For example, by reprioritising NHS funding currently spent on delayed transfer of care to be invested in more cost-effective community-based services that deliver better outcomes for patients.

- Existing provision must be streamlined to improve performance, realise efficiencies and most improve outcomes for people with care needs. This must include a review of the operation of the Disabled Facilities Grant in two-tier areas in order to better align health, social care and housing.

- To ensure that public support for social care reform is forthcoming, it is essential that they are fully consulted upon. In tandem, an accessible and far reaching communications campaign that clearly explains who pays for care and when, along with the need for the public to make plans to offset future care costs must be instigated.

Introduction

1. The County Councils Network (CCN) represents 37 English local authorities that serve counties. CCN's membership includes both county council and county unitary authorities who together have over 2,500 councillors and serve over 26m people (47% of the population) across 86% of England. CCN develops policy, shares best practice and makes representations to government on behalf of this significant proportion of the country.

2. CCN is a member-led organisation which works on an inclusive and all party basis and seeks to make representations to Government which can be supported by all member authorities. CCN welcomes the opportunity to submit evidence to this inquiry.

County Context

3. Local Government has been subject to a £16bn reduction in core grant from Government since 2010. Consequently, research by the Institute for Fiscal Studies found local authority spending on adult social care in England fell 8% in real terms between 2009/10 and 2016/17, but was protected relative to spending on other local authority services.[1]

4. This is reflected in county areas where CCN member councils have worked tirelessly to protect expenditure on social care, which accounts for 45% of all service expenditure in 2017/18, excluding education, increasing from 42% in 2015/16. However, this masks the fact that the increasing population and complexity of needs means that there is now less funding per head available for adult social care.

5. However, counties are still faced with a funding gap for adult social care of £950m by 2020/21, or 39% of CCN member councils overall funding gap of £2.54bn.

6. These financial pressures are coupled with some of the most acute demand pressures facing any local authority type in England. Counties are home to the largest (55% of England's 65+ population) and fastest growing over 65 population (2% per annum) in England of any local authority type. Over one-fifth of county residents are over 65, compared to 12% in London and 18% in non-CCN Unitaries and Metropolitan Boroughs.

7. The demand pressures on county social care services are clearly illustrated by the fact that CCN member councils received 48% of requests for social care support from new clients in England in 2016/17. County authorities also provided long-term support to 45% of care to new clients accessing support, the highest of any local authority type.

8. Demand and financial pressures are not just restricted to older people, with county authorities subject to unique learning disability pressures. For example, the number of clients receiving support has increased by more than the English average since 2009/10. Whilst the cost of providing support to clients has also increased, with average expenditure per client increasing in county areas by 2.7%, the highest of any local authority type, between 2014/15-2015/16.

How to fund social care sustainably for the long term (beyond 2020), bearing in mind in particular the interdependence of the health and social care systems

9. There is not a simple solution to the funding conundrum facing social care. Any approach must be multi-faceted if it is to be sustainable in the long-term. It must seek to channel new and additional funding into a system that is already under significant strain, whilst also utilising the funding already in the system to deliver better value for money and most importantly improved outcomes for residents.

10. A significant challenge for the Green Paper and Government will be striking the right balance between the level of financial contribution for care and support that an individual and the state should contribute. This may over time lead to individuals with sufficient means contributing a larger amount of funding to their own care, if they fall outside of means tests, in order to deliver a sustainable system.

<u>How should the state fund adult social care?</u>

[1] Public spending on adult social care in England, Institute for Fiscal Studies, May 2017

11. CCN's position very much mirrors that of the recent Health Committee report on Adult Social Care, where it is recommended that we should '*seek to take funding from all available sources in order to deliver a fully funded and functional social care system*'.[2]

12. One such proposal is to raise the level of national insurance each individual pays, for example, a one per cent increase would have raised over £4bn in 2017/18.[3]A similar rise in income tax would have raised £4.6bn. Respondents to CCN's survey of Council Leaders and Cabinet Members for adult social were broadly supportive of raising additional revenue in this way, with 58% of respondents supporting such an approach, with only 7% rating it as either not effective or not very effective at all. Depending upon the level of resource required to fully fund reforms, it may be preferable to focus this rise on the 45+ age group.

13. In terms of maximising the funding already in the system to deliver better value for money and improved outcomes for residents, the continuation of universal benefits, such as winter fuel allowance, concessionary bus fares, free prescriptions and, indirectly, TV licences, must be reviewed and reformed. In particular, it is questionable whether the provision of these benefits improves outcomes for those people who already have assets that place them outside of the existing means test thresholds. For example, research by Reform found that winter fuel allowance cost £2.1bn in 2015/16, but nearly 90% of recipients are not in fuel poverty.[4]

14. This is a view supported by CCN survey of Council Leaders and Cabinet Members for adult social care. In total 74% of respondents considered means testing winter fuel allowance and 58% means testing attendance allowance to be either an effective or very effective measure as part of a package of funding reforms to provide long-term sustainable funding reform.

15. CCN member councils also support the removal of the cap on council tax to provide additional flexibility and local determination of levels in the face of demand-led pressures. However, this must be viewed in the context of the fact that imbalanced funding means that some authorities have received historically higher grants, creating perverse and unfair disparities in council tax rates. For example, 13 London boroughs were able to freeze or reduce council tax in 2016/17. While Westminster can charge approximately £700 for an average property, the average for a county is £1,600. A poll by ComRes found that 57% of the public are ready to pay more council tax in order to provide additional funding for adult social care.[5]

16. It is essential that a reformed system also seeks to spend the funding already in the health and social care system in the most efficient and effective manner, minimise wastage and improve quality. For example, savings could be redistributed by utilising the funding currently spent in the acute sector on delayed transfers of care and using this to deliver more community, residential and nursing care.

17. CCN analysis has found that the combined cost of delayed days to the NHS for patients awaiting a care package at home, a residential or nursing bed attributable to social care is approximately £100m per annum in county areas. By comparison, if this care had been delivered in the setting intended in a timely manner, then this could have cost £82m less in county areas based upon 2016/17 prices.[6] This example demonstrates that a reprioritisation of funding, in theory at least, would ensure that public funding is used in the most efficient and effective manner to reduce the time that patients spend unnecessarily in hospital settings, as well as freeing up funding to stabilise local care markets.[7]

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[2] Adult Social Care, House of Commons Communities and Local Government Committee, March 2017

[3] Health and Social Care: Delivering a Secure Future: An Interim Report, Liberal Democrats, March 2017

[4] Social Care- A Prefunded Solution, Reform, June 2017

[5] Britons ready to pay more council tax to fund social care, The Observer, 6 May 2017

[6] Reference costs 2016/17: highlights, analysis and introduction to the data, NHS Improvement, November 2017

[7] Figures have been developed on the basis that clients receive an average of 2 hours of homecare per day at the UKHCA

18. There is also a need to streamline existing provision in order to improve performance, realise efficiencies and most importantly improve outcomes for people with care and support needs, including better aligning health, social care and housing. This must include a review of the operation of the Disabled Facilities Grant (DfG), which the Health Committee has previously stated is 'hampered by the split in responsibility between district and county councils'.[8] This is supported by the fact that patients awaiting discharge from hospital in county council areas are 65% more likely to be delayed as a result of awaiting the installation of equipment and adaptions than in county unitary areas. As such, Government should consider allowing upper-tier authorities to commission DfGs in order to better align them with adult social care priorities. Therefore we welcome the independent review of DfG recently announced by government.[9]

19. The Green Paper must be viewed in tandem with the Government's Fair Funding Review and ensures that social care funding is fully aligned to need. CCN has, and continues, to advocate for a simple 'cost-drivers' approach to underpin the future funding formula. Such an approach would work on the basis of funding following a small number of cost-drivers which account for the vast majority of council costs. Government must ensure that a key cost driver relates to population, in particular those aged over 65, 75 and 85.

20. Any future formula must also fully take into account the additional costs faced by county authorities as a result of rurality which are not adequately remunerated for under the existing adult social care relative needs formula. For core services such as adult social care, CCN member councils are faced with an additional premium for service provision as a result of factors such as travel distances, availability of workforce, less competition for contracts as a result of a smaller number of providers serving their areas and greater difficulty for residents in accessing broader services that impact upon general health and wellbeing.

21. Given this, CCN welcome the on-going MHCLG consultation on measuring relative need, including the overall direction of travel, initial proposed cost drivers and the development of a service specific formula for adult social care.

22. It is vital that Government is not tempted to extract adult social care from local government control as has been muted in some quarters.[10] CCN member councils, along with all upper-tier local authorities, have demonstrated their ability to at least maintain, if not improve services, for some of the most vulnerable in our society despite being subject to a reduction in Government core grant since 2010 of £16bn. In fact the proportion of people satisfied with their care and support in county areas has risen from 63% to 67% from 2010/11-2016/17.

23. By contrast, the NHS commissioners and providers have been increasingly reporting regular deficits, including in 2016/17 when NHS Trusts reported combined deficits of £791m. Any potential transfer of control for social care to the NHS would be fraught with complexity, including the need for legislation and for entitlements to social care to better align with health i.e. free at the point of use. Given the likely cost of this to the Treasury, and also the financial challenges facing the NHS outlined above, this is unlikely to be neither affordable nor desirable.

24. During debates relating to local government reorganisation in two-tier areas, it has been suggested that adult social care could be disaggregated into smaller sub-county units. LaingBuisson highlighted that for local care markets several districts 'generate a relatively limited level of demand, which may make it uneconomic for a district sized unitary to employ the full range of commissioning and market management skills'. As such they concluded that 'A detailed

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recommended hourly rate of £16.80 (UKHCA calculated that LA funded clients receive an average of 12.8 hrs of care per week, this has been scaled up to 14 hours)

[8] Adult Social Care, House of Commons Communities and Local Government Committee, March 2017

[9] Review of Disabled Facilities Grant 2018, Foundations, March 2018

[10] Trim down our overblown councils before putting up taxes, Telegraph 11 February 2018

understanding of, and associated costs from, these diseconomies of scale and the disruption in arrangements between commissioning authorities and care home providers would need to be central to any structural reform proposals'. As such, it would be preferable for social care to continue to be delivered at a strategic county level.

25. Funding reform alone will not be the silver bullet required to place adult social care system on a sustainable footing. A fundamental shift is required in how care and support is delivered, with person-centred, integrated and prevention focused care at the heart of reforms. The existing system has become skewed towards crisis care as a result of the financial and demand pressures faced by both the NHS and local authorities.

26. Underpinning all reforms must be the development of a joint health and social care workforce strategy that seeks to counter existing recruitment and retention issues in the public and independent sector, such as the lack of nursing capacity in the independent nursing market. The need for such a strategy is extremely pertinent given that Skills for Care modelling shows that the adult social care workforce needs to grow by 21% (350,000 jobs) by 2030.

27. Reforms must also provide sufficient funding to ensure that local care markets are sustainable. CCN's work with LaingBuisson in 2015, and subsequent report in 2017, identified the unsustainable nature of county care markets. The budget reductions faced by local government since 2010 has meant that local authorities were '*forced by constrained budgets to set annual fee uplifts below the level of cost inflation and as providers compensated by setting above inflation fee uplifts for private payers*'. This has led to a care home fee gap of £670m for counties alone. This is unsustainable and has led to the provider sector being left in a position whereby local authority contracts do not cover the costs of service provision, as a result some providers have handed contracts back to commissioners. It is imperative that county care markets are placed on a sustainable footing, or risk not having sufficient high quality capacity available to meet needs and also to discharge patients from acute settings to.

How much should an individual pay for their care?

28. A fundamental challenge of the current social care system is that there are a number of instances where people are subject to catastrophic care costs as a result of the onset of conditions which are outside of their control.

29. The consequence of this is that the system in its current form does not share risk across society in an equitable manner. For example, if someone is subject to a condition, such as dementia, that does not have a medical intervention then they are likely to require social care for a number of years. This may be funded by the state in some cases, but the majority of people fall outside of existing means tests and as such are forced to fund their care through their own financial assets. For many other long-term health conditions, such as cancer and heart disease, medical treatments are available for free on the NHS.

30. CCN believe that reform of adult social care must include the principle that no individual should be subject to catastrophic care costs. As such, Government must seek to cap the care costs.

31. In light of this, CCN commissioned LaingBuisson to update their previous research on the impact of introducing a cap on care and capital thresholds in county areas as part of the proposed Care Act reforms.[11] This analysis modelled the costs and implications of introducing a cap on care and a £100,000 capital threshold across the 37 CCN member councils based upon existing market conditions, both of which were proposed in the Conservative Party Manifesto.[12]

[11] LaingBuisson, County Care Markets Update, October 2017

[12] Forward, Together: Our Plan for a Stronger Britain and a Prosperous Future, Conservative and Unionist Party, May 2017

32. LaingBuisson's research found that if that capital threshold was implemented at the £100,000 single threshold, then this would cost CCN member councils £308m at 2017/18 prices. Their analysis stated that this:

    '*does not represent a year one or year two cost. Rather it represents the projected annual cost at 2017/18 prices at a future time in which Long Term Care funding reforms have worked their way through and a steady state has been reached. Because the length of stay in care homes is relatively short (around two years) a steady state will be approached in three or four years when the remaining tail of long stayers is approaching stability*.'

33. LaingBuisson's analysis also identified the cost of introducing a cap on care in county areas at different levels:

£50,000	£72,000	£80,000	£90,000	£100,000	£120,000
£691m	£330m	£242m	£165m	£106m	£41m

34. If a cap is implemented, then the level is likely to be dictated by the funding envelope available and affordability for the public purse. Given that the average length of stay in care homes is 2 and a half years and the annual fees for 2016/17 in CCN member council areas for residential care were £30,192 for residential care and £28,935 for nursing care, a cap would need to set at between £50,000-£72,000 to have some benefit for the average resident entering those settings.

35. A report by Independent Age proposed that a £35,000 cap covering care fees, or a cap that covers all care costs and set at £100,000 (including daily living costs and 'excess' top-up fees) would be preferable. This is because the £72,000 care cap, proposed in the Care Act, would only see 1 in 10 who pay for their care costs benefiting from the cap. Whereas the caps proposed by Independent Age would benefit around 4 in 10 people that currently pay for their care costs.[13]

36. Government will also need to consider how to make any proposed reforms, such as a cap on care costs, as equitable as possible across England. Given the difference in the cost of living that exists nationally and regionally, the introduction of a cap on care would have a differing impact upon CCN member councils. It is likely that in those areas where the cost of living is higher, that a client would reach a cap on care and come into local authority funded care more quickly than in areas where the cost of living is lower.

37. The introduction of a capital threshold and a cap on care would go a long way to creating a ceiling for the level of care costs that any individual could be subject to. As such, this may create the conditions whereby financial products, such as insurance, could be developed that allow individuals to mitigate and save for their potential future care costs.

38. CCN's survey of Council Leaders and Cabinet Members for adult social care found that 53% of respondents viewed the development of insurance products as part of a package of reforms to limit social care costs as either effective or very effective, whilst only 26% thought that it would be not effective or not effective at all.

39. The House of Lords Committee on NHS Sustainability were supportive of the development of insurance to fund social care, recommending that Government should 'give serious consideration to the introduction of an insurance-based scheme which would start in middle age to cover care costs'.[14]

40. There was significant debate in the build-up to the 2017 General Election about the use of the capital threshold and also deferred payment agreements (DPAs). At present DPAs can only be used for those people in residential care, in certain circumstances, who can request their local

[13] Will the cap fit?, Independent Age, November 2017

[14] The Long-term Sustainability of the NHS and Adult Social Care, House of Lords, April 2017

authority to meet their care home bills. The local authority can then recover their money, plus interest, from the home of that individual once they are deceased.

41. The use of DPAs has risen since they were made a universal entitlement under the 2014 Care Act for those people in receipt of social care. Experimental statistics from NHS Digital show that in CCN member council areas there were 3,240 DPAs as of 31 March 2017, valuing £98m.[15] The use of DPAs has increased significantly since 2015/16, when nationally there were 2,895 DPAs valuing £72m. Going forward, CCN support the option for individuals and their families to delay the cost of paying for care for both domiciliary and residential care.

The mechanism for reaching political and public consensus on a solution.

42. The 13 of proposals to reform social care the last 20 years clearly show that politics can be a significant barrier to reform. Therefore, if this Green Paper is not to be another wasted opportunity, cross-party consensus would be preferable to ensure the passage of urgent reforms to the social care system through Parliament.

43. To ensure that public support for proposals is forthcoming, it is essential that they are fully consulted upon. This must be accompanied by an accessible and far reaching communications campaign that clearly explains who pays for care and when, along with the need for the public to make plans to offset future care costs.

44. The scale of the challenge is clearly articulated by the financial planner Tilney who found that just one in 10 of the over-45s have set aside anything to help pay for potential care costs.[16] This is a view supported by the Financial Conduct Agency (FCA) found that there is poor consumer awareness about the need to save for long-term care. FCA research found that '*without access to clear care-related information, including regulated financial advice, poor decision making and failure to plan ahead for long-term care may translate into poor consumer outcomes and risk of harm'*. This is particularly pertinent to residents of CCN member councils, 53% of whom are self-funding residents, who are at risk of being subject to catastrophic care costs under the current system if they develop complex and long-term care needs.

March 2018

[15] Adult Social Care Activity and Finance: England 2016-17, NHS Digital, October 2017

[16] How to start saving for care costs in later life, The Independent, 18 May 2017