

Long-term funding of adult social care

**Written evidence from South East England Councils and South East Strategic Leaders: Submission to the joint inquiry by the Housing, Communities & Local Government and Health Select Committees
March, 2018**

Committee questions:

- How to fund social care sustainably for the long term (beyond 2020), bearing in mind in particular the interdependence of health and social care systems.
- The mechanism for reaching political and public consensus on a solution.

Executive summary

This submission is made by South East England Councils (SEEC) and South East Strategic Leaders (SESL). Both are membership organisations for elected local authority leaders in the South East of England. SEEC represents over 55 local authorities at all tiers and SESL represents 16 county and unitary councils. Together our members represent the interests of more than 9.1 million residents.

Key points and recommendations from our submission include:

- The need for a long-term, national solution to funding the national problem of rising social care demand. A national priority, such as social care, should not be funded through local Council Tax. The Green Paper should consider social care for both older people and working age adults.
- The need to review boundaries between social care and health care to design a seamless service that promotes wellbeing before clinical needs are identified and offers viable cost-effective community-based alternatives to acute or hospital care.
- The need to review whether it is equitable for healthcare to be free and social care to be means-tested.
- The opportunity to rebalance national spending to provide greater funding for local authority work in social care, leisure, housing and promoting wellbeing, as these will reduce demands on NHS acute services.
- The importance of recognising the contribution of all tiers of local authority in delivering transparent, accountable social care and wellbeing services that reflect local needs and help keep people healthy and in their own homes for longer.
- The importance of recognising that South East local authorities face particular pressures from a combination of two factors:
 - the scale of social care demand due to the UK's highest and fastest-rising population of residents aged over 75; and
 - high staff, property and land costs, which are encouraging care providers to leave the market, creating a shortage of capacity.
- The opportunity for the Government to start a national dialogue on future social care funding and whether individuals should make compulsory or voluntary contributions to care costs. This should also include a review of care funding systems successfully introduced in other countries.
- The need for a time-limited Royal Commission to make recommendations to the Government on how to deliver long-term, sustainable funding for social care. This should include cross-party representation from national and local politicians, alongside local authority directors of adult social services.

Introduction and background to South East local authority challenges

- 1 South East England Councils (SEEC) and South East Strategic Leaders (SESL) are membership organisations for elected local authority leaders in the South East of England. SEEC represents over 55 local authorities at all tiers and SESL represents 16 county and unitary councils. Together our members represent the interests of more than 9.1 million residents covering an area from Buckinghamshire in the north to Hampshire in the south and from Swindon in the west to Kent in the East.
- 2 Adult social care is one of the most significant pressures on local government and one that has not been addressed to date in a sustainable way.
- 3 While the pressure on social care is acute in the South East due to high numbers of older residents, its funding cannot and should not be resolved locally. Like health care, adult social care is a national problem and needs a national funding solution with cross-party political support within national and local government.
- 4 Particular societal pressures in the South East include:
 - having the highest and fastest-rising number of older people. The South East has more residents aged 75+ than any other area of the UK – 805,000 in 2017. This cohort is growing more quickly than elsewhere, expected to nearly double to 1.52 million by 2039;
 - increasing numbers of adults aged 18-74 who have long-term and complex care needs and/ or learning disabilities. These cohorts are going to grow dramatically over the coming years, with associated increases in the costs of their care.; and
 - contrary to the commonly-held view of the South East as universally wealthy, it has high levels of deprivation. There are 909,000 South East residents living in income deprivation, 238,000 of whom are aged over 60.
- 5 The South East is a high cost area where land values, property prices, the cost of living and higher wages mean it costs more to deliver services here compared to other parts of the country.
- 6 High property prices and land values in the South East are key to care providers when considering how to set a price that enables them to deliver services whilst covering their costs and making a profit. This drives up the cost of care in the South East and risks encouraging providers to leave the care market and release property for redevelopment. Where this happens it reduces capacity and leads to delayed transfers from NHS as the care market cannot accept sufficient numbers.
- 7 In addition, high property prices and levels of home ownership in the South East affect how councils respond once an individual's resources are depleted and the state becomes the care funder (for example, if a self-funder has been a care home resident paying a higher price than the council can afford).
- 8 Higher living costs and wages drive up the cost of care. These will increase as the National Living Wage rises.
- 9 In development schemes, Section 106/CIL contributions do not cover the basic infrastructure needs of growing and new communities in the South East, never mind the additional burden that care costs bring.

Long-term funding

Opportunities

- 10 The forthcoming Green Paper is an opportunity to design a system that will provide stable, adequate, long-term funding for all social care for older people and working age adults.
- 11 This is a key opportunity to identify structures and services that bring together health and care to provide a seamless service. Efforts to devise new structures should recognise that local knowledge leads to effective local solutions, rather than try to impose uniformity. However, there needs to be incentives to make this happen without fear of the costs being transferred between parts of the system.
- 12 Whatever the structure, it must seek to increase capacity in the care market and reflect the Government's greater emphasis on housing and the role of local

authorities in public health, housing and service areas such as leisure and libraries, with initiatives to promote active lifestyles, which can have positive effects on:-

- preventative health measures that promote wellbeing before residents need clinical support, not just once they have a recognised health problem. This is important to extend residents' ability to live independently;
- reducing/delaying admissions to costly residential social care, for example by funding councils to provide extra care accommodation and other forms of supported living as alternatives to care homes; and
- reducing delayed transfers of care from NHS hospitals. Availability of options such as extra care accommodation can reduce delayed transfers from NHS and can provide high quality care that is more cost effective than hospital care. There also needs to be much greater emphasis on primary care and community health services working together to avoid admissions to care homes in the first place and help support people in their own homes. The importance of social care needs to be recognised in its own right rather than as simply a route to reducing pressure on the NHS.

Current inequities in funding

- 13 Funding social care through the burden of local Council Tax is unsustainable. Work by the LGA shows that despite councils' savings, funding is not keeping pace with the growing demand for social care for older people and adults aged 18-64, including those with learning disabilities. As a national problem, it should not fall to local tax payers to be the main funders of social care. This is particularly pertinent in the South East where many authorities receive significantly less Government funding than metropolitan councils, so residents are paying a disproportionate share of local authority costs through their Council Tax. A new system needs to recognise that – unlike national taxation – Council Tax rates vary significantly in different parts of the country and the current system of percentage increases to fund social care bears no relation to a council's demand for care.
- 14 The Green Paper should address what many see as the inequitable situation where NHS services are free while social care is means tested. It should also address the disincentives that this places on the system with a view to ensuring seamless and swift transitions, especially in relation to hospital discharge.
- 15 As part of a comprehensive review of costs and funding, the Government should redefine the boundaries between health care and social care to design a seamless system that makes sure our residents have fair access to the most appropriate services for their needs. Social care cannot be seen in isolation from other community based services, such as economic development, libraries or country parks, which promote messages about staying well and living healthier lives into old age. Fairly funding this broader view of social care has potential to reduce the cost pressures on acute health care. For example, a recent report by the National Audit Office¹ identified 24% of the 5.8 million NHS emergency admissions in 2016-17 as avoidable. Adequate funding for local authorities to provide prevention and social care solutions could help reduce the number of avoidable acute admissions.

All tiers of local authorities have important roles

- 16 While the funding solution for social care should not be locally based, it is important to recognise that councils have a wealth of experience in providing cost effective and efficient community-based services. A new system should build on this experience to give councils a clear role in making sure that services that reflect the needs of local people. Current examples of this include work in Hampshire on Extra Care Housing, which allows adults of all ages to stay close to support from family and friends as their needs increase. A further example is use of telecare in

¹ [Reducing Emergency Admissions](#), National Audit Office, 2 March 2018.
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Surrey, which allows people to remain in their own homes by installing IT or telephone links that give them quick access to healthcare and support when required.

- 17 In two-tier areas, there are positive examples of councils working together to adapt housing so that older people can stay at home instead of moving into costly residential care. Examples include work on home adaptations in Kent and Surrey and collaboration to ensure that district-led leisure services encourage healthier lifestyles that enable residents to stay independent for longer.
- 18 Local government is the best option for delivering social care as it has the experience of delivering these services on the ground. It also brings, and is subject to, democratic accountability and transparency in decision-making, investment and outcomes.

Funding options

- 19 There needs to be a national approach to funding adult social care. There are many possibilities linked to addressing the issue – the Government should put forward options for comment. Options to explore and seek views on include:
 - asking individuals to contribute to meeting their care costs through compulsory arrangements (perhaps deducted at source like National Insurance or auto-enrolment pension schemes);
 - formal tax-based approaches;
 - models developed overseas such as those in France, Germany, Japan, Australia and the Netherlands; and
 - encouraging the financial services market to offer appropriate products on a voluntary basis so people can save for long term care costs. This would need to extend further than previously-proposed ideas about equity release from property solely to fund residential care. While a voluntary system would be less of a tax imposition it would raise significant questions about gaps in funding for those who do not sign up.
- 20 The Government should also consider the need for major programmes of information and incentives (perhaps tax breaks) to underpin and promote approaches to funding social care.
- 21 In the meantime, more needs to be done at a national level to alert people to the fact that they may have to pay for care costs in older age. There are still too many people who do not expect to have to pay and who have not made appropriate provision for long-term care.
- 22 Pooling NHS and local government budgets to design and deliver a seamless service and reduce duplication could provide a more cost effective support for those with health and care needs, with a clear role for local authorities that recognises local diversity. This could include a greater proportion of funding for preventative work designed to reduce long-term demands on health and care services. Pooling would need more careful design than the Better Care Fund, which many local authorities believe is flawed, with perverse incentives. Pooling has only worked in particular areas of current shared responsibilities, for example short-term provision of intermediate care to prevent acute admissions. Pooling does not address long-term care needs which are around 75% of council social care spending and where provision of free care is means tested.
- 23 There is potential to significantly increase the balance of national public health funding to local authorities to support preventative work with clear outcomes-based targets around reducing NHS and social care demands. This could be funded by redistributing some of the funding currently allocated to NHS acute services.

Mechanism for reaching consensus

- 24 Options in the Green Paper should be developed in partnership with local government, not by Whitehall in isolation.

- 25 Cross-party consensus is vital to achieving a long-term solution for funding all social care – to ensure that proposals/changes are not unpicked following any changes of government.
- 26 One route to achieving consensus is to establish a formal commission to report back to Ministers. However, a clear timescale would be needed for recommendations to come forward, as social care is a problem that needs urgent resolution.
- 27 It is important that local government is fairly represented in whatever body considers the future funding of adult social care. Local government must have seats at the table, with representation from both local authority leaders and directors of adult social services to ensure councils' practical and detailed experience in social care is used.
- 28 The chosen approach should engage the public in the debate about how to fund care needs in an ageing society.