House of Commons
Communities and Local Government Committee

Adult social care: a pre-Budget report

Eighth Report of Session 2016–17
House of Commons
Communities and Local Government Committee

Adult social care: a pre-Budget report

Eighth Report of Session 2016–17

Report, together with formal minutes relating to the report

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Communities and Local Government Committee

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Summary

Adult social care provides care and support of a personal and practical nature to adults of all ages with care needs to enable them to lead independent and fulfilling lives. For some years now, concern has grown about the pressures on councils’ adult social care budgets, and the financial sustainability of the system was therefore the main theme of our inquiry. The focus of this interim report is on the short-term funding of social care, and in a few weeks we will report our findings on the wider system and the funding of social care in the medium- and long-term.

Since 2010 the core grant which councils receive from central government has reduced and, at the same time, councils’ social care budgets have faced a set of increasing cost pressures, which include a growing and ageing population, increasingly complex care needs, and costs arising from the implementation of government policies, including:

- the Care Act 2014—£2.5 billion to implement from 2013 to 2019–20 (National Audit Office estimate);
- the National Living Wage (including compliance with the national minimum wage)—£360 million in 2017–18 (Association of Directors of Adult Social Care estimate); and
- Deprivation of Liberty Safeguards—£127 million a year (Local Government Association estimate).

Councils have protected their adult social care budgets as far as possible by making savings in other services and have managed the pressures with efficiency savings. However, although local government was once doing ‘more for less’, it is now doing ‘less for less’, and we heard evidence that either people are not getting the care they require or the care they already have is not being increased as their needs grow. Our final report will explore this further.

Recognising the pressures on the system, the Government provided new sources of funding for social care—the social care precept, the improved Better Care Fund and the adult social care support grant—which it expects will raise £7.6 billion for social care over the settlement period. Without this, social care would be significantly worse off and our witnesses welcomed the intervention, as do we. (We also note that work to review the needs assessment formula is ongoing and is expected to conclude by the end of 2018.) However, we heard that, even taking into account these funding commitments, there is a ‘funding gap’ in adult social care, estimates for which range from £1.3 billion to £1.9 billion in 2017–18 and £1.1 billion to £2.6 billion in 2019–20. Arguments about the lack of central government funding will, however, be weakened if councils have not raised the maximum amount available to them.

We heard a range of concerns about the new funding mechanisms, which we explore in detail in this report. These included concerns about the sufficiency of the amount raised by the precept and the variation across councils in the funding it generates, that the adult social care support grant is a reprioritisation of funding from the New Homes Bonus and that the improved Better Care Fund is backloaded at a time when funding pressures are acute.
We believe that social care requires immediate extra funding and recommend that the Chancellor brings forward the 2019–20 tranche of the improved Better Care Fund to fill the funding gap in 2017–18. Given that sector estimates for the funding gap for rest of the Parliament vary, we believe that the National Audit Office (NAO) would be well-placed to determine the amount of funding needed to meet the shortfall and request that they carry out this work. The Government should then commit to closing the funding gap in line with the NAO’s findings. There is also an urgent need for a review, ideally cross-party, of the provision and funding of social care in the long term. We shall consider this further in our main report from this inquiry.
1 Introduction

1. In one of our longest inquiries this Parliament, we have spent the last four months looking at adult social care. The length and depth of our inquiry reflected both the importance of social care provided by local authorities in supporting the most vulnerable people and their carers, and also the repeated and mounting concerns of the sector about the state of social care finances and its consequences both for those who receive services and for the NHS.

2. Having heard powerful evidence from witnesses from all parts of the sector, including people who receive council-funded social care services and from carers, we have decided to publish this interim report which calls on the Government to provide additional funding for adult social care in the Budget on 8 March and examines why we believe that the Government’s funding commitments are not enough. The Government has said that “money is not the only answer” to the challenges facing social care and has highlighted the role of better integration of health and social care in improving outcomes and saving money\(^1\) and we will examine the evidence for this in our final report.

3. Our final report, which we expect to publish in the coming weeks, will also cover the implications of current funding levels for the sufficiency and quality of adult social care services, individuals and their families, carers, the care market, care providers, the care workforce and the NHS. It will also consider and make recommendations on the medium- and long-term funding of adult social care and the structural challenges presented by the current configuration of the system.

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2 Local government funding and adult social care

4. To understand properly the impact of the Spending Review 2015 on social care, we looked back at the overall changes to local government funding and social care funding since 2010, and set these in the context of pressures on adult social care services.

2010 to today: funding pressures on local government and adult social care

5. Since 2010 local authorities have had to cope with a significant reduction in the core grant they receive from central government. Between 2010–11 and 2015–16, as part of its plan to reduce the fiscal deficit, the Government decreased funding for local government by an estimated 37% in real terms.\(^2\) Taking into account council tax receipts, this was an estimated 25% real-terms reduction in local authorities’ income.\(^3\) The 2015 Spending Review announced that central government grant to local authorities will be reduced by £6.1 billion by 2019–20, which it was stated would be matched by projected increases in council tax and business rates of £6.3 billion by 2019–20.\(^4\) The Government has described this as a “broadly flat settlement”,\(^5\) the consequence of which is that councils will themselves have to fund the costs of inflation and increasing demand for care.

6. Adult social care is councils’ biggest area of discretionary spend, comprising around a third (32.6%, £14.4 billion) of their spending in 2016–17.\(^6\) The Local Government Association (LGA) said that social care “inevitably has to offer a significant contribution to the council’s full savings requirement to help tackle the overall funding gap”.\(^7\) Spending on social care over the years demonstrates this: in 2015–16, councils spent £16.97 billion on social care, 1.5% less in real terms than in 2005–06 when the figure was £14.36 billion.\(^8\) In real terms, the National Audit Office estimates there has been a 7 per cent reduction in spending on adult social care by local authorities between 2010 and 2015 and the House of Commons Library has calculated that real terms funding fell by -8.4% between 2010–11 and 2016–17.\(^9\) The Association of Directors of Adult Social Care’s (ADASS) Budget Survey 2016 showed that adult social care savings amount to 28.5% of councils’ total planned savings in 2016–17.\(^10\) We explore how councils have made savings at paragraphs 23 to 29.

7. Alongside reducing levels of core funding, councils have faced increasing pressure on their services from inflation, an increasing population and increases in core costs, such as the National Living Wage. Furthermore, social care has faced its own particular set of cost pressures which have had to be accommodated by savings to social care budgets. We explore these cost pressures at paragraphs 10 to 22.

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\(^2\) National Audit Office, Financial sustainability of local authorities 2014 (November 2014)
\(^3\) National Audit Office, Financial sustainability of local authorities 2014 (November 2014)
\(^4\) HM Treasury, Spending Review and Autumn Statement 2015 (November 2015)
\(^5\) Department of Health and Department for Communities and Local Government (SOC216)
\(^6\) National Audit Office, Local Government Overview 2015–16 (November 2016)
\(^7\) Local Government Association, Adult social care funding: 2016 state of the nation report (November 2016)
\(^8\) NHS Digital, Personal Social Services: Expenditure and Unit Costs England 2015–16 (October 2016)
\(^9\) Commons Library Briefing, Adult Social Care Funding (England) (February 2017)
\(^10\) Association of Directors of Adult Social Care, Budget Survey 2016 (July 2016)
8. The Government made extra funding available over the last spending review period, allocating £2 billion a year by 2014–15 to support social care. Sarah Pickup, Deputy Chief Executive of the LGA, described this as a “significant effort [...] to address the funding issues in social care”, but also said that it had not been sufficient, because of demographic pressures and the reductions in councils’ overall budgets: “You think you have solved the problem, but if you haven’t funded the council’s other pressures some of that falls back on adult social care”.

9. When we asked witnesses whether there was a shortfall in funding for adult social care at the end of the 2010–15 spending review, Ray James, Immediate Past President of ADASS, said that his organisation had estimated the figure at £4.6 billion in real terms. The LGA estimated that adult social care had had a funding gap of £5 billion from 2011–12 to 2015–16.

**Key cost pressures on adult social care**

10. Sarah Pickup of the LGA said that, by 2019–20, there will have been “ten years of flat cash for social care in the face of demographic pressures, inflation, Deprivation of Liberty Safeguards, the implementation of the Care Act and all the other responsibilities and expectations that have come our way”. This summarises what councils told us about the range of cost pressures they face, all of which are increasing over time. We discuss the main cost pressures on councils’ adult social care budgets in the paragraphs below.

**Increasing demand**

11. The impact of demographic changes leading to increasing demand for social care was raised by many witnesses. Richard Humphries, Assistant Director of Policy at The King’s Fund, said:

   We now have hundreds of thousands of people in their 80s and their 90s. That has increased by almost a third in the last 10 years and is set to double in the next 20 years. These are largely people who have a lot of things wrong with them: at least two health conditions. Many will have dementia; many will have frailty; and they will require not just a substantial amount of care but a mixture of healthcare as well as social care [...] [ ... ] the successes of medical science and improved living conditions that see older people living longer very often also see many more younger people living longer with disabilities and complex health conditions.

12. Councils had observed these changes in the people coming forward for social care. The London Borough of Camden, for example, said that they faced “increasing complexity of care requirements at both ends of the age scale” and Cllr Colin Noble, Leader of Suffolk County Council, said that they had identified about 9,000 people over the age of
75 with dementia. Witnesses, including the Health Minister, David Mowat, identified the increasing costs of caring for adults with learning disabilities: “The life expectancy of people with learning difficulties has gone up massively, even in the last decade. These people are very expensive in terms of care”.

13. Lifestyle is also highly relevant to the scale of demand. Cllr Jason Arthur, Cabinet Member for Finance and Health at the London Borough of Haringey, said that the increasing prevalence of diabetes meant that they had to provide care to younger residents and Cllr Tony Kirkham, Director of Resources at Newcastle City Council, said that people were starting to have “life threatening issues from their early 60s in Newcastle”.

The Care Act 2014

14. The Care Act 2014 reformed and modernised social care law and, while councils were enthusiastic about the changes it brought in, many highlighted the additional costs they had faced, firstly, in implementing the legislation and, secondly, from the resultant increase in demand for social care services. The North West region of ADASS said that the Care Act funding allocations had been “insufficient to meet the requirements of Part 1 of the Care Act”. The National Audit Office’s report on the first phase of the Care Act, published in June 2015 (which we refer to as “the NAO’s Report”), said that:

The Department [of Health] estimates it will cost local authorities £470 million in 2015–16 to carry out. We estimate that that Care Act Phase 1, including the cost of white paper-related activities which did not require legislation and central programme spend, will cost £2.5 billion to implement from 2013–14 to 2019–20. The largest cost is £1.2 billion for carers’ assessments and services, a new entitlement.

They also concluded that a significant proportion of the funding from the Department of Health was not new money, as £174 million (40%) of Care Act funding would come through the Better Care Fund.

15. Some councils said that the Care Act had resulted in an increased demand for assessments and services at a time when their funding had been reduced. West Berkshire County Council said that it had placed “a significant financial pressure” on the council, the burden of which has “fallen on the council tax payers of West Berkshire”. Richard Humphries of The King’s Fund said that the legislation had “substantially added to both the expectations and statutory duties of local authorities without necessarily being reflected in the money they get”.

16. The NAO’s report found that the Department of Health may have underestimated the cost of extra assessments and services, particularly in relation to carers. The evidence councils gave us supported this: Bristol City Council, for example, reported a 23% increase

18 \[Q82\] [Colin Noble]
19 \[Q387\] [David Mowat]
20 \[Q82\] [Jason Arthur]
21 \[Q82\] [Tony Kirkham]
22 North West region ADASS (SOC139)
23 National Audit Office, Care Act first-phase reforms (June 2015)
24 West Berkshire County Council (SOC162)
25 \[Q7\] [Richard Humphries]
in the number of carers’ assessments at a cost of £142,000.\textsuperscript{26} In addition, many councils had seen an increase in safeguarding activity, necessitating investigatory action, which had added to cost pressures.\textsuperscript{27}

**National Living Wage**

17. In the July 2015 Budget, the Government announced the National Living Wage (NLW) for those aged 25 and over, initially set at £7.20 per hour rising to around £9 per hour in 2020.\textsuperscript{28} Gateshead Council explained what the NLW meant for social care:

> The majority of commissioned adult social care services rates of pay are around the minimum wage level [ ... ] The move to the NLW with increases far in excess of inflation has resulted in the need to pay providers significant fee increases to enable them to pay staff the statutory minimum required. It has also meant those providers paying marginally higher wages have had to look to increase their pay rates and consequently are seeking increases in commissioned rates from the council.\textsuperscript{29}

18. While the NLW has given care workers, among whom recruitment and retention is a significant issue, a much needed increase in pay, it has substantially added to the funding pressures on councils since taking effect in April 2016, and will continue to do so. The ADASS 2016 Budget Survey suggested that the total cost for councils, including compliance with the existing national minimum wage, will be over £600 million in 2016–17\textsuperscript{30} and £360 million in 2017–18.\textsuperscript{31} The pressure on councils from the NLW varies depending on the number of employees in their area on the national minimum wage. For example, among the councils that submitted evidence to us, the costs of the NLW for social care in 2015–16 ranged from £350,000 for West Berkshire County Council\textsuperscript{32} to £13.7 million for Lancashire County Council.\textsuperscript{33}

19. We note that, in the 2015 Spending Review, the Government said that the social care precept and the improved Better Care Fund funding would “taken together [ ... ] support councils to continue to focus on core services and to increase the prices they pay for care, including to cover the costs of the NLW”.\textsuperscript{34} However, the improved Better Care Fund funding was not available in 2016–17 and the revenue from the precept alone was not sufficient for the councils who responded to our inquiry to cover the costs of the NLW that year; for example, Sefton Council said that the precept raised only a third of what the NLW had cost them.\textsuperscript{35} We look at the amount raised by the precept in more detail at paragraphs 44 to 56.

\textsuperscript{26} Bristol City Council (SOC132)
\textsuperscript{27} See, for example, East Sussex County Council (SOC012) and Association of Directors of Adult Social Services South Eastern Region (SOC171)
\textsuperscript{28} HM Treasury, *Summer Budget 2015* (July 2015)
\textsuperscript{29} Gateshead Council (SOC146)
\textsuperscript{30} Association of Directors of Adult Social Care, *Budget Survey 2016* (July 2016)
\textsuperscript{31} Figure supplied by the Association of Directors of Adult Social Care to the Communities and Local Government Committee
\textsuperscript{32} West Berkshire County Council (SOC162)
\textsuperscript{33} Lancashire County Council (SOC141)
\textsuperscript{34} HM Treasury, *Spending Review and Autumn Statement 2015* (November 2015)
\textsuperscript{35} Sefton Council (SOC167)
Deprivation of Liberty Safeguards

20. A Supreme Court judgement in March 2014 changed the interpretation of "deprivation of liberty" under the Mental Capacity Act 2005, resulting in more people who have been deprived of their liberty for treatment, care or to protect them from harm coming forwards for safeguarding assessments by councils, 'Deprivation of Liberty Safeguards' (DoLS). Although the Department of Health gave councils £25 million in 2015–16 to meet the associated costs, the LGA has estimated that DoLS are costing councils £127 million a year.36 Kent County Council said that the number of applications for DoLS assessments they had received had increased from 286 in 2013–14 to 4,870 in 2015–16.37 Similarly, Essex County Council had seen the number of applications increase from 13 to 21 a day.38 West Berkshire County Council said that each assessment cost them £460.39 Hull City Council explained that the costs came from “The cost of funding assessments, training social workers so that they are qualified to carry out assessments and Court of Protection costs”.40

The Relative Needs Formula

21. Councils’ relative needs were assessed in 2013–14 to determine the starting point for the current business rate retention scheme and there has been no reassessment since then.41 Councils told us that they were seeing the impact of this on their share of business rates and revenue support grant. The London Borough of Havering, for example, said:

Since 2013 the formula has been frozen, changes in need are no longer considered. When mapped along with some of the changes in national policy, this has created significant additional burden, at a time when need is no longer considered, whilst demand for services is rising.42

22. Cllr Noble, Leader of Suffolk County Council, said that for his council, “the freezing of the relative needs formula and ageing population, with that slight increase in the county areas, reflect similar things—a 40% reduction over the last few years in terms of the amount of money we have had to spend”.43

Savings and efficiencies

2010 to today

23. As noted in paragraph 6, after spending on schools where their discretion is limited, councils spend the largest proportion of their funds on adult social care and the adult

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36 Local Government Association (SOC075)
37 Kent County Council (SOC035)
38 Joint written submission from Cambridgeshire County Council, Essex County Council, Hertfordshire County Council, Norfolk County Council, Suffolk County Council, Southend Council and Thurrock Council (SOC 195)
39 West Berkshire County Council (SOC162)
40 Hull City Council (SOC048)
41 A Fair Funding Review is currently underway to review the needs assessment formula in preparation for the implementation of 100% retention of business rates and the Government is working with a sector-led technical working group as part of this.
42 The London Borough of Havering (SOC010)
43 Q83 [Colin Noble]
social care budget has therefore had to contribute to the savings councils have needed to make. The LGA said that "adult social care had to deal with a funding gap of £5 billion from 2011–12 to 2015–16" and that:

Half of this came from savings and service reductions within adult social care, with the other half coming from savings from other council services including library and youth services (in other words, savings above the trend that general council funding changes would have implied).\(^{44}\)

24. While the amount varied—for example, Hull City Council told us that, since 2010, they had had to find £18 million\(^ {45}\) and Norfolk County Council had to find £77 million\(^ {46}\)—all councils who responded to our inquiry had been required to make savings in their spending on social care. Most, however, had protected social care as far as possible; for example, Tony Kirkham, the Director of Resources at Newcastle City Council, told us that his council had ensured that social care contributed only £39 million of the £221 million savings that needed to be made but, to do this, had had to halve its leisure budget.\(^ {47}\)

25. In terms of savings within social care, we learnt that they had partly been achieved through service redesign and shifting the focus of services to prevention, early intervention and promoting independence. The London Borough of Haringey described how they were meeting their savings target of £24 million by 2018–19 by refocusing their adult services on "providing the right support at the right time, preventing needs escalating and reducing future demand on care services".\(^ {48}\) Similarly, Janice Dane, Assistant Director of Early Help and Prevention at Norfolk County Council, said that her council was:

> Trying to meet people’s needs in other ways as much as possible: giving information and advice at the right time, re-ablement, assistive technology—anything that helps reduce people’s need for funding services while giving them the outcome of staying in their own home, which most people say they want.\(^ {49}\)

26. However, Sarah Pickup of the LGA said that the level of savings needed was such that they were also having to be obtained through service reductions:

Some of that would be legitimate savings through proper efficiencies, good service redesign and preventive measures, but some of it was just squeezing the amount of care: you are meeting the need, but you are just meeting the need. You are meeting a need but you are not allowing someone to live a life, which is part of what social care is about.\(^ {50}\)

Indeed, our witnesses told us that the number of people they provided care for had reduced over the last five years, in Newcastle City Council’s case from 9,780 to 5,237.\(^ {51}\) The Director of Resources, Tony Kirkham, said that this had been through:

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44 Local Government Association (SOC075)
45 Hull City Council (SOC048)
46 Norfolk County Council (SOC103)
47 Q83 [Tony Kirkham]
48 London Borough of Haringey (SOC159)
49 Q118 [Janice Dane]
50 Q58 [Sarah Pickup]
51 Q93 [Tony Kirkham, Colin Noble]
Strict adherence to the eligibility criteria. Whereas we might have a much more rounded package of support, we are now, as our assistant director for adult services said, trying to prevent deterioration rather than actually helping people to thrive.\textsuperscript{52}

This is supported by what we heard from witnesses who receive local authority funded social care; for example, Anna Severwright who, when asked whether her care and support package had been increased to meet her needs, said:

I was reviewed last year and my hours were actually increased to 23, but in those three and a half years I had deteriorated a lot—a lot more, I think, than what the hour increase met. I could have done with a bigger increase, I felt, but I was just relieved that they weren’t trying to cut any care.\textsuperscript{53}

Official data on the number of people receiving care over the years, published research and evidence to this inquiry indicate that people are not getting the care required or that the care they already have is not being increased as their needs grow. We plan to explore this further, as well as the impact of funding pressures on the quality of care, carers, the care provider market, the care workforce and the NHS, in our final report.

**Capacity to make further savings**

27. The Comptroller and Auditor General, Sir Amyas Morse, recently observed that, while local government was initially able to respond to budget reductions by making efficiencies, this has shifted over time from doing “more for less” to ‘less for less’.\textsuperscript{54} We heard evidence to support this. Cllr Noble, Leader of Suffolk County Council, said that “for all the different [efficiency programmes] we run, there is a law of diminishing returns—they will only go so far”.\textsuperscript{55} Indeed, ADASS has reported that, although savings planned for this year are less than last year:\textsuperscript{56}

The proportion of savings planned to be secured through efficiencies has fallen from 75\% of savings in 2015–16 to 55\% in 2016–17 whilst savings from service reductions increased from 18\% to 39\% over the same period. Fewer savings are proportionately being made from efficiencies and more from reducing frontline services.\textsuperscript{57}

They also said that Directors of Adult Social Services had reported that at least 24\% of this year’s savings will come from “cutting services or reducing personal budgets”.\textsuperscript{58}

28. At the same time, in an attempt to meet need, councils have already been using reserves or underspending on other council services by, according to ADASS, as much as £168 million across 94 councils in 2015–16.\textsuperscript{59} They estimate that this will rise to £441

\textsuperscript{52} Q93 [Tony Kirkham]
\textsuperscript{53} Q295 [Anna Severwright]
\textsuperscript{54} LSE blog, *When ‘more for less’ becomes ‘less for less’: the implications of central decision-making for the delivery of frontline services* (February 2017)
\textsuperscript{55} Q89 [Colin Noble]
\textsuperscript{56} £941 million in 2016–17 against £1.1 billion in 2015–16
\textsuperscript{57} Association of Directors of Adult Social Care, *Budget Survey 2016* (July 2016)
\textsuperscript{58} Association of Directors of Adult Social Care, *Budget Survey 2016* (July 2016)
\textsuperscript{59} Association of Directors of Adult Social Care, *Budget Survey 2016* (July 2016)
million for 2016–17. Ray James, who gave evidence to us on behalf of ADASS, said that “most councils were using one-off money to balance the books last year, and they cannot continue to do that in a sustainable way.” Jon Rouse of Greater Manchester Health and Social Care Partnership said that this year in Greater Manchester they were “filling [the gap] mainly through reserves and underspends, but that of course cannot go on forever.” Despite this, ADASS say that councils will need to make further savings of “around the £1 billion mark throughout the period up to 2020.”

29. Since 2010 councils’ overall budgets have reduced, resulting in savings in spending on social care, their largest area of discretionary spend. Combined with costs from growing demand for services, the implementation of the Care Act 2014, the National Living Wage and Deprivation of Liberty Safeguards, this has led to a funding shortfall in most councils’ social care budgets.

30. Councils have partly mitigated the impact of budget pressures in the past with efficiencies and savings, but we do not believe this is sustainable and agree that councils have moved from doing ‘more for less’ to ‘less for less’. There is evidence that people are not getting the care required or that the care they already have is not being increased as their needs grow.

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60 Association of Directors of Adult Social Care, Budget 2017 representation (January 2017)
61 Q62 [Ray James]
62 Q204 [Jon Rouse]
63 Association of Directors of Adult Social Care, Budget Survey 2016 (July 2016)

31. Our witnesses welcomed the measures already taken by the Government to provide additional funding for adult social care, as do we. Sarah Pickup of the Local Government Association said that local government would otherwise be “in a significantly worse position” and Ray James of the Association of Directors of Adult Social Services said it was “very welcome recognition for social care”.

32. In his 2015 Spending Review speech, the then Chancellor of the Exchequer acknowledged the pressures on social care, saying “The truth we need to confront is this: many local authorities are not going to be able to meet growing social care needs unless they have new sources of funding.” Accordingly, “£3.5 billion of support for adult social care by 2019–20” was announced, taking the form of:

- A social care precept enabling local authorities to raise council tax levels by up to 2% above the referendum threshold for each year between 2016–17 and 2019–20 to fund adult social care;
- Social care funds for local government to be included in an improved Better Care Fund and distributed each year between 2017–18 and 2019–20; and
- Over £500 million by 2019–20 for the Disabled Facilities Grant.

33. At the same time, he announced that central government grant to local authorities would be reduced by £6.1 billion by 2019–20, which it was stated would be matched by projected increases in council tax and business rates of £6.3 billion by 2019–20. The Government also said that it would consult on changes to the local government finance system which would rebalance support to those authorities with social care responsibilities.

34. In December 2016, in his statement on the 2017–18 Provisional Local Government Finance Settlement, the Secretary of State for Communities and Local Government said that “Over recent months we have listened to, heard and understood calls from across the board saying funding is needed sooner in order to meet short-term pressures”. He announced:

- A £240 million adult social care support grant in 2017–18, distributed according to relative need; and

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64 Q60 [Sarah Pickup]
65 Q61 [Ray James]
66 HM Treasury and Rt Hon George Osborne MP, Chancellor George Osborne’s Spending Review and Autumn Statement 2015 speech, 25 November 2015
67 HM Treasury, Spending Review and Autumn Statement 2015 (November 2015)
68 HM Treasury, Spending Review and Autumn Statement 2015 (November 2015)
69 HM Treasury, Spending Review and Autumn Statement 2015 (November 2015)
• The flexibility for councils to raise the social care precept by 3% in 2017–18 and 2018–19, but not to exceed the overall limit of 6% above the threshold by 2019–20.71

35. When we asked Marcus Jones, the Minister for Local Government at the Department for Communities and Local Government, about the sufficiency of the Government’s funding commitments for social care, he said that “There is a package there, dedicated to social care, in the region of up to £7.2 billion, which is significant additional funding to that which has been available to date”.72 The table below sets out the Government’s figures on the available revenue for social care to 2019–20. The figures assume that all councils will use the precept to increase council tax.

Table 1: Expected available revenue for social care to 2019–20

<table>
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<tr>
<th>Year</th>
<th>Adult social care precept</th>
<th>Improved BCF</th>
<th>Adult social care support grant</th>
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<td>If councils opt to raise precept to 2% (£m)</td>
<td>If councils opt to raise precept to 3% in 17–18 and 18–19 (£m)</td>
<td>(£m)</td>
</tr>
<tr>
<td>2015–16</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2016–17</td>
<td>392.8</td>
<td>392.8</td>
<td>0</td>
</tr>
<tr>
<td>2017–18</td>
<td>814.2</td>
<td>814.2 + 208</td>
<td>105</td>
</tr>
<tr>
<td>2018–19</td>
<td>1,289.8</td>
<td>1,289.8 + 444</td>
<td>825</td>
</tr>
<tr>
<td>2019–20</td>
<td>1,811.5</td>
<td>1,289.8 + 444</td>
<td>1500</td>
</tr>
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Source: DCLG Core spending power supporting information, 15 December 2016

The funding gap

36. Many organisations in the sector say that, even taking into account the funding commitments in the 2015 Spending Review, there is a ‘funding gap’ in adult social care which has resulted from the funding available not keeping pace with the costs of increasing demand for care (which we examined in paragraphs 11 to 13), and which is likely to continue unless additional funding is provided. Although the Government announced additional funding in the 2017–18 Provisional Local Government Finance Settlement, namely the flexibility to raise the precept in 2017–18 and 2018–19 by 3% and a £240 million adult social care support grant in 2017–18,73 these amounts represent a small proportion of the estimated funding shortfall. In chapter 4, we examine the evidence we received about the sufficiency of the funding from the social care precept, the improved Better Care Fund and the adult social care support grant.

72 Q373 [Marcus Jones]
37. We understand that there is no single method of identifying the funding that is required, with organisations arriving at slightly different figures depending upon the variables used and when the estimate was made. In the course of our inquiry, we were presented with various estimates for the funding gap. The table below sets these out:

<table>
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<tr>
<th>Organization</th>
<th>Estimate</th>
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<tbody>
<tr>
<td>Local Government Association</td>
<td>“The immediate pressures threatening the stability of the care provider market could amount to at least £1.3 billion […] On top of that, councils also estimate that by 2019–20, a further £1.3 billion will be required to deal with the additional pressures brought about by an ageing population, inflation, and the cost of paying the National Living Wage.”</td>
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<tr>
<td>The Association of Directors of Adult Social Care</td>
<td>Ray James of ADASS: “We say the gap is £1.4 billion in 16–17. It rises to £1.6 billion in 17–18 and then as a result of the additional injection of BCF in later years drops to £1.4 billion and £1.1 billion in the final period.”</td>
</tr>
<tr>
<td>The King’s Fund, Nuffield Trust and Health Foundation</td>
<td>“The social care funding gap is likely to be at least £1.9 billion in 2017–18 and £2.3 billion by the end of this Parliament.”</td>
</tr>
<tr>
<td>Health Foundation</td>
<td>“With pressures rising by around 4% a year—from an ageing population and the rising prevalence of chronic conditions—there is still likely to be a funding gap in 2019–20 of at least £1.7 billion.”</td>
</tr>
<tr>
<td>The Institute for Fiscal Studies</td>
<td>£1.3 billion to £2.5 billion by 2019–20, depending on whether councils continue to protect social care spending.</td>
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</table>

38. Authoritative sources in the social care sector say that, despite the Government’s funding commitments, there will still be a funding gap by 2019–20, estimates of which range from £1.1 billion to £2.6 billion. For 2017–18, estimates of the funding gap range from £1.3 billion to £1.9 billion.

74 Local Government Association, *£2.6 billion could be needed to fix social care—LGA warns*, 13 October 2016
75 Q61 [Ray James]
76 The King’s Fund, the Nuffield Trust and the Health Foundation, *The Autumn Statement: Joint statement on health and social care* (November 2016)
77 The Health Foundation (SOC153)
4 Adult social care funding mechanisms

39. This chapter brings together the evidence we heard about the mechanisms by which funding for social care is being made available to local government, namely the social care precept, the improved Better Care Fund (improved BCF), and the adult social care support grant.

The social care precept

40. The social care precept allows councils to raise council tax by up to 2 per cent each year, or 3 per cent in 2017–18 and 2018–19 only, to fund social care. James Lloyd, Associate Fellow at the Strategic Society Centre, explained the significance of this new way of funding social care:

It is a step forward in political terms that finally we have an explicit acknowledgement in fiscal policy that there are funding pressures on the social care system. Having the precept included as a line on people’s council tax bills does hopefully raise awareness of the fact that local authorities actually do this thing that we call social care.79

Mr Lloyd went on to say, however, that it had “multiple limitations and drawbacks”, which were illustrated by the evidence we received.

Assumptions about the amount raised

41. The Government has forecast that the 2% social care precept will raise the following amounts over the spending review period:

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<tbody>
<tr>
<td>£ million</td>
<td></td>
<td>392.8</td>
<td>820.9</td>
<td>1,289.8</td>
<td>1,804.0</td>
</tr>
</tbody>
</table>

Source: DCLG Core spending power supporting information, 15 December 2016

42. In addition, it has stated that the flexibility to raise the precept to 3% in 2017–18 and in 2018–19 could provide a further £208 million and £444 million respectively.80 However, the Local Government Association (LGA) said that the value given by the Government to the precept is based on “assumptions that cannot be guaranteed”. They said that the assumptions were that:

a. All councils will use the precept to the maximum amount. Not all councils used the precept this year (144 out of 152 councils implemented it, generating £382 million income) and it is difficult to predict how many will use the option in future years.

b. The number of Band D equivalent dwellings eligible for full council tax will rise by 7.8 per cent or 1.3 million over the four year period. At council level this varies from a 0 per cent increase to a 25 per cent increase, suggesting that some councils may struggle to match the forecast.

79 Q69 [James Lloyd]
c. Core council tax will increase by CPI each year. It is difficult to say with any real certainty what level councils will set their council tax at in future years.\textsuperscript{81}

43. All of the councils that we heard from had raised the precept in 2016–17, but not all of them were sure that they would continue to do so. The London Borough of Camden said they had “reluctantly”\textsuperscript{82} levied it and Gateshead Council said that the Government had assumed:

That a local area can not only grow its base substantially year on year but that its residents will be willing and able to pay uplifts of up to 4% year on year. This moves funding for essential Council services from government funding to local residents. This does not take into account the mix of a Council’s tax base and their ability to pay. In Gateshead 61% of our residents are in band A, the lowest property value banding.\textsuperscript{83}

According to the LGA, however, 97% of councils (147 out of 151) are considering or have approved introducing the precept in 2017–18, which they say would raise £543 million. Of these, 72% are considering or have approved introducing the 3 per cent precept.\textsuperscript{84}

\textbf{The amount raised}

44. All of the councils that submitted evidence agreed that, although helpful, the amount raised by the 2016–17 precept was not enough to tackle the funding pressures they faced or to cover the costs of the National Living Wage (NLW).\textsuperscript{85} In the context of overall spending on social care, The King’s Fund said that the £382 million the precept raised in 2016–17 “represents less than 3 per cent of council spending on adult social care”.\textsuperscript{86} Cllr Jason Arthur, Cabinet Member for Finance and Health at the London Borough of Haringey, told us that:

For us, the social care precept, although useful, ultimately hasn’t really addressed the fundamental challenges that we face, with regard to either the national living wage or, ultimately, all the pressures on our social care budget—the demand increases. Somewhere like Haringey, where we have high levels of deprivation, the impact of the precept was relatively limited compared with, perhaps, other boroughs where the property values are slightly higher.\textsuperscript{87}

However, the impact of the precept was limited even for wealthier councils which are able to raise more council tax; for example, Surrey County Council said that the £12 million raised by the precept only covered 34% of the cost pressures they faced in adult social care.\textsuperscript{88}

\begin{itemize}
\item \textsuperscript{81} Local Government Association (SOC075)
\item \textsuperscript{82} London Borough of Camden (SOC129)
\item \textsuperscript{83} Gateshead Council (SOC146)
\item \textsuperscript{84} Local Government Association, LGA Analysis: Council tax rises will not fix local government funding crisis, 20 February
\item \textsuperscript{85} See, for example, Lancashire County Council (SOC141), Rochdale Borough Council (SOC122), London Borough of Newham (SOC133)
\item \textsuperscript{86} The King’s Fund (SOC222)
\item \textsuperscript{87} Q96 [Jason Arthur]
\item \textsuperscript{88} Surrey County Council (SOC192)
\end{itemize}
45. The flexibility for local authorities to bring forward the social care precept by raising council tax from 2 per cent to 3 per cent in 2017–18 and 2018–19 (but then not at all in 2019–20) was recognition of the sector’s call for funding to be front-loaded. The Government expects this to provide an additional £208 million in 2017–18 and an additional £444 million in 2018–19. The County Councils Network said it would have only a “nominal effect” and that councils were likely instead to “draw down on reserves to minimise the impact on local council tax payer”. Shortly after the flexibility was announced, council leaders were reported to be doubtful as to whether they would use it. The Leader of Kent County Council, Cllr Paul Carter, was reported as saying that it would make “very little difference over the medium-term” (about £5 million extra) and that he wanted to keep council tax bills “as low as possible”. The House of Commons Library has calculated that, assuming all councils opt to do so, increasing the precept to 3% in 2017–18 and 2018–19 could potentially result in around £677 million additional revenue over the four year period.

**Variation in the amounts raised**

46. The variation across councils in the revenue generated by the precept has received criticism. The King’s Fund said:

Relying on the precept is also likely to widen the existing inequalities in access to publicly funded social care, as the places with the greatest need will be the least able to raise extra money. This is because areas of higher deprivation contain fewer homes in higher Council Tax bands. The King’s Fund analysis of 2016–17 shows that the 10 least deprived council areas will raise almost 2.5 times as much from the precept as the 10 most deprived. The amount raised per head of the adult population varies from £5 in Newham and Manchester, to £15 in Richmond upon Thames.

47. At the same time, deprived areas with the least ability to raise extra funds will face higher costs of implementing the NLW as a larger proportion of employees in their area will be on the national minimum wage. According to the Association of Directors of Adult Social Care (ADASS) the amount raised by the precept in 2016–17 was less than two thirds of the costs of the NLW that year, which they calculated at £612 million. At individual council level, however, the gap was often much greater; for example, the precept only covered a third of the costs of the NLW for Sefton Council and half the costs of it for St Helen’s Council.

48. To address this variation, the Government has said that additional funds in the improved Better Care Fund (improved BCF) will top up the varying amount that councils raise through the precept. Marcus Jones, the Local Government Minister, said:

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89 LGFS  
90 County Councils Network (SOC223)  
91 Local Government Chronicle, Leaders express doubts over taking up 3% care precept offer, 16 December 2016  
92 Local Government Chronicle, Leaders express doubts over taking up 3% care precept offer, 16 December 2016  
93 Commons Library Briefing, Adult Social Care Funding (England) (February 2017)  
94 The King’s Fund (SOC222)  
95 Association of Directors of Adult Social Care (SOC134)  
96 Sefton Council (SOC167)  
97 St Helen’s Council (SOC014)
As we go forward, obviously the cumulative effect of the adult social care precept will ameliorate the situation for the places with the larger council tax bases, by which time the more significant money from the improved Better Care fund will be benefiting the places that have smaller council tax bases.  

49. However, the first tranche of funding from the improved BCF will not reach councils until 2017–18, despite the fact that the precept was available in 2016–17 and the NLW was also introduced that year. We will explore this in more detail at paragraphs 62 to 64.

**A short-term funding mechanism**

50. Witnesses suggested that the precept could only be a short-term funding mechanism for social care. James Lloyd of the Strategic Society Centre said it was a “temporary fix during the current spending review” and Richard Humphries, Assistant Director of Policy at The King’s Fund, said it was not a sustainable solution due to the varying amount that it raises. The evidence we heard about councils’ reluctance to levy the precept in future years also indicates it may not be long-lived.

51. It was also unpopular due to the fact that it was an extension of council tax, Cllr Colin Noble, Leader of Suffolk County Council, said that he was not in favour of increasing council tax because “it is a tax you have to pay and it is very difficult for families that cannot really afford significant increases”. Cllr Arthur of the London Borough of Haringey said his council was “keen to keep it as low as possible”. On this point, the Local Government Minister, Marcus Jones, said:

> Whether it is collected locally or nationally, it is taxpayers’ money in either case, and that is therefore a cost to people as individuals. The way in which the majority of adult social care is funded enables local people, through raising local taxation, to support the care needs of local people.

52. James Lloyd of the Strategic Society Institute argued that council tax was a “regressive tax” and asked why there should be a link between “social care and the demographic growth of demand for social care to the growth in council tax revenues”. Sarah Pickup, Deputy Chief Executive of the LGA, identified the further problem that:

> It only works in this spending review period with that BCF to balance out the areas that have less access to resources. If we go into the next spending review period, you would either need some more BCF money to do the balancing or you would have to do it through the new business rates retention.

53. The precept is recognition that councils need extra funding and, as a hypothecated tax, is helping to bring social care into the public consciousness. However, Government
assumptions about the amount it will raise may be somewhat optimistic. Although some councils are concerned about the impact on their residents of raising council tax, we believe that, given the severity of the current situation, all councils should use the precept to its maximum amount to raise funding for adult social care.

54. The amount raised by the precept is not going to be enough to tackle the funding pressures councils face or cover the increasing costs of the National Living Wage. The £382 million raised by the precept in 2016–17 represents less than 3 per cent of council spending on adult social care and is significantly less than the cost of implementing the National Living Wage in 2016–17, estimated at £612 million. While the flexibility for councils to raise the precept by an additional 1% in 2017–18 and 2018–19 is a recognition of the scale and urgency of the financial pressures facing social care and the sector’s call for funding to be front-loaded, it is not a significant increase in funding in the context of the funding gap.

55. Furthermore, as the amount raised varies across councils and does not correlate with need and National Living Wage costs, the precept is dependent on the improved Better Care Fund to offset the variations in the amount it raises.

56. Given these limitations, the precept is not adequate as the main solution to the funding shortfall, but we believe that councils should exploit the opportunities it provides for increasing the funding available to them in the short-term. Arguments about the lack of central government funding will be weakened if councils have not raised the maximum amount available to them.

The adult social care support grant

57. The 2017–18 Provisional Local Government Finance settlement announced a £240 million adult social care support grant for 2017–18, distributed according to relative need. The funding was generated as a result of reforms to the New Homes Bonus, specifically the introduction of a national baseline for housing growth of 0.4%, below which the bonus will not be paid to local authorities. The Minister for Local Government told us that “It is a short-term measure to support the places where there are the greatest challenges at present”.

58. This announcement generated criticism from the sector. In a press release on the day, Lord Porter, Chairman of the LGA, said it was:

Not new money but a redistribution of funding already promised to councils. It is wrong to present this as a solution, given the scale of the funding crisis. This is money which was taken from councils in the first place and this move will see money taken away from councils which is designed to incentivise new homes at a time when the Government has made boosting housebuilding a clear priority.

59. The County Councils Network said that the “reprioritisation of funding” is “neither an ideal or sustainable solution to the significant funding shortfall facing adult social care.”

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107 [Marcus Jones]
care”\textsuperscript{109} and The King’s Fund said it was an “inadequate response to the social care crisis”.\textsuperscript{110} Furthermore, the LGA has said that their analysis suggests that “57 social care authorities might also be worse off because they will lose more in NHB payments than they gain in adult social care support grant”\textsuperscript{111}

60. The adult social care support grant is an un-ring fenced reprioritisation of funding from the New Homes Bonus to social care and therefore does not represent new money for councils. Furthermore, it is distributed via the relative needs formula which, having been frozen since 2013–14, no longer reflects current need. Moreover, it represents a small proportion of the funding gap in 2017–18, estimated at £1.6 billion by the Association of Directors of Adult Social Care, and is available in that year only. Although welcome recognition of the upfront funding pressures facing the system, given these limitations it will not significantly ameliorate the funding shortfall in the short- and longer-terms.

**The improved Better Care Fund**

61. The Spending Round 2013 announced the creation of a Better Care Fund (BCF); local health bodies and councils would pool existing funding into the BCF and agree joint plans for closer working between health and social care.\textsuperscript{112} In 2015–16, the BCF’s minimum pooling requirement was £3.8 billion. In the Spending Review 2015, the Government announced that additional funding for social care would be made available in an “improved Better Care Fund” (improved BCF).\textsuperscript{113}

**Amount and timing**

62. The Government has said that funding from the improved BCF will be available in increasing amounts in 2017–18, 2018–19 and 2019–20:

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<tbody>
<tr>
<td>£ million</td>
<td>-</td>
<td>-</td>
<td>105</td>
<td>825</td>
<td>1500</td>
</tr>
</tbody>
</table>

Source: DCLG Core spending power supporting information, 15 December 2016

63. The LGA said that, by 2019–20, £800 million of the total £1.5 billion of the improved BCF funding will come from planned savings to the New Homes Bonus.\textsuperscript{114} They went on to ask what would happen to social care funding if the savings were not realised. Furthermore, concerns were raised about the sufficiency of the overall funding available through the improved Better Care Fund, with ADASS saying that it only “reaches a significant contribution to the crisis in 2019–20”.\textsuperscript{115} Tony Kirkham, Director of Resources at Newcastle City Council, said that the funding would:

> Come to us more proportionately because of our ability to raise council tax, but even when you take that into account—by year three the council

\textsuperscript{109} County Councils Network (SOC223)

\textsuperscript{110} The King’s Fund (SOC222)

\textsuperscript{111} Local Government Association, *Submission to the 2017 Spring Budget*, January 2017

\textsuperscript{112} HM Treasury, *Spending Round 2013* (June 2013)

\textsuperscript{113} HM Treasury, *Spending Review and Autumn Statement 2015* (November 2015)

\textsuperscript{114} Local Government Association (SOC075)

\textsuperscript{115} Association of Directors of Adult Social Care, *Budget 2017 representation (January 2017)*
would be anticipating about £12 million from that—and you add back the
social care precept of £1.7 million for each of those years, we will still not
be meeting just the national living wage pressure from those two sources.\textsuperscript{116}

64. As the table above shows, the improved BCF funding is backloaded, both in terms of
timing and quantity. The LGA said “there is no money available this year and only £105
million available in 2017–18, despite acute pressures impacting on the care system today”.\textsuperscript{117}
Richard Humphries of The King’s Fund said that “the problem with it is that most of it
does not start to arrive until 2018”.\textsuperscript{118} In their joint written submission, The King’s Fund
and the Nuffield Trust observed that the timing was “inconsistent with the frontloading of
additional funding for the NHS”.\textsuperscript{119} Ray James, the Immediate Past President of ADASS,
said that as a result of the timing of the improved BCF funding:

The most acute years will be 16–17 and 17–18, because of the injection of
money that is being signalled for 18–19 and 19–20. I think all the evidence
points to the fact that there is a need for some of the funding signalled for
later years to be accelerated and brought forward sooner, if we are not going
to approach those later years with a bigger hole than we already have today.\textsuperscript{120}

These sector organisations, along with councils,\textsuperscript{121} have therefore called for the funding
from the improved BCF to be brought forwards.

\textbf{Access}

65. The 2017–18 Provisional Local Government Finance Settlement confirmed that the
improved BCF funding would be allocated through a separate grant to local authorities,\textsuperscript{122}
unlike the current BCF funding which is channelled through Clinical Commissioning
Groups. However, the details of how the improved BCF will work are not yet known, in
particular whether there are administrative requirements similar to those relating to the
BCF. José-Luis Fernandez, Deputy Director of the Personal Social Services Research Unit,
LSE, said that “as it is designed at the moment, the BCF is not going to fund a lot of home
care, day care and those core services”.\textsuperscript{123} Richard Humphries of The King’s Fund set out
some of the reasons why:

We saw a lot of process requirements, with plans that had to be submitted
with ridiculous timescales, which had to be signed off and escalated if they
were not good enough, all for a sum of money that is less than 5% of total
NHS and social care budgets. While in some places the Better Care Fund
helped to get local authorities and their NHS partners around the table, in
other places it was, quite frankly, a pain in the neck for very little gain.\textsuperscript{124}

\textsuperscript{116} Q97 [Tony Kirkham]
\textsuperscript{117} Local Government Association (SOC075)
\textsuperscript{118} Q18 [Richard Humphries]
\textsuperscript{119} The King’s Fund and the Nuffield Trust (SOC198)
\textsuperscript{120} Q62 [Ray James]
\textsuperscript{121} See, for example, written submission from Cambridgeshire County Council, Essex County Council, Hertfordshire
County Council, Norfolk County Council, Suffolk County Council, Southend Council and Thurrock Council
(SOC195)
\textsuperscript{122} Department for Communities and Local Government and the Rt Hon Sajid Javid MP, Oral statement to
\textsuperscript{123} Q33 [José-Luis Fernandez]
\textsuperscript{124} Q33 [Richard Humphries]
66. This was echoed by witnesses from local government. Sarah Pickup of the LGA said that there were a lot of “complexities” in the way the BCF had been set up, “a lot of conditions” and “a lot of form filling and completion”, and Liverpool City Council assumed it would come with “additional responsibilities and new burdens”. Based on their case studies and stakeholder interviews, the National Audit Office also observed that the BCF had “created a significant bureaucracy, which some local areas found was disproportionate and had in some cases disrupted other integration work.”

67. Despite the fact that the pressures on social care are acute, the improved BCF funding is back loaded in its timing and quantity, which also means that it was not available in 2016–17 to equalise the amounts raised by the precept. For these reasons, the improved BCF should have been available in 2016–17. Furthermore, the Government should confirm that councils will receive the full amount of the improved BCF, even if the savings from the New Homes Bonus are not achieved.

68. The exact details of how the fund will work have not yet been published. Evidence suggested that accessing funding from the BCF was bureaucratic and burdensome. The improved BCF funds should be dedicated to social care and councils should be free to use them flexibly, without having to meet requirements and conditions.

69. As we concluded in paragraph 38, estimates of the funding gap in 2017–18 range from £1.3 billion to £1.9 billion. We call on the Chancellor to use the Budget on 8 March to make the £1.5 billion 2019–20 tranche of the improved Better Care Fund immediately available to meet the shortfall in 2017–18.

70. Estimates of the funding gap vary as there is no single method or set of variables for identifying the precise amount required. We therefore request that the National Audit Office (NAO) build on its earlier work and determine the amount needed to meet the funding shortfall for the rest of this Parliament. We then call on the Chancellor to commit to closing the funding gap in line with the NAO’s recommendation.

Distribution

71. Both the improved BCF and the adult social care support grant will be distributed to councils via the adult social care relative needs formula. The 2016–17 Provisional Local Government Finance Settlement said that the improved BCF would be allocated:

Using a methodology which ensures every authority gets its share of the total funding available through the improved Better Care Fund and the Social Care Precept, as measured by the social care Relative Needs Formula.

However, as discussed in paragraphs 21 and 22, the relative needs formula has not been updated since 2013–14, when needs and resources were assessed to determine the starting point for the current business rate retention scheme. Work to update the formula is, however, ongoing and the Committee also intends to contribute to this in the coming months, having commissioned its own independent research on the topic.

125 Q63 [Sarah Pickup]
126 Liverpool City Council (SOC127)
127 National Audit Office, Health and social care integration (February 2017)
72. The County Councils Network said that the relative needs formula should be updated in order to better reflect demographic growth,\(^\text{129}\) highlighting that county areas which have “the largest and fastest growing over 65 population of any local authority type in England” are particularly affected. Kent County Council said needs redistribution should “focus on social care funding since this represents the largest proportion of budgets for upper tier authorities.”\(^\text{130}\)

73. We note that work to review the needs assessment formula is ongoing and is expected to conclude by the end of 2018. The Fair Funding Review should prioritise work on the adult social care relative needs formula so that an updated formula can be used in the distribution of the improved BCF funding as soon as possible.
5  Conclusion

74. The funding commitments in the 2015 Spending Review and the 2017–18 Provisional Local Government Finance Settlement were a welcome acknowledgement by the Government of the financial pressures facing the sector. However, the £7.6 billion the Government has said they will generate may be somewhat optimistic because this assumes that all councils will raise the precept by the full amount each year. In the context of the pressures on social care budgets from an ageing population with increasingly complex needs, adults with learning disabilities, the introduction of the National Living Wage and new statutory responsibilities, these commitments will not be enough to secure social care’s future.

75. We look to the Chancellor to address these immediate funding difficulties in the forthcoming Budget. Whatever action is taken in the short term, there are funding, structural and other problems affecting the social care sector in the medium- and long-term, and we shall make recommendations as to how these should be addressed in our final report of this inquiry. There is also an urgent need for a review, ideally cross-party, of the provision and funding of social care in the long term. We shall consider this further in our main report from this inquiry.
Conclusions and recommendations

Local Government funding and adult social care

1. Since 2010 councils’ overall budgets have reduced, resulting in savings in spending on social care, their largest area of discretionary spend. Combined with costs from growing demand for services, the implementation of the Care Act 2014, the National Living Wage and Deprivation of Liberty Safeguards, this has led to a funding shortfall in most councils’ social care budgets. (Paragraph 29)

2. Councils have partly mitigated the impact of budget pressures in the past with efficiencies and savings, but we do not believe this is sustainable and agree that councils have moved from doing ‘more for less’ to ‘less for less’. There is evidence that people are not getting the care required or that the care they already have is not being increased as their needs grow. (Paragraph 30)

Government funding for adult social care 2015 Spending Review and the 2017–18 Provisional Local Government Finance Settlement

3. Our witnesses welcomed the measures already taken by the Government to provide additional funding for adult social care, as do we. (Paragraph 31)

4. Authoritative sources in the social care sector say that, despite the Government’s funding commitments, there will still be a funding gap by 2019–20, estimates of which range from £1.1 billion to £2.6 billion. For 2017–18, estimates of the funding gap range from £1.3 billion to £1.9 billion. (Paragraph 38)

Adult social care funding mechanisms

5. The precept is recognition that councils need extra funding and, as a hypothecated tax, is helping to bring social care into the public consciousness. However, Government assumptions about the amount it will raise may be somewhat optimistic. Although some councils are concerned about the impact on their residents of raising council tax, we believe that, given the severity of the current situation, all councils should use the precept to its maximum amount to raise funding for adult social care. (Paragraph 53)

6. The amount raised by the precept is not going to be enough to tackle the funding pressures councils face or cover the increasing costs of the National Living Wage. The £382 million raised by the precept in 2016–17 represents less than 3 per cent of council spending on adult social care, and is significantly less than the cost of implementing the National Living Wage in 2016–17, estimated at £612 million. While the flexibility for councils to raise the precept by an additional 1% in 2017–18 and 2018–19 is a recognition of the scale and urgency of the financial pressures facing social care and the sector’s call for funding to be front-loaded, it is not a significant increase in funding in the context of the funding gap. (Paragraph 54)
7. Furthermore, as the amount raised varies across councils and does not correlate with need and National Living Wage costs, the precept is dependent on the improved Better Care Fund to offset the variations in the amount it raises. (Paragraph 55)

8. Given these limitations, the precept is not adequate as the main solution to the funding shortfall, but we believe that councils should exploit the opportunities it provides for increasing the funding available to them in the short-term. Arguments about the lack of central government funding will be weakened if councils have not raised the maximum amount available to them. (Paragraph 56)

9. The adult social care support grant is an un-ring fenced reprioritisation of funding from the New Homes Bonus to social care and therefore does not represent new money for councils. Furthermore, it is distributed via the relative needs formula which, having been frozen since 2013–14, no longer reflects current need. Moreover, it represents a small proportion of the funding gap in 2017–18, estimated at £1.6 billion by the Association of Directors of Adult Social Care, and is available in that year only. Although welcome recognition of the upfront funding pressures facing the system, given these limitations it will not significantly ameliorate the funding shortfall in the short- and longer-terms. (Paragraph 60)

10. Despite the fact that the pressures on social care are acute, the improved BCF funding is back loaded in its timing and quantity, which also means that it was not available in 2016–17 to equalise the amounts raised by the precept. For these reasons, the improved BCF should have been available in 2016–17. Furthermore, the Government should confirm that councils will receive the full amount of the improved BCF, even if the savings from the New Homes Bonus are not achieved. (Paragraph 67)

11. The exact details of how the fund will work have not yet been published. Evidence suggested that accessing funding from the BCF was bureaucratic and burdensome. The improved BCF funds should be dedicated to social care and councils should be free to use them flexibly, without having to meet requirements and conditions. (Paragraph 68)

12. As we concluded in paragraph 38, estimates of the funding gap in 2017–18 range from £1.3 billion to £1.9 billion. We call on the Chancellor to use the Budget on 8 March to make the £1.5 billion 2019–20 tranche of the improved Better Care Fund immediately available to meet the shortfall in 2017–18. (Paragraph 69)

13. Estimates of the funding gap vary as there is no single method or set of variables for identifying the precise amount required. We therefore request that the National Audit Office (NAO) build on its earlier work and determine the amount needed to meet the funding shortfall for the rest of this Parliament. We then call on the Chancellor to commit to closing the funding gap in line with the NAO’s recommendation. (Paragraph 70)

14. We note that work to review the needs assessment formula is ongoing and is expected to conclude by the end of 2018. The Fair Funding Review should prioritise work on the adult social care relative needs formula so that an updated formula can be used in the distribution of the improved BCF funding as soon as possible. (Paragraph 73)
Conclusion

15. The funding commitments in the 2015 Spending Review and the 2017–18 Provisional Local Government Finance Settlement were a welcome acknowledgement by the Government of the financial pressures facing the sector. However, the £7.6 billion the Government has said they will generate may be somewhat optimistic because this assumes that all councils will raise the precept by the full amount each year. In the context of the pressures on social care budgets from an ageing population with increasingly complex needs, adults with learning disabilities, the introduction of the National Living Wage and new statutory responsibilities, these commitments will not be enough to secure social care’s future. (Paragraph 74)

16. We look to the Chancellor to address these immediate funding difficulties in the forthcoming Budget. Whatever action is taken in the short term, there are funding, structural and other problems affecting the social care sector in the medium- and long-term, and we shall make recommendations as to how these should be addressed in our final report of this inquiry. There is also an urgent need for a review, ideally cross-party, of the provision and funding of social care in the long term. We shall consider this further in our main report from this inquiry. (Paragraph 75)
Formal Minutes

Tuesday 28 February 2017

Members present:
Mr Clive Betts, in the Chair
Bob Blackman          David Mackintosh
Helen Hayes           Melanie Onn
Kevin Hollinrake      Alison Thewliss

Draft Report (Adult social care: a pre-Budget report) proposed by the Chair, brought up and read.

Ordered, That the Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 75 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Eighth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned until Monday 6 March at 3.45 p.m.]
Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the Inquiry publications page of the Committee’s website.

Monday 12 September 2016

Vicky McDermott, Chair, Care and Support Alliance, Dr José-Luis Fernández, Deputy Director, Personal Social Services Research Unit, LSE; and Richard Humphries, Assistant Director Policy, The King’s Fund  Q1–55

Monday 10 October 2016

Ray James, Immediate Past President, Association of Directors of Adult Social Services, James Lloyd, Associate Fellow, the Strategic Society Centre, and Sarah Pickup, Deputy Chief Executive, Local Government Association  Q56–78

Councillor Jason Arthur, Cabinet Member for Finance and Health, Haringey Council, Tony Kirkham, Director of Resources, Newcastle City Council, and Councillor Colin Noble, Spokesman for Health and Social Care, County Councils Network  Q79–101

Monday 26 October 2016

David Behan, Chief Executive, Care Quality Commission, Professor Keith Moultrie, Director, Institute for Public Care, Paul Simic, Chief Executive, Lancashire Care Association, and Janice Dane, Assistant Director, Early Help and Prevention, Norfolk County Council  Q102–144

Professor Martin Green, Chief Executive, Care England, Colin Angel, Policy and Campaigns Director, UKHCA, Andrew Dykes, Chairman, Exalon Autonomy Group, and Tim Hammond, Chief Executive, Four Seasons Health Care  Q145–158

Monday 16 November 2016

Emily Holzhausen, Director of Policy and Public Affairs, Carers UK, Cllr Rory Palmer, Lead Member for Adult Social Care, Leicester City Council, Dr Linda Pickard, Associate Professorial Research Fellow, Personal Social Services Research Unit, London School of Economics  Q159–182

Peter Turner, Chief Executive, Carers First (Kent and Medway), Margaret Dangoor, carer and carer representative, Lana Harber, carer and Christine Euman, carer  Q183–196
Monday 28 November 2016

Jon Rouse, Chief Officer, Greater Manchester Health and Social Care Partnership, Professor Gerald Wistow, Visiting Professor in Social Policy, LSE, and Mark Lloyd, Chief Executive, Local Government Association

Alison Rogan, External Affairs Director, Tunstall Healthcare, Karen Kibblewhite, Head of Commissioning for Health and Wellbeing, Rutland County Council, and Alex Fox, Chief Executive, Shared Lives Plus

Wednesday 14 December 2016

Stephen Dorrell, Chair, NHS Confederation; and Simon Stevens, Chief Executive, NHS England

Monday 23 January 2017

Larry Gardiner, Isaac Samuels, and Anna Severwright

Heather Wakefield, National Secretary for Local Government, Unison, Sharon Allen, Chief Executive, Skills for Care, and Clare Jacobs, Employment Relations Adviser, Royal College of Nursing

Monday 30 January 2017

Mr Marcus Jones MP, Minister for Local Government, Department for Communities and Local Government; David Mowat MP, Minister for Communities, Health and Care, Department of Health; and Penny Mordaunt MP, Minister for Disabled People, Health and Work, Department for Work and Pensions
Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee’s website.

SOC numbers are generated by the evidence processing system and so may not be complete.

1. Action for M.E. (SOC0074)
2. Action on Hearing Loss (SOC0090)
3. Adaptive Technology Europe Limited (ATEL) (SOC0003)
4. Age UK (SOC0151)
5. Alzheimer’s Society (SOC0070)
6. Ambassador for Art’s and Dyslexia Paul Milton (SOC0102)
7. Ann Coffey (SOC0028)
8. anon anon (SOC0002)
9. Anson Care Services (SOC0054)
10. Association of Directors of Adult Social Services (ADASS) (SOC0134)
11. Association of Directors of Adult Social Services SE Region (SOC0171)
12. BASW (SOC0063)
13. Bedford Citizens Housing Association (SOC0008)
14. Blackburn with Darwen Borough Council (SOC0123)
15. brighterkind (SOC0034)
16. Bristol City Council (SOC0132)
17. Bristol Disability Equality Forum (SOC0210)
18. British Healthcare Trades Association (SOC0145)
19. British Medical Association (SOC0046)
20. British Red Cross (SOC0121)
21. Brunelcare (SOC0088)
22. Bupa UK (SOC0097)
23. BVFG (Botton Village Families Group) (SOC0179)
24. Cambridgeshire County Council, Essex County Council, Hertfordshire County Council, Norfolk County Council, Suffolk County Council, Southend Council and Thurrock Council (SOC0195)
25. Camphill Families and Friends (SOC0076)
26. Care and Support Alliance (SOC0155)
27. Care Association Alliance (SOC0027)
28. Care England (SOC0098)
29. Care Sector Innovations (SOC0030)
30. Carers Trust (SOC0104)
31. Carers UK (SOC0161)
32. Catherine Emma Gibbons (SOC0085)
33 Centre for Welfare Reform (SOC0164)
34 Chartered Institute of Housing (SOC0041)
35 Chartered Society of Physiotherapy (SOC0105)
36 Choice Care Group (SOC0113)
37 College of Occupational Therapists (SOC0018)
38 Co-operatives UK (SOC0160)
39 Cornwall partners in care (SOC0120)
40 County Councils Network (SOC0204)
41 County Councils Network (SOC0223)
42 Coverage Care Services (SOC0016)
43 Department for Communities and Local Government (SOC0216)
44 Disability Rights UK (SOC0080)
45 Down’s Syndrome Association (SOC0096)
46 Dr Elizabeth Guest (SOC0005)
47 Dr Keith Blois (SOC0056)
48 East Sussex County Council (SOC0012)
49 Eden Futures (SOC0157)
50 Elder (SOC0197)
51 Essex Independent Care Association (SOC0147)
52 Exalon Autonomy Group Limited (SOC0125)
53 Finch Ltd (SOC0064)
54 Foundations (SOC0078)
55 Four Seasons Health Care (SOC0219)
56 Gateshead Council (SOC0146)
57 Guild Care (SOC0073)
58 Haringey Council (SOC0159)
59 Headway - the brain injury association (SOC0089)
60 Healthwatch Cambridgeshire (SOC0101)
61 Healthwatch Essex (SOC0152)
62 Heritage Care (SOC0065)
63 Hft (SOC0119)
64 Home Group (SOC0126)
65 Home of Comfort for Invalids (SOC0106)
66 Horizon Senior Care Ltd (SOC0021)
67 Housing Learning and Improvement Network (LIN) (SOC009)
68 Hull City Council (SOC0048)
69 Humberside Independent Care Association Ltd (SOC0143)
70 Inclusion London (SOC0011)
Independent Age (SOC0067)  
International Longevity Centre - UK (SOC0066)  
Isle of Wight Council (SOC0109)  
Jackie Luland (SOC0095)  
Jewish Care (SOC0061)  
Jon Glasby (SOC0026)  
Kent County Council (SOC0035)  
Kent Integrated Care Alliance (SOC0020)  
Kent Integrated Care Alliance (SOC0062)  
Kings’ Fund (SOC0222)  
Knowsley Council (SOC0142)  
Lady Iveta Kurpniece (SOC0039)  
Lancashire Care Association Co. Ltd (SOC0044)  
Lancashire County Council (SOC0141)  
Later Life Ambitions (SOC0110)  
Learning Disability England (SOC0136)  
Learning Disability Voices (SOC0140)  
Leicester City Council (SOC0150)  
Leonard Cheshire Disability (SOC0108)  
Lifeways Group (SOC0077)  
Liverpool City Council (SOC0127)  
LivesthroughFriends CIC (SOC0058)  
Local Government Association (SOC0075)  
Local Government Ombudsman (SOC0131)  
London Borough of Camden (SOC0129)  
London Borough of Havering (SOC0010)  
London Borough of Newham (SOC0133)  
London Councils (SOC0149)  
London Fire and Emergency Planning Authority (SOC0051)  
Martha Trust (SOC0057)  
Mary Peedell (SOC0185)  
Merton Centre for Independent Living (SOC0158)  
MHA (SOC0117)  
Midland Heart Limited (SOC0128)  
Miss Fleur Perry (SOC0165)  
Motor Neurone Disease Association (SOC0112)  
Mr Clive Lewis (SOC0038)  
Mr Colin Slasberg (SOC0212)
109 Mr Derek Peedell (SOC0184)
110 Mr Duncan Cameron (SOC0178)
111 Mr Max White (SOC0186)
112 Mr Robin Sutton (SOC0024)
113 Mr William Walker (SOC0182)
114 Mrs Christine Dunlop (SOC0190)
115 Mrs Diane Wall (SOC0224)
116 Mrs Elizabeth Robertson (SOC0181)
117 Mrs Fran Francis (SOC0183)
118 Mrs Jane Caygill (SOC0040)
119 Mrs Jenny Piercy (SOC0177)
120 Mrs Kay Wilson (SOC0180)
121 Mrs Mandy Abbey (SOC0036)
122 Mrs Pippa Unwin (SOC0187)
123 Mrs Rosemary Trustam (SOC0094)
124 Mrs Sally Murray-Jones (SOC0191)
125 Mrs Sue Hurst (SOC0176)
126 Ms Heather Falconer (SOC0169)
127 Ms Jayne Swallow (SOC0206)
128 NAT (National AIDS Trust) (SOC0163)
129 National Audit Office (SOC0200)
130 National Care Forum (SOC0114)
131 National Pensioners Convention (SOC0205)
132 Newcastle City Council (SOC0130)
133 NHSCC (SOC0211)
134 Norfolk County Council (SOC0103)
135 Northamptonshire County Council (SOC0199)
136 Nottingham City Council (SOC0072)
137 Nutricia: Advanced Medical Nutrition (SOC0037)
138 NW ADASS (SOC0139)
139 Oxfordshire Association of Care Providers CIC (SOC0092)
140 Parkinson’s UK (SOC0060)
141 Precious Caring Limited (SOC0045)
142 Prison Reform Trust (SOC0086)
143 PSA Commission on Care (SOC0220)
144 Real Life Options (SOC0170)
145 Recovery Focus (SOC0154)
146 Registered Nursing Home Association (SOC0099)
147 ResPublica (SOC0087)
148 Ribble Valley Citizens Advice Bureau (SOC0004)
149 Richmond Mencap (SOC0156)
150 RNIB (Royal National Institute of Blind People) (SOC0137)
151 Rochdale Borough Council (SOC0122)
152 Royal College of Nursing (SOC0081)
153 Royal College of Psychiatrists (SOC0174)
154 Royal College of Speech and Language Therapists (SOC0071)
155 Rutland County Council (SOC0138)
156 Save Autism Services Haringey (SOC0093)
157 Scope (SOC0052)
158 Sefton Council (SOC0167)
159 Sense (SOC0116)
160 Shaping Our Lives (SOC0203)
161 Shared Lives Plus (SOC0019)
162 SIGOMA (SOC0079)
163 Silver Voices (SOC0050)
164 Sir Stephen Bubb (SOC0069)
165 Social Policy Research Unit, University of York (SOC0218)
166 Solitaire Home Care Services (SOC0006)
167 Somerset Care Ltd (SOC0042)
168 South East Strategic Leaders (SOC0172)
169 South West England (SOC0100)
170 Southern Healthcare (SOC0135)
171 St Helens Council (SOC0014)
172 St Ronans Care Home (SOC0166)
173 Surrey Care Association (SOC0033)
174 Surrey Care Association (SOC0091)
175 Surrey County Council (SOC0192)
176 techscheme ltd (SOC0029)
177 The Abbeyfield Maidenhead Society ltd (SOC0032)
178 The Alliance for Camphill (SOC0124)
179 The Avenues Group Trust (SOC0059)
180 The Brendoncare Foundation (SOC0053)
181 The Camphill Village Trust (SOC0049)
182 The Co-operative Party (SOC0217)
183 The Disabilities Trust (SOC0107)
184 The Health Foundation (SOC0153)
185 The King’s Fund and the Nuffield Trust (SOC0198)
186 The Relatives & Residents Association (SOC0168)
187 The Salvation Army (SOC0175)
188 Three Cs Support (SOC0031)
189 Thurrock Coalition (SOC0083)
190 Tunstall Healthcare (SOC0023)
191 Turning Point (SOC0148)
192 UNISON (SOC0025)
193 United for All Ages (SOC0084)
194 United Kingdom Homecare Association (SOC0173)
195 United Response (SOC0115)
196 Vanguard (SOC0068)
197 VODG (Voluntary Organisations Disability Group) (SOC0043)
198 West Berkshire Council (SOC0162)
List of Reports from the Committee during the current Parliament

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First Report  
100 per cent retention of business rates: issues for consideration  
HC 241

Second Report  
Pre-appointment hearing with the Government’s preferred candidate for the post of Chair of the Homes and Communities Agency  
HC 41

Third Report  
Homelessness  
HC 40

Fourth Report  
Government interventions: the use of Commissioners in Rotherham Metropolitan Borough Council and the London Borough of Tower Hamlets  
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Fifth Report  
The draft Homelessness Reduction Bill  
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Sixth Report  
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HC 703

First Special Report  
Child sexual exploitation in Rotherham: Ofsted and further government issues: Ofsted Response to the Committee’s Ninth Report of Session 2014–15  
HC 435

Second Special Report  
Private rented sector: the evidence from banning letting agents’ fees in Scotland: Government Response to the Committee’s Eighth Report of Session 2014–15  
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