The end of formal adult social care

A provocation by the ILC-UK

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About the Centre for Later Life funding

This report is the second publication from The Centre for Later Life Funding, which in turn, sits under the guise of the ILC-UK. The Centre is, in part, a continuation of its predecessor body the Care Funding Advice Network (CFAN) – a coalition of organisations and individuals seeking to improve on the Care Act's recognition of the need for financial advice.

The Centre represents a significant expansion in terms of scope and output to include policy briefings and research papers, which consider not just questions about care funding but questions about funding retirement more broadly. And critically it will focus on developing ideas and solutions to these questions. We think that the artificial separation of retirement funding from care funding is unhelpful given that long-term care can be one of the biggest costs that people face during their retirement years.

Executive Summary

Is this the end for formal adult social care? While many have welcomed the government's acknowledgement that adult social care requires more funding, this paper argues the proposed measures outlined in the Spending Review will not be sufficient to meet the growing care needs of an ageing population. Indeed, they are likely to result in a polarisation of care – private formal care for those that can afford it, rising reliance on informal carers and increasing unmet needs for those that can't. However with local government facing more real terms spending cuts, we are unlikely to have the required infrastructure to move to a model of care that relies so heavily on family and community support.

More specifically this paper finds:

The care crisis

- Numbers accessing care services have fallen by half a million since 2008/9 (a drop of 30%)
- Yet the population continues to age – the over 80s have risen by 800,000 in the last decade.
- We estimate that approximately 1.86 million people over the age of 50 in England (1 in 10) have unmet care needs – an increase of 120,000 people (or 7%) since 2006/7.

Assessment of changes outlined in 2015 Spending Review

- Our analysis of data from 326 local authorities, shows that the councils with the highest concentration of older people and unpaid carers will be the ones that will bring in the ***least*** amount of money from the 2% council tax precept.
- Even if proposals bring £3.5bn into adult social care (which is highly unlikely), this will still only mean that spending on care returns to 2015 levels by the end of the parliament.
- This would imply an overall fall in expenditure on care as a proportion of GDP putting us firmly towards the bottom end of the OECD league table.

Increased reliance on unpaid carers and rising unmet need

- There are already around 1.5 million people providing over 50 hours per week of unpaid care.
- Reductions in formal care services will put a greater burden on unpaid carers who are typically middle-aged women. This could threaten to undo some of the progress made in raising female employment rates over the last 20 years to the detriment of the wider economy.
- Unpaid care can also put a significant strain on the individual providing it, yet carers receive little support for what they do. Carers Allowance is currently set at just £62.10 per week for those providing at least 35 hours of care a week – that's less than £2 per hour of care provided.
- Without greater support, both financial and formal care support, greater unpaid caring could risk an erosion in the quality of care provided and will have adverse implications for carers' wellbeing.
- But those who have a family to support them may be the lucky ones. We estimate there are approximately 4.3 million people aged 50+ in England who are living alone (that's roughly 1 in 5 middle aged and older people living on their own).

Introduction

The nature and shape of the UK state is changing. As our population ages, an increasing proportion of public expenditure is being directed towards services used by older people. In 1997-8, 33.8% of government expenditure was directed at the health service and older people and this is set to rise to 42.3% by 2020[1]. However, there is one critical age-related service that remains woefully underfunded – adult social care.

Adult social care is the misunderstood sibling of healthcare. While healthcare is free at the point of use, the provision of state support for adult social care is subject to a means test. But despite this key difference, many do not realise that they have to pay for care, and instead assume it will be free when they need it like the NHS. In addition, state funding for adult social care comes from local government coffers rather than being funded through a global budget like its bigger sister the health service. Perhaps for these reasons, successive governments have cut spending on local government which has, in turn, resulted in falling public expenditure on adult social care[2].

In recognition of the care funding crisis, in the last parliament, the Government agreed to implement the so called "Dilnot reforms" which would result in a more generous means test and a "cap" on care costs, but this has since been delayed until 2020 with some anticipating it being scrapped altogether.

In this context, the 2015 Spending Review marked a critical moment for the future of adult social care. With reports of many providers struggling to stay afloat and falling numbers of people accessing care services, the Chancellor announced further funding for the sector. The plans include:

- **Council tax precept:** The Government will enable councils to be flexible in raising their council tax by 2% explicitly to raise funds for social care.
- **Better care fund:** The Government have also stated there will be a £1.5bn increase in the Better Care Fund.
- **£3.5bn?** Taken together, the Government anticipates these changes potentially bringing in an additional £3.5bn to adult social care by the end of this Parliament.
- **Dilnot delayed not cancelled:** The Government reiterated their commitment to implementing the Dilnot reforms in 2020 saying they have been postponed but not cancelled.

In light of these proposed changes, this short paper asks – is there a future for formal adult social care, and if so, where does this future lie, and if not, what might be the long term consequences?

The care funding crisis

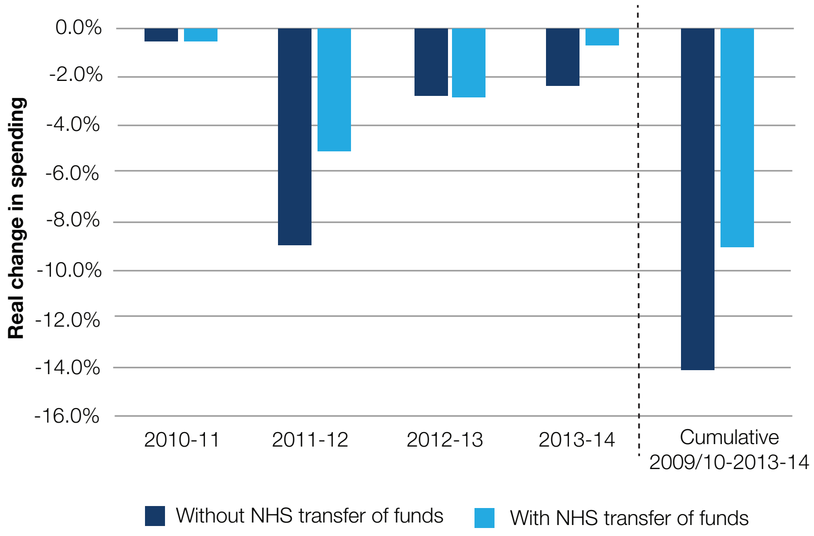
The Government's proposals for adult social care must be viewed in the context of the long-term funding challenge facing the sector. Over the last five years, the adult social care sector has faced real terms funding cuts of around 9 to 14% depending on whether or not NHS transfers are included within the calculation[3].

1 Whittaker (2015) Skewed Britain is no country for young men, Blog post for Resolution Foundation: http://www.resolutionfoundation.org/media/blog/skewed-britain-is-no-country-for-young-men/

2 Local government has tried to limit the extent of spending cuts to social care – preferring to cut other services instead. This has meant that social care accounts for an increasing proportion of total local government spending despite the fact that social care expenditure has been falling.

3 NHS transfers are direct transfers from the NHS to fund adult social care

Figure 1: Real change in adult social care spending: 2010/11 to 2013/14



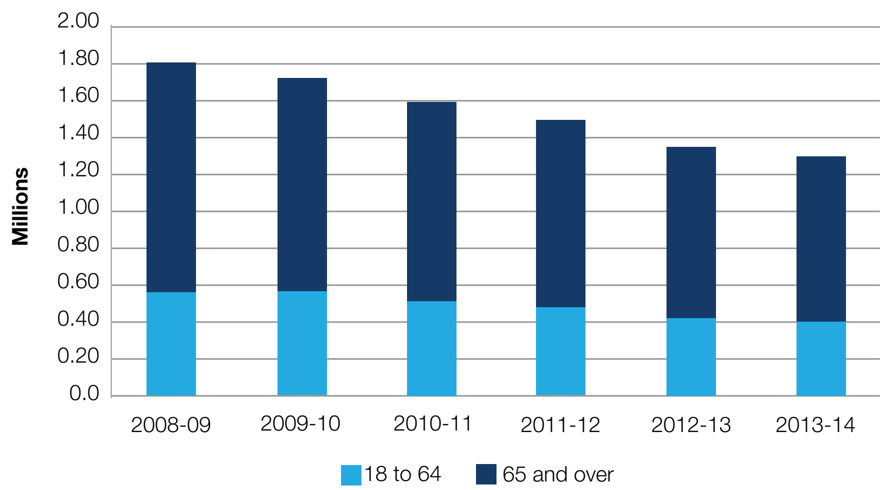
Source: King's Fund

Such funding pressures have meant reductions in services for those who need them. In 2014, the National Audit Office (NAO) found that some providers were struggling to meet all but "users' basic needs and investing in staff skills and training". Indeed around half of local authority directors of adult social care reported that cost-saving was putting pressure on the financial sustainability of private sector providers. The NAO's report suggested that such a situation is particularly challenging for small, independent local providers, who typically hold around 80% of the market share in many localities[4].

The care sector has warned that "up to half of the care home market will become financially unviable and care homes will start to close their doors". And it is not just the care home sector that is feeling the strain – 74% of domiciliary home-care providers who work with local councils have said "they will have to reduce the amount of publicly funded care they provide." The home-care sector has said that "if no action is taken…this would affect half of all of the people and their families who rely on these vital services"[5].

The funding squeeze is having a real impact on peoples' lives, reducing the numbers accessing care services – particularly amongst older people but also for those under 65. Since 2008-9 the numbers of older people (aged over 65) receiving care has fallen by 30%, while it has fallen by around 26% for those aged 18-64. As a result there are now half a million fewer people receiving care services than there were in 2008-9.

Figure 2: Numbers of people receiving care services



Source: HSCIC

4 NAO (2014), Adult social care in England: overview https://www.nao.org.uk/wp-content/uploads/2015/03/Adult-social-care-in-England-overview.pdf
5 Campbell (2015), Half of UK care homes will close unless £2.9bn funding gap is plugged, charities warn, Story for the Guardian: http://www.theguardian.com/society/2015/nov/21/half-uk-care-homes-close-funding-gap-nhs-george-osborne

Despite fewer people receiving care, there remains a high level of demand

The UK's population is ageing and it is the oldest age group which is rising the fastest. Between 1980 and 2014, the number of people aged over 80 in England has more than doubled from 1.3 million in 2004 to close to 3 million by 2014[6]. Over the last 10 years alone, this age group has grown by over 800,000. Evidence collected for this report suggests that during this time, the number of middle aged to older people who have problems undertaking Activities of Daily Living (ADL) but do not receive any support has risen.

In focus: unmet care needs

Using data from the English Longitudinal Study of Ageing (ELSA), we have calculated the level of unmet need by first identifying all those who struggle to undertake certain activities and then estimating the numbers who do not receive any help with them. The activities include:

1. Dressing
2. Walking across a room
3. Bathing or showering
4. Eating, such as cutting up food
5. Getting in and out of bed
6. Using the toilet, including getting up or down

Based on this approach, we estimate that in 2012/13, there were 1.86 million people over the age of 50 in England who had unmet needs – an increase of 120,000 people (or 7%) since 2006/7[7].
This means that around 1 in 10 people aged over 50 has an unmet care need.

Increased numbers of unpaid carers

Reduced access to formal social care means many are increasingly reliant on unpaid carers including family and friends whose numbers continue to grow. The most up to date and reliable information on informal carers comes from the 2011 Census. This showed a stark increase in the number of carers in England and Wales, from 5.2 million in 2001 to 5.8 million in 2011. Unpaid care increased at a faster pace than population growth between 2001 and 2011 and this was true for all regions other than London during the period. Of all unpaid carers, around 3.7 million provided 1-19 hours per week, 775,000 provided 20-49 hours and 1.4 million provided 50 hours or more unpaid care.[8]

Women were notably more likely to be unpaid carers than men, accounting for 57.7 per cent of unpaid carers in England and Wales[9]. Women aged 50-64 are particularly likely to take on caring roles – in 2011 nearly 1 in 4 women of this age took time to care for others.

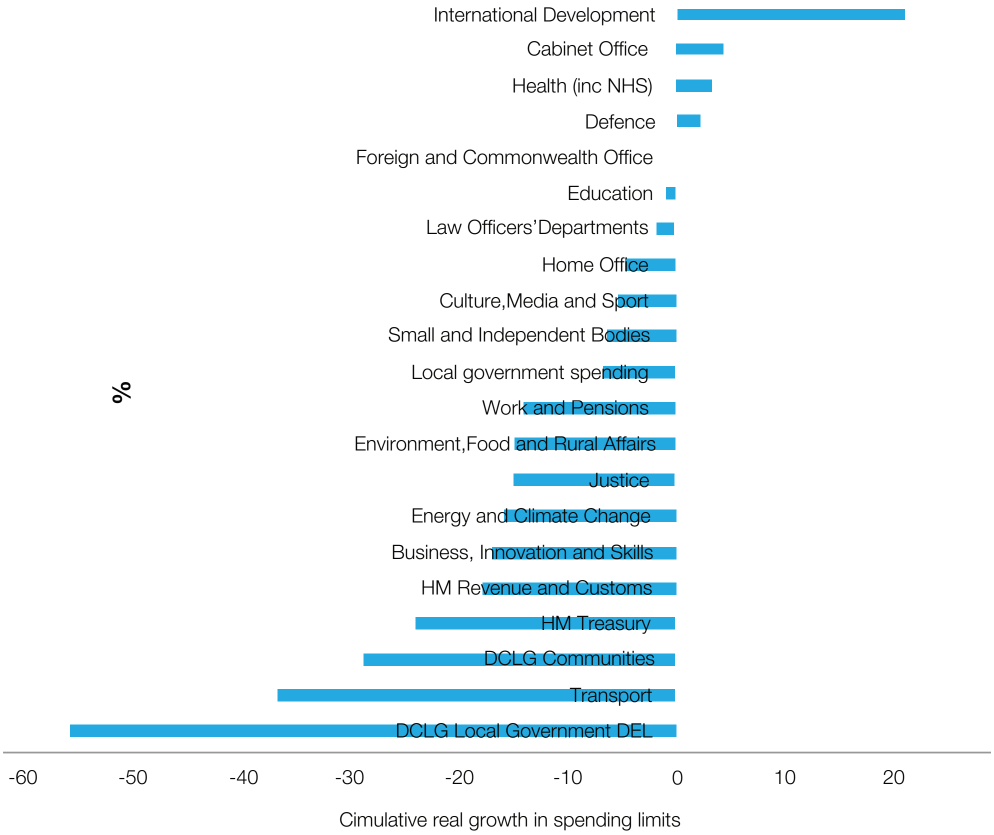
Will the measures contained in the Spending Review make a difference?

At a national level, it is hoped that the measures outlined in the Spending Review – which includes more resources for the Better Care Fund (£1.5bn) and the council tax precept (hoped to bring in £2bn) will bring an additional £3.5bn into adult social care by the end of the parliament.

Despite these measures, it is difficult to know exactly how funding for adult social care will play out over the next four years. Unlike the NHS there is no global budget for care, instead it is up to local authorities to determine how much they actually spend including whether or not they choose to take advantage of the new precept and raise council tax in order to generate additional funds for social care. But with local government having their funding from central government cut by 56% over the course of this parliament, how they manage their entire budgets including adult social care expenditure is likely to be a substantial challenge.

6 ONS 2014 Mid-Year Population Estimates
7 There are earlier waves in ELSA but they do not contain equivalent data on ADLs so cannot be used for direct comparison purposes
8 ONS (2013) 2011 Census Analysis: Unpaid care in England and Wales, 2011 and comparison with 2001: http://www.ons.gov.uk/ons/dcp171766_300039.pdf
9 ONS (2013) Full story: The gender gap in unpaid care provision: is there an impact on health and economic position?: http://www.ons.gov.uk/ons/dcp171776_310295.pdf

Figure 3: Resource Departmental Expenditure Limits 2015-16 to 2019-20



Source: HM Treasury , Spending Review and Autumn Statement: https://www.gov.uk/government/publications/spending-review-and-autumn-statement-2015-documents/spending-review-and-autumn-statement-2015

What we do know is that even if £3.5bn is succesfully raised for care, this will still only mean that spending on care returns to 2015 levels by the end of the parliament[10]. In addition, the proposals imply that the £3.5bn would be backloaded – with funding falling over the next two years before rising in the last[11]. This means a continued short-term funding squeeze for the sector as a whole, before some relatively limited rest bite later on.

Local authorities will be impacted in different ways

The council tax precept is likely to exacerbate regional and local inequalities. Our analysis underlines what many others have already suggested - the local authorities that most need additional funding for care will generate the least amount of funding through the precept.

Methods

By combining the government's Live Tables on Local Government Finance with the ONS' Mid-Year 2014 Population Estimates, it is possible to calculate what an additional 2% in council tax might generate per older person in each local authority in England. We then plot this additional revenue per head against the likely demand for care across all local authorities (measured in terms of the proportion of people aged over 65).

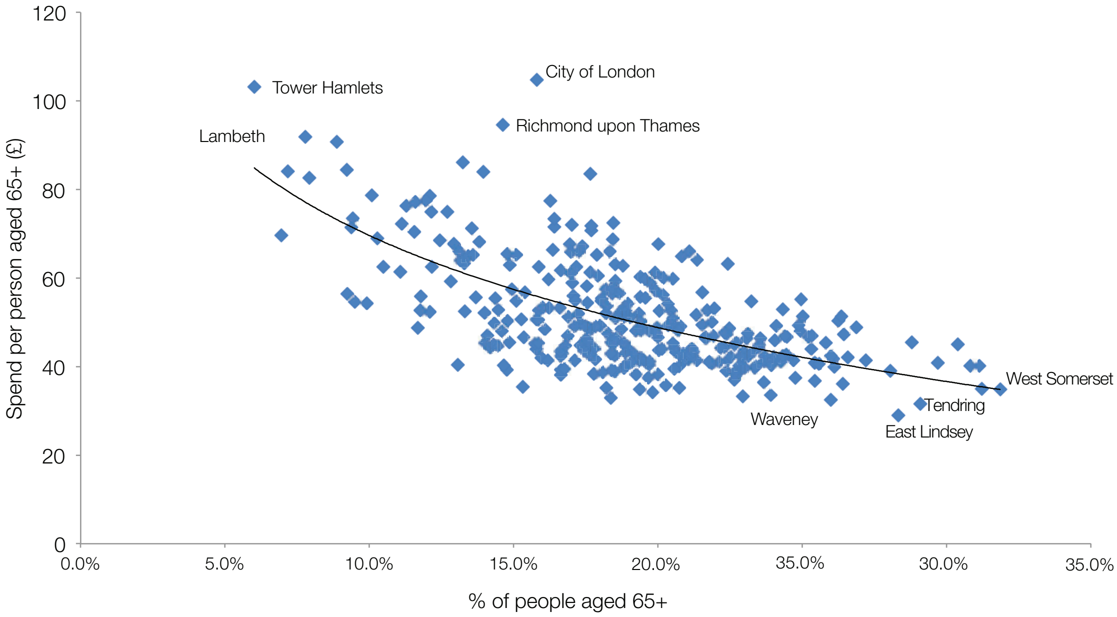
Findings

We find that the local authorities with the highest proportion of older people will bring in the ***least*** amount of money for every older person per year. In other words, the places where there is likely to be the highest level of need, will bring in the least amount of additional resource to spend on social care. In Lincolnshire's East Lindsey for instance where 30% of people are aged over 65, a 2% rise would bring in just under £30 per older person per year. By contrast, in Richmond Upon Thames, where just 15% of people are aged over 65, the rise would bring in an additional £95 per older person per year.

10 Appleby (2015) "UK's health and social care spending plans: more of the same?" Data briefing for the British Medical Journal, BMJ 2015;351:h6458
11 Appleby (2015) "The Spending Review - what does it mean for health and social care?", http://www.kingsfund.org.uk/audio-video/john-appleby-spending-review-health-social-care

The below chart clearly demonstrates the inverse relationship between likely demand for care and the additional funding the precept would provide.

Figure 4: Anticipated additional spend per head by concentration of older people across LAs

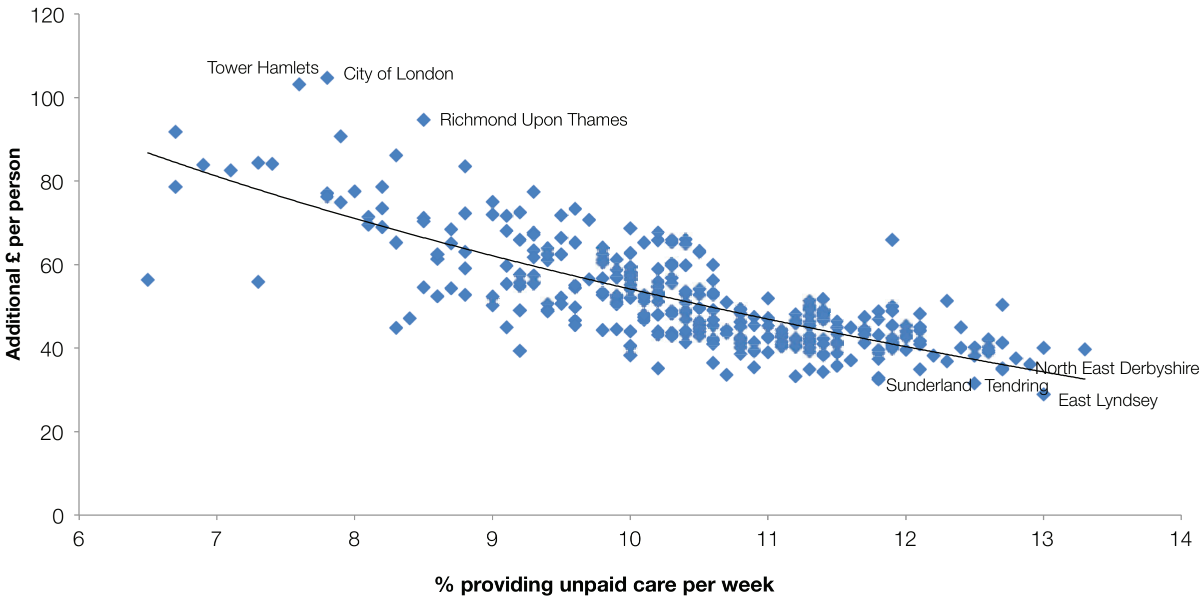


Source: Author's calculations based on ONS and DCLG data

Greater burden on informal carers

It should perhaps come as no surprise that older local authorities have a higher proportion of unpaid carers than younger local authorities. Since the precept will bring in less money to older local authorities than younger ones, this will limit the extent to which it can ease the burden on unpaid carers. To demonstrate this, we repeated the above analysis, but rather than including the proportion of people aged over 65 we included the proportion of people undertaking unpaid care in a week[12]. The chart below shows that the precept will bring in signficantly less money where there is a higher reliance on unpaid carers. For instance in East Lyndsey, where around 13% of the population provide unpaid care, the precept could bring in around £30 compared to over £90 in Lambeth where less than 7% of the population provide unpaid care[13].

Figure 5: Anticipated additional spend per head by concentration of unpaid carers by LA



Source: Author's calculations based on ONS and DCLG data

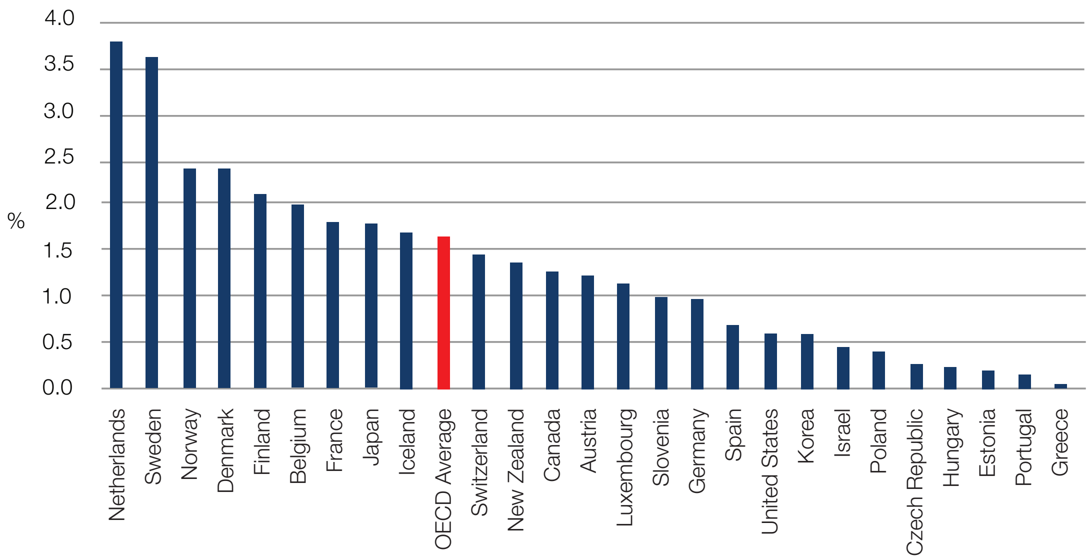
12 The local authority data on unpaid carers was taken from the 2011 Census.
13 The results are robust to different amounts of unpaid care (i.e. this example is any amount of unpaid care, whereas we also looked at proportion providing intense unpaid care of 50+ hours a week).

Now of course, not all councils will decide to raise taxes. Richard Humphries from the King's Fund estimates that rather than bringing in an additional £2 billion for adult social care the precept will bring in just £800 million – less than half the government's intended target, though we won't know the exact figure until the end of the parliament by which time it may be too late[14]. And of course, some of the additional money is likely to go toward funding the new living wage rather than adding additional capacity. Given the extent to which the sector has already been squeezed, the precarious financial position of some of its providers and the rising demand for care, this could result in a further reduction in access to formal adult social care, increased reliance on informal care and rising unmet need.

Adult social care: towards a new model

Even if real terms spending on care is maintained at current levels, this would still imply an overall fall in expenditure on care as a proportion of GDP. It would fall from around 1.1% of GDP today to around 1% by 2020 and it would fall even further if the precept does not bring in as much as anticipated[15]. To put this in context, such a level of spending as a proportion of economic output, would put us firmly in the bottom half of the OECD league table. While cross-country comparisons are somewhat hazardous because different countries categorise health and social care in different ways and operate different funding models, average public expenditure on care in the OECD was 1.6% of GDP in 2011 – significantly above our current and anticipated level of spending[16]. Indeed, it would mean that we are closer in terms of expenditure to central and Eastern Europe than to the bastions of adult social care in Denmark, Norway and Sweden.

Figure 6: Expenditure on LTC as a % of GDP (2011)



Source: OECD

Unintended side effects

Unless further funding is found in this parliament, we may be moving towards a mixed and somewhat polarised system of care with some private formal care for those that can afford it, alongside rising reliance on informal carers and increasing unmet needs for those that can't.

An army of unpaid carers

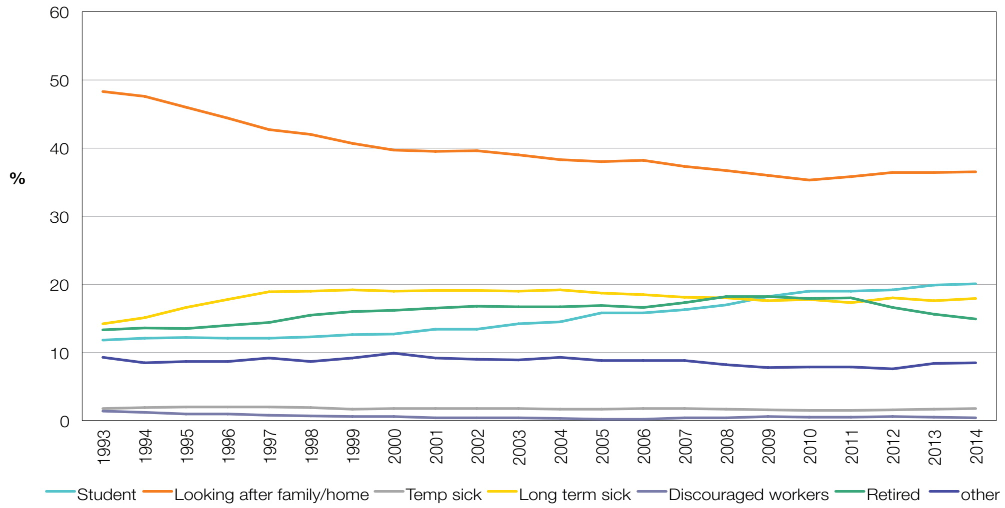
A greater reliance on family carers may help to alleviate some of the pressures currently facing the adult social care sector, but such a response to the care crisis could have unintended consequences, not least an erosion in the quality and professionalism of care provision.

But there are likely to be other socioeconomic consequences of putting more reliance on informal care. With middle aged women the most likely group to care for family members, increased reliance on unpaid carers could undo some of the significant gains made in female employment seen over the last twenty

14 See Campbell (2015) Using council tax to offset care cuts 'will widen gap between rich and poor', Story for the Guardian: http://www.theguardian.com/politics/2015/dec/06/council-tax-offset-care-cuts-widen-gap-rich-and-poor-kings-fund?CMP=share_btn_tw
15 Calculations based on Office for Budget Responsibility estimates for current spend on long-term care and economic growth forecasts (real GDP).
16 OECD (2013) Health at a Glance: http://www.oecd-ilibrary.org/sites/health_glance-2013-en/08/09/index.html?itemId=/content/chapter/health_glance-2013-79-en&mimeType=text/html

years. As the below chart shows, these employment gains have been driven by a substantive fall in the proportion of women who are economically inactive because they are caring for family members. That trend may already be starting to unwind. Since 2010, the fall in the proportion of women who are economically inactive because they are looking after their family appears to have levelled off and may even be starting to rise.

Figure 7: Reasons for being economically inactive (women)



Source: ONS Labout Market Statistics (2015)

Unpaid carers make a significant contribution to society. In 2015, a report from CarersUK estimated the economic value of unpaid carers at £132 billion per year – 7% higher than in 2011[17]. But unpaid care can put a significant strain on the individual providing it – especially those providing 50 hours or more a week, of which there are around 1.4 million people. Yet carers receive little support for what they do. Carers Allowance is currently set at just £62.10 per week for those providing at least 35 hours of care a week. This amounts to under £2 per hour of care provided. And as this report has illustrated, there will be little additional funding through the precept directed to those local authorities where unpaid carers make the biggest contribution.

Going it alone

In the future, those who have a care need and can rely on family to support them may be the lucky ones. For the purposes of this report, we have estimated that there are approximately 4.3 million people aged 50+ in England who are living alone (that's roughly 1 in 5 middle aged and older people living on their own), and we know that the chances of living alone rise with age[18]. Without family or friends to support their care needs, and with falling levels of formal support, this group faces a particularly worrying future.

Concluding remarks

The settlement for social care outlined in the Spending Review does little more than paper over the cracks which many of those in need of care are already falling through. While some will be able to rely on family to support their needs, increased prevalence of unpaid caring may have adverse consequences for those providing support, for the economy as a whole due to reduced employment, and may even lead to an erosion in the quality of care provided. If we really are moving to a model of care that is almost entirely reliant on family and community support, then we must have the adequate infrastructure in place to support the needs of informal carers. Yet with local government facing more severe real terms spending cuts, it is difficult to see where this capacity is going to come from. The future for adult social care looks bleak.

17 Buckner and Yeandle (2015) Valuing carers 2015, report for CarersUK: http://www.carersuk.org/for-professionals/policy/policy-library?task=download&file=policy_file&id=5479. This estimate assumed a unit cost of replacement care of £17.20 per hour, which, the report argues is in line with the official estimate of the actual cost per hour of providing homecare to an adult.
18 Beach (2014) Loneliness in older men, report for ILC-UK and Independent Age: http://www.ilcuk.org.uk/images/uploads/publication-pdfs/Loneliness_in_older_men_report.pdf

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