

**THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA**  
**HEALTH, ENVIRONMENTAL HEALTH AND ADULT SOCIAL CARE**  
**SCRUTINY COMMITTEE – 4 JULY 2012**  
**REPORT FROM THE TRI-BOROUGH EXECUTIVE DIRECTOR FOR**  
**ADULT SOCIAL CARE**  
**BRIEFING: THE LONG-TERM REFORM OF ADULT SOCIAL CARE**  
**FUNDING**

The purpose of this briefing is to give information on the long-term reform of adult social care funding.

**FOR INFORMATION**

## **1. BACKGROUND**

- 1.1 At the HEHASC Scrutiny Committee on 9 May, a briefing was requested on the issue of long-term funding of adult social care, including Local Government Association (LGA) representations to Central Government.

## **2. ADULT SOCIAL CARE FUNDING**

### Significant issues

- 2.1 Adult social care funding has become a significant issue over recent years for four main reasons:
- Public spending has failed to keep up with demand for services.
  - Public expectations of the quality and personalised nature of services are growing.
  - There is a sense that the system of funding is unfair because of a postcode lottery in access to care between areas and because people with savings above a certain threshold do not receive state funding for residential care, outside Scotland.
  - Demand for care is set to increase significantly over the coming years as the population ages and with the increasing life expectancy of disabled people. The number of people in need of care in England is expected to rise from six million in 2009 to 7.66m in 2030, according to the Personal Social Services Research Unit.

## Public spending reductions

- 2.2 Local authorities in England are receiving significant reductions to their funding from 2011-15 on the back of the 2010 comprehensive spending review. The Association of Directors of Adult Social Services has estimated that English councils will reduce spending on adult social care by £1bn in 2011-12 and expects the total reduction to be greater in 2012-13. Nationally this has manifested itself in rising charges on users for care services and increases in eligibility thresholds.

## Unmet needs

- 2.3 It also builds on evidence of existing unmet need for care. Age UK has estimated that 800,000 older people 'in need' of care in England were not receiving formal care services and that the number will rise to over one million from 2011-15.<sup>1</sup>

## **3. THE DILNOT COMMISSION**

- 3.1 In response to these concerns the UK government set up the Dilnot Commission, to examine options for long term reform of social care funding in England. It reported in July 2011, its main proposals were:

- A national system of assessment and eligibility and a national eligibility threshold
- A rise from £23,250 to £100,000 in the means-test savings threshold above which people are ineligible for state funding for their care.
- A cap on the lifetime costs of care for individuals whose eligible needs for services arise after they turn 65; the recommendation was that this should be set at £35,000 initially.
- Lower caps on the lifetime costs for people who acquire needs at earlier ages. Free care for those who acquire needs before they turn 40.
- A £7,000-£10,000 annual fee for the board and lodging costs of people receiving residential care.

- 3.2 In giving evidence to the Commons Health Committee inquiry on Social Care<sup>2</sup>, Dilnot indicated that councils would face large variations in the cost of implementing the Commission's proposals.

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<sup>1</sup> Age UK: £500m funding gap for social care revealed <http://www.ageuk.org.uk/latest-news/500m-funding-gap-for-older-peoples-social-care-revealed/>

<sup>2</sup> Parliament News: MPs question officials and minister about social care provision in England

- 3.3 Cross-party talks on adult social care funding resumed in January 2012, the first time since before the election. Community Care has suggested that the Dilnot Commission report's central proposal of a £35,000 cap on the costs of care for individuals, estimated as costing around £1.7 billion a year received a lukewarm response from the Treasury.<sup>3</sup>
- 3.4 The public spending situation has deteriorated since Dilnot, meaning reductions in grant to local authorities are likely to be deeper than previously predicted from 2013-17.

#### **4. HOUSE OF COMMONS: HEALTH COMMITTEE**

- 4.1 In January 2012, the Health Committee published its report on public expenditure in health.<sup>4</sup> It said, "The overall picture of social care is of a service that is continuing to function by restricting eligibility, by making greater savings on other local authority functions and by forcing down the price it pays to contractors for services. In each case, the scope for further efficiencies is severely limited." They suggested that NHS should spend more on adult social care to improve the quality and cost-effectiveness of support for older and disabled people. "Clearly there is scope to extend transfers of this kind ... The committee believes that, as a matter of urgency, the Department of Health should investigate the practicalities of greater passporting of NHS funding to care."
- 4.2 In February 2012, the Health Committee published its report on social care<sup>5</sup>. They believed the current social care system is inadequately funded and that the squeeze on local authority budgets over the next four years "will see a widening gap between needs and resources (and) despite the additional £2 billion announced in the Spending Review and the best intentions of local authorities to protect social care, a funding gap of at least £1.2 billion could open up by 2014 unless all councils can achieve unprecedented efficiency savings". Paul Burstow, Minister of State for Care Services, however, in his evidence argued that there was no funding gap and no funding

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<http://www.parliament.uk/business/committees/committees-a-z/commons-select/health-committee/news/12-01-12-socialcare-ev6/>

<sup>3</sup> Community Care's predictions for social care in 2012

<http://www.communitycare.co.uk/Articles/21/12/2011/117891/community-cares-predictions-for-social-care-in-2012.htm>

<sup>4</sup> House of Commons - Public Expenditure - Health Committee

<http://www.publications.parliament.uk/pa/cm201012/cmselect/cmhealth/1499/149907.htm>

<sup>5</sup> House of Commons - Social Care - Health Committee

<http://www.publications.parliament.uk/pa/cm201012/cmselect/cmhealth/1583/158302.htm>

crisis in social care. The committee's response was to say that "it is deeply worrying that despite the best efforts of councils, leading charities and the government's own experts, the message that we are facing a financial crisis still doesn't seem to be getting through".

## **5. LOCAL GOVERNMENT ASSOCIATION**

5.1 The LGA wrote to the Labour, Liberal Democrat and Conservative leaders to urge them to sort out funding for elderly care. The letter, featured by The Telegraph on 27 April warned that councils may have to "plug the gap" of lack of social care funding by diverting money from services such as libraries and parks.

5.2 The cost of care for the country's rapidly ageing population is set to almost double in a generation unless government urgently introduces reform, the LGA warned on 30 May 2012. "The Financial Context of Adult Social Care Reform"<sup>6</sup> published by the LGA said demographic changes would cause, on average, each council an extra £79m in care costs in less than 20 years' time unless the care system is reformed. Spending on adult social care will have to rise from £14.5bn to £26.7bn, an increase of 84%. This will see the number of people who have to pay for their own care without state support also more than double from 128,000 to 264,000 by 2030, with spending on social care for 18-64 year-olds rising by 66%, from £6.8bn to £11.3bn, in the same period. The LGA's projections were based on modelling exercises conducted by the respected Personal Social Services Research Unit and combined with councils' unit cost data on expenditure on personal social services.<sup>7</sup>

5.3 The LGA have said that they, with partners, will shortly set out the local government offer to central government on how councils can play their part and make Dilnot's proposals manageable.

## **6. ALL-PARTY PARLIAMENTARY GROUP INQUIRY**

6.1 The All-Party Parliamentary Group Inquiry into the future funding of adult social care<sup>8</sup> brings together MPs and Peers to investigate how local authorities can enable citizens to be financially independent, lead independent lives and shape markets for the delivery of adult

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<sup>6</sup> LGA (30 May 2012): The financial context of adult social care reform  
[http://www.local.gov.uk/c/document\\_library/get\\_file?uuid=4dc2fbf1-7a9a-45ae-9d33-336b698ad4d1&groupId=10171](http://www.local.gov.uk/c/document_library/get_file?uuid=4dc2fbf1-7a9a-45ae-9d33-336b698ad4d1&groupId=10171)

<sup>7</sup> LGA media releases: Taxpayer's care bill to double by 2030  
[http://www.local.gov.uk/web/guest/media-releases/-/journal\\_content/56/10171/3584848/NEWS-TEMPLATE](http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10171/3584848/NEWS-TEMPLATE)

<sup>8</sup> All-Party Parliamentary Group on Local Government Inquiry 2012 | LGIU: Local Government Information Unit <http://www.lgiu.org.uk/appginquirysocialcare/#>

social care. Their report will be launched in Parliament on July 16th and will feed into the Government's White Paper on Social Care.

## **7. COMMENTARY**

- 7.1 The Government has previously committed "to establish a sustainable legal and financial framework for adult social care" in this session of Parliament.
- 7.2 The Dilnot report on long-term funding was published in July 2011. The Social Care White Paper due in the early summer, was originally due to include proposals about the long-term reform of care funding. However, the HSJ has reported that a "progress report" on funding will accompany the White Paper. A source close to the government told the HSJ that the government was "not kicking it into the long grass".<sup>9</sup>
- 7.3 The Government needs to adopt proposals which enable people to plan for the costs of retirement, of which Dilnot is the only current proposal. The Government is likely to address some of the demand pressures in the system such as through closer integration with health services.
- 7.4 There remains significant uncertainty about Government plans for the future of long term funding of social care, and therefore uncertainty about the potential additional risks that the Council may face.

## **FOR INFORMATION**

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**Background papers used in the preparation of this report:** None

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<sup>9</sup> HSJ (9 May 2012): Social care bill delay sparks backlash  
<http://www.hsj.co.uk/news/policy/social-care-bill-delay-sparks-backlash/5044470.article?blocktitle=Headlines&contentID=7838>