

# The Health Foundation's response to the Housing, Communities and Local Government Select Committee inquiry on *Long-term funding of adult social care*

**April 2021**

## **About the Health Foundation**

The Health Foundation is an independent charity committed to bringing about better health and health care for people in the UK. Our aim is a healthier population, supported by high quality health care that can be equitably accessed. We learn what works to make people's lives healthier and improve the health care system. From giving grants to those working at the front line to carrying out research and policy analysis, we shine a light on how to make successful change happen.

## **How has Covid-19 changed the landscape for long-term funding reform of the adult social care sector?**

The pandemic has taken **a disproportionate toll** on people who need and provide adult social care in England. It has highlighted the importance of the sector and the lack of priority afforded to it. The devastating impact of COVID-19 on adult social care has been **shaped – in part – by underlying problems in the sector**. Measures to support and protect people in adult social care have been implemented in the context of a system scarred by decades of political neglect.

Adult social care public funding **fell by 12% in real terms between 2010/11 and 2018/19**. The number of people supported by local authorities has **decreased in recent years**, despite rising care needs. Providers have lacked financial resilience for many years, but this has become more apparent during the pandemic. An increasing proportion of directors of social care services **surveyed by ADASS** are reporting care home and home care providers closing, ceasing trading or handing back contracts in their local authority. In October and November 2020, high proportions also reported a rise in requests for support due to temporary closures of day services (66% of leaders) or the unavailability of community or voluntary support (43% of leaders).

COVID-19 has also created additional cost-pressures for social care services and reduced local government income from charges and business rates. Only 2% of **directors of social services** are fully confident that their budgets will be sufficient to meet their statutory duties in 2021/22, a reduction from **7% the previous year**.

The pandemic has brought into sharp relief the need for fundamental reform of the adult social care system to address the longstanding policy failures, including **workforce shortages and poor employment conditions**. Care homes that relied on agency staff to fill vacancies had **more COVID-19 cases**. There is evidence of **lower levels of infection among residents** in care homes where staff received sick pay. But sick pay provision in social care is patchy and high rates of zero-hours contracts mean incomes are precarious. Government **funding for infection control** – introduced in May 2020, partly to help providers pay staff while self-isolating – may not have gone far enough. In a Health Foundation funded **survey** of social care staff in July 2020, one in five workers who had to self-isolate received little or no pay.

The full effects of the pandemic are uncertain and will unfold over many months. What is certain is that without both funding and more fundamental reform, people with care needs and those who provide care will continue to suffer unnecessarily. The government must fulfil its promise to **fix the crisis in social care 'once and for all'**. **Priorities for government include:**

- stabilising and sustaining the social care system so that it better meets people's needs, including policy and investment to improve staff pay and conditions
- increasing access to publicly funded social care services to help address unmet need
- reforming the social care funding system to provide greater protection for individuals against social care costs. One model to do this – a cap on lifetime care costs – already lies on the statute book. Government could use this flexibly depending on choices about the balance of responsibility between individuals and the state.

The above priorities should be seen as an interlinking set of reforms which together will help create a social care system that works for everyone.

Comprehensive reform of the social care system will require additional government investment, but it is not unaffordable. The Health Foundation has calculated a range of estimates for the adult social care funding gap, depending on the scale of the government's ambition for improving the sector. The Health Foundation's **REAL Centre** estimates that **additional funding of around £14.4bn a year would be needed by 2030/31** to meet demands from an ageing population, improve access and allow local authorities to pay care providers more to improve the quality of care (Table 1 outlines a breakdown of these costs). This is 60% more than projections of the funding we estimate local authorities will have based on current policies. This is before accounting for the impact of COVID-19 on local authority incomes and demand for state funded social care.

## **How should additional funds for the adult social care sector be raised?**

As we have set out above, significant additional public spending is needed to fund adult social care reform. Cutting other public services to pay for social care is not feasible or desirable. While additional borrowing could play a part, additional spending will likely require increases in tax revenue.

Policy options to raise additional revenue to fund social care include:

- increasing general taxation (including from the wealthy)
- taxing or redirecting spend on older people (e.g. by extending National Insurance (NI) contributions beyond retirement age)
- taxing wealth (eg changes to council tax or new forms of tax on people's estates)

- a hypothecated tax for social care or a 'soft' kind of hypothecation, where the money raised is not actually ring-fenced in practice.

Each option has **advantages and drawbacks**. Tax increases are an obvious route to fund a more generous system. Overall tax revenue in the UK as a share of national income is lower than most other OECD and EU15 countries. And **people at the median and top of the UK income distribution pay less income tax** than they would in many other European countries.

The right approach depends on policy choices and trade-offs – for example, on the relative contribution of younger adults and older people towards paying for care. Policy debate about adult social care often focuses on protecting older people from having to sell their homes to pay for residential care. If additional spending and benefits were aimed at older people that could be an argument for raising money from that group. But additional funding is also needed to improve care services for **younger adults** and unpaid carers. Younger adults make up around a third of care users accessing long-term support in England and over half of local authority spending on social care. While not easy politically, taxing wealth would be among the most progressive options.

There are low levels of public understanding about social care and how it is funded. But **deliberative work prepared for the Health Foundation** in 2018 showed widespread support for several of the above options for raising additional funding. Most importantly, this work showed that when people understand what social care is and how it is currently funded, they are clear that the current system needs to change.

### **How can the adult social care market be stabilised?**

As set out above one priority for government in fixing social care is to stabilise and sustain the current system. The social care market cannot be looked at in isolation from local authority funding and, in turn, funding alone will not address the problems without wider reform.

The Health Foundation's REAL Centre have **published** estimates of additional funding needed by local authorities under different scenarios and these are presented in the table below. The estimates of the additional funding to pay "more for care" is based on evidence that local authorities pay less than some minimum needed to cover costs for home and residential care. This is based on information from the CMA and Home Care Association, however there is need for independent, published estimates of the level of any "underpayment" of the provider sector.

Table 1. Our estimates of what it would cost to stabilise and improve adult social care in England

	Additional funding needed per year in 2030/31*
Scenario 1 – Meet future demand	£6.1bn
Scenario 2 – Meet future demand and improve access to care	£8.9bn
Scenario 3 – Meet future demand and pay more for care	£11.1bn

Scenario 4 – Meet future demand, improve access to care and pay more for care	£14.4bn
---	---------

\*This is the additional funding needed over and above our estimate of the funding local authorities will have for social care in 2030/31

\*\*More detail on the basis for these funding projections and scenarios can be found [here](#)

Our recent [submission](#) to the Health and Social Care Select Committee inquiry on social care workforce and funding, set out several wider reforms that could be considered that could stabilise and sustain the system and the market.<sup>1</sup>

### **How can the adult social care market be incentivised to compete on quality and/or innovation?**

This is an important question where there is limited evidence in a UK context. The Health Foundation’s recent [blog](#) on the social care market and the NAO’s recent [report](#) on the Adult Social Care Market in England set out some of the issues. There may be lessons to learn from other markets such as health care and childcare where many of the same issues may arise.

However, innovation and the adoption of evidence-based care and support needs to be actively encouraged and supported within the social care sector, through investment in infrastructure and in the skills and capacity to evaluate innovations and share that learning. Commissioners, providers and people with lived experience all play valuable part in this process, locally and nationally.

To support the adoption and spread of innovation in social care the Health Foundation and the Economic and Social Research Council (ESRC), part of UK Research and Innovation (UKRI), have recently joined forces to support the [creation of a centre called IMPACT \(Improving Adult Care Together\)](#) based at the University of Birmingham and led by Professor Jon Glasby and partners. The Centre, co-funded by the Health Foundation and UKRI ESRC, will receive £15m funding over the next seven years to encourage the implementation of evidence-based innovations and practice in adult social care. It will seek to build capacity across the UK to adopt and evaluate innovations through its networks, and also learn about what works across each of the four UK nations. This large-scale investment in adult social care is one of the first of its kind and will also be rigorously evaluated to ensure we learn about what works in terms of evidence implementation and innovation in the sector.

---

<sup>1</sup> Pages 5 and 6 - The Health Foundation’s supplementary submission to the Health & Social Care Select Committee’s inquiry on Social care: funding and workforce (September 2020)