

Care in Crisis 2014

Summary

This is the third edition of our 'Care in Crisis' technical briefing, which aims to set out the key figures on funding for social care. Since our last edition in 2012, the Care Bill has addressed some of our concerns about the framework for care and support of older people¹. In addition, the Government has committed to transferring £3.8 billion from the NHS for joint NHS and local council decisions about the funding of health and care services from 2015.

However, as this briefing shows, this funding allocation cannot fix the crisis facing social care. The improved working that this transfer will support can only mitigate, not solve, the huge reduction in the availability of services caused by the real-term cuts in spending and the increase in demand due to changing demographics.

Despite rising demand for social care services, the funding, and subsequent number of people in receipt of this care, is declining. Without substantial growth in the overall funding envelope the Government's aspirations to 'transform the social care system to focus on prevention and the needs and goals of people requiring care' cannot be achieved. Indeed the use of funding is going in the opposite direction. An increased focus on substantial and critical needs risks leaving no public funding available for most of those who need 'a little bit of help' to remain active and independent.

Key points

Increasing demand

- The number of people aged 85 and over (the group most likely to need care) has increased by 30 per cent between 2005 and 2014².

Reductions in funding

- Between 2005/6 and 2010/11 public funding for older people's social care stagnated^{3,4}.
- From 2010/11 to 2013/14 public funding for older people's social care (including transfers from the NHS to councils) decreased by 10 per cent in real terms.
- Councils have cut back on their funding for social care:
 - From 2010/11 to 2013/14 government funding to councils reduced by 19.6 per cent⁵.
 - Despite increasing the proportion of budget spent on average by councils on adult social care to over 40 per cent in 2013/14⁶, the actual amount spent decreased on average by 20 per cent (£2.8 billionⁱ) between 2011/12 and 2013/14⁷.

ⁱ In today's prices using a GDP deflator, for the financial year 2013/14.

- Only 13 per cent of councils considered people with 'moderate' needs eligible for funding in 2013/14, compared with nearly half of councils in 2005/6^{8,9}.

Fewer service users supported by public funding

- The proportion of older people in receipt of local authority supported social care servicesⁱⁱ has declined since 2005/6, with a particularly sharp decrease from 2008/9. In 2005/6 15.3 per cent of people aged 65 and over received services. This proportion fell to 9.9 per cent in 2012/13.
- 896,000 people aged 65 and over received these services in 2012/13, compared with 1,231,000 in 2005/6.
- 35 per cent of councils have reduced the number of older people using their services by more than 40 per cent between 2005/6 and 2012/13¹⁰.
- Taking account of socio-demographic change, the actual drop in the number of older service users in this period is 36 per cent compared with the scenario had service coverage been maintained at 2005/6 levels¹¹.

Decrease in users of community services

- Data on all the people who used local authority supported care services in each year between 2005/6 and 2012/13 showed a decrease in users of community services: Specifically:
 - The number of older people using day care centres fell by 49 per cent, from 136,000 to 69,100.
 - The number of older people receiving home care fell by 21 per cent from 489,000 to 384,600.

These figures demonstrate that fewer people are benefitting from preventative services that support them to remain in their own homes.

Increase in residents in residential and nursing homes

- Data on all the people who used local authority supported residential and nursing homes in each year between 2005/6 and 2012/13 showed an increase in numbers:
 - The number of older people using residential care homes rose by 21 per cent from 135,000 to 164,000.
 - The number of older people using nursing care rose by 22 per cent from 65,000 to 79,000.

Rising contributions from those eligible for public funding

- Average fees and charges per service user rose by a relatively small amount between 2005/6 and 2008/9 and then started to rise much more sharply from 2009/10 to 2012/13. On average service users were paying £588 per yearⁱⁱⁱ more in real terms in 2012/13 than they were paying in 2009/10¹².

Unmet need

- In 2011, it was estimated that of 2 million older people with care related needs, nearly 800,000 received no support from public or private sector agencies.
- Had all councils used 'moderate' as the threshold for their criteria for eligibility to council support, the Personal Social Services Research Unit (PSSRU) estimate that there would have

ⁱⁱ These and subsequent figures about service users include older people who are receiving direct payments/personal budgets

ⁱⁱⁱ Includes partial and fully self-funders who pay for their own care which is provided by the local authority and partial self-funders whose care is independently provided.

been 26 per cent more service users in 2010 than there actually were, with an increase in net expenditure of £1.2 billion.

- By 2014 PSSRU estimate that if all councils used 'moderate' as the threshold for their criteria for eligibility for council support, 25 per cent (193,000) more people would be eligible for support, costing £1.5 billion more that year.¹³

Prospects for the future

Better Care Fund

From 2015/16 councils and clinical commissioning groups will jointly decide how to spend the £3.8 billion fund for health and social care (The Better Care Fund, previously known as the Integration Transformation Fund). This money is to be transferred from the wider NHS budget. There are broad national guidelines, but detailed choices will be made locally 'to deliver better outcomes and greater efficiencies through more integrated services for older and disabled people'.

All moves to support joint NHS-local council decision making on social care are very welcome, and some councils and clinical commissioning groups intend to make a larger transfer for joint decision making¹⁴. However NHS England and the Local Government Association agree that 'The fund does not in itself address the financial pressures faced by local authorities and CCGs in 2015/16, which remain very challenging. The £3.8 billion pool brings together NHS and Local Government resources that are already committed to existing core activity'¹⁵. Efficiency savings cannot make good the reduction in funding that has occurred since 2010/11, let alone address the increased socio-demographic pressure on services.

Projections of future funding requirements

The Personal Social Services Research Unit (PSSRU) has used modelling techniques to assess the future of social care funding. Adapting these models Age UK estimates that:

- Taking account of inflation, it would cost £2.57 billion more in 2015/16 to fund the same amount of care as was available in 2010/11. This rises to an additional £4.45 billion in 2020/21. These increases make no allowance for increases in the older population and therefore in demand for services.
- The increases would be even more substantial to fund a better social care system that would take account of increases in the size of the older population and provide public support for those with 'moderate' needs, as well as those with 'substantial' and 'critical' needs. This would require an additional £3.41 billion by 2015/16, and £5.39 billion more by 2020/21¹⁶.

1. Introduction

Care and support services continue to face ever growing and unprecedented challenges as a result of cuts in spending and continued increases in demand. Care services have suffered from public service cuts, despite the Government's intention to protect the front line. As a result, there is a reduction in the breadth of council care provision, an increase in the charges that councils make for care services, and a reduction in the numbers of older people eligible to receive support from councils. This report documents changes in funding and in access to services that are having a dramatic effect on many people who rely on social care for their dignity and quality of life.

This is Age UK's third briefing detailing the depth of the care funding crisis. In May 2011 Age UK published its first *Care in Crisis* briefing, setting out the background to the current care funding crisis and our fears for a system facing four years of public spending cuts. We predicted that spending on older people's care would reduce by £300 million^{iv} over four years and that real spending on older people's care would be £250 million^v lower in 2014 than in 2004.

In 2012 we updated these analyses and showed that the funding crisis in care was even worse that we had feared. Spending had decreased by over £300 million^{vi} (4.5 per cent) in real terms that year alone. Worse still, when we looked at projections of what should be spent that year in order to keep up with increasing need for services we estimated that the shortfall was £500 million in real terms.

We now have data for 2012/13 and 2013/14 which show an even more dramatic deterioration in the funding and availability of services. Including transfers from the NHS, spending has decreased by at least 10 per cent in real terms since 2010. There is a further reduction in publicly funded services, especially community-based services. Charges continue to rise. Demographic pressures continue to grow.

Age UK is now more concerned than ever about the state of the care system. Many of those who need help and support do not get high-quality services, while an increasing number of people who are in significant need are being left to fend for themselves.

Our concern is widely shared. In 2011, a YouGov poll for Age UK showed that over 80 per cent of people agreed that the Government needs to do more to meet the care and support needs of older people, and over 60 per cent were worried about what would happen when they got older¹⁷. A YouGov poll¹⁸ for the Sunday Times carried out in January 2014 showed strong support for the proposition that government should 'make sure that all elderly home owners who need it can receive social care without having to sell their homes or give up their savings'.

New Framework for Care

In 2011, two widely anticipated reports setting out proposals for care reform were published: the Law Commission report on the legislative framework for care, and the Commission on Funding of Care and Support led by Andrew Dilnot (the Dilnot Commission). Following on from these the government developed the Care Bill, which went for its second reading on 16th December 2013, and then to Committee stage on 9th January 2014.

^{iv} Nominal prices for the time of the report

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^{vi} Nominal prices for the time of the report

The intention is for the reforms to be implemented from April 2015.

The Care Bill's purpose is to transform the social care system to focus on well-being and prevention, and the needs and goals of people requiring care. All parts of the sector fully support this aim.

However the devil is in the detail, and although many of the reforms introduced by the Bill are welcome, there are several elements which will almost certainly sabotage the Bill's primary aim to focus on prevention and build on people's abilities and aspirations.

Who will be eligible for public support?

The first relates to the National Minimum Eligibility Threshold. Age UK welcomes the Bill's proposals to establish a common threshold. This will mean that an individual does not risk losing their eligibility for publicly funded care when they move to a new area. However the level at which this threshold will be set is problematic. Clause 13 of the Bill gives the Secretary of State power to make Regulations defining this threshold. At present it looks like the threshold will be similar to the current threshold of 'substantial' under the Fair Access to Care Services (FACS) criteria. This excludes people who are not likely to have to go into a care home in the near future and will mean that many people who need care, and for whom provision of relatively small amounts of care could have a major impact in enabling them to retain their independence and well-being, will not be eligible unless individual councils choose to implement more generous eligibility criteria. Given the profound and growing crisis in council funding this is very unlikely.

How will the system be funded?

The second element that will compromise any possibility of the new framework achieving its aim is how it will be funded. Without an increase in the overall public funding available to address an individual's care and support needs, public money will increasingly be focused solely on an ever smaller percentage of older people with very substantial or critical needs. As well as lacking in moral sense, such an approach is also economically unsound. Waiting for people to have high needs before providing care means that care will be more expensive, as well as pushing more older people into an already pressurised NHS.

The Better Care Fund will transfer £3.8 billion funding from the NHS to joint accountability to clinical commissioning groups and local councils. This will hopefully mean that better decisions are made about funding for older people's health and social care. However, the £3.8 billion is not new funding, and will not address the ever-increasing gap between funding available and growing demand.

Who will have to pay?

A third element of the Bill is the provision to introduce a cap to the amount that people will pay for their care. It is believed this could help avoid catastrophic charges plus the possibility of deferred payments so that people requiring care do not have to sell their homes during their lives. These follow from recommendations of the Dilnot Commission.

Age UK welcomes these provisions in principle. However at £72,000 the cap is set much higher than Dilnot recommended, and care costs will only start to count once the individual is deemed to meet the requirements of the National Eligibility Threshold. Coupled with the means test on income, implied income from assets and the £12,000 assumed for daily living expenses in care homes that won't count against the care cap, this means that people may still be paying considerable amounts for their care¹⁹. There remains uncertainty among the public as to what the cap will cover and it is likely that many will be disappointed to find that the cap is not as generous as it first appears.

Essential to increase public spending on social care

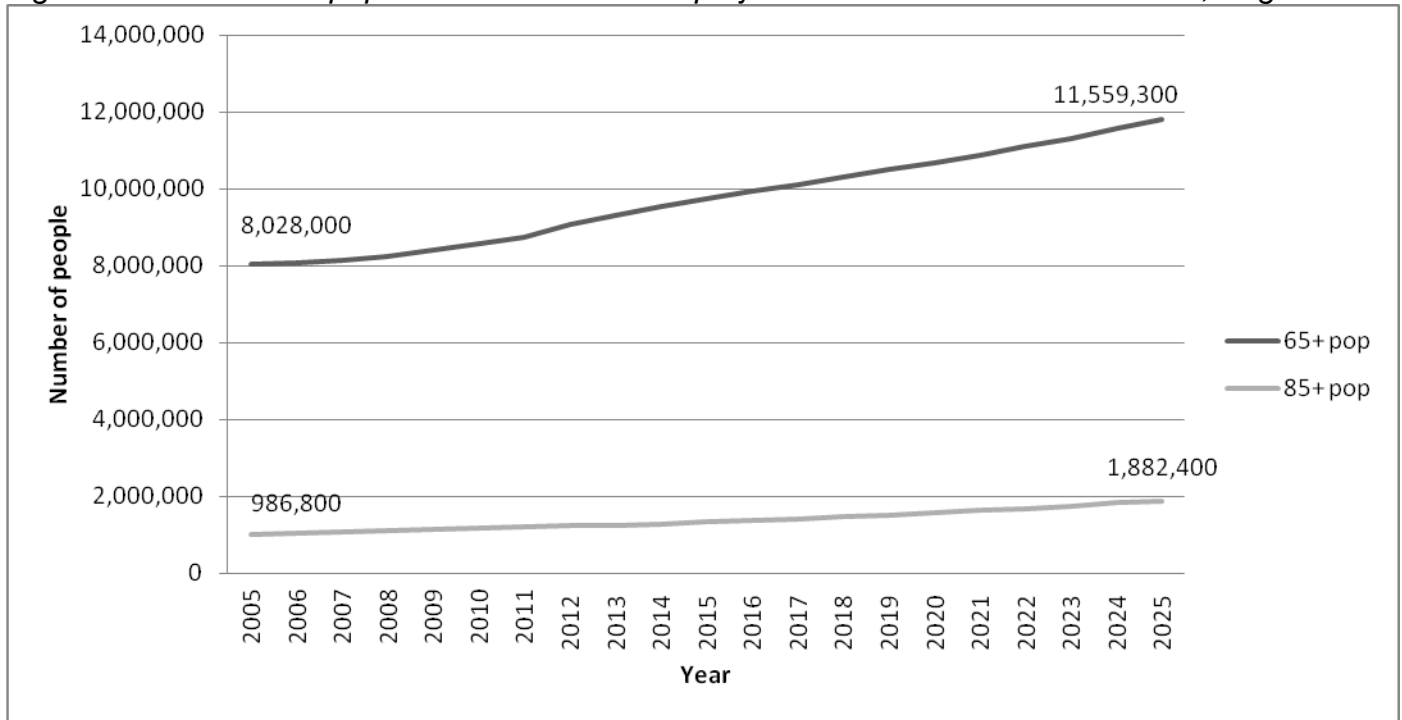
A fair outcome for older people cannot be achieved within the existing funding envelope: new money in the system is essential. At present most older people living on low incomes who can't afford to buy in care do not get any public funding to help until their needs are deemed substantial. This means they are reliant on sources of unpaid care and support, assuming these are available. People in mid and higher income groups are experiencing reductions in service availability and increased charges. Private spending on care has not filled the gap left by reduced public spending. Levels of unmet need are rising and family carers are being placed under intolerable pressure.

The result is a lottery. Some never need to use care services and pay nothing. Others lose most of their life savings. In between, too many people are put off using the support services they clearly need because they cannot afford to pay for them or because they are unclear about the costs. We have a system where older people who have contributed to society throughout their lifetimes are being left to fend for themselves when they most need care and support.

The Care Bill reforms have strengthened and improved the foundations of the system, but the Government must be realistic about the future cost of funding a decent system. The Government must commit to closing the funding gap in social care by ensuring funding keeps pace with growing demand and is sufficient to meet current levels of unmet need for care.

2. Demographic change

Figure 1: 65+ and 85+ population estimates and projections between 2005 and 2025, England



Source: Office for National Statistics^{20,21}

The figure above presents the size of the 65+ and 85+ population in England between 2005 and 2025 including Office for National Statistics estimates through to 2012 and then projections between 2013 and 2025. These population subgroups have increased in size during both periods.

In 2005, mid-year population estimates showed that the size of the 65+ population in England was approximately 8,028,000 people. This is projected to increase to 11,559,300 people by 2025, an increase of 44 per cent. In absolute terms the size of the 65+ population is projected to increase by 3,531,300 people over this 20 year period.

The 85+ population is projected to grow at a relatively faster rate. In 2005 986,800 people in England were estimated to be aged 85+. This is projected to rise to 1,882,400 by 2025, an increase of 895,600 people, or relatively speaking 90.8 per cent.

3. The funding crisis to date

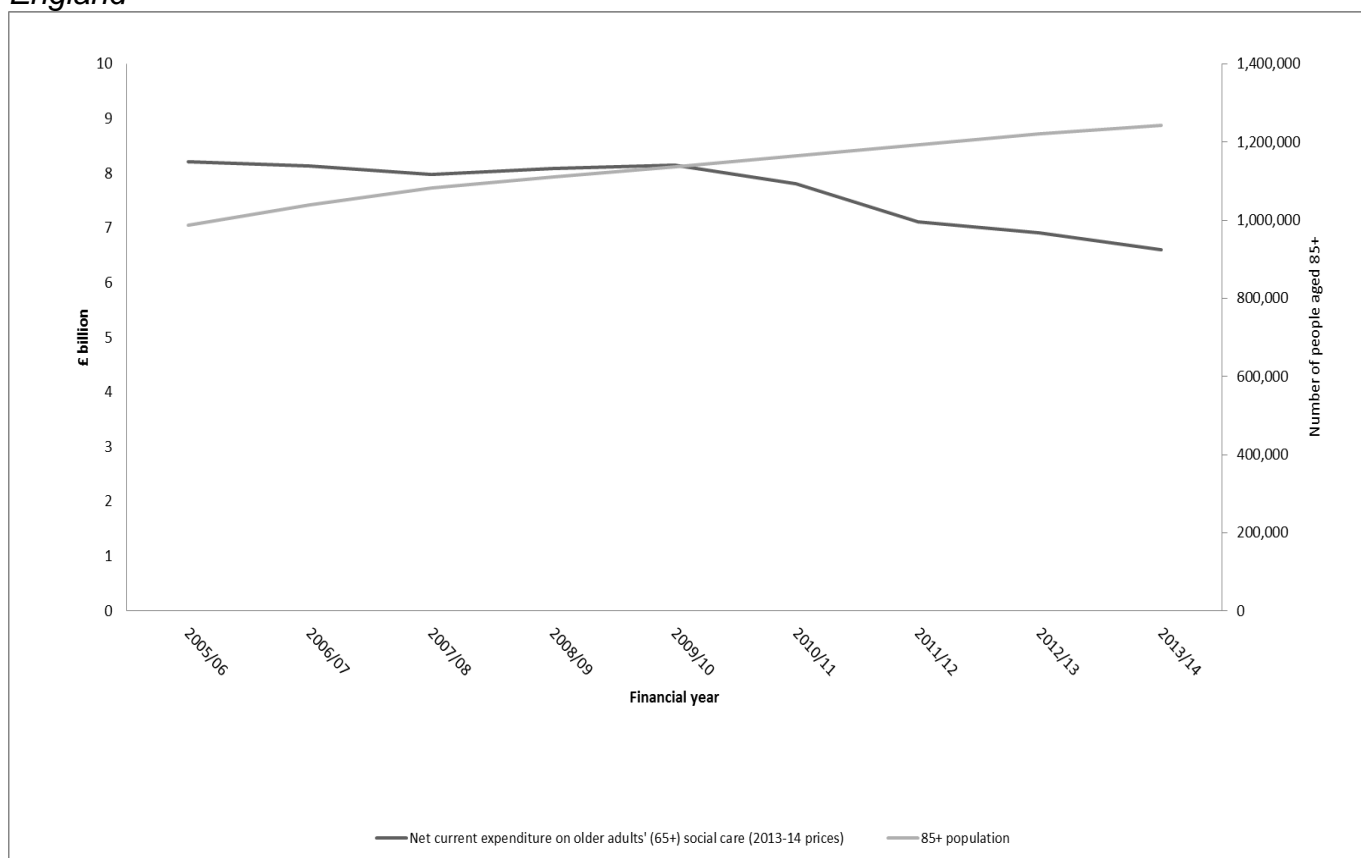
The under-funding of social care is not a new problem. Successive governments have failed to ensure that funding kept pace with demographic pressures and policy aspirations to ensure the care system could maintain its quality and reach.

This section of the report considers trends in spending from local authority adult social care budgets and actual spend of social care for older people, followed by an analysis of the impact of the transfers of funds from the NHS.

Local authority spending on adult social care

Figure 2 demonstrates the trend in spending from local authority adult social care budgets for older adults' social care over the past nine years. It shows that spend on older people's care stagnated between 2005/06 and 2009/10, and then began a sharp decrease from 2010/11. It is clear that spending on older adults' social care has continued to fall and at a higher rate since 2010/11²². All the while, the number of people aged 85 and over in England has increased significantly from 987,000 in mid-2005 to 1,221,000 in mid-2012 a rise of 234,000 people (24 per cent)²³. People aged 85 and over are the most likely to be in receipt of residential²⁴ and community care²⁵.

Figure 2: Net current expenditure on older people's social care between 2005/06 and 2013/14, England



Source: Department for Communities and Local Government²⁶
Health and Social Care Information Centre²⁷

Local authority funding context

Local authority cuts in spending on adult social care need to be seen in the context of local authority funding overall. From 2010/2011 to 2013/14 government funding to councils reduced by 19.6 per cent in real terms²⁸.

According to the Association of Directors of Adult Social Services (ADASS) annual surveys²⁹, the net adult social care budget (including both older and younger adults) has reduced by £2.68 billion over the period from 2011/12 to 2013/14, a reduction of 20 per cent.

Social care leaders underline that ‘efficiencies’ behind these reductions in spending were not just reductions in administration but included cuts in services, through different packages of care, and reduced levels of care for many elderly and disabled people.

The growth in the percentage of councils’ spending on services dedicated to adult social care shows that councils have endeavored to use the additional funding from health (see below) to mitigate the cuts to the adult social care budgets. In 2013/14 adult social care accounted for more than 40 per cent of the planned service spend of councils providing social services³⁰.

15 per cent reduction in local authority spend on older people’s social care

According to figures from the Health and Social Care Information Centre and the Department for Communities and Local Government, spending on older adults’ social care has fallen by 15.4 per cent in real terms between 2010/11 and 2013/14. This equates to a shortfall of over £1.2 billion^{vii}.

Table 1: Net current expenditure on older adults’ social care between 2010/11 and 2013/14 in England

Net current expenditure (exc. NHS transfer) on older adults’ social care, inc. mentally ill (£000’s)						
2010-11	2010-11 (2013-14 prices)	2013-14 budget	Cash change 2010-11 to 2013-14	Cash % change 2010-11 to 2013-14	Real change 2010-11 to 2013-14	Real % change 2010-11 to 2013- 14
£7,336,448	£7,813,345	£6,606,481	-£729,967	-9.9%	-£1,206,864	-15.4%

Source: Health and Social Care Information Centre³¹
Department for Communities and Local Government³²

Despite transfers from the NHS, still a cut in total spend of 10 per cent

To compensate for wider cuts in local government budgets the government allocated new funding for social care from 2011/12 onwards, rising to £2 billion per year by 2014/15. The funding was welcomed warmly as a clear acknowledgement of the importance of social care services and their vital role.

However in our Crisis in Care 2012 report we demonstrated that the £530 million additional funding to local government had not prevented a 9 per cent reduction on spending for older people³³. We also showed that the estimated £330 million ring-fenced for joint decision by the NHS and councils on spending which would have a health benefit would only reduce the shortfall to 4.5 per cent, even assuming that all of this funding was spent on social care for older people.

This trend has continued. Despite increases in the funding transfer in 2012/13, and 2013/14, the amount available to spend continues to decrease in real terms, once inflation is taken into

^{vii} In today’s prices using a GDP deflator, for the financial year 2013/14.

account. The NHS transfer for 2013/14 is estimated to be £438 million for older people's services³⁴. Adding this to the local authority budget of £6.6 billion, there is still a reduction in total spend since 2010/11 of almost £769 million, a fall of around 10 per cent in real terms.

Planned funding for the future: Will the Better Care Fund make up the shortfall?

In the Spending Review July 2013, the government announced that £3.8 billion – initially called the Integration Transformation Fund and now known as the Better Care Fund - would be transferred from the NHS budget in 2015/2016 and thereafter. This is to be spent locally on health and care 'to drive closer integration and improve outcomes for patients, service users and carers'. In addition, £200 million would be available in 2014/15 to enable authorities to prepare for the Better Care Fund in 2015/16, and will be paid out once councils and clinical commissioning groups have jointly agreed and signed off two year plans.

£3.8 billion is a considerable amount of money. The decision to transfer this budget for joint accountability to local councils and clinical commissioning groups should serve as a welcome catalyst for decision making that takes account of both the health and care needs of older people. Some local authorities and clinical commissioning groups have agreed to be more ambitious, and pool larger proportions of their budgets.

However this is not new money and its actual use will be determined by local priority setting. It remains to be seen what will be funded in practice, and to what extent there will be significant efficiency savings that could extend service availability at the same time as improving services.

Impacts on publicly funded services

With the reduction of the overall funding envelope coupled with increasing demand from an ageing population, fewer people now receive publicly funded services, and funding is increasingly concentrated upon people with 'substantial' or 'critical' needs. The vision in the Care Bill includes an aspiration towards preventative services that will contribute to the health and well-being of all who need them and help people retain their independence. The reality is a service that has little to offer people with 'moderate' requirements who need some help to remain active and independent.

Sharp reduction in the proportion of older people receiving services

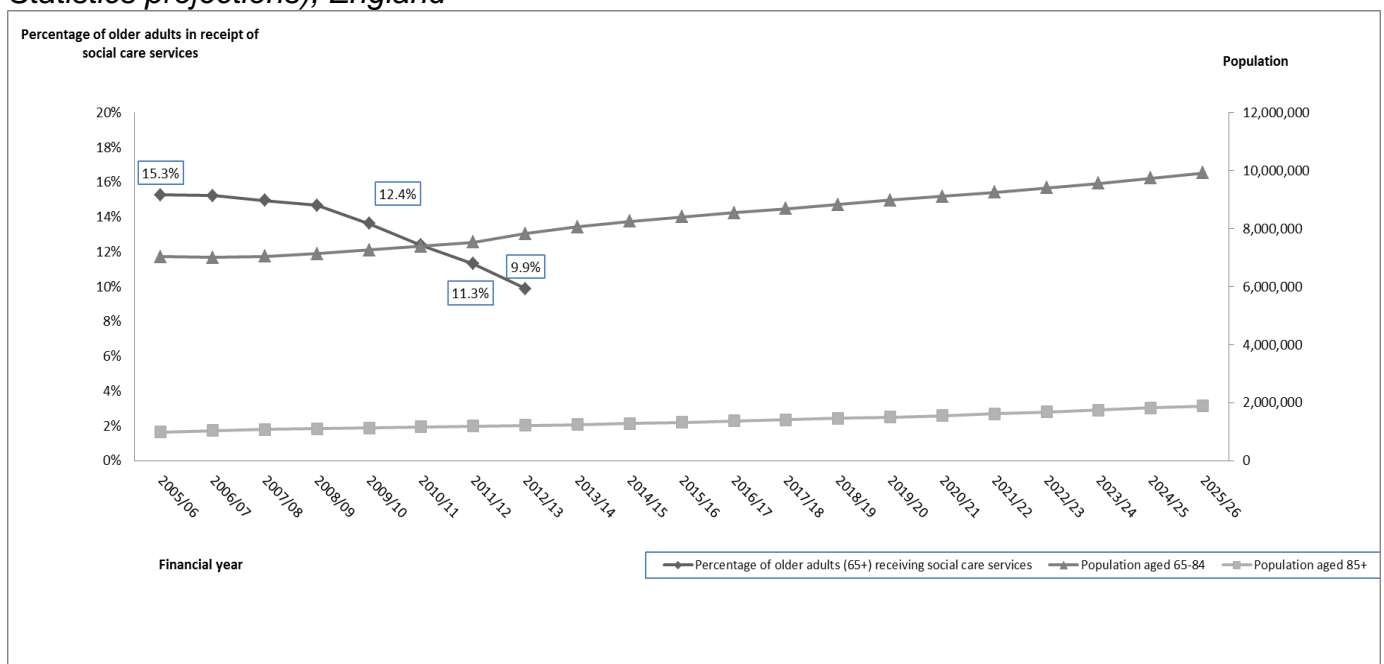
As can be seen in **Figure 3**, the percentage of older adults in receipt of social care services supported by their local council has declined since 2005/06 and more rapidly from 2008/09. In 2005/06, 15.3 per cent of older adults received social care services. This fell to 9.9 per cent in 2012/13.

The number of people receiving social care services has not kept pace with population increase, which we consider to be a relatively accurate proxy for need. The population aged 65 and over has increased by 13 per cent at the end of the period whilst the percentage of the 65+ population receiving care has dropped by over 35 per cent.

Growing number of people with unmet need

If we assume a constant level of health (and therefore demand for social care) amongst the older population in England over the last decade, the level of unmet need will be increasing because the percentage of people in receipt of care is dropping and the size of the population is rising. The Personal Social Services Research Unit (PSSRU) estimated in 2010 that 800,000 people aged 65 and over in England have unmet care needs³⁵. There is a need to update this analysis. It is now likely to be much higher as the number of recipients of social care services has decreased by 335,000, from 1,231,000 in 2005/6 to 896,000 in 2012/13. The number of people aged 65 and over has increased by more than a million people in the same period.

Figure 3: Percentage of older adults receiving social care services 2005/6 to 2012/13 and the size of the population aged 65 and over, between 2005/06 and 2020/21 (including Office for National Statistics projections), England



Source: Health and Social Care Information Centre³⁶
Office for National Statistics³⁷

Analysing service use by type of service sheds more light on the extent to which the social care system is shrinking and becoming focused on people who require considerable amounts of support rather than also providing preventative care and support.

Data comparing the number of local authority supported service users on 31st March, between 2005/6 and 2012/13 showed that:

- The total number of older service users supported by local authorities dropped by 35 per cent from 845,000 to 584,000;
- The number of older people receiving community services fell by 35 per cent from 645,000 to 418,000;
- The number of older people receiving residential/nursing services fell by 17 per cent from 200,000 to 167,000.

This data gives an indication of the capacity of the system, by focusing on the number of people using services at the same time.

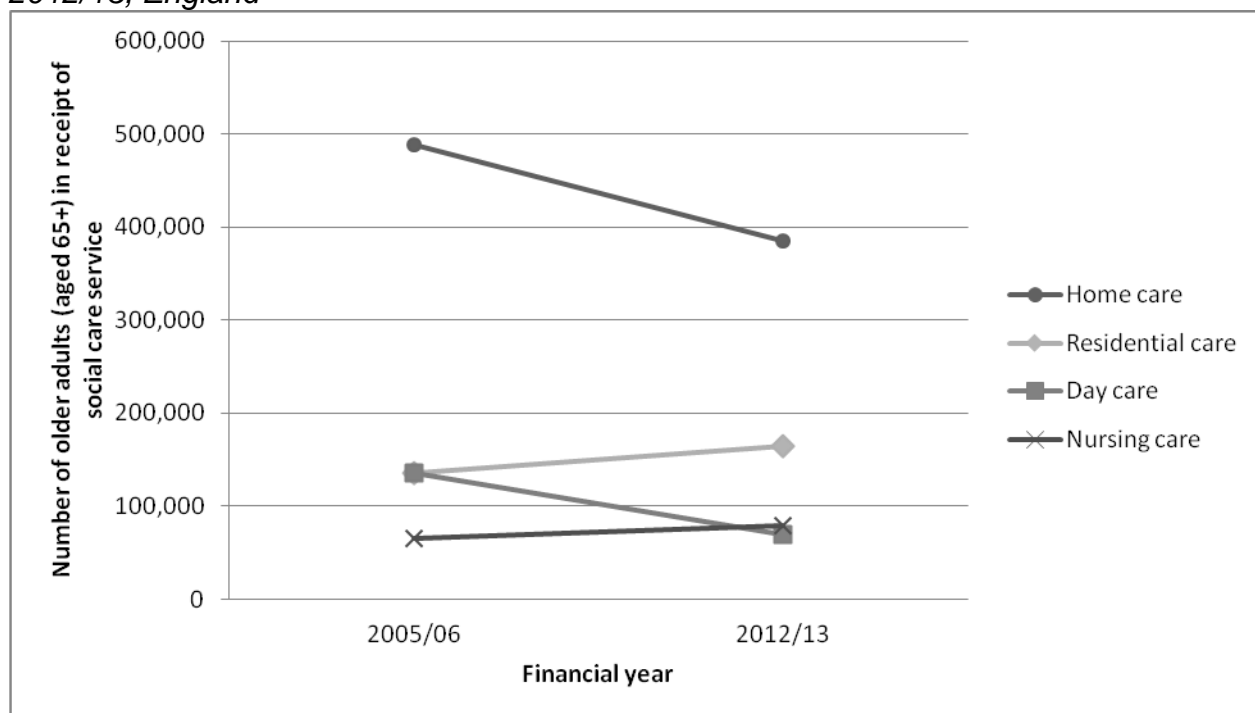
A different picture emerges from data on all the people who used local authority supported care services in each year between 2005/6 to 2012/13. This data includes people who used services for part of the year rather than the full year, and therefore includes those who had respite services, and also those whose services ceased because of their death. This data showed a decrease in the total number of users of community services, but a rise in the number of older people receiving residential and nursing services. Specifically:

- The number of older people using day care centres fell by 49 per cent, from 136,000 to 69,100.
- The number of older people using home care fell by 21 per cent from 489,000 to 384,600.
- The number of older people using residential care homes rose by 21 per cent from 135,000 to 164,000.
- The number of older people using nursing care rose by 22 per cent from 65,000 to 79,000.

The difference between the trends in numbers for data referring to a single date, compared with data including all service users over each year, for people using nursing and residential services suggests that a growing number of people are staying for periods of time shorter than a year, probably linked to them being frailer on admission and consequently more likely to die sooner. Laing and Buisson³⁸ note a reversal of the trend for stable, or decreasing use of residential and care home in the data for 2012/13, and anticipate that demand for residential and care home places is likely to increase.

The reduction in community care service users shows growing unmet need. **Figure 4** below illustrates this, using the figures for service use over the year.

Figure 4: Number of older adults (aged 65+) in receipt of social care by service, 2005/06 to 2012/13, England



Source: Health and Social Care Information Centre³⁹

Variation between local authorities

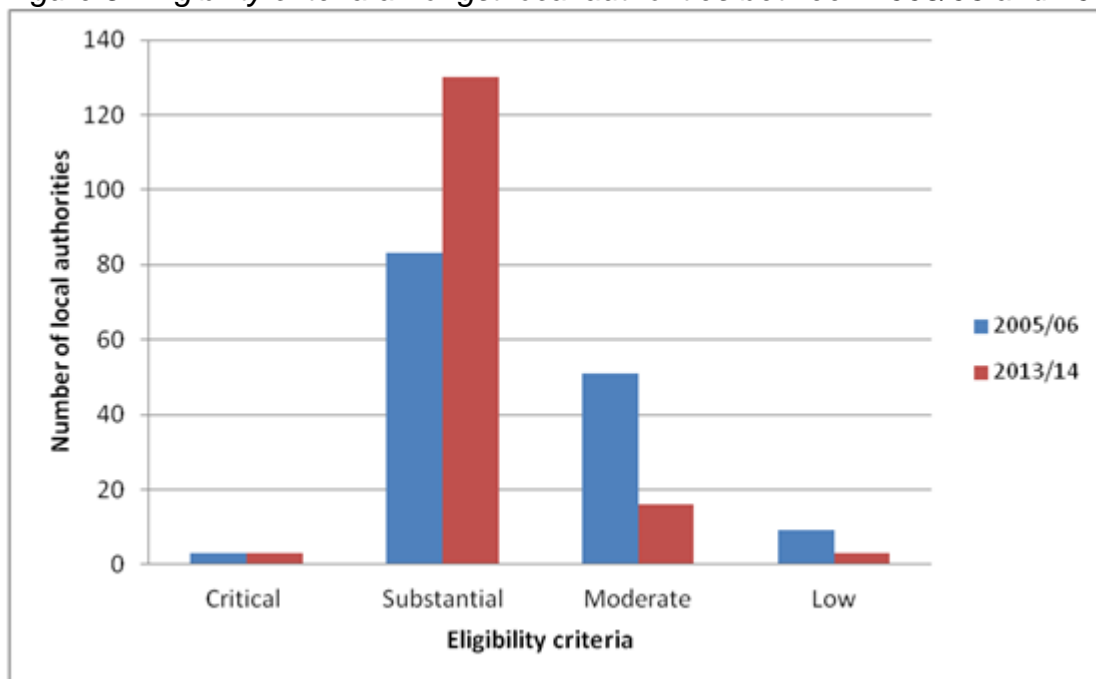
According to the Personal Social Services Research Unit (PSSRU) analysis, approximately 95 per cent of local authorities reduced the number of older people receiving services in the period 2005/6 to 2012/13. However the extent of the reduction varied. About a third of local authorities reduced the numbers receiving their service in excess of 40 per cent⁴⁰.

Tightening of council eligibility criteria

The shift in focus towards people with substantial needs is reflected in changes to eligibility criteria. Local authorities have continued to tighten their eligibility criteria for funded care. This is shown in **Figure 5**.

The significant shifts have been between authorities that provided for those with moderate needs in 2005/06 but raised this to substantial in 2013/14. In 2005/06, 35 per cent of local authorities offered funded care, depending on a financial assessment, for those with 'moderate' social care needs. This would have included people who required some help with dressing, washing, taking medication and/or going to the toilet. However, this number has fallen to only 10.5 per cent of local authorities in 2013/14. The reality is that now 87.5 per cent of authorities only provide care for those with 'substantial' or 'critical' needs. 2 per cent only provide care for those with 'critical' needs.

Figure 5: Eligibility criteria amongst local authorities between 2005/06 and 2013/14, England



Source: Age UK⁴¹
Department of Health⁴²

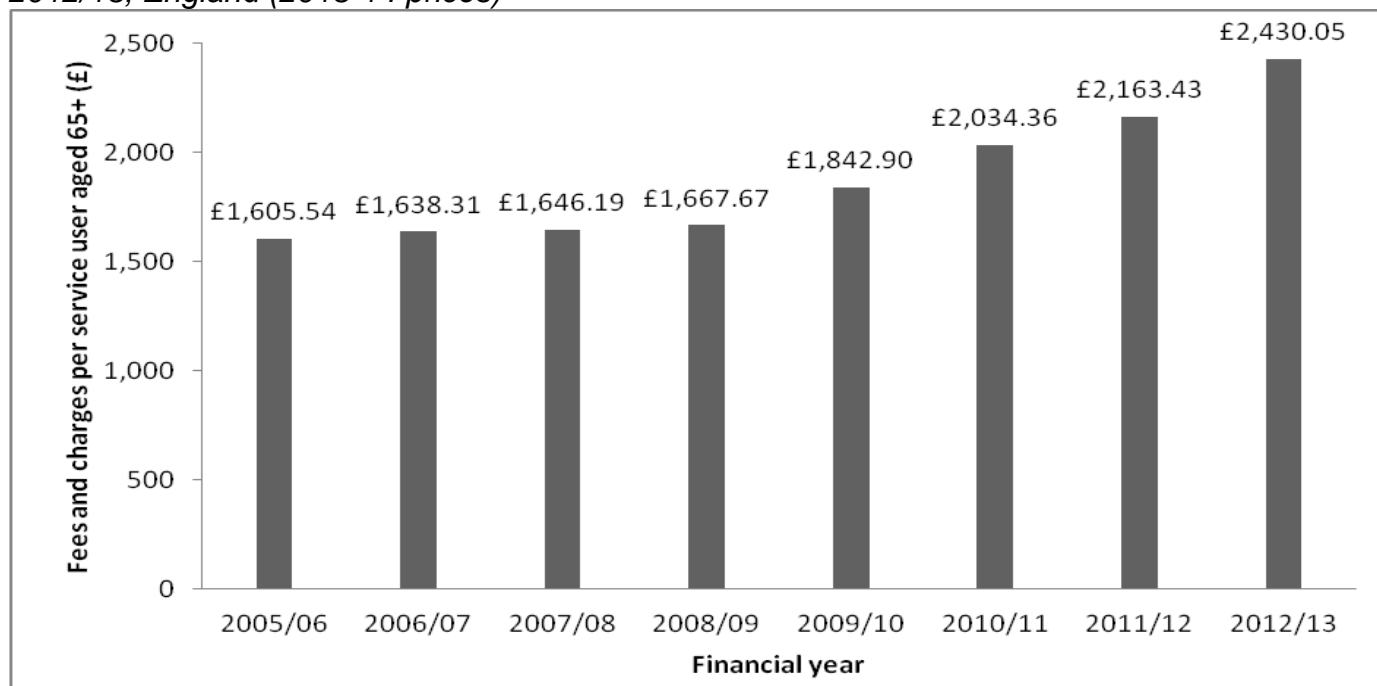
In June 2013 the Department of Health released a discussion document⁴³ setting out plans for a national minimum eligibility threshold for adult care and support to be set at substantial as part of the Care Bill. This would ensure that from 2015/16 the three local authorities who currently only

provide care for those with ‘critical’ needs will have to lower their eligibility threshold. It would also prevent other councils from setting their minimum threshold at ‘critical’.

Increasing financial demands on those who receive services arranged by local councils

As can be seen below (**Figure 6**), the average fees and charges paid per year, per service user aged 65 and over have increased from £1,605.54 in 2005/06^{viii} to £2,430.05 in 2012/13^{ix}. In the last three financial years alone, average fees and charges have increased by over 16 per cent. These increases have occurred despite the fact that in 2012/13 there were 168,500 fewer services users than in 2010/11.

Figure 6: Average fees and charges per service user aged 65 and over between 2005/06 and 2012/13, England (2013-14 prices)



Source: Department for Communities and Local Government⁴⁴

Furthermore, the figures above are average costs, which will include a significant number of people paying for home care. In general home care packages cost a lot less than residential and nursing homes. Laing and Buisson calculated that in 2011/12 local authorities paid on average £495 a week (£25,786 per year) for residential care^x. Self-funders pay considerably more because of their poorer purchasing power compared to local authorities, and effectively subsidise people on local authority brokered packages.

^{viii} In today’s prices using a GDP deflator, for the financial year 2013/14.

^{ix} Includes partial and fully self-funders who pay for their own care which is provided by the local authority and partial self-funders whose care is independently provided.

^x In today’s prices using a GDP deflator, for the financial year 2013/14.

The impact on the wider sector – a severe debilitating effect on the care market

The sector now faces growing financial pressures, as the example of the care home market illustrates. Public sector commissioners routinely under-pay for older people's care homes:

“...a number of councils have faced legal challenges from local groups of care home owners and care associations, which have sought judicial review of council decisions on fee levels. In decisions relating to Pembrokeshire (the latest in December 2011), Leicestershire (December 2011) and Sefton (in November 2011), the judges concerned have essentially agreed with care home interests that fee decisions were not lawful because the councils concerned had not taken full account of legitimate costs required to provide care home services of the reasonable standard that the council has a duty to provide or make available⁴⁵.”

Since then there have been widespread reports of fees paid by local authorities being frozen, or in some cases cut, even though costs in the sector continue to rise. Evidence from an Age UK Freedom of Information request in April 2011 indicated that 77 per cent of councils with responsibility for Adult Services either froze or decreased their usual rates for residential care in 2011/12⁴⁶. In many cases the difference is made up by families who are expected to top up local authority fees, or by higher fees for self-funders, who effectively subsidise inadequate local authority fee rates. Requirements for a third party top up are unlawful unless the person has actually chosen a more expensive home than the local authority would normally pay for in order to meet their needs. In reality, people often have no choice in the matter.

According to the Association of Directors of Adult Social Services (ADASS) 2013 survey⁴⁷, in 2013/14 45 per cent of councils had not increased their payment to older people's care homes in line with inflation, and 65 per cent had not increased their rates for home care. The situation is clearly deteriorating.

4. Future funding of care

The preceding analysis has demonstrated that the real spend on social care for older people is reducing, that the use of public resources is increasingly focused on individuals with 'substantial' or 'critical' needs, and that current plans around expenditure, such as the use of the Better Care Fund, will not address the funding shortfall.

Sadly projections for the future add to this picture of a deepening crisis in funding.

In an ideal world, there would be an acceptable balance across public and self-funding which would enable all older people who needed it to access good quality care that helped them to maintain their independence and dignity. In practice on current trends it is likely that fewer and fewer people will be eligible for publicly funded care, that there will be people with substantial and critical needs who will require a considerable amount of resource, and that more and more people who need some care to continue to be active and independent will receive no help from public funding.

This section presents projections based upon models developed by the Personal Social Services Research Unit (PSSRU) to explore the future of social care funding. Firstly we consider increases due to inflation upon the amount of public funding that was spent on social care in 2010/11.

Secondly we explored the future cost of providing an improved social care system, that keeps pace with demographic change and provides social care to those with ‘moderate’ care needs as well as people with ‘substantial’ and ‘critical’ care needs.

Impact of inflation upon 2010/11 level

This first set of analyses asks what level of additional funding is required to keep the social care system at the level it was at in 2010/11. At that point in time, the social care system was already struggling - 800,000 people had unmet care needs - but it had not yet undergone the sharp decrease in real resources evident in subsequent years.

The Office of Budget Responsibility has projected inflation at a rate of 1.5 per cent a year until 2017, and subsequently a rate of two per cent a year^{xi}. **Table 2** below shows how much it will cost to maintain the social care system at its 2010/11 levels in 2015/16 and 2020/21.

Table 2: Base case – 1.5 per cent increase in inflation until 2017 and then 2 per cent thereafter (2013/14 prices), England

Financial year	Total cost	Shortfall between the cost of delivering a 2010/11 social care system and current net expenditure in 2013/14
2015/16	£9.61 billion	£2.57 billion
2020/21	£11.49 billion	£4.45 billion

Source: PSSRU and Age UK analysis⁴⁸

In 2015/16, to maintain the social care system at the level it was in 2010/11 will cost £9.61 billion. The expenditure on social care in 2013/14 was just over £7 billion including the NHS transfer. So to maintain the 2010/11 social care system, by 2015/16 expenditure on social care would need to be around **£2.57 billion more** than it is currently, and this doesn’t take any account of demographic change which will greatly increase demand.

By 2020/21 the level of funding required to maintain the 2010/11 social care system would be £11.49 billion, a massive **£4.45 billion more** than is currently spent on social care, with unmet demand due to demographic change even higher.

Improving the system to support well-being and prevention

Age UK and others have argued that the national eligibility threshold should be lowered to ‘moderate’ to increase the amount of preventative care. This second set of analyses explores the cost of delivering an improved social care system that would take account of increased demand due to growth in the older population, and meet the needs of people with ‘moderate’ needs as well as those with ‘substantial’ and ‘critical’ needs⁴⁹. The results are set out in **Table 3** below.

^{xi} The PSSRU also ran analyses that explored the cost of delivering social care in future at two other rates of inflation (results are displayed in the Annex).

Table 3: Cost of providing an improved social care system compared to the social care budget in 2013/14 (2013/14 prices), England

Financial year	Total cost for an improved system meeting moderate needs and taking account of demographic changes	Shortfall between the cost of delivering an improved social care system and the cost of delivering the system in 2013/14
2015/16	£10.45 billion	£3.41 billion
2020/21	£12.43 billion	£5.39 billion

Source: PSSRU and Age UK analysis⁵⁰

By 2015/16 the system would require additional net expenditure of £3.41 billion on top of the £7.04 billion budgeted currently for 2013/14.

By 2020/21, the number of service users would be 1,075,000 (853,000 with ‘substantial’ and ‘critical’ needs and 222,000 with ‘moderate’ requirements) requiring a total cost of £12.43 billion at 2013/14 prices to fund the system. This is £5.39 billion more than the current budget for 2013/14.

5. Conclusion

This briefing shows the crisis in social care has continued to intensify over the last few years and that this trend will be sustained for the foreseeable future unless significant new money comes into the system.

Social care has been neglected and underfunded for very many years. By working to modernise and strengthen the system through changes to the legislation, funding and policy arrangements, including the decision to implement the Dilnot principles, the present Government stands out as doing more to reform the social care system than any of its predecessors in recent decades.

The trouble is that this is still not enough.

Meeting the demand for social care is like constantly running up a down escalator because of two major trends that are much to be welcomed in our society. Firstly, thanks to medical advances more young people with complex disabilities are surviving into adulthood and needing social care support. Secondly, the number of people aged 85 and over in our society is increasing quite sharply and it is these ‘oldest old’ who typically exert the greatest demand for social care.

The result is that more funding is needed for social care year on year in order just to stand still - but unfortunately that’s not what has been happening. Big reductions in central Government funding to councils mean they have less money available for social care in real terms than even two or three years ago. The Government has sought to mitigate the adverse impact of shrinking council budgets on care provision by creating the Better Care Fund; however, while every additional pound helps, the Fund is no match for the scale of the overall reductions to council funding. The Better Care Fund should help to slow the growing gap between the demand for and supply of social care but it is not enough to create equilibrium. Services are continuing to decline and more and more people are being pushed out of the system.

Without exception, all the trends set out in this report tell the same story of a system that is creaking under increasing pressure - from higher charges for care and ratcheted up eligibility criteria, to closing day provision. Councils are being faced with very hard choices as they try to spread provision more and more thinly in the face of growing social care needs whilst also having to focus resources on fewer people with the greatest needs.

Other recent reports have drawn attention to the commissioning of extremely short care visits, and to the low pay of front line care workers. These phenomena too are manifestations of a system under extreme duress.

Of course, some councils are more adept than others at making the most of their resources, and all kinds of demographic and other trends mean that the challenge of meeting social care needs is tougher in some localities than others. But this does not detract from the fundamental fact that social care in this country is underfunded and despite the Government's efforts to reform the social care system this report shows that the position is getting progressively worse.

Some may suggest this analysis is too pessimistic because by integrating Health and Care budgets so they are better able to meet the needs of older people we should, in time, be able to get substantially more from less.

Integration may indeed generate some productivity gains. Age UK also agrees that bringing Health and Care much closer together is the right approach and in the best interests of older people, many of whom have multiple needs and long term conditions requiring a joined up service response. However, integration cannot possibly make up for the shortfall in social care because the gap is just too big and increasing all the time.

An older person who lives on their own, as many do, and who struggles to get up, dressed and fed in the morning needs some help at home, it's really as simple as that. If they are deemed ineligible for public social care provision but they are lucky enough to have friends, relatives or neighbours who can step in with support, or sufficient funds to buy some in, they may well be able to sustain their independence at home, albeit at some emotional and/or financial cost to themselves and others around them. But without these possibilities an older person in this position will surely struggle to keep going. Their independence will come under serious threat, as will their health and well-being. The resulting financial costs will accrue elsewhere, especially in hospitals, including Accident and Emergency units, and in residential care too, and these costs will usually be much higher than the cost of providing decent social care at home would have been.

This does not represent good value for money for the tax payer. More profoundly, it is no way for anyone to spend their final years. Age UK believes we could and we should be doing much better.

The Care Bill sets out a framework that will determine how much individuals and families will contribute to paying for their care, but we also need to tackle the crucial question of how we can secure the public funding required for a social care system that is fit for purpose and worthy of the name. This is not an easy discussion at a time when private and public finances are so stretched, but postponing it will just make the questions harder. In addition, it is unfair to expect older people to wait any longer. Too many have suffered already. It is time for politicians in all parties to act.

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6. Annex

Table 4: Scenario A – Unit costs stay flat (0 per cent) until 2017 and then increase to 2 per cent per annum thereafter.

Net total public costs of care for England - £ billion per annum, (2013/14 prices)

	Res	Comm	Service costs	Total costs (inc. management)	
2013/14	3.97	3.42	7.39		8.28
2015/16	4.17	3.62	7.80		8.73
2020/21	4.54	4.42	8.96		10.03
2025/26	5.56	5.83	11.38		12.75

Source: PSSRU analysis⁵⁰

Table 5: Scenario B – Unit costs increase at 1 per cent per annum

Net total public costs of care for England - £ billion per annum, (2013/14 prices)

	Res	Comm	Service costs	Total costs (inc. management)	
2013/14	4.14	3.53	7.67		8.59
2015/16	4.48	3.82	8.31		9.30
2020/21	4.84	4.61	9.45		10.58
2025/26	5.48	5.76	11.25		12.60

Source: PSSRU analysis⁵⁰