The Chartered Institute of
Public Finance & Accountancy

Submission to the Public Accounts Committee

Reforming adult social care in England

A Submission by:
The Chartered Institute of Public Finance and Accountancy

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CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

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1. Summary

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) welcomes the invitation to provide written evidence to the Public Accounts Committee on the subject of reforming adult social care in England. CIPFA is dedicated to excellence in public financial management. Adult social care is central to local authority financial sustainability because it comprises the major portion of the budgets of local authorities with adult social care responsibilities. CIPFA therefore has a keen interest in ensuring social care reform is delivered in a way that maximises the likelihood of successful implementation, delivers better outcomes for people and local authorities, and ensures that public services are sustainable and financially resilient.

1.2 Our response below builds on previous CIPFA publications, such as Charging for Adult Social Care in England: Reform and Routes Forward.

1.3 In our response, we focus on the government's proposed charging reforms, and the funding of adult social care reform in England. We outline the risks associated with the charging reforms, and some of the problems with adult social care funding.

1.4 We make a series of recommendations to government on adult social care charging reform in England, and how adult social care funding can be improved. These recommendations are written in bold throughout the narrative of the submission, and are summarised below.

1.5 Summary of recommendations:

a) CIPFA reiterates the National Audit Office (NAO)'s call for a national social care workforce strategy to sit alongside the NHS People Plan.
b) CIPFA recommends that a new charging reform impact assessment should be produced with cross-sector consultation, and that this revised assessment should inform the funding provided for implementing the charging reforms. The refreshed impact assessment should include local authority resources required to lay the ground for and implement the proposed reforms.
c) CIPFA recommends that the amendment to the Care Act 2014 that discounted local authority contributions to the care cost cap is reversed so that local authority contributions to care are counted towards the cap.
d) CIPFA recommends that work is undertaken in the Department for Health and Social Care (DHSC) to better understand the costs associated with implementing the care cost cap, to ensure that local authorities are sufficiently funded to carry out this work, and that detailed local authority guidance is produced on implementing the care cost cap.
e) CIPFA recommends that the government explores ways to make progress towards the care cost cap fairer.
f) CIPFA recommends that the government ensures that the additional cost of administering the revised financial assessment is fully understood and sufficiently funded.
g) CIPFA recommends in the interests of managing demand and improving outcomes that the government takes steps to improve access to social care.
h) CIPFA recommends that clear guidance is published on how local authorities are to implement Section 18(3) of the Care Act 2014, and that local authorities are sufficiently funded to carry out the work to understand the likely impact of this

reform in their areas, and for the additional human and financial resources required to implement Section 18(3).

i) CIPFA recommends that the government produce a timeline for charging reform, and that each element of the charging reforms are sequenced in a way that protects care markets and maximises the chances of successful and sustainable implementation.
j) CIPFA recommends that the government revisits the cost of care exercises, or explores alternative approaches to information gathering.
k) CIPFA recommends that the government carry out a zero-based spending review exercise across all social care-related spending programmes to ensure that investment is optimally allocated in the pursuit of intended outcomes.
l) CIPFA recommends that local authorities are sufficiently funded for the increase in the National Living Wage.
m) CIPFA recommends that the government commit to a multi-year funding settlement to enable better financial planning and management in local authorities, and simplifies adult social care funding.
n) CIPFA recommends that the government ensures greater clarity in their announcements on the level, timing, and duration of adult social care funding.

2. Charging reforms overview

2.1 In 2021, the government proposed changes to charging for adult social care in England. These changes can be summarised as:

- The introduction of an £86,000 cap on what people can pay towards their personal care in their lifetime;
- Raising the upper and lower capital limits in the financial assessment;
- Implementing Section 18(3) of the Care Act 2014; and
- A fair cost of care and market sustainability.

2.2 Work was undertaken in local authorities to prepare for these charging reforms, particularly in the five trailblazer local authorities. The Local Government Association expressed concerns over the proposed implementation timeline, and the government announced in the Autumn Statement 2022 that implementation of the care cost cap, changes to the financial assessment, and implementation of Section 18(3) of the Care Act 2014 would be delayed from October 2023 to October 2025.

2.3 The new implementation date falls after the latest date at which the next general election can take place. This timing raises the question of whether the proposed reforms will actually go ahead as planned. There is the risk that local authorities may be reluctant to commit time and resources to preparing for implementation if there is a lack of certainty that the reforms will happen, given the pressure on existing local authority resources. This lack of certainty is concerning as preparations will have to begin in early 2024 for implementation in October 2025. CIPFA suggests that uncertainty can be mitigated if there is a cross-party commitment on a path to reform.

2.4 Each of the charging reforms comes with a cost to local authorities. The care cost cap, the changes to the financial assessment, and the implementation of Section 18(3) will all bring more people into the local authority adult social care system. Moving towards a fair cost of care will come with a cost to local authorities as they will have to pay the difference between what they currently pay for care and what is established as a fair cost of care in their area.

2.5 The main areas of cost include increased assessments, reviews and care management responsibilities. This additional work will require thousands of additional staff. At a time when Skills for Care estimates that there are over 150,000 vacancies in social care, these additional roles will be very difficult to fill. **CIPFA reiterates the National Audit Office (NAO)'s call for a national social care workforce strategy to sit alongside the NHS People Plan.**

2.6 The other main elements of cost to local authorities of the proposed charging reforms include:

- The increased number of people in receipt of local authority financial support due to the more generous financial means test
- Paying for care packages once an individual has reached the £86,000 personal care cap
- Operating and administrative costs of implementing Section 18(3) of the Care Act 2014
- Increased spending to reach the established local fair cost of care.

2.7 A significant risk to the proposed charging reforms is that the suggested cost published in the impact assessment in January 2022 underestimates the true cost of implementing the reforms. Stakeholders from across the social care sector including Care England and the County Councils Network have refuted the estimated cost in the impact assessment. Furthermore, the financial landscape has changed since the impact assessment was published, for reasons including inflation and increased costs. **CIPFA recommends that a new charging reform impact assessment should be produced with cross-sector consultation, and that this revised assessment should inform the funding provided for implementing the reforms. The refreshed impact assessment should include local authority resources required to lay the ground for and implement the proposed reforms**.

2.8 Table: Summary of proposed changes to adult social care charging in England

	Current system	Proposed reform
Upper capital limit: capital above this, no local authority support	£23,250	£100,000
Capital between upper and lower capital limits: some local authority support, tariff contribution from capital and income	£1 per £250 capital above lower capital limit	£1 per £250 capital above lower capital limit
Lower capital limit: capital below this, local authority support, contribution from income only	£14,250	£20,000
Lifetime cap on personal care costs	No cap	£86,000
Section 18(3) of the Care Act	Not implemented	Implemented
Fair cost of care	Many local authorities paying unsustainably low rates	Local authorities paying established fair cost of care for their local area

Source: Adult social care charging reform: further details (2022)

2.9 Below, we discuss the specific risks associated with each of the proposed charging reforms.

3. Introduction of £86,000 lifetime care cost cap

3.1 The introduction of an £86,000 lifetime personal care cost cap means that an individual will not pay more than £86,000 towards their personal care costs throughout their care journey. Residential fees and daily living costs will not count towards the cap. This cap would protect people against unlimited care costs, giving people an improved level of security and empowering them to better prepare for the costs of their care journey. Currently, the government estimates that one in seven people aged 65 will spend more than £100,000 on their care costs.

3.2 Initially, the cap included local authority personal care contributions but an amendment to the Care Act 2014 meant that local authority contributions would not count towards the cap. This amendment introduced an element of unfairness. If we consider financial contribution to care costs as a proxy for accumulated care need (as in the Dilnot Commission), then people who receive local authority support towards their care costs would require a higher accumulated level of care need than someone who pays for their own care. The person who does not receive local authority support would reach the cap faster. To make this fairer, **CIPFA recommends that the amendment to the Care Act 2014 is reversed and local authority contributions to care are counted towards the cap.**

3.3 To introduce the cap, local authorities will have to develop processes and systems to track people's progress towards reaching the cap. There are unanswered questions such as how people could transfer their care account between local authorities if they change residence, and questions around the technology required for local authorities to successfully implement the cap. **CIPFA recommends that work is undertaken in the Department for Health and Social Care (DHSC) to understand these costs, to ensure that local authorities are sufficiently funded to carry out this work, and that detailed local authority guidance is produced on implementing the care cost cap.**

3.4 Another risk of this aspect of the charging reforms is that it will affect those with modest levels of wealth most negatively, introducing a further element of unfairness. Someone with capital of £110,000 would have to use up 78% of their wealth to reach the cap, whereas someone with £500,000 of capital would only use 17% of their wealth. By extension, less wealthy parts of the country will be impacted more negatively than wealthier parts of the country, which risks deepening geographic inequality. **CIPFA recommends that the government explores ways to make progress towards the care cost cap fairer.**

4. Changes to the financial assessment

4.1 Under the current system, an individual's capital (namely assets and savings) must be less than the upper capital limit set out in the financial assessment for the individual to qualify for local authority financial support toward care costs. Once their capital falls below the lower capital limit, they will contribute to their care costs from their income only. The calculation of what an individual will pay towards their care costs is complex, and is set out in the government's guidance.

4.2 Raising the lower and upper capital limits will mean that more people qualify for local authority financial support towards their care costs. The current capital limits have not been uplifted with inflation and remain frozen at 2010/11 levels, meaning fewer people are qualifying for local authority financial support.

4.3 A risk associated with changing the financial assessment is that it will require more social workers, financial assessors, and income and debt collection agents to administer. This additional complement of staff will be challenging to recruit and will come at cost to local authorities. If this additional cost is not sufficiently funded, there is the risk that other local authority services will be negatively impacted. **CIPFA recommends that the government ensures that the additional cost of administering the revised financial assessment is fully understood and sufficiently funded.**

4.4 Unmet need in social care is a significant challenge. A restrictive and complex financial assessment can discourage people from coming forward for support, and this can lead to increasing demand in the future and increasing complexity of need. Aside from leading to worse outcomes for people, increasing complexity of need results in more expensive care packages, and thus greater pressure on local authority finances. **CIPFA therefore recommends in the interests of managing demand and improving outcomes that the government takes steps to improve access to social care.**

5. Implementing Section 18(3) of the Care Act 2014

5.1 Implementing Section 18(3) of the Care Act 2014 would enable people who fund their own care to request their local authority to arrange their care for them. Currently, only people who receive local authority financial support towards their care costs can request their local authority to arrange their care for them.

5.2 The NAO has stated that many local authorities currently pay care providers unsustainably low rates. To make up for these lower rates, many care providers charge more to people who pay for their own care. This is known as the 'self-funder cross-subsidy'. The Competitions and Markets Authority found that on average fees for people who fund their own care are 41% higher than fees charged to local authorities for the same care packages.

5.3 As with the other elements of the proposed charging reforms, implementing Section 18(3) of the Care Act 2014 will come with additional cost to local authorities. The lack of government operational guidance makes the impact of this element of the charging reforms difficult to estimate. Local authorities will have to undertake work before implementing Section 18(3) to estimate how many people are likely to come forward to request the local authority to arrange their care. Local authorities will also have to expend additional human and financial resources to arrange care for people who are currently self-funders.

5.4 **CIPFA recommends that clear guidance is published on how local authorities are to implement Section 18(3) of the Care Act 2014, and that local authorities are sufficiently funded to carry out the work to understand the likely impact of this reform in their areas, and for the additional human and financial resources required to implement Section 18(3).**

5.5 Importantly, and with the greatest risk, implementing Section 18(3) will have to occur after local authorities have reached an established local fair cost of care. Otherwise, people who currently pay for their own care would access rates that are unsustainably low for care providers, and this will exacerbate the risk of care market failure. **CIPFA therefore recommends that the government produce a timeline for charging reform, and that each element of the charging reforms are sequenced in a way that protects care markets and maximises the chances of successful and sustainable implementation.**

6. Fair cost of care and market sustainability

6.1 The fair cost of care element of the charging reforms aims to promote care market sustainability by ensuring that care providers are paid a sustainable rate for the care that they provide. Definitions of 'fair' and 'cost of care' are available in the guidance to the Market Sustainability and Fair Cost of Care Fund. To understand what a fair cost of care in a local area is, local authorities carried out cost of care exercises by engaging with providers in their local area to better understand costs.

6.2 As the Public Accounts Committee previously noted, many local authorities currently pay care providers unsustainably low rates. Paying providers unsustainably low rates exacerbates the risk of care market failure, limiting the availability and quality of care.

6.3 There are a number of risks associated with this element of the proposed charging reforms.

6.4 The first risk is that the government has underestimated the financial impact on local authorities of moving towards a fair cost of care. The County Councils Network estimate that at least an additional £854 million funding per year would be required to avoid large-scale closures.

6.5 The second risk is that fair cost of care estimates are based on a deficit baseline. For example, estimates are based on care workers mostly earning around the minimum wage, which is likely to be unsustainable in the long term given the workforce recruitment and retention crisis currently facing the sector, and the need to attract care workers into the profession.

6.6 The third risk is that the financial information collected in the cost of care exercises cannot be relied upon. There was significant variation in response rates to the cost of care exercises across the country. For instance, the London Borough of Lambeth received a 100% response rate for 65+ care homes. Devon Council on the other hand received only a 28% response rate for 65+ care homes. The data submitted by care providers was self-verified and auditing was limited. **CIPFA therefore recommends that the government revisits the cost of care exercises, or explores alternative approaches to information gathering.**

7. Funding

7.1 Since social care comprises a part of a suite of services delivered by upper-tier councils, social care funding must be viewed in the broader context of local authority funding. The Local Government Association has stated that councils in England face a funding gap of £4 billion over the next two years to keep services at their current level. If local authorities are not provided with adequate funding for the services they currently provide, there is the risk that additional money for reform may have to be spent on current pressures.

7.2 It is difficult to estimate the funding gap in adult social care, though the Health Foundation has estimated that an additional £8.3 billion per annum would be required by 2032-33 only to meet future demand. Before adult social care reform is introduced, it is essential that adult social care services are on a firm footing, otherwise there is the risk that reform is built upon a weak foundation, risking successful and sustainable implementation that improves outcomes. CIPFA and the Institute for Government (IFG)'s Performance Tracker 2023 has shown that despite statutory duties obligating local authorities to protect vulnerable adults resulting in the maintenance of social care provision at the expense of other services, adult social care service performance is 'much worse' than in 2010. **CIPFA recommends that the government carry out a zero-based spending review exercise across all**

social care-related spending programmes to ensure that investment is optimally allocated in the pursuit of intended outcomes. Such a spending review should be carried out independently to ensure neutrality.

7.3 The 10% increase in the National Living Wage (NLW) from April 2024 will place significant additional financial pressure on local authorities. While CIPFA is for improved pay and terms and conditions for social care workers, we are cognisant that without additional resource to fund this increase there are likely to be cuts to adult social care services across the country. **CIPFA therefore recommends that local authorities are sufficiently funded for the increase in the NLW.**

7.4 CIPFA recognises that short-term and uncertain funding settlements have hindered the ability of local authorities to effectively plan, innovate, and invest in adult social care. Funding is fragmented, and often involves resource-heavy competition for disparate pots of funding to be used for specific purposes. **CIPFA recommends that the government commit to a multi-year funding settlement to enable better financial planning and management in local authorities, and simplifies adult social care funding.**

7.5 In April 2023, the government published Next Steps to Putting People at the Heart of Care. The funding announcement represented a step back from what was announced eighteen months prior in Build Back Better: Our Plan for Health and Social Care. Among other reductions, funding to support career progression and training was halved from 'at least' £500 million to 'at least' £250 million. At a time of crisis in workforce recruitment and retention, holding back £250 million workforce funding was a short-sighted decision.

7.6 In the two policy papers mentioned in the previous paragraph, funding figures are prefixed with vague and unhelpful statements such as 'at least', and 'up to', which adds to local authority uncertainty of the funding that will be available for aspects of social care reform. Such uncertainty hinders local authorities from being able to plan for reform effectively.

7.7 This uncertainty of funding was exemplified when the past Minister of State for Care and Mental Health, Gillian Keegan, appeared before the Levelling Up, Housing and Communities Committee in May 2022. The subsequent report from the committee described how the funding announced for adult social care reform in People at the Heart of Care: adult social care reform did not add up to £1.7 billion as claimed. Following her appearance at the committee, the minister provided the committee with a table summarising the amounts committed to reform in People at the Heart of Care, however these amounts still did not add up to £1.7 billion. **CIPFA recommends that the government ensures greater clarity in their announcements on the level, timing, and duration of adult social care funding.**