EXECUTIVE SUMMARY

CCN
COUNTY COUNCILS NETWORK

RURAL SERVICES NETWORK

Overview

The County Councils Network (CCN) and Rural Services Network (RSN) strongly welcomed the Government's commitment made within the Queen's Speech to bring forward its proposals for social care reform this year.

The Government recently began to unveil its proposals for reform, setting set out its intentions to introduce an £86,000 life-time cap on care costs and extended means-test from October 2023, funded through a new national health and social care levy. It has also set out an objective to 'tackle persistent unfairness in the social care system' by enabling self-funders to ask their local authority to arrange their care at the lower rates currently paid by councils. It was confirmed this is to be followed by a White Paper setting out full detail of the proposed reforms later this autumn.

This report is designed to describe and quantify the current state of care in county and rural areas, drawing on fresh analysis from the most recent NHS England activity and financial data, alongside funding estimates and cost projections for adult social care in England. The report also explores the potential impact of measures on county and rural areas, such as a 'cap on care' and new rights for self-funders, and how they are likely to affect the operation of care markets.

AT A GLANCE:
Unique issues for county and rural areas when delivering Social Care

- **RESOURCE:** Government funded support for adult social care service costs is significantly lower in county and rural areas.
- **WORKFORCE:** Recruiting adult social care staff to work in rural areas can be more difficult than in urban centres.
- **DEMOGRAPHICS:** The higher average age alongside ageing population projections within county & rural areas places a high burden on these local authorities.
- **'SELF-FUNDERS':** The balance of adults self-funding their care is higher in rural areas and likely to be more sensitive to reforms made to the funding system.
- **CARE HOMES:** The proportion of residential care homes situated in rural locations is higher than in metropolitan areas, often encouraging service user inflow to counties.
- **SPARSITY:** Geographical challenges in providing adult social care in large and remote rural areas, particularly the time and costs involved in delivering personal care over large distances.

Policy Implications

CCN & RSN strongly welcome this administration's determination to reform adult social care, including many of the proposals that have been set out. Importantly, these reforms place local government at their heart. The announcement of a White Paper on wider reform is also welcome, particularly if it seeks to get to the root of the challenges within the social care workforce and on prevention.

This is key as more money alone will not in itself solve the existing pressures in social care. Investment needs to go hand in hand with the opportunities for service improvement and transformation which drive down long-term care costs through better demand management, integration with health, and new approaches to service delivery.

But the analysis in this report demonstrates that the current system of adult social care is under severe strain.

By themselves the reforms and funding announced to date will not be sufficient to fortify the system to address the challenges, especially in the short term. Moreover, while many elements of the reforms in relation to the cap on care and more rights to self-funders are well intended, they present a number of fundamental challenges which could destabilise local care markets unless they are fully understood, risk assessed and funded.

Unless the headline challenges identified below are recognised and acted upon, adult social care could be in worse position in the short term while facing a number of sustainability risks as a result of reforms.

• RECOMMENDATION 1: INCREASE FUNDING IN THE SPENDING REVIEW TO MEET RISING COSTS & UNMET NEED BEFORE 2023

The analysis in this report shows that demand and costs for social care continue to increase, outpacing the level of Government resources provided. At present, funding challenges necessarily lead to high thresholds for eligibility to access services - meaning 58% of those requesting support are currently not ending up receiving any formal care service.

The first priority of reform must be to ensure the system remains stable during a period of great change in the lead up to the introduction of reforms in 2023. Any planned new investment must not only focus on service users of the future, but also the very real pressures already within the care sector including high levels of unmet need.

Reform also needs to be balanced so its impact is felt across the whole system. It must not be forgotten that – in spending terms at least – nearly half of the system is directed towards adults of working age that require intensive levels of support. Only a very small proportion are likely to benefit from the proposals and funding announced to date.

There are also other indirect costs arising from the reforms, Covid-19 beyond 2022 and wider system reform. For instance, the national insurance rise for providers is likely to drive up commissioning costs for councils, while creating further challenges in recruiting and retaining an already underpaid workforce. Moreover, the national hospital discharge pathway is welcome and has generally worked well, but requires urgent long-term funding.

CCN and RSN supports the principles of protecting more people from catastrophic care costs and extending the means-test threshold. But these reforms alone and the level of investment in the short-term – compared to the NHS – will not deal with existing problems within the system identified in our analysis.

Additional expenditure from Covid-19, coupled with other trends in care provision and workforce pressures, will undoubtedly widen the gap between council costs and available resources. Existing funding commitments, coupled with council tax rises, will not provide the resources necessary to fulfil the commitment to improve the quality and access to care services in the lead up to 2023.

Unless Government provides more funding at the Spending Review to meet rising costs; expand service provision to meet needs going unmet; and better support younger adults, further reductions to services will be required in county and rural unitary councils in the period leading up to reform.

The State of Care in Counties & Rural Areas

Service Demand

- County and rural unitary councils received 49% of all service requests in 2019/20, up by 5.6% since 2017/18. Nationally, those aged 65 and over accounted for 71% of all service requests but in county and rural areas the share of requests received from this age group is disproportionately higher (75%) compared to other parts of the country.

- The proportion of requests attributable to older adults has remained static over the past three years, with growth in requests across the two age bands remaining broadly similarly in county and rural areas. This is in contrast to urban authorities, with Metropolitan boroughs in particular seeing the number of requests from those 65 and over decline.

- County and rural areas have the highest percentage of service requests - 58%, - where no formal service is provided. Some 545,000 requests to county and rural unitary councils during 2019/20 resulted in advice or signposting, or no service being provided. Just 8% of all requests (77,000) resulted in long-term care support.

- The percentage of service requests where no formal service is provided has remained static since 2017/18, demonstrating that while Government have provided temporary one-off resources for adult social care, this has only served to offset rising costs of providing services, rather than expand provision to more individuals.

Care Provision

- About 80% of total gross social care expenditure (£15.4bn) by local authorities in England is spent on direct forms of care, consisting of residential, nursing, and community or home care.

- Some 47% of spending in county and rural areas is on working age adults in receipt of care. This is despite three quarters of demand for care services in county and rural areas coming from those aged 65+.

- County and rural spend is proportionally higher on those receiving support with a learning disability. Some 72% (£2.6bn) of provision for working age adults is for this type of care recipient, higher than in London boroughs (66%), Metropolitan boroughs (69%) and other English unitaries (67%).

- Reflecting the fact that county and rural unitary authorities contain the largest proportion of residential and nursing homes, the spend on these forms of care setting is disproportionately higher than in other councils at 52.5%.

- The data shows that there has been a long-term trend of shrinkage of the residential care home market even before Covid, with county and rural areas witnessing the closure of 272 residential and nursing care homes over the past three years.

- Public and private fee polarisation has become more deeply embedded as a structural feature of the care home market, with private fees more than 40% higher than publicly paid fees for the same level of amenity, and in all probability the same level of care. Previous analysis for CCN has shown that this had led to a care home fee gap of £761m for counties alone in 2020/21.

- **RECOMMENDATION 2: FULLY ASSESS THE IMPACT OF NEW DUTIES FOR SELF-FUNDERS**

Alongside access to a new cap on care, a key objective of the Government proposed reforms is to *"tackle persistent unfairness in the social care system"* with reference to the higher rates charged to self-funders when compared to councils for the same care. It will do this by enabling self-funders through Section 18(3) of the Care Act to ask their local authority to arrange their care, with a stated ambition for self-funders to access local authority rates for care.

CCN and RSN support the introduction of a cap on care, and recognise the need to address the unfairness in the fee levels paid for care. But these commitments will have enormous implications for councils and providers. The cap-on-care will come with additional administrative and workforce burdens of operating care accounts for people approaching the authority. Moreover, the Government's intention to actively encourage self-funders to access council-arranged care will lead to greater 'market equalisation' between council and self-funder fees. Unless significant resources are provided this would potentially further undermine the profitability of providers and result in large-scale care home closures, or unfunded commissioning costs for councils to sustain their local provider market.

County and rural unitary councils will be particularly exposed to the risks of increased demand and greater financial pressures, given their higher average percentage of self-funders (53%) and proportion of care homes. These areas already facing a care market 'fee gap' of £761m - the estimated annual cost of bringing local authority fees closer to self-funder rates. Moreover, analysis in the lead up to the previous plans to implement a cap on care showed CCN member councils accounted for two-thirds of the total early assessment and review costs identified.

While the Government have committed to funding a 'fair price for care', it is extremely uncertain that the funding announced to date will be sufficient to meet the costs arising from reform when the full additional costs from market equalisation are considered - estimated at £761m annually in county and rural areas alone.

The impact of extending commissioning duties to self-funders to enable them to have their care arranged by councils, and access local authority contracts and fee levels, must be consulted on, and risk assessed, with appropriate funding and policy mitigation to prevent unsustainable financial costs and risks to councils and providers.

The State of Care in Counties & Rural Areas

Cost & Spending

- County and rural unitary councils spend 4.1 times more on external providers than their in-house services. This is substantially higher than in any other type of council (English unitaries 3.3 times; London boroughs 3.2 times; metropolitan boroughs - 3.0 times).
- County and rural unitary councils draw a disproportionately high amount of their from client contributions compared to other types of council. Over half of all client financial contributions (charges for local authority arranged care) towards the cost of social care in England were in county and rural areas in 2019/20, some £1.5bn.
- The data shows that the unit costs for clients aged 18-64 are most expensive in county and rural unitary councils for both residential and nursing care. Residential care for this age group is 15% higher compared to metropolitan boroughs.
- The cost of providing home care services in county and rural areas is significantly more expensive than for other types of council. It is just under 10% more expensive to deliver services when compared to English unitaries and London boroughs, and as much as 18% more compared to the average metropolitan borough.

Funding & Financial Outlook

- Between 2015/16 and 2019/20 county and rural unitary councils having absorbed substantially larger reductions to their core funding for adult social care than any other type of council (42.3%).
- Decreases in funding have been offset to a large extent since 2017/18 by an increase in temporary grant funding. As a result of temporary grants, all council types except county and rural unitary councils have seen a rise in total grant funding in nominal terms, albeit small. By contrast county and rural unitary councils have seen an overall reduction of £128m.
- Funding and the costs of services has diverged dramatically over the past five years. As a result of growing demand for services and costs, the difference between funding and service costs has grown 20.8% over the period, some £1.2bn for county and rural unitary councils.
- Nationally government funding in 2019/20 was meeting almost 42% of the costs of providing services. There is a large variation between council types, with just 30% of costs met through grant funding in county and rural areas.
- Future cost projections for the period 2020/21 to 2029/30 show that nationally total costs will rise by £6.7bn, some 38%. just to keep services operating as they are presently are without any increase the level or quality of services. County and rural unitary councils account for £3.3bn of this total increase in costs over the period, with estimated spending need rising 40% - higher than the national average and for metropolitan boroughs.
- While the additional Covid-19 expenditure on social care has been funded by Government, with this expenditure reducing by almost two thirds during the current financial year, there is growing evidence there will be medium-term 'legacy costs' from the pandemic which could become embedded beyond 2021/22.

- ## RECOMMENDATION 3: ENSHRINE IN LAW A DEDICATED PROPORTION OF THE NEW HEALTH & SOCIAL CARE LEVY FOR CARE SERVICES

The Government have outlined the new Health and Social Care Levy will raise £12bn per annum, with this to be dedicated to spending on these services. However so far there are no commitments on how these resources will be distributed between health and care services beyond 2025. Only 20% resources before this date are dedicated to the reform elements of the adult social care proposals.

The nature of insufficient short-term settlements and temporary resources for social care have undermined efforts to transform services. It is therefore imperative the Government enshrines in law the proportion of the Health and Social Care levy that will be dedicated to social care. Without a proportion of funding being enshrined in law for social care, there is no guarantee that income from the levy beyond 2025 will be used to predominantly fund social care once the NHS backlog is cleared.

- ## RECOMMENDATION 4: SUPPORT THE SOCIAL CARE WORKFORCE IN COUNTY & RURAL AREAS

A consistent issue which destabilises the adult social care sector is the transient nature of its workforce. This is due to a variety of factors, but is largely underpinned by the low pay and low status of the workforce. County and rural unitary councils have already faced difficulties recruiting staff to work across remote and disparate geographies for some time. However, these difficulties are now compounded as the much publicised labour shortage in other low-wage industries such as retail or hospitality - which draw from the same labour pool - begin to push up wages. If the care sector is not resourced to be able to compete for these workers then the already large number of vacancies is likely to soar – particularly in regions with low population density such as counties.

As part of its proposals for reform, the Government has outlined that it will invest at least £500m in new measures to provide support in developing the workforce and introduce further reforms to improve recruitment and support for our social care workforce.

CCN and RSN welcome the emphasis on improving the workforce. However, the details of these proposals must recognise the particular challenges faced in county and rural areas and ensure that the workforce is adequately recognised and rewarded. This may involve specific policies and resources to allow county and unitary councils which have difficulty recruiting staff to work across long distances to be able to compete for labour with other industries such as hospitality and retail which have recently witnessed pay inflation.

- ## RECOMMENDATION 5: ENSURE FAIR FUNDING AND EQUALITY OF SERVICE ACROSS THE COUNTRY

Alongside the additional demands created by extending local authority duties in relation to self-funders, the data in this paper has highlighted the significantly higher costs which are incurred by county and rural unitary councils to deliver some social care services, such as home care.

Moreover, an overall shift in the way councils are funded for adult social care - with direct grant funding for services reduced and councils expected to fund more services through council tax - means just 30% of care costs in county and rural areas are funded through Government grants; much lower than other parts of the country.

The Government needs to ensure that all citizens are able to access the similar levels of social care service regardless of where they live. A sustainable and fair distribution of resources between health and social care must be coupled with a fair formula for distributing between different councils. This must recognise the costs of service delivery in county and rural areas and also an understanding that reform to social care will change demand patterns and eligibility for support for self-funders, in the process creating new, specific pressures, for these councils. Any funding distribution must also recognise the already disproportionate burden placed on council tax to fund services in county and rural areas.

- ## RECOMMENDATION 6: MANAGE THE TRANSITION FROM RESIDENTIAL TO DOMICILIARY CARE

Reform will need to manage the expected transition of demand moving from residential care to domiciliary and other forms of home and community-based care. This trend has already been evident for some years, but appears to have hastened during the pandemic due to public perception of care homes. Incentivising the development of more retirement communities using models of private housing with onsite care will help manage this transition and better balance how care can be provided as people age.

To help support the transition from residential to more domiciliary care reform should help encourage the better development of mixed forms of provision such as retirement communities which offer specifically adapted housing with care on site enabling a more gradated approach to care needs among those ageing.