Care England is the leading representative body for independent care providers in England. Our members provide a wide range of services for adults with care and support needs including residential and nursing settings, homecare, housing and community-based support. Our members also deliver specialist care home services such as rehabilitation, respite, palliative care and mental health services.

This briefing is aimed at Parliamentarians, and gives MPs and Peers the information they need to understand the impact of the National Living Wage (NLW) on the social care sector. This briefing also explains Care England’s actions to try to increase funding to mitigate the NLW's impact. At the end of this briefing, Care England suggests actions that Parliamentarians from all parties can take to help the social care sector, and thereby their constituents, cope with the impact of this major workforce change.

The National Living Wage

The new NLW announced by the Chancellor in July 2015 will be paid to all those aged 25 and over from April 2016. The NLW will start at £7.20 per hour, and rise to £9.15 per hour by 2020. The NLW is set at a lower rate than the Living Wage, the NLW's predecessor, as championed by the Living Wage Foundation. Crucially, the social care sector has always vocally supported the introduction of the NLW, as many of the care sector’s workforce problems originate in its status as a low-wage sector. Increasing pay for care workers would improve retention and aid recruitment, which are currently extremely challenging and costly, and contribute to professionalisation of care work: key to improving quality and outcomes for care service users.

The introduction of the new NLW presents an additional, unfunded, statutory cost threatening the sustainability of the social care market. The LGA estimates that the NLW will cost £330 million to implement across publicly-funded social care in 2016-17 alone and £1 billion by 2020. The Resolution Foundation estimates that the total public investment in social care required to meet NMW and NLW commitments are even higher, at £2.3 billion by 2020.

The NLW announcement places additional, unfunded pressures on the care sector that it cannot cope with. In addition to this increase, care providers have already had to fund the National Minimum Wage increase of October 2015, plus the standard Cost of Living increase in contracts from local authorities, and increases in Care Quality Commission regulatory fees. The aggregate impact of all of these increases is substantial: providers estimate that this will cost them a 5% rise in the wage bill in the in the first year, and 7% each year thereafter.

Care England’s actions:

- Care England has always supported a Living Wage for Social Care
- Care England, along with its members, commissioned work to assess the impact of the NLW introduction on care providers’ finances. This work found that 50% of participating members’ homes will be rendered commercially unviable by implementing the NLW, if it remains unfunded.
- Care England wrote to every Member of Parliament outlining the precarious state of the sector and the implications of the New Living Wage. This briefing builds on this.
- Care England has undertaken significant strategic influencing, including numerous meetings with Ministers, officials, MPs and Peers about the impact of the NLW on the social care sector.
- Care England has been steadily building a Care Home Parliamentary Network to bring such pertinent issues as the NLW to the political forefront.
The impact on the care sector

There is no doubt that the social care sector is dangerously underfunded: there have been 5 years of cuts to council-funded adult social care. The 2015 Association of Directors of Adult Social Services (ADASS) budget survey recorded that adult social care budgets have been cut by £4.6 billion since 2010: a reduction of 31%.

Meanwhile, demographic pressures have pushed demand for adult social care up by 3% per year. Predictions by the Local Government Association (LGA) currently show a funding gap across the sector of more than £4 billion by 2020/21, with ResPublica recently forecasting the loss of 37,000 social care beds nationally before 2020/21, as providers are forced to close.

The underfunding of local government affects social care providers: local authorities can’t afford to pay the true cost of care, and so providers are forced to provide care with insufficient resources, or rely on the cross-subsidisation of self-funding clients to local authority clients to make ends meet. In poorer areas of the country where there are no self-funders of care, care providers are really struggling under the burden of insufficient local authority rates.

In the interests of financial viability, some care homes are no longer taking local authority clients: this has caused the emergence of a worrying two-tier system, dividing those who can, and those who cannot fund their own care. Some care providers are being forced to close care homes in areas where local authority rates are so low that care provision is no longer financially viable. This places enormous risk on their local care markets, the care sector as a whole, and individuals in their care.

Five of Care England’s largest corporate providers have calculated that the impact of the National Living Wage, regardless of existing underfunding, will be a workforce cost increase in 2016 of £18 per bed, per week. Modelling from these care providers shows that, of the 1157 homes they operate, 50% (579) will be rendered commercially unviable by implementing the NLW.

Care England’s actions:

In response to the July Budget, Care England issued a statement saying that: “The care sector cannot sustain an unfunded increase in labour costs. We have been calling for the Government to establish a Living Wage, but have underlined this can only be done when the Government funds care properly.”

In response to the July Budget announcement, Care England wrote to all Directors of Adult Social Services, explaining that ‘it is clear that local authority fees cannot remain static in light of the Chancellor’s announcement of a National Living Wage.’

Care England made a joint Spending Review representation with other leading sector bodies, which said: “The recent decision to move towards a National Living Wage (NLW) of £9 per hour... is one which we very much welcome in principle - but without the necessary government funding to realise this ambition we have serious concerns as to how councils will be able to meet the costs.”

Care England convened a ‘Care Crisis Summit’ with care providers and key organisations including Carers UK and the Alzheimer’s Society to discuss the impact of a lack of funding on the eve Spending Review.

Care England has worked to gain a strong profile in the media. Care England has been the go-to for opinion on all matters social care and the National Living Wage, and Care England has made frequent comment around the Spending Review announcement and since, about the impact of the NLW.

Funding the NLW: failures of the Spending Review

Local authority fee increases are necessary to ensure the current funding gap is not widened further. However, local authority budgets, being so badly cut in recent years, do not allow for an increase in fees to care providers. At the Spending Review on November 25th 2015, The Chancellor announced an £8bn funding boost to health, £4bn of which is to be front-loaded. Meanwhile, social care funding was back-loaded, and received no direct or immediate funding increase.

The Chancellor announced that all local authorities would have the option to raise council tax by 2% per year to fund social care. This precept will not provide a consistent approach to funding care as the richest areas of the country collect a higher proportion of their revenue from council taxes, and the poorer areas of the country, where need is highest, will be disadvantaged by a postcode lottery.
Even if councils do enact their right to raise council taxes, there are no assurances that they will raise the full amount, every year, over the life of the Parliament. Councils are under pressure from their electorate to freeze council taxes: last year, the average council tax increase was 0.9%, even when councils could raise taxes up to 1.9% without referendum. With no assurances, the Treasury has based its calculation (of £2 billion to the sector by 2020) on the premise that all councils will raise council taxes by 2% year-on-year.

The Chancellor also announced a £1.5 billion addition to the Better Care Fund, a mechanism about which the sector already has significant doubts: there is little evidence that any Better Care Fund money has gone to the front line of care. Care England understands that the Better Care Fund will be used to address the inconsistency of new funding from the council tax precept. However, it is clear that this money will only begin to address discrepancies in distribution in 2017: due to the decision to back-load the BCF, poorer areas of the country, often most needful of social care, will still be significantly disadvantaged.

The Chancellor announced that the optional 2% council tax precept for social care, combined with the Better Care Fund injection, is worth £3.5bn to the sector. However, the King’s Fund has calculated that this money will only bring £2.7bn, only by 2020, and only if every council raises the full amount every year. Crucially, this amount is insufficient to plug the current funding gap, or fund the NLW. Unless the NLW is properly funded, the country faces imminent and widespread care provider collapse.

### Care England’s actions:

Care England wrote a joint social care sector response to the Spending Review with leading sector bodies, stating unanimously that: “we believe the package put forward for social care will not enable us to fill the current gap in funding, (or) cover additional costs associated with the introduction of the National Living Wage.”

With Care England’s support, members wrote to the local authorities they work with, asking for a fees uplift of a minimum of 5% (although many estimate the actual figure would be much more) explaining that “this increase is necessary just to cover the cost of the National Living Wage (NLW) impact from April 2016.”

Care England responded to Health Select Committee inquiry into the impact of the Spending review on social care. We requested of the Committee that “this inquiry must ask how the Treasury believe they have properly funded the National Living Wage and additional pressures, and how the Treasury will support the social care sector to foot the NLW bill, estimated at between £1bn and £2.3bn.”

### Taking action in Parliament and in your constituency

If the impact of the introduction of the National Living Wage on social care is something that concerns you or your constituents, there are a number of actions you can take to push this issue further up the political agenda.

**At constituency level:**
- Ask Care England to organise a visit to a care home in your constituency to better understand the extreme cost pressures that care providers are facing. This is also an opportunity to see first-hand the brilliant work that care homes do every day.
- Communicate with your local authority and encourage them to raise the full amount of the optional social care precept, every year until 2020.

**At Parliamentary level:**
- Join Care England’s Parliamentary Network to receive more up-to-date briefings and engage in discussion and action planning with other Parliamentarians. To join the network and stay up to date with NLW implementation’s impact, visit: www.careengland.org.uk/parliament
- Table a Parliamentary Question about the impact of the National Living Wage on social care and those who rely on it.
- Call for a debate on the impact of the National Living Wage on the social care sector and the potential loss of thousands of social care beds.
- Get in touch with Care England and get involved in campaigning for more realistic and sustainable social care funding while calling for a more professionalised workforce.

Saskia Goldman, Policy Officer, Care England, 2016