



Exclusive: Care home wage hikes outstrip precept cash by £348m

2 February, 2016 By [Sarah Calkin](#)

The majority of councils will struggle to fund the cost of the national living wage in their local care home sector through the social care precept, research shared exclusively with LGC suggests.

WINNERS & LOSERS: GAP BETWEEN CARE HOME NLW COSTS AND PRECEPT AS % OF 2015-16 CARE HOME SPEND

Council	Care home NLW cost to 2019-20	Gap as % of 2015-16 care home spend
-----BEST OFF-----		
Sutton LBC	£0.9	9.5%
Kingston upon Thames RBC	£1.0	7.9%
Kensington & Chelsea RBC	£1.0	6.4%
-----WORST OFF-----		
Blackpool Council	£2.7	-8.7%
Wandsworth LBC	£2.8	-8.8%
Middlesbrough Council	£2.7	-9.1%

Care precept table

Analysis by health and care consultancy Candesic found that by 2020, in 84% of upper tier authorities the cost of wage rises relating to council-funded care home places would exceed the proportion of the precept that would be expected to be spent in that sector. The analysis assumes a quarter of cash raised through the precept is spent on care homes, in line with national proportion of adult social care funding used that way.

It found by the end of 2020, 13 councils will have a cumulative funding gap due to wage rises equivalent to 8% or more of their 2015-16 care home spend.

At the other end of the scale, 19 councils will raise more through the precept than is required to meet the costs of paying increased fees to care home providers. The median position was a deficit of 4.1%.

All but two of the surplus councils – Borough of Poole and Peterborough City Council – are in London and the south east while 10 of the 13 worst affected councils are in the north of England.

The findings highlight a major criticism of the social care precept policy: that the varying ability to raise cash bears no relation to where the need for extra social care funding is greatest.

The government has said this will be addressed through the distribution of the £1.5bn that has been earmarked for an “improved” better care fund over the three years from 2017-18.

However, Margaret Lee, president of the Society of County Treasurers, told LGC there were other calls on the additional funding for social care announced in the provisional finance settlement.

“The better care fund and the social care precept are not just about covering the national living wage: it’s demographic pressures that arise from the increasing and ageing population and the inflation in social care contracts that was already expected.”

Nationally, the analysis found there would be a deficit of £193m by the end of the parliament, rising to £348m by the end of 2020-21 – the year in which the national living wage rises to £9.20 an hour.

Leonid Shapiro, managing partner and founder of Candestic, told LGC while the deficit would be more than covered through the additional better care fund cash, this would leave less to tackle the “sustained and chronic” underfunding of the sector.

Candestic is a consultancy run by clinicians with business experience that advises health and social care clients.

Dr Shapiro said it had been “notoriously hard” for councils to access better care fund cash to spend on social care and there was real concern amongst care home providers that they would see none of the additional funding raised through the precept and better care fund.

The analysis estimates the total cost of implementing the national living wage in the care home sector will be about £850m. The Association of Directors of Adult Social Care Services estimates the cost of the national living wage across the whole of social care will cost councils £2.1bn over the parliament.

Middlesbrough Council will be the worst affected with the cost of the national living wage in its local care homes outstripping its ability to raise council tax by more than £1.8m by April 2020. This is equivalent to 9.5% of its 2015-16 care home spend.

Councils with largest gap between NLW costs and precept by 2019-20 as % 2015-

16 care home spend

Council	Cost of NLW in care homes to 2019-20 (£)	25% of social care precept over four years (£)	Surplus/deficit by 2019-20 (£)	Surplus/deficit of 2015-16 care home spend (%)
Middlesbrough Council	2,722,912	868,469	-1,854,444	-9.1%
Wandsworth LBC	2,829,038	955,658	-1,873,379	-8.8%
Blackpool Council	2,679,412	928,914	-1,750,498	-8.7%
Cumbria CC	10,969,315	3,918,391	-7,050,924	-8.6%
Hull City Council	3,515,895	1,298,011	-2,217,884	-8.4%

Meanwhile in Sutton LBC the £413,763 raised annually through 25% of the precept will more than cover the £1.4m costs, leaving the council with a surplus equivalent to 9.5% of its social care budget.

A spokesman for Sutton said it was “too early to say” whether the council would make use of the precept, however papers due to go to the council’s strategy and resources committee on Monday recommend it is adopted.

Councils with smallest gap between NLW costs and precept by 2019-20 as %
2015-16 care home spend

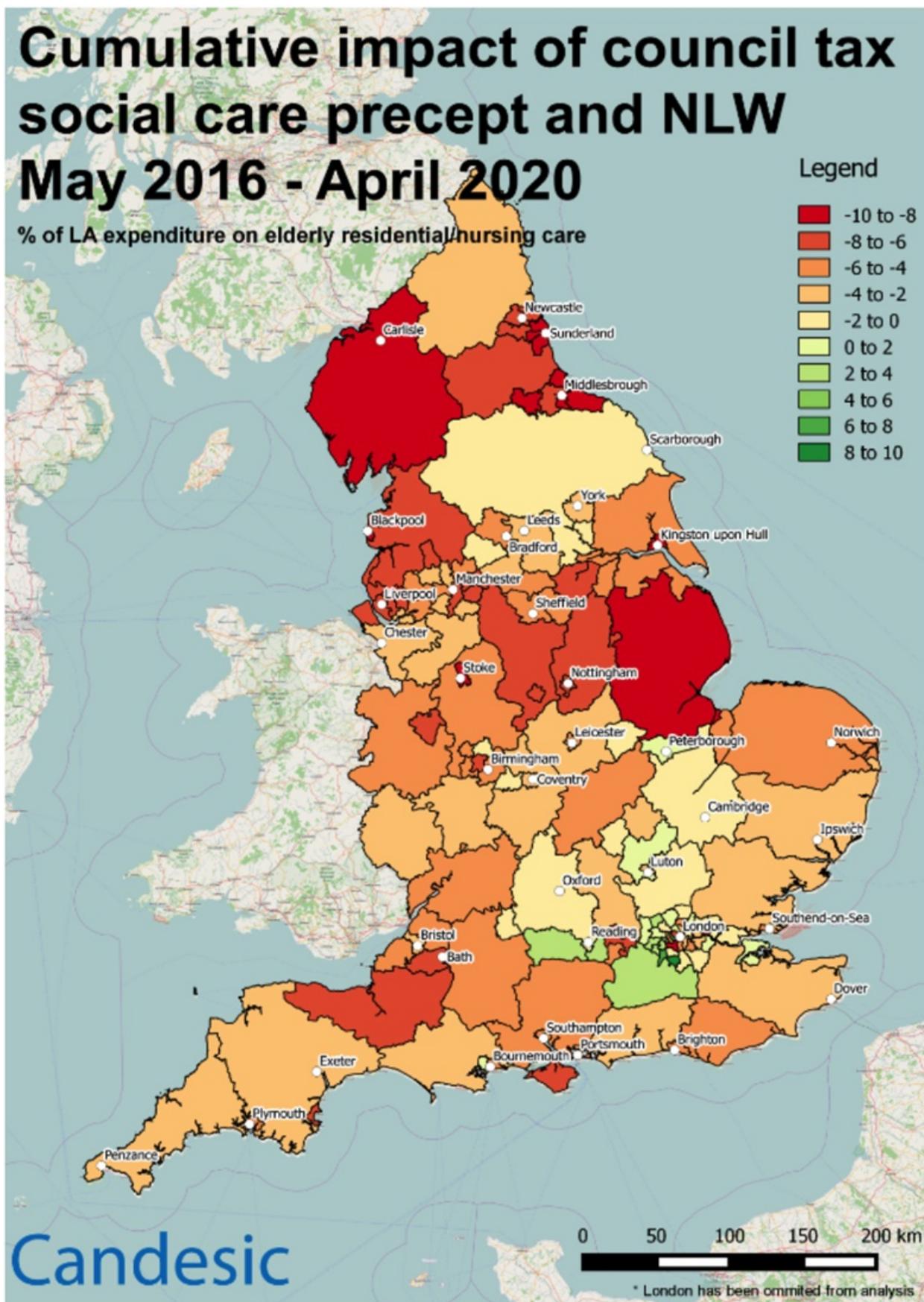
Authority	Cost of NLW in care homes to 2019-20 (£)	25% of social care precept over four years (£)	Surplus/deficit by 2019-20 (£)	Surplus/deficit of 2015-16 care home spend (%)
Sutton LBC	964,655	1,655,052	690,397	9.5%
Kingston upon Thames RBC	1,042,611	1,669,108	626,497	7.9%
Kensington & Chelsea RBC	998,368	1,481,162	482,795	6.4%
Surrey CC	9,331,937	11,972,434	2,640,497	3.7%
Harrow LBC	1,572,069	2,009,318	437,249	3.7%

Kensington & Chelsea RBC, another council with a large surplus under the analysis, told LGC it had no plans to use the precept in 2016.

A spokesman said: “We would be reluctant to increase [council tax] while we can manage to maintain very good services by other means such as sharing services with other boroughs.”

A spokeswoman for the Department for Communities & Local Government said the government had provided £3.5bn through the social care precept and the £1.5bn for the better care fund.

She added: “Supporting those most in need is an absolute priority. We have listened to local government’s request for flexibility to support vital services.”



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Source: Candesic Ltd

Care home national living wage costs to 2019-20 as % surplus/deficit of 2015-16 care home spend