HOUSE OF LORDS

Select Committee on Economic Affairs

Uncorrected oral evidence: Social care funding in England

Tuesday 30 April 2019

3.35 pm

Watch the meeting

Members present: Lord Forsyth of Drumlean (The Chairman); Baroness Bowles of Berkhamsted; Lord Burns; Lord Darling of Roulanish; Baroness Harding of Winscombe; Lord Kerr of Kinlochard; Lord Lamont of Lerwick; Lord Layard; Lord Tugendhat; Lord Turnbull.

Evidence Session No. 10 Heard in Public Questions 91 - 103

Witnesses

I: The Rt Hon Matt Hancock MP, Secretary of State, Department of Health and Social Care; Mr Jonathan Marron, Director-General of Community and Social Care, Department of Health and Social Care.

Examination of witnesses

Matt Hancock MP and Jonathan Marron.

Q91 **The Chairman:** Secretary of State and Mr Marron, welcome to the Economic Affairs Committee. I will say on behalf of the Committee how grateful we are to you, Secretary of State. I know you have a diary problem today and we will try to finish our session at 4.30 pm. I will not labour this point but will begin by asking when we might expect the Green Paper to appear.

Matt Hancock MP: The Green Paper's publication is coming in due course. Originally when I became Secretary of State, we were committed to getting it out by Christmas; we were aiming to publish it close to and alongside the 10-year plan for the NHS. That was not possible. I was asked in the Commons whether it would be published by April and I thought of course that it would be. This was in January. I also thought we might have left the EU by April.

I am afraid it has been delayed in the break, due to Brexit and the need for bandwidth. We continue to work on it and improve it. I am grateful to you for holding this time tight and I am glad that we managed to get it in the diary. I wish that the Green Paper had been published by now. We are continuing to work on it in the department, because this is such an important issue. It has been a long-standing policy problem and needs to be tackled.

The Chairman: Reading between the lines, that means that your thoughts and ideas have to be cleared with colleagues.

Matt Hancock MP: You would not expect me to go into the inner workings of government on this one.

The Chairman: Absolutely not. Damian Green, your predecessor in office, published a report yesterday calling for a basic level of social care in which he estimated that it would cost an extra £2.5 billion a year. Do you agree with that and his proposals?

Matt Hancock MP: It depends on the quality and provision of social care that we want. The fact of the finances is that over the last three years we have put in total an extra £10 billion into social care. The budget this year is £3.9 billion higher in real terms than it was in 2015-16. After a period of very tight finances, from the spending review that followed the economic crash through to 2015, there has been a 9% real-terms increase. There has been an increase in provision and there are more people employed in social care. That has been broadly within the domiciliary care sector; the number of beds within the residential and nursing sectors together has stayed essentially flat. There has been an increase in nursing beds and a reduction in residential beds.

Stepping back, we want to provide for dignity in old age for every single citizen. We need to ensure that we have the sustainable finances to do that. We also need to make sure that the working-age and children's

social care sectors are appropriately funded. Children's social care is not my departmental responsibility, but about 50% of local authority funding goes to adult working-age social care, which would be very hard to pay for from any of the more innovative options that have been proposed, including the ones in the report on Monday. We have to look at the taxpayer funding that will inevitably be part of the solution as well as any other options to make sure that we can provide better care.

I think it is impossible to put an exact figure on what is needed, because that depends on what we are buying. There is undoubtedly a significant challenge here; in the nine months that I have been Secretary of State, we put in an extra £240 million last year and will put in an £650 million next year. These numbers are rising, and we would expect them to rise over a generation as more and more people live longer.

The Chairman: One of the things that has surprised the Committee in the evidence we have taken is that so much emphasis is placed on care for the elderly, and that half the costs are on people of working age. That presents a particular challenge that I am not sure is widely understood in the public debate about this, which tends to be about people with dementia or things of that kind.

Matt Hancock MP: The likelihood of being able to have a credible insurance-based option for people of working age, where their need for care is highly likely to be clear by the time they are 18, is as opposed to the likelihood of someone older needing care, where you are very unlikely to know whether they need care at retirement age. The financial structures of the two types of care are very different.

The Chairman: So whatever kind of funding model is chosen, would you agree with what most of our witnesses have said: that the system needs more funding to meet long-term needs?

Matt Hancock MP: I would say that we have put in significant amounts of extra funding. A £3.9 billion increase on the 2015 levels of funding is significant, and that 9% growth is faster than the growth in the population of those who need care. So I would say that we have done that.

As to future taxpayer funding, we have a spending review forthcoming to settle the funding question from the end of this financial year onwards, and the Chancellor would be extremely upset if I announced an answer to that here.

The Chairman: I was not asking you whether the Chancellor should provide the money. I was asking whether your analysis of the system, however it was going to be funded, led you to conclude that more money would be needed. The evidence we have is that the system has been remarkably resilient, not least because you have put in more money, but it is suggested that that is because of increasing levels of unmet need.

Matt Hancock MP: I am not sure I would characterise it in that way. In the Care Act 2014 there was a change in the measure of need and how needs are analysed. The reason for that change was that, before that, need was essentially determined at a local level by local authorities and there was a postcode lottery. The Care Act made sure that needs were assessed more fairly across England. Of course, the more money you put in, the more needs can be met. That is natural.

The Chairman: And the more the demand.

Q92 **Lord Kerr of Kinlochard:** As you work on this paper, have you been looking abroad at mandatory social insurance models? What view did you take on them?

Matt Hancock MP: Yes, we have looked at lots of different arrangements in different countries. Of course, nobody is starting from here, so any solution will necessarily have to be based on where we are in England.

I have also looked at the different options across the UK. There are different solutions, although they are closer to the English policy. The Commons Joint Select Committees, the local government and health combined Select Committees, looked closely at Japan and Germany. I have seen the interest in the models they have. They were quite close to the solution proposed by Damian Green on Monday. We have looked at other models as well but, ultimately, whatever solution we have will have to be designed for here, because you have to take very much into account the starting point, even in terms of the destination that we want to get to.

Lord Kerr of Kinlochard: There seems to be an inherent perversity in the present model, the hybrid model of national and local financing, in that the areas of greatest need for social care are probably those where local government financing is least buoyant—council tax brings in least—so there is an inverse correlation, which is a bit perverse. Are you going to put that right?

Matt Hancock MP: I will bring Jonathan in, but we are not looking at changing the 1948 settlement in which it was decided that the NHS would be a national body and social care would be funded by local authorities. That system was set in place then; we are not looking to change it.

It is true that an awful lot of taxes are paid to the national Exchequer and then redistributed out, but not entirely. In fact, we have moved slightly in the other direction with the introduction of the social care precept, but that itself has an equalisation formula on top to address the problems you rightly highlight.

Jonathan Marron: I will add something on a technical level. Some of the money in the £10 billion that the Secretary has talked about comes from the improved better care fund, a grant from government to local authorities. That was set up to try to have a further redistributive effect. Areas less likely to raise money from the precept were given more from

the iBCF, so the details of the arrangement were quite complicated, but we were trying to address exactly your point about some local authorities having less spending power.

Lord Kerr of Kinlochard: I was not really thinking about the running of the system. Most of our witnesses seem clear that it is right not to combine this with the National Health Service and to have it locally managed and run. I am talking purely about the financing of it. Your answer was that you are not looking at changing the 1948 settlement in respect of the financing—

Matt Hancock MP: Of the running. The financing is, of course, already a mixed exercise. There is locally raised finance, which has been increasing with the precept. In fact, of the £3.9 billion increase in this year's funding, on a 2015 baseline, £1.8 billion—almost half of it—has come from the precept. But the precept itself has an equalisation, to take into account the demographic factors.

Lord Kerr of Kinlochard: Yes, I understand. Damian Green seems to think that the local element in financing should disappear and that it should all be nationally financed. Do you not agree?

Matt Hancock MP: I do not agree with that.

Q93 **Lord Lamont of Lerwick:** The Government have also been trying to reduce the system under which the central government makes grants to local authorities to cover social care. Is the implication, therefore, not that there will be some increase in council tax and some revenue coming from business rates? How does this direction of policy fit inside what has been talked about, with more money coming from national insurance or general taxation?

Matt Hancock MP: Thus far, over the last three years, just under half of the increase in funding to social care has come from local sources—the precept, and a very small amount from local grant support—and just over half from the national Exchequer. It is a mixed taxpayer funding source—local and national—and then there is the private funding that comes into the sector.

Lord Lamont of Lerwick: But do you foresee the proportion of their own revenue that councils spend on social care increasing or diminishing?

Matt Hancock MP: It has significantly increased as a proportion over the last few years, as a consequence partly of there being more older people and partly of the overall squeeze on council finances. One of those is going to change, not the increased number of older people. Given that there are increased council tax revenues over the last couple of years, and I would expect that to continue, I see that slightly unwinding, but social care will continue to be a very large proportion of top-tier council spending for some time.

Jonathan Marron: In 2017-18, the last year for which we have actual spend data from local authorities, they spent just over £17 billion on

adult social care. Some £2 billion of that comes from the NHS, and about another £1 billion is from the sums we have given them directly. The rest, of course, is out of their own funding raised from council tax and business rates, so the vast majority of social care funding today is from local sources. We have been able to make sure that they have had additional funding for social care from the Government over the last three years. If you row back 10 or 15 years, we had a big revenue support grant for social care. That is rolled into business rates already.

Q94 **Lord Darling of Roulanish:** I want to ask you about private insurance, sticking with this 1948 point. I think we all understand why it was left in 1948: because, frankly, long-term care was not a big issue at that time. If you stick to a position where the funding will continue to be part central government and part local government, is the difficulty not that the already disparate provision of care, whether for working-age or older people, will continue, and that if you were ever going to try to persuade the population that we might contribute more, either through taxation or other compulsory payment, let alone private insurance, it will be difficult?

You are saying to them, "You are paying this additional sum, but we cannot tell you what provision might be around in the area where you happen to live in maybe 20 or 30 years". Under the NHS, broadly speaking you know what you will get, no matter where you live in the country, but that is not the same for care. Can you do this if you do not have a more centralised provision of funding?

Matt Hancock MP: Yes, you can. What matters is the eligibility that people have. The Care Act made national rather than local eligibilities. Of course, the provision is done by a multitude of different companies. Some provide both residential and domiciliary care, some just one or the other. The fact that there are thousands of providers of social care in the UK is a good thing.

Lord Darling of Roulanish: I am not questioning the actual provision. All the evidence that we have had is that people like their local provision because it has to fit with what the population locally wants. I am talking about the crucial issue of paying for it in the first place. As you know, depending on where you live, you can get quite good provision or pretty bad provision.

Matt Hancock MP: You say that, but the eligibilities were made the same nationally in the Care Act. Of course some providers need to improve, but 85% of providers are good or outstanding. One reason why the proportion of care that is rated good or outstanding is so high, higher than the NHS side, is partly because there is a multitude of providers. If you lose your good or outstanding rating on the CQC, you will find it much harder to bid into contracts with the local authority. Where the money is channelled is important for the policy and finance questions but not that important if your parent or mine needs to go into a care home. What matters is that the provision is there.

Lord Darling of Roulanish: There has to be provision but also the

payment for it.

Matt Hancock MP: Yes, so having eligibilities that are set at national rather than local level is important.

Q95 **Lord Darling of Roulanish:** Can I ask you about the role of private insurance? What I want from you is your view of the provision of private insurance, and I am talking about substantial rather than very small-scale provision.

It would be useful if you could differentiate, as you said earlier, between those of working age—as you said, someone with a condition that will affect them for the rest of their life would probably not get insurance, or the price would be well out of their reach—and long-term care, where I suppose the difficulty is persuading someone aged 20 or even 50 that they are actually going to need it.

Matt Hancock MP: That is a very important element of persuasion that will be needed if we are going to go down this route as a country. There are a number of injustices in the current provision of social care, of which the uninsurability of old-age care is one of the biggest. It is the last great uninsurable risk that we have. No one can insure against it. Not even Members of the House of Lords can insure against this risk.

The distribution of the risk across the population is quite stark. About 25% of people need no care costs at all because they just drop dead. About one in 10 have care costs that are above £100,000 a year—and that is just the care costs, let alone the housing residential cost element. We all face this big risk. For a portion of the population the state will always have to provide—rightly so, and it will—and for another portion of the population there are the current eligibility rules.

Something that would clearly help in trying to make this policy area would be the ability for all of us to insure, even before you get to questions of social insurance and all the other different policy options that are talked about. You can remove the injustice that no one can insure and therefore encourage people to take out insurance. I think that is possible to provide and there is a potential for a market there.

Then you have to ask why that market does not exist at all in this country. In some countries it exists a bit. In France, for example, a reasonable but still fairly small minority of the population insure. Some people say it is because of the need for a cap on care costs because there is a tail risk. Well, there are a lot of tail risks in life. We have Lloyd's of London, one of the best insurers of tail risks in the world.

There is also the question of the population base. Companies that have gone into this market in the past have found that the overall proportion of people who have high tail risks suddenly becomes high, and then that model has gone bust. I am quite attracted to the idea that the state might back an insurer to cause this market to come into effect, in a similar way to what we did with pensions.

The way I think about this in public policy terms and trying to make progress is quite similar to what you did, Lord Darling, on auto-enrolment in pensions. It started under the Blair Administration with the Turner report, the Brown Administration legislated for it and the Cameron Administration put it into effect. Three weeks ago there was an increase in auto-enrolment into the pensions that people pay of 3%, and no one in the political world noticed. It was not a political hot potato because there has been that successful collaboration.

Lord Darling of Roulanish: The difficulty is sometimes stated as this: we all expect to live to pensionable age and we all expect to get a pension, whereas, as I said earlier, most people at a young age do not imagine for one minute that they will ever need care like their granny or grandfather: That won't happen to me". Unless it is compulsory, in which case you are as good as into taxation, it is difficult to see how auto-enrolment might work.

Matt Hancock MP: Suggestions have been made. In the same way in which people are encouraged to take out life insurance when they get a mortgage, for example, there are ways in which you could attach it. I have been attracted to auto-enrolment because it has worked so well in pensions. Lots of people do not understand this area of finance at all, even though it is very important for a large proportion of people, so you can use the fact that people do not understand it to be able to set a norm; we as a Government legislate and set the norm for what happens, and then of course people can opt out.

However, I entirely agree that the lack of public understanding is a big challenge both to making progress in the policy—we have all seen various blow-ups in the development of this policy over the years—and to the substantive rollout of it.

Q96 **Lord Turnbull:** I am not clear about your thinking on the—I was going to say "backstop", but we cannot use that word—cap on long-term care. Do you think you can do without it? Some figures have been given here. First, a very small number of families could pay £100,000 a year. Under Damian Green's proposal, you might get £24,000—in other words, those families are being cleaned out to the tune of £75,000 a year. I do not see how they can get any insurance against that unless there is a limit to it.

Secondly, if there is an entitlement of £2,000 a month, £500 a week, that is about the amount that local authorities often pay to put the people they are supporting into homes. If you are funding yourself, I know from family experience that you are probably paying £700 or £800. In other words, the supplement that you have to put in, not for luxury care but for a standard residential home, could be several hundred pounds a week, which can add up over time.

I was hoping that you would be saying that this Damian Green scheme, or whatever you are envisaging, might reduce the number of people who need a backstop but we will never do without it entirely, partly because you cannot insure against something where you have no idea what the

total cost might be to the insurer.

If you put a cap on it, people can then insure or have a target savings figure for the amount up to that cap on the contribution. I do not know if you think you can do without this cap, as the manifesto said, or are sticking to the previous consensus that a cap is needed for this small number of cases where people have massive detriment.

Matt Hancock MP: What matters is whether we can ensure that people can have access to provision in a way that does not lead to a removal—the spending of a large proportion of their other assets, based on a risk that many of us feel would be better pooled across the population. A cap is a way to do that.

It still leaves some risk with the individual, and the argument is that if you have a cap a market will spring up to provide for insurance up to the cap. Having spoken at length to the insurance industry about this, I do not know whether that market would spring up or not. None of them have said that they would definitely provide into that market.

Lord Turnbull: Are you saying that if they do not, the state will provide that?

Matt Hancock MP: In that circumstance you would still have the caps; you would be increasing the state liabilities because it would still be taking some of them on. You would then still have a difference in provision according to the essentially random question of whether we need high care costs or not. A cap alone is not a full solution to this problem.

There are other solutions that do not need a cap at all; if you had a full-blown social insurance model, the state would take on the same tail-risk liabilities that I mentioned. There are others who say, "Actually, the tail risk is not the issue. The problem is the population risk".

There is a whole series of different injustices. The various different solutions solve some of them, but I have not yet seen a proposition that solves all of them. There is the regional injustice in the difference between some different provisions in different areas. There is an injustice based on the fact that some people at the moment have to lose their home and others do not. There is a sense of unfairness in that it is impossible to know in advance whether that will be you.

Attached to that is the unfairness that some people will have saved all their lives to own their own home and will then be expected to use that home. Others will not have put those savings aside, and the state will fund them. There are also other injustices to do with different diagnoses; if you have a cancer diagnosis, you get different taxpayer treatment to those with a dementia diagnosis.

There is also the uninsurability, which is another injustice. There is a whole series of ways in which the existing system is unfair, and it is hard to see a single solution that solves all those injustices.

I would like to bring forward a Green Paper that can bring together the debate, which has to be cross-party, behind a direction of travel in which we can make progress; hence my reference to the excellent reforms of pensions, over which I think you were in charge in the Treasury at official level. Either you or Terry was; my compliments know no bounds. But you cannot solve all these unfairnesses in one go, and the cap is one way of solving some of them.

Lord Turnbull: We have to do something about lots of these injustices, but leaving that one completely unaddressed would make the situation very unsatisfactory.

The Chairman: Flattering the Committee does not work.

Q97 **Baroness Harding of Winscombe:** I start by declaring my interest as the chair of NHS Improvement.

I wanted to pick up on the comparison with pensions and your point about lack of public understanding, because there is an even trickier problem here. There is the similarity that Lord Darling described—that no one in their twenties thinks about being elderly—but there is a bigger issue that is not just lack of understanding but an expectation that the state will pay for your social care.

We have heard that from a number of witnesses, and there is a large body of evidence that makes it even harder to start the conversation. How are you thinking about starting that conversation? That seems to be where a number of attempts to engage in reforming this have fallen down: they have not even been able to start the discussion.

Matt Hancock MP: First, having this discussion outside the immediacy of an election cycle is probably wise. I say this with a certain degree of irony because there are local elections on Thursday, but playing this straight into an election argument does not help.

The evidence I have seen is that about 50% of the population think that they will get looked after for free in all circumstances. The truth is that there is a proportion almost as high as that—it is slightly lower—that will be looked after for free: that is, those who do not pass the income threshold and the asset test. Some people are right to think that they will be looked after for free, but there is clearly a low level of information. The work of those who are caring for people who then need to move into social care—and their ability to talk to patients about the costs which often surprise the patients or their relatives, an event that happens every single day—is something that many people, especially in the NHS, do incredibly well.

Of course education is needed, in the same way as with auto-enrolment in pensions, but we need to decide where we can get broad political support for a direction of travel first. It did not help on Monday that the Labour Party Front-Bench response, not the Back-Bench response, to the report by Damian Green was aggressive, partisan and entirely negative. That is not helpful for building a consensus.

There is undoubtedly a role for public information in this, but getting consensus on the political level is also important.

Q98 **Lord Tugendhat:** The King's Fund has estimated that 700,000 more care workers will be needed by 2030. Do you agree with that figure, and, whatever figure you believe it is, how do you think you are going to achieve it?

Matt Hancock MP: We will need more care workers. I have seen that King's Fund figure; I am naturally quite sceptical of figures projecting a long way into the future and then providing a high degree of accuracy on employment, because that is not the nature of the world.

But there is no doubt that there will be more people in the caring professions; it is natural as part of the population gets older and wealthier. Artificial intelligence may take over a lot of jobs, but it cannot take over the jobs in empathy and caring for people. Those need people. We will need to employ and train up more people. We are doing a lot of work on that at the moment. In fact, there is currently a recruitment campaign on national TV. Despite the fact that most of the employers are private companies, we have taken a lead in trying to provide more nurses.

Lord Tugendhat: When we took evidence earlier, it emerged, to my surprise, that people who work in the care sector move between retail and care. They might be working for Tesco at one point, and then Tesco closes down or lays them off so they move into the care sector, then wages go up in Sainsbury's and they move out of care sector and back into a supermarket. That does not seem a very satisfactory situation. In the light of all the other things you have said, would you envisage trying to make this a more professional activity?

Matt Hancock MP: Yes, I would like to do that. I would like to see that. I think technology will move things in that direction to a degree, and even without improvements in technology I would like to see that direction of travel.

We have seen some very sharp rises, in percentage terms, in the pay of people working in social care. The national living wage has had a big impact on people working in care, because there is a higher proportion of people who were previously on the minimum wage in social care than in many professions.

Part of the increase in funding that has gone in has been to ensure that pay has gone up. The minimum wage was just over £5 a couple of years ago. Now it is over £7. This is a good thing. One of the impacts it has had is that the care sector has thought more about investing in staff, and there is more training; we brought in an apprenticeship scheme. There is a whole range of things that we should be doing in that space.

The Chairman: We had a very moving private session with a number of care workers. I am sure you are aware of this—you have obviously thought about these issues very deeply—but the main thing that came

across was that people were really struggling: first, because of the amount of work and the pressures on them to go and visit the person they care for, but, secondly, because they are very poorly paid. One example was given to us of somebody who got up in the very early hours of the morning, at around 4 am, and got home at 11 pm. When I asked what the shift length was, it turned out that this was all to do with the availability and the difficulties of public transport.

To pick up on Lord Tugendhat's point about people working in Tesco and so on, there was a real feeling—I have had some personal experience of this from relatives—that these people are just amazing. It is a real skill. You have to be able to do some pretty tough things and be good with people. Employers find it very difficult to get people with those skills. There are people who thought they could do the job but could not.

There is a feeling among those who do the job that their professionalism is not recognised, that there is no proper career structure and therefore that it is hard to develop a structure that will provide for care. When they complain to the employers about that, the general pushback they get is, "Well, there just isn't the money or resource". It all comes back to the resource. Professionalisation and treating these care workers in a different way is very important.

Matt Hancock MP: I strongly agree. One of my frustrations with the process of getting the Green Paper published is that lots of people ask questions about the future funding of social care, and I understand why that is important—of course it is, and we have dived straight into it in this discussion—but we need to do a whole load of other things as well, including on professionalism and professional qualification and recruitment and retention. There is a whole swathe of areas where we can make improvements, some of which we can just get on with, because a Green Paper does not solve everything in the world.

Q99 **Lord Tugendhat:** I have one other question. I cannot avoid Brexit here. To what extent is the workforce made up of people from other European countries, in particular eastern European countries?

Matt Hancock MP: There are people from other European countries, but there are actually more from outside the EU. Once we leave the EU, we will be able to have our own immigration system and decide who we want to come here.

Jonathan Marron: Our total workforce is around 1.47 million in social care, and our best estimates are that around 100,000 EU workers currently work in social care. It is a significant group and in some places a significant part of the workforce, but compared with the 1.47 million—

Lord Tugendhat: As you say, we will have our own system and will decide who can come, but as you pledged to reduce the number of people coming anyway, that might perhaps put some pressure on this area.

Matt Hancock MP: Well, that will be our sovereign decision as a country. Social care is an area that is both important and growing.

The Chairman: I think that is enough on Brexit.

Q100 **Baroness Bowles of Berkhamsted:** I revisit something you have partly pointed out: that it is politically difficult to get consensus. The political system in this country means that everybody takes every opportunity to oppose, as you have already pointed out, but we have had 12 Green Papers, White Papers and other consultations since 1998—I am sure you have been looking at the output of some of those—and some of them would have been with Governments who were not on a slender or zero majority, with the constraints that the present Government have. Why has it not been sorted?

Matt Hancock MP: That is a great question. Why has it not been sorted? Because the main political parties have not yet come together across the divide to agree this. You can see by the fact that I am really thinking about this that it is a great question. I had not thought about this answer in advance. It is partly because the benefits of a good social care system accrue over decades, yet the political challenge of putting one in place is a shorter-term one.

A number of challenges in public policy have that structure. Either you try to make them less controversial by taking them out of politics, or you can find a way to have a more consensual approach by reaching across the aisle. In the present Parliament, that has proven particularly difficult.

Baroness Bowles of Berkhamsted: I understand the difficulty of building consensus—I have had to do that in other forums—but is it the case as well that politically you maybe do not get enough bang for your buck, so to speak, if you solve social care?

Matt Hancock MP: I am not sure about that; people are crying out for a resolution.

Baroness Bowles of Berkhamsted: The moment is therefore upon us.

Matt Hancock MP: Ah, well, there you are.

Baroness Bowles of Berkhamsted: What is the role of committees such as this that manage to achieve a cross-party consensus? This is the whole objective. Should everybody say, "Okay, we will build on that work"? We are not the only committee doing this kind of thing.

Matt Hancock MP: Cross-party committees can play an incredibly important role in preparing the ground for government and opposition parties to come to an agreement. The two Commons committees I mentioned have done very good work on this; I have talked about that in the past.

However, the events of this week have demonstrated that even if you can get a cross-party committee with a whole load of Labour members proposing a particular solution, if a Back-Bencher from another party proposes a very similar solution, the short-term political temptation is still

there. Sadly, that temptation was not resisted by the shadow Chancellor this week.

Baroness Bowles of Berkhamsted: But surely you can ride it if you have the backing of things such as parliamentary committees.

Matt Hancock MP: Yes. Actually, I think the press have been incredibly responsible on this and have given support to politicians who have come forward with solutions. When I said how I was impressed by the work of the Commons committees, I got support from different parties, but parliamentary arithmetic remains tricky.

Baroness Bowles of Berkhamsted: That may be so if you were trying to bring a Bill forward, but if you have won the hearts and minds of the public, especially if you do the public conversation thing, and you have a cross-party basis, surely that gives you the basis to say, "I'm not going to abandon it just because somebody does their bit at Question Time or in their press release".

Matt Hancock MP: Cross-party reports certainly help.

The Chairman: When we started this inquiry I was quite struck by the amount—from memory, I think it was roughly £25 billion—spent on social care.

Jonathan Marron: It is £17 billion of public money and another £11 billion of private money.

The Chairman: Relative to what we spend on the NHS, it is a comparatively small sum.

Matt Hancock MP: Everything is a comparatively small sum compared with what we spend on the NHS.

The Chairman: If you think about it, more provision becoming available will increase demand. When you are assessing what the long-term costs will be, I wonder how you can take account of the fact that, if resources were available for work that at the moment is perhaps done by relatives and family, who are struggling to do it, it will increase the demand still further.

Matt Hancock MP: I am not as pessimistic about that as the question implies. We talk about social care as if it is one thing, but we have already discussed how adult and older-age care are quite different in their policy implications.

There is also a big opportunity to make social care better for the individual being cared for, and better value for money, by shifting from residential to domiciliary care. Some other countries have undertaken quite a big shift in this space. A Norwegian Minister told me that Norway had moved from essentially 80% residential to essentially 80% domiciliary care. We are checking those figures, but I was told that by a Minister of the Norwegian Government.

The Chairman: It must be correct.

Matt Hancock MP: In everything a Minister says, 100% accuracy is assumed. That direction of travel is good for people being cared for, and domiciliary care is cheaper than residential care. People want to stay at home for as long as possible. Not only is this better for policy outcomes; it is also better clinically.

The evidence shows that a far higher proportion of people discharged from hospital go into residential homes than is clinically recommended, so even when doctors say, "You should be going to your own home with a care package", they end up in residential homes, even though that is more expensive.

That sort of thing is much easier to fix than the question of who will pay for it in the long term. That will get a mention in the Green Paper, I have no doubt. That was also discussed in the *Long Term Plan*, because it is about the interaction between the NHS and social care.

The Chairman: On that point, there is a problem for the local authority in so far as, if they are being looked after at home, the family home is not counted towards the capital assets, whereas if they go into residential care it is, which seems an extraordinary anomaly.

Matt Hancock MP: Yes, there is a financial incentive problem. There is also sometimes a problem of the incentive on the family. Sometimes they will want the parent or loved one to stay in their family home, because then the family home does not go into the means test. Sometimes they will want them to go into a home, because they have other responsibilities and would find the caring responsibilities too much.

There are all sorts of different incentives, but we know for sure that more people go into residential care than is clinically justified and that domiciliary care is better on average—obviously, it depends on the individual concerned—and better value for money. We can address issues such as this alongside the long-term funding question.

Jonathan Marron: You have to make sure the homes are right for people to be at home, so we are putting more money into disabled facilities grants. This allows us to make adaptations. We have evidence that people stay up to four years longer at home if you can make people's homes more appropriate to live in, restricting the amount of time in residential care. Just making those facilities available is a much easier way of getting better care and better independence for people.

Q101 **Lord Layard:** May I raise another awkward question? Is the cross-subsidy from the self-funded people to the local authority-funded people, which is very strong in the residential sector, fair or particularly sustainable? Can we continue to save public money, as it were, through this sort of diversion of private money? Is that contributing to regional differences? How do you see the future of that?

Matt Hancock MP: To Lord Kerr's point, it undoubtedly has an impact regionally, simply because the proportion of private payers is far higher in some regions than others. You ask if it is sustainable. It has been going on for quite a long time. If you were designing a perfect system, of course you would not have such a disparity. At the same time, local authorities buy in bulk and can predict the amount of demand they are going to have. I look at it as a feature of the system rather than something that anybody designing this system from scratch would put in place.

Jonathan Marron: The Competition and Markets Authority report looked at this in some depth and made a range of recommendations that we are looking at, including whether we have the right information available for people and transparency of pricing. We are looking at those things as part of the Green Paper.

The Chairman: Lord Kerr wanted to have the last word.

Lord Kerr of Kinlochard: I come back to this very problem and your answer to me when you rightly knocked me and my inverse correlation down, talking about the various equalisation systems—the sticking plasters. Do you have a vision for the financing? What ideally would you like to do? The hybrid system that we have now, local and national, is not the 1948 system. In 1948 it was all national, just like the National Health Service.

This system has come in over time as Governments have passed down some of the responsibility. I am not talking about the administration—the running of the sector—just the financing. I have not quite grasped why you think we need to keep this slightly perverse system. I agree that it is not as perverse as I was maintaining, but there are various odd features to it. Are you quite sure that it would not be sensible, while leaving the administration of social care to the local level, to run it as a nationally financed system?

Matt Hancock MP: The best way to answer that question is to say that I see a series of injustices in this system. I would like to reduce them, and I am pragmatic about how we get from A to B. We inherited the system that we have with all sorts of peculiarities and imperfections. Given the tricky political constraints within which we operate, I am keen to make as much progress as possible. That means that I am more attracted to options that build and directly improve on the system than ripping up the whole thing and starting from scratch. We do not have a blank sheet of paper; we have millions of people who rely on the social care system every single day and need to be looked after, and we need to make sure it works as well as possible.

Q102 **Lord Burns:** You mentioned that 50% or so of people get their care for free. Surely one of the injustices is the whole question of the way the asset test works for people who have assets greater than the threshold. Do you expect the asset test to continue in something like its present form under the new regime?

Matt Hancock MP: The threat that people might lose their home because of something they cannot do anything about or insure against is one of the injustices of the system. Of course, the system at the moment has different rules for domiciliary and residential, for the good reason that if you are in domiciliary care you need your home.

That is undoubtedly one of the problems, but is it the biggest? Some say the answer to this is to make sure the home is in the means test in all circumstances. I am extremely sceptical about that point of view, because that extends one of the injustices rather than trying to remove it.

Lord Burns: We have seen a big debate over the question of a cap. Of course, we have also seen that if the cap is relatively low, people with a lot of assets are by and large able to retain a high proportion of them. Put the cap too high and a lot of people with quite modest assets will find that they will lose a large proportion of their assets.

Is there a better way of doing this? Do you have a view about whether there should be a cap, and where?

Matt Hancock MP: You are asking me to prejudge the Green Paper.

Lord Burns: What I am getting at is that a lot of people feel there is an injustice in the proportion of assets that different groups of people are left with at the end of this process.

Matt Hancock MP: Yes, absolutely. I understand that injustice.

Lord Burns: Is there a solution?

Matt Hancock MP: This comes back to my point to Lord Turnbull that a cap is not a magic bullet. A whole series of problems needs addressing, but on its own a cap does not resolve them. It was proposed by Andrew Dilnot as part of a solution including an insurance system that, it was hoped, would build up underneath it. I cannot go further than that until after the Green Paper, when I would be delighted to come back.

The Chairman: We would be delighted to have you.

Q103 **Baroness Bowles of Berkhamsted:** Looking at the amount you have to pay, most of the time you are responsible once you are over the threshold, so there is a risk of losing everything, instead of there being a certain amount and after that you keep it. Have you looked at it being proportionate: that you should never lose more than, say, 50% of the home or something of that nature?

Matt Hancock MP: I have seen a proposal like that. There is a challenge with the cap there that is often not discussed. Even measuring the cap is difficult, because the proposed cap is on lifetime care costs, which means that you have to measure the care costs for everybody from whatever the starting point is.

Lifetime care costs are extremely hard to measure. Even if you measured care costs after retirement age, notwithstanding the fact that retirement age is moving, to have a cap policy for people who are already in retirement you would have to know how much they had spent on care before the policy was introduced. That is a logistical challenge in the cap policy that the proposal you have just brought forward would make even more difficult.

Baroness Bowles of Berkhamsted: Would it? At the point at which you are starting to say, "Right, you have to pay", you know what the assets are, so you know what the percentage of them is. From that point, you can start totting it up and know whether you have gone over.

Matt Hancock MP: I can see that you are making the argument behind it. I merely critique that it makes a complicated problem a little more complicated.

The Chairman: On that note, we thank the Secretary of State and Mr Marron for a really useful session. We will do our best to help you find some kind of consensus way forward when we produce our report. We look forward to seeing your Green Paper, and it will be interesting to see whether our report comes out before yours.

Matt Hancock MP: Thank you very much indeed.