The State of the Social Care and Support Provision in England

Care Provider Alliance briefing

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Introduction

The adult social care sector in England is in an increasingly fragile position that will only worsen without substantial central investment and reform.

This briefing outlines the concerns and calls for action of the Care Provider Alliance and our members.

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Executive summary

Social care affects us all. Care and support services provide a vital role across the life course of many of our society's citizens, with physical, emotional and complex conditions.

In 2019, the Conservative Party made a clear manifesto promise to 'fix social care' making it fit for the future and sustainable. Despite the introduction of a reform programme for adult social care, ongoing funding and workforce pressures, coupled with a backdrop of demographic change and socioeconomic challenges, have left our sector in an increasingly fragile position that will only worsen without substantial central investment and reform.

The key issues facing the entire social care sector relate to workforce recruitment and retention challenges with one in ten posts vacant, inadequate funding the gap being in excess of £7bn, and the rising costs of living adding to the structural instability we face.

All these factors are interconnected; each drives its own level of fragility and all will directly contribute to the adult social care sector's market instability and potential financial collapse without intervention.

The key cost pressures are workforce pay and agency costs, energy, fuel and food inflation, and underfunded Local Authority budgets. Each of these pressures have become so severe that care and support providers across the country are facing insolvency. The overwhelming majority of providers are exposed to many, if not all of these pressures, resulting in nearly half considering, or having recently considered, exiting the social care sector.

We require a 1948 moment. Without substantial reform and investment to support that reform, achieving long-term sustainability is impossible in the current economic climate. Borrowing and overdrafts require business cases and repayment plans which are increasingly difficult to obtain without secure funding.

According to insurers, banks, lenders, and investors, the sector is deemed to have an increasingly higher risk rating when considering an unknown local government funding settlement. There is further uncertainty regarding the ongoing Energy Bill Relief Scheme, the National Living Wage (NLW) increase, and rising inflation, with no immediate end in sight. This is against a backdrop of historic, chronic underfunding by the public sector, which is social care's primary customer, and the proposed reform drawing a halt to cross-subsidisation by those who fund their own care.

Details on each area

Rising cost of living

Consumer Price Inflation (CPI) was reported at 10.1% in October 2022. Inflation for the care home sector, however, is considered significantly higher due to increased reliance on energy and high food categories, meaning the basket of goods differs substantially from the standard CPI basket. Furthermore, the proposed NLW uplift, taking effect from April 2023, is expected to be around 8.6%, going from £9.50 to £10.32; an uplift which will not necessarily be reflected in April 2023 Local Authority fee uplifts.

In the homecare sector, where the vast majority of business costs are related to staffing, successive fee rate uplifts from Local Authorities have failed to take account of rises in the National Living Wage or the impact of rising fuel costs. This has led to some public sector organisations commissioning at fee rates below direct care workers cost at a time when the sector is striving to find ways to pay above the NLW to retain and recruit our essential workforce.

Lack of funding to local authorities

Lack of funding to local authorities to adequately raise fee rates for social are: Whilst £600m has been provisioned for the Fair Cost of Care Reform from April 2023, this only equates to around a 5% uplift in fees. The local government funding settlement is currently unknown but unlikely to be set as high as inflation, given Local Authorities have already been asked to find efficiencies. There is £500m provisioned as part of the Our Plan for Patients guidance which will be split between Local Authorities and the NHS to help with hospital discharges this winter and to support staff retention, although how this will be funded and disseminated remains unclear.

Impact of financial pressures and uncertainty

Such levels of financial uncertainty, coupled with the workforce leaving faster than they can be recruited, are devastating to the care and support sector. In many cases, care home providers will be forced to decommission unused rooms, scale down the use of costly temporary agency staff, focus on providing care to existing residents only and refuse to take on underfunded care packages from the Local Authority and the NHS this winter.

Skills for Care in its State of Care 2021 showed that homecare had the highest vacancy rate at 13.1% last year of all types of social care provision, we expect this trend to continue in the last part of this year as cost pressures lead homecare workers to seek alternative employment in retail, hospitality and other care settings. This is having a significant impact on the availability of homecare, with many

providers unable to take on new clients and some even having to return packages to local authorities.

Unmet need

Unmet need is unacceptably high and rising. An estimated total of 540,000 people are awaiting care, financial assessment, or a review under the terms of the Care Act 2014. If people have unmet (or unknown) needs, a further rollback in service will have a significant impact on their lives and their families. There are risks if reviews aren't undertaken. It is important to recognise that if people are waiting for assessments and care for periods of time, a proportion will inevitably deteriorate and need costly hospital care which earlier attention may have avoided.

The Cordis Bright Report commissioned by members of the Care Quality Commission (CQC) Market Oversight Scheme, has revealed that independent care and support providers are reaching a financial tipping point which risks denying people with learning disabilities and autism their right to decent, fulfilling, and stable care.

Three quarters of those surveyed expect to make losses or at best break-even this year. For the last five years, financial settlements haven't kept pace with increases in costs, putting considerable pressure on the finances of these organisations.

Government investment needed now

Immediate government investment is needed now. The Local Government Association in its Adult Social Care Position Statement said that after a decade of underfunding, during which adult social care had to manage a funding gap of £6.5bn, the sector is facing soaring inflationary pressures that threaten its ability to function even at the most rudimentary levels.

They called for an immediate £6bn to tackle current pressures and limit short-term impact, and a further £7bn investment to enable adult social care to deliver its range of statutory duties under the Care Act 2014.

The Levelling Up, Housing and Communities Committee report Long-Term funding of adult social care and the Health and Social Care Committee report Workforce: recruitment, training and retention in health and social care both stated that an *immediate £7bn was required* to cover demographic changes and to uplift staff pay. They stated that the real cost of adequately funding social care, recognising the sacrifices made by the social care workforce and enabling providers to look after people with the dignity and respect they deserve, will be substantially higher, running into tens of billions of pounds.

Market instability

Provider failure will impact significantly on both the NHS and Local Authorities who will be unable to commission care and support packages from providers.

The wider implications of our market instability directly impacts the NHS. Many services are so short of staff that they can no longer accept residents from the NHS, **in August 2022 the average blocked hospital beds in England was 13,000 per day.** If providers are unable to staff care services safely, they will struggle to both accept new and returning residents. In homecare the demand for the services is simply not being met and providers are unable to recruit and retain the staff they need.

Providers everywhere across our country are being forced to stop supporting people, handing back responsibility to Local Authorities due to consistent losses on the day-to-day operation of services.

The pressure this has passed on to the NHS is clear, as previously highlighted a quarter of hospital discharges are delayed as a result of waiting for homecare. This hampers the ability of hospitals to admit new patients, contributing to increased ambulance response times, resulting in an average wait time of almost 50 minutes for heart attack victims, vehicles stuck queuing outside A&E departments, and NHS waiting lists of over 7 million.

This is directly impacting on the quality of life of people whose support has become unaffordable. This also in contravention of the Care Act 2014 which clearly states that a person will be entitled to have their needs met when; the adult has ‘eligible’ needs.

Annex

The following sections offer a more detailed overview of the issues described above.

Funding

Adult social care has been afflicted by a multi-billion-pound funding gap over the last 10 years, exacerbated by the COVID-19 pandemic and wider socioeconomic factors.

The sector requires continued and increased central investment in frontline social care services by the Government to avoid mass exodus and provider failure, in addition to the inward investment the sector generates. This will ensure a sustainable system that guarantees taxpayers value for money and empowers those in need of care, and their families, with the ability to make meaningful choices about their care in line with the Care Act 2014.

The CQC's State of Care Report 2021/22 highlights the challenges services now face are due to historical underinvestment. The report recommends that the focus must now be on long-term planning and sustainable investment. Ensuring the future sustainability of the social care sector through appropriate investment is of fundamental importance for the sector itself, but also England's society and economy in broader terms.

Action is required to prevent widespread market collapse and to help commence the journey towards a sustainable future for the sector, given that 45% of providers in the Southeast are considering exiting the market according to the SESCA survey. This shocking statistic has been further validated nationally, with a Care England survey suggesting that the percentage had increased to over 50%.

There are significant implications for service users, with 540,000 people waiting for either an adult social care assessment, a care or a direct payment to begin, or for a review of their care. Councils are receiving an average 5,400 new requests for help every day.

The Government's initial plans to increase funding for social care were based on the introduction of the national Insurance Levey. This has now been scrapped so the key question remains as to where the additional investment promised for social are care will come from?

Care homes

The inability of many local authorities to pay the true cost of care has resulted in a cross subsidisation of the state by individuals who self-fund their care. Care staff pay is directly impacted by fees paid for care by Local Authorities and those who self-fund and, as such, providers who rely more heavily on Local Authority funded residents are more restricted in their ability to increase rates of pay without being

financially constrained, which has a direct correlation to the recruitment and retention issues experienced by the sector.

This issue will likely be exacerbated by the changes to Section 18(3) of the Care Act 2014. The legislation, an enforceable duty on Local Authorities, will allow self-funders to ask their Local Authority to arrange care on their behalf at lower Local Authority rates, thus eradicating self-funder cross-subsidisation. The reforms were introduced to seek to redress this imbalance by introducing the 'Fair Cost of Care.' This exercise aims to increase care fees paid by Local Authorities to ensure care sector sustainability, notwithstanding that the individual may fully or partially fund the care, subject to the more generous means test.

The Care Act 2014 includes various target duties around promoting an efficient and effective market for services, and the standard set out in the Statutory Guidance, Annex A paragraph (11) states:

> "*In all cases, the Local Authority must have regard to the actual cost of good quality care in deciding the personal budget to ensure that the amount is one that reflects local market conditions.*"

However, there is no clarity about what this means. Case law has indicated that it is legitimate for Local Authorities to consider the cross-subsidy available from private payers, thus entrenching the cross-subsidy that exists and which the Government now hopes to see removed, to the advantage of those who currently fund their own care in full or in part which the extension of Section 18(3) to residential care plans to bring about.

A report commissioned **by the County Council's Network and Laing Buisson identified that funding provisioned to implement the Fair Cost of Care for care home placements from October 2023 was at least £854 million short of what is required.** Subsequent delay to the implementation of Section 18(3) of the Care Act 2014 for existing residents has marginally reduced this liability, although the actual funding deficit remains unquantified until the reforms are tested.

Section 18(3) will place pressure on Local Authorities to be transparent about what accommodation might be available at the Local Authority rate. The impact of the introduction of first-party top-ups is intended to put more power in the hands of individuals to exercise choice of their preferred or more expensive accommodation.

There is the potential for circumstances to arise with NHS Continuing Healthcare (CHC) funding allowing providers to charge for additional services through a separate contract for goods and services which are beyond the basic assessed needs of the individual for which CHC pays. The creation of a system in which a 'basic' care package is available at a set price with additional or enhanced services being available at an additional cost seems a likely outcome from these changes for both the NHS and Local Authority Commissioned care.

An important change is the enhanced role the Care Quality Commission (CQC) will have to review the performance of Local Authorities and suggest interventions where a Local Authority is failing to abide by its obligations. This will give providers a lever to counter some of the worst commissioning practices, which directly impact on provider sustainability and their inability to invest back into their businesses to ensure future sustainability.

The ONS estimates that in 2019/20 there were 36.7% self-funded care home residents, compared with 63.3% state-funded care home residents.

The Department for Business, Energy and Industrial Strategy collected profit and loss accounts in October 2022 to evidence the profit or loss of providers in September 2022 and a prediction for March 2023. **The data, covering 611 care homes, showed that two-thirds of homes whose self-funder occupancy was 50% or less were loss-making in both September 2022 and more so by March 2023** - the lower the number of self-funders, the higher the losses. The group of care homes with over 80% self-funders saw their profits halve between September 2022 and March 2023. The evidence from a small sample size is that over two-thirds of the sector is likely to be unprofitable currently.

Homecare

70% of homecare is purchased by the public sector with an overriding approach by councils in the last decade to hold down the price paid for care, fuelled by declining overall council funding.

Many homecare providers have not seen sufficient fee uplifts over many years to cover the increases in the National Living Wage.

Between 2015/16 and 2020/2021 the average hourly rate for home care has increased by 10.1 per cent, compared to the National Living Wage increasing by 30%.

Alongside the fee rate, commissioning practice by local authorities have had an impact on the financial viability of the homecare market. Zero-hour commissioning means providers are only paid for homecare delivered. If someone they care for, for example, is taken into hospital on the day of the visit they would not be paid for that visit despite having a care worker who had the visit in their rota for the day. Providers are still being commissioned to deliver 15-minute calls, and even lower, something that is often not viable when you add in travel time between visits.

In homecare, section 18(3) has been in force since 2015, but up to now, it has not been widely used and has mostly been applied to people discharged from hospital on NHS funding and requiring ongoing support. We are expecting to see an increase in this kind of arrangement when the Care Cost Cap arrangements are implemented,

as self-funders seek to access care at lower local authority fee rates. While providers will be able to charge ‘top up fees’, it will still be extremely important that the base fee rates paid by local authorities are sufficient to cover reasonable delivery costs, otherwise this could cause further instability to the homecare market.

Fair Cost of Care

The Fair Cost of Care (FCoC) data collection process has been concluded between Local Authorities and care providers. The data collection and analysis by Local Authorities will help Local Authorities identify the lower, median and upper quartile cost of care in the local area for a series of care categories. Subsequently, a draft ‘Market Sustainability Plan’ has been submitted by each Local Authority to the Department of Health and Social Care using the FCoC exercise, and other data available to the Local Authority, to assess the impact current fee rates are having on the market, and the potential future risks. **All plans will outline mitigating actions, including the pace at which the Local Authority intends to move towards the Fair Cost of Care between 2022 to 2025.**

There have been calls by the County Council Network and Local Government Association to delay elements of the proposed reforms. A delay to the cap and means test would run counter to the Conservative Party’s manifesto promise to ‘fix social care’ in this current term.

If Section 18(3) of the reforms is delayed for new residents of care homes from October 2023, it will not be possible to gauge the impact on the sector which increases the uncertainty of both funding and an inability for providers to plan for the future. **Any announcement to delay the £1.362bn funding provisioned for the Fair Cost of Care will force providers to halt further investment in both the care home and homecare workforce, cease recruiting from overseas and use of temporary agency staffing, and scale back to operate within current workforce availability, increasing the NHS discharge backlog further.**

As we are already in Winter, given the current provider sustainability challenges, it is imperative that providers review their operating plans. If the FCoC funding is delayed, and inflation is not appropriately addressed by way of Treasury providing the Local Government settlement for 2023/24, care providers the resulting closure of services will directly impact on the NHS’s ability to safely discharge people.

Workforce

Vacancies

The adult social care sector is facing what the Health and Social Care Committee described as ‘the greatest workforce crisis in its history.’ Based on Skills for Care data, vacancies in the sector have increased by 52% (55,000) to 165,000 over the

last twelve months, higher than the NHS and at a time when the Government is reporting a 38-year unemployment low.

This has necessitated a costly and increasingly unsustainable reliance on temporary agency staff directly affecting the quality and continuity of care. In homecare, especially in the state funded part of the market, the use of agency staff is not financially viable due to low fee rates as a result the staffing crisis is leading to care packages being refused by providers and some care packages being returned, at a significant cost to the people who rely on services.

The Care Act 2014 guidance states that Local Authorities should assure themselves and have evidence that fee levels are appropriate to provide the agreed quality of care and enable providers to effectively support care users, **as well as investing in staff development, innovation and improvement.** This is not the reality seen on the frontline which has catalysed an unstable labour market, largely a result of consistently low fee rates paid by Local Authorities. This reality is only going to become more challenging with local government spending on adult social care being squeezed.

Rates of pay

The NLW rate as of April 2022 is £9.50, a 6.6% increase from April 2021 to March 2022 rate. Whilst the 6.6% increase was welcome for those who benefit, it does not go far enough to sufficiently increase the rate of pay for the workforce in adult social care, particularly in the current context of the cost-of-living crisis.

In addition, wage growth and inflation within the adult social care sector has continued to be lower than that of the NHS workforce.

Care workers in the independent sector earn on average around £7,000 less than similar roles in the NHS, for example, NHS Clinical Support staff were paid £21,370 compared to £17,900 for Social Care workers, as per the Unfair to Care Report published in July 2021.

The Competition and Marketing Authority's industry-wide analysis of nursing and residential care found that staff costs account for over half of residential and nursing home costs. In addition to this, a further 14% of costs are spent on pension, National Insurance, and other wage-dependent costs, meaning that around 70% of business expenditure is being spent on staff-related costs.

Many Local Authorities apply the NLW uplift percentage to pay related costs (generally around 70%) dismissing that the impact of pay inflation applies to around 130% of pay costs covering holiday, sickness, travel time, and absenteeism etc.

In homecare the headline pay rate often does not reflect the level of pay care workers receive. There is complexity in the payments for homecare workers in particular, payments for travel time that lead to lower levels of pay. Time and task

commissioning practice by public sector organisations have led directly to these poor terms and conditions for homecare workers. As a result, the homecare workforce is often attracted to work in settings such as residential homes or the NHS due to greater security in contracted hours, less anti-social hours, and the pull of working indoors. Meanwhile, other low-pay sectors, such as supermarket chains, offer comparatively higher wages and greater income predictability.

The Migration Advisory Committees recommended the introduction of a fully funded minimum rate of pay for care workers in England that is above the NLW.

As a minimum starting point, the Migration Advisory Committee has recommended that a level of £10.50 per hour be implemented immediately, with continuous reviews of this rate undertaken to ensure it increases in line with pressures such as the cost-of-living crisis.

The impact of low levels of pay are already visible in the community where half a million people are waiting for care or an assessment, and on the NHS where a quarter of delayed discharges from hospital are due to lack of homecare staff, 22% due to lack of short-term rehabilitation and 15% care or nursing home shortage of beds.

If the Low Pay Commission is to increase the NLW to £10.95 by 2024, thought must be given to how this increase will affect those businesses operating within the care sector. If increasing these costs cannot be borne by providers, then they will likely fall on those who self-fund their care or Local Authorities who commission care on their behalf which is counter to the reforms being introduced.

The people plan

DHSC and wider Government departments' plans to aid providers' ability to recruit and retain staff, have been implemented since the Covid pandemic began, yet the current measures are wholly insufficient and lack a joined-up, strategic approach.

The Government's funding of £500m to develop the adult social care workforce is aimed at supporting Local Authorities to begin to tackle poor workforce practices, incentivise innovation, and encourage long-term planning to drive up the quality of care for people who draw on it. The fund is also there to improve recruitment, retention, progression, and staff wellbeing**. In reality, the £500m being generated via the former Health and Social Care Levy for the workforce over the next 3 years only equates to 5.7p per hour for each sector employee;** this does not begin to compensate against the vast workforce pressures or the want for substantial reform. And, given the cancelling of the levy, it is unclear how this proposed investment will be delivered anyway.

A new reality needs to be imposed to create a culture in which the care and support workforce is valued and has a high level of motivation and commitment. This could transform the social care landscape, provided it recognises that there are

fundamental issues relating to pay (particularly in comparison with other forms of employment). Gains from such a transformation are large enough that they would justify all providers taking them seriously.

Cost of living, energy, and inflation

Undoubtedly one of the most pressing issues facing the country currently is the ongoing energy crisis, which is having a profound effect on businesses and individuals in our communities. There are few environments where the impact has been as severe and devastating as in adult social care, where the underlying financial fragility of the sector and energy-intensive nature of services has meant providers are pushed further into what was already an incredibly precarious situation.

The announcement of the Energy Bill Relief Scheme, while offering much-needed short-term stability to care providers, does not represent the long-term strategy needed to support the sector through a sustained energy crisis.

In August 2022, before its announcement, care home providers were facing gas and electricity costs of £5,166 per bed per annum. This represented a 600% increase on 12 months prior at a total cost of circa £2.2bn per annum across the sector, threatening providers' financial viability and further jeopardising the sustainability of the sector.

The Government support package reduces that total impact to just under £1bn per annum, which, while welcome, still represents a three-to-four-fold increase on August 2021 prices and even higher for providers exiting long-term deals over 2-3 years prior.

There are a range of nuances that have been seemingly overlooked in the Governments' Energy Bill Relief Scheme for businesses, such as the failure to account for shipping and transportation charges or risk premiums, which are additional to the cap and have increased by between 50-100% over recent months.

The sector also remains subject to 5% VAT, which, given the increase in wholesale rates, has yielded HMRC more than a fourfold increase in collections. Additionally, care home providers are being asked to provide security deposits of up to 3 months in advance by energy suppliers and are faced with contracting for energy without knowing what Government support will be due to the energy discount being published in arrears.

To withdraw the current measures of support on 31 March 2023, would be an immense oversight by the Government and must be ruled out as a matter of urgency. Furthermore, the UK energy one-price system is deeply flawed, with the wholesale price determined by the most expensive source of energy generation - coal. It was recently revealed that National Grid exported energy to France during 80-100% of the time that coal was burnt between June and September 2022. This

resulted in an unnecessary increase of between 30-62% in wholesale prices during the same period. Not only is coal expensive, but heavily polluting, with National Grid's actions doubling their profits and increasing Government revenue at the expense of the UK consumer.

Local Authorities generally apply Consumer Price Inflation (CPI) inflation to the non-pay portion (around 30%) of the cost of care. In October 2022, CPI inflation was reported as 10.1% for the CPI basket of goods. Care homes use energy differently than consumers. IPC guidance required care homes to increase ventilation by opening windows and doors, consuming additional heating to counter the loss of heat as a result.

Food inflation varies significantly due to the consumption of bread, meat, dairy, oils and fats which have increased proportionally more than CPI considers. For a Local Authority to apply CPI inflation to the non-pay cost of care would see providers faced with absorbing costs at a significant shortfall. In turn, the provider would seek to recover costs from those who self-fund their own care which is against what the reforms intend to end, or they would be forced to write down as a loss.

High fuel costs are having a significant impact on the homecare sector. In the UK, an estimated 1.5 billion miles are driven in a year for homecare visit. The effect of the increase in fuel prices on the sector is made even more acute by the fact that 87% of care workers use either their own vehicles or company vehicles (whether powered by petrol or diesel), with more than four-fifths (82%) alone driving their own vehicles.

High fuel costs are also having a significant impact on the retention of staff, with half of providers saying that homecare workers are already left their roles citing the high fuel bills. It is also impacting on the overall viability of the sector, 72% of predominantly state funded providers said they were very concerned about their financial viability as a result of rising fuel costs.

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