Housing, Communities and Local Government Committee
House of Commons
London
SW1A 0AA

6 March 2018

Dear Sirs,

Long term funding of adult social care inquiry

Thank you for the opportunity to respond to the long-term funding of adult social care inquiry, which I have the pleasure to do on behalf of the United Kingdom Homecare Association (UKHCA).

Please do contact me if you require any additional information.

Yours sincerely,

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UKHCA response to the long-term funding of adult social care inquiry

About UKHCA

United Kingdom Homecare Association (UKHCA) is the professional association of homecare providers from the independent, voluntary, not-for-profit and statutory sectors. UKHCA helps organisations which provide homecare services (also known as domiciliary care), including nursing services, promoting high standards of care. The Association represents the homecare sector with national and regional policy-makers, regulators and the public. UKHCA has over two thousand homecare providers across the United Kingdom.

Introduction:

As a result of increasing discussion around the long-term viability of social care services, the Government has decided to commission a Green Paper into the future of adult social care services.

It has been widely acknowledged that the impact of an ageing population will continue to put pressure on care services that are already stretched to breaking point. Secretary of State for Health and Social Care, Jeremy Hunt, has commented that it is vital that we plan in the long-term as our population ages and continues to grow.[1]

Despite measures taken by the Government over the last few years, including the introduction of the Social Care Precept and the Better Care Fund, adult social care services are still significantly underfunded and local authorities are struggling to pay a fair price for care, as will be evidenced later on in this response.

[1] https://www.gov.uk/government/news/government-to-set-out-proposals-to-reform-care-and-support

As local authorities have been asked by the Government to make repeated cuts to their budgets, adult social care provision is has become a larger proportion of local authority spending. The Local Government Association (LGA) calculates that the funding gap for local authorities in England by 2020 will be £5.8bn. They also calculate that £1bn of this funding shortfall will be attributable to the costs of adult social care.

This response to the inquiry will highlight the current state of adult social care services before giving some recommendations for the future.

Recent changes to social care funding policy

There have been two changes in policy that have been intended to increase the funding of adult social care services in the last few years: the introduction of the social care precept in 2015, and the introduction of the Better Care Fund.

However, early evidence from 2016 indicated that the social care precept would not be sufficient to alleviate the issues faced by local authorities and their providers. The Association of Directors of Adult Social Services' (ADASS) 2016 Budget Survey revealed in its first year (2016-17), the precept only raised £380m - far short of the extra costs incurred by councils and social care providers following the introduction of the National Living Wage (NLW), which their survey estimated to be £520m.[2]

More recent evidence indicates that the situation has not improved. Although local authorities have been given more flexibility in how the precept is levied until the end of 2019, ADASS have calculated that the income generated still falls short of the various rising cost pressures being faced by providers. The

[2] https://www.adass.org.uk/adass-budget-survey-2016-full-report

2017 ADASS budget survey concluded that there was still a key gap between funding and costs, even after the one-off £241m Adult Social Care Grant for 2018.[3]

Similarly, despite changes being made to the Better Care Fund (now called the Improved Better Care Fund), the ADASS report also concluded that the fund has not provided the additional resources that social care needs.[4]

Commissioning practices in adult social care

The vast majority of domiciliary care services in the England (estimated to be around 70%) are commissioned by councils but are provided by the independent and voluntary care sector.

Therefore, the commissioning practices of local authorities (and to a lesser extent other commissioning bodies such as Clinical Commissioning Groups) have an enormous effect upon the financial viability of care providers.

Some local authorities exercise - and sometimes exploit - their dominant purchasing power in an attempt to pay for care from their constrained budgets. UKHCA's 'The Homecare Deficit 2016' showed that councils in England paid, on average, just £14.66 for an hour of home care.[5]

In response to the low fees often paid for care by local authorities, UKHCA have calculated a 'Minimum Price for Homecare,' which we believe to be the *lowest*

[3] https://www.adass.org.uk/media/5994/adass-budget-survey-report-2017.pdf
[4] https://www.adass.org.uk/media/5994/adass-budget-survey-report-2017.pdf
[5] http://www.ukhca.co.uk/downloads.aspx?ID=525

price that can be paid for an hour of domiciliary care that allows for all of the provider's costs to be met.[6]

Specifically, these are:

- Wages, including careworkers travel time;
- On-costs, including careworkers' mileage, holiday pay, employer's National Insurance and pension contributions;
- Operating costs, including management and supervisory staff; and
- A small profit or surplus.

As of April 2018, UKHCA's minimum price will be £18.01per hour. This figure takes into account increases to the National Minimum Wage and National Living Wage and the additional contributions to workplace pensions, which come into force from April 2018.

The Care Act 2014 places a responsibility on councils to ensure that fees paid for care are fair and will promote quality of care. The Statutory Guidance to the Care Act states that:

> "When commissioning services, local authorities should assure themselves and have evidence that contract terms, conditions and fee levels for care and support services are appropriate to provide the delivery of the agreed care packages with agreed quality of care."[7]

[6] http://www.ukhca.co.uk/downloads.aspx?ID=434#bk1
[7] https://www.gov.uk/government/publications/care-act-statutory-guidance/care-and-support-statutory-guidance#chapter-4

The Guidance also lists UKHCA's Minimum Price for Homecare as an example of a resource to help councils to remain compliant with their responsibilities.

For the last two financial years, NHS Digital has published summaries of the rates paid for domiciliary care by local authorities. The average price paid for an hour of care for the financial years 2015/16 and 2016/17 were £14.46 and £15.52 respectively.[8]

Providers are likely to feel forced to take on unsustainable packages which leave little to no profit or surplus for re-investment and often do not cover basic costs such as careworker's travel time.

The dominant purchasing power of councils in most parts of the country means that providers otherwise face the prospect of withdrawing from the state-funded sector, or exiting the market entirely.

Low rates paid for care severely compromises the financial viability of some providers and is leading to providers handing back care packages and even, in some cases, leaving the care market altogether (see below section on market instability).

Very few councils appear to know how to calculate fees that reflect the true costs of care. In the 'The Homecare Deficit 2016,' only 13% of councils who responded to our freedom of information request could provide us with their calculation of the costs of homecare.[9] Where we have seen calculations of fee rates produced by individual authorities, we have been generally left with the opinion that in order to accommodate the wage costs of the workforce, councils

[8] https://digital.nhs.uk/catalogue/PUB30121
[9] http://www.ukhca.co.uk/downloads.aspx?ID=525

underestimate (a) careworkers' travel costs and/or (b) the operating costs of running regulated homecare services.

We are also deeply disappointed that where we have seen councils' costing of homecare services, the general assumption is that careworkers are paid at the minimum statutory pay level available. We are left with the impression that many councils are content to commission services, where low wages are used as a response to financial pressures.

Without understanding the true costs of providing care, commissioners often only pay for the careworker's "contact time" (i.e. the time a careworker actually spends in the service user's home) rather than purchasing to reflect the true costs of care, including travel time and other costs.

Pricing on this basis carries a strong risk of providers with breaching a National Minimum Wage Regulations (which is unlawful), our operating at a continuing loss, which is unsustainable.

It is the practice of some local authorities to use a process of 'reverse auctioning of care' (often through 'electronic procurement systems') whereby providers compete in real time to provide the lowest 'bid' for a care package. This encourages a race to the bottom in terms of pricing, which could also have a material impact on the quality of care.

Excessively low rates paid to providers can also encourage the use of 'call clipping' where homecare visits are cut short so that careworkers can fit more calls into the available time. Although no provider sets out to give poor quality care, cost pressures can sometimes force this kind of practice. We believe that this is understood by the majority of local authority commissioners, but they appear to be willing to be complicit in the practice through the prices they pay.

Any long-term funding plan will need to make sure that local authorities, and other commissioning bodies, are adequately resourced to discharge their care responsibilities and to pay a fair price for care that truly reflects the costs of care.

Market instability and provider failure

Any long-term plan for the funding of adult social care services must take steps to address market instability in the care sector and help to avoid instances of provider failure.

Annual reports by the CQC into the state of adult social care have repeatedly assessed that the care sector is at a crossroads in terms of financial viability. In the 2016 and 2017 CQC reports, the care sector has been described as being at a 'tipping point' and at 'full stretch' respectively.[10]

In UKHCA's 2015 "Market Stability Survey", we found that in 2014/15 there had been a growing concern about the stability of the domiciliary care market in the UK.[11] Some of the key findings from the overview include:

- **93%** of providers trading with councils had faced a real-terms decrease in the price paid for their service over the last 12 months, 20% reported a decrease in the actual fees paid;
- **50%** of providers who were aware of tender opportunities from their local authority had declined to bid on the basis of price;
- There is strong evidence of pending market instability over the next year: **74%** of providers trading with councils said that they would reduce the amount of publicly funded care they delivered, estimated to affect **50%** of all the service users they support.

[10] http://www.cqc.org.uk/sites/default/files/20171123_stateofcare1617_report.pdf
[11] http://www.ukhca.co.uk/downloads.aspx?ID=486

- **11%** of providers though they would have 'definitely' or 'probably' ceased trading within the next 12 months, while **38%** of providers were completely confident that they would still be trading at the same time next year.

Of the 308 respondents in our survey who confirmed they traded with local councils, 219 (71%) said they had refused to accept certain new care packages from an authority because the price paid was too low for the services required. Indeed, at the time of publication, only 38% of providers were entirely confident that they would still be trading in a year's time.

Our conclusions were again confirmed in the 2017 ADASS Budget Survey which showed evidence of actual provider failure.[12] ADASS calculated that 69% of local authorities had suffered some form of provider failure.

The number of councils where at least one provider had ceased trading in the previous six months was 48, affecting 5,670 people. It also found that 43 councils had their contracts handed back by providers, affecting 3,135 people.

These figures point to a care market that is suffering from a great deal of uncertainty and a lack of long-term financial viability.

Recruitment and retention issues within the sector

The recruitment and retention of staff in the care sector, particularly front-line careworkers, remains a high-priority for care providers.

Data from Skills for Care, collected through the National Minimum Data Set for Social Care, consistently point to severe problems in both recruitment and retention.

[12] https://www.adass.org.uk/media/5994/adass-budget-survey-report-2017.pdf

Skills for Care report that there is a vacancy rate for careworkers of 10.6% in England alone.[13]

Similarly, the turnover rate for careworkers in England is high, coming in at 44.3%.[14] These figures suggest that, not only is it difficult to recruit enough careworkers, but that it is also very difficult to retain staff for long periods of time. This has a significant impact upon the continuity of care received by service users.

Data collected by UKHCA via an unpublished member survey corroborate these findings. Over 90% of respondents reported that they found it difficult, or very difficult, to recruit sufficient careworkers. Similarly, over 60% of respondents reported that they found it difficult, or very difficult, to retain careworkers once recruited.

As part of the survey, UKHCA members were asked to list the main barriers recruiting care workers. Pay levels, skills of applicants and lack of applicants were the three most commonly cited barriers to recruitment. Another common barrier was the perception amongst the public that care work was seen to be a low-skilled job with little career progression or professionalism involved.

A commonly cited barrier of note was the competition faced by the care sector from other low to minimum wage sectors such as retail. UKHCA members reported difficulty in tempting potential applicants away from other perceived low-skill jobs which were seen to have more sociable hours, fewer responsibilities and less demanding work.

[13] https://www.nmds-sc-online.org.uk/reportengine/GuestDashboard.aspx?type=VacancyRate
[14] https://www.nmds-sc-online.org.uk/reportengine/GuestDashboard.aspx?type=TurnoverRate

Any long-term funding strategy for adult social care services must also take steps to address the issues in recruitment and retention. There are several steps that would need to be taken to begin to reverse the trends outlined above.

Providers need to receive adequate fees for the services they provide. This will allow care providers to be more competitive in the levels of pay that they are able to offer potential applicants to the care sector.

The Government must also take steps to professionalise care work; it must be seen to be a job which offers a distinct career path that offers opportunities for development and progression. This would also help to remove the reputation of care work as a low-skilled sector. One step that could be taken towards this end is to introduce professional registration for careworkers in England. This would bring England in line with all other administrations in the UK, which have either already introduced careworker registration or will be doing so in the next few years.

Part two: Recommendations

We firmly believe that any long-term plan for funding adult social care service must make provisions to address the issues addressed elsewhere in this document.

There are a number of steps that could be taken including:

- Meaningful integration between health and social care services.
- A frank discourse between Government and the public regarding people's expectations of social care services and what the role of the state should be in providing these services.

- Greater scrutiny of commissioning bodies to ensure that they are fulfilling their obligations under the Care Act. We believe that this could be fulfilled by the Care Quality Commission (CQC), which regulates care in England, as they are already involved in the sector. This should also include monitoring of purchasing practices to make sure that providers are paid in a sustainable way.
- The Government must ensure that commissioning bodies are adequately resourced to discharge their care responsibilities. The demand for social care is increasing, while local authorities are being asked to cut their budgets significantly.
- Steps must be taken to improve recruitment and retention in the sector. This must include addressing the low pay and image problem of being a care worker.
- Professionalising care through registration of the workforce.

Ends.