

United Kingdom Homecare Association

The professional association for homecare providers



Mr Mark Etherton, Clerk
Communities and Local Government Committee
House of Commons
London
SW1A 0AA

22 August 2016

Dear Mr Etherton,

Adult Social Care Inquiry

Thank you for the opportunity to respond to the Committee's adult social care inquiry into the funding of adult social care by local authorities in England, which I have the pleasure to do on behalf of the United Kingdom Homecare Association (UKHCA).

The enclosed paper responds to the issues that the Committee has raised. Please do contact me if you require any additional information.

Yours sincerely,

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Evidence submitted by UKHCA for the Community and Local Government Committee's Adult Social Care Inquiry

About UKHCA

1. UKHCA is the professional association of home care providers from the independent, voluntary, not-for-profit and statutory sectors. UKHCA helps organisations that provide social care (also known as domiciliary care or homecare), which may include nursing services, to people in their own homes, promoting high standards of care. The Association represents the homecare sector with national and regional policy-makers and regulators. The Association represents over two thousand members across the United Kingdom.
2. UKHCA estimates that in 2014/15 at least 465,000 adults in England received a domiciliary care service.¹ In the same period, we estimate that local authorities in England commissioned 141 million hours of homecare from the independent and voluntary sector.² There is no reliable information collected on the number of hours of care purchased by people who self-fund domiciliary care, however, in LaingBuisson's latest report, they estimate that there are 150–200,000 privately paying consumers of homecare at any one time.³ In August 2016, the Care Quality Commission (CQC) had 8,517 registered locations providing domiciliary care, from all sectors, providing personal care, to people in their own homes.⁴

Executive Summary

- Despite recent efforts by Government to address the funding of adult social care, the sector is still severely underfunded and is unlikely to meet the needs of an increasingly aged population with increasingly complex needs.
- Several factors, particularly the introduction of the National Living Wage (NLW) and additional responsibilities on local authorities following the introduction of the Care Act 2014, have placed considerable strain on local adult social care budgets.
- There is growing concern among independent and voluntary sector homecare providers about the stability of the domiciliary care market, evidenced by an increase in the number of councils experiencing providers exiting from contracts or individual packages of care.
- A reduction in the capacity or funding of homecare services will not be beneficial in the short or medium term.
- UKHCA believes a better understanding of the sector and how it fits in new models of care will be beneficial to Government and society, enabling the principles of the Care Act to be fully effective.

¹ Holmes, J., 2016. *An Overview of the Domiciliary Care Market in the United Kingdom*. [pdf] UKHCA. Available at: < <http://www.ukhca.co.uk/downloads.aspx?ID=109>>, p.25.

² Holmes, *An Overview*, p. 27.

³ Giatsi, E. and Laing, W., 2016. *Homecare, Supported Living and Allied Services*. London: LaingBuisson, p. 136.

⁴ CQC, 2016. *CQC Care Directory – with filters (1 August 2016)*. [Microsoft Excel spreadsheet] Care Quality Commission. Available at: <<http://www.cqc.org.uk/sites/default/files/HSCA%20Active%20Locations.xlsx>> [Accessed 22 August 2016].

The sufficiency of funding available for social care

3. In 2015, the King's Fund estimated that,

"Despite the additional funding announced in the Autumn Statement, estimates suggest that provider deficits could top £2 billion this year, indicating that the NHS as a whole is heading towards a deficit."⁵
4. We believe that this deficit is fast becoming a reality; a conclusion we have arrived at through our own research into the price paid for homecare as well as studies done by other cross-sector organisations, some of which we have included in our response.
5. Representing the views of our member organisation, we believe there is a severe lack of funding in the social care sector with a general view that state-funded care is in the midst of a vicious spiral of decline.
6. Sector leaders see a system that is undervalued by society and suffers from low pay, under-resourced training and low public perception.
7. UKHCA welcomes the Committee's inquiry into this serious issue.

Two per cent council tax precept

8. The Social Care Precept, introduced in the 2015 Autumn Statement, has been one attempt to increase funding in the sector. It is encouraging to see that Government recognised the sector's funding needs and introduced a ring-fenced tax.
9. However, early evidence indicates the scheme will 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 will only raise £380m - far shy of the extra council costs and provider fees incurred by the introduction of the NLW, which the Survey estimates to be £520m.⁶
10. UKHCA supports the principle of the NLW, but its introduction has put greater financial pressure on homecare providers who already receive low (and in some cases extremely low) fees from the majority of local councils.
11. In September 2015, when UKHCA's rate was £15.74 per hour, we found that the average price paid by councils in England was just £13.77.⁷ Since the introduction of the NLW, UKHCA's minimum price was recalculated and is currently **£16.70** per hour.
12. ADASS concluded that the squeeze on provider fees had already reached the point where tightening would no longer be an option if local care markets were to remain stable. The NLW (which also impacts on the cost of careworkers' travel time) and the impact of the historic underfunding of homecare create additional costs.⁸ These financial pressures have consequences if not appropriately funded. Provider failure

⁵ The King's Fund, 2015. *The budget: health and social care funding*. [pdf] London: The King's Fund. Available at: <http://www.kingsfund.org.uk/sites/files/kf/field/field_publication_file/Budget%20briefing%20July%202015%20final_0.pdf>, p. 1.

⁶ ADASS, 2016. *ADASS Budget Survey 2016*. [pdf] London: Association of Directors of Adult Social Services. Available at: <<https://www.adass.org.uk/adass-budget-survey-2016-full-report>>, p. 17.

⁷ UKHCA, 2015. *The Homecare Deficit*. [pdf] UKHCA. Available at <<http://www.ukhca.co.uk/downloads.aspx?ID=458>>, p. 7.

⁸ ADASS, *Budget Survey*, p. 7.

and contract withdrawal are becoming a worrying reality in the homecare sector. The Budget Survey revealed that in the last six months, 3,925 vulnerable individuals were predicted to have been affected by provider failure (in 48 of 151 councils) and 3,715 others by contract withdrawal (in 59 of the 151).⁹ Such figures reveal the human cost of low prices paid per hour and unstable local markets.

13. Provider withdrawal from local markets is not usually widely reported. However in July 2016, Mears Group publically withdrew from contracts with Liverpool, Wirral and Sefton councils.¹⁰
14. The Social Care Precept has injected some additional funding into the sector but falls short by £140m this year and is unlikely to be a sustainable form of funding, given that councils are expected to be less willing to increase local taxes in successive years.

Better Care Fund

15. The Better Care Fund (BCF) has been another funding stream promising local monetary plans agreed on between Clinical Commissioning Groups, local authorities and health and social care providers. UKHCA welcomes the desire to interact closely with providers and to maintain sustainable provision of social care to ensure market stability, however in our experience we can see little money from the BCF reaching frontline services. Regrettably, we believe that Government has misrepresented the impact of the BCF as additional funds for the social care sector. It has effectively been a redistribution of existing funding, and in any event, its impact is back-loaded to the end of the current Spending Review period.
16. UKHCA recognises that as oversight body for the BCF, NHS England has the power to ensure the policy framework is adhered to. One of the eight conditions set out by NHS England is the "Agreement on the consequential impact of the changes on the providers that are predicted to be substantially affected by the plans."¹¹ Again, we believe a close relationship between local areas and providers are key for the betterment and sustainability of social care.
17. Spending through the BCF in this financial year has not impressive: "Almost £1.1bn of [the amount spent on the protection of adult social care] was directly spent on avoiding cuts or demographic pressure".¹² ADASS believe this figure should not be counted as "extra money" as it was not passed on to providers or their service users.

National Living Wage

18. UKHCA has welcomed NLW as a mechanism to increase wages for low paid workers. However, it has also put greater strain on the homecare sector which has not been matched by sufficient funds through fees generated from councils.
19. We have found very little evidence that councils have attempted to understand the actual costs of providers in their local area. Where we have seen calculations of fee rates produced by individual authorities, we have been generally left with the

⁹ ADASS, *Budget Survey*, p. 18.

¹⁰ Carter, R., 2016. Home care provider pulls out of council contracts over fee row. *Community Care*, [online] Jul 8. Available at: <<http://www.communitycare.co.uk/2016/07/08/home-care-provider-pulls-council-contracts-fee-row/>> [Accessed 19 August 2016].

¹¹ Department of Health, 2016. *2016/17 Better Care Fund: Policy Framework*. [pdf] London: Department of Health. Available at:

<https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/490559/BCF_Policy_Framework_2016-17.pdf>

¹² ADASS, *Budget Survey*, p. 19.

opinion that in order to accommodate the wage costs of the workforce, councils underestimate (a) careworkers' travel costs and (b) the operating costs of running regulated homecare services.

20. We are 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 the many councils are content to commission services, where low wages are used as a response to financial pressures.
21. Homecare services commissioned by councils are almost universally purchased by reference to the amount of time that care is delivered in someone's home (we refer to this as "contact time"). In 2012, we found this to be the case for 98% of providers we surveyed.¹³ However, employers must pay at least the National Minimum Wage (including the National Living Wage for workers aged 25 years and above) for all working time, including careworkers' travel between homecare visits. The additional costs the NLW have a higher impact on fees than is appreciated by many councils, particularly as we estimate that 86.3% of the workforce are aged 25 years and above, and entitled to NLW.¹⁴
22. We are currently examining data from Freedom of Information requests to every council in England on the rates paid for homecare services. Our findings will be published in September 2016. Our review of local authority price increases in 2016-17, suggests that many councils are likely to have failed to comply with their duties in the Statutory Guidance to the Care Act, which states:

"4.31 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. This should support and promote the wellbeing of people who receive care and support, and allow for the service provider ability to meet statutory obligations to pay at least the national minimum wage and provide effective training and development of staff. It should also allow retention of staff commensurate with delivering services to the agreed quality, and encourage innovation and improvement. Local authorities should have regard to guidance on minimum fee levels necessary to provide this assurance, taking account of the local economic environment. This assurance should understand that reasonable fee levels allow for a reasonable rate of return by independent providers that is sufficient to allow the overall pool of efficient providers to remain sustainable in the long term."¹⁵

23. Our analysis of the data suggests that rates paid by councils for homecare services, particularly in the Midlands and North of England, have failed to recognise the costs of the NLW in the fees they pay. It is our view that a number of councils either know that this is the case but are not acting on the information, or have failed to act with appropriate diligence.

¹³ Angel, C., 2012. *Care is not a commodity*. [pdf] UKHCA. Available at: <<http://www.ukhca.co.uk/downloads.aspx?ID=356>>, pp. 39–40.

¹⁴ Angel, C., 2015. *A Minimum Price for Homecare*. [pdf] UKHCA. Available at: <<http://www.ukhca.co.uk/downloads.aspx?ID=434>>, pp. 16–17.

¹⁵ *Care and support statutory guidance*. c.4(31). London: Department of Health, Available at: <<https://www.gov.uk/guidance/care-and-support-statutory-guidance/general-responsibilities-and-universal-services>> [Accessed 19 August 2016].

Adequacy of funding

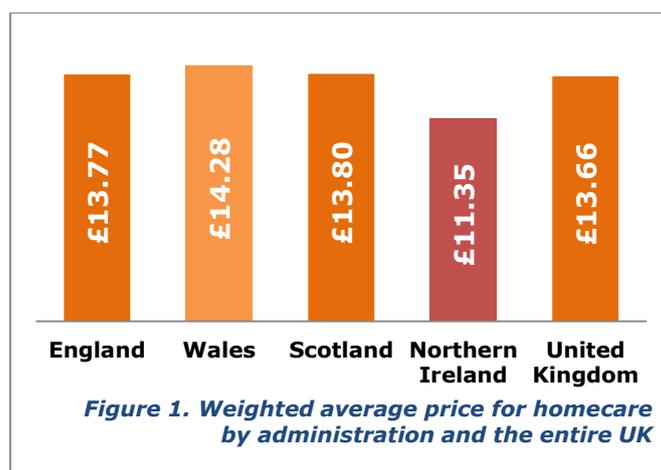
24. Although UKHCA welcomes the introduction of the Social Care Precept and the Better Care Fund, it is apparent that they do not go far enough in supporting the domiciliary care sector and its providers.
25. As made explicit by the ADASS Budget Report, the available funding is inadequate, with no excess margin savings to be made. It follows that providers also face challenges for quality training, better recruitment and improved terms and conditions for the workforce.

Commissioning practices and local social care markets

Achieving a minimum price paid for homecare

26. Although the majority of homecare providers operate in the independent and voluntary sector, they exist in a market dominated by statutory sector purchasers, primarily local authorities. These local authorities exercise and sometimes exploit their dominant purchasing power in an attempt to pay for care from their constrained budgets.
27. UKHCA publishes a regularly updated "A Minimum Price for Homecare" in which we outline the reasonable assumptions for the costs of homecare purchased by the statutory sector. Specifically, these are:
 - Wages, including careworkers travel time;
 - On-costs, including careworkers' mileage, holiday pay, National Insurance and pensions;
 - Operating costs, including management and supervisory staff and
 - Profit or surplus.
28. For this reason, UKHCA developed a costing model for homecare services which has since been used by a number of local authorities and providers to determine the real cost of care in their local area.¹⁶
29. In March 2015, UKHCA's report "The Homecare Deficit" used Freedom Information legislation to reveal the extent of underfunding of older people's homecare across the UK (see Figure 1).

¹⁶ UKHCA, 2016. *Costing Model*. [online] Available at: <<http://www.ukhca.co.uk/CostingModel>> [Accessed 19 August 2016].



30. UKHCA reported that only 28 councils were paying their local providers an average of £15.74 per hour, the rate UKHCA estimated, at that time, necessary to comply with National Minimum Wage and the costs of running the service in a sustainable way.¹⁷ We are currently in the process of updating this report in relation to the latest minimum price for homecare (which we have calculated to be **£16.70** from April 2016).
31. Although some local authorities have expressed a genuine interest in contracting with the independent and voluntary sector at a sustainable rate, others are attempting to achieve payment of the Living Wage to workers without recognising the substantial costs incurred by providers of uplifting workers' wage rates.

Evidence of widespread market instability

32. 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.¹⁸ 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 and
 - **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.
33. This picture is at considerable variance to the expectations of successful market shaping described in the statutory guidance to the Care Act, for example:

¹⁷ Angel, C., *Minimum Price*, p.9.

¹⁸ Angel, C., 2015. *Market Stability Survey*. [pdf] UKHCA. Available at: <<http://www.ukhca.co.uk/downloads.aspx?ID=486>>

"4.1 High-quality, personalised care and support can only be achieved where there is a vibrant, responsive market of service providers. The role of the local authority is critical to achieving this, both through the actions it takes to commission services directly to meet needs and the broader understanding of and interactions it undertakes with, the wider market, for the benefit of all local people and communities."¹⁹

34. 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.
35. Our conclusions were recently confirmed in the 2016 ADASS Budget Survey which showed evidence of actual provider failure. The number of councils where at least one provider had ceased trading in the previous six months were 48, affecting 3,925 people. It also found that 59 councils had their contracts handed back by providers, affecting 3,715 people.²⁰
36. The effect of current local authority adult social care commissioning practices and market oversight functions is a cause of concern for our members and the viability of their businesses.

The future of UK social care

Integration of health and social care

37. As stated in the 2015 Spending Review, Government plans to integrate health and social care across England, providing a single and seamless service for patients.
38. UKHCA believes a truly integrated system is one that would potentially alleviate the issues faced by the sector at this time. There are the financial issues, but primarily it would be a better structure to prevent hospitalisation and ensure a swift return home for those whose health and support needs can be met outside hospitals.
39. In "Delayed Transfers of Care and Homecare" published in August 2016, UKHCA found that because state-funded homecare sector is running at a substantial deficit and fewer people have been eligible for state-funded homecare, there has been a significant increase of demand side pressure on the NHS.²¹ This has led to a growing number of hospital patients experiencing a delayed discharge due to lack of homecare provision in their community. We estimate that over the course of May 2016, the NHS spent £10.2 million on excess bed days for people awaiting homecare. This represents an extra annual expenditure for the financial year 2015/16 of £95 million on excess bed days for people awaiting homecare.
40. We believe that reduced capacity and funding for homecare is an inefficient use of public money, places unnecessary demand and cost pressures on the NHS and undermines the health and wellbeing of people with care and support needs.

¹⁹ *Care and support statutory guidance*. c.4(1).

²⁰ ADASS, *Budget Survey*, p. 18.

²¹ Holmes, J., 2016. *Delayed Transfers of Care and Homecare*. [pdf] UKHCA. Available at: <<http://www.ukhca.co.uk/downloads.aspx?ID=489>>

41. The shift of focus from hospitals to the community is one that is being introduced by the new integrated community services, for example across Mid-Nottinghamshire.²² If such a movement will encourage social care to be on par with health, decrease market instability for providers and help provide quality social care provision for service users then UKHCA welcomes Government's 2020 goal.

Recommendations

- That the Department of Health uses its market intelligence information and utilise available powers to investigate the commissioning practices of local authorities who are clearly failing to fulfil their responsibilities under the Act.
- That the Committee carefully consider the role of homecare within the adult social care sector and the effect severe underfunding has not only on local authorities, but independent and voluntary providers and service users.

Key UKHCA documents

- An Overview of the Domiciliary Care Market in the United Kingdom, 2016
- Delayed Transfers of Care and Homecare, 2016
- National Minimum Wage Toolkit, March 2016
- A Minimum Price for Homecare, November 2015
- Market Stability Survey, 2015
- Homecare Deficit, 2014

²² *Healthcare Finance*, 2016. Headline Act. [online] July/August 2016, pp. 16–19.