**United Kingdom Homecare Association**
The professional association for homecare providers

UKHCA
UNITED KINGDOM HOME CARE ASSOCIATION

House of Commons
Health and Social Care Committee

Sent by e-mail to: hclgcom@parliament.uk

Date: 13 April 2021

Dear Sirs

**Call for Evidence Long term funding of adult social care**

Thank you for your recent Call for Evidence to which I am happy to respond on behalf of United Kingdom Homecare Association (UKHCA).

UKHCA is the national, professional association for organisations that provide social care, including nursing care, to people in their own homes. Our mission is to promote high quality sustainable care services so that people can continue to live at home and in their local community. The vast majority of our members in England provide services that are regulated by the Care Quality Commission.

Yours faithfully

**Terry Donohoe**
Policy Officer

Direct line: 020 8661 8164
E-mail: terry.donohoe@ukhca.co.uk
Twitter: @ukhca

**Summary of Evidence**

The long term funding of adult social care has been the subject of much discussion over the years but, to date, no permanent solution has been formulated by successive Governments.

Parliamentary Committees and other bodies have argued consistently for a strategic approach to be taken, including a workforce strategy and a sustainable funding system to allow investment and development.

The Coronavirus pandemic has placed greater strain on an already under-funded system and has highlighted systemic weaknesses and increased levels of unmet need.

The National Audit Office has recently highlighted these systemic weaknesses, the episodic nature of funding throughout the pandemic and the lack of control over, and data from the local authority and NHS commissioners of care who currently purchase over 70% of care packages.

The recent Government White Paper contains many helpful proposals to address the structural and other weaknesses in the health and care systems but a dedicated plan for the adult social care sector, including homecare, is long overdue.

United Kingdom Homecare Association (UKHCA) agrees that action is overdue and we urge the Committee to press for early publication of proposals for reform of the adult social care system. These should include regulatory oversight of local authority and NHS commissioning practices and the formulation of an adequate and sustainable funding system for the sector.

## About UKHCA

United Kingdom Homecare Association (UKHCA) is the professional representative organisation for independent, voluntary, and statutory sector providers of homecare services, covering a total of 2,270 locations across all four UK administrations.

In England, there are over 10,000 registered locations, regulated by the Care Quality Commission, providing care.[1]

UKHCA provides thought leadership and advice to member organisations of all sizes, from small and medium-sized enterprises in the independent and voluntary sectors, to large multi-branch providers offering many hundreds of thousands of hours of homecare each week. The majority of their front-line workforce are employees and likely to undertake 'time work' for the purposes of the National Minimum Wage (NMW) Regulations.

We also represent providers of 'live-in' homecare whose workforce will be engaged in 'unmeasured work' for the purposes of the National Living Wage (NLW). Although numerically smaller in number, these companies provide specialist care services. A small proportion of those organisations act as

[1] Skills for Care (2020): **The Size and structure of the adult social care workforce** https://www.skillsforcare.org.uk/adult-social-care-workforce-data/Workforce-intelligence/documents/Size-of-the-adult-social-care-sector/Size-and-Structure-2020.pdf

Employment Agencies, introducing workers to be employed by private individuals.

UKHCA contributes to a wide range of policy fora and working groups, convened by Government regulators and arms-length bodies at a national level, whilst taking an active role in responding to consultations that promote and highlight the benefits of a stable and viable social care market to all levels of Government and statutory agencies.

Annually, UKHCA presents written and oral evidence to the Low Pay Commission. We also provide evidence to Parliamentary Committees.

We have noted the recent article, published by the Right Honourable Jeremy Hunt, in which the need for a 10-year plan for social care was recommended. UKHCA will argue, throughout this paper, that a 10-year plan, at least equivalent to that published for the NHS, is long overdue and that a sustainable funding solution for social care is urgently required.[2]

The Association is happy to be contacted for further information, if required and for our contribution to be made public.

We shall confine our responses to the homecare sector, also referred to as domiciliary care.

---

[2] Department of Health and Social Care (2021) Policy Paper: **Integration and innovation working together to improve health and social care for all**. Published February 2021 https://www.gov.uk/government/publications/working-together-to-improve-health-and-social-care-for-all/integration-and-innovation-working-together-to-improve-health-and-social-care-for-all

## About the Homecare Sector

The homecare sector employs an estimated 560,000 people, of whom, around 48% are on zero-hours contracts. This proportion has decreased by 6% since 2012/13. Across all adult social care services, 24% of the workforce were employed on zero-hours contracts.[3] The majority of homecare roles are within the independent sector with 18,700 in local authorities.

Around 84% of the workforce is female and the average age of workers was 44 years. This is broadly in line with other parts of the adult social care workforce.

The majority of the homecare workforce (84%) is British, 7% are EU (non-British) and 9% non-EU. The proportion of workers identifying as of an EU nationality increased from 4% in 2012/13 to 7% in 2019/20. The proportion identifying as of a non-EU nationality decreased over the same period from 11% in 2012/13 to 9% in 2019/20.

Approximately 80 per cent of the UK's homecare sector comprises small businesses, with fewer than 50 employees. Some large homecare

[3]Skills for care (2020): Workforce Intelligence Summary **Domiciliary care services in the adult social care sector 2019/20**. https://www.skillsforcare.org.uk/adult-social-care-workforce-data/Workforce-intelligence/documents/State-of-the-adult-social-care-sector/Summary-of-domiciliary-care-services-2020-pdf.pdf

companies operate as franchise models, which are also made up of small companies.

In its report '**The Economic Value of the Adult Social Care Sector – UK'**, published in June 2018, Skills for Care estimated that, in 2016, adult social care sector GVA was £24.3 billion. A significant proportion was estimated to be in domiciliary care (£7.6 billion, 31%)

This represented 1.4% of total GVA in the UK.

Further, it was estimated that the average level of productivity (GVA generated per FTE) in the adult social care sector was £19,700.

In terms of the indirect and induced value of the sector (using the income approach), Skills for Care estimated that the indirect effect of the adult social care sector (resulting from the purchase of intermediate goods and services by the adult social care sector in delivering its services) was estimated to contribute a further 603,500 jobs (424,800 FTEs) and £10.8 billion of GVA to the UK economy.

The induced effect of the social care sector (resulting from purchases made by those directly and indirectly employed in the adult social care sector) was estimated to contribute a further 251,300 jobs (176,100 FTEs) and £11.1 billion of GVA to the UK economy.

The total direct, indirect and induced value of the adult social care sector was estimated to be 2.6 million jobs (1.8 million FTEs) and £46.2 billion in 2016.

## Homecare in the context of the Health and Social Care Sectors

The majority of public and private funding, as well as media attention, is focused on hospitals and care homes, which between them support only 0.5 million people at a time.

In contrast, over 10 million people at any one time receive or need support and care in their own homes, either from unpaid informal carers or paid-for homecare workers.[4]

Over £152 billion of public funding is directed at the NHS, with only £6.2 billion to homecare, across the UK. Government spend on homecare is only 4% that of the NHS, despite the sector's contribution to the UK economy, as outlined above.[5]

UKHCA estimates that around 70% of homecare is purchased by the State. However, there are no Government data that provide an accurate figure and indeed we believe that England's social care regulator has neither an accurate estimation, nor an accurate figure for the total number of people receiving home-based care.

---

[4] Carers UK (2019): **Facts and Figures: Facts about Carers** Published August 2019 https://www.carersuk.org/news-and-campaigns/press-releases/facts-and-figures?gclid=CjwKCAjw4pT1BRBUEiwAm5QuR3aP8e4rHkKBaz167ELkmwbGRgPvg9XHwyfntSPc5m1wOSdPYb4fpxoCcrMQAvD_BwE

[5] House of Commons Library (2020): Research Briefing **NHS Expenditure** Published January 2020

Careworkers employed by the public sector (local government and NHS) tend not be on zero-hours contracts and benefit from higher pay and access to structured training and progression opportunities.[6] [7]

The use of zero hours contracts in the independent and voluntary sectors is driven by the way the public sector funds social care

In previous evidence to the Committee, UKHCA highlighted a number of perverse commissioning practices. These include councils' paying for care by the minute and low rates of both council and NHS fees. These have a significant impact on providers of homecare and their ability not only to deliver care but also to offer staff training and development opportunities. Such opportunities to progress tend not to be equivalent to those available to workers who carry out similar tasks in public sector settings.

For homecare providers in both the public and privately funded sectors of the market, COVID-19 has increased costs and reduced income for providers who were already operating with low margins.

[6] NHS: **Working in Health** https://www.healthcareers.nhs.uk/explore-roles

[7] Skills for Care (2020): **The State of the adult social care workforce in England** Published October 2020 https://www.skillsforcare.org.uk/adult-social-care-workforce-data/Workforce-intelligence/publications/national-information/The-state-of-the-adult-social-care-sector-and-workforce-in-England.aspx

**Question 1**

**How has Covid-19 changed the landscape for long-term funding reform of the adult social care sector?**

COVID-19 has increased costs and reduced income for homecare providers within a sector already weakened by years of underfunding and low fee rates paid by local authorities and NHS commissioning bodies, who purchase over 70% of homecare provision.

Providers' costs have increased due to a number of factors, most notably PPE costs in the early stages of the pandemic and increased insurance premiums. In addition, many packages of care were withdrawn due to clients' concerns over visitors to their homes as well as more care being provided by families unable to work due to movement restrictions imposed by the Government to reduce the spread of COVID-19.

UKHCA acknowledges the extension, by Government, of the PPE Portal to March 2022. Access to PPE via this route has mitigated some of the impact of PPE costs and has been a lifeline for many in the sector. However, UKHCA and other professional associations are engaged in ongoing dialogue with the Government on our continued concerns as to whether the volume supplied via the Portal accurately meets the demand in the sector. Providers have seen some items of PPE increase five-fold in costs since the start of the pandemic.

Independent research, commissioned by UKHCA in 2020, estimated that the additional costs, related to COVID-19, were likely to be as high as £3.95 per

hour of homecare delivered in April 2020. However, this figure was likely to have reduced as a result of PPE being made available through the Portal.

Annually, UKHCA publishes **The UKHCA Minimum Price for Homecare** that outlines an hourly rate which takes account of the latest National Living Wage.[8]

United Kingdom Homecare Association's Minimum Price for Homecare services of £21.43 per hour from April 2021 allows full compliance with the National Living Wage and the delivery of sustainable quality homecare services to local authorities and the NHS.

UKHCA is committed to using the best available data to support our calculations. Pricing assumptions in this latest version have been updated for the National Living Wage, and increased costs of certain items of personal protective equipment (PPE) and insurance premiums as a result of the coronavirus pandemic.

Equivalent calculations for the voluntary UK Living Wage, the Scottish Living Wage and the London Living Wage between November 2020 and October 2021 are also included.

---

[8] Angel C (2020): **A Minimum Price for Homecare- Version 8 - April 2021 – March 2022** Published December 2020 https://www.ukhca.co.uk/downloads.aspx?ID=434#bk1

However, from the ADASS Budget Survey Report, published in May 2020, the median rate for an hour of council-funded care was £17.65, well below the Minimum Price calculated by UKHCA, which at the time was £20.69.[9]

From Figure 1, below, it can be seen that almost three-quarters of a homecare provider's costs are related to staff wages on-costs and mileage reimbursement.

Low fee rates from commissioning authorities compromise providers' ability to meet their statutory responsibilities and further increases in NLW, without a major injection of funds from central and local Government, will increase the risk of providers experiencing insolvency or withdrawing from the homecare market.

In our response to question 3 of this call for evidence, we shall discuss the potential impact of market failure in the homecare sector.

[9] Association of Directors of Adult Social Care (2020): **ADASS Budget Survey 2020** Published June 2020 https://www.adass.org.uk/adass-budget-survey-2020-coronavirus-budgets

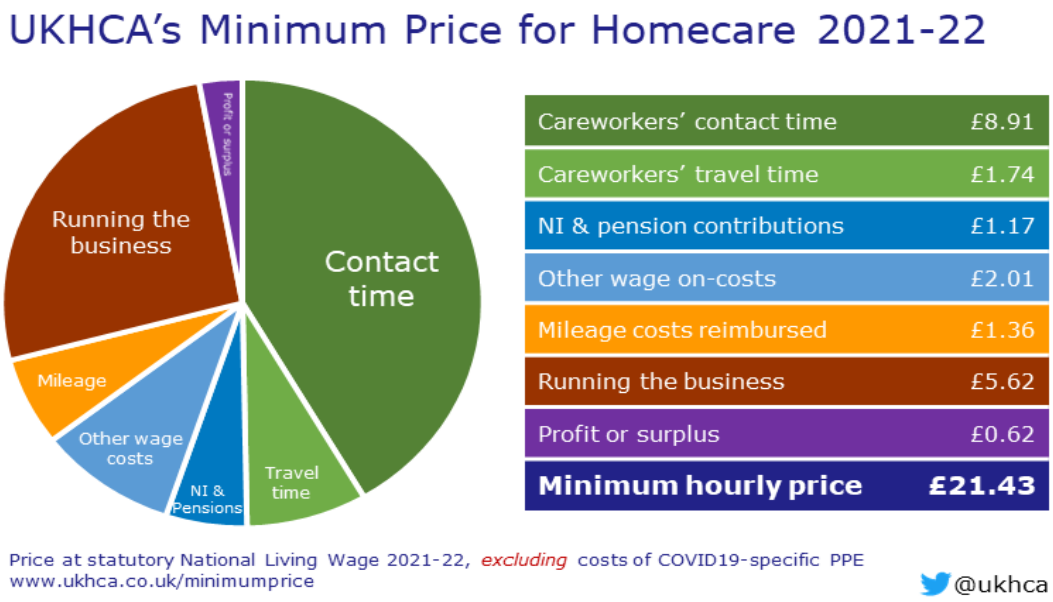


**Figure 1: Calculation of UKHCA's Minimum Price for Homecare**

## Proposed UKHCA Fee Rate Uplifts 2021/22

Two days before the start of the 2021/22 financial year, UKHCA conducted an on-line poll of the fee rates proposed by public sector homecare commissioners.

Of 142 providers who responded, 52% reported that they had not been notified of any intended increase in the fees that would be awarded by their local authority or NHS commissioner and 7% of providers reported an average increase of 0% (a real-terms cut).

No provider in the sample reported an increase of 4% or more.

The data are summarised in Figure 2, below.

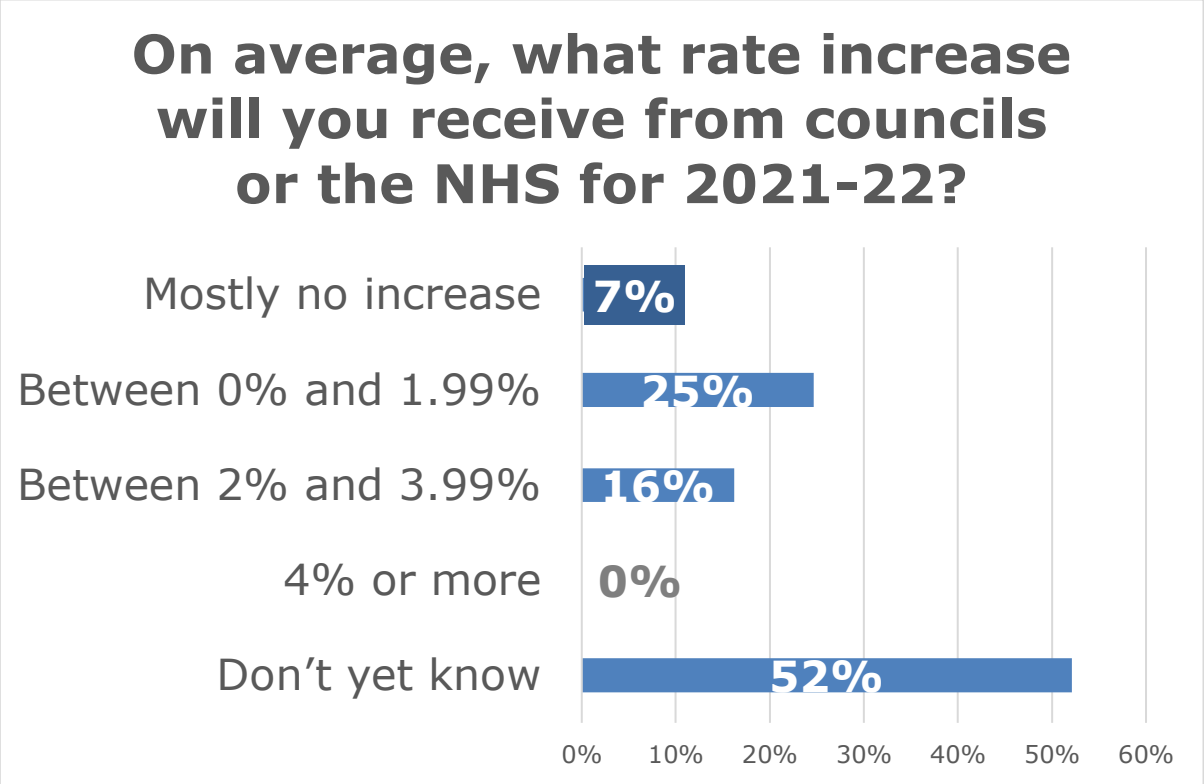


**Figure 2: Proposed fee rates for financial year 2021/22 (Source: UKHCA Poll 30 March 2021)**

### ADASS Guidance and Budget Surveys 2020

The Local Government Association (LGA) and the Association of Directors of Adult Social Services (ADASS) issued guidance to Local Authorities on 13 March 2020 and 9 April 2020. This guidance, issued at the start of the pandemic was aimed at ensuring care provider resilience during the coronavirus (COVID-19) pandemic.

They recommended the following:

- Increase in fee rates of 5 per cent to account for the rise in National Living Wage (NLW, which increased by 6.25 per cent, plus on-costs);

- Extra funds to assist with increased costs during COVID-19, of up to 10 per cent, to be reviewed after one month; and

- Advance payment on planned care, rather than payment in arrears, on actual delivery, to assist with cash flow.

Although councils were not required to follow these recommendations we believe that most councils took some form of action in line with them saving the sector from significant damage.

The 2020 ADASS budget report, published in June 2020 and referenced earlier in this paper, demonstrated fragility of council funds. ADASS reported that councils would need £520 million of additional funding to meet the same level of needs in 2020/21, compared with 2019/20 and that 43% of Directors of Adult Social Care reported that providers in their area had closed, ceased trading or handed back existing contracts to the authority.[10]

In a second report, also published in June 2020, ADASS considered the impact of Coronavirus on local authorities and observed that "…the actual

[10] Association of Directors of Adult Social Services (2020): **ADASS Budget Survey 2020 and ADASS Coronavirus Survey Report** https://www.adass.org.uk/adass-budget-survey-2020-coronavirus-budgets

costs to local authorities and adult social care providers of the pandemic will far outstrip the Emergency Funding made available by the Government to-date..."

Further, ADASS stated that "…The risk of already fragile care markets failing has significantly heightened as a result of the impacts of Covid-19…"

In the following section of this paper we shall review the most recent report issued by the National Audit Office into the state of local authorities' finances and the impact on service delivery resulting from the pandemic.

**National Audit Office Reports 2021**

On 10 March 2021, the National Audit Office (NAO) published a report '**Local government finance in the pandemic'**.[11]

The NAO reported that a decade of austerity for local government, which has reduced councils' spending power by a third at a time when demand for services has soared, had left local authorities more vulnerable to the impact of the pandemic than they otherwise would have been.

[11] Ministry of Housing, Communities & Local Government (2021): **National Audit Office Local Government finance in the pandemic**. Published 10 March 2021 https://www.nao.org.uk/report/local-government-finance-in-the-pandemic/

It went on to observe that a reduction in social care services for older and disabled adults, who were likely to be vulnerable to from April 2020.

The head of the NAO, Gareth Davies, stated "Authorities' finances have been scarred and won't simply bounce back quickly. Government needs a plan to help the sector recover from the pandemic and also to address the longstanding need for financial reform in the sector."

On 25 March 2021, the NAO published '**The adult social care market in England**' a value for money report on Government expenditure, which also contained recommendations on how to improve public services.[12]

The report highlighted a 57% projected forecast increase in adults aged 65 and over requiring care by 2038 compared with 2018 and a projected forecast increase of 106% in total costs of care for adults aged 65 and over by 2038 compared with 2018

In 2019-20, local authorities spent a net £16.5 billion on care, according to the NAO. It observed that current demographic trends suggest a greater demand for care and increasingly complex care needs in the future, resulting in care forming an ever-increasing proportion of public expenditure. The NAO noted that future reforms, promised for several years, will need to tackle these growing challenges.

[12] National Audit Office (2021): **The adult social care market in England** Published March 2021 https://www.nao.org.uk/wp-content/uploads/2021/03/The-adult-social-care-market-in-England.pdf

The report highlighted levels of unmet need and the growing complexity of the care being provided.

It highlighted the Department of Health and Social Care's awareness of underfunding by local authorities noting that the Department was aware that rates were unsustainable but criticised the model used by the Department to benchmark fee rates and its failure to challenge councils. For 2019-20, the Department assessed that the majority of local authorities paid below the sustainable rate for care home placements for adults aged 65 and over and below the sustainable rate for home care.

The lack of robust powers to compel change was also highlighted as was the Department's lack of a complete data set on social care provision, costs and performance. However, the NAO did recognise that the Department was collecting more data during the pandemic.

We believe that the analysis is correct and continue to be deeply troubled by the absence of robust powers and an apparent unwillingness on the part of Government to ensure that it has sufficient powers to direct actions and intervene, where necessary, in cases involving the mismanagement of the social care market.

We note the proposals contained within the White Paper **'Working together to improve health and social care for all'** published by Government in February 2021, particularly those related to greater oversight of local commissioners of care. However, whilst we welcome these proposals, we believe that the assurance process needs to provide a robust

and independent assessment of whether a local authority has met its market-shaping responsibility under the Care Act 2014.[13]

## Parliament's Consideration of the Long-Term Funding of Social Care

Parliament has considered the long-term funding of social care several times over the last three years and UKHCA has provided both oral and written evidence to the various inquiries.

In June 2020, the All Party Parliamentary Group (APPG) on Adult Social Care wrote to Government recommending that a cross-party solution is key to providing a sustainable vision for the future of the adult social care system. It further recommended that commitments must be undertaken to build a shared political consensus so that the existing strengths of the adult social care system can be further developed and built upon.[14]

The APPG welcomed a previous announcement by the Health & Social Care Secretary – The Rt. Hon. Matt Hancock MP – to commence cross-party talks on creating a sustainable future for social care with the Group observing

---

[13] Department of Health and Social Care (2021): Policy Paper **Working together to improve health and social care for all** Published February 2021 https://www.gov.uk/government/publications/working-together-to-improve-health-and-social-care-for-all

[14] All Party Parliamentary Group (APPG) on Adult Social Care (2020): **Written evidence submitted by APPG on Adult Social Care** (2020) Published June 2020 https://committees.parliament.uk/writtenevidence/6425/pdf/

that "…the tragedy and pain of the Coronavirus, has shone a much needed spotlight on our social system and the importance of cross-party talks commencing at the earliest opportunity…".

To date, no such discussions have been announced and no mention of adult social care was made in the Chancellor's most recent budget. The draft White Paper published in February 2021, which outlines proposals for reform of the NHS contains many helpful elements, not least a call for regulatory oversight of local authority commissioning. This is an issue that directly impacts on the homecare sector too. As we have outlined previously, local authority and NHS commissioners purchase over 70% of homecare delivered in England but are not subject to any form of regulatory oversight.

Through the fees that State commissioners pay to providers and the management practices adopted by the councils and CCGs, such as payment for care by the minute, have a significant financial impact on the provision of care to elderly and vulnerable members of society.

UKHCA agrees that action is overdue and would therefore urge the Committee to press for early publication of proposals for reform of the adult social care system, including regulatory oversight of local authority commissioning and the formulation of an adequate and sustainable funding system for the sector.

**The House of Commons Health and Social Care Committee**

The House of Commons Health and Social Care Committee has previously considered the funding of adult social care in its report to Parliament in October 2020.[15]

The Committee concluded that the case for making a sustained investment in social care had never been stronger and the toll the pandemic has taken on this sector meant that social care is no longer a hidden problem but one that the country as a whole understands. The Committee urged the Government to address this as a matter of urgency.

From the evidence presented to the Committee, it was clear that funding shortfalls are having a serious negative impact on the lives of those who use the social care system, as well as impacting the pay levels of the workforce and threatening the sustainability of the care market. The Committee recommended an immediate funding increase to avoid the risk of market collapse caused by providers withdrawing from offering services to council-funded clients and focusing exclusively on the self-pay market.

Existing systemic weaknesses were brought into sharp focus by the COVID-19 pandemic and the Committee urged the Government to address social care funding "…as a matter of the utmost urgency..."

[15] House of Commons (2020): **Social care: funding and workforce** Published October 2020 https://publications.parliament.uk/pa/cm5801/cmselect/cmhealth/206/20607.htm#_idTextAnchor059

The Committee recognised that the funding increase it called for is significant at a time when public finances are likely to be stretched, "…but the pandemic has made it clear that doing nothing is no longer an option…"

An increase in annual funding of £3.9 billion by 2023–24 was proposed to meet demographic changes and planned increases in the National Living Wage. However, the Committee recognised that such an increase alone will not address shortfalls in the quality of care currently provided, reverse the decline in access or stop the market retreating to providing only for self-payers. Further funding to address these issues is, therefore, also required as a matter of urgency.

Providing adequate funding for social care will also help the NHS, and may itself have positive economic and long-term social impacts, given that social care is an important part of the economy.

The Committee also strongly recommended that alongside, such a long term funding settlement, the Government should publish a 10-year plan for the social care sector as it has done for the NHS noting that the two systems are increasingly linked and it makes no sense to put in place long term plans for one without the other.

The need for a 10-year Plan was also recommended by the NAO in its recent report on social care, published in March 2021 and referenced earlier in this paper.

The Committee observed that failure to do so was also likely to inhibit reform and lead to higher costs and recommended that Government must ensure that there is a sustainable funding settlement to provide for

competitive pay for social care workers that ensures parity with NHS staff and is reflective of the skilled nature of social care work. It observed that parity could be achieved by linking social care pay to equivalent bands of the NHS Agenda for Change contract and introducing meaningful pay progression but stressed the need for any solution to provide a sustainable basis for continued rises in pay above and beyond increases to the National Minimum Wage and in line with increases given to NHS staff. It referenced evidence from the Health Foundation and others, which demonstrates that increased wages must be supported by investment: the Health Foundation estimated that to increase the average pay in social care to just 5% above the National Living Wage, while meeting future demand, would cost an extra £3.9bn per year by 2023–24.

Obviously, for an effective system to operate, funding needs to be sufficient to cover the total cost of the ambition rather than solely relying on pay-propelling policies.

With regard to longer term reform of social care funding the APPG on Social Care, referenced previous observations that the current system is unfair, confusing, demeaning and frightening for the most vulnerable people in our society and their families. It pointed to the positive impact of social care reforms in Japan.

It endorsed the Lords Economic Affairs Committee's case for the introduction of free personal care to simplify the current confusing arrangements for people who need care, and put social care on a more equal footing with the NHS by ensuring that all basic care needs are met free at the point of need. Free personal care was also recommended by a

joint report of the Health and Social Care Committee and Housing, Communities and Local Government Committee in 2018.

The APPG strongly endorsed a lifetime cap on care costs, which could be implemented swiftly under the provisions of the Care Act 2014. Such a change would focus resources on the most severely affected people, protecting those with very high care needs and remove the injustice that sees the NHS cover certain types of extreme care costs but the social care system not cover others, including those with dementia, motor neurone disease or many other neurological conditions.

The Group further recommended that any reform package must introduce a cap on care costs to protect people against catastrophic costs and be set at the level specified in Sir Andrew Dilnot's original report, namely £46,000 which would cost around £3.1bn by 2023–24.

The Group also believed that the starting point for the social care funding increase must be an additional £7bn per year by 2023–24 to cover demographic changes, uplift staff pay in line with the National Minimum Wage and protect people from catastrophic social care costs. This represents a 34% increase from the £20.4bn 2023–24 adult social care baseline projected budget, at today's prices.

UKHCA continues to argue for a sustainable funding system for homecare as part of an overall strategy for the sector, which includes a workforce development strategy and a structure for calculating regulatory fees that is reflective of the actual costs of regulation.

**Question 2**

**How should additional funds for the adult social care sector be raised?**

As highlighted previously, the House of Lords and Health select Committees have previously made recommendations concerning funding. These included:

- Increase funding to restore levels of care quality and access to 2009/10 standards, as a matter of priority;

- Restore access to local authority funding for individuals who cannot access this funding and provide unpaid care as a result;

- Increase the wages of care workers in publicly funded care providers to allow those providers to compete with other local employers;

- Create a career structure that better reflects the professional skills required to be a good care worker and the social importance of the sector;

- Share the costs of long-term care between individuals and the taxpayer;

- Introduce a basic entitlement to publicly funded personal care for individuals with substantial and critical levels of need.

Accommodation costs and the costs of other help and support should still be incurred by the individual.

- Provide the additional funding needed for adult social care as a Government grant, distributed directly to local authorities according to an appropriate national funding formula, that takes into account differences between local authorities in demand for care and ability to raise funds from local taxation.

Further, that any long-term funding solution for adult social care the Government should:

- Put more money into the system through a combination of public and personal funding;

- Be simple and easy to understand for those accessing public funding;

- Ensure local authorities can afford to provide care to all those whose needs meet the legal eligibility criteria, which must be interpreted fairly and consistently across local authorities;

- Quantify and address serious unmet need;

- Ensure the level of unpaid carers in the system does not suffer a steep decline and is sustainable;

- Better protect individuals from catastrophic costs;

- Reduce the disparity between entitlement to help in the National Health Service and the adult social care system, ensuring that entitlement is based on the level of need, not the diagnosis;

- Allow local authorities to pay care providers a rate that covers the costs of providing care, without the need for cross-subsidy from self-funders;

- Distribute adult social care funding more fairly across local authorities;

- Invest in the social care workforce and ensure a more joined up approach to workforce planning with the National Health Service.

In its report, published in March 2020 and referenced earlier in this paper, the NAO made a number of Recommendations for the Department, including:

- as a priority, set out a cross-government, long-term, funded vision for care. It should collaborate with the Ministry and local government in particular; factoring in sector and user perspectives, such as people with lived experience;

- develop a workforce strategy, in line with its previous commitments, to recruit, retain and develop staff, aligned with the NHS People plan, where appropriate;

- in conjunction with the Ministry, Department for Work & Pensions and local government, develop a cross-government strategy for the range of accommodation and housing needed for people with care needs, and how to fund it;

- assess the performance and cost data it needs to gain assurance over the system's performance as a whole and the potential costs to the sector of providing these data, bearing in mind its current proposals for enhanced accountability and oversight;

- address significant gaps in the performance and cost data it collects on care, particularly on self-funders and unmet need. In doing so, it should be mindful of, and assess, the potential burden on local authorities and care providers;

- consult on options for enhancing support for local commissioners which promotes an integrated approach and incentivises commissioning for outcomes; and explore with CQC how best to increase visibility and transparency of providers' financial sustainability and costs, bearing in mind operational and legal practicalities.

UKHCA strongly agrees the need for an adequate and long-term solution to the funding of social care with sufficient cross-party support for it to survive a change of government. This will require both:

- a vision for support and care for older and disabled people; and
- a workforce strategy.[16]

The mechanism by which an adequate funding solution is reached is a political consideration, that is in the hands of Government and Parliamentarians.

**Question 3**

**How can the adult social care market be stabilised?**

Without appropriate and sustainable investment as argued throughout this paper, the adult social care sector will not be stabilised.

Many of UKHCA's members have reported that although Government has provided additional funding to support them during the pandemic, insufficient amounts of this additional funding have reached homecare

[16] UKHCA Blog (2021): **National Audit Office Value for Money Report** Published March 2021 https://ukhcablog.com/blog/national-audit-office-value-for-monday-report-on-adult-social-care-in-england-25-march-2021/

workers and their employers, who are delivering critical services to keep people safe and well at home.

Although some councils have been more responsive and have offered payment on planned care and assistance with PPE before the opening of the PPE Portal and the Infection Control and Workforce Capacity Funds, some councils are still inconsistent in terms of what support, if any, they feel should be made available to local providers with whom they contract directly and providers to the self-funded care market who tend not to be prioritised over those with whom the councils contract directly.

Local council decision making is often slow and bureaucratic and funding from central Government is often provided without ring-fencing and/or with minimal reporting requirements on how funding has been used in local areas for the purposes intended.

The self-funded homecare market has long been essential, as Local Authority eligibility criteria are now so high that many people of only moderate means, who need care, have to pay for themselves. Without vital homecare, more people would have to sell their houses to pay for care homes and pressure on the NHS would further increase.

The income from self-funded homecare enables many providers, particularly small and medium enterprises (SMEs), who often deliver to a mix of state and self-funded clients, to remain financially viable, as many local authority fee rates do not cover their costs.

Despite the increased profile of the value of the homecare sector and careworkers themselves in keeping people independent and out of hospital

or care homes as well as providing an extremely cost-effective care model, the continued low fee rates paid by councils and other costs such as VAT, business rates and Regulatory fees, have impacted directly on care providers' ability to invest in their businesses or their workers.

Larger homecare providers tend to be highly dependent on Local Authority-funded care packages. Councils, as we have described throughout this paper, have, as a result of central Government policies, seen their budgets constrained over the last few years.

However, as outlined earlier in this paper, over 70% of the UK's homecare sector is made up of small and medium-sized businesses with fewer than 50 employees. Some large homecare companies operate as franchise models, which are also made up of small companies.

We have already outlined that few councils pay more than the UKHCA's Minimum Price. The median rate is below £18.00 per hour.

Even for privately-funded providers, decline in revenues and increased costs increase insolvency risks for the sector.

Despite an injection of an additional £3.2 billion to councils across England to provide additional support for increased costs associated with COVID-19 and despite ADASS and LGA recommending increased payments to providers of up to 10%, many councils have failed to pass on much or any of the additional money. Those that have, have been variable in their approach, have imposed a higher level of bureaucratic control or have been seeking mechanisms to 'claw-back' any monies paid after the pandemic is over.

For privately-funded providers, cancellations and lack of referrals has squeezed operating costs and further increases in NLW, without an increase in income, will, therefore, impact directly the solvency of businesses.

At present, decision-making for the State-funded market is devolved, almost entirely, to local government. In our view, this does not always work well.

Concerns around the sustainability of the homecare market have increased throughout the pandemic.

Commissioners' insistence on payment by minute, or on the basis of a set of tasks to be completed during a visit, as well as failures to carry out meaningful cost of care exercises, have led to increased pressures on providers. These have been increased further by the ongoing challenges of the COVID-19 pandemic and some commissioners have reverted to pre-COVID systems, which can disadvantage providers.

Parliamentary Committees, as outlined earlier in this paper, have consistently argued that greater investment is needed, in addition to support for workforce in terms of access to training and development opportunities and parity in terms of career development with workers carrying out similar tasks in NHS settings. UKHCA supports these recommendations and would urge Parliament to bring forward tangible plans for reform of the sector aligned with ongoing reforms of the NHS as outlined in the recent White Paper.

In addition, local authorities and NHS commissioning bodies must be subject to regulatory oversight.

The Government's recent White Paper proposes that greater oversight is required and the Care Quality Commission's draft strategy on which it has been consulting also supports this.

UKHCA has consistently argued that, given their importance in the homecare sector, local authority and NHS commissioners should be subject to regulatory scrutiny and have argued, in our submission to the CQC's recent strategy consultation, our concerns over the impact of commissioning decisions, perverse funding levels and the level of control providers have within systems and have argued that these issues be more overtly incorporated into CQC's assessment process.

We welcome the White Paper's proposals to make funding to providers in emergencies and our observations underlie the importance of adequate oversight of local authorities' market-shaping responsibilities.

In addition to a survey on the fee rates paid by local Authorities, reported above and our recent poll of members referenced earlier in this paper, UKHCA also surveyed its members on the fee rates paid by Clinical Commissioning Groups (CCGs) in 2020.

The responses, which covered 136 CCGs, the data, to June 2020, were disheartening, not least the observation that 41% of CCGs had not increased their fee rates for over 2 years.

UKHCA's members reported no price consistency across the country so actual fee rates are not quoted here. However:

- Of 136 CCGs, responses were received covering 73 (53.7%) of CCGs;

- 37 (50.7%) of the 73 CCGs had failed to respond about a price uplift for 2020/21;

- A further 7 (9.6%) had failed to respond to all but one of their providers;

- 10 of the remaining 28 CCGs (13.7% of the 73) were stated to have offered 0%;

So, other than some, perhaps, one-off packages, there had been no increases from 54 (74.0%) CCGs for which responses were received.

Of the 19 CCGs reported as increasing prices for 2020, just 1 increased the price above the increase in NLW, the rest ranging from 1% to 6% with a mean increase of 3.75%.

41% of the CCGs had not increased prices for more than 2 years.

On COVID, 32 CCGs (43.8% of the 73 for which responses were received) were reported to have offered assistance to providers.

As argued throughout this paper, the homecare sector is largely State-funded and it is disappointing that NHS CCG's are not performing any better than local authorities in the fees paid to providers, making further increases

in NLW potentially unsustainable for providers and increasing the risks of market instability.

## Immigration Policy

The Government announced plans for a new immigration policy in February 2020. The new policy commenced when the EU Exit Transition Period ended on 31 December 2020.

Freedom of movement rights for EU/EEA citizens ended and a new Points-Based system was introduced.[17]

Although the existing workforce from the EU/EEA is likely to be able to continue working in the UK, after January 2021 the available pool of the workforce is likely to contract, increasing competition within the labour market.

[17] Home Office (2021): **UK's points-based immigration system: An introduction for employers** Published January 2021 https://www.gov.uk/government/publications/uk-points-based-immigration-system-employer-information/the-uks-points-based-immigration-system-an-introduction-for-employers

## Salary and skills thresholds

The Migration Advisory Committee (MAC) published its report on salary thresholds and points-based systems on 28 January 2020 and has recently closed a consultation on the Shortage Occupations List.[18]

In its report ***EEA migration in the UK****,* published in September 2018, MAC stated that, whilst recognising that migrant workers, particularly non-EEA, but increasingly those from the EU, contributed significantly to the social care workforce, social care wages are low, which makes this an unattractive industry for UK-born workers to work in, leading to a dependence on migrant workers who may have fewer better work opportunities.[19]

The Committee also said that with an aging and expanding population, social care needs will grow in the UK. The sector's problems are not primarily migration-related according to the Committee.

---

[18] Migration Advisory Committee (MAC) Report: **Points-based system and salary thresholds** Published January 2020 https://www.gov.uk/government/publications/migration-advisory-committee-mac-report-points-based-system-and-salary-thresholds

[19] Migration Advisory Committee Report: **EEA Migration in the UK** Published September 2018 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/741926/Final_EEA_report.PDF

The Committee further recommended that a sustainable funding model, paying competitive wages to UK residents, would alleviate many of the recruitment and retention issues.

The Committee concluded that unless working in social care becomes more desirable to UK workers, chiefly through higher wages, migrant workers will be necessary to continue delivering these services.

However, the Committee ruled out introducing a scheme to make it easier to hire migrant workers into social care, such is the case for rural workers, employed on a seasonal basis, as such a scheme would not necessarily make it easier to retain them in the sector.

The Committee said, "…We are seriously concerned about social care but this sector needs a policy wider than just migration policy to fix its many problems. This is one illustration of a more general point that the impacts of migration often depend on other government policies and should not be seen in isolation…"

Whilst initially set at £30,000, Government has agreed with the MAC's recommendation on salary thresholds and will lower the general salary threshold to £25,600. However, under the points-based system for skilled workers, applicants will be able to 'trade' characteristics such as their specific job offer and qualifications against a lower salary.

We – and colleagues from other social care and health employers – have made representations to the Migration Advisory Committee (MAC) for the inclusion of social care workers on the Shortage Occupation List. On 4

March 2021, the Government announced that senior careworkers had been added to the List.[20]

## Non-British Nationals in Homecare

In 2019, UKHCA assessed the contribution of non-British nationals to England's homecare workforce. The results are shown in Figure 3, below.

We advised the Commission that the proportion of non-British nationals working in homecare varies across the UK but averages 7%.

[20] Home Office (2021): **Immigration Rules Appendix Shortage Occupation List** Published March 2021 https://www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-shortage-occupation-list

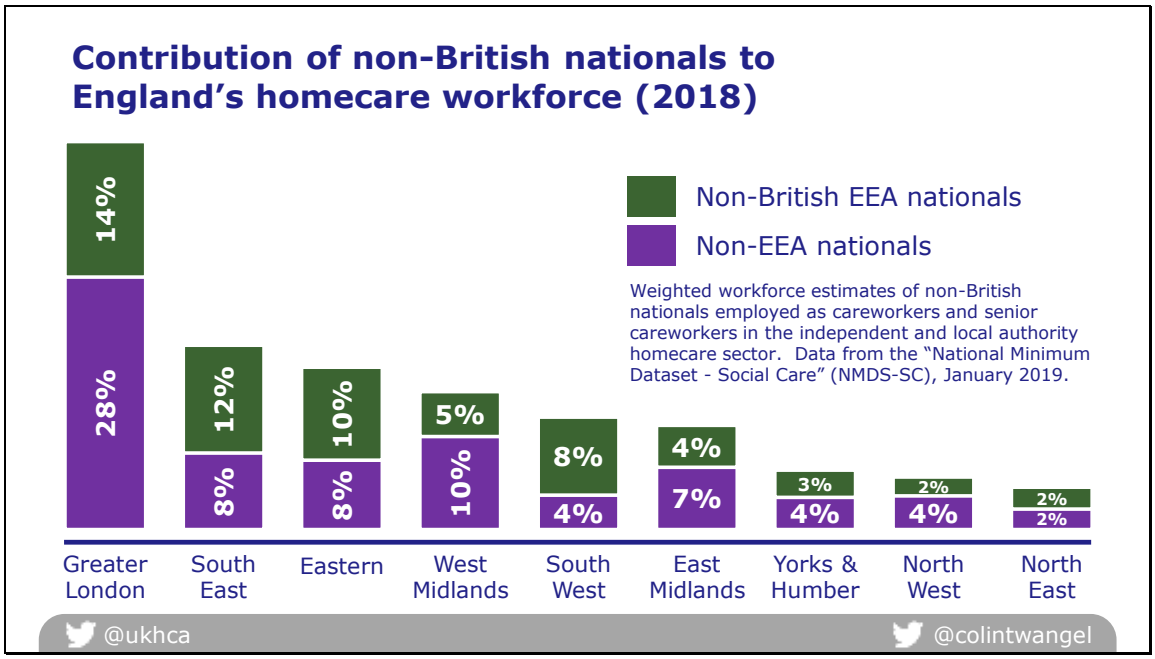


**Figure 3. Contribution of non-British Nationals to England's Homecare Workforce (2018)**

In London and the South of England, however, the loss of migrant workers would have a more significant impact than in other parts of the country and the impact of the new 'Points-Based' system would deter careworkers who, unless they were on the Shortage Occupation List or some other form of easement, would be unable to garner enough points for entry into the UK.

Unless providers have the ability to increase prices to the end-user, we do not believe that they will become competitive in local labour markets. In order to do this, providers would need to:

- Increase fees to local authorities and the NHS (around 70% of all hours of care purchased); and/or

- Increase the fees charged to private individuals funding their own care (around 30% of all hours of care delivered).

Freedom of movement between the UK and EU ended on 31 December 2020. The UK has now implemented a points-based immigration system that treats EU and non-EU citizens equally. Employers who wish to hire from outside the UK, excluding Irish citizens, will need to apply for permission in advance.[21]

A sponsor licence is required to hire most eligible employees from outside the UK and the people must meet the requirements for coming to the UK for work.

Under the points-based immigration system, anyone coming to the UK for work must meet a specific set of requirements for which they will score points. Visas are then awarded to those who gain enough points.

This represents a significant change for employers recruiting from outside the UK and many providers, particularly those that provide live-in care in their clients' homes, have traditionally recruited their careworkers from outside the UK.

[21] Home Office (2021): **The UK's Points Based Immigration System An introduction for employers** Published January 2021 https://www.gov.uk/government/publications/uk-points-based-immigration-system-employer-information/the-uks-points-based-immigration-system-an-introduction-for-employers

Careworkers are currently not on the Shortage Occupation List and would not meet the criteria for access to work in the UK under the points-based system.

UKHCA and other Professional Associations representing the Adult Social Care Sector have argued that careworkers should be included in the Shortage Occupation List and welcomed the Home Secretary's recent acceptance of the Migration Advisory Committee's recommendation that senior care workers and domiciliary care managers be included in the Shortage Occupation List.[22]

This is a welcome move. However, it does nothing to improve recruitment and retention of the social care workforce who are employed at a level below senior careworker or manager.

[22] Home Office (2021): **Rule changes to make it easier to recruit health and care staff** Published March 2021 https://www.gov.uk/government/news/rule-changes-to-make-it-easier-to-recruit-health-and-care-staff

**COVID-19 Border Controls**

The Home Office has introduced testing requirements for travellers coming into the UK with variations, in terms of quarantine requirements, being implemented in the Devolved Administrations.

In England, the person travelling into the country must either quarantine in the place they are staying or in a managed quarantine hotel for 10 days because of coronavirus (COVID-19). In addition, a COVID-19 test is required on days 2 and 8 after arrival in England. These need to booked before travel and incur a cost of £210 per person.

For those employers, particularly live-in care providers, the costs of the additional testing regime is significant and contributes further to potentially destabilising the market further, particularly in areas most reliant on migrant workers, including London and the South of England.

**UKHCA's Evidence to Health and Social Care Committee July 2020**

As highlighted previously, UKHCA's data sources showed that only 1 in 7 councils and a minority of CCGs were paying at least the UKHCA's Minimum Price for Homecare of £20.69 per hour for 2020/21, and the increased costs to providers as a result of Covid-19 are largely being ignored, especially the additional costs of PPE and covering staff absences through shielding and self-isolation.  We estimated the additional costs to be £3.95 per hour of homecare delivered.

Poor commissioning practices, such as purchasing homecare by the minute, and focusing on time and task is adding to the pressures for providers. And yet a vibrant and sustainable homecare service is required to cope with the demographic changes forecast for the sector. In the short term, demand for homecare will likely increase to support people recovering from Covid-19, winter pressures, or discharge from hospital as the NHS tackles the backlog of elective surgery. Adequate support for homecare providers is needed so people can be swiftly and safely discharged from hospital.

Recruitment and retention of careworkers is the highest risk to homecare providers and a major threat to continuing to provide their service. Careworkers have extraordinary skills, particularly when providing care for people with the most complex needs. These skills are supporting the NHS and yet the dedication and expertise of the homecare workforce is largely unrecognised. The biggest impact on recruitment and retention of the workforce, and the overall financial viability of the homecare sector, is the fees paid to homecare providers, by councils and the NHS. In many cases, fees do not cover the cost of paying the statutory requirements of the National Minimum Wage and pensions contributions. The ability of social care employers to recruit and retain staff has been exacerbated by the widening pay differentials between healthcare assistants employed in the NHS, and the pay of homecare workers in the independent and voluntary sectors.

The NHS and social care employers are trying to recruit from the same pool of employees, a pool that is likely to shrink further as a result of the points based immigration system thereby cutting off non-UK applicants from applying for roles as careworkers. UKHCA has consistently made the case

that all careworkers should be accepted on the Shortage Occupation List, not just senior careworkers or managers.

To begin to address recruitment and retention in homecare, the Government needs to settle the question of how to fund social care over the long term. That settlement should mandate that commissioners of homecare within local councils and the NHS should be obliged to pay fee rates that allow for a sustainable and vibrant homecare sector, which can invest in training, innovate with new technology and develop a more personalised approach to care in partnership with NHS community services.

There also needs to be a workforce strategy for social care that sits alongside the NHS People Plan. What is needed is a mandated, fully funded and ring-fenced, national minimum rate for homecare, calculated using the UKHCA's evidence-based model, which enables careworkers to be recognised with terms and conditions on a par with equivalent skills and experience in the NHS and for providers to deliver high quality care, meeting or exceeding regulatory requirements.

Homecare providers and workers have been undervalued by national and local government and the general public, though the current pandemic has resulted in some increased appreciation of their worth and contribution to society. Homecare needs to be recognised not only for its economic value to society but also for its potential to contribute to health and well-being of people by ensuring they remain independent in their own homes for as long as they choose to do so. That will require:

- investment in the homecare workforce;

- investment in prevention and rehabilitation services;

- a minimum of 30 minutes, and preferably 1 hour, for homecare visits;

- prohibiting 'payment by the minute';

- investment to speed-up the implementation of digital technology;

- funding for research and data collection to assist in development of new models of care;

- oversight by an independent body of local authority implementation of their duties under the Care Act 2014;

- reform of VAT so that "welfare services" are "zero-rated" rather than "exempt" allowing homecare providers to re-claim their input taxes;

- a review fees homecare providers pay to the Care Quality Commission;

- making homecare providers exempt from business rates to create parity with care homes, which are not required to pay business rates.

**Risks of Market Instability**

As highlighted previously, approximately 80% of the UK's homecare sector comprises small businesses with fewer than 50 employees. Some large homecare companies operate as franchise models, which are also made up of small companies.

It is estimated that most small companies will run into solvency risks after 8 to 12 weeks if they have one month's savings on hand to cover costs. Those with smaller reserves may face insolvency sooner.

Multiple insolvencies, particularly happening simultaneously, would pose an immediate problem for citizens, care providers and local authorities during the COVID-19 emergency. Local authorities are responsible for safeguarding and sourcing alternative placements. In normal times, other providers have absorbed the capacity when companies have ceased trading. It is less likely they will be willing or able to do so in the middle of a pandemic, particularly if provider failure happens at scale.

In addition to putting up to 500,000 jobs at risk, multiple provider failure could also create longer-term structural risks to the care sector, as homecare capacity could substantially diminish.

In turn, this could result in more people having to be placed in care homes or ending up in hospital unnecessarily. This would have a negative impact on people and their families, add unnecessary pressure to the NHS and be more costly in the longer term.

**Question 4**

**How can the adult social care market be incentivised to compete on quality and/or innovation?**

Investment, as argued above, is key.

As previously highlighted, the adult social care sector contributed an estimated £46.2 billion in 2016.

Homecare has not been a major beneficiary of the Government's Furlough Scheme, but has kept people, even those suffering from COVID-19 safe in their own homes. Death rates in the homecare sector have been significantly lower than in other care settings demonstrating good adherence to infection control and prevention protocols.

Many providers have also invested in digital management systems to improve the effectiveness and quality of their services.

Delivering improved homecare services will require significant investment to speed up the implementation of digital technology to improve the efficiency and quality of homecare services, and to support people to live well and independently at home where technology could replace personal care.

A proportion of funding should be directed towards research and data collection, which will assist on developing new models of care, and provide evidence for which models of social care can provide the best outcomes for individuals and as part of a system of health and social care. For example, live-in care is an option for many people that is not widely funded by councils. However, live-in care can be a viable alternative to admission to a

care home while maintaining a person's independence in their home and community.

Investment is important not only in terms of a sustainable funding system but also in the training, development and career progression opportunities available to homecare staff.

As identified by the National Office, the funding of social care during the pandemic has been episodic and not conducive to sustainable planning decisions on the part of local authorities who fund the bulk of care purchased across the country.

Support from Government and Regulators in terms of access to and consistency of training, development and career progression opportunities so that social care workers have equality with NHS staff would also provide incentives, not only for homecare workers but also for NHS staff who may wish to move between the NHS and social care sectors.

Parliament needs to act upon recommendations made over the last three years and previously as well as the more recent recommendations by the National Audit Office.

In evidence given to the House of Commons Select Committee on 23 June 2020 UKHCA's Chief Executive, Dr Jane Townsen, made the following observations:

"…We need to focus on outcomes on a system-wide basis and not just reduce everything to cost and minutes. We must get away from time and task, and look at population level at outcomes and at individual level at

outcomes, and then do a sensible calculation of the costs and benefits of different models.

We do not even have a social care strategy, never mind a workforce strategy.

We have no idea whether we are heading for a more institutional approach. At the moment, that is what it would appear to be, because all the money is going into acute hospitals and care homes relative to homecare and other community support.

Citizens want to stay at home. They do not want to go into institutions. They want to stay in their community, surrounded by the people they love. We already support more than twice as many people at home as are supported in care homes, and about eight times more than in hospitals, but for 4% of the budget that is spent on the NHS. We need to stop looking at costs and start looking at value. We need to invest…"[23]

**<END>**

[23] House of Commons (2020): Health and Social Care Committee Oral evidence **Social care: funding and workforce**, HC 206 June 2020 https://committees.parliament.uk/oralevidence/552/pdf/