

# Sector Pulse Check

The impact of the changes to the social care sector in 2017

December 2017

Analysis by Cebr for Hft



## Foreword

A year has passed since Hft and Cebr published *It Doesn't Add Up: The Financial Crisis Crippling The Social Care Sector*. Our report, the first of its kind to focus primarily on learning disability providers, put into focus the financial pressures facing the social care sector from unfunded increases in the National Living Wage.

2017 was a tumultuous twelve months for social care. Despite the promise of change from a fresh government following the General Election, and the appointment of Jackie Doyle-Price as a new Social Care Minister (the third person in three years to hold the social care portfolio), many of the challenges facing the social care sector are still sadly all too familiar and still unaddressed. News headlines were dominated by the Sleep-Ins crisis, and the United Nations concluded that welfare cuts have resulted in “a human catastrophe” for those with disabilities in the UK.

Against such a backdrop, it feels more important than ever that, Cebr and Hft join forces again to produce our annual “Sector Pulse Check”. This report aims to provide policymakers and other stakeholders with an annual snapshot of the perceived financial health of the social care sector over the past year, with the intention of influencing long-lasting change.

The results of our 2017 survey are sobering. Providers continue to have little confidence in the future of the sector, with 89% of organisations believing that the current funding model is broken. With the number of organisations reporting to be running at a deficit more than trebling since our 2016 report, it is unsurprising that more than half the sector has already begun to curb investment, with 67% stating they will need to do so within the next three years. This is all at the same time where we are seeing significant growth in demand across the sector.

Ultimately, it is some of the most vulnerable adults in our society who will bear the burden of this chronic underinvestment. It is a credit to our peers in the sector that none of the respondents have felt they have reduced the quality of care they have provided. However, lack of investment in future services, and planned staff reductions will make maintaining these high standards much more challenging – we are indeed at what CQC has described as “full stretch”.

2018 will be a watershed moment, with the proposed Green Paper for Older People and the ‘parallel body of work’ for adult social care. Here the government has a unique opportunity to move the conversation away from simply funding. Together we must work towards developing a model which will allow good providers to invest in innovation and reward efficiencies by allowing councils and providers to share in the cost savings. It is our belief that this will be the best way to help deliver high-quality, person-centred support to some of the most vulnerable adults in our society now and for the future.

Thank you to all those who responded to our survey. We hope that these results will be the starting point for many fruitful conversations in the year ahead.

Robert Longley-Cook  
Chief Executive, Hft



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## Disclaimer

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## Authorship and acknowledgements

This report has been produced by Cebr, an independent economics and business research consultancy established in 1992. The views expressed herein are those of the authors only and are based upon independent research by them.

The report does not necessarily reflect the views of Hft.      London, December 2017

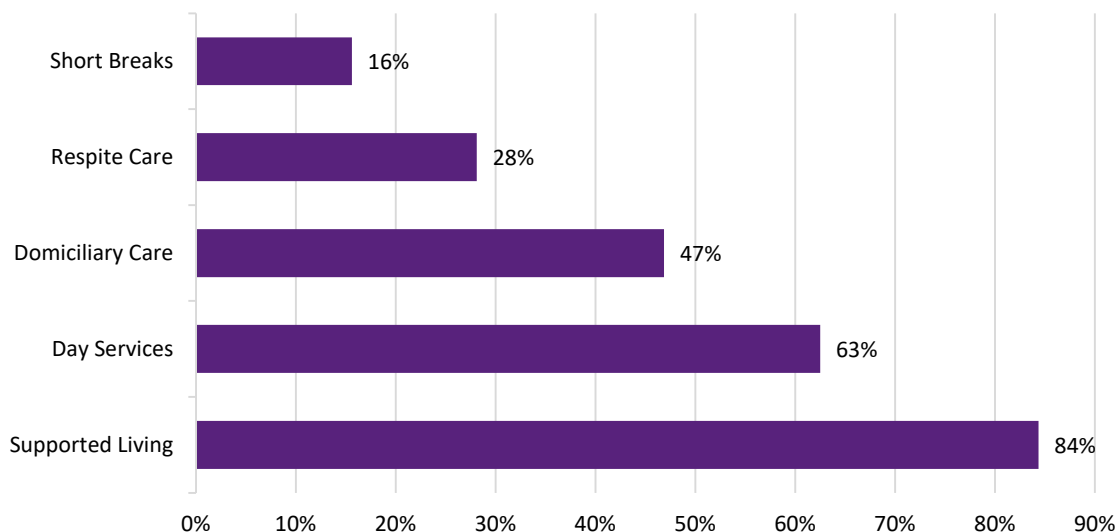
Hft would like to thank **Learning Disability Voices, LDEngland** and the **Voluntary Disability Organisations Group (VODG)** for their support in sharing our survey with their members and ensuring the sample questioned was as representative of the sector as possible.

# 1 Introduction

Following the 2016 “It Doesn’t Add Up” report by Hft and Cebr, a new survey was run in December 2017 to see if beliefs and attitudes towards cost pressures and workers’ pay in the care sector have changed over the past 12 months. Questions regarding the impact of Brexit have also been added to this year’s report.

Hft and Cebr conducted a survey of CEOs and senior managers within the care sector, and received 32 responses across various types of care providers. Figure 1 shows the range of care service providers that were surveyed, split by type of support.

**Figure 1: Which of the following types of care do you provide?**

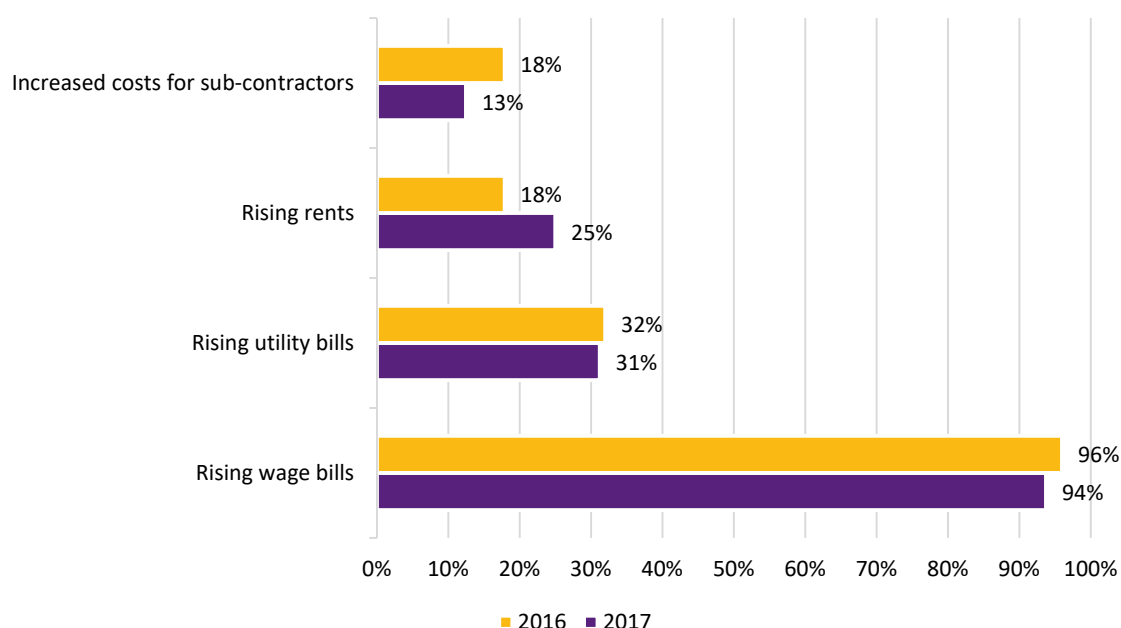


*Source: Hft survey, Cebr analysis*

In another question, the survey also asked about sector of care. Most respondents are in the learning disability care sector (94%), but 16% work in physical disability care and 9% work in elderly care (some respondents work in more than one sector of care).

## 2 Cost pressures

Figure 2: What would you say are the main cost pressures facing your organisation at present?



Source: Hft survey, Cebr analysis

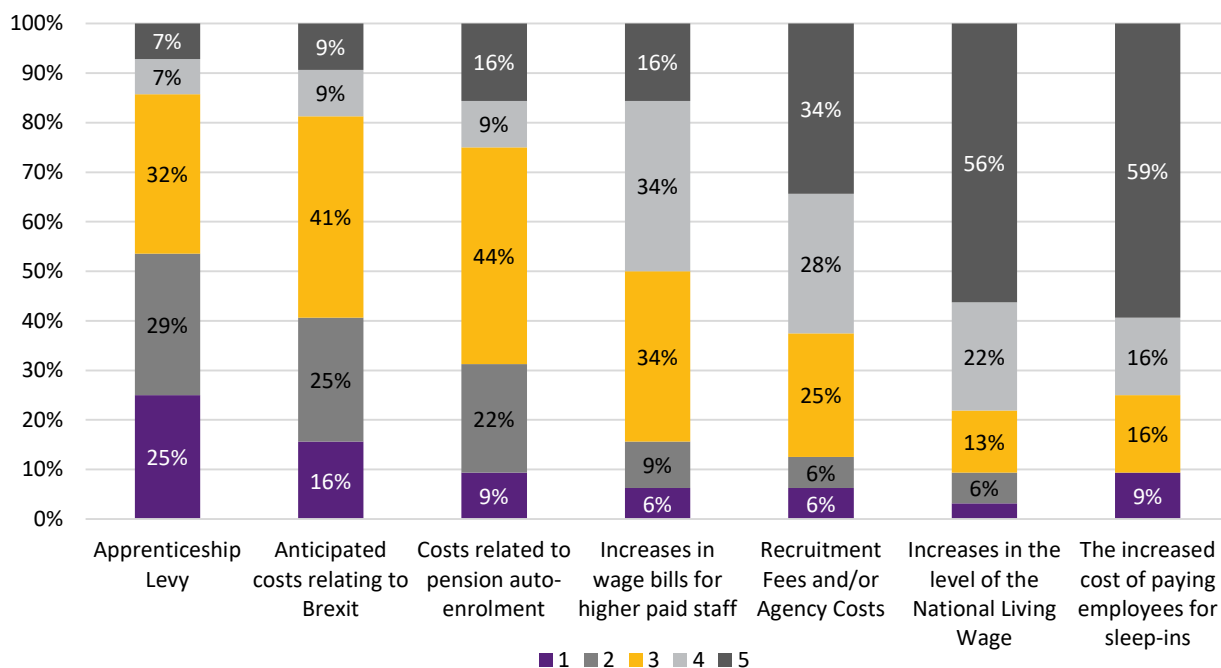
When asked about the main cost pressures facing respondents' organisations, rising wage bills was by far the most selected response at 94%. This is in line with the results from the 2016 survey, in which 96% of respondents selected rising wage bills. Average weekly earnings in the health and social work sector grew by 3% in the year to October 2017<sup>1</sup>, above the average rate of CPIH inflation. This places upward pressure on costs for care providers. Also, the changing laws regarding paying workers minimum wage to sleep at work but be on call (so-called sleep-ins) are increasing the costs of employing care workers by significant amounts.

Just under a third of respondents chose rising utility bills as a main cost pressure, similarly to the previous year. The proportion choosing rising rents as a main cost pressure increased by 7 percentage points compared to last year.

<sup>1</sup> Data source: Office for National Statistics

**Figure 3: Thinking about your organisation's wage bill, how would you rate the following cost pressures?**

1 = No impact on costs, 5 = A significant impact on costs



Source: Hft survey, Cebr analysis

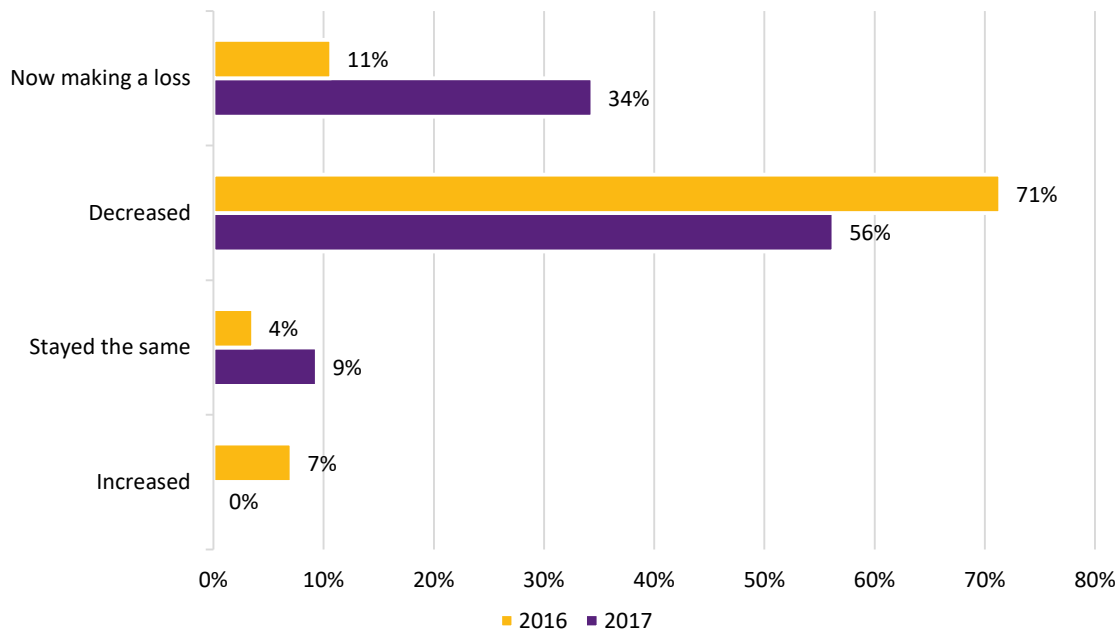
The cost pressure which respondents think has the most significant impact is the increased cost of paying employees for sleep-ins<sup>2</sup>, which 59% said would have a significant impact. In the 2016 survey, only 39% said that it would have a significant impact. This increase may reflect that workers in the care sector have a better understanding this year of the cost that the change of sleep-in pay brings.

56% of respondents said that increases in the National Living Wage have a significant impact on costs, compared to 50% who said the introduction of the National Living Wage had a significant impact in 2016.

At the other end of the scale, one quarter said that the apprenticeship levy has no impact on costs, and 16% said that Brexit has no impact on costs.

<sup>2</sup> <http://www.hempsons.co.uk/sleeping-shift-workers-now-entitled-minimum-wage/>

**Figure 4: Thinking about the “surplus” funding your organisation has left after costs, how has this changed over the past year?**

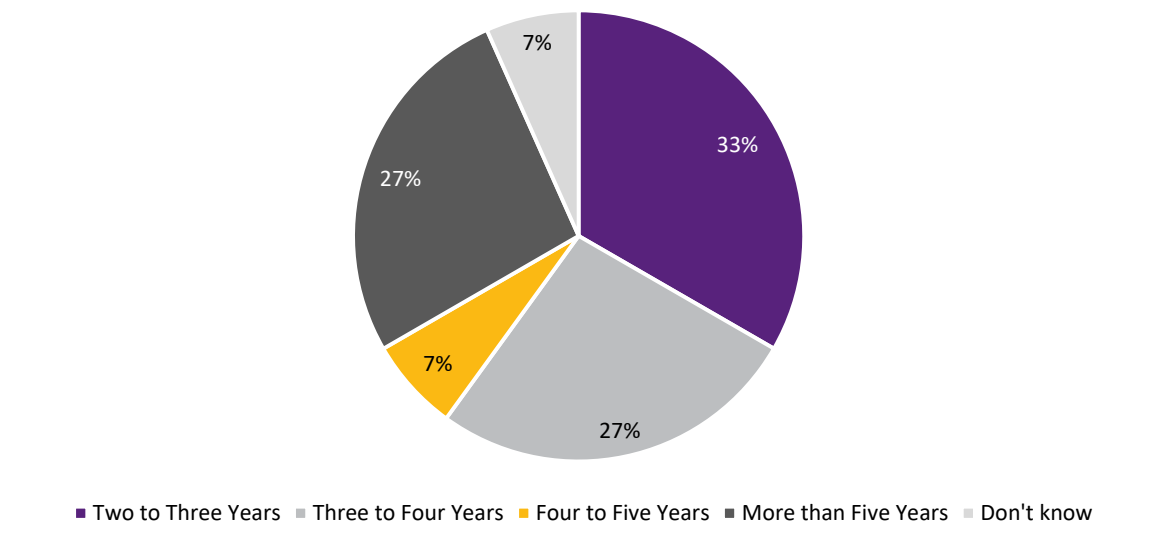


*Source: Hft survey, Cebr analysis*

In terms of any surplus which care organisations have left after paying all costs, responses were more negative this report, with no one saying there was an increase over the past year. In 2016, 7% saw an increase. 71% saw a decline in surplus in 2016. Consequently, in 2017 34% reported that they are now making a loss, which is much higher than the proportion last year (11%).

This negative change in surplus may be due to the changing economic conditions in the UK. 2017 saw high rates of inflation causing an increase in cost pressures, without an adequate rise in funding.

**Figure 5: As your surplus continues to decline, how long before you feel your organisation will begin to run a deficit?**



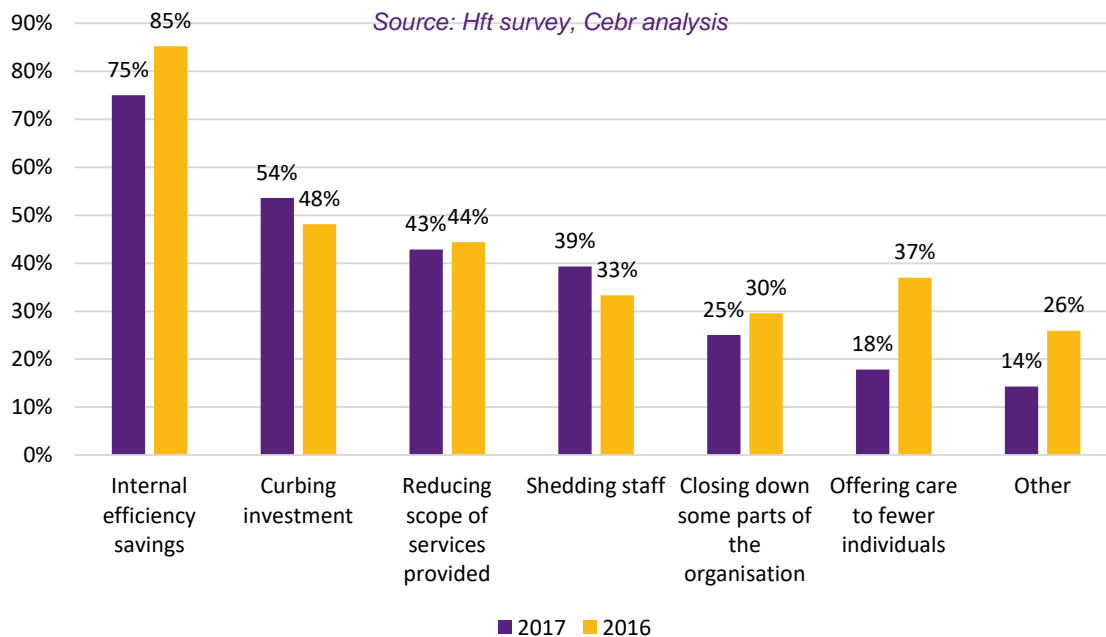
Source: Hft survey, Cebr analysis

Of those who aren't yet in deficit, no respondents said that they are likely to enter into a deficit in the next year. The highest share of answers said that they would begin to run a deficit in two to three years (33%), and 27% said that it was likely to occur in three to four years. In 2016, the highest share of answers were for the one to two year category; however, these organisations may have entered into a deficit by now.

### 3 Measures to deal with cost pressures

In order to deal with the cost pressures outlined in the previous section, organisations are likely to have introduced policies and measures that will enable them to avoid running a deficit.

**Figure 6: Has your organisation taken any of the following measures in the past year in order to deal with cost pressures?**



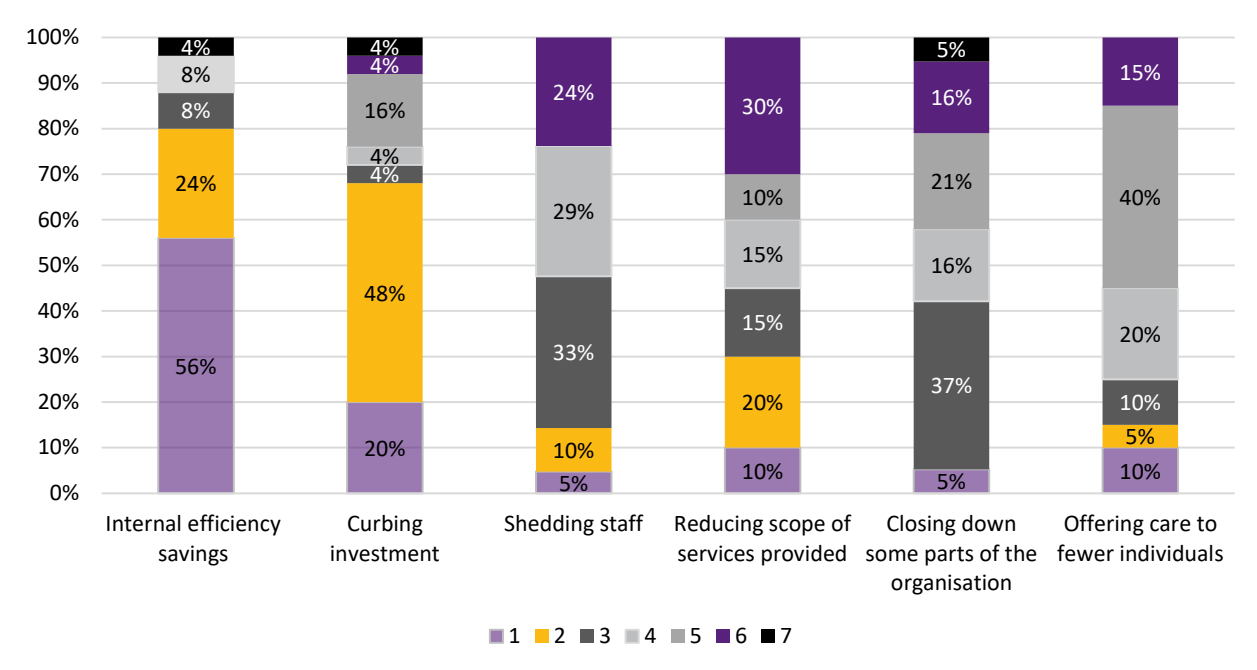
As with the survey for 2016, the most commonly selected cost reduction measure is internal efficiency savings, which include streamlining IT systems and restructuring departments. Over half of respondents to the 2017 survey said that their organisation had been curbing investment, a six percentage point increase from last year's results.

There has been a significant drop in the number of respondents who said that they are offering care to fewer individuals compared to last year. This may show that the alternative cost measures are working well enough to ensure that many care givers can maintain the numbers of individuals they care for.

Of the 39% of people who said that their organisation was shedding staff, 64% said it has only been by a small amount (0% to 5% of staff members). 18% of respondents thought it had been between a 10% and 20% reduction.

A large majority of individuals (80%) who selected that their organisation had been offering care to fewer individuals said that the reduction was only between 0% and 5%. This may suggest that so far, the reduction in care to those who need it has been small.

**Figure 7: Please rank the order in which you implemented, or will implement, the aforementioned cost-cutting measures if necessary**



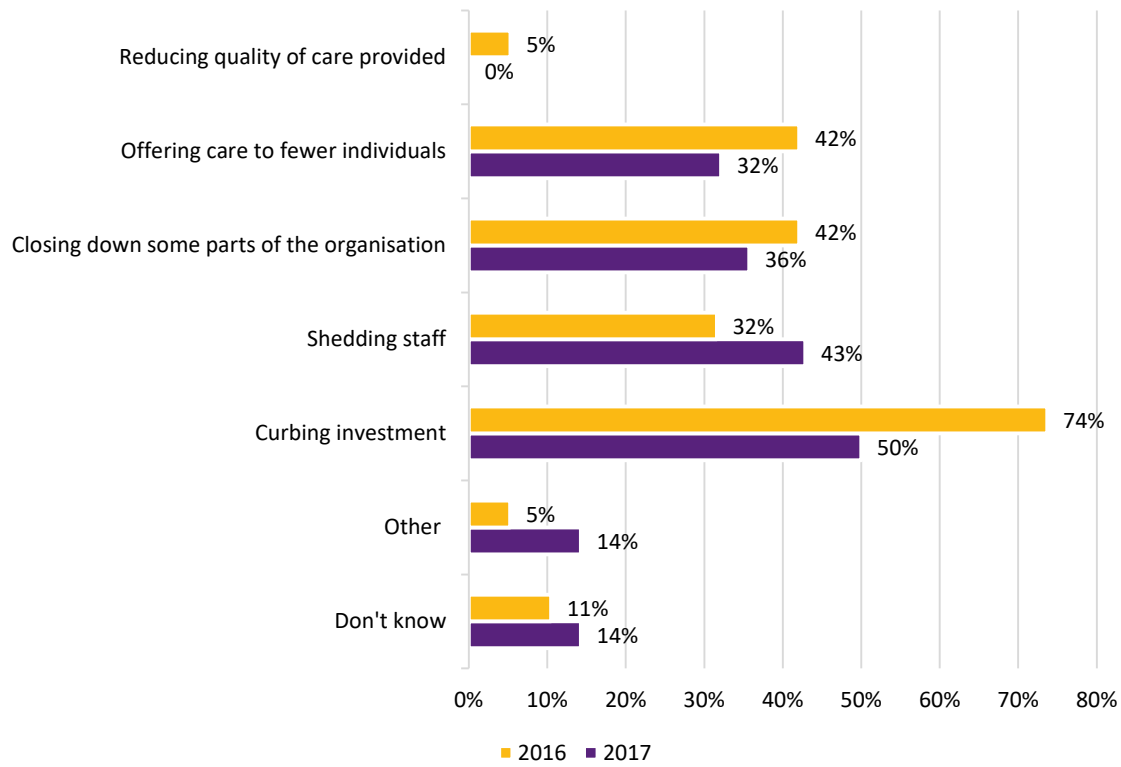
Source: Hft survey, Cebr analysis

When asked to order the cost saving measures by when they have been/will be implemented, internal efficiency measures was by far the most selected change to be implemented first. This is consistent with 2016's results, when 65% said internal efficiency savings would be used first. 48% said that investment would be reduced as a second measure in 2017. The measure in the chart which most selected to be used last was closing down some parts of the organisation.

Of the actions which care organisations are going to have to take in the near future (shown on Figure 8), the most selected option was curbing investment (50%). However, the proportion that chose this was significantly lower than for the 2016 survey (74%). This may be because many organisations have already introduced all the investment reducing measures that they can afford to make. More organisations said that they would have to reduce staff numbers in the near future than in 2016.

One piece of positive news is that no respondents said that they would reduce the quality of care provided, compared to 5% who gave this answer last year. This shows how the care sector prioritises the quality of care that they give.

**Figure 8: Does your organisation envisage having to take any of the following actions in the near future?**

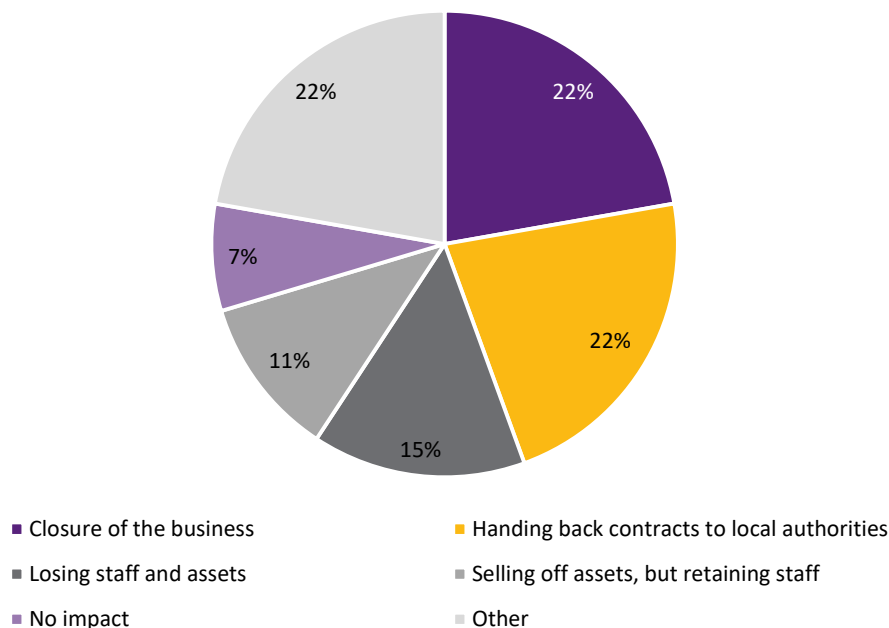


Source: Hft survey, Cebr analysis

## 4 Recruiting workers and workers' pay

“Sleep-in” shifts refer to when a carer spends the night at the place of work. The legal position on whether care workers have to be paid during sleep-ins has changed, meaning that they now have to be paid minimum wage. Social care providers have until 2019 to identify how much they owe workers who were employed as sleep-in carers but not paid the minimum wage for a back-history of up to six years.

**Figure 9: If you had to pay the full amount owed for sleep-ins, what would have been the impact on your organisation?**



*Source: Hft survey, Cebr analysis*

When asked what the impact would be if organisations had to pay the full amount owed for sleep-ins, over one in five (22%) said that their business would have to close. 22% said that they would have to hand back contracts to local authorities.

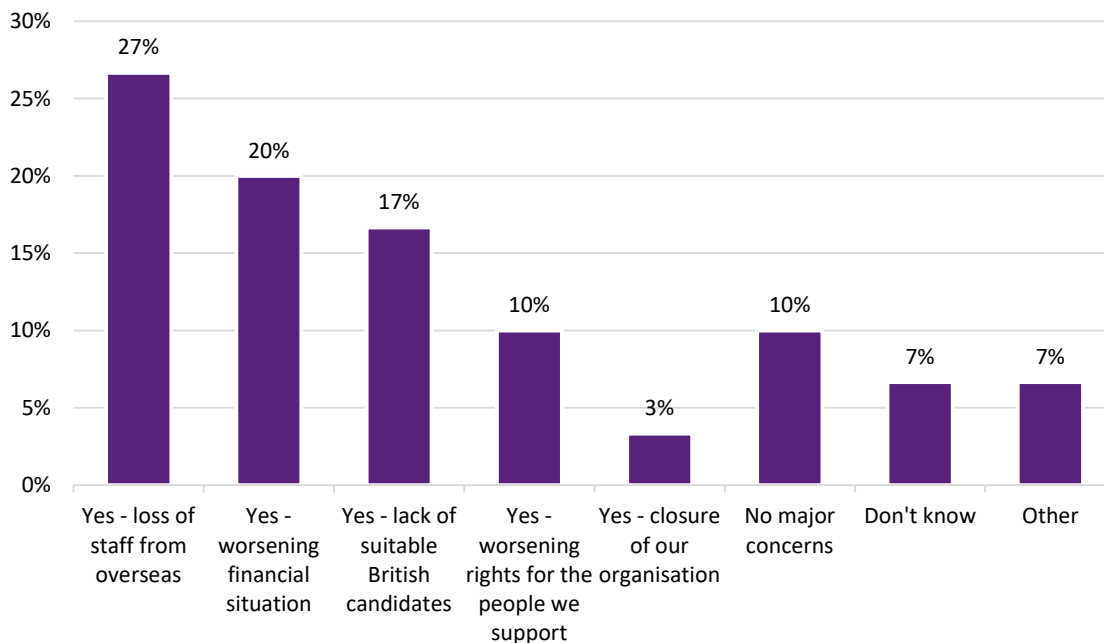
When presented with the question: “Do you think the government’s proposed resolution to the sleep-in issue will bring financial stability to the sector?”, 82% of survey respondents replied “no”, reflecting the significant negative consequences of the change in sleep-ins law. The government has claimed that the new system will help ensure workers are paid what they are owed, while also maintaining important services for people who access social care.

Regarding problems with recruiting workers, nearly all (93%) said that their organisation has experienced increased difficulties in recruiting and/or retaining staff over the past two years. This is in line with the results of the 2016 survey. Also, 79% said that in the past 12 months, they have had to rely on agency staff to cover frontline services more than in previous years, which is a notable increase from the 45% last year who said that they are using agency staff more.

## 5 Brexit

Since many workers in the care sector are non-UK nationals, Brexit could have a significant impact on the numbers of workers available to care organisations. 46% of organisations said that they have between 10%-60% non-UK nationals as workers.

**Figure 10: Are you concerned over the impact of Brexit on the sector? If so, please specify your main concern.**

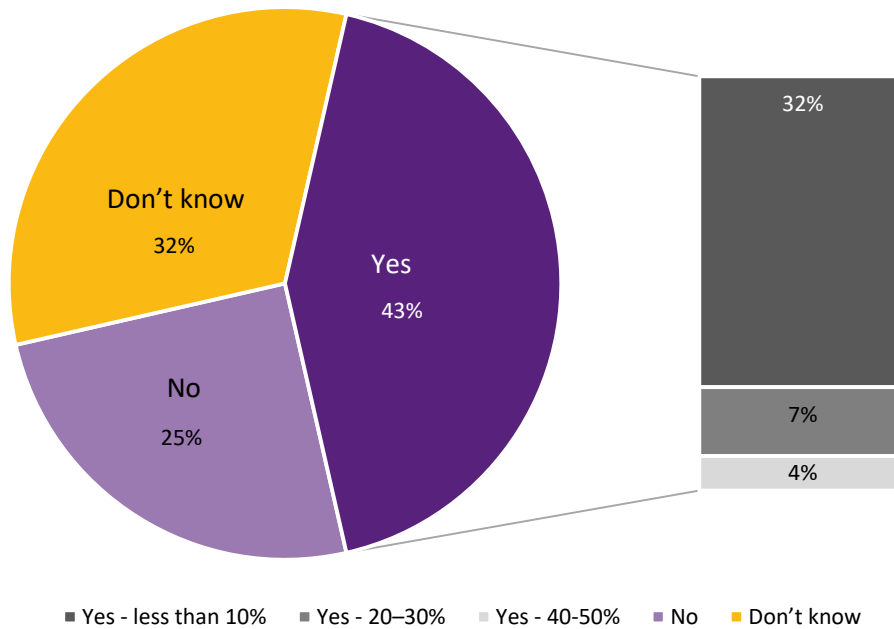


*Source: Hft survey, Cebr analysis*

Overall, 77% of respondents said that they are concerned about the impact of Brexit on the care sector, with most saying that it is the loss of staff from overseas that is their main concern. Only 10% said that they have no major concerns.

However, despite having these concerns, many people (43%) said that their organisation has not researched the potential impact of Brexit on future financial stability in the care sector. 54% said that they have researched this subject, but the work is in progress for most (93% of those who have/are researching).

**Figure 11: Do you anticipate losing part of your workforce as a result of Brexit? If yes, please specify the share.**



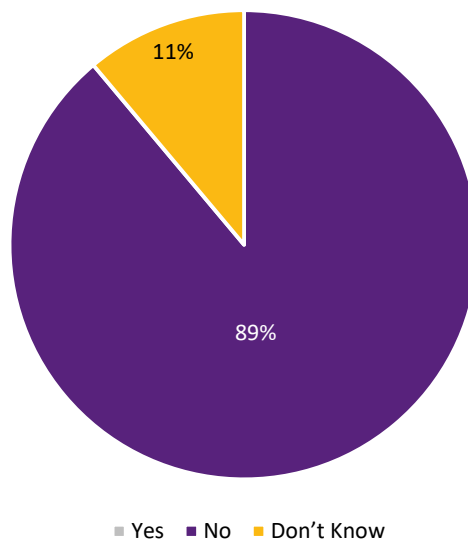
*Source: Hft survey, Cebr analysis*

When asked if organisations anticipate losing workers as a result of Brexit, more (43%) said yes than no (25%). Of those which thought that they will lose workers, the most selected proportion of workers that they will lose is less than 10%. Respondents were also asked how much it will cost to replace the staff they lose as a result of Brexit. The average response was £137,000, and two thirds of responses were between £0 and £200,000.

## 6 Further issues

When asked if the current model for commissioning care is fit for purpose, no respondent agreed with the statement. This reflects some disorganisation in the industry, which is likely to be caused by lack of funding and revenue.

**Figure 12: Is the current model for commissioning care packages fit for purpose?**



*Source: Hft survey, Cebr analysis*

In the general comments section, 38% of respondents expanded on their responses to the survey. Many explained that they feel government and local authorities lack understanding of the issues in the sector, with one respondent exclaiming that there is “No more margin to squeeze - why can't [the] government understand?” Another said “the underfunding of social care is a national crisis which requires a national solution. The government must act now to provide stability for providers and continuity of care for some of the most vulnerable adults in society”.



## 7 Conclusions

This survey has found that rising wage bills and higher recruitment fees have significantly increased the costs to organisations in the care sector. The increase in wage bills has been mainly driven by the recent change in law meaning that sleep-in workers must be paid the minimum wage. The fallout resulting from this change is likely to lead to organisations cutting the number of staff members, reducing investment and maybe even closure of the business. Organisations in the care sector are also concerned for the changes caused by Brexit. In particular, many anticipate that they could lose non-UK national workers after the UK leaves the EU.

The results of this survey highlight that there are many problems that the care sector will have to face in the coming years. If the government doesn't respond to the rising costs in this sector, then crucial care for many individuals in need could be taken away.

## ***Are there any general comments you would like to make about the funding position and the cost pressures of your organisation?***

If people want good services for society's most vulnerable then the public and the government need to pay for it

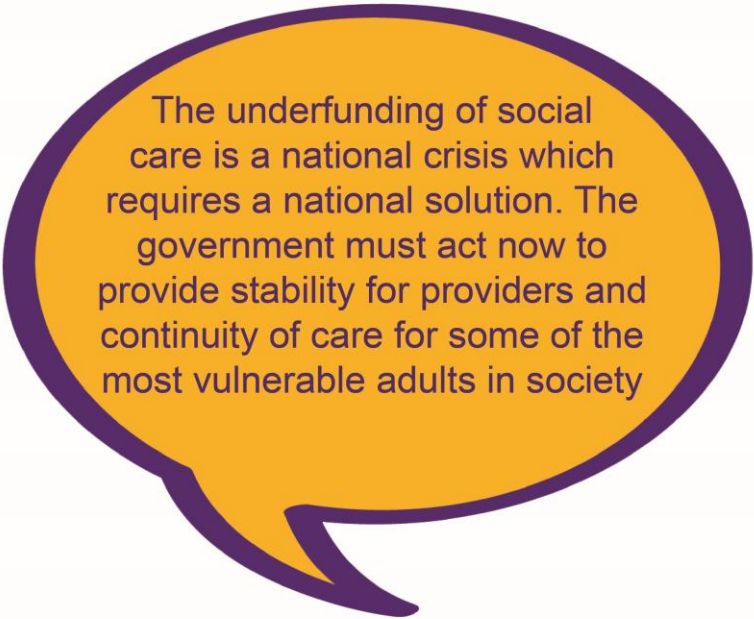
“ Local authorities still (in many places) view providers in a cynical and distrustful way. This is very clear when discussing hourly rates and the sleep-in issue. Local authorities are experiencing their own perfect storm and do not want to engage when providers need to discuss costs. Providers sometimes feel like they have to overly justify the request for extra resources ”

No more margin to squeeze - why can't the government understand?

“ LA/CCG's use NLW as the base point for fee calculations. They need to realise that in most areas to be competitive the base rate is £8+. When calculating sustainable fee levels in an area, that local economic indicator **MUST** be taken into account. If they do not, they may find themselves challenged legally under the requirements of the Care Act 2014. If a provider is faced with challenging or folding, that is what will happen ”

“ Impact of sleep-ins, impact of pressure to reduce costs by commissioners, Commissioners are now actively reducing hourly rate paid for support to uplift their costs for sleep-ins, inability to plan ahead whilst sleep-in liability remains. Major concern if funding for sleep-in liability is given to commissioners - that they will not hand total funds back to providers (much better to come direct from HMRC) commissioners should not have that control over providers (historical liabilities) - also significant delays in receiving monies owed from commissioners is having major impact on cash flows ”

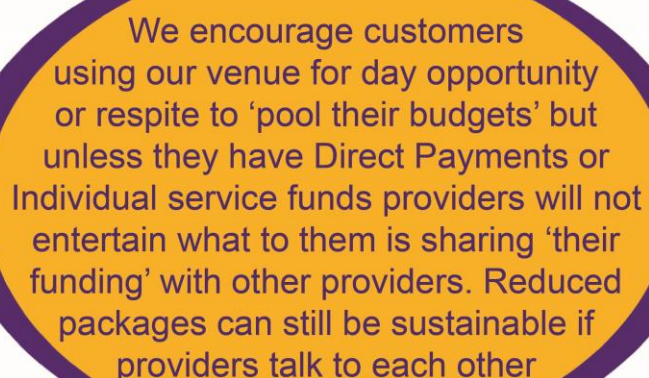
The government green paper will come too late for many. This needs fixing now




The underfunding of social care is a national crisis which requires a national solution. The government must act now to provide stability for providers and continuity of care for some of the most vulnerable adults in society

“ We operate on narrow margins. Some of our commissioners respect this and appreciate the benefits, others are obsessed with reducing the price to the extent that they add to our costs failing to recognise the mutual benefit of co-operation ”

“ The rise in the NMW and the knock on effect on the whole pay structure and the sleep-in situation is not tenable unless extra funding is made available. The impact of the sleep-in decision is not just the cost, it also means that we will need to recruit more staff in an already difficult recruitment market and absorb the additional on-costs that come with additional staff ”



We encourage customers using our venue for day opportunity or respite to 'pool their budgets' but unless they have Direct Payments or Individual service funds providers will not entertain what to them is sharing 'their funding' with other providers. Reduced packages can still be sustainable if providers talk to each other



This has gone on long enough

“ Local Authorities do not recognise the challenges being placed on providers by ET decisions on holiday pay, sleep-in pay and NLW. Some have not increased fees in years and expect you to continue to do the same work and maintain quality for less. The apprentice levy is simply a tax and the cost of regulation is increasingly unfair for what is provided in return ”

# Who are Hft?

Hft is a charity that helps adults with learning disabilities to live the best life possible.

Our person-centred services support over 2,500 people across England to live with more choice, more independence and with greater access to their local community.

Our services range from residential care and day opportunities to supported living/domiciliary care at home – from a few hours a week to 24 hours a day. We provide support that means people with learning disabilities can experience life to the full – from enjoyment, satisfaction and improved health to finding meaningful relationships or paid employment. Our commitment goes beyond being just a high quality support provider.



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