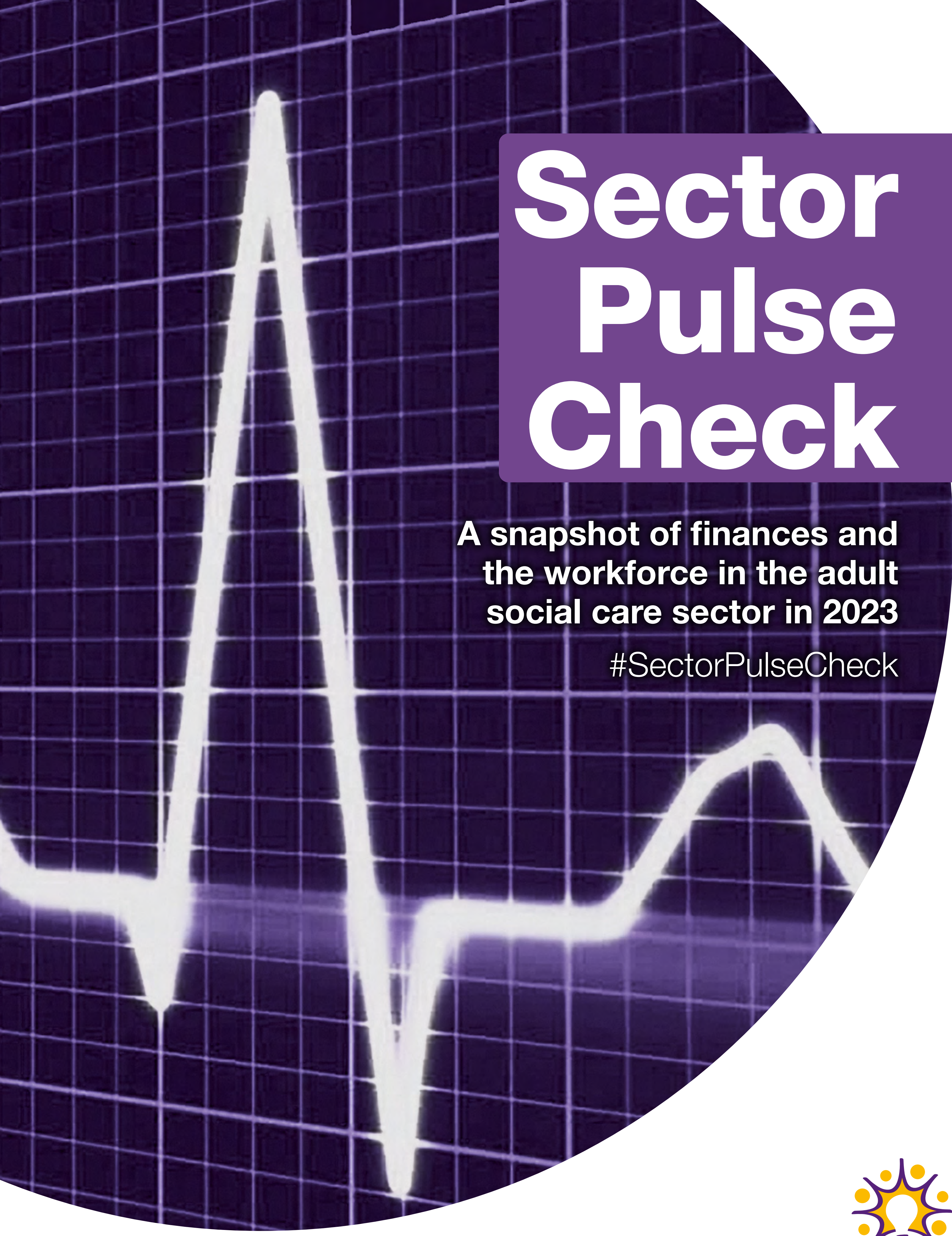

Sector Pulse Check

A snapshot of finances and the workforce in the adult social care sector in 2023

#SectorPulseCheck

Hft and Care England
Analysis by CEBR
January 2024

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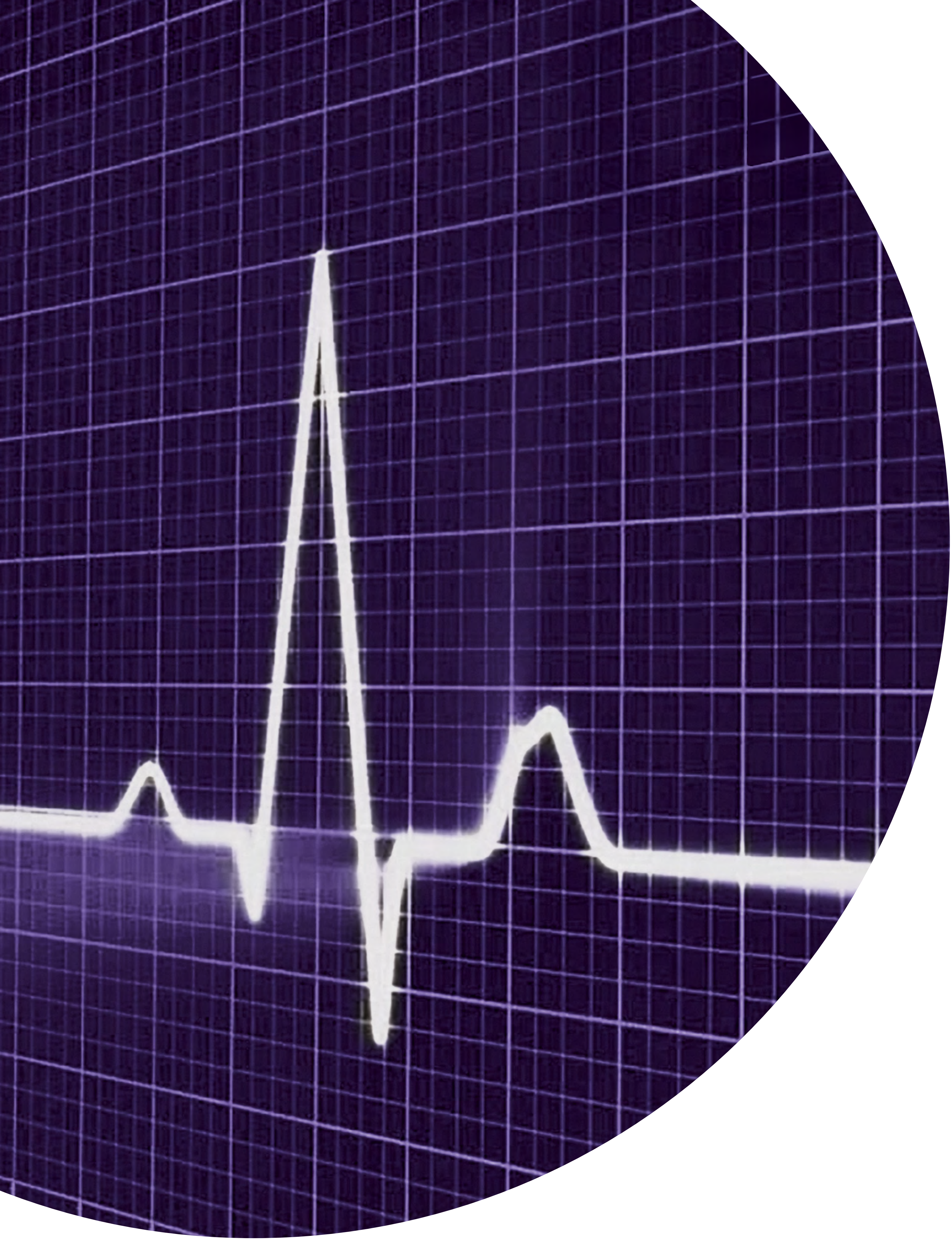

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Foreword

Hft and Care England have once again partnered to deliver the 2023 Sector Pulse Check report, providing a snapshot of the financial and workforce challenges in adult social care from the perspective of care providers. We want to extend our thanks to all those who took the time to participate in our survey, providing invaluable data to support our calls for change.

It is difficult to offer words of hope and motivation when the past 12 months have seen the adult social care sector engulfed in a sustained state of crisis. Despite moving away from the immediate challenges posed by the COVID-19 pandemic, there has been little respite from the fundamental financial and workforce pressures that have faced our sector for many years.

As in previous years, the majority (71%) of care providers surveyed for this year's report were in deficit or experienced a decrease in their surplus in 2023. It is abundantly clear that challenges associated with the cost of living are still considerably impacting the sector, with providers seeing utility bill increases of up to 350%.

While, in a positive turn of events, vacancies and turnover across the sector have fallen slightly – mostly thanks to rising international recruitment – this picture must be studied carefully to highlight its nuances and the persistent domestic workforce challenges across our sector. Our research finds that for many providers the option to recruit staff internationally simply doesn't apply and recruiting via this route may become increasingly difficult in light of changes to immigration rules announced in December 2023. In any case, the vacancy rates across adult social care remain sky-high, serving to increase financial pressure on care providers, with real consequences for the people we support. Providers are forced to pay for agency staff or to try and maintain a competitive pay differential to increase recruitment, even where, as in 79% of cases, local authority fees did not cover the rising cost the National Living Wage (NLW).

At its best, adult social care empowers people to live the life they choose by accessing the right support. Yet as providers tell us, our sector is operating far from its best and indeed, those who we support will ultimately feel the impact. It is distressing to note that due to financial pressures, almost a fifth of providers offered care to fewer individuals, while two in five providers considered taking steps to shut up shop altogether.

It must be acknowledged that the Government has made a significant number of interventions to support our sector, including a record £7.5bn investment announced at the 2022 Autumn Statement. This should have been seen and felt on the frontline over the year yet results from this year's survey suggest otherwise. 84% of adult social care providers told us that additional central government funding interventions over the past year – such as the International Recruitment Fund and Market Sustainability and Improvement Fund - have had no impact on the sustainability of their organisation.

Mechanisms to deliver government grants are not fit for purpose and are failing to reach, and make a difference for, the organisations who need it most. As many others from across adult social care have called for, root and branch reform is needed, with greater consideration lent to how funding is administered through local authorities and the transparency of that process. With a general election on the horizon and major parties beginning to set out their visions for the sector, we see an opportunity for wholesale change, and this year, we have incorporated long-term and ambitious calls to action as set out in our recommendations.

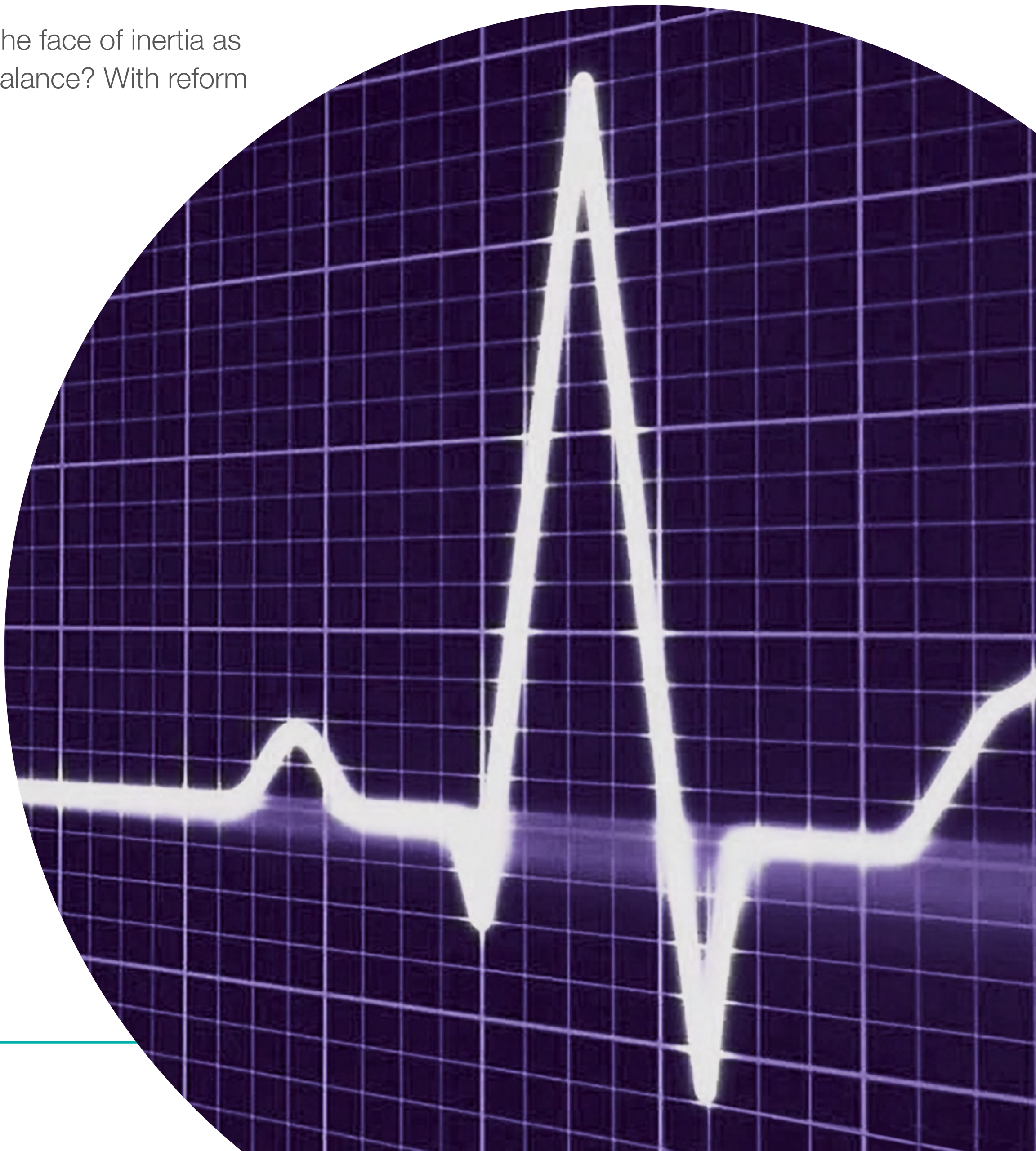
There is undoubtedly a great deal of goodwill and desire to see the challenges facing the sector addressed. As such, we call on the Government, both current and future, to invest the necessary resources and political capital to fundamentally reimagine how the money in the adult social care system can deliver its desired effect. And yet, there is a sense that providers have little faith in the actions of the Government.

What then can we do in the face of inertia as our sector hangs in the balance? With reform a distant hope, we must look at what can be changed within the structures and funding pots we have been given. Therefore, this year, you will also find recommendations which set out more immediate, practicable changes. These are not all aimed at government, and we hope they can be leveraged by providers as ways of working are agreed, contracts negotiated, and new approaches developed to help lessen the challenges we face.

Steve Veevers,
CEO, Hft

and

Professor Martin Green OBE,
Chief Executive, Care England



Executive Summary

Hft and Care England have once again partnered to deliver the 2023 Sector Pulse Check report. This annual publication provides a snapshot of the financial health and workforce challenges of the adult social care sector.

The findings reflect a national survey completed by adult social care providers and illustrate the most pertinent issues facing the sector as described by those who live it on a daily basis and understand it best.

Financial challenges in adult social care

Despite significant grant funding over the last year, the adult social care sector remains in financial crisis, with two in five of providers reporting a deficit in 2023, as was the case in 2022. This report reveals that the Government's 'record investment' is simply not reaching providers, with 84% stating that financial initiatives from government – such as the Market Sustainability and Improvement Fund and International Recruitment Fund - made no difference to their financial sustainability.

2 in 5 (40%) providers reported a deficit in 2023

84% of adult social care providers told us that government funding initiatives implemented over the past year have had no impact upon their financial sustainability

The most significant **cost pressure** for providers continues to be the workforce, highlighted by **81%**

Annual increases in the National Living Wage are the most significant workforce-related cost, with **79% of providers** reporting that local authority fee increases did **not cover the impact** of this in 2023

For the **3rd year running, utility bills** were a demanding **cost pressure** for adult social care providers

On average, providers saw **energy costs rise by 72% but...** some saw increases **of up to 350%**

Concerningly, as a result of cost pressures, adult social care providers took the following actions:

43% closed a part of their organisation or handed back contracts

19% made staff redundancies

18% offered care to fewer people

39% considered exiting the market altogether

Workforce challenges in adult social care

For many years there have been warnings of an ever-intensifying crisis in the adult social care workforce, characterised by high vacancy and turnover rates. While there has been a slight improvement in headline figures – notably a 7% decrease in vacancies[1] – this fails to tell the full story of a complicated workforce situation or rectify the stark reality that 152,000 posts in social care remain unfilled, with serious implications for financial viability and care delivered.

Providers told us that the key barriers to recruitment and retention were:

- **Staff pay,** cited by **86%** of providers
- **Poor perceptions of a career in adult social care,** cited by **63%** of providers

As a result of high vacancy rates, providers took the following actions:

- **Where possible, they offered staff incentives including increased pay and offering flexible hours**
- **Over half (54%) increased agency use**
- **44% turned down new admissions**
- **18% had to close services**

Since care worker roles were added to the Shortage Occupation list in February 2022, international recruitment has played an ever-greater role in adult social care. The number of people starting direct care-providing roles from overseas increased from 20,000 in 2021/22 to 70,000 in 2022/23 – a 250% increase.[2] Exploring the nature of the international recruitment picture and how this interacts with domestic recruitment is a key line of inquiry in this year's Sector Pulse Check research.

Our survey results corroborate that international recruitment has indeed increased dramatically over the past year, with 57% of organisations reporting an increase in applications. However, this increase has not been spread evenly across all types of organisations.

Among providers for adults with learning disabilities and/or autism:

35% said international recruitment was 'not applicable' to their organisation

More reported an increase in domestic applications **(53%)** than international **(49%)**

Large care providers:

Experienced the greatest increase in international recruitment, with **70%** reporting increased applications

Remained stable in domestic recruitment, with just **10%** reporting decreased domestic applications

Among older persons' care providers:

65% saw international applications go up

50% reported a decrease in domestic applications

Among small care providers:

53% saw an increase in international applications

49% saw a decrease in domestic applications

[1] Skills for Care, *The state of the adult social care sector and workforce in England,* October 2023 (accessible here)

[2] Ibid.

Recommendations

At its best, adult social care is simply, but brilliantly, about providing the framework needed by people to confidently and safely live the life they choose. Yet, the issues highlighted in this report illustrate that root and branch reform is desperately needed if the sector is to be able to consistently deliver this support.

While a challenging political and economic climate mean that this will not happen overnight, standing still, or indeed going backwards in some areas, is not an option for care providers, those who work in social care, or for those we support.

Taking the structures and financial envelope currently available, there are a host of practical actions that the Government, commissioners and other stakeholders across our sector can take to relieve some of the challenges outlined in this report.

1

Reforming VAT represents a straightforward way to alleviate the cost pressures facing adult social care providers by directing much-needed resources straight to those delivering care.

- **We recommend** that the Government mandates that local authorities facilitate VAT restructuring.
- **We recommend** that the Government expand the NHS 55% agency cap to adult social care agency staff, or alternatively to permit the routes for adult social care providers to access staff through the NHS arrangements to secure individuals at the capped rate.
- **We recommend** that the Government remove the 5% VAT surcharge on energy bills for adult social care providers.

2

The current commissioning landscape for adult social care is messy and complicated. The inconsistent use and application of funding structures, such as the Fair Cost of Care Exercise, as highlighted in this report, is symptomatic of this.

We therefore recommend the establishment of national commissioning standards as committed to in 'Next Steps to Put People at the Heart of Care.' These standards should:

- Build upon the National Framework for the Commissioning of Care and Support in Wales to create commissioning standards in England, delivered in the form of statutory guidance.
- Encompass consistent utilisation, and allocation, of funding and funding mechanisms (such as the Fair Cost of Care Exercise) across the entire health and social care sector to enable long-term market shaping and strategic planning. Whilst we appreciate the funding allocations that local

authorities receive are contingent upon central government action, within the current system, care providers cannot plan, design or deliver solutions that are appropriate to local or business challenges.

- Provide guidance to ensure that commissioning decisions take into account providers' ability to demonstrate a genuine commitment to delivering social impact and listen to the voices and ambitions of people who draw on social care in their delivery and decisions.

3

Over recent months international recruitment has been lauded as a 'silver bullet' for adult social care, but despite this, our research reveals there are a series of barriers limiting the viability of international recruitment as a recruitment method for certain organisations, and we envisage this will become even more difficult in light of new immigration rules announced in December 2023.

We recommend that, in order to make international recruitment more accessible to a greater swathe of providers, the Government:

- Decreases VISA fees.
- Improves access to certificates of sponsorship for organisations with a proven record of successful, ethical recruitment from abroad.
- Improves the support available to providers to help guide them through the complicated and bureaucratic international recruitment process, including by improving the help desk and online portal.
- Establishes a 'best practice guide' to protect providers and prospective workers.

4

At present, the representation of adult social care on Integrated Care Boards (ICBs) is inconsistent and fails to accurately represent the needs and opinions of care providers or those who draw upon care.

- **We recommend** that the Government introduce a statutory duty for adult social care providers to be directly represented on ICBs. In the meantime, each ICB should appoint a named point of contact for care providers so that there is a clear channel to feed into decision making.
- **We recommend** that under the new CQC inspection framework, the CQC should have enhanced powers to assess whether Integrated Care Systems (ICSs) are adequately meeting the needs of adult social care providers by examining representation on ICBs.

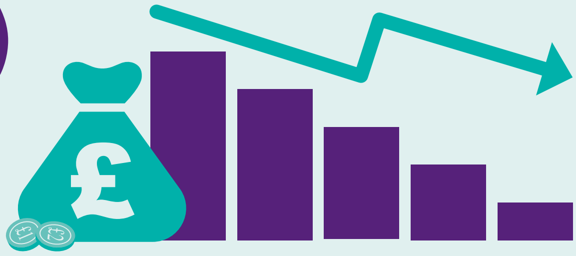
Financial challenges in adult social care

Overall financial position

Over the past year, the adult social care sector has been the subject of significant financial investment. The Government speaks of "record funding for social care" in reference to the £7.5bn announced at the 2022 Autumn Statement,[3] while local authorities have seen an increase in core spending power of up to £5.1bn or 9.4%.[4]

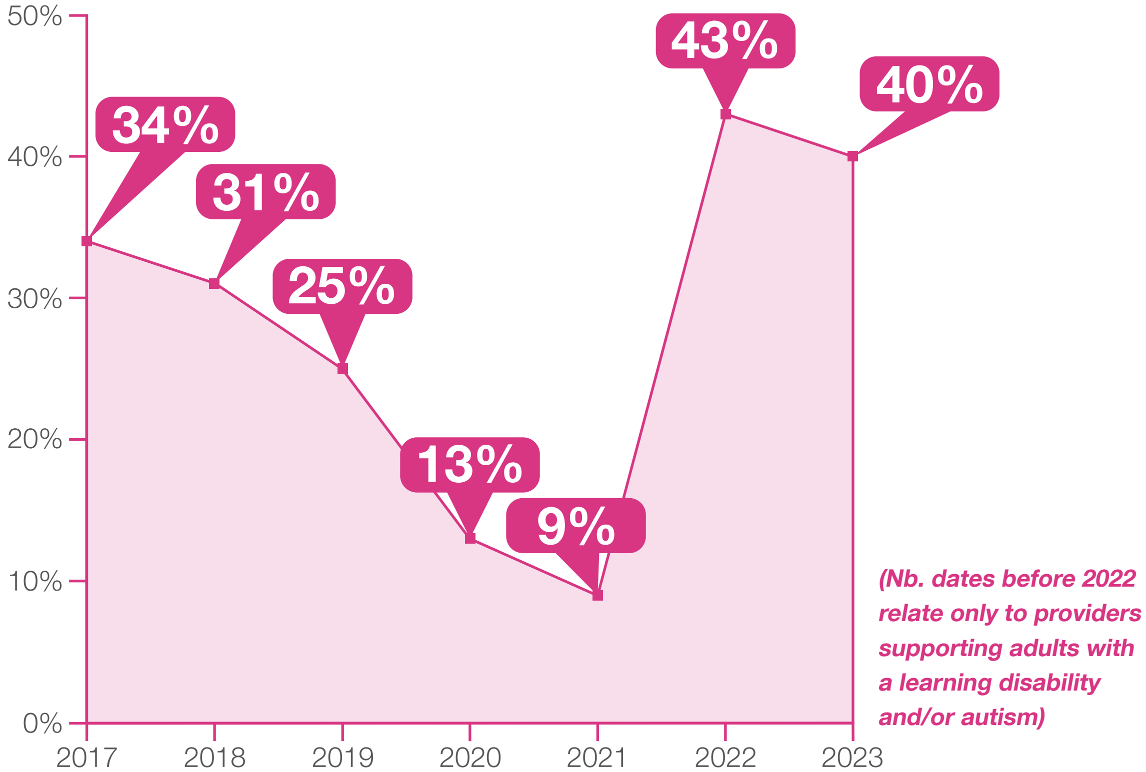
Despite this, our research reveals that this has made little difference to the financial stability of adult social care providers. As Figure 1 illustrates, in 2023 two in five (40%) adult social care providers reported a deficit. This has largely remained the same over the past year (43% in 2022) and represents a significant and sustained increase in comparison to 2021, when only 9% of participating providers reported being in deficit.

In 2023, 2 in 5 (40%) of adult social care providers were in deficit



The research reveals that among charitable providers, the situation was even worse, with over half (53%) reporting a deficit in comparison to for-profit providers (31%) in 2023. While a smaller percentage of for-profit providers reported a deficit, it is worth noting that they have less flexibility in managing this situation due to insolvency laws.

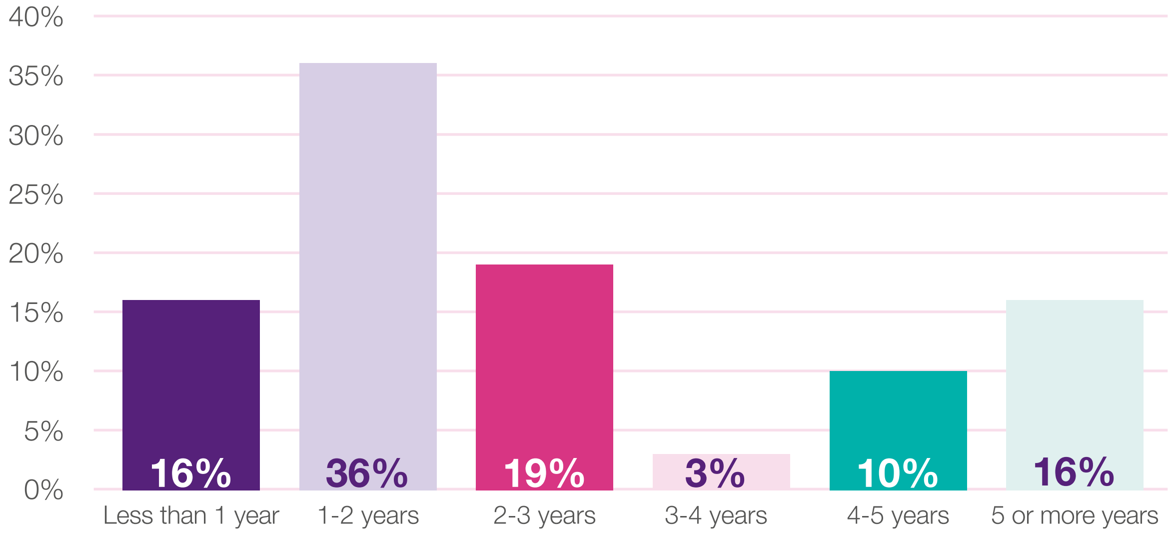
Figure 1: Percentage of providers who reported being in deficit between 2017 - 2023
(Source: Hft and Care England Survey, Cebr analysis)



[3] UK Parliament, *Adult Social Care: Funding – Contribution by the Minister for Social Care,* April 2023 (accessible here)
[4] UK Parliament, *House of Commons Library: Local Government Finance Settlement 2023/24,* February 2023 (accessible here)

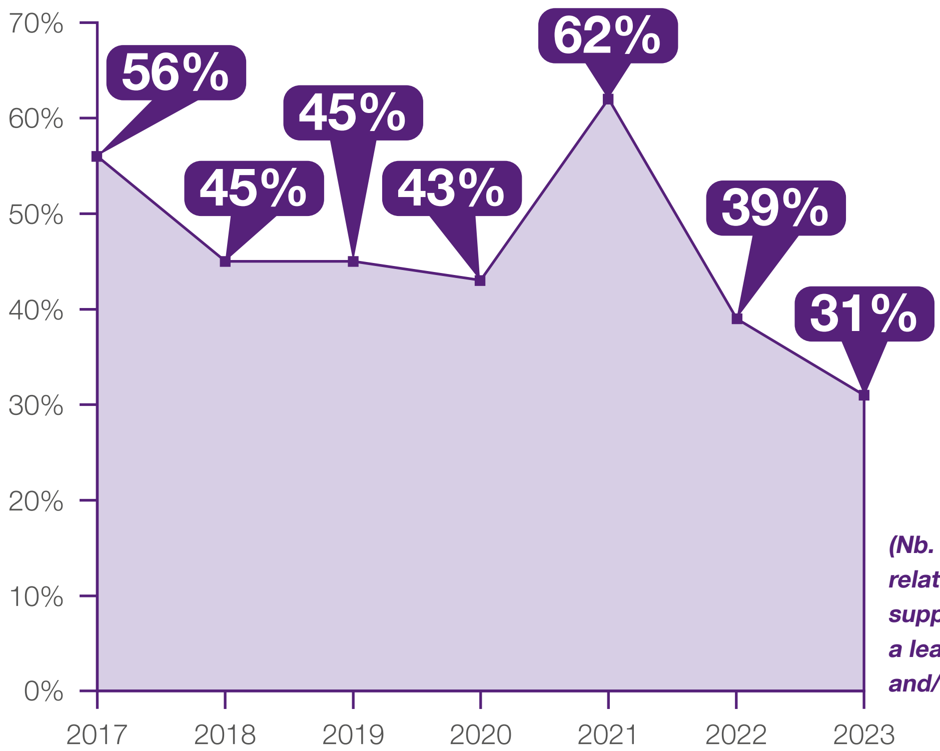
The proportion of providers in deficit across the adult social care sector may increase even further without government intervention and an improving socio-economic landscape, as over half (52%) of providers who reported a decrease in their surplus in 2023 expect to be operating at a deficit within two years, as outlined in Figure 2.

Figure 2 Expected number of years before beginning to run at a deficit for organisations experiencing a decline in their surplus *(Source: Hft and Care England Survey, Cebr analysis)*



As reported in Figure 3, it is notable that over the past year, there has been an 8% decrease in the total percentage of providers who reported a reduction in their surplus suggesting some easing of financial pressures (from 39% in 2022 to 31% in 2023). However, taken with those providers reporting a deficit, these results paint a picture of overwhelming financial instability, with a total of 71% of providers reporting either a deficit or decreasing surpluses in 2023.

Figure 3: Percentage of providers who reported a decline in their surplus between 2017-2023
(Source: Hft and Care England Survey, Cebr analysis)

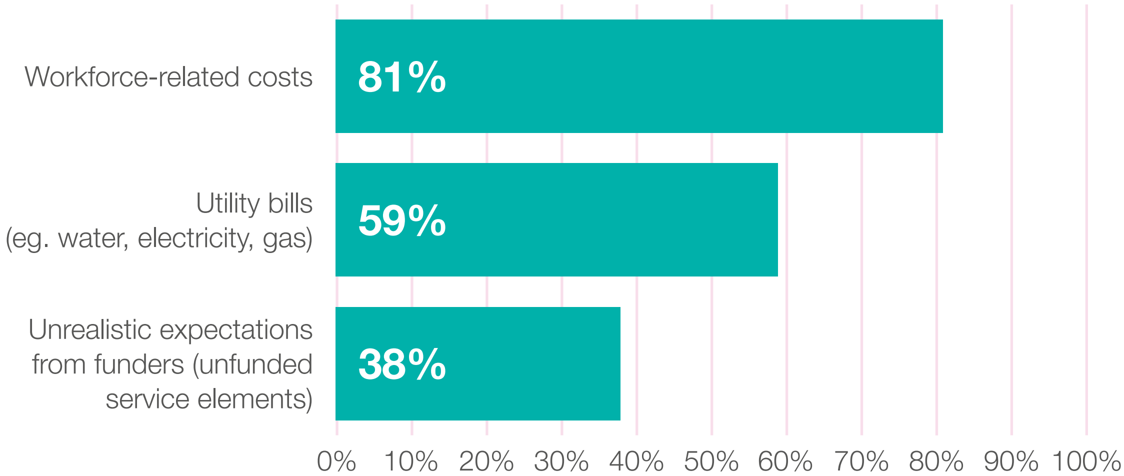


(Nb. dates before 2022 relate only to providers supporting adults with a learning disability and/or autism)

Key cost pressures

Looking further into the causes of financial instability, providers were asked about the most challenging commercial cost pressures facing their organisation in 2023, outlined in Figure 4.

Figure 4: Key cost pressures faced by providers in 2023 *(Source: Hft and Care England Survey, Cebr analysis)*



The proportion of providers who reported workforce related costs as a key cost pressure has dropped over the past year - from 92% to 81% - but overwhelmingly, it is still the most significant cost, consistent with trends over preceding years. This slight drop is worth exploring further and may reflect the success that some providers have had in recruiting staff from overseas, lessening the need for costly agency staff.

Utility bills saw the second largest share, cited by 59% of respondents across the adult social care sector as one of the most challenging cost pressures for their organisation. Due to consistent increases to the energy price cap, compounded by the Russian invasion of Ukraine in early 2022 and subsequent disruption to global energy supply chains, the significance of utility bills as a cost pressure has increased dramatically over the past three years.

> **Increases from our commissioning partners have in no way kept up with cost pressures, resulting in significant financial difficulties**
> - Adult social care provider

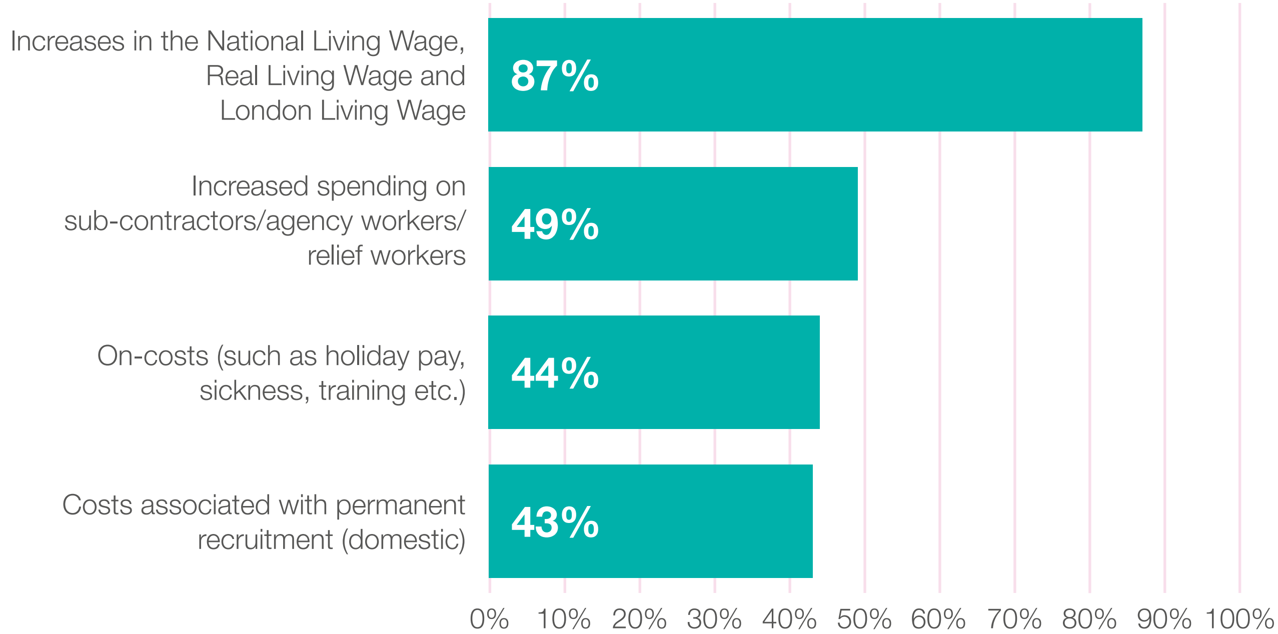
> **The cost of care that commissioners are willing/able to offer is not commensurate with the cost of delivering services. Inflationary pressures over the last 18 months have further impacted this. It is not reasonable to assume that an increase of 3% is acceptable when all costs are increasing at a much greater rate**
> - Adult social care provider

These cost pressures are examined in further detail on the following pages.

Workforce costs

When asked about the most challenging workforce costs for adult social care providers, the increase to the National Living Wage (NLW) was overwhelmingly the most prominent, selected by 87% of providers. Other challenging workforce costs cited were the cost of agency workers, on-costs and domestic recruitment, as outlined in Figure 5.

Figure 5: Most challenging workforce cost pressures impacting care providers in 2023
(Source: Hft and Care England Survey, Cebr analysis)



As an extremely labour-intensive sector, workforce costs make up a substantial proportion of the total costs of running care services, with providers extremely sensitive to wage changes. The NLW increase in April 2023, from £9.50 to £10.42 (9.7%), was the largest since it was introduced in 2016. In theory, annual local authority fee increases are in place to cover rising workforce costs such as this. However, with 79% of providers reporting that the April 2023 local authority fee increase did not cover the full impact of the NLW rise, it is not surprising that it is consistently reported as the most challenging workforce cost.

79% of providers
reported that local authority fee increases did not cover the impact of the National Living Wage rise in 2023

The ability of adult social care providers to adjust wages is limited by the current underfunding which characterises the sector. The fees that providers are paid to deliver social care (including the cost of the workforce) are set by local authorities, and while they can be reviewed and uplifted, squeezed local authority budgets limit the scope for fee increases. Indeed, while local authorities saw a 9.4% increase in core spending power over the past year,[5] over the long term, spending power has reduced significantly. Between 2010/11 and 2021/22[6] local authority spending power is estimated to have reduced by 29% in real terms, while the proportion of spending on social care is only growing as demand increases.

As our findings imply, in the overwhelming majority of cases the uplifts offered by local authorities are not reflective of the costs of care. As such, while increased NLW rates are positive for staff, they serve to add to the raft of cost pressures which local authorities are unable to accommodate into their annual uplifts, leaving providers to make up the difference. Moreover, while an increasing proportion of fees are spent on paying the NLW, without an adequate uplift, it squeezes the funding left for other elements of care provision.

> **Most local authorities do not offer an increase in fees to match the increased costs and wages that we face** - Adult social care provider

> **Local authorities cannot keep paying annual increases which are half the real wage and inflation costs. This has been going on year after year and providers cannot continue to provide a service at an unaffordable rate** - Adult social care provider

It is worth noting that the average hourly pay rate paid by surveyed providers to care staff (excluding senior carers and nurses) was £11.19 at the time of data collection, higher than the current NLW (£10.42). It may appear surprising, then, that so many providers reported that fee increases did not cover the cost of the NLW increase.

Naturally, care providers will seek to maximise pay for staff in order to remain as attractive as possible and compete with pay rates in other sectors. This may include anticipating and bringing forward an upcoming NLW increase or maintaining a sizable pay differential above the NLW. To maintain this differential year on year, providers need a corresponding uplift from the local authority. Yet where commensurate funding is not delivered, providers are left to make up the difference.

In 2023, the average hourly pay rate for care staff was £11.19

[5] UK Parliament, *House of Commons Library: Local Government Finance Settlement 2023/24,* February 2023 (accessible here)
[6] National Audit Office, *The adult social care market in England,* 2021 (accessible here)

Another key workforce cost pressure for providers in 2023 was increased spending on sub-contractors, agency workers or relief workers. Half of providers (49%) said this was one of the most challenging workforce-related cost pressures last year.

High levels of workforce vacancies (as outlined later in the report) necessitate spending on agency staff. Yet they are estimated to cost on average 80% more than permanent staff.[7] It is therefore not surprising that, on average, 16% of payroll costs across adult social care are spent on agency staff. The same figure was reported for 2022, illustrating that little has changed with respect to agency usage.

Moreover, adult social care providers have to pay VAT on the agency staff they hire. With 600,000 full-time equivalent care workers across the sector in England, and agency staff equating to 16% of total payroll costs, this means that VAT paid on agency staff amounts to just under £400m per year.[8] Should these VAT costs be recoverable, as is the case in the NHS, the necessary cost of agency staff for adult social care would be significantly eased.

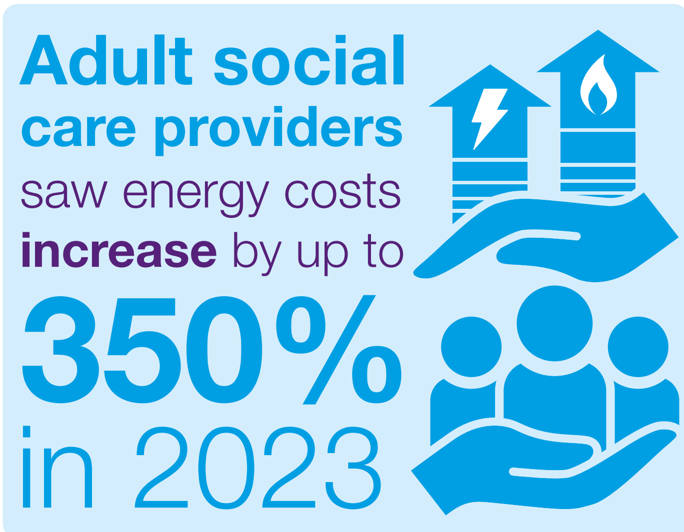
Utilities

For the third consecutive year, adult social care providers stated that utility bills were the second most significant cost pressure, after workforce costs. In 2023, this was highlighted as a key cost pressure by 59% of adult social care providers.

Rising energy costs of up to 500% were a key focus of last year's Sector Pulse Check report. However, the true scale and impact of this was yet to be made fully clear as adult social care providers typically renew energy contracts every two to three years, meaning that not all would have felt the sting of increased costs in 2022.

This hypothesis rings true, as the most recent findings highlight how providers have continued to face increased utility costs in 2023, with a 72% increase in energy costs on average. Concerningly, some individual providers reported increases of up to 350%.

The cost of energy remained high over the past year due to the impact of the war in Ukraine, and while the Government provided a discount on wholesale gas and electricity prices through the Energy Bill Relief Scheme, adult social care providers were left out of many financial support packages. The adult social care sector is not only energy-intensive, but energy-critical - for many people who draw on social care, higher energy use is necessary whether it is required to charge wheelchairs or to stay warm in order to manage a condition - yet adult social care received very little financial support to offset this additional cost.



[7] Cordis Bright, *Learning Disability and Autism Social Care Providers, Financial Impact Assessment*, October 2022 (accessible here)

[8] £400m estimate based on 600,000 FTE care workers in England (Skills for Care, 2023) a £11.19 p/h average wage and 16% of average provider payroll costs being spent on agency.

Consequences of cost pressures

Our research highlights the damaging consequences of sustained financial pressures upon adult social care providers, revealing that two in five (39%) considered exiting the market during 2023.

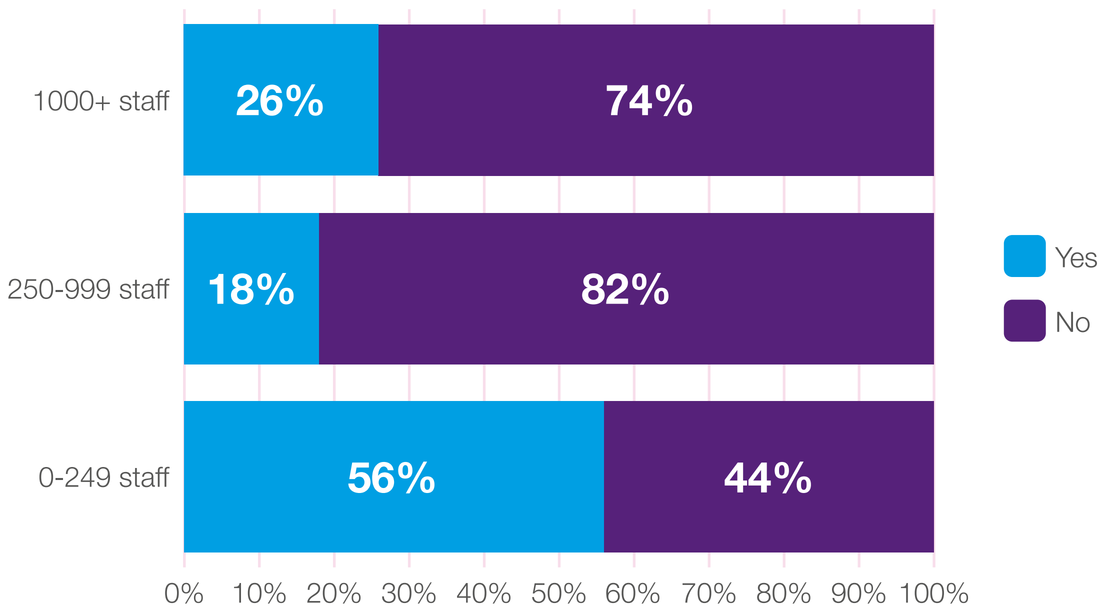
2 in 5 providers considered exiting the market in 2023.

EXIT

When looking in more detail at provider characteristics, as illustrated in Figure 6, some may be more vulnerable to considering this action than others, revealing important insights into market sustainability.

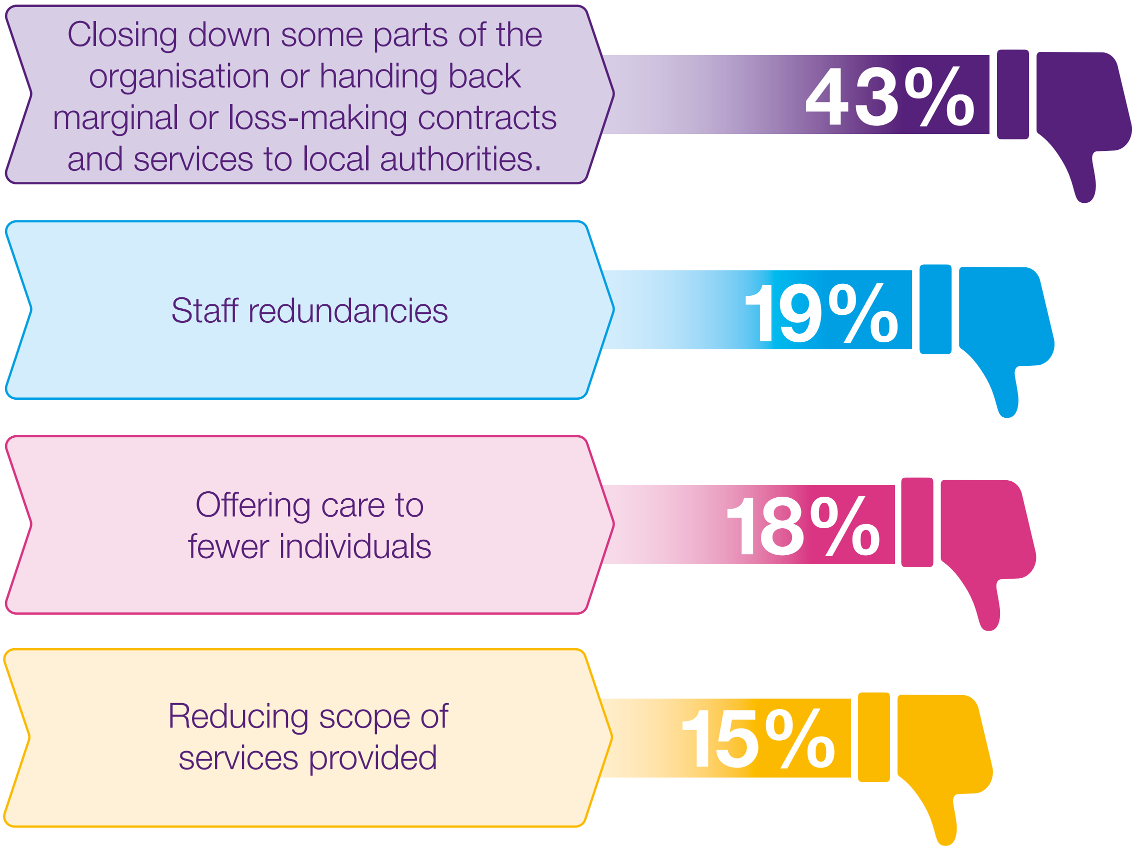
The size of the care providing organisation has a significant impact on how likely they were to have considered exiting the market last year, reflecting the financial vulnerability of smaller providers in volatile financial circumstances. Among small providers (those with fewer than 250 employees), over half (56%) considered exiting the market over the past year, compared to 18% of medium-sized providers (250 – 999 staff) and 26% of large providers (1000 staff or more). Given that the vast majority of care providers are small and medium-sized organisations, this would have had a significant impact on capacity across the sector. The reduced vulnerability of larger providers could be due to their enhanced ability to financially restructure their organisations, the likelihood of holding higher levels of reserves and a higher chance of securing additional finance options such as loans. With that being said, the wholesale exit of just a small number of large care providing organisations would have a devastating impact on the sector.

Figure 6: The proportion of providers that have considered exiting the market over the past 12 months, by size of organisation *(Source: Hft and Care England Survey, Cebr analysis)*



While this data illustrates hypotheticals, it is important to emphasise that in 2023, sustained financial pressure forced providers to follow through and take cost-saving actions which have an immediate impact on the social care workforce and those drawing on care, as outlined in Figure 7.

Figure 7: Select measures taken by providers in response to cost pressures, with consequences for staff and individuals supported *(Source: Hft and Care England Survey, Cebr analysis)*

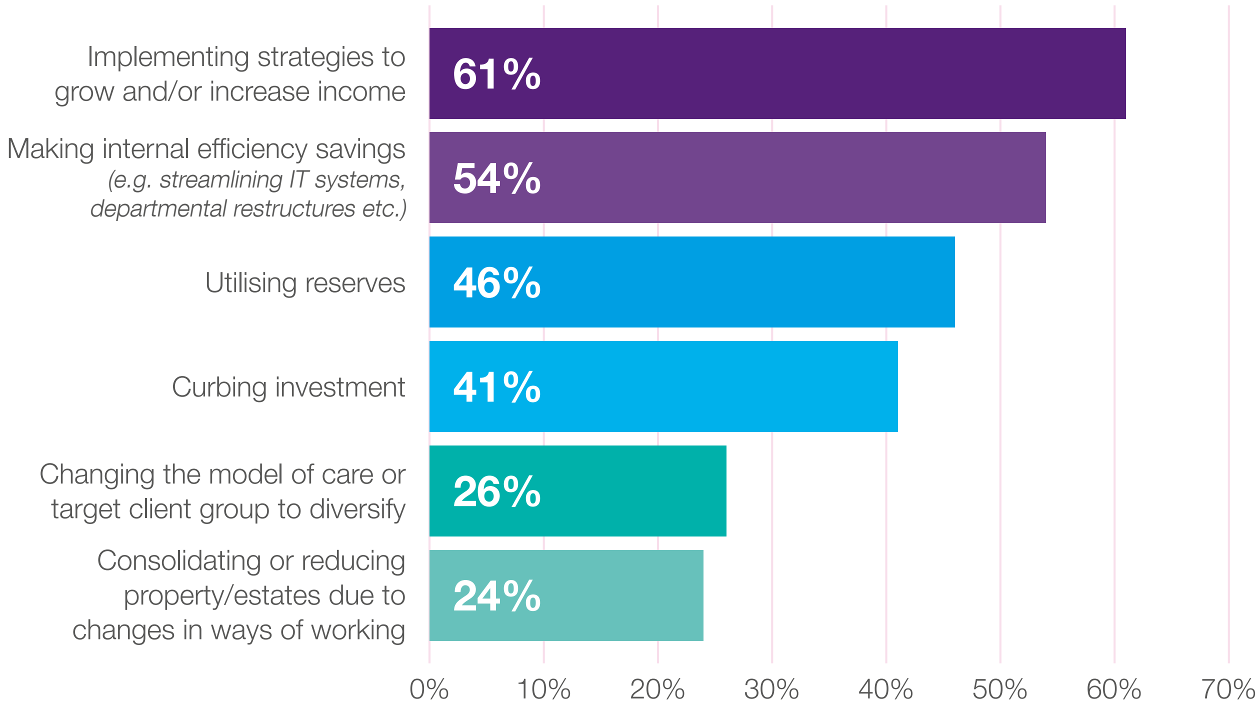


Perhaps of most concern, 43% of adult social care providers were forced to close part of their organisation or hand back contracts in 2023. This rises to over half of providers supporting adults with a learning disability and/or autism (52%) and staggeringly, nearly all large providers (91%) reported taking this action in 2023. This is likely because larger providers have the resources to lose and gain contracts with less of an impact on their overall financial stability. Against a backdrop of rising demand for care and support, the prospect of such a high proportion of care providers, particularly large organisations, handing back contracts or closing down parts of their organisation is extremely concerning.

Other actions taken as a result of cost pressures include reducing the scope of services (15%), offering care to fewer individuals (18%) and staff redundancies (19%). Taken cumulatively, providers will become less able to respond adequately to the needs of those who draw on social care.

Care organisations are driven by their duty of care to the individuals they support and a desire to provide high-quality services. It is important to note that taking actions which impact their workforce and those they support is unquestionably a last resort. As such, providers make efforts to first and foremost absorb cost pressures as highlighted in Figure 8.

Figure 8: Select measures taken by providers in response to cost pressures, with commercial consequences for providers *(Source: Hft and Care England Survey, Cebr analysis)*



Providers look to organisational structures and processes first and foremost as a means of saving money. The most common step taken in response to cost pressure, reported by almost two thirds of providers (61%) across the adult social care sector, was implementing strategies to grow or increase income. Among not-for-profit providers, over three quarters (78%) took this action, perhaps speaking to their ability to fundraise.

Looking to make internal efficiency savings was also a popular option for providers. Almost a quarter (24%) sought to save money through reducing or consolidating estates and property, perhaps due to the rise in home working among office-based staff. Over half of providers (54%) also made efficiency savings by streamlining internal ways of working through implementing new systems and restructures.

It is important to note that other common responses to cost pressures in 2023 included curbing investment (41%) and utilising reserves (46%). While on initial inspection it might look like this only changes a provider's bottom line, there is also a consequential impact on those who draw upon care and support. Investment in innovation can be a key driver of improving quality, through introducing new models of care, improving infrastructure and staff training. That providers are limited in their ability to invest and innovate as a result of underlying financial pressures is concerning, as it restricts these improvements in quality.

Workforce challenges in adult social care

The adult social care workforce in 2023

For many years, organisations from across the health and social care sector have warned of a growing crisis in the workforce. Post-pandemic, low pay and sky-high rates of staff vacancy and attrition have been ever-present in the adult social care workforce, and in July 2022 the Health and Social Care Committee said the sector was facing 'the greatest workforce crisis in [its] history'.[9] Against that backdrop, how does the workforce fare in 2023?

Skills for Care's latest workforce data shows that the adult social care sector employs 1.52 million people in England, working for 18,000 organisations across 39,000 care-providing locations.[10] The workforce is larger than that of the entire NHS and accounts for 5.3% of the nation's economically active population.[11] An annual wage bill of £26.6bn represents a sizable proportion of a total contribution of £55.7bn gross value added (GVA) to the English economy in 2022/23.[12] These latest figures describe a sector that is larger and contributes more than ever, with a 20,000 (1%) increase in filled posts and an 8.5% increase in GVA since 2021/22.[13]

2022/23 saw a turnover rate of 28.3% and a vacancy rate of 9.9%.[14] While these figures are a slight improvement on 2021/22, with turnover and vacancy rates improving by 0.6% and 0.8% respectively, there remains a staggering 152,000 unfilled posts across England and a vacancy rate three times the average for other sectors.[15]

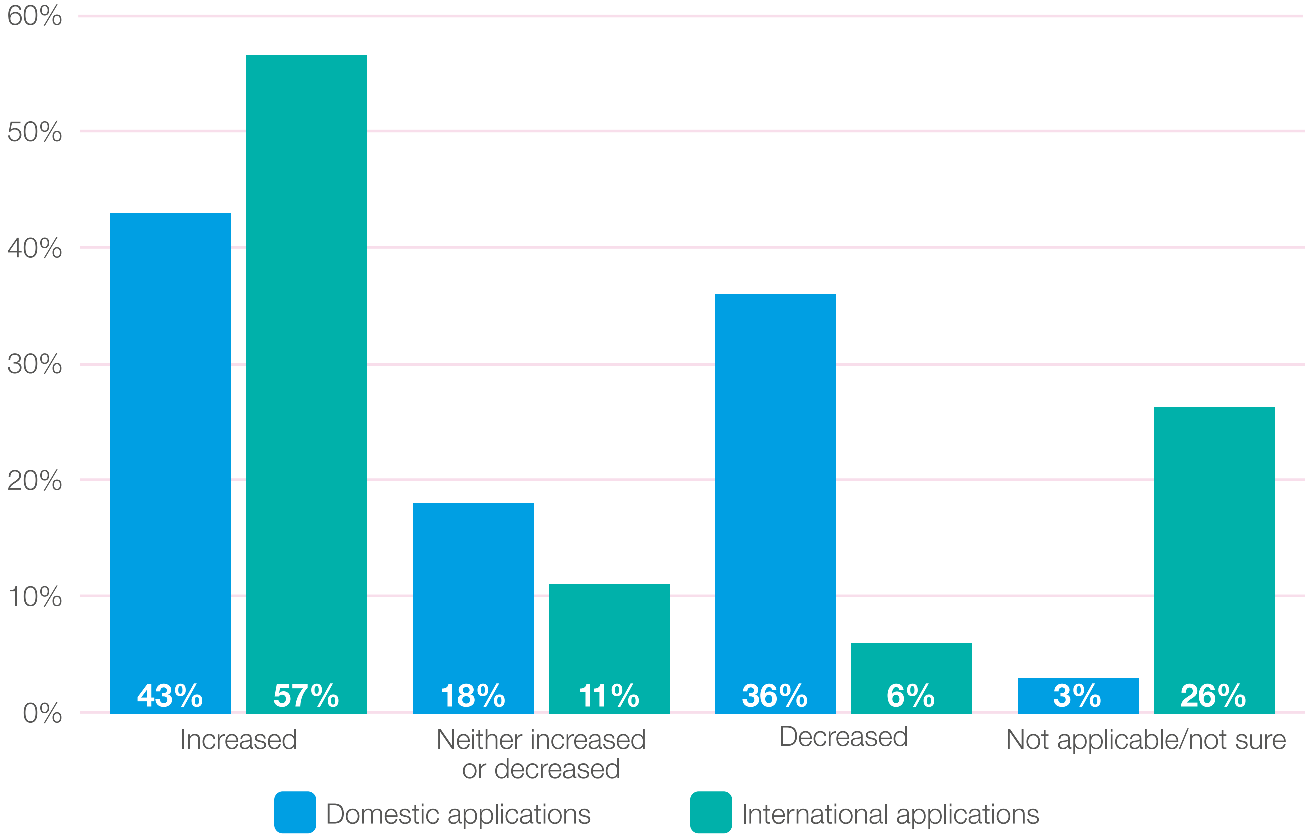
The slight improvement in headline figures fails to give the full picture of a complicated recruitment and retention situation. International recruitment has played an ever greater role since February 2022, when social care positions were added to the Shortage Occupation list, with the number of people starting direct care-providing roles from overseas increasing from 20,000 in 2021/22 to 70,000 in 2022/23 – a 250% increase.[16] Despite this enormous increase, vacancies fell by just 13,000 overall, owing to a decrease in domestic and European Union (EU) workers as well as increased demand for staff. Exploring the nature of the international recruitment picture was a key line of inquiry in this year's Sector Pulse Check research.

[9] Health and Social Care Committee, Workforce: recruitment, training and retention in health and social care, July 2022 (accessible here)
[10] Skills for Care, The state of the adult social care sector and workforce in England, October 2023 (accessible here)
[11] Ibid.
[12] Ibid.
[13] Ibid.
[14] Ibid.
[15] Ibid.
[16] Ibid.

Domestic and International Recruitment

Figure 9: How international and domestic recruitment has changed over the last 12 months

(Source: Hft and Care England Survey, Cebr analysis)



For the first time, this year's survey asked care providers about how applications from both domestic and international staff had changed over the past 12 months.

Figure 9 illustrates that providers saw a substantial increase in international applications for care staff positions in 2023. Over half (57%) of respondents reported an increase in international applications, compared to just 6% reporting a decrease.

The domestic recruitment picture is more mixed. While, encouragingly, 43% of providers reported an increase in applications from domestic staff, 36% reported a decrease.

The results of the survey corroborate what is already known about increases in international applicants. However, it highlights that a quarter of respondents (26%) said international recruitment was 'not applicable' for their organisation, compared to just 3% for domestic applications. While the sector as a whole has seen a substantial uptick in international applications, it appears that there is a substantial cohort of providers who are not accessing the international recruitment route.

> **There are virtually no domestic UK applicants for any jobs; all international** - Adult social care provider

> **Overseas recruitment has been a lifeline** - Adult social care provider

Figure 10: How international and domestic recruitment has changed for older persons' care providers over the last 12 months *((Source: Hft and Care England Survey, Cebr analysis)*

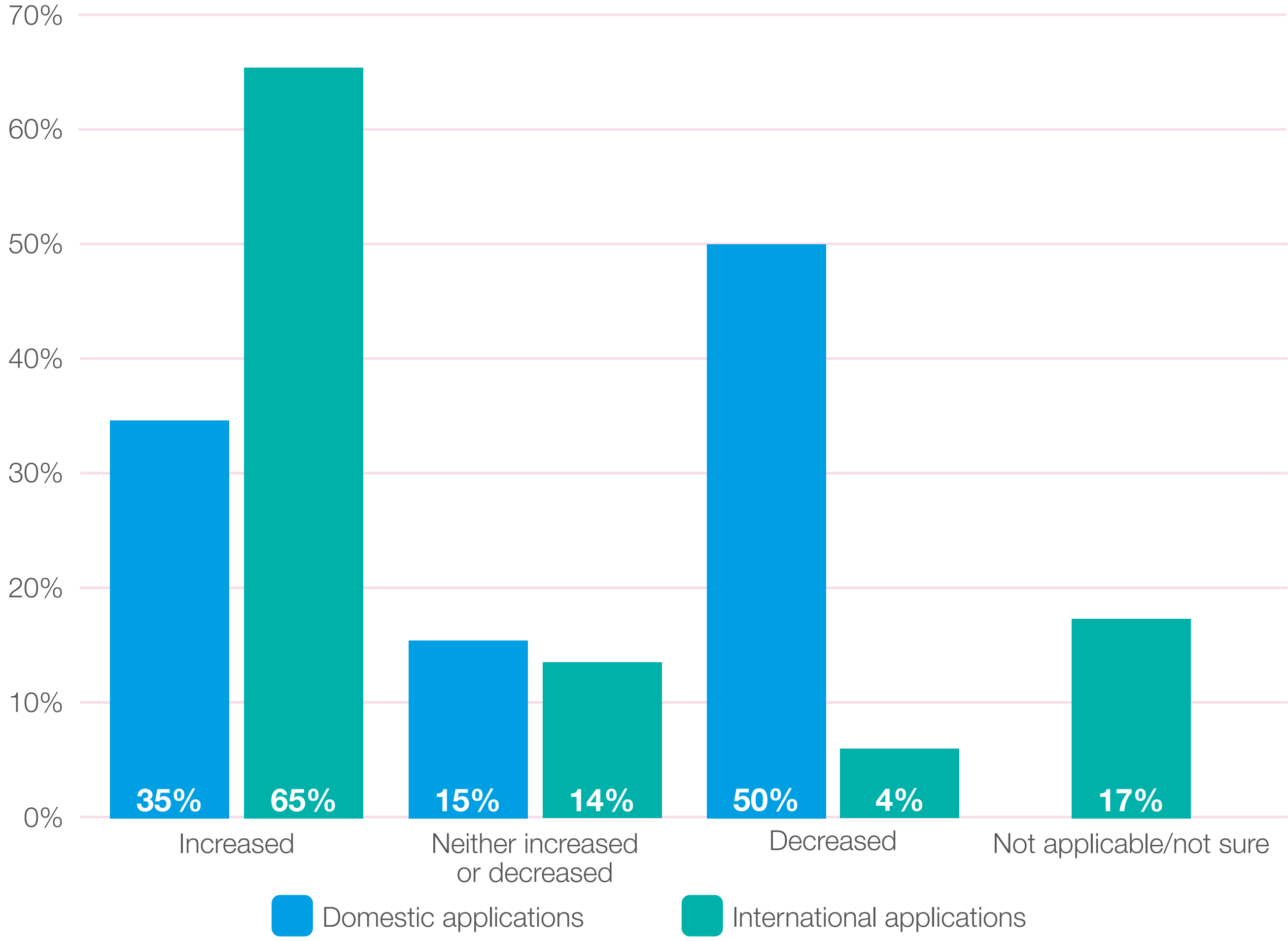
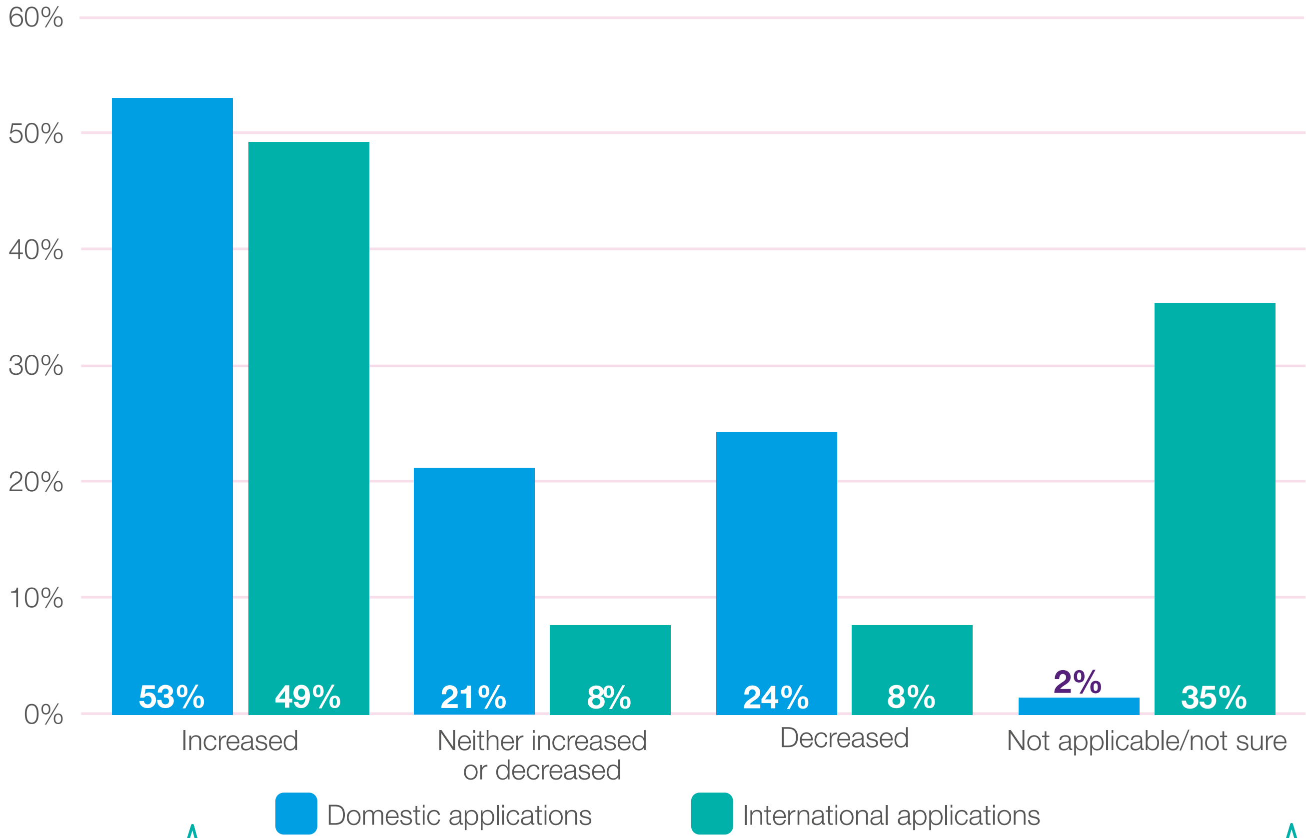


Figure 11: How international and domestic recruitment has changed for care providers supporting adults with a learning disability and/or autism over the last 12 months

(Source: Hft and Care England Survey, Cebr analysis)



Figures 10 and 11 outline the domestic and international recruitment picture across older persons' care providers and providers for individuals with learning disabilities and/or autism.

In both cases, there appears to have been a substantial increase in international applications for care roles. This was particularly true for older persons' care providers, with 65% reporting an increase in international applications and just 4% reporting a decrease. Roughly half (49%) of care providers for learning disabled and/or autistic adults reported an increase in international applications, with 8% reporting a decrease. Interestingly, while 17% of older persons' providers said international recruitment was 'not applicable' for their organisation, over twice as many (35%) providers for adults with a learning disability and/or autistic people said this was the case.

In terms of domestic recruitment, care providers supporting adults with a learning disability and/or autism appear to be having more success. Over half (53%) reported an increase in domestic applications over the past year, with a quarter (24%) noting a decrease. By contrast, just one-third (35%) of older persons' care providers reported an increase in domestic applications over the past year, with half (50%) saying that they had decreased.

From these figures, it would appear that while international recruitment has played an ever-greater role across both care for older persons and for adults with a learning disability and/or autism, this is particularly true for the former. Over one-third (35%) of care providers for adults with learning disabilities and/or autistic people do not appear to be accessing the international recruitment route, instead remaining more heavily reliant on domestic recruitment to source staff.

Differing success in accessing international recruitment may be due, in part, to the models of care for older persons compared with that for adults with a learning disability and/or autism. Many older persons' care settings are large congregated residential sites, making international recruitment more cost-efficient for providers. By contrast, care for learning disabled and autistic adults is often dispersed, with those drawing on support living alone or with a few other housemates, making it difficult for providers to justify the cost and resources of recruiting internationally for services, where there are few staff in one location.

Figure 12: Percentage of respondents experiencing an increase in international recruitment over the past year by organisation size *(Source: Hft and Care England Survey, Cebr analysis)*

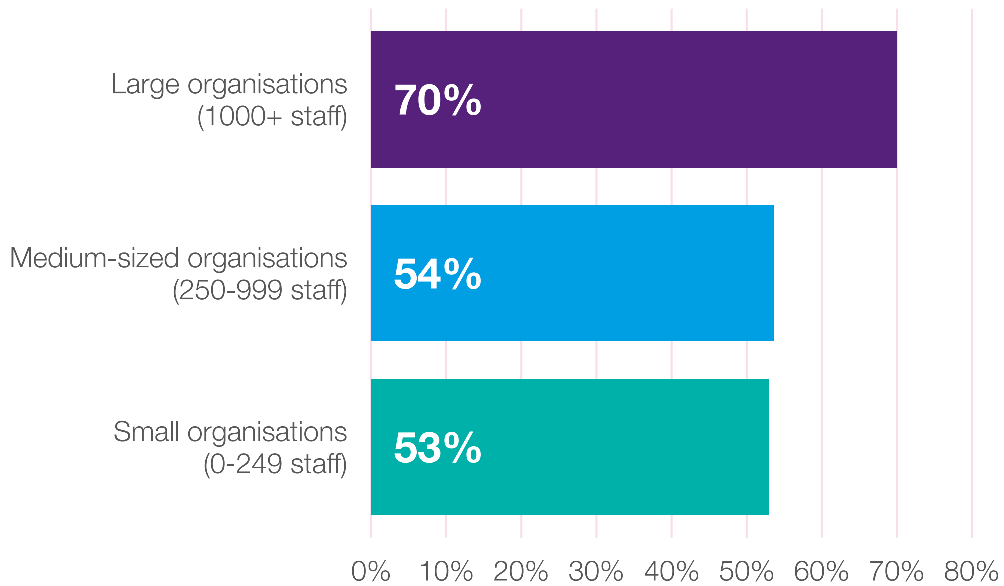


Figure 12 illustrates the proportion of care providers that experienced an increase in international applications for care staff roles, according to organisation size. While organisations of all sizes saw an uptake in international applications for care roles, this was particularly true for the largest care providers (1000+ staff), 70% of whom reported an increase over the past year. By comparison, just over half of small (0-249) and medium-sized (250-999) organisations saw an increase in international applications, at 53% and 54%, respectively.

There may be a number of reasons for this. Larger organisations may be able to more easily manage the costs associated with international recruitment, including legal services and licence fees. Providers have told us that while recruiting from abroad can be costly and time-consuming, once the correct systems and procedures are in place, the process can be run efficiently. This speaks to the survey's findings, with the greater number of staff required by larger providers making the process, on the whole, more viable than for smaller providers, who may only need a small number of staff. Given the upfront costs associated with international recruitment, the cost-effectiveness of the process also depends on staff remaining in post for the long term. The ability to absorb upfront costs in the name of long-term sustainability may also be more available to larger providers.

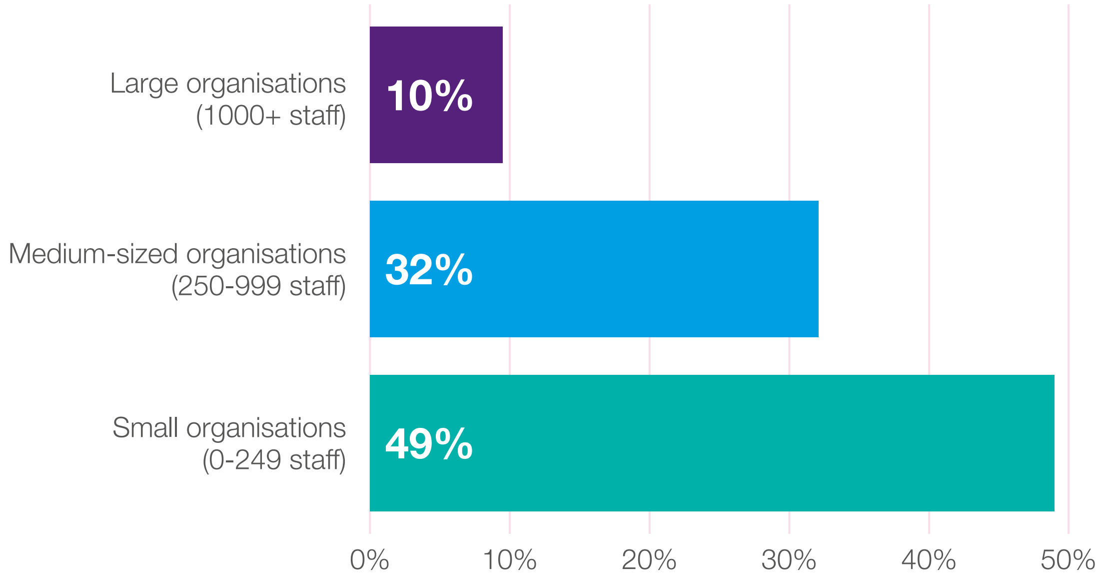
Aside from money, international recruitment requires administrative resources to manage the processes of obtaining visas and sponsorship and keeping track of reporting obligations. Again, this makes the process more manageable for larger organisations, with greater numbers of administrative staff, than for smaller organisations.

It is worth noting that the Government committed an additional £15m explicitly to support care providers with international recruitment, however, as outlined later in this report, this has had a limited impact.

> **International recruitment is an expensive and opaque system… we cannot afford in-house legal advice or to pay immigration lawyers**
> - Adult social care provider

> **International recruitment is not an option for small rural homes (no housing)** - Adult social care provider

Figure 13: Percentage of respondents experiencing a decrease in domestic recruitment over the past year, by organisation size. *(Source: Hft and Care England Survey, Cebr analysis)*



In terms of domestic recruitment, Figure 13 shows that a decrease in domestic applications has been felt most acutely by smaller care providers. 49% of small organisations (0-250 staff) saw a decrease in domestic applications, compared to 32% of medium-sized organisations (250-999 staff) and just 10% of large organisations (1000+ staff). Over 70% of large organisations reported an increase in domestic recruitment over the past year.

The fact the smallest providers are seeing some of the biggest decreases in domestic applications is significant and extremely concerning. This is likely their main source of recruitment because, as highlighted previously, the option to source staff internationally may be less accessible to them. Furthermore, unlike their larger counterparts, they will not have the finances or personnel to support large domestic recruitment drives.

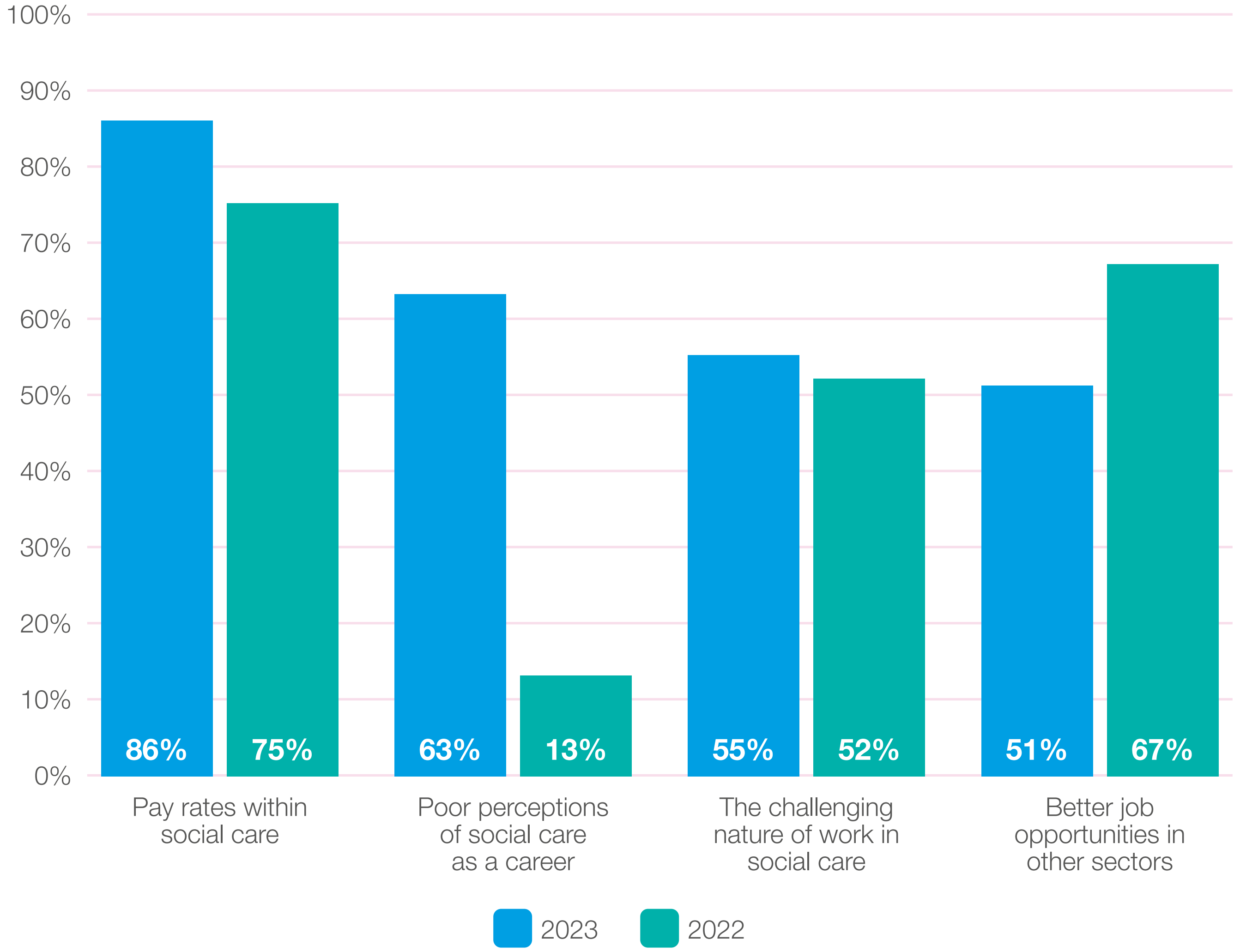
It is worth noting that, looking at the data holistically, applications for care roles appear to have gone up. Across the entire response base, just over a third (36%) of providers noted a decrease in domestic applications, in addition to just 6% for international staff. By contrast, 46% of providers noted an increase in domestic applications, and a majority, 57%, reported an increase in international applications. Why, then, have vacancy rates remained so high over the past year?

The answer is two-fold, firstly, in terms of challenges associated with retention and secondly, growing demand for care staff. Skills for Care data shows that despite an additional 70,000 international staff entering the sector, total vacancies decreased by just 13,000 over the past year, from 165,000 to 152,000.[17] This is because, at the same time, the number of domestic staff decreased by 30,000, the number of EU workers decreased by 5,000 and not all international recruits remained in post by the end of the year (roughly 2,000). In addition, the total number of filled posts increased by 20,000, signalling the growing demand for adult social care in England. Without addressing these issues, particularly that of retention, the sector will fail to close the staffing gap. The next section of this report explores the barriers to recruitment and retention in greater detail.

[17] Skills for Care, *The state of the adult social care sector and workforce in England,* October 2023 (accessible here)

Barriers to recruitment and retention

Figure 14: Recruitment and retention challenges facing adult social care providers
(Source: Hft and Care England Survey, Cebr analysis)



The survey asked care providers what they considered to be the three main challenges to recruitment and retention, outlined in Figure 14.

Overwhelmingly the biggest barrier to recruitment and retention to the adult social care sector in 2023, according to providers, was the pay rates on offer to staff, selected by 86% of respondents. This was also the main barrier identified in the 2022 Sector Pulse Check report, where it was selected by 75% of respondents.

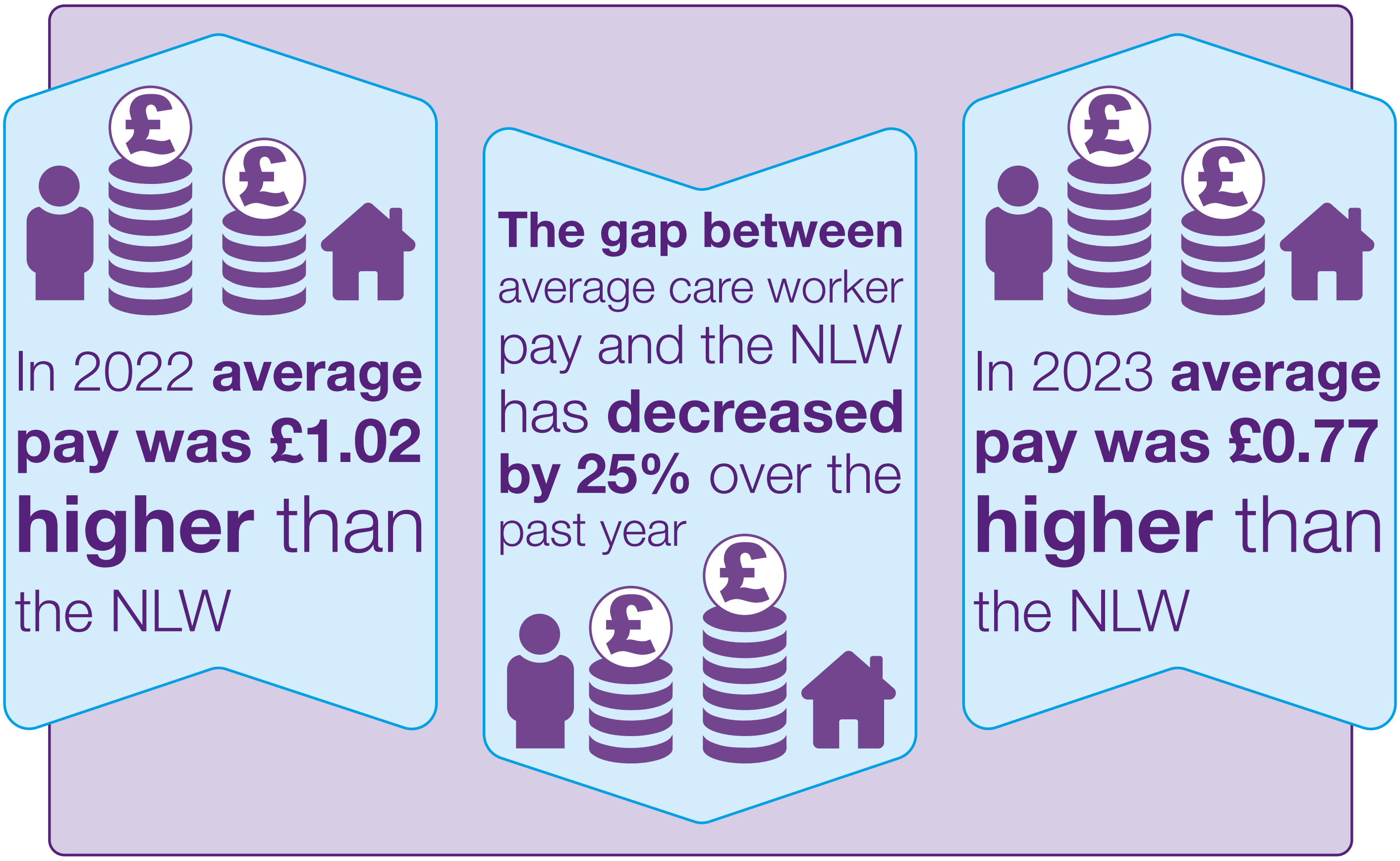
A distant second is ‘poor perceptions of social care as a career’, selected by 63% of respondents, followed by ‘the challenging nature of work in social care’ (55%) and ‘better job opportunities in other sectors’ (51%). These top four responses are broadly consistent across all types of providers who completed this year’s survey and are explored in more detail below.

Pay rates within adult social care

The pay rates on offer for adult social care roles have long since been considered the principal barrier to the recruitment and retention of staff.

Despite the importance of their work, staff in adult social care roles are among the lowest-paid workers in the entire economy. According to Skills for Care, care worker median pay as of March 2023 lies somewhere between the 10th and 20th percentile, meaning 80-90% of jobs are better paying.[18]

Respondents to this year's survey reported an average hourly pay for care staff, excluding senior carers and nurses, of £11.19. This is £0.77 above the NLW of £10.42, which came into effect in April 2023. Respondents to last year's survey reported paying an average of £10.52, which at the time was £1.02 greater than the NLW of £9.50. As such, the gap between average care worker pay and the NLW has decreased by £0.25 (25%) over the course of the past year.



A contributing factor to this may be that the April 2023 NLW uplift, from £9.50 to £10.42 (9.7%), was the largest ever increase in one year. With 79% of providers reporting that local authority fee rates did not cover the rising cost of the NLW over the past year, their ability to maintain a sizeable gap above the NLW – and therefore a competitive wage offer - was likely limited in 2023. Unfortunately, as pay for care workers shifts closer to the NLW it is likely that recruitment will become ever more challenging as potential staff chose careers offering a more attractive salary.

[18] Skills for Care, *The state of the adult social care sector and workforce in England,* October 2023 (accessible here)

Poor perceptions of social care as a career

According to survey respondents, the second biggest barrier to the recruitment and retention of care staff was 'poor perceptions of social care as a career', selected by 63% of providers. Just 13% of respondents selected this in the 2022 survey, suggesting it has become increasingly salient over the past year.

Poor perceptions of social care as a career reflect, in part, a widespread sense within the sector that it does not enjoy parity of esteem with the NHS and is not afforded the same level of respect from government or across wider society. There are a number of reasons why this is the case. Firstly, while people interact with the NHS and its services throughout the entirety of their lives, people's first interaction with the adult social care sector often comes later in life, usually when a loved one requires care and support. Many people can go decades with no interaction whatsoever with the adult social care sector. The result is that the sector's saliency for the general public, and indeed within government, is far less than that of the NHS.

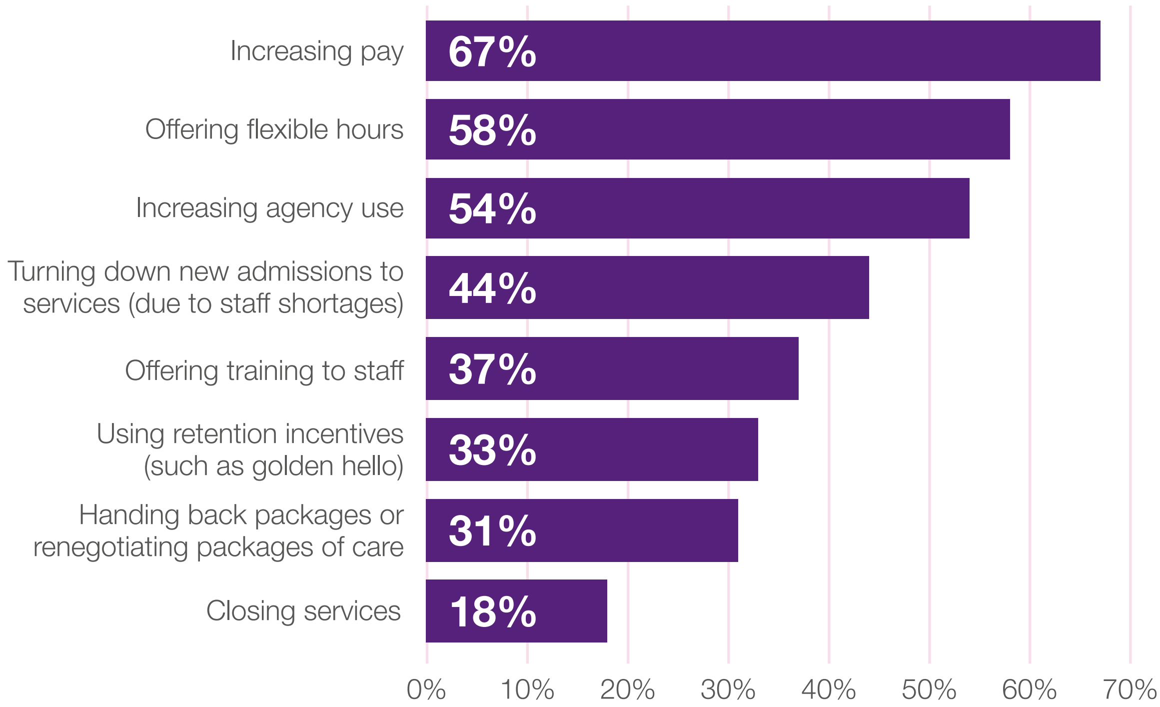
Poor perceptions of the social care sector do not stem from that alone, however. Despite the increasing complexity of, and skill required in, care roles, social care is often not viewed as a professional career in England. The professional registration of care staff in England is not mandated as it is in Scotland and Wales. This not only impacts the status of working in care but denies it a professional foundation and the basis on which to build a framework for recognising and individual's experience and training.

A lack of career progression is another barrier faced by the social care sector, selected by 15% of respondents to this year's survey. In contrast to colleagues in the NHS, who enjoy structured career progression through clearly defined roles and pay grades, there is currently no such system in place in the adult social care sector. As of 2023, care workers with five or more years' experience earn just £0.06 more than new starters, on average, down from £0.33 in March 2016,[19] highlighting how care providers' ability to maintain healthy pay differentials across their workforce has been hampered by underfunded increases in the NLW over recent years. While the Government did commit to the creation of a Care Workforce Pathway in the People at the Heart of Care white paper, this remains in consultation stage. Additionally, the Department of Health and Social Care has delayed the delivery of its most expensive reform, to fund enhanced training and development of the care workforce, as it has been unable to set up a system to administer payments to providers.[20]

[19] Skills for Care, *The state of the adult social care sector and workforce in England,* October 2023 (accessible here)
[20] National Audit Office, *Reforming adult social care in England,* November 2023 (accessible here)

Consequences of staff shortages

Figure 15: Measures taken by care providers as a result of staff shortages
(Source: Hft and Care England Survey, Cebr analysis)



We asked providers about the measures they have taken as a direct result of staff shortages over the past year, as outlined in Figure 15. The results were broadly similar across all different types of providers and are outlined in more detail below.

Boosting staff incentives

Where possible, providers will aim to retain and attract new staff by boosting the incentives on offer to them - including increasing pay (67%); offering flexible hours (58%); offering training (37%); and using retention incentives (33%).

This can be welcomed and is what many would expect to happen in other lines of work. The challenge for adult social care providers, however, is that they are limited in their ability to boost incentives by both the financial challenges facing the sector and the constraints imposed by the nature of working in adult social care.

As mentioned throughout this report, care providers are heavily reliant on the fee rates paid to them by local authorities when setting rates of pay for their staff. Without a proportionate increase in fee rates paid to them, their capacity to increase staff pay is severely limited. This is similarly the case for offering additional training and using retention incentives, both of which come at a cost to the provider.

Providers are also limited in their ability to offer staff flexible hours. The requirement to work in person, as well as adhere to shift patterns, make flexible working practices common in office-based roles, such as compressed hours and remote working, impossible for direct care-providing roles. While 22% of the workforce are employed on zero-hours contracts, which offers some degree of flexibility for staff, it is worth noting that this corresponds with a higher likelihood of attrition[21] and may be undesirable for staff looking for predictable hours. Arrangements such as weekend-only working or genuine part-time hours to fit around parental responsibilities may be possible for some providers, but only to the extent that shift patterns allow.

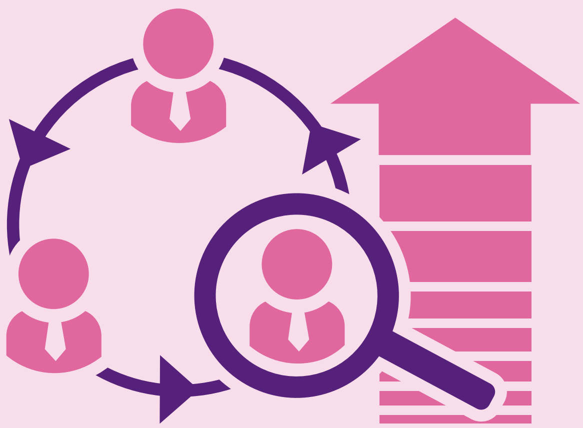
The same conditions do not necessarily apply to work in other sectors, contributing to adult social care's lack of competitiveness when attempting to attract staff.

Increasing agency use

A shortage of permanent staff inevitably leads to an increased use of agency staff, something 54% of care providers reported doing in this year's survey. This is a necessity in the face of staff shortages and is by no means a preferred option for care providers to take, for a number of reasons.

The use of agency staff can have an impact on people who draw on care and support, with understanding, familiarity, and trust being central to provision of safe and fulfilling care. Continuity of care is a key aspect of this, something undermined by the use of agency staff. While many providers take steps to protect the continuity of care wherever possible, through training, standards and hiring the same individuals, for example, these measures are no replacement for the familiarity and trust offered by permanent staff.

As a direct result of **staff shortages** in 2023, **54% of adult social care providers increased agency use.**



> **We are unable to use agency due to the complexities of the individuals (we support)** - Adult social care provider

[21] Skills for Care, *The state of the adult social care sector and workforce in England,* October 2023 (accessible here)

Further, as highlighted earlier in this report, the use of agency staff comes at an enormous price, costing, on average, 80% more than in-house staff.[22] Part of this cost derives from the VAT incurred when hiring agency staff, something which costs the adult social care sector around £400m per year.[23]

Reduced capacity to deliver care

Where efforts to incentivise or replace staff are insufficient, care providers are ultimately forced to make decisions which directly impact the people they support. This includes turning down new admissions (44%), handing back or renegotiating packages of care (31%) and closing services (18%).

Each of these measures signals that staff shortages ultimately result in a reduced capacity to respond to people's needs, a systematic issue across the adult social care sector - ADASS found that between January and March 2023, over half a million hours of home care (equivalent to £14.7m) were not delivered as a result of staff shortages.[24]

A reduced capacity to deliver care within the adult social care system also has enormous knock-on effects throughout the NHS. Poor operationalisation of hospital discharge into the community, either due to a lack of capacity in social care or failure of the system to access capacity where it exists, is one of the most pressing and costly issues facing the wider health and social care system. During the winter of 2022/23, there were consistently over 14,000 people medically fit for discharge but remaining in hospital.[25] The Government's attempt to address this, namely an extra £750m over the winter period to tackle 'bed blocking', freed up just 176 beds at a cost of £4.3m per bed, resulting in a further £600m of promised funding being held back.[26] With the average unit cost for a standard NHS bed, excluding any treatment costs, sitting at £2,415 per week, the failure to effectively operationalise a system of hospital discharge into the community costs the NHS hundreds of millions of pounds per year.[27]

[22] Cordis Bright, *Learning Disability and Autism Social Care Providers, Financial Impact Assessment,* October 2022 (accessible here)
[23] £400m estimate based on 600,000 FTE care workers in England (Skills for Care, 2023) a £11.19 p/h average wage and 16% of average provider payroll costs being spent on agency.
[24] ADASS, *Spring Survey 2023,* June 2023 (accessible here)
[25] NHS England, *Discharge delays (Acute),* (accessible here)
[26] The MJ, *EXCLUSIVE: £4.3m bed cost shambles,* April 2023 (accessible here)
[27] UK Parliament, *Hospital Beds: Costs, Question for the Department of Health and Social Care,* March 2023 (accessible here)

Addressing the crisis in adult social care

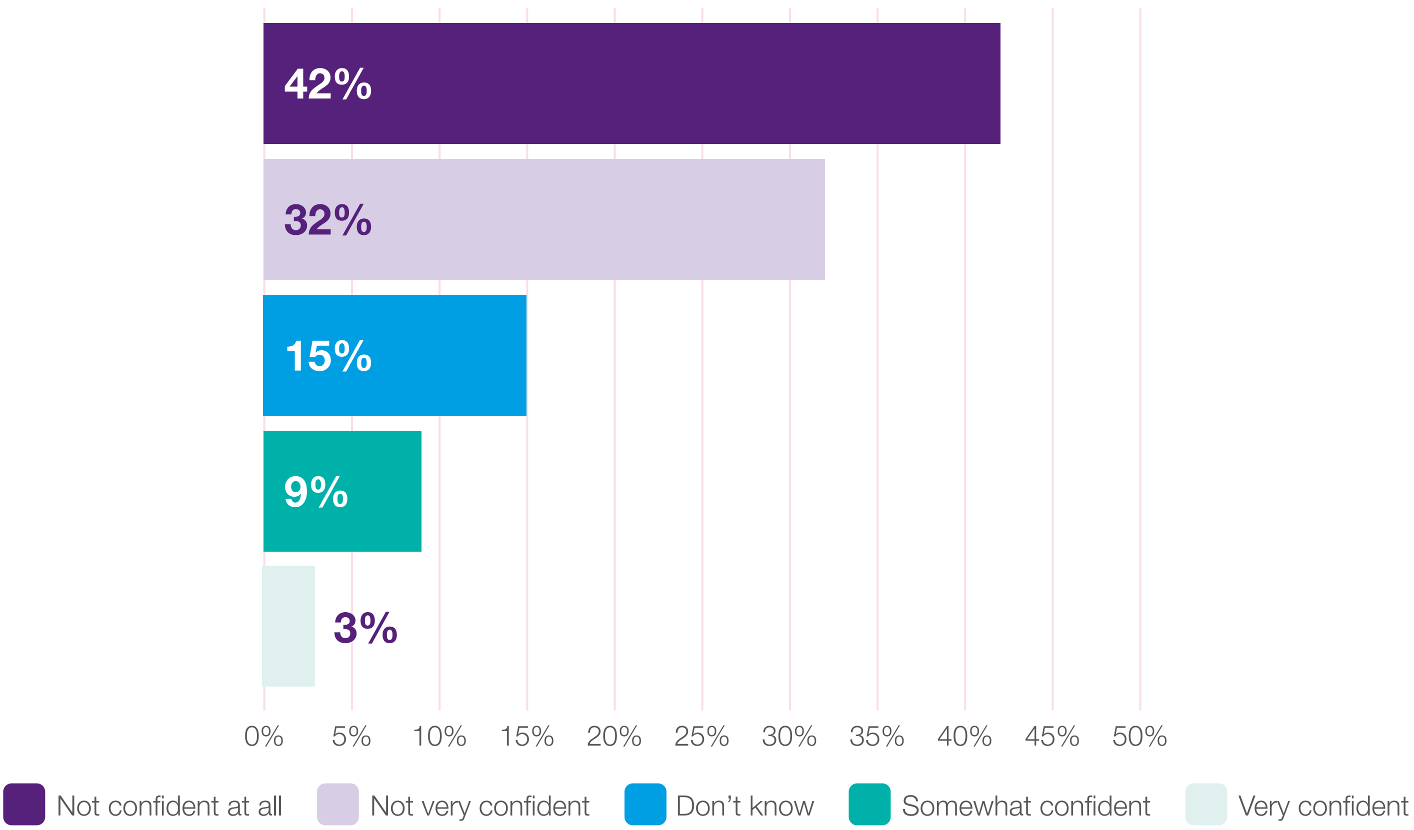
Government intervention

A pledge to "fix social care once and for all" was at the heart of the 2019 Conservative Party's agenda for government.[28] In the years since, we have seen a wide range of reforms and interventions proposed, modified and rescinded. As such, we asked care providers about their experiences and opinions of the actions taken by the Government.

The Fair Cost of Care exercise, alongside the implementation of Section 18(3) of the Care Act 2014, constituted a major part of Boris Johnson's flagship adult social care charging reform. Recognising that the fee rates paid by local authorities are significantly below the actual cost to providers of delivering care, the Fair Cost of Care exercise was the process by which the Government sought to establish the "true" cost of care, which local authority fee rates would then be expected to move towards.

In the 2022 Sector Pulse Check survey, we asked providers about how confident they were that the Fair Cost of Care exercise would positively impact the financial sustainability of their organisation, as outlined in Figure 16.

Figure 16: Care providers' confidence in the Fair Cost of Care exercise for Domiciliary Care 18-65 and care homes 65+ (taken from Sector Pulse Check 2022)
(Source: Hft and Care England Survey, Cebr analysis)



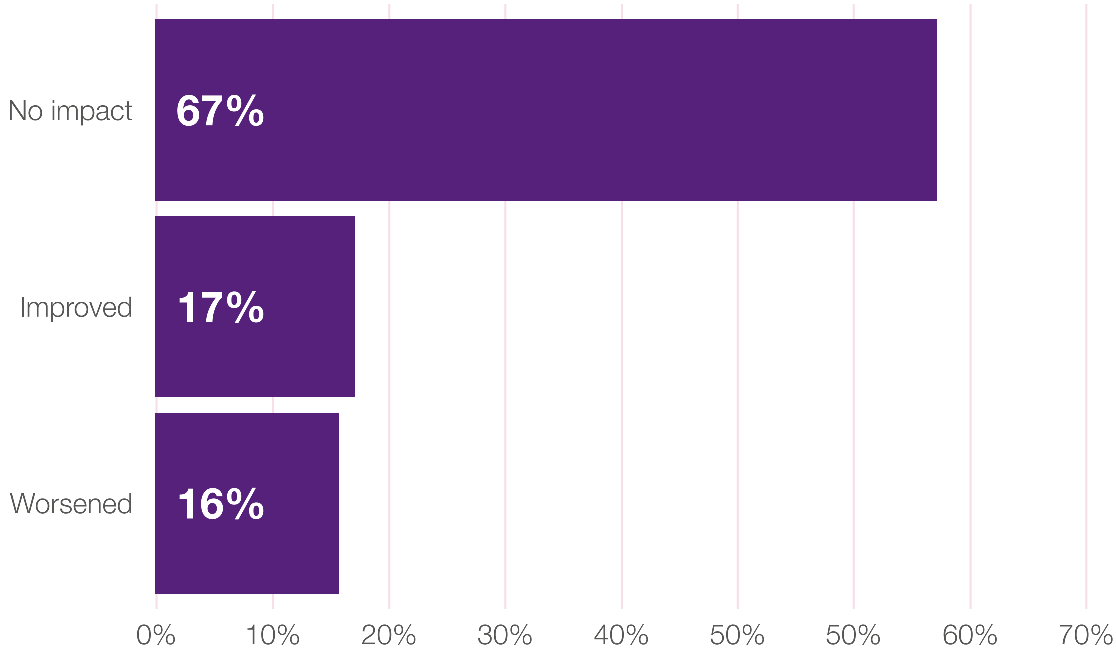
The results revealed an overwhelming lack of confidence in the Government's reforms, with three-quarters (74%) of providers lacking confidence that the Fair Cost of Care exercise would improve their financial sustainability.

[28] Gov.uk, *Boris Johnson's first speech as Prime Minister,* 24 July 2019 (accessible here)

Since last year's Sector Pulse Check report, in March 2023 each local authority had to submit a Market Sustainability Plan (MSP), including both an assessment of the current sustainability of their 65+ care home market and 18+ domiciliary care market, as well as a demonstration of how they would use additional funding to move towards the Fair Cost of Care over the next one to three years. Funding made available for 2023/24 included £2.8bn announced at the 2022 Autumn Statement, coming from money reallocated from delayed charging reform, assumed increase in council tax and additional funding, as well as £162m in 'Fair Cost of Care' funding to local authorities, announced in 2021 under charging reform.

With this in mind, we asked care providers, one year down the line, how the Fair Cost of Care had impacted the financial sustainability of their organisation, as outlined in Figure 17.

Figure 17: Care providers' perceived impact of the Fair Cost of Care exercise for Domiciliary Care 18-65 and care homes 65+ on the financial sustainability of their organisation *(Source: Hft and Care England Survey, Cebr analysis)*



The results reveal that, despite the funding injected by central government, providers overwhelmingly feel that the Fair Cost of Care exercise has had little impact on their finances. Just 17% of respondents noted an improvement in their sustainability, with 67% stating it had had 'no impact' on their organisation. A further 16% of respondents said the Fair Cost of Care exercise had hurt their organisation's sustainability.

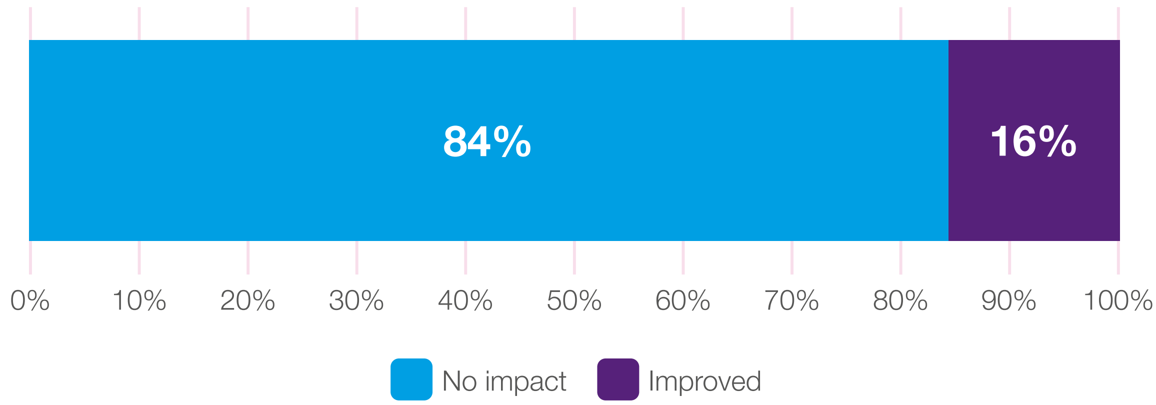
These figures reaffirm that the fee rates paid by local authorities remain a long way from the true cost of delivering care. Through analysis of local authority MSPs, in March 2023 Care England revealed a £1.5bn Fair Cost of Care funding gap for older persons' residential care.[29] The average shortfall in weekly fees paid by local authorities was £196 for residential care and £178 for nursing care. This is on top of an estimated funding gap of £650m for home care. Services for people with learning disabilities and/or autism were excluded from the Fair Cost of Care exercise, however, it is thought that the funding gap for these services is likely to be similar in size to that for older persons' residential care.

In addition to the funding made available at and before the Autumn Budget 2022, there have been a number of funding measures introduced under the premiership of Rishi Sunak aimed at addressing the challenges facing the sector, including those highlighted in this report.

They include the £15m International Recruitment Fund, announced in February 2023 to help address the barriers to international recruitment, particularly those faced by small- and medium-sized providers, and £365m for 2023/24 through the Market Sustainability and Improvement Fund (MSIF) -Workforce Fund, ringfenced to local authorities to improve and increase adult social care provision, with a particular focus on workforce pay.

We asked adult social care providers how these funding initiatives have affected the financial sustainability of their organisation, as outlined in Figure 18.

Figure 18: Care providers perceived impact of recent funding measures implemented by central government on the sustainability of their organisation *(Source: Hft and Care England Survey, Cebr analysis)*



The vast majority of survey respondents – 84% - stated that these government funding measures had had 'no impact' on their financial sustainability over the past year. This was broadly consistent across all different types of adult social care providers surveyed. Just 16% stated they had had a positive impact.

[29] Local Government Chronicle, *Adult social care facing a £1.5bn funding gap*, 2023 (accessible here)

84% of providers

feel that recent government funding interventions, including the International Recruitment Fund and MSIF Workforce Fund, **had no impact on their financial sustainability in 2023.**

When asked to expand on their experiences with these funds, many providers stated that they struggled to access funding delivered by central government to local authorities, who exercise discretion as to how the money is used. Providers operating in multiple local authority areas found that this was operationalised differently in each area. With local authorities attaching different conditions to the funding, providers cannot adopt a consistent approach but are instead forced to employ huge amounts of resources for individual funding applications. Some providers stated that their funding applications were rejected because they did not meet all of the criteria required, without personalised feedback as to what the missing criteria were. In many areas, local authorities have also prioritised directing funding towards domiciliary care, with very few resources made available to support the challenges facing residential care.

In relation to the International Recruitment Fund specifically, providers said the process was 'long, complicated, expensive and bureaucratic.' The funding made available, just £15m for local authorities across the country, was insufficient to have a tangible impact, with providers continuing to struggle with the costs associated with international recruitment. Supporting international recruits with accommodation was noted as a particular challenge.

Looking at the issue holistically, it is possible that the short-term, sporadic nature of these government funding measures, in place of a long-term, sustained settlement, is the driving factor behind this lack of tangible impact. Rather than permitting providers to address financial and workforce challenges root and branch, the Government delivers only temporary relief, with funding often conditional and difficult for care providers to actually access.

It is clear that as the system is currently structured and funded, additional funding and interventions are not having the desired effect.

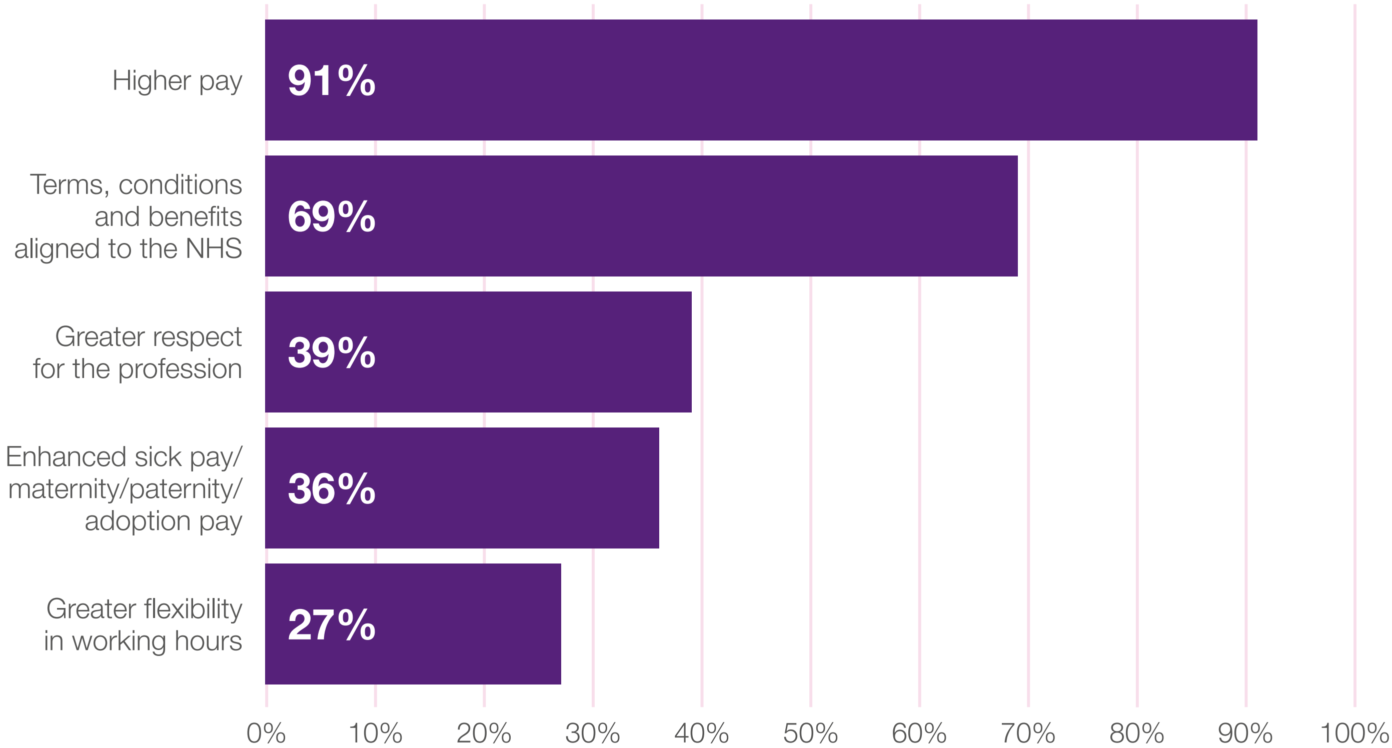
A wish list for adult social care providers

As well as evaluating the perceived effectiveness of recent government attempts to address ongoing financial and workforce challenges, we asked providers about the policies they would like to see implemented.

Measures to improve recruitment and retention

We asked care providers about the measures they feel would have the most impact on recruitment and retention, if they could offer them to staff – outlined in Figure 19.

Figure 19: Most impactful measures that care providers feel would improve recruitment and retention *(Source: Hft and Care England Survey, Cebr analysis)*



Unsurprisingly, providers overwhelmingly selected higher pay as the measure that would have the most impact on improving recruitment and retention. This was chosen by 91% of survey respondents. This was also the number one measure selected by respondents to the 2022 survey, with 95% doing so. There were also other measures amounting to better rewards being on offer for care staff, including 'terms, benefits and conditions aligned to the NHS' (69%) and 'enhanced sick, maternity/paternity and adoption pay' (36%). There is no escaping the fact that care staff must be better remunerated if recruitment and retention challenges are to be addressed, with providers, commissioners and other partners alike reaching common ground as to what the benchmark should be.

However, it is worth noting that pay and better rewards are not the only factors providers feel would have a positive impact on recruitment and retention. Just over a quarter (27%) of respondents selected offering 'greater flexibility in working hours', demonstrating that there are other, less costly measures which providers feel would benefit staff. As outlined earlier, however, providers' ability to offer flexible working may be limited by the nature of frontline work in the adult social care sector, namely the requirement to work in person and adhere to shift patterns.

Additionally, 39% of respondents selected 'greater respect for the profession'. While less tangible than other solutions, and while it remains unclear from whom exactly this greater respect should be derived, this reaffirms the widely shared notion, even within adult social care, that the profession is not afforded due respect and status.

National standards and oversight for adult social care

Another key line of inquiry in this year's Sector Pulse Check survey was the use of national standards and oversight when it comes to managing the adult social care sector and the challenges it faces. Integrated Care Systems (ICSs) are designed to offer maximum flexibility to local areas when it comes to managing their health and care system, in recognition that health and care needs are likely to differ across geographical areas and priorities are best understood and addressed at a local level.

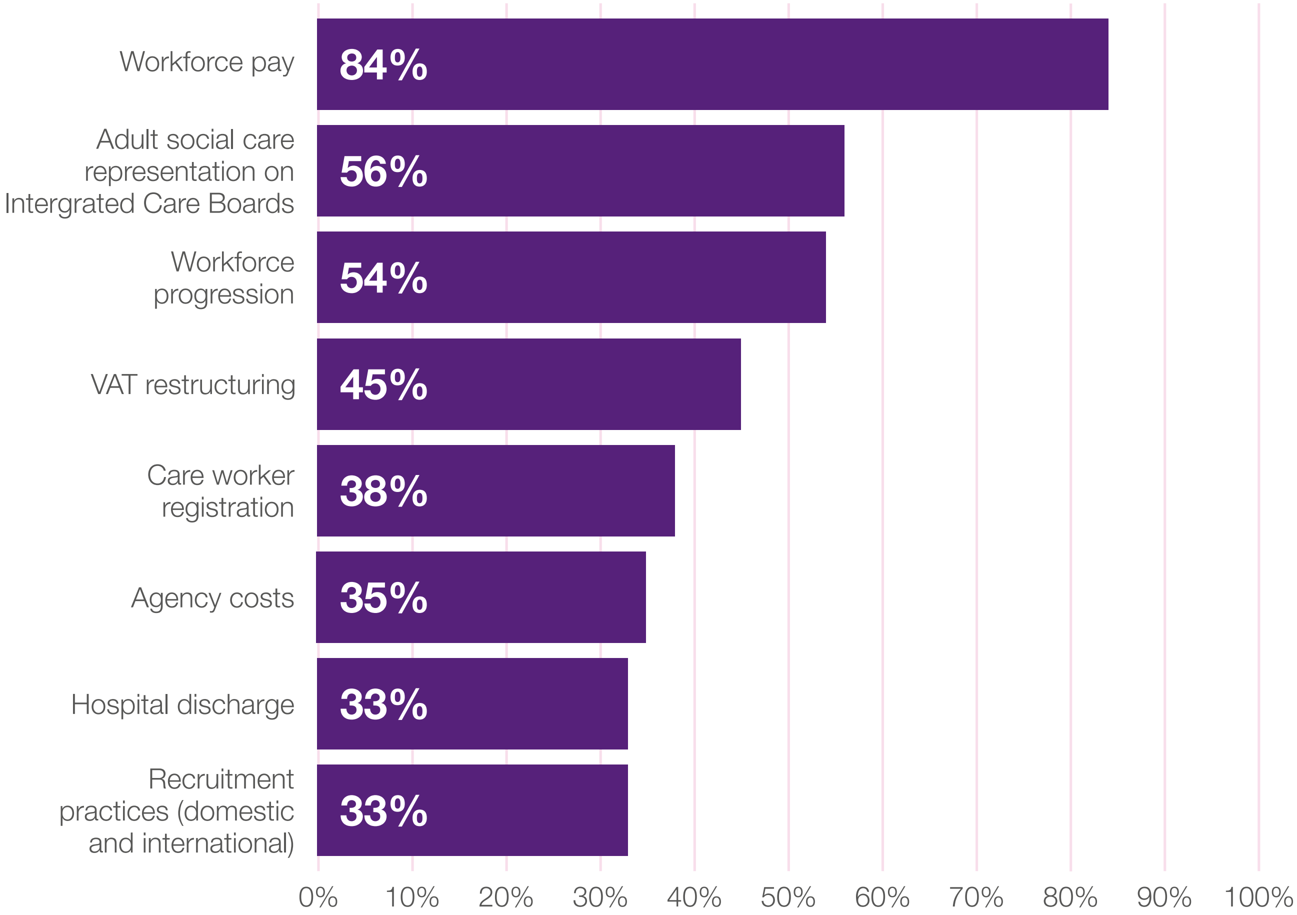
Similarly, when challenged on things such as low pay, the Government has repeatedly reaffirmed that they have 'no plans to set specific pay levels and conditions' and that the responsibility to do so lies with care providers and local authorities, working together based on local market conditions.[30] The Government's approach to national oversight appears to be that it should be used sparingly.

There have, however, been increasing calls from across the health and social care sector for greater national oversight to be used in relation to certain challenges. The Liberal Democrats, for instance, have called for a national minimum care wage, set at a rate above the NLW, to be implemented to address recruitment and retention issues.[31] Similarly, in their report *Support Guaranteed: The roadmap to a National Care Service*, the Fabian Society called for, among other things, a sector minimum wage, national minimum employment conditions, the introduction of national employment terms, pay bands and minimum pension entitlements, all falling under the brand of a new 'National Care Service'.[32] The Labour Party, whose Shadow Health and Social Care Secretary Wes Streeting MP asked the Fabian Society to produce their *Support Guaranteed* report, has committed to establishing Fair Pay Agreements across the economy, starting with the adult social care sector, while remaining modest in their commitment to the wider proposals put forward in the Fabian Society report.

Bearing this tension between local flexibility and national oversight in mind, we asked care providers whether there were any areas where they would like to see a more joined-up, national approach across the adult social care sector, outlined in Figure 20.

[30] UK Parliament, *Care Workers: Conditions of Employment and Pay,* Question for Department of Health and Social Care (accessible here)
[31] Liberal Democrats, *For a fair deal,* September 2023 (accessible here)
[32] Fabian Society, *Support Guaranteed: The roadmap to a National Care Service,* June 2023 (accessible here)

Figure 20: Areas where adult social care providers would like to see a more joined-up approach *(Source: Hft and Care England Survey, Cebr analysis)*



The results indicate that there are, in fact, a number of areas where providers would like to see a more joined-up, national approach.

Workforce pay was the standout area, with 84% of providers signalling that the issue should be tackled at a national level. A majority of care providers (54%) would also like to see a national approach adopted in relation to workforce progression, something which the Government have already consulted on as part of the Care Workforce Pathway, with other workforce-related areas including care worker registration (38%); agency costs (35%); and recruitment practices (33%).

56% of respondents to this year's survey also stated that they would like to see a national approach to adult social care representation on Integrated Care Boards (ICBs). At present, levels of engagement with the adult social care sector vary substantially across ICSs. At the Integrated Care Partnership (ICP) level, where partners strategise about how to meet the health and wellbeing needs of the population in that ICS area, there is some opportunity for the sector to have direct representation, while at the ICB level, where planning and budgeting decisions are made, this representation is often fulfilled by local authorities. The fragmented nature of the adult social care market make the question of consistent representation within ICSs more challenging.

Another notable area is VAT restructuring, selected by 45% of respondents. Under current UK law, a VAT exemption applies to welfare services undertaken by a charity and some regulated welfare services undertaken by registered and regulated entities, meaning VAT cannot be recovered on attaching costs of providing these services. However, if local authorities undertake these services directly, they can recover VAT incurred on the cost through the special VAT recovery regime available to local government. In some local authority areas, care providers are permitted to restructure their VAT arrangements in such a way that allows them to recover input VAT for local authority- and NHS-funded contracts. The majority of local authorities, however, do not allow VAT restructuring.

Finally, 33% of respondents said they would like to see a more joined-up, national approach in relation to hospital discharge. As outlined earlier in this report, poor operationalisation of hospital discharge into the community costs the NHS hundreds of millions of pounds each year. There is no national strategy for intermediate care.

Hopes and expectations for the next government

Finally, with the next general election set to take place no later than January 2025, we asked care providers what their hopes and expectations were in relation to the next government. Provider responses have been grouped into common themes below.

Recognition and Respect

> **It's time to give back to those who give so much. Let's uplift the spirits of our caregivers… and recognise them as the heroes they truly are** - Adult social care provider

Among the starkest findings in this year's report is the extent to which care providers feel that the adult social care sector is not afforded due recognition, treated as "an afterthought". Boosting recognition and respect for the sector, often in terms of parity with the NHS, was frequently mentioned by survey respondents as something they would like to see from the next government.

Among the measures suggested by survey respondents to boost recognition and respect for adult social care were:

- Professionalising the adult social care workforce
- Parity with the NHS, particularly in terms of pay, conditions and career progression
- Clear recognition of how adult social care complements and enables the NHS to succeed
- Better representation within central government and local system partners

Workforce

> **Recruitment remains a significant challenge. Roles within the care sector are not valued in society and care is rarely seen as a career. Support is needed to raise understanding of care as a profession, comparative to the approach to the health sector, and to recognise the worth of those working in the care sector** - Adult social care provider

Unsurprisingly, another key expectation of the next government is that they address workforce-related challenges. Respondents frequently expressed disappointment that the Government has failed to deliver for care professionals, consistently under-valuing their contribution and lacking the political will to adequately resource the workforce.

Among the workforce-related measures providers would like to see from the next government are:

- Focus on reframing working in social care, to break the stereotype that it is a low-skilled sector of last resort
- Conduct an adult social care workforce review to deliver a fully funded long-term workforce strategy.

  The workforce review must:

  - Be expert-led
  - Enjoy cross-party support
  - Enjoy support from an ambitious and empowered national institution

  The workforce strategy must:

  - Complement the NHS long-term workforce plan
  - Address pay levels
  - Align social care with the NHS
  - Make social care a viable, respected and sustainable career
  - Focus on learning, development and qualifications
  - Include professional registration
  - Improved career pathways
  - Improve standards

Funding

Providers continue to be under financial strain… with limited and difficult-to-access short-term funding pots. The next government must address these issues as a priority - Adult social care provider

Provider responses called for many reforms from the next government to address the low funding that has characterised the sector for many years. The insufficiency of recent government funding initiatives, as illustrated in this report, only further highlights the need to achieve sustainability.

Among the measures suggested by respondents were:

- VAT
  - Ensure that the supply of services for social care receives the same VAT rating as the supply of health care services
  - Zero-rate VAT for care providers
- Pay fee rates that reflect the true cost of providing care
- Harmonisation of rates that commissioners pay for care
- Long-term funding settlement, allowing both providers and commissioners to save time and money in planning and negotiation efforts
- Reform local government in its entirety, reform government agencies and reduce office overhead costs
- Reduced tax burden to enable "visionary opportunities for efficiency and impact through innovation"

Lost hope

I don't have any hope for either party to make a positive difference … unless radical changes are made then we will always be running our services on a shoestring - Adult social care provider

Many survey respondents expressed that they had completely lost hope of any government grasping the nettle and delivering for adult social care. Their hopes and expectations for the next government, therefore, were non-existent. These responses only further highlight the importance of deploying effective interventions to improve the social care sector.

Next steps for adult social care

A plan for today: recommendations

At its best, adult social care is simply, but brilliantly, about providing the framework people need to live how they choose. Yet, root and branch reform is desperately needed to address the issues highlighted in this report. While a challenging political and economic climate means this will not happen overnight, standing still is not an option for care providers, those who work in social care or for those we support.

Taking the structures and financial envelope currently available, there are a host of practical actions that the Government, commissioners and other stakeholders across our sector can take to relieve some of the challenges outlined in this report.

1 Reforming VAT represents a straightforward way to alleviate the cost pressures facing adult social care providers by directing much-needed resources straight to those delivering care.

- At present, some care providers are able to recover input VAT for care homes on local authority and NHS-funded contracts by restructuring their VAT arrangement, adding £30-50 to every weekly care package at no additional cost to the local authority. However, fewer than 50% of local authorities currently permit this restructuring process. **We recommend that the Government mandates that local authorities to facilitate VAT restructuring.**
- The use of agency staff is widespread within the adult social care sector. While the use of agency is by no means a suitable replacement for permanent staff, it is an unfortunate necessity due to high vacancy rates and levels of attrition and represents a significant cost pressure for providers. Under NHS Agency Rules, a 55% cap is applied to NHS agency staff. Currently, adult social care agency staff have no fee caps for equivalent workers. **We recommend the Government expand the NHS 55% agency cap to adult social care agency staff, or to permit the routes for adult social care providers to access staff, through the NHS arrangements to secure individuals at the capped rate.**
- The significance of utility bills as a cost pressure has increased dramatically over the past two years with 59% of respondents highlighting this as a key challenge and providers experiencing up to 350% increases in energy costs. **We recommend that the Government remove the 5% VAT surcharge on energy bills for adult social care providers.**

2 **The current commissioning landscape for adult social care is messy and complicated, characterised by 153 interpretations of the same guidance which perpetuates challenges for independent care providers, builds in unnecessary cost and complexity, and takes providers away from their core purpose. The inconsistent use and application of funding structures, such as the Fair Cost of Care exercise, as highlighted in this report, is symptomatic of this.**

- **We therefore recommend the establishment of national commissioning standards as committed to in 'Next Steps to Put People at the Heart of Care.' These standards should:**
  - Build upon the National Framework for the Commissioning of Care and Support in Wales to create commissioning standards in England, delivered in the form of statutory guidance.
  - Encompass consistent utilisation, and allocation, of funding and funding mechanisms (such as the Fair Cost of Care Exercise) across the entire health and social care sector to enable long-term market shaping and strategic planning. Whilst we appreciate the funding allocations local authorities receive are contingent upon central government action, within the current system, care providers cannot plan, design or deliver solutions that are appropriate to local or business challenges.
  - Provide guidance to ensure that commissioning decisions take into account providers' ability to demonstrate a genuine commitment to delivering social impact and listen to the voices and ambitions of people who draw on social care in their delivery and decisions.

3

Over recent months international recruitment has been lauded as a 'silver bullet' for adult social care, as a means to alleviate high vacancy rates. Despite this, our research reveals there is a series of barriers limiting the viability of international recruitment as a recruitment method for certain organisations, and we envisage this will become even more difficult in light of new immigration rules announced in December 2023.

- **We recommend that, to make this more accessible to a greater swathe of providers, the Government:**
  - Decreases VISA fees.
  - Improves access to certificates of sponsorship for organisations with a proven record of successful, ethical recruitment from abroad.
  - Improves the support available to providers to help guide them through the complicated and bureaucratic international recruitment process, including by improving the help desk and online portal.
  - Establishes a 'best practice guide' to protect providers and prospective workers.

4

At present, the representation of adult social care on ICBs is largely fulfilled by local authorities. Yet this cannot consistently or accurately represent the needs and opinions of care providers or those who draw upon care. Providers told us they would like to see a national approach to adult social care representation on ICBs, which would undoubtedly ensure providers were more appropriately included in the decision-making process and would have a consequential, positive impact on outcomes for funding and the workforce.

- We recommend that the Government introduce a statutory duty for adult social care providers to be directly represented on IBCs. In the meantime, each IBC should appoint a named point of contact for care providers so that there is a clear channel to feed into decision making.
- We recommend that under the new CQC inspection framework, the CQC should have enhanced powers to assess whether IBCs are adequately meeting the needs of adult social care providers by examining representation on IBCs.

A long-term vision for adult social care

The recommendations outlined above represent pragmatic and immediate steps to alleviate some of the challenges currently facing the adult social care sector. That being said, we must continue to push for the wholesale reform required in the long-term to enable adult social care to deliver at its best.

Across finances and the workforce, the basis of this reform should address the following:

For adult social care providers, financial instability is the status quo. As highlighted by over 80% of providers, the short-term injections of funding are doing almost nothing to alleviate this pressure for providers. Long-term financial security is a prerequisite to the adult social care sector addressing the pervasive issues it faces and delivering at its best.

Adult social care providers and their partners need the security of a long-term funding settlement, with ringfenced funding for local authorities that enables them to pay the real cost of care, including a wage for the workforce which is commensurate with the responsibility of their role.

Funding mechanisms must ensure that funding reaches the frontline and makes a tangible impact for those drawing on care. Where possible, grant funding should go directly to adult social care providers. Where funding is administered through local authorities, it must be subject to a consistent audit trail, with improved measures of success and full transparency as to how and on what the money is spent. This would ensure local authorities are held to the highest account in how they use money allocated by central government and what outcomes are achieved.

Year after year, the workforce issues facing adult social care have persisted. Taken as a whole, low levels of pay alongside poor perceptions of careers in social care are key contributors to high rates of turnover and vacancy.

Adult social care must have a long-term workforce plan compiled with the support of experts and delivered with cross-party support. It must be comprehensive and fulfil the wider need to make it a viable, respected and sustainable career reframing work in social care, to break the abhorrent stereotype that it is a low-skilled sector of last resort. It ought to incorporate:

- **A fully funded national pay framework for adult social care. This should be tied to the Government's Care Workforce Pathway, representing a fully funded system of enhanced training and development, to provide a joined-up and standardised approach to pay and progression.**
- **Benefits, terms and conditions for care professionals aligned with those in the NHS, including pensions, statutory sick pay, holiday entitlements and access to training courses.**
- **A professional register for care workers in England, raising the status of careers in social care and providing a framework for recognising an individual's experience and training.**
- **A refreshed government recruitment campaign, including targets for the number of recruits it aims to attract into the sector.**

We urge the Government to be bold in its thinking. End the injustice of unfair pay. Make history by setting our nation on a trajectory to have sustainable, ethical and quality social care services that set us apart and drive social and economic progress - Adult social care provider

About this survey

This report used survey data to highlight key challenges faced by care providers during 2023.

To collect this data, Hft, along with Care England, commissioned the Centre for Economics and Business Research (CEBR) to conduct a survey of CEOs and senior leaders within organisations which provide care and support to adults.

The survey ran from 14 September to 20 October 2023. In the survey of 122 organisations, 47% provided care for adults with learning disabilities and/or autism, while 53% offered care for older people.

Figure 21 shows the most common forms of care offered by those surveyed while Figures 22 and 23 show their size and status respectively.

Analysis in this report calculated averages across different subsections of care providers using demographic indicators from the survey and these averages were derived solely from the respondents who answered a specific question within each relevant subset.

Figure 21:
Proportion of participating providers by provider type
(Source: Hft and Care England Survey, Cebr analysis)

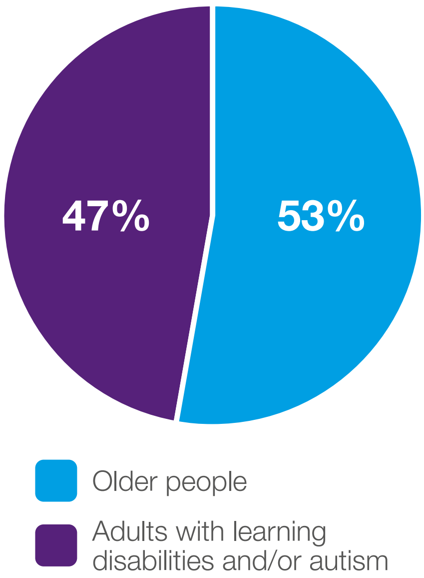


Figure 22:
Proportion of participating providers by workforce size
(Source: Hft and Care England Survey, Cebr analysis)

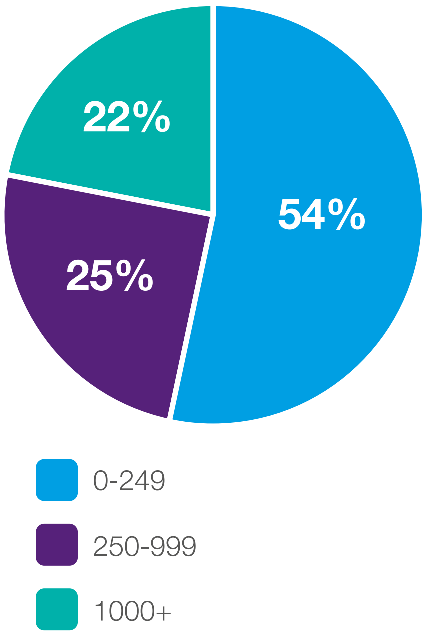
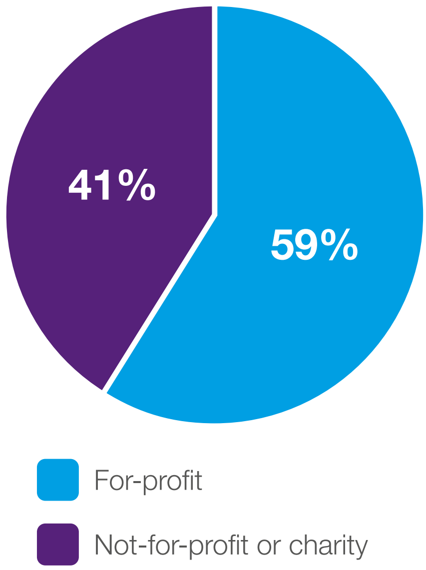


Figure 23:
Proportion of participating providers by status
(Source: Hft and Care England Survey, Cebr analysis)



Disclaimer

Authorship and acknowledgements

The data in 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 or Care England.

London, January 2024

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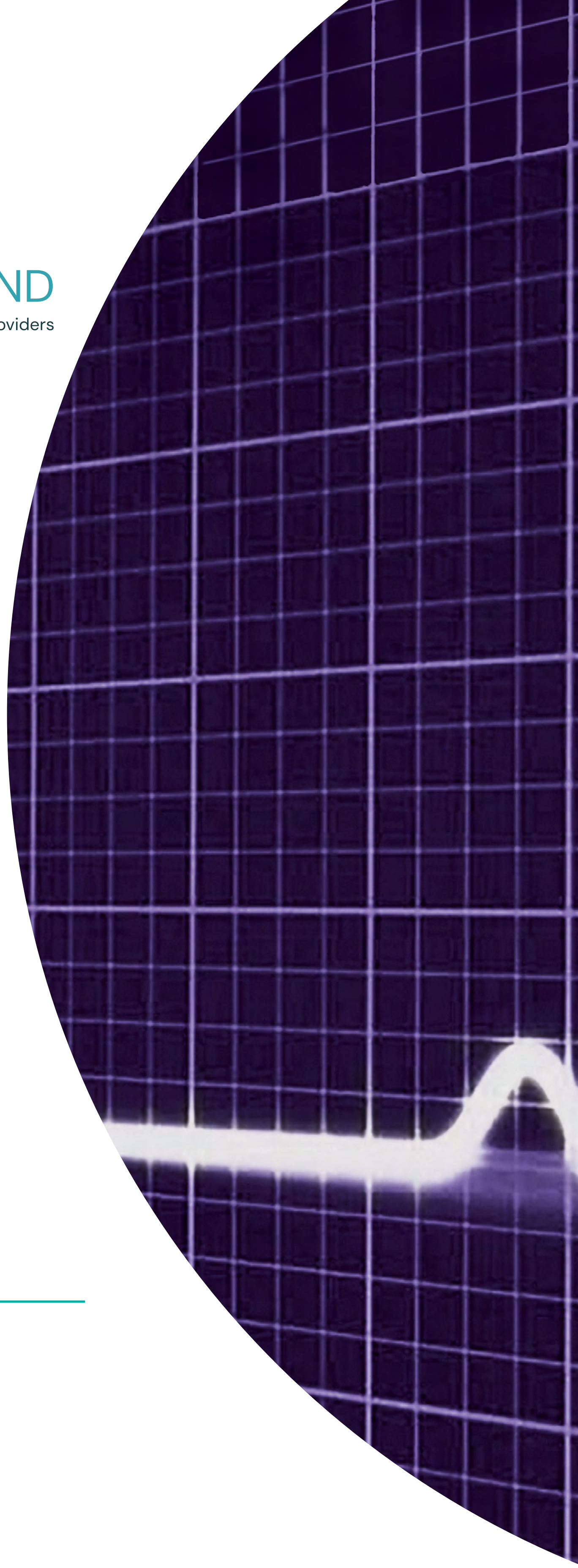

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