

Sector Pulse Check

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

#SectorPulseCheck



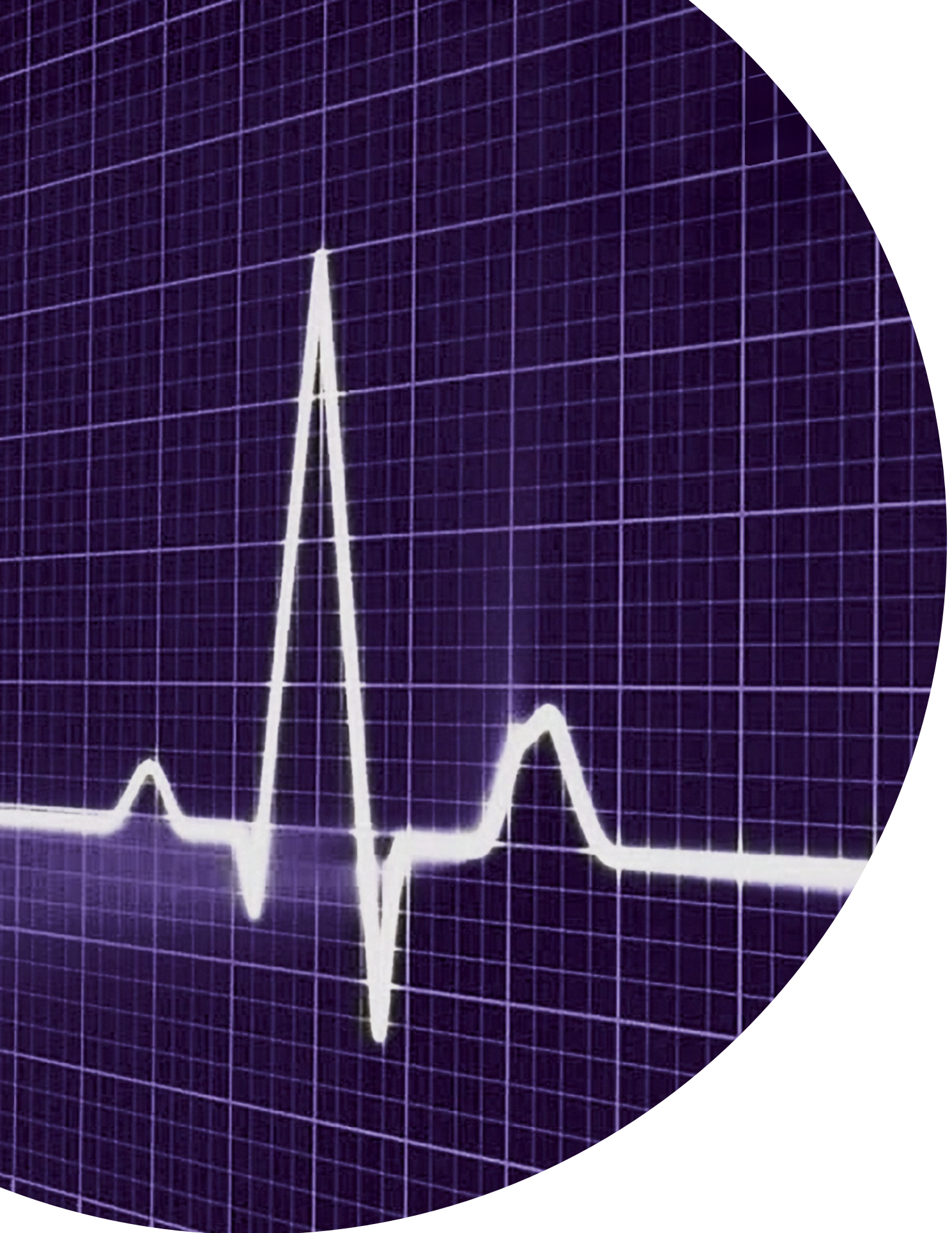
Hft and Care England
Analysis by CEBR
January 2024



CARE ENGLAND
Representing independent care providers



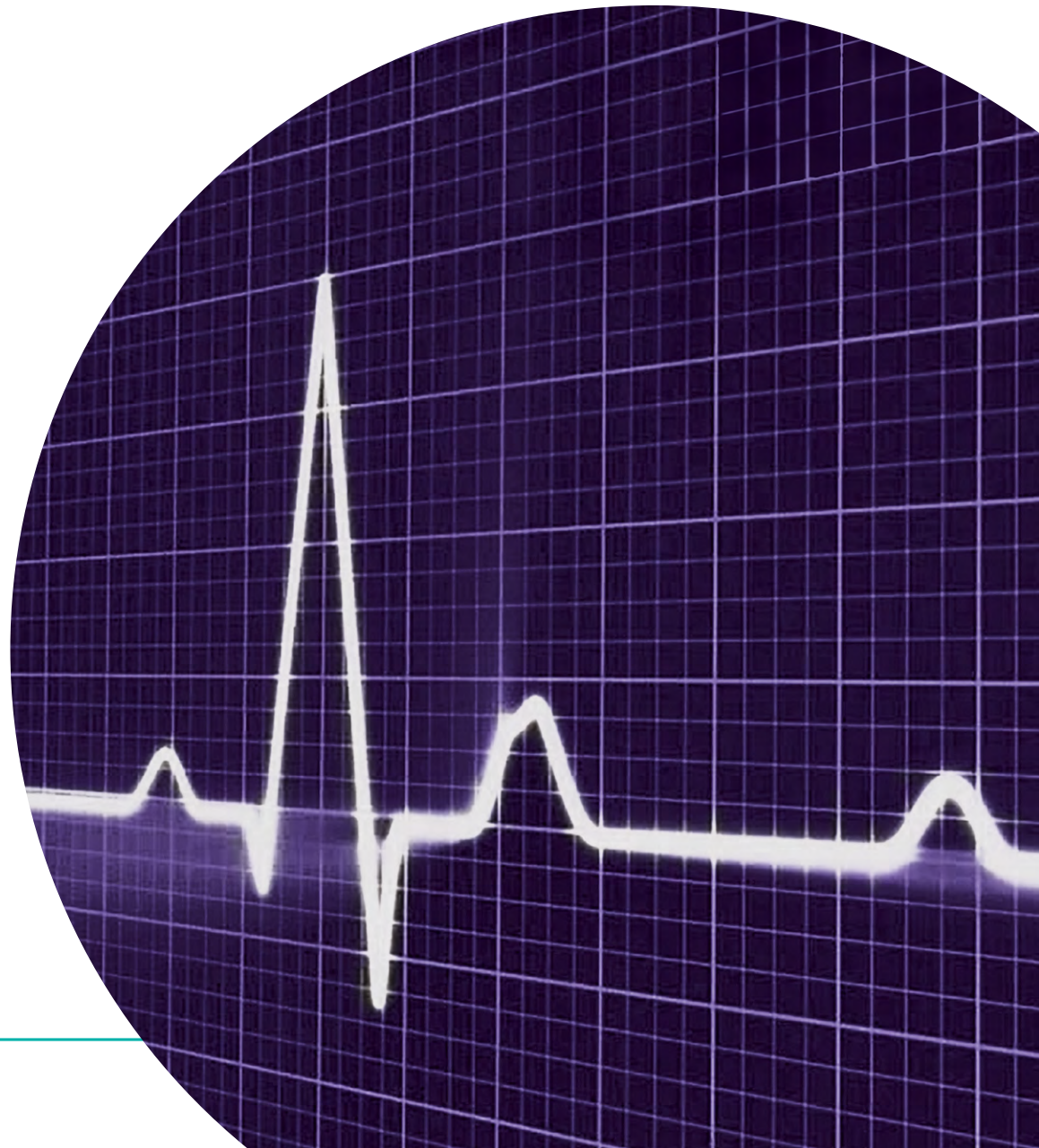
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Hft and Care England have once again partnered to deliver the 2023 Sector Pulse Check report, providing a snapshot of the financial and workforce challenges in adult social care from the perspective of care providers. We want to extend our thanks to 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.

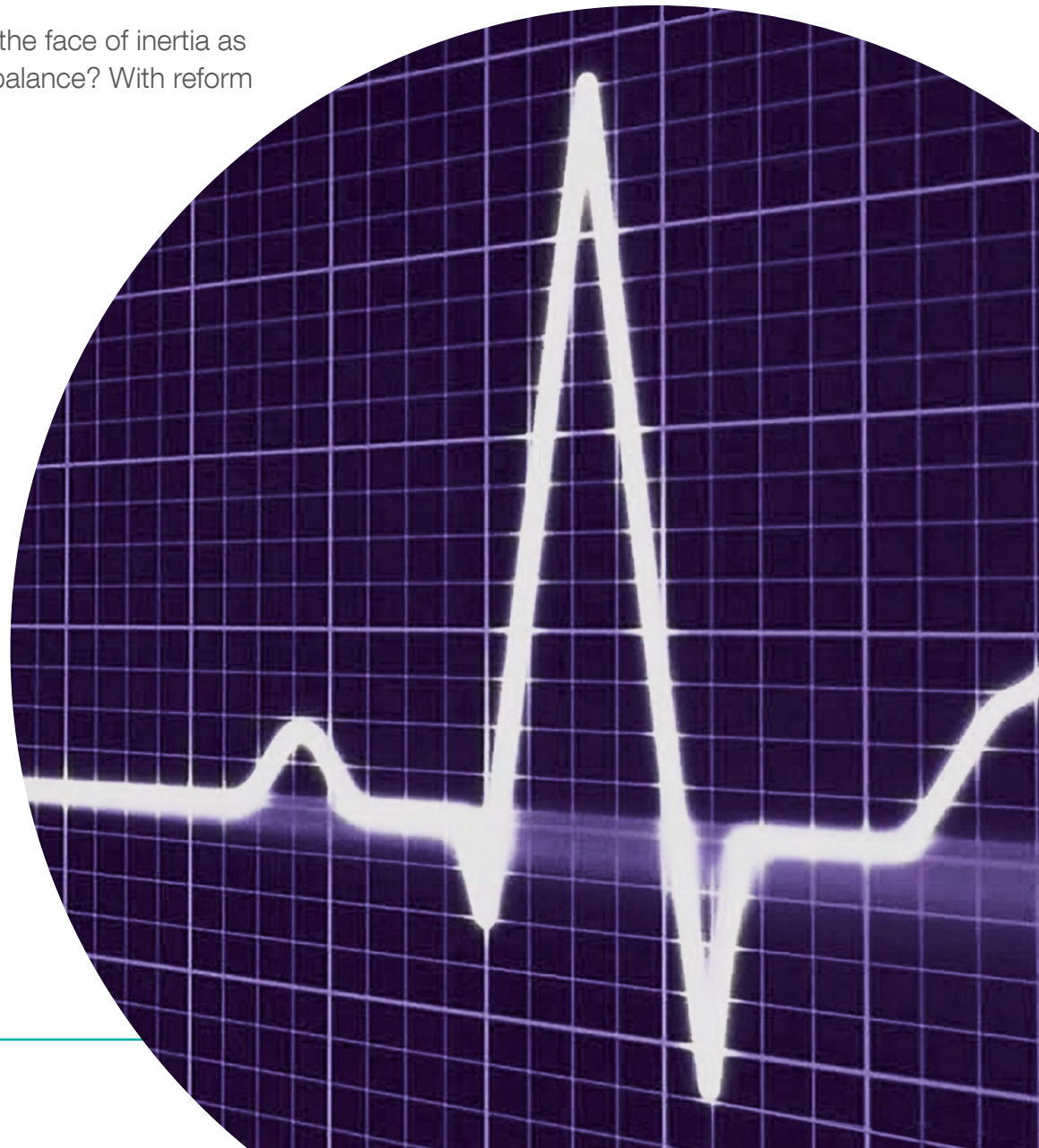
What then can we do in the face of inertia as our sector hangs in the balance? With reform

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%**



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



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



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 vacancies¹ – 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.

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.

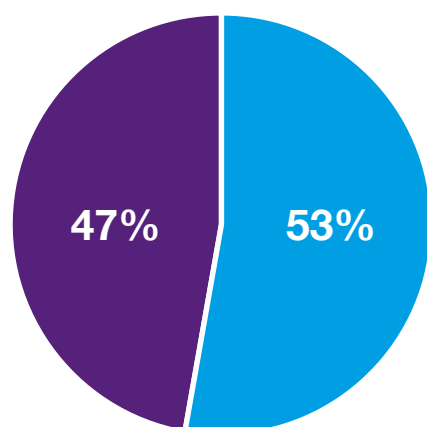
The survey ran from 14 September to 20 October 2023. In the survey of 122 organisations, 47% provided care for adults with learning disabilities and/or autism, while 53% offered care for older people.

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

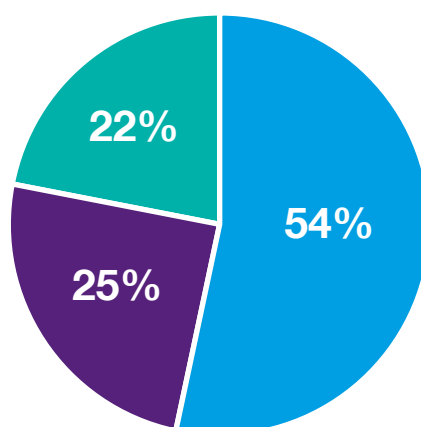
(Source: Hft and Care England Survey, Cebr analysis)



- Older people
- Adults with learning disabilities and/or autism

Figure 22:
Proportion of participating providers by workforce size

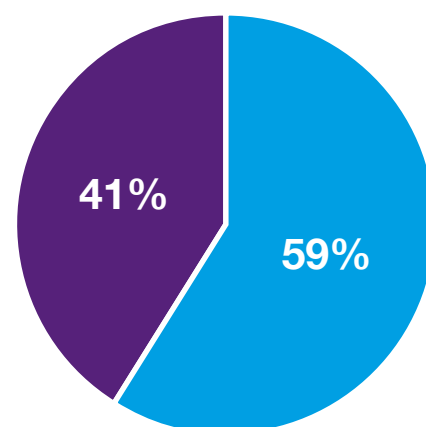
(Source: Hft and Care England Survey, Cebr analysis)



- 0-249
- 250-999
- 1000+

Figure 23:
Proportion of participating providers by status

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



- For-profit
- Not-for-profit or charity



Disclaimer

Whilst every effort has been made to ensure the accuracy of the material in this document, neither the Centre for Economics and Business Research Ltd nor the report's authors will be liable for any loss or damages incurred through the use of the report.

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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