

Sector Pulse Check

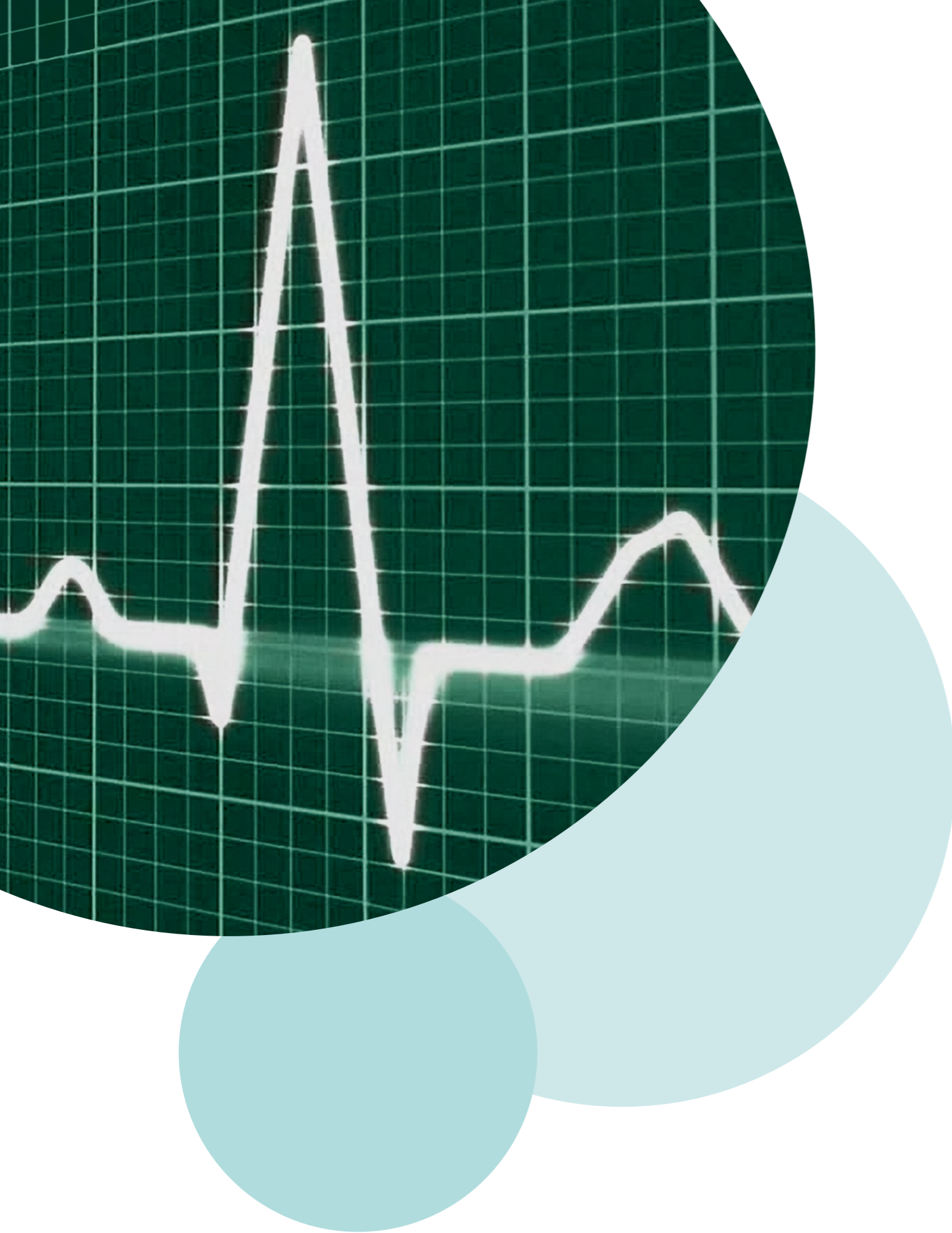
**Adult social care sector
annual review:**

**A snapshot of the key financial
and workforce challenges in 2024**

#SectorPulseCheck



Hft and Care England
Analysis by CEBR, Jan 2025



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Introduction from our chief executives

Hft and Care England are pleased to have partnered for the third time to deliver the 2024 Sector Pulse Check. The report presents a detailed assessment of the current financial and workforce challenges in adult social care from the perspective of care providers. We are grateful to everyone who contributed to the report, giving us meaningful data to underpin our recommendations.



This is the first Sector Pulse Check to be released since the change of Government in July 2024. We hope the rich and qualitative data, real life case studies, and thoughtful policy recommendations will be instrumental in helping determine the decisive action and systemic change needed to bring the sector back from the brink.

It is beyond doubt that our sector is at a tipping point. Our report was drafted just weeks after the publication of the Lord Darzi investigation into the state of the NHS and social care in England, and it sadly mirrors much of his review. Lord Darzi's view that 'social care has not been valued or resourced sufficiently' is evidenced in our findings – in the last few years, there has been little improvement in the key challenges that adult social care providers are grappling with.

Most concerning is that a third of providers report that they are considering exiting the market. Whilst the number of providers in financial deficit declined for

the third consecutive year to 29% – the lowest level since 2019 – this comes hand in hand with tough decisions they have been forced to make.

As a result of cost pressures and long-term financial uncertainties, over two-thirds sought internal efficiencies, a third curbed investment, and three in ten providers closed parts of their organisation or handed back contracts. These measures will undoubtedly impact the 'added value' providers can bring to those they support. The Government needs to move quickly to address and prevent sector failure, which would affect the most vulnerable in society.

Labour's commitments in its first Budget to agree multi-year funding settlements for local authorities and a review of the Carers Allowance are positive and much-needed measures. However, there is widespread concern about the impact that the increase in employers' National Insurance contributions, announced in the Chancellor's Autumn

Budget, will have for the sector on top of the statutory increase in the National Living Wage (NLW).

The uplift in the NLW is understandable; however, last year 85% of providers did not experience increases in local authority fees to cover the NLW uplift. Another uplift, without funding, will be devastating for the sector. Workforce related costs are already a top financial pressure for 91% of providers. We urge Government Ministers to reconsider these increases and ensure their treatment and funding of care providers is on par with the NHS.

Around a third of care providers cited late or unpaid bills by local authorities as a top financial pressure. The Government can help address this funding issue by ensuring that local authority and NHS contracts cover the real cost of care and that fees are paid on time.

There are around 1.7 million adult social care filled posts in England, but attracting and retaining a domestic workforce remains an ongoing challenge. The rate of vacancies is significantly higher than that of the NHS, the UK economy as a whole and many other sectors at the time of writing this report. Low pay, challenging conditions, and unfavourable perceptions of the work simply make it unappealing or unaffordable as a career choice.

It is therefore no surprise that two-thirds of providers reported either a decrease or no change in applications of domestic workers in the last year. Whilst there was an overall reduction in agency costs, this hasn't been offset by domestic

appointments, and it is only a return to pre-pandemic levels. International recruitment showed an uptake earlier in the year, which saw a reduction in workforce vacancies; however, policy changes around dependency visas have already led to a reduction in international applications, from 26,000 in the first quarter of the calendar year to 8,000 in the quarter beginning 1st April 2024. This represents a severing of the "lifeline" the sector was using to fill chronic vacancies.

It is crystal clear that we need a sustained and supported workforce plan that not only makes sure roles are valued financially but offers clear pathways for development and champions the vital work the sector provides.

We have set out clear asks that will provide the environment we need to deliver a thriving and sustainable social care sector. This will in turn help to alleviate healthcare pressures and ensure the Government is able to deliver on its mission to build 'an NHS fit for the future'.

We are ready to work with the Government and the NHS to get our health and social care provision right and fit for the 21st century. **It is time to act.**

Steve Veevers,
CEO, Hft
and

Professor Martin Green OBE,
Chief Executive, Care England

Executive summary

This annual report provides an overview of the financial and workforce challenges facing the adult social care sector and highlights the most significant and critical issues. It follows an independent national survey with 206 small, medium and large social care providers, representing the care of 128,000 people.

The survey was undertaken on behalf of Hft and Care England by the Centre for Economic and Business Research (Cebr) and considers care provider data for the period from August 2023 to 2024 – prior to the Chancellor’s Autumn Budget presented on the 30th October 2024.

The financial position of the adult social care sector

“It feels like we are in survival mode rather than being innovators in social care.”

Faced with ongoing and systemic challenges, compounded by an ageing population, increasing demand for support, a limited workforce supply, and persistent underfunding, adult social care providers are continuing to operate in “**survival-mode**”: **sprinting just to stay afloat, being forced to make difficult decisions to survive.**

Whilst the share of providers in deficit fell for the third consecutive year to 29% – down from 40% the previous year – 60% of those in deficit reported that the size of their deficit had increased in the last year. Furthermore, seven in ten providers with decreasing surpluses will be operating at a deficit within three years. This timeline is likely to significantly accelerate if the Government fails to address the financial impact on care providers from changes in Employers’ National Insurance Contributions, as announced in the 2024 Autumn Budget.

To cope with financial pressures:

Over 2/3rds of providers sought internal efficiency savings, which included changing their model of care or target client group

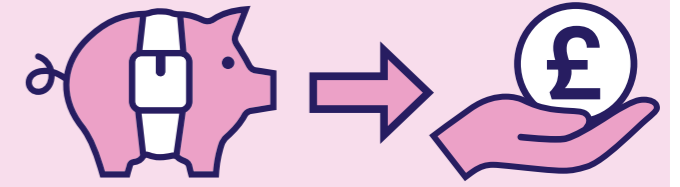


3 in 10 closed parts of their organisation or handed back care contracts



Of those, large providers were more likely than small providers to scale back their provision. 70% of the organisations that closed parts of their organisation had more than 1,000 employees, compared to only 13% of smaller providers. This reflects that larger providers have more capacity to downsize as a response to cost pressures.

1/3rd of providers curbed investment



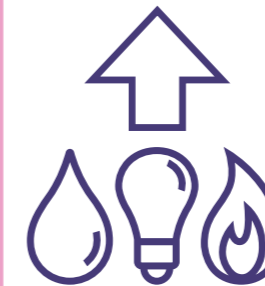
Providers of care to older people (OP) were even more likely to undertake this action, with two-fifths reporting having done so. Curbing investment in this way, while tempting for providers as a short-term response to financial headwinds, is likely to impact in future years through missed opportunities for innovation and efficiency.

Overall, the top financial pressures for providers were:

90.9%
workforce related costs



38.8%
utilities



29.1%
unpaid delayed/bills by Local Authorities



25.5%
maintenance costs (increased from 15.6%)



Of the workforce related costs, the biggest challenges were:

95.8%
increases in the National Living Wage (NLW)



47.9%
increase in spend on agency workers



43%
increased costs for permanent recruitment



Further compounding the issue, 85% of providers said that local authority fee increases did not cover the costs of a higher NLW.

Local authorities' increases have been minimal, only covering contact time... One authority provided only a 10p per hour increase, despite the minimum wage rising by over £1 per hour.



Rising energy prices continue to impact providers' budgets, with 75% saying energy costs had increased in the last year. Smaller organisations were the most impacted by this, with 80% recording a rise in prices, compared to 44% for larger providers.

Workforce position of the adult social care sector

We must have this sector recognised by the Government to align care work with equivalent roles in the NHS. Social care can reduce the occupancy of hospital beds if we can offer a career with respect and proper pay rates.



Attracting and retaining workers remains a severe problem for the sector. The latest Skills for Care data¹ estimates the sector's turnover rate was 24.8% in the financial year 2023/24, whilst the vacancy rate was 8.3%. Meanwhile, the vacancy rate for the whole UK economy is 2.6%, pointing to acute labour supply shortages specifically within the adult social care sector,² which is set to worsen as a result of changes introduced in March 2024 for international recruits.

The main workforce issues identified in this report were:

Domestic applications are not sufficient to fill vacancies. In the last 12 months...

33% of providers reported a decrease in applications



34% reported no change



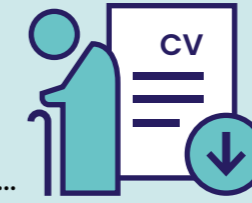
& those experiencing an increase in domestic applications fell from **43%** in 2023 to **31%**



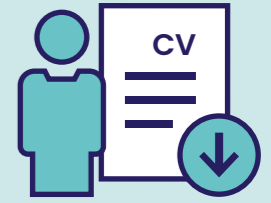
¹ Skills for Care, *The State of the Adult Social Care Sector and Workforce in England 2024*.

² Office for National Statistics, *VACS02: Vacancies by Industry* - Dec 2024.

36.2% of OP social care providers also saw a greater decrease in applications compared to...



28.2% of providers supporting learning disabled (LD) adults



Pay rates were the most cited barrier to recruitment at **85.7%**



followed by **poor perceptions** of the social care sector as a career at **61%**



and the **challenging nature of the work** at **57.8%**



Along with higher pay, aligning terms, conditions and benefits to the NHS would make the biggest difference, supporting the findings in the Community Integrated Care report **'Unfair to Care'**.

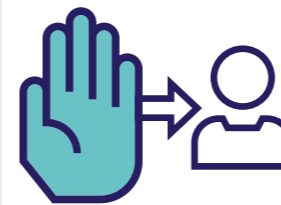


International recruitment was the most frequently reported method for filling vacancies, with 40% of organisations employing this strategy. International applications were reported to have increased in the last 12 months, particularly by smaller organisations. However, following new immigration restrictions, providers reported that they are seeing a drop in applications and expect further impact.



Unsurprisingly, the consequences of staff shortages are similar to those arising from the funding gap, namely:

29% of providers reported refusing new admissions to services



23% handed back or renegotiated packages of care



40% increased the use of agency workers to fill workforce gaps.



This is seen to be an issue as agency workers are considered more expensive and generally less prepared to deliver quality care compared with their full-time equivalents.³

People don't want unsociable hours on low pay with high responsibilities.



³ Unfair to Care, *Understanding the Social Care Pay Gap and How to Close It* - Mar 2024.

Government policies and sector recommendations

In his recent review, Lord Darzi revealed the equivalent of 13% of NHS beds were occupied by those waiting for social care support or care.⁴



As this report makes clear, there can be no expansion in the capacity of the social care sector without both more funding and more workers.



A long-term minimum three-year funding settlement and recruitment drive for the social care sector should therefore not be seen as an isolated package for the sole benefit of the care sector, rather an integrated strategy to ease pressures in the wider system.

Membership bodies, charities and providers across the sector provide information on the sector's challenges and what the sector needs. Skills for Care, the strategic workforce and development body for adult social care in England, reported that in 2023/4 there were 1.7 million filled posts in the adult social care sector and 131,000 vacancies – a vacancy rate of just over 8.6%. Hundreds of thousands of staff leave the social care sector every year, representing a turnover rate of nearly 26% in 2023/4. Skills for Care's Workforce Strategy for 2024 makes a corresponding series of policy recommendations for government to attract, retain, train and transform the social care workforce. The Government's ambition to create a "National Care Service" is welcome, but the sector is keen to understand what it would encompass.

Our survey data shows the clear need for long-term, sustainable workforce planning and a care sector which sits alongside the NHS as a genuine partner rather than a poor relation. We welcome the ambitious language from Ministers, but there is no time for further delay – we need to put the social care system back on its feet right now.

⁴ Lord Darzi of Denham, *Independent Investigation of the National Health Service in England* – Sept 2024.

Case studies

Will lives by himself in Bedford but is supported by care workers from HFT 25 hours a week. Will is 29 years old and has severe autism.



My name's Will, and I've been supported by Hft for nearly a decade. Their support has transformed my life, helping me live independently and hold down my job as a prep chef. Before Hft, I felt ignored and unsupported. My confidence hit rock bottom, and I nearly lost my job. But when I moved to Kings Valley, Hft's team helped me rebuild my self-belief and stay calm under pressure.

Living in my own flat was a big adjustment, but with Hft's guidance, I surprised myself with how quickly I adapted. My support workers give me the confidence to navigate challenges, both in life and at work. Their advice has been invaluable, and the consistent relationships I've built with them have made all the difference.

Looking ahead, I'm excited to make new plans and keep exploring opportunities. Without Hft, I wouldn't have the independence or confidence I do today. They've been a lifeline, and I'm incredibly grateful for their support.

Sanjay is the Managing Director of the Close Care Home in a rural area outside Oxford.



My name is Sanjay Dhrona, and I'm the Managing Director of The Close Care Home in Oxfordshire. We're a 90-bedded, family-owned care home providing specialist nursing care for people with Alzheimer's, dementia, and complex needs. We've been rated 'Outstanding' by the CQC across all categories twice, but the barriers we face are enormous.

Funding is a constant struggle, worsened by inefficiencies at the local authority level. Just today, I spent five hours on a case where authorities are arguing over who pays for a resident's care. That time and money could have been spent on improving lives. Instead, residents are treated like package numbers, and the people who depend on us suffer.

Staffing is another challenge, especially in rural areas like ours. Rising costs make it harder for staff to afford transport, and while we invest heavily in supporting our team, these costs aren't reflected in local authority funding. The increases in national living wage and national insurance are also crushing small providers like us. Without higher rates from local authorities, we have no way to absorb these costs.

Despite all this, I remain optimistic. We've created a model that works, and our independence allows us to innovate and deliver exceptional care. But for the sector to thrive, the government and local authorities need to listen and fund us properly. We've shown what's possible – now it's time for others to follow.

Policy recommendations

The adult social care sector faces stark challenges. Providers are underfunded and understaffed, with the workforce reporting that they feel underpaid and undervalued for the vital work that they do.

Persistent under-resourcing means that the finances of too many providers remain extremely fragile. Many providers remain in deficit year after year, adding substantial risks to service delivery. Costs, driven by workforce-related pressures and lack of sufficient uplifts from Local Authorities, are forcing providers to reallocate future investment resources into current payroll expenses, a principle only set to worsen due to the changes announced in the 2024 Autumn Budget. This will impact the future potential and capacity of a sector which is already chronically underfunded; the Health Foundation has estimated that the sector will have a funding gap of anywhere between £8bn and £18bn by 2032/3.⁵

A primary consequence of providers being unable to pay their workers higher wages is staff shortages in the sector. Vacancies are far higher than in the NHS and almost three times that of the wider economy. Driving this, low pay and a challenging and pressurised work environment, with little recognition by either the Government or wider society for the crucial contribution these workers make.



⁵ The Health Foundation, *Adult social care funding pressures* – Sept 2023.

Key recommendations

We recommend two major policy initiatives for Ministers to consider to restore the sector to long-term financial sustainability and recruit sufficient numbers of care workers:

- 1 Commit to a credible, multi-year funding settlement for the adult social care sector when the Spending Review concludes in Summer 2025.** Funding increases must cover future increases in the national living wage, and any changes to Employers National Insurance, and inflation, to avoid real-term pay cuts and the large-scale market exit of care providers.
- 2 Create a fully funded roadmap toward parity between care workers and workers in the NHS.** Pay and conditions are central to this, yet the significance of status and respect must not be ignored. This should include adopting the recommendations of the Skills for Care Workforce Strategy to address the high vacancy and turnover rate in the sector.

In support of these main recommendations, Hft and Care England believe that the Government should work with all political parties to:

- Fully fund the increase in Employer National Insurance contributions, or exempt care providers entirely.
- Ensure that local authorities and the NHS are funded sufficiently to reimburse social care providers and prevent cuts to real term pay through the Local Government and NHS funding settlement.
- Remove the ban on dependents for international social care staff.
- Enforce mandatory payment timelines for local authority and Integrated Care Board (ICB) payments, adding penalties for delays.
- Zero rate VAT to allow care providers the parity of a level playing field to both local authority and NHS providers and services to reclaim input VAT on purchased goods and services.
- Move care out of hospital settings to ease the burden on the NHS and into closer-to-home settings. In due course, commence a trial for neighbourhood health centres.
- Establish national commissioning standards for social care.
- Create a national register for social care workers, to professionalise and improve the standing of social care work.

The hour to act is now. Without decisive intervention, we risk leaving the most vulnerable adrift in a system that can no longer stay afloat.

About this report

This report used survey data to identify the key challenges faced by care providers during 2024. Hft, in partnership 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 August 2024 to September 2024.

In the survey of 206 organisations, 56% provided care for LD adults and/or those with autism, while 63% offered care for older residents. Figure 17 shows the average percentage of supported people who fund their own care, while figure 18 shows their status and size respectively.

The main demographics behind the survey:

26% of patients deemed self-funding

3 in 10 respondents were Chief Executive Officer of their organisation

Respondents care for 128,000 patients

Figure 17 - Percentage of providers, status of organisations surveyed.

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

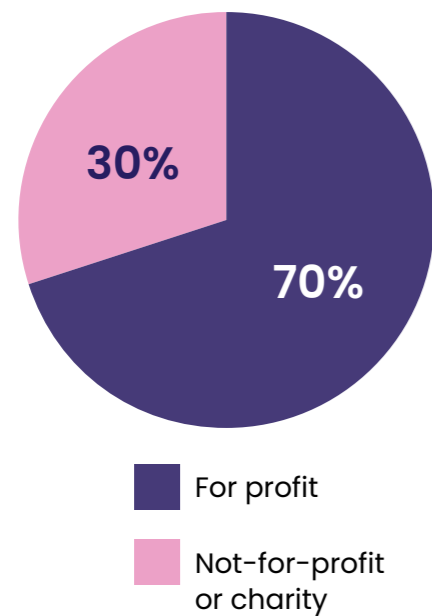
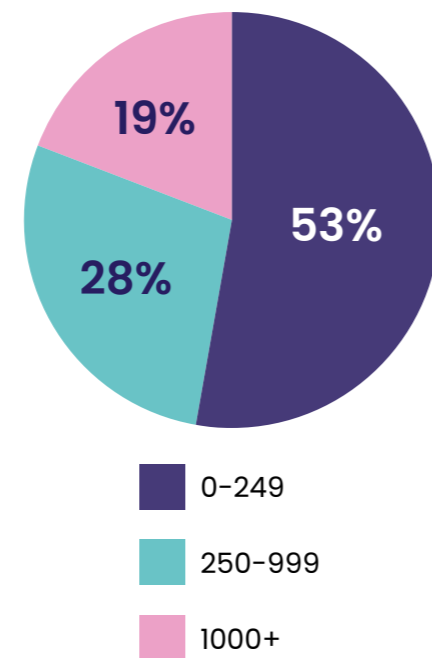


Figure 18 - Percentage of providers, respondents by workforce size.

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



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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.


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