Homecare Association

Spring Budget Representation 2023

Submitted online, 1 February 2023

Executive Summary

Please summarise your Budget representation in no more than 250 words.

The impact of the lack of capacity in homecare is clear. Councils have social care waiting lists of more than half a million. The patient flow through NHS hospitals is slow, aggravating delays in planned and urgent treatment, and exacerbating ambulance wait times. A quarter of those waiting to be discharged from hospital are waiting for homecare packages. Careworkers are leaving the sector because their employers cannot afford a competitive wage offer. Meanwhile, families are feeling they have to give up work to provide care and the number of people off work sick due to NHS backlogs is rising – increasing pressure on the national labour supply. Fundamental issues with social care funding need to be addressed.

We estimate that care providers need £28.44 per hour to pay staff a rate equivalent to NHS staff working at the same skill and experience level (Band 3, 2+ years experience). In 2022 our findings indicated that average fee rates paid by commissioners were around £19 per hour. These issues will have been made visible in the Fair Cost of Care exercises. The disparity must be addressed without delay.

The Government must act to ensure that the sector is funded adequately to attract and retain the careworkers that we need.

We also call on the Government to reduce international recruitment costs; make the homecare sector zero-rated for VAT purposes; waive CQC fees; avoid relying on Council Tax for social care revenue; ensure funding to support digitisation and fund the regulation of personal assistants and microproviders.

Who are we

The Homecare Association is a member-led professional association, with over 2,300 homecare provider members across the UK. Our members encompass the diversity of providers in the market: from small to large; predominantly state-funded to predominantly private-pay funded; generalist to specialist; and from start-ups to mature businesses. Our purpose is to enable a strong, sustainable, innovative and person-led homecare sector to grow, representing and supporting members so that we can all live well at home and flourish in our communities.

The current issues

Workforce shortages

Demand for homecare is outstripping supply. ADASS report that Councils have waiting lists for assessments, direct payments and care services of more than half a million. Age UK have indicated that before the pandemic, over 1.6 million people needed support with care at home and were unable to access it due to insufficient funding and workforce capacity. A quarter of delayed discharges from hospital are due to people waiting for homecare; this is due to a critical shortage of care staff.

Homecare Association data has shown a worsening recruitment and retention situation in the sector over the last 12 months. Our member survey in September 2022 showed that:

- 84% of providers reported that recruitment was harder in September 2022 than in September 2021.
- Over half (59%) of providers said more careworkers were leaving in September 2022 than in September 2021.
- Workforce shortages impacted on the amount of care being delivered, with nearly half of providers (47%) reporting that they were providing less care in September 2022 than in September 2021.
- The most common reasons given by careworkers for leaving were: needing to earn more or wages / cost of living pressures (67%); needing to travel /cost of travel (58%) and feeling burnt out, stressed or exhausted (52%).
- Homecare providers feel they are unable to improve pay and working conditions in the state funded market, with 80% of providers saying that local authority and NHS fee rates were too low to cover costs and this was preventing them from making changes to staff pay and conditions that they wanted to make.

This aligns with other data sources: Skills for Care data shows a decrease of 50,000 filled posts in social care in 2021/22. The latest vacancy rate for the homecare sector was 13.4% for December 2022 – considerably higher than the pre-pandemic rate of 9.4% in 2019/20.

Time and task based commissioning by public sector commissioners is also an issue affecting the quality of care and the experience of staff working in the sector. The CQC noted in their State of Caring report that:

> “we also continue to hear about local authorities that commission homecare in 15-minute blocks, which can lead to rushed or poor care. Some providers have refused

> to take up local authority contracts and only offer their service to people who pay for their own care. These providers tend to focus on 60-minute minimum care calls. They tend to have improved staff retention and recruitment (as they offer higher hourly rates) and overall satisfaction from people who use their service."

The longstanding issues with commissioning practices also need to be addressed as part of a programme of work to make the sector stable and sustainable.

Regulation of careworkers

We believe that it is in the public interest that care work is regulated. There are significant gaps in the regulation of care provision at the moment which can put people being supported at risk and make it harder to flag concerns about the fitness to practice of specific workers.

There are a number of 'self-employed' careworkers as well as personal assistants who are employed by individual disabled and older people (or their families). Skills for Care estimate that there are 119,000 filled job roles for personal assistants funded by direct payments. There are likely to be others who are privately employed/self-funded.

Personal assistants/'microproviders' are usually not CQC registered. There is increasing interest from local authorities in promoting the use of microproviders. We have come across instances where a member of the public or a previous employer wished to raise a fitness of practice complaint about a careworker but had no route to do so.

International recruitment

In September 2022 61% of respondents to our member survey said that affordability or the cost of the process of international recruitment was a barrier to them using international recruitment.

There are direct costs associated with international recruitment, for example, the cost of the sponsorship license, skills surcharge, and so on.

There are also costs that can come from staff time managing the administration, providing pastoral support and support with other difficulties, such as finding accommodation. Additional training is often required for international care worker recruits to explain cultural aspects of life in the UK (such as food culture), and how services (like the NHS) work. Costs associated with ensuring that the Home Office's requirements in relation to pay thresholds can also increase costs. Current commissioning rates often do not typically take these costs into account.

If these issues are not addressed then it will become harder to recruit the staff that are needed, exacerbating the disparity in demand and supply, and worsening the shortfall in capacity within the sector.

Postcode lottery

Our 2021 Homecare Deficit report suggested a correlation between local authorities' scoring in the Indices of Deprivation and the level at which they paid their homecare providers. The funding available for homecare varies significantly by where a person lives; which raises concerns about fairness. Other research has found that unmet care need for over 65s was

twice as high in the most deprived areas compared to the least deprived in England in 2018 (Vizard and Hills, 2021, Figure 17). This issue must be addressed.

Financial pressures

The sector is facing financial pressure from wage costs, inflationary pressures and the removal of COVID-based financial support. Other potential financial pressures, such as the possibility of CQC fees increasing are also a concern (for example, as has been suggested to cover the cost of regulating the Liberty Protection Safeguards when they are introduced).

While the Infection Control and Testing Fund has been closed since the end of the last financial year, the availability of funding to pay careworkers full pay whilst off work with COVID remains an issue. The sector is still preparing for a transition to needing to pay for PPE over the next 12 months as stock from the PPE Portal runs out. These costs, which will continue to be higher than they were pre-pandemic, must be met.

As CQC reported in their State of Caring report "The combination of increased wages to retain staff, increased running costs and the withdrawal of short-term government COVID-19 support, such as the infection control fund at the end of March 2022, have all increased the financial pressures on social care…We are concerned that, if financial pressures continue, capacity in the adult social care market will be further constrained…"

Digital Care records

The Integration White Paper called for 80% of care providers to have digital care records in place by 2024. However, transitioning to using digital records requires investment in IT infrastructure, software, staff training and staff time to administer the changes. This is particularly difficult to do in a context where there are significant workforce shortages due to other pressures on care managers.

Some of the issues with digitisation are specific to homecare. In particular, there is a need for careworkers to have mobile data connectivity – which is not readily available in all areas. It is not always possible to rely on the person being supported having an accessible wifi network in their house. Careworkers who are undertaking lone working will need devices to take with them and will need to be trained to a level where they can be confident to use those devices without having someone on hand to ask questions of.

Confidence in the benefits of the digital transition has been affected by the issues with the Advanced data breach and service outage experienced this summer. This caused widespread disruption for providers affected.

Wider economic implications and impact on growth

A key part of the economy: social care contributes £51.5 billion per annum to England's GVA (Skills for Care, 2022).

There are a range of wider economic implications when considering investing in care services. Labour supply is critical for economic growth in the UK at present and the care sector plays a vital role in ensuring that people are available for work.

Timely access to health and social care services depends on the whole system working. If hospitals cannot discharge patients who are medically fit for discharge into homecare; other people will not be able to get the emergency or planned care that they need. Without the care that they need, levels of sickness in the population will be higher and episodes of sickness will last longer. The number of people who are economically inactive due to ill health has increased dramatically since before the pandemic. Labour supply is necessary for economic growth and sufficient social care supply is a critical part of addressing healthcare waiting times.

Aside from the supply of labour, population health has significant effects on Government spending, with the OBR having revised projected spend on health-related and disability benefits up by £7.5 billion in their November 2022 projection compared to their March 2022 projection; noting the rise in health-related labour market inactivity, high prevalence of long-COVID, and long waiting lists for elective treatment.

Lack of access to care services will also mean that people may feel pressured to reduce their working hours or leave work entirely in order to provide care to family members in their own homes. Carers UK have previously estimated that around 600 people a day give up work to provide care. Some of these people may not feel they have to if they can access good quality homecare.

Other wider economic implications include.

- The sector is a significant source of employment:1.5 million people worked in social care in England in 2021/22, (Skills for Care, 2022).
- The Women's Budget Group argued that if 2% of GDP is invested in the care sector then it would reduce gender inequality and produce twice as many jobs as if the same amount were invested in construction.
- Increased health expenditure - social care can play a preventative function, keeping people healthy. Without sufficient care, health expenditure is likely to rise. People having the right care when they are discharged from hospital can prevent readmission. People in the community having the right care and support can, in some cases, reduce issues escalating to a point where people require emergency treatment.

Existing policy measures

We recognise that the Government has shown some awareness of the gravity of the issues, when considering its policy responses, including in the *Plan for Patients*, in *People at the Heart of Care* and in the Integration White Paper, but the current policy measures do not go far enough.

The Chancellor recognised some of the issues with *People at the Heart of Care* when it was published:

> "these measures do not really give confidence in two crucial areas. The first is the funding to local authorities for their core responsibilities. The White Paper barely

> gives them enough to deal with demographic change and national living wage increases, and it is a long way off the £7 billion-a-year increase the Health and Social Care Committee called for by the end of the Parliament. It is also hard to see the NHS and social care systems being fully integrated, as they should be, and an end to the workforce crisis, which sees 40% turnover in many companies.
>
> This is a start. The Minister is a very capable new Minister and I personally have great confidence in her, but will she bring forward further measures to deal with those huge problems? Otherwise, we will see hospital wards continuing to be full of people who should be discharged, and older people not getting the care they need because the carers do not exist." [Hansard, 1 December 2021]

We are now at risk of finding ourselves in a worsening situation where people are not getting the care that they need because the carers do not exist.

In the Autumn Statement, the Chancellor rightly recognised the vital role that social care plays in supporting older and disabled people and the interdependence of the NHS and social care. He also recognised the fact that homecare simply cannot meet the demand. However, he will recognise that the £1bn in additional funding allocated from central government funding is not sufficient to meet the £7bn a year (now an out of date figure – that will have increased) his Committee previously identified as necessary.

More recently £500m was announced in the Plan for Patients to support hospital discharge. An additional £200m was announced in January 2023.These announcements were also welcome as we struggle with a difficult winter and see more people not being able to get the health or social care that they need due to limited capacity in the system.

However, this grant funding for discharge is against a backdrop of the Improved Better Care Fund funding being frozen at 2022/23 levels for 2023/24 - which in today's inflationary context is a real terms cut.

Also, temporary, time-limited grant funding of this nature will never allow the care sector to commit to retaining and developing the workforce it needs. Without that workforce (which takes time to recruit and develop) the capacity in the sector will not be sufficient to support hospital discharge in the way that is needed.

Temporary funding can and does help with temporary measures to improve staff conditions, cover recruitment costs, retention bonuses and other measures which do make a genuine difference, but temporary funding will never get to the root of the workforce shortage problem.

The Market Sustainability and Fair Cost of Care Fund was originally part of the funding allocated from the Health and Social Care Levy. The funding promised included £162 million in 2022/23. A further £600 million was promised in each of 2023 to 2024 and 2024 to 2025. Unfortunately, we believe that in 2021 the deficit in funding the homecare sector alone (if careworkers were to be paid the equivalent of NHS healthcare assistants at Band 3 with 2+ years experience) would be £1.72 billion per annum across the UK. As far back as 2017 the CMA estimated that local authorities paying the full cost of care to care homes would require an additional £1 billion per annum (this is likely to have increased since). If working conditions in the sector were to be improved the amount needed would be more than this. £600m per annum will not be enough to achieve market stability and a fair cost of care.

£15m was announced in the Plan for Patients as funding for International Recruitment. This is also welcome and we await the release of this funding with anticipation. However, It does

not necessarily address some of the fundamental issues – i.e. that there are significant costs involved in international recruitment and in providing fair working conditions when staff arrive to take up roles. The rates paid by public sector commissioners must account for these costs if the sector needs to recruit internationally to maintain capacity.

The Government have yet to respond to the Migration Advisory Committee's recommendations on Adult Social Care. We would urge the Government to consider these as part of the Budget setting process.

In the 2023/4 Local Government Settlement, there was a proposal to include funding which was specifically for equalisation in relation to the disparities the adult social care precept element of Council Tax can produce in terms of revenue generated (which can be lower in areas of deprivation) and social care need. However, it remains to be seen as to whether this will fully address the inequalities issues identified with using the precept as a major source of funding for social care services. Budgetary assumptions appear to continue to rely on the principle that Councils will, in fact, decide to raise the precept by whatever amount they are permitted. We will review whether there remains a correlation between fee rates being paid to providers and areas of deprivation later this year.

On Digital Technology – we welcome the £150m that was allocated in the Integration White Paper to supporting digitisation across adult social care. However, with the £25m allocated in 2023/24 we believe that the connectivity of care homes and use of technology (for example, in falls prevention) in care homes has been a significant focus. These areas undoubtedly need attention. However, homecare providers also need support in understanding how to safely transfer to using digital systems if they are to meet the Government's ambition to have 80% of providers using digital care records by 2024.

Policy proposals

Workforce shortages and financial pressures

Recommendation 1: Provide enough funding to public sector commissioners to cover the costs of a competitive wage offer

In order to resolve the issues around workforce and the financial pressures on the sector, we need to sustainably fund the care sector.

We anticipate that the findings of the recent Fair Cost of Care exercises will show that the amount that Councils are paying providers for care is significantly under the true costs of delivery in most parts of the country, let alone meeting the costs of a competitive employment package. This would align with our previous research in 2021, which suggests that only 1 in 8 public organisations were providing an average fee rate that was at or above our calculated minimum price for care.

Every year we produce a minimum price for homecare, which outlines the minimum fee rate that is needed to fully cover the costs of care delivery – including the careworkers time during the visit but also training, travel, pension, supervision, IT costs, office costs, administration costs and so on.

This can be summarised in the following table which illustrates how, even at minimum wage (i.e. National Living Wage of £10.42), care providers would need £25.95 per hour in 2023/24 in order to cover their delivery costs.

The direct careworker costs alone, which include pay for time spent caring and travel time, National Insurance, pension, holiday pay, training pay, sick pay, notice and suspension pay and mileage amounts to £17.97. A further £7.98 is required to cover management and supervision, back-office staff, recruitment, training, regulatory fees, office costs, IT, PPE, finance, legal and professional services, insurance, other overheads and surplus.

Minimum Price for Homecare in England at the National Living Wage (2023-24)					**Costs**	
Careworker costs	Gross pay	Hourly rate for contact time	National Living Wage	£10.42	£12.58	£17.97
		Careworkers' travel time	20.68% of hourly rate for contact time	£2.16		
	NI & pension	Employer's National Insurance	4.5% of gross pay	£0.57	£0.94	
		Pension contribution	3% of gross pay	£0.38		
	Other wage related on-costs	Holiday pay	11.25% of gross pay, N.I. and pension	£1.52	£2.54	
		Training time	3.45% of gross pay, N.I. and pension	£0.47		
		Sickness pay	3.8% of gross pay, N.I. and pension	£0.51		
		Notice & suspension pay	0.3% of gross pay, N.I. and pension	£0.04		
	Mileage	Travel reimbursement	£0.45 per mile for 4.25 miles per hour of contact time	£1.91	£1.91	
Gross margin	Business costs	Management & supervisors	Estimated fixed cost	£2.45	£6.98	£7.98
		Back-office staff	Estimated fixed cost	£1.22		
		Staff recruitment	Estimated fixed cost	£0.36		
		Training costs	Estimated fixed cost	£0.48		
		Regulatory fees	Estimated fixed cost for average sized provider	£0.09		
		Rent, rates and utilities	Estimated fixed cost	£0.37		
		IT & telephony	Estimated fixed cost	£0.47		
		PPE and consumables	Estimated fixed cost	£0.59		
		Finance, legal and professional	Estimated fixed cost	£0.31		
		Insurance	Estimated fixed cost	£0.31		
		Other business overheads	Estimated fixed cost	£0.34		
	Profit	Profit / surplus / investment	4% of careworker costs and business costs	£1.00	£1.00	
Total price based on the National Living Wage (2023-24)				**£25.95**	**£25.95**	**£25.95**

Our estimates at the start of the 2022/23 financial year were that average fee rates paid by commissioners were around £19 per hour. There is clearly a disparity here.

If the sector were to offer wages equivalent to the NHS (based on a Band 3 pay rate of £11.85 per hour, for someone with 2+ years experience); then using the same calculation method we would see hourly rates that providers need to charge increase to £28.44 per hour of care delivered.

What makes the situation more challenging is that in some regions we are seeing providers needing to offer careworker pay averaging at £13.64 per hour in order to recruit. Calculated in the same way, this brings the hourly fee rate for care services up to £31.56 per hour.

Even this figure does not cover the costs of implementing better working conditions (for example, shift patterns rather than zero-hour working and/or clear career progression structures). To see substantial and sustainable changes, further ongoing investment will be required – and this must be in the form of reliable funding and not short term grants. It is very difficult for employers to improve workers conditions without a guarantee of sustainable funding because temporary increases in pay, for example, could lead the organisation into financial or HR difficulties should the temporary funding increase not be renewed.

The £600m allocated from the Market Stability and Fair Cost of Care Fund will be inadequate to meet these costs.

We urge the Government to meet this deficit and pay a fair and sustainable rate for care to at least a rate that provides parity with the NHS. This would be £28.44 to cover all delivery costs in a way that provides parity in terms of pay, but it would cost more than that per hour for total delivery costs if parity for terms and conditions were also to be matched.

As additional points:

- these funding levels must be adequate to cover the costs of PPE, as the supply of free PPE is transitionally withdrawn as stocks are depleted.
- If the sector is forced to rely on an increased level of international recruitment in future, this will drive up overhead costs for reasons explained above. These costs must be met by commissioners.
- Employers in other sectors are now allowing, or even requiring, staff members to work when they have COVID; or, if not, are funded to a level that allows employers to pay full sick pay. Since the removal of the Infection Control and Testing Fund there has been an outstanding issue with social care staff not being able to work when they have COVID (due to Government guidance on infection control), and many employers not being able to pay them full wages to stay off work (due to Government commissioning practice). This can result in a heavy financial penalty for staff, particularly given the cost of living crisis. The fee rate that providers are paid to deliver care must cover full pay on sick leave for staff, including where staff are required to stay off for infection control purposes, in line with Government guidance.

Recommendation 2: Do not rely on Council Tax funding for social care revenue.

We urge the Government not to rely heavily on social care precept / Council Tax revenue as a mechanism for increasing social care funding.

As we have outlined above, we are concerned about this exacerbating regional disparities in the availability of social care funding, unmet need levels and fee rates paid to providers. While we welcome the acknowledgement of the issue implicit in the funding set aside for equalisation, there are risks that Councils will choose to set the precept at different levels

and questions over whether this funding methodology will certainly have its desired equalisation effect. There remains a risk of creating disparities in the quantity and quality of care available across the country.

Recommendation 3: Waive direct costs associated with International Recruitment in Adult Social Care.

We would urge the Government to waive the Sponsorship fees, Immigration Skills Surcharge and other direct costs for applicants using the Health and Social Care Visa route.

Recommendation 4: zero-rate the care sector for VAT

VAT costs in the care sector are effectively increasing the costs for public sector purchasers of homecare services (or increasing the deficit between what the public sector fee rates are and the cost of delivery, as the case may be). Where care is purchased privately, they are inflating the costs to individuals in need of care and support of vital and necessary services.

"Welfare services" provided by regulated social care providers are currently rated exempt. This means that the care provider does not charge VAT on services that they provide. However, if these services were zero-rated it would also mean that providers would not need to pay VAT on goods and services they need to operate – which could range from business services to disinfectant.

Some other analogous goods and service are zero rated already, for example, in some cases mobility aids. Social care services also provide essential services to disabled and older people.

We recommend that homecare businesses which provide "welfare services" should be able to recover input VAT costs on all goods and services which they purchase on an ongoing and permanent basis – moving them from "exempt" to "zero-rated".

Recommendation 5: Regulate of personal assistants/'microproviders'

We call on the Government to provide funding to register personal assistants and microproviders in order that these services can be regulated. Careworkers (whether in people's own homes or in residential settings) are often working one-to-one, they are in positions of trust in terms of people's private affairs and intimate care. As such, those working in the sector must be alert to the full range of safeguarding risks (whether from family members or careworkers). There should be a mechanism to raise concerns about the conduct of a PA or microprovider.

There are risks associated with the compliance burden of regulation and its cost. There are currently severe shortages of staff in the sector and it is important that this is not exacerbated by an inappropriately rigorous regime. It is vital that regulation of the sector is properly funded and thought through.

Recommendation 6: Waive CQC fees

The costs of regulation of social care should be borne by the state rather than through fees paid individual organisations, and policy of full cost recovery reversed.

We have previously argued that the government would have a more effective incentive for holding the CQC to account for its use of funds if it were fully funded by the government.

The state should pay for the public good of a well-regulated social care system and ensure confidence and public accountability.

Public sector commissioners should be covering the cost of regulatory fees for the majority of care provided – meaning most of the funding should already be coming out of HM Treasury through one route or another; it just becomes more administratively complex to collect this funding as fees than as a direct grant fund to the CQC – thus making it less efficient spending.

We are concerned about the suggestion that the cost of implementing the regulation of the Liberty Protection Safeguards may come via CQC fee increases.

To quantify this cots, the CQCs latest set of financial reports suggest fee income from Adult Social Care – community amounted to £23.5m in 2020/1 (Table 3.1, pg 75).

Recommendation 7: Funding for Digital Transition

We welcomed the £25 million Adult Social Care Digital Transformation Fund, and the resource provided through Digital Social Care. It is vital that the homecare sector receive the funding that it needs to support a transition towards the use of digital care records. Particularly in areas of the country where adoption of digital records is low.

The Advanced cyber attack last year, showed the vulnerability of many social care providers and left some having to plan thousands of care visits per week with Excel spreadsheets and having to manually do payroll. There must be support for providers to understand cyber security risks and manage incidents.