True costs: Why we cannot ignore the failure in social care funding
Executive summary

There are 11 million disabled people living in England. Voluntary and not-for-profit organisations provide one fifth of the services supporting disabled people. Provision of these support services is a statutory obligation.

The additional funding made available for adult social care through the Improved Better Care Fund and the Adult Social Care Precept is welcome, but fails to meet rising demand, increasing costs and to secure a reliable workforce.

The number of disabled people in England is projected to continue to grow, increasing from 11m in 2017 to 11.7m by 2025. Within this group will be increasing numbers of people who require support with their mental health, physical disability, or learning and social needs.

The unit cost of care provision is increasing and the average hourly rate paid by local authorities to providers does not cover these costs. In 2016/17 this left a shortfall of £1.3 billion in local authority fees for residential care. Increases in the average hourly rate in 2017/18 have not closed the gap. The retrospective requirement to provide national minimum/living wage (NLW) back-pay to sleep-in shift workers for up to six years would be financially disastrous for many providers as well which would be forced to stop trading. It would also adversely impact the many individual disabled people who employ personal assistants (PAs) directly through personal budgets.

Workforce retention and recruitment rates are low and getting worse. This is linked to the complex nature of the work and the comparatively low rate of pay. Brexit threatens further instability in the labour supply for adult social care.

This funding shortfall is undermining the choice, quality and personalisation that is required by the Care Act 2014. Disabled people are receiving less care, and sometimes poorer care.

There is a knock-on impact on other services. Local governments are unable to meet statutory obligations within adult social care budgets. The NHS is struggling to cope, with an increasing proportion of delayed transfers of care due to adult social care.

True costs: Why we cannot ignore the failure in social care funding
VODG demands that:

1. Ministers identify a long term and sustainable funding solution particularly for working age adults.

2. The government supports the position of the Care Quality Commission (CQC) in the promotion of the highest possible standards of care and support and in particular the continued drive towards greater personalisation of services.

3. HM Revenue & Customs (HMRC) drop the retrospective action to recover mistaken underpayment of NLW for sleep-in shifts from some providers. Government works with the sector on a sustainable funding solution for care and support that requires sleep in cover.

4. The government work with VODG and other relevant bodies to develop a plan for a sustainable social care workforce. The government must also focus on how the sector can respond to the challenge of leaving the EU, the continued impact of low wages and the continued requirement to increase the quality of service provided. VODG is committed to co-operating with a strategy of this kind.
Increasing demand

Number of disabled people in England is projected to continue to grow, increasing from 11 million in 2017 to 11.7 million by 2025.

2017: 11 million disabled people in England
2025: 11.7 million disabled people in England
Inadequate funding to meet the rising costs of provision

Cost of care provision is increasing and the average hourly rate paid by local authorities to providers does not cover these costs. In 2016/17 this left a shortfall of £1.3 billion in local authority fees for residential care.

Quality is being compromised

2014 to 2017, 19% of adult social care services inspected were rated as “requiring improvement” and 3% as “inadequate”, with CQC noting the funding shortage as a concern.

2016/17: £1.3 billion in local authority fees for residential care

2014 - 2017: Adult social care services – 19% Requiring improvement 3% Inadequate
At a glance

Low workforce recruitment and retention

In 2017 there were an estimated 90,000 vacancies across the adult social care sector at any given time.

2017: 90,000 vacancies across adult social care sector
Care markets are failing

At least 69% of councils experienced some kind of provider failure from December 2016 to May 2017.

Cuts are putting increasing pressures on the NHS

In June 2017 there were 178,400 hospital days lost due to delayed discharges, an increase from 173,100 in June 2016.

Dec 2016 – May 2017: 69% provider failure

2017: 178,400 hospital days lost
Introduction

There are 11 million disabled people living in England, representing 20% of the population\(^1\). Voluntary and not-for-profit organisations provide essential services to disabled people with an approach that specifically promotes independence, choice and control as well as supporting their carers. The voluntary sector provides 19% of adult social care jobs, suggesting that we provide around one fifth of this vital support to disabled people\(^2\).

Provision of these support services is a statutory obligation and also prevents an escalation of needs and costs falling on other services, such as the NHS. It should be treated as a national priority, yet successive governments have failed to recognise and adequately fund these services. Cumulative adult social care cuts since 2010 have amounted to £6.3 billion\(^3\). Planned savings for adult social care in 2017/18 are a further £824m\(^4\).

Voluntary sector providers, predominantly serving publicly-funded clients, are disproportionately affected by these reduced adult social care budgets.

This report sets out the pressures facing voluntary sector organisations supporting disabled people that, under the VODG umbrella, together provide care and support to over one million disabled people.

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The increased funding for adult social care through the Improved Better Care Fund, announced in the 2017 budget, was therefore welcomed by the sector. In 2017/18, this means an additional £1.1bn in funding, an 8.6% increase in the adult social care budget compared to 2016/17\(^5\). The introduction of the Adult Social Care Precept was also welcomed, enabling local authorities to raise further funds. (Although the geographical areas most in need of additional funding tend to be the least able to raise funds through the Precept\(^6\)).

This additional funding has helped stall the ‘tipping point’ in the social care market in the short term, but it is not delaying irreversible damage to the level of care we are able to provide to disabled people and their families, and further fragmentation of the social care market\(^7\).

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If essential adult social care needs are to be met, a funding gap remains and must be addressed.

In 2016/17 councils reported a combined net overspend on adult social care of £366m, largely financed from council reserves or from underspending in other council departments\(^8\). In 2017/18, only 31% of directors of social services are fully confident that the planned savings for 2017/18 will be met, with this falling to 7% for 2019/20\(^9\). An estimated 55% of the savings for this year will be made through improving efficiency. However 20% of the savings will be made through cutting services and personal budget allowances, and a further 4% through above-inflation increases in charges\(^10\). Directors of Social Services admit that these cuts will have a direct impact on services for working age adults in 46% of local authorities\(^11\).

There are three key challenges faced by our sector, all equally important, which help to explain why current and future funding levels are woefully inadequate:

1. **Increasing demand**

2. **Increasing costs**

3. **Workforce challenges – recruitment and retention**

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Our ageing and growing population means that there is growing need and demand for social care for disabled people and for older people.

The number and proportion of disabled people in the UK population has been increasing year-on-year from 11.9m (19%) in 2013/14 up to 13.3m (21%) in 2015/16. Most of this change has come from an increase in working-age disabled adults. This trend is also true for England, with the number of disabled people increasing year-on-year from 9.9m in 2013/14 to 11m in 2015/16. If the disabled population continues to grow at the same rate as the general population as a whole, this could increase to 11.7m by 2025 and 12.3m by 2035. Assuming the same rate of growth, this would mean an additional 150,000 working age adults with moderate or severe physical disabilities by 2025, and an additional 16,000 working age adults with a learning disability by 2025.

The population is also ageing, with the number of people over the age of 65 in England expected to increase by 1.7m (17%) by 2025. This will lead to an increase in demand in disability-specific support for older people, with, for example an estimated additional 35,000 older people with a learning disability by 2025.

Within this growing and ageing disabled population, there will be increasing numbers of people who will require support with their mental health, physical disability, or learning and social needs. Skills for Care predict that, by 2025, we will need an additional 220,000 to 470,000 workers due to population growth and ageing. Current and projected adult social care budgets are unable to meet this increasing need. Last year saw a 3% increase in the older population, but there was no increase in the number of people actually receiving services.

The number of disabled people in England is projected to continue to grow, increasing from 11m in 2017 to 11.7m by 2025. Within this group will be increasing numbers of people who require support with their mental health, physical disability, or learning and social impairments.
Social care under strain

2 Increasing costs

Exacerbating the increasing demand on disability services, our sector is also experiencing a rise in the costs of care provision.

We welcomed the introduction of the NLW in April 2016, and its increase in April 2017. Whilst the fees paid by local authorities in some areas have risen between 2016/17 and 2017/18, funding to provider organisations is still insufficient: the average hourly rates paid by local authorities do not cover their costs. LaingBuisson, independent health and social care analysts, find that the average fee per resident paid by local authorities to care homes falls short of the costs of provision by more than £100 per week. This leaves a funding gap of £1.3 billion21.

The increase in funding through the Improved Better Care Fund and Social Care Precept is insufficient to cover this increase in labour costs in the longer term. For example, the Association of Directors of Adult Social Services (ADASS) calculate the NLW to have added £612m to adult social care bills in 2016/17. In contrast, the Precept raised only £380m22. Without adequate funding to cover the increase in unit costs due to the NLW and the associated implementation costs, disability service providers have been and will continue to be squeezed even further.

Additionally, recent clarification on how NLW is applied to sleep-in shifts will significantly raise costs of provision even further. This is particularly an issue for people living in smaller homes. There is a significant threat posed by the sleep in crisis and the potential unknown back pay bill with no clear indication about future funding arrangements. Many providers remain threatened with closure until a sustainable solution to funding sleep in care is found. Many disabled people who directly employ PAs through their personal budgets are also affected.

The unit cost of care provision is increasing and the average hourly rate paid by local authorities to providers does not cover these costs. In 2016/17 this left a shortfall of £1.3 billion in local authority fees for residential care. Increases in the average hourly rate in 2017/18 have not closed the gap. The retrospective requirement to provide national minimum/living wage (NLW) back-pay to sleep-in shift workers for up to six years would be financially disastrous for many providers as well as the many individual disabled people who employ personal assistants (PAs) directly through personal budgets.


The adult social care sector provides a large number of jobs in England, with an estimated 1.2m jobs in direct care roles in England in 2016\textsuperscript{23}. However worker turnover is high at 28\%\textsuperscript{24}. The turnover rate of registered nurses was much higher, at 32\%, which equates to approximately 12,000 nurses leaving their roles within the past 12 months. Senior care workers had a turnover rate of 17\% and support and outreach workers 22\%. Care workers had the highest turnover rate, at 34\%, this was approximately 254,000 leavers in the past 12 months.

Providers report many reasons for challenges in the retention of staff. However a key aspect is the increasing complexity of the care needs of people who use our services – social care work is becoming more skilled and specialised. Yet the sector remains relatively low paid, and this low pay is also correlated to the turnover rate - as hourly pay rates increase, the turnover rate falls\textsuperscript{25}.

In addition to the problem of high turnover, there is also a shortage of workers in the adult social care sector. Skills for Care estimates that 6.6\% of roles in adult social care are vacant, this gives an average of approximately 90,000 vacancies at any one time\textsuperscript{26}.

Recruitment and retention issues are made worse by the demographic pressures identified earlier. The Centre for Workforce Intelligence estimates that the social care workforce for people with physical disabilities will need to increase by 41\% by 2035. In addition, the learning disability workforce will have to rise by 51\% in order to meet demand from the increasing population of disabled people\textsuperscript{27}.

Finally, the decision for Britain to leave the EU has the potential to create much instability in our labour market. An estimated 90,000 (7\%) adult social care jobs in England are filled by EU workers, but there are large regional variations: in the north of England over 90\% of the adult social care workforce is British, whereas in London only 59\% is British\textsuperscript{28}. 

Workforce retention and recruitment rates are low and worsening. This is linked to the complex nature of the work and the comparatively low rate of pay. Brexit threatens further instability in the labour supply for adult social care.


\textsuperscript{27} Centre for Workforce Intelligence (CFWI 2015) Forecasting the adult social care workforce to 2035. www.cfwi.org.uk/publications/forecasting-the-adult-social-care-workforce-to-2035-workforce-intelligence-report/@@publication-detail

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The combination of squeezed funding, increasing demand, increasing costs and low workforce recruitment and retention is already having far-reaching impact on the social care market and service provision. This has a direct impact on the lives of disabled people as well as a knock-on effect on other public sector services such as the NHS.

1 Social care markets and provision

The social care market is already failing in some respects, as local authorities and providers struggle to meet statutory requirements set out by the Care Act 2014. For example, despite the advocacy duty enshrined in the Care Act 2014, only 2% of people assessed and eligible for care had been assigned an independent advocate in 2015 (yet the government estimated 7% would qualify for advocacy support)\(^{29}\).

Similarly, pressure on resources is restricting the choice and personalisation that is required by the Care Act 2014.

The pressures also impact on the supply side of the market. Social care providers are continuing to stop trading or hand back contracts to local authorities. At least 69% of councils experienced some kind of provider failure from December 2016 to May 2017. This affected home care providers particularly strongly\(^{30}\).

There is currently nothing stopping social care markets from continued failure. This will have further harmful implications for the millions of people who use these services, as well as adding stress on the NHS as demand increases for emergency and hospital services.

The funding shortfall is restricting the choice, quality and personalisation that is required by the Care Act 2014. Disabled people are receiving less care, and sometimes less good care.

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Social, economic and health impacts of failing to fund social care

The squeezed funding and provider failure is already impacting on the lives of disabled and older people.

An estimated 11,000 people will have been directly impacted by providers ceasing trading or handing back contracts in the first six months of 2017, unable to continue because of the sustained pressure on costs\textsuperscript{31}. True personalisation and choice – according to Think Local, Act Personal principles\textsuperscript{32} – requires a healthy supply of innovative, high quality providers.

Where providers are able to stay in the market, CQC data indicates that quality is being compromised. From 2014 to 2017, 19% of adult social care providers inspected by CQC were rated as “requiring improvement” and 3% as “inadequate”, with CQC noting the funding shortage as a concern for both quality and quantity of adult social care provision\textsuperscript{33}.

Only 29% of directors of social services are fully confident that they are able to meet their statutory duties to older and disabled people in 2017/18, with this confidence dropping to 3% by 2019/20\textsuperscript{34}. This means that people who are eligible for state-funded support are receiving reduced levels of support, with commissioners cutting hours of support that would enable people to do essential tasks such as attend medical appointments or cook a meal. These cuts create a significant risk to disabled people’s independence and well-being, yet this rationing is set to continue, with 20% of this year’s planned savings expected to come from service reduction\textsuperscript{35}.

In addition to people who are receiving support at a lower level, fewer disabled and older people are able to access publicly-funded support. In 2016, 90% of councils were only able to respond to people with “critical or substantial” needs, compared to 47% who set this threshold in 2005. This means, despite the growth in size of the older and disabled population, 400,000 fewer people are getting publicly funded help\textsuperscript{36}.


\textsuperscript{32} Think Local, Act Personal: www.thinklocalactpersonal.org.uk/


Senior NHS leaders agree that cuts to social care funding are putting increasing pressures on the NHS.

In June 2017 there were 178,400 hospital days lost due to delayed discharges, an increase from 173,100 in June 2016. The proportion of delays due to social care increased over the year, from 32% up to 38%\(^{37}\).

The interplay between these services may be partially bridged through the development and application of Sustainability and Transformation Plans (STPs), but it is already clear that STPs vary considerably in depth, scale of ambition and detail of action required. The interplay between these services may be partially bridged through the development and application of Sustainability and Transformation Plans (STPs), but it is already clear that STPs vary considerably in depth, scale of ambition and detail of action required to support social care at the present time\(^{38}\).

Many of the people supported by VODG members have highly complex and challenging needs which may be difficult to address on a purely ‘local basis’ and who might benefit from a wider more regional perspective on their needs. STPs have the potential to do this but this is as yet unrealised.

VODG members are also experiencing local government’s struggle to come to terms with the relentless uplift of cost associated with the NLW. Although the current trajectory of increases suggests that £9 per hour will not be reached by 2020, local authorities are still struggling to respond to demands which are based on nothing more than compliance with the law. Voluntary sector providers are not in a position to independently underwrite the year on year increases in cost demanded by the application of the NLW.

The shortfall in social care has a knock-on impact on other services. Local governments are unable to meet statutory obligations within adult social care budgets. The NHS is struggling to cope, with an increasing proportion of delayed transfers of care due to adult social care.

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VODG urges ministers to identify a long term and sustainable funding solution for adult social care, and in particular for ‘working age’ adults that are unlikely ever to be in a position to contribute or make financial provision for their care and support needs.

VODG recommends that the government supports the position of CQC in the promotion of the highest possible standards of care and support and in particular the continued drive towards greater personalisation of services.
VODG requests that HMRC permanently suspend the retrospective action which has only recently commenced to recover mistaken underpayment of NLW for sleep in shifts from some providers. Government works with the sector on a sustainable funding solution for care and support that requires sleep in cover.

VODG asks that government work with the relevant bodies to develop a plan for a sustainable social care workforce and in particular how the sector can respond to the challenge of leaving the EU, the continued impact of low wages and the continued requirement to increase the quality of service provided. VODG is committed to co-operating with a strategy of this kind.
VODG (Voluntary Organisations Disability Group) is a national charity that represents over 80 leading not-for-profit organisations who provide services to disabled people in ways that promote independence, choice and control. Our members work with around a million disabled people, employ more than 85,000 staff and have a combined annual turnover in excess of £2.8 billion. Our members are diverse in terms of their size, history and individual strategies, yet they share common values: promoting the rights of disabled people; shared approaches to citizenship; and user choice and control and in successfully delivering person-centred services.

VODG works on behalf of members to influence the development of social care policy, build relationships with government and other key agencies, promote best practice and keep members up to date on matters that affect service delivery. Our overarching aim is to ensure that VODG members, working in partnership with commissioners, people who use services and their families can provide progressive, high quality and sustainable services to meet the requirements of disabled people.