

**Care England briefing – 27.04.2020**

**Introduction:**

Care England, a registered charity, is the leading representative body for independent care services in England. Our membership includes organisations of varying types and sizes, amongst them single care homes, small local groups, national providers and not-for-profit voluntary organisations and associations. Between them they provide a variety of services for older people and those with long term conditions, learning disabilities or mental health problems.

The COVID-19 pandemic presents social care providers with unbearable human costs, but also, has severe financial implications for many within the sector. We believe strongly that local authority commissioners must be instructed to use those funds which they have been given to them by the Government to support their local care providers through this unprecedented crisis. This briefing outlines both those cases where local authority commissioners have sufficiently supported providers, but also, how such support is by no means forthcoming in all local care systems. This is also an issue in the context of CCGs, they too have a role to play in supporting care providers. However, this briefing will primarily focus upon the research gathered from members concerning local authorities.

Ultimately, during this time of crisis, social care providers should be given the necessary resources to allow them to focus solely upon providing care and support to some of societies’ most vulnerable, as opposed to having to engage in a piecemeal manner with local authorities. Maintaining the financial sustainability of social care providers is, in fact, of fundamental importance in maintaining the capacity of the health and care system at large. The Government need to support adult social care with the same financial commitment and urgency as shown with the steps it has taken around the NHS.[[1]](#footnote-1) If care services are rendered unable to operate as a result of the financial consequences of COVID-19, this will also have a very human impact upon existing residents, their families, staff, and the communities which they reside within.

In broad terms, ensuring the long-term viability of adult social care is vital for the future of local people and economies. It supports some of society’s most vulnerable, who often live with lifelong conditions, while also employing millions; the number of people working in adult social care was estimated at 1.49 million in 2019, making the adult social care workforce of equal size to the NHS.[[2]](#footnote-2) It should also be noted that in June 2018, Skills for Care found that the total direct, indirect and induced value of the adult social care sector in the U.K. was estimated to be 2.6 million jobs (1.8 million FTEs) and £46.2 billion in 2016.[[3]](#footnote-3)

Key asks:

* £3.2 billion given to local authorities gets through to independent adult social care services (the second frontline).
* More funding for local government and CCGs to give providers the necessary funds to cover COVID-19 related costs.
* Central government direct business support.

**The cost implications of COVID-19:**

To provide some context, the list below outlines some of those areas which providers have cited as having increased substantially as a result of COVID-19. It is important to note that even before the COVID-19 pandemic that the funding environment for adult social care was underfunded.[[4]](#footnote-4) The COVID-19 pandemic has merely compounded such issues and should not be exacerbated by poor commissioning practices.

The list also represents a non-exhaustive characterisation of some of those costs arising as a result of COVID-19. While it is also essential to caveat the fact that the true scale of the costs arising as a result of COVID-19 is unlikely to as of yet become fully apparent for the social care sector. While the costs being incurred by providers are a direct reaction to care providers taking those necessary steps to safeguard some of society’s most vulnerable, as well as, supporting the incredible care staff who are responsible for such care.

* Workforce costs (e.g. Recruitment costs, overtime premiums, increased agency costs, staff sickness and shielding costs)
* Resource costs (e.g. PPE see appendix A for a model on the various PPE needed, difficulties around PPE guidance has compounded those issues around the procurement of such resources and increased the uncertainty felt by many providers)
* Lost income (e.g. Decreasing occupancy rates, inability to place individuals from the community, immediate and future lost income)
* Future cost implications (e.g. Future legal, administrative and insurance premium costs based on the reconciliation that is likely to take place post-COVID)
* Fraud (e.g. Increased levels of fraud around PPE)
* Operational pressures (e.g. additional cleaning and food costs)
* Risks associated with the pandemic (e.g. reputational risk, risk of taking COVID-19)
* Nonrecurring costs (e.g. Capital investment – I.T. systems)
* Cash flow implications (e.g. Timing of ongoing payments from local authorities)
* Legal (e.g. Increased short- and long-term liabilities as a result of the pressures from COVID-19/ civil claims being made against providers)

Also, Care England will continue to engage with its members to participate in a closer analysis of those costs being incurred by providers and share this with partners.

**The current funding environment:**

In recent months, the Government has taken steps aimed at ensuring that local authorities are given the resources to “help their communities through this crisis.” Thus far councils have received a total of £3.2 billion from central Government to do so.[[5]](#footnote-5) This funding was allocated to “mean councils can provide vital services including adult social care and children’s services.” This means across all service users no matter if they are self or publicly funded.

In response both the [LGA and ADASS published guidance](http://www.careengland.org.uk/sites/careengland/files/Provider%20fees%20-%20summary%20of%20the%20approach%20proposed%20by%20local%20government%20-%20ASC%20final.pdf)[[6]](#footnote-6) aimed at informing local authorities of how they should support adult social care providers through the COVID-19 crisis. Including, the following steps:

* Additional temporary funding to recognise the cost pressures caused by Covid19: “higher dependency levels, higher staff sickness absence rates, higher administration costs due to greater volatility of support packages, and PPE costs.” (…) “An initial review of the information from providers suggests that nationally costs are likely to increase by in the region of 10% in April.”
* It is important that underlying fee increases for 2020/21 consider the impact of the 6.2% increase in the National Living Wage with effect from 1st April 2020. We estimate that the effect of this on provider costs is approximately 5%.

**Funding and the frontline:**

*“The costs involved in providers taking on agency staff and dealing with sickness and so on and PPE equipment - I think it’s likely to be 30/40 % more than the usual rate that we pay so yes we’re going to have to pay more - pay our way out of trouble on this issue, and I think we might have to come back for additional funding.”* (James Bullion, Vice President of ADASS, said at a recent Department of Health and Social Care Select Committee)

However, despite such guidance and key figures within local government making such statements, Care England, has received mounting evidence from its members that local authorities are failing to utilise the increased funds to support their local care systems in the ways suggested by their representative bodies. Alongside this, some local authorities are implementing conditions, contract variations and burdensome administrative processes which mean that providers’ ability to access funds in a timely and effective manner is severely limited. Below we list some key trends, along with evidence of such trends:

Failure to increase fees to a sufficient level or at all:

Despite the £3.2 billion given to councils, we continue to receive evidence that such funds are not finding their way to frontline social care providers. This has been found in respect to some local authorities offering a 0% fee uplift to cover COVID-19 related costs, while others have provided substandard fee uplifts to care providers.

* A learning disability provider who operates in over 150 local authorities has received extra funding of 10% or above from just 2.5% of those commissioners they currently engage with.

While in terms of older person services, we have received the following evidence of fee uplifts which do not sufficiently meet the increasing costs of COVID-19:

* One older person’s provider who operates in over 100 local authorities across Great Britain had received the commensurate 10% fee uplift (as stated by Adass/LGA guidance) in just 7.5% of authorities.

Again, we reiterate the fact that the LGA/ADASS joint guidance suggests that as a result of COVID-19 care providers costs are “likely to increase by in the region of 10% in April.”

The imposition of conditions:

Care England has also been made aware of the fact local authority commissioners are imposing conditions and administrative processes which, in fact, increase the overall cost for providers in terms of financial, administrative and health risks arising from COVID-19. Below we detail some of these examples:

* Some local commissioners have stated that for care providers to receive emergency funding, they will in return be required to accept COVID-19 positive individuals to their services. Care England is of the view that this is, in fact, contravenes the rights of the provider to themselves make admissions based on their understanding of what they have the capacity to provide and to protect existing staff and residents.
* Secondly, members have also stated that local authorities are asking for extremely burdensome invoicing processes. One council, for example, said that “For each category of additional infection control or essential supplies purchasing you make; please include the standard volume of stock you purchase and the additional volume of stock you purchase due to the pandemic” (…) “An example of this is outlined below: Monthly purchase of bleach related products: 10x spray refills March purchase of bleach related products (due to increased pandemic I.C. measures): 16x spray refills Invoice amount: 6 spray refills.” Such invoicing processes are simply not appropriate given the rising absenteeism in the sector and the fact we are in the middle of a pandemic.
* Other conditions for receiving funds have been made in relation to the payment of the Real Living Wage. However, members have stated that such contract variations would be a financial cost to their organisations, saying: “This condition could also end up costing the care provider more as the additional salary costs could easily outweigh the additional amount promised by the LA as a per bed per week additional COVID payment.” Care England supports the living wage, however, care provider capacity to implement this is contingent upon sufficient funding.

**Good practice:**

However, it is of importance to note that some local authority commissioners have been good in dealing with the financial ramifications of COVID-19 for social care providers by quickly announcing 10% increases and/or lump sums to meet the current LGA/ADASS guidance referred to above. Whilst it is important to caveat the fact that we do not believe that there is sufficient evidence that the 10% (other than an initial assessment) is adequate in ensuring the financial sustainability of the adult social care sector. Therefore, we are engaging in a cost analysis to ensure that the true costs are of COVID-19 are fully known.

Good examples in fact compound many social care providers existing frustration with those local authority commissioners who have made the conscious decision to not support providers in their areas. For example, Cllr Anna Bailey, Chair of Cambridgeshire’s Adult Services Committee, said the following:

* *“Today I have taken the decision – backed by the leader of the council – to agree a 10% increase in the fees we pay to adult social care providers, to support them and recognise the tremendous efforts and financial pressure that they are facing in the fight against COVID-19.”*

Such an example is indicative that local authorities do have the capacity to acknowledge and react to the unprecedented nature of COVID-19, and by extension, enable social care providers to safeguard societies most vulnerable.

Similarly, other key examples which indicate that some local authorities are giving funding in a non-burdensome manner, include:

* *“We have also listened to representations from providers that the proposal in respect of the hardship fund was unnecessarily bureaucratic and did not offer any assurance of financial certainty. Taking all of these factors into account we are intending to offer all providers an unconditional goodwill grant payment of 10%.” (Surrey County Council, 24th April)*

We look forward to seeing these announcements translated into money quickly reaching frontline care providers.

While we have also started to hear about a varied approach of support packages being offered by councils to different types of care services. For example, one council showed best practice concerning older person services and then made a derisory offer to learning disability services in the same area.

The adverse trends detailed in previous sections could undermine the essence of the Governments’ support for local authorities unless more central guidance is given as to how this money should be spent to support frontline care services.

**CCGs:**

While this briefing has sought to focus upon the lack of support from local authorities, Care England, has also received widespread evidence from members of the insufficient support being offered by CCGs. One Care England member made the following characterisation “Eight CCGs are not even addressing the matter of COVID costs or inflationary increases for 2020/21 - this is a huge issue.” We would ask NHSEI to ensure CCGs are funded to meet the extra COVID costs being incurred in relation to current residents commissioned under Continuing Healthcare.

**Income foregone:**

Care England has also received evidence that decreasing occupancy rates in many parts of the sector present profound structural difficulties to many social care providers. Alongside this, while the fixed costs of care providers will mainly stay the same, we anticipate that variable costs will increase significantly if not already and, the level of those funding their own care will be reduced considerably in number. Given the importance of the income derived from those self-funding their own care for care homes, this will likely lead to further increased financial pressure.

In addition, given the lack of community testing currently available, we foresee that many providers ability to make placements directly from the community/other services is also severely limited. Simultaneously the conditions imposed by COVID-19 has also led to the closure of day services and in turn, any income derived from them.

It is also important to note that several local authorities have started to turn on the Care Act easements which will mean financial assessments will not be taking place, something which will have a direct impact upon cash flow and admissions to care services.

Care England will be assessing the extent to which decreasing occupancy levels are adversely affecting the incomes of many care providers.

Increased costs are costs across the service and are not only being incurred directly by local authority funded residents. The funds provided are for services as a whole, and the extra funding for councils can be used to meet the costs across all service users and not those just funded by their local authority. However, the LGA has stated that they believe the money is only to fund the extra costs for local authority funded residents which does nothing to support the financial sustainability of care services. This is accentuated by the fact that ‘Pure’ self-payers make up 45% of care home residents in care services.

**Conclusions:**

There remains a lack of clear guidance in terms of how local authorities should themselves be utilising the £3.2 billion already given to them, a factor that has been key in explaining the mixed nature of their actions over the past months. In response to such trends, Care England is of the view that the Government and local authorities should implement the following steps to ensure that financial support for care providers is timely, sufficient and effective:

* A 10% uplift to be made across the board to care providers to deal with COVID-19 costs. This is something which would overcome the inefficient and highly varied nature of those fees currently being offered to social care providers.
* An end to the unacceptable conditions presently being imposed upon social care providers, which in some cases contradict the aims of the financial support being offered.
* All local authorities should begin to engage meaningfully or at the very least, communicate with adult social care providers.
* All payments need to be paid advance to avoid the impending collapse of the care sector.

Recommendations for action by central government (In addition to action by local government to support providers we know that more could be done to alleviate the pressure on care providers and ensure their sustainability during this crisis):

* Ensuring local government and CCGs receive the required levels of funding to meet the increasing costs being incurred by frontline services as a result of COVID-19.
* Direct action by the Government to take steps to alleviate the tax, VAT and national insurance framework within which care services operate.
* Extending Statutory Sick Pay support to companies employing over 250 people.
* Freezing CQC fees.
* Government to explore business support schemes for the adult social care sector.
* The Government needs to make an announcement urgently as to the outcome of the review it was conducting into the amount payable for Funded Nursing Care for nursing homes and also to announce the rate for 20/21 which has still not been decided and should have been payable from 1st April. This is urgent as providers wish to review nurses’ salaries.
* Stopping the payment of apprenticeship levies.
* Government needs to actively audit that their public announcements are followed through.
* Government needs to enact those policies to provide sufficient indemnity coverage to ensure the future sustainability of the sector.

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Appendix A – Barrier nursing for 1 individual (received 20th April 2020)

|  |  |  |  |
| --- | --- | --- | --- |
| **Barrier Item** | **Daily Use** | **Unit Cost** | **Daily Cost** |
| Aprons (disposable) |  43  |  £0.018  |  £0.77  |
| Gloves (disposable) |  86  |  £0.040  |  £3.44  |
| Eye Protection (reusable) |  2  |  £1.250  |  £0.36  |
| Laundry Bags (RED) |  6  |  £0.050  |  £0.30  |
| Face Masks (disposable) |  43  |  £0.700  |  £30.10  |
| Waste Bags (YELLOW) |  6  |  £0.090  |  £0.54  |
| Disinfectant Spray/Wipes |  |  |  £0.75  |
| **Per Day Total** |  |  |  **£36.26**  |
| **Per Week Total** |  |  |  **£253.83**  |
|  |  |  |  |
| **Based on:** | **Number of Staff** | **Frequency Per Day** | **PPE Sets** |
| Continence/Toileting | 2 | 6 | 12 |
| Personal Care (AM/PM) | 2 | 2 | 4 |
| Repositioning/Mobilisation | 2 | 6 | 12 |
| Nutrition and Fluids | 1 | 6 | 6 |
| Observations | 1 | 2 | 2 |
| Meds (assume 3 times per day) | 1 | 3 | 3 |
| Domestic Tasks | 1 | 2 | 2 |
| Ad-Hoc/Other | 1 | 2 | 2 |
| **Total Contacts**  |  |  | **43** |

Appendix B – cost elements of COVID financial pressure research full list

**Workforce costs**

* Possible claims for work-related injury resulting from the virus need to be covered
* The extra cost of staff covering sickness due to overtime premiums
* Topping up of Furlough costs
* Increased agency costs for both nurses and carers
* April increase in National Living Wage – 6.2%
* Refund full cost of sick pay (which may be more than SSP)
* The additional cost of paying people for working through their annual leave
* Extra travel costs to get staff to work
* Travel and accommodation costs increasing so that staff can continue to work while families may be self-isolating
* Recruitment costs
* Backfilling costs
* The use of any alternative building base that may be required if a care providers usual venue has closed
* Reduced immigration levels will have implications for workforce
* Training costs
* Support and resources applied supporting workers mental health and wellbeing due to increased resident deaths and the pressures of managing their own homes lives and increased working pressures

**Cash flow implications**

* Maintaining robust cash-flow will be critical in responding to the challenges presented by COVID-19.

**Resource costs**

* Discharge to Assess and Trusted Assessor provision costs and taking in residents without prior assessments driving additional admission costs and complexities
* MDT support and paperwork as residents may be re-abled and discharged for shorter terms before returning home
* Extra time to motivate and socially interact with residents due to visitation policy changes
* Increased IT and support infrastructure so residents can maintain contact with their loved ones, tablets, telephone, data etc
* An additional cost of PPE
* Additional time to care for frail and anxious residents distressed or missing families or worried about returning home
* The extra cost of supplies because of providers going outside the existing contract and existing supply chains (e.g. Food costs)
* Provision of food to staff to keep onsite and during additional shifts
* Providers unplanned expenditure on technology e.g. increased data usage
* Contractors are ceasing to complete works leaving developments or alternations incomplete
* Legal resources/consultation
* Variations to planned care
* Insurance premiums
* Uncertainty remains around FNC 20/21 rate
* Extra medical equipment (thermometers & PPE) and domestic supplies are likely to increase above the norm, and we are going to have to use and dispose of them more frequently

**Income pressures**

* We anticipate that there may be severe revenue implications if publicly funded fees are not increased. Given the nature of COVID-19, it has the potential to affect the occupancy rates profoundly. However, while the fixed costs of an organisation will mainly stay the same, we anticipate that variable costs will increase significantly if not already and, the level of those funding their own care will be reduced considerably in number.  Given the importance of the income derived from those self-funding their own care for homes, this will likely lead to further increased financial pressure.
* Given the lack of community testing to date the ability to make placements directly from the community/other services is also severely limited.
* Simultaneously the conditions imposed by COVID-19 has also led to the closure of day services and in turn, any income derived from them.

**Future cost implications**

While we anticipate that many of the costs already laid out are likely to increase in the coming weeks and months. Agency costs are just one example of this, and we anticipate as demand grows that this will lead to agency costs increasing.

While it is also essential to consider those legal challenges, which may arise as a result of the lack of indemnity coverage for social care under the Coronavirus Act 2020. We anticipate that the pressures emerging as a result of the COVID-19 pandemic will ultimately lead to higher levels of legal action being taken and in turn, increased levels of financial costs being incurred by providers. Also, we anticipate a considerable amount of administration to be incurred as part of the reconciliation which will come after the COVID-19 pandemic. However, providers' ability to cope with future tasks will be contingent upon the support provided to them in the immediate future.

**Operational pressures**

* Negotiation of new contracts
* The inability of key workers to access supermarkets
* Delivery of food
* Stress and worry about the mental health of staff, spending more time to support staff with their mental health
* Responding to increased enquiries
1. <https://www.gov.uk/government/news/nhs-to-benefit-from-13-4-billion-debt-write-off> [↑](#footnote-ref-1)
2. <https://www.skillsforcare.org.uk/adult-social-care-workforce-data/Workforce-intelligence/documents/State-of-the-adult-social-care-sector/State-of-Report-2019.pdf> [↑](#footnote-ref-2)
3. <https://www.skillsforcare.org.uk/Documents/About/sfcd/Economic-value-of-the-adult-social-care-sector-UK.pdf> [↑](#footnote-ref-3)
4. <https://www.health.org.uk/news-and-comment/blogs/the-real-cost-of-a-fair-adult-social-care-system> [↑](#footnote-ref-4)
5. <https://www.gov.uk/government/news/government-pledges-extra-16-billion-for-councils> [↑](#footnote-ref-5)
6. www.careengland.org.uk/sites/careengland/files/Provider%20fees%20-%20summary%20of%20the%20approach%20proposed%20by%20local%20government%20-%20ASC%20final.pdf [↑](#footnote-ref-6)