NCF Submission to the Treasury Select Committee Call for Evidence on the economic impact of coronavirus inquiry - Jan 2021

National Care Forum

Who are we?

The National Care Forum (NCF) is the membership organisation for not-for-profit organisations in the care and support sector. NCF supports its 130 members to improve social care provision and enhance the quality of life, choice, control and wellbeing of people who use care services. We are the voice of the not-for-profit care and support sector.

1. Social care matters

1.1 The Coronavirus pandemic has placed enormous pressures on a sector which was already in a state of crisis prior to Covid-19 and which is in desperate need of fundamental reform.

1.2 A broader point for the context of this inquiry and the economic impact on the social care is that we urgently need the government to lay the foundations for social care reform and to make an investment in social care to ensure that it sustainable in the long term, maximises its contribution to national economic recovery and plays a key role in ensuring that all people with care & support needs are supported to live the best lives they can in the way that they want and are fully included in their communities. As Social Care Future put it,

> *We all want to live in the place we call home with the people and things that we love, in communities where we look out for one another, doing the things that matter to us*

1.3 Social care matters to the 6m who need it, the 1.5m strong workforce and the 18,000 organisations providing it.

2. The picture of the economic impact of Coronavirus on the not-for-profit care sector

2.1 At the National Care Forum, as part of our work to feed into the Comprehensive Spending Review in the autumn, we asked members who provide care home services for financial information on costs and occupancy/ demand for 2019/20 – 2020/21 to assess the monetary impact of Covid-19. **The findings showed that, across the board, costs are up significantly, resident numbers are down, overall surpluses will be down by 71% compared 31/3/20, with many slipping into deficit. Grants have assuaged some of the damage, but there is a need for longer-term funding to fill the gap that has emerged because of COVID-19.**

2.2 Our members, who are all not-for-profit providers of care and support, are experiencing a damaging combination of very big rises in their costs and significantly reduced income due to occupancy levels; equipment costs have risen by 15% and supply costs have risen by 55% (this includes PPE) while occupancy levels are forecast to fall by 9.2% this year (an

8.8% fall in LA funded residents and a 10% fall in self-funders). Waiting lists also give a good indication of demand and the forecast for 2020/21 is that these will be down by 50% compared to 2019/20. We also looked at the impact of increases in costs by calculating an average operating cost per care home place, and while this is, of course, highly variable between organisations, we found it will rise on average by £5k per place.

2.3 To add a little more detail to the enormous increase in COVID specific cost pressures, the list of these includes:

- unfunded PPE (the pre PPE did not arrive until September and it does not cover all COVID related needs)
- enhancements paid to staff to pick up extra shifts
- cohorting staff into bubbles and the restricted movement of staff
- sick pay for multiple periods of isolation as well as for illness
- costs to support individuals travelling to get their vaccinations
- the increased costs of agency staff and block booking arrangements
- the creation of dedicated visitor rooms
- the other additional costs of visiting, creating waiting areas and testing areas, visitor testing and cleaning between visits
- the costs of enhanced IPC measures since the start of the pandemic
- the costs of significant data gathering required by the daily Capacity Tracker and other monitoring and reporting requirements
- eye watering hikes in the cost of insurance for social care providers with access to public liability cover disappearing entirely for some

2.4 While some of these costs may being met by the Infection Control Fund (see section 3), by no means all of them will be covered in full and care providers will have to meet these significant costs. Alongside these significant increases in costs, care providers are facing a longer term challenge of lower occupancy – forecasts from sector experts Carterwood indicate that overall care home occupancy levels will not return to pre-pandemic levels until November 2021 in the best case scenario and that it actually may take until summer of 2022 to do so.

2.5 Thinking more widely than care homes, community based services, such as support services for older people with dementia and people of working age with learning disabilities and autism, have experienced other, equally difficult challenges. Few were able to run as normal, meaning that fewer vulnerable people and their families are getting the support they need. Local authority funding for their services has reduced and income from people who pay for their own community services is also down.

2.6 Prior to the COVID-19 crisis there was an estimated shortfall of £8bn per year in terms of funding for the sector. The additional costs of COVID-19 have added an estimated £6bn to that bill, just for 6 months from April 2020 – September 2020.

3. Key questions from the Terms of Reference for our submission

3.1 The call for evidence TOR sets out a long list of questions; our response focusses on 4 of those questions:

- To what extent do Government measures protect viable jobs in the future and reduce the risk of long-term unemployment?
- How effective is the Government support to businesses and individuals across different regions and sectors? Does the effectiveness of the Government support vary across different regions?
- The Spending Review was originally due in the Autumn 2019 but has now been postponed for more than a year. How robust is it in times of crisis?
- How has the crisis impacted on innovation and technological development? What problems could technology solve and what problems will it cause?

3a. Government measures

3.2 There has been a wide range of measures created by the government to support jobs and employers and to support organisations to remain viable, from the various incarnations of the Coronavirus Job Retention Scheme (CJRS) to the range of business loans. From a social care perspective, some of these have been very useful, such as creating the ability to furlough staff who have been unable to come to work due to shielding/ being clinically extremely vulnerable and those running services that have been unable to operate fully, in their usual way, such as community services. The complex interaction between access to the furlough scheme and receipt of other public money, such as local authority contracts has been rather difficult to navigate for some care and support providers.

3.3 Alongside the CJRS, there were a number of government backed loan funds (Bounce Back Loan Scheme, Coronavirus Business Interruption Loan scheme, Coronavirus Large Business Interruption Loan Scheme, the Resilience and Recovery Loan Fund) for organisations to apply for – unfortunately, many of our NCF members advised us that they were not able to access these as they appeared to fall between the criteria for them. This gap in support poses an important risk which is contributing to the longer term sustainability and potential viability of many social care providers – we are seeing increasing concerns both within the not-for-profit sector and more widely about the longer term economic impact of Coronavirus on the sector's financial stability and sustainability.

3b. Effectiveness of government support for the social care sector

3.4 Our view is that there has been some support for the social care sector, which has been very welcome, but it has often been slow to arrive and has usually not been sufficient to cover the increased costs experienced by providers in their response to COVID and the increasing and changing requirements of government policy.

3.5 In the early months of the pandemic, the focus was very much on the NHS and social care was not a priority policy focus; the government then began slowly to issue a range of support specifically aimed at the social care sector. The initial attempt at supporting the

sector came in early April, in the form of a £1.6bn payment to local authorities (LAs), designed to support them to send cash to the frontline of social care to relieve the costs pressures related to PPE and to fund time limited COVID-related fee uplifts of up to 10%, as well as the costs of the increases in the National Living Wage. Despite specific guidance from the LGA and ADASS that this funding should reach the frontline, very little of it made to social care providers. A further £1.6bn was then issued to LAs, later in April. LAs faced their own cost pressures and increasing expectations about the support they would put in place locally for their communities and again, little of this cash made it to social care providers.

3.6 The government's approach then changed as it became clear that the mechanisms they had tried to use to support social care were not working; this saw the creation of the Infection Control Fund (ICF), where it was mandated via grant conditions to LAs that this was passed to care home providers on a simple 'per bed' basis. Whilst this approach led to excessive auditing, monitoring and reporting via grant conditions for social care providers, it was at least more successful in reaching care providers directly.

3.7 The first round of the ICF provided £600m covering specific staffing costs related to COVID specific guidance from 22 May 2020 to the end of September 2020 and the second round provided £546m covering October 2020 to the end of March 2021. This support has been welcome, although it was disappointing that the second round was less than the first round so inevitably spread more thinly. The monitoring and auditing required by the ICF are, in our view, unnecessarily excessive and bureaucratic and will inevitably mean that a chunk of this money is absorbed by administration costs for both care providers and LAs, which seems unnecessary and undesirable.

3.8 PPE support arrived in May 2020, initially with VAT relief on the purchasing of PPE from 1 May 2020 until end of October 2020, the introduction of the PPE portal in June 2020 offering very small amounts of PPE to help in emergencies, followed by the welcome announcement of free PPE for COVID- related needs announced in the ASC Winter Plan which slowly started to be rolled out across the sector from mid-September. There continued to be some issues with care providers being able to order sufficient PPE to meet their COVID-related needs. The PPE portal is only accessible to CQC registered providers, leaving large swathes of the sector only to access the free PPE through their Local Authorities and Local Resilience Forums – this can be a mixed experience depending on geography. Many providers continue to purchase PPE themselves despite the existence of free PPE due to a lack of confidence in the systems set up.

3.9 At the end of 2020, we saw the announcement of £149m Rapid Testing Fund to support the increased testing regime for staff in care homes (23 December). This was modelled on the ICF approach of passing money to LAs and mandating that it is passed on to care providers, with a little chunk of discretion for LAs in how they use 20% of the cash. While the funding to support the tripling of staff testing is welcome, once translated into overall support per care home, it will be around £10k per care home, which falls well short of the

reality of the costs involved in the implementation of the policy – and of course, the shortfall will have to be met by care providers who are already facing significant financial pressures.

3.10 And in January this year, the Government announced a £120m Workforce Capacity Fund to support pressures on staffing social care. This is going directly to LAs and it is not at all clear how much of it will go directly to care providers to support their initiatives to increase staff capacity.

3.11 If we consider the overall total of support for social care and sit it alongside the level and range of support for the NHS, it is very clear, that as ever, social care is very much a secondary consideration. Regional variation is also a significant risk; the use of ring-fenced grant condition based allocations to LAs reduces the risk of variation, but it is clear that without this protection, the level of support available for social care providers really is a postcode lottery as it depends on the approach from the relevant LA and we know that contracting and commissioning practice (and quality) and effectiveness of market shaping and market support varies considerably.

3.12 Looking ahead, it is very clear that the sector faces considerable longer-term pressures resulting from having to continue to operate in a COVID world. PPE, IPC measures and testing will have to continue for the foreseeable 12 – 18 months, regardless of the roll out of the vaccines. The last 10 months have really taken their toll on the mental health, wellbeing and resilience of staff and care providers, as employers, will need to continue to invest in services and support for those staff who have worked tirelessly throughout the pandemic to support those who receive care and support. COVID-19 has shone a light of the fantastic care workforce and it is essential that we are able to retain our current workforce as well as recruit to fil the 112,000 vacancies across the sector.

3.13 It is clear that in order to address the workforce issues in social care, the sector needs a fully funded Social Care People Plan. It is essential that the sector is able to rely upon a professionally skilled workforce, properly valued, better paid, with more training and development. There is also the challenge for ensuring care and support services meet the needs of those with long COVID and the need for effective wrap around support from local health services, both clinical and financial. The Enhanced Health in Care Home programme is a start, but more specialist support is likely to be needed for the foreseeable future.

3.14 Occupancy pressures are forecast to continue for the next 12 – 18 months for care homes, while many community based services have either been unable to operate at all or have had to run a much smaller proportion of their usual services. This means that fewer vulnerable people and their families are getting the support they need and this is having a profoundly negative effect on people and their families, such as increases in social isolation and loneliness, and missing out on relationships, friendship and activities.

3c. Postponement of the Spending Review

3.15 The postponement of the Spending Review poses a real problem for social care. It seems that there are very few opportunities outside the CSR to progress the immediate steps needed in terms of government investment in the care sector to meet the **short-term funding challenges, which have been worsened by COVID-19**, to prevent further deterioration in the access to and quality of care. In the absence of the CSR, there is also little opportunity to influence the thinking about the longer-term reform and financing of social care which is often framed in deficit terms, being seen as a drain on public finances.

3.16 We would like to take the opportunity of this submission to highlight the economic benefit of the care sector; in 2018, Skills For Care found that the economic benefit of the sector in England alone was £38.5bn. This combined figure was calculated as follows:

- identifying the Gross Value Added (GVA) directly generated by employers including wages paid to workers filling the many different job roles in adult social care. (£20.3billion)
- then estimating the indirect GVA created by the sector in its supply chain by purchasing services from other sectors of the economy that might include cleaning services or food suppliers to parts of the sector. (£8.9 billion)
- and finally estimating the induced impact of the sector that results from those who are employed directly in the sector and those employed indirectly spending their wages in other sectors of the economy. (£9.3 billion)

These three measures of GVA - the direct, indirect and induced - were then combined to give a total spend of £38.5 billion across England.

3.17 Given the economic crisis facing the country as result of COVID-19 and the recession we are going to experience, we need an avenue beyond the CSR to find the opportunity now to invest in the care sector to achieve the growth it needs to fully meet people's care and support needs, to recruit the workforce we need and to gain the economic multiplier effects in local areas. Care is very much a local enterprise, providing local employment in local areas, bringing the economic multiplier effect of local wages spent in local shops and businesses, supporting local supply chains and paying local taxes. Our not-for-profit providers have a long history of being rooted in their local communities, offering a consistent and trusted local presence, evolving to meet local needs.

3d. Impact on innovation and technological development

3.18 COVID-19 has highlighted the essential role that **technology** can play in social care and the significant impact it can make in improving the quality and timeliness of care. We have seen a rapid acceleration of the use of digital technology, both to support the move to more virtual health care support via virtual consultations, virtual home visits/ ward

rounds and the expansion of the use of NHSmail, as well as to improve connectivity with family and friends via digital tools.

3.19 The NCF recently ran an innovative digital project called the The Hubble Project, aimed at helping to boost the sector's digital maturity by supporting social care providers to showcase the digital technology they were already using to the rest of the sector, offering virtual visits to their 'innovation hubs' via a series of webinars to learn how they introduced, used and evaluated digital technology to improve care.

3.20 The project has been very successful, providing valuable peer learning across the sector, offering real insight into how the digital tech in place in each hub improves the care provided – and how data from technology can help to provide truly person centred care, tailored to each individual, to improve overall wellbeing, take early preventative action, spot trends and patterns and improve management decisions. Other benefits of the technology were also explored, from the joy of going paperless to the power of data and intelligence in service audits and inspections.

3.21 Our view is that the government must capitalise particularly on the potential of digital technology with the creation of an infrastructure fund which would enable the sector to seize the opportunity to invest in the rapid adoption of proven technologies, which can enhance outcomes, such as artificial intelligence, assistive technology, predictive analytics and apps. **We need support to stimulate further development, complemented by a meaningful investment in the architecture to support the development of a digitally enabled social care sector.** These combined **funds** would support councils and support providers to make best use of technology. It would also support bringing evidence based (but currently marginalised) positive models of care and support into more mainstream use. This fund could also be used to develop and rapidly test solutions to particularly challenging care problems.

4. Stimulating the growth of the not-for-profit sector

4.1 Finally, we would like to propose to the committee the importance of stimulating the growth of the not-for-profit care sector. Public research done by the NCF during the summer and autumn of 2020 showed that the public has a clear preference for not-for-profit care provision. The public expressed greater confidence in relation to the quality of care and the trust in the organisation delivering it.

4.2 Public perception is of course an important part of the decision making of government, however, in addition to this, there have been a number of reports that identify some of the challenges of social care sitting with profit making commercial providers. The research carried out by IPPR showed that more than eight out of 10 care home beds are provided by profit-driven companies, including more than 50,000 by large operators owned by private equity firms.

4.3 Social care delivers public good, much of it funded by the public purse. Primary legislation such as the Social Value Act also exemplify the importance of using public money to invest in services that support wider community ambitions. Not-for-profit care provision ensures that all of the funding from either government or citizens is directed towards the delivery of care now and in the future. Government policy around funding and reform must recognise the enormous potential for not-for-profit care in delivering greater returns to the communities that they serve and look to incentivise this model of provision through both the reform and funding agenda.