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**The Economic Value of Adult Social Care in the North East of England**

**Report prepared for NE-ADASS by Impact Change Solutions Ltd**

December 2021

**Foreword**

There is a recognition across the North-East local government region that the voice of Adult Social Care in promoting the sector as a driver for economic growth is largely unheard. The region has committed to making the case for investment in social care - changing perceptions about the sector, from one that is a perennial (if necessary) drain on public funds, to one that drives both economic and societal value whilst offering opportunities for growth.

This report has been produced at the same time as the Government’s Adult Social Care Reform white paper “People at the Heart of Care”. This describes a new vision for Adult Social Care where:

* People have choice, control, and support to live independent lives
* People can access outstanding quality and tailored care and support
* People find adult social care fair and accessible.

The white paper begins to articulate the intended use of the £5.4bn allocated to ASC over the next 3 years, announced on 7th September, although as the Secretary of State acknowledges in his foreword to the white paper, “The proposals outlined will not solve all of the problems, but they are a significant step in moving us towards a new vision for social care that the whole of government is committed to”. It remains the case, therefore, that delivery of the vision for adult social care will require significant additional investment that leverages the funds allocated to date.

In this context, the desire of North-East ADASS to raise awareness of the importance of the Adult Social Care sector to the North-East economy and the economic contribution, impact and potential that the sector generates for the region is both timely and vital.

**Rationale, Scope and Approach**

The report has been produced for North East ADASS, representing the twelve local authorities that make up the region. The research, analysis and conclusions are directed towards the region as a whole, rather than to individual councils; it is for each council to decide whether, or how much, to apply the report findings within their individual context.

In compiling the report, we have undertaken desk-based secondary research of social care market dynamics (demand, supply, workforce, expenditure and value) and the drivers for change (demographics, policy and behaviour) affecting social care services in the North-East region over the medium term, using published data, economic insights and local contextual intelligence.

We have triangulated the research findings to create a persuasive narrative that describes the contribution, impact, potential and relative importance of the ASC sector to the North-East economy and makes the case for investment to sustain and grow the sector in line with changing demand and expectations. This is underpinned by a focused assessment of the scale and economic impact of local government expenditure on commissioned care services in the region to form a cohesive evidence-base with clear conclusions and a credible case for investment.

We have validated the core messages with a small number of Directors of Adult Social Services and with the region’s Commissioning Network and have refined our presentation of the report to reflect their feedback. This report, therefore, represents our final report to North East ADASS.

# Executive Summary

## Whilst this report primarily emphasises the economic strengths of Adult Social Care in the North East, it starts with an assessment of the challenges facing the sector, both now and into the future.

## These inevitably start with the needs of the population, with councils’ statutory duties meaning there is no lawful option to cap already high and unremitting demand. Unfortunately after years of budget cuts councils simply do not have the cash to allow them to keep on top of existing demand, let alone to plan for the impact of demographic change that will see the region’s over-65s grow by over 30% by 2040.

## Care providers will feel the impact of these constraints. All too frequently, rising costs cannot be met from within council payments and whilst cross-subsidy by self-funders has become the norm, there is a greater degree of financial vulnerability amongst care providers that inevitably impacts on care operations. This reflects in a low-paid, low-opportunity workforce, with challenges around recruitment, retention and morale.

## There are consequences for the NHS too, as constrained provision constricts patient flow and lengthens hospital stays, with the flow of new clients for long term care regularly exceeding the capacity to support them.

## The Adult Social Care funding reforms acknowledge the long-term failure of successive governments to address these challenges, while the white paper itself acknowledges that the funding it signals will be insufficient to address all of the sector’s existing challenges while delivering its new vision. The need for investment, it seems, is greater than ever.

## This may be a depressingly familiar state of affairs for the sector, but the government’s wider economic strategy – set out in its Plan for Growth – has a number of interesting ‘hooks’ for investors that resonate strongly with Adult Social Care. The size and reach of social care - over 500 businesses delivering services to over 60,000 people from nearly 2,000 locations, Local Authority spending of over £1bn – emphasise its importance in terms of ‘Place’ and ‘Levelling Up’; a workforce of 81,000 people is ripe for proper investment in skills; whilst the unremitting growth in demand makes the need for innovation a key priority for adult social care. The sector is projected to outperform all other business sectors, in terms of growth, as the economy recovers from the pandemic and should, therefore feature prominently in local and regional growth strategies.

## Adult social care is often – unfairly – regarded more as a drain on public finances rather than for its economic contribution. However, we can proudly show both a societal benefit (in terms of the thousands of vulnerable people supported to live their best lives, and the enormous cost to the economy saved by the contributions of unpaid carers and community-sector organisations) and a significant financial commitment that in itself drives an economic return of between £2.5bn and £3.1bn pa – with the potential to increase this to up to £4.3bn pa with the benefit of the additional investment needed to meet demand and deliver the vision for quality adult social care.

## So who might be interested in investing in the sector? The usual suspects – central government and local government – are, of course, on the list but are probably “maxed out”; the government seems unlikely to find significant additional cash on top of its helpful white paper commitments – which should serve to stimulate bigger investments by others, in housing, technology, skills etc. – whilst councils will be very limited in what they might find, given that every additional penny spent on social care will have to come from another (politically important) budget.

## There is a compelling case for social care to feature much more strongly in the region’s economic plans and in the growth plans of individual councils, whilst private investors might also – cautiously – be considered, subject to ethical considerations. And councils should have no qualms about using the increasing body of evidence showing how a significant gain for the NHS can be derived from systems prioritising adult social care as a significant part of their negotiations with Integrated Care Systems.

## The reality, perhaps, is that it will take substantial contributions from all of these sources to deliver the social care services the region needs – economically and socially. With the potential of a GVA multiplier £1.96 for every £1 spent on adult social care this is an investment worth making.

# Challenges and Constraints

## Whilst the bulk of this report focuses on the economic strengths and contribution of adult social care to the North-East economy, it is clear that the sector faces significant challenges and constraints that form an important part of the case for investment. This section highlights the challenges presented by high levels of demand for adult social care, the effects of demographic change, current and projected workforce issues and market risk. The funding constraints for local authorities are examined, as well as the wider impacts on the health and care system.

## **High levels of demand**

## The region’s twelve local authorities collectively support over 55,000 people with long term care and support needs[[1]](#footnote-1), with a further 4,000 people in receipt of NHS-funded Continuing Health Care (CHC)[[2]](#footnote-2). North East councils fund 9.3 million hours of home care provision each year.

## The level of demand rises when the numbers of people funding their own care are taken into account. There are an estimated 5,800 care home residents in the North East who pay for their own care home accommodation, whilst self-funders also buy an additional 4 million home care hours pa.

## Covid-19 is also having an impact on demand for services, with contacts suppressed during the pandemic contributing to an increased backlog. Evidence from the recently published ADASS survey[[3]](#footnote-3) is that nationally, more people are waiting for assessments, care and support or reviews, whilst there has also been a 20% increase in people who have had an assessment and are waiting for care and support or a direct payment.

## According to the Health Foundation and others[[4]](#footnote-4) “Councils have not had enough funding to keep pace with growing demand. This suggests that more people are not getting the care they need, are relying on family or friends, or are going without entirely”.

## The effects of the cap on care costs being introduced through the ASC Reform white paper has not been modelled. However, the assumption made is that levels of demand will not reduce through the introduction of the cap.

**Funding Constraints**

## Adult Social care is provided by Councils with ‘upper tier’ responsibilities – Unitary Councils, County Councils and London Boroughs. Funding is provided through a mixture of government grants and local taxation. The National Audit Office (NAO) report ‘The Adult Social Care Market in England’ shows how Local Authority funding has changed over recent years:

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## Since 2010, general government funding has reduced, and Council Tax has increased as a major funding source. The growth of Council Tax has been disproportionate as the Government has used the Social Care Precept as a funding mechanism for social care, essentially an additional element of Council Tax over and above the referendum limit for general funding that is hypothecated for Adult Social Care.

## Using Council Tax as a funding source creates a problem in that those areas that have a buoyant tax base with high-banded houses will be able to generate a higher yield, regardless of need. The Government has used grant funding, specifically the Improved Better Care Fund (IBCF) to try and manage the inconsistencies in allocation of resource.

## As government funding reduced from 2010 onwards, Local Authority spending in adult social care reduced. Additional grants and the social care precept have meant that spending returned to 2010/11 levels by 2019/20[[5]](#footnote-5) but has not increased despite demand pressures.

## At a national and regional level, adult social care funding competes with other priorities for structural funds. The government preferred method of assessment using the Treasury Green Book will mean that infrastructure projects linked to growth and regeneration will be top priority. At local level, Councils will also have to prioritise funding over many competing services, some of which are discretionary but highly valued by the community. A proportion of Adult Social Care funding is hypothecated – better care fund and social care precept in particular. Recent grant announcements have been for ‘social care’, recognising that Children’s Social Care as well as Adults is under considerable pressure.

## The current situation means that demand pressures are not being matched with increased funding; in fact, funding reduced for a decade. The current national reforms in relation to national insurance will introduce system wide additional funding, but it is clear that NHS funding will be the immediate priority. The current proposals on funding reform are not expected to introduce major additional resources, and may have little impact in the North East where asset values are low compared to the rest of the country.

## **Demographic Growth**

## Whilst the total North East population is projected to rise by 3% by 2040 (from 2.67m currently, to 2.76m in 2040), the number of people aged 65 and over living in the region is projected to increase by 31% in the same timescale – an increase of 168,000 older people.[[6]](#footnote-6)

*Table 1 – North East population projections*



## This growth is expected to drive significant increases in demand for adult social care. The Oxford Brookes University Institute of Public Care (IPC) projects population need information by applying UK prevalence data for a variety of conditions to ONS population projections to illustrate the likely numbers of adults living with those conditions over the next 20 years. These projections are presented within the IPC’s “Projecting Adult Needs and Service Information” (www.pansi.org.uk) and “Projecting Older People Population Information” (www.poppi.org.uk) websites and can be used as an indicator of future care and support needs.

## Based on this methodology the numbers of people living alone at age 65 and over is projected to increase by 36% to 235,000, whilst those in this age band who need help with at least one self-care activity is projected to increase by a third to 209,000. Around 50% more adults aged 65+ are expected to be living with dementia in 2040 than currently.

## Mental Health services are also expected to see increasing demand. Pre-covid projections of severe depression in the over-65s show a 37% increase to 20,000 people by 2040 and current expectations are for an across-the-board increase in demand for mental health support that could well add to this figure and cause demand amongst working age adults.

## The World Health Organisation reports that “the pandemic is increasing demand for mental health services. Bereavement, isolation, loss of income and fear are triggering mental health conditions or exacerbating existing ones. Many people may be facing increased levels of alcohol and drug use, insomnia, and anxiety. Meanwhile, COVID-19 itself can lead to neurological and mental complications, such as delirium, agitation, and stroke.” Whilst the long-term implications are yet to be modelled, it is clear that mental health service demand is on an upward path.

## Taken together, the increase in prevalence of these and other conditions due to demographic change is likely to require local care markets to increase capacity over the coming years.

**Market Risk and Fragility**

## The Adult Social Care Market in England comprises a diverse mix of regulated, unregulated and unpaid care provision, interacting with statutory health and social care services to meet the care and support needs of the population.

## The Care Quality Commission (CQC) has regulatory responsibility for the regulated care market in England and its published data provides helpful insight into the scale, diversity and quality of provision for individual locations and at local authority, regional and national levels.

## The North East care market has an estimated 1,900 care establishments[[7]](#footnote-7), of which 65% (1,233) are registered by CQC[[8]](#footnote-8) to provide regulated care services. Regulated locations in the North East are operated by 555 providers, with 44% of regulated locations and 25% of providers owned by just 85 “Brands” - larger, pan-regional organisations that operate care services through multiple providers from multiple care locations, or whose role in the care market is considered significant.

## In recognition of the risk that the failure of larger and significant operators would present to the whole of the care market in England, CQC maintains enhanced financial oversight of a proportion of the largest Brands and this allows early identification and mitigation of the most significant market risks.

## Nationally some 15% of all regulated locations (owned by 56 Brands and 400 providers) are subject to the CQC Market Oversight Scheme. By comparison, 26% of the region’s CQC-registered locations (328 out of 1,233 locations) are subject to CQC Market Oversight, reflecting a statistically greater risk from major provider failure than the England average.

## Of the remaining 905 locations regulated by CQC, 220 are owned by Brands not subject to Market Oversight, with the remaining 685 locations being run by 413 smaller registered providers. Monitoring of providers outside of the CQC Market Oversight scheme falls within Local Authority Market Shaping duties.

## In the 12 months from 1st December 2020 to 30th November 2021 there were 47 locations in the North-East region that de-registered from CQC, including 27 care homes and 18 home care locations. In the same period there were 74 newly registered locations (including 22 care homes and 46 home care locations).

## The recent ADASS survey[[9]](#footnote-9) reports an acceleration of closures and contract handbacks in the recent past and whilst it has not been possible to disaggregate the regional picture, it can be assumed that this represents a current market risk in the North East.

## Whilst the ASC Reform white paper emphasises the need for councils to pay a ‘fair rate’ for care, the above analysis (paras 2.7 to 2.12) describes the constrained funding position for councils, with the white paper itself committing only to helping councils to “move towards” paying a fair rate. Detailed modelling of rates is needed to determine the level at which rates will be deemed fair, and confirmation needed that fair rates will be fairly funded.

## There is limited data available for the unregulated care market, which includes care services provided by directly employed Personal Assistants and by Day Care providers. Research published by Skills for Care[[10]](#footnote-10) estimates that c.30% of those in receipt of a direct payment use Personal Assistants, with each direct payment recipient employing an average of 1.85 PAs. Local Authorities in the North East support 13,000 people through direct payments and personal budgets [[11]](#footnote-11) meaning an estimated 3,900 individual employers in the region.

## Assuming 30% of these each employs 1.85 PAs this means there are an estimated 7,200 Personal Assistant jobs in the region. The Skills for Care research suggests that each PA undertakes an average of 1.29 jobs, giving an estimated 5,600 Personal Assistants in the North East.

**Unpaid carers**

## At the 2011 census there were 286,000 unpaid carers in the North East region, of whom around 120,000 people were providing 20 or more hours of unpaid care each week[[12]](#footnote-12). An estimated 75,000 unpaid carers are aged 65 and over[[13]](#footnote-13) and this is projected to rise to 96,000 by 2040. A 2014 Department of Health impact assessment[[14]](#footnote-14) suggests (as a ratio) that each pound spent on supporting carers saves councils £1.47 on replacement care costs and benefits the wider health system by £7.88. Research published by Department of Health and others reports that “Carers are estimated to save the UK economy £119 billion a year in care costs, more than the entire NHS budget and equivalent to £18,473 per year for every carer in the UK”[[15]](#footnote-15) whilst ONS estimate that the gross value added of unpaid care in the UK was £59.5 billion in 2016[[16]](#footnote-16).

## The ASC Reform white paper recognises the importance of unpaid care and signals its support for ongoing and new measures aimed at empowering unpaid carers, although there is little in the way of specific funding, beyond a £25m fund to “kick-start” a change in services to support unpaid carers.

**Workforce Issues**

## Social care is a significant employer in the region, sustaining an estimated workforce of 81,000 people performing 88,000 jobs, including 72,000 local authority and independent sector jobs in 2020/21[[17]](#footnote-17). Women make up 84% of the workforce, with the average age of care workers in the North East being 44 years old. 96% of the workforce are British nationals, with under 3,000 workers having either EU or non-EU nationality. These are mainly low-paid jobs, the average hourly rate for independent sector care workers being just £9.05 per hour. Just over half of the workforce hold a qualification relevant to social care although only 5% of the workforce is qualified to Level 4 equivalent or above.

## Skills for Care uses population projections and demographic trends to project the future size of the workforce needed to meet demand, assuming no change in the type of care needed. This suggests that the North East care sector workforce will need to grow by 19,500 jobs (22%) by 2035 in order to keep pace with demand.

## However, whilst there has been an increase of 2,000 jobs since 2012/13, the sector had an average vacancy rate of 6.2% in March 2021, equating to 4,500 vacancies, and experienced an average turnover rate of 25% (17,000 leavers) in 2020/21. Moreover, there has been a reduction in the number of jobs filled in the region of 2.2% (1,900 jobs) between March 2021 and October 2021, with the job vacancy rate for providers in October 2021 standing at 9.1%.

## Clearly the ability of care providers to attract and retain sufficient staff to meet escalating demand is hugely compromised and this is also recognised in the ADASS survey. Significant change, both in the strength of the employment proposition and in the way care is provided, is needed. However, without substantially more investment in the workforce, and in new housing options and technologically enabled provision that reduces the need for person to person care, it is difficult to see how care of the quality needed can be delivered.

## The ASC Reform white paper commits £300m over 4 years to integrate housing into new local health and care strategies, and a new minor repairs practical support service offer, and a further £150m to drive greater adoption of technology, better access and use and widespread digitisation of care services. However, the sums involved are not transformational and councils will need to leverage additional investment if they are to deliver the expected benefits.

**Impact on the Wider Health and Care System**

## The NHS relies on the flow of patients through its primary, urgent & emergency and secondary healthcare systems to maintain the good health of the nation.

## When the social care system operates well it plays an integral part in facilitating that flow – either through its preventative and early intervention services helping keep people safe and well in their communities, its reablement services to help people recover independence after an episode of ill health, or through its long-term provision that supports and cares for people with ongoing care needs.

## Conversely, blockages in the care system can cause the wider Health & Care system to back up or fail, with for instance hospital patients becoming stranded in hospital beds they no longer need, but unable to access the community-based care required to assist their recovery and return to independence. In general, backlogs in social care, such as are currently being experienced nationwide, are bad for Health services as well as for people needing care.

## There are a great many dynamic interactions between health and social care that have the potential to benefit or constrain each part of the wider system. A focus on better integration – including over the flow of money – is needed to ensure that all parts of the system operate effectively.

# Economic Assets

## Whilst the focus of adult social care is to support independence through high quality, affordable and accessible care and support it is increasingly important to understand the strength of the sector as an engine for economic growth – and how it might leverage this position to address some of the challenges identified. Inevitably, many of the sector’s economic assets are derived from its challenges. And whilst the sector’s importance is less overt in the Government’s Plan for Growth “Build Back Better”[[18]](#footnote-18) than in its predecessor Industrial Strategy, there are strong arguments for its inclusion as a local and regional priority for investment in at least three of the UK’s growth priorities.

**Place**

## The Government’s commitment to “Levelling Up” means “improving everyday life for people” who live in those “parts of the country where people feel left-behind, that they are not getting fair access to jobs, wages and skills opportunities, and that their local priorities are not being delivered on by government.”

## Levelling up is a key priority for the North East, which has, for example, the UK’s lowest weekly wages. With adult social care providing jobs in virtually all locations and offering jobs at a wide range of pay grades, the sector should be able to play a key role in the inclusive growth agenda. According to the Joseph Rowntree Foundation[[19]](#footnote-19) “a policy priority is identifying and actively targeting those sectors that are growing, strategic and have the potential to create employment opportunities at a level and quality appropriate to the aspirations for inclusive growth”.

## The size of the care sector relative to other parts of the regional economy makes it intrinsically important to the region and its inclusive growth aspirations. Over 500 businesses with over 80,000 staff delivering services to over 60,000 people from nearly 2,000 locations represents an enormous collective enterprise.

## Social Care businesses reach into every community in the region and are an integral feature of our Places, supporting local employment and local spending. The way in which care services are delivered will undoubtedly need to change as Government Policy and personal preferences lead to a shift away from care homes towards home and community-based options. The white paper also signals an intention to facilitate this with a £300m investment in housing and home adaptations. This ought to provide opportunities for new, more flexible accommodation options, including technology solutions in the home to support independent living.

## Predicted and unrestrained growth in demand means social care will continue to play a huge role in the region’s economy and locally well into the future. The sector’s position as the UK economy’s fastest growth sector is recognised by economists but has not yet translated into economic investment.

## The Health Foundation considers that “A well-funded and effective care market … could strengthen communities by creating more jobs in care and related sectors.”[[20]](#footnote-20)

**Skills**

## The adult social care sector is a significant employer, offering 81,000 people in the North East employment. These are predominantly low-paid jobs that have traditionally been viewed as low-skilled yet are directly comparable to the work of NHS healthcare workers. And with long-standing pressure on NHS resources the opportunity exists to invest in the skills of the social care workforce so that a wider range of tasks might be considered in care, rather than healthcare, settings. Care workers increasingly undertake complex activities and during the pandemic have taken on other duties normally undertaken by other professions.

## The government is investing £500m in the social care workforce, with priorities around training, skills passports, apprenticeships, career structures, better recognition and wellbeing support, while a further £300m workforce grant announced in December 2021 is intended to help retain existing and attract new workers to the sector – although more is required to enable the uplift in pay rates needed to deliver the government’s levelling up ambitions.

## A particular priority, referenced within the ASC Reform white paper, is in the development of digital skills. This follows the rationale that significant change in the way care services are delivered is needed if we are to keep pace with demand. This links to the third Growth Plan priority.

**Innovation**

## The ASC Reform white paper commits £150m to drive better access and adoption of digital technology. This recognises that social care providers and staff are increasingly providing people with high-quality care through innovation and technology.The sector both needs, and is ready for, new technologically enabled approaches.

## There is a strong commitment at health and care system level to digital, with the North East and North Cumbria ICS Digital Strategy prioritising the development of “digital enabled health and care services around the needs of our patients, public and our health and care practitioners”[[21]](#footnote-21).

## With one of the most comprehensive life sciences offers in the world[[22]](#footnote-22), the North East economy is well placed to drive innovation in social care services.

# The contribution of Adult Social Care to the North East Economy

## This section examines spending on Adult Social Care across the North East regions, by both the public sector and self funded service users. Potential levels of avoided spend are also examined, with indicative values. A contribution to the Economy based on Gross Value Added (GVA) is calculated based in spend and economic investment multipliers.

**Covid 19 Impact on data**

## The type of analysis required by this report relies on figures published and collected by the Government, the SALT/ASCFR returns published by NHS digital, of the Revenue Outturn returns published by DLUHC. These returns are used to generate the headline totals and would normally be used to conduct analysis down to Local Authority level. The figures would also be used by organisations like the National Audit Office (NAO) when reporting in this area.

## The impact of Covid 19 on the 2020/21 data has been significant, both in terms of user numbers, costs, and funding. It is likely that this will be the same for 2021/22 data.

## This report is primarily examining data at a regional level. Long term care is the major cost driver , and the comparator figures at regional level from the SALT/ASCFR returns for the last 4 years are:

*Table 2 – Gross current expenditure and number of clients in the North East*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2017/18** | **2018/19** | **2019/20** | **2020/21** |
|  | **£000s** | **£000s** | **£000s** | **£000s** |
| Gross Current Expenditure on long term care | 759,406 | 787,899 | 820,467 | 847,713 |
| % change |  | 3.75 | 4.13 | 3.32 |
| Number of Clients accessing long term support | 54,700 | 54,120 | 54,495 | 55,260 |
| % change |  | -1.06 | 0.69 | 1.4 |

## The Local Authority level data shows bigger swings. When comparing 2020/21 with 2019/20, the highest increase in expenditure on long term support was 18.96%, the smallest -14.07%. This may be affected by Covid-related factors, however, comparing 2019/20 with 2018/19 showed the highest increase was 12.24%, the lowest -14.01%.

## Given the relatively low variance at regional level, we have taken the view that the most current data, 2020/21, should be used for GVA analysis, as the movement between years is consistent with previous years. We have included LA level data for information purposes, but we have concluded that no comparison or calculation can be made at that level because of the high level of variance.

**Public Sector Spending**

*Local Authority Commissioned Spend*

## The following table shows local authority commissioned spend in the North East compared to England. The figures include expenditure on short term support, long term support and other. Short term support includes spending on short term needs, and investment that prevents service users moving into a longer term setting. Those service users in short term support will either have no further need to access services or will eventually move into a longer term support setting.

*Table 3 – Expenditure on social care in England and the North East region*

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Net Total** | **Gross Total** | **Gross \*Current** |
|  | **Expenditure** | **Expenditure** | **Expenditure** |
|  | **£000s** | **£000s** | **£000s** |
|  |  |  |  |
| England | 18,439,663 | 21,370,372 | 21,242,497 |
|  |  |  |  |
| North East | 897,843 | 1,078,728 | 1,070,134 |
|  |  |  |  |
| North East as a % of England | 4.87 | 5.05 | 5.04 |

*Source: NHS Digital, Adult Social Care Activity and Finance Report, England 2020/21*

*\*Current expenditure is total expenditure excluding capital charges*

## The North East gross current expenditure on Adult Social Care in the 2020/21 financial year was £1.1bn, accounting for 5.04% of England total.[[23]](#footnote-23) The expenditure was split as follows:

*Table 4 – North East 2020/21 expenditure analysis*

|  |  |  |
| --- | --- | --- |
|  | **£000** | **%** |
| Long Term Support | 847,713 | 80% |
| Short Term Support | 36,872 | 3% |
| Other | 185,548 | 17% |
| **Total** | **1,070,133** | **100%** |

## Expenditure on long term support was split over the following support settings:

*Source: NHS Digital, Adult Social Care Activity and Finance Report, England 2020/21*

## Expenditure on short term support was split over the following primary support reasons:

## The “Other” category includes:

* Substance misuse support
* Asylum Seeker Support
* Support to carers
* Social isolation support
* Assistive equipment and activities
* Social care activities
* Early information and intervention
* Commissioning and service delivery

£144.9m (78%) of this category in the North East is spent on Social Care Activities and Commissioning and Service Delivery.

*NHS Commissioned Spend*

## The way in which NHS funded continuing health care (CHC) is commissioned differs amongst areas. Some Councils will commission CHC on behalf of CCGS, some will have pooling arrangements in place, and some is commissioned directly by CCG’s. Part funding of care also blurs the boundaries. The numbers of CCG funded CHC nursing beds are relatively small:

## The NHS Continuing Healthcare Quarterly Data 13 May 2021 shows that there were 9,967 service users who had accessed CHC during 2021 across North East CCG areas.

## This report assumes that the SALT/ASC FR returns are limited to social care in relation to the Care Act 2014, and that continuing healthcare is in addition to those numbers. There are no self-funding implications for CHC.

## There is little data available on the costs of continuing healthcare in England. The briefing paper “NHS continuing healthcare in England; House of Commons Library” identified that the average cost of CHC was £28,125[[24]](#footnote-24) per service user. Adjusting for 2% inflation, this would give and average cost of £29,500 (rounded up) in 2020/21. Based on 9,967 packages in the North East Region, this implies a cost of £294m.

**Self funded spend**

## DHSC does not routinely collect data in relation to self-funded care – either the number of clients or the value. The analysis therefore relies on published estimates and forecasts.

*Residential Care*

## LaingBuisson estimates that as at 31 March 2020, there were 11,000 self-funders aged 18 to 64 in England and 137,000 self-funders aged 65 and over in England living in independent sector care homes. LaingBuisson further estimates the number of self-funders in independent sector care homes for adults aged 65 and over in England increased from 40% in 2010 to 44% in 2020[[25]](#footnote-25).

## The Office for National Statistics has also modelled the number of self funded service users using data from the Adult Social Care (ASC) provider information return (PIR) for residential services (care homes with or without nursing), which is collected by the Care Quality Commission (CQC)[[26]](#footnote-26). This study concludes that Between 2019 and 2020, 84.7% (391,927 of 462,460) of care home beds were occupied in England, and there were approximately 143,774 (36.7%) self-funded care home residents, compared with 248,153 (63.3%) state-funded care home residents.

## The two methods have arrived at similar numbers – the total using LaingBuisson gives 148,000, and the ONS has derived 143,774. This report will use the ONS figures, as they are more recent and include a regional breakdown that adjusts for the impact of the Covid-19 pandemic.

## The methodology gives a weighted count (based on upper and lower confidence limits) of 23,585 care home residents based on a sample size of 312 care homes. 24.6% of these residents are estimated as being self-funded, with implies a self-funded service user population of 5,802.

## Looking at the SALT data for the North East, the public sector funded care home clients total 18,330 (residential and nursing). With the addition of 5,802 self-funders, this number would be 24,132 compared to the ONS figure of 23,585. Given that the lower and upper confidence limits for the lower and upper confidence limits were 20.4% and 28.8%, 5,800 seems a reasonable estimate of the self-funded residential care population in the North East.

## Data[[27]](#footnote-27) suggests that self-funders pay around a 41% premium on top of what local authorities pay for a care home placement. The costs of LA commissioned clients in the North East in care home settings is as follows:

*Table 5 – Local Authority commissioned care in the North East*

|  |  |  |  |
| --- | --- | --- | --- |
|  | 18-64 | 65+ | Total |
|  | **£000s** | **£000s** | **£000s** |
| Nursing | 14,619 | 65,865 | 80,484 |
| Residential | 76,386 | 252,716 | 329,102 |
| **Total** | **91,005** | **318,581** | **409,586** |

*Source: NHS Digital, Adult Social Care Activity and Finance Report, England 2020/21*

## With 18,330 clients, this gives an average cost of £22,345 per service user. Extrapolating this to 5,800 self funders with an uplift of 41%, this gives an estimated self funder cost of £182.7m.

*Home Care*

## Establishing a number for self-funded home care service users is a much more difficult task. No data collection exists for self-funded users, and whilst the Home Care Association has recently published a report[[28]](#footnote-28) on the funding of older people’s (65+) healthcare, it is based on FOI requests that did not receive a full response. The report identifies that 70% of total hours purchased are funded by the state. The report focuses on payment levels for publicly funded homecare – this is split between English regions, but the number of service users is not.

## The SALT/ASCFR returns show that the cost of long term support is split over the following support settings:

* Nursing
* Residential
* Supported accommodation
* Community - direct payments
* Community - home care
* Community - supported living
* Community - other long-term care

## The Home Care element is within the community category, but the user number data does not identify the number of home care users. There is a separate analysis on hourly rate – the North East spends £162.775m on Home Care. There are four Councils that provide internal homecare services; and the North East rate is higher than the England average for internal provision, but lower for external provision across both 2019/20 and 2020/21.

## Assuming that the 4 Councils provide 80% external commissioned care and 20% internal, then a weighted average rate produces a calculation of 9.32m hours purchased at a weighted average rate of £17.46 per hour.

## No data exists for the average number of hours for a home care package, so converting hours to service users is not possible.

## An estimated 70% of total hours purchased are funded by the State (Laing, 2020). Using this figure, if 9.32m hours is the public sector element, then self funding would account for an additional 3.99m hours. The Home Care Association[[29]](#footnote-29) reports that self funded home care costs £24.64 per hour based on data from the Access Group, however this is an average invoice rate and does not allow for regional variations. The report identifies the UK weighted average rate as £18.45 per hour, with a North East weighted average of £16.56. Applying the £24.64 pro rata would suggest a North East rate of £22.11 an hour. Applying this would produce a self funded home care estimate of £88.21m in the North East.

## There is potential for these costs to be higher, as some homecare costs could be included within community direct payments. There is no analysis available to verify this, so the public sector and self funded costs should be considered a minimum.

**Spend avoided – the equivalent cost of unpaid care**

## There is no agreed data on unmet need or spend that has been avoided as a result. The Care Act requires Local Authorities to identify adults in their locality who have unmet care and support needs, however this data is not aggregated and is likely to be incomplete and/or inconsistent. DHSC has asked the London School of Economics[[30]](#footnote-30) to explore a methodology that will better estimate unmet need, but this will take some time. The Health Survey England asks adults aged 65 and over if they have limits around activities required for daily living, such as personal hygiene, personal movement and eating. In 2018, the latest year for which there is published data, 24% of adults aged 65 and over surveyed said they had some unmet need for an activity of daily living for which they did not receive support.

## Age UK conducted research based on the English Longitudinal Survey on Aging (ELSA) in 2019 and concluded that unmet needs for care and support affected 1.5m people, 15% of the 65+ population in England.

## In 2020, the estimated population of the North East area was estimated to be 2,674,600 of which 538,900 were aged 65+[[31]](#footnote-31). The Age UK report does not include regional analysis but applying the England figure of 15% produces a population of 80,835 with unmet need. Given the high levels of deprivation and relatively poor health outcomes in the North East, the figure is likely to be higher than 15%, but no disaggregated data exists.

## Extrapolating these numbers into a cost is highly dependent on the type of care package that was needed by each person. A similar survey in 2014 by Age UK identified that 1.004m people aged 65 and over had unmet care needs, at a cost of £4.2bn based on 2015/16 prices. The statistical methodology extrapolated a series of scenarios based on intensity of care.

## Converting the numbers at 2015/16 prices (1.004m to 1.5m) would give a cost of £6.27bn. Using GDP deflator to convert this to 2020/21 prices produces a figure of £7.2bn. Allocating that cost pro rata to the North East figures produces an estimate of £388m for unmet care need in the 65+ population.

## Estimating unmet care needs for the 18-64 year old population is much more difficult. The Healthcare Foundation published a report in April 2020 (Social care for adults aged 18–64) that concluded:

*“Information is not available on the number of younger adults paying for their own care – often called ‘self-funders’. But financial data from local authorities tells us that the total income they receive from social care user charges is far lower for younger adults than older adults. In 2018/19, social care user charges for younger adults were £630m: 9% of the value of expenditure by local authorities. User charges for older people, meanwhile, were around £2.2bn: 40% of the value of expenditure by local authorities. This suggests that there is less reliance on self-funded care among younger adults compared with older people – which would make sense, given that most younger people will have built up fewer assets over their lifetimes than older people, and are also unlikely to have income from a pension”*

**Current and potential economic contribution**

## Adult Social Care has too often been seen as a cost with rising demand, rather than an investment that can produce positive outcomes not just for communities, but also add significant economic value. The Economic Value of a particular sector is normally expressed as Gross Value Added (GVA). GVA is a generally accepted metric that measures the contribution of a particular economic to an economy or region.

## The North East Local Enterprise Partnership (Covering the Tyne and Wear, Durham and Northumberland areas) has identified that[[32]](#footnote-32):

*“Four industry groups contribute 48% of the North East LEP’s GVA: Manufacturing (16%), real estate activities (12%),* ***human health and social work activities (10%)*** *and wholesale and retail (9%).”*

## The same analysis in Tees Valley shows that the same four industry groups contribute 47% of GVA: human health and social work activities (13%), real estate activities (12%), Manufacturing (11%) and wholesale and retail (11%). In the case of Tees Valley, human health and social work activities are the largest contributor to regional GVA.

## Both the North East and Tees Valley figures show that health and social work activities account for a greater percentage of GVA than the England average. For example, in the North East LEP area, human health and social work activities is 10.2% of GVA, the England average is 7.2%, and the England average outside of London is 8.1%.

## Using data from the local authority and independent sector, Skills for Care has estimated the following GVA values for Adult Social Care in the North East:

*Table 6 – Skills for Care estimate of North East GVA*

Table

Description automatically generated

## This gives a total GVA of £2.482bn in relation to the North East economy. The way in which this has been calculated[[33]](#footnote-33) uses estimates of:

* Direct effect: employment of inputs such as labour, premises, and equipment.
* Indirect effects (sometimes referred to as supply chain or Type 1 multipliers) arise as the adult social care sector increase their demands for goods and services from supplier businesses.
* Induced effects (sometimes referred to as income or Type 2 multipliers) arise from the spending by those employed in the sector on goods and services from other businesses.

## This report has identified the following costs in relation to adult social care in the North East:

*Table 7 – combined adult social care costs in the North East*

|  |  |
| --- | --- |
|  | **£bn** |
| Local Authority Commissioned Expenditure | 1.07 |
| Estimated NHS Commissioned Expenditure | 0.29 |
| Estimates Self Funded Residential Care | 0.18 |
| Estimated Self funded Homecare | 0.09 |
| **Total** | **1.63** |

## Using gross expenditure as a proxy for economic output can be used as a rough measure as the starting point of a GVA calculation, as services provided by the government and the expenses incurred for the production of any good that is used for self-consumption are considered to be part of the national income calculation.

## The calculation of GVA used by skills for care implies that for every pound spent directly, there will be 49p indirect GVA, and 47p induced GVA. This would imply a GVA of £3.1bn based on the above costs. However, the analysis will be different, as:

* The ASCFR data includes ‘other costs’ such as commissioning that would not be included in the skills for care analysis. Some of these costs will be included in the ‘public administration and defence’ category rather than the ‘human health and social work activities’ category.
* The skills for care analysis is labour focussed, and would not include costs such as assistive technology and supported living.
* The ASCFR data includes direct payments, which will not be captured by the Skills for Care data.
* The impact of Covid-19 on the ASCFR figures.

Taking this context into account, the GVA of Adult Social Care in the North East region can be estimated to be between £2.5 and £3.1bn.

# The Case for Change – Investing in Adult Social Care

## This report has set out the constraints and demands on Adult Social Care in the North East, and identified the sector’s importance to the local economy alongside the positive economic impact. In this section, we focus on investment. The report consistently refers to the need for “investment” rather than “extra funding” because that is exactly what it is: spending that will generate an economic return – and societal value – that exceeds the amount spent.

## The Government’s recently announced funding reforms to Adult Social Care are undoubtedly welcome, but they will not remove the need for additional investment.

## Current national reforms are based around taxation (national insurance increases) and a Government white paper[[34]](#footnote-34) that sets out funding reforms. The Social Care Levy is primarily designed to support the NHS as it recovers from the Covid-19 pandemic before being allocated to the social care sector. The white paper, ‘People at the Heart of Care’ sets out a number of funding measures:

* £5.4bn allocated to social care over the next three years – flat rate £1.8bn a year with no inflationary increases
* £3.6bn of the total will be used to fund cap and threshold changes
* Circa £1.1bn will be used for reform – the main areas are: housing and home adaptations (£300m), technology and digitisation (£150m), social care workforce (£500m), unpaid carers (£25m), support and care innovation (£30m), national web-site £5m and £70m to increase the support offer.
* It is not clear what the remaining balance will be used for – potentially additional assurance and inspection.

## The largest part, £3.6bn, of changes does not introduce additional investment into the system. It essentially re-distributes who pays what of the existing ASC spend quantum between individuals and the state. The changes also introduce extra burdens, with increased costs for providers in terms of employer’s national insurance, and reduced take home pay for already depressed earnings in the sector.

## The Institute of Fiscal studies has identified:

## “*At an average of £1.8 billion per year, this funding boost is equivalent to around 9% of what councils spent on adult social care services in 2019–20. However, the early-to-mid 2010s saw big cuts in spending, despite an ageing population and rising numbers of people with learning disabilities. And as a result, adult social care spending per person was 7.5% lower in real-terms in 2019–20, the latest year for which we have data, than in 2009–10.”*

## And this assumes that the full £1.8bn will be fully allocated to care.

## So how much investment is needed? Skills for Care in conjunction with KD networks have estimated that £6.1bn investment[[35]](#footnote-35) would be needed in the care market to address market failure in the sector:

* Unmet and under met need £2.3bn
* Quality £3.8bn

## The Skills for Care report identifies total GVA for Adult Social Care to be £25.6m. Using the same methodology, the North East share is £2.5bn, or 9.8%. Applying that same percentage to the £6.1bn gives a figure of £598m. Assuming that the additional government funding of £1.8bn is spent on care, then this would equate to £176m, leaving a gap of £422m for the region. The additional government investment, and filling this gap, would increase the North East GVA by £1.2bn, increasing the total GVA contribution to the region to between £3.7bn and £4.3bn.

## But where might this investment come from? We’ve identified five potential sources that should be interested in the case for investment.

**UK Government** – the recently published ASC Reform white paper makes a £5.4bn investment in adult social care. While the white paper has been widely welcomed in respect of its ambition for the sector, there has been significant criticism that the funding announced will be insufficient to both tackle long-standing challenges and to address the policy priorities of choice and control, quality, fairness and accessibility. The Secretary of State’s comments in prefacing the white paper suggest that the government sees this as signalling its investment priorities to others, rather than a commitment to cover everything that is needed.

Whilst there may yet be other allocations, through the local government grant settlement and other hypothecated grants, the expectation now is the announced reforms won’t “fix” ASC. Responding to the white paper, the King’s Fund considers that[[36]](#footnote-36) “the government’s commitments do not match the ambition set out by the Prime Minister or the urgency of change that the people who draw on care and support rightly expect to see.” It is clear that the case for additional funding will continue to be made at least throughout the passage of the legislation through parliament.

**Regional and sub-regional LEPs and Combined Authorities**. Local Enterprise Partnerships have responsibility for managing UK structural growth funding, such as Shared Prosperity Fund, Levelling Up Fund, etc. whilst Combined Authorities with elected mayors – of which there are two in the North East – have access to unringfenced “gainshare” investment over 30 years, to be spent on local priorities.

The region’s economic plans are, arguably, disproportionately focused on large infrastructure projects that are more overtly aligned to the region’s targets (closing the GVA gap, “better” jobs, etc) and of course, it is difficult for social care – with its multiplicity of small, ultra-local business units – to compete on Treasury Green Book terms with multi-million pound city centre development.

However, there is a strong correlation between the ASC sector’s economic strengths and the Government’s growth plan priorities, and it is reasonable to expect this to be reflected in regional investment plans. Whilst there may not a be a single, eye-catching project in which to invest there is most certainly an opportunity to use structural and growth funds to stimulate multiple small-scale investments that strengthen Place, Skills and Innovation in ASC.

**Independent Investors** – Regional bodies also have a role to play in influencing wider attitudes to business investment. Whether as a way of fulfilling Corporate Social Responsibility commitments or to generate return on investment, the social care sector offers both societal and economic reasons for businesses to invest. Notwithstanding the ethical considerations that exist, there is a need to plug the gap between available state funding and that needed to meet policy objectives. Many social investment funds exist such as the Northstar Ventures North East Social Investment Fund, which aims to support North East charities, CICs and Registered Societies to improve or scale their social impact, including where operations result in an improvement in health and social care needs and in Mental Health provision.

The white paper’s commitment to funding housing options represents an invitation to stimulate the property market. Investment in Supported Living properties can present ethical, low risk opportunities with attractive returns while increasing the supply of high quality homes for vulnerable adults. ASC teams will need to take note of, and influence, strategic housing market assessments to ensure that the changing accommodation needs of their populations are accurately reflected in local development plan policies (and that there is adequate community benefit from housing and other forms of development). Other ways to leverage this funding will need to be explored so that the fund produces maximum benefit.

**Integrated Care Systems** – Social care is an important part of the wider system of public services, and there is reason to be confident that “adequate availability of social care has the potential to reduce demand on secondary health services”[[37]](#footnote-37). Conversely, constrained social care provision has the potential to slow down patient flow through hospital and cause increased length of stay / delayed discharges. Co-investment in ASC services to deliver system-wide benefits has largely been limited to Better Care Fund projects aimed at the interface between hospital and community provision. These should give confidence that ICS investment in ASC can produce benefits for the NHS, both in terms of cost savings associated with shorter stays and in maintaining patient flow needed to power through waiting lists lengthened considerably through the Coronavirus pandemic.

**Local Authorities** – whilst individual local authorities could, in theory, choose to invest more of their revenue budgets into adult social care the nature of LA funding means that this would come at the expense of other important local services – including those that are considered to be wider determinants of health and inequality. Government freedoms and tax-raising flexibilities, such as through the Adult Social Care Precept, give councils the ability to levy additional local taxation without triggering public referendum, although without a long-term commitment to this as an ongoing tax-raising power councils risk a cliff-edge reduction in spending power once the precept is no longer available.

## There is a compelling case for a package of investment that delivers all of the economic and social benefits that have been identified and in reality, the investment will require contributions from all of these funding sources.

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