Local Government Association

COVID-19: Financial pressures in adult social care Information provided to the Minister of State for Care

Purpose of this note

The purpose of this note is to share some financial information that was provided to the Minister of State for Care, Helen Whately, on 9May. The Minister has been considering how the Government might respond to this information. We do not know when and how the Government will respond. However, we thought that this information must now be shared with local authorities to help your response to the financial pressures facing adult social care.

This note should also be considered alongside our previous advice note of 8 April, in which we said that we would undertake further work on the true costs of COVID-19 for providers. This forms part of this work.

It is important to stress that this national work should not be assumed to be a prediction of what costs will be incurred locally. Those costs will vary across areas, or across providers within an area or over time. Councils have committed to meeting the additional costs of supporting local authority clients but that will be based on the experience of individual providers as evidenced to local authorities. Local authorities report that the experiences of one provider can be very different to another provider close by.

Background information

On Wednesday 6 May, in her meeting with Association of Directors of Adult Social Services (ADASS), the Local Government Association (LGA) and Care Quality Commission (CQC), the Minister of State for Care indicated that she wanted, as a matter of urgency, figures around the totality of cost pressures and lost revenue facing the adult social care provider sector.

LaingBuisson were commissioned by local government (LGA and ADASS) and worked with the Care Provider Alliance (CPA), to estimate the additional financial pressures on independent adult social care providers due to COVID-19. This analysis covered all independent providers supporting both younger adults and older people whether in care homes, or supported living or receiving home care. It did not include Personal Assistants paid from a Direct Payment or from someone's personal income. Nor did it include in-house services.

This information was discussed with senior officers from the LGA and senior representatives of both ADASS and the Association of Local Authority Treasurers (ALATs) prior to submission of the final information to the Department of Health and Social Care (DHSC) on 9 May. However, this information has not been shared more widely with councils until now to provide time for the Government to decide how to respond.

Summary of the information provided to DHSC

The analysis identifies significant financial pressures.

The analysis highlights the following financial pressures facing adult social care providers from 1 April up to the end of September 2020:

a) The costs of providing personal protective equipment (PPE) to ensure that both those receiving personal care and those providing that care are safe is £4.179 billion up to the end of September 2020: £3.091 billion care homes; £802 million home care; £286 million supported living. These numbers reflect the prevailing costs to providers of purchasing PPE and the updated advice issued on 3 May on the recommended use of PPE in social care. These costs and the interpretation of the advice continue to be subject to further discussion and may reduce.
b) Infection control will also require regular deep cleans of care homes at a cost up to the end of September of £616 million.
c) Additional staffing costs of £1.018 billion up to the end of September for increased staffing costs across care homes, supported living and home care. This reflects the costs of recruiting workers to cover for staff who are off sick or self-isolating.
d) Additional other costs in care homes such as additional staff time on site £79 million.
e) £525 million average net lost revenue for care homes, supported living and home care. This lost revenue is split: £472 million care homes; £39 million home care: £14 million supported living.
f) £189 million average lost revenue for non-local authority managed day centres.

These financial pressures total £6.606 billion. Over half the cost pressures relate to care arrangements made by councils (£3.3 billion compared to £2.6 billion relating to private or NHS commissioned care arrangements) but most of the income loss would reflect a fall in the numbers of people funding their own care or funded by the NHS.

The total pressures do not take account of payments already made to providers by councils or the provision of free PPE, seconded staff or other support in kind.

Pages 3 - 5 provide more detailed information which may be of use to local authorities.

Additional information which could be of use for councils

PPE

1. The cost of PPE is almost two thirds (63 per cent) of the total cost of £6.6 billion. In part, this is affected by the assumptions about how often face shields can be used. The analysis assumes that they can only be used twice. If they could be used five times, the costs of PPE would fall from £4.179 billion to £2.670 billion although this would still be the largest single financial pressures on providers.
2. The assumptions about the cost of PPE and its usage, reflect work that was carried out by McKinseys for the Care Providers Alliance and by Accenture for the United Kingdom Care Home Association. The latter analysis was reviewed by several local authorities. Their feedback was that the assumptions about both cost of equipment and its usage were reasonable. However, this was before the revised guidance on the use of PPE in social care was published on 3 May. This led to the new assumption about the use of face shields.
3. When we submitted the information to DHSC, we said that our view is that PPE should be supplied free during the current crisis. This would eliminate one significant financial pressure for both providers and councils. Local authorities could help with the purchasing and supply of the equipment with central government paying for it. Alternatively, providers could submit invoices which are reimbursed by central government but administered by local government.

Deep cleans

4. The analysis assumes that each care home will require a fortnightly deep clean at a cost of £5,000 for each clean per care home.

Staffing

5. The additional staffing costs of £1.018 billion up to the end of September are 12 per cent of the staffing budget.
6. The analysis assumes that all staffing absences are covered either by using agency staff or by existing employees working overtime. Staffing absences are assumed to be highest in April and decline steadily over following months but would still be higher than normal in September.

Lost income

7. LaingBuisson have also identified the financial pressures arising from the loss of income. Several local authorities have provided support in response to this by block booking beds or agreeing to fund home care and community services even if people do not make full use of them. However, they are doing this in the context that the predominant purchaser of care is the local authority.
8. There are other services which are used predominantly or exclusively by people who are funding their own care. We have sympathy for those businesses, but we do not believe that it is appropriate for local authorities to support such private

businesses. There is also the issue of State Aid rules which are considered in the Infection Control Fund Grant circular. If the Government wants to support those businesses, we suggest that this is something they should do directly with the businesses concerned as part of their overall strategy for supporting businesses. We would suggest that the CQC in their market oversight role are asked to review the financial context in which such providers operate.

9. We recognise that there are providers who fall between those two categories where there are a mixture of local authority funded users and people who are funding themselves. Councils will make their own decisions about the extent to which they should and are able to support providers where most but not all clients are funded by the local authority.

Lost revenue for non-local authority managed day centres

10. Most day services are now run by voluntary groups and funded from charges paid by those who attend (which may come out of personal budgets funded by the local authority).
11. The loss of revenue assumes that day services will not be able to open until the virus is no longer a threat, that paid staff are furloughed on full pay (with support from the national furlough scheme) and that there will be some fixed costs which are unavoidable (such as rent payments for buildings).
12. The calculation assumed that 80 per cent of the furloughed employees pay would be funded by the Government throughout the period. This now looks optimistic in the light of the Chancellor's revisions to the furlough scheme.

Other issues

13. These additional temporary cost pressures are much higher than we had originally anticipated. We had provided information to local authorities and the Minister in early April which assumed that the temporary cost pressures could be around 10 per cent. This was driven by the likely level of staff absences and the costs of ensuring that there were sufficient staffing resources. LaingBuisson's analysis suggests that initial analysis of staffing pressures was reasonable. That initial analysis was unable to be informed by good quality evidence of the costs of PPE although we did warn the Minister that this was likely to increase the costs still further.
14. The analysis assumes that there will not be a second wave before September 2020.
15. Our view is that there will be additional costs after September 2020. Adult social care supports people who often have several underlying conditions or are frail. They are the people who must be shielded from the virus until a vaccine is discovered. It is inevitable that there will be extra staffing costs and the need for PPE until then. We suspect that there will be significant costs after September and potentially well into the 2021/22 financial year. We also agree with providers that it is unlikely that demand from self-funders will recover until 2021.

16. DHSC's view is that the Infection Control Fund is <u>not</u> intended to fund these pressures. It is intended to pay for additional pressures that will fall on care homes due to the need to have enhanced infection control measures which will increase staffing costs. Those costs would be <u>additional</u> to the £6.6 billion.