Written evidence submitted by MHA (Methodist Homes)

About MHA (Methodist Homes): MHA is the largest charity provider of residential care for older people in the UK. We have over 75 years' experience in creating communities that care, with one of the highest quality ratings in the sector. Through our 90 care homes, 70 retirement living communities and 60 community support schemes, our 7,500 colleagues and 4000 volunteers provide care and support to over 18,500 older people across England, Scotland and Wales.

This response focuses on the impact of coronavirus on our business within the adult social care sector.

Our CEO, Sam Monaghan, would be delighted to give oral evidence to the Committee about MHA's experience at your convenience.

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?

1. **Summary:** Adult social care is a key sector in the UK's economy, employing 1.6 million people, as well as a provider of essential support to millions of people. However, provision has been underfunded for decades, and the situation has been exacerbated by Covid-19 which has had a disproportionate effect on people needing social care and the organisations providing that care. The Infection Control Fund and additional funding given to local authorities, whilst welcome, do not cover all Covid-19 costs and implementation varies from area to area. The recent Spending Review does not address these long-standing and critical issues.

   The social care sector is at crisis point and must be prioritised for reform and historic levels of investment in order to ensure that this essential service can continue for current and future generations. Investment in this sector will boost jobs (there are currently over 100,000 vacancies), and improve the quality of life of people in every community across the country.

2. **Financial sustainability in adult social care**
   Social care provision has been underfunded for decades, largely due to reductions in local government grant funding and an adult social care system that is no longer fit for purpose. This has been exacerbated by Covid-19 which has

had a disproportionate effect on people needing social care and the organisations providing that care. In turn, this has brought many issues for care homes to the fore, with financial sustainability of particular and immediate concern.

Before the Covid-19 pandemic, adult social care accounted for 38% of a local council's budget.[1] However, local authorities have seen their spending on social care for older people reduce in real terms by up to 17% per person in some areas[2]. Due to this underfunding, fewer and fewer people are able to access support, in spite of demand for care and support continuing to increase. Indeed the Care Quality Commission found that 1.4 million older people were not receiving the care and support they need[3]. We can clearly see through our resident data that local authority funded residents are coming to us later in life but with greater care needs.

This lack of investment in social care has destabilised the care market, Covid-19 notwithstanding, with some providers leaving the market and people who need care therefore finding their choices are limited[4]. The Association of Directors of Adult Social Services (ADASS) has recently identified a real danger that some councils could be unable to meet their statutory duties, particularly amplified by the financial impact Covid-19.[5]

We can no longer wait for the government's long-delayed adult social care reform to help us to bring an end to underfunding. The combined impact of long-term under-investment, and the Covid-19 crisis means the sector needs proper funding now.

3. Increased costs

Earlier in the pandemic many of our frontline staff were absent from work through sickness, self-isolation and shielding, reaching a high of 13% (April to May), which has meant an increase in staff sickness costs.

Enhanced pay, including overtime and bank staff premiums have cost in excess of £1.75 million, as we aim to cover staffing requirements deploying existing staff to ensure quality of care and as part of infection control measures.

The supply of free PPE from October is welcome. However, earlier in the pandemic, despite Government efforts to increase the supply of PPE, MHA struggled to access adequate stocks and spent around £3.5 million on PPE, which was additional and unplanned and therefore diverted funds away from other aspects of our service provision.

Our liability insurance provider also increased costs and, with self insurance to cover, overall this has cost an additional c£2 million this financial year for MHA.

4. Reduced income

One of the most significant impacts on our income has been a marked decrease in occupancy levels. Occupancy levels are of central importance because strong occupancy helps to keep us afloat by having fee-paying customers who help to cross-subsidise the care of those funded by local authorities, where fee rates do not match the true cost of care. It also enables us to plan provision, including staffing, future sustainability and investment, and underpins the commissioning relationships with local authorities.

Decreases in occupancy levels have stemmed from two key issues: the sad and regrettable passing of care home residents to Covid-19 in care homes, coupled with reductions in new placements being made as a result of the pandemic.

Our care home occupancy has reduced from 91% pre-coronavirus to a current occupancy rate of 79.1%, which is decreasing due to the impact of the second wave, and this is on a par with the sector as a whole. As a result annual lost income is projected to be £26.6 million. A drop in occupancy directly increases our costs of the service, as these costs have to be spread over fewer occupied beds.

Housing sales contraction has impacted on our self-funding residents' ability to pay fees . The current system expects people to use their housing assets to fund their own care, however the wider impact of Covid is that the housing market isn't offering them this assurance.

Decreased operational income for our MHA Communities service has led to £3 million of lost income.

Fundraised income has reduced significantly for MHA, with circa £5 million of lost charitable income for 2020-21. In particular, this is because we have been unable to undertake community-based fundraising activities.

5. Mitigations

While we appreciate the Government has launched a number of initiatives to support businesses, funding streams like the Covid Corporate Financing Facility and Coronavirus Business Interruption Loan Scheme appear to be designed more for corporate entities and are debts that we cannot afford to take on. We have also found that banks and financing institutions are not being receptive to requests for help (rental or loan deferrals or holidays).

6. Infection Control Fund

We have received monies through the Infection Control Fund, but those funds are not sufficient to cover the additional costs that we are incurring and the specific nature of them means that we are unable to apply them to the full breadth of additional costs we have.

There are suggestions that the Infection Control Fund could be stretched further and expected to cover more costs, such as limiting staff movement between homes[6] and supporting the administration of testing to allow visitors. Latterly, through the Government's drive to allow regular visits to care homes by friends and relatives, an increased testing lateral flow testing (LFT) regime has also been announced, but not fully-resourced. This will mean a significant increase in workload for care homes, virtually quadrupling the amount of testing being carried out, along with the associated booking appointments, administering tests, uploading the testing information and results and supporting the visitor once in the home. We estimate additional staffing costs to administer LFTs across MHA's homes for a full year would cost around £4 million. At the time of writing, MHA has taken the decision not to increase our visiting arrangements because of significant concerns over the safety and efficacy of the LFTs. If we are offered sufficient evidence to persuade us to go ahead and use the devices, we would move to increase visits from relatives because we know how important they are for our residents wellbeing, but as we have highlighted it would come at significant financial burden,

Very little of the £3.2 billion that was given to local authorities to support services during the pandemic has made it to the front line of social care. Of the 62% of local authorities who have made contact with us, the average uplift received has been 7.5% as opposed to the 10% recommendation from ADASS. Furthermore we deal with 177 local authorities and there is a great deal of inconsistency between local authorities and some have made conditional requirements in order to receive funds, creating additional administrative burden. These challenges are being felt across the social care sector. We recognise that local authorities are also under significant financial pressures and have seen increased demands placed on them in managing a health, social and economic crisis. However it is important to highlight that the very little of the funds given to support local authorities have trickled down to support our delivery of social care services.

7. Reduced expenditure

While we have used the furlough scheme for some operational support roles, we have limited ability to furlough staff, as the majority of our staff are providing care to our residents.

We have been also able to reduce our spend on agency staff, as our staff have stepped up to support their home, for example working increased hours, moving into the home and changing family arrangements . In addition, a small amount of savings have been made on repairs and our capital investment programme – however this expenditure is just delayed as those works will need to take place at some point in the future.

Overall we have been able to make only minimal cost savings and these are far outweighed by the lost income and increased costs outlined above.

With the Government indicating that even with the roll out of a vaccine, the pandemic will continue into April 2021, the government urgently needs to increase its financial support to local authorities and to the social care sector.

8. Spending Review 2020 and Comprehensive Spending Review 2021

The SR20 funding for social care has not been bold enough to meet the needs of and sustain the social care sector. The associated announcement of £1 billion for social care, through £300 million of social care grant and the ability to levy a 3 per cent adult social care precept and the continuation of improved Better Care Fund funding, is welcome but falls short of what is needed by the sector in order to deliver for people who need care. Only £300 million appears to be genuinely new grant funding and is shared between children's and adult social care. The social care precept provides limited means to raise additional funding and often does not raise enough money where it is needed. As the LGA says "*it is not sustainable; it raises different amounts of money in different parts of the country, is unrelated to need and adds an extra financial burden on household*s."[7]

The adult social care sector has demonstrated its huge value to the country during the Covid-19 pandemic and should in turn be fully supported through investment. The current level of funding available for adult social care is simply not enough to meet the needs of an ageing population, and allow people to live life to the full. Yearly injections of cash, whilst welcome, can at best only help to fix problems in the short-term and this year's injection of funding will not even be doing this. Yearly funding cycles also do not offer the opportunity to stabilise the current system. They do not allow services to plan for the future and improve the quality of care they provide. To address the issue of under investment in the adult social care sector, a long-term plan that addresses funding is required urgently.

9. **The future**

A strong adult social care sector is an absolute necessity to meet the needs of the UK's increasing ageing population and address the pervasive health inequalities that persist, meaning many older people spend their latter years in ill-health. Further to this, a social care system which is able to deliver for people and communities without hesitation is key to the nation's recovery from Covid-19.

Prior to Covid-19, the funding of the adult social care system was an issue to be imminently tackled in cross-party talks, as promised in the 2019 Conservative manifesto. It is imperative that that promise is fulfilled.

December 2020

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[1] Adult social care Performance Tracker 2019, Institute for Government

[2] Social care 360, The King's Fund, May 2020

[3] The State of Care, Care Quality Commission, October 2019

[4] 'Care deserts' mean older people aren't getting the care they need, Age UK, May 2019

[5] Annual Budget Survey 2020, ADASS, June 2020

[6] Stopping movement of staff between care settings, Department for Health and Social Care, November 2020

[7] Spending Review 2020: On-the-Day Briefing - Adult Social Care, November 2020