National Audit Office

REPORT

# Reforming adult social care in England

Department of Health & Social Care

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# Reforming adult social care in England

## Department of Health & Social Care

**Report by the Comptroller and Auditor General**

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**Gareth Davies**
**Comptroller and Auditor General**
**National Audit Office**

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# Key facts

## £1.74bn

amount agreed with HM Treasury, for adult social care system reform activity between 2022-23 and 2024-25, when DHSC published its white paper in December 2021

## £1.01bn

amount of system reform funding reallocated to other adult social care priorities, between 2022-23 and 2024-25, including £570mn to the Market Sustainability and Improvement Workforce Fund

## £729mn

amount budgeted, as at October 2023, for adult social care system reform activity between 2022-23 and 2024-25

| | |
|---|---|
| **£23.7 billion** | amount spent by local authorities in England on adult social care in 2022-23 (as published by NHS England, October 2023) |
| **More than one million** | number of people with care needs supported by local authorities in England in 2022-23 |
| **434,243** | estimated number of people in England awaiting care assessments, care or direct payments, or reviews, as at March 2023 according to survey data from the Association of Directors of Adult Social Services |
| **1.6 million** | number of people employed in the adult social care sector in England in 2022-23 |
| **9.9%** | adult social care sector vacancy rate in England in 2022-23, equivalent to 152,000 vacancies |
| **97%** | proportion of system reform spending in 2022-23 that went on digital, data and assurance reform projects, and the project to digitise and streamline care assessments |
| **27** | total number of projects, organised across nine programmes, through which DHSC is delivering system reform |
| **6** | number of workforce projects (out of a total of 8) that are in development as at October 2023 |

# Summary

**1** Adult social care covers social work, personal care and practical support for adults with a physical disability, a learning disability, or physical or mental illness, as well as support for their carers. In 2022-23, local authorities in England spent £23.7 billion on adult social care, supporting more than one million people with care needs. Many more people pay privately for their own care or, according to the 2021 census, receive care from one or more of England's 4.7 million unpaid carers. In 2022-23, around 1.6 million people (5.8% of the country's workforce) worked in adult social care.

**2** As people live longer and with more complex conditions more people are likely to need adult social care to support them to live the lives they want. Along with responding to this increased demand, local authorities, who fund care and support in their areas for people who are eligible, are under financial pressure. The sector faces significant challenges, including long waiting lists and persistent workforce shortages. There have been various proposals over several decades for how to fund and improve adult social care.

**3** The Department of Health & Social Care (DHSC) sets national policy and is accountable to Parliament and the public for the performance of the care system as a whole. DHSC is responsible for agreeing central government funding for adult social care through the Spending Review process within an overall system for local government funding overseen by the Department for Levelling Up, Housing & Communities (DLUHC). DLUHC is responsible for the financial framework within which local authorities operate, and distributes funding to local authorities who fund care and support in their local areas, in line with their statutory duties under the Care Act 2014. Most care is commissioned by local authorities from one of England's nearly 18,000 independent care providers, which include private, not-for-profit and voluntary organisations. Adult social care is provided through different service types, such as care homes or home care. The Care Quality Commission (CQC) is the sector's independent regulator in England; it regulates all registered providers for quality and assesses the financial sustainability of around 60 potentially 'difficult-to-replace' providers. Since April 2023 it has new responsibilities to assess how well local authorities in England meet their duties under Part 1 of the Care Act.

**4** In 2019, the government promised to "fix the crisis in social care". Following the COVID-19 pandemic, in September 2021 DHSC published *Build Back Better: Our Plan for Health and Social Care*. It committed £5.4 billion funding over three years between 2022-23 and 2024-25. This was made up of £3.6 billion to change the way people pay for care from October 2023 (charging reform) and £1.7 billion to improve the wider social care system (system reform). Under charging reform, the government announced an £86,000 cap on the lifetime care costs that an individual could pay, changes to the means test for accessing local authority-funded care and an intention that local authorities should move towards paying a 'fair cost of care' to providers. DHSC's subsequent white paper, *People at the Heart of Care*, in December 2021, set out a 10-year vision for adult social care and provided more detail on system reform plans. During 2022, high inflation and concerns over hospitals' ability to discharge patients, meant that DHSC reprioritised to focus on easing immediate pressures to stabilise the sector. It announced revised funding in the 2022 Autumn Statement. In April 2023, DHSC published revised plans for system reform, in *Adult social care system reform: Next steps to put People at the Heart of Care (Next steps).*

**5** We, along with the Committee of Public Accounts, have examined adult social care before. Our most recent report *The adult social care market in England* (March 2021) found that DHSC lacked sufficient oversight and accountability arrangements to ensure that publicly commissioned care was providing value for money.[1] Our previous reports include *Readying the NHS and adult social care for COVID-19* (June 2020),[2] *The adult social care workforce in England* (February 2018)[3] and *Discharging older patients from hospital* (May 2016).[4]

## Scope of this report

**6** This report looks at how DHSC is responding to the challenges facing adult social care in England, and its progress with delivering the reforms set out in the 2021 white paper. This report examines:

- key pressures and challenges in adult social care in England;
- DHSC's response to increasing pressures in adult social care during 2022; and
- how DHSC is delivering reform and progress against its commitments.

1 Comptroller and Auditor General, *The adult social care market in England*, Session 2019–2021, HC 1244, National Audit Office, March 2021.
2 Comptroller and Auditor General, *Readying the NHS and adult social care in England for COVID-19*, Session 2019–2021, HC 367, National Audit Office, June 2020.
3 Comptroller and Auditor General, *The adult social care workforce in England*, Session 2017–2019, HC 714, National Audit Office, February 2018.
4 Comptroller and Auditor General, *Discharging older patients from hospital*, Session 2016-17, HC 18, National Audit Office, May 2016.

We do not seek to examine and report on the value for money of reform delivery given the early stage of implementation. The report does not assess care commissioned by health bodies, the interface between health and care systems in detail, or user experience. Therefore, delays in discharging patients from hospital (hospital discharge) and integrated care systems are mentioned for context only. We have previously reported on the introduction of integrated care systems.[5] We do not assess the impact of, or issues arising from, NHS continuing healthcare or NHS-funded nursing care.

## Key findings

### Challenges in adult social care

7 **The adult social care system remains under significant pressure despite some recent signs of improvement.** The sector's challenges are widely recognised (paragraph 1.5). Some of the most significant include:

- **Long waiting lists** – In its spring survey 2023, the Association of Directors of Adult Social Services (ADASS) concluded that waiting lists were extremely high and concerning. Having increased by 37% in the five months to April 2022, the number of people in England waiting for a care assessment, care and support, direct payments, or reviews has been falling gradually since then. It rose from 395,845 in November 2021 to 542,002 in April 2022, when it peaked. By March 2023, it had fallen to 434,243 but the number of people waiting for more than six months for an assessment had reached 82,087; almost double what it was in November 2021 (paragraph 1.7 and Figure 1).
- **Workforce shortages** – Between 2012-13 and 2021-22, the total number of vacancies in adult social care in England increased by 173% from 60,000 to 164,000. In the year to 2022-23, it fell 7% to 152,000 (a vacancy rate of 9.9%), supported by the recruitment of 70,000 staff from overseas (paragraph 1.8 and Figure 2).
- **Pressure on local authority finances** – Local authority finances are under significant pressure, which impacts on the funding available for social care. Adult social care is one of the largest areas of service spending for councils. In a June 2023 survey by ADASS, 17% of directors with responsibilities for social care responded that they were not confident that they could meet their statutory duties for care in 2024-25 (paragraphs 1.3 and 1.9).

5 Comptroller and Auditor General, *Introducing Integrated Care Systems: joining up local services to improve health outcomes*, Session 2022-23, HC 655, National Audit Office, October 2022.

- **Concerns over provider stability** – Data from the potentially 'difficult-to-replace' providers in CQC's market oversight scheme showed that in March 2023, the reported profit levels for care homes for older people were close to the lowest level since 2015, when CQC's market oversight began. According to CQC, the most significant financial pressures are around specialist providers where profitability declined consistently between September 2021 and March 2023 (paragraphs 1.4, 1.10 and 1.11).

- **High care costs for individuals** – In 2021, DHSC estimated that one in seven individuals over 65 would face lifetime care costs above £100,000. Many self-funders pay significantly more for the same care than local authorities. The Competition and Markets Authority found in 2017 that self-funders pay, on average, 41% more than local authorities for care home places. Unlike local authorities, self-funders cannot 'block book' multiple places and in doing so secure lower rates (paragraphs 1.12 and 1.13).

8 **In 2021, the government committed to addressing the challenges facing adult social care.** In its September 2021 policy paper, *Build Back Better*, DHSC set out its plans for addressing the challenges in health and social care, saying it would bring charging reforms into effect from October 2023. Alongside charging reform, in its December 2021 white paper *People at the Heart of Care*, DHSC set out a 10-year vision for transforming social care in England and provided more detail on its proposals for system reform, allocating £1.1 billion of its £1.7 billion budget to a range of policy areas. The adult social care sector was broadly supportive of the reforms but sceptical about the adequacy of funding to deliver them (paragraphs 1.14 to 1.17).

## Response to increasing pressures

9 **During 2022, DHSC was concerned about the impact of rising inflation on the adult social care sector and the sector's contribution to growing delays in hospital discharge.** In summer 2022, the sector began to raise concerns around the feasibility of delivering charging reform to time and budget. Alongside this, higher than expected inflation throughout 2022 placed additional strain on care providers and local authorities. In August 2022, DHSC estimated that local authorities faced additional cost pressures (the amount DHSC estimated they needed to sustain current levels of provision) of £2.5 billion across 2022-23 and 2024-25 compared with baseline funding agreed at the 2021 Spending Review. At the same time, ministers were concerned about growing delays to hospital discharge. The government believed that difficulties in arranging appropriate social care for people leaving hospital was one of the main causes of these delays and wanted to increase capacity in social care. In response, DHSC carried out two reprioritisation exercises covering adult social care, in which officials advised ministers to consider the relative importance of system reform priorities, which were behind schedule, in the context of inflationary pressures (paragraphs 2.2 to 2.6).

10 **In the 2022 Autumn Statement, the government committed £7.5 billion, including £2.7 billion of new central government funding, to help ease immediate pressures, stabilise the system and make improvements.** In November 2022, the government delayed charging reform to October 2025 and announced up to £7.5 billion funding for adult social care over two years (up to £2.8 billion in 2023-24 and up to £4.7 billion in 2024-25). The funding included £3.1 billion reallocated from charging reform to local authorities to spend across adult and children's social care via the social care grant; up to £1.7 billion from assumed increases in council tax; and £2.7 billion in new funding. New funding included £1.6 billion to speed up hospital discharge (with half going through NHS England and half to local authorities) and £1.1 billion to local authorities as a ringfenced grant to support improvements in adult social care services and address pressures around fees, waiting times or workforce – the Market Sustainability and Improvement Fund (MSIF). So far, local authorities have mainly used MSIF to increase fee rates paid to care providers. This funding is in addition to other funding, including £162 million per year (for three years from 2022-23) of 'fair cost of care' funding to local authorities, retained from DHSC announcements in 2021 under charging reform. Decisions over how much of this funding will be included within baseline budgets from April 2025 will be made at the next Spending Review (paragraphs 2.7 to 2.9 and Figure 3).

11 **DHSC analyses show that, collectively, local authorities plan to be able to cover cost and demand pressures in 2023-24, although there is local variation.** The Local Government Finance Settlement (LGFS) for 2023 to 2024 set an expectation that local authorities should substantially increase their spending on adult social care compared with 2022-23 to deliver tangible improvements to services. In June 2023, analysis by DHSC found that, at a national level, the amount by which local authorities planned to increase spending on adult social care in 2023-24 was 88% of DHSC's interpretation of the expectation set through the LGFS. DHSC does not formally estimate cost pressures by local authority, and whether they plan to meet them. However, in June 2023, DHSC undertook a separate exercise in which it compared assumed local cost pressures to planned spending by local authorities. It found that, at a national level, the amount by which local authorities planned to increase spending on adult social care in 2023-24 would exceed DHSC's estimate of what was needed to meet these cost pressures. At a local level, its analysis showed that around a quarter did not plan to spend enough to meet them. In addition, funding may not be going to the areas that need it most because government has not updated its funding formula for adult social care since 2013-14. Overall, local authorities reported that the number of people they expected to support in 2023-24 would be 93% of their available capacity, but 24 local authorities (around one in six) expected capacity in their areas to be exceeded (paragraphs 2.10 to 2.14).

**12 DHSC has scaled back its short-term plans for system reform and associated funding to £729 million, compared with the £1.74 billion agreed with HM Treasury when DHSC published its white paper in December 2021.** In April 2023, DHSC published its updated plans for system reform in *Next steps to put People at the Heart of Care,* provoking widespread disappointment from the sector. DHSC had dropped the white paper commitment to spend £300 million to integrate housing into local health and care strategies and halved allocations for workforce reforms around training, qualifications, and staff wellbeing, from £500 million to "at least" £250 million. Having finalised its budgets by policy area, by October 2023, DHSC had allocated a total of £729 million to its system reform activity; a 58% fall in the budget for system reform between 2022-23 and 2024-25. DHSC has reallocated £1.01 billion to other adult social care priorities, which includes a further £610 million of funding for local authorities to use between 2023-24 and 2024-25. Of this, it allocated £570 million to the Market Sustainability and Improvement Workforce Fund which has a particular focus on improving workforce pay (paragraphs 2.15 to 2.18, and Figures 4 and 5).

## Delivering reforms

**13 DHSC has not established an overarching programme to coordinate its reforms which makes it difficult to know if it is on track to achieve its objectives and risks putting pressure on local authorities.** DHSC ended its charging reform programme board and has not established an overarching programme to coordinate its ongoing reform activity. It is delivering system reform through a series of 27 projects which report to the director-general for adult social care via nine separate programme boards covering different policy areas such as workforce and digital. We heard concerns from the sector that there had been no coordination between adult social care reforms and related DHSC initiatives, for example system reform, charging reform and planned Mental Health Act reforms and that a lot of demands were being put on local authorities at the same time. Since April 2023, DHSC has held a monthly portfolio delivery forum, which reports on progress against the upcoming milestones published in *Next steps* and provides a short narrative update by programme. It does not include an assessment of overall progress or report on spend against budget by project or programme. It is therefore difficult to understand from the portfolio forum's reporting which projects and programmes are delivering to time and budget. However, there is some reporting of spend against budget at other boards. DHSC says this approach to governance avoids duplication with the individual programme boards and considers it to be proportionate and robust (paragraphs 3.4 to 3.9 and Figure 6).

14 **Despite progress in some areas, DHSC is behind schedule and some key projects, including on workforce, are still in development.** DHSC acknowledged it had made less progress than expected on system reform during 2022-23. Projects within digital, data and assurance reforms, which, together with the project to digitise and streamline care assessments, make up 97% of system reform spending in 2022-23, made most progress. The uptake of digital social care records by CQC-registered care providers has increased since the project started, but DHSC does not expect to reach its target of 80% by March 2024. CQC has begun to assess local authorities' delivery of Care Act duties but roll-out is progressing more slowly than DHSC originally planned. CQC will evaluate and apply learning from five pilots before starting formal assessments. DHSC is delivering on two of eight workforce projects – supporting international recruitment and adult social care volunteering – the remaining six are in development. DHSC has delayed the delivery of its most expensive reform to fund enhanced training and development of the workforce through care providers because it has not yet been able to set up a system to administer payments to providers. DHSC has not started delivering its project to improve leadership among integrated care systems. In October 2023, it invited local authorities to register for a share of funding by January 2024 to improve support for unpaid carers, as part of the Accelerating Reform Fund (paragraphs 3.7, 3.10 and 3.11, and Figure 7).

15 **There are significant risks DHSC must manage if it is to successfully deliver its vision for adult social care.** All transformation programmes come with risks that need to be carefully managed, and achieving government's 10-year vision for adult social care is a costly and ambitious endeavour (paragraph 3.2). This risk is exacerbated by the following:

- **Restarting charging reform activity will add to resourcing pressures** – To deliver charging reform by October 2025, work will need to begin soon and will increase workload for DHSC and local government staff, alongside the system reforms underway (paragraphs 3.14 to 3.15).

- **Uncertainty over how much it will cost local authorities to pay a fair cost for care to providers** – In an exercise to allow DHSC to better understand local costs of providing adult social care, local authorities reported that it would cost them £1.8 billion to fully pay providers a 'fair cost of care' in 2022-23. There were concerns over the quality of data provided in the exercise, particularly the accuracy, robustness and consistency of the data and DHSC acknowledges that it will need to revise its plans (paragraphs 3.16 to 3.18).

- **Limited delivery experience in DHSC on adult social care** – DHSC has a long history of implementing projects and programmes on the health side, and an established delivery body in the NHS. It does not have the equivalent for adult social care. Under the Care Act 2014, DHSC did not have powers to intervene or hold local authorities to account for their performance and so was less able to readily direct change in the adult social care sector because of the more fragmented, localised and largely private delivery model. However, the Health and Care Act 2022 provides powers for DHSC to intervene, where required (paragraph 3.3).
- **The absence of a long-term plan for achieving its vision** – DHSC has no funding certainty beyond the current Spending Review period and so it cannot plan every step in detail now. However, some of the white paper ambitions, for example, on choice of housing, have lead times that exceed Spending Review periods, so cannot be achieved if it plans only to the end of a Spending Review period. Without a long-term plan for achieving its 10-year vision, DHSC may not understand which interventions it is likely to need and when, so that it, and the sector, can factor them into their plans and carry out necessary preparatory work (paragraph 3.2).
- **The absence of a 'theory of change' for how the system reform measures contribute to long-term reform outcomes** – DHSC told us it is committed to evaluating its reform activity and is putting plans in place for project level evaluation. However, contrary to central government guidance, DHSC has not set out how its planned system reforms, as set out in *Next steps,* will help it achieve the goals set out in its white paper. Departments normally do this in a 'theory of change'. Without this it will be more difficult for DHSC to assess progress towards its vision and whether it has achieved value for money (paragraphs 3.12 to 3.13).

## Conclusion

**16** DHSC's 10-year vision for adult social care reform was broadly welcomed by the sector as a step forward. But rising inflation compounded long-standing pressures and led DHSC to reprioritise money and activity to provide local authorities and care providers with some much-needed financial stability. The sector remains challenged by chronic workforce shortages, long waiting lists for care and fragile provider and local authority finances. Although there are some early signs of improvement in some of these, it remains to be seen whether these trends will continue and at what cost.

**17** Two years into its 10-year plan, DHSC has delayed its charging reforms, scaled back system reform, and is behind on some aspects of its revised plan. It has a long way to go if it is to deliver its ambitions. If DHSC is to successfully reform adult social care, it will need to manage some significant risks, including its own capacity and that of local government to resume charging reform activity alongside system reform. To maximise its chances of succeeding, DHSC will need to make sure it understands how the different strands of its reforms relate to each other, and the cumulative impact on local authorities and other stakeholders. It must be clear what the critical steps are, manage delivery against those closely and put in place governance needed to manage delivery risks effectively. Adult social care reform has been an intractable political challenge for decades, and in 2019 DHSC raised expectations that it would be addressed. Working with the sector, DHSC now needs to demonstrate how it is delivering on these plans.

## Recommendations

**18** DHSC should, in the near term:

**a** assess the impact of its current and planned reform interventions on local authorities, and other stakeholders to ensure that the cumulative impact of its policies are manageable;

**b** set out a costed plan to the sector for implementing charging reform from October 2025, incorporating lessons learnt so far; and

**c** review its portfolio reporting to ensure that it provides the management information needed to give assurance around overall progress and management of risks to delivery.

As it turns its attention to charging reform alongside system reform, DHSC should:

**d** ensure it has the resources it will require within the Department, in terms of both capacity and capability to deliver the next stage of reform;

**e** publish a long-term plan mapping its reform activity and the funding it will need to achieve its planned outcomes; and

**f** review its arrangements for delivering and overseeing its reform activity, incorporating external challenge, and to conclude whether a more integrated approach is required going forward.

# Part One

## Challenges in adult social care

**1.1** This part sets out what adult social care is and who provides it, and outlines some of the major challenges that the sector faces.

### About adult social care

**1.2** Adult social care covers social work, personal care and practical support for adults with a physical disability, a learning disability, or physical or mental illness, as well as support for their carers. Social care is delivered in a range of settings, including people's homes (home care) and care or nursing homes (residential care), and by both the professional care sector (formal care) and friends and family (informal care). Care needs can arise at any time in a person's life, whether through older age, an accident, or physical and mental health conditions. A more detailed explanation of adult social care can be found in previous National Audit Office reports.[6]

**1.3** Adult social care supports millions of people, including some of society's most vulnerable. Although local authority-funded care is means-tested, with support only provided to those with less than £23,250 in savings, it is the second largest area of council spending (after education). In 2022-23, local authorities in England spent £23.7 billion supporting more than one million people with adult social care needs.[7] Many more people self-fund their care or receive support from unpaid carers. There were an estimated 372,035 care home residents from 1 March 2022 to 28 February 2023. Approximately, 137,480 (37.0%) of care home residents were classified as self-funders, compared with approximately 234,555 (63.0%) state-funded residents. In 2020, the business intelligence provider LaingBuisson estimated that, across England spending on self-funded care was approximately £8.3 billion. The 2021 census found that 4.7 million people in England, 8.9% of the population, provided unpaid care. Carers UK estimates that the true numbers are higher, suggesting that one in five people in the UK are currently providing unpaid care or support. In 2022-23 the sector employed 1.64 million people in England, around 5.8% of the workforce.

6 Particularly National Audit Office, *Adult social care at a glance*, July 2018.
7 Data per management Information published by NHS England in October 2023, in advance of the Official Statistics release in December 2023. This represents the gross current expenditure by local authorities (which is gross total expenditure minus capital charges).

**1.4** The Department of Health & Social Care (DHSC) sets national policy and is accountable to Parliament and the public for the performance of the care system as a whole. DHSC is responsible for agreeing central government funding for adult social care through the Spending Review process within an overall system for local government funding overseen by the Department for Levelling Up, Housing & Communities (DLUHC). DLUHC is responsible for the financial framework within which local authorities operate and distributes funding to local authorities via the Local Government Finance Settlement (LGFS). Local authorities assess people's care needs and fund care and support for those who are eligible, in line with their statutory duties under the Care Act 2014.[8] Around 18,000 independent care providers, including private, not-for-profit and voluntary organisations, deliver most paid care. The Care Quality Commission (CQC) regulates almost 15,000 registered care providers in England for quality and assesses the financial sustainability of around 60 potentially 'difficult-to-replace' providers.[9,10] From April 2023 it has new responsibilities to assess how well local authorities meet their duties under Part 1 of the Care Act.

## Challenges for the adult social care sector

**1.5** Adult social care faces multiple interrelated challenges. As people live longer and with more complex conditions, more people are likely to need adult social care to support them to live the lives they want. This increase in demand, coupled with uncertain funding has resulted in some well-acknowledged problems:

- **Quality and access concerns** – There are frequent reports of people struggling to access the care they need as illustrated by long waiting lists for care, increased reliance on unpaid care and growing levels of unmet and under-met need. CQC has previously reported geographic variation on quality with evidence of poorer quality care in more deprived areas.

- **Workforce shortages** – Factors such as low pay and poor career prospects for adult social care workers have resulted in recruitment and retention challenges. There has also been a high incidence of mental ill-health and staff burnout following the COVID-19 pandemic.

- **Financial sustainability of local authorities** – Local authorities report significant funding gaps, with adult social care making up a large proportion of total spending on services.

8 In 2023-24 there are 153 local authorities in England who commission publicly funded social care.
9 Not all providers are required to register with CQC. Non-CQC- regulated locations which offer residential services include homeless shelters, women's refuges, drug and alcohol support centres and a diverse range of other residential services. The non-CQC- regulated locations which offer non-residential services include day care, carers' support services and a wide range of community support and outreach services.
10 Difficult-to-replace providers are those that have been identified as having a large local or regional presence, where failure could disrupt continuity of care in a local authority area.

- **Provider stability** – There is evidence that local authorities are paying care providers below a sustainable rate and care providers rely on self-funders to subsidise local authority-funded care.
- **High care costs for self-funders** – Cross-subsidisation results in individuals paying a premium for care.

We examine some of these in more detail below.

**1.6** It is difficult to set out the extent of these problems across the sector because, to date, DHSC has not set any performance targets for adult social care, unlike for the NHS. DHSC collects finance and activity data for adult social care arranged by local authorities but collects more limited data on self-funders and the extent of unpaid care. The Committee of Public Accounts has highlighted the need for improvements in adult social care data. DHSC acknowledges these issues and has undertaken a programme of activity to improve the quality and quantity of adult social care data, most recently outlined in *Care data matters*, which sets out a roadmap for improving adult social care data.[11] The Health and Care Act 2022 introduced new powers to allow DHSC to gather data from providers.

## Quality and access concerns – long waiting lists

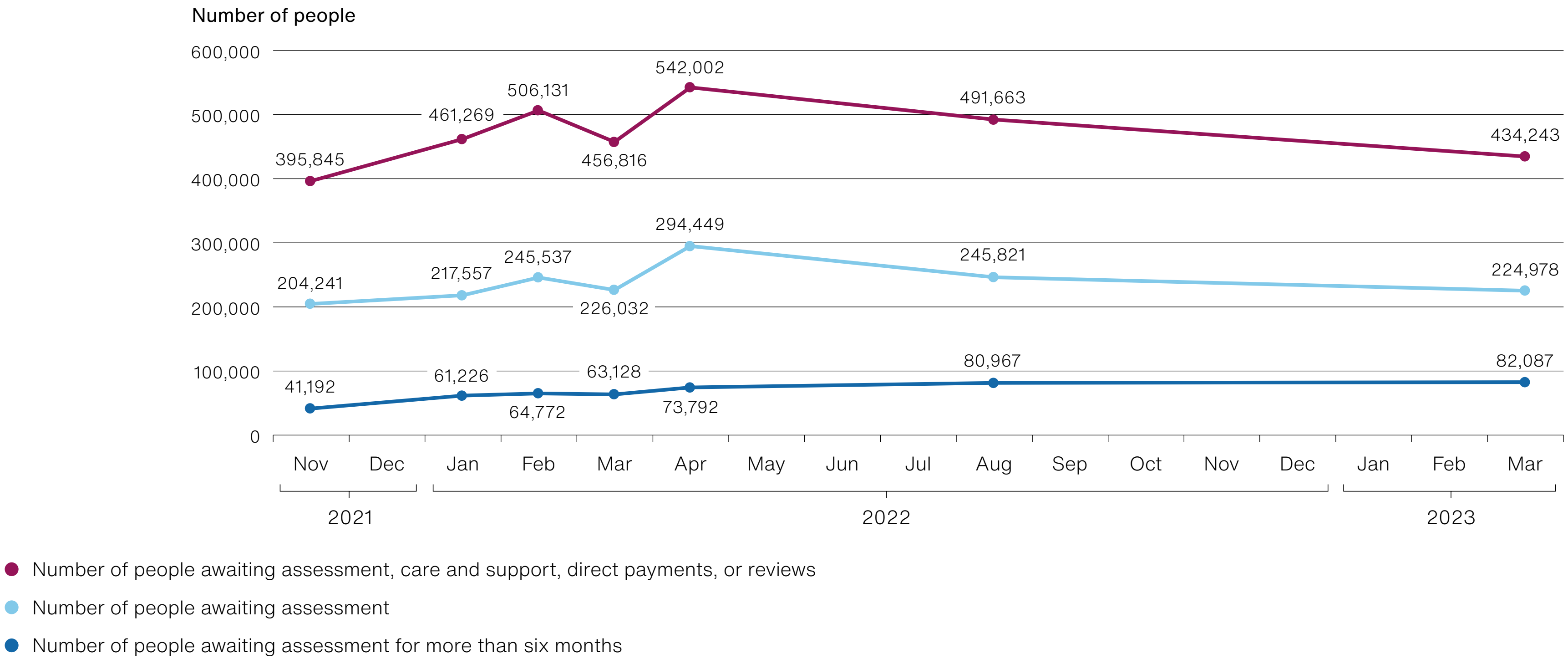
**1.7** Over the past two years, the Association of Directors of Adult Social Services (ADASS) has started to publish information on care waiting lists, based on survey data, which has added to the overall understanding of the sector. In its spring survey 2023 ADASS concluded that waiting lists were extremely high and concerning. The data show that, having increased by 37% in the five months to April 2022, the number of people in England waiting for a care assessment, care and support, direct payments or reviews has gradually been falling since then. Between November 2021, when data first became available, and April 2022, it rose from an estimated 395,845 to 542,002, when it peaked. By March 2023, it had fallen to 434,243 but the number of people waiting for more than six months for a care assessment had reached 82,087; almost double what it been in November 2021 (**Figure 1**). ADASS does not identify a reason for these changes in waiting lists.

11 Department of Health and Social Care, *Care data matters: a roadmap for better data for adult social care*, February 2023.

## Figure 1

Estimates of the number of people awaiting assessment, care and support, direct payments, or reviews in England, November 2021 to March 2023

**The number of people awaiting assessment, care and support, direct payments, or reviews for adult social care has recently decreased from a historical high in April 2022, but the number of people waiting for an assessment for more than six months is increasing**




**Notes**

1 Data on the number of people awaiting assessment, care and support, direct payments, or reviews is collected by the Association of Directors of Adult Social Services (ADASS) through its member surveys. ADASS member surveys are sent to all directors with responsibilities for adult social care in England. In the case that ADASS does not receive responses from all directors, data are extrapolated to enable comparison to previous data points. There are currently 153 directors covered by the survey; of these, there is a core that has responded to all surveys, and, of the remainder, the majority have responded to more than one.

2 ADASS does not report data on the number of people awaiting care and support, direct payments, or reviews for more than six months.

3 As of August 2023, ADASS had collected comparable data for November 2021 (84 respondents), January 2022 (101 respondents), February 2022 (94 respondents), March 2022 (138 respondents), April 2022 (83 respondents), August 2022 (115 respondents), and March 2023 (142 respondents). All data are as at the end of the month.

Source: National Audit Office analysis of Association of Directors of Adult Social Services Spring Survey 2023 data

## Workforce shortages – high vacancy rate

**1.8** The available data on vacancies shows a considerable worsening of workforce issues over recent years, although there has been some improvement since March 2022. Between 2012-13 and 2021-22, the total number of vacancies in adult social care in England increased by 173% from 60,000 to a peak of 164,000 in 2021-22. The vacancy rate went from 4.3% to 10.6% over the same period. Total vacancies rose gradually from 2012-13 until 2019-20 then fell slightly in 2019-20 and 2020-21 before rising again sharply, by 49% in a single year, from 110,000 to 164,000. In the year to 2022-23, vacancies fell 7%, to 152,000 (a vacancy rate of 9.9%), supported by the recruitment of 70,000 staff from overseas (**Figure 2**). There is significant regional variation in performance: for example, the 2022-23 vacancy rate in London was 12.3%, whereas in Yorkshire and the Humber it was 8.2%.

## Financial sustainability of local authorities

**1.9** Local authority finances are under significant pressure. We have previously reported how local authority spending power (government funding and council tax) was lower in real terms in 2020-21 than in 2010-11.[12] Several councils have issued Section 114 notices, meaning they believe local authority expenditure will exceed their resources in a financial year.[13] This pressure impacts on the funding available for adult social care. Between 2021-22 and 2023-24, spending power increased by 8% in real terms. Yet the June 2023 ADASS Spring Survey reported that 17% of the 143 Directors with responsibilities for adult social care who responded said that they were not confident that they could meet their statutory duties for care in 2024-25. A further 18% reported that they did not know if they would meet their duties in 2024-25.[14] Local authorities usually receive annual funding settlements and other one-off grants although adult social care funding announced in the 2022 Autumn Statement covered two years. There are concerns that short-term funding does not support value-for-money decision-making. It can lead to a lack of time to review savings options to make good rather than quick decisions.

12 Comptroller and Auditor General, *The local government finance system in England: overview and challenges*, Session 2021-22, HC 858, National Audit Office, November 2021.

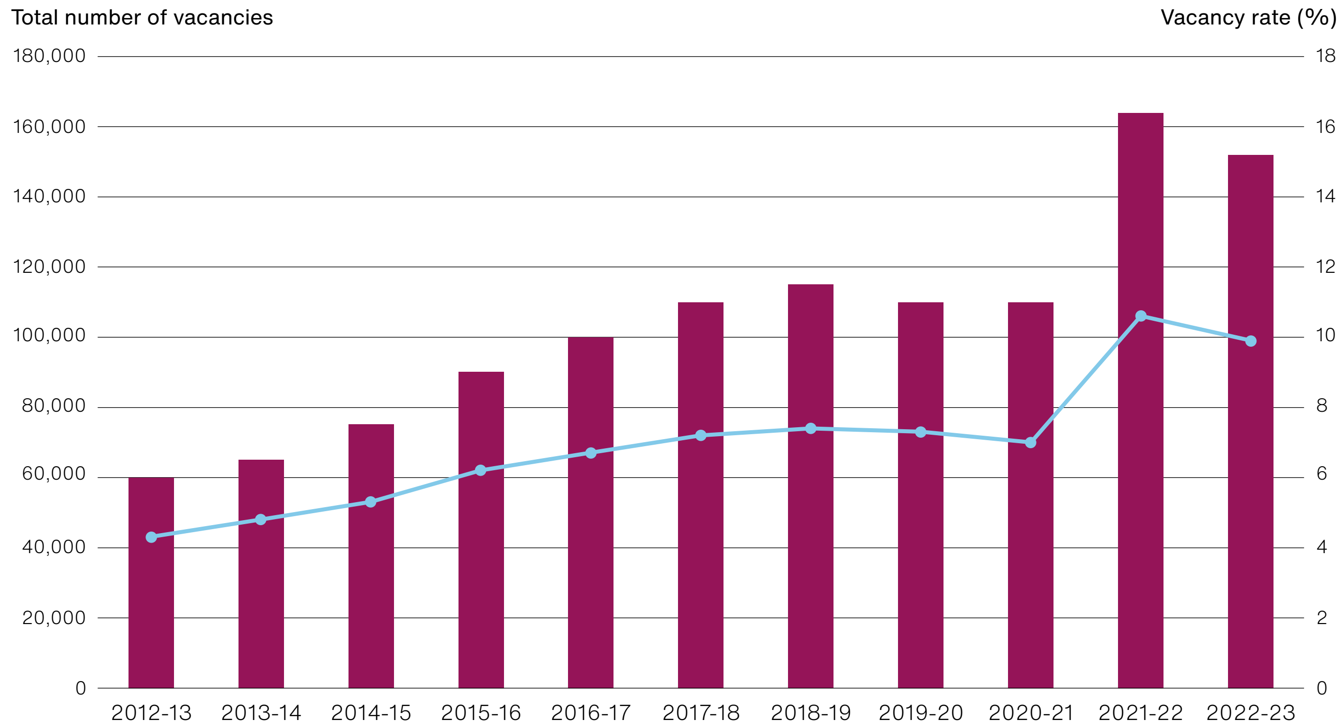
13 A Section 114 notice is made when a local authority believes that the expenditure of the authority in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure. A Section 114 notice can also be issued as a result of unlawful expenditure. Once a council has issued a notice, spending on all but essential services must immediately cease.

14 The 2023 Spring Survey asked directors to report their confidence in meeting their statutory duties for care for the next two years, 2023-24 and 2024-25. Available responses were 'fully confident', 'partially confident', 'not confident', or 'not known'. There were 143 completed returns to the survey, out of 153 directors.

## Figure 2

Annual vacancies and vacancy rate for adult social care in England, 2012-13 to 2022-23

**The number of vacancies, and the vacancy rate, has increased dramatically over the last decade but fell in 2022-23 compared with the previous year**




| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total number of vacancies | 60,000 | 65,000 | 75,000 | 90,000 | 100,000 | 110,000 | 115,000 | 110,000 | 110,000 | 164,000 | 152,000 |
| Vacancy rate (%) | 4.3 | 4.8 | 5.3 | 6.2 | 6.7 | 7.2 | 7.4 | 7.3 | 7.0 | 10.6 | 9.9 |

**Note**

1 Skills for Care collects data on vacancies and vacancy rate through the Adult Social Care Workforce Data Set (ASC-WDS). ASC-WDS is a free online data collection service that covers the adult social care workforce in England, and 20,000 providers use the service.

Source: National Audit Office analysis of Skills for Care data

## Provider stability

**1.10** CQC maintains oversight of 'difficult-to-replace' care providers through its market oversight scheme, which assesses the financial sustainability of around 30% of the overall care market by number of beds. It provides DHSC with an overview. CQC has said that the most significant financial pressures are around specialist providers where profitability has declined consistently between September 2021 and March 2023. By one measure (EBITDARM margin), specialist provider profit margins fell from 19.7% in the three months to September 2021, to 14.6% in the three months to March 2023.[15] By the same measure, reported profit margins for care homes for older people were 22.6% in the three months to March 2023; which is close to the lowest level since 2015 when market oversight began. Profitability for home care providers, again by the same measure, has been trending downwards since January 2021, having generally increased through 2020. At 12.6% for the three months to March 2023, profit margins are above pre-COVID levels (11.8% for the first quarter 2020) but below the 15.3% reached in January to March 2021.

**1.11** The risk of a major adult social care provider failing is on the 2023 National Risk Register, government's assessment of the most serious risks facing the UK. It has a Level 4 likelihood (5% to 25% chance) and Level 2 impact (limited).[16] Such a failure could occur for several reasons, such as cost pressures or over-indebtedness. Should this occur, local authorities might face challenges in discharging their temporary duty to secure continuity of care, putting the welfare of people with care and support needs in their area at risk.

## High adult social care costs for self-funders

**1.12** At present, there is state support available for those who have difficulty paying for the costs of their care. However, for individuals with assets of more than £23,250 they must pay for their care (the value of housing assets is excluded if an individual is receiving care in their own home, or if they are in residential care but have an eligible family member still living at home). This means that anyone who lives alone in the home they own is usually excluded from state-funded support when moving into a care home. Individuals face the risk of unpredictable and unlimited adult social care costs. In 2021, DHSC estimated that one in seven individuals over 65 would face lifetime care costs exceeding £100,000. Most people are unable to protect themselves against these risks as affordable financial products are unavailable. DHSC believes that this represents a market failure, and that government intervention is therefore required to protect people from the risk of unlimited care costs.

15 EBITDARM (Earnings before interest, taxes, depreciation, amortisation, rent and management fees) margin is a measure of the operating profitability of a provider as a percentage of its revenue. By excluding property-related costs, it can provide a comparable benchmark for assessing operating profitability of residential care (where rent and management fees can make up a substantial proportion of operating costs) and providers in other settings.

16 The National Risk Register assesses the 'reasonable worst-case scenario' for all risks using five-point scales for likelihood and impact. Likelihood refers to the chance of a risk occurring in the next five years. Impact refers to the likely impacts across seven broad dimensions, including human welfare and economic damage. This means there is no consistent definition of a Level 2 impact, as assigned to this risk, but examples of the scale include nine to 40 fatalities, and/or £10s of millions of economic impact.

**1.13** Government policy assumes that there should be fairness between rates paid by self-funders and those who receive state support. Many self-funders pay significantly more for care than local authorities. In 2017, the Competition and Markets Authority found that self-funders pay on average 41% more than local authorities for care home places. Unlike local authorities, self-funders cannot 'block book' multiple places, and in doing so secure lower rates. DHSC's policy is that alongside charging reform, self-funders ought to have the option to pay the same price as the local authority would pay to meet their needs.

## Government response

**1.14** There have been various proposals over several decades for how to fund and improve adult social care. In 2019, the government promised to "fix the crisis in social care". In its September 2021 policy paper, *Build Back Better: Our Plan for Health and Social Care*, the government set out its plans for addressing the challenges facing health and adult social care in England. Alongside a series of initiatives to integrate the two sectors and to strengthen the NHS, it committed £5.4 billion funding over three years to reform adult social care, on top of existing budgets. Of this, at least £3.6 billion was to change the way people pay for care (charging reform) and £1.7 billion was for improvements to the wider adult social care system (system reform). To help fund these initiatives, government announced a new Health and Social Care Levy from April 2022. The 2021 Spending Review, which covered 2022-23 to 2024-25, also announced other funding for adult social care, principally through the LGFS, to help meet core pressures.

**1.15** Through charging reform, from October 2023, government planned to:

- introduce a cap of £86,000 on the amount anyone in England would have to pay for personal care;
- increase the means-testing threshold for accessing local authority support so more people would get their care paid for by local authorities; and
- reduce differences between the amount that local authorities and self-funders pay for care by providing funding for local authorities to move towards paying a fair cost for care to providers.

In December 2021, Government published details of a new Market Sustainability and Fair Cost of Care Fund, through which it planned to allocate £1.4 billion of the £3.6 billion charging reform budget to local authorities (£162 million in 2022-23 and £600 million in both 2023-24 and 2024-25).

**1.16** Alongside charging reform, in its December 2021 white paper, *People at the Heart of Care*, DHSC set out its 10-year vision for transforming social care in England and gave more detail on its proposals for system reform. The white paper centred around three policy objectives to:

- support people to have choice, control and independence;
- provide outstanding quality of care; and
- ensure that care is fair and accessible to everyone who needs it.

**1.17** In the white paper, DHSC publicly allocated £1.1 billion of its £1.7 billion budget for system reform to a range of policy areas aimed at addressing the sector challenges. The sector broadly welcomed DHSC's 10-year vision. However, stakeholders, including the Local Government Association (LGA) and The King's Fund, expressed concerns over the adequacy of funding, and whether the system reforms were sufficient first steps to achieving government's ambition.

**1.18** Since this announcement, government has amended its ambitions for adult social care reforms, including delaying charging reform to October 2025. We set out the status of the reforms in the remainder of this report.

# Part Two

## Response to increasing pressures

**2.1** This part of our report examines the Department of Health & Social Care's (DHSC's) response since 2022 to the increasing pressures on existing adult social care services, including its response in the 2022 Autumn Statement.

### Increasing cost pressures and concern over patients' discharge from hospital

**2.2** During 2022, higher than expected inflation increased costs for care providers and placed additional strain on the adult social care sector. DHSC identified increases in the National Living Wage, which applies to most care workers, as the main reason for cost pressures. Energy costs also rose at unprecedented rates.[17] Care England estimated that some care providers experienced energy bill increases of 683% in the 12 months to August 2022, representing a significant financial risk.

**2.3** Throughout 2022, DHSC officials produced regular assessments of the growing cost pressures, which it defines as the amount needed for local authorities to sustain their current level of provision.[18] In August 2022, DHSC estimated that local authorities faced additional cost pressures of £2.5 billion across 2022-23 and 2024-25 compared with baseline funding agreed at the 2021 Spending Review. A funding shortfall would mean that local authorities could potentially afford fewer care packages or that care packages would not fully meet people's needs.

17 Support with rising energy costs is currently provided through the Energy Bills Discount Scheme, albeit at a lower level than the previous Energy Bill Relief Scheme, which ran from October 2022 to March 2023. The Energy Bill Discount Scheme is due to end in March 2024.

18 We did not audit DHSC's model which estimates cost pressures at a national level. DHSC's model uses projections from the Care Policy and Evaluation Centre around demographic pressures alongside economic data from the Office for Budget Responsibility and estimates around the National Living Wage. DHSC further adjusts for expected efficiencies and new policy pressures.

**2.4** At the same time, ministers were concerned at delays to patient discharge from hospitals. According to NHS England data, in November 2022, an average of 13,565 patients a day remained in hospital despite no longer meeting the criteria to stay. This was 31% higher than the daily average for November 2021. The data do not attribute responsibility for discharge delays between the NHS and adult social care, but government believed that difficulties in arranging appropriate social care for people leaving hospital was one of the main causes. Minsters wanted to increase capacity in adult social care, particularly home care, to enable more patients to leave hospital when they were well enough to do so. In a joint letter to the Secretary of State for health & social care in January 2023, sector leaders asked government to engage fully with local government and its partners to discuss how to tackle pressures in hospitals, saying that social care was not the primary reason for delays to hospital discharge.

## Assessing priorities

**2.5** The Local Government Association (LGA) and the County Councils Network, among others, raised concerns around the feasibility of implementing charging reform as planned from October 2023. In June 2022, 98% of respondents to an LGA survey of local authority members responsible for adult social care said they were 'not very' or 'not at all' confident about the adequacy of funding for charging reforms. Three-quarters said they were not confident that they had the front-line capacity to deliver charging reform from October 2023. DHSC had acknowledged operational challenges in its September 2022 business case for charging reform, saying that local authorities would not be able to recruit the extra 4,200 social workers needed for implementation. DHSC has since launched a programme to support local authorities to digitise and streamline how they assess people's care needs, which could reduce the number of social workers needed to carry out assessments.

**2.6** Over summer and autumn 2022, DHSC carried out two main reprioritisation exercises covering adult social care, reflecting the two changes in UK government over the same period. With each change, DHSC officials worked with their new ministerial teams to review priorities for the sector, including whether any system reform commitments should be dropped. In September 2022, government reversed its decision to introduce a health and social care levy, but maintained the funding levels set out a year earlier (paragraph 1.14). In November 2022, officials advised ministers to consider the relative importance of system reform priorities in the context of inflationary pressures. In their advice, they informed ministers that, due to implementation delays, many of the system reform commitments made through the white paper were no longer deliverable by the end of the Spending Review period in March 2025.

## Autumn Statement announcement

**2.7** In the November 2022 Autumn Statement, government delayed charging reform to October 2025. To help address immediate pressures, stabilise the system and make improvements, it also increased funding to the sector. It announced funding of up to £7.5 billion over two years (up to £2.8 billion in 2023-24 and £4.7 billion in 2024-25) to support adult social care and speed up hospital discharge. The 'up to £7.5 billion' was a mix of existing and new funding and included:

- £3.1 billion that HM Treasury reallocated from charging reform to be distributed to local authorities via the social care grant for adult and children's social care. The government assumes that 63% will be spent on adult social care and 37% on children's social care;
- £2.7 billion new funding from central government. Of this:
  - £1.6 billion was for speeding up hospital discharge through the Better Care Fund (half through NHS England and half to local authorities). Local areas can develop initiatives to increase their adult social care and intermediate care capacity, develop the adult social care workforce capacity and streamline processes to speed up discharge;[19] and
  - £1.1 billion was through a new grant – the Market Sustainability and Improvement Fund (MSIF) – for local authorities to support tangible improvements in adult social care. Local authorities have flexibility to spend MSIF on increasing fee rates paid to providers, measures to support the workforce, or to reduce waiting times for care. From the first £400 million instalment of MSIF funding for use in 2023-24, local authorities told DHSC they plan to spend 85% of it on raising fee rates; and
- up to £1.7 billion from assumed increases in council tax by allowing local authorities to increase the adult social care precept. Published data for 2023-24 shows that most local authorities (151 out of 153) chose to increase the adult social care precept by up to the 2% maximum. This will raise £561 million (if local authorities collect 98% of the expected amount). This compares with £550 million assumed by DHSC. It is not certain that local authorities will raise the precept by the maximum allowed (as assumed in the announcement of £7.5 billion funding) in 2024-25.

19 Intermediate care relates to services provided for a short time to help people recover and increase independence.

**2.8** In addition, local authorities retained £162 million per year (for three years from 2022-23 to 2024-25) of the 'fair cost of care' funding that government had announced in December 2021 under charging reform (**Figure 3**).[20] Decisions over how much of the funding agreed in the Autumn Statement 2022 will be included as part of baseline budgets from April 2025 will be made at the next Spending Review. Government has provided further funding to local authorities for adult social care by reallocating some of the money originally envisaged for system reform. We cover this later in this part.

**2.9** Government said that the 2022 Autumn Statement funding would help to put the adult social care system on a stronger financial footing and improve the quality of and access to care. It did not set any specific targets for what it wanted to achieve with the £7.5 billion funding. Government said the funding would help deliver an estimated 200,000 more care packages over the following two years, but DHSC later confirmed that this had just been an illustrative figure.

## Planned spending by local authorities for 2023-24

**2.10** Local authorities fund social care through a combination of central government funding and locally raised revenue. Historically, they have decided how much of their overall budgets to allocate to adult social care. However, the Local Government Finance Settlement (LGFS) for 2023 to 2024 set an expectation that individual local authorities should substantially increase their spending on adult social care compared with 2022-23 given the overall funding available (including from general sources). Government said it expected local authorities to use the additional funding to go beyond meeting inflationary pressures and deliver tangible improvements to adult social care services.

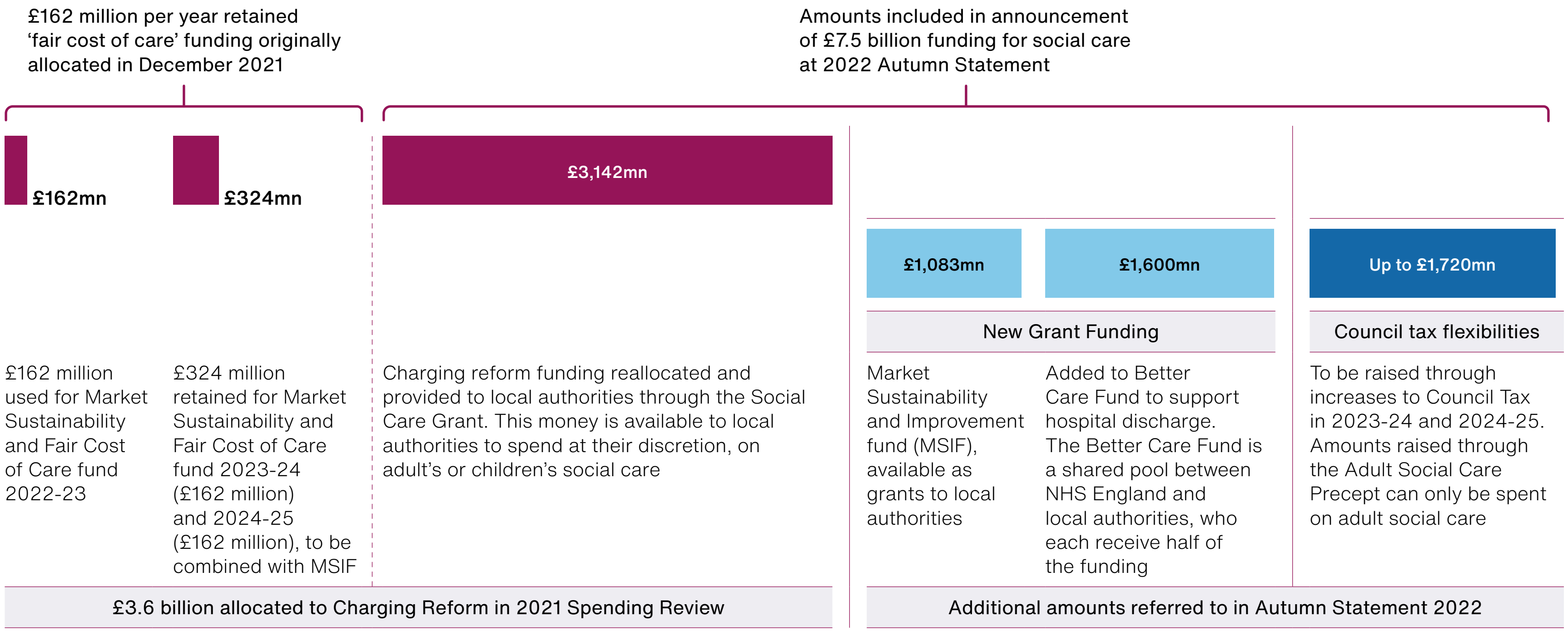
**2.11** Internal analysis by DHSC in June 2023 compared the change in planned local authority spending on adult social care between two years of budget data and found that, at a national level, the overall increase in budgeted spending was 88% of DHSC's interpretation of the expectation set through the LGFS.[21] DHSC found that, of the 148 local authorities that submitted data, the increase exceeded DHSC's interpretation of the LGFS spending expectation in 59 (40%) of them but not in the remaining 89 (60%). DHSC is engaging with the local authorities in the latter group.

20 In 2023-24 and 2024-25, the £162 million is rolled into MSIF. DHSC has told local authorities that this specific £162 million in 2023-24 and 2024-25 must be used exclusively to increase fee rates to providers. The remaining £876 million of fair cost of care funding originally set aside in December 2021 across 2023-24 and 2024-25 (paragraph 1.15) is part of the reallocation to social care grant (paragraph 2.7).

21 These data exclude further funding that DHSC allocated to local authorities in July 2023 for use in 2023-24.

## Figure 3
Breakdown of funding for adult social care in England provided in the Autumn Statement 2022

**The Autumn Statement announced £7.5 billion of funding for the social care sector. Of this, £2.7 billion was new funding, £3.1 billion was reallocated from the budget for charging reform and £1.7 billion is dependent on local authorities deciding to raise council tax**




**Notes**

1 The funding allocated in the Autumn Statement 2022 covers the remainder of the current Spending Review period, 2022-23 to 2024-25. This figure does not include other amounts allocated for social care in the 2021 Spending Review, such as to the Social Care Grant and Better Care Fund.

2 The Autumn Statement gave local authorities the option to increase the Adult Social Care precept element of Council Tax by up to 2% per year. The Department of Health & Social Care told us this was estimated to raise up to £550 million in 2023-24, and up to £1,170 million in 2024-25.

3 Local authorities are able to spend Social Care Grant funding on either adult's or children's social care. The government assumes that 63% will be spent on adult social care and 37% on children's social care.

4 Charging reform refers to the changes to Adult Social Care announced in 2021, including introducing a lifetime cap on care costs, and reducing the difference between the costs paid by local authorities and those paid by people receiving privately funded care. These were originally planned to be introduced from October 2023, but were delayed to October 2025 in the 2022 Autumn Statement.

Source: National Audit Office analysis of Department of Health & Social Care documents

**2.12** DHSC does not formally estimate cost pressures by local authority, and whether they plan to meet them. However, in June 2023, DHSC undertook an exercise in which it assigned national cost pressures to local authorities in line with the adult social care relative needs formula (used as part of the government's overall funding for local government) and compared this with local authorities planned spending.[22] It found that, at a national level, the amount by which local authorities planned to increase spending on adult social care in 2023-24 would exceed DHSC's estimate of what was needed to meet these cost pressures although there was significant variation between local authorities. DHSC estimated that, if national level pressures were distributed across local authorities in this way, around one quarter did not plan to increase spending enough to meet indicative cost pressures.

**2.13** While local authorities have autonomy to make local choices, funding may not be going to the areas that need it most because the government has not updated the adult social care relative needs formula it uses as part of its overall funding formula used in the LGFS since 2013-14. The formula incorporates assumptions from the 2001 census and patterns of care provision between 2009 and 2013. Over time, the distribution of needs and resources moves away from the distribution used to set the funding formula. Since 2016-17, local authorities have used increases to council tax levels (both via the adult social care precept and other available increases) to raise funding for care. Areas with a lower council tax base are less able to raise council tax revenue. To help mitigate this, the government allocates a proportion of the Social Care Grant as 'equalisation' funding, with authorities with high adult social care need and low council tax raising ability receiving a higher proportion of this funding than those with low need or strong tax bases.

## Capacity planning

**2.14** In June 2023, local authorities provided DHSC with an assessment of their capacity to meet people's need for long-term care in 2023-24 and their plans to address any shortfall. Notwithstanding some concerns over data quality, DHSC found that in total local authorities will have enough capacity. Overall, local authorities reported that the number of people they expect to support would be 93% of available capacity. However, there is local variation, and 24 local authorities (around one in six) expected capacity in their areas will be exceeded.

22 DHSC's internal analysis estimated individual local authority pressure by distributing its estimate of national pressures (using model referenced in paragraph 2.3) by local authority, in line with the adult social care relative needs formula. DHSC compared this with each local authority's planned spending on adult social care, submitted to the Department for Levelling Up, Housing & Communities (DLUHC). DHSC does not regard this analysis as a formal estimate of cost pressures at a local authority level. DHSC considers local authorities to be best placed to assess pressures in their area. These data exclude further funding that DHSC allocated to local authorities in July 2023 for use in 2023-24. We did not audit the assumptions made by DHSC. The analysis does not consider whether existing funding is adequate.

## From white paper to *Next steps*

**2.15** In April 2023, DHSC published its updated plans for system reform in a policy paper, *Next steps to put People at the Heart of Care (Next steps),* describing it as a crucial step towards its 10-year vision.[23] *Next steps* presented a scaling-back and repackaging of white paper commitments and provoked widespread disappointment from the sector. DHSC said it was allocating £700 million on system reform measures and that it had still to allocate £600 million compared with the £1.7 billion committed in the white paper to system reform. The funding allocations contained within it were approximate and not directly comparable with those in the white paper, because *Next steps* covered just a two-year period (2023-24 and 2024-25) while the white paper covered a three-year period (2022-23 to 2024-25). The sector expressed disappointment at the lack of transparency and the lack of clarity about which white paper commitments had been dropped or scaled back.

**2.16** Compared with the white paper, *Next steps* maintained its planned spending on digital and unpaid carers. DHSC has significantly reduced its public commitments on housing and workforce reforms, including dropping its commitment to spend £300 million to integrate housing into local health and care strategies. Instead, it announced £102 million for housing adaptations (a policy announced in the white paper but with no public funding commitment). Announced funding for workforce reforms, which included training and qualifications, fell from £500 million to "at least" £250 million. DHSC has dropped plans to improve signposting, information and advice for the care workforce and has stopped the staff wellbeing programme (**Figure 4** overleaf). It has also dropped plans to replace the Deprivation of Liberty Safeguards (DoLS) with Liberty Protection Safeguards (LPS). This would have created a new simplified legal framework that was accessible, clear and delivered improved outcomes for people deprived of their liberty due to concerns over their mental capacity to consent to their care arrangements.

23 Department of Health & Social Care, *Next steps to put People at the Heart of Care*, April 2023.

## Figure 4

Funding publicly committed in the white paper and *Next steps*, by policy area

***Next steps* announced a repackaging of white paper commitments and a scaling-back of funding announced for some policy areas**

| Policy area or intervention | White paper funding (three-year total) | Spent 2022-23 | *Next steps* funding (two-year total) |
|---|---|---|---|
| | (£mn) | (£mn) | (£mn) |
| Workforce | (At least) 500 | | (At least) 250 |
| International recruitment | N/A | 1.7 | 15 |
| Volunteering | N/A | 0 | (Up to) 3 |
| Innovation and improvement | | | |
| Increase support to local authorities | (More than) 70 | 28.0 | (At least) 35 |
| Innovative Models of Care fund | 30 | 0 | N/A |
| Housing | | | |
| Integrate housing into local health and care (focus on supported housing) | (At least) 300 | 0 | N/A |
| Independence at home | N/A | 0 | 102 |
| Digitising social care | (At least) 150 | 48.4 | (More than) 100 |
| Data and assurance | N/A | 8.5 | (Up to) 50 |
| Unpaid carers | (Up to) 25 | 0 | (Up to) 25 |
| Integration leadership | N/A | 0 | (Around) 10 |
| Information and advice – including improved signposting | 5 | 0 | N/A |
| Reconditioning programme | 3 | 0 | N/A |

**Notes**

1 The Department of Health & Social Care (DHSC) published the white paper, *People at the Heart of Care: adult social care reform*, in December 2021. This set out a 10-year vision for adult social care and provided information on funded proposals that the government planned to implement over the next 3 years. In April 2023 DHSC published a policy paper, *Next steps to put People at the Heart of Care*, which updated these plans.

2 Funding between the white paper and *Next steps* is not directly comparable because the former is funding for the three years from 2022-23 to 2024-25, while the latter is funding for two years from 2023-24 to 2024-25. We have shown the relevant expenditure by policy area or intervention for 2022-23.

3 These funding commitments only refer to public commitments by policy area or intervention.

Source: National Audit Office analysis of Department of Health & Social Care documents

## Current budget

**2.17** As at October 2023, compared with the £1.74 billion agreed with HM Treasury for system reform when it published its white paper in December 2021, DHSC now intends to spend £729 million on system reform between 2022-23 and 2024-25; a fall of 58%. In total, £1.01 billion of the funding has been reallocated to other adult social care priorities. During 2022-23, DHSC decided to reallocate £172 million of system reform funding to the Adult Social Care Discharge Fund. It forfeited £171 million of funding to HM Treasury as the Department for Work & Pensions (DWP) will no longer make savings in some benefits, for example Attendance Allowance, which an individual is not usually eligible for if a local authority pays for their care. Therefore, delays to charging reform that would have widened access to local authority support mean that thousands of people will still be eligible for a range of benefits.

**2.18** In July 2023, DHSC announced how it intended to spend the £600 million funding for system reform it had held back when announcing *Next steps*. DHSC reallocated £570 million across 2023-24 and 2024-25 to local authorities through a new ringfenced grant, the Market Sustainability and Improvement Workforce Fund and £30 million for supporting urgent and emergency care. In September 2023, DHSC topped up the funding for urgent and emergency care by a further £10 million. As with MSIF, local authorities can use the Market Sustainability and Improvement Workforce Fund to increase fee rates paid to providers; increase adult social care workforce capacity and retention; and reduce waiting times, according to local pressures. However, DHSC strongly encouraged local authorities to use the Market Sustainability and Improvement Workforce Fund to work with providers to improve workforce pay (**Figure 5** overleaf).

## Figure 5

Changes in funding allocated to system reform since the December 2021 white paper, 2022-23 to 2024-25

**The Department of Health & Social Care (DHSC) has reallocated 58% of the £1.74 billion for adult social care system reform to other priorities**

| Funding source | Amount (£mn) | Comments |
|---|---|---|
| Initial funding for system reform as at December 2021 | 1,739 | Total funding agreed for system reform for the December 2021 white paper, *People at the Heart of Care* |
| **Money reallocated** | | |
| Market Sustainability and Improvement Workforce Fund | -570 | Funding reallocated to the Market Sustainability and Improvement Workforce Fund (for between 2023-24 and 2024-25) |
| Other adult social care priorities | -269 | Comprises:<br>• £172 million towards Adult Social Care Discharge Fund (in 2022-23);<br>• £40 million to local authorities for Local Authority Urgent and Emergency Care Fund (for 2023-24);<br>• £37 million for charging reform implementation (in 2022-23 or for 2024-25); and<br>• £20 million towards NHS pay award (in 2022-23). |
| Department for Work & Pensions | -171 | Funding forfeited to HM Treasury in recognition that the Department for Work & Pensions will no longer make forecast savings in some benefits such as Attendance Allowance that would have occurred across 2023-24 and 2024-25 if DHSC had implemented charging reform from October 2023 |
| Funding for system reform as at October 2023 | 729 | Money remaining for system reform |

**Notes**

1 Data are presented in cash terms.

2 The £172 million towards the Adult Social Care Discharge Fund was part of an overall £500 million (of which £300 million was allocated to integrated care boards and £200 million to local authorities).

3 Funding for system reform as at October 2023 includes money spent in 2022-23 and money allocated between 2023-24 and 2024-25.

Source: National Audit Office analysis of Department of Health & Social Care documents and internal funding allocations

# Part Three

## Delivering reforms

**3.1** This part of our report examines the Department of Health & Social Care's (DHSC's) approach to delivering reform, and progress against its white paper commitments, particularly system reform.

### DHSC's approach to delivery

**3.2** The white paper set a 10-year vision for transforming adult social care, but DHSC does not have a long-term funded plan for achieving it. DHSC's April 2023 *Next steps* paper set out some high-level plans for system reform, with milestones for most policy areas, but it is short-term, and not comprehensive.[24] For example, it contained no information on the support that would be provided for unpaid carers, and it only goes up to the end of the current Spending Review period, March 2025. While DHSC does not have funding certainty beyond then, some of the white paper ambitions, for example, ensuring people have a good choice of alternative housing options, have project durations that can exceed Spending Review periods. Therefore, they cannot be achieved if DHSC plans only to the end of a Spending Review period. In the case of housing supply, DHSC will need to work across government to consider how mechanisms such as fee rates or housing benefit can help to incentivise investment. In April 2023, DHSC commissioned an independent taskforce to look at housing options for older people, but it does not consider care home provision. To achieve its objectives for adult social care, DHSC must understand which interventions it is likely to need and when, so that it, the sector and other government departments with whom it will need to coordinate, can factor them into their plans and carry out necessary preparatory work.

24 Department of Health & Social Care, *Next steps to put People at the Heart of Care*, April 2023.

**3.3** DHSC has had policy responsibility for adult social care since 1948 but has not carried out any major change programmes in the sector recently and, as a result, it lacks project and programme delivery experience in this area. This is a risk given the scale and complexity of the white paper's 10-year vision. Reforming adult social care is complex and costly and, as we have previously reported, transformation programmes have a higher risk of failure than traditional projects and can be more difficult to oversee.[25] Transformation programmes normally involve a step-change in the way organisations deliver a service and typically involve large-scale changes to people, processes and technology, whereas a traditional project would normally look at specific aspects, for example, a new apprenticeship programme or payment system. While DHSC has a long history of implementing projects and programmes in the health sector, and an established delivery body in the NHS, it has neither for adult social care. Under the Care Act 2014, DHSC did not have powers to intervene or hold local authorities to account for their performance and was less able to direct change in the care sector because of the more fragmented, localised and largely private delivery model. However, the Health and Care Act 2022 provides powers for DHSC to intervene where local authorities are not meeting their statutory duties under the Care Act 2014.

## Governance

**3.4** DHSC ended its charging reform programme board in December 2022, following government's decision to delay charging reform by two years. It does not have an overall programme to manage and coordinate its ongoing reform activity in adult social care. DHSC is delivering system reform through a series of 27 individual projects, organised across nine programmes. As at October 2023, five programme boards are operational: workforce; digitisation; data, assurance & support; Better Care Fund; digitising and streamlining assessments; and four have yet to be established: integration leadership; accelerated reform fund; research & evaluation; and housing adaptations (**Figure 6**). Each programme has its own governance and its own board, which manages delivery and reports on progress and highlights risks directly to the director-general for adult social care. DHSC has held a monthly portfolio delivery forum since April 2023 attended by representatives from each programme, and quarterly, from other government departments. It discusses progress against the upcoming public milestones announced in *Next steps* and has started to discuss key risks.

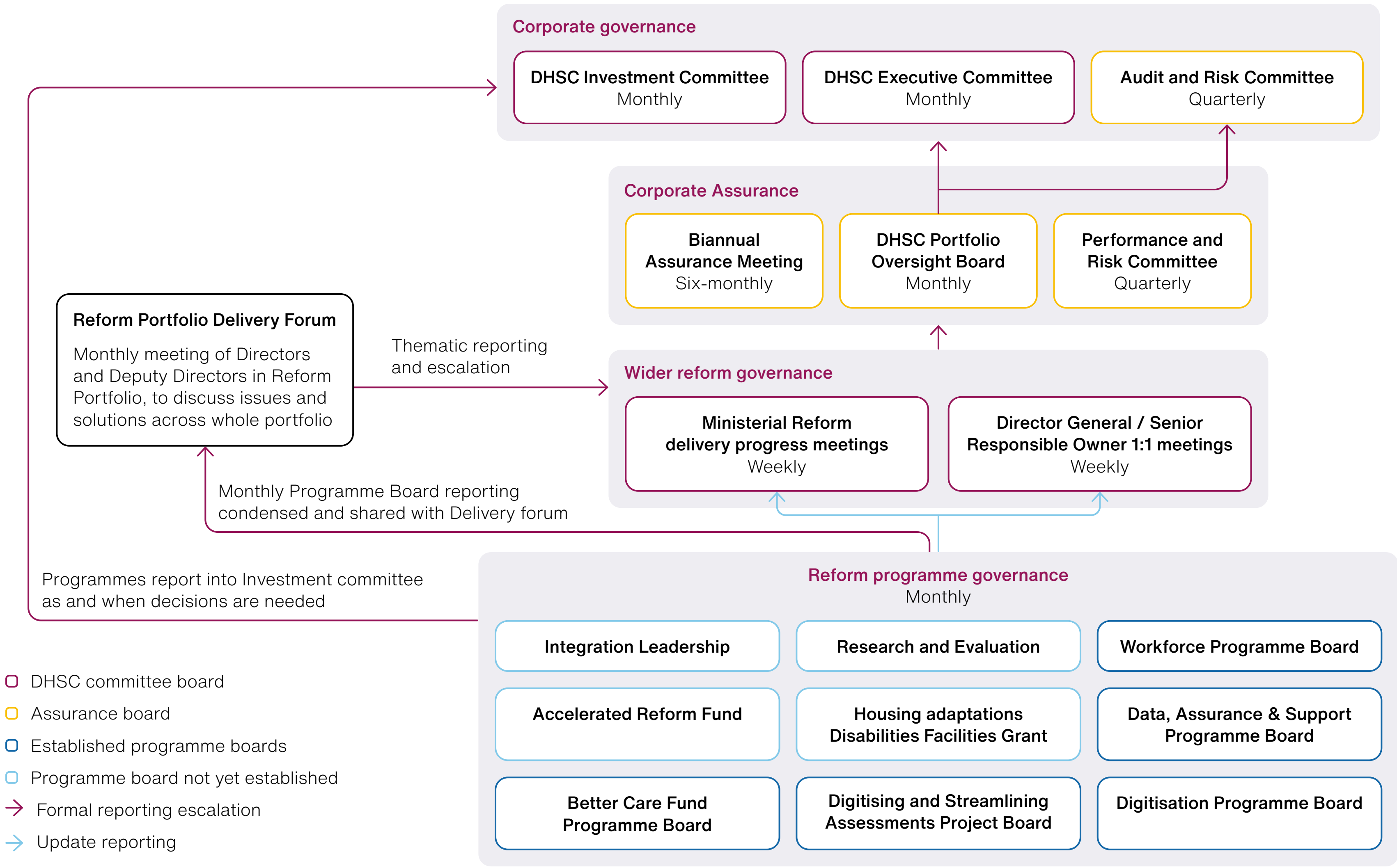
**3.5** DHSC's investment committee approves business cases with revenue spending of more than £50 million and up to £150 million; some also require approval from HM Treasury. Within the digital reforms, the core Digitising Social Care programme is large enough in its own right to be part of Government's Major Projects Portfolio (GMPP) and has additional reporting, assurance and approval processes to go through.[26]

25 National Audit Office, *Transformation guidance for audit committees,* May 2018.
26 The Government Major Projects Portfolio provides oversight of government's most complex and strategically significant projects and programmes.

## Figure 6

Department of Health & Social Care (DHSC) governance structure for system reform, as at October 2023

**DHSC's work on adult social care reform is organised into nine different programme boards, which all report individually into wider corporate governance systems**




**Note**

1 For reporting purposes, DHSC sometimes groups projects together into policy areas that do not exactly map to the nine programme boards in the reform portfolio.

Source: National Audit Office analysis of Department of Health & Social Care documents

**3.6** An overarching programme can help to coordinate related initiatives, manage dependencies and ensure outputs are being delivered in the most efficient sequence. DHSC told us that it had not set up an overarching programme for reform activity because the varied nature of its reforms, which span multiple policy areas, meant that there were not many dependencies between policy areas and that cross-representation on programme boards would ensure any dependencies were managed. Local government stakeholders told us they were concerned about the lack of overarching coordination between adult social care reforms and related DHSC initiatives running to similar timeframes, for example, system reform, charging reform and planned Mental Health Act reforms. We heard that lots of demands were being put on local authorities all at the same time. In its draft risk register from May 2023, DHSC recognises the risk that it does not understand the cumulative impact of its policies on local authorities and assures us it is actively managing the risk. DHSC says the governance and reporting arrangements it has established avoids duplication with the individual programme boards and it considers them to be proportionate and robust.

## Progress in delivering system reform

### Overall progress

**3.7** Between publication of its white paper in December 2021, and the November 2022 Autumn Statement, DHSC made less progress than it expected on system reform. In advice to ministers, DHSC officials explained how reduced capacity in DHSC's adult social care team had contributed to implementation delays. A recruitment freeze meant the DHSC team had 316 full-time equivalent staff in November 2022 against a complement of 415. A shortage of project expertise had delayed development and approval of business cases. DHSC told us it had directed significant resource towards addressing sector pressures and working with HM Treasury on the Autumn Statement 2022. Officials said the political instability of summer 2022 had further contributed to delays as two new sets of ministers reviewed and determined priorities and staff took time to brief them.

**3.8** DHSC set out its short-term ambition for system reform in *Next steps* but it does not track progress against commitments it made in the white paper. It is difficult to understand whether system reform is on track because the portfolio delivery forum's report does not include an assessment of overall progress by project or programme. Instead, it includes a short narrative of highlights by programme, a business case pipeline and a 'red, amber, green' rating of delivery confidence against upcoming public milestones, by policy area. It only tracks progress against milestones published in *Next steps*.

**3.9** The portfolio-level reporting does not yet include an assessment of whether projects or programmes are delivering to budget, or risks to the overall portfolio, although DHSC plans to develop these. However, there is some reporting of spend against budget at other boards. DHSC shared a draft register of portfolio risks and issues with us in August 2023, although this had not been updated since May. The draft risk register identified some risks that were common to several policy areas including: internal capability and capacity; over-ambitious timelines; and external capability and capacity, including getting sufficient engagement and 'buy-in'.

## Spending on system reform

**3.10** DHSC records spending for system reform against individual projects, grouped by policy areas. As at October 2023 DHSC has budgeted £729.1 million for system reform between 2022-23 and 2024-25. It has spent £86.6 million on system reform in 2022-23, against an original budget of at least £380 million (from an overall budget of £1.74 billion – paragraph 2.17). DHSC acknowledged it had made less progress than expected on system reform during 2022-23. Projects within digital, data and assurance reforms, which, together with the project to digitise and streamline care assessments, make up 97% of system reform spending in 2022-23, made most progress. (**Figure 7** on pages 38 and 39).[27]

27 For reporting purposes, DHSC sometimes groups policy areas or projects differently.

## Figure 7

Adult social care system reform projects 2022-23 to 2024-25

**The Department of Health & Social Care (DHSC) is delivering system reform through 27 projects, which can be divided into seven policy areas. Of these, the most spending in 2022-23 has been in relation to digital**

| Policy area | Projects | Spent (2022-23) | Allocated budget (2023-24 to 2024-25) | Total budget (2022-23 to 2024-25) |
|---|---|---|---|---|
| | | (£mn) | (£mn) | (£mn) |
| Workforce | Developing the care workforce pathway | 0 | 14.0 | 14.0 |
| | Improving workforce training and development | 0 | 135.8 | 135.8 |
| | Developing a digital workforce and skills portal | 0 | 10.8 | 10.8 |
| | Increasing roll-out of Oliver McGowan training on Learning Disability and Autism | 0 | 19.0 | 19.0 |
| | Expanding the NHS Volunteer Responders programme into adult social care | 0 | 6.0 | 6.0 |
| | Facilitating international recruitment | 1.7 | 34.0 | 35.7 |
| | Increasing the number of regulated professionals | 0 | 32.4 | 32.4 |
| | NHS Business Services Authority costs for administrating training funds | 0 | 11.6 | 11.6 |
| | **Workforce total** | **1.7** | **263.6** | **265.3** |
| Digital | Digitising Social Care (including digital social care records) | 32.0 | 63.0 | 95.0 |
| | Adult social care technology fund | 3.7 | 25.0 | 28.7 |
| | Improve digital skills for care workforce | 0.7 | 8.1 | 8.8 |
| | Cyber resilience support for local authorities | 6.9 | 22.8 | 29.7 |
| | Digital infrastructure | 5.1 | 12.9 | 18.0 |
| | **Digital total** | **48.4** | **131.8** | **180.2** |
| Housing | Increase number of housing adaptions in people's homes | 0 | 102 | 102 |
| | **Housing total** | **0** | **102** | **102** |

## Figure 7 *continued*

Adult social care system reform projects 2022-23 to 2024-25

| Policy area | Projects | Spent (2022-23) | Allocated budget (2023-24 to 2024-25) | Total budget (2022-23 to 2024-25) |
|---|---|---|---|---|
| | | (£mn) | (£mn) | (£mn) |
| Innovation and improvement | Accelerating Reform Fund (to scale-up initiatives that have been shown to be effective) | 0 | 20.0 | 20.0 |
| | Support local authorities to digitise and streamline care assessments | 27.0 | 21.5 | 48.5 |
| | Develop national commissioning standards | 0 | 2.8 | 2.8 |
| | Offer enhanced support and intervention to local authorities | 1.0 | 20.0 | 21.0 |
| | **Innovation and improvement total** | **28.0** | **64.3** | **92.3** |
| Data and assurance | Improve access to social care data | 0.1 | 6.1 | 6.2 |
| | Introduce client level data for local authorities | 3.9 | 6.3 | 10.2 |
| | Improve care provider data | 2.5 | 13.3 | 15.8 |
| | Introducing Care Quality Commission (CQC) assessment of local authorities' delivery of Care Act duties | 1.7 | 12.6 | 14.3 |
| | Research and evaluation | 0.3 | 7.5 | 7.8 |
| | **Data and assurance total** | **8.5** | **45.8** | **54.3** |
| Unpaid carers | Support for unpaid carers | 0 | 25.0 | 25.0 |
| | New survey of carers | 0 | 1.5 | 1.5 |
| | **Unpaid carers total** | **0** | **26.5** | **26.5** |
| Integration | Improving leadership capabilities in integrated care systems | 0 | 5.7 | 5.7 |
| | Providing tailored support to local areas to improve integration | 0 | 2.8 | 2.8 |
| | **Integration total** | **0** | **8.5** | **8.5** |
| **Total (all system reform projects)** | | **86.6** | **642.5** | **729.1** |

**Notes**

1 We have grouped budget data provided by DHSC into projects to improve readability.

2 Allocations as at October 2023. The total budget is money spent in 2022-23 and the money allocated across 2023-24 and 2024-25. These budget amounts and the presentation of projects are subject to change. For example, Support for unpaid carers is part of the Accelerating Reform Fund announced in October 2023.

3 Included within some projects are budgets for project evaluation, which is in addition to the Research and evaluation budget of £7.5 million.

Source: National Audit Office analysis of Department of Health & Social Care documents and data

## Progress by policy area

**3.11** We did not conduct detailed examinations of the system reform policy areas or individual projects within them. However, based largely upon DHSC's reform portfolio forum reports, which focus on the milestones published in *Next steps*, some projects are still in development. DHSC told us that significant effort had gone into producing business cases and nearly all projects have business cases that are in development or have been approved. Progress by policy area is set out below:

- **Workforce** – Has the largest budget in the system reform portfolio but progress has been slow. As at October 2023, of the eight projects initiated, six are still in development. Delivery has started on the two new initiatives announced in *Next steps*. So far, DHSC has awarded £16.7 million (across 2022-23 and 2023-24) to support international recruitment and it has expanded the NHS volunteers responders programme into adult social care, backed by an initial budget of £3 million for 2023-24. The workforce team has reported issues around team capacity and underspend, and that it is managing risks around the timetable and stakeholder engagement. It has delayed delivery of its highest-budget initiative to provide funding for new training places and develop the care workforce (planned for September 2023) because it has not yet been able to set up a system to administer payments to providers. DHSC has not made any policy commitments over the number of people who might be supported through this funding. It hopes to fully launch the fund in Spring 2024. Development of the care workforce pathway which includes the launch of a new career structure for the sector (planned for September 2023) has been delayed. This will provide a framework for employers and care workers to develop skills and experience in the sector. Delays increase the risk that DHSC underspends against committed budgets by March 2025.

- **Digital** – Digitising social care, the largest of the digital reforms, aims to accelerate the adoption of digital social care records and care technologies. It is being delivered by the NHS Transformation Directorate (NHSTD) within NHS England and started in April 2021, eight months before DHSC published the white paper. As at October 2023, uptake of digital social care records by Care Quality Commission (CQC)-registered providers had reached more than 57% from a starting point of 40%. Based on provider information, it expects it to reach around 70% by March 2024, against DHSC's target of 80%. In 2022-23, DHSC spent less than one third of its original budget to improve digital infrastructure (this project includes work around improving access to fibre broadband for care homes, supporting digital switchover, and supporting secure email systems). DHSC told us that around half the underspend was due to deprioritising work to deliver fibre broadband to care homes in Autumn 2022. Instead, DHSC told us it is developing a dashboard which will detail the broadband capacity of care homes and future likely dates of full fibre implementation under wider government supported programmes. A research project to understand the connectivity barriers faced by care homes will be available by end of 2023. In 2022-23 DHSC spent around two-thirds of its budget on cyber-resilience. In August 2023, DHSC reported that digitising social care and Adult Social Care Technology Fund were spending as expected in 2023-24 but further underspends are forecast on digital infrastructure.

- **Housing** – DHSC has approved the business case for small housing adaptions to individual homes and in September 2023, awarded £50 million to local authorities in the first tranche of its £102 million budget over two years. The key objective for the overall funding is to provide 100,000 housing adaptions between 2023-24 and 2024-25 (local authorities can use some of the funding on 'larger,' adaptions).

- **Innovation and improvement** – Originally started to support the delivery of charging reform, DHSC considers its initiative to digitise and streamline local authority assessments to be an important tool for managing waiting times and improving the experience of those who draw on care. In March 2023, DHSC provided £27 million to local authorities to help implement new approaches to assessment. In October 2023, DHSC launched the Accelerating Reform Fund, which focuses on trialling and expanding new approaches to providing care. DHSC has invited local authorities to register for a share of grant funding for projects in their area by January 2024. DHSC has published a framework that provides local authorities with information on DHSC's approach to intervention and its enhanced monitoring and support offer.

- **Data** – The Client Level Data (CLD) project aims to improve DHSC's understanding of people's experience through the health and care system. CLD became mandatory and local authorities began submitting quarterly person-level data in April 2023. DHSC reports that it is on track to publish its roadmap for better adult social care data in *Care data matters* by December 2023 but Phase 2 of its work to update the adult social care outcomes framework (ASCOF) and work to relaunch the Adult Social Care Survey and Survey of Adult Carers in England are on hold.
- **Assurance** – Legislation for CQC to assess how local authorities are discharging their duties under Part 1 of the Care Act came into effect in spring 2023, as planned. DHSC had aimed for CQC to carry out up to 40 assessments by March 2024. CQC has made some progress in rolling out these new assessments but is progressing more slowly than DHSC planned. Five local authorities took part in pilot assessments and CQC has committed to evaluating these and applying any learning before starting formal assessment. DHSC now plans for CQC to complete 20 assessments and to have 20 more under way by March 2024; CQC expects it to take around two years to assess all 153 local authorities.
- **Unpaid carers** – The white paper acknowledged the vital role that unpaid carers play and proposed measures that would address information failures and improve support for unpaid carers. As part of the Accelerating Reform Fund, DHSC has invited local authorities to register for a share of £25 million to improve support for unpaid carers. It says that the work of its innovation and improvement unit is helping unpaid carers, for example, by simplifying and improving carer's assessments. DHSC says it has made significant progress around identifying unpaid carers such as through introducing changes in the way GPs record carers, and in supporting unpaid carers, for example, through the Carer's Leave Act (May 2023), which enables employees to take a week's unpaid leave to provide care.
- **Integration** – DHSC is working on a business case to support the objectives of an integration leadership programme to train local leaders on the importance and benefits of an integrated approach to health and social care. The project has some resourcing challenges and does not expect to spend its 2023-24 budget. DHSC is delivering the Better Care Fund External Support Programme, which offers bespoke support to local areas to improve processes around the discharge of patients from hospital and enabling people to stay well, safe and independent at home for longer. DHSC reports that contract delivery is underway but acknowledges there are some challenges with pace of delivery.

## Evaluation

**3.12** Central government guidance is clear that departments should carry out comprehensive, robust and proportionate evaluations of their interventions to support accountability and help understand if policies are working.[28] DHSC has told us that it recognises the importance of evaluation, and it has started to put plans in place for project-level evaluation. It has a dedicated monitoring and evaluation team and has set aside a £7.5 million budget to commission or internally evaluate projects across adult social care (not only system reform) between 2023-24 and 2024-25. DHSC told us that historically adult social care has been under-researched due to a lack of data and inconsistent outcome metrics. To build its evidence base, DHSC has current plans to evaluate nine different projects relating to system reform but will only have final findings for two evaluations before the next Spending Review. DHSC acknowledges that this means that there will be gaps in the evidence base for system reform presented at the Spending Review.

**3.13** HM Treasury recommends that departments starting major programmes show how policies map to outputs and outcomes and what success or failure looks like through a 'theory of change'. In the white paper, DHSC published a logic map for how it expected its policies to contribute to the long-term reform outcomes around choice, control, fairness and accessibility. It did not update this logic map to reflect the revised priorities in *Next steps* and says it is considering how to take it forwards. Without a theory of change, it will be difficult for DHSC to assess how it is progressing towards its vision for social care and to demonstrate value for money. DHSC does not yet have plans in place to undertake a portfolio-level evaluation but says it is exploring future options for evaluating system reform. The team recognises that evaluating only at a project level may not capture cumulative effects or the overarching alignment to its 10-year vision.

## Returning to charging reform

**3.14** DHSC and local authorities have a lot to do to implement charging reforms by the revised start date of October 2025. Stakeholders told us that some work, for example preparing local authorities for the changes, would need to begin in summer 2023. Alongside work on system reform, it will generate a significant increase in workload. We did not assess DHSC's readiness to pick this up alongside its other activity, but it told us that it had left charging reform in a state where work could be easily restarted.

28 HM Treasury, *The Magenta Book*, March 2020.

**3.15** A DHSC lessons learned exercise into charging reform concluded that securing the necessary internal delivery expertise and capability had been difficult and that a public commitment to an ambitious timetable had "impacted the sustainability of work and constrained options". DHSC said that, at times, it had struggled to secure delivery expertise and capability in a timely manner due to internal resource pressures. DHSC acknowledged it lacked front-line experience and that it was not effectively coordinating charging reform with system reform. It found that the trailblazer initiative, on which it worked closely with six local authorities, had worked well and there had been good internal collaboration between DHSC teams. However, DHSC concluded that it could have worked more closely with local authorities on system reform and that cross-government working would have benefitted from wider representation, for example from the NHS.

## Fair cost of care

**3.16** DHSC will need to consider the quantum and distribution of funding needed for local authorities to pay providers a fair cost for care. DHSC defines a fair rate for care as the median operating costs for a provider within a local area.

**3.17** During 2022-23, DHSC asked local authorities to complete a 'fair cost of care' exercise in their areas so it could better understand the local costs of providing care.[29] There are concerns over the accuracy, robustness and consistency of the data gathered through the exercise. Issues included low provider return rates, which may mean that costs provided to local authorities were not representative. Other issues include concerns that some providers may have overstated their costs and that many local authorities and care providers incorrectly completed the exercise by not following its guidance.

**3.18** Based on data collected by local authorities in 2022-23, it would have cost local authorities £1.8 billion in total to pay a full fair cost for care to providers. DHSC believes that the fair cost for care rates reported by local authorities were too high. It is current DHSC policy that local authorities should move towards paying a fair cost for care. DSHC acknowledges that it will need to revise costs around the fair cost of care, after ministers take decisions around charging reform and whether to grant all self-funders the right to access local authority prices for care (by implementing section 18(3) of the Care Act 2014). In the meantime, DHSC has made £162 million a year available for local authorities to increase fee rates (see paragraph 2.8) Local authorities can use the Market Sustainability and Improvement Fund (MSIF) (see paragraph 2.7) to reduce the gap further.

29 The exercise included the following service types: homecare (ages 18 and over), residential care (over-65s) and nursing care (over-65s). It did not look at the cost of specialist care or residential or nursing care for 18–64-year-olds.

# Appendix One

## Our audit approach

### Our evidence base

**1** Our independent conclusions on how the Department of Health & Social Care (DHSC) is responding to the challenges facing adult social care in England, and on its progress with delivering its planned reforms, were reached following our analysis of evidence collected primarily between January and September 2023.

**2** We identify 'adult social care reforms' on the basis of announcements made at the 2021 Autumn Statement and in the December 2021 White Paper, *People at the Heart of Care,* and revised plans in *Next steps to put people at the heart of care.* Our report examines progress in implementing these planned reforms: we do not comment on the merits of the policy decisions made in this paper, or in subsequent announcements. We also have not sought to reach a conclusion on whether the reforms deliver value for money.

**3** We have not examined performance in individual local authorities or adult social care providers. We also have not examined the interface between care providers and the NHS; information on hospital discharge and integrated care systems are included for context only.

### Qualitative analysis

#### Departmental interviews

**Selection and recruitment**

**4** We carried out eight structured interviews online with DHSC staff, selected to participate because of their job role and relevance to the audit. This included staff responsible for (or involved in):

- adult social care policy development;
- reform delivery programmes; and
- adult social care governance structures.

We also held regular update meetings with officials working in a central adult social care team throughout the study, in which we discussed our study questions and possible sources of evidence. We also held further meetings with interviewed staff to follow up specific points of detail. We held four interviews online with staff from the Department for Levelling Up, Housing & Communities (DLUHC), who oversee the overall system of local government. We also met with officials from the Care Quality Commission, the independent regulator of health and social care in England.

**5** Fieldwork interviews took place between March and June 2023. Interviews were carried out online, typically lasted one hour and detailed notes were taken.

**6** Structured interviews focused on the following topics and were tailored to the job roles of those being interviewed:

- challenges in care;
- funding announcements; and
- progress of reform.

**Analytical approach**

**7** We organised interview notes in a central document log to facilitate comprehensive and consistent analysis. Interviews were designed to identify documentary evidence related to our study questions, and to:

- inform further lines of enquiry that were followed-up with DHSC by email and through our ongoing engagement;
- inform our understanding of intended outcomes of reform, progress on implementation, and expected impacts;
- triangulate evidence from other sources (including our document review and evidence from wider stakeholders and service-users); and
- report on the DHSC's perspective on the enablers and challenges to reform implementation and its views on the factors affecting impact.

## Third party interviews

**Selection and recruitment**

**8** We selected stakeholders to ensure a broad range of perspectives on adult social care were captured. We identified stakeholders via desk research and discussions with DHSC and invited them to participate in an interview by email. Interviewed organisations included the Local Government Association (LGA), the County Councils Network (CCN), The King's Fund, the Association of Directors of Adult Social Services (ADASS), the Care Provider Alliance, and Skills for Care, among others.

**9** Fieldwork interviews took place between May and June 2023, with additional engagement with some stakeholders both before and after this period. Interviews were carried out online, typically lasted one hour and detailed notes were taken.

**10** Interviews focussed on the following topics and were tailored to the organisations that were being interviewed:

- pressures and challenges faced by the Adult Social Care sector in recent years;
- DHSC's progress against the commitments set out in the *People at the Heart of Care* white paper; and
- sector views on recent developments in the government's plans, including the allocation of funding at the Autumn Statement 2022, and the *Next steps* paper published in April 2023.

**Analytical approach**

**11** We organised interview notes in a central document log to facilitate comprehensive and consistent analysis. Interviews were designed to identify documentary evidence related to our study questions, and to:

- inform further lines of enquiry that were followed-up with the Department; and
- understand the views and concerns of stakeholders operating in the Adult Social Care sector.

The findings presented in this report reflect the range and diversity of views of stakeholders interviewed. As the sample was small and not statistically representative, the prevalence of views and experiences arising from the stakeholder interviews are not reported. Specifically attributed references to organisations were cleared with stakeholders by email in September and October 2023.

## Document review

**Focus and purpose**

**12** We reviewed a range of departmental documents to assist with defining the parameters of the audit, to deepen study team understanding of the programme, and to secure documentary evidence of assertions made by DHSC in interviews. Our review encompassed over 150 documents including policy documents, business cases, internal progress reports, governance documents, reporting data, budgetary data, draft risk registers and meeting minutes from DHSC. Our review took place between March and October 2023, and focussed on documents prepared from September 2022 onwards.

**Analytical approach**

**13** All documents received by the study team or external sources were recorded in an evidence log and reviewed against our overarching study questions. The review was used to verify information provided to us in interviews, and to understand the progress of delivery of adult social care reform. When needed, we clarified our understanding of the documents with relevant bodies and requested further documentation/information as required. We made use of expertise within the National Audit Office to support our review and interpretation of documents.

**14** Our assessment of DHSC progress towards system reform was primarily based on documentary evidence reported to the central delivery reform board, rather on reporting to individual programme boards.

## Quantitative analysis

### Core data

**15** Our primary data sources for this study were:

- Adult Social Care Activity and Finance data published by NHS England;
- Adult Social Care workforce data published by Skills for Care;
- Opinion surveys published by the Association of Directors of Adult Social Services (ADASS);
- Provider performance data collected by the Care Quality Commission; and
- Internal data collected by DHSC, in particular in relation to the Market Sustainability and Improvement Fund.

Unless otherwise stated all financial data are in nominal terms. Where financial data have been converted into real-terms we use GDP deflator series published by HM Treasury.

**16** Our quantitative analysis was primarily focussed on identifying and confirming headline trends in relation to sector performance. We did not carry out in depth analysis of the data behind DHSC models, such as of financial pressures faced by the adult social care sector.

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