National Audit Office

REPORT

Reforming adult social care in England

Department of Health & Social Care

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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.