National Audit Office

A Perfect Storm - winter, workforce, care markets and EU Exit: an NAO perspective

Overview | Before the pandemic….

- **Financial challenge** from real-term reduction since 2010 and estimated £8bn funding gap by 2024-25

- **Increased demand** due demographic changes and increasing unmet need

- **Increasing signs of market-stress** with more providers closing, ceasing to trade or handing back contracts.

- **Workforce recruitment and retention**. Turnover of staff is over 30% and around 7% of jobs are vacant.

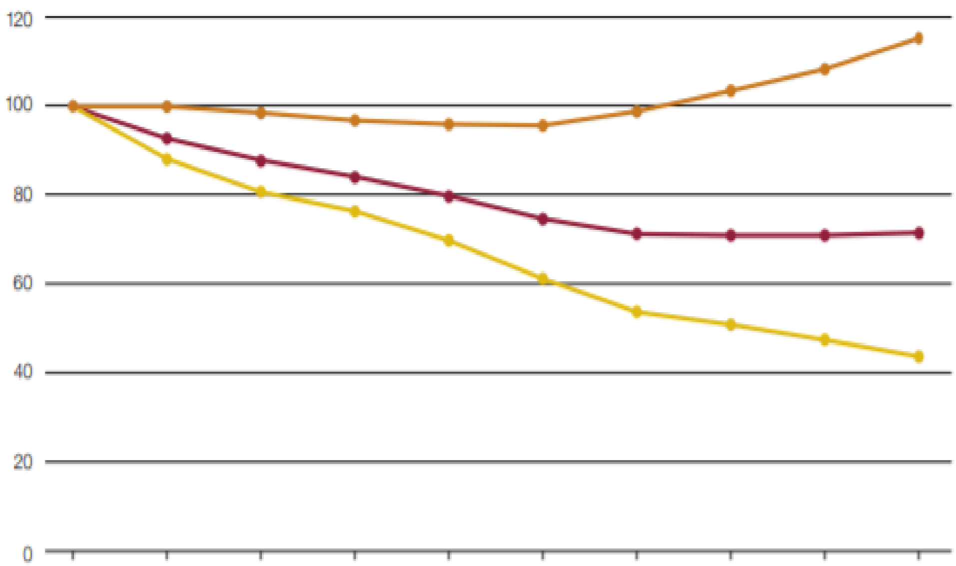
- **Repeated delays to system reform** despite calls for financial certainty and a long-term funding plan.

Overview | Financial challenge

Change in spending power for English local authorities 2010-11 to 2019-20

Reductions in spending power have levelled off in recent years as growth in council tax income has offset reductions in government funding

Spending power and its components (indexed: 2010-11=100) (real terms in 2018-19 prices)

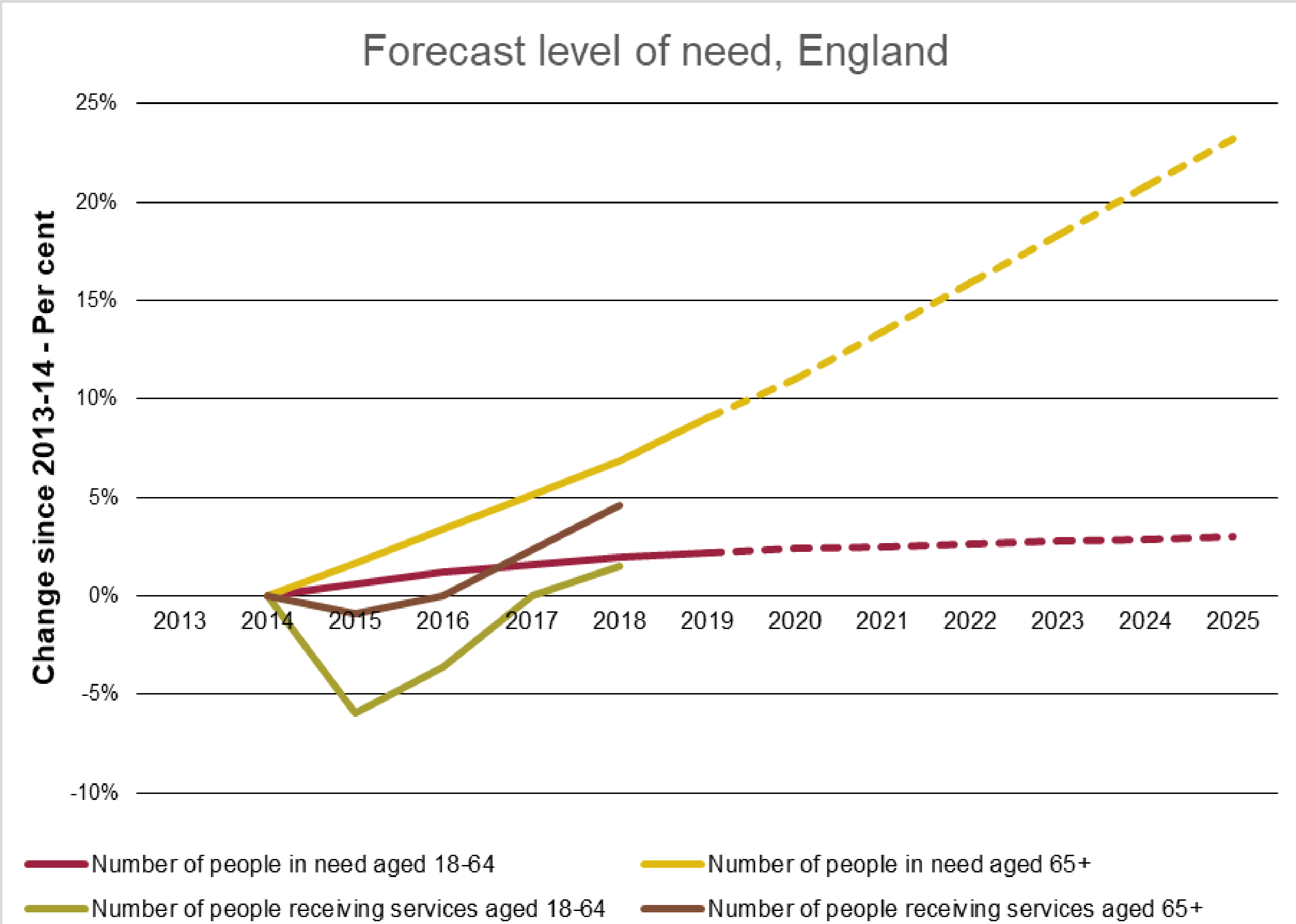


	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Spending power	100.0	92.6	87.7	84.2	79.8	74.5	71.2	71.0	70.8	71.3
Government-funded spending power	100.0	88.1	80.8	76.2	69.6	61.1	53.7	50.5	47.2	43.6
Council tax	100.0	99.8	98.6	96.9	95.9	95.5	98.8	103.3	108.3	115.3

Notes

- **Financially stretched** - funding cuts since 2010.
- More reliant on **council tax, business rates** and **commercial income**
- **ASC increases: one off grants, short term funding initiatives & CT precept**

Overview | Future demand needs analysis



- Demand is expected to increase amongst 65+
- To model how much care will cost, need to factor in **income**, changes in how **care may be delivered; housing market** and **growth in population** and **complexity of need**.

Overview | The pandemic – Readying the NHS and ASC for the pandemic

- **Extra resources of £3.2 billion** were provided for local authorities for ASC and other service pressures, followed by **£600m** for infection control.

- NHS actions in increasing capacity, cutting elective work and discharging patients meant there were **enough beds and respiratory support nationally** at the peak of the outbreak in April.

- Patients discharged quickly from hospitals between mid-March and mid-April were sometimes **placed in care homes without being tested for COVID-19**. Not known how many people had the virus.

- **Testing for health and social care workers has been challenging** and testing for social care workers lagged behind NHS staff, meaning that it is not possible to know whether staff in social care were passing on the virus.

Overview | The pandemic – Readying the NHS and ASC for the pandemic

- As for **PPE,** central procurement only addressed a **small proportion** of the modelled requirement for PPE among social care providers.

- CQC detailed that **decrease in hours and rising costs for PPE and increased workforce costs** could adversely affect profitability of domiciliary care providers.

- Provider organisations warning of **significant and rising costs (especially PPE)** represent a real threat to the financial stability of many providers.

- **Data** was a real issue and the capacity tracker had to be brought together very quickly.

- The capacity tracker showed occupancy at **86% to 90% in April and May**. CQC says a further increase in spare capacity could mean less income for providers short term and reduction in resilience.

The future | What has the pandemic shown?

- The onset of an emergency does not mean that **long-standing problems** suddenly vanish or be instantly solved

- The speed at which an effective crisis response can be mounted is significantly affected by matters **beyond government control** such as international supply chains & just in time logistics

- **Series of interlocking problems**:
  - **need for reform and a long term, costed plan**
  - **much better data**
  - effective **market management locally**
  - An understanding of **future demand**
  - differentiated solutions for **provider fragility**

Thank you

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