POST - PULSE ISSUE #1

CARE ENGLAND
The voice of care

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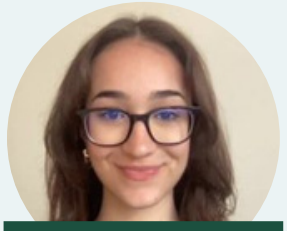
Endangered Residential Care

THE GROWING CRISIS OF CARE HOME CLOSURES IN ENGLAND



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Introduction

The adult social care sector is vast, vital, and struggling. Strikingly, the 2024 Sector Pulse Check (SPC) by Care England and Hft found that **3 in 10 providers were forced to close parts of their organisation or hand back contracts in 2024.** Similarly, research from NIHR notes that between 2014 and 2020, nearly 3,000 care homes in England closed their doors due to financial pressures, a strained workforce, and systemic underfunding, with the close stock serving mostly the public pay market and being replaced with stock aimed to serve a more private pay sector.

Disappointingly, England continues to witness an alarming trend of care providers shutting down or scaling back services aimed at the public sector, a situation exacerbated by a combination of constraints along with recent changes to Employers' National Insurance Contributions (ENIC) and National Living Wage (NLW), pushing care providers to the brink of unsustainability.

Here, we explore in more detail the key drivers of these closures, including local authority fee uplifts and workforce shortages, compounded by increased regulatory pressures from the CQC, concluded by our recommendations for a brighter future in the adult social care sector.

Financial Constraints and Budget Cuts

One of the primary factors contributing to the closure of care services is the ongoing financial pressure facing providers as a result of fees from local authorities and the NHS that often don't cover the cost of providing care.

The UK government's recent budget decisions have had far-reaching consequences for the social care sector, particularly considering funding cuts, the stagnant public spending forces commissioners to underfund care packages which fail to address the rising dependency on residential services as a result of the home first approach favoured councils. The King's Fund (2024) explained that care homes are heavily reliant on funding from local authorities, which has not kept pace with dependency changes, inflation or the growing demand for care services. Local authority fees often fail to cover the actual cost of providing care, especially with rising operational costs, including staffing, utilities, and maintenance. The ADASS Autumn Survey (2024) found that 81% of councils projected to overspend their adult social care budgets in 2024. This has increased by 72% in 2023/24—totalling an estimated overspend of £564 million. Moreover, 35% of councils are being pressured into making further in-year savings, creating further budgetary pressure on already unstable financial footings.

These savings layer onto the highest level of planned reductions in the past 8 years, with a projected increase to £1.4 billion in required savings by 2025/26. Evidently, the ability of councils to invest in essential areas such as workforce development, support for unpaid care workers, and prevention services becomes severely constrained. This is glaringly apparent when considering that, according to the Local Government Association, a prevention spending model would cost £3.5bn and result in £11.1billion of savings when delivering on their statutory duty to meet eligibility criteria is at risk.

Whilst councils in England are seeing their social care budgets squeezed dry and their capacity to deliver essential care services reduced, there is then the related reality of the growing life expectancy. In fact, the number of people aged 65-79 is predicted to increase by nearly a third (30%) to over 10 million in the next 40 years, while the number of people aged 80 and over – the fastest growing segment of the population – is set to more than double to over 6 million (Centre for Ageing Better, 2024).

Considering this growing ageing population, alongside increasing numbers of comorbidities, and rising dependency levels, there is even more need to support councils to not only prevent care home closures but put future investment into building capacity within the sector. Ultimately, the combined effects of longer life, without significant reductions in rates of illness by age, are projected to lead to higher lifetime demand for health and care services which remain under duress. This will create the very paradox of forcing councils to make short-term decisions in order to meet their statutory duties and halting community services, which are the very same services needed longer-term to support prevention which would yield the financial savings needed to better fund provision longer-term.

Moreover, the introduction of a Fair Pay Agreement (FPA) and Employers Rights Bill (ERB) for the adult social care sector, while intended to address low pay and improve terms and conditions of the workforce, present a complex challenge within the context of England's struggling adult social care landscape. Although an FPA aims to uplift wages and the ERB improve working conditions, potentially attracting and retaining much-needed staff, the added, yet unfunded financial pressure on providers is a significant concern. As found in an impact assessment of the proposal contained in the Government's Employment Rights Bill, the estimated impact on care providers has been negative as labour costs are increased upon providers with already limited capacity to absorb such fees. It also projected the closure of care homes if the extra costs are not offset by rises in funding from the Treasury and local authorities.

Care homes that are already facing funding shortfalls and rising operational costs may struggle to absorb the increased wage bill mandated by the FPA and changes resulting from the ERB. This could lead to a range of negative consequences, including contract hand-backs, a reluctance to accept new residents (particularly those reliant on local authority funding), and ultimately, care home closures.

Essentially, the FPA and ERB, if not appropriately funded by central government, could inadvertently exacerbate the existing crisis by pushing already fragile providers over the edge, particularly smaller, independent homes and those specialising in complex care needs or those serving primarily the publicly funded residents. The success of the FPA hinges on substantial and sustained increases in government funding to offset the increased costs for providers, ensuring that fair pay for care workers does not come at the expense of care home viability and resident access to essential services. Without this crucial financial backing, the FPA and ERB risk becoming another driver of instability in an already precarious sector.

Workforce Shortages

A severe shortage of qualified staff in the social care sector can also accelerate care home closures. The Skills for Care annual report (2024), talks to the 131,000 vacancies across the UK, decreasing by approximately 15% from the previous year. Whilst this offers a glimpse of hope, this trend is misleading since a significant portion of these roles have indeed been taken up by international recruits which in 2023-34 saw 105,000 overseas workers which for 2024-25 is forecast to be closer to just 36,000 given the restrictions imposed upon applications to the Health & Care Worker visa. As SPC explains, figures in this regard implying improvement lag real time activity and not likely to be felt in totality or evidenced in statistical form until mid-2025 at the earliest and are supported by the report which found that two fifths of providers experienced a decrease in international applicants post the visa changes in April 2024. Recent Home Office proposals to increase the Visa costs by a further £283 per application will generate £10m of additional income for the Home Office, and become another stealth tax on care providers.

Despite the Government's measures against international recruitment in the sector, they have yet to implement a long-term workforce strategy to support domestic recruitment. Meanwhile, Skills for Care and stakeholders have collaboratively created a Workforce Strategy yet to receive the government's attention whilst it focuses on the NHS once again. Thus, the social care workforce crisis continues to increase workloads for existing staff, contributing to burnout, low morale, and high turnover rates. The reality remains that 12% of providers are closing services and 23% are handing back contracts or negotiating packages of care due to staff shortages (source SPC).

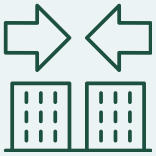
Increased Demand for Services

The UK's ageing population is increasing demand for care services, placing immense pressure on care providers. Ultimately, 2.5 million more people aged 20 years and older are projected to be living with major illness between 2019 and 2040. Meanwhile, the average level of ill health in England's population is projected to rise by 5% through 2040 (Health Foundation, 2024). With more individuals requiring care for complex conditions such as dementia, chronic illnesses, and disabilities for which the government have no immediate plans to address, the need for appropriate facilities and staffing increases. This added strain leads to increased financial instability in residential services, reducing viability and contributing to hand-backs and closures. Moreover, the "home first" approach, aiming to support individuals to remain in their own homes for longer, results in residents entering care later with higher dependency levels necessitating more resource-intensive care, yet fee increases, though sometimes above inflation are failing to keep pace with this changing resident profile. The mismatch between funding and the actual cost of more complex care merely turns up the financial pressure on providers.

Regulatory and Compliance Challenges

With the Care Quality Commission (CQC), enforcing strict standards for care delivery, meeting the standards requires significant resources, which many care providers struggle to maintain. The Single Assessment Framework has further intensified the workload on care staff and care home managers who are now burdened with uploading vast amounts of evidence from assessments of individual quality statements to a failing dysfunctional regulatory platform, which has been described as time-consuming and an overall hindrance to operations.

As Sir Mike Richards explained to complement Dr Dr Penny Dash's report, the process can delay report publication by several months, leading to a severe impact on the overall number of inspections undertaken.



Market Consolidation and Business Viability

The care home market is increasingly consolidating, with larger operators purchasing smaller care homes. Consolidation can see smaller, independent care providers close as they exit less viable services, see incoming generations not wanting to take over family run businesses or have unsustainable infrastructure which is not fit for future provision.

Increased Cost of Living

The cost of living has increased sharply, and peaked at 11.1% in October 2022, a 41-year high, before subsequently easing over the following 18 months. The cumulative impact of rising prices means the country faces a much higher cost of living than in 2021. The 2024 SPC reported that 75% of providers experienced an increase in energy costs with smaller organisations suffering the most, at 80%, compared to 44% of larger providers with a similar trend manifesting through maintenance costs.

The Autumn Budget Announcement

The impact of the government's Autumn 2024 Budget announcement on the care sector cannot be overstated. Specifically, the government including an £880 million increase in the Social Care Grant. However, this amount is simply not enough to cover the increased cost of rises in the national living wage (NLW) and employers' national insurance contributions (ENIC).

When the impact of the NLW and the ENIC changes are combined, the 18,000 independent sector providers of social care face additional costs of almost £2.8 billion for 2025-26, according to Nuffield Trust.

Nuffield Trust also predicts that without the required investment, the 2024 Autumn Budget changes to ENIC will cost the sector over £900m in 2025-26. As a result, it is highly probable that this will further widen the short- and medium-term deficit for care providers already operating at a loss, pushing many of those lucky enough to currently run a surplus, into a deficit, and potentially their exit from the market. A comprehensive survey by the Care Provider Alliance (CPA) of over 1,180 care and support providers revealed that 73% will refuse new care packages from local authorities or the NHS, 57% will hand back existing contracts, and 22% plan to close their businesses entirely.

The Social Care Institute for Excellence (2024) argued that a more comprehensive overhaul of the funding system is needed, one that includes both increased investment and reform of the way services are delivered. Without significant long-term investment and reform, providers warn that closures will continue to rise, and gaps in service provision will widen, particularly in rural or underserved areas. The lack of investment into adult social care providers exacerbates workforce challenges whereby pay is too low to attract workers to social care considering the 35.6% difference in pay to their NHS equivalents, painting a bleak future for adult social care in England.

Consequences for Vulnerable Populations

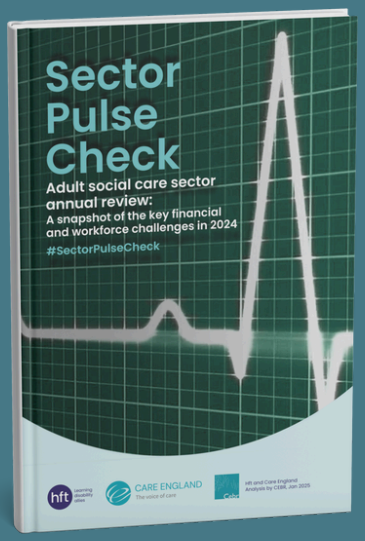
The closure of care services has significant implications for those who rely on them and as services contract, vulnerable groups often find themselves without the necessary support, facing an uncertain future where access to care is limited or delayed.

The SPC reports that providers supporting those with learning disabilities (LD) are more like to scale back operations, with 45% of such organisations closing part of their services or handing back contracts because of their reduced margins and limited ability to cross subsidise funding from those able to fund their own care.

Whilst older person (OP) services often result in shorter stays, those with LD frequently require support for much longer periods, sometimes spanning decades. This disparity in length of stay creates funding challenges. New residents' fees are often set closer to the actual cost of care, reflecting current operating expenses. However, legacy residents, those who have been in services for longer, often receive smaller, less adequate annual fee uplifts, increasing the gap between the funding received and the actual cost of providing care.

Compounding this, the number of LD residents requiring support is increasing and is predominantly funded by the public purse. This reliance on state funding, coupled with increasing cost pressures and suboptimal fee increases for long-term residents, squeezes provider margins and can challenge the ability to provide high quality care and leads to provider closures and contract hand-back to local authorities who then need to rehome residents at higher costs elsewhere. This is supported by the 2024 SPC which reveals that providers for LD adults were more likely to report being in deficit than providers of care to OP, with 30% and 24% of providers in deficit, respectively. Particularly concerning is the finding that non-profit LD providers experience the most significant financial pressures of all care provider types.

On a personal level, relocation after closure results in disruptions in care, confusion, and distress for people who require stable and supportive environments as vital elements of their care. Family members can be forced to step in as informal carers, a role that can lead to physical and emotional strain, as well as financial hardship and leads to questions the legal protections in place for displaced residents and how families ensure that their loved ones' rights are upheld during a closure.
As access to care becomes more restricted, those living in poverty or in rural areas may be disproportionately affected given that a majority of care providers (60%) are state funded. Looking forward, the Office for Budget Responsibility projects that UK-wide public spending on adult social care would need to increase by 3.1% per year in real terms over the next decade. After accounting for savings from the cancellation of charging reforms, spending would need to increase from 1.3% of national income in 2023–24 to approximately 1.5% in 2033–34 and further rise to 1.9% in 2053–54 and 2.2% in 2073–74.



Read other issues of Post-Pulse and the full Sector Pulse Check 2024 report here.

Recommendations

Care England and Hft's SPC have proposed key recommendations to prompt the required systemic change for reform in adult social care in England. Ministers must first commit to a credible, multi-year funding settlement for the sector following the Spending Review that concludes in Summer 2025. This should be nuanced in considering future increases in NLW and ENIC as well as inflation to reflect accuracy and avoid real-term pay cuts and the mass exit of care providers from the market. Secondly, SPC underlines the need to develop an entirely funded roadmap to achieve parity between social care and their NHS counterparts. Aligning pay, terms, and conditions with workers in the NHS, and developing attractive, funded career pathways, will address the problem of retention and thus the sustainability of care services.

To bolster these key recommendations, SPC suggests the following actions for the Government to undertake in collaboration with stakeholders:

- Fully fund the increase in ENIC, or provide full exemption for care providers.
- Ensure that local authorities and the NHS receive adequate funding to reimburse social care providers and prevent cuts to real-term pay through the Local Government and NHS funding settlement.
- Lift the ban on dependents for international social care staff.
- Implement mandatory payment timelines for local authority and Integrated Care Board (ICB) payments, with penalties for delays.
- Zero-rate VAT to provide care providers with a level playing field, enabling both local authority and NHS providers to reclaim input VAT on purchased goods and services.
- Shift care provision from hospital settings to closer-to-home environments to alleviate pressure on the NHS. In due course, initiate a trial for neighbourhood health centres.
- Establish national commissioning standards for social care.
- Create a national register for social care workers to professionalise the sector and enhance the standing of social care roles.
- The implementation of the Workforce Strategy developed by Skills for Care should be the vehicle by which to achieve parity.

Conclusion

Ultimately, adult social care is marked by its complexity as well as its vitality. The ongoing crisis in adult social care, fuelled by financial constraints, workforce shortages, and government budget decisions, threatens the sustainability and quality of care services. If the Government does not act to provide long-term, comprehensive solutions to the care sector's financial and workforce challenges, the consequences for vulnerable populations will be severe, and the social care system may be pushed to the brink of collapse. Only through increased investment, specialised attention for different circumstanced providers, better workforce conditions supported by funding, and systemic reform can the care sector begin to recover and meet the needs of those who rely on it currently and all of us who will do so in the future.

In terms of looking ahead, the health and social care secretary, Wes Streeting, has appointed Baroness Casey to lead a commission to create recommendations and build consensus on how to reform the adult social care sector in England. Casey will begin in April and has been asked to publish an initial report in 2026 setting out the key challenges for the sector and proposals for how to make medium-term improvements. We can expect a final report by 2028 to make longer-term recommendations, including on the model of care, organisation of services and funding. Conclusively, Care England urges immediate action given the treacherous landscape this vital sector is operating on and that 2028 is #28TooLate.