TAKING PRIVATE SOCIAL CARE PROVISION BACK INTO THE PUBLIC SECTOR

Private Social Care provision is big business but it is difficult to estimate precisely the total number of organisations involved in providing or organising adult social care in England. In 2018 Skills for Care expressed itself as 'confident' that the number was about 18,500.[1] . However this is in conflict with the estimate by the IPC for the number of care homes (in 2017) at 16,392[2] and the UKHCA's estimate for domiciliary care providers at 8,458[3] – which combined would suggest 24,850 organisations.

Local authority net spending on adult social care was about £14.8b in 2017[4] with user contributions at about £2.7b. Non-residential care accounts for about approximately 50% of this expenditure.[5]

In 2017 it was estimated that privately bought care by self-funders without local authority involvement amounted to £10.9 billion. [6]

So we estimate total annual expenditure of more than £27bn every year.

DOMICILIARY CARE

The sector delivering local authority funded support has largely failed. Many of these are smaller companies and this sector could be brought under more direct public control without major challenges or indeed cost.

The overall financial impact for UK PLC would be neutral as expenditure on provision of service would benefit the local economy not shareholders. Indeed eliminating the payment of dividends to shareholders should provide savings which could be spent on compensation payments for the duration of those payments, improved care, improved conditions for staff and reduced charges to Local Authorities.

Where local authorities are paying private providers there will be, at most, short-term contracts which will probably expire while the new services are being put into place. Self-funders will be offered free services. Those who prefer to pay for private provision could be allowed to do so.

RESIDENTIAL CARE

Increasingly residential beds for LA funded people and self-funded beds are in separate organisations. They need to be considered separately. CQC monitors the financial viability of the big providers rather badly.

1. <u>Residential care for people funded by the LA</u>

This sector is in a serious state of crisis, with 1 in 4 care homes at risk of insolvency.[7] In September 2019 the UK's second largest provider 'Four Seasons Health Care Group' went into administration[8]

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[1] Skills for Care *The size and structure of the adult social care sector and workforce in England* (2019) p.8.
[2] IPC *Market Shaping in Adult Social Care* (Oxford Brooks 2017) p.3. The Competition and Markets Authority's *Care Homes market Study Final Report* (CMA 2017) p.7 estimated that there were in the UK 11,300 care homes for the elderly in 2017 owned by about 5,500 organisations
[3] J Holmes *An Overview of the Domiciliary Care Market in the United Kingdom* (UKHCA 2016) p.7
[4] National Audit Office *Adult Social Care at a Glance* 2018 p.10.
[5] National Statistics *Adult Social Care Activity and Finance Report: Detailed Analysis 2016-17* (2017) p.26 and National Audit Office *Adult Social Care at a Glance* 2018 p.14.
[6] National Audit Office *Adult Social Care at a Glance* 2018 p.10.
[7] See https://www.thegazette.co.uk/all-notices/content/161
[8] See https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-8004

and this is simply the most recent example of a failing social care provider. In 2018 it was Allied Healthcare[9] and in 2011 it was Southern Cross.[10]

There may be two ways to bring these out of the private sector.

a) Take over like a rail franchise.
Similar to 1948 when bringing in from private sector. However, there are no resources at LAs nor DHSC to manage this process. It might require building a new arms- length organisation with the relevant expertise. Like a housing corporation, or a development commission with access to capital. However, the skills needed are freely available from 'the city' if resources are provided to DHSC to contract them in. The skills can be contracted in for the duration of the transfer of ownership, in particular the calculation of compensation and the creation of the bonds required to provide this compensation.

Capital for acquisition should come from the Treasury, but if the purchase is to be paid for through bonds charged against the acquired entities then it wouldn't be needed. Capital for further development of the operations of the acquired companies should be raised as debt by the companies themselves.

It would require new laws to take them over.

b) Make a regulatory change to shift the market away from the private sector
Demand higher standards (both in relation to care and the employment conditions of staff), remove taxation advantages – particularly the off-shoring of profits etc – that would erode the profits of such providers. A strong regulator would be needed to enforce.

Incentives could put public / not for profit providers in an advantage position (ie eligible for additional payments) – in much the same way that housing benefit payments are not capped for some supported living accommodation provided by local authorities, housing associations, charities and not-for-profits under the 'exempt accommodation' provisions.

This would also require new legislation, but these are not necessarily alternatives. One could imagine bringing in a higher standard regime as a precursor, and facilitator of purchase.

So we are proposing three institutional changes:-

- **Establish a corporate acquisition capability in DHSC**
- **Provide new public, accountable, management structures for the acquired companies (We Own It has good ideas about how this should be done)**
- **A strengthened sector regulator (CQC with teeth) to set and enforce standards of care for all social care providers whether publicly or privately owned.**

2. Private sector provision for self-funders

This sector is – by and large - doing well financially. How to bring them in?

This is a more challenging issue (similar in some respects to the 'public school' debate). Clearly there is scope for removing all state support for this sector as well as limiting (in due course prohibiting?) local authorities ability to contract with it; increasing the rules about paying living wage rates / minimum contractual rights / terms and conditions / limiting off-shoring of profits and so on. Ideally

[9] https://www.kingsfund.org.uk/press/press-releases/kings-fund-responds-allied-healthcare-cqc
[10] https://www.bbc.com/news/health-16035012.

the standard of public provision would rise to the point (as with the NHS) that most people did not see the need to use this support. In time the elimination of dividend payments should provide public providers with a straightforward financial advantage relative to private providers.

On the other hand, there may be an argument for leaving this sector alone. Certainly increase standards of provision and the conditions of staff, but if these can be met and the service is cost competitive with public sector provision it may make sense to interfere no further.