

TITLE OF REPORT: **Market Sustainability and Cost of Care**

REPORT OF: **Dale Owens, Strategic Director, Integrated Adults and
Social Care Services
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Purpose of the Report

1. To seek Cabinet approval for the publication of the Annex A and Annex B reports, which were required for the Market Sustainability and Fair Cost of Care submission.

Background

2. In December 2021 the government published a white paper People at the Heart that outlined a 10-year vision that puts personalised care and support at the heart of adult social care. Implementation of the Market Sustainability and Fair Cost of Care Fund is one of the steps to achieving the right architecture to underpin and support the implementation of the 10-year vision.
3. In 2022/23 £162 million has been allocated for delivering the outcomes with Gateshead receiving £0.765 million and in the provisional settlement it was affirmed this amount has been maintained, to continue to support the progress local authorities and providers have already made this year on fees and cost of care exercises.
4. As a condition of receiving funding, local authorities were required to evidence what they are doing to prepare markets and submit the following to DHSC by 14 October 2022:
 - Annex A – Cost of Care Table which is the median values for care homes for certain categories of spend as defined in the data collection split between Residential Care, Residential Enhanced (assumed to be dementia provision), Nursing and Nursing Enhanced. For domiciliary care it is a breakdown of the median cost per hour. This also includes the spend plan for 2022/23 funding.
 - Annex B – two reports are required one each for care homes and domiciliary care which describe the process undertaken, approach to inflation and approach to return on operations and for care homes return on capital.
 - Annex C – the market sustainability plan. This sets out the assessment of the current sustainability of the 65+ care home market and the 18+ domiciliary care market; assessment of the impact of future market changes over the next 1-3 years for each of the markets and plans to address sustainability issues identified, including how the fair cost of care funding will be used to address these issues.
5. The Department for Health and Social Care (DHSC) worked with the Local Government Association (LGA) and the Association of Directors of Adult Social

Services (ADASS) to develop costing tools to support the collection of cost data from the care home and domiciliary care providers and we also engaged external consultants to support the Council in undertaking this exercise.

6. Providers were engaged via specific provider forums for both domiciliary care and care homes with additional engagement with the care home market due to their collective membership of Care North East whose primary aim is to ensure a fair cost of care for its members.
7. Gateshead were successful in its engagement with 26 out of 27 care home providers submitting returns and 7 out of 22 domiciliary care providers accounting for around 66% of delivered hours and including two of the largest providers.

Proposal

8. Figures submitted by providers utilised 2021/22 as a base year and being the last full year for which data is available. There are some fundamental issues with this as a base year due to the impact of covid, however, in the short to medium term covid is still present and impacting providers.
9. The base figures have been uplifted utilising inflation measures which most closely align to each cost base in the returns e.g., for care worker pay national living wage uplift adjusted for the early adoption in December 2021. Non staff costs have been aligned to Office for National Statistics (ONS) inflation indices. The actual inflation measures used are outlined in each of the annex B report, which are attached as appendices 2 and 3 to this report.
10. The median average is required to be used as the measure of a fee which for care homes is per bed per week and for domiciliary care per hour. The use of medians as opposed to a mathematical average (mean) is to ensure high values do not distort the general picture.
11. As this is not a fee setting exercise and was more about determining the cost using certain parameters it is considered further work is required working with providers to feed into the final market sustainability plan and the fee setting process. Therefore, no adjustment has been made to the provider returned data for this purpose.

Recommendations

12. Cabinet is asked to approve the publication of Annex A (appendix 2) and Annex B reports for Domiciliary Care (appendix 3) and Care Homes (appendix 4) on the Council's website.

For the following reason:

To ensure the Council complies with the DHSC Market Sustainability and Fair Cost of Care grant conditions.

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Policy Context

1. As set out in section 5 of The Care Act 2014 local authorities have a duty to promote the efficient and effective operation of a market in services for meeting care and support needs, with a view to ensuring services are diverse, sustainable and high quality for the local population, including those who pay for their own care.
2. The Government white paper People at the Heart that outlined a 10-year vision that puts personalised care and support at the heart of adult social care. Implementation of the Market Sustainability and Fair Cost of Care Fund is one of the steps to achieving the right architecture to underpin and support the implementation of the 10-year vision.

Background

3. In September 2021, the Government set out plans to reform adult social care in England. It said that £5.4 billion would be used to fund the reforms between 2022/23 and 2024/25: £3.6 billion would be used to reform how people pay for social care (charging reforms). This included £1.4 billion to help local authorities move towards paying a “fair cost of care” to providers and £1.7 billion would be used to support wider system reform.
4. The funding was initially planned to come from the new Health and Social Care Levy, but despite this being cancelled the Government affirmed funding for social care would remain unchanged.
5. The Government originally proposed that the adult social care charging reforms would be implemented from October 2023. However, the Autumn Statement 2022 confirmed the reforms would be delayed for two years.
6. The Market Sustainability and Fair Cost of Care Fund of £162 million grant has been rolled into the Adult Social Care Market Sustainability and Improvement Fund to continue to support the progress local authorities and providers have already made this year on fees and cost of care exercises.

Impact of the Submission

7. The guidance from DHSC asked local authorities to consider the impact of return on operations and return on capital. For domiciliary care it is restricted to return on operations and the provider returns median was 3.87%, which was considered to be a fair return resulting in no adjustment to the provider figures. For care homes this is more complex and there were different methods recommended in the data collection tool such as a yield percentage of the freehold valuation or a cost per bed. Whilst DHSC guidance has cited yield % figures or use of Local Housing Allowances (LHA) rates this is not without issue.
8. As this is not a fee setting exercise and was more about determining the cost using certain parameters it is considered further work is required working with providers to feed into the final market sustainability plan and the fee setting process. Therefore, no adjustment has been made to the provider returned data for this purpose.

9. Comparing the current average fees paid with the median values from the data outputs results in a cost implication of £2 million for domiciliary care and £5 million for care homes. Therefore, a total cost implication of £7 million.
10. There are, however, other factors which impact the gap such as how we commission domiciliary care. The workforce is such that at the current time there is insufficient staff resources to enable delivery of all hours plus travel time.
11. A good quality and stable workforce are an ongoing challenge, and we continue to only have around 85% of the required staffing hours available to meet demand, resulting in waiting lists for long-term domiciliary care services. The Cost of Care exercise alone will not fix the market and additional work is underway to look at alternative approaches to delivering domiciliary care in Gateshead to avoid costly bed-based services and long waiting lists.
12. In relation to care homes the costs submitted by the providers include all costs of operating a care home and as described above this included return figures that would need to be understood and re-evaluated in any fee setting process. In addition, the costs include the cost of delivering continuing healthcare for which the Integrated Care Board pay an additional fee per bed per week and therefore some of the fee gap will relate to this provision. Other factors include current 3rd party top ups and self-funder rates on which we need more intelligence.

2022/23 Grant

13. In recognition of the additional costs faced by providers the grant for 2022/23 has been utilised to fund care home fees above our normal fee setting approach amounting to £0.666 million of the £0.765 million with the remaining grant been utilised to support the fair cost of care work through internal commissioning capacity and external consultants.

Consultation

14. Consultation has taken place with the Leader and Deputy Leader and the Cabinet Member for Adult Social Care.

Alternative Options

15. There are no alternative options proposed.

Implications of Recommended Option

16. Resources

- a. **Financial Implications** – The Strategic Director, Resources and Digital, confirms that the implications of increasing inflationary pressures on providers has been considered as part of the Medium Term Financial Strategy. Cost implications arising from setting fees for 2023/24 and beyond above this level will be subject to the availability of funding and will be considered as part of setting the budget for 2023/24.

- b. **Human Resources Implications** – there are no HR implications arising directly from this report.
 - c. **Property Implications** – there are no property implications arising directly from this report.
17. **Risk Management Implications** – There is a risk that the Council is under resourced to meet the cost of care outlined in this report. However, progress towards an agreed cost of care with providers will be in the context of affordability for the Council.
 18. **Equality and Diversity Implications** – There are no equality and diversity implications arising directly from this report.
 19. **Crime and Disorder Implications** – There are no crime and disorder implications arising directly from this report.
 20. **Health Implications** – There are no health implications for the Council arising directly from this report.
 21. **Sustainability and Climate Emergency Implications** – There are no sustainability implications arising directly from this report.
 22. **Human Rights Implications** – There are no Human Rights implications arising directly from this report.
 22. **Ward Implications** – All wards will be affected by the proposals in this report.

Background Information

Care Act 2014

People at the Heart of Care – Government White Paper

Market Sustainability and fair cost of care fund 2022 to 2023: Guidance

Autumn Statement 2022