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Sandwell
Metropolitan Borough Council

ADULT SOCIAL CARE

MARKET SUSTAINABILITY PLAN

2023-25

Contents

Section 1: Introduction

1.1. Policy Context

On 16th December 2021, DHSC released its policy paper: 'Market Sustainability and Fair Cost of Care Fund: purpose and conditions 2022 to 2023'. This ambition is in line with the wider, ten-year vision set out in the white paper, People at the Heart of Care. In their 2022 Autumn Statement, the government announced that the planned adult social care charging reforms will be delayed until October 2025; however, there is still a requirement for local authorities to publish a full market sustainability plan, building upon the cost of care work undertaken within **18+ homecare**[1] and **65+ care homes** markets.

This Market Sustainability Plan provides Sandwell Council with an opportunity to assess our current market sustainability and intended direction of travel. Underpinning these plans is a broad definition of market sustainability as set out in the Care Act 2014, which places a duty on local authorities to assure themselves and have evidence of *"the efficient and effective operation of a market in services for meeting care and support needs with a view to ensuring that any person in its area wishing to access services in the market— (a) has a variety of providers … provide a variety of services; (b) has a variety of high-quality services …; (c) has sufficient information to make an informed decision …"*[2].

This plan considers the impact of future market changes over the next three years alongside the actions we will take to support market sustainability and should be read in conjunction with the cost of care reports published in February 2023, which can be found here.

1.2. Defining 'market sustainability'

For the purposes of the market sustainability plans, a sustainable care market is defined as one which operates in an efficient and effective way, indicated by:

- *sufficient supply* of services to ensure continuity of care with minimal disruption in the event of providers exiting the market
- a range of *high-quality services* for people to choose from
- sufficient *investment* in workforce to enable the attraction and retention of high-quality care staff
- evidence of *innovation* and service diversity to evolve and meet changing user needs
- being attractive to new market entrants and able to manage and offset the impact of future market changes[3]

This definition is linked to the market shaping duty placed on local authorities under section 5 of the Care Act 2014. It is important to note that market sustainability does not necessarily mean that providers do not ever exit the market (either due to business failure, a decision to close the business, or managed exits by local authorities), as it is normal in a healthy market for businesses

[1] The term 'homecare' and 'domiciliary care' are used inter-changeably throughout this document.
[2] Section 5(1) of the Care Act 2014. This should also be considered alongside 4. Section 5(2) provides in part that *"In performing that duty, a local authority must have regard to the following matters in particular— … (b) the need to ensure that it is aware of current and likely future demand for such services and to consider how providers might meet that demand … (d) the importance of ensuring the sustainability of the market…(e) the importance of fostering continuous improvement in the quality of such services and the efficiency and effectiveness with which such services are provided …".*
3 Market sustainability and fair cost of care fund 2022 to 2023: guidance, https://www.gov.uk/government/publications/market-sustainability-and-fair-cost-of-care-fund-2022-to-2023-guidance/market-sustainability-and-fair-cost-of-care-fund-2022-to-2023-guidance, 6 March 2023

to both enter and exit. However, a sustainable market will have the capacity and capability to ensure that there are sufficient care services so that continuity of care can be maintained for people who draw on care and support services. A sustainable market will also attract new entrants.

1.3. How this MSP has been developed

This review of cost of care and development of this Market Sustainability Plan has been informed by 9 months of engagement with the market and data analysis work, comprising the following elements:

- **Provider Survey & Cost Template:** submitted to 77 care home providers within the Sandwell market (subsequently reduced to 33 providers identified in scope), to gather data on both the costs and the operational experience of delivering residential care services in Sandwell. Engagement activity was initially targeted at a cohort of 47 homecare providers, regardless of the contract type (whether a framework provider or having no contract with the Council)
- **1:1 deep-dive structured interviews:** All providers were invited to express interest for a 1:1 session, with 13 interviews taking place with the senior Finance/ Operational leads for the respective organisations across the market areas in scope
- **Provider & Commissioner workshops:** following the launch session workshop, two further sessions were held with the market areas, including a further session in January 2023 with the care home market to test modelled assumptions.
- **Closed feedback/questions:** to allow providers to consider additional questions following the final workshop.
- **Market Sustainability Survey:** distributed to 83 providers, with 18 (22%) responses received
- Ongoing dialogue with the market through existing provider forums and through the West Midlands Care Association.

Engagement focused on the following key aspects of the market as well as a detailed study of provider costs:

- The current care market in Sandwell (structure, demand and supply)
- The experience of commissioning and contracting with Sandwell Council
- Provider's business operating models, general market outlook, workforce, contract and quality monitoring, business costs, and future commissioning arrangements
- Deep dive with providers to understand operating costs and sensitivities that would impact cost.

Section 2: The Local Context

2.1. Demographics

The recent release of 2021 census data from the Office for National Statistics (ONS)[4] paints an important picture when considering market sustainability – most notably:

- Between the last two censuses (held in 2011 and 2021), the population of Sandwell increased by 11.0%, from around 308,100 in 2011 to around 341,800 in 2021.[5]
- Between the last two censuses, the average (median) age of Sandwell **increased by one year, from 36 to 37 years of age**. Sandwell has a lower average (median) age than the West Midlands (40 years) and England (40 years). People are ageing locally, albeit at a slower rate than elsewhere. Indeed, the number of people aged 50 to 64 years rose by just over 12,400 (an increase of 25.5%), while the number of residents aged 4 years and under fell by around 500 (2.2% decrease)[6]. **15% (49700) of the total population is aged 65 or over.**

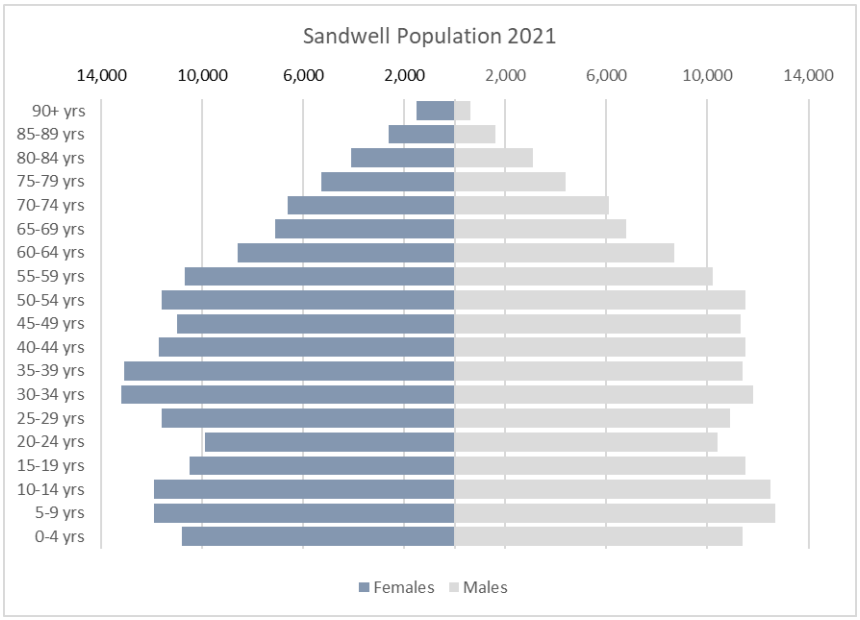

Figure 1: Sandwell Population Distribution, ONS 2021

- The gender split is broadly equal, although the proportion of females increases significantly from 70+ years from 52% to 71% at 90+ years (see figure 1). Residents requiring care in later life are more likely to be female, this mirrors the make-up of the workforce (see Section 2.4).
- **Sandwell is the second-most densely populated local authority area across the West Midlands** (after Birmingham) and the most densely populated out of the CIPFA statistical neighbours (see figure 2). This is particularly important for homecare services where rurality and the distance to travel between service users is impacted by population density.

[4] Available from: https://www.ons.gov.uk/visualisations/censusareachanges/E08000028/
[5] Which is higher than both the regional (6.2%) and England (6.6%) trends.
[6] This implies a fall in birth rates and from this we can infer the growth in population is inward migration.

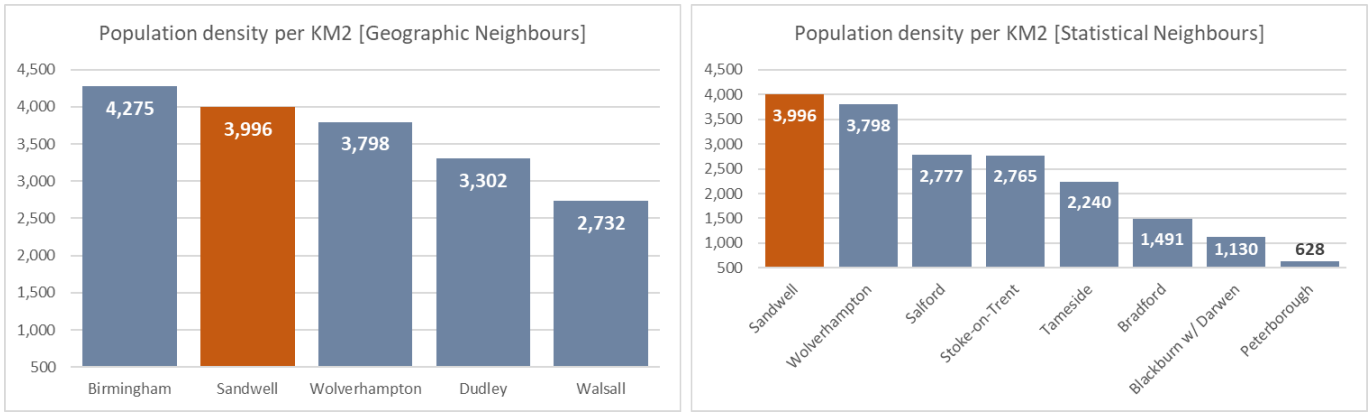

Figure 2: Population Density by KM2 Comparisons with Geographic and Statistical Neighbours, ONS 2021

- Sandwell saw England's joint largest percentage-point rise (alongside Birmingham) in the proportion of people who were economically inactive because they were looking after their family or home (from **5.3% in 2011 to 7.6%** in 2021)[7].
- Local residents are also more deprived than neighbouring authorities: **62.1% of the population has at least 1 dimension of deprivation** compared to less than 60% for Walsall, Wolverhampton, Birmingham and Dudley (see figure 3) – equalling a minimum equivalent 7,086 of the population (2.3%) having at least 1 dimension of deprivation above local neighbours. Similarly, the proportion of households that owned their home fell from **56.9% in 2011 to 53.7% in 2021**. Across the region, only Telford and Wrekin (from 63.7% to 59.9%) and Nuneaton and Bedworth (from 71.4% to 68.0%) saw a greater decrease in the percentage of households that owned their home. This supports the evidence we have regarding lower levels of self-funders than the neighbouring and national averages.

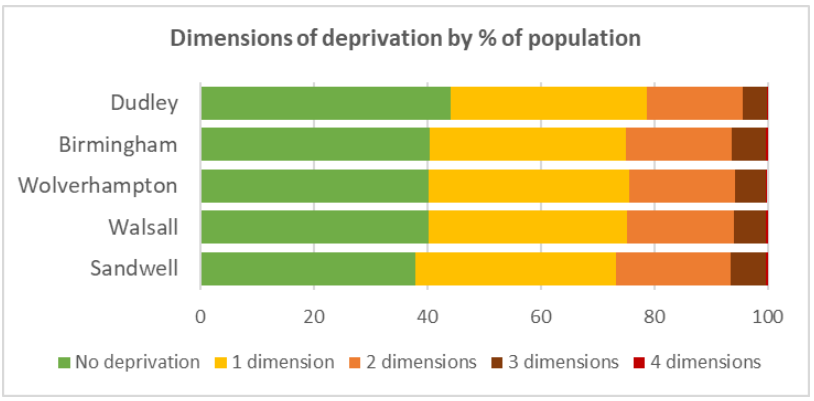

Figure 3: Levels of Deprivation, ONS 2021

- Sandwell had the West Midlands' second-largest percentage-point rise (after Birmingham) in the proportion of people aged 16 years and over in employment who said they usually worked 15 hours or less per week (from 8.0% in 2011 to 9.0% in 2021)[8]which places the area in the lowest 20% of English local authority areas for this metric. It is important to note that working hours may have been affected by the coronavirus (COVID-19) pandemic.
- Sandwell saw the West Midlands' joint largest percentage-point fall (alongside Stoke-on-Trent) in the proportion of residents who were identified as being disabled and limited a lot, from 12.8% in 2011 to 9.9% in 2021, although this still remains higher than the regional average of 8%. Positively, 40.8% of Sandwell residents described their health as "very good", increasing

[7]It is important to note that the census 2021 took place during the coronavirus (COVID-19) pandemic, a period of rapid and unparalleled change; the national lockdown, associated guidance and furlough measures will have affected the labour market and our ability to measure it.
[8] 16 to 30 hours 21%; 31 to 48 hours 62.2% and 49+ hours 7.8%

from 37.6% in 2011 and the proportion of Sandwell residents describing their health as "very bad" decreased from 2.1% to 1.8%, while those describing their health as "bad" fell from 7.0% to 6.0%. Whilst this alone cannot be a determinant of future levels of need, the trend is positive.

2.2. Residents Receiving Support

The total number of Sandwell residents receiving support has increased over the last 5 years (see figure 4), with an 11% change between 2018/19 and 2022/23 service users.[9] The total number of packages has also increased further by 16.6% from a 2018/19 base of 8,876 packages, suggesting multiple packages per resident and potentially an increase in complexity of support.[10] Further analysis shows total service users with:

- **residential** care has reduced by **21.5%** from 1,277 to 1,002
- **nursing** care has reduced by **16%** from 1,098 to 922
- **homecare** has increased by 18% (including long and short term) from 3,354 to 4,110
- packages **other than the above** (out of scope of the exercise, i.e. supported living, day care and extra care) have increased by **78%** from 1,552 to 2,372, between the years 2018/19 and 2021/22.

This analysis shows that, what are historically considered the majority types of care, are reducing in importance in our adult social care market, particularly for accommodation-based care.

Homecare packages have remained primarily stable over the period. Data shows a slight decrease in service users primarily containing residential and nursing – which make up a smaller proportion of total packages in 2022/23 (25%) than in 2018/19 (33%).

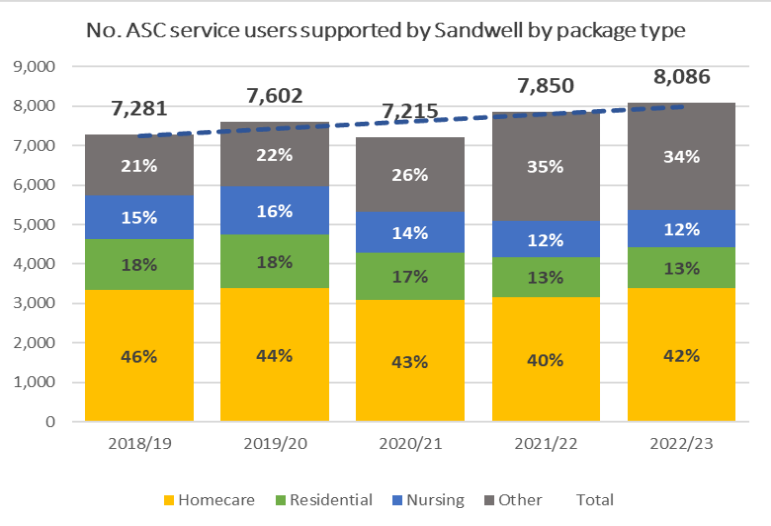

Figure 4: Sandwell Council Service User Trend 2018-2023

Whilst 'other' packages such as supported living, day care and extra care have remained stable, there has been a substantial increase in **Promoting Independence Pathway** support (PIP)[11], with 2,146 customers in 2022/23, as well as a decrease in **Direct Payments** from 1,718 to 1,095 customers in the same period.

2.3. Expenditure on Adult Social Care

Expenditure on Adult Social Care has grown in the past 5 years. Since 2018/19, our expenditure on all ASC services has increased **30.6%** from **£98,938,456** to a projected **£129,226,182** 2022/23. Sandwell Council projects a further **0.75%** increase to **£130,195,347** for 2023/24. Further spend analysis shows:

[9] Sandwell Council PowerBI 2022/23 data projected based on data as at 14 February 2023
[10] Ibid. note 8
[11] More information on PIP is included in section 5.2.3

- Growth in **long-term nursing** has remained in line with total growth at c. **£944,641** or **4.8%** per annum
- **Long-term residential** spend has remained almost the same over the period, counteracting increased costs with reduced demand
- **Long-term domiciliary care** has outpaced total spend growth with a **51.7%** rise over the 5 years to 2023/24
- **Other ASC** spend has also outpaced total spend growth with a **42.1%** rise over the same period
- **Short-term residential care** spend has increased considerably by **165%** to a projected £8.8m by 2023/24
- **Short-term nursing care** spend has increased even more substantially by **653%**, outpacing the total spend in short-term residential care to a projected £9.7m spend by 2023/24

The breakdown of this spend and the projected forecast for 2023/24 (figure 5, below) demonstrates the increasing importance of short-term accommodation-based care in our market, and suggests that long-term domiciliary care and other community-based packages (such as PIP & supported living) could be replacing our need for these services in the future.

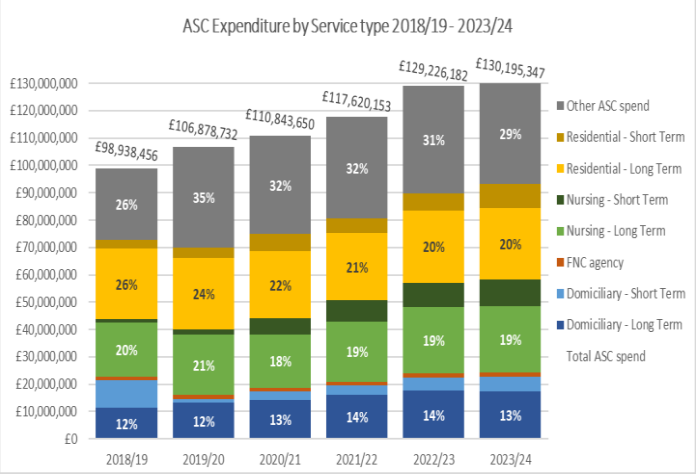

Figure 5: ASC Expenditure by Service Type

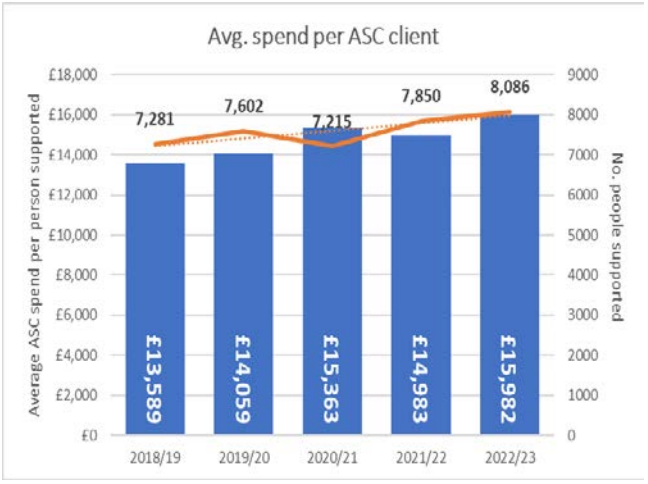

Figure 6: Average Spend per Service user

Total spend per service user has also increased over the last five years by **17.6%** (see figure 6 above). This is likely to be predominantly due to cost of care increases as well as increased complexity of packages.

2.4. Workforce

The adult social care sector is facing unprecedented challenges in workforce supply and demand; the process of engagement with the market to develop this plan reinforced that this is the **single biggest risk to future sustainability of the market**. Utilising data from NOMIS we can infer that employment in the care sector (all roles) ranges between 6.4-12.9% of all employment locally[12]; only manufacturing (16.1%) and wholesale/retail trade have higher employment levels.

Levels of economic inactivity in September 2022 were higher than both the regional (22.5%) and national (21.6%) average at 32%. Interestingly, the major contributing factors were 'looking after family/home' (28.7% or 19,200 people) and 'long-term sick' (32.2% or 21,500 people). On this

[12] Residents in employment as of September 2022 was 140,000. NOMIS data available here.

basis, there is a labour market that we can utilise but is dependent upon how we attract and/or support people into this sector.

The ONS annual population survey 2021[13] identifies that Sandwell has significantly lower than regional and national average for professional qualification (NVQ1 and above). Equally, 11.5%, compared to 7.8% regionally and 6.6% nationally, have no qualifications. Intricately linked to this is the median earnings for hourly paid full-time workers. In 2022, there was marginal gender differential – males earning a median £13.68 and females £13.69 – however, in both instances these are significantly below regional (-14.8% males and -5.4% females) and national (-19.4% males and 11.7% females) medians.

Skills for Care's (SfC) most recent local market intelligence[14] identifies 8,100 filled posts across the independent sector[15], of which 75% are direct care roles. It is important to consider the social care workforce locally as a finite resource which is also fluid i.e. it can move from providers to alternative market areas as well as leaving the sector all together. There are some important considerations emerging from the Skills for Care data (table 1); most notable are:

- The workforce is **predominately female** (82%), British (81%) and White (64%).
- Despite Sandwell having **higher levels of unemployment at 6.1%,** compared to the regional and national averages, 4.7% and 4.1% respectively, finding and retaining staff is the primary risk to sustainability within the market. Pay rates (exacerbated by cost of living crisis), terms and conditions and 'burn out' being cited as compounding factors. The cap on earnings for those on benefits is also a factor across the social care workforce and serves as a disincentive for staff to undertake additional care hours. Part-time working is more common in community services and, as a key growth area, this is likely to result in providers needing to recruit more people.
- The average number of days lost to sickness is **10.4** (4% of a full-time equivalent working year)**.**
- Over **a third** of staff are relatively new to their role (less than 3-years' experience); this drops to 20% if we factor staff moving from other care roles. The average years of experience in the sector is **9.4**.
- Staff are leaving faster than they can be replaced leaving vacancies. Providers reported that in response to rising staff vacancies there is some practice of increasing wages, slightly above the NLW, to attract and retain more staff. During the same period council care workers and NHS healthcare assistants were paid on average 9.8% more than the independent sector.
- Care workers in community services are less likely to hold relevant qualifications or be working towards the Care Certificate; this is likely to reflect the c.20% turnover rate and stability of the workforce. Turnover typically decreases with higher levels of experience working in the sector.

[13] NOMIS data available here.
[14] Period 2021-22 available here.
[15] 85% of which work within the scope of this exercise.

Table 1: NMDS-SC Independent Sector Workforce Insight 2022[16]

		Community Services	Care Home Only	Care Home w/Nursing
Worker T&C	**# of filled posts:**	4,400	1,200	1,600
	Part-time	**47%**	30%	40%
	Full-time	53%	70%	60%
	Zero-hours contract	36% (England avg. 46%)	**11%** (England av.8%)	5% (England av.8%)
Recruitment & Retention	Turnover	18.3% (-6.9% on 20/21)	19.6% (n/a)	**28.5%** (+9.4% on 20/21)
	Vacancy	6.6% (275)	5.2% (50)	3.0% (50)
	Sickness	**11.4 days**	5.9 days	9.4 days
	Experience in role less than 3 yrs.	31%	**52%**	32%
Demographics	Female	82%	74%	91%
	Male	18%	26%	9%
	British	78%	82%	86%
	EU	3%	6%	3%
	Non-EU	19%	12%	11%
	White	62%	56%	77%
	BAME	38%	44%	23%
	Less than 25 years old	4%	12%	5%
	25-54	70%	67%	69%
	Over 55	**25%**	21%	**27%**
Pay	Care Worker pay p/h @March 22 *Note: NLW was £8.91p/h*	£9.52	£9.12	£9.39
Qualifications & Training	Care workers holding a relevant qualification	39%	62%	53%
	Care workers achieved or working towards Care Certificate	**51%** (England av.60%)	79% (England av.45%)	67% (England av.49%)
	Senior holding a relevant qualification	63% (small sample of 150)	100%	100%
	Senior achieved or working towards Care Certificate	**21%** (England av.60%)	83% (England av.45%)	92% (England av.49%)

In February 2022, care workers were added to the shortage occupation list and the Health and Care worker visa route. This means that providing workers meet the salary threshold of **£20,480** and have a licenced sponsor they can come to the UK to take up care worker roles. Early evidence from care providers locally suggests that whilst this route is extremely cost prohibitive due to licensing fees, this is an avenue that is being utilised locally.

[16] Skills for Care Local area information 2022, available here.

Section 3: Sustainability of the local care market

3.1. 65+ Care Home Market

3.1.1. Market Structure

Sandwell currently has 31 care homes (1,574 beds) for older people, of which 17 offer nursing placements. There is a good level of diversity and geographic coverage across the six areas (see figure 7), with a range of smaller family ran care homes (typically converted properties), and larger care homes (typically more modern and ran by national companies). The area does have 6 homes which are owned by the same group (3 of which were impacted by the introduction of Harvest view in October 2022; see 5.1.3 for further detail), which poses a risk to sufficiency if something happened to the group, although it should be noted that they are subject to CQC's Market Oversight regime and therefore consistently monitored.

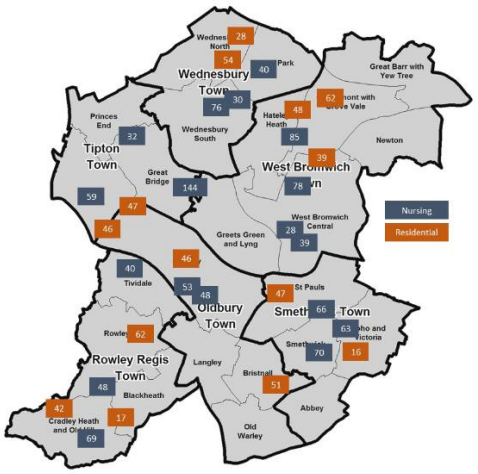

Figure 7: Geographic Distribution of Care Homes

Our largest home, at 144 beds, is significant, being 70% larger than our next largest nursing home. We must ensure that we understand any pressures to mitigate risks to our market supply and sufficiency, however as figures 11 and 12 show, occupancy across the market is still healthy.

Over the last 3 years, the market has been fairly stable. In summer 2022, there was one home closure due to the cost of capital repair and modernisation, there is also a home that closed in February 2023. In the case of the latter, there had been an Inadequate rating following an inspection in May last year, as a result, nursing residents were rehomed, leaving residential needs only. With the home subsequently under occupied and an embargo in-situ, the operation was no longer viable.

3.1.2. Quality

Further work is required to improve the quality of local provision, with 60% (20) of homes rated 'Good', representing 56% of beds and 40% (13) rated as CQC 'Requires Improvement' (44% of beds). The quality of nursing homes is on average lower, with 10 out of the 18 nursing homes rated 'Requires Improvement'. There is no correlation between the size of the home and the CQC quality rating.

Skills for Care's 2022 publication *'The state of the adult social care sector and workforce in England'*[17] undertook predictive modelling of the workforce metrics which are associated with higher CQC scores; of particular interest, in the context of Sandwell's local market, are:

- Turnover rates were lower in establishments receiving high CQC scores.
- Establishments with lower vacancy rates, on average, received better scores.
- Care homes with more staff in post per bed, on average, received better CQC scores than those with lower staffing ratios.

[17] Available at www.skillsforcare.org.uk/stateof.

- Higher care worker pay was associated with higher CQC scores.
- Establishments with higher levels of staff undertaking learning and development were more likely to receive higher CQC scores, for example, take up of the care certificate, training and qualifications. As alluded to above, this is an area we know needs to be improved.
- Establishments with a stable registered manager were likely to receive higher CQC scores.

Figure 8 (below) identifies the CQC quality ratings for a 5-year period; in keeping with a lot of local authority areas, CQC ratings have dropped post pandemic. This is in part due to the suspension of quality assurance activities; however, this is a cause for concern as levels of 'good' and 'outstanding' provision is lower than pre-pandemic levels. The most frequent area for improvement identified by CQC is in the domain 'Well-Led', although the variability in the 'Safe' domain is also an area for concern.

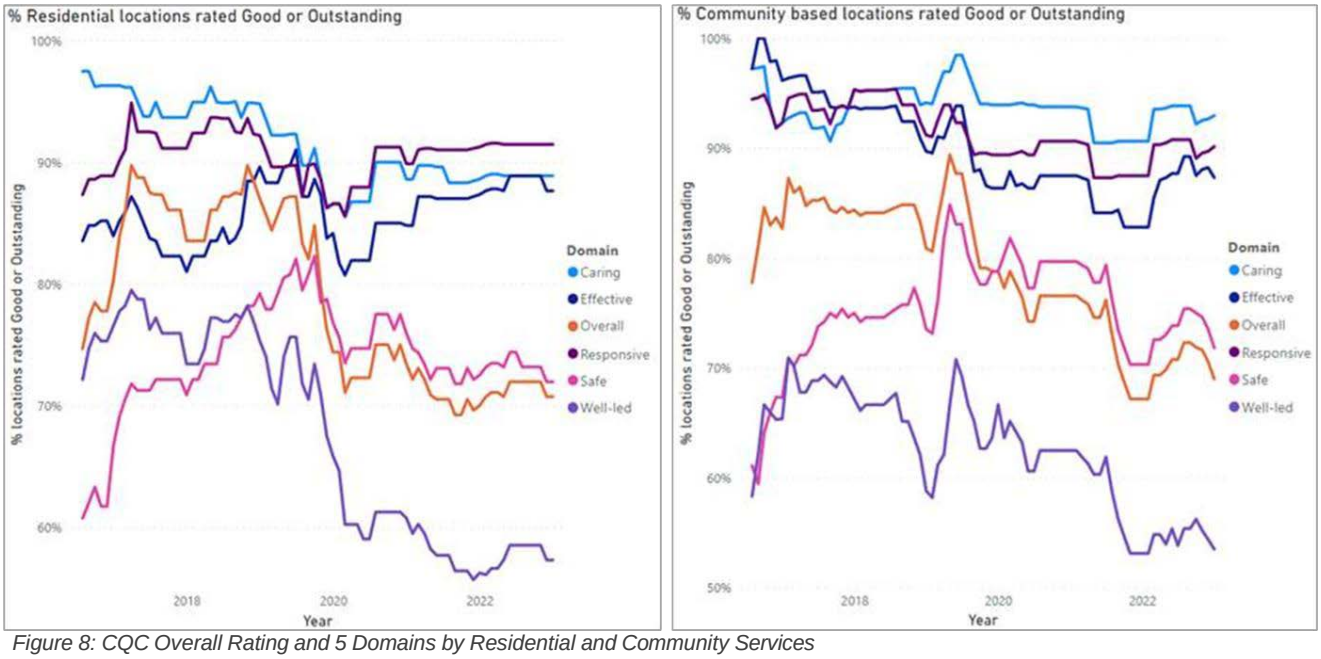

Figure 8: CQC Overall Rating and 5 Domains by Residential and Community Services

To mitigate the risk associated with the above quality concerns, the Council continues to invest in a pro-active Quality & Safety Team to support registered managers to improve the provision of services and has recently increased the resource within the team to enable more effective oversight and assurance of standards. The multidisciplinary team comprises of a lead pharmacist, quality and safety nurse, health and safety officer, senior quality assurance officer, 5 quality assurance officers, a further pharmacist and a data officer. The latter is a new post which has been created to support the collation and monitoring of independent sector data and intelligence.

The team work closely as a place with colleagues in the ICB and the community arm of the NHS Trust, meeting on a weekly basis to discuss services where there may be issues around quality and safety, or where colleagues from the Trust have had incidents reported. Other areas of support include:

- Ensuring contracted providers are safe, effective, and fulfilling their legal obligations and appropriate action is taken when standards are not met
- Utilisation of intelligence data, including safeguarding, provider notifications, falls and hospital admissions, to target interventions that improve care standards, quality of life and support a reduction in unnecessary admissions to hospital

- Implementing workstreams to support good practice across Sandwell and the wider Black Country, including assisting services to better manage incidents if they occur and identifying bespoke training needs for providers

A draft escalation and intervention framework is being developed to guide intervention depending on risk for care homes. There is also a separate provider escalation and Senior Strategy or large-scale enquiry process. Various data points (70+) are routinely collected alongside monitoring of other data sources, such as: CQC inspection, capacity tracker, safeguarding alerts, soft intelligence from professionals and complaints.

Whilst the Quality & Safety Team covers all adult social care commissioned markets, there is a focus on service improvements within care homes. Working with NHS partners, the team are supporting homes with how to manage deterioration, speech and language support, support on admissions avoidance, amongst an array of others.

3.1.3. Utilisation

Occupancy levels in residential care average 89% and nursing 87% in 2021-to date; which resulted in approximately 240 vacant beds last financial year. Despite the loss of 2 homes over the last 12 months, at the time of compiling this plan sufficiency of care home supply (as a whole) is not a significant concern[18]. The chart below highlights the two homes that have closed over the last 12 months.

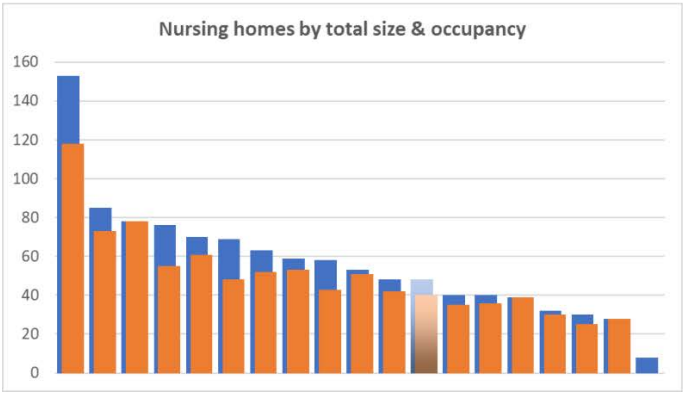

Figure 9: Nursing Homes Size vs. Occupancy

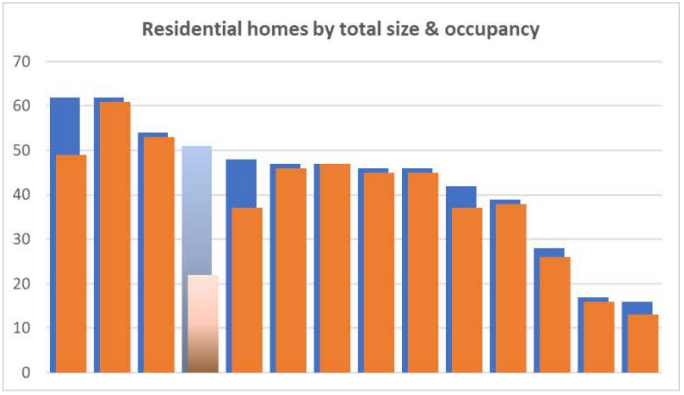

Figure 10: Residential Homes Size vs. Occupancy

We are experiencing increased demand for complex nursing placements for people with memory and cognition difficulties, and whilst there are 2-3 homes locally who will support people with higher needs, lack of capacity locally is resulting in placements out of area. Between April 2022 and February 2023 there has been 294 permanent admissions into care homes (all age), of which 13.9% (41; 3 working age and 38 65+) were placed out of area.

Work needs to be undertaken to communicate future market needs and strategic direction. Anticipated service levels, requirements and support will be communicated through the development of a new Market Position Statement to cover the entirety of the social care market.

3.1.4. Commissioning Landscape

Services are commissioned on the basis of service user choice, availability to meet the assessed need at the time of placement, and affordability (if the home of choice charges a top-up). As

[18] Although the impact of the introduction of Harvest View in October 2022 is not fully known at present, see section 6.3.

highlighted within the Cost of Care exercise[19] and figure 11, the Council's usual framework rates are currently below the reported cost of care and the average the Council is purchasing placements at.

Whilst the supply of beds is not a concern, in recent years we have experienced a dwindling number of providers who are willing to accept local authority framework rates. Increases in instances of top-ups have begun to impact on the ability (and legal requirement) for the local authority to provide choice and sufficiency of beds that do not attract an additional first- or third-party contribution. Since April 2022, no placements have been made at the framework rate. Equally, providers have reported that the FNC rate is not sufficient or attractive (at the 2022-23 rate of £209.19 per week), as the requirement to staff with a nurse 24/7 requires a volume of nursing service users (c.20-22 service users), therefore it is hard to run a nursing home on a small scale or to convert a setting without volume and support/incentives.

Analysis from Carterwood estimates the average prices paid by self-funders against other local authorities. This shows an average of £1,170 and £1,181 for nursing and enhanced nursing care respectively. These rates place Sandwell Council 115 out of 152 (lower quartile/25%) local authorities in terms of self-funder rates the market can command. Equally the fees that the residential sector command are within the bottom 15% nationally (130 out of 152 authorities), at £817 and £855 for residential and enhanced care respectively.

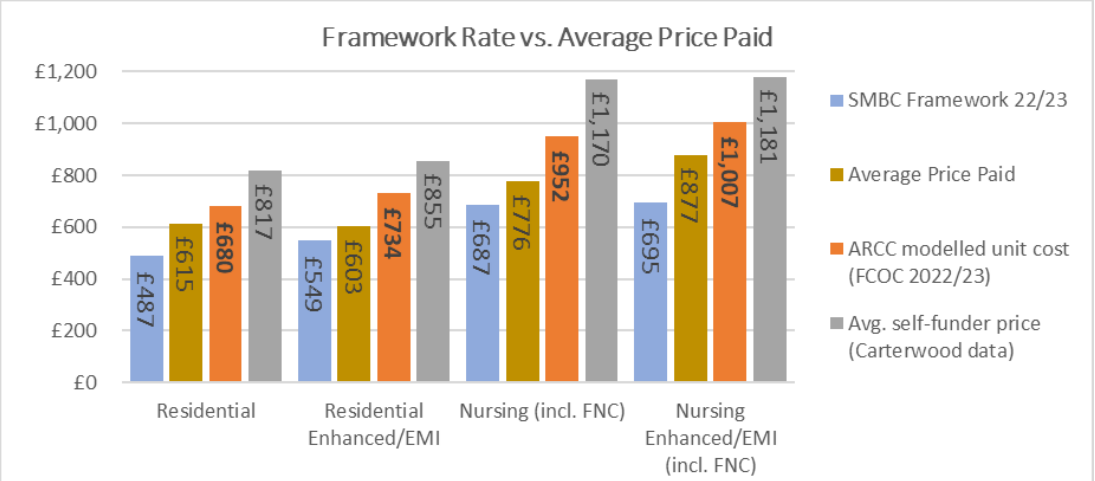

Figure 11: Framework, Sandwell Council Average, FCOC modelled cost and average estimated Self-Funder Fee Rates

Data quality concerns were noted in Sandwell's care homes cost of care report published February 2023. Compared to Carterwood data in the chart in Figure 11 above, the unit costs obtained from the October 2022 exercise resulted in higher than the self-funder fee rates quoted above. Combined with the challenges presented in our report versus the above data and given that providers will not charge lower than their cost basis to self-funders, it is feasible to conclude that the FCOC rates are not representative of the accurate costs incurred in the market. Instead, ARCC modelled unit costs using this data are shown above which are between the average council price paid for care and Carterwood data. It is therefore reasonable to conclude this represents a median point between the average local authority cost and self-funder cost.

During the cost of care exercise, providers were asked a series of questions regarding their experience of delivering services locally and on behalf of the council. Generally, care home

[19] The full cost of care reports are available here.

providers found working with Sandwell Council somewhat better than others in the region. This may be evidenced via good relationships with commissioners and overall being able to negotiate fee rates outside of the published framework rates. On the other hand, some providers find that commissioners could do more to help develop the local market, and that the commissioners do not fully understand the challenges which the providers are facing.

3.1.5. Challenges

3.1.5.1. Workforce

Providers' primary concern regarding future sustainability is access to a **stable and suitably experienced workforce**, with providers having to compete to employ staff through competitive pay rates. The impact of staff shortages is not only fiscal, but providers also reported high staff turnover which affects the continuity of care and in turn may be impacting upon increased individual needs (see table 1). Current market conditions are extremely challenging in relation to the workforce and, therefore, providers are reliant on significant levels of agency staff, nurse recruitment in particular has been reported by providers as challenging with rates +50% above usual pay rates.

These issues are further compounded when we consider the current drive to recruit staff to bolster local authority services (such as Harvest View) and the well published NHS recruitment drives; in both cases the terms and conditions are often significantly more attractive.

Whilst in the short-term the focus may be to fill vacant posts, the limited data we have on workforce indicates that turnover rates are higher for those staff members who are relatively new in post (up to 12 months); therefore, it is important we **attract the right type of people** to drive improvements in the quality and continuity of care.

3.1.5.2. Business Costs

The impact of increasing utility costs has been partially mitigated in some instances by entering fixed term deals, although some providers are reporting steep hikes in new deals with some extremes of up to **200%** increase in energy costs. Some providers cited increases (for larger homes) which would amount to an additional £20-£30 per resident per week. Similarly, insurance premiums are rising between **15-50%**.

Providers were eager to point out that lower occupancy does not significantly reduce the costs of running services as providers are still required to pay premises costs and maintain safe staffing levels, regardless of the numbers. Indeed, staff cost as a % of income increases as turnover (occupancy) reduces. Concerns were raised during the provider interviews in relation to the impact on future sustainability and that the typically low fees would no-longer be sustainable given the current workforce and cost of living crisis which is likely to force some homes to close given the significant cost pressures experienced around agency staff, utilities, insurance and food.

3.1.5.3. Limited Funding Streams

Providers reported that whilst some self-funders top up local authority placements, the amount of actual self-funders and the ability to command fee rates was low. Despite this, there was anecdotal evidence that there may be up to a **30-40% differential** in rates. From limited discussions, there was no evidence that self-funders materially receive a different service in mixed economy settings as opposed to those who cater exclusively for self-funders.

Expectations of a median **EBITDARM c.£140 per bed per week** were consistently not achieved. Of equal significance, is providers ability to invest in the capital infrastructure. Anecdotally, the physical condition of care homes locally is variable and poses a risk to those providers who have older settings in need of refurbishment. Indeed, there were suggestions from the market that a means-tested support fund should be made available for homes to apply for, for example, emergency capital repairs grant or funds for investment in energy efficiency and technology. Data from the Carterwood analysis (figure 13), suggests that the level of self-funder fees local providers can command is significantly lower than most other areas, this in turn impacts providers ability to invest within the physical infrastructure.

Further work is required to understand the condition of the local care home stock.

3.1.5.4. Ability to flex model to meet new emerging demand

The level of staff that can be deployed by homes is regulated by the fees and additional monies that can be levered such as top up or FNC. Providers felt there is no incentive/support to take people with high dependency.

Given the earlier point about higher levels of presenting needs, homes will be cautious of accepting residents who have needs beyond shared care hours, i.e. requiring more focused 1:1 or 2:1 personal care as the resource may simply not stretch this far despite the needs not being acute enough for more 'higher acuity' beds. The result is that these service users become 'difficult to place' and may end up occupying a more acute bed than is necessary due to the rate differential.

Review and co-produce specification for residential & nursing care with the market with a focus on 'Expectations' and 'Cost of Care', paying particular consideration to the factors affecting the rate differential, such as staff ratios (volume), specialisms and equipment.

3.2. 18+ domiciliary care market

3.2.1. Market Structure

Demand and supply of home care commonly fluctuates across the year with peaks during the winter and reductions in capacity during the summer months due to annual leave and childcare for staff. Figure 4 (page 6) shows the homecare activity over the past five years, which has remained constant with 3,384 packages predicted by year end 2022/23 vs. 3,354 in 2018/19. It should be noted that home-based care can also be procured via the Promoting Independence Pathway, which is not included in these figures. Forecasts for this year suggest a modest increase of 2.7% increase or an additional 622 hours of care per week. The current average call duration is 34 minutes and only 0.8% of calls are less than 30 minutes. Data also shows us the times of day visits are made. Not surprisingly, visits are skewed towards support in the morning, with 25% of all visits commissioned between 7-10am, 24.5% between 10am-2pm, 25% between 2pm-6pm and 21% between 7pm-10pm.

Overall, the authorities spend on domiciliary care has increased by £1m from £21.5m to a projected £22.6m in 2023/24. **Long-term domiciliary care** has outpaced total spend growth with a **51.7%** rise over the 5 years to 2023/24**.**

As of February 2023, 40.7% of the volume of visits was commissioned from 5 providers (9% of providers in the market). This level of reliance on the market poses risk in the event of market failure; however, the risk is mitigated by the recent expansion of the framework. Indeed, data on time taken to fulfil packages has been gathered since the e-brokerage system went live in June 2022, identifies that we have awarded 578 long term home care packages via the system, with an average time to allocate of **14 days** (see Figure 12[20]) – suggesting that there are no significant capacity challenges at present. Implementation of the e-brokerage process is being actively worked upon, with issues being addressed, as delays in internal authorisation of budgets for each care package are resulting in providers having to hold capacity up to 10 days in some instances.

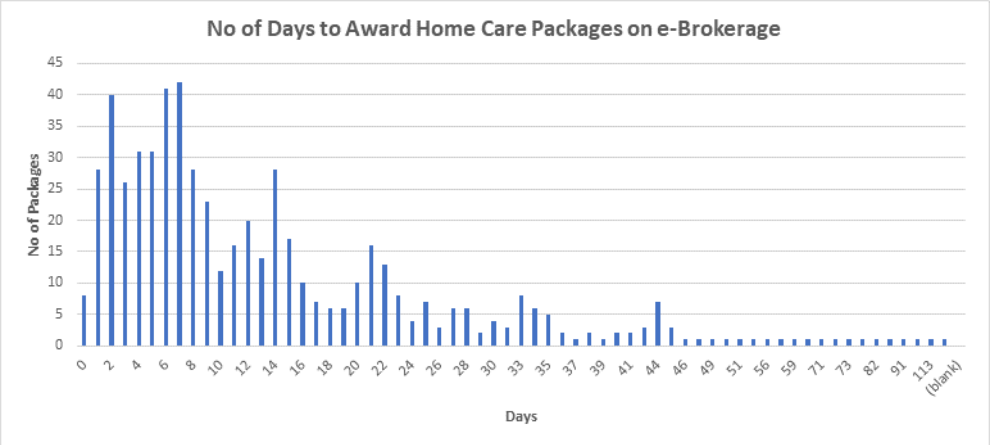

Figure 12: EBrokerage Days to Award Homecare Packages

3.2.2. Quality

There is a similar pattern in homecare as seen in care homes (Figure 9); the number of providers rating 'good' or 'outstanding' is slightly declining and the CQC domain 'well-led' remains the area of greatest concern.

Whilst a majority of providers are rated as "Good" (64%) the remainder are ranked as either "Requires Improvement" (21%), "Inadequate"(4%) or not yet assessed (11%). Based on historical data from the CQC website, of the providers who are currently assessed as "requires improvement" or "inadequate" (12 in total), 5 were previously rated higher than they are today.

3.2.3. Commissioning Landscape

All referrals for non-specialist domiciliary care are brokered via the e-brokerage system. Alongside this we have a Promoting Independence Pathway (PIP) which was introduced in September 2020 as a route to enhancing support to people who need a response quickly and support them in the community. The purpose of PIP is to utilise a strengths-based approach, agreeing short term needs and outcomes to:

- Provide immediate support in a "crisis" for a pre-defined period (up to 6 weeks)
- Promote independence with a "rehabilitation", "reablement", "recovery" or focus with an aim of preventing, reducing or delaying long term care and support

A weekly 250-hour block is in place with 5 providers through the PIP, with guaranteed payment of 80% with the remainder being commissioned through spot purchasing. PIP providers are paid

[20] There are data quality issues as Social Workers are not always responding in a timely manner so there are delays in awarding packages

at the standard homecare rate although an additional £50 is made for an assessment and response within 24 hours. Since 2020, the PIP pathway has been a huge success and has supported an estimated 2,146 people in 2022/23, making up circa **26.5%** of all packages. We will be recommissioning the PIP pathway in 2023/24 to include an outcome focus and to further support the reablement and recovery approach.

In order to meet current and future growth predicated as a result of supporting people to live at home longer, we recently introduced a new commissioning framework as of 1st September 2022, expanding tier 1 providers from 7 to 15, meaning that a smaller number of packages will be allocated to tier 2 providers, as they will only be offered packages not accepted by tier 1[21]. The number of providers on the framework (tiers 1 and 2) now stands at 58 (up from 54). This expansion suggests the market is still attractive to providers[22] as the rate the framework was advertised at was at £16.00p/h. It was only in October 2022, as a result of the cost of care exercise, that an in-year fee uplift to £16.92p/h was given.

Providers in Sandwell generally reported very positive relationships with officers within the local authority. On the other hand, some providers find that commissioners could do more to help develop the local market, and that the commissioners do not fully understand the challenges which the providers are facing. In relation to the latter, the benefit of a cost of care exercise is the increased understanding of both financial and operational challenges which will act as a foundation for future strategy.

3.2.4. Challenges

3.2.4.1. Workforce

Recruitment and retention are perceived as the single biggest challenge with virtually all providers reporting that the workforce challenge has worsened in 2022. Skills for Care data (table 1) identifies that approximately half of all community services workers are part time, coupled with vacancy rates of 6.6%, providers are operating with an instability in the workforce. In addition to traditionally low pay rates and poor terms and conditions, approximately a third of employees have been in post for less than 3 years and Sandwell has lower than average levels of achievement/working towards the Care Certificate (51% vs. 60% nationally).

Whilst turnover levels in 2021-22 were down on the previous year, anecdotal evidence from the engagement of providers indicates the position is deteriorating from the 18.3% reported through the NMDS-SC. This has a financial burden on providers as the resources invested in training staff are often non-recoverable or require a volume of billable care hours to recoup. Anecdotally, providers reported cost impact of £350 per worker who leaves within the first few months. Unfortunately, there is no reliable real-time data to quantify this position.

It also important to note the challenge is not simply to find people to ‘fill vacancies’ but to attract people who have the right values and want to work in the care sector. Even in cases where the volume of applicants is high, providers have shared that the quality of candidates is not what is required.

[21] Providers are not allocated specific townships/areas under this model, all will be expected to provide across the borough, although in practice we expect that providers will be location specific and concentrate their resources according to towns to manage costs.
[22] 136 providers expressed an interest, with 83 submitting tenders

3.2.4.2. Business Outlook and Growth

Providers generally reported that their business growth is derived from increased numbers of local authority packages due to the relatively low numbers of self-funders (est. 16.5%, see figure 17). Providers reported that this strategy requires a focus on large volumes to address the smaller profit margin on each package. Only two providers (10%), engaged through the cost of care exercise, shared that they focus exclusively on self-funder service users and were able to charge increased or variable rates.

To a certain extent the domiciliary care market, unlike care homes, has been insulated from the inflationary pressures over the first 9 months of this financial year; although the sector has been particularly hard hit in comparison to other industries in relation to the cost of fuel. This position is improving as the cost of a litre of unleaded petrol has decreased from an all-time high of £1.91 (July 2022) to £1.47 (March 2023)[23], even at this lower rate this is higher than the preceding 10 years. The costs incurred by care staff are significantly increasing both at work and in their private life, and thus being a homecare worker becomes decreasingly attractive in comparison to other occupations paying more, without requiring the use of private vehicles. Providers are generally receiving fewer applications from staff who can drive.

Where provider profit margins are tight there is less ability to absorb unforeseen and increased costs presenting increased future risk of market failure and ability to fulfil demand. c.20% of providers responding to the cost of care exercise reported a loss in the last financial year. Locally, there is a tendency to operate multiple services alongside homecare, examples of these include live-in care, supported living, and a 65+ day centre. These providers also mentioned that they can draw in care staff from other services they provide, to create a reliable contingency plan for changes to volume or workforce, which reduces reliance on using agencies in case of emergency. Other providers who currently only provide homecare, are currently considering expanding to other types of care to increase profitability.

3.2.4.3. Costs and Cashflow

The issue of cash flow and speed in which providers are paid was flagged by providers, particularly when there are variances in invoices it can take the council a long time to address these, and thus hold up the process of payment (3-6 months was common, although one example of 18 months was given). Examples, of the issues included:

- processing of the package post service commencement;
- changes in the needs of service users which is communicated to the social worker and agreed but the necessary paperwork is not put in place; and
- if the service user has an accident and the carer must wait with them for an ambulance.

Maintaining cashflow within a business to pay workers is fundamental and any delays can result in providers incurring costs for servicing the debt, e.g., invoice factoring or bank over drafts – in some extreme cases this can take 3% off the turnover which has a significant difference on the bottom line.

[23] Petrol and diesel prices in the UK | Latest fuel price data from the RAC, available here.

Further investigation is required internally and with the market to understand the frequency and reasons for delays in payments.

3.2.4.4. Suggestions for Improvements to Market Sustainability

Unsurprisingly, all providers engaged stated that improving the Council's rate per hour paid is the single most important action that commissioners can take to improve market sustainability. Other suggestions identified by providers were:

- **A 'cost envelope' which allows provider to pay staff an appropriate rate of pay:** discussion focussed on parity with comparable roles such as NHS Band 2 workers. Since providers are paid only for care time, with little or no guaranteed hours, most argue that they cannot improve care staff contracts as it was stated that the terms staff are engaged on are a mirror of the way services are contracted, i.e., no guarantee of volume or income.
- **Provider collaboration:** several providers suggested providers could be supported to facilitate collaboration to optimise delivery; these suggestions included trading packages between them to address geographical or capacity constraints, and providers banding together to be able to reduce back-office and overhead expenses.
- **Perception of social care as a career path:** several providers shared that they have attended career fairs and collaborated with local colleges to promote social care, however, for reasons cited earlier in the report, very few people are tempted to enter this field. Providers are eager for the opportunity to shift this perception amongst potential staff and particularly younger generations, to create a rewarding career trajectory within social care.
- **Sustainable profit margins:** responses ranged from 10% to 17%, with one large, national provider reporting 5% - this will reflect the impact volume has on apportionment of costs.
- **Flexibility in rates for bank holidays:** four providers currently are not paying staff any salary uplifts for weekends and bank holidays, and remaining providers struggle with making a profit on calls which require pay rate enhancements. Providers suggested increase in payment for care delivered on bank holidays, to be able to reward care staff for spending this time away from home without making a loss.
- **Support with training and development:** suggestions included the council providing extra funding for training, provide centralised training courses for staff to create scales of economy or pay visits at different rates depending on the level of skill the care worker is required to have.

3.2.5. The impact of inflationary pressures and charging reforms

Sandwell rates for homecare have increased from £16.00 to £18.40 (effective from April 2023) and for 65+ care homes, over and above the rate of inflation, and above the anticipated 9.68% rise in NLW set for April 2023. The market also negotiates spot prices with Sandwell depending on type of provision, location and complexity of care.

It is not expected that the delays to the charging reforms will have an impact on our ability to manage current pressures. For homecare, our data shows that much of our provision continues to be delivered by a number of large providers, however there is no sign that we will be unable to place new packages in future. For bed-based provision, the introduction of Harvest View has increased our bed-based capacity in the market. The introduction of the charging reforms will add significant pressures to the local authority, in terms of:

- the increased number of individuals requiring care and financial assessments requiring additional social work capacity
- the average price paid for care by the local authority

Therefore, any further delays to the implementation of the charging reforms, beyond 2025, will allow the Council time to make the necessary preparations to manage these pressures.

Section 4: Impact of Future Market Changes

4.1. Changes in Demographic and Needs

The health and social care system faces major challenges arising from squeezed budgets, rising demand, increasing costs, greater transparency about the quality of care, and rising public expectations. Levels of hospital activity – especially admissions – have continued to rise over the last decade.

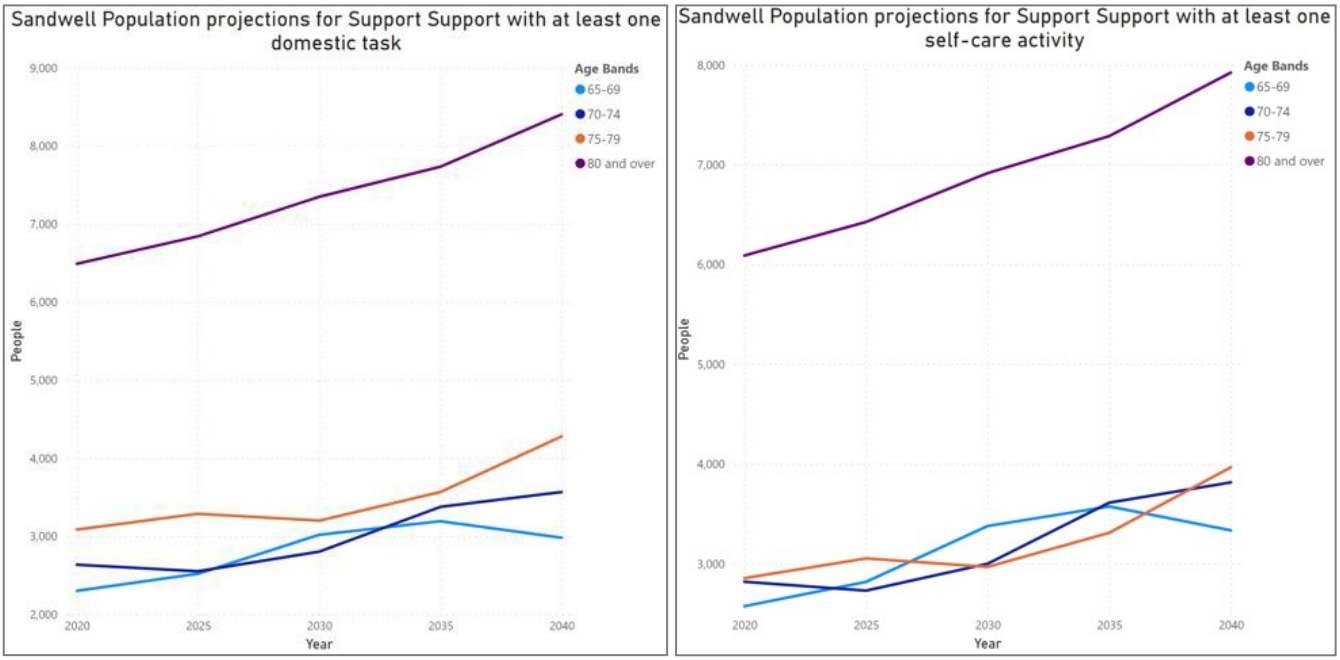

Figure 13. POPPI Service user growth Projections for Sandwell Population, 2020-2040

Figure 13 estimates a **10.7%** increase in demand by 2030, according to POPPI data. This data illustrates that we may need an extra **720** direct care workers working in social care (on top of the estimated 6,700 workforce) by **2030** to keep pace with demand (see figure 14, below). In addition, we may lose a further **2,000 workers in the next 10-years** if those aged 55 and over decide to retire.

Skills for care data was used to illustrate the direct care workforce in Sandwell (6,700 care workers, senior care workers and supporting staff). Sandwell Council internal data records the residents supported by local authority ASC. ***This shows a ratio of 0.83 carers to resident supported by ASC.*** POPPI data was used to estimate the population requiring support – this estimates a growth of 1,583 additional people (from 2021/22 baseline of 14,787) requiring support between 2022 and 2030 (10.7%). ONS data was used to project the increase in 65+ population, which shows a growth in this population of 6,764 (13.3%) from an estimated 50,810 in 2018.

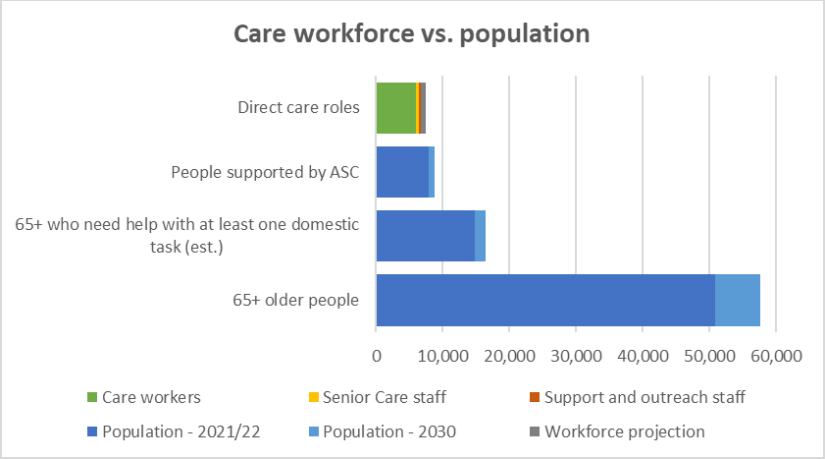

Figure 14: Care workforce vs. population: 2021-22

These pressures are intensified by demography. By 2040, POPPI predicts an additional 4,374 people aged 65 and over who need help with at least one domestic task (29.4%) and 4,358 people aged 65 and over who need help with at least one self-care activity (29.6%)[24]. Responding to these challenges with 'more of the same' – acute hospital beds and care home places – is not sustainable – or the best option for individuals.

4.2. Future Strategy

The Home First model will continue to be embedded within Sandwell over the next 1-3 years with an emphasis on supporting people to live at home for as long as possible. This is likely to impact on how we purchase services and therefore the structure of the market given we are the primary purchaser. For example, for the care home market we envisage the primary change will be a shift in occupancy and utilisation from the council due to the introduction of a new in-house intermediate bedded care service, Harvest View (see below).

The number of care home beds required over this period is likely to decrease with a need for additional capacity within the domiciliary care market which is already experiencing capacity issues at current demand levels. Demand for nursing care home placements and particularly nursing care with dementia is likely to steadily grow due to demographic changes and the complexities of individuals needing care home placements. Therefore, the Care Home sector within Sandwell remains crucial to the local market, and because of recent closures, there is limited scope for the market to shrink further without having a detrimental impact on the choice and availability of provision. Although demand for residential provision has reduced over the last 5 years due to a home first model being promoted and people choosing to stay within their own homes for as long as possible, the current levels of bed capacity will be required to ensure that there is adequate care home provision as the population of older people continues to grow.

Sandwell Council over the next 3 years will be embarking on an extensive programme of service redesign to deliver services 'fit for the future' and provide the right level of care at the right point in a person's life. Alongside facilitating the sustainable operation of care services, highlights of our strategic direction over the next 3 years are:

- Rationalising how we deliver services at the front door, to ensure that people get that 'little bit' of help that may get them back on their feet, rather than prescribing long-term care

[24] POPPI data, Sandwell 2020-2040 estimates

which may reduce independence. To achieve this, we will improve 'way finding' so that people are able to find community-based support (including the voluntary sector), invest in assistive technology (such as acoustic falls monitoring in care homes) and strengthen our digital offer.

- Work closely with public health colleagues to help embed preventative offers, alongside life-course interventions.

- Work with carers to better understand how we can support them in their caring role.

We need to improve the way we communicate our strategic intention and direction of travel to the market. Our Market Position Statement was published in 2018-19 and is now 5 years old. Under this plan we propose to refresh and publish a new market position statement, addressing the entirety of the social care market(s).

4.3. Service Transformation

4.3.1. Harvest View

Harvest View ICC[25] is central to our ambitions for enhancing the current range of intermediate care services and shifting care away from hospitals and residential homes in line with national policy objectives and a 'Home First' ethos. Harvest View opened on the 8th November 2022 and offers an 80 bed short stay unit, based in the Rowley Regis area of the borough with a focus on reablement activity. Admissions are taken from those ready to leave hospital who meet the criteria for D2A Pathway 2[26], or those without acute medical needs requiring hospital-level care but who require step up from their own homes for a period of reablement, or to address social care crises.

The original intention was that the service would replace our commissioned enhanced assessment bed (EAB) block provision which in 2022, was 42 beds commissioned across 6 homes at an annual cost of £3,278,750. However, due to challenges with recruitment of nurses, the facility has had a phased opening and therefore it has been necessary to extend block booking 16 EAB beds (up to September 2023) as well as supplementing with spot provision to meet increased demand.

Analysis of previous EAB contract utilisation showed a trend that a significant proportion of service users placed under the current EAB remain in long term care. Once fully operational, the new service will look to reverse that trend, through a reablement focused intervention, and get more people back to their normal place of residence. This may cause some disturbance within the market which will need to be monitored over the next 6-12 months as it is likely to result in more people being able to go home rather than into residential care, which may result in increased demand for domiciliary care. It is envisaged that the expansion of the tier 1 framework providers, alluded to above, will help support this growth.

[25] Integrated Care Centre

[26] The D2A operating model anticipates that half of this group need simple discharge and no more formal NHS or social care support on returning home (Pathway 0), 45% require a package of support at home, including rehabilitation, (Pathway 1) and 4% of people require reablement and/or rehabilitation in a bedded setting (Pathway 2). A package of out-of-hospital assessment, rehabilitation and reablement as part of the model for Pathway 2 is provided for a period of up to six weeks.

4.3.2. Willow Gardens Extra Care

We have a number of voids within our in-house extra care schemes, particularly, the new 90-unit scheme, Willow Gardens, which was opened in January 2022. We are looking to support people to access extra care as an alternative to residential care, the impact of this shift is presently unknown. We are looking to create a residential scrutiny panel to ensure that access to this facility if promoted as a positive choice option.

4.3.3. The Moving with Dignity Project

Work is underway to review all our double handed care packages (c.470) to ensure that care packages meet needs and explore if rehabilitation or alternative support may be suitable. We believe this may release up to 20% additional care capacity within the market, which is likely to be utilised to support the growing demand to support more people at home. The work is scheduled to be complete by July 2023 but will then be embedded into 'business as usual' to deliver further efficiency saving.

4.4. Government Policy

In 2021 the Government announced a wide-ranging reform of the way social care is paid for. The reforms propose that no one will have to pay more than £86,000 for their care costs, and if the person has less than £100,000 in savings and assets they may be able to access financial support to meet eligible care costs. Finally, the full enactment of Section 18(3) allows those individuals who are funding their care to ask their upper-tier council to arrange care for them, at the usual council rate. Following an announcement in the government's Autumn Statement 2022, the reforms are delayed until October 2025.

Whilst many local authorities are concerned that this reform poses a significant risk for their market due to providers seeing a reduction in their income at a time of rising costs; in reality, Sandwell has significantly **lower levels of self-funding care** based on modelled estimates (see below) and provider feedback. Care homes which serve an exclusively (or predominately) public paid service user, by definition are exposed to lower levels of Section 18(3) risk. Indeed, they stand to benefit from FCOC, whatever the quantum of upward movement from current council fee rates turns out to be. However, as previously alluded to within this document, the impact of limited alternative funding streams has taken its toll on providers being able to invest in infrastructure and physical estate which means the condition of our buildings-based care is not at the highest level.

Figures 15, 16 and 17 identify the ONS estimates of self-funders (May 2022); Sandwell is significantly below both the regional and national averages which contributes to the current shape of the market, but also suggests that the impact of Section 18(3) may not be as severe as other areas. However, this does place more urgency in resolving cost pressures sooner as the low self-funder numbers locally provide less opportunity for the market to have rate differentials, i.e. there are less funding streams in the local market to offset cost pressures.

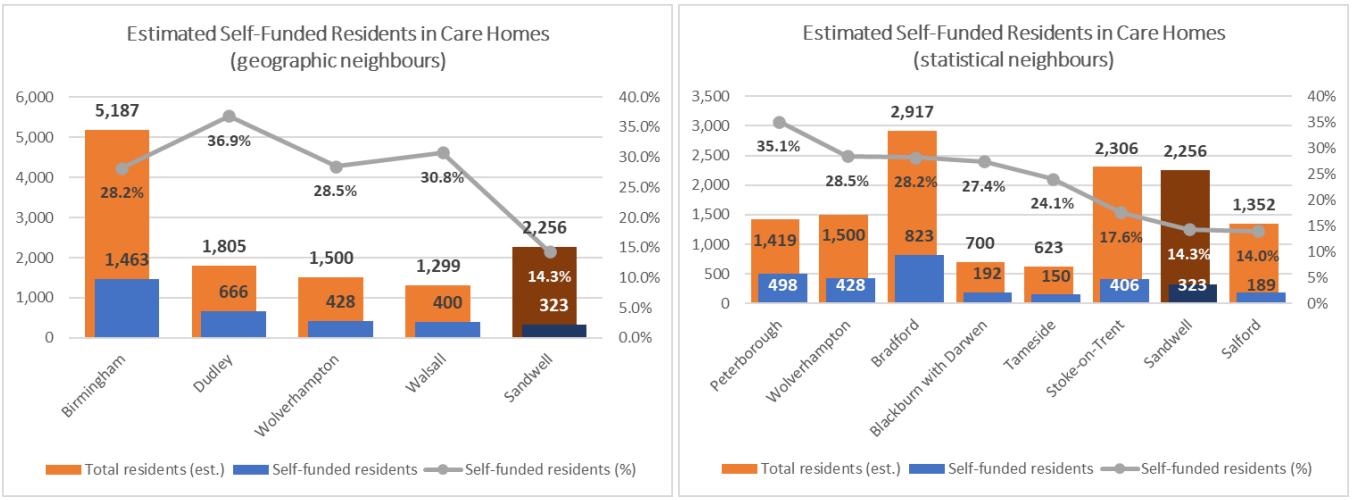

Figure 15. Self-funder population in care homes, ONS

Sandwell Council ranks *lowest* against geographic neighbours and *second lowest* against statistical neighbours regarding the proportion of self-funders in care homes compared to total care home residents at 14.3%. In terms of community services, the council fares better with 16.5% of residents in receipt of community services being self-funders, ranking *third* out of *five* in geographic neighbours and *second highest* in relation to statistical neighbours.

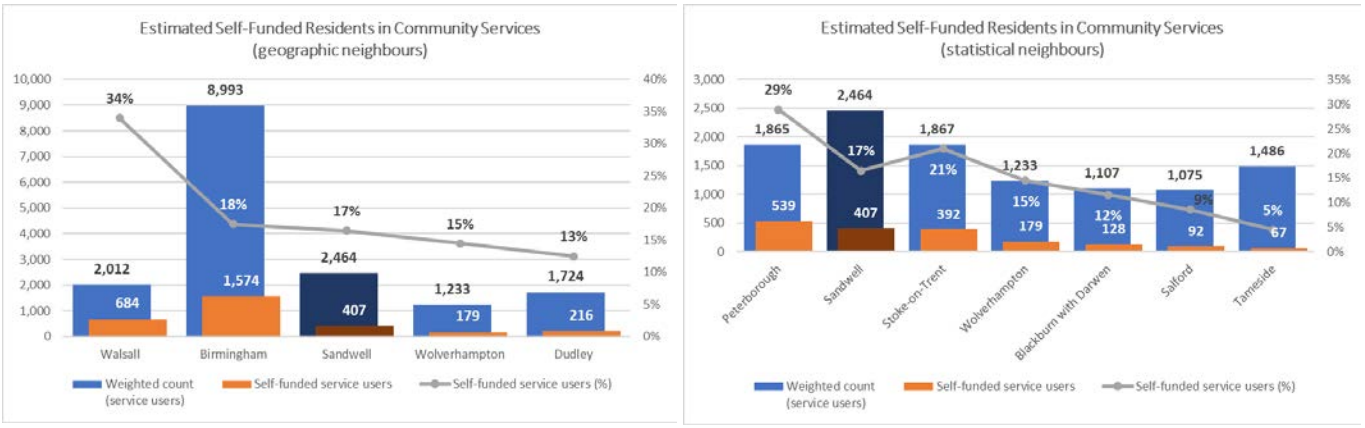

Figure 16. Self-funder population in community services, ONS

It is also worth noting that there are fewer self-funders in care homes in Sandwell than the average for the least deprived areas across England (based on Index of Multiple Deprivation), as well as being comparable to "1" on the IMD for community services (see right figure 17).

The reforms, should they be implemented in 2025, will require an extensive overhaul of our systems, policy and process within Adult Social Care to implement the range of requirements within the new funding reform. This will require significant input from already stretched social work and finance colleagues, which may impact our ability to support and continue to develop the market.

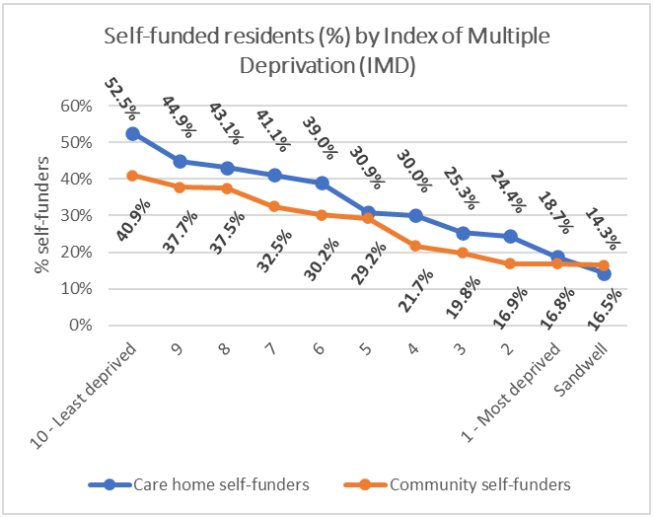

Figure 17. Self-funded residents by area of Index of Multiple Deprivation (IMD), ONS 2021

Preliminary work will need to be undertaken in the next 12-18 months with the market in relation to the implications and actions required to maintain sustainable business models.

A potential impact on providers could be that it underestimates the amount of new funding required therefore causing a sustainability risk to them which could impact future sufficiency within the market. Uncertainty over future funding, combined with low fees could also result in under-investment in local care markets, buildings and innovation, and significant increase in demand for domiciliary services.

4.5. Wider impact of Fair Cost of Care

The council recognises that whilst the Fair Cost of Care fund and this Market Sustainability Plan focusses on two of the largest areas of delivery in social care, there is also wider impact of moving towards a Fair Cost of Care in other social care markets, particularly working age adults, supported living and extra care. We recognise that increasing fees in one area of the market will have a direct impact on other areas, particularly the impact on recruitment and retention.

Sandwell has a well-developed supported living sector for people with learning disabilities and mental health needs, with set hourly rates. The impact of uplifts to homecare providers will make this market less attractive to current and future employees and will leave rates significantly below new proposed rates for homecare provision.

Work has commenced March 2023 to undertake a cost of care exercise within the Supported Living market and further work intended within the working-age residential (complex) care.

4.6. Future Economic Uncertainty

Cost inflation is an unknown and we cannot forecast with any certainty the costs that providers will ultimately experience over the next 2-3 years, against the market's current estimates. Whilst the current economic situation remains uncertain; recent announcements have also had an impact on the cost analysis undertaken in 2022. For example, it has been well documented that the cost of fuel for homecare and energy prices within care homes have posed significant pressures within the market. Fuel prices are beginning to drop to pre-pandemic levels, and in the case of the latter, whilst wholesale gas prices have been highly volatile since the end of 2021, at the time of compiling the MSP, they are returning to similar levels prior to the Russo-Ukrainian war[27]. Similarly, the reversal of the additional 1.25% on employer's NI payments will reduce provider reported costs; although the NLW will increase from £9.50 to £10.42 per hour from April 2023, a 9.68% increase.

We need to provide greater certainty to our market regarding future fees and ensure that our model for annual uplifts takes account of external market pressures. Similarly, we need to ensure that providers are aware of the various streams of support that are available, such as Energy Bill subsidies of £400 for individuals who self-fund in care homes[28]

[27] Although this may take some time to feed through to domestic and business tariffs.
[28] See: https://www.careengland.org.uk/energy-bill-support-scheme-for-local-authority-and-self-funded-residents/

Section 5: Plans to Address Market Sustainability Challenges

Throughout this document we have highted areas where we believe improvements are needed to support the market sustainability over the next 2 to 3 years. This section articulates the steps we will take, and whilst primarily targeted at the in scope 18+ homecare and 65+ care homes markets, these actions will support the sector as a whole. The wider market also faces unprecedented financial challenges, with a real risk of market failure if their equivalent needs are not addressed.

5.1. Provide Greater Financial Certainty

Whilst we have experienced a limited number of exits from the market and do not significantly struggle to place people in care, we recognise that holding fees at the current rates given the documented challenges will inevitably impact future availability of provision. Unless we address the challenges providers face in a meaningful and enduring way, there is a real risk that markets will become increasingly vulnerable, leading to market exits, less responsive services and an inability to fulfil our statutory obligations.

Fee rates was consistently raised as a significant challenge and is reinforced by the Government's White Paper: *"Uncertainty over future funding stifles provider investment and, along with low fee rates, can result in poor workforce conditions, inadequate quality care, market fragility and pose a threat to continuity of care"*[29]. On 15th February 2023, Cabinet approved a **three-year financial plan** for the adult social care provider market, uplifting all fees or rates paid for care from April 2023.

This plan is an ambitious package of additional initial investment in the sector of **£22.675M in 2023-24**. Headlines from the plan include:

- ☑ **Domiciliary Care standard hourly rate is increased from £16.92**[30] **p/h from 1 April 2023 to £18.40**[31], with subsequent years modelled at £19.52 (2024-25) and £20.52 (2025-26), bringing the latter in line with the results of the cost of care exercise. Promoting Independence, Rapid Response, Extra Care and Direct Payment hourly rates were also lifted in line with this.

- ☑ The **supported Living hourly rate is uplifted to** £17.08 initially in 2023/24, with the rate reviewed on completion of the Cost of Care exercise (launched March 2023).

- ☑ **Older People's Care Homes** have historically received a % uplift on the now defunct framework rates (see figure 13). The 65+ care home cost of care outcome highlighted that despite a significant amount of analysis of the data returns, there remains concern over the accuracy of the information supplied by providers resulting in a lack of assurance about the validity of the median rates derived. To **rebase the 'standard' fees** we pay for care, all standard rates are uplifted to mirror average rates paid for placement categories in 2022/23, in addition to an uplift for inflation. The plan proposes in the second year that the 23/24 rates are uplifted in accordance with the cost model as agreed with the West Midlands Care Association.

Table 2: Fee Proposal for Care Homes

	Residential	Enhanced Residential	Nursing	Enhanced Nursing
	£ /week	**£ /week**	**£ /week***	**£ /week***
Proposed Rate for 23/24	651.91	651.91	805.69	910.52

**Inclusive of Funded Nursing Care (FNC)*

[29] People at the Heart of Care, page 27. Available here.
[30] An in-year uplift was applied in 2022-23 of £0.92p/h from £16.00 and backdated to the 1st September 2022, utilising the £1.25M provided through the DHSC Fair Cost of Care grant.
[31] Subject to the proposed uplift being compliant with the Public Contract Regulations (PCR) 2015.

It is important to note that the recent announcement of FNC being set at £219.71 for 2023-24[32] will be directly passed through to providers. This represents a 4.8% increase on the 2022-23 rate of £209.19. We will need to monitor the outcome of recent strikes within NHS nursing and the outcome of negotiations.

- ☑ The **complex[33] 'working age' residential and nursing care home market** is uplifted according to the percentage uplift calculated using the tool for uplifts to the Older People's care home standard rates, with any uplift to the Free Nursing Care payment in 2023/24 being passed fully on.

- ☑ The **Day Care** sector is **uplifted by 10.25% from April 2023**.

The financial plan makes assumptions around inflationary increases, in 2024/25 and 2025/26 along with National Living Wage and local authority financial settlements and will therefore require review in subsequent years. We will work with the market through the annual fee setting process to understand and review cost pressures.

5.2. Improve Internal Processes

As part of engagement with the market, several processes were cited which are creating operational and fiscal challenges within the market. Alongside, moving towards the cost of care, addressing these challenges are likely to improve the financial position of providers; these include:

- ☑ **Ensuring providers are paid promptly for the care they deliver.** Whilst we are successful with delivering payments for invoices within the contractual requirements, as alluded to above, there are instances where invoices which require validation can result in delayed payment to providers, impacting cash flow.

- ☑ Internal **process improvements to ensure efficient allocation of packages through EBrokerage** to reduce instances of providers having to hold onto capacity without payment whilst confirmation is made.

- ☑ Review the **way annual uplifts are calculated and the market is consulted** on the process to understand annual percentage cost pressures.

5.3. Support Workforce Recruitment & Retention

As a system we must do more to attract, retain and develop the scarce commodity that is the social care workforce. We are committed locally to utilise our role as place-based leaders to find solutions to support the market. Alongside, the significant financial package we are putting in place (see above), we propose the following key actions:

- ☑ Work closely with our providers to understand the workforce pressures to ensure we have a fully trained and competent workforce with attractive terms and conditions. We propose to launch a **dedicated forum/workstream with the market** to look at these challenges and create a development plan.

[32] Announcement available here: https://www.legislation.gov.uk/uksi/2023/288/regulation/2/made
[33] Learning Disability, Mental Health, Memory and Cognition, Physical Disability and Sensory Impairment

- ☑ Social care requires much more complex skills than it did even 10-years ago as we support people with more complex needs and so investing in learning and development is essential. We will work with our partners in health to maximise and promote recruitment strategies across the system. We are exploring the benefits of developing an **integrated workforce development strategy,** which will also support those with care and support needs to re-engage in the workforce.

- ☑ Introduction of a **market impact assessment** step within the business case and risk analysis phase of any service development. This will ensure that impacts associated with the introduction of services, such as Harvest View, can be fully considered and mitigated where possible, e.g. monitoring staff loss within the independent sector and offering suitable support with DBS costs etc.

5.4. Creating a Market 'Fit for the Future'

Budget constraints, limitations on workforce and an ageing population require us to reimagine what our social care pathways and market will look like in the future, as alluded to in section 6.2. We cannot afford to 'stand still', and as such, we propose the following key actions:

- ☑ **Improve our communication with the market regarding our strategic direction** for adult social care through the creation of a new Market Position Statement. This MPS will align to our vision for a **prevention and early intervention offer at the front-door** and **strengthening the strengths-based approach within long-term care**. This will present new opportunities for diversification for providers.
- ☑ **Review our offer to carers**, working with people with lived experience to ensure the services we offer support carers in their roles.
- ☑ **Recommissioning of the PIP pathway** in 2023/24 to include an outcome focus and to further support the reablement and recovery approach.
- ☑ Rationalise "resource at the right place at the right time" through investing in **additional social work capacity** to review service users and ensure the right level of care is in place, allowing us to redistribute resource where appropriate and taking pressure off the already limited workforce.
- ☑ Invest in the **digital agenda**, including advancing shared care records and investing in and raising awareness of the plethora of assistive technology in the market. We will undertake cost benefit analysis on the introduction of technology that augments the workforce, such as acoustic monitoring for falls. This will help mitigate the growth of demand in the context of limited human resource.
- ☑ Continue to invest in our placed based **quality assurance and improvement offer** by working with system partners to support providers to raise quality standards.
- ☑ Undertake an **assessment of the condition of 'building-based' services** to understand if there are significant future challenges to market sustainability. Utilising this data we will explore market support options.
- ☑ We will work to understand our requirement for the **mix and profile of our care home beds** and will work with providers to develop the specifications which underpin our strategic direction, with a focus on 'Expectations' and 'Cost of Care'.

5.5. Improve Data & Intelligence.

Like most authorities, we are experiencing unprecedented demands to transform the way we deliver services with dwindling levels of internal resource; as a result, we are operationally focused and 'fire-fighting'. There is a wealth of data being collected in relation to the market; however, this is not centrally held or analysed. As a result, market interventions are typically generic, as opposed to targeted, such as uniform fee uplifts. Identification of risk will allow support to intervene early to prevent market failure or help to strategically manage market failure to ensure key assets are not lost. We propose the following key actions:

☑ Establish the **metrics to monitor sustainability of the market** (management by exception) and design and assess resource implications from there. Initial ideas for the dashboard is contained within figure 18 (below), further work is required to agree metrics and assess how this information can be collated to give an accurate and 'real-time' picture of overall market sufficiency.

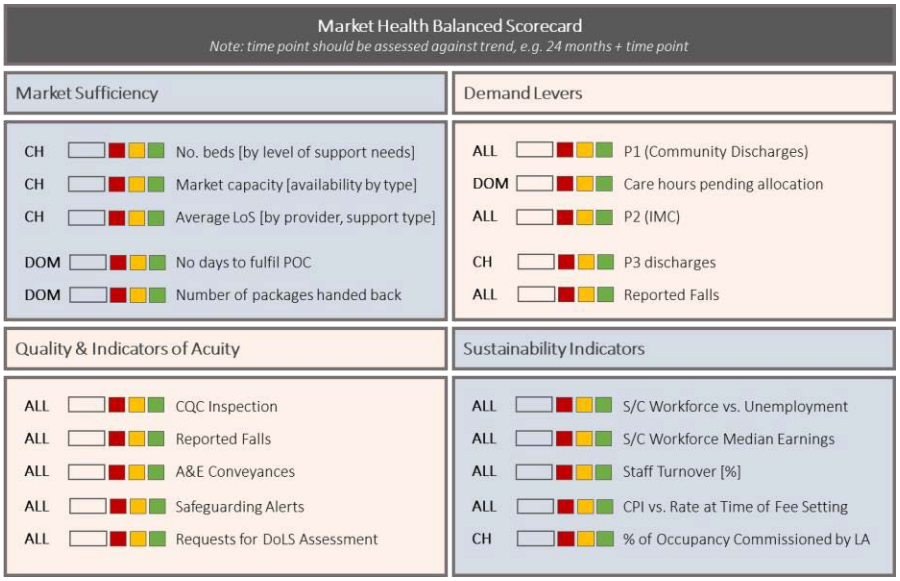

Figure 78: Draft Market Sustainability Dashboard

☑ Further work will be undertaken to gather **self-funder market intelligence**, including quantifying 3rd party top-ups. This will help us prepare internal systems and the provider market for the upcoming changes to care legislation such as the implementation of Section 18 (3) and the charging reforms in 2025.

Sandwell
Metropolitan Borough Council

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LIVE WELL
AND AGE
WELL