

Social Care Funding Reforms – The Market Sustainability & Fair Price for Care Fund

Date: 26 October 2022

Report of: Deputy Director Integrated Commissioning

Report to: Director of Adults and Health

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

In December 2021, the government announced the Market Sustainability and Fair Cost of Care Fund to support local authorities to prepare their markets for reform, including the further commencement of Section 18(3) of the Care Act 2014, and to support local authorities to increase provider fee rates. This report sets out proposals for the use of the 2022/23 allocation of funding to work towards meeting some of the ambitions set out by the DHSC.

Recommendations

- a) Approve the proposal to distribute £1.676m of the Market Sustainability and Fair Cost of Care Fund for 2022/23 to 65+ residential dementia, nursing, and nursing dementia care homes in Leeds, backdated to April 2022.

What is this report about?

- 1 Section 5 of the Care Act, 2014, places a duty on local authorities to promote the efficient and effective market for delivery of care and support services to meet the needs of local citizens, including people who fund their own care. The duty extends to ensuring there are a range of diverse services available to enable choice, that they are sustainable and are of a high standard of quality.
- 2 The DHSC white paper, [People at the Heart of Care](#), outlines a 10-year vision that puts personalised care and support at the heart of adult social care. This sets out the government's ambition to implement wide-ranging reform of adult social care, one of which relates to the duties under Section 5 of the Care Act, 2014.
- 3 The proposals in this report support the ambitions and priorities for the Council and the city as set out in the Best Council Ambition to be an Efficient, Enterprising and Healthy Organisation in terms of effective partnership working and commissioning, with a clear focus on delivering high quality, locally integrated public services and supporting the people and places most in need.

What impact will this proposal have?

- 4 The proposal to distribute the Market Sustainability and Fair Cost of Care Fund allocation for 2022/23 to the relevant 65+ care homes should help with the Care Act 2014 market shaping duties to encourage providers to increase dementia care and nursing care bed capacity. This includes encouraging residential care home providers, of which there is an oversupply, to extend their beds to people that require dementia care.
- 5 In supporting its ambition to implement wide-ranging reform of adult social care, the DHSC is making available the Market Sustainability and Fair Cost of Care Fund to be allocated over a 3-year period. The [fund was announced on 16 December 2021](#). In total the fund amounts to £1.36 billion (of the £3.6 billion to deliver the charging reform programme) of which £162 million is being allocated during 2022-23.
- 6 As a condition of receiving future funding, local authorities are required to evidence the work they are doing to prepare their markets and to submit the following to DHSC by 14 October 2022:
 - cost of care exercises for 65+ care homes and 18+ domiciliary care
 - a provisional market sustainability plan, using the cost of care exercise as a key input to identify risks in the local market, with particular consideration given to the implementation of Section 18(3) of the Care Act 2014. A final plan is required to be submitted in February 2023
 - a spend report detailing how funding allocated for 2022/23 is being spent in line with the fund's purpose
- 7 On 24 March, DHSC published guidance on the Market Sustainability and Fair Cost of Care Fund 2022/23. The guidance states that local authorities are required to use all the funding to improve sustainability of the 65+ care home and 18+ domiciliary care markets (including domiciliary care providers who operate in extra care settings), with at least 75% of the funding allocated in 2022/23 to be used to increase fee rates paid to providers in order to move closer to meeting providers' costs.
- 8 Up to 25% of allocated funding in 2022/23 can be used to fund implementation activities associated with meeting the fund purpose such as strengthening internal commissioning and contract management capacity or procuring external resource to undertake the work associated with these grant conditions.
- 9 The guidance states that where a local authority has completed a cost of care exercise(s) in April 2021 or later, they may be able to use this for the cost of care report and data return, but local authorities must consider:
 - whether this accurately reflects current costs
 - how they have adjusted for inflation since the exercise was carried out
 - whether their approach to future inflation, return on capital and travel time remain relevant in future years
- 10 Alongside Cost of Care exercises, local authorities are required to develop and submit a provisional Market Sustainability Plan (MSP), to be submitted by 14 October 2022, outlining an assessment of the sustainability of the local care market in relation to 65+ care home services and for 18+ domiciliary care services, which:
 - takes into account the results from the cost of care exercises
 - considers the impact of future market changes over the next three years, particularly in the context of adult social care reform
 - sets out an outline action plan for addressing the issues identified and the priorities for market sustainability investment

- 11 A final MSP is required to be submitted in February 2023, once budgets are agreed, following the publication of the Local Government Finance Settlement 2023/24.
- 12 In order to progress this work and meet the submission requirements, the A&H Directorate re-engaged the two external organisations, ARCC and C Co. to complete a refresh of the cost of care exercises they completed during the summer of 2021. Approval for this re-engagement was previously sought as an Admin Decision. The purpose of this work has been to ensure that the data relates to providers' costs as at April 2022 in accordance with the conditions set out in the DHSC guidance published on 24 March 2022.
- 13 The cost of care exercises have been completed by ARCC and C Co. and have involved detailed engagement with the home care and care home market, including a series of provider workshops undertaken throughout the summer. Both ARCC and C Co have also undertaken discussions with individual providers to validate the data submitted and to test their assumptions. Early findings of the anonymised cost data have also been shared with providers as part of the validation and consultation process. In addition, the Chief Officer of the Leeds Care Association has been involved throughout the process including in the regular meetings with the two consultancies.
- 14 The cost of care data from both exercises has been anonymised and aggregated and a median cost has been calculated in accordance with the DHSC guidance. The median costs arising from the cost of care exercises, alongside current fee levels, are outlined in the two tables below.

65+ Care Homes

Care Setting	Cost of Care exercise Median Cost (as at April 2022)	LCC Fee Rates 2022-23	
		Core	Core plus Quality Premium Payment
Residential	£990.12	£601.00	£626.00
Residential Dementia	£971.66	£644.00	£670.00
Nursing	£1,229.38	*£659.00	*£685.00
Nursing Dementia	£1,154.23	*£688.00	*£714.00

* Excluding Funded Nursing Care (FNC) of £209.19

18+ Domiciliary Care

Median Cost of Care	LCC Hourly Rates 2022-23		
	Urban	Rural	Super Rural
£22.54	£20.49	£21.82	£22.89

- 15 It is important to stress that the costs relate to April 2022 and will not therefore have taken account of more recent financial pressures experienced by the providers including the significant increase in energy costs. As is evident from the data, there is a marked difference between the median cost of care identified for the care home provision across all four care settings relative to current fee levels. The home care median cost of £22.54 derived from the cost of care exercise is closer to the current fee rates overall and this is to a large part due to the higher percentage inflationary increases applied to home care in April 2022. However, the median of the current rates is the urban rate of £20.49.

16 In terms of the distribution of the Fund for 2022/23 a policy note from DHSC issued on 25 August 2022 states:

'The Fund itself has been designed flexibly to recognise different local authorities will have different challenges. It should be used to address specific issues and risks that you have identified in your market sustainability plans, including the distance from paying a fair cost of care for different service types.'

17 Home care capacity within Leeds has improved since the significant inflationary increase applied to home care providers in April 2022.

18 The fee increases applied to 65+ care homes in April 2022 ranged 6% to 10% and despite this increase it continues to be difficult to secure suitable care home placements particularly for people who have had an episode in hospital and who require a nursing home placement and/or dementia care. Market analysis continues to show an undersupply of nursing and nursing dementia provision across all areas in Leeds and this has been compounded by volatility in the care home market with some nursing homes exiting the market and others reducing their bed capacity by closing wings or floors within their units.

19 In response to the specific market pressures and gaps in provision, it is proposed that the full allocation of £1.676m for 2022/23 is distributed across nursing, nursing dementia and residential dementia provision, backdated to 1 April 2022 with the split as follows: Residential Dementia 20%; Nursing 40%; Nursing Dementia 40%.

Care Home Setting	Framework 2022-23 £	Revised with grant £	Increase (per bed week) £	Percentage Uplift
Residential	601	-	-	-
Residential Dementia	644	654	10	1.55%
Nursing	659	692	33	5.01%
Nursing Dementia	688	739	51	7.41%

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing

Inclusive Growth

Zero Carbon

20 The proposal will enable the Council's ambitions for a strong economy and a compassionate city and to enable people to live with dignity and stay independent for as long as possible with the right care and support. The proposal will also support the ambition of inclusive Growth: Supporting the city's economic recovery from COVID-19 and building longer-term economic resilience for the care provider market; Supporting local businesses, helping people into work and into better jobs; Tackling low pay.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?

Yes

No

21 There has been wide consultation and engagement with the 65+ care home and domiciliary care provider markets throughout late spring and the summer as part of the cost of care

exercises. Officers and the two consultancies have encouraged the relevant care sector to submit their costs and there has been good overall engagement by the providers.

- 22 Due to the tight turnaround between the completion of the cost of care exercises and the submission of the initial MSP, there has not been sufficient time to consult the relevant care sector in the completion of the plan. However, it is anticipated that there will be sufficient opportunity to consult with providers in the preparation of the final MSP for submission in February 2023.

What are the resource implications?

- 23 The funding to be allocated to Leeds for 2022/23 is £2.235m, with a minimum of 75% equating to £1.676m being allocated to the relevant care providers as informed by the cost of care exercises and market capacity.

What are the key risks and how are they being managed?

- 24 The key risk is that in undertaking the two cost of care exercises there is an expectation from providers that there will be a further in-year fee increase applied to all of the services in scope. However, the amount of funding allocated for 2022/23 is insufficient to enable the Council to allocate even a moderate increase across both the 65+ care home provision and the home care provision. This is mitigated in the acknowledgement from Central Government that the funding being allocated by DHSC for 2022/23 is limited and should help councils to start to move closer towards meeting provider costs. Also, when the Fund was announced in December 2021 it was on the basis that the allocation would be spread across three years with a higher amount being allocated during 2023/24 and 2024/25.
- 25 The decision to distribute the minimum 75% allocation for 2022/23 across nursing, nursing dementia and residential dementia provision backdated to 1 April 2022 is mitigated in part by the significant increase of between 12% and 16% already applied to home care providers in April 2022.
- 26 Though the announced funding for 23/24 and 24/25 is significantly higher than that allocated for 22/23, DHSC have stated that the allocation will be based upon where there is the biggest gap and not on traditional formulas. It is therefore a risk that the Council will not receive this sum going forward and in such an instance will seek to manage this uplift within the current proposals for 23/24 fee setting.

What are the legal implications?

- 27 In order to access the Market Sustainability and Fair Cost of Care Fund, the Council is required to complete cost of care exercises with 65+ care homes and 18+ domiciliary care, and an initial Market Sustainability Plan for submission to DHSC by 14 October 2022.

Options, timescales and measuring success

What other options were considered?

- 28 Consideration has been given to the option of distributing the £1.67m across all 65+ care home provision and 18+ domiciliary care provision. However, the DHSC guidance and policy note issued on 25 August 2022 explicitly state that the Fund should be allocated in accordance with local market conditions and pressures.
- 29 In April 2022 the Council allocated a fee increase of 12% - 16% for home care in order to support the recruitment and retention of care workers and to enable home care providers to pass on a wage increase to their care workers of a minimum of £10.50 per hour. This has

resulted in an improvement in home care capacity in recent months. Whilst there has been some market volatility, in the main, the home care provider market is buoyant.

30 Given the significant pressures in market capacity for care home placements and in particular for nursing care, nursing dementia and residential dementia it is proposed that the full allocation of £1.676m for 2022/23 is distributed across this provision.

How will success be measured?

31 Success will be measured by the timely completion of the cost of care exercises for 65+ care homes and 18+ domiciliary care and of the initial MSP and also the submission of a spend report detailing how funding allocated for 2022 to 2023 is being spent in line with the fund's purpose.

What is the timetable and who will be responsible for implementation?

32 The DHSC guidance requires the full 2022/23 allocation to be spent in-year following submission. As a condition of receiving future funding, the Council must evidence the work done to prepare the markets for reform and submit by 14th October 2022:

- Annex A: A fully completed cost of care data table.
- Annex B: Cost of care reports for 65+ Care homes and 18+ domiciliary care.
- Annex C: A provisional market sustainability plan, using the cost of care exercises as a key input to identify risks in the local market, with consideration given to the further commencement of Section 18(3) of the Care Act 2014.
- A spend report detailing how funding allocated for 2022 to 2023 is being spent in line with the fund's purpose. (Included within Annex A).

Appendices

- Equality Assessment.

Background papers

- None.