Final Market Sustainability Plan

Annex C to the Cost of Care Exercise

Section 1: Revised assessment of the current sustainability of local care markets
a) **Assessment of current sustainability of the 65+ care home market**

In Havering there is a diverse residential and nursing care home market supporting older people. There are 34 residential and nursing care homes supporting those over 65. There is a range of large, medium and small corporate groups operating with a greater proportion of large corporate group nursing care homes and small corporate group residential care homes. There is a mix of bed capacity across the homes in Havering from larger scale (50+ beds), medium scale (20-49) to small scale (less than 20). Pre COVID-19, the Council was able to make placements at its usual rates, as there were/are sufficient numbers of residential and nursing care homes who take Council funded placements. This has begun to shift due to a number of factors locally:

- Higher numbers of people being discharged by the NHS into care home settings
- Greater complexity of need, primarily related to the COVID-19 pandemic.
- Periodic suspensions of providers because of quality and safeguarding concerns
- Increasing numbers of placements being made by other London local authorities, including Essex and Kent.
- Much higher weekly rates being requested, likely 'pricing in' inflationary pressures, which we are sympathetic to.

The types of services offered by care homes in Havering include bariatric, mental health support, sensory impairments, Korsakoff syndrome, head or brain injury and specialist dementia support. Care Analytics report for Havering 2018 indicated only 14% of older adult nursing placements were placed out of borough and 13% of older adult residential placements. However, some providers focus on the private market or Health funded placements.

As of March 2023, we have one care home rated as 'outstanding' by CQC, 29 rated 'good' and 4 'requires improvement'. In this area the Council's Quality Outcomes team works well on bringing standards up and supporting providers to meet the Council's requirements.

The Council's usual rates for 2022/23 are set out below and are exclusive of FNC. The Council are generally able to place at these rates but will negotiate on an individual basis should they have needs which cannot be met at the standard rates. As mentioned above, there are currently some quality issues with a small number of residential care homes, which has resulted in suspension of Council placements. This is usually a short-term arrangement to allow providers time to achieve improvements, but it has an impact on price as it temporarily reduces the market capacity and the Council's ability to place at usual rates.

RESIDENTIAL STANDARD	£620
RESIDENTIAL ENHANCED	£695
NURSING STANDARD (excluding FNC)	£632
NURSING ENHANCED (excluding FNC)	£678

Havering's 2022/23 current average payment rates for 65+:

Residential Standard	£808.08
Residential Enhanced	£808.08
Nursing Standard (excl FNC)	£779.98
Nursing Enhanced (excl FNC)	£779.98

There is a high turnover of staff in Havering but lower than national averages. Skills for Care estimates that the staff turnover rate in Havering was 24.9%, which was similar to the region average of 27.6% and lower than England, at 29.5% (2020/21). There is a large retail sector plus a hospital who are all potential competition for recruitment of care home workers.

The Council have consulted with care homes on inflationary pressures and market sustainability through provider forum meetings online, provider-wide surveys and direct communications via email. The top three pressures in sustaining the business raised by providers were the **substantial increases to National Living Wage** and **National Minimum Wage**, increasing **utility and overhead costs** and **difficulties in recruiting staff** (resulting in having to use agency staff on occasion with much higher costs). The Council will begin to address these issues through uplifts recognising inflationary pressures as well as sustainability, and sufficiency of capacity to support hospital discharge.

The increase in interest rates to approximately 4% from something around 0.25% is the most significant cost pressure for care homes, as whilst all cost pressures are important, increasing mortgages impacts sustainability the most.

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Prior to the introduction of charging reform providers had signalled concerns that this change would likely negatively impact on revenue, therefore the delay was not unwelcome.
b) Assessment of current sustainability of the 18+ domiciliary care market
In Havering there is diverse domiciliary care market supporting those aged 18+. There is a range of local providers including 2 large corporate groups, 4 medium corporate groups and a number of small group and independent providers operating in the borough. There are at least four larger providers (with over 100 Havering placements) who accept care packages from the Council plus a number of smaller sized providers meaning the Council is not overly reliant on one or two agencies. The Council has recently commissioned a new homecare framework contract for domiciliary care. 39 domiciliary providers applied and 15 were successful indicating a diverse market and a large number of providers that want to work with the Council. A new care package is advertised to all homecare providers on the framework at the same time. Care packages are usually placed within 48 hours, and this covers all parts of the borough. The Council's homecare rate is £19.68 per hour and the market feedback has been positive about the rate with no providers claiming the rate is insufficient prior to the inflationary pressures providers are now experiencing. There is a high turnover of staff but lower than national averages. Skills for Care estimates that the staff turnover rate in Havering was 24.9%, which was similar to the region average of 27.6% and lower than England, at 29.5% (2020/21). There is a large retail sector in Havering, plus a hospital, and many care homes, all potential competition for recruitment of domiciliary care workers. All the domiciliary care providers on the Council's framework contract have a 'good' CQC rating with the exception of one. The Council have been consulting with domiciliary care providers on inflationary pressures and market sustainability through forums, surveys and communications. The top three pressures in sustaining the business raised by providers were the substantial **increases to National Living Wage and National Minimum Wage**, difficulties in **recruiting staff** (resulting in having to use agency staff on occasion with much higher costs) and difficulties in **retaining staff**. The Council will try to address these issues through uplifts recognising inflationary pressures as well as sustainability, and sufficiency of capacity to support hospital discharge. These key sustainability issues largely overlap the identified areas for care homes too, which suggests both markets warrant a similar approach to using the allocated fund to provide market sustainability.

Section 2: Assessment of the impact of future market changes between now and October 2025, for each of the service markets
As part of provider engagement, Havering Council sought views from care home and homecare provider representatives, as well as incorporating feedback from the wider consultation as outlined in section 1. The general message is that inflationary pressures on the market will continue to pose sustainability issues for the care homes and homecare providers. This may be mitigated as headline inflation falls, as predicted by the Bank of England, but providers have already absorbed considerable cost increases and are looking for support to see them through this difficult period. Financial challenges impact in various ways. Retention and recruitment of the care provider workforce is expected to continue to be problematic over the next few years, in addition to being a highlighted current market pressure for both sectors as per section 1. The care provider workforce suffers from high turnover, with seasonal disparities – for example high absence around December and the holiday periods, reflecting the family commitments of many carers as well as sickness, and the attraction of working temporarily for those industries who scale up for the Christmas period (for example Amazon, the Royal Mail and supermarkets). Whilst this trend has existed for years, the increased pressure since Covid has meant the impact of this on the capacity of the workforce is greater and is likely to continue to be so. This trend is also evident on a national level. Additionally, as an outer London borough, Havering is going through significant regeneration and demographic change. From 2022 to 2032, Havering is expected to grow 5.6% (15,000), as forecast by ONS and incorporated into Havering's Joint Needs Assessment (October 2022). Havering's current demographic also makes it one of the oldest boroughs in London – with 17.6% of the population 65 years or above, compared with the London average of 11.9% (Census, 2021). As the borough becomes more populated, alongside an ageing population, the demand for care increases. Higher demands on the market is likely to exacerbate the problems of staff recruitment and retention. This will feed into additional cost pressures from higher staff wages, needed for care providers to be able to compete in the workforce market. On a national level, health workers are pursuing wage increases, with some NHS staff striking for a 15-19% pay rise. The knock on pressure to care costs will likely filter through over the coming years. We have quantified the effect of demographic change in our modelling, to predict the impacts of growing need in the borough over the next few years. The table below outlines the sustained pressure we are likely to see on our markets for homecare and care homes.

	2011	2021	2030*	2035*	2040*
Total Population	237,927	262,022	278,080	284,676	291,252
Population aged 65 and over	42,557	46,192	53,037	56,730	59,444
Population aged 85 and over	6,136	7,011	8,205	9,679	10,137
Population aged 65 and over as a proportion of the total population	17.89%	17.63%	19.07%	19.93%	20.41%
Population aged 85 and over as a proportion of the total population	2.58%	2.68%	2.95%	3.40%	3.48%

** ONS 2018 sub population projections March 2020*

These pressures are recognised in our Market Position Statement which will be considered by the Council's cabinet in the first quarter of 2023/24 which has been developed in conjunction with the Market Sustainability Plan.

Delayed Funding Reform impacts

Since the revision of the implementation date of the Adult Social Care Funding Reform, Havering has revised modelling to reflect the delay in expected impacts. Below outlines the potential impact on Havering. We have assumed introduction in October 2025, as well as moving to a reasonable cost of care, and have modelled the impact of Funding Reform on:

(a) additional costs faced by the local authority (which would be additional income to the provider) of the cost of care being higher than the current local authority rates

(b) the impact to the wider care market of the cost of care being lower than the costs currently paid by self-funding clients. Potential cost impact of the introduction of cost of care home care rates were included in this modelling.

Potential Impact for LB Havering – Summary

Projected Costs of ASC Funding Reforms	**2023/24 £'000**	**2024/25 £'000**	**2025/26 £'000**
Assessments, Reviews and Case Management			
Assessments	0	0	483
Reviews	0	0	120
Case Management	0	0	20
Total Assessment, Reviews and Case Management	**0**	**0**	**623**
Changes To Capital Thresholds			
Current LBH Clients (Full Cost or Taper)	0	0	132
Self Funders qualifying for LA Funded Care	0	0	218
People Receiving Unpaid Care	0	0	153
Total Capital Threshold Changes	**0**	**0**	**503**

Self Funders Reaching The Care Cap	0	0	0
Administrative, IT and Other Costs	**0**	**0**	**0**
Median Cost of Care			
Residential	2,813	2,842	2,877
Nursing	5,250	5,304	5,369
Home Care	3,221	3,255	3,295
Total Median Cost of Care	**11,284**	**11,401**	**11,541**
PROJECTED COST TO LBH AT 2022/23 PRICES	**11,284**	**11,401**	**12,666**
PROJECTED COST TO LBH – INFLATION ADJUSTED			
Projected Funding	**2,355**	**3,528**	**3,528**
POTENTIAL SHORTFALL	**9,767**	**8,799**	**10,061**

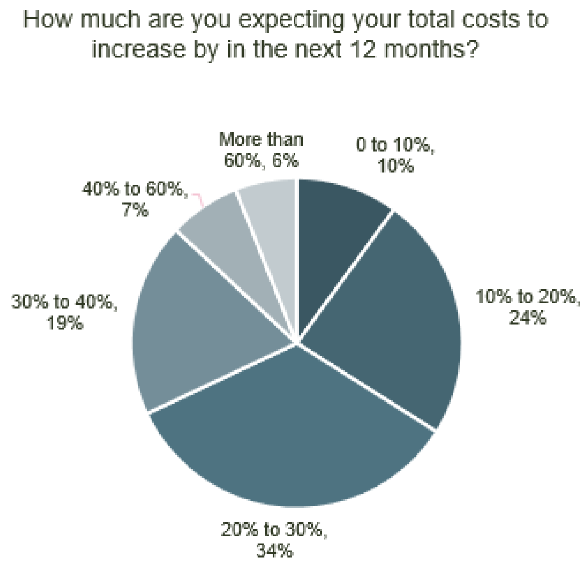
The impacts shown in the table are representative of assumed changes to rates, for homecare and care homes uplifting to the median cost of care from April 2023 **for illustrative purposes only**, which is unaffordable within the current funding envelope. It is true however that those eventual finalised impacts are likely to be similar and will create significant pressures on future budgets.

The table shows the impact of the delayed funding reform starting in the year 2023/24 with the effects of the Cost of Care exercise. This shortfall in funding when achieving the median cost of care figure (to be explained in section 3), is significant over the next few years, with a projected shortfall of over £10 million in the financial year 25/26. This model uses the average of the quarterly OBR CPI inflation forecast, where care costs are assumed to rise in line with average earnings. This inflationary figure could be underestimated in the current inflationary climate, which suggests a potential even larger shortfall over the coming years.

It should be noted that although it is expected for current market pressures to continue, many external factors make it difficult to predict up to October 2025 how the market will change. Global politics, government policy and other external factors can impact significantly. It is essential therefore that there are regular reviews of the market position. Havering's annual approach, consulting with the market widely as part of its annual uplift process, will be essential in responding to unforeseen changes.

Regional impacts

There has been work conducted regionally – across North East London – involving both councils and providers, facilitated by Care Providers' Voice (a representative body for care providers to have a united voice across the region). A Care Providers' Voice survey was conducted with providers in October 2022, which highlighted the concerns about rising costs in the next 12 months. This shows a regional sustainability issue, not only affecting Havering but including the wider North East London boroughs too.



Outside of direct provider engagement, the boroughs of North East London have had consistent communication to compare and analyse outcomes of the Cost of Care exercise, which enables trends and outliers to be identified. Havering's cost of care figures were broadly in-line with the North East London averages, which would suggest similar cost pressures.

Section 3: Plans for each market to address sustainability issues, including fee rate issues, where identified.

Cost of Care exercise – both markets

This exercise is a central government initiated project conducted by every council to help the DHSC (Department of Health and Social Care) to understand more about local care markets specified in this plan. The exercise was conducted to ascertain a care provider rate which would ensure the market remained sustainable.

This was announced to preface the (now delayed) amendments to the Health and Social Care Act 2022, but is still expected to go ahead broadly in-line with the original guidance but with reduced grant allocations of the Market Sustainability and Fair Cost of Care Fund.

Havering commissioned LaingBuisson to conduct the Cost of Care Exercise: survey in scope Care Home and Homecare providers as per guidance and the resulting validated returns were used to estimate median cost of care rates. Havering's outcome from this exercise have been published on the Council's website, and the headline figures can be found in the table below:

	Shift to the median cost of care	
current home care rate	**£**	**19.68**
uplift		**21.34%**
value of uplift	**£**	**4.20**
Median Cost of Care figure	**£**	**23.88**
current usual rate residential	**£**	**695.00**
uplift		**31.16%**
value of uplift	**£**	**216.53**
Median Cost of Care figure	**£**	**911.53**
current usual rate nursing	**£**	**678.00**
uplift		**40.55%**
value of uplift	**£**	**274.92**
Median Cost of Care figure	**£**	**952.92**

These figures will not be achieved from April 2023, but to gradually be moved towards over the coming years, using the grant allocated. This table also shows the disparity between current rates and the calculated Cost of Care median rate, with uplift required of over 20, 30 and 40% to meet the new rate in the homecare, residential care home and nursing care home markets respectively.

Havering Council is using the outcomes of this exercise with caution due to limiting factors of the exercise, such as participation bias, rising inflationary costs since data was collected (Aug '22) and insufficient time to carry out the exercise – a collective view held by London Councils. This data alone does not provide a reliable fee setting basis, but will be considered alongside other factors.

Market Sustainability Grant 2022/23

The wider exercise submitted in October 2022 produced a median cost of care for Councils to 'move towards', using allocated grant funding from Central Government. The majority of the DHSC Market Sustainability and Fair Cost of Care Grant is to be used for additional provider payments.

Overall, the grant funding amounted to £162 million in the financial year 22/23 for all Councils – of which Havering received £679k. As per grant guidance, 25% of this money had been spent on the implementation of the project, with 75% distributed to providers as per the table below.

Payments to providers was split between homecare and care home providers 1:3 respectively as shown in Table 1. This weighting towards care home providers is because nursing costs are proportionally greater than for homecare providers – allowing for the incurred fixed costs of rent and higher staffing burdens.

Provider payment summary 22/23

Spend description	**Detail**	**Amount**
Homecare provider payments	27 homecare providers in-scope of the Cost of Care Exercise (18+ domiciliary care). Both framework and spot purchase providers have been included.	£127,689
Care Home provider payments	33 care home providers in-scope of the Cost of Care Exercise (65+ care homes). This includes both residential and nursing homes.	£381,438
		£509,127

Adult Social Care Market Sustainability and Innovation Grant 2023/24

The 2023/24 funding announcements committed a total of £562 million for Councils in a new Adult Social Care Market Sustainability and Innovation Fund, of which Havering will receive £2.355 million. This Fund is to be ringfenced to adult social care to support the government objectives of addressing discharge delays, social care waiting times, low fee rates, workforce pressures and to promote technological innovation in the sector.   It is of note that this funding was distributed to councils using the ASC RNF, which takes no account of the size of provider market, particularly the care home market, who have larger fixed costs than home care agencies, and therefore have experienced larger cost pressures due to inflation, notably utilities and mortgages. By way of example, one inner North East London borough has seven care homes providing care for people over the age of 65, with a total 254 beds (although it is of note that four of these, 72 beds in total, provide care to all adults over the age of 18 and are specialist learning disability or mental health providers), with this borough receiving a grant over

£3m. Havering have 34 generic care homes for older people with 1533 registered CQC beds, yet will only receive £2.355m.

This fund should not be seen in isolation from other government funding announcements, primarily the Hospital Discharge Fund and the Social Care Grant. As with the Market Sustainability Fund, the Social Care Grant was distributed via the ASC RNF, whilst the Discharge Fund was distributed via the iBCF RNF, which sees Havering, despite having the highest proportion of older people in North East London, getting an even further reduced comparative grant as compared to inner North East London boroughs. The local ICB recognises that the discharge pressures in the outer North East London are larger due to the age profile, with older people more likely to use NHS services, particularly acute hospitals.

This disparity makes it almost impossible for Havering to meet the government objective of moving meaningfully towards a reasonable cost of care, supporting discharges from hospital, social care waiting times, and other workforce pressures, particularly as the 2024/25 grants will be distributed via the ASC RNF (or iBCF RNF) also.

In 2022/23, social care in Havering accounted for 70% of the council's spend in no small part due to the way the government distributes funding. This is expected to worsen in 2023/24.

Government and therefore national funding focus is on services that primarily work with older people – ie care homes and home care (18+). However in setting our uplift rates, sustainable models of care have been considered by the council in those markets that work with people with learning disabilities, mental health, and physical and sensory disabilities also – residential and nursing care as well as supported living.

The council built into its Medium Term Financial Strategy an allocation of growth for Adult Social Care of £3.674m, just over 5% growth on the 2022/23 net budget of £73.403m. Government funding of £5.812m will also be applied to the budget, consisting of the market sustainability grant, the hospital discharge grants (to both ASC and anticipated via the ICB), and the share of the social care grant. The adult social care precept for 2023/24 will raise £2.840m towards the growth of £3.674m. This was confirmed at the council's cabinet in February 2023 and Full Council in March 2023.

The total growth of £9.486m is for:

- Demographic growth, more people coming to adult social care (from 18 years of age), particularly via the acute hospitals
- Transition from children's social care to adult social care, with more complexity seen in young people with disabilities turning 18 and from those who have been in or on the edge of care.
- Inflation pressures
- Supporting hospital discharge
- Moving towards the median cost of care, and improving low rates.

More challenging to achieve within the funding envelope is reducing waiting times for assessment, and promoting technological innovation, given the absolute priority to supporting the social care market in terms of sustainability.

The growth required was carefully modelled based on activity levels seen since the pandemic period, and should also be seen in the context of significant growth agreed in children's social care of some £8.162m

The indicative uplifts for 2023/24 for all social care providers will be published here in due course. This uplift is being applied across the whole adult social care market, including those in receipt of direct payments and day opportunities to be able to ensure delivery of choice and control for all residents known to adult social care.

(a) 65+ care homes market

Cost of Care funding for 2022/23 was distributed to our local 65+ care home market towards the Cost of Care, based on the number of placements for the council is funding for Havering residents. In this way the funding is shared proportionally to those that need the money most to supplement the current rates paid to them for providing care for local authority clients. This chosen distribution also allows Havering Council to address the sustainability issues identified, which related to rising costs for providers (interest rates, energy and staff). By distributing the grant to providers in this way, we are directly targeting the cost burden for providers.

In coming years, a similar methodology will be used. If funding is sufficient then this will result in a gradual increase to a cost of care that enables a sustainable market. This does not happen outside the context of wider local authority funding. Havering has suffered from a funding formula unrelated to the needs of an older population. Demand is managed as effectively as possible, but the mismatch between central government funding more generally and the real needs of the community creates a continual dilemma of how to fund the market whilst facing significant challenges in managing budgets. Reducing council revenue funding whilst handing out dedicated pots of money creates problems rather than resolves them. A longer-term sustainable funding model is needed, that recognises the care home market make up of different councils, to enable us to maintain stability over coming years.

The cost of care exercise has possibly been the catalyst for providers to ask for immediate and unsustainable increases to rates. The local authority would not be able to provide the over 20% increases asked for by some providers who previously accepted lower local authority rates. If, as some providers suggest, they stop providing care at local authority rates then capacity in the market will reduce. This will have knock on effects on getting people out of the local hospital. It may be that these requests, with little alternative options to fill their homes, will be tempered over time but it is worth noting this increased pressure.

Within this context Havering works proactively with local providers. For example, we have supported the development of Havering Care Association (HCA) a network which connects care providers in Havering and allows providers to be collaborative and have a strong voice. The HCA has developed into the Care Providers Voice, covering

Havering Redbridge and Barking and Dagenham, as mentioned in section 2 relating to the regional survey conducted in October. In partnership, the Council and CPV have developed a number of workforce initiatives such as funding a specialist recruitment provider to help source, attract and hire staff that are new to care. In addition, a dedicated social care job broker has been recruited through CPV, a website for providers created and a free training offer developed.

In regard to improving outcomes we work proactively with our health partners. An example is the discharge to assess (D2A) pilot where we have block booked care home nursing beds and drafted in therapy support to work immediately with people discharged from hospital to minimise deconditioning and enable as many as possible to return home. This more proactive model has delivered improved outcomes and allowed more people to return home rather than stay in long term care. We are looking to extend this to residential care homes in the coming financial year, using Ageing Well funding.

(b) 18+ domiciliary care market

The allocation towards the Cost of Care for our 18+ domiciliary care market of the sustainability grant outlined at the start of section 3, per provider, is based upon the number of hours of care that the provider delivers for the local authority. In this way the funding is shared proportionally to those that provide most local authority funded care.

In coming years, a similar methodology will be used. If funding is sufficient then this will result in a gradual increase to a cost of care that enables a sustainable market. This does not happen outside the context of wider local authority funding. Havering has suffered from a funding formula unrelated to the needs of an older population. Demand is managed as effectively as possible but the mismatch between central government funding more generally and the real needs of the community creates a continual dilemma of how to fund the market whilst facing significant challenges in managing budgets. Reducing council revenue funding whilst handing out dedicated pots of money creates problems rather than resolves them. A longer-term sustainable funding model is needed that recognises the population factors that lead to the need for care, to enable us to maintain stability over coming years. Deprivation and health inequalities are a key driver for the need for care and support, however so is frailty, something not factored sufficiently into the currently used ASC RNF

The domiciliary care market has not generally been pressurising the council for increases to rates. As stated above, when we recently went out to tender for our framework there was a good response, and we have a stable market. If, for whatever reason, there is need for us to spot contract we can also tap into a much wider market of providers. It seems unlikely therefore that, providing we continue with reasonable rate increases, that the market will face significant capacity issues. This does not mean there are not pressures on the market. Wage inflation is the biggest pressure in this sector and increases in national living wage, for example, will feed through to the levels of profit and ultimately, sustainability.

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We are continually looking to improve flow into the home care market from hospital and our Active Homecare Framework alerts all our framework providers to cases simultaneously, enabling quick response and efficient flow into the market. Since its introduction, brokers and providers have welcomed it and increased the proportion of cases that are delivered by our framework and reducing spot-contracting, ensuring quality is maximised for service users.

We continue to support the Home First approach. Demand on our commissioned Reablement service has increased from an estimated 700 hours per week at the outset of the contract in 2019 (pre pandemic) to a consistent level of 1300 hours per week throughout 22/23, and shows no sign of abating. We have worked with our health partners on sustaining the very successful Reablement service, diminishing the need for long-term care. We are currently exploring a system wide approach when we recommission the Reablement service, including the hospital and the Integrated Care Board (ICB), who are beneficiaries of the efficient flow into care that the service provides.