

An update on Cost of Care and Market Sustainability Planning in Adult Social Care

To: Adults and Health Committee

Meeting Date: 9 March 2023

From: Will Patten, Service Director, Commissioning.

Electoral division(s): All

Key decision: No

Forward Plan ref: 2023/009

Outcome:

1. A robust Market Sustainability Plan is produced, informed by a deeper understanding of local market pressures and the costs of delivering care.
2. The sustainability of Cambridgeshire's care market is improved, and local people continue to have access to a choice of quality care services.
3. The Council complies with Government requirements and grant funding terms in respect of the publication of Cost of Care (CoC) exercise and Market Sustainability Plans

Recommendation: Adults and Health Committee is recommended to:

- a) Note the published Cost of Care (CoC) exercises.
- b) Note ongoing work to produce a Market Sustainability Plan in line with Government requirements.
- c) Delegate responsibility for approval of the Market Sustainability Plan to the Director of Adults & Safeguarding (ADASS).

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1. Background

- 1.1 Under section 5 of the Care Act 2014, local authorities have a 'market shaping' duty to promote the efficient and effective operation of their local social care market to ensure services are diverse, sustainable and high quality for the local population, including those who pay for their own care. Government's definition of a sustainable market is one which "has a sufficient supply of services but with provider entry and exit, investment, innovation, choice for people who draw on care, and sufficient workforce supply".
- 1.2 In 2021, the Department for Health and Social Care (DHSC) published [Build Back Better-our plan for health and social care](#) and [People at the heart of care - adult social care reform white paper](#) which outlined significant legislative changes to Adult Social Care, planned to come into effect from October 2023. In preparation for these changes, councils across England with social care responsibilities were required to provide information on the sustainability of their local care provider market, and to conduct an exercise with the market to establish the costs of providing care.
- 1.3 In December 2021, DHSC announced the Market Sustainability and Fair Cost of Care Fund to support local authorities to prepare their markets for reform and move towards paying providers a fair cost of care. Cambridgeshire's allocation for 2022-23 was £1,568,738.
- 1.4 As a condition of receiving funding, local authorities were required to submit the following to DHSC by 14th October 2022:
 - cost of care exercises for older peoples' care homes and homecare (for adults aged 18+)
 - a draft market sustainability plan, using the cost of care exercise as a key input to identify risks in the local market
 - a spend report detailing how funding allocated for 2022-23 is being spent in line with the fund's purpose
- 1.5 The scope and methodology of the Cost of Care (CoC) exercise was set by DHSC to help local authorities identify the lower quartile, median and upper quartile costs in the local area for a series of care categories. The term 'cost of care' describes the actual costs a care provider incurs in delivering care at the point in time that the exercise is undertaken. It is typically presented as a unit cost for an hour of homecare or a bed per week in a care home.
- 1.6 In summer 2022, the Council commissioned Laing-Buisson to undertake the Cost of Care data gathering exercise on its behalf, the results of which were used to produce the Council's two Cost of Care reports and Market Sustainability Plan. The three documents were submitted in draft form to DHSC in October 2022.
- 1.7 In November 2022, the Chancellor announced the planned Adult Social Care Charging Reforms would be delayed for 2 years (to 2025). In late December, DHSC announced all local authorities must publish their Cost of Care reports on their GOV.UK websites by 1st February 2023 and Market Sustainability Reports by 27th March 2023.

- 1.8 This report updates Committee on the published Cost of Care exercises and ongoing work to produce a Market Sustainability Plan (MSP).

2. Main Issues

2.1 Cost of Care reports

- 2.1.1 Both Cost of Care reports are provided as appendices to this report and are available to view on the Council's website [Cost of Care exercise - Cambridgeshire County Council](#)
- 2.1.2 Around half of local providers responded and the Council would like to thank all those who took part in the exercise.

2.2 Cost of Care (CoC) Exercise key points - Care Homes for people aged 65+

- 2.2.1 The output of the cost of care exercise is a median cost for the 4 types of care within care homes for people aged over 65 (see Table 1).
- 2.2.2 Table 1 shows the CoC output is significantly higher than the average rates the Council currently pay for all care types. This is not unexpected as we know care homes charge those who pay for their own care more than they charge the Council for those in Local Authority care. The Adult Social Care Reform agenda set out to address this differential by allowing those who pay for their own care to ask the Council to commission that care on their behalf giving access to the rates to Council pays. As noted in 1.7, these charging reforms have subsequently been delayed until at least 2025 by Government.

Table 1: Cost of Care output rates for 65+ care home per week compared to spot purchasing over the last year

	CoC Output	In-County Spot Beds	Out of County Spot Beds
Residential	£911.17	£719.93	£786.09
Residential Enhanced	£915.57	£726.96	£712.59
Nursing	£1,170.69	£1,058.56	£1,023.82
Nursing Enhanced	£1,223.65	£1,158.42	£1,153.96

- 2.2.3 The CoC median cost is based on information supplied to the Council by 53.8% of the local market. Smaller providers were under-represented amongst respondents as many struggled to find the resources to engage with the exercise. Therefore, the CoC output is not fully representative of Cambridgeshire's care market. The 'middle' average also masks the natural variation and fluctuations in care costs as fee rates are determined by several factors such as:

- a person's individual needs
- current occupancy levels in the care home
- workforce availability
- operating costs and inflation

- quality
- location and land values
- each provider's business model.

2.2.4 The estimated cost to the Council of paying the CoC in Cambridgeshire is illustrated in Table 2 below. This shows additional estimated costs of £13.3m if all care home placements under the assessed CoC were to be raised to that CoC, rising to £14.9m if out of County placements were included.

Table 2: Estimated additional costs if 65+ care home placements moved to assessed Cost of Care

Uplift all placements under CoC £'000	
In County Spot Placements	7,993
Block placements	5,345
In County Placements Only	13,338
Out of County Spot Placements	1,571
All Placements	14,909

2.2.5 The cost increases set out in Table 2 are in line with estimates provided by Newton Europe in work done with the County Councils Network earlier in the year. This estimated that Cambridgeshire would need an extra £14.7m to meet increased care cap for residential placements for over 65s.

2.2.6 The full cost of care report for Age 65+ Care Homes is attached at Appendix 1.

2.3 CoC Exercise key points – Homecare for people aged 18+

2.3.1 The CoC output is the median rate per hour of homecare. The table below shows the CoC output is above the cost the Council pays for homecare. Again, this is not unexpected as we know that care agencies can charge those who pay for their own care more than they charge the Council for those in Local Authority care.

Table 3: Cost of Care output rates per hour for homecare compared to current packages

	CoC Output	Current average framework rate	Current average off framework rate
Homecare	£24.73	£19.24	£20.19

2.3.2 The CoC median cost is based on information supplied to the Council by 48% of the local market. Some of our biggest providers did not take part which means we are unable to include their costs. For this reason, the homecare CoC exercise is considered less robust than the care homes exercise due to the level of returns received. As noted with the CoC

Care Homes exercise, the simplicity of a 'median' value masks the natural variance and fluctuations in care costs as fee rates are determined by several factors such as:

- a person's individual needs
- workforce availability and competition
- operating costs and inflation
- quality
- each provider's business model

2.3.3 The UK Home Care Association has set a minimum hourly rate for providers who pay the Real Living Wage of £24.08 so the output of the CoC exercise is in line with this rate.

2.3.4 The additional cost of paying this rate to the Council would be in the region of £8m.

2.3.5 The full cost of care report for Homecare is attached at Appendix 2.

2.4. Implications of the Cost of Care (CoC) exercises

2.4.1 Both CoC exercises have helped the Council to better understand the costs of care delivery in Cambridgeshire and the Council wishes to thank all providers who took part in the exercise. The information from the reports will inform the development of a Market Sustainability Plan.

2.4.2 The CoC exercises suggest a funding gap of £23m in the care home and home care sectors of the market. The true gap in care costs across the entire adult social care market is unknown.

2.4.3 The £1.57m funding received from Government in 22-23 to support Adult Social Care market sustainability is not sufficient to close the funding gap identified by the CoC exercises. Without significant additional funding from Government, the Council is unable to close the gap and remains in a position of 'moving towards' paying a higher cost of care. The impact upon the sustainability of the local market remains to be seen though it will be somewhat mitigated by the Government's delay of charging reforms.

2.4.4 As DHSC guidance makes clear, the outcome of the CoC exercise is not intended to set fee levels paid by the Council or replace its commissioning processes and individual contract negotiation. The Council will continue to negotiate and use competition to establish fee rates as it strives to balance its best value duties with the costs of providing care. Fee rates paid by the Council will continue to vary across providers, localities and care types.

2.5 Market Sustainability Plan

2.5.1 Throughout February and March, officers will produce a Market Sustainability Plan using the template published by DHSC on 1st February 2023 and the outputs of the CoC exercises.

2.5.2 The Market Sustainability Plan (MSP) will be made up of 3 sections:

1. Assessment of the current sustainability of local older people's care home and homecare markets;
2. Assessment of the impact of future market changes between now and October 2025 on local older people's care home and homecare markets
3. Plans to address these sustainability issues in both markets, including how the £1.57m funding has been spent and the impact on the market and other actions to improve market sustainability such as waiting times, workforce, technology expansion or innovative care models

2.5.3 The £1.57m market sustainability funding for 22-23 has been targeted at the lowest cost care home and home care packages. Grant conditions require that a minimum of 75% of the grant is passed to the provider market to increase rates of pay so the Council will be well within this limit (see table below). A more detailed view of how the funding was spent and the impact on the local market will be included in the Market Sustainability Plan currently being produced.

Table 5: Use of the Market Sustainability and Fair Cost of Care Fund 2022-23

	£
LaingBuisson Costs	32,900
Additional internal resource to support cost of care work	25,000
Passed to providers in the care home and homecare market	1,510,838
TOTAL	1,568,738

2.5.4 Adults & Health Committee is requested to delegate approval of the Market Sustainability Plan to the Director of Adult Social Services in order the MSP is published by the deadline of 27th March 2023 set by the Government as part of grant funding conditions. An update report is tabled for Adults and Health Committee in June 2023.

2.5.5 A key limitation of the Government's CoC and MSP requirements is its focus on only two parts of the local market (care homes for older people and homecare). In Cambridgeshire, as probably across the rest of the country, sustainability is an issue for the entire market including services for adults with learning disabilities, housing-related support providers, Extra Care providers and the voluntary and community sector.

2.5.6 The provider engagement sessions to inform the MSP will share the Council's understanding of wider market sustainability issues and involve providers in shaping our approach to market sustainability. It is an opportunity to be transparent with providers about the funding gap within adult social care and develop an approach to target funding to the most acutely pressured parts of the entire local care market, should Government funding conditions allow in 23/24. This is with the intention to explore how tangible improvements in Cambridgeshire's adult social care market can be delivered within a financially challenging landscape so local people continue to have choice and easy access to high quality care and support when they need it.

3. Alignment with corporate priorities

3.1 Environment and Sustainability

There are no significant implications for this priority. The ability of the market to deliver improved carbon and environmental outcomes did not form part of the market engagement at this stage. This will be integrated during the implementation stage of the process once the Market Sustainability Plan is agreed and Terms and Conditions received.

3.2 Health and Care

The report above sets out the implications for this priority in 2.1-2.5

3.3 Places and Communities

The report above sets out the implications for this priority in 2.1-2.5

3.4 Children and Young People

There are no significant implications for this priority.

3.5 Transport

There are no significant implications for this priority.

4. Significant Implications

4.1 Resource Implications

The following bullet points set out details of significant implications identified by officers:

- Both CoC exercises identified a median care cost above the average paid by the Council but are not fully representative of the market (as only c.50% of providers responded)
- The CoC exercises do not 'set' the funding level to be paid by the Council. CCC will continue to use its commissioning processes to negotiate fee levels with the market and obtain best value for the public purse. Fee levels will continue to vary across provider, care types and localities
- CoC median care costs indicates a c.£23m funding gap in two parts of the care market. The true funding gap across the entire adult social care market is not known
- Government funding of £1.57m is insufficient to close the gap suggested by the CoC exercise. Without significant additional funding from Government, the Council is limited in how far it can 'move towards' paying a higher cost of care
- The impact of the funding gap on the market is mitigated by the Government's delayed introduction of Charging Reforms
- The Council will develop a Market Sustainability Plan to target the limited Government funding towards the most pressured parts of the market, informed by the CoC exercises and provider engagement.

- 4.2 Procurement/Contractual/Council Contract Procedure Rules Implications
- The CoC exercises do not 'set' the funding level to be paid by the Council. CCC will continue to use its commissioning processes to negotiate fee levels with the market and obtain best value for the public purse. Fee levels will continue to vary across provider, care types and localities

4.3 Statutory, Legal and Risk Implications

The report above sets out details of significant implications in 1.1

4.4 Equality and Diversity Implications

There are no significant implications within this category

4.5 Engagement and Communications Implications

- The Council will develop a Market Sustainability Plan to target the limited Government funding towards the most pressured parts of the market, informed by the CoC exercises and provider engagement.
- The Council must publish its CoC reports and Market Sustainability Plans by 1st February and 27th March 2023 respectively to comply with Government funding conditions

4.6 Localism and Local Member Involvement

There are no significant implications within this category

4.7 Public Health Implications

There are no significant implications within this category

4.8 Environment and Climate Change Implications on Priority Areas (See further guidance in Appendix 2):

There are no significant implications within this category

4.8.1 Implication 1: Energy efficient, low carbon buildings.

Positive/neutral/negative Status: Neutral

Explanation: Beyond scope of report

4.8.2 Implication 2: Low carbon transport.

Positive/neutral/negative Status: Neutral

Explanation: Beyond scope of report

4.8.3 Implication 3: Green spaces, peatland, afforestation, habitats and land management.

Positive/neutral/negative Status: Neutral

Explanation: Beyond scope of report

4.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.

Positive/neutral/negative Status: Neutral

Explanation: Beyond scope of report

4.8.5 Implication 5: Water use, availability and management:

Positive/neutral/negative Status: Neutral

Explanation: Beyond scope of report

4.8.6 Implication 6: Air Pollution.

Positive/neutral/negative Status: Neutral

Explanation: Beyond scope of report

4.8.7 Implication 7: Resilience of our services and infrastructure and supporting vulnerable people to cope with climate change.

Positive/neutral/negative Status: Neutral

Explanation: Beyond scope of report

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: Justine Hartley

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement and Commercial? Yes

Name of Officer: Clare Ellis

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or Pathfinder Legal? Yes

Name of Legal Officer: Linda Walker

Have the equality and diversity implications been cleared by your EqIA Super User? Yes

Name of Officer: Gurdev Singh

Have any engagement and communication implications been cleared by Communications? Yes

Name of Officer: Simon Cobby

Have any localism and Local Member involvement issues been cleared by your Service Contact? Yes

Name of Officer: Will Patten

Have any Public Health implications been cleared by Public Health? Yes

Name of Officer: Emily Smith

If a Key decision, have any Environment and Climate Change implications been cleared by the Climate Change Officer? Yes

Name of Officer: Emily Bolton

5. Appendices

- Appendix 1 - Annex B Care Homes Cost of Care Report v2
- Appendix 2 - Annex B Homecare Cost of Care Report v2
- Appendix 3 - Equality Impact Assessment

6. Source documents

[Cost of Care exercise - Cambridgeshire County Council](#)