

## Annex C: Market Sustainability Plan

### Section 1: Revised assessment of the current sustainability of local care markets

#### a) Assessment of current sustainability of the 65+ care home market

##### Sufficiency & Diversity

Middlesbrough has a total of 28 older persons care homes with a maximum capacity of 1364 beds for 65+ within its borough – however, at the time of the exercise only 27 care homes were in scope. A total of 9 of these homes currently offer flexibility of provision through dual registration offering both residential and nursing capability; Middlesbrough does not have any nursing only care homes. Since submission of the draft MSP in October 2022, one care home has ceased dual registration status and is no longer delivering nursing care. Dual registration offers enhanced market opportunity, as provision can be flexed to meet local need and demand. However, it also creates difficulty regarding funding, as costs to provide nursing staff for a small number of residents can be prohibitive and rely on the residential bed base to meet the gap.

The Care Market locally has seen no major market shifts over recent years; however, diversification has been a positive step forward and one supported by the local authority and several providers have worked with the authority to bridge gaps in local market provision in more specialist areas of care. Units / wings have been re-provisioned for specialist care, such as bespoke learning disability provision on a smaller scale, where there is no local provision available, and a need has been evidenced. This has been done through an evidence base in market position statements and joint work with the local authority. Small numbers of older person bed base have been removed to accommodate more bespoke requirements to mitigate out of area bespoke placements, where home layouts have facilitated more specialist provision.

There is a good geographical spread of homes across the town, with a diverse mix of home size. Of the homes participating in the cost of care exercise, home sizes ranged from between 40 – 116 beds.

##### Quality

Robust quality mechanisms are in place and the council's in-house quality assessment tool is utilised in accordance with a quality assurance framework to determine quality of care delivered. Regular monthly partnership meetings take place with CQC to align quality considerations and share intelligence. Overall, the provider market is rated as CQC good or outstanding, with only one home as "requires improvement".

Until recently, providers were paid based on a quality rating system linked to price, however this was reviewed in June 2022 and following significant provider feedback (80% return rate) the link between quality and price was divorced. This move has provided additional financial support to homes graded below 4\*, providing a greater equity across our entire provider market. Despite quality grading no longer impacting the weekly fee of a home, the same robust, annual reviews are still in place and contracts are monitored on a frequent basis.

##### Fees & Commissioning

Middlesbrough Council commissions approximately 66% of the beds, however this does flux with demand. We estimate self-funders equate to approximately 15-17% of our market with the majority in homes which are located near the borders with North Yorkshire in the more affluent areas of the town. Neighbouring authorities also place within Middlesbrough boundaries, with placements primarily from Redcar & Cleveland and North Yorkshire.

Middlesbrough Council funds care home placements as a single blended rate; there is no separate rate for enhanced/ dementia care. This was agreed several years ago with providers to reduce administrative burdens for all parties when complexity was not a significant issue as current. In addition, the local authority acts a lead commissioner for Health, in that Health utilise local authority contracts and can place under the council contractual terms and condition. This minimises financial burdens to providers as all payments for placements within homes are made through the local authority system and recharged. There is currently no CHC premium paid for placements in Middlesbrough.

Occupancy was significantly impacted during covid, in which the authority was impacted with a number of outbreaks. Occupancy fell to 77% and several homes closed units, floors, and wings to undertake significant refurbishment programmes. In addition, the local authority embraced the designated setting programme and

had at one juncture, 30 designated setting beds due to the level of outbreaks and the concerns providers had regarding insurance. Beds were block booked, therefore active, but not occupied. Occupancy levels however would be realistically set at 90%, our demand model forecast that occupancy would return to pre-pandemic levels in late 2023/ early 2024 and current occupancy levels are at 84%.

In April 2022 a 9% uplift was provided to the residential fee rate. The table below provides details of the fee rate changes. This was the highest uplift ever given to the residential and nursing care market.

Quality Banding	2021/2	2022/3	From October 2022
Grade 1 (low)	£584.48	£637.08	<b>£671.09</b>
Grade 2	£594.88	£648.42	
Grade 3	£605.28	£659.76	
Grade 4	£615.68	£671.09	
Grade 5 (high)	£627.12	£683.56	<b>£683.56</b>
<b>Average</b>	<b>£605.48</b>	<b>£659.97</b>	

With effect from April 2023, a 10.0% uplift has been offered to the 65+ care home market:

2022/23	2023/24
£671.09	£738.20
£683.56	

The April 2023 uplift is funded by full utilisation of the Cost of Care and Market Sustainability Grant and full use of local authority resource allocation.

National Living Wage accounted for a significant proportion of the 10% uplift given – with a 9.68% increase in wages utilising intelligence from the cost of care exercise through provider submission. The incredibly high inflation rate of 10.1% (CPI) has been applied to none staffing related expenditure. A 10% uplift provides the market with a significant level of additional income (highlighted above) and stability at a time when it is most needed.

## Workforce

There are significant workforce pressures in the Care Home market, which are unsustainable given the current market conditions. The North East staff turnover rate is 25%, with direct care being higher than other regulated professions. There has also been a decrease in new starters in direct care, falling from 35% in 2019/20, to 26% in 2020/21 These challenges are explored in section two below and highlighted as a key risk.

## Charging reform

Implementation of charging reform requires implementation of new processes and procedures relating to the administration and assurance of data moving forward. To ensure sufficient time to mobilise new ways of working, sufficient notice of an assured 'go live' date or further postponement of reforms would be welcomed at the earliest opportunity.

## Provider Engagement – 65+ Care homes

Provider dialogue from two post-exercise engagement events clearly identified key pressure areas around increasing energy/utility costs, workforce retention and the use of agency staffing, as well as a change of resident needs and complexities over recent years. This is of particular importance for Middlesbrough Council as we operate a blended rate, as identified earlier in this document.

The output range of the Return on Capital was 5% - 15% (for providers submitting a percentage, rather than monetary figure). During the provider engagement event discussion, providers noted that this range would not be unusual, and difficulties would arise if this rate was set below 15% as this would extremely limit reinvestment and not attract new investment or add additional capacity to the existing market. However, it was acknowledged that the age of homes in Middlesbrough varies and therefore investment structures would vary across homes and providers

The output range of the Return on Operations was 7% - 25%. During the provider engagement event discussion, providers expressed concern in a rate less than 15%. It was also suggested by a participant of the provider engagement sessions, that it may be more feasible for the provider organisations to manage the ROC and ROO cost lines collectively.

## Market Sustainability & Fair Cost of Care Fund

Up to 25% of allocated funding in 2022 to 2023 could be used to fund implementation activities associated with meeting the fund purpose, including procuring external resource to undertake the work associated with these grant conditions, conducting the cost of care exercises, provider engagement and market sustainability plan development.

Middlesbrough Council used less than 10% of the allocated funding for implementation activities, with the remaining funding spend associated with fee increases for the care sector.

For the 2023/24 Market Sustainability and Improvement Funding of £1.775m, we will be allocating 73% to older persons residential care and 27% to home care fee uplifts.

### b) Assessment of current sustainability of the 18+ domiciliary care market

#### Sufficiency & Diversity

Middlesbrough Council commissions homecare through an approved framework, following a tender exercise covering an 8-year period. This is delivered through a business partner arrangement on the following basis:

- 4 Business Partners
- 7 Spot Providers
- 17 Third Tier Providers

Since October 2022, two providers have handed back packages of care.

An in-house brokerage function commissions packages of care and has direct business relationships with providers. They have market knowledge, and commission work on an equitable share distribution where feasible, they also have approvals to agree package variations. Approximately 13,000 hours of care per week is commissioned across all wards in the town.

Middlesbrough is fortunate to routinely not have a significant waiting list for packages of care, it rarely exceeds above 5 at any given time. However, we have experienced most recently some provider failure with two providers seeking to return packages of care for up to 67 clients, citing concerns with recruitment, being unable to achieve economies of scale and changes of organisational structure.

#### Quality

As is the case for residential care, the local authority acts as lead commissioner for Health. Until recently, providers were paid based on a quality rating system linked to price, however this was reviewed in July 2022 and the link between quality and price was divorced.

Of our home care providers, the majority are rated either good or outstanding by CQC.

#### Fees & Commissioning

In April 2022 a 7.5% uplift was provided to the Domiciliary Care fee rate. The table below provides details of the fee rate changes:

2020/2021	2021/2022	2022/2023
£16.46	£16.95	£18.22

In accordance with annex B, the Cost of Care has been accepted as £20.90 per hour, and uplifts for the next financial year will move towards this. In April 2023, an uplift of up to 9.75% has been offered to the 18+ domiciliary care market, taking into account the existing contracted fee rates.

2022/2023	2023/2024
£18.22	£20.00

National Living Wage accounted for a significant proportion of the 9.75% uplift given – with a 9.68% increase in wages utilising intelligence from the cost of care exercise through provider submission. The incredibly high inflation rate of 10.1% (CPI) has been applied to none staffing related expenditure. A 9.75%

uplift provides the market with a significant level of additional income (highlighted above) and stability at a time when it is most needed.

## **Workforce**

Workforce pressures are evident in Middlesbrough as elsewhere. To alleviate this, a commissioning process to introduce new providers to local market was undertaken which brought our Third-Tier sector to Middlesbrough. This has introduced up to 17 new providers to Middlesbrough, some of whom are new and emerging providers to the locality, in totality Third-Tier providers will be engaged when the business partners and spot providers are unable to deliver against the required package of care. To date, our 3rd tier providers are delivering approx. 12% of total capacity, with a small number still to engage in new delivery, this has brought significant new capacity to our local market.

The Cost of care exercise for Domiciliary Care, has highlighted the median hourly pay for care workers of £10.03 as comparably low compared to other exercises in the North East. This is an area for attention, whilst the 3rd tier commissioning exercise has brought additional capacity, recruitment remains the priority concern, particularly during prime time's such as school holidays. In addition, homecare projections articulated in section 2 highlight homecare to grow significantly requiring further investment in the workforce.

## **Section 2: Assessment of the impact of future market changes between now and October 2025, for each of the service markets**

There are several future market changes which will have an impact on the markets between now and October 2025. Each Point is summarised below:

### **Increase in Service demand – high risk**

Currently over 1000 clients are in receipt of homecare commissioned by Middlesbrough Council, delivering an average of 12.6 hours of care per client per week, totalling 13,296 hours of care per week.

We project service growth over the next 3 years - by the end of 2025 the forecasted growth is expected to increase to 15,000 hours of care per week.

Middlesbrough Council currently have 635 commissioned placements for aged 65+ clients in long term residential care in Middlesbrough. Activity by 2025 for our commissioned placements is forecast to increase to 800+ clients for 65+ age range for residential care.

For 65+ long term nursing care, we project an increase from 176 to approximately 200 clients.

It is important to note the longer-term increase in older population within Middlesbrough, which is projected to grow, since 2020, 9% by 2025 and 19% by 2030.

### **Workforce pressures – very high risk**

Protocols have been agreed with our local Health partners and CQC for circumstances where agencies have been unable to fill nurse requirements for registered settings. An aspiration to reduce the use of agency staff is a priority, particularly given the future service demands for both sectors. Whilst currently only 2.8% of the sector is reliant upon agency use, this is not proportionate across all areas i.e., 13% of nurses are agency workers. As service demands above highlight, initiatives to increase the workforce must develop at pace.

Equity in pay and terms & conditions of employment pose a significant risk to the ability to recruit and retain the social care workforce. There is a tangible gap between rates paid between the NHS and social care settings, increased further by the recent NHS pay award. Across the board, for 2022/23, the average pay increase was 5%, but for lower earners, this equated to over 9%.

During post exercise engagement sessions with the sector, providers highlighted the significant costs of agency staff – particularly at short notice. It was also evident there has been a shift in the number of staff moving to agency from permanent employment, creating a potential financial pressure in the longer term.

The local authority frequently receives reports from providers that they are unable to retain the workforce, stating employees are taking employment in other sectors that offer equivalent or increased rates of pay for

equivalent or reduced responsibility. The scale of the risk this poses is significant, and the challenges posed to the sector must be recognised.

### **Social Care Reform (including S18(3)) – high risk**

In addition to increase in service demand, consideration must also be given to the impact of social care reforms and 18(3) impacts. The residential cost of care survey gave an indicative figure of 15% of self-funders; aligned to ONS data, we predict an overall 17% self-funding rate across Middlesbrough. Alongside the projected demographic changes and high level of deprivation in Middlesbrough, it is difficult to predict the impact this will have. The self-funding market is supporting several homes through cross subsidisation, and therefore will have a significant financial impact of 18(3) of the 17% from October 2025 - further predictive modelling is being undertaken to understand this.

### **Financial impact – very high risk**

Middlesbrough Council currently pay a single blended rate of care, rather than a separate rate for standard and enhanced care. An area of concern from the cost of care exercise was highlighted that the cost of care for enhanced nursing care was lower than that of standard nursing care. When queried with the sector this was not felt to be a true reflection, hence one of a number of reasons for querying the validity of the overall model. As complexity of care continues to increase this is an area that requires a review, and the council wishes to review this model of contracting and payment moving forward in partnership with the sector.

The Cost of Care exercise highlighted the exceptionally high costs of nursing care in dual registered settings where the number of nursing clients is low. Whilst dual registration offers flexibility in the market, the pricing model requires a minimum number of clients per setting to breakeven the cost of 24/7 nursing provision.

The financial impact to the council of delivering the cost of care based on the 22/23 median costs from the providers proposed operating costs in the exercise is an additional **£8,190,978 per annum**.

The council has undertaken some proposed modelling which is articulated in section 3 below - based on local modelling the financial impact to the council on these costs would be **£3,398,477 per annum**.

For home care, the impact of the agreed cost of care is **£1,811,680 per annum**.

### **Strategic Partnerships – medium risk**

As outlined the local authority acts as lead commissioners for our Health partner. The North East and North Cumbria ICS will establish a local partnership bringing the NHS together with other key partners (including local authorities), overseen by the Integrated Care Board (ICB). The ICS offers potential for more effective partnership with the NHS and social care and an opportunity to develop joined-up, personalised care. How effectively we work in partnership with the ICS and as part of the ICP will be essential to develop the future market sustainability, in regard to future fee setting, quality and market relationships. The strategic direction of the Health service can directly impact the social care market (including workforce), so a strong working relationship is crucial to deliver success.

At time of publication, the 2023/34 FNC Rate has not been confirmed, and we are in ongoing discussion with our partners in Health.

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

### **(a) 65+ care homes market**

Taking all the challenges noted above the following key actions will be progressed:

**Investment** into the sector to increase unit rates - the Market Sustainability Grant has been utilised to significantly increase the unit rates in 2022/23 to provide stability to the market. The local authority does not accept the Cost of Care Report as a finalised figure, it notes these are provider's reported operating costs conducted over an unusual time period, however it will utilise the intelligence to inform future fee setting. The Local Authority's commitment to the sector has continued with an uplift of 10% for the 2023/24 financial year on current contracted fee rates. This accounts for increases in National Living Wage and the latest CPI Inflation Rate.

**Working with the local market** - the council does not accept the current exercise as a fair cost of care exercise for the reasons outlined in Annex B. The Local Authority held two post exercise provider engagement events in January 2023 to discuss the output of the exercise and have detailed discussion about the three key indicators – return on operation, return on capital and occupancy. As noted above the occupancy rate is already beginning to return to pre-pandemic levels and therefore a cost of care exercise set at a 90% occupancy level is not unrealistic.

Using the intelligence from the figures already submitted if a 10% return on operations, a 5.5% return on capital and 90% occupancy for example was progressed the cost of care model would return more realistic cost of care figures of:

Bed Type	Median 22/23
Standard Residential care	£776.75
Residential care for Enhanced Needs	£748.67
Standard Nursing Care	£1071.11(*)
Nursing care for Enhanced Needs	£967.28(*)

(\*) inclusive of FNC

A return on operations of up to 10% has been used in modelling as this would provide sufficient profit levels. A return on capital of 5.5% has been used in modelling as this reflects the Knight Frank index provided in guidance by DHSC and is deemed sufficiently reliable.

Based on the methodology outlined in Annex B, the above figures would be uprated by 9.6%, providing the following medians:

Bed Type	Median 23/24
Standard Residential care	£851.32
Residential care for Enhanced Needs	£820.54
Standard Nursing Care	£851.32+ FNC
Nursing care for Enhanced Needs	£820.54+ FNC

The figures provided are based on the modelling and methodology above, however, the Council acknowledge that a significant number of variables are still to be considered and ongoing work with the sector has already commenced to further understand the local cost of care.

Further work will take place in the forthcoming months.

The limitations of the Cost of Care exercise, including data quality and validity can be found within the Cost of Residential Care Report on [www.middlesbrough.gov.uk](http://www.middlesbrough.gov.uk)

**We also wish to:**

- 1) Review models of care delivery, to include forecasts on future demand, refresh of market position statements and continuation of areas of specialised care requirements linked to required occupancy and a review of dual registration status.
- 2) Review the mechanism of a blended residential payment rate and engage further with the sector.
- 3) Continue ongoing discussion regarding FNC Rates for the sector – establishing a working group to gain greater clarity on the true cost of nursing care and the 'breakeven cost' of delivering nursing care.
- 4) Collaboration with health on future joint arrangements for lead commissioning.
- 5) Data analysis, forecasting and impact analysis on social care reform, working in collaboration with local providers to jointly agree the impact of 18(3), determine local impact assessment, plan local processes and risk impact statements.
- 6) Collaboration with the sector on workforce, including to develop and promote our Care Academy.

**(b) 18+ domiciliary care market**

Taking all the challenges noted above and the actions already taken to seek to stabilise the market currently the following key actions will be progressed:

**Investment** in the sector in 2022 to increase unit rates - the Market Sustainability Grant has been utilised to significantly increase the unit rates in 2022/23 to begin the move towards the fair cost of care. The local authority accepts the Fair Cost of Care report indicating a FCOC of £20.90 and will utilise future grants alongside the annual inflation methodology it set out to assist the direction of travel to achieve that core base rate by 2024/5.

Ensuring appropriate **commissioning opportunities** achieve market capacity– in order to maximise the use of available resource and ensure the most appropriate commissioning opportunities are being maximised, frameworks for learning disabilities and mental health are in place. However, these are not fully utilised, with key stakeholders gravitating to domiciliary care providers as a norm. Work is progressing to seek to transfer appropriate packages to the correct frameworks and put mechanisms in place for future commissioning to ensure the correct frameworks are fully utilised.

With the current home care contracts expiring in October 2025, recommissioning work will be undertaken to fully scope the market, current, and future demand to establish a service delivery model to meet future need.

We also wish to:

- 1) Maximise assistive technology, to understand where digital and technology can assist in meeting future demand challenges.
- 2) Further development of Middlesbrough Care Academy to promote the values of the care workforce, training, and support recruitment and retention initiatives.
- 3) Collaborate with Health in regard to commissioning packages of care to create a system which works with itself and not against itself, and to support the medication review with pharmacy to minimise the demands of medication support calls and quality of medication administrations.
- 4) Evaluate different models of care, particularly relating to the current Personal Assistant arrangements.
- 5) Explore increasing reablement capacity.