

REPORT OF THE CABINET MEMBER, ADULT SOCIAL CARE AND PUBLIC HEALTH**ADULT SOCIAL CARE MARKET PRESSURES****Purpose of the Report**

1. This report sets out proposals to address the current instability in the market and to consider mechanisms to support longer term sustainability and to meet increased future demand. The report seeks approval to increase fee rates to home care, and care, support and enablement services.
2. This is a Key Decision because it will result in expenditure of £1 million or over and it will have significant effects on two or more electoral divisions.

Information

3. Currently Adult Social Care is facing significant challenges in relation to the shortfall in the external care workforce. The biggest risk facing Adult Social Care in Nottinghamshire is ensuring consistent and sufficient supply of care and support with key concerns that the Council will not be able to continue to meet its responsibilities under the Care Act 2014.
4. The number of requests for support and the eligible needs that people have has changed in the last two years. NHS initiatives such as Discharge to Assess and Local Authority work to increase independence has increased the demand for home-based care and support. People require more support at home to enable them to stay at home; this is linked to waiting for elective care, early discharge home from hospital and a 'home first' approach to hospital discharge.
5. Social Care reform will also see a change in the expectations of social care providers to work to new models of care, accelerate the use of technology in care delivery, and to work more closely with the Council to implement Charging and Cost of Care reform. This will increase the burden on the care market and will require capacity from providers to deliver within the next six months to three years.
6. Adult Social Care market issues are of national concern and most local authorities are experiencing difficulties with ensuring a stable care and support market. The issues around market resilience, provider business models, workforce and rates of contractual pay are partially recognised by the government in the Social Care Reforms. The government has asked local authorities to undertake a Fair Cost for Care exercise with home care and older

people's care home providers to ensure that providers are receiving adequate funding to be sustainable, and to move away from a reliance on self-funders to subsidise local authority provision. A paper will be brought to Cabinet in the Autumn to share the outcomes of the Fair Price for Care Exercise and identify any actions that may be required. This work is not in scope in relation to the recommendations of this paper.

7. It is for local determination through commissioning and market shaping activity for councils to address local market risk within the current policy framework. Social Care reform will not address the risk faced today or tackle what rates of pay would be sustainable in the immediate or longer-term in the current market conditions. Care Worker pay is not addressed in Adult Social Care reform.
8. The market is facing immediate financial pressure which is linked to an increased rate of provider failure, poorer outcomes for residents and quality and safeguarding concerns. This is primarily a result of difficulties in recruiting and retaining staff, the new cost of living increases as well as the ending of government measures to support providers during Covid. These measures included a national Workforce Grant and sickness payments for staff unable to work because of Covid.
9. Without sustainability and growth, especially within home care and supported living services, the risk is a further increase in the number of people that are not receiving the right care or are in the wrong care setting. This leads to poorer outcomes for people and results in increased costs, inability to deliver savings due to constantly responding to provider failures, and the Council at risk of not being able to meet its statutory duty under the Care Act.
10. The primary focus of the paper relates to homecare, which currently represents the highest level of risk, but also includes Care Support and Enablement services which primarily support younger adults with learning disability and mental health needs in their own tenancies within either a supported accommodation setting or through outreach support.
11. Whilst the Council provides some in-house services such as reablement and day services, most services are commissioned from externally commissioned services. This amounts to an approximate spend of £300 million per annum.
12. The key services discussed in this paper are shown below:

Table 1

Service	Value (million per annum)	Quantity
Homecare	£26.3	1.4 million hours per annum 1,841 people supported
Care Support and Enablement	£51	736 people receive Housing with Support 52 people receive supported living at home (40+ hours)

13. Under the current contract, the County pays variable fee rates for home care with an average of £19.89 per hour, of which the home care worker receives approximately 50-55%. This is in line with the average rate for home care in the East Midlands.

Key Challenges

14. The key challenges that the Council faces in relation to the external market are the capacity of the market to meet the level of demand required, the implications of this on the quality of services and the financial viability of our providers.
15. There are challenges to market capacity in terms of retention and recruitment and increased demand.

Recruitment and Retention

16. Recruitment of new staff and retention of skilled staff remains the biggest issue facing social care providers in home care. Locally, providers report similar challenges to those noted by Skills for Care and the Association of Directors of Adult Social Services with an exceptional turnover rate of approximately 30% of workers leaving the market on an annual basis. This is a worsening position.
17. This is due to a multiplicity of factors including:
 - reluctance to work in the care sector following Covid driving both exit of the labour market and creating a barrier to new entries
 - high sickness levels due to Covid and high levels of stress and anxiety related to 'burn out'
 - impact of Covid and changes in labour market migration patterns
 - growth in certain consumer industries and channels that demand greater numbers of low paid staff (e.g., shift to internet shopping, supermarket deliveries).
18. The biggest single factor in recruitment and retention is the level of pay. This is based on both national and local consultation with care organisations and front-line staff. Pay of care staff is now hovering around minimum wage and terms and conditions have decreased as employers struggle to make profit margins, coupled with inflationary increases. The gap between salary levels and the National Living Wage has been reducing year on year over the last five years.
19. Discussions are taking place nationally in relation to the management of the cost-of-living pressures. This includes consideration of a significant increase to the National Living Wage.
20. There is significant variation in starting salaries for home care workers in Nottinghamshire, with some organisations only paying the minimum wage of £9.50, the majority paying around £10 per hour, and a couple of agencies paying the highest starting salaries at £12 per hour. The home care market tends to be in competition with other 'entry level' jobs such as retail, catering, and warehouse work.
21. The department has evidence that local providers with the highest rates of pay have more success with recruitment and have the lowest turnover of staff.

Growth in Demand

22. Alongside the reduction of care staff, there is an increase in demand on services. Many of these pressures relate to changes in respect of health provision.
23. This includes the national implementation of a Discharge to Assess approach. Whilst this supports best practice in getting people home from hospital faster, it also means people will stay in hospital for a reduced period and there will be greater numbers of people requiring short and long-term home care accordingly.
24. There is an NHS backlog of people requiring elective surgery, many of whom will then require home care. Local data on meeting these combined pressures suggests a one-off rise of 23.7% in demand, with a further 4% annual increase thereafter to meet demographic pressures.
25. Due to the delays in people receiving planned treatment in a timely way and the impact that Covid has had on many people's short and long-term health, larger packages of care are required for people. In addition, around 20% more people leaving hospital today need permanent or long-term care compared to two years ago.
26. There is also increased demand for supported living services. There has been an increase in referrals to Care Support and Enablement supported living from 21 referrals per month a year ago rising to 34 in the last recorded month. Nottinghamshire is currently an outlier in its high use of residential care for working age adults. To address this, there needs to be an increase in the growth of supported living by approximately 10% or 116 people per year. This requires an increase in both capital investment and staffing capacity.

Financial viability

27. Increased staffing costs, recruitment costs, cost of living increases and Covid related costs such as insurance and sick pay are all impacting on the financial viability of our services. Providers are reporting that the current rates that they are being paid are not sufficient to meet their operational and wage costs, including additional costs associated with recruitment. Many providers have increased hourly rates to attract and retain staff, but this is undermining the ability of these organisations to be financially sustainable. Due to inflationary increases all providers are seeing some increase to non-wage costs and these are not addressed in the annual uplift that they receive.
28. Non-wage increases are impacting on peripatetic services such as home care and Care Support and Enablement outreach where travel costs have increased. Providers have been reporting difficulties in operating an optimal business model whilst meeting the challenges of Covid, particularly as many managers have been drawn into frontline delivery to manage staffing shortages. The Cost for Care exercise will enable the department to quantify this more robustly.
29. Last year, some of these costs were mitigated through the government Workforce Recruitment and Retention Fund Grants which were available from October 2021 to March 2022. Nottinghamshire had a combined allocation of almost £6.8m which was passported to providers. These grants allowed providers to apply for monies flexibly to support recruitment and retention. Due to the short-term nature of these monies, providers used

them for golden handshakes and retention bonuses. Feedback from providers has been that these monies have been vital in maintaining staffing levels.

Impact

30. The impact of these challenges is being evidenced through an increase in market failure and quality concerns impacting on outcomes for people receiving our services. This also has financial implications at a County and system level because people stay in higher cost, less appropriate services linked to long term implications for reablement.

Market Failure

31. The Local Authority has a statutory duty within the Care Act to meet the eligible needs of people and to sustain provision of care. This means in practice that when a provider cannot meet the planned care they have been contracted to provide, the Council must step in and provide the care that the market is no longer able to. Given the lack of capacity within the commissioned care market, this has led to a reliance on internal services such as reablement and day services to cover care.
32. Before 2021, Nottinghamshire dealt with a handful of situations where the provider was unable to offer support to people each year. Often these were with good notice as set out in the Home-Based Care Provider Contracts. From August to December 2021 there were 77 people receiving care and support (1,151.5 hours of care) that the provider has passed back to the Council to manage, and there have been 133 people (1,502.75 hours) between January and May 2022.
33. Care Support and Enablement providers are currently facing a staffing crisis with most providers having a 12% gap between their staffing commitments and the availability of staff to meet demand. In the accommodation-based services staff are working longer shifts and work such as enablement activity has reduced, with providers just meeting basic care needs. Out of the 200 schemes three are currently under review due to staffing issues which are compromising service delivery.

Quality and Contractual Concerns

34. There has been a steep rise in the level of safeguarding and complaints linked to quality of care. For the period January to March 2021 the Quality and Market Management Team received 700 quality/safeguarding referrals; for the same period in 2022, 1,157 were received (65% increase). This is related to staffing issues with insufficient cover and lack of experienced workers, but also due to the difficulties some providers have had in balancing Covid restrictions with the need to maintain high quality services.
35. During the emergency period home care providers prioritised essential calls and care tasks to manage day to day workforce pressures which resulted in increased complaints and poorer experience and outcomes for people receiving support.

Outcomes

36. As a result of lack of availability of provision, people are not always receiving the right service at the right time. This is particularly evident in the number of people who are waiting for home care, either in the community or who are waiting to be discharged from hospital.
37. There is insufficient capacity in the home care market to meet current requirements and the gap in capacity is projected to grow. This gap will increase due to two key factors – an expected continued decline in care workers (estimated 4-5%) and increased demand as NHS elective care is restored.
38. Additionally, as referenced above, patterns of demand are changing. The department estimates that demographic pressures are at 3-4% per year and the Association of Directors of Adult Social Services predicts that based on this factor alone the workforce requirements will need to grow by 31% by 2035.
39. The Council's strategy to support people and keep them well at home for longer is underpinned by a supply of readily available and good quality homecare.

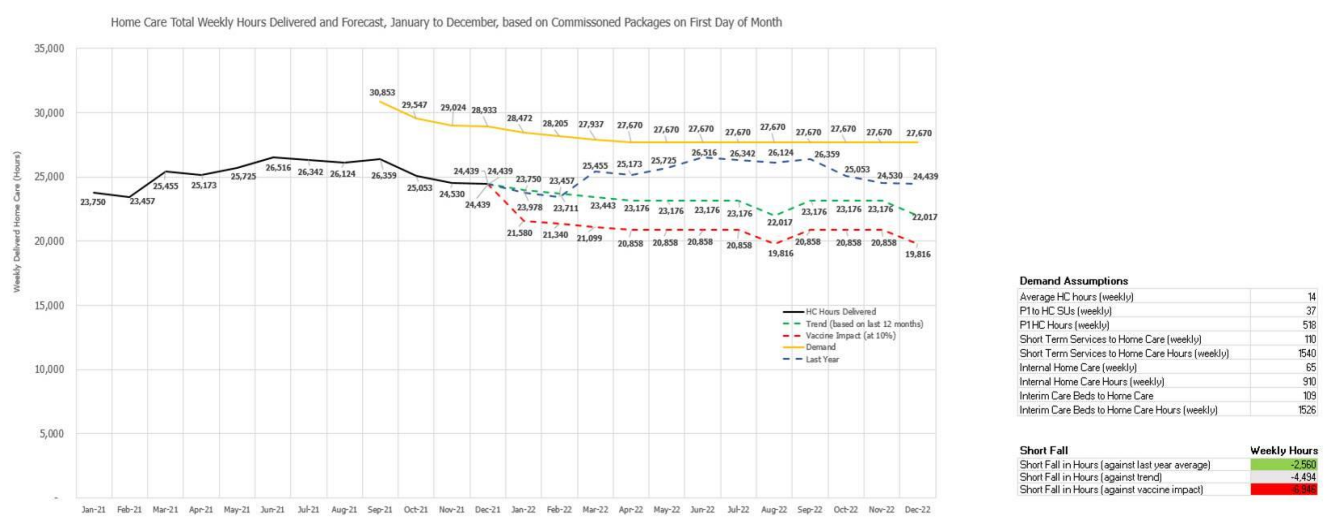
Table 1: Number of people awaiting home care (Snapshot May 2022)

	Number	Details
Number in hospital awaiting home care across the county hospitals	311	People in hospital awaiting discharge with an active referral for social care
People waiting for pathway 1 service in an interim bed	9	In the block purchased beds
People waiting for home care in short-term services	15	People in short-term services, assessed and waiting for home care to start
People waiting for home care support to be agreed in short-term services	31	People in short-term services, assessed and waiting for home care to be sourced
People being supported by the re-ablement team while they wait for homecare	44	People supported by the department's reablement team ready to move on, but waiting for home care
Additional health and care interim beds commissioned for people unable to get a homecare package	137	Commissioned beds LA and Health
Total	547	

40. The above table shows the number of people delayed in hospital and short-term services and the use of interim care beds as an alternative to home care.
41. At any given time, there are approximately 500 people delayed in these services or in the wrong care setting. This situation is likely to worsen over the coming months due to the

impact of Covid on people's health, delays in treatments and as the NHS begins to deal with the electives backlog.

Table 2: Projected Homecare Gap



42. In March 2022, the department was unable to source over 5,000 hours of home care per week. Based on the current average home care rate, this represents gross costs of over £5 million and approximately 150 full time equivalent (FTE) staff to meet this gap if projected across the year. To get a steady state of capacity, the home care workforce needs to grow by 3% year on year - that is 28 FTE staff gross per year on top of this amount to meet demand.
43. Since November 2021 there has been significant pressure from the health system to use interim beds for people that are delayed in hospital waiting for home care. Over the last four months 137 beds have been used for interim care, of which 48 have been purchased by the Council on behalf of health.

Financial Impact

Health Costs

44. Lack of timely home care may lead to a rapid escalation in someone's needs and an impact on the numbers of unplanned admissions to hospital. For every week's delay in hospital, it is estimated that there is a one-month delay in a person's ability to recover. This has cost implications for both health and social care.
45. The inability to move people out of hospital when they are medically fit for discharge means that wards become clogged up and the ability of hospitals to undertake planned electives is reduced. Hospitals are funded based on electives undertaken. To mitigate this, hospitals are paying for additional capacity in care home beds as well as paying for very high-cost homecare themselves. The target agreed with the system is to aim for no more than 37 patients waiting over 24 hours as medically fit for discharge (0 is not achievable).

46. The average for 2021/22 is 154 per day (117 over target) at an approximate bed day rate of £250, equalling £10.7m over a year. Approximately 50% of these delays will be attributable to home care.

Social Care Costs

47. There is an increased net cost to the Council of people being in the wrong setting of care based on unit cost. The net cost is calculated by deducting the current cost from the cost in **Table 4** of the home care capacity gap. This is based on the higher cost of short-term services which vary between £35 - £50 per hour against long term home care at an average cost of £19.89 per hour. These costs are based on full year projections and worst case scenarios.

Table 3: Summary of likely cost pressures based on extrapolating January 2022 snapshot demonstrating costs if current blockages persist

Activity	Extrapolated annual cost in millions
Additional cost of capacity in Short Term Services compared to long term services	£2.01
Paid higher costs for home care funded by Direct Payments when not possible to source commissioned home care	£1.1
Total	£3.11m

48. Additionally, there is a cost to savings when capacity is diverted to long-term care rather than reablement or transformation. Home care is required to support people to move on from reablement services. Reablement underpins all the savings work associated with the Maximising Independence Service business case. There is a risk that if the Maximising Independence Service reablement service must deliver home care rather than re-abling people this will lead to a slippage of up to £1.2 million in projected savings.
49. Until the end of March, many of the direct costs to social care were being paid for via national Covid funding of which the Council received £6.8m. This included four weeks' funding for people following discharge from hospital or who required a service to prevent hospital admission. From 1st April, these costs have reverted to social care. An agreement is in place for the Clinical Commissioning Group to pay for the block funded interim beds until the end of June 2022. As part of the Discharge to Assess Business Case, agreement is being sought to fund additional reablement capacity.
50. As well as the direct costs associated with these activities, this also creates longer term costs for the Council. If someone goes into a care bed instead of going home, there is a 48% likelihood that person will not go home and will stay permanently in long term care. If this is applied to the additional 109 beds across health and social care that have been purchased, even with no turnover on the beds this would equate to 52 more people requiring long term care at an additional cost of approximately £150,000 per annum. It is likely that there will be a turnover in terms of numbers in interim beds of three or four times that amount.

Adult Social Care Reforms

51. A suite of reforms is being introduced as part of the government's Adult Social Care reform, many of which have significant implications for the market including:
- **Fair Price for Care** - which incorporates:
 - Cost of Care exercises for home care and older people's care homes
 - development of a Market Sustainability Plan
 - Spend Report which outlines what the Council is paying now, and what the Council will need to pay in line with Cost of Care Activities.
 - **Charging Reforms** including the introduction of a Care Cap and increased payment threshold
 - **Care Quality Commission Quality Assurance Framework** which sets out clear quality expectations for the Council and the services commissioned on behalf of County residents.
52. The government recognised in its Fair Cost of Care policy document in December 2021 that 'a significant number of local authorities are paying residential and domiciliary care providers less than it costs to deliver the care received. This is undermining their markets, creating unfairness, affecting sustainability and, at times, leading to poorer quality outcomes.'
53. As part of social care reform, councils are required to undertake the cost of care exercise by October 2022. There is an expectation that if councils are not sufficiently funding services there will be an increase in rates from October 2022. A national Market Sustainability Fund has been allocated to support this in-year cost and is intended for this specific purpose.

Risk Management

54. The level of risk in the current care market is unprecedented and without intervention on the part of the Council it is likely there will be a rapidly escalating level of provider failure.
55. The current lack of capacity is already creating system wide pressures and resulting in people not receiving the most appropriate service which is leading to poorer outcomes for residents. It is also impacting on the quality of some of the provision being offered.
56. The lack of market capacity is also presenting a significant cost pressure to the Council in terms of increased spend on more expensive alternatives and reductions in savings initiatives.
57. The Council only has limited internal resources to mitigate this risk and so will soon reaching a tipping point where it will be unable to meet the needs of some of our residents.
58. The inflationary pressures are particularly impacting on low paid workers, so the benefit of any uplift is likely to be offset by these increases and workers will not experience any financial benefit in real terms. However, without such an uplift, care sector jobs will become financially unviable for many people.

59. Whilst additional national funding is anticipated via the Health and Social Care Levy and other funding streams linked to the Social Care reforms, this is not fully quantified. However, whilst increasing the pay of frontline workers and addressing the wider inflationary pressures on our services is likely to help mitigate this situation, there is no clear evidence that it will have the desired level of impact.

Current Mitigations

60. To address the current pressures in the market and to address the workforce capacity gap, several measures are being implemented. These include:
- establishing a temporary Market Development Team within the Quality and Market Management Team to work collaboratively with providers to identify solutions and pilot innovative practice
 - development of a Market Workforce Plan
 - providing a temporary local provider sustainability fund to mitigate immediate cost pressures to the market.

Other Options Considered

61. **Do Nothing** – if the current pressures within the market are not addressed, there is a significant risk that the level of market failure will continue to escalate, and the Council will not be able to meet its Care Act responsibilities which has a significant impact on the experience and outcomes of people that require care and support. In addition, there will continue to be severe implications for health partners as well as direct costs to the Council itself.
62. **Apply a direct £1 per hour uplift to frontline staff** - whilst this has the merit of ensuring that any funding from the Council directly supports frontline workers and so supports longer-term ambitions around increased recompense for workers in the care market, this approach has significant legal and procurement issues. A few areas such as Somerset have been able to implement such an uplift. This has been in areas where there is a flat fee rate for providers. In Nottinghamshire contracts were awarded and rated based on price and quality. Through open book accounting and the relationship with providers, the department can seek to achieve the same impact through the proposed option.
63. **Extend the arrangements for a temporary provider sustainability fund** - providers have told us that whilst the workforce grants have been an important mechanism for meeting many of their different cost pressures, the short-term nature of this approach does not allow organisations to implement long term changes to their business model such as rates of pay and leads to a 'cliff edge' when temporary initiatives end which then leads to an increased number of staff choosing to leave.
64. **Apply a one-off bonus payment to staff** - whilst this has the merit of directly rewarding the frontline workforce without the contractual challenges of the £1 hourly uplift, the cost of this approach would be very high to ensure a meaningful incentive. It does not directly support the sustainability of the care providers themselves and it shares the risk of short-term options as listed above.

Reason/s for Recommendation/s

65. Whilst there are many other factors influencing people's choices to enter or stay working in the care sector, finance is a key issue. The single biggest factor which would have an impact on stabilising the care workforce is to increase fee rates to enable the providers to increase care worker pay. Whilst recruitment has been problematic for most of our home care providers, our short-term services that do pay higher rates have been consistently more successful.
66. The report 'Unfair to Care' published by Community Integrated Care in July 2021 calculated that many Support Workers would receive up to 39% higher pay if they held roles with the equivalent level of accountability, responsibility, and skill within other publicly funded industries such as the NHS. The Association of Directors of Adult Social Services and the Home Care Association has recommended that care worker pay is set nationally at £11.14 per hour for parity with the NHS.
67. Our longer-term ambition is to achieve parity for care workers with NHS staff Band 3 (£11.14 rate) for the whole care market. To enable this will take a combination of national funding and a joint commissioning commitment from health that the Council will continue to advocate for locally, regionally, and nationally.
68. In the interim the proposal is for a direct fee uplift to local home care and Care Support and Enablement providers. This will support them in addressing cost of living pressures alongside being able to offer their workers an hourly rate above the National Living Wage. As identified previously, home care presents the greatest area of risk to the system regarding current provision and there is a need to support significant growth in the Care Support and Enablement sector to meet the demands of projected projects which will in turn reduce our reliance on residential care.
69. A pressure bid has already been agreed in respect of our Care Support and Enablement providers to achieve greater parity with home care providers. To maintain this parity, to reduce the risk of care workers moving between care jobs and to meet the additional pressures that the market is experiencing, it is therefore proposed that this further uplift is applied. Given that there are some historical contracts at a higher rate there will be a maximum capped rate.
70. The uplift in funding will be permanent. However, as fee uplifts occur in line with potential changes to the National Living Wage or because of increases following the Fair Cost of Care exercise this differential will not be maintained and at this point any additional costs will be netted off.

Statutory and Policy Implications

71. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

72. The department is seeking a full year effect investment of £5 million to seek to mitigate the risks raised above. This would support an uplift of £1 per hour to home care and Care Support and Enablement providers. This proposal represents a medium-term financial commitment to the Council. This uplift will be netted off against any future rise in fee rates linked to National Living Wage increases or arising from changes because of the Fair Cost of Care exercise.
73. This uplift will be managed in line with financial and procurement guidelines.
74. With current home care hourly rates ranging from £17.96 to £22.63 across the lead, additional and supplementary providers and Care Support and Enablement hourly rates ranging from £17.86 (post pressure uplift) to £22.14, a £1 increase in these hourly rates would represent an increase of between 5.6% for the lowest rates and 4.4% for the highest rates and an average increase of 5%.
75. This can be funded from the following combination of funds; £1.786 million from the Market Sustainability and Fair Cost of Care Grant 22/23 and the remaining £2.306 million in the Market Reserve. Any cost more than £4.09 million in 22/23 will need to be funded from a Contingency Request, with any ongoing costs for future years being offset by budget pressure bids.

Consultation

76. There has been ongoing discussion and engagement with local providers to inform this report as well as feedback through the utilisation of the national Workforce Grants. A detailed engagement plan is in place with care providers to inform the Fair Cost of Care exercise alongside work on Market Sustainability Plans.

Implications for Residents

77. Currently, the lack of sufficient staffing in home care and Care Support and Enablement means delays in care support, residents receiving services that are not meeting their needs in the best way and increased referrals around quality concerns. Increasing fee rates will support providers to be better placed to address recruitment and retention issues and to thereby improve outcomes for residents.

RECOMMENDATION/S

- 1) That Cabinet approves the proposed increase in fee rates to commissioned home care, and care support and enablement services, by a £1 per hour uplift from September 2022 to address current instability and support longer term sustainability in the social care market.

Councillor Matt Barney
Cabinet Member, Adult Social Care and Public Health

For any enquiries about this report please contact:

Clare Gilbert
Group Manager, Strategic Commissioning
Adult Social Care and Health
T: 0115 8044527
E: clare.gilbert@nottsgov.uk

Constitutional Comments (LPW 30/06/22)

78. The recommendations fall within the remit of the Cabinet by virtue of its terms of reference.

Financial Comments (KAS 14/06/22)

79. The department is seeking a full year effect of investment of £5 million to increase fee rates to commissioned home care, and care support and enablement services, by £1 per hour to address current instability and support longer term sustainability in the social care market.

80. In 22/23 the department can directly fund £4.09 million with a combination of £1.786 million from the Market Sustainability and Fair Cost of Care Grant 22/23 and the remaining £2.306 million in the Market Reserve. Any cost more than £4.09 million in 22/23 will need to be funded from a Contingency Request.

81. The ongoing cost for future years will be offset by budget pressure bids.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

Unfair to Care: understanding the social care pay gap and how to close it, Community Integrated Care, July 2021 <https://www.unfairtocare.co.uk>

Electoral Division(s) and Member(s) Affected

All.

A0006