

## MARKET SUSTAINABILITY PLAN

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

There are 155 care homes for residents aged 65+ in Nottinghamshire. Of these 71 are nursing homes and 27 are residential with 7,151 registered beds across the county. Although more Nottinghamshire care homes have an 'outstanding' CQC rating than the national average (6% vs 4%), there are fewer homes rated 'good' (69% vs 74%).

Countywide, registered bed capacity in older adult care homes has grown by 2% in Nottinghamshire since 2014, despite beds in closed homes (-16%) being greater than those in new homes (15%). The growth in net capacity has been caused by increases in capacity in existing homes (4.3% of beds the market).

The older adult care homes in Nottinghamshire have a high mean number of beds (46) compared with that of England, East Midlands and all Shire Counties (circa 43 beds). This is because there are fewer smaller homes and more larger homes than the national average.

The west of Nottinghamshire has many care homes. The concentration of these homes also continues beyond the administrative boundary of the county into both Nottingham City and Derbyshire. The east of Nottinghamshire is very different to the west of the county and shares many geographical and population features with Lincolnshire: sparsely populated, and towns far away from each other (making commuting between towns for low-paid jobs difficult).

Commissioning care home placements, especially nursing placements, is more challenging in the east and north of the county than the more populated areas in the west (where there are more care homes and multiple urban population centres close together). The east and north of the county have also seen the closures of in-house residential homes in recent years which, in these localised areas, contributed a significant proportion of the local market bed capacity.

Nottinghamshire appears to have large homes with a lot of vacant beds. Vacancy rate is more important for market forces than competition resulting from home size. Over Covid, more providers mothballed beds or units and it is unclear in the cost of care exercise if participating homes reported occupancy rates on registered beds or on available and staffed beds.

6% of rooms in older adult care homes have less than 12m<sup>2</sup> usable floor space (sometimes called 'undersized'). However, 17% of rooms do not have an ensuite toilet.

Nottinghamshire has 5.6% more registered beds per head of elderly population aged +75 than the average for the East Midlands, 11.6% more beds per capita than all Shire Counties, and 10.1% more beds per capita than the whole of England.

For the 57 older adult care homes (both residential and nursing) in the Nottinghamshire sample that supplied staffing data for the cost of care exercise, agency care workers accounted for 5.1% of total care worker hours. This compares to 5.9% as an overall average for the six East Midlands councils.

The use of agency staff is lower in Nottinghamshire than the average for the rest of the East Midlands however, this is not true for all care homes, as some homes have very high agency usage.

For the 27 nursing homes in the Nottinghamshire sample that supplied staffing data, agency nurses accounted for 10.4% of total nurse hours. This is a little lower than the 12.6% overall average for the six East Midlands councils.

Following a fair cost of care exercise in 2011, the Council implemented Quality Bandings for Ageing Well (over 65) care homes. This banding scheme was developed and co-produced with providers at the time and has been reviewed periodically over the years. The quality bandings determine the fees the Council pay for placements for that year and the banding are 1-5, with 5 being the highest rating and providers receive the higher fees for each placement. There are 5 quality bands for residential and nursing placements, with a Dementia Quality Mark payment for each banding, which means that there are 20 different fee levels in the quality bands.

Care homes in the county are classified annually into one of the five different bands based on five key areas of delivery. The banded rate paid per resident differs between residential and nursing care, so there are 10 distinct banded rates all based on quality. Each care home quality audit accounts for 70% of the banding outcome, with the remaining 30% based on the care home environment (which is a separate audit reviewing the care home environment which is reviewed only when homes are updated or new builds).

The Dementia Quality Mark (DQM) is reviewed bi-annually and Ageing Well care homes must apply to become an accredited service. For the care homes that achieve the DQM they only receive the enhanced payment for those people living at the home who meet the criteria. 34 homes have qualified for a Dementia Quality Mark.

Nottinghamshire County Council (NCC) are supporting, and promoting, the use of technology within adult care settings. This is being supported through the Digitising Social Care project which is a joint project with two phases (i) establishing digital care planning systems with a fund to support CQC registered services to purchase a system (56 providers have expressed an interest and (ii) a sensor-based falls system which is for care homes and funding available from the project.

Nottinghamshire County Council (NCC) commissions 29% of the beds in the care home market in the county.

Councils differ in the types of care categories they use and how they pay for the care. For neighbouring councils (see table below), this varies from 2 to 20 different categories. The councils shown are ordered low to high using the lowest rate for residential.

Nottinghamshire is an outlier because its highest rates (band 5) are far above the others. The Council's pay rates reward better quality of placement.

Type of placement	Residential	Res Dementia	Nursing	Nursing higher
North Northamptonshire	£480	£580	£531	£583
West Northamptonshire	£480	£580	£531	£583
Rutland	£488	£521	£567	£567
Nottinghamshire Band 1	£505	£520	£549	£561
Lincolnshire	£533	£587	£588	£687
Leicester	£536	£605	£571	£571
Derby	£543	£543	£557	£557
Milton Keynes	£560	£608	£608	£653
Derbyshire standard	£577	£626	£621	£669
Nottingham	£579	£579	£579	£579
Derbyshire enhanced	£601	£648	£644	£692
Leicestershire standard	£615	£615	£615	£615
Nottinghamshire Band 5	£628	£684	£696	£744

Data:

Recruitment and retention remain considerable issues within the care home market in Nottinghamshire. 5 nursing homes in the county (253 beds, 7% of the 3,663 registered nursing beds) are not providing nursing despite being registered as such.

The nurse pay range in Nottinghamshire is a little higher than the aggregate results for the 6 East Midlands councils, mirroring the pay being slightly higher in counties compared to cities. It is becoming increasingly common for homes to pay >£20 per hour to recruit and retain nurses. Most geographical areas have a range of pay for standard care works starting from the statutory NLW to near £11 per hour.

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

At the time of the cost of care exercise, summer 2022, the Council commissioned c.20,000 hours of homecare per week. Based on the available data, NCC commission the least homecare per capita among East Midlands councils.

Homecare is delivered through separate lead and additional provider contracts for each of the 6 zones (Lots) in the county. There are also supplementary and spot providers either operating countywide or in specific Lots. The zones are Bassetlaw, Broxtowe, Gedling, Mansfield & Ashfield, Newark & Sherwood, and Rushcliffe. All the zones bar Mansfield & Ashfield correspond to a single district. All Lots have a lead provider bar Rushcliffe who utilise the additional and supplementary providers to deliver the care. The current contracts started July 2018 and will last for 5 years; the contracts can be extended for 5 further years.

Lead providers have first refusal on new clients (with 4 hours to respond). Contractually, each lead provider is required to accept 75% of referrals and 100% of services for nominated individuals in ExtraCare [Housing with Care] housing schemes. If a referral is 'non-actioned' through no fault of the provider, it counts to their target. If a lead provider does not accept a referral, then work is passed to all additional providers (4 hours to respond). In the case of multiple responses, work is allocated based on the tender ranking of the additional provider and how quickly they can respond. A lower ranked provider will win the work if it can respond within 24 hours and higher ranked providers cannot.

Referrals that are not picked-up by the lead or additional providers and are not deemed urgent, are made available to any of the other providers in the Lot area. These referrals are held for up to 7 calendar days before being advertised to other providers through the Dynamic Purchasing System (DPS).

The 3 lead providers are also NCC's 3 largest; they collectively support c.45% of NCC homecare clients. 60% of clients receiving NCC-commissioned homecare are supported by only by 5 providers.

NCC has a flexible homecare delivery model. Framework providers are paid based on commissioned hours of care, only adjusted when actual delivery for an individual client drops below 90% of planned hours in a 4-week period. A provider can adjust call lengths as long as they stay within the total commissioned hours for each person over a 4-week period. If over, payment is capped at commissioned hours. This method of payment means that care workers can shorten visits where appropriate, reducing the need for travel-time payments between calls. This payment model supports the commissioning model effectively.

Hourly rates vary by provider and Lot (so many providers have different rates in different parts of the county). The hourly rates were set by providers at the contract initiation, though the council uplifts the rates each year by a standard percentage (determined by the council).

- Lead providers have hourly rates between £18.85 and £19.81 per hour (though 4 of the 5 rates are circa £19.80).
- Additional providers have hourly rates between £18.41 and £22.13, with a simple mean of £19.79 per hour.
- Supplementary and spot providers have a similar range of hourly rates.

Nottinghamshire is a diverse county, with both fully urban districts and districts where more than half the population lives in rural areas. Large parts of Nottinghamshire will require care workers to travel long distances (if there is any supply at all).

Care workers who travel long distances for homecare shifts more likely work full time. They will also potentially be paid for shift payments (rather than contact-time-only pay). They will therefore incur higher average costs, irrespective of higher transport costs.

The homecare market has been fragile and will be particularly susceptible to several factors.

- Persistent capacity gap between demand and workforce supply due to recruitment and retention.
- Provider and staff wellbeing and resilience continue to be impacted by managing Covid and have not yet recovered from the continued response.
- High demand from the NHS as the Council moves toward winter always impacts on demand at a time when care workers are also wanting to be with their families.
- The cost of living increases and impact on the workforce (such as fuel) and particularly lower income care workers are causing some workers to seek easier work options.
- The job market has more choice currently and not all roles are as demanding.
- Unstable and increasing inflation increasing costs.

Supply had dipped over Covid but the use of the Market Sustainability and Fair Cost of Care Fund and Council budgets to pay all homecare providers a £1 uplift has seen supply pick up. With this additional £1, the Council are paying near the median cost of care. It is not unusual for the home care rates to come out of such an exercise as broadly similar to those paid by councils as the care home providers tendered these rates; the reasons providers often require more money is where they are paying staff in excess of the NLW.

Analysis of homecare trends over the period April 2019 and April 2022 show:

- 7% growth in the number of clients receiving NCC-commissioned homecare
- More growth in men receiving NCC-commissioned homecare increasing by 14% compared to only 3% increase for women. *Different to other councils in the East Midlands* mostly been caused by growth in the 75-84 and 85-94 age groups.
- 22% of clients receiving council-commissioned homecare in Nottinghamshire have a care package of fewer than seven hours per week
- High proportion of homecare clients receiving >28 hours per week
- Growth in clients in urban areas, in rural town and fringe areas.
  - Growth of more than 15% in 5 districts (Mansfield, Broxtowe, Bassetlaw, Gedling, Rushcliffe)
- Fall in number of clients in more rural areas
  - Fall in Ashfield, Newark & Sherwood

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

### **Care Provision**

Like most parts of England, the elderly population is growing in Nottinghamshire, with the fastest proportionate growth in the most elderly age groups. This has significant implications for likely demand for care works in 5-, 10- and 20-year timeframes, as well as major workforce implications. The working age population in Nottinghamshire is only forecast to grow by 5% over the next 20 years.

Consequently, the ratio of potential workers to people likely to need care and support is going to markedly fall. Across Nottinghamshire, the ratio of people aged 20-64 to those aged 75+ is forecast to fall from circa 5.5-to-1 today to 3.7-to-1 in 20 years' time.

Nottinghamshire is a diverse county, with both fully urban districts and districts where more than half the population lives in rural areas. With extensive rural areas in the districts of Bassetlaw, Newark & Sherwood, and to a lesser extent Rushcliffe, and these areas currently being impacted by adequate care delivery, care staff recruitment and retention is likely to become increasingly challenging in the future where rural locations tend to have fewer workers and more elderly.

As large parts of Nottinghamshire will require care workers to travel long distances (if there is any supply at all) creative commissioning models need to be considered.

Care home staff are currently paid broadly at, or above, the NLW. To meet demand in rural, or less profitable areas of the county, pay and conditions will need to change and NCC will need to determine the extent the commissioning model can be adapted.

### **Care homes**

Changes to the care cap and thresholds will result in anticipated increases in the number of people eligible, and taking up, local authority support for their care. As section 18(3) comes into force, this position is expected to be compounded, as individuals realise that they can save significant amounts of money by utilising the council fee rates.

To meet this demand while still providing choice will require significant investment. 12% of NCC-commissioned placements in older adult care homes are for full-cost payers (self-funders whose placement is commissioned via the council). Processes will need to be scaled up within all Councils to meet new demand but full implementation of Section 18(3) still depends on care home providers being willing to sell beds to the Council.

NCC have a current mix of older and newer care homes. As the older homes are closed (with clients needing to be moved to alternative placements) or renovated (with more homes with loans or mortgages) costs will rise. Newer care homes are being developed primarily for the self-funder market. Currently there is an increase in the number of services in Rushcliffe, with services still being built and other services being extended. This includes more luxury rooms or suites. The Council currently holds 29% of the care home market. Moving towards 2025, the share of the market bought by council will need to increase but expectations of providers to meet the cost of rooms, paying above their break-even point, will also increase.

There is an over-provision of residential care within the county, particularly in the Mansfield, Ashfield and Gedling areas. Based on a sample of CQC inspections reviewed through the cost of care exercise that reviewed 3 years of data, a high proportion of local older adult care homes were already operating with occupancy below 70% of rooms prior to the pandemic (with many below 50%).

There are already care home capacity issues in certain areas of the county. Over the next 2-5 years, there is risk that more homes could close in rural, or not-so-profitable locations. Work will continue to ensure there is sufficient spread of appropriate care to meet demand. Significant investment will be needed to manage this rapidly changing market.

The cost of care exercise noted the council's relatively tight care home inflationary uplifts but also recognises the commissioning model is generous at the higher quality bands.

The market could change rapidly, in relative terms, to meet the requirements of section 18(3):

- There will be less residential beds required as individuals are supported to live longer within their home or community
- More homes become unprofitable as return on operations and return on capital are reduced
- More nursing homes are likely to close or take more residential placements – this can result in higher overall costs than a similar placement in a residential home due to requirements of staffing structures to meet the needs of nursing clients
- Already there are not enough nursing homes that can meet the needs of the most complex residents' needs; this is likely to be exacerbated and competition for placements is expected to be high
- The use of technology and alternative care models will be prioritised to maximise available staffing capacity.

### **Homecare**

In almost all homecare businesses, direct care worker costs are close to fully variable. The main financial risks from changes in demand relate to back-office staffing.

Nottinghamshire providers operate with a wide range of efficiency around back-office staffing levels. Such a range is common across the region. However, Nottinghamshire also accounts for a high proportion of the small branches (delivering less than 1,000 hours per week) where the branch only delivers 100-200 hours per back-office FTE.

Complexity of client need has increased, impacted also by the result of the Covid pandemic. The Council is regionally 2<sup>nd</sup> highest for 28+ hour care packages for homecare.

NCC is mindful of the Impact of rises in NLW increases on staffing stability and has good communication with the market around pressures.

In September 2022, the Council agreed a £1 uplift for all homecare and community care, support and enablement providers in the county. Prior to this uplift, care providers were struggling to meet demand; since September, supply has increased.

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

**The local care market**

The Council's intention, subject to funding over the next three years is to move toward a local Cost of Care that covers costs in line with inflation, which support local conditions, improves market sustainability, and supports the social care market in Nottinghamshire.

The plan is to develop the external market fee strategy that will make a clear commitment, to ensure that future funding will be used to move toward a cost of care, that is deemed to be fair.

Several factors are taken into consideration annually when planning for future care market capacity and fees paid. These include:

- National Living Wage and other statutory changes
- National inflation
- Cost of care market analysis
- Grant funding available
- Likely market capacity required to meet adult social care demand locally in line with our strategy and market position statement
- Occupancy rates
- Asset valuation
- The market position where nursing beds are occupied by residential placements and the impact this has on the residential cost analysis and associated nursing cost analysis
- Funded Nursing Care (FNC) payments on top of rates for nursing homes

	<b>23 and over</b>	<b>21 to 22</b>	<b>18 to 20</b>	<b>Under 18</b>	<b>Apprentice</b>
<b>April 2022 Rates</b>	£9.50	£9.18	£6.83	£4.81	£4.81
<b>April 2023 Rates</b>	£10.42	£10.18	£7.49	£5.28	£5.28

In April 2023 the National Living Wage will increase by 9.7% with the above rates.

In anticipation of the cost pressures in social care arising from this increase, a further £16.018m has been allocated to the Adult Social Care Department's base budget to be applied to adult social care services commissioned from independent sector providers.

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

NCC currently audit and classify homes annually into one of the five different bands based on five key areas of delivery. The cost of care exercise noted the council's relatively tight care home inflationary uplifts but also recognises the commissioning model is generous at the higher quality bands.

For 2023/24, the proposal is to remove quality band 1. The quality bands are increased annually as per the agreed cost of care process developed in 2011. Since this time, band 1 fees are now proportionally lower than other bands. Cabinet will be asked to reduce the bandings to quality bands 2 to 5 only and for care homes on this lower band to be moved to band 2. This would be an investment of c.£350,000 if approved, for long term, new and short-term placements. This investment will be maintained through the use of the Market Sustainability and Improvement Grant for 2023/24 and subject to this grant being continued.

The current and proposed fee rates for 2023/24 are as follows:

Care Home Banding	Proposed Fee 2023/24 Care Home	Proposed Fee 2023/24 Care Home including DQM Payment**	Proposed Fee 2023/24 *Nursing care	Proposed Fee 2023/24 *Nursing care including DQM Payment
Band 2	£640	£706	£717	£773
Band 3	£680	£742	£754	£813
Band 4	£695	£757	£771	£829
Band 5	£716	£779	£794	£848

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

Home based care, Housing with Care and Supported Living services are subject to market testing through competitive tender processes on a regular basis, usually every 3 - 5 years, with the current contract has been extended for up to 5 years. Tendering processes provides the Council with the opportunity to test the market through an open and transparent competitive process in order to seek best value from providers.

Since 2018/19, The Council has been working with the 'Lead providers' model with each covering a large geographical area based on district council boundaries. 'Additional providers' are also contracted to supply care to supplement the lead providers. There are also a small number of spot contracts from legacy arrangements that are reducing over time.

In addition, the Dynamic Purchasing System can be used to procure individual packages of care.

The above contracts do not require the Council to apply an annual inflationary increase

Since 2016 increases have been approved in line with the cost of the National Living Wage and other statutory changes.

In addition, in July 2022 Cabinet agreed a further in year rate increase of £1 per hour for Homecare and Supported Living, due to the instability in the market. This increase was funded from a combination of the Market Sustainability and Fair Cost of Care Grant 2022/23 and the Market Reserve. It is proposed that this is maintained through use of the Market Sustainability and Improvement Grant for 2023/24 at an estimated cost of up to £5m, subject to continued funding from the department.



It is proposed that a 6.87% increase is applied to 'Lead', 'Additional' 'Supplementary', Spot and DPS contracted Home-based care and Supported Living services and 7.66%% is applied to Housing with Care services. Legacy arrangements will be negotiated in line with the Lead and Additional provider rates.