



**Fair Cost of Care and Market  
Sustainability Grant  
2022/23 – 2023/24**

**Annex C: Market Sustainability Plan**

## Section 1

### Assessment of the current sustainability of local care markets

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

##### Strategic Context

The context of this report is relating to Adult Social care commissioning of registered care for older adults and domiciliary care for adults over the age of 18 years.

Adult Social Care, in line with the Care Act 2014 and best practice offer care provision to residents by using the principals of least restrictive options for receiving care. This objective is reflected in the 2022 – 2025 Joint Health and Wellbeing Strategy. The strategy also identifies partnership working to improve care market management and development as key to delivering better health and social care for Hillingdon residents. [Social care and wellbeing - Hillingdon Council](#).

Social care market management and development is a distinct scheme in Hillingdon's 2022/23 Better Care Fund plan, which can be found using this link [Better Care Fund - Hillingdon Council](#)

##### Demand

Currently, on average the Council purchase 1,700 residential and nursing care beds per year, the overwhelming majority being for older people's placements. Approximately 75% of all Council placements for older people are made to care homes located in the borough. Demand across residential and nursing beds were residential placements comprising 39% of the market and nursing care accounting for the other 61%. This is significantly greater than national figures where nursing homes make up 28% of the total number in England. This higher proportional demand for nursing beds is reflective of Hillingdon's wide offering of extra care, which has worked very well to reduce residential placements.

There is rising complexity of needs in the local population which has required much more specialist care over recent years. This is particularly the case with people living with dementia displaying behaviours that challenge. This has increased demand for high-cost dementia nursing beds.

The demand in Hillingdon for residential care home beds has been reduced by the development of four extra care housing schemes that consist of 243 self-contained apartments

The Adult social care commissions residential and nursing care via a joint Dynamic Purchasing System (DPS) operated by the Commissioning Alliance (CA) which includes most of the boroughs in Northwest London. The CA produce an annual fee range for councils to use in their negotiations with care home providers. These rates are calculated by an external company (Care Analytics) who have modelled demand and the operational costs of providers.

However, only 20 of the care homes in the borough participate in the DPS and most of these are charging fees more than the current DPS rate.

It should be noted that it is the intention of the Council not to contract new placements with providers who are not rated good or above by the Care Quality Commission (CQC). However, if a home is rated by the CQC as Requires Improvement during the contract cycle, or due to demand and availability of care home placements to meet residents assessed needs the Council will take a risk-based view regarding making a placement with a home that is rated as requires improvement. This is a positive expression of the Councils intention to ensure that its residents have the highest quality of service as possible, but it can limit available bed capacity and thus push up fees.

### **Capacity**

The provider market has a mix of small and national providers, both for and 'not for profit'. London Borough of Hillingdon currently has 44 active registered care homes providing 1,365 beds, one 31 bedded residential care home is currently closed for renovation. The capacity of the 26 Older People's homes is summarised below.

<b>Registered Beds – Older People Care Homes</b>					
<b>Type</b>	<b>Number of Homes</b>	<b>Nursing Beds</b>	<b>Residential Beds</b>	<b>Flexible Beds</b>	<b>Total</b>
Dual Home	8	249	160	31	440
Nursing Homes	7	330	0	0	330
Residential Homes	11	0	435	0	435
<b>Total</b>	<b>26</b>	<b>579</b>	<b>595</b>	<b>31</b>	<b>1,205</b>
<b>Proportion</b>	<b>4</b>	<b>48%</b>	<b>49%</b>	<b>3%</b>	<b>100%</b>

This means that provision for older people's homes bed capacity accounts for 88% of care home capacity in the borough.

The seven largest care home providers in the borough account for 45.9% of all beds as summarised in the following table

<b>Provider Name</b>	<b>Number of care homes in the borough</b>	<b>Nos of beds</b>	<b>% of total beds</b>	<b>Comments</b>
Care UK Community Partnerships Ltd	3	201	14.5	National
M D Homes	3	56	4	National
The London Borough of Hillingdon	3	42	3	
HC One Limited	3	130	9.3	National
Ruislip Care Homes	3	89	6.4	Local
Parvy Homes Limited	2	10	0.07	Local
GCH	2	127	9.1	Regional
Bondcare	1	70	5	Regional
BUPA Care Homes	1	40	2.9	National
<b>Grand total</b>	<b>21</b>	<b>765</b>	<b>55.15</b>	

The large national providers provide 36% of registered beds in Older People Care Homes within the borough. This proportion is double the national market profile and does represent significant market concentration. This impacts on the scope for bilateral discussions as commercial decisions for homes owned by national companies will usually be made centrally, thus leaving local managers with limited autonomy.

The Council's access to care home provision for older people in Hillingdon is impacted by the size of the self-funder market. Market analysis undertaken in 2019 showed that 45% of residents of care homes for older people in Hillingdon were self-funders, which compares with a London average of 35%. The high cost of these beds means that they are unlikely to be made available to the Council. In addition, analysis by Care Analytics showed that the business model for 11 of the older people's care homes in the borough were targeted at the self-funder market.

An illustration of the high prices for the self-funder market in Hillingdon can be seen with the example of Ryefield Court Care Home, which is described by the provider as a luxury home and charged their residents between £1,400 to £1,600 per week 2021.

In 2015 the Council was funding 35% of placements in Older Peoples care homes in the borough. In 2019 the Council's Market Position Statement (MPS) showed that this had declined to 26%. Placement data for 31st March, 2022 showed that the Council was funding 26% of the care home beds for this age group in the borough, which therefore suggest no change since 2019. An analysis carried out in February 2023 evidence that at Older People's homes where the Council had a current placement in the borough that only 29% of these homes bed capacity was taken up by Hillingdon long term funded placement's

In order to increase available bed capacity, the Council was approached by the CQC to identify any Older People's homes which were rated at Requires Improvement with the potential to rated good at their next inspection. The Council was able to identify 3 homes that met this criterion, and this information was passed to the CQC.

### **Block Beds**

Working in partnership with the North West London Integrated Care Board (ICB), the Council has acted as lead commissioner for the block beds shown in the table below that are in place until 31/03/23.

Home	Nos of beds	Type of service
Seymour House	6	Residential care
Drayton Village	6	Nursing non weight bearing
Parkfield Nursing Home	4	Nursing
<b>Total</b>	<b>16</b>	

Post April 2023 arrangements are explained in section 3.

### **New build**

Planning permission for a new 60 bed care home has recently been granted in the borough. The Council is engaging with the provider to explore opportunities for closer working relationship concerning its future use.

### **Care Home Closures**

Over the last 2 years, three residential care homes have closed, two have left the market permanently and one is closed for renovation. This has reduced the size of the older people's residential home market by 63 beds, or 10.5%.

### **Purchasing by Other Statutory Bodies**

An analysis of information supplied to the Commissioning Alliance (West London) regarding placements made by members into Hillingdon's older peoples care homes. The following table summarises the outcomes:

<b>Council</b>	<b>Oct-20 Placements</b>	<b>%</b>
Harrow	54	34%
Ealing	45	28.70%
Hammersmith & Fulham	14	8.90%
Kennington & Chelsea	4	2.50%
Westminster	3	1.90%
Brent	35	22.30%
Hounslow	2	1.30%
<b>Total</b>	<b>157</b>	<b>100.00%</b>

From the above it is self-evident that the majority of placements made were from Harrow, Ealing, and Brent (nearly 90%). The following tables evidences the types of placements made by these three Councils

<b>Placement type</b>	<b>Oct-20 Placements</b>	<b>%</b>
Nursing dementia	14	10.40%
Nursing	10	7.50%
Residential dementia	65	48.50%
Residential	45	33.60%
<b>Total</b>	<b>134</b>	<b>100.00%</b>

From this table it can be concluded that 82% of the placements are for residential and residential dementia care. Additionally, Hillingdon is aware of some homes who have been contracted on a block basis – most notably from Buckinghamshire Council, who have purchased a 13 residential bed block at Parkfield at a significant premium rate of £1,300 per bed, along with paying a spot rate of £1,200 per bed in 2022.

The NHS also purchased beds directly with care homes via an Any Qualified Provider (AQP) agreement. The weekly AQP rate is £934 inclusive of any Funded Nursing Care

(FNC) and it has been suggested that this will be increased by 17% in the next financial year.

### **Extra Care Schemes**

The Council is committed to ensuring that registered nursing and residential care is utilised as a last resort by ensuring that it has more community-based facilities available. As referred to previously, the Council has invested in the development of four extra care schemes for rent in the borough for people aged 55 and above, which is intended to avoid admissions into care homes.

These schemes are summarised below.

<b>Scheme Name</b>	<b>Nos of units</b>
Parkview Court	60
Grassy Meadow Court	88
Triscott House	47
Cottesmore House	48
<b>Total</b>	<b>243</b>

Cottesmore House is owned by The Guinness Trust and the other three schemes are Council owned. A nomination agreement with The Guinness Trust grants the Council 100% nomination rights in perpetuity

### **Occupancy**

The occupancy level within the borough remains high. The following table summarised the position derived from NHS Capacity Tracker for all care homes:

<b>Period</b>	<b>Occupancy rate</b>	<b>Comment</b>
20 <sup>th</sup> February 2023	95%	Snapshot on date
February 2023	95%	Average for month
October 2022 to February 2023	94%	Average for period
December 21 to September 22	91%	Average for period

These rates must be compared with the rates with neighbouring boroughs and across London. According to data from the London ADASS the latest occupancy rate across the Northwest London boroughs was 89%, with only Westminster and Hammersmith having higher occupancy rates. The occupancy rate across London is 88%.

The only DPS older people's care homes with any significant capacity are those that are subject to placement restrictions imposed by the Council, i.e., because they are designated '*requires improvement*' by CQC.

### **Financial Resilience**

An analysis by Care Markets magazine of provider fee rates shown in the 2021/22 Better Care Fund end of year returns highlighted that the average fee for care homes without nursing was £682 per resident (5.3% rise on the previous year) whilst the fee for care homes with nursing it was £788 (6.2% rise).

The following table illustrates the current position:

Placement Type	Cost of Care Median Cost	DPS Rates 2022/23	Average fee per week – Feb 23
LT Nursing	£1,022.84	£505-£654	£768.73
LT Nursing with Dementia	£1,146.32	£531-£667	£789.68
LT Residential	£778.22	£491-£599	£887.40
LT Residential with Dementia	£909.00	£542-£660	£786.58

The above table evidence that the average weekly fee for care home places paid by the Council is below the reported costs for delivering that service. Also, that the DPS rates are well below the actual fee levels and as such are unrealistic

Providers are communicating concerns around rising costs of heating, utilities, and wages, leading to increased risk of market exit and lack of financial resilience particularly for smaller providers.

There is a perception from a significant number of the older people's care home managers that the Council's DPS rates are low in comparison with the neighbouring boroughs. The DPS rates are currently being reviewed and reassessed by Care Analytics for the NWL boroughs and the outcome of this exercise is awaited.

Further evidence of these concerns can be drawn from the fact that all care homes to have closed over the last 2 years have included low fee levels as one of the most significant reasons for their decision. Additionally, one of the dual registered care homes has stated that unless the fee levels they receive are improved, they will convert one of the homes units to meet the needs of the self-funder market.

It should be noted that significant numbers of Hillingdon's care home market comprise of providers who are subject to financial oversight by the CQC as part of their Market Oversight scheme.

### **Quality**

Hillingdon has an extensive quality and performance management system in place to ensure that providers deliver a service that meets the quality thresholds as required by Council contracts and to ensure that it can undertake effective market oversight.

There is an overarching market oversight system in place that links to senior management via the Provider Risk Panel (PRP) and ultimately to the Care Governance Board (CGB), which is chaired by the Executive Director of Social Care & Health.

The Council's dedicated Quality Assurance Team (QAT) have responsibility for services for adults and children, they have developed supportive relationships with all care providers in the borough. They link closely with the safeguarding team, care management, brokerage, performance management teams and neighbouring boroughs, to ensure a co-ordinated response to any quality concerns is implemented.

Support is targeted and reflective of the range of information the team receive from service users, brokerage, and other professionals, as well as annual quality monitoring visits & spot checks where they engage directly with service users.

The intelligence and outcomes from the QAT monitoring and assurance visits, Social work feedback and safeguarding are fed back through the Provider Risk Panel who assesses the risk presented and make sanction recommendations based upon risk with a view to supporting providers to improve and deliver good quality services to residents. The recommendations are ratified and monitored by the Care Governance Board

Care Homes in the borough are also provided with additional ongoing support to ensure that they are able to deliver effective services to their service users such as the NHS Care Home Support Service which is a multi-agency team that has been in place since 2017 and includes six care home matrons who each have responsibility for supporting specific care homes. The team is also supported by GPs, a dietician, a speech and language therapist (SALT), a mental health nurse and tissue viability specialist. Specialist medical advice and support is also provided by a care of the elderly consultant at Hillingdon Hospital

Residential and Nursing Care Homes are subject to regulation by the CQC and the outcome from their inspections are an objective measure of quality-of-service provision within the borough.

The following table summarises the current position, ratings for Hillingdon are taken as of July 2021 and February 2023, whilst national statistics are taken from the State of Care report published in October 2021.

<b>Care Homes – CQC Ratings</b>						
<b>Rating</b>	<b>July 2021</b>	<b>%</b>	<b>Feb 2023</b>	<b>%</b>	<b>National Nursing</b>	<b>National Residential</b>
Outstanding	0	0	0	0%	5%	4%
Good	36	77%	36	82%	73%	80%
Requires Improvement	11	23%	8	18%	20%	14%
Inadequate	0	0	0	0%	2%	1%
<b>Total</b>	<b>47</b>	<b>100%</b>	<b>44</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Over the last 12 months the position has improved, with an increase in Good rated homes and a reduction in homes rated requires improvement. Currently, none of the Older Peoples Care Homes are subject to any sanction or restrictions on placements by the Council. However, it should be noted, that the Care Home currently closed for renovation had an overall CQC rating of “*Inadequate*”.

In comparison to national figures, Hillingdon has a greater proportion of care homes rated either ‘*Good*’, and a higher proportion rated as ‘*Requiring Improvement*’, although the difference is marginal.

### **Workforce**

The following table shows the total staff and agency staff employed as recorded by the NHS Capacity Tracker for the current financial year.

<b>NHS Capacity Tracker (Non-Agency vs. Agency)</b>				
<b>Care Staff</b>	<b>March 2022</b>	<b>October 2022</b>	<b>January 2023</b>	<b>Percentage Change</b>
Nurses	127 / 19	123 / 33	133/29	4.7% / 52%



Carers	1,040 / 98	1,019 / 110	1,042/123	0.2% / 25%
Non-Care Staff	429 / 11	415 / 16	423/26	-1.4% / 136%
<b>Total</b>	<b>1,596 / 128</b>	<b>1,557 / 159</b>	<b>1607/178</b>	<b>0.6% / 39%</b>

Whilst the total number of staff employed has increased slightly, the number of agency staff has increased by 39%. The significant increase in the numbers of agency nurses being employed is extremely concerning.

Skills for Care data for all Adults Social Care staff in Hillingdon identified that workers aged over 55 represented 27% of all care staff. Given this age profile, approximately 1,500 people will be reaching retirement age in the next 10 years.

Their findings also highlighted that the average pay rate for care workers in the borough was £9.58 per hour, which is below the regional rate of £9.70 per hour.

It should be noted that Heathrow airport is situated in the borough and as such this is a significant source of alternative employment, the impact of which is greatest on Hillingdon and Hounslow.

### **Provider Views**

The 8 boroughs making up the Northwest London (NWL) sub-region, i.e. Brent, Ealing, Harrow, Hammersmith and Fulham, Harrow, Hillingdon, Hounslow, Kensington and Chelsea and Westminster, decided to work as a collective to garner the care home and domiciliary care market's views on current and future sustainability for inclusion within individual market sustainability plans (MSPs).

The conclusion from the exercise carried out was that both market areas are generally aligned in their views on risks to market sustainability. Key themes from this exercise are:

- current rates not reflecting actual costs.
- the challenges related to securing a permanent workforce and how these issues affect quality locally.
- The strong relationships reported between commissioners and providers will enable a partnership approach to addressing this.

Through its collaborative work programmes, the NWL boroughs are focusing on improving quality of commissioned services, The most significant risks to market sustainability all adversely impact on the delivery of good quality services. Interestingly, the quality of services was not seen as a major risk to market sustainability by providers when asked to rank key strategic risks.

Quality will continue to be a focus of sub-regional work in NWL, as well as an individual borough priority.

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

### **Demand**

Hillingdon currently supports 1,366 people to live independently at home, requiring on average 11.27 hours of support per week.

As the older population ages and care and support needs become increasingly complex, the number of adults requiring support to live independently at home is expected to increase.

Ensuring stability and continuity of care is a key priority for social care and commissioners, in developing the market to meet the needs of clients with complex needs

Currently the Council has no challenges in securing capacity to deliver care in the borough. The following table provides a summary of the homecare demand position in the borough following the start of the new Home Care Framework on 20/02/23.

<b>Packages of Care Awarded</b>	<b>Total</b>	<b>%</b>
Awarded to Lead Provider	68	69%
Awarded to framework provider	30	31%
<b>Total</b>	<b>98</b>	<b>100%</b>

<b>Packages Offered</b>	<b>Total</b>	<b>%</b>
New packages offered in the North	73	63%
New packages offered in the South	43	37%
<b>New packages offered to all providers</b>	<b>116</b>	<b>100%</b>

'North' and 'South' of the borough are broadly demarked by the A40, which runs east to west through the borough.

Most of the activity is in the north region where the Lead Provider (CCS) has reported problems with recruitment and is only currently accepting 36% of the POC offered compared with a required rate of 70%. Care Outlook, the Lead Provider in the South is currently accepting 78% of all POC offered to it. To quickly increase its capacity in the North region, Care Outlook has asked authorisation for a contract variation to enable it to sub-contract some activity to an established provider with an established presence in this part of the borough

### **Market Structure**

The market is comprised of a diverse range of providers with an overwhelming presence of single branch operations. Except for one small franchise, none of the national brands have a presence within the borough.

The domiciliary care market in Hillingdon on 1<sup>st</sup> February 2023 consisted of 60 providers, 21 of which the Council contracted directly under a DPS framework. From 16<sup>th</sup> January 2023 the Council began implementation of a 10-provider closed framework, 7 of the previous DPS providers are now part of the new adult's framework.

From the 1<sup>st</sup> May 2023, only the two Lead Providers and the 10 framework providers will have an ongoing contractual relationship with the Council.

### **Commissioning**

The Council has put into place the following portfolio of commissioned homecare and outreach services to address the needs of our residents:

**Lead Providers** – there are two lead providers who cover either the north or south of the borough. They are expected to accept 70% of all new referrals within their area of operation, are paid a fixed fee for the service they deliver and are not block contracted service. They have a strategic relationship with the Council due to the levels of demand expectations placed on them.

**Specialist Services** – This includes such services as Discharge to assess and the reablement service (which are block booked), which was recently operated by

the Councils direct provision but is now delivered as part of the contract held by one of the Lead Providers.

**Spot Providers** – these are commissioned via a framework of 10 providers that commenced on 16<sup>th</sup> January 2023. The transitional arrangements include transferring the POCs for service users who are currently receiving a service from a previous DPS provider (approx. 650) by the end of April 2023.

**Extra Care and Supported Living Service's** – The Council uses the Lead Provider model to deliver a core and flexi model of care and support across Extra Care and Supported Living services for OP, LD & MH.

### **Financial Resilience**

As noted in the Councils published Cost of Care Report for Domiciliary Care, an extensive engagement exercise has taken place with our providers around what the future Fair Cost of Care should be. The limitations of the exercise have been noted in the report. The result was a series of fair and reasonable adjustments which were made to the returns submitted and resulted in a median cost of care rate of £21.54 per hour being determined

An analysis by Care Markets magazine of Improved Better Care Fund (IBCF) provider fee rate returns for 2021/22 highlighted that the average fee for homecare was £19.32 per hour, a rise of 3.5%.

Average fee rates paid to DPS spot providers was £17.19 per hour and providers have requested fee increases during the current year (2022/23). The Council made offers based on an average percentage increase of 6% for this period, with the agreed fee uplift for the Lead Providers in 2022/23 awarded at 5.5%

It should be highlighted that the new framework average fees of £17.40 per hour are below the Hillingdon FCOC median rate. But this average fee rate for the framework providers is on average 1.2% greater than the current DPS spot rates. This would be of concern, if the framework providers financial sustainability had not been subject to robust review.

### **Market Exits**

No contracted provider has exited the market within the last 2 years. But this is likely to change once the full effects of the mobilisation to the Lead Provider and new DPS Framework contract which reduces the numbers of contracted providers to 12.

This process includes the transfer of service users' packages from the exiting DPS providers and will mean that non framework providers will have to depend on the self-funder market and residents who choose to have a Direct payment within Hillingdon and any other Council contracts for their medium to long term financial sustainability. Some providers who only have a relationship with Hillingdon are likely not to have a long-term future.

### **Quality**

Hillingdon work collaboratively and openly with providers to assess their quality and identify areas for improvement. Hillingdon also work with providers to support their own quality monitoring and ensure action plans and improvement governance are fit for purpose.

The following table summarises the current position of CQC ratings for Hillingdon as of February 2023, whilst national statistics are taken from the State of Care report published in October 2021.

## **Domiciliary Care – CQC Ratings**

Rating	Hillingdon	Proportion	National Proportion
Outstanding	0	0%	5%
Good	44	73%	83%
Requires Improvement	11	19%	11%
Inadequate	0	0%	1%
Not Inspected	5	8%	0%
<b>Total</b>	<b>60</b>	<b>100%</b>	<b>100%</b>

From the above table it is evident that the Hillingdon market is not performing as well when compared with the national average/performance.

### **Workforce**

The Homecare Association (a national representative body) data has shown a worsening recruitment and retention situation in the sector over the last 12 months. Their member survey in September 2022 showed that:

- 84% of providers reported that recruitment was harder in September 2022 than in September 2021.
- Over half (59%) of providers said more care workers were leaving in September 2022 than in September 2021.
- Workforce shortages impacted on the amount of care being delivered, with nearly half of providers (47%) reporting that they were providing less care in September 2022 than in September 2021.
- The most common reasons given by careworkers for leaving were needing to earn more or wages / cost of living pressures (67%); needing to travel /cost of travel (58%) and feeling burnt out, stressed or exhausted (52%).

Within Hillingdon this is recognised as a key challenge for home care. For many workers, the retail sector, the NHS, and care homes are more attractive job opportunities. There is also cross borough competition for carers, who may be able to easily travel to other borough's which have higher rates of pay.

Data from the NHS Capacity Tracker recorded that on 11<sup>th</sup> February 2023, domiciliary care agencies in Hillingdon employed 2,250 staff. It should be noted that this data does not include data for those providers who deliver their Hillingdon contracts from operational branches outside of the borough, a notable absence being one of the Lead Providers. Their performance data supplied to the Council identified that they employed approximately 100 staff in the borough.

The Lead Providers have reported challenges in the recruitment of new staff and are using the Health and Social Care Visa to recruit staff. One has reported that they are onboarding an additional 39 staff via this route which will create an additional 1500 hours per week of capacity in the borough. The other has yet to use it to deploy any staff to deliver care on the ground via this route.

The procurement for the new framework included specific questions regarding the providers resources to ensure that they could scale up their staffing capacity, as and when required.

Skills for Care data for all Adults Social care staff in Hillingdon identified that workers aged over 55 represented 27% of all care staff. Given this age profile, approximately 1,500 people will be reaching retirement age in the next 10 years. Their findings also

highlighted that the average pay rate for care workers in the borough was £9.58 per hour, which is below the regional rate of £9.70 per hour.

A significant focus is now on international recruitment by home care providers. In September 2022 61% of respondents to the Homecare Association member survey said that affordability or the cost of the process of international recruitment was a barrier to them using international recruitment.

There are direct costs associated with international recruitment, for example, the cost of the sponsorship license, skills surcharge, and so on. There are also costs that can come from staff time managing the administration, providing pastoral support and support with other difficulties, such as finding accommodation. Additional training is often required for international care worker recruits to explain cultural aspects of life in the UK (such as food culture), and how services (like the NHS) work.

## Section 2

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

#### **Demand and Complexity of Care**

In Hillingdon the 65+ population has increased by 21.4% from 2011 to 2021. This is slightly greater than the overall increase for England of 20.1%. It is estimated that the 65+ population in Hillingdon is predicted to reach 52,371 by 2030, which is equivalent to a 21.8% increase from 2021. It is projected that this increase will be more rapid amongst those aged 85+. The Care Policy and Evaluation Centre (CPEC) at London School of Economics (LSE) projects that for adults 65+, 57% more will need care in 2038 compared with 2018, mainly driven by the ageing population.

Findings from studies such as the CFAS and ELSA show an increased prevalence of severe disability and complex multimorbidity in those with care needs. This is expected to continue, placing increasing need for more specialist residential and nursing care provision in Hillingdon as well as more care staff and health professionals.

Within the care home market there continues to be ongoing concerns regarding the potential for Older Peoples providers to reconfigure their offering towards the self-funder market reducing the capacity of available to the Council and the choice offered to residents both in terms of location and of quality. The proposed new build for a 60 bedded care home in the borough, offers an opportunity to engage the provider regarding how their plans can best reflect the Council's needs

Whilst within the homecare market the ongoing concerns are on contract viability as reported by one of the Lead Providers and whether they will continue to deliver all their contracted services within the next 12 months. Also, whether there will be sufficient volume of activity to ensure that none of the new framework providers exit.

#### **Charging Reform and Section 18(3) of the Care Act**

At the Autumn Statement, delivered on 17 November 2022 the Government announced that implementation of the charging reforms, originally planned for October 2023, would be delayed by two years. The Government's Charging Reforms (excluding section 18(3) of the Care Act) should not impact our local market. The same number of residents who require residential and nursing care will receive residential and nursing care. So, we will face the same growing demand and capacity challenges noted elsewhere in this section. Though how much we pay for that care versus residents will fundamentally change over time.

This has delayed the ability of privately paying residents to have their care commissioned at our weekly rates, this will impact the income generated, and therefore financial returns and viability, of some care homes that have a mix of Council pay and private pay residents. As a result, we expect care homes to increase the rates they charge the Council overall for placements to offset that financial impact. Increasing our fee rates over time following this exercise and the Market Sustainability Fund will reduce some of that impact but we estimate, over time, that it is likely to be significant.

#### **Financial Resilience**

The sustainability of the independent sector care market is of critical importance to residents remaining independent in their own homes and to managing demand on more expensive services. The sector is facing financial pressure from wage costs, inflationary

pressures and the removal of COVID-based financial support. Other potential financial pressures, such as the possibility of CQC fees increasing are also a concern.

As CQC reported in their State of Caring report “The combination of increased wages to retain staff, increased running costs and the withdrawal of short-term government COVID-19 support, such as the infection control fund at the end of March 2022, have all increased the financial pressures on social care... We are concerned that, if financial pressures continue, capacity in the adult social care market will be further constrained...”

Providers report that they are under increasing pressure due to the current financial climate which is impacting all elements of care homes including staff pay, utility and gas bills, as well as other outgoings such as food costs. Energy costs are routinely one of the largest non-staff costs, and use of energy to keep vulnerable people warm will mean significant increases in costs. Further, increasing interest rates is likely to impact the cost of some providers’ funding structures (such as mortgages, loans, and mezzanine financing) when it comes to refinancing their debt in the next 1-3 years – costs that will be passed on to funders to pay for if it threatens their financial viability.

Additionally, workforce challenges, exacerbated by Brexit and the pandemic have resulted in a lack of available staff and reliance on the more expensive agency workforce.

### **Quality**

Wider demand, financial and workforce challenges are ultimately likely to impact upon the quality of care provided to service users. There is a clear link between providing quality care and having sufficient skilled workforce to do so. With reducing care staff morale and estimated nationally 29% carer staff turnover rate in 2020/21, maintaining current quality standards in care homes will be challenging without further investment and support.

### **Market Risks - Residential and Nursing Care Homes**

The main risks for the residential and nursing care home market to 2025 include:

- Low fee levels will continue to encourage homes to convert their capacity/business model to be focussed on self-funders, which will limit access for local authority placements in the borough.
- High nursing agency use will potentially increase provider wage costs and will have a negative effect on their short-term viability/sustainability.
- Fair cost of care median rate is significantly higher than the Council current fee levels.
- Significant market presence of large corporate providers whose service model is based on the use of large care homes which the CQC have identified presenting management challenges in terms of quality and oversight. Also, they have access to the financial resources to fund realignment of their homes to a more self-funder model, if or when required
- The numbers of residential care bed capacity have declined by 10%
- The planning permission obtained for a 60-bed new build is potentially a real opportunity for the Council. It is also a risk since it will need staffing resources at a time of limited supply. But it will also need staff from a limited pool of staff which could affect care elsewhere.
- The age profile of care staff means that there may be a cohort of people retiring during this period.
- Effects of changes in CQC regulation

### **Domiciliary Care and Outreach**

The main risks for the domiciliary care and outreach market to 2025 include:

- Continued concerns regarding the capacity issues within one of the Lead Providers placing undue strain on the framework providers.
- Wage rates which make recruitment and retention problematic
- Fuel charges – potentially these will affect staff willingness to use their own vehicles reducing their potential utilisation and “take home” pay. Reducing capacity available to deliver care in the borough.
- The implication of the implementation of the new framework is that the numbers of providers operating within the borough will contract. Since the Council will only make placements with a much smaller number of providers those who do not have an ongoing contract with the Council or have contracts with other councils may no longer be financially viable and may be compelled to exit the market in its entirety.
- Workforce pressures related to issues such as the age profile of the staff and availability of alternative sources of employment.
- Attraction to care staff of working in neighbouring boroughs (Brent, Ealing) that include the requirement to pay staff the London Living Wage.
- Effects of changes in CQC regulation



## Section 3

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

#### **Background**

Northwest London is in a unique position in comparison with the rest of London due to its shared procurement for care homes. The NLW dynamic purchasing system (DPS) includes price bands which are uplifted annually.

#### **Short term Support**

The DHSC have made grant funding available to support challenges currently being faced in the social care market to create capacity to enable more effective use of NHS hospital resources.

These include the following:

#### **ASC Discharge fund**

Council assigned £376,000 or 19% of the total grant allocation to support homecare recruitment and retention which include a staff retention payment, bringing forward of the increase in the payment of the NLW increases for 2023/24 to this year and the reimbursement of the costs of overseas recruitment incurred by the Lead Providers

#### **Fee Setting 2023/24 and “moving towards the Cost of Care”**

The Council has an established process to set its market fees, it does not operate across the market fee rises. All contracts include clauses that enable providers to request uplifts by a set date generally October of the previous year. These uplift requests are expected to detail all of the cost pressures being faced by the provider. These are considered by an officer working group led by the procurement team Category lead, that includes operational, commissioning, finance, market management and brokerage staff. These then make recommendations to the Executive Director for approval.

Due to the seriousness of the cost pressure currently being faced by providers, last year a temporary rise to cover short term costs of living pressures was approved. This year's preparatory meetings have been held that will review the cost pressures within the national/local market and what the Council can afford to pay within its financial envelope. It is recognised that the rise in the national living wage alone will have a significant effect on the viability of all providers in the market.

Care Analytics have produced an analysis of the cost pressures being presented to care providers for ADASS London, the outcome from this analysis is equated to fee increases of between 7% to 12% in residential/nursing care homes and 8% in the Domiciliary Care market. They are also reviewing the DPS fee levels for the Older Peoples Care homes via the DPS.

The Council remains, fully committed to moving to the median rate (adjusted for inflation) in both the care homes and homecare market by 2025/26 meeting its twin responsibilities of a) supporting and managing a financially sustainable and resilient local home care market which provides our residents with sufficient access to safe, effective and high-quality services whilst b) securing best value for our taxpayers' money.

Accordingly, the Council will continue to engage with all our providers (collectively and individually) and negotiate fee rate increases with them each year – starting from 2023/24 – transitioning towards the median future rate over the next two years. Our fee

rate discussions and work with our providers will focus on how we can further support the market to develop attractive employment and training opportunities where most of the fee's increase is passed directly to front line staff in terms of hourly pay rates.

In order to ensure that fees set reflect the outcome/findings of the Cost of Care exercises, the Council intends to “move toward” the identified median rates over the next two years. With the fees being enhanced by 50% of the difference in 2023/24 and the remaining 50%, the following year, subject to funding being available. Despite funding from Central Government being insufficient to cover the total costs of these increases, the Council is committed to paying fees that reflect the costs of delivery care services and the final rates will be shared with providers when available.

### **Commissioning and Market Management**

Hillingdon works sub-regionally (8 North West London authorities) with the Commissioning Alliance (CA) who deliver the adults commissioning work programme on the Councils behalf. The CA's role is bringing authorities together, using collective market leverage, sharing data, sharing learning, and providing tools that enable authorities to manage price and quality collectively.

By participating in this consortium arrangement, we benefit from the following:

- Using collective influence and sub-regional buying power through a joint procurement to manage costs through market indication and contractual compliance.
- Align borough approaches to inflationary uplifts to enable a consistent approach.
- Work as a partnership to develop data analytics providing insights from both a commissioning and geographical lens in reference to commissioning activity.
- Understand supply and demand pressures from a sub-regional perspective to compare against individual borough landscapes.
- Address quality issues together taking into account the ‘single’ market created in NWL due to a joint procurement and spot purchasing trends. This includes a multi-agency approach bringing together all sub-regional quality leads along with CQC and AQP.
- Developing the e-brokerage portal to improve operational commissioning practice
- Engaging with the market as a sub-region to strengthen our sub-regional position as a homogenous group.
- Progressing market development and shaping as a sub-region through strategic market management forums.
- Within the cost of care exercise specifically the partnership has supported individual borough approaches enabling a platform to share and challenge as appropriate and has been key to understanding the sub-regional position following the exercise against the context of a local narrative.
- The Commissioning Alliance utilised opportunities to work collectively as appropriate to highlight commonalities across the sub-region, identifying where partnership working would fit best in response to the outcomes of the cost of care.

### **Hillingdon Commissioning Summary Intentions 2023/24 onwards (Draft)**

The Councils “Model of Care” as identified within the Health & Wellbeing Strategy 2022/2025 states that it sets out “Enabling people to live as independently as possible in the least restrictive, supported care setting appropriate to meet their needs and wishes.”

### **Residential and nursing care homes**

- **NWL Residential and Nursing Care Homes DPS** – service specification and terms & conditions to be refreshed.
- **Older Peoples Block Beds** – review current position, identification of future needs and procurement. This includes the potential extension of the current

arrangements for the next 12 months. Whilst identification of any additional capacity that may be required.

- **Digitalisation** – working with managers to ensure that they are updating NHS Capacity Tracker appropriately, ADASS Quality Assurance Survey and Workforce Dataset.
- **Fee setting** – To ensure that the outcomes of the Care Analytics DPS margins are implemented whilst also monitoring whether the market is willing to accept the rates proposed .
- **Market Position Statement** – drafting of a comprehensive MPS using information derived from the MSP and Costs of Care exercises
- **Review and update – Council contract management systems** including quality assurance systems/monitoring processes.
- **Care Home Capacity** – work towards increasing the care home provision in several specialist areas within the borough.
- **Communication and engagement** –continuation of the established Provider Forums, contract meetings with the Supplier Relationship and Procurement Leads, Quality Assurance visits and ongoing support, facilitation of the Registered Managers Network in conjunction with Skills for Care.
- **Workforce Plan** -this will form part of the HHCP integrated community workforce plan.

#### **Domiciliary Care**

- **Implementation of framework contract** – ensure that the contract is fully implemented inc CQC branch locations, ECM linkages, reviewing engagement with marketplace system, provider quality and viability.
- **Digitalisation** – as above.
- **Service Improvement** - Trusted Assessor Model – pilot implementation examining ways to empower providers to deliver effective care whilst being flexible and incentivising them to improve.
- **Market Position Statement** – drafting of a comprehensive MPS using information derived from the MSP and Costs of Care exercises.
- **Review and update** – Council contract management systems including quality assurance systems/monitoring processes.
- **Communications and engagement** – as Care homes
- **Workforce Plan** – this will form part of the HHCP integrated community workforce plan

#### **Market Engagement and communications**

The Council has established provider forums that it accesses to engage with the diverse market sectors within the borough. These include forums concerning the following market sectors:

- Residential and Nursing Homes
- Domiciliary Care
- Supported Living

They generally meet monthly via teams but there are plans to have “in-person” meetings going forward. The agenda generally include the sector, market and Council information and guest speakers on subjects of interest including ICB, CQC, district nursing, etc. These have also operated some short life working groups that look at specific operational issues and concern. Providers are encouraged to identify any areas/issues that they have wish to be addressed in these meetings.

The Council also supports and hosts the Skills for Care’s Registered Managers meetings for providers in the borough which met 3 times per year. The Quality Assurance Team provides administrative support, and the Council provides a meeting room.

General communications with providers are carried out by the Quality Assurance team using distribution lists for all providers in the borough. Communications with individual provider can be carried out by a number of council services including the Procurement Service, the Markets & Supplier Relationship team, brokerage, charging and care management.

With reference to the Fair Cost of Care exercise, there has been extensive communications including:

- **Email communications** to all “in-scope” providers either via Grant Thornton or by the Council itself.
- **Market Forum** - Regular discussion at the appropriate Market Forum
- **Website** - The Council website includes a dedicated Fair Cost of Care webpage, and this has been updated to ensure that providers can access the current information on this exercise., This includes copies of the outcome of the Cost of Care exercise and of the final Market Sustainability Plan

These have been used to inform providers of the outcome of the Cost of Care exercise and also regarding the final Market Sustainability Plan