

London Borough of Sutton 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

Sutton has a diverse care home market consisting of 26 care homes (930 beds) supporting adults (65+) with age related illnesses: 3 nursing (123 beds), 13 dementia/enhanced nursing (556), 2 residential (33 beds), 8 dementia/enhanced residential (218 beds). 87% of beds are provided by the private sector, 13% by the voluntary sector. Sutton spot purchases 188 beds (20% of market capacity): 129 nursing and 59 residential. Self-funders purchase 57% of beds, 23% beds are purchased by other local authorities and the NHS.

Based on the number of beds in Sutton and demand there is sufficiency of supply to ensure continuity of care. Sutton is a small borough and there are no geographical areas where there are concerns regarding capacity nor an over reliance on a small number of providers. Over the last 5 years, 4 care homes closed for business reasons and 4 due to quality issues (19% market reduction). 2 new homes opened.

85% of care homes are rated as Good by CQC. 3 care homes have outstanding ratings. 4 care homes are rated Requires Improvement and are subject to quality assurance processes.

For 2022/23 Sutton weekly market rates are £746 (excl. FNC) for nursing and £674 for residential. The NHS nursing rate is £975. Some nursing homes request fees that match NHS rates. 28% (257 beds) of the market is for self-funders and these providers do not accept Sutton nor NHS market rates and are deemed unaffordable. All care home placements are spot purchased in and out of the borough.

Average fees paid exceed market rates by 7% for nursing and 9% for residential. Overpayments are due to market conditions such as high occupancy levels exceeding 96% (particularly those care homes willing to accept market rates), providers not admitting people with high levels of needs without additional payments and supply pressures due to competition from self-funders and higher market rates from other local authorities.

Workforce pressures (e.g. high level of staff vacancies and staff turnover rates) have meant that providers face financial pressures to fill staff vacancies such as increases in pay, welcome bonuses and referral bonuses for new joiners and enhanced overtime payments. It is estimated that 73% of care workers in adult social care earned below the living wage.

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

Sutton's home care market is made up of two main contracted providers who deliver a small percentage of the overall service volumes that are being purchased. The Council has supplemented the purchasing of home care services from an additional 36 providers through spot purchase arrangements. In 2021/22 there were an average of 946 people per week in receipt of home care and the average weekly service hours delivered were 12,483.

Service demand has increased quite rapidly over the last 2 years. This is mainly due to the Covid-19 pandemic and increased demand for home based support. In July 2020 there were 759 residents in receipt of home care services. The Sutton home care market has grown in response to this increased demand. However, this growth in numbers has happened organically without strategic assessment of market requirements and therefore impacts on the Council's ability to manage the market and ensure the balance of provision is sustainable and is of the right strategic fit.

Analysis of the market share of the 38 providers shows that 68% of weekly hours in the market are delivered by 14 organisations. There are 15 providers in the lower range, up to 200 hours per week, who are in total only providing 1,600 hours per week - 11% of the overall market provision.

The average fee across the home care market is £20.45, with some of the higher end fees representing the cost of more complex packages of care. This places Sutton within the top 4 highest paying 'average fee' within all London boroughs. However, there is currently significant variation in rates being paid to different providers.

Price variation is currently having a variable effect on quality standards and impacting on the sustainability of some providers currently receiving a lower fee. This impacts on areas such as training and development standards and recruitment and staff retention e.g. being able to offer more competitive staff terms and conditions. Workforce recruitment and retention pressures have also resulted in a shortage of home care staff willing to deliver late visits that are an essential part of the package of care for service users.

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

65+ Care Home Market

The changes proposed to Section 18(3) of the Care Act 2014 should be viewed as part of wider reforms addressing the adverse impact of differential fee rates for residential care between those paid by the local authority and those paid by private individuals.

Section 24(3): if the local authority is not paying for care, it must still provide an independent personal budget for the resident. Section 26(2)(b)(ii): the recording of the amount each person had spent (excluding daily living costs) towards the care cap. Section 28: if an individual did not have a personal budget because the local authority was not under a duty to prepare a care and support plan, a separate mechanism was needed to record their care costs for the purposes of measuring progress towards the costs cap. Section 29: the local authority is required to keep an account for each adult whose care costs were counted towards the cost cap. Section 72: gave the Secretary of State the power to make regulations providing for an appeals process.

An important change is the enhanced role CQC will have to review the performance of the local authority and suggest interventions where Sutton is failing to abide by its obligations. If Section 18(3) is enacted it will be possible for individuals to rely on an enforceable duty which will require Sutton to arrange their residential care. This will apply notwithstanding that the care will be fully funded by the individual because of their financial position. This may have the effect of driving care home fees down. Sutton will have a choice to make regarding this change: will it only meet such needs where specifically requested by the individual with the minimum of intervention in the relationship with the provider or will it take a proactive role in promoting its role and the opportunity it might offer to secure for individuals residential care at the rates Sutton can secure through its stronger purchasing power?

The consequences of the proposed changes include the role of personal budgets, which will take on a much more prominent position in the setting of care fees when section 18(3) is in force (the requirement that the resident's written care and support plan includes a personal budget). This process will become a key issue for individuals to engage with as they will want to ensure that the personal budget covers all of their needs and gives them enough money to pay someone to meet those needs.

Sutton will need to decide whether it will charge for making arrangements for people that can afford their own care and whether this will form part of the current 'brokerage' service provided by Encompass LATC. The extent to which the care fee cap will apply only to eligible needs, not the cost of meeting needs which fall below the eligibility criteria may become an area for dispute and an effective appeal mechanism will be required to avoid unnecessary costs and unnecessary judicial reviews.

The proposal that individuals will be able to make top-up payments themselves to secure a place in a home which is only available at a higher cost than Sutton can afford to pay will bring inherent risks for Sutton as it remains liable for the full fee, including the top-up. Sutton will need to have ways of mitigating the risks with the top-up not being paid, including being transparent about what alternative accommodation might be available and the price of such accommodation. The creation of a system in which a 'basic' care package is available at a set price in Sutton with additional or enhanced services being available at an additional cost seems a likely outcome.

The government is intent on making local authorities do the necessary work to establish benchmarks for what a fair cost of care might look like and Sutton is in the process of verifying and analysing provider submissions to determine what sustainable rates are locally. However, the recent spiralling utility costs will significantly impact what is a fair cost of care. Sutton will need to undertake similar surveys in successive years. Initial findings suggest that sustainable rates are on average 42% higher than Sutton's market rates (see Annex A).

The focus of the fair cost of care exercise is almost entirely on annual costs, omitting that of capacity and investment. Over time, the ability for investors to justify building care homes which have a lower capital cost and deliver a lower specification for accommodation must be decreasing. Unless Sutton is willing to underwrite such investment by agreeing to purchase bed places at an acceptable price, over time it may be obliged to promote investment directly to create sufficient capacity.

The government's expectation seems to be that the £200 allowance will be treated only as a notional sum rather than the true cost. As it will be the resident's own money, they will want to get value for money but may feel that the £200 per week is still something they want to reduce so they reach the cap sooner so they can get assistance for all of their costs.

£86,000 at £500 per week covers 3 years and 4 months of care; at £700 per week it covers 2 years and 4 months of care. Both of those periods are significantly in excess of the average stay in a care home setting and therefore only likely to benefit people with certain conditions demanding long-term residential care where they have mental incapacity rather than physical issues which are likely to cause their death within a limited period of time. However, the prevalence of dementia is increasing in Sutton, as is the case nationally which is putting pressure on people to remain at home, receiving less care per week and that the assessment of care needs could be adjusted to suit Sutton's budget rather than being based on care needs.

18+ Domiciliary Care Market

The large provider base in itself is a significant system issue. There is a wide financial turnover gap between the upper tier providers to the lower tier providers. This type of market diversity, in terms of numbers rather than service diversity, is causing capacity issues and not meeting demand effectively. It also contributes to challenges in recruitment and staff retention. All of these providers are competing for essentially the same staff group which impacts on their ability to build the necessary capacity to maintain growth. Local recruitment challenges are exacerbated by regional Councils paying London Living Wage based fees.

Recent analysis of provider costings from the Fair Cost of Care Toolkits, has shown wide divergence of staff salaries. Although some providers are paying their staff at the National Minimum Wage (NMW) level, mostly the lower fee providers, there is a large proportion of providers who are paying at higher than NMW often at or above the current London Living Wage level which is currently £11.05 per hour. These providers are delivering services at the higher end of the spectrum of fees.

Although the majority of Sutton home care providers have an overall CQC rating of good or outstanding, with only 13% that 'require improvement', in practice there are variable quality and workforce development standards.

There is a need for a different approach to fee and cost management in home care. The levelling up of fees across the whole market will ensure better dispersal of funding. This will enable the transition to more standardised approaches to quality maintenance and workforce development to manage the increasing demand for complex care and reduce handing back of care packages.

Increasing complexity of resident needs has meant sourcing of support has become challenging. As it stands there are no incentives for providers to upskill their workforce and accept more complex packages e.g. guaranteed volumes of work; outcomes related incentives; training and development opportunities and so on.

A different system for organisation of the provider market is required and will involve a reduction of providers in the market from the large base currently. The aim is to create the conditions that will enable stability and opportunities for growth for the future. These are attractive incentives for good well run provider organisations to remain committed to the Sutton home care market.

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

(a) 65+ care homes market

Over the next 5 years (2022-2027) our joint vision with the SWL ICS is to develop an innovative and sustainable market that is responsive to the needs of our residents, remains safe, supports excellence and provides value for money. A joint approach to commissioning a sustainable range of high quality care home services will include:

- Managing the local care home market as part of the integrated care system
- Supporting quality in care homes through joint monitoring, quality assurance and data collection
- Developing opportunities for joint commissioning of new in Borough models of care over the 5 year period
- Informing the planning of care home provision beyond 2027
- Alternatives to care home provision (e.g. extra-care housing)

The biggest challenge for Sutton will be to determine a fair cost of care that is sustainable for the local authority and our providers. Currently, the fees Sutton can afford to pay are seen as inadequate by many residential and nursing home providers, who see their costs escalating year on year. The large majority of care homes offer places to self funded as well as Sutton funded residents. Many care homes are relying on higher prices charged to self funders to remain viable, even when providing the same services. Self-funded residents in mixed homes are meeting a much greater proportion of homes' fixed costs which will no longer be considered 'fair'.

Issues to address related to the Care Act 2014:

- the cost that local authorities ought to pay for care (fair cost of care)
- the extension of "First-party" top-ups for all residential care arrangements
- the approach taken to a fixed tariff for "daily living costs" and how that might impact the market
- the potential introduction of an appeals mechanism
- personal budgets and the creation of payments records showing the movement of each individual towards the care fee cap

Other relevant issues to address:

- the increasing older population and long-term support costs
- the impact of dementia on our ageing population and the suitability of current accommodation i.e. remaining fit for purpose
- the lack of respite care and short-term placement provision
- the lack of ground floor provision

(b) 18+ domiciliary care market

The Council is proposing a number of strategic intentions that will address the key issues that we have set out and to develop a more sustainable domiciliary care market. A summary is provided below:

- Undertake a procurement exercise throughout 2022 and early 2023 to implement a 5 year Framework Agreement (September 2023 - 2028/29) that aims to reorganise the future market, improve market conditions and introduce a new operating model that will specify new quality standards and revised business operations.

- Implementation of new incentivised outcomes based and enabling care approach to maximise independence and help manage demand for care services and achieve better outcomes for service users.
- Introduce a specialism focus into the home care market (Older People/Adults with Physical Disabilities and Learning Disability/ Mental Health needs) so providers can concentrate on upskilling staff and focus training budgets on specific clients group needs rather than the pressure of working with all client groups.
- Introduce a new workforce requirement of a Trusted Assessor role that will facilitate the transition from the current service delivery model to a more proactive engaging service that will enable better support coordination and interface with Council services such as the short-term reablement service and hospital discharge teams.
- Transition away from a majority spot market to a Patch Based model with defined geographic localities with a lead provider in each for the main provision (13 Lead provider Patches, 2 of which are for adults with learning disabilities/mental health needs).
- Additional system capacity will be provided through the provision of an approved spot provider list which will support the Patch provision with ad hoc capacity as and when required.
- Improve market conditions by removing price competition from the market that has created inequity in the system and leads to negative consequences and variable quality.
- Improve regional competitiveness by moving to a fixed fee environment based on the implementation of London Living Wage (LLW) which will bring Sutton in line with other SW London boroughs and level up provider market fees.
- Implementation of a financial 'gain share' payment model that pays additional incentive payments on the achievement of service user outcomes that deliver improved independence.
- In combination, the approaches set out above and policy shifts have the potential to improve the sustainability of the Sutton home care market. The key challenge will be the financial pressures on care budgets and the impact of financial constraints on how quickly the Council can move to a full London Living Wage environment.

FCOC Funding Allocation Requirements

The cost of care analysis based on the provider cost of care toolkit returns that were in scope of the assessment resulted in a median fee of £23.91. This fee has been established as a fair unit cost for Sutton home care market, based largely on the provider returns that were considered to be reliable.

The FCOC fee does not include non-staffing related inflationary increases. The impact on the FCOC fee with an inflationary increase year on year will need to be taken into account.

Implementing financial parity across the market will improve market sustainability caused by unequal fee/funding distribution presently. The financial strategy includes a single market fee alongside outcomes related financial incentives and a mechanism for payment of inflationary increases that reflects rising cost pressures. There is a significant funding deficit that will need to be bridged to be able to move to a fee rate based on FCOC fee that will incorporate the LLW salary element within it.

The funding allocation from the FCOC grant will support the transition to a sustainable fee for home care provision in the Borough and include the LLW staffing component. It will enable home care organisations to increase investment in staff pay and conditions, more technology based solutions and management resources. In combination these strengthened business areas will help to improve local market

infrastructure and service quality and provide Sutton home care providers a more sustainable foundation to operate services from.