Annex C: market sustainability plan template

Section 1: Assessment of the current sustainability of local care markets
a. Assessment of current sustainability of the 65+ care home market

Peterborough City Council welcomes reforms to adult social care. However, the information received to date, including the results of the Cost of Care exercise, highlight that the current proposed reforms will not be fully funded by the additional monies currently published.

Whilst the Council will utilise all funding allocations in the spirit of which they are given, it is unlikely we will be able to bridge the gap between the funding received and payment towards the cost of care due to the Council's financial position being very challenging. Unless adequate funding is made available, the Council will be unable to support the market to this extent whilst staying financially sustainable.

Peterborough City Council (PCC) commission all 65+ Care Home placements by spot purchasing through a pseudo-dynamic purchasing system (DPS). This approach offers flexibility in that providers can negotiate current market rates for a bed. Price is based on current market pressures, capacity within the market and individual need. This approach promotes choice for the individual and means that prices adjust with market conditions. However, this does result in a wide variation of rates, and the Council can only buy what is available at the time within the market.

Peterborough has 23 care homes registered with CQC for people over the age of 65 and these are delivered by 19 providers with a total of 1295 CQC registered beds. Of these beds PCC commissions approximately 364 beds with an annual spend of around £15,900,165 (snapshot as at October 22) This leaves 930 CQC registered beds within the market available for utilisation by health, self-funders, out of county placements or void. Capacity within Peterborough is spread across a large number of providers which reduces the impact of provider failure but adds risk around the smaller providers within the market and their ability to draw on wider organisational support.

Across Peterborough, 890 of the 1295 CQC registered beds are registered for nursing/dementia and 405 for residential/dementia. This means that a maximum of 890 beds could offer nursing and nursing dementia at any one time but, in reality, a proportion of these beds will be used for residential and residential dementia as homes are registered with CQC for the highest category of care that they offer. It is not possible to access the exact figures, but Commissioners suggest that there are probably around 450 nursing/nursing dementia beds in the market and if demand necessitated the need for more the market could respond flexibly and choose to re-purpose the capacity to meet the demand.

The quality of 65+ care homes in Peterborough it good. CQC ratings (Appendix: Table 1) indicate that currently 80% of 65+ beds are in homes rated by CQC as good or excellent. There are 4 homes (232 beds) with 4 different providers rated as requires improvement or below. However, 3 of these homes (168 beds) have recently received support from the Council and there are not any ongoing significant concerns identified. The 4th home (64 beds) is pending an annual contract monitoring review, and this has not been brought forward as no significant concerns being have been raised. Based on the above summary there are no known immediate risks of provider failure based on quality in Peterborough. However, this is being closely monitored given feedback from providers suggests they are having significant issues with recruitment and retention of staff and are having to use more agency staff which can often be a key cause of quality concerns and increased cost pressures.

However, there are tensions arising within the market and these have been summarised below:

Recruitment and Retention - Both Brexit and the pandemic have had a significant impact on the ability to recruit and retain care and nursing staff across the sector. This is exacerbated by the rising competition for labour from other sectors able to pay increased rates in order to attract staff. An inability to retain staff has led to a reliance on the use of agency which is expensive and can impact on quality due to lack of consistency and turnover.

Current Rates – Given the variety, quality and capacity of beds available across the market, PCC's commissioning strategy has been to work as flexibly as possible with the market through the spot purchasing of placements at current market rates. This is determined through negotiation with the market so can be reliant on the skills and capacity of each provider to undertake this effectively. The Council is managing immense financial pressure, but it has continued to target investment within the 65+ care home market. Since 2019, the total number of placements has increased by 17% and the total average cost has increased by 24% which equates to approximately a 6% increase per year.

However, these rates continue to benchmark as amongst the lowest in the region. The table shows the average current market rates that PCC commission placements at and given that there are no capacity issues across the market and no known provider failures it would appear that this approach is supportive of the market within the current conditions.

Dementia (inclusive of FNC)	Nursing (inclusive of FNC)	Residential Dementia	Residential
£971.24	**£992.61**	**£702.64**	**£738.49**

N.B these figures are an average taken from all placements existing as of 1st October 22. This is higher than the average figures provided in the LaingBussion report as those figures were sourced at June 2022.

Commissioners monitor capacity and value for money through monthly monitoring intelligence and activities. This feeds into the bi-annual market oversight report which is used to demonstrate ongoing best value for money is being achieved and outcomes continue to be delivered with any required actions to manage this being progressed with clear oversight.

Increasing costs impacting on sustainability - Given the unprecedented inflationary costs, providers have been proactively flagging with CCC officers the exceptional pressure that they are facing. The main themes that have been reported by care homes are:

- staffing costs are off the scale
- use of agency staff is high and that is if they can find agency staff
- scarcity of nurses means having to pay even higher to recruit and retain nurses
- increased energy bills
- new care homes opening creates pressure on existing services either through the new service offering higher rates of pay, introduce a friend schemes and competition for referrals into a brand-new building

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

PCC has utilised a closed framework since 2018 to commission homecare. Within this framework, 41% of providers who originally tendered to deliver these services are no longer operating. In one instance, this has been a result of being removed due to quality issues; two providers are no longer trading having left the market and three providers were taken over by a larger provider due to sustainability. This has resulted in less capacity and therefore a high level of off-framework purchases through procurement exemptions. For example, almost 66% of packages were placed off framework within August 2022. Analysis of the most recent months of contract allocation demonstrates the increases in rates needed to fulfil packages, with an average of £18.16 being paid per hour for both on and off framework, and £19.18ph for non-contracted providers. This demonstrates the existing ceiling rate of £17.80 for framework providers is not sufficient and Adult Social Care Reforms will exacerbate this challenge further. However, at this time the Council holds limited information on the self-funder market both in terms of volume and behaviours.

Area	Number of Service Users
Total homecare budget	1306
Learning disabilities	55
Mental heath	91
Older people / Disabilities	1160

Geography	Mostly urban (78% of contracted hours classed as 'urban' according to ONS data), with some rural areas on the outskirts of the City.
Demographics	Higher than average proportion of areas of deprivation, higher than average for lower income families. Peterborough is also ranked one of the most deprived cities in England. High proportion of the population fitting typical 'care worker' or entry level work demographic. High levels of care needs across all services and both adults and children's.

Fig.1. Spend and demographics in Peterborough

Existing tensions in the market:

Through the cost of care exercise, and extensive engagement with the market and key stakeholders, we have conducted a thematic analysis of findings, summarised below:

Hourly Rates for Homecare: Prior to 2021, Peterborough did not receive universal uplifts in rates and had not since the contract commencement in 2018. The contract does not include a clause for inflationary uplift and so they are implemented at the Councils discretion. This has meant that historically providers had rising costs but no increase in rates to support this. This has resulted in low rates in Peterborough, particularly comparatively to our neighbouring local authorities in the Eastern region. As a result, providers have served notice on their packages unless we agree to uplift the rates above the ceiling rate, up to 32 contracts at a time, illustrating how unsustainable the rates are.

In addition to this, when the contract came to renewal, in both 2021 and 2022, two providers refused to extend their contract due to the unsustainability of the rates. This has played a part in the loss of 41% of our contracted providers.

Inflationary uplift history:	
2021/22 uplift to hourly rate (ceiling)	5% = 79p £15.87 to £16.66 per hour
2022/23 uplift to hourly rate (ceiling)	6.9% = £1.14 £16.66 to £17.80 per hour

Fig.2. historical uplifts from 2021 to 2023.

Recruitment and Retention: Over the last three years, there have been significant pressures in the homecare market, not in the least being due to COVID-19 and the impact we have seen from the pandemic, resulting in everlasting changes in the ways in which care is viewed. The inordinate stress imposed on homecare staff since March 2020 has resulted in a great deal of burnout and many care workers leaving the sector altogether. This coupled with the cost-of-living crisis, the increase in National Insurance contributions for both staff and providers, and the increases in fuel prices (particularly significant for homecare involving such levels of travel) has resulted in significant recruitment and retention issues. Providers are reporting that they are finding the sourcing of staff even harder than usual, and staff are leaving to go into hospitality or retail sectors, for less stress and better pay. According to Skills for Care, the number of filled posts has decreased by around 3% (50,000) between 2020/21 and 2021/22; the only annual decrease since records began in 2012/13. And over the same period the number of vacant posts has increased (by 55,000 or 52%) which shows that the decrease in filled posts is a result of recruitment and retention difficulties rather than a decrease in demand for care staff.

Impact of Brexit: Leaving the EU impacted the workforce, as many carers had been in the UK for significantly longer than they would normally stay, being away from family in their country of origin for longer, due to travel restrictions. The summer of 2021 saw the end of our EU membership, introduced the need for work visas for those from EU countries and many people went home to work, instead of applying for visas, or didn't return after visiting family having been away so long. Many providers reported a delay in obtaining visas, not being awarded the quantities they needed.

Entry level vacancies competition: The recruitment of staff in an already challenging market, became increasingly difficult due to mandatory vaccination. This was felt across all sectors, including the retail, hospitality and warehouse fulfilment (geographically important in Peterborough), resulting in a rise in wages. Competitive wages from industries where the costs can be transferred to the consumer are manageable, however not possible in statutory funded homecare. Our providers were unable to compete without significant uplifts from the council, and with the increases in living wage and national insurance looming, it became increasingly clear inflationary uplifts were paramount in the market stability.

Opinion of care: The public opinion of care, how care workers are considered and how care workers feel they are perceived, plays a large role in the success of recruiting and retaining new and existing staff. Significant engagement was completed to understand the opinion of care within PCC and what prevents people from joining the sector, or applying for care worker jobs.

Feedback: Through our review of homecare when redesigning the existing model, we spoke to a number of internal and external stakeholders, including service users, and discovered there are a number of areas that need attention. These include finding capacity in rural or hard to reach areas; reliance on responsive but inefficient block provision; and specialist care for those requiring care workers with more experience or training in particular areas, such as Learning Disabilities (LD) or Mental Health (MH).

The gap between cost of delivering care and the Council rates: The cost of care exercise has demonstrated that there may be a gap in the existing hourly rate (£17.80 framework ceiling, £18.16 average paid) and what the possible cost of delivering care is in Peterborough £"3.96)

Given the limited responses to the cost of care exercise and under-representation of key parts of the provider market, PCC have opted to use the UKHCA hourly rate for 22/23 of £23.20 as it's cost of care.

The implications on the budget to get from what is being paid to what care delivery is costing are significant and this considerable difference reflects the conversations with providers. This supports the hypothesis that the private/self-funder market is subsidising the local authority rates.

Position Summary:
The overall opinion on the sustainability of the homecare market in Peterborough:

- The Councils rates of pay for providers may not be sufficient for providers to sustainably deliver care resulting in decreasing capacity for contracted providers. This is supported by the increase in purchasing off framework at a higher rate of pay and the levels of packages of care being handed back from providers on the basis of unsustainable rates.
- The ability for providers to remain competitive in their rates of pay considering the rise in the cost of living and inflation, when it is not matched by Council uplifts.
- The following workforce challenges pose risks for the sustainability of the homecare market:
    - Implications on recruitment and retention, including leaving the EU; entry level vacancy competition; the public perception of care; the pay rates not reflecting the skills and responsibility that the role requires; and poor retention of existing, long serving staff, including burnout. This has resulted in continued limited capacity for the provision of good quality homecare, where demand consistently outweighs supply.
    - The evident need for upskilling the care worker workforce to provide sufficiently trained staff to support those with complex care needs, including those within LD and MH services.
- Challenges remain in rural and hard to reach areas to provide sustainable and cost-effective care.

Section 2: Assessment of the impact of future market changes (including funding reform) over the next 1-3 years, for each of the service markets

The cumulative impact of growth in demand and the wider impact of changes under the Adult Social Care (ASC) Reform along with addressing the gap between the cost of care and what the local authority currently pays for care will result in a significant financial pressure being created within the Council. A pressure which the already challenged Council cannot meet without significant and ongoing investment from central government.

Based on the exercise completed, the current financial impact of meeting the cost of care would be £11.14m in 2022/23 or £10.754m if the current UKHCA rate for homecare is adopted.

65+ Care Homes

Demand profiles from the Council's Accommodation Needs Assessment for 65+ care homes shared with the market in 2020 forecast that by 2036:

- Main area of growth would be housing with care and it would grow by 46%
- Residential/Nursing sector will grow by 28%
- Domiciliary care and other community solutions to grow by 26%

Since publishing the market has already delivered 60 additional beds across the county. However, the needs assessment is being refreshed pending the release of the new census data. Horizon scanning work has identified 1 recently approved care home planning application which, if developed, would deliver a further 120 beds in Peterborough. Although, there is no guarantee these beds will be developed or whether they would deliver the right category of care at an affordable cost.

Over the next 1-3 years the Council anticipates an increase in requests for social care assessments to set personal budgets. Although this has not yet been quantified. Application of eligibility criteria and enhanced provision of information, advice, and guidance to promote informed choices could change decisions individual's make particularly around moving into a "lifestyle" choice care home could impact on this. It is anticipated that this will increase demand on community services and reduce demand for higher cost placements which do not contribute towards the care cap.

Strategic risk with implementation of Section 18(3) of the Care Act 2014 for:

1: Care Homes

- High-cost care homes may not remain sustainable as daily living costs and the cost of care costs are transparent thus reducing choice in the market and adding more competition for the placements in homes without top ups
- Increased demand for community and domiciliary care as historical "self-funders" who seek a social care assessment do not have identified eligible needs for a care home placement or make better informed decisions
- 65+ care home resident's profile will change as the level of need at the point of moving into a care home is more complex and challenging to manage

2: Nursing Homes

- Care homes that experience a drop in referrals for standard care may change their registration with CQC to become nursing thus adding more capacity into the market but directly competing for nursing staff from neighbouring homes
- High-cost nursing homes may find that, once daily living costs and care and nursing costs are separated out, individuals make different choices as they may not choose to pay a first party top up for daily living costs which do not accrue towards the cap leading to homes closing thus reducing choice
- Reduction in high-cost nursing homes will increase demand for the lower cost nursing homes thus impacting on capacity
- The cost of delivering nursing is not covered by the funded nursing care element and providers may cease to offer nursing if they cannot generate income through daily living costs

True impact is difficult to predict and will require close monitoring of the market in terms of capacity, price, quality of services and occupancy levels. Risk of impact on other areas of the market particularly domiciliary care and community services must be closely monitored.

We are also expecting the challenges within the workforce to continue for health and social care, with a record number of vacancies continuing to put pressure on recruitment on our providers. One of the ways to combat this is to increase pay rates for care workers, so their value is recognised along with their hard work and effort. The Council will need to increase their rates to support this, and this will be a focus for PCC as there is significant competition for entry level vacancies due to the higher-than-average numbers of manufacturing and logistical vacancies as a result of the multiple warehouses, industrial estates and agricultural fulfilments. This is a significant challenge within the context of Peterborough City Council's significant financial pressures and sustainability issues.

Historically, the population in Peterborough has been consistently growing, currently ranked 4th in the country for growth. The age group for over 65 years is expected to increase by 12% from 2021 to 2026, most notably those aged between 75 and 84 years are expected to increase by 22% in just five years. Analysis of the demographic of Peterborough includes a proportion of the heavy industrial workforce now approaching their 70's, with additional health needs due to the labour-intensive nature of their work. It is safe to assume that this increase in aging population will increase the demand on homecare. There is also the expectation that people will wish to stay at home with care for as long as possible, again increasing demand in homecare. The decrease in demand reflected in the care homes population to care in community supports this theory.

Engagement with providers has demonstrated that the self-funded homecare market incurs a significantly higher hourly rate to the local authority set rate. This enables providers to make more on private hours, and less on council funded contracts. The ASC Reform is expected to make a major impact on the self-funder market, with more people receiving local authority funded care. There is limited information on the quantifiable size of the self-funded market within Peterborough, but there is an understanding that there will be a gradual change, weighted more heavily to Council funded care from self-funded. This will not only increase demand for local authority funded care capacity, but the higher private hourly rate will no longer be subsidising the market and lower Council rate. This will have sustainability implications on the market. However, Peterborough is not considered to have a high population of self-funders due to local demographics.

As there is no mechanism within the existing homecare contract for inflationary uplifts, providers will have to have the rates they entered the contract with in 2018 and are not entitled to a compulsory uplift until the contract ends in 2027, as per their contract terms. There are currently too many variables in the next three years to quantify what the actual cost of care will look like for the next 2-3 years. However, the Council has developed an inflationary strategy to cover the next 3 years to try and support the sustainability of the market through budgetary planning. Although this alone will not bridge the financial gap identified.

Section 3: Plans for each market to address sustainability issues identified, including how fair cost of care funding will be used to address these issues over the next 1 to 3 years

a) 65+ Care Home Market

There are numerous areas of work being progressed over the next 1-3 years all aimed at addressing sustainability issues within the local 65+ care home market (detailed below). Confirmation of fair cost of care funding for future years will enable PCC to develop a more comprehensive, long-term plan to address market sustainability issues in the context of ASC Reforms.

Refresh of current Needs Assessments, Strategies and the Market Position Statement (Present - 2024) – All of these documents are currently being refreshed to not only account for updated census information but also the rapidly changing market conditions experienced locally. This will be undertaken with providers and those with lived experience to gather their views and feedback.

Housing with care has been identified as the main area of growth by 2036 in Peterborough. In order to meet this area of growth PCC are considering developing Independent Living Services which will offer individuals who have complex health and social care and housing needs a tenancy-based home for life where the right level of care and support can be deployed to you in your self-contained suite.

As part of this, Commissioning strategies will be reviewed in the light of the cost of care data and the implementation of Section 18(3) of the Care Act 2014 to review whether the current commissioning approach continues to offer both value or money for the Council and sustainability for the care home sector as well as associated fee setting approaches.

Opportunities to enhance collaboration with health commissioning colleagues will also be explored to promote a more joined up approach to market shaping and management. The recent cost of care exercise clearly demonstrated along with provider feedback that the funded nursing care element is not enough to cover the cost of delivering nursing care to residents who have been assessed as requiring this level of care and this needs to be considered in collaboration with the NHS.

Quality Improvement and Management (Ongoing) - In order to work with and support care homes to deliver the highest level of service possible the Council has established the Care Home Support Team and the Living in a Care Home review team. These teams will work in collaboration with contracts, brokerage, Multiagency Safeguarding Hub (MASH) and health colleagues to upskill and drive-up standards in care homes.

Workforce Development (2022-2025) – The Council are investing in additional capacity to develop a robust internal and external workforce strategy which will explore opportunities to support the sector in managing current recruitment and retentions risks. Within the care home sector this is likely to explore what can be done to support employment of nurses in smaller homes as well as other workforce pressures.

Current In Year Funding (Present – April 2023) The grant received for 2022-2023 will be used to support the lowest cost placements by uplifting these rates to reduce the gap in the identified cost of care. Consideration will also be given to the potential to offer more targeted support to the nursing and enhanced care categories in line with PCC's overarching place-based approach to supporting people to remain living at home for as long as possible.

b. **18+ domiciliary care market**

In order to follow the ASC reforms and ensure full choice and control over care services, there is a personalisation strategy within the placed based redesign of homecare by 2024. We will introduce an updated contract and set of specifications which will seek to place more emphasis on the involvement of people who receive care ensuring they have a say in every aspect of planning their care and providers are to be heavily marked on the tender questions in relation to how they meet this target. The Council also works closely with Healthwatch to ensure partnership boards are giving a voice and actively gathering feedback from those receiving homecare and this intelligence and information is incorporated into commissioning decision making.

To sustain high quality care in a pressurised market, the contract and tender in 2024 will focus on quality of care. It is planned that the procurement method will have a higher-than-normal quality threshold, in an attempt to gather as many high-quality providers as possible. Providing they are under the ceiling price, suppliers will be judged on quality, not cost. This will enable the Council to work with the best providers to supply the best possible care to their residents.

In order to address the issues in sourcing care in rural and hard to reach areas, we are planning a sliding scale of rates based on demand mapping, ONS rurality data, Lower Super Output Areas and partnership working with providers. There will also be a wider range of care options, from arranged and fully funded provision, to those with Personal Assistant's and Individual Service Funds. This will be supported by a Personalisation Strategy which will propose a change in the ways of working around the care offer given to service users when entitled to statutory funded care, to encourage the use of more autonomy in choosing care and meeting individual outcomes. It is envisaged that an updated approach will result in less waiting times for care; provide for more capacity for hospital discharges; local people looking after local people to reduce travel time, alongside carbon emissions, and improve rural capacity. We are hoping to utilise the homecare budget to support this model, by paying providers in rural areas an uplifted rate to cover the cost of travel including paying carers driving time and mileage. However, more work is required to identify the feasibility of this within the financially challenged context of Peterborough.

Homecare Workforce Development Strategy

This strategy has been coproduced with stakeholders, by listening to the market and responding to what is needed. Stakeholder engagement included provider workshops, 121 sessions, forums with stakeholders, as well as surveys and soft market testing. Feedback on how services are delivered and areas for development was gathered, then assessed and reworked with stakeholders, with options shared and discussed with providers and service user groups. The outcome will be higher quality care for those with complex care needs, delivered by specially trained staff, who are paid to attend training (which is free of charge to the providers) and paid higher rates to reflect their skills and experience. Homecare has also adopted the same approach as detailed in care homes MSP with a joint workforce capacity being developed.

To support and upskill those working within the homecare market, the council has partnered with the Health and Social Care Academy to develop a suite of training free of charge for providers. Creating roadmaps explaining how providers can upskill their workforce and support more people with complex care needs (MH, LD, dementia, etc). This project works towards upskilling the workforce to provide better trained staff; better quality of care for service users receiving care; more job satisfaction; and as result, retaining those already within the sector when otherwise they might have left.

Part of this support for providers including the consideration of a higher rate of pay for providers supporting increased care needs, such as LD, MH, dementia etc. This will be through an evidence and data informed sliding scale of pay rates for those supporting people with higher care needs. The basis of this is to support providers in ensuring the staff have the right training and expertise to provide high quality care. The staff will also be paid to reflect their level of training and expertise, in turn providing recognition and job satisfaction as well as ensuring those with higher care needs are supported by well trained staff and are able to access contracted providers quickly and efficiently. Again, further work is required to assess the financial feasibility of implementing this approach.

Another way of sustaining the homecare market is through creating capacity through Voluntary and Community Sector organisations (VCSE) wanting to diversify their business models into homecare, but not knowing how or where to start. The partnership with the Health and Social Care Academy facilitating and guiding organisations on what's involved in becoming CQC registered, through creating roadmaps as step-by-step guides on what to expect and regulations, what's needed etc. This will enable high quality, knowledgeable VCSE organisations becoming CQC registered so they can support people they already work with in the home. This will in turn increase capacity in the market as well as providing continuity of care for many people.

Another part of addressing the recruitment and retention of care staff involves uplift and budget planning up to 2026, to support with increasing costs to allow providers to pay their staff competitive wages; stipulations in the contracts that staff get paid a minimum hourly rate as well as specific parts of uplifts being directly translated into wage increases. This will result in better wages for staff, resulting in higher quality recruitment of staff; providers are able to continue in a difficult market; providers feel supported by the council; people working in care feel valued.

The strategy and improvements highlighted above depend heavily on investment in the homecare budget and this request will be supported by an in-depth and evidence informed business case due to the financial pressures the Council is under.