Annex C: Market Sustainability plan

Section 1: Revised assessment of the current sustainability of local care markets
a) Assessment of current sustainability of the 65+ care home market
Barnet has a large care home market with 53 homes registered to support over 65s. The Barnet care home sector is commissioned by a wide range of public sector commissioners and by private individuals, as well as Barnet council. The number of general residential and general nursing beds is broadly sufficient in line with local need and demand; however, there is a relative under-provision of more specialist older adults' care home services for people with dementia and / or mental health conditions. In addition, whilst in terms of total bed numbers, capacity for general residential and nursing provision is sufficient, Barnet's care home market includes a high proportion of sole businesses or small-scale operators where quality is heavily contingent on maintaining consistent staffing and governance arrangements, without the oversight of a parent organisation or head office support and assurance function. As such, in the last 2 years, at any one time the Council has generally been unable to access c200 beds on the grounds of quality concerns. Despite these wider determinants of quality linked to sector wide challenges, 85% of our care home providers are rated Good or Outstanding, and the overall proportion of care home providers with a Good rating has improved in the last 3 years, as compared to London as a whole where the proportion of Good providers has reduced. This is in no small part a result of the efforts of the Council's Care Quality function, which is a multi-disciplinary service which supports providers with contract compliance and service improvement. There is a shared market management strategy across North Central London (the London boroughs of Barnet, Camden, Enfield, Haringey and Islington - NCL) for the care market supported by the North London Councils shared adult social care programme team alongside council commissioning and contracting teams. The aspiration of this programme of work is to maintain and further develop a sustainable, high-quality market for care and support services across the sub-region, and to identify solutions to any market gaps, including those which affect discharge. This strategy is shared between the five Councils and NCL Integrated Care Board (ICB). Land and property prices are amongst some of the highest in the country in NCL, which impacts on providers' ability to develop new provision. Since 2015, the rate of care home closures in NCL has been double that of the national picture, which impacts on availability. There are significant recruitment and retention issues for the social care workforce nationally which is mirrored in NCL. There are 36,000 social care jobs in NCL and at the end of 2020/21 the vacancy rate was 6.2%, equal to 2000 jobs. Approximately 30% of the workforce who enter the care sector go on to leave it entirely. The issues associated with workforce are increasing, particularly due to competition for workers from other sectors such as retail.

Current rates of inflation are also impacting on providers. As well as general inflation, the National Living Wage is increasing by 9.7% in April 2023 and workforce costs make up the majority of our providers' cost base. In addition, housing cost inflation currently stands at 11.4%, which will particularly hit building-based care services, including care homes. In light of general pressures on recruitment and retention a number of providers have flagged a medium term need to increase rates of pay in excess of the national minimum wage to compete against other sectors.

The NCL programme team support a workforce development programme that leads on coordination of care sector workforce development across the sub-region and represents Social Care within ICS forums. The programme created the Proud to Care North London job portal site, free to use for care providers and residents, which is used to advertise job vacancies and training opportunities across NCL to support providers with recruitment. The NCL programme has levered in £2M of funding to support workforce development in the care provider sector in recent years and has recently secured funding to establish a NCL health and social care academy to support routes into adult social care roles. We have also secured funding and expertise for providers to install and use care technology in care homes.

Barnet pays on average c£785pw for standard 65+ residential and £985pw (inc. FNC) for standard 65+ nursing placements. These are average rates and placement rates are agreed individually with homes on the basis of need.

With a view to maintaining the financial viability of the sector, the Council's commissioning approach is predicated on calculating a 'minimum sustainable price' for placements in borough, which the council will not go below, but will commission above. This is an ethical, evidence-based approach which ensures that the Council does not commission placements at rates that are unsustainable. For the last 5 financial years, the Council has worked with Care Analytics to calculate a minimum sustainable price for providers to deliver care home services, based on industry standards around capital costs, staff costs and staffing and management structures in the area, and using the assumption that all residents in a given home are placed at the council's rates.

This price point does not represent a single set fee for all placements. The Council determines fees with providers on a home-by-home basis either via individual spot contracts or block arrangements, in order to reflect the fact that provider costs will vary in line with their operating model. The fees paid are quoted by providers and based on a mutually agreed negotiated fee. Our minimum sustainable price reflects the lowest point we consider it reasonable to pay for placements in the context of these provider-by-provider negotiations to maintain the integrity of the market.

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

Barnet has 72 registered domiciliary care providers in borough, although not all of these have a direct commissioning relationship with the Council. The Council commissions

domiciliary care services via an approved provider list, on which there are currently 63 providers. 19 of these are based in Barnet and the vast majority of the remaining providers on the framework have office locations within neighbouring boroughs. In addition, the Council has contracts with two providers for the provision of specialist enablement services totalling c.860+ hours a week. Taking the market as a whole, there is sufficient general capacity for home care services in line with need and demand. Hospital discharges into residents' homes where home care is required are usually completed within a 24-48hr window. There are certain postcodes in the borough where capacity can be affected by the lack of public transport links and the lower number of care workers who are drivers with access to a vehicle. On an individual provider basis, capacity fluctuates because of regional and national challenges with recruitment and retention of staff as stated above. Our recent workforce recruitment and retention fund return highlights the particular challenges faced by ASC providers with retention, with 280 staff leaving the sector between 21 October 2021 to 31 March 2022, a large proportion of whom were from homecare agencies. Looking at quality, again the market is a whole locally is broadly healthy, with 90% of community providers registered in Barnet rated 'Good' or 'Outstanding'. However, quality can and does fluctuate, usually in tandem with changes in staff capacity or key management personnel. Barnet pays on average £19.25 per hour for homecare packages for over 18s from our approved homecare providers, although rates paid very by provider, with each provider having set their own rate. All homecare approved providers were selected following a procurement exercise to join a closed framework list. As part of this, providers set their own fees across the lifetime of the contract, building in allowances for inflationary uplifts and inclusive of travel time, which the council accepted. The Council did not set minimum or maximum prices through this process and left fee setting to providers based on their own determination of their sustainable price. In addition, the Council rounds up call times by 10 minutes, and pays providers for calls cancelled at short notice. The Council does not use block contracts or have cost-volume conditions built into our contracts, which means there is no defined obligation on providers to accept a specific number of referrals, or on where within the borough providers accept referrals. This means that providers are free to accept care packages based on their own assessment of what is sustainable in line with the rates they set.
Section 2: Assessment of the impact of future market changes between now and October 2025, for each of the service markets
The Council is currently refreshing its Market Position Statement (MPS), and this will inform and be influenced by the Market Sustainability Plan. There is a growing need for

care for people with multiple and/or complex conditions and this is a key aspect of the new MPS.

There are a number of strategic risks facing providers including staff and recruitment challenges. We know that recruitment and retention challenges have worsened across the care sector, and care providers (locally and nationally) are carrying higher vacancy rates than previously. In North Central London, there are 2,000 more care jobs unfilled in 2021/22 compared to 2020/21, according to Skills for Care. Should this downward trend in retention rates continue, as demand for care increases, it could pose a significant risk to the sustainability of the market.

Inflation also represents a significant challenge. Wage inflation could have a significant impact on the market. The Fair Cost of Care exercise has highlighted that the vast majority of provider costs are salary related.

Escalating energy costs also continue to adversely affect the care provider market, with providers flagging increases upwards of 150% in energy bills. We have provided short term grants to cover in-year increases in energy costs (where these exceeded bills at the start of 22/23 and were not offset by the Government's wider package of support) and this offer has been extended into 2023/24.Finally, in the short term the lack of on-going commitment from Government to PPE costs will also impact on provider costs. Our current modelling suggests that provider costs for PPE could treble should the Government withdraw the offer for free PPE after April 2023.

Regarding the introduction of the cap on care costs, which will now not take place before October 2025, ONS central confidence statistics indicate that the estimated number of people who pay for their care privately and who will be eligible for the Cap is 634. Analysis from all modelling frameworks suggest a local and national financial impact which is far higher than that of the Government's Impact Assessment over the 10-year period. This is due to four main reasons:

- The older adults means test and cap analysis suggests a greater loss of client income and more significant total cost.
- The proposed phasing of this cost suggests it will be realised earlier.
- The fair cost of care analysis suggests a higher cost to local authorities.
- The operational analysis suggests a greater workforce requirement and associated cost.

Barnet is particularly exposed to this impact because of the relative size of its bedded care market and the number of homes which are marketed towards people who fund their own care. Thinking ahead to 2025, three residential homes principally marketed towards people who pay for their care have opened in the last 18 months, and we would expect all to be close to full by 2025.

With regard to the extension of S18(3) of the Care Act to residential and nursing care, Barnet has a large number of homes where provider business models are predicated on providing services exclusively towards people who pay for their care privately, with above market average expectations of return on operations. This was confirmed through the Fair Cost of Care analysis with this cohort of homes over-represented amongst respondents.

The Council is concerned that both S18(3) and the Cap when implemented will incur greater long term costs for the council compared to other local authorities given the nature of the market.

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

(a) 65+ care homes market

Barnet Council's commissioning approach is already predicated on supporting market sustainability. In recent financial years, the Council has based its year-on-year inflationary uplift decisions on understanding provider costs on an individual basis, and uplifts to the minimum sustainable price on independent analysis and modelling.

We will continue to agree fees on the basis of mutual agreement with each provider we commission.

In 2022/23 the majority of Barnet's allocation of the Fair Cost of Care funding was spent on increases to providers charging below our median rates across homecare, residential and nursing care. A small proportion of the FCOC funding was spent on implementation activities, mainly additional capacity to support with analysis of fair cost of care returns and the development / implementation of our market sustainability plan.

For 2023/24, again the Council will use the majority of its share of the £600m additional ASC Grant to fund inflationary uplifts. Given the current rate of inflation and timing of certain cost increases (e.g., to wages given the national minimum wage increases etc), the Council will be affording the vast majority of providers automatic increases effective from 1 April.

Beyond this year's inflationary uplift process, the Council continues to work with providers to review their operational costs to plan our approach to uplifts in 2023/24. The Council will also continue to offer grant funding for short-term in-year pressures linked to variable costs such as energy bills, testing and PPE.

This work will enable the Council to develop a plan for the next 3 financial years which will include:

- Revised minimum sustainable prices for residential and nursing placements, below which the Council will not commission placements.
- Recognising that what is a 'fair cost of care' will differ by provider, an approach to reviewing funding for homes which charge above this minimum sustainable price, balancing considerations around legitimate differences in cost with questions of operating efficiency.

Beyond commissioned rates, the Council will continue to work with North Central London (NCL) partners on wider determinants of sector sustainability.

Our Joint Market Management programme with the five councils and the NCL ICB is focused on supporting a sustainable care market at a sub-regional level, which can meet current and future demand for care home placements. This includes the following priorities:

- Exploring how to stimulate development of additional care home capacity in NCL, with a particular focus on increasing nursing capacity.
- Paying a consistent rate to care providers based on host borough rates.
- Aligning approaches to inflationary uplift processes to promote sustainability.
- Supporting providers with recruitment and retention of a skilled workforce
- Collaborating on quality assurance offers to provider to raise quality levels.

We are committed to working with care home providers to develop shared solutions to meeting future demand for care home placements, building on our current approach to paying a sustainable cost of care. We have established a co-production forum for care home managers, in partnership with NCL ICB, that meets monthly and has representation from the five boroughs. This forum gives care home managers an opportunity to shape our priorities and the strategic direction we take in NCL. The group is currently focusing on how to increase capacity to meet the needs of residents with complex physical and mental health needs, focusing on the following priorities:

- The model of trusted assessment
- Clinical support available pre-discharge from hospital to ensure a smooth transition to care homes.
- Clinical support available to support residents post discharge.
- Support for care home staff including enhanced training.
- Approach to commissioning 1-1 packages of care to support residents.

Our NCL workforce programme has also developed the following approaches to support provider sustainability through supporting recruitment and retention:

- Student placement pathways - work with local colleges and providers to develop good placements to design placements to incorporate true understanding of roles in Social Care
- Staff recruitment - continue to resource Proud to Care North London (our regional recruitment platform for Adult Social Care) and work with London ADASS on a London wide site and listen to Providers around workforce issues and collaborate to resolve as far as possible.
- • Princes Trust project – work with the Princes Trust to recruit a target of 75 young people (60 sustained outcomes over 3 months) into health and social care roles

- Development of the NCL social care academy, which will deliver progression opportunities for staff already in the sector, bring new entrants into the sector and increase the number of people training in social care.

(b) 18+ domiciliary care market

Our current average homecare rate is £19.25 per hour. That is £1.17 per hour (or 6%) lower our median rate and £0.26 per hour below the lowest quartile rate (1%).

As stated previously, although the Council does commission home care from providers charging below the median rate, the Council does not set prices for home care, rather home care providers tendered to provide services based on their own appraisal of what is sustainable.

However, many providers have raised concerns about high inflation and recruitment and retention challenges, arguing that market conditions have changed and are more challenging since they tendered.

In light of this the Council will be bringing forward contractual increases to rates from August each calendar year (as per the contracts currently) to 1 April 2023, so that providers get increased funding sooner, and are implementing additional increases for providers charging below our median rate.

In addition, the Council will continue to offer additional funding in-year to support homecare providers with variable costs such as energy bills, testing and PPE.

The Council will also be working with the NCL ASC Programme on the range of in-kind workforce interventions described above. Moreover, the Council will also be recruiting to a 'workforce lead officer' role within its Care Quality service area, who will provide practical support to providers with recruitment and retention, including job brokerage.
Beyond the above, our medium to long-term plan for supporting the sustainability of our homecare market will be informed by a regional home care commissioning analysis exercise that the Council, alongside its North Central London partners, have commissioned Care Analytics to undertake. This will take the outputs from the Fair Cost of Care surveys and review them alongside our commissioning model, payment rules and service delivery patterns to advise on both future decision-making around pricing and also our commissioning approach to promote a sustainable and efficient local market.