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Report of: Jayne Ludlam

Report to: Cabinet

Date of Decision:

Subject: Developing a stable adult social care market in Sheffield

Is this a Key Decision? If Yes, reason Key Decision:-	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
- Expenditure and/or savings over £500,000	<input checked="" type="checkbox"/>	
- Affects 2 or more Wards	<input checked="" type="checkbox"/>	
Which Cabinet Member Portfolio does this relate to? <i>(Health and Social Care)</i>		
Which Scrutiny and Policy Development Committee does this relate to? <i>(Healthier Communities and Adult Social Care Scrutiny and Policy Development Committee)</i>		
Has an Equality Impact Assessment (EIA) been undertaken?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If YES, what EIA reference number has it been given? <i>(Insert reference number)</i>		
Does the report contain confidential or exempt information?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-		
<p><i>“The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended).”</i></p>		

Purpose of Report:

This report sets out the process that the Council has followed to propose fair and sustainable fee rates for independent sector care home, home care, extra care and supported living providers in Sheffield for the financial year 2018-19.

The report outlines recommendations to the Council's Cabinet to approve an uplift of fees for adult social care providers in Sheffield for the financial year 2018/19 as follows:

- **Care Homes:** Establishing a single rate of £463 for residential and nursing care homes for the financial year 2018/19 based on an open book cost of care exercise. The exercise was completed with the engagement of a number of independent sector care home providers in Sheffield covering both residential and nursing home services. The information supplied was reviewed by the Council's finance department and independent experts working with the University of Sheffield's School of Management and the "Doing Care Differently" project.
- **Home Care and Supported Living:** An uplift of 3.95% to home care and supported living fee rates in line with cost of living and minimum wage pressures for the financial year 2018/19.
- **Extra Care:** Align the 'care' element of extra care fees of the four Council contracted extra care schemes to the corresponding supported living rate and pay the 'support' element based on delivery of support activities.

This report describes how, in the context of Sheffield's position in the lowest quartile of care home fee rates in the region, the recommended fee uplifts are required in order to ensure care home market stability and the consolidation of a quality, flexible and resilient home care and supported living market in Sheffield.

Recommendations:

1. To approve a single fee for residential and nursing home providers on the Council's standard contracted and framework rate of £463 per bed per week (excluding nursing costs) based on the results of the open book cost of care exercise completed in the financial year 2017/18. See table below for details of % uplift.

Category	Current rate (environmental standard)	Current rate (environmental enhanced)	2018-19 rate	% increase
Residential - standard	£389	£391	£463	18 - 19%
Residential – high dependency	£426	£430	£463	8 - 9%
Residential - EMI	£434	£438	£463	6 - 7%
Nursing – standard excluding FNC	£433	£440	£463	5 - 7%
Nursing enhanced excluding FNC	£447	£453	£463	2 - 4%

2. To approve an inflationary uplift to fee rates of 3.95% for home care and supported living providers on the Council's standard contracted and framework rate.
3. To align the 'care' element of extra care fees for the four Council contracted providers to the corresponding supported living rate (where care is provided in one geographic location) and pay the 'support' element based on itemised delivery of support activities.
4. To delegate authority to the Executive Director of People in consultation with the Director of Adult Services and the Cabinet Member for Health and Social Care to agree any appropriate and proportionate fee increases requested by recipients of Direct Payments and care providers who are not on the Council's standard contracted and framework rate on a case-by-case basis.
5. To delegate authority to the Executive Director of People in consultation with the Director of Adult Services and the Cabinet Member for Health and Social Care to take all other necessary steps not covered by existing delegations to achieve the outcomes outlined in this Report.

Background Papers:

(Insert details of any background papers used in the compilation of the report.)

Appendix 1: Older Adults Care Homes**Appendix 2: Home Care****Appendix 3: Supported Living****Appendix 4: Extra Care****Appendix 5: Non Standard Fees****Appendix 6: Report commissioned by Kingsbury Hill Fox Limited on behalf of a Care Home Provider**

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Liz Gough
		Legal: Steve Eccleston
		Equalities: Liz Tooke
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>		
2	EMT member who approved submission:	<i>Jayne Ludlam</i>
3	Cabinet Member consulted:	<i>Cllr Cate McDonald</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: <i>Joe Horobin</i>	Job Title: <i>Head of Commissioning</i>
	Date: 28 February 2018	

1. PROPOSAL

- 1.1 To develop and maintain a stable, flexible and diverse adult social care market in Sheffield that is able to respond to the changing needs of the population in terms of both demographics and seasonal fluctuations in demand such as winter health pressures. The Council and partners in health continue to work closely with providers to support the delivery of quality social care and design creative and innovative approaches to managing and meeting demand for care in the city.
- 1.2 To address the historically low rate for care homes (as compared regionally and with comparator authorities) through the creation of a single rate for residential and nursing home providers of £463 per bed per week (net of FNC nursing) based on an open book cost of care exercise undertaken in 2017/18 alongside the impact of the National Minimum Wage increase and other inflationary indices for 2018-19.
- 1.3 To provide an inflationary uplift of 3.95% for home care and supported living contracted and framework providers that reflects the impact of the National Minimum Wage increase and other inflationary indices.
- 1.4 To increase the care element of the fee rate for contracted extra care providers to align with the standard supported living discounted rate.
- 1.5 To pay for the support element of the fee rate for contracted extra care providers based on evidence of support activities delivered.
- 1.6 These rates are to take effect from April 2018 as reflective of the cost pressures that providers will face in 2018-19 when delivering flexible and innovative care of appropriate quality for some of Sheffield's most vulnerable residents.
- 1.7 The Council is legally required to consider these fee rates. The following report ensures they:
 - 1.7.1 Are informed by the Council's open book cost of care exercises
 - 1.7.2 Are informed by consultation with local social care providers
 - 1.7.3 Are informed by analysis of both local and national evidence
 - 1.7.4 Meet the Council's legal responsibilities by being sufficient to meet assessed care needs and to provide residents with the level of care services that they could reasonably expect to receive if the possibility of resident and third party contributions did not exist.

2. HOW DOES THIS DECISION CONTRIBUTE ?

- 2.1 This decision seeks to ensure that current funding arrangements and fees are increased to mitigate the risk of market failure and to maintain and improve the experience that care home and extra care residents and

people receiving home care and supported living in Sheffield have of receiving satisfactory care and support. The Council expects that ensuring the fee rates meet the cost of delivering care in Sheffield will enable providers to work with us to develop innovative and efficient ways to support people in the city.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 Care home providers have been fully engaged in the cost of care exercise for their sector during 2017/18 and have been consulted on the outcome of the cost of care exercise and subsequent proposed fee rate and inflationary uplift.
- 3.2 Home care and supported living providers were fully engaged in the cost of care exercise for their sector in 2017 and have been consulted on the proposed fee uplift.
- 3.3 Extra care providers have been consulted on the proposed fee uplift for their sector.
- 3.4 Consultation has been undertaken and feedback has been considered and reflected in the proposed rates to help ensure recommendations are robust and support the Council's legal responsibilities.
- 3.5 Consultation with Care Homes on the care home cost of care exercise and proposed fee rate has been organised as follows:
 - 1.7.5 An Open Book Cost of Care exercise see Appendix 1
 - 1.7.6 A presentation and plenary at care home manager's forum – October 2016
 - 1.7.7 Care home owners meetings 31 May 2017, 3 August 2017, 17 November 2017, 14 December 2017 and 2 March 2018.
 - 1.7.8 Individual meetings between providers and Council officers
 - 1.7.9 Consultation on the Cost of Care exercise via meetings (January 2018), email and telephone early January 2018.
- 3.6 Consultation with Home Care, Supported Living and Extra Care providers was undertaken during January and February 2018 via email and telephone and a provider forum in January 2018.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

- 4.1 Equality of Opportunity Implications
 - 4.1.1 An Equality Impact Assessment has been completed for the proposed fee increase. A full list of the equality considerations, impacts and actions can be found in Equality Impact Assessment 199.
- 4.2 Financial and Commercial Implications
 - 4.2.1 The impact of the recommended fee uplifts is £4.8m. Funding for this has

been made available through the 2018-19 budget process and use of the non-recurrent integrated Better Care Fund (iBCF) that was agreed at Cabinet in July 2017.

4.2.2 Funding a significant proportion of the fee increase from a non-recurrent budget is a significant risk because of the very challenged financial position of the Council. However, not making this investment will expose Sheffield citizens to risk of poor quality care and will also create hidden costs (for example a greater number of people needing to move to higher cost settings because quality of care is insufficient).

4.2.3 There are three ways that this risk will be mitigated:

- Additional financial support to the adult social care provider market will be rigorously monitored to ensure that investment directly supports improved care in Sheffield and money is not wasted.
- Demand for care will be well-managed. As set out below, the vision for adult social care is to enable a shift into prevention which will mean proportionately fewer people need care.
- The investment will create a more stable supply of care which will result in significant benefits to the NHS. Just as inconsistent adult social care creates the risk that more Sheffield people will wait longer in hospital beds before they can leave, so consistent care will mean fewer hospital beds are likely to be needed. The shift into prevention that will be delivered in Sheffield will take pressure off the usage of hospital beds and enable a shift of resources from acute care to community care to ensure future affordability.

4.2.4 Effective and efficient use of resources across the whole of health and care is absolutely key to a sustainable financial plan in future years. The latest national initiatives to develop an Accountable Care Partnership (ACP) for Sheffield and an Integrated Care System (ICS) for South Yorkshire and Bassetlaw will be no more effective than plans that have gone before them unless they support a shift in funding away from bed-based and institutional care, and towards sustainable preventative support for people living in Sheffield's communities. Adult social care is a key aspect of this.

4.3 Legal Implications

4.3.1 Sections 7 and 7A of the Local Authority Social Services Act 1970 (LASSA 1970) require local authorities to act under the general guidance and directions of the Secretary of State in the exercise of their social services functions.

4.3.2 Circular LAC (2004)20 (Circular) replaced the guidance that accompanied the Directions 1992 and is issued under section 7 of the LASSA 1970. The Circular sets out what an individual should be able to expect from the council that is funding his/her care, subject to the individual's means, when arranging a care home place. The relevant parts of the Circular for the purposes of this report are:

"2.5.4...[The usual cost] should be set by councils at the start of a financial or other planning period, or in response to significant changes in the cost of providing care, to be sufficient to meet the assessed care needs of supported residents in residential accommodation... In setting and reviewing their costs, councils should have due regard to the actual costs of providing care and other local factors. Councils should also have due regard to Best Value requirements under the Local Government Act 1999.

3.3 When setting its usual cost(s) a council should be able to demonstrate that this cost is sufficient to allow it to meet assessed care needs and to provide residents with the level of care services that they could reasonably expect to receive if the possibility of resident and third party contributions did not exist".

4.3.3 The Care Act came into force in April 2015. It sets out a range of measures, in order that local people can choose from a diverse range of high quality care services, to drive up the quality of care and put people's needs and outcomes centre-stage. The new legal framework reinforces the local authority's duty to promote a diverse, sustainable and high quality market of care and support services. Local authorities are required to ensure that there is a range of providers offering services that meet the needs of individuals, families and carers.

4.3.4 This duty requires local authorities to understand the level of risk and the quality support for care home residents to itself that they:

- Meet the minimum standards as set out by the Care Quality Commission
- Are sustainable
- Have sound leadership and that all staff are appropriately trained
- Are focused on delivering quality care that is evidence based

4.3.5 The Council must evidence that it has properly consulted with providers during its process of setting fee levels to take account of relevant factors in understanding the actual cost of care to them.

4.3.6 Setting a proper level of fee will evidence that the Council is delivering its obligations to support a sustainable market which is viable and enables people to have choice in meeting their accommodation needs. That then delivers obligations as to respecting private, home and family life under the Human Rights Act and the Public Sector Equality Duty under S149 the Equality Act 2010.

4.4 Other Implications

4.4.1 N/A

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 All options were appraised taking into account the following. Further

details can be found in the appendix to this report.

- Provider feedback, for example from engagement events and planned consultations
- Market factors
- Benchmarking with comparable Local Authorities
- Open Book Costs of Care exercises
- Current and projected supply and demand
- The financial position of the Council

5.2 **Care Homes:** There were two options considered for the 2018/19 care home fee uplift with option 3 being the recommended option:

5.2.1. Do nothing and expect providers to absorb all inflationary costs

5.2.2. Option 2: Increase the fees paid to providers to take into account increases in minimum wage and the underlying rate of inflation.

5.2.3. Option 3: Increase the fee rates paid to providers using the results of the open book cost of care exercise as well as increases in minimum wage and the underlying rate of inflation.

5.3 **Home Care and Supported Living:** There were two options considered for the 2018/19 uplifts in home care and supported living with option 1 being the recommended option:

5.3.1 Option 1: Increase the fees paid to providers to take into account increases in minimum wage and the underlying rate of inflation.

5.3.2 Option 2: No increase to the fees paid to providers in the context of having established a cost of care and new framework rates in 2017 for home care and supported living and no contractual requirement to increase extra care rates ahead of retendering this in 2018.

5.4 **Extra Care:** There were three options considered for the 2018/19 uplifts in extra care with option 1 being the recommended option:

5.4.1 Option 1: Increase the care element of the fees paid to bring this in line with the supported living discounted rate.

5.4.2 Option 2: Increase the care element of the fees paid by 3.95% to take into account increases in minimum wage and the underlying rate of inflation.

5.4.3 Option 3: No increase to the fees paid to providers in the context of having tendered at the current rate with no contractual requirement to receive an uplift.

6. REASONS FOR RECOMMENDATIONS

- 6.1 To develop and maintain a stable adult social care market in Sheffield by ensuring that the fees paid by the Council for adult social care in the City of Sheffield are uplifted in line with the cost of delivering care in the city including inflationary pressures in 2018/19.

7. BACKGROUND INFORMATION

- 7.1 **Care Homes:** There are 78 independent care homes for older adults in the city providing 3,209 beds in total. Of these, 22% (18) are voluntary/third sector homes. The providers range from small, long established operators with a single care home in a converted property, to large national organisations that run many purpose-built care homes – typically focused on areas of the city where land costs are lower. Approximately 32% of the current care homes in Sheffield are operated by large national organisations, however there are a growing number of more local organisations who have multiple care home ownership. Such a diverse range of ownership brings with it different business models: some providers operate with significant debts whereas others may have very little. National providers will cross-subsidise their homes to manage local variations in demand and profitability and are able to exploit economies of scale.
- 7.2 People living in care homes are often aged 85+ and are likely to be frailer and have greater care needs than in previous decades. Currently 13,300 people in Sheffield are over 85 and this is expected to rise steeply bringing the population of 85+ age group to over 19,000 by 2030. Although people are older and frailer when they enter a care home, their length of stay still varies but national evidence suggests it averages 2.5 years in residential and under 18 months in nursing. Many access care later in life after a spell in hospital or intermediate care hence their needs may be greater as a result.
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- 7.4 The market in the city has remained relatively stable over the last 12 months however there continues to be a significant demand for places and the occupancy of care homes remains relatively high. If the demand increases there is a risk that there will be insufficient places at the right quality and price for the people who need them. All providers in Sheffield have made formal representation relating to the low level of the current weekly fee rates for residential and nursing care homes in the City and

are clear that the sustainability of business and any future growth to meet demand will not be delivered if the fee rates received do not increase to cover the cost of delivering care.

7.5 Sheffield City Council fee rates for residential and nursing are low in comparison to regional neighbours. All areas will have different factors in relation to their local economy so a one-size-fits-all approach cannot be assumed. However Sheffield's approach to fee rates for 2018/19 must be appropriately mindful of the approach taken by neighbours.

7.6 The Council's 2017/18 rates for care homes are as follows:

Residential Care	Proportion Paid	Current Rate (low)	Current Rate (high)
Standard	16%	£389	£391
High Dependency	29%	£426	£430
EMI	55%	£434	£438
Weighted Average Payment			£426.18

Nursing Care	Proportion Paid	Current Rate (low)	Current Rate (high)
Standard	43%	£433	£440
Enhanced	57%	£447	£453
Weighted Average Payment			£440.92

7.7 The published rates for local authorities in the region are as follows:

Average of local per group	£451.88	£480.62	£460.71	£504.04
Local Authority	Residential Min	Residential Complex EMI Min	Nursing Min	Nursing Complex Min
Doncaster	£465.36	£465.36	£465.36	£515.65
Hull	£429.20	£458.40		
Calderdale	£455.67	£515.39	£514.90	£536.84
Bradford	£430.98	£475.70	£348.45	
North Lincolnshire	£421.58	£451.00		
North East Lincolnshire	£430.50	£472.19	£430.50	£472.19
North Yorks	£515.76	£515.76	£507.43	£507.43
Barnsley	£416.56	£450.93	£416.56	£450.93
Rotherham	£432.00	£467.00	£436.00	£518.00
York	£490.64	£527.88	£519.14	£563.73
East Ridings of Yorkshire	£447.09	£506.59	£447.09	£506.59
Kirklees	£470.93	£490.53	£485.04	£505.04
Wakefield	£479.00	£479.00	£479.00	£479.00
Nottinghamshire CC	£441.00	£453.00	£479.00	£489.00

- Care home providers told us in 2016/17 that the cost of delivering care was a key issue for them. In response, the Council has undertaken an open book cost of care exercise during 2017/18 supported by Care Home Providers and Sheffield University in order to identify a fair and reasonable fee rate. 4 providers shared accounts that were sufficient to undertake robust comparative analysis. The Council consulted with care homes on the outcome of the cost of care exercise and has taken account of feedback in recommending the proposal for a single fee rate of £463 for residential and nursing care (net of FNC nursing funding). Full details of the cost of care exercise, consultation and the Council's response to feedback is provided at Appendix 1.
- 7.8
- 7.9 **Home Care:** The home care market has become more robust over the past 12-18 months, partly aided by a significant uplift in fees in April 2017 and procurement activity, which has increased the number of contracted providers from 9 to over 40. Ongoing monitoring of the market ensures the balance between supply and demand is managed and business continuity is maintained. More hours (28,472 per week) are now being commissioned for more people (2,774) than at this time last year, with the increasing demand created largely by people coming out of hospital sooner, avoiding care home admissions and requiring more support.
- 7.10 A 'cost of care' model approach to home care fees was implemented in April 2017. Based upon extensive consultation with providers, this model better reflected the true cost of delivering a home care service in Sheffield and took into account local disparities in travel time for care workers. The new home care framework contracts started on October 2nd 2017. Six providers have one or more primary contract areas, and a further 35 providers are part of the Framework Agreement. This is a significant change from 18 months ago, when we contracted with only 9 providers. Overall capacity, contingency arrangements and performance have improved. A further tender in November 2017 is likely to add several more providers to the framework. Further detail is provided at Appendix 2.
- 7.11 **Supported Living:** The supported living market in Sheffield has had a period of relative stability over the past year, aided by procurement activity, which increased the number of contracted providers on our supported living framework, and the uplift in fees in October 2017. The new supported living framework started on October 2nd 2017 and 22 providers are now on the supported living framework.
- 7.12 Demand for supported living services has continued to grow over the last year. As supported living is a key model of support for adults with disabilities we expect demand to continue to increase in 2018/19. The Council's commissioning service works closely with care managers and providers to ensure requests for supported living packages are responded to promptly, and that people requiring supported living have a choice of provider.

- 7.13 In October 2017 a new approach to supported living fees was implemented, based on the home care fees 'cost of care' model. Based upon extensive consultation with home care providers, this model takes into account local disparities in travel time for support workers who need to travel between visits, alongside a discounted rate for supported living 'schemes' where travel time is not an issue. The framework also set a rate of £9.66 per hour for sleep-in nights reflecting changes in payment regulations. Further detail is provided in Appendix 3.
- 7.14 **Extra Care:** There are 9 extra care/assisted living schemes in Sheffield, they range both in size and the facilities they offer, however most cater for the older age group. The Council fund 5 of the schemes and the remaining 4 schemes were privately developed to accommodate people funding their own care and support.
- 7.15 The landlords of each extra care scheme tend to be registered social landlords who operate on a not for profit basis and the care and support providers are traditionally home care providers. Whilst the operation of the scheme is registered by CQC as home care, it has more similarities with the supported living schemes where providers are registered to provide domiciliary care but their work is focused around a building or house and therefore travel time is minimal.
- 7.16 Four of the extra care and support contracts were tendered for and involve 3 providers who also provide some home care, either council funded or privately. The contracts were let in 2015 when the care and support elements were combined (previously supporting people funding along with housing benefit) and are due to expire in 2019, although there is the option to extend these.
- 7.17 These extra care providers have received the same funding level for almost 3 years, the care element is paid based on actual service delivered as it fluctuates based on need, the support element is paid at the same rate each week as it has an overarching aim to engage all of the tenants in activities/support that enables them to remain independent and delay the need for formal care services for as long as possible. Further detail is provided at Appendix 4.
- 7.18 The Sheffield Retirement Village receives funding to support the provider to deliver a holistic model of care and support. This includes a number of people who are eligible for funding by the City Council. This funding is paid via a grant agreement on a specific contract arrangement and there is no proposal to increase the level of funding.
- 7.20 **Non Standard Fees:** A significant proportion of local adult care and support services do not have standard fee rates. This includes 'non-standard fee' care homes, community based services, Personal Assistants, Money Management services, Direct Payments and other individualised support arrangements.
- 7.21 The wide variation in non-standard fees reflects the wide variation in the

nature and level of people's support needs and the diversity of services that can meet these needs. Different care homes and care providers have significantly different cost structures and specific budget pressures can impact on them in ways specific to their business. We therefore do not propose to apply an automatic inflation uplift, but to respond to requests on an individual basis taking into account individual needs, individual provider costs and value for money considerations. We propose an 'open book' approach, using a transparent breakdown of costs and income. Further detail is provided at Appendix 5.