

Maintaining a stable adult social care market in Sheffield 2021/22

1. Purpose of Report:

The purpose of this report is to set out the Council's approach to reviewing the adult social care market and setting the fees for contracted, independent sector care homes, home care, extra care, supported living and day activity providers in Sheffield for the next financial year 2021-22. The report also describes the review of rates for Direct Payments for people who choose this means of arranging their own care and support.

This report sets out the process and methodology that Council Commissioners have followed to ensure that fee rates next year will support a sustainable, quality and diverse social care market that meets the needs of people in Sheffield. The final recommendation for fee rate increases will be put forward for decision in the Cabinet Decision Report (Form 2 and appendices) on 17th March 2021 and implemented from the 12th April 2021.

2. Legal Duties of the Council:

The Council has some very specific duties which are outlined within the Care Act 2015. The Act 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 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. The local authority must be satisfied that the service will support and promote the wellbeing of the individuals who will be in receipt of those services.

This duty requires local authorities to understand the level of risk and the quality of support for people receiving support in order to satisfy itself that the care and support available:

- Meets the minimum standards as set out by the Care Quality Commission
- Is sustainable and supports continuity of care for people who need it
- Has sound leadership and that all staff are appropriately trained
- Is focused on delivering quality care that is evidence based

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 as well as taking into account the needs and views of individuals who use services.

Setting a reasonable fee will evidence that the Council is delivering its obligations to support a sustainable market which enables people to have choice in meeting their assessed care and support needs.

3. Context of the market and fees annual review

2020/2021 has been an exceptionally challenging year for the care sector in Sheffield and nationwide due to the Covid-19 pandemic. Many providers have had outbreaks with some sadly losing significant numbers of people in care as a result. All care providers have had to adapt to new ways of working such as increased requirements for Infection Control and Personal Protective Equipment, changing guidance around visiting, testing for staff and vaccinations. Staff have been exposed to extremely stressful working conditions with many staff having to work additional shifts to cover staff sickness and isolation and to avoid the use of agency staff. Providers report ongoing sickness and the impact of trauma and fatigue on staff resilience and morale. Care providers and their staff have risen to the challenges faced and continue to provide caring and compassionate care to their residents.

It is clear that Covid-19 will continue to have a significant impact on the care market in 2021/2022 and that decisions about the fee rate and any additional support for providers to cope with additional costs may have both short and long term impact on the shape of the market in Sheffield.

4. Scope of the annual review

The review seeks to ensure that funding arrangements for framework, and individually contracted fee rates and direct payments are aligned with inflationary cost increases to mitigate the risk of market failure and to maintain and improve the care and support experience of people using council arranged services and Direct Payments in Sheffield. The Council expects that ensuring the fee rates meet the cost of delivering care in Sheffield will enable providers to work with us to build a resilient, quality and diverse offer of care and support services for people who need them.

In previous years, the Council has reviewed the market and consulted with care homes and with framework home care and supported living providers on the standard rate for these sectors. Last year the review was expanded to include non-standard rate residential care for people with complex support needs for the first time. In March 2020 the Cabinet Report set out the ambition to expand the scope of the annual review to include day activities provision and direct payments and this report outlines the work that has been undertaken this year to include these.

Day activities provision has not previously been included in the annual market analysis and fees review. The last year has seen the development of a proactive commissioning approach with this vibrant and creative sector despite the huge impact on providers of the pandemic and ongoing lock down restrictions. Day activities provision will therefore be included in the fees recommendations with further work committed over the next year to undertake more detailed consultation with the market on a longer-term procurement and funding strategy for the sector.

Direct Payments have also previously been outside the scope of the annual market analysis and fees review. The last year has seen the development of a coproduced improvement programme to develop the Council's approach to direct payments and supporting people who wish to use this flexible approach to managing their own care and support. The work has included a review of PA rates (the amount allocated to pay for a personal assistant). This progress means that direct payment rates will be included in the fee recommendations this year with recommendations for both the element of the payment to be spent on providers and the PA rates.

5. Approach to the annual review of the adult social care market and fee rates:

The Council's commissioning and contracts team use a combination of:

- Ongoing local, regional and national market intelligence and
- Feedback from providers through formal consultation and open book exercise

Commissioners work with commercial services and finance colleagues to undertake a detailed analysis of each market and the cost pressures it faces using the information above before putting forward recommended changes to fee rates for the next financial year.

6. Strategic review of Older People's Care Homes:

In addition to the annual review process, in March last year the Council committed to undertaking a strategic review of the older people's care home market in the city. External consultants, Cordisbright in partnership with LangBuisson, were commissioned in October 2020 to undertake the strategic review of the older peoples care home market on behalf of the Council and in consultation with other key stakeholders in the health and social care system. The strategic review is due to report in mid March 2021 with medium to long term recommendations for the future demand for and shape of the care home market and support models for older people. An interim report based on the consultants' interviews with 29 providers and 22 stakeholders will make a valuable contribution to the market analysis and fee setting work.

Kingsbury Foxhill have also been commissioned by the Council, in collaboration with the Sheffield Care Association, to undertake data based analysis of future demand for older people's care home beds in the city.

The Council will reflect on and include the findings of these two pieces of independent market analysis to support the market review and fee setting process for 21/21.

7. Fee rate methodology:

The Council did not undertake a full scale formal cost of care exercise as part of this year's fees review. The impact of Covid-19 meant that most markets have experienced very volatile costs and factors that impact on income such as

occupancy or adapted models of care delivery as well as placing huge demands on commissioners and providers to focus on safe care delivery. The Council carried out full cost of care exercises in 2016 for home care and supported living and 2017 for care homes. This year, in common with previous years, providers have been invited to submit financial information in support of their feedback and to help evidence the costs and pressure experienced by the sector. This information will support information received from formal consultation sessions and the independent consultancy work and will inform the final recommendation and March 2021 Cabinet decision on 2021/22 fees.

A key part of the formal consultation with providers is gathering feedback on an initial proposed fee rate. The initial fee rate proposal is shared with providers in December followed by the consultation period. The initial proposed fee rate for care homes, home care and supported living was calculated this year, in line with previous years, based on the increase in the national minimum wage (2.18%) and consumer price index (1.2%) increase to calculate the proposed fee rate. The minimum wage increase and the CPI increase are weighted by the ratio of staffing to non-staffing spend for each type of provision.

Care Homes Rates:

The ratio of staffing to non-staffing costs for care homes is based on previous cost of care exercises and open book returns from providers and is 71% staffing costs and 29% non staffing costs. The same ratio is used for day activities provision.

For staff costs this means:

- The increase in the national minimum wage (NLW) of 2.18% is applied for all staffing costs. Weighted at 71% of the fee rate this is 1.55%

And for non-staff costs this means

- The increase in the consumer price index (CPI) of 1.2% is applied for all non-staffing costs. Weighted at 29% of the fee rate this is 0.348%

The initial proposed rate for care homes was therefore an increase of 1.9% which would take the current standard fee rate of £505 per week to £514.60 per week for both Residential and Nursing care. The Nursing care figure excludes the additional Funded Nursing Care (FNC) payment.

Home Care and Supported Living Rates:

The ratio of staffing to non-staffing costs for home care and supported living is based on previous cost of care exercises and open book returns from providers and is 85% staffing costs and 15% non staffing costs.

For staff costs this means

- The increase in the national minimum wage (NLW) of 2.18% weighted to 85% of the fee rate is 1.85%.
- And for non-staff costs this means:
- The increase in the consumer price index (CPI) of 1.2% weighted is 0.18%.

The initial proposed rate for home care and supported living was therefore an increase of 2.03%.

Day Activities:

More work will be undertaken over the next 12 months with the day activities market to understand the cost base of this very varied provision. This year however it is proposed that the increase for this sector is based on the same increase calculated for home care.

Direct Payments:

The rate for Personal Assistants (part of someone's direct payment) must be sufficient to meet all their employment costs. The rate for other areas of direct payment spend is based on the same increase as home care and supported living.

8. Approach to Consultation

The Council wrote to care home, supported living and home care providers with the initial proposed fee rate increase as set out above. The letter with proposed fee rate was sent to providers on 1st December for them to consider and provide feedback on. Providers were able to provide feedback by several channels including by return email or letter, via an online Citizen Space survey or via Zoom consultation sessions. Consultation sessions were held during this formal consultation period with home care, supported living and care home providers in December and January to provide opportunities for providers to feedback directly to senior Council officers and the Cabinet Member for Health and Social Care.

Day activities provision has not previously been included in the annual market analysis and fees review. The last year has seen the development of a proactive commissioning approach to this sector despite the huge impact on providers of the pandemic and ongoing lock down restrictions. Given the specific volatility of this market currently it is recommended that a fee increase be proposed this year with a view to carrying out detailed consultation with the market over the next year on a longer term funding strategy for the sector.

Direct Payments have also previously been outside the scope of the annual market analysis and fees review. The last year has seen the development of a coproduced improvement project to improve the Council's approach to direct payments and supporting people who wish to use this flexible approach to managing their own care and support. It is therefore recommended that an increase to the direct payment rate be proposed this year based on the work of this project and the input of a range of people engaged in this as well as the feedback from providers from the consultations on homecare and supported living. The proposal is that the Direct Payment rate is considered in two separately costed elements: activity costs (based on care home fee rate model) and PA rates which must cover the total cost of someone's employment.

9. Care Home Consultation:

22 care home providers (out of 48 providers operating in the city) completed the online survey in response to the fee proposal letter sent in December. 15 providers also attended the online engagement sessions in January 2021.

9 providers (representing 22 homes in the city) submitted financial and costings information. These represented 22.65% of the nursing and dual registration bed base in the city and 31.3% of the residential care home bed base.

10. Home Care Consultation:

19 providers were present at the consultation meetings and 8 submitted online feedback, representing 63% of the total market share in terms of weekly hours delivered.

11. Supported Living Consultation:

The response rate to the formal consultation on the proposed fee rate was 79.3% of the 22 active supported living framework providers. 9 responses were received as part of the online survey.

12. Themes from Consultation:

Providers also told us about challenges and pressures which impact on their costs. The feedback broadly aligned with the feedback received in previous consultations with the sectors with the addition of Covid-19 related concerns and pressures. The key themes are highlighted below:

Cost of care and return on investment

Providers have questioned whether the costing model used by the Council accurately reflects the cost model of care within care homes. Some providers cited non staffing costs rising by more than the CPI rate (1.2%) used to calculate inflation on these costs. Providers indicated that they need to see an improved return on investment within the fee rate and for some, capital investment will be important to ensure that the physical infrastructure of their care homes remains fit for purpose longer term.

Staffing costs:

Providers fed back their view that the fee rate should be increased to enable providers to appropriately reward staff and pay above the national minimum wage. There are challenges for providers in recruiting and retaining staff, particularly nurses, which mean that many seek to offer staff slightly above the minimum wage in order to remain competitive employers. Providers also told us that maintaining wage differentials between front line and management staff is key to retaining good managers and sustaining care quality through strong leadership. Some care homes

cited higher staffing costs in order to operate at a higher staffing ratio in response to increased complexity and needs of residents.

Ongoing impacts and pressures caused by the pandemic:

The key issue raised by providers across all types of care provision were the impacts and pressures caused by the ongoing effects of the pandemic. The pandemic continues to place significant pressure on providers in terms of additional costs relating to infection control measures, staff sickness and changes in demand for care. The overarching view from providers was that costs associated with the pandemic should be separated as part of the fee review exercise. Providers were concerned that current government grants to support with infection control costs and PPE might not be extended beyond the current end date in March 2021.

13. Challenges of managing markets during period of significant impact and uncertainty:

There are some significant ongoing challenges facing the market which have made the annual fee review process particularly complex this year. In particular, the Council and providers face difficulties in modelling the ongoing and future demand for the different sectors of the care market as well as the likely costs for this. This will remain a challenge until the worst effects of the pandemic settle down. Such volatility cannot easily be managed via an annual fee rate and more proactive market management is required to manage risk and support a sustainable market. As a result, there is a need for ongoing work to effectively monitor and work closely with the care sector to ensure the stability of the care market in Sheffield.

14. Support from Sheffield City Council:

A large number of respondents were keen to highlight their appreciation for the support they have received from Sheffield City Council during the pandemic. The Council has provided a wide range of support for contracted and non contracted providers summarised below (*denotes support offered to framework providers only):

- PPE support including a 7-day free supply of equipment where providers were unable to replenish their own supplies. This applies to all providers in the city (contracted and non-contracted)
- Support through regular virtual forums and at least fortnightly telephony-based support from our commissioning and contract managers*
- A dedicated 'providercovid19 inbox' and weekly updates via email to all providers or specific sectors as appropriate
- A dedicated Web Page 'Coronavirus - Support for Adult Social Care providers' sharing information and sign posting to support services for providers.5% uplift - COVID supplement on fee rate*
- Advance fortnightly payments for homecare* during the first four months of the pandemic

- Flexible block payment for homecare* during the first four months of the pandemic
- Demand focused financial support and incentives for homecare* which remain ongoing
- Occupancy support for Council funded care homes experiencing high vacancy levels as a result of higher than expected deaths and covid outbreaks
- Support for supported living and day activities providers to top up under delivery related to covid and to cover additional costs of supporting people differently
- Support with additional and exceptional costs relating to covid
- Administration of grants to support the care sector including Infection Control Fund (Rounds 1 & 2) and Lateral Flow Device Testing support for care homes
- Support to access the national PPE supply chain introduced by the Department of Health and Social Care

15. Financial Support to date:

The following gives an indication of the level of financial support offered to the care sector as a result of the pandemic:

- Infection Control Fund grant amounting to almost £11m
- 5% Covid enhanced rates (April to July) payments £1.3m
- Occupancy Payments £4.2m with more to be made ongoing
- Additional exceptional costs £1.3m
- Incentive payments to providers to support market management £103k

The total spend to date with the care sector is in excess of £150m this financial year.

16. Financial implications of fee rates:

The Council spends a significant proportion of its budget on independent sector care provision. Changes in the fee rates therefore present considerable pressure on the Council's budget.

The forecast financial implications of the initial proposed fee uplift rates are set out below:

Type of Provision	£ '000
Standard Care Homes	1,005
Homecare Framework	645
Supported Living Framework	435
Non-standard Residential	325
Day Activities	80
Direct Payments	1,075
Total Cost	3,565

The initial proposal presents the Council with a cost pressure which has to be met within the Council's overall financial resources and any additional increase to the fee rate will add to this pressure. There is urgent need for financial intervention from Government to ensure long term sustainability of the market.

17. Next steps

The Council's commissioning team will continue to analyse the information returned by providers and consultants as outlined above. There are strong and consistent themes regarding staffing costs and the ambition of providers to improve terms and conditions for their workforce. Care homes in particular also emphasise that the current rate is insufficient to cover their non staffing costs fully and therefore is not sustainable long term without economic losses.

The feedback and analysis will inform final recommendations to Cabinet for rates that should ensure sufficient sustainability for the care market in Sheffield to meet its legal obligations as set out in the Care Act 2015. Final recommendations for fee rate increases will be detailed in the Cabinet Decision Report (Form 2 and appendices) on 17th March 2021 along with a full report on the feedback received from providers during the consultation.

The Council will continue to work with the market closely to respond to the ongoing challenges relating to the pandemic in the short to medium term. The Council will work closely with providers on the ongoing strategic market development and longer term reshaping of some areas of the market.

18. Focus for fee review 22/23:

Whilst recognising the challenges faced by the Council and the care market in contributing to the fee review process for 21/22, we recommend that the following activity would further improve the quality of the fee review for 22/23:

- Ongoing coproduction of quality and improvement work
- Engagement with people who use the services
- Voice and service user groups and forums
- Build in more customer voice around quality and experience
- National and regional research and development of care models, costs and market development

Commissioners welcome the views of Scrutiny in helping to shape the approach to market analysis, understanding the cost of care and reviewing fee rates in the future.

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